THE ROLE OF MEDIA RICHNESS IN CSR WEB DISCLOSURE: THE IMPACT ON USERS AND ORGANIZATIONAL IMAGE

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ABSTRACT

The purpose of this research is to determine whether the richness of corporate social responsibility (CSR) presentation on web disclosure has an impact on user trust, attitude and knowledge regarding such disclosure, and to examine the effect of influenced user's behavior with richness of CSR presentation toward organization image. This study is expected to contribute towards theory and practice. The first implication, this study contributes to the literature using media richness theory as the framework to put the CSR communication in context. Second, communicating the CSR issues to public is critical to organization especially public listed companies (PLCs) not only because it is required by Bursa Malaysia or compliance by law, but also to encourage organization in delivering the information and gain feedback from stakeholders. This action would make PLCs more engaged in being socially responsible as a corporate citizen to the stakeholders. It can be learnt that the regulatory bodies like Bursa Malaysia and organization hold a particular interest in the findings of this study. The findings can be used to develop appropriate communication strategies and determine the right channel in delivering sustainable value to stakeholders.

Keywords: Corporate social responsibility, web disclosure, media richness theory, user behavior, organizational image

Background of the Study

CSR is a concept that describes the relationship between organization and society (Snider, Hill & Martin, 2003). The way an organization portrays corporate ethics and social initiatives message can evoke the strong positive reactions among stakeholders or users (Morsing & Schultz, 2006). As a result, the organizations are increasingly concerned with the CSR communication and have allocated a big portion of money for that purpose (Hutton, 2001). This is to ensure that the users are

aware the organizations are socially responsible. Some organizations, however are reticent to communicate their actions, afraid of critics and wary of creating expectations (Schlegelmilch & Pollach, 2005). On the other hand, the users are getting more concerned with the organizations activities nowadays and they want to know more about the product and brands that they are consuming (Lodhia, 2001). Despite these two conflicting views, corporate communication that is used to illustrate that the organization are ethically and socially responsible seem to be much under investigated.

Aware of the importance of communication element in driving the users' perception on CSR, management now starts considering new media in disclosing their social activities. The use of web communication enables information to be disseminated to a wide range of users (Lodhia, 2004). In addition, the improved presentation is more attractive due to the use of graphics, hyperlinks and videos (Lodhia, 2004; Saeed et al., 2010). According to media richness theories (MRT), the ability of media to convey messages and cues is varied, that is, based on the type of media and how the organization choose and use the right media, will facilitate users understanding (Daft & Lengel, 1986). Thus, the enrichment of corporate website using interactive media is able to increase external users' impression (Lodhia, 2004). Being impressed with CSR information, the users will in turn have positive outlook on the image of the organization.

Beside media richness, communicating CSR activities by using Internet platform becomes a new area of research. The limitation of conventional print mechanism such as annual reports invited criticism in relation to time lags for information dissemination, lack of accessibility and interactions with users (Lodhia, 2004). O'Donovan (1999) uncovered that the organizations did not perceive annual reports as the most useful medium for CSR disclosure. This was due to lack of space and CSR information was presented based on the organization's need rather than users. Other channels such as advertisements and brochure that have been used for communicating CSR are lack of performance reporting (Tilt, 2001). Thus, the existence of Internet may give an impact on CSR communication study.

Internet allows an organization to disseminate more data, save cost and faster than before (Marken, 1999). Wanderly et al. (2008) posited that the Internet could replace all traditional media in communicating CSR but not annual report. This is in contradiction to Hunter and Bansal (2007) who argued that websites are more superior to annual reports in terms of the ability to disseminate current issues. However, annual report still gains

more credibility from the users because it has been accepted as legitimacy document (O'Donovan, 2002) and becomes the main sources for users in seeking organizations social performance (Tilt, 1994). To enhance the credibility of CSR web disclosure, the organization should embed elements such as informative, educational, less emotional and interactive (Azevedo, 2004). Other elements such as images of social activities, news coverage and high involvement of specific users on particular issues can also facilitate user understanding on CSR (Hirschland, 2006). Rich presentations of CSR information through websites are able to assist an organization and its users in meeting objectives.

