



Business Sustainability: The Trend of Human Resource Disclosure Based on Malaysian Evidence

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ABSTRACT

This paper aims to investigate the trend of human resource disclosure (HRD) quality based on publicly disclosed annual reports of 235 Malaysian listed companies. The data was collected through content analysis method using HRD index. The results reveal that there is an increasing trend of HRD quality from 2010 to 2014. However the significant increase is only between 2012 and 2013. This study provides empirical support for Institutional theory's coercive isomorphism, through its findings on quality of HRD. This is because, the related disclosure regulations and the Malaysian government policy through Malaysia Plan may have significantly influenced firms to increase HRD quality in their annual reports.

Keywords: Human Resource Disclosure, Human Capital, Quality of Public Disclosure, Intellectual Capital,

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INTRODUCTION

The corporate reporting by public companies should serve to provide information pertaining to their resources that facilitate their growth and sustainability in the market, including the disclosure of human resource and human capital (Mariappanadar and Kairouz, 2017) information. This issue is in line with a continuous evolution of public disclosure in the annual reports, from financial only to financial and non-financial information in the recent years. Prior literature has shown that effective HR practices (HRP) and its disclosure i.e. the HRD has significant influence on company performance (Huselid, 1995; Collins & Clark, 2003; Katou, 2008; Moideenkutty et al., 2011; Darwish et al., 2013; Vermeeren et al., 2014; Riley et al., 2017; Gamerslag, 2013; Abdullah et al., 2020). However, despite the importance of human capital (HC) as the key driver for companies' expansion, companies often only disclose limited information about these valuable internal assets through its public disclosure in their annual reports.

Specifically in the Malaysian context, although Bursa Malaysia requires more disclosure, including non-financial information, an often-overlooked aspect is human resource (HR) disclosure (HRD). Thus far, HRD has been studied as part of a larger component, i.e. Corporate Social Responsibility (CSR) disclosure (Tsang, 1998; Nik Ahmad and Sulaiman, 2004; Thomson and Zarina, 2004; Kuasirikun and Sherer, 2004). Otherwise, a subset of HRD, specifically human capital disclosure (HCD), has been studied as part of Intellectual capital disclosure literature (Abdolmohammadi, 2005; Ousama, Fatima and Hafiz, 2011; Haji, 2016). Hence, HRD has not been given specific attention in previous studies.

This may be considered a crucial neglect as employees, i.e. the HC is still a fundamental resource for a developing country like Malaysia.

Due to the importance of HRD in annual reports and its dearth of studies in the literature, this study aims to investigate the quality of HRD in Malaysia from 2010 to 2014. This longitudinal study should provide statistics for government initiatives on HC development in Malaysia, hence show the possible influence of the implementation of the 10th Malaysia Plan (10MP) in 2011. The findings of this study that revealed HRD has significantly increased after the initiation of the 10MP, would indicate that public listed companies (PLCs) supported the initiative and that the government's expenditure on the initiative had been worthwhile. The results of the study should consequently be of interest to the government, as well as the Bursa Malaysia regarding the compliance to HRD related listing requirements. Data was collected from annual reports via a developed HRD index. Then, the trend of HRD was analysed using paired sample T-test to determine if the HRD had increased significantly over the consecutive years.

LITERATURE REVIEW

Human Capital (HC), Human Resource (HR)

While many of the existing studies in the area use the terms HC and HR interchangeably, this paper recognizes a clear distinction between the two. HR is a general term, referring to all of the many attributes of a person in the workforce, including physical, biological, psychological, and cultural attributes (Schlutz, 1972). On the other hand, HC is a narrower and more specific term that encompasses employees' knowledge, skill, technical ability, personal traits

(e.g., intelligence, energy, attitude, reliability, and commitment), ability to learn (e.g., aptitude, imagination and creativity), desire to share information, willingness to participate effectively in a team and focused on the goals of the organisation (Abeysekara and Guthrie, 2004 p. 255). The HC is rooted in economics and it relates to the concept of “manpower” and “human resource”. However, Unlike HR, HC is valuable to the person who possesses it because of the economic services they render (Schultz, 1972) and can be considered as the most important driving force behind innovation creation (Sveiby, 1997). This element has been broadly recognised as a significant factor in current business competitiveness (Ulrich, 1991; Abhayawansa and Abeysekera, 2008).

