Corporate Disclosure on Combating Bribery: A Study of Two Global Companies in the Telecommunication Industry

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Abstract

Purpose: The purpose of this paper is to examine the influence of media scrutiny and a networked governance of National and International Government Organisation (IGOs) on the extent of voluntary corporate disclosure in the global telecommunication sector in response to incidents of corporate bribery.

Design/Methodology/Approach: An anti-bribery disclosure categorisation index was developed from various anti-bribery guidelines developed by IGOs to collect and analyse the data used in this study. This study relied on a content analysis of news media articles, corporate annual reports and standalone sustainability reports (from 1995-2010) of two global telecommunication companies [Alcatel-Lucent — a French based global company; Siemens AG — a German based global company], to understand corporate performance disclosures on combating corporate bribery.

Findings: The findings underpinned by a joint consideration of legitimacy theory, media agenda setting theory and responsive regulation theory, show that the change in corporate disclosures on combating bribery were positively associated with the extent of negative media attention and the movement of IGOs in combating corporate bribery in global corporations. A system of networked- governance with IGOs appears to have a significant influence on international business practice.

Originality/Value: In the context of the literature on social accounting, this is believed to be the first known study to document and understand the trend in anti-bribery related performance disclosures and the influence of external stakeholders on such practices.

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1. Introduction

There is growing international concern over the ethical practices of companies operating globally. Bribery in particular has broad social and economic implications that have the potential to bring great harm to society as evidenced by the highly corrupt activities in countries in Central and Easter Europe, Asia and Africa (Buscaglia, 1996; Gray & Jarosz, 1995; EIRIS, 2005). Whilst corruption is a problem that has significant implications for the developing world (Apke, 201), it is corporations domiciled in developed nations that represent the suppliers of bribery payment which contribute to the problems facing developing nations by participating in such activity with corrupt public officials. Bribery occurs when an inducement (financial or non-financial) is offered to public officials to conduct business or gain an advantage (Sanyal, 2005), particularly when all other options to conduct business in the host economy have been exhausted. A bribe can speed up work-in-progress or the issue of licenses, often referred to as a 'facilitating payment' or it can be create a monopolistic market position (Shahabuddin, 2002; Argandona, 2007). In the latter scenario, corporate bribery has the potential to create a serious economic, social, political and moral blight, especially in emerging countries. Recent empirical evidence suggests that bribery has a major impact on developing countries in which resources and opportunities are limited compared with developed countries (Apke, 2001).

Combating bribery has become a major concern for national governments, international governmental organisations (IGOs), non-government organisations (NGOs), trade associations and business organisations (Sanyal, 2005). In recent years a number of international organisations and NGOs have focused their attention on the need to combat bribery and corruption and on the underlying need to improve standards of corporate accountability, ethics, transparency and integrity (EIRIS, 2005). IGOs and NGOs have implemented initiatives to combat bribery by soliciting Multi-National Corporations (MNCs) to disclose adequate information in relation to corporate anti-bribery policies (including accounting policies) and to disclose how such policies are implemented (see for example: Organisation for Economic, Corporation & Development (OECD), 2009; Transparency International, 2009). Despite growing international concern on this issue and the proliferation of international guidelines on combating corporate bribery, there is limited research on how MNCs incorporate or adopt such guidelines and how anti-bribery practices are disclosed. Furthermore, this paper represents a response to calls for further research in social and environmental accounting as well as accountability in relation to corporate ethical practices (Parker, 2005).

Prior research on corporate bribery has focused on the economic, social and ethical impacts of such behaviour (see for example, Shahabuddin, 2002; Apke, 2001; Sung, 2005; George et al., 2000; Mauro, 1995; Hamra, 2000; Rose-Ackerman, 1999; Argandona, 2007; Sanyal, 2005). Despite growing interest on the social and ethical implications and related discourse on corporate bribery, there is a lack of research that examines how global corporations adopt measures to combat bribery beyond a corporate code of conduct and how such measures are disclosed through their external reporting mechanisms. In accounting, research has examined various social and environmental issues (see for example: Deegan et al, 2002, Guthrie & Parker, 1989; Islam & Deegan, 2008; Deegan & Blomquist, 2006; Parker, 2005), however there is little research on specific social issues such as corporate bribery. Prior research in social accounting has focused on both general (see Deegan et al, 2002, Guthrie & Parker, 1989; Islam & Deegan, 2008; Deegan & Blomquist, 2006) and specific social issues that includes: child labour (Islam and Deegan, 2010), climate change (Hague & Deegan, 2010), and human rights (Islam & McPhail, 2011), to understand how corporations respond to social issues through their disclosure strategies. This study seeks to add to the existing literature by focusing on 'corporate bribery' and broadening the scope of emerging research in social accounting. This study is centred on two global telecommunication companies that represent an industry affected by global corruption (Argandona 2001, 2007; Elliott, 1997; Jain, 1998; Rose-Ackerman, 1999).

A number of IGOs and NGOs provide extensive guidance to global companies on anti-bribery policies and procedures. As such, this paper examines the extent to which the anti-bribery guidelines of IGOs and NGOs have influenced the MNCs corporate disclosure reporting on combating bribe. The global media similarly acts as an intermediary in coordinating and communicating the global concern between the companies and its stakeholders. Therefore, it is in the public interest to understand the role of global news media in influencing corporate reporting practices in relation to bribery. In recent decades, the telecommunication sector has witnessed a significant increase in bribery activity resulting from the rapid growth and expansion of telecommunication services in emerging economies with the proliferation of new markets and increasing competition from a relaxation of regulatory constraints allowing multiple service providers to participate in previously closed markets [Experts in Responsible Investment Solution (EIRIS 2005)]. An examination of the telecommunication sector provides further insight on social accounting research that is currently dominated by research in environmentally sensitive industries that includes mining and chemical (Parker, 2005).

The theoretical framework for this paper was derived from multiple theories that relied on a combination of legitimacy theory, responsive regulation theory and media agenda setting theory. The objective of this paper is to determine the influence of bribery related media scrutiny and the interventions of IGOs on the extent of voluntary corporate disclosures by two global telecommunication companies on combating corporate bribery. Data sources that rely on media articles, corporate annual reports and sustainability reports for the period 1995 to 2010 found that and the media and IGOs have a direct and positive impact on the disclosures in relation to combating bribery. Whist disclosures increased with external pressure, the sample corporations in this study were reluctant to disclose negative information on the bribery incidents for which they were accused of. The findings suggest that media scrutiny and a networked-governance of IGOs cause MNCs to increase corporate disclosures. However, it appears that corporations make such disclosures to maintain legitimacy rather than create a substantive change in their accountability practices.

The balance of this paper is structured as follows. The next section sets the context in which this paper is based by describing the two sample corporations (Alcatel-Lucent, and Siemens AG) that are analysed in this paper, the extent of corporate bribery within the global Telecommunication Industry and the regulatory environment in which such companies operate. Section three provides the theoretical framework and literature review combining legitimacy theory, responsive regulation theory and media agenda setting theory. Section four explains the research method employed in this study. Section five provides the results of the study. The final section outlines the concluding remarks.

2. The Context of Corporate Bribery

The sample of corporations relied upon for this study was selected on the basis of media attention allocated to bribery related incidents. This study examined media articles within the telecommunication industry over a period of 16 years (1995-2010) using the Dow-Jones FACTIVA database. Two global telecommunication companies, Alcatel-Lucent, and Siemens AG, were identified for attracting significant media attention in relation to bribery activity. These companies are among those of European origin that appear to be mostly affected from bribery related scandals in the past two decades. Unlike in the US which prohibits corporate bribery and deems bribery as a criminal offence, [Foreign Corrupt Practice Act (FCPA, 1977)],[1] European companies until recently have been regulated by a relatively soft and voluntary mechanism to combat corporate bribery to foreign officials for personal and corporate self interest. The evidence suggests (see for example, EIRIS, 2005) that European companies appeared to be more visible in terms of receiving bribe related allegations.

2.1 Background to Alcatel-Lucent and Siemens AG

Alcatel-Lucent was incorporated in France and is a leader in mobile communications, optics technology, and communication solutions, with more than 27,900 patents and services more than 130 countries around the world including U.K., U.S.A. Australia,

[1] The FCPA (1977) was the first national legislation designed to address the bribe in international business (Sanyal, 2005).

Canada, China, India, Russia, and Italy. In 2010, annual revenue was approximately €16 billion derived from North America 36%, Europe 32%, Asia Pacific 18%, and rest of the world 14%.[2]. The success of the company's has not been achieved without criticism. Alcatel-Lucent has been accused of allegedly bribing officials to secure contracts in several countries including Costa Rica, Honduras, Taiwan, Malaysia, Kenya and China. In 2004, the allegation of bribery in Costa Rica was seen as the company's most devastating incident of bribery in its history. Company officials including former president of Alcatel Latin America pleaded guilty in the U.S. district court of violations against the FCPA and were sentenced to 30 months imprisonment; three years supervised release, the forfeiture of US$261,500, and a US$200,000 special assessment (Annual Report, 2008, pp. 255-256).

Siemens AG, the second company selected for this study was incorporated in Germany and is listed on the German, London, Swiss and New York stock exchanges. The company operates in more than 190 countries including US, UK, Australia, China, Swiss, France, Russia, Saudi Arabia and India. In 2010, the company had more than 405,000 employees, revenue amounted to €28 billion and held 14,000 green patents.[3] As of 2008, there were a significant number of ongoing investigations into allegations of public corruption and bribery involving the company in countries around the world including Argentina, Austria, Bangladesh, China, Germany, Greece, Hungary, Indonesia, Israel, Italy, Malaysia, Nigeria, Norway, Poland, Russia, Switzerland, Vietnam and the U.S. (Siemens AG, Annual report, 2008, pp. 275-276). According to the sentencing remarks of the Munich district court, Siemens AG were involved in 77 cases of bribing public officials between 2001 to 2004 in Russia, Nigeria and Libya (Annual Report, 2008, p. 275). Siemens AG announced that it would accrue a provision of approximately €1 billion in the fiscal year 2008 in connection with ongoing discussions with the Munich public prosecutor, the SEC and the DOJ for the purpose of resolving their respective investigations (Siemens AG, Annual Report, 2008, pp. 275-276).