Apparently, there is lack of literature on the use of corporate website and its effect on CSR disclosure. Most of the studies are focused on different sectors and countries in disclosing CSR (Sweeney & Coughan, 2008), or comparison among different channels like annual report, brochure, advertising or website (Aerts & Cormier, 2009) or communication strategies to publish CSR activities (Morsing & Schultz, 2006). In Malaysia scenario, most of the CSR studies are related to CSR implementation, reporting and theories (Zulkifli & Amran, 2006; Janggu et al., 2007; AlRazi, Sulaiman & Ahmad; 2009). In short, it could be said that CSR web disclosure is a much under investigated area.

Furthermore, previous studies found that media richness has played a significant role in increasing users' motivation and ability to process information and ultimately understand the intended message (Robert & Dennis, 2005; Cable & Yu, 2006). The effect of MRT is not only limited to allow effective and efficient interactions (Robert & Dennis, 2005), build relationship between sender and receiver (Markus, 1994) and assist the users in making a good decision (Rice, 1992) but also change user understanding (Daft & Lengel, 1986). However, to date only one investigation has applied media richness theory to the CSR literature and the result showed that the richness of CSR web disclosure is positively related to user trust and perceptions towards the organization (Cho et al., 2009). However, they did not test the company with bad reputation. Thus, it would be interesting to find out whether the use of media richness of CSR web disclosure could change the users' perceptions on a particular company. This study intends to look from this angle.

Previously, MRT had been studied from the perspective of traditional media such as face-to face meetings, telephone, memos, letters, flyers, bulletins and generalized computer reports (Lengel & Daft, 1988). The existence of new media such as e-mail, voice mail and computer-mediated communication, as communication tool gives a new perspective to MRT.

Several researchers had investigated MRT from the perspective of new media, but most of them focused on organizational communication (Daft et al., 1987; Carlson & Zmud, 1990), employees' perception on media richness (Kishi, 2008) and differences between traditional media and new media (Cable & Yu, 2006; Otondo, Van Scooter, Allen & Palvia, 2008). Those studies, however did not examine whether media richness lead to successful information transfer. In addition to this, there has been inconsistent empirical finding on media richness with regard to new media (Markus, 1994; Carlson & Zmud, 1999; Simon & Peppas, 2004). Thus, there is a need to analyze MRT from the perspective of Internet user that has experience in dealing with interactive medium (web site) to revalidate it (Simon & Peppas, 2004). In short, this study aims to define the inconsistent results and to ascertain the impact of media richness on user's behavior toward new media.

To recapitulate, this study aims to fill the above gap by examining the role of media richness in communicating CSR activities and its impact on users' behavior such as trust, attitudes and knowledge. This study also examines the effect of users' behavior toward an organization's image. This study is in tandem with the strategic direction of Bursa Malaysia that urges the organization to communicate CSR activities and encourage feedback from the stakeholders for them to have a dynamic and relevant CSR vision.

Having described the background of this research but not the inherited problems, the following section will describe the problems of this research. The problems are the basis for developing research questions and objectives.

Problem Statement

CSR facilitates users' belief in organization values and promotes favorable relationships with them by giving incentives (Nelson, 2004; Sen & Bhattacharya, 2001) like willing to spend more from ethical companies that supports charity (Creyer & Ross, 1997) and switch brand or buy product from companies that associate with non-profit organizations (Smith & Alcorn, 1991). CSR activities not only affect user purchase intentions but also portray a positive evaluation about the organization (Sen & Bhattacharya, 2001). Anecdotal evidence showed that social responsiveness is positively associated with corporate reputation (Fombrun & Shanley, 1990) and treated as a marketing weapon which might enhance corporate image, change the public attitudes and attract media coverage (Bennett, 1998).