Although HC and HR are different; both are needed by companies to stay in operation. In fact, HR can be transformed into HC through HR practices (HRP). As an example, when a fresh graduate joins a company, he does not possess special skills or experiences. However, through time, with correct and effective HRP, he can eventually become experienced and valuable to the company. Therefore, as HC and effective HRP are important sources of organisational wealth (Ulrich, 1991; Sveiby, 197; Wright, Dunfort and Snell, 2001), it is critical for a company to effectively practice good HRP to develop its existing HR into HC. In this paper, HRD is companies' disclosure about their HC and HR related matters in their annual reports. HC information specifically, refers to items such as knowledge intensity of employees, their competency, experience, job-related skills and abilities as well as the skills of management, ability of directors, key management officers and employees of the corporations. In contrast, HR related disclosure items include information about activities or programmes undertaken by firms to improve the skills, motivation, and knowledge of their employees such as recruitment, training and development and talent pool management. Furthermore, efforts to retain existing employees are also in this category, which includes performance and incentives management, health, and safety as well as the aspect of work-life balance.

HR Disclosure (HRD) Studies

Literature on HRD is mainly developed from 2 main streams. The first is from the IC stream, in which HC is one of the components. The second is from the CSR stream in which HR is one of the components. The HRD studies from the IC stream have been developed earlier in the mid-1990s in the Scandinavian countries; whereas the HR studies from the CSR literature were developed slightly later, at the end of the 1990s in the European countries. Since then, the HRD studies from the two streams developed concurrently throughout the years, and in recent years, a stream has emerged specifically on HRD.

Based on prior literature, regardless of the stream, HRD has been examined in many countries around the world, not only in Western countries but also in Eastern countries including Malaysia, India, Japan and African countries (Mat Husin et al., 2011; Motokawa, 2015; Bowrin, 2018). However, since HRD started in Europe in the 1990s; earlier studies were conducted in the West, such as in Sweden, Australia, Finland, Denmark and Germany, and UK (Subbarao and Zeghal, 1997; Guthrie and Petty, 2000; Olsson, 2001; Boedkar, Guthrie and

Cuganesan, 2004; Abeysekara and Guthrie, 2004; Vuontisjärvi, 2006). Then, the literature spread to many countries around the world. The main focus of the studies in any country started with examining the quantity of HRD in annual reports of the listed companies. Among the studies are Subbarao and Zeghal (1997) in Germany, Guthrie and Petty (2000) in Australia, Mat Husin et al. (2011) in Malaysia, Motokawa (2015) in Japan and Bowrin (2018) in Africa. These studies focused on examining the extent or the quantity of HRD of PLCs in their respective countries.

In later years, studies started to examine the HRD quality, and it was found generally, there lacked consistency and comparability in its disclosure (Vuontisjärvi, 2006; Guthrie and Petty, 2000; Boedker, Guthrie and Cuganesan, 2004; Saitua-Iribar et al., 2014; Mat Husin et al., 2011) and quantitative items were disclosed only by a few companies (Vuontisjärvi, 2006; Mat Husin et al., 2011). In addition, the disclosure was found to be primarily of a historical and non-quantitative nature, lacking prospective and risk related data (Saitua-Iribar et al., 2014). Furthermore, a systematic HRD is unlikely to occur in the absence of specific regulations and guidelines (Khan and Khan, 2010; Guthrie and Petty, 2000). This is especially so in developing countries, where the practices are directly driven by international expectations (Islam and Deegan, 2008) whereby the disclosure practices are mainly driven by multinational companies (MNCs) or world industrial leaders. Firms in developed countries appear to be more likely to develop their reporting practices voluntarily (Uwalomwa and Uadiale, 2011) compared to firms in developing countries because the latter often depends on the government mandating such practices (Azzone, Manzini and Noci, 1996).

The content analysis method was frequently used for analysing HRD in the annual reports. Furthermore, more studies (Ax and Marton, 2008; Rimmel, Dergård and Jonäll, 2012; Mat Husin et al., 2011; Saitua-Iribar, Andicochea-Arondo and Albizu-Gallastegi, 2014; Alvarez, 2015) have shown a trend towards analysing not only the quantity but also the quality of HRD. However, most of these studies concluded that the quality of disclosure was insufficient (Huang, Luther, Tayles and Haniffa, 2013; Khan and Khan, 2010) and the levels of HRD are relatively low (Bowrin, 2018).