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[2] See corporate website: *http://www.alcatel-lucent.com.*
[3] See corporate website: *http://www.siemens.com*.

2.2 Corporate Bribery in the Telecommunication Sector

The telecommunication sector is one of most distressed industries in relation to incidents of bribery (EIRIS, 2005). For example, the telecommunication sector in China is considered to be the most corrupt sector in the Chinese economy (*http://www.china.org.cn/business*) and the second most corrupt sector in India (KPMG, 2011). The significance of telecommunications is explained in part by the high level of public procurement or public licensing which lends itself to bribery demands from corrupt public officials or politicians (OECD, 2009). The International Telecommunications Union (ITU) is a specialised agent of UN responsible for developing adequate and safe infrastructure in telecommunication and information networks and (*http://www.itu.int/en/Pages/default.aspx*) according to the ITU, competition is a major cause contributing to bribery in the international telecommunication sector. In 1990, only three countries worldwide (Japan, UK, & US) allowed competition in international telecommunications, in 2005, there were more than 48 countries with two or more players offering telecommunication services including developed to developing counties (ITU, 2008). With time, increasing competition led corporations to search for new markets in order to gain a competitive advantage. With low-cost developing countries creating economic opportunities it also created a high number of bribery scandals mostly occurring in the last two decades (ITU, 2008).

2.3. The response to international corporate bribery

As a result of local community concern over bribery in the telecommunication sector, local government authorities have sought to control corporate behaviour in line with the guidelines of national and global organisations such as NGOs and IGOs. The response by such organisations is to provide anti-bribery policies and procedures for both local authorities and business groups. For example, the role of the Bangladesh Telecommunication and Regulation Commission (BTRC) is to monitor industry activities and investigate complaints (BTRC, 2002) taking on an increasingly significant role since the Siemens bribery scandal of 2008 (*http://www.btrc.gov.bd*). On a broader level, the

Learning Initiatives on Reforms for Network Economies (LIRNE*aisa)* represents a regional ICT policy regulation provider across Asia Pacific nations to control the problem of bribery in a co-regulatory environment between public and private sector actors (*http://lirneasia.net/projects/rapid-response-program*).

Various international and regional organisations (IGOs) and regulatory authorities have actively engaged this problem by implementing and developing a number of anti-bribery movements (see Table 1). IGOs have become actively involved in the fight against corruption by implementing and developing various anti-bribery movements (Wang and Rosenau, 2001; Mccoy, 2001; Scott, 2003) that have occurred on an international[4] and regional basis.[5] In spite of an impressive global anti-bribery movement the problem of corruption remains. As Pacini et al. (2002, p.401) argue, no one expects that any set of rules will totally eliminate efforts to seek or accept bribes, this would require a fundamental change in human nature, however there is an expectation that a uniform set of rules could significantly curtail corrupt behaviours, as long as those rules are both enforceable and enforced.

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[4] These include the OECD-country reports on the implementation of the OECD Anti-Bribery Convention and the 1997 revised recommendations, the UN declaration against Corruption and Bribery in International Commercial Transaction 1999, World Bank-Governance and Anti-Corruption 2007, World Economic Forum- Partnering against Corruption Forum 2010, International Chamber of Commerce- Anti-Corruption Commission, TRACE International Bribe Line, Transparency International, and Partnership for Transparency Fund (PTF).

[5] For example, within the China and East Asia like Asia Development Bank, Asia Monitor, china.org.cn, China CSR, and within South Asia like Association of Southeast Asian Nations (ASEAN), South Asian Association for Regional Corporation (SAARC), Pacific Island Forum Secretariats, and TI-Asia and the pacific and within the Middle East and Central Asia like corporation council for the Arab Stated of the Gulf (Gulf Cooperation council), Asian Co-Operation Dialogue (ACD), New Eurasia, Central Asian Union and within Russia, like Moscow Launches Major Anti-Corruption Drive, within Africa like The Africa Governance Monitoring and Advocacy Project (AfriMAP), The New Partnership for Africa's Development (NEPAD) and the World Bank - Africa (OECD,2009).

Table 1: Major IGOs in anti-bribery activities

Organisation for Economic ,Co-operation, & Development (OECD)- *OECD Anti-Bribery Convention and the 1997 revised recommendation* *In 2000, Anti-Briber Convention recommendation on export credit and credit guarantee which state that government are obliged to take action to deter and sanction bribery of foreign public officials in international business supported by official export credit.* *The Stability Pact Anti-Corruption Initiative (SPAI) was launched in February 2000 at the call of the stability pact for South Easter Europe.* *2009 recommendation for further combating bribery of foreign public officials in international business transactions*
United Nations- *Tenth Principle of the United Nations Global Compact launched on July 2000* *In 2003, the General Assembly adopted the UN designated 9 December as International Anti-Corruption day* *UN Convention against Corruption entered into force on 14 December 2005.*
World Bank- *adopted new Governance and Anti-Corruption strategy in March 2007. include seven principles guide to fight global corruption*
World Economic Forum- *Partnering Against Corruption Initiative (PACE*) 2010.
International Chamber of Commerce- *ICC Rules of Conduct to Combat Extortion and Bribery in International Business Transactions (1996 edition)*
TRACE International – *Anti –bribery compliance program and Anti-bribery risk assessments 2001*
Transparency International (TI)- *Introduced the "Corruption Fighters' Tool Kit"- civil society experiences and emerging strategies in 2001 and later in 2002, and 2004 make some edition.* *TI Six steps implementation process to support the business principles for countering bribery in 2003, then 2009 edition with greater emphasis on public reporting of anti-bribery system and in recommending that external verification and assurance of their (business) anti-bribery program.* *TI first launched Annual Corruption Perception Index (CPI) in 1995 but in 2010, TI introduced more advance CPI which measured the perceived level of public sector corruption in 178 countries around the world.* *Bribery Payers' Index (BPI) was introduced in 1999 which evaluate the supply side of corruption* *Global Corruption Barometer (GCB) was launched on 9 December 2010 which is a survey that assesses general public attitudes toward, and experience of corruption in dozens of countries around the world.*
Partnership for Transparency Fund (PTF)- *PTF's Citizens Against Corruption Program (CAC)*

IGOs are the active actors in providing guidelines for corporations to adopt anti-bribery policies and practices. The broader roles of these organisations are to protect public interest by exerting pressure upon corporations to be socially and ethically accountable. There are a number of IGOs that have as their agenda to fight corporate corruption and one of the largest IGOs to fight corruption and bribery in corporate and public area is Transparency International (TI). TI is a non-profit organisation formed in 1993 by former World Bank officials with vision of the supporting global community by curbing global corruption and bribery. As TI mention (TI, 2009):

> Transparency International is the global civil society organisation leading the fight against corruption. Through more than 90 chapters worldwide and an international secretariat in Berlin, Germany, TI raises awareness of the damaging effects of corruption and works with partners in government, business and civil society to develop and implement effective measures to tackle it (p.17).

TI publishes annually a Corruption Perception Index (CPI) and a Bribe Payers Index (BPI). These indices are based on surveys and impound a number of factors. A key factor in the CPI is the extent to which bribes are accepted by public officials. According to the most recent TI survey the most corrupt countries are: Somalia, Haiti, Iraq, Myanmar, Afghanistan, Zimbabwe, Sudan, New Guinea and Bangladesh (TI, 2009). Along with TI, the OECD is another leading global IGO that has taken various steps to control this issue for the benefit of the global society. As mentioned by the OECD:

> The OECD Anti-Bribery Convention establishes legally binding standards to criminalise bribery of foreign public officials in international business transactions and provides for a host of related measures that make this effective. It is the first and only international anti-corruption instrument focused on the 'supply side' of the bribery transaction. The 34 OECD member countries and four non-member countries - Argentina, Brazil, Bulgaria, and South Africa - have adopted this Convention (OECD, 2011, *www.OECE.org/ home pag*e).

The Bribery Convention of the OECD's played an important role when the signatory countries accounted for over 70 per cent of the world's exports and over 90 per cent of foreign investment (Aronoff, 1998). The OECD has adopted various forms of legal and ethical instruments in order to fight global bribery and corruption.[6] In 2009, the OECD recommendation on tax measures to further combat the bribing of foreign public officials in international business transactions was a key anti-bribery strategy with many countries amending tax law to disallow deductions for bribe payments. In 2010, the OECD approved "Principles for Transparency and Integrity in Lobbying" representing the first international policy instrument to provide guidance for policy-makers on how to promote good governance principles in lobbying (OECD, 2011, *www.OECE.org/ home page*).

The growing global concern over bribery has seen national regulating authorities teaming-up with IGOs to launch various activities to protect the telecommunication

[6] Such as: the 1998 recommendation on improving ethical conduct in the public service; the 2003 recommendation for managing conflicts of interest in the public service; the 2006 recommendation on bribery and export credit; and the 2008 recommendation on enhancing integrity in public procurement.

industry and businesses from bribery induced activities. In response to increasing accountability requirements and implicit pressure from IGOs, a total of 38 countries have agreed to put in place measures to prevent, detect and investigate foreign bribery with the adoption of the OECD recommendations against corruption (OECD, 2011). The increasing activities of IGOs such the OECD have eventually seen its way into the activities of corporations. For example, under these arrangements, corporations have established a monitoring mechanism to ensure the thorough implementation of the international obligations accepted under the OECD the convention (OECD, 2011). Furthermore, domestic laws have been amended to better enforce existing law and regulation that prohibits domestic bribery of domestic officials (Apke, 2001).