Therefore, CSR communication becomes an important tool to create the relationship between organization and users. Organization that resist in disclosing their CSR activities, will face unfavorable actions from users. Concerned users will punish the organizations that are seen less socially responsible (Mohr, Webb & Harris, 2001), boycott their products and pressure them to be more socially concerned or take a legal action against an organization that does not fit with their value (Mohr et al., 2001). Moreover, if users perceive that an organization engages in CSR because of image-promotional reasons, they will produce backfire effects (Yoon et al, 2006).

Thus, embedded richness elements in communicating CSR are important to disseminate more efficient and effective information (Markus, 1994). For instance, Cho et al. (2009), confirmed that the richness of web presentation of CSR information positively impact users trust in such disclosures. Simon & Peppas (2004) claimed users are more motivated, have stronger positive attitude and satisfaction with richer presentation on corporate website. It also makes the process of knowledge transfer smooth and successful to the user if organization used appropriate richer media (Murray & Peyrefitte, 2007). The central of this theory is to match the level of uncertainty and ambiguity in a message with the richness of presentation to allow effective and efficient communication (D'Urso & Rains, 2006). Therefore, organizations need to incorporate richness element in CSR web disclosure to allow mutual understanding between organization and users. Failing to do so will result to communication distortion; where the users do not accept the organization's face value and see that message is incomplete, unclear and inappropriate (Ngwenyama, 1997).

Furthermore, the objective of communicating CSR is to create the relationship between business and the larger society (Snider et al., 2003). Organizations use various media platforms like advertisement, brochure and annual report to engage the society with them but each of these media had disadvantages such as lack of performance reporting (Tilt, 2001), lack of accessibility and interaction, limited in presenting information and poor in organizing the information (Lodhia, 2004). The existence of Internet facility, allows users to acquire the CSR information anytime and anywhere with excellent capabilities and electronic document retrieval (Aikat, 2000). The use of corporate website enables the organization to communicate with users and at the same time obtain feedback from them (Branco & Rodrigues, 2006). Despite the benefit of using web to disclose CSR, communication distortion still can happen due to poor website design and advertising, authentication issues, or organization

reluctant to provide much information particularly in environment or ethical issues (Lodhia, 2004). Similarly as claimed by Merono-Cerdan & Soto-Acosta (2007), a simple and static presence in the organization website should be avoided if organizations want to attract the users.

From the above discussions it can be seen that the integration between media richness and CSR web disclosure are necessary to facilitate users' understanding and at the same time to reduce communication distortion between two parties. This justifies the need for determining the richness in web presentation for CSR information.

Research Questions

Based on the above problem statement, the research questions of this study are determined as follows:

RQ1: Does richness of CSR web disclosure affect the ability to facilitate user behavior?
RQ2: What is the impact of users' behavior (trust, attitude and knowledge) on organization image?
RQ3: What are the users' reactions on the social activities of companies with bad reputation?

Research Aims and Objectives

To assist the researcher in answering the above research questions, the following research objectives are proposed:

(1)   To examine the effect of media richness on CSR web disclosure.
(2)   To investigate the relationship between richness of CSR presentation with users' behavior.
(3)   To investigate the impact of influenced users' behavior with richness of CSR presentation towards organization image.
(4)   To determine the users' reaction on social activities from a company with a bad reputation.

Motivation and Significance of the Study

This study is about communicating CSR information to the users as according to Milne and Patten (2002), communication element is crucial in delivering the CSR issues. Organizations use a variety of media platforms

from printed media to web disclosure to accomplish the mission. Morsing and Schultz (2006), urged the importance of using annual reports and websites as a preferred means to communicate CSR compare to the other channels. They also proposed communication strategy to involve users and third party endorsement to represent a true picture of organization initiatives on CSR. Prior work in CSR communication is related with marketing because it presents an opportunity for organizations to shape their image, brand beliefs (Polmering & Dolnicar, 2008) and lead to customer loyalty (Bhattacharya & Sen, 2003). In contrast, Schultz and Morsing (2003) found that the use of CSR engagement for marketing communication purposes is distasteful to some users and perceived as exploitation (Drumwright, 1996). Thus, communicating CSR initiatives is problematic and element as trust is critical for CSR communication success (Maignan & Farrell, 2001). Therefore, communication strategy rather than pro marketing is needed to obtain users' trust and positive attitude with CSR initiatives that are implemented in organizations.