In analysing the items used in the HRD checklists, prior literature failed to distinguish between HR and HC items. For example, the firms' efforts to develop their HR, i.e. HR practices, were often recognised as HC items. However, within the context of business, the concept of IC, *human competence* or HC extends beyond this to embrace employees' factual knowledge, experience, value judgments, and social network, which tends to describe their practical skill (Sveiby, 1997). These distinctive attributes of employees constitute a valuable organisational human asset, which falls under the category of intangible assets. Lack of distinction between HC and HR practices (HRP) items is evident when “employees training and education”, “employees' pensions and benefits” and “employees' welfare” have been included as HC items in prior studies (Haji, 2016; Abhayawansa and Guthrie, 2012) although they are in fact HRP.

Based on the literature review, there are considerably limited studies examining a specific HRD issue. This study is among the first to specifically examine this subject. Earlier studies

began by examining the extent or quantity of HRD, followed by studies that also examined HRD quality in recent years. In developing countries, none of the prior studies, both from the IC and CSR streams had focused on the quality aspect of HRD. Hence, this study only examines the quality aspect of HRD. This is because, the review of HRD studies of the two streams generally indicated that the quality of reporting (CSR and IC) is beginning to improve. However, prior studies focused more on HC, instead of HR items, i.e., efforts undertaken to develop HC. Therefore, the present study attempts to fill in the gap by analysing the trend of HRD quality that comprises both HC and HR items using data from the year 2010 to 2014. Additionally, examining HRD quality is pertinent as it is in line with the government's initiatives on HC development, specifically in Malaysia. An increasing HRD quality trend possibly indicates the contributions made by these firms to develop their HC, which is in line with the government's attempt to provide higher quality and skilful Malaysian workforce.

Theory and Hypothesis

Institutional theory

Institutional theory is used to explain the adoption and spread of any new organisational practice in an institution. Based on this theory, the spread of a new practice is due to institutional pressures, known as isomorphism, which are categorised into three types: coercive (regulative), normative and mimetic. According to Institutional theory, an organisation will "change" its structure or operations in order to conform to external expectations about "what forms or structures are acceptable" (Deegan, 2002: 293). For example, the organization may change its practice to comply with a stringent rule by an authoritative body that requires a certain new disclosure regulation to be followed by listed companies. This regulation may not only affect listed companies, but could lead other companies to adopt a similar pattern of disclosure practice. Likewise, a decision by a firm (say an industry leader) to adopt a comprehensive and detailed disclosure policy may influence other firms in the same industry to adopt a similar policy.

DiMaggio and Powell (1983) introduced three separate types of isomorphisms under Institutional theory. The first type is coercive or regulation isomorphism, originating from political influence, regulation, law and the public at large. The second type is mimetic isomorphism, which occurs when an organisation models itself against other successful organisations within the same population or industry. This normally happens when there is no clear guidance or reference concerning a certain practice. The third type is normative isomorphism. This happens in a situation that stems from professionalisation, normally through education and professional network (DiMaggio and Powell, 1983)¹. In the context of this study, the perspective of Institutional theory is seemed appropriate to be used to explain HRD. Specifically, compliance of companies to regulation can be explained by coercive isomorphism under Institutional theory. Also, enhancing disclosure practices due to increased awareness of society as well as imitating good practices in order to appear legitimate to the public can be explained by normative and mimetic isomorphisms of Institutional theory,

since the HRD has elements of both mandatory and voluntary disclosure practices.

Hypothesis

In describing the trend of the quality of HRD from 2010 to 2014, based on the Institutional theory, the possible increase in HRD could be explained by various factors, such as adhering to regulation, mimicking reputable companies, or being compelled through public pressure. In order to put H1 into context, the development of the hypothesis will rely on the perspective of Institutional theory to describe the trend of HRD from 2010 to 2014.

In Malaysia, various regulatory requirements support the disclosure of different components of HRD. For example, Bursa Malaysia (BM) mandates social and environmental reporting on PLC effective from 2007² onwards. One of the focal areas of this reporting requirement is HR. In addition, certain aspects of executive members on the board of directors are required to be disclosed by the MCCG (2012). These executives are HC of the companies, thus MCCG (2012) promotes HRD (through HC items), regarding top management. Furthermore, the Malaysian Financial Reporting Standards (MFRS) also require the disclosure of certain elements of HR. Specifically, MFRS138 on intangible assets proposes the proportion of research and knowledge that is likely to generate future income to be capitalised. Other material aspects of research and development are to be disclosed. Therefore, MFRS138, along with BM listing requirements and MCCG (2012), are standards and guidelines aimed at increasing disclosure in annual reports, and in this context, HRD. Such increase in HRD, due to regulatory pressure, would be consistent with the coercive isomorphism discussed in Institutional theory.