Another group of actors that are active to create change in corporate accountabilities is the media. The media plays a significant role in changing public perceptions and corporate behaviour in relation to corruption and bribery (Stapenhurst, 2000; Heimann, 1997; Burnham, 1977). A free and open press can reinforce the demand public accountability against corruption and bribery and as such the media provides a form of protection (Heimann, 1997). The media not only raises public awareness about corruption and bribery but also investigates and reports incidents of bribery aiding other investigative agencies. As Stapenhurst (2000) mentions:

> The media can act as a force against corruption in ways that are both tangible and intangible. The tangible, readily identifiable, ways in which the news media perform this function include those in which some sort of visible outcome can be attributed to a particular news story or series of stories—for instance, launching of investigation by authorities, the scrapping of a law or policy that fosters a climate ripe with opportunities for corruption, the impeachment or forced resignation of a crooked politician, the firing of an official, the launching of judicial proceedings, the issuing of public recommendations by watch dog body , and so on. Intangible effects, by contrast, can be characterised as those checks on corruption which arise from broader social climate of enhanced political pluralism, enlivened public debate and a heightened sense of accountability among politicians, public bodies and institutions that are inevitably the by-product of a hard-hitting, independent news media (p.3)…Reporting, for example, may prompt public bodies to launch formal investigation into allegation of corruptions (p.4).

Overall, corporations appear to be responsive to bribe related allegations when they find such allegations are sensitive to the expectations of the wider community. Some managers, eager to become pre-emptively responsive to media attention, react to such pressures to protect public image of themselves and their organisations. As Stapenhurst, (2000, p. 4) mentions:

> And even before anything has been published, mere inquiries by reporters (journalists) about apparent wrongdoing (bribery) can elicit pre-emptive responses by authorities eager to protect public image of their institutions before any allegations have been aired.

3. Theoretical Framework

The influence of the media and IGOs on the anti-bribery, accountability and the disclosure practices of corporations can be underpinned by a joint consideration of legitimacy theory, media agenda setting theory and responsive regulation theory. An overview of these theories is provided below.

3.1 Legitimacy theory

Legitimacy theory is useful for understanding and providing insight into the motivation for social disclosures that include efforts to combat corporate bribery. Legitimacy theory posits that the value system of organisations is congruent with the value system of the society in which organisations operate (Lindblom, 1994). In other words, the theory provides insight on why organisations conform to the expectations of the community. Legitimacy theory suggests that organisations are constrained to act in strict compliance within the terms of their “social contract” (Deegan et al., 2002). The social contract in turn represents the multitude of explicit and implicit expectations that society expects from organisations in the way they conduct their operations (Donaldson, 1982; Deegan & Blomquist, 2006). The value statements of many corporations that represent its social commitments appear to conform to the expectations of the community that underlies legitimacy theory. For example, the values statement published in Siemens AG, Annual Report, (2010) appears congruent with the value systems of the larger community:

> We're committed to acting responsibly in everything we do. For our customers, we're a reliable partner. For the societies in which we do business, we're a good corporate citizen. For our employees, we're an attractive, long-term employer. And for our shareholders, we generate sustainable growth in our company's value. Not only do we act in accordance with the highest professional and ethical standards; we also demand that our business partners, suppliers and other stakeholders meet these standards as well (Annual Report, 2010 p.7).

Similar statements can also be found from Alcatel-Lucent, the CEO mentioned:

> Corporate Responsibility is our business imperative. It defines our organization. It is based on respect for our fellow citizens and the value we bring to those communities where we operate (Corporate social Responsibility Report, 2010, p.4).

Societal expectations on business operations are not constant and change occurs when corporate executives feel they need to respond to changing community expectations in order to maintain their legitimacy (Deegan & Blomquist, 2006; Islam & Deegan, 2008; Tilling & Tilt, 2010). Corporate executives similarly respond when the corporation is involved or linked to a major incident with negative social or environmental implications. Corporate executives respond to such incidents via different communication strategies that inform the public of an organisation's legitimacy seeking activities (Deegan et al., 2002). Legitimacy theory is often relied upon as the theoretical lens to examine corporate social disclosures and the interaction between an organisation and its physical and social environment (Owen, 2008). In a US study, Patten (1992) utilised the legitimacy theory framework to evaluate the effect of the Exxon Valdez oil spill on the annual report disclosure practices of North American petroleum firms. Patten (1992) reported a significant increase in corporate disclosure in relation to environmental issues. This finding is consistent with legitimacy theory in which the extent of positive corporate disclosure increases in the wake of a legitimacy crisis. In an Australian study, Deegan & Rankin (1996) examined the social and environmental disclosure made by firms prosecuted by the New South Wales and Victorian Environmental Protection Authority for breaching various environmental protection laws during the 1990 and 1993. The findings confirm previous research indicating that in the absence of regulation affecting the disclosure of environmental issues, Australian companies only provide environmental information that is favourable to their corporate image.

Corporations that face a social or environmental crisis and a subsequent threat of losing their legitimacy feel a need to demonstrate their commitment to the community through their reporting practices (Suchman, 1995). Prior accounting research confirms that organisations disclose social and environmental information within their reporting media to maintain legitimacy in the society in which they operate (Deegan & Blomquist, 2006; Islam & Deegan, 2010; O'Donovan, 2002). Consistent with prior research in social and environmental accounting, we would expect organisations facing a legitimacy crisis via the incidents of bribery and corruption will take corrective action and disclose related performance information on their efforts to combat bribery. For example, in the Siemens AG, Sustainability Report (2008) states:

> Our compliance program based on the two pillars prevents, detect and respond. This system is the basis of all measures against corruption in the company. In fiscal 2008, we extended our compliance organisation, raised our employee's awareness of the risks of corruption and established control system which enable weak point to be detected and eliminated…to regain the trust of our stakeholder (p.170).

Such disclosures provide some evidence of the Siemens' commitment to fight bribery and corruption in order to maintain or regain the trust of their stakeholders. In applying legitimacy theory, the expectation in this study is that companies within the telecommunication sector will increase their corporate disclosure in regard to the anti-bribery practices in order to maintain or regain their legitimacy.

3.2 Media-agenda setting theory

While legitimacy theory posits that organisations respond to community expectations, media agenda setting theory explains how the media shapes community expectations. Media agenda setting theory grounded in journalism and mass communication literature posits that the media shapes public awareness and concern for particular issues (McCombs & Shaw, 1972). The influence of the media with its vast resources ensures that major incidents are brought to the attention of the public almost instantaneously. Ader (1995) investigated pollution-related issues and found that the media agenda and the public agenda were positively related to the extent that a change in media emphasis on a particular issue, led to a similar change in the public agenda. Prior research shows that the media plays a key role in shaping community concerns and influencing community expectations which in turn has an influence on corporate communications (O'Donovan, 2002; Brown & Deegan, 1998; Islam & Deegan, 2010; Deegan et al., 2000; Carroll & McCombs, 2003; Deephouse, 2000). Islam & Deegan (2010) examined the media pressure and corporate disclosure on social responsibility performance based on two global clothing and sports retail companies operating in low-cost developing country. The findings suggest that media attention influenced the community's concern, and in response to such concerns, corporations increased their disclosures on social responsibility performance against poor labour practises in order to maintain their legitimacy.

3.3 Responsive regulation theory

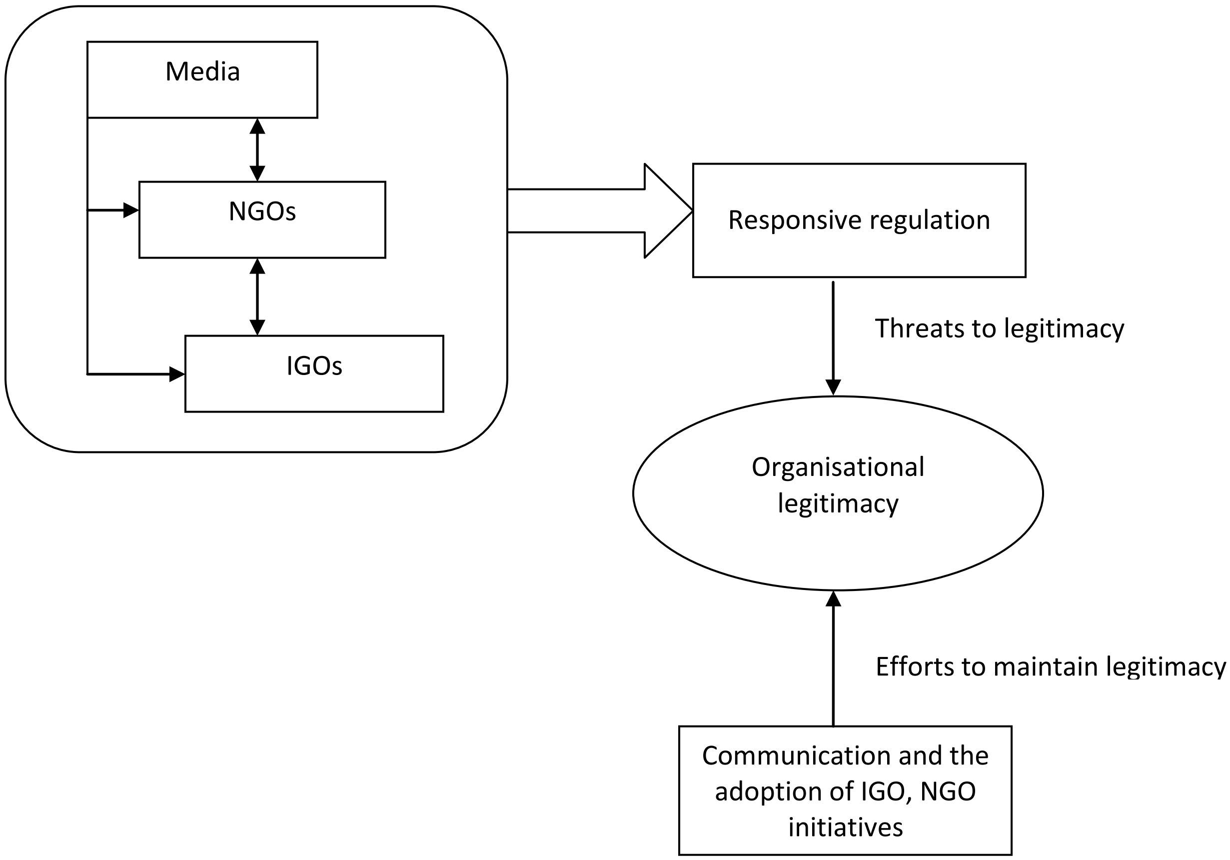
This paper also relies upon responsive regulation theory to understand how and whether interventions by IGOs change the anti-bribery reporting behaviour of the multinational companies. Responsive regulation posits that the regulatory environment becomes responsive to perceived deficits in accountability (Ayres & Braithwaite, 1992; Braithwaite, 2002a, 2000b, 2006). Responsiveness is demonstrated as a democratic ideal in which participants hold each other to account. In an environment where the state escalates regulation due to a perceived deficit in corporate accountability, corporations become responsive to these regulatory escalations (Braithwaite, 2006). According to Braithwaite (2006), in a responsive environment, empowered civic engagement (engagement of IGOs, NGOs, media, consumers and community) check abuse of power in business self and state regulatory processes.