In Malaysia, most studies have been done on the disclosure practices of corporate annual reports that might not give a clear picture of the organization contribution due to limitation of the channel (Janggu et al., 2007). Therefore, ACCA (2002) urged studies to extend the scope of CSR disclosure to include company's website, because there are differences between Internet and traditional media that will change the user's perspective on CSR information (O'Donovan, 1999, Wanderly et al., 2007). Thus, there is a merit of investigating the CSR disclosure via website that impacts the stakeholder perceptions in Malaysia especially with additional element - media richness.

Media richness, plays an important role in terms of disseminating information effectively in the organization regarding to media choice and use (Markus, 1994). Daft and Lengel, who created MRT, imposed the importance of human elements in communication; as they stated "Social system do not work with machine-like precision, human beings have the capacity to interpret and respond to ambiguity" (p.569, 1987). But the way humans think and process information is different from one another. The reason why they interpret it differently should be studied further. However, it is surprising that not much attention has been focused to the effect of MRT on user behavior. So far, only a few studies have related MRT and user behavior. For example, Cable and Yu (2006) posited that the organization has to adjust its communication strategy for job seekers to believe in their image by disseminating information through sources that job seekers find rich and credible. Allen et al. (2004), revealed the type of communication medium that affected users reactions toward

the organization. Urban et al. (2000) and Wulf et al. (2006) found the relationship between trusts on website with affective feelings towards the site. Knowing the positive impact of MRT with Internet, researchers from marketing, advertising, B2B and e-commerce have embarked a new journey on this area (Otondo et al., 2008; Allen et al., 2005). As to date, only Cho et al (2009), incorporate MRT element with CSR web disclosure.

This study also focuses on the effect of CSR activities disclosure on organization image. Although Yoon et al. (2006), confirm that CSR activities could improve an organization's image, further cross cultural researches are needed because users in East Asian cultures tend to process information more holistically and tend to take contextual information as compared to Western cultures that are more analytical. At the same time, this research is parallel with the strategic direction of Bursa Malaysia that urges organization to communicate CSR activities.

Please refer to Appendix 1 for suggested research framework.

Appendix 1: Theoretical framework
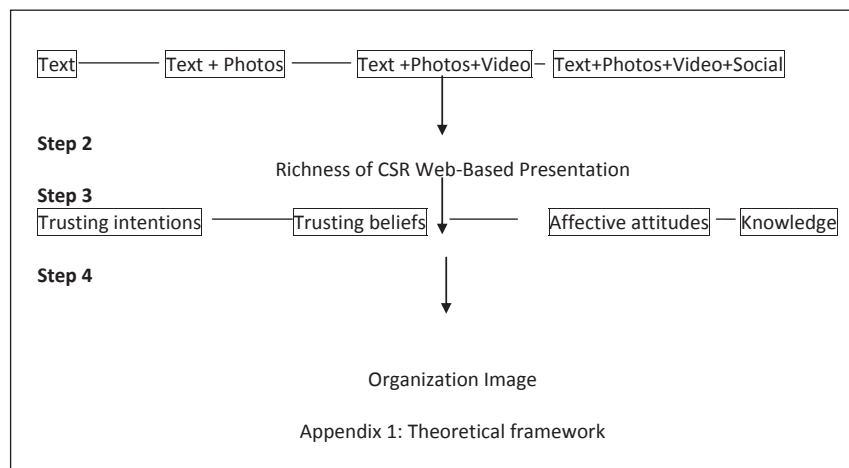
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