Although disclosing HRD is mandatory based on the regulatory requirements mentioned, the specific items to disclose are left to the discretion of the companies. Therefore, companies may choose to disclose HR information by referring to globally accepted reporting practices such as GRI and IIRC that have provided suitable guidelines about publishing quality HRD. In this context, mimetic isomorphism under the Institutional theory is applied. Logically, reporting practices by industrial leaders, such as MNCs, are referred to by other listed companies especially when specific reporting guidelines are lacking, particularly details on HRD items. Due to the lack of specification on HRD items, listed companies may imitate (mimic) MNCs, that are already disclosing their HRP in line with GRI and IIRC guidelines, for their sustainability reporting (Eccles and Armbrester, 2011). Thus, these companies would be imitating companies that are deemed to have better disclosure practices, including HRD.

The government, as one of the recognised powerful stakeholders in Malaysia (Ten, 2009), is determined with HC development and encourages corporations to participate in this effort as stated in the 10MP. Thus, public awareness of HR could be enhanced through various national efforts by the government. This heightened awareness could also trigger companies to disclose more HRD to cater to nominal

¹ It can also be defined as an outcome or a result of a certain professionalization of organisation actors such as managers and administrators (Rizwana, 2010: 80)

² Bursa Malaysia CSR listing requirement.

pressures from stakeholders as well as the public. Therefore, on the basis of the above discussion, in which the various isomorphisms of Institutional theory proposes an increase in HRD, the following hypothesis is formulated:

- H1: There is an increasing trend of the quality of HRD in annual reports of PLCs from the year 2010 to 2014.

RESEARCH METHOD AND SAMPLE SELECTION

Sample Companies

Table 0.1 presents the sample selection used in this study. This study chose only annual reports that were available in all the years 2010, 2011, 2012, 2013, and 2014. Generally, from 814 companies in 2014, an initial sample of 236 companies was selected utilizing a stratified systematic sampling method, which is more statistically efficient than a simple random sampling method (Cooper and Schindler, 2008). This number of companies in the sample represents approximately 29 percent of the total population of 814³ Malaysian listed companies in 2014. Firms that did not have all the five years' annual reports were then removed and only companies that exist during the entire sample period were included as part of the sample, consistent with prior studies (Niskala and Pretes, 1995; Abdolmohammadi, 2005; Haji and Mohd. Ghazali, 2013). Accordingly, the final sample was 235 companies of the total population. All selected annual reports for the five years were downloaded from the Bursa Malaysia website⁴.

Table 0.1: Distribution of Companies According to Sectors

| No. | Sectors | Total Listed Companies | 29% of Total Sample |
|-------|----------------------------------|------------------------|---------------------|
| 1. | Closed Fund | 1 | 0 |
| 2. | Construction | 42 | 12* |
| 3. | Consumer Product | 131 | 38 |
| 4. | Finance | 34 | 10 |
| 5. | Hotels | 4 | 1 |
| 6. | Industrial Product | 240 | 70 |
| 7. | Infrastructure Project Companies | 6 | 2 |
| 8. | Mining | 1 | 0 |
| 9. | Plantation | 41 | 12 |
| 10. | Property | 83 | 24 |
| 11. | REIT | 16 | 5 |
| 12. | Technology | 31 | 9 |
| 13. | Trading and Services | 181 | 52 |
| Total | | 814 | 235 |

*12/42 x 100=29%

** REIT – Real Estate Investment Trust; SPAC – Special Purpose Acquisition Companies

Research Methodology for HRD

Content analysis method was used to collect HRD in the annual reports. The capability of this methodology in providing reliable, consistent, comparable and rich data is evidenced from many prior studies (Wiseman, 1982; Fekrat et al., 1996; Olsson, 2001; Villiers and Staden, 2006; Gamerschlag, 2013;

Haji and Mohd. Ghazali, 2013). This study only examined the quality aspect of HRD. While most of the prior studies in developing countries have largely focused on the quantity or the extent of social and environmental disclosures (Tsang, 1998; Nik Ahmad and Sulaiman, 2004; Thomson and Zarina, 2004; Kuasirikun and Sherer, 2004; Chatterjee and Mir, 2008), however, disclosures with more accurate, quantifiable and specific information are perceived to be of better quality (Wiseman, 1982; Fekrat, 1996; Al-Tuwaijri et al., 2004).