Responsive regulation theory posits that the deficits in accountability and lack of responsiveness are resolved through new "strategies of networked governance". This theory therefore assumes that abuses of power, corporate bribery or corruptions is best tackled via a plurality of disparate powers in a network of governance where IGOs have strong networks with NGOs and media to discipline the corporations involved. The vigilant visibility and actions of IGOs and their strategic collaborations with NGOs and the media as a significant part of global regulatory environment are positioned to form a networked governance to eliminate corruption and bribery. This network governance creates a sense of regulatory mechanism that disciplines MNCs socially and ethically.

The insight provided within responsive regulation theory is that “if you [regulated actors] keep breaking the law, it is going to be cheap for us [regulators] to hurt you because you are going to help us hurt you” (Braithwaite, 2006, p.888). Therefore, regulatory intervention escalates if the regulated actor is not a responsible citizen. The regulatory intervention is not only directed at individual regulated corporations but is also applies to entire industries (Baldwin & Black, 2007). While a wide range of actors including states, industry associations, trade unions, professional bodies, IGOs may become regulators, the role of NGOs and IGOs as regulators becomes fundamentally important (Braithwaite, 2006). The ability IGOs to escalate strikes and networked naming and shaming via their network governance drives the company down to act in accordance with ‘restorative justice’ (Braithwaite, 2006, p.893).

In recent times, there have been various enforcement, commitment and anti-bribery actions to control and minimise bribery related activities and protect international businesses as well as stakeholders in host countries. These include regulatory changes such as the US Foreign Corrupt Practice Act (FCPA) 1977, UK anti-bribery and corruption act 2010, and network governance systems taken by NGOs IGOs such as United National Convention against Corruption, OECD Convention against bribery and corruption over the past decade. Based on responsive regulation theory, it appears that IGOs’ networked enforcement with investigative journalists create regulatory pressures and generate demand for greater accountability by multinational corporations in relation to corporate bribery. Multinational corporations are arguably responsive to the network of enforcement system when fighting bribery. This notion appears to be consistent with legitimacy theory except that responsive regulation provides an additional mechanism through regulation and networked governance (networking between stakeholders—IGOs, NGOs and Media) to create a pressures on corporations to be responsive and to maintain legitimacy. While legitimacy theory argues that increased disclosure is a response to a crisis, the correlating argument to legitimacy, based on responsive regulation is that increased disclosure prevents (or attempts to prevent) further regulatory intervention (see Figure 1). Embracing responsive regulation theory, this study seeks to investigate how two telecommunications corporations respond to anti-bribery movements and regulatory escalations.

Figure 1: Networked Governance



This paper relies on a combination of legitimacy theory, media-agenda setting theory and responsive regulation to understand corporate disclosure patterns on combating bribe. Increasing media attention and a networked governance of local and international organisations combined with a perceived legitimacy threat is expected to influence community concerns and their expectation to be informed of the company's response to bribery issues. Broader stakeholder concerns have raised community expectations of corporations so that they not only take corrective measures to combat bribery but also disclose such measures. The implication of policies and procedures on anti-bribery programs within a company and the related disclosure patterns as well as volume is expected to change with the advent of a legitimacy crisis as evidenced by increasing media attention and regulatory enforcement or escalations of IGOs. Based on the discussion above, the following questions are addressed in this paper:

1. What is the nature and extent of disclosures on combating bribe by two telecommunication companies under investigation and whether the extent of disclosures by these companies has changed over time?
2. How do bribery scandals or accusations alter the reporting behaviour of telecommunication companies under investigation who are directly involved in bribery over time?
3. Whether media and IGOs have an influence on the disclosure practices in relation combating bribe by the companies under examination.

4. Research Method

Alcatel-Lucent, a French based multinational company and Siemens AG, German based multinational company were the analysed to understand their disclosure patterns in response to bribery related external pressures that are inclusive of negative media, IGOs movements and networked governance. These two global telecommunication companies were selected among a group of high profile European companies that were highly connected to incidents of bribery. The companies selected were directly involved in at least one bribery incident as well as admitting guilt to such behaviour in a court or a commission. In addition to relying on media attention to select the sample companies, media articles were also used to provide insights into the bribery incidents relating the companies. The media news in relation to bribery incidents was collected from the Dow Jones FACTIVA during the sample period (January 1995 to December 2010) using key words such as “bribery”, “corruption”, “court case” “bribe”, “foreign official” “developing country”, “prosecution”, to filter the number of media articles in the relevant period. As discussed above, both companies are leading global telecommunication giants, operating in more than 100 countries with rapid expansion and growth in recent years.

The data in Table 2 provides the total negative number of media articles in the period from 1995 to 2010 in relation to bribery incidents within the telecommunication industry and the two companies examined in this study. The data in Table 2 shows that media attention towards corporate bribery prior to 2004 was negligible suggesting that bribery was absent during this period, or if present, it failed to capture media attention. However since 2004, over 2,200 articles were reported. In the case of Alcatel-Lucent, a total 313 negative media articles were reported against the company in the relevant period. In 2004 and 2010, 14 and 199 negative media articles relating to Alcatel-Lucent were recorded representing 20.3% and 20.5% of the industry total respectively. Overall, of the total bribery incidents reported within telecommunication industry, Alcatel-Lucent was responsible for 13.7% of total negative media reported within the industry. In the case of Siemens AG, a total of 138 negative media articles were reported for the sample period. In 2007, the percentage of the company media articles (to industry media articles) had reached 21.7% suggesting that Siemens AG was connected to major bribery incidents relative to the industry total. Overall, the two companies represent almost 20% of the negative attention towards bribery in the telecommunication industry.

Table 2: Media articles relating to bribe incident in Telecommunication Industry

Year	Industry total	Alcatel-Lucent		Siemens AG		Sample total	
		Number	% of Ind total	Number	% of Ind total	Number	% of Ind total
1995	1	0	0%	0	0%	0	0%
1996	1	0	0%	0	0%	0	0%
1997	1	0	0%	0	0%	0	0%
1998	1	0	0%	0	0%	0	0%
1999	1	0	0%	0	0%	0	0%
2000	1	0	0%	0	0%	0	0%
2001	1	0	0%	0	0%	0	0%
2002	1	0	0%	0	0%	0	0%
2003	2	0	0%	0	0%	0	0%
2004	69	14	20.3%	0	0%	14	20.3%
2005	67	4	6.0%	0	0%	4	6.0%
2006	169	17	10.0%	23	13.6%	40	23.7%
2007	239	48	20%	52	21.7%	100	41.8%
2008	344	9	2.6%	22	6.4%	31	9.0%
2009	416	22	5.3%	14	3.4%	36	8.7%
2010	969	199	20.5%	27	2.8%	226	23.3%
Total	2283	313	13.7%	138	6.0%	451	19.7%

Corporations rely on a variety of media vehicles to disclose information to public stakeholders such as annual reports, special purpose social and environmental reports, and other forms of corporate communication such as web-based and media-based disclosures. This study primarily relies on a content analysis of annual reports and sustainability reports, which were regularly produced throughout the sample period from 1995 to 2010. As prior literature suggests, social disclosure content in annual reports is limited, therefore this study also relies on disclosures in sustainability reports in order capture the maximum content of disclosures (Unerman, 1999). This study analyses company annual reports and sustainability reports for each company over the sixteen years period from 1995 to 2010. The reports were primarily obtained from the company's website with some reports collected from the 'OSIRIS' database.

Globally, a number of IGOs including OECD, UN, TI, WB are actively involved in developing and implementing various anti-bribery movements and guidelines (see Table 1). The anti-bribery guidelines of these IGOs' were an integral part of this research because they were used to develop an anti-bribery disclosure categorisation scheme or index to allow the researchers to classify and measure corporate disclosure practices. In undertaking the development of an index, reference was made to a number of documents and guidelines released by various IGOs (see Appendix 1). This study relies on this index to collect data on corporate disclosures in relation to bribery reduction activities. The index developed from various guidelines were categorised according to five themes with a total of 44 sub categorisations. The general themes include: (1) Accounting for combating bribe; (2) Board and Senior Management Responsibility; (3) Building Human Resource to Combat Bribe; (4) Responsible Business Relation; and (5) External Verification and Assurance. This study relies on this categorisation scheme to collate and analyse data extracted from annual reports and stand-alone sustainability reports on combating bribery.