HRD disclosure index was used to access the quality of HRD through the content analysis method. Regarding this, since HR and HC are not the same, as explained earlier, the HRD index categorised them separately. The first category is for HR items, and the second is for HC items. The HRD index was constructed from gathering items from many prior studies, as well as other credible references such as the Global Reporting Initiatives version 4 (GRI4). This approach to forming an index is consistent with many studies that used the disclosure index to measure the quality of disclosure (Wiseman, 1982; Fekrat et al., 1996; Cormier and Magnan, 1999; Cormier and Gordon, 2001; Cormier et al., 2005; Ten, 2009). Table 4.2 presents the categories of HR and HC items, and Table 4.3 presents the scoring procedures of the HRD index items specifically to measure the quality of HRD in the annual reports.

Table 0.2 Items for HRD Index

| HR items categories | No. of Items |
|--|--------------|
| 1. Recruitment and Selection | 6 |
| 2. Talent Pool Management | 8 |
| 3. Training and Development | 8 |
| 4. Performance Management and Incentives | 14 |
| 5. Internal Relation Management | 6 |
| 6. Health and Safety | 7 |
| 7. Work-Life Balance Initiatives | 18 |
| Total HR items | 67 |
| HC items categories | No. of Items |
| 1. Employees' items (Voluntary) | 10 |
| 2. Directors' items (Voluntary) | 4 |
| 3. Directors' items (Required – MCCG Compliance) | 4 |
| Total HC items | 18 |
| Total HRD Index Items (67 +18) | 85 |

The following table, Table 4.3 presents the scoring procedures used to measure the quality of HRD in annual reports.

Table 0.3 The Scoring Procedure of the HRD Checklist

| Description of scoring | Score |
|---|-------|
| Items disclosed are quantitative and monetary. | 4 |
| Items disclosed are quantitative and non-monetary. | 3 |
| Items are disclosed in specific terms and non-quantitative. | 2 |
| Items are disclosed in general terms. | 1 |

³ Data obtained from www.bursamalaysia.com.market/listed-companies/list-companies, in June 2015.

⁴ <http://www.bursamalaysia.com>

The scoring method was adopted from Sulaiman et al. (2014), as adapted from Wiseman (1982). The HRD in each company's annual report was scored using this scoring approach. The highest score of four (4) was given for HRD with monetary figures (quantitative-monetary) and a score of three (3) was assigned if an item was disclosed in quantitative but non-monetary terms. These quantitative types of information are considered high in quality and more objective, hence useful for comparative and forecasting analysis (IIRC, 2013; Al-Tuwaijri et al., 2004). A lower score was given for HRD without any quantitative figures. A score of two (2) was assigned for items presented with specific details but in non-quantitative terms and a score of one (1) for items mentioned only in general terms. In the absence of disclosure items, a zero (0) score was assigned. The measurement of HRD is expressed in percentage. This can ease the analysis of the HRD scoring and is very useful to quantify changes between years and to analyse trends throughout years.

$$\left[\frac{\sum \text{HRD score}}{(85 \times 4)} \right] \times 100$$

Note: maximum score = sum of HR items (67) and HC items (18), times four (85 x 4).

In order to ensure the consistency of scoring and cater for subjectivity or arbitrariness (Wiseman, 1982) of HRD scoring procedures, the HRD scoring sheet was firstly completed independently by the researcher. Then, 20 samples of the annual reports were then given to two qualified coders. The coders were postgraduate⁵ students who had experience in coding disclosure items. Based on the comparison, there was no significant difference between the HRD scoring of the researcher and the two independent coders.

Data Collection

The trend of HRD quality was analysed based on annual reports of Malaysian listed companies on the Mainboard of Bursa Malaysia (BM) for the financial years ended 2010, 2011, 2012, 2013 and 2014. Selection of these years, i.e., 2010 to 2014, took into consideration the launch of 10MP implemented in 2011, where the 10MP covered the years 2011 to 2015. The difference of one year before and three years after 2011 is perceived as sufficient to study whether 10MP has had any impact on the quality of HR disclosure in the following years. The selection of the year 2010 as the first year of analysis also considers a three-year gap after the CSR listing mandatory requirement by Bursa Malaysia in 2007⁶. As HR is one of the components of CSR, it allows this regulation to take effect on HR disclosure from the year 2007 onwards. Furthermore, for Malaysian listed companies, the financial reporting standard MFRS138 *Intangible Assets* (FRS138) became effective for the financial period beginning 1 January 2012. This MFRS138 indirectly affects HRD since HC development, including the knowledge development efforts, can be considered as a component of intangible assets. In addition, the MCGG code issued in the year 2006, was revised in 2012. This may also have indirectly affected the HC disclosure items in the years under investigation. Consequently, HC disclosure items in the HRD index may

have improved since 2006, specifically over the years of study. Therefore, the selection of the years 2010 to 2014 is suitable for this study, which aims to analyse the trend of HRD in terms of its quality.

FINDINGS

HRD quality from 2010 to 2014

Table 5.1 presents the descriptive analysis of HRD quality from 2010 to 2014. Firstly, the results show that the minimum quality of HRD score was constant at 18 over the five years. This is approximately 5% of the potential quality of HRD that could be obtained by each company. On the other hand, the maximum quality of HRD has increased over the years, from 160 in 2010 to 184 in 2014. In percentage, these numbers represent about 47% to 54% of the potential quality of HRD.

Table 0.1 Descriptive Statistics of HRD Quality

| HRD Quality | Min (%) | Max (%) | Mean (%) | Std. Deviation |
|-------------|---------|---------|----------|----------------|
| 2010 | 5* | 47 | 12 | 24.529 |
| 2011 | 5 | 48 | 12 | 23.408 |
| 2012 | 5 | 48 | 12 | 25.607 |
| 2013 | 5 | 50 | 14 | 28.991 |
| 2014 | 5 | 54 | 14 | 30.542 |

N = 235

Note. The percentages are calculated over the total score for HRD quality.

i.e., maximum score: $85 \times 4 = 340$ * $(18 / 340) \times 100$

Based on the mean value, the quality of HRD had a score of approximately 40 to 49 from 2010 to 2014. This value represents only about 12 to 14%⁷, from the possible quality of HRD that was achieved by listed companies throughout the years under investigation. This indicates that on average the quality of HRD achieved by the companies is relatively low, as the majority of companies achieved percentages of less than 15% from the total HRD quality⁸. Additionally, based on the standard deviation results, the figures are 25 to 30, indicating the wide dispersion in percentages of HRD quality. For example, data in 2014 show that the percentage of minimum, maximum and mean quality of HRD are approximately at 5%, 54% and 14%, respectively. These figures indicate that there is comparatively high deviation of minimum and maximum values from the mean value. Nevertheless, generally based on the results of the descriptive statistics provided in Table 0.1, the quality of HRD from 2010 to 2014 has increased.

Trend of HRD over the years 2010 to 2014 (H1)

The trend of the quality of HRD is evident through the mean percentages in Table 0.1, where on average, the quality of HRD is stable at 12 percent in the first three years, and then

⁵ Two coders – one Master and one PhD Student.

⁶ CSR disclosure mandatory listing requirement by Bursa Malaysia beginning 2007.

⁷ HRD in percentage: $(\text{Actual HRD score} / \text{Max Score}) \times 100$

⁸ Number of items in HRD index multiply max score (i.e. 85×4). Maximum HRD quality score is $49 / 340 = 14.4\%$, which is less than 15%.

it increases to 14 percent in the last two sample years. Based on the Mann-Whitney U test in Table 5.2, there is a significant increase in HRD quality over the sample period. This non-parametric test was used as HRD quality data were not normally distributed.

Table 0.2 Mann-Whitney U – test Results

| HRD Quality by year | Mean Rank ⁹ | Asymp. Sig. [*] |
|---------------------|------------------------|--------------------------|
| 1 | 2010 | 231.65 |
| | 2011 | 239.35 |
| 2 | 2011 | 235.31 |
| | 2012 | 235.69 |
| 3 | 2012 | 215.10 |
| | 2013 | 255.90 |
| 4 | 2013 | 231.59 |
| | 2014 | 239.41 |

N = 235
* 2 – Tailed Significant Asymp.

Based on Table 5.2, a comparison between HRD quality of 2 consecutive years was made to determine if there was a significant increase in the subsequent years. From the result, it was found that the significant difference in HRD quality is only between the years 2012 and 2013. This is based on Asymp. Sig. value of less than 0.05. This result is consistent with the percentage of mean difference in Table 0.1 that only shows noticeable differences, i.e., 12% and 14% in the years 2012 and 2013, respectively. Therefore, based on descriptive and statistical analysis, H1 is supported. Specifically, the quality of HRD has increased from 2010 to 2014. However, only HRD quality between 2012 and 2013 is found statistically significant.