Prior social accounting literature has employed a variety of approaches to measure corporate disclosures including the number of disclosures, amount/extent of disclosure or combination of both (Patten, 1992; Deegan & Rankin, 1996; Unerman, 1999; Islam & Deegan, 2008; Haque & Deegan, 2009). The amount of disclosure reflects the degree of importance that corporate executives attach to the issue which in turn reflects the perceived threat to legitimacy. In order to measure the amount of disclosures, prior literature relies on the number of sentences, the number of words, or the number of pages. This study employed the amount of disclosures technique to capture the extent of corporate disclosures by counting the number of sentences relating to the anti-bribery disclosure index and its themes.

An in depth analysis of annual reports and sustainability reports was performed to identify and measure the positive and negative disclosures on combating bribery. Following from Brown & Deegan (1998), the content of disclosure is considered to be negative if it contains information about the activities of the company or industry which indicates that the bribe related actions of the company/industry are detrimental to society. The content of disclosure is considered to be positive if it contains information about of company or industry activities that are beneficial to the society. Consistent with the theoretical proposition provided in this study, it is predicted that greater community concern for issues pertaining to bribery resulting from an increase in media attention and IGO movements, should be matched by greater corporate disclosures on combating bribe.

5. Results and Analysis

5.1 Alcatel-Lucent

5.1.1 Analysis of corporate disclosures on combating bribe in annual report and sustainability report

The data in Table 3 reports the number of sentences on corporate disclosures on combating bribery published in the annual and sustainability reports over the 16 years period from 1995 to 2010. Corporate disclosures in annual reports on combating bribery were first reported in 2001 with six sentences increasing progressively to 135 sentences in 2010. In each subsequent year from 2001, the number of sentences gradually increased with the exception of 2005. An examination of the categories finds that the majority of disclosures relate to Category 1 (Accounting for Combating Bribe) consisting of 361 sentences. The data in Category 1 reported a continuously upward trend of disclosures in annual reports throughout the period with the exception of 2005. Corporate disclosures on combating bribery under the remaining categories [Category 2 (Board & Senior Management Responsibilities); Category 3 (Building Human Resources to Combat Bribe); Category 4 (Responsible Business Relation); and Category 5 (External Verification & Assurance)] fluctuated from period to period with no discernible trends being apparent in the annual report.

Table 3: Alcatel-Lucent Corporate Disclosure on Combating Bribe (Number of Sentences reported)

Year	Category 1		Category 2		Category 3		Category 4		Category 5		Total	
	AR	SR	AR	SR	AR	SR	AR	SR	AR	SR	AR	SR
1995	0	0	0	0	0	0	0	0	0	0	0	0
1996	0	0	0	0	0	0	0	0	0	0	0	0
1997	0	0	0	0	0	0	0	0	0	0	0	0
1998	0	0	0	0	0	0	0	0	0	0	0	0
1999	0	0	0	0	0	0	0	0	0	0	0	0
2000	0	0	0	0	0	0	0	0	0	0	0	0
2001	2	0	2	0	2	0	0	0	0	0	6	0
2002	2	2	6	0	2	5	0	5	0	0	10	12
2003	2	2	5	0	3	0	5	1	0	0	15	3
2004	5	14	7	5	4	3	3	4	0	0	19	26
2005	0	3	1	4	0	10	0	2	0	0	1	19
2006	33	1	5	14	3	1	6	2	0	0	47	18
2007	41	9	4	6	3	6	6	2	0	0	54	23
2008	52	8	4	14	4	0	5	2	0	0	65	24
2009	109	9	5	23	4	6	5	4	8	0	131	42
2010	115	16	7	33	3	23	2	6	8	4	135	82
Total	361	64	46	99	28	54	32	28	16	4	483	249

Category 1: Accounting for combating bribe
Category 2: Board and senior management responsibilities
Category 3: Building human resources to combat bribe
Category 4: Responsible business relation
Category 5: External verification and assurance
AR: Annual Report
SR: Sustainability Report

In considering sustainability report disclosures, the number of sentences on combating bribery commenced from 2002 (12 sentences) with small annual increments finishing with 82 sentences in 2010. The trend, although smaller in size, appears to follow the trend established in the annual reports. Overall, the company appears to have committed to reporting larger amounts of corporate disclosures on combating bribery in the latter years of the relevant period. In relation to the categories, the company disclosed the highest amount of information (99 sentences) in Category 2 Board & Senior Management Responsibilities. The next highest amount of disclosures (64 sentences) was found in Category 1 Accounting for Combating Bribe. The remaining categories recorded 54 sentences for Category 3 Building Human Resources to Combat Bribe, and 28 sentences for Category 4 Responsible Business Relation. Category 5 External Verification & Assurance recorded the smallest amount of disclosure with four sentences suggesting that the company is less active with external verification of bribery reduction strategies. In general, the number of sentences on corporate disclosures reported in both annual and sustainability reports show an upward trend over the sixteen years period from 1995 to 2010.

5.1.2 Analysis of media coverage and corporate disclosures

The data in Table 4 reports the negative media news events connected to bribery related incidents together with negative and positive corporate disclosures in the annual and sustainability reports on combating bribe. The first media reports on bribery related matters appeared in 2004 which occurred in relation to Alcatel-Lucent officials charged with offences on bribing Taiwanese government officials to win a telecom contract in Taiwan. In this same period, the company disclosed higher amounts of corporate disclosures in both types of reports, particularly the sustainability report. In 2004, the company also disclosed the appointment of its Chief Compliance Officer (CCO) to handle all compliance matters including incidents of bribery and corruption. One specific role of the CCO was to oversee and monitor the implementation of the company's compliance activities, with a particular focus on Anti-corruption (Alcatel-Lucent, Sustainability Report, 2004). Additionally, the company increased its anti-bribery and corruption awareness and training program to all of its subunits including county, regional and local management, employee, contractors and suppliers, and to maintain a tracking and feedback system to evaluate successful of these programs.

Table 4: Aggregated social disclosures and media attention by year- Alcatel-Lucent

Year	Total media news	Annual Reports			Sustainability Report		
		Total sentences	Positive sentences	Negative sentences	Total sentences	Positive sentences	Negative sentences
1995	0	0	0	0	0	0	0
1996	0	0	0	0	0	0	0
1997	0	0	0	0	0	0	0
1998	0	0	0	0	0	0	0
1999	0	0	0	0	0	0	0
2000	0	0	0	0	0	0	0
2001	0	6	6	0	0	0	0
2002	0	10	10	0	12	12	0
2003	0	15	15	0	3	3	0
2004	14	19	18	1	26	26	0
2005	4	1	1	0	19	19	0
2006	17	47	39	8	18	18	0
2007	48	54	47	7	23	23	0
2008	9	65	55	10	24	24	0
2009	22	131	119	12	42	42	0
2010	199	135	123	12	82	80	2
Total	313	483	433	50	249	247	2

The negative media news in relation to bribery incidents were reported in every year since 2004. Negative media news emerged as a result of company employees including management involved in breaching the company's anti-bribery and corruption code and practices. The company subsequently increased the amount of disclosures relating to anti-bribery code and practices in an attempt to promote ethical business practices worldwide. Since 2004, negative media news were reported continuously against members the company for charges relating to bribe and corruption. One major bribery incident was reported in 2005-2006, in which the Costa Rican prosecutor's office indicted eleven individuals, including the former president of Alcatel de Costa Rica, on charges of aggravated bribery of government officials in order to secure a telecom contract. As a result, this study found that the second highest number of negative media articles (48 negative media news) reported in 2007 relating to this incident. The highest number of negative media news (199 news articles) was reported in 2010 with the number of disclosures in sustainability reports doubling from 42 sentences to 82 sentences between 2009 and 2010. These disclosures related to the company's settlement of more than US$137m to the U.S. Department of Justice and Security and Exchange Commission, representing one of highest settlements in corporate bribery history. The settlement is connected to allegations of bribery as well as court and commission hearings between December 2001 and June 2006 in Latin American and Asian countries.

The relationship between the negative media reports and positive corporate disclosure is tested statistically using the Spearman rank order correlation. The results of the test suggest that the annual report disclosures and negative media articles are strongly correlated (r_s=0.855, p=0.000). This positive correlation suggests that the increase in negative media reports results in a corresponding increase of disclosures on anti-bribery in the company's annual reports. The Spearman's rank-order correlation coefficient between negative media news and corporate disclosures in sustainability reports is also significant (r_s=0.900, p=0.000). The statistically significant results support the view proposed in this study that negative media news has an influence on the changes in corporate disclosures in relation to combating bribery over the sample period. The positive correlations are consistent with the proposition under legitimacy theory that increases in negative media news, results in a corresponding increase in social disclosures in order to regain or maintain the company's legitimacy.

The data in Table 4 on positive and negative corporate disclosures provides some evidence on how corporations respond to negative media news. Overall, in the disclosures to the annual reports, 88% (433 from 483 sentences) of sentences represented positive disclosures and 99% (247 from 249 sentences) of sentences in sustainability reports were also positive. The results in this study are consistent with prior literature (see for example Deegan et al., 2002) which shows that corporations respond to negative media news through positive rather than negative corporate disclosure patterns. This finding is also consistent with the view that a company which has been accused of a serious negative event such as bribery responds with a need to counter the negative news of their accusations with positive news about their anti-bribery initiatives. It appears from this finding that companies feel a need to legitimise the existence of their operations by increasing the disclosure of positive or 'good' information.

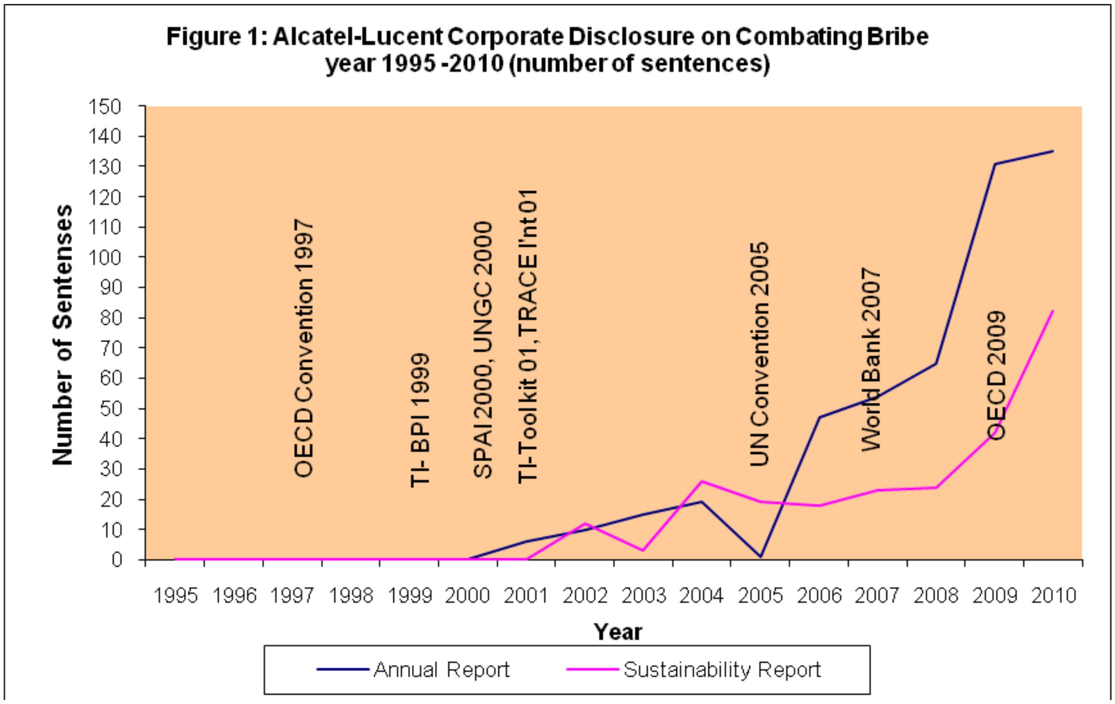
5.1.3 Analysis of IGOs anti-bribery movement and corporate disclosures

While media attention on bribery matters began in 2004, Alcatel-Lucent started to disclose their anti-bribery information from 2001. The 2001 sustainability and annual reports disclosed its commitment to TI, whose mission was to move governments towards greater transparency in management and to curb national and international bribery and corruption. Since 2001 the company reported their commitment toward the conduct of business in accordance with code of ethics, and principles of good corporate citizenship. This commitment was emphasised in the code with an obligation to fight national and international bribery and corruption (Alcatel-Lucent, Annual Report, 2002, p.16). The company also revealed how the central corporate team and network of contacts in the group of companies were responsible for overseeing the group's anti-bribery and corruption policy and the key role played by senior management. Furthermore, management committed itself to adhering to the United Nations Global Compact initiative in 2003 by implementing the principles to fight against all forms of bribery and corruption (Alcatel-Lucent, Annual Report, 2004, p.37). Interestingly, two years after the announcement of this commitment, members of team management were accused of bribery allegations in 2004 and behaviour inconsistent with their code and policies indicating that corporate disclosures on these matters are a response to external pressure rather than a commitment to change.

In the period 2001 to 2003 that preceded media announcements of bribery which began in 2004, the company disclosed information in their annual and sustainability reports under categories 1, 2, 3 and 4. In 2001 the company disclosed six sentences within the annual report (two sentences within Category 1, 2 and 3). There were no disclosures in the sustainability report of 2001 but in 2002 and 2003, the company disclosed 10 sentences and 15 sentences respectively within the annual reports. In the same period, the company disclosed for the first time in its sustainability reports 12 sentences and three sentences respectively. The corporate disclosures from 2001 to 2003 appeared to be associated with the growing movement of IGOs such as TI, UN, WB and OECD, rather than a response to media attention which began in 2004. Alcatel-Lucent's anti-bribery disclosure behaviour from 2001 to 2003 is consistent with the company's desire to conform to the expectations of the IGOs agenda for greater transparency and accountability to eliminate corruption and bribery..

The media focus on the Costa Rica and Taiwan bribery incidents in 2004 brought dramatic changes to the company's internal control process as well as disclosure practices. In the annual report 2004, possibly in response to the emerging pressure from IGOs, the company stated it was adhering to the Global Compact initiative. In the sustainability report of 2009, the company stated that it signed the World Economic Forum Partnering against Corruption Initiative (PACI)—the initiative in which 137 companies globally became signatories. The findings in this study suggest a strong statistical relationship between negative media attention and disclosures on combating bribery in which IGO activities were prevalent in the relevant period. The increasing relationship between corporate disclosures in annual and sustainability reports and IGOs' initiatives[7] are displayed in Figure 1. It indicates that the trend in corporate disclosures on combating bribe not only increased with time but coincided with IGO initiatives. While media attention and corporate disclosures were positively correlated, IGOs became a complementary (or networked) factor to create change in corporate disclosure practices. The changing level of disclosures was associated with the joint consideration of media agenda and the actions of IGOs—'networked governance' was able to influence the disclosure behaviour of Alcatel-Lucent.

[7] Table 1 provides the details of initiatives launched by IGOs in each year



5.2 Siemens AG

52.1 Analysis of corporate disclosures on combating bribe in annual report and sustainability report

The data in Table 5 indicates the extent of corporate disclosures on combating bribery by Siemens AG that were reported in both the annual and sustainability reports during the sample period. Siemens AG did not disclose any information in relation to anti-bribery policies and procedures until 2002. In 2002 and 2003 the company reported limited information in its sustainability reports in relation to Category 2 (Company Board & Senior Management Responsibilities). In 2006, the company reported in its annual report 31 sentences of corporate disclosures on combating bribery. In 2007 the number of disclosures in the annual report increased sharply to 140 sentences (covering all categories of disclosure). At this point, disclosures increased more steadily rising to a total of 172 sentences reported in 2010. In regard to the categories, the highest number of disclosures (304 sentences) in annual reports was reported in Category 1 (Accounting for

Combating Bribe). The second highest number of disclosures (160 sentences) were reported in Category 2 (Board & Senior Management Responsibilities) followed by Category 3 (Building Human Resources to Combat Bribe). Annual report disclosures under the Categories 1 to 3 showed a continuous upward trend. The disclosures in relation to other two categories; Category 4 (Responsible Business Relation) and Category 5 (External Verification and Assurance), were small in size and tended to fluctuate from period to period with no discernible or apparent trend.

Table 5 :Siemens AG Corporate Disclosure on Combating Bribe (Number of Sentences reported)

Year	Category 1		Category 2		Category 3		Category 4		Category 5		Total	
	AR	SR	AR	SR	AR	SR	AR	SR	AR	SR	AR	SR
1995	0	0	0	0	0	0	0	0	0	0	0	0
1996	0	0	0	0	0	0	0	0	0	0	0	0
1997	0	0	0	0	0	0	0	0	0	0	0	0
1998	0	0	0	0	0	0	0	0	0	0	0	0
1999	0	0	0	0	0	0	0	0	0	0	0	0
2000	0	0	0	0	0	0	0	0	0	0	0	0
2001	0	0	0	0	0	0	0	0	0	0	0	0
2002	0	0	0	3	0	0	0	0	0	0	0	3
2003	0	0	0	7	0	0	0	0	0	0	0	7
2004	0	0	0	0	0	0	0	0	0	0	0	0
2005	0	0	0	0	0	0	0	0	0	0	0	0
2006	13	0	11	0	5	0	2	0	0	0	31	0
2007	68	14	28	18	21	14	16	3	7	1	140	50
2008	72	35	26	64	22	19	17	28	8	5	145	151
2009	75	9	36	43	24	6	8	10	8	2	151	70
2010	76	17	59	44	24	8	6	6	7	3	172	78
Total	304	75	160	179	96	47	49	47	30	11	639	359

Category 1: Accounting for combating bribe
Category 2: Board and senior management responsibilities
Category 3: Building human resources to combat bribe
Category 4: Responsible business relation
Category 5: External verification and assurance
AR: Annual Report
SR: Sustainability Report

In sustainability report disclosures, the trend was less clear compared with the disclosures that appeared in the annual reports. In 2007, 50 sentences of corporate disclosure were reported increasing to 151 sentences in 2008 but then declined to 70 and 78 sentences in 2009 and 2010 respectively. In total, the highest amount of reporting (179 sentences) occurred under Category 2 (Board & Senior Management Responsibilities) with the second highest amount of disclosures (75 sentences) found under Category 1 (Accounting for Combating Bribe). In both companies, annual reports were dominated by Category 1 disclosures and sustainability reports were dominated by disclosures in Category 2. It appears that companies prefer to report accounting related anti-bribery in annual reports while management's response or responsibilities to such issues are disclosed in sustainability reports. The sustainability report disclosures under Category 1 (Accounting for Combating Bribe), Category 2 (Board & Senior Management Responsibilities), and Category 3 (Building Human Resources to Combat Bribe), showed continuous upward trend while disclosures under Category 4 (Responsible Business Relation) and Category 5 (External Verification and Assurance) were minimal and tended to fluctuate from period to period with no discernible trend being apparent over sixteen years period.