The significant increase in HRD quality from 2012 to 2013 may be explained through the lens of Institutional theory based on coercive isomorphism (DiMaggio and Powell, 1983). The increase in HRD quality over the sample period may well be due to several regulations. First, MFRS138 which was made mandatory in 2012, may have influenced companies to disclose certain HR items in annual reports including efforts in knowledge development amongst their employees. Second, MCGG (2012) may have also promoted HRD through HC items as the MCGG (2012) requires information about the board of directors in the annual reports. It has to be noted that although MCGG is not a regulation, it is a recommended guideline, which has the full support of Bursa Malaysia. Hence, MCGG requirements are warranted from listed companies. In addition to these, the increase of HRD quality may also possibly be due to 10MP (for the period 2011 to 2015) as initiated by the Malaysian government, concerning the promotion of HR development in this country. The Malaysian companies have perhaps responded to the government's calls regarding the HR development campaign by increasing the quality of HRD information in the annual reports. Accordingly, it is reasonable to presume that the initiatives had only taken effect gradually and became prominent in 2013, thus the significant increase in 2013 as

compared to 2012. Therefore, based on the results, it is logical to deduce that those regulations and the government policy through MP may have significantly influenced firms to increase HRD quality in their annual reports.

In addition to the above regulations and policies that may have encouraged companies to disclose better HRD quality throughout 2010 to 2014, the increase could also be explained by the influence of the global reporting framework initiative. For example, the International Integrated Reporting Council (IIRC) was launched in 2010. Before the IIRC, some leading companies have used the Global Reporting Initiatives or GRI as guidelines for their sustainability corporate reporting. In 2010 itself, it was found that nearly 160 companies¹⁰ had already used G3 (GRI version 3)¹¹ Guidelines for their sustainability reporting (Eccles and Armbrester, 2011). Although complying with the global reporting initiatives like IIRC or the GRI is not mandatory, nevertheless, it can significantly improve the quality of corporate reporting. Particularly, this international reporting framework is found to be beneficial for multinational corporations (MNCs) to improve the comparability of their corporate reporting. For example, in this study's context, some leading MNCs, such as Carlsberg, Dutch Lady, GAP and Nestle were found to have followed the recommendation of the GRIs, hence the quality of their reporting was significantly higher, as compared to the other companies. Therefore, in summary, when regulations and policies do not specifically prescribe HRD items, companies may voluntarily refer to GRI and IIRC. This may also explain the trend of better quality HRD throughout the years.

Additional Analysis on HRD Quality

Further analysis was undertaken on HRD quality according to respective categories to better understand the disclosure practices of Malaysian companies on HR information. Table 0.3 provides the results.

Table 0.3 Descriptive Statistics: Quality of HRD by Category

| | Mean scores (%) | | | | | 5 year's mean | Mean Difference : 2010 & 2014 |
|------------------------------|-----------------|-------|-------|-------|-------|---------------|-------------------------------|
| | 2010 | 2011 | 2012 | 2013 | 2014 | | |
| 1. Selection and recruitment | 2.63 | 2.88 | 2.75 | 4.75 | 5.00 | 3.60 | 2.38 |
| 2. Talent Pool Management | 4.88 | 5.31 | 5.34 | 7.09 | 8.25 | 6.18 | 3.38 |
| 3. Training and Development | 12.47 | 12.69 | 13.44 | 15.91 | 15.75 | 14.05 | 3.28 |
| 4. Performance and Incentive | 12.55 | 13.00 | 13.09 | 14.88 | 15.16 | 13.74 | 2.61 |
| 5. Internal Relation Mgmt. | 7.58 | 7.96 | 8.58 | 11.92 | 12.71 | 9.75 | 5.13 |
| 6. Health and Safety | 8.00 | 8.39 | 9.18 | 11.14 | 12.18 | 9.78 | 4.18 |
| 7. Work-Life Balance | 3.86 | 4.29 | 4.44 | 5.60 | 6.08 | 4.86 | 2.22 |
| 8. HC - Employees | 9.70 | 9.33 | 9.65 | 11.73 | 12.10 | 10.50 | 2.40 |
| 9. HC - Directors | 49.91 | 49.66 | 49.69 | 50.19 | 50.19 | 49.93 | 0.28 |

N = 235

Based on Table 0.3, the quality of HRD in all categories has gradually increased over the years and quite noticeably between 2012 and 2013. This result is supported through the Kruskal-Wallis test in Table 5.4 that shows that there is a significant difference in the quality of HRD when a comparison is made between all categories¹² throughout the sample period.

Table 0.4 Kruskal-Wallis Test Statistics

| Quality of HRD | Chi-Square | Asymp. Sig.** |
|----------------|------------|---------------|
|----------------|------------|---------------|

⁹ For Mann - Whitney U Test, it should be noted; usually this test was for ordinal data. Therefore, the mean rank data is presented in group rank differences rather than group mean differences. Therefore, the result figures of similar group are sometimes different.

¹⁰ E.g. Novo Nordisk Company – a Danish health care produces One Report since 2006.

¹¹ Latest GRI is G4, launched in 2013.

¹² Asymp. Sig value of 0.00 levels which is lower than the alpha level of 0.05 ($p < 0.05$)

| | | |
|---------------|--------|------|
| By categories | 50.712 | .000 |
|---------------|--------|------|

** $p < 0.001$.

Furthermore, based on category analysis as in Table 0.3, the highest mean value was regarding HC items, specifically the item on Directors. Over the sample period, the mean percentage of HRD quality of this item was consistent at approximately 50 percent. The information is regarding director disclosures that are required by MCGG (2012). As Bursa Malaysia has required listed companies to comply with MCGG guidelines, generally all companies have at least disclosed this information in their annual report. The second highest score was HR items in Training and Development category, as well as in Performance and Incentive category. The mean values were approximately 14%. The quality of HRD of this second item is considerably lower than the first. Nevertheless, the MFRS138 disclosure requirement on knowledge development may have influenced companies to disclose such information. This item is also in line with the 10MP that promotes HR development in Malaysia. The next highest is another HC item on Employees. This item has a mean percentage of HRD quality of approximately 11%. The HRD quality of Employees is followed by HRD quality mean value of Health and Safety, which is an HR item. The mean of Health and Safety was approximately at 10%. This relatively high HRD quality indicates that, generally, Malaysian companies seem to have complied with OSHA (1994; 2006). Although OSHA is not a disclosure requirement, companies can opt to disclose this information, if they have it in practice. For the rest of the items, the HRD quality mean values range between 4% and 10%.

Based on the above, it would seem that even though there is improvement in the quality of HRD over the sample period, substantial improvement is still needed. This is because even the highest HRD quality item of Director information only meets 50% of total HRD quality; hence, the HRD quality of this item could be further improved by another 50%. Thus, even though there is a combination of regulations, policies and initiatives, as discussed above, that has led to better HRD quality, the HRD quality of Malaysian companies is still considerably low.

CONCLUSION AND IMPLICATION

Based on the results, the eventual increase in HRD in the annual reports of sample Malaysian companies over the sample period tends to support Institutional theory. Furthermore, although the pattern of an abrupt significant increase in quality of HRD in 2013 is indicative of the companies having to be coerced into disclosing HR information through regulatory requirements, the competing isomorphisms have not been specifically tested in the study. Therefore, apart from the findings of HRD generally supporting Institutional theory, the specific isomorphism that explains this increase in HRD quality is currently an inference and should be conclusively tested in future research. In terms of implication to knowledge, generally, this study extends the prior literature in several aspects. Firstly, this study specifically focuses on HRD. As mentioned before, prior studies examined HRD as part of CSR (workplace) and IC (HC component). Furthermore, the study has contributed to the development of an index that has been developed specifically for HRD based on prior literature and HR-related sources such as the GRI4 and Malaysian HR Act (e.g. OSHA

1994). These findings may be beneficial to regulators, particularly since the significant increase in quality of HRD was only found between 2012 and 2013, and seem to plateau again in 2014. Based on these results, it has been deduced that companies in Malaysia seem to need to be encouraged to disclose HRD through advancements in regulation. Therefore, Malaysian regulators may need to consider being more prescriptive, specifically concerning HR items, to promote HRD.

LIMITATION & FUTURE RESEARCH

The results of this study should be interpreted in light of certain limitations. Firstly, data for measuring HRD only focuses on HR information in the annual reports. This means that this study excludes other potential public sources of HRD such as press releases, flyers and other possible documents, including financial analysts' reports. As these are publicly available information, they could also provide information on HR. However, the study only focuses on annual reports because it provides a boundary on the scope of the sources of public information. More importantly, annual reports are reviewed by the auditor, thus the information is accepted to be more reliable than other sources. This study was conducted based on the quantitative research method, i.e. content analysis and survey. Accordingly, the results of this study were analysed based on a specific theoretical framework that underlies each of the hypotheses, thus providing some understanding regarding current reporting and disclosure of HR in listed companies. This study, being quantitative in nature, attempts to attain generalisability of the results. However, future research could complement the findings of this study by using qualitative methods such as interviews to investigate possible determinants for companies to publicly disclose their HRP. In conclusion, despite the study's limitations, it has opened up a few avenues for future research. Hence, it is left to future researchers to explore these avenues for better understanding and appreciation of HRD and its associations.

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