5.2.2 Analysis of media coverage and corporate disclosures

The data reported in Table 6 provides evidence of the negative media articles along with positive and negative corporate disclosures on combating bribery in the sample period. The media reports linked the company to bribery incidents from 2006 to 2010. Siemens AG was involved in several bribery incidents since 2006 that include activities in Saudi Arabia, Russia, and Italy. This study found that the highest number of negative media news against Siemens AG was reported in 2007 with 52 negative media news items. In the same period, the amount of annual report disclosures increased significantly from 31 sentences in 2006 to 140 sentences in 2007. In the sustainability reports, negative media disclosures increased suddenly from 0 sentences in 2006 to 50 sentences in 2007 followed by 151 sentences in 2008. In 2007, Siemens AG appointed Chief Compliance Officer to handle the complaints and launched the compliance help desk, along with its "Ask us" function. This service was designed to become a central point of contact where all managers and employees worldwide can submit queries to compliance experts for professional guidance (Siemens AG, Sustainability Report, 2007). Furthermore, between February and October 2007, 1,400 employees in management positions all over the world received intensive training in antitrust law and anticorruption issues. The company targeted 100,000 employees to complete an online training program which dealt with instruction on handling payments, accounting practices and gift and donation (Siemens AG, Sustainability Report, 2007).

In spite of the company's anti-bribery initiatives in 2007, the company in 2008 was again linked to major bribery incidents in several countries including Greece, Nigeria and Bangladesh. The number of negative media articles reported against the company dropped from 2008, but in spite of the decline, negative media news continued to be reported against the company. Even though the company was not formally linked to major reportable bribery incidents in 2009 and 2010, the media reported negative news in relation to prior incidents of bribery that were addressed in court hearings where the company accepted an obligation to pay compensation.

Table 6: Aggregated social disclosures and media attention by year- Siemens AG

Year	Total media news	Annual Report			Sustainability Report		
		Total sentences	Positive sentences	Negative sentences	Total sentences	Positive sentences	Negative sentences
1995	0	0	0	0	0	0	0
1996	0	0	0	0	0	0	0
1997	0	0	0	0	0	0	0
1998	0	0	0	0	0	0	0
1999	0	0	0	0	0	0	0
2000	0	0	0	0	0	0	0
2001	0	0	0	0	0	0	0
2002	0	0	0	0	3	3	0
2003	0	0	0	0	7	7	0
2004	0	0	0	0	0	0	0
2005	0	0	0	0	0	0	0
2006	23	31	28	3	0	0	0
2007	52	140	132	8	50	48	2
2008	22	145	138	7	151	151	0
2009	14	151	142	9	70	70	0
2010	27	172	164	8	78	78	0
Total	138	639	604	35	349	347	2

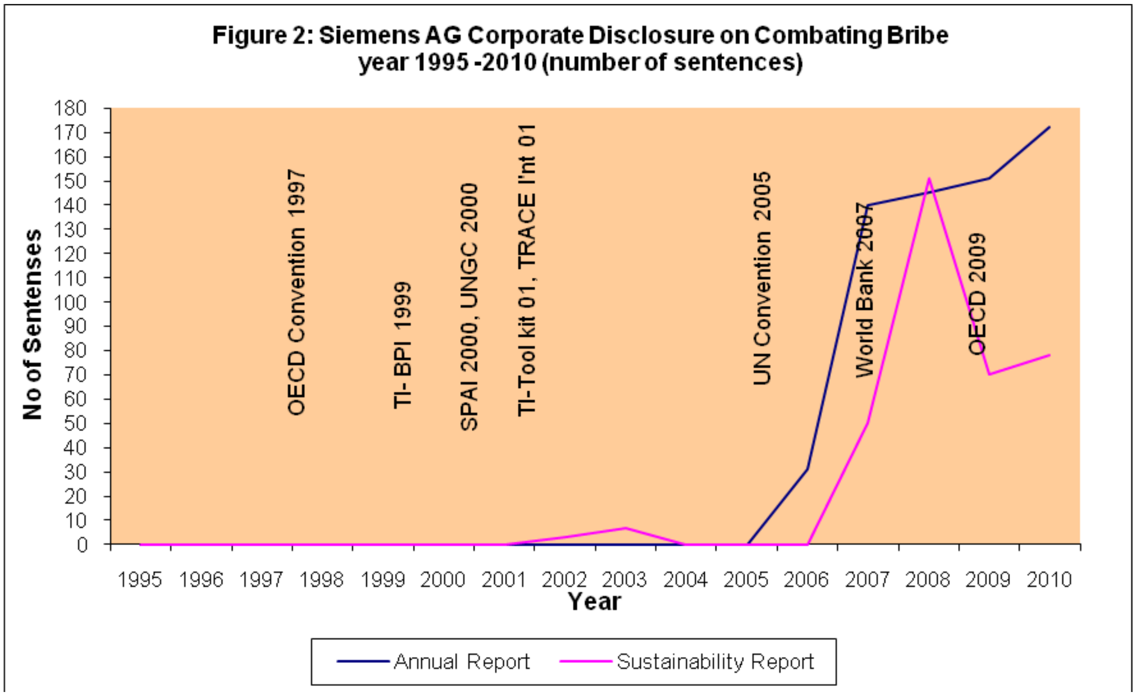
With increasing disclosures until the end of the observation period, Siemens appeared to have maintained a high level of corporate disclosure practice on combating bribery. Based on the Spearman rank order correlation, the results suggest that negative media news is highly correlated with annual report disclosures (r_s=0.948, p=0.000). This finding suggests that the company relies on annual report disclosures to counter the effects of negative media news. Bribery issues attracted the greatest amount of negative media attention within the five disclosure categories as well as providing the greatest amount of positive annual report disclosures. The results support the findings of prior studies (see for example: Pattern, 1992; Brown & Deegan, 1998; Deegan & Rankin, 1996; Deegan & Islam, 2008) as well as being consistent with the theoretical proposition in this paper that positive corporate disclosures is one response to external public scrutiny with negative news.

The negative media articles and sustainability report disclosures appear to be infrequent only occurring in a limited number of years (see Table 6). However, the resulting association between unfavourable media news and social sustainability report disclosures produced a Spearman's rank-order correlation coefficient of 0.678 (p=0.004). The results indicate that while the correlation was not as strong as the annual report disclosures, the *p* value for sustainability report was significant, indicating that sustainability report disclosures were also responsive to unfavourable media articles. Overall, the company disclosed more than 95% of positive disclosures (604 from 639 sentences) in annual reports and more than 99% of positive disclosures (357 from 359 sentences) in sustainability reports over the sample period. This result is consistent with prior literature which found increasing positive social disclosures to counter the negative media attention in order to regain or maintain their legitimacy in the society in which the company has been charged or linked to socially unethical behaviour.

5.2.3 Analysis of NGOs anti-bribery movement and corporate disclosures

Siemens AG introduced a detailed anti-bribery code and procedures in 2008 in collaboration with NGOs and IGOs. In that year, sustainability reports disclosed 151 sentences which was the highest amount of sentences reported in the sample period. The company reported in great detail their collective action initiative and its cooperation with other stakeholders in driving their activities to combat bribe and corruption. In spite of the increased discourse activity since the bribery in 2004, the company first disclosed their collaboration with NGOs to fight bribery and corruption in 2002 and 2003. In 2002 and 2003, the company disclosed in its sustainability report its cooperation with TI to fight corruption. In 2008 onwards, the company was more actively involved with external parties, looking at different initiatives to combat bribe and corruption. In promoting fair competition, the company launched collective action including participating in initiatives and organisations for combating bribe and corruption. One such involvement includes the World Bank Institute collective action working group.

The data in Figure 2 shows the trend of corporate disclosures on combating bribery reported in Siemens AG annual and sustainability reports and the initiative of IGOs to combat corporate bribery from 1995 to 2010. In considering the number of sentences reported, the data indicates a positive upward trend during the relevant period. This was not only responsive to negative media pressure but also responsive to emerging pressure from the NGOs and IGOs. For example in 2008, Siemens AG reported in its Sustainability Report (2008, p.68), that "Siemens AG is an active corporate member of working group for the tenth principles (anti-corruption) of the UN Global Compact and Commission on Anti-Corruption of the International Chamber of Commerce (ICC)". This statement shows that the company, as a member of the UN, is responsive to the initiatives of IGO. The UN Convention against corruption launched in 2005 could have been the impetus for corporate disclosures on combating bribery and corruption. From 2006, corporate disclosures on combating bribery increased in every year irrespective of the trend in negative media articles. For example in 2008, the number of negative media articles dropped from 52 to 22 but the total amount of corporate disclosures increased from 140 to 145 sentences. This disclosure trend suggests that corporate reporting and initiatives to combat bribery are a response to the growing movement of IGOs ad well as media scrutiny. Like Alcatel-Lucent, Siemens AG reported anti-bribery information to conform to the expectations of IGOs.



6. Conclusion

This study examined the relationship between the amount of negative media attention and the actions of IGOs directed towards the bribe related activities of two major global telecommunication companies (Alcatel-Lucent and Siemens AG), and the level of annual and sustainability report performance disclosures on combating bribery over a 16 year period between 1995-2010. This paper examined the change in disclosure over the sample period as well as across the five categories comprising the anti-bribery index. Alcatel-Lucent and Siemens AG disclosed the highest amount of reporting (number of sentences) under Category 1 (Accounting for Combating Bribery), while disclosures under Category 5 (External Verification and Assurance) reported the least amount of sentences. The amount of total disclosure in annual reports is almost twice the amount that appears in sustainability reports for both Alcatel-Lucent and Siemens AG, however when disclosures were reported in sustainability reports, they were dominated by Category 2 disclosures relating to board and senior management responsibilities. In general, the increasing corporate disclosure directs attention away from the negative connotations associated with corruption and bribery and focuses attention on the corporation's anti-bribery activities.

The findings of this study suggest that since 2004, Alcatel-Lucent and Siemens AG received widespread media attention impacting the level of anti-bribery disclosures. Statistical analysis of the relationship between media attention and corporate disclosures found that the positive disclosures were significantly associated with the media attention supporting the view that media attention plays a role in influencing the amount of corporate disclosures on anti-bribery measures. The results of this study conforms to legitimation motives in which company's disclose information on combating bribery which is consistent with O'Donovan's (1999) concluding comments that management make annual report disclosures in response to news media coverage. This study also found that the trend in such disclosures coincided with expectations of leading IGOs who were promoting their anti-bribery agendas and guidelines for corporations to adopt anti bribery policies and procedures. This finding suggests that corporations respond not only to media pressure but also to an increase in external party movements (e.g. TI, UN, OECD and the World Bank) to combat bribery. Overall, the amount of performance disclosure on combating bribery increased in the latter years of the sample period consistent with highest negative media coverage further impelled by NGO and IGO pressure.

In sum, the findings of the study are twofold. First, the finding suggests that news media attention influenced the anti- bribery disclosure practices of Alcatel-Lucent and Siemens AG. This finding supports the conclusions of existing studies that find a positive relationship between community concern (with media attention as a proxy for community concern) and corporate social disclosures (see for example: Brown & Deegan, 1998; Deegan, et al., 2002; Islam & Deegan, 2008). In addition to the role of the media, the second part of the results suggests that, IGOs such as TI, OECD and World Bank also had an influence over the disclosure practices of these two companies. Corporate disclosures on combating bribery were closely associated with the combination of media attention and the influence of IGOs–a system of ‘networked governance’ that has not been fully considered or explored by social accounting researchers to understand disclosures practices of corporations. Furthermore, given the present voluntary nature of IGOs’ to influence corporate activity, we argue that increased anti-bribery disclosures by global telecommunication companies prevented further regulatory intervention created by the IGOs.

Legitimacy theory is premised on the notion that societal norms, values and beliefs are not fixed and organisations who respond to changing societal norms do so on the basis of signals communicated by particular social and environmental events, media scrutiny and networked-governance pressures. We can infer from such signals that issues with broad social and political implications are likely to influence disclosure practices. Corporate disclosures that denounce corruption demonstrate a company’s commitment to honesty and integrity. A company’s fight against corruption communicates and reinforces a perception that the company is acting in the public’s best interest. Interventions that combat bribery show that companies are concerned for social welfare as much as their economic imperative to make a profit. It is this component of its legitimacy activities, sometimes referred to as moral legitimacy, that demonstrate an affiliation with social norms. Further research could examine the corporate disclosures following a reduction in media attention to determine if there is a corresponding fall in disclosures.

This study contributes to the existing literature, not found in prior literature, in different ways. First, the issue of corporate bribery and related disclosure is unique and quite different to other social and environmental issues examined in the prior research. Second, in addition to annual report (see Islam & Deegan, 2010; Brown & Deegan, 1998), sustainability reports were equally considered to understand the role of media in influencing corporate disclosure practices. We found disclosures in sustainability reports were positively associated with the media attention—a relationship which has not been previously investigated. Third, we investigated the influence of IGOs over the anti-bribery reporting practices of two multinational companies and found that the disclosures were also associated with the expectations of IGOs such as TI, OECD and WB. Research investigating how IGOs influence in the reporting behaviour of corporations is limited. Finally, this study has added the notion of responsive regulation to legitimacy theory to understand how networked governance and the interactions of NGOs-media influence on anti-bribery corporate disclosures practices. The theoretical framework and industry focus undertaken in this paper has not been considered in prior research.

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Appendix 1: Disclosure categories on combating corporate briberies

1. Accounting for combating bribe

1. The company prohibits all forms of bribery whether they take place directly or through third parties
2. The company prohibits its employees from soliciting, arranging or accepting bribes intended for the employee's benefit or that of the employee's family, friends, associates or acquaintances.
3. The company, its employees or agent make clear commitments that they do not have direct or indirect contribution to the political parties, organisations or individuals engaged in politics, as a way of obtaining advantages in business transaction
4. The company discloses all its political contribution
5. The company ensures that charitable contribution and sponsorship are not used as a subterfuge for bribery
6. The company publicly discloses all its charitable contribution and sponsorship
7. The company does not make facilitation payments and take initiative to identify and eliminate them
8. The company prohibits the offer or receipt of gifts, hospitality or expenses whenever they could affect or be perceived to affect the outcome of business transactions and are not reasonable and bona fide.
9. The company establishes and maintains an effective system of internal control to counter bribery, comprising financial and organisational checks and balances over the enterprise's accounting and record keeping practices and other business process related to the program.
10. The company maintains available for inspection accurate books and records that properly and fairly document all financial transaction
11. The company does not maintain off-the-books accounts. The company adopt financial and tax accounting and auditing practices that prevent the establishment of "off the books" or secret accounts or the creation of documents which do not properly and fairly record the transactions to which they relate.
12. The company subjects the internal control systems, in particular the accounting and record keeping practices, to regular review and audit to provide assurance on their design, implementation and effectiveness.
13. Disclose number of violations
14. Report number of dismissals of employee

2. Board and senior management responsibilities

15. The board of Directors or equivalent body should commit to an anti-bribery policy and program based on the business principles and provides leadership, resources and active support for management's implementation of the program.
16. The Chief Executive Officer is responsible for ensuring that the program is carried out consistently with clear lines of authority
17. The board of Directors or equivalent body, Chief Executive Officer and senior management should demonstrate visible and active commitment to the implementation of the enterprise's programme.
18. The company makes compliance with the programme mandatory for directors and applies appropriate sanctions for violations of its programme.

19. The company establishes feedback mechanisms and other internal processes supporting the continuous improvement of the programme
20. Senior management of the company monitors the programme and periodically reviews the program's suitability, adequacy and effectiveness, and implements improvements as appropriate.
21. Senior management should periodically report the results of the programme review to the Audit Committee, Board or equivalent body.
22. Management offers dialogue with the NGO's and public so as to promote its awareness of and co-operation with the fight against bribery and extortion.
23. The audit committee, the board or equivalent body should make an independent assessment of the adequacy of the programme and disclose its finding in the enterprise's annual report to shareholders.
24. Management participation in any industry groups against corruption or bribery.

3. Building human resources to combat bribe

25. Human resources practices including recruitment, promotion, training, performance evaluation, remuneration and recognition should reflect the companies' commitment to the programme
26. The human resources policies and practices relevant to the programme are developed and undertaken in consultation with employees, trade union or other employee representative bodies a s appropriate.
27. The company makes it clear that no employee will suffer demotion, penalty or other adverse consequences for refusing to pay bribes even if such refusal may result in the enterprise losing business.
28. The company makes compliance with the programme mandatory for employees and applies appropriate sanction for violations of its programme.
29. Directors, managers, employees and agents should receive appropriate training on the programme.
30. Where appropriate, contractors and suppliers should receive training on the programme
31. reports percentage of employees trained in organisation's anti-corruption policies and procedures

4. Responsible business relation

32. The company monitors the programmes and performance of joint ventures and consortia; in the case of policies and practices that are inconsistent with its own programme, the enterprises should take appropriate action. This can include: requiring corrections of deficiencies in the implementation of the programme; application of sanctions; or termination of its participation in the joint venture or consortium
33. Where the company is unable to ensure that a joint venture or consortium has a programme consistent with its own; it should have a plan to exit from the arrangement if bribery occurs or is reasonably thought to have occurred
34. The company ensures that remuneration of agents is appropriate and for legitimate services only. Where relevant, a list of agents employed in connection with transactions with public bodies and state- owned enterprises should be kept and made available to competent authorities.
35. The company contractually requires its agents and other intermediaries to keep proper books and records available for inspections by the enterprise, auditors or investigating authorities

36. The company monitors the conduct of its agents and other intermediaries and should have a right of termination in the event that they bribes or act in a manner inconsistent with the enterprise's programme
37. The company conducts its procurement practices in a fair and transparent manner
38. The company avoids dealing with contractors and suppliers known or reasonably suspected to be paying bribes. It should undertake due diligence, as appropriate, in evaluating prospective contractors and suppliers to ensure that they have effective anti bribery programme
39. The company makes known its anti-bribery policies to contractors and suppliers
40. The company monitors significant contractors and suppliers as part of its regular review of relationships with them and have a right to termination in the event that they pay bribes or act in a manner inconsistent with the enterprise's programme
41. Reports number of contracts terminated

5. External verification and assurance

42. The board or equivalent body should consider whether to commission external verification or assurance of anti bribery policies and system to provide enhance internal and external assurance of the programme's effectiveness
43. Where such external verification or assurance is conducted, the board or equivalent body should consider publicly disclosing that an external review has taken place, together with the related verification or assurance opinion.
44. Assurance statement explicitly covers programme reporting

Disclosure Index developed from, but not limited to:

1. OECD (2008), OECD Guidelines for Multinational Enterprises-Section VI: Combating Bribery, OECD.
2. Transparency International (2009), the business principles for Countering Bribery- multi-stakeholder initiative led by Transparency International.
3. The U.S. enacted the Foreign Corrupted Practice Act 1977 (FCPA)
4. The 2008 UNCTAD publication Guidance on corporate responsibility indicators
5. UN convention Against Corruption (UNCAC)
6. Industry related group such as the anti-money laundering Wolfsberg group of leading banks, the Oil and Gas producers, “Publish What You Pay” initiatives