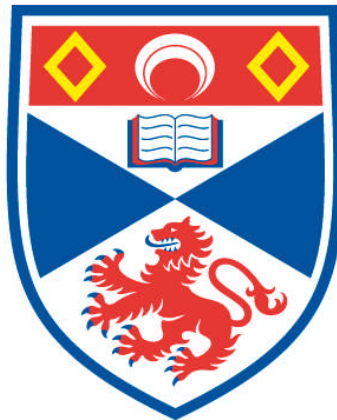


**CORPORATE SOCIAL RESPONSIBILITY &  
GAMBLING INDUSTRY:  
AN EXPLORATORY STUDY**

**Leung Cheng Han (Tiffany)**

**A Thesis Submitted for the Degree of PhD  
at the  
University of St Andrews**



**2014**

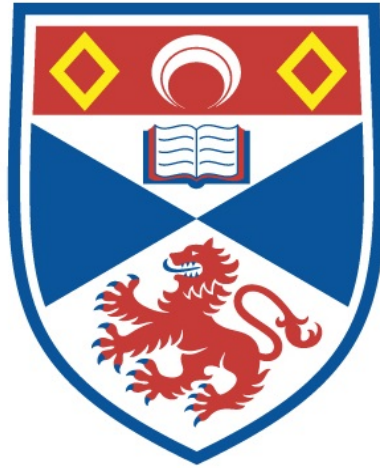
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University of St Andrews

# **Corporate Social Responsibility & Gambling Industry: An Exploratory Study**

Leung Cheng Han (Tiffany)

Doctor of Philosophy in Management Studies

26 September 2013

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I, Leung Cheng Han (Tiffany), hereby certify that this thesis, which is approximately 79,964 words in length, has been written by me, that it is the record of work carried out by me and that it has not been submitted in any previous application for a higher degree.

I was admitted as a research student in September, 2009 and as a candidate for the degree of Doctor of Management Studies in May, 2010; the higher study for which this is a record was carried out in the University of St Andrews between 2009 and 2013.

I, Leung Cheng Han (Tiffany), received assistance in the writing of this thesis in respect of language and grammar, which was provided by Ms Janie Brooks.

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## Abstract

Corporate Social Responsibility (CSR) is one important response to the increasing amounts of criticism levelled at corporations. A number of studies have focused on CSR in a range of industries; however, some contentious industries, e.g. the gambling industry, remain unexplored. Mobilizing CSR in a novel setting not only enhances the knowledge of CSR and gambling, but also provides an overview of this industry itself.

This thesis attempts to investigate three questions: to *what extent* does the gambling industry disclose *CSR-related data*, *how* is CSR understood in this industry and *why* does the gambling industry engage in CSR? This thesis provides a general overview of the international gambling industry and an in-depth investigation of Macao's gambling industry. The research design of the thesis employs mixed methods: content analysis and semi-structured interviews. The principal research is based on 49 interviews.

This thesis advances three main arguments. First, it will be argued that there are relatively low volumes of Corporate Social Disclosure (CSD) and Responsible Gambling (RG) disclosure in the international gambling industry, which can be viewed as a legitimising strategy. Second, in Macao's gambling industry, it is argued that organisations in this industry tend to place a greater emphasis on positive social impacts, while obscuring such negative impacts as gambling addiction and health-related issues. Third, this thesis holds that organisations in Macao's gambling industry engage symbolically, rather than substantively, with CSR and RG in order to manage stakeholders' perceptions in an attempt to gain different sources of legitimacy and in turn to enhance its economic interests. In conclusion, the gambling industry does not entirely conform to the institutional environment, which poses a challenge to the organisational legitimacy literature. This thesis introduces a necessary caution into the discussions about the extent of CSD, CSR, and RG in this industry more generally.

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### List of abbreviations

APA	The American Psychiatric Association
BAT	British American Tobacco
BBBEE	The Broad-Based Black Economic Empower Act
CAGR	Compound Annual Growth Rate
CAQDAS	Computer Aided Qualitative Data Analysis Software
CEO	Chief Executive Officers
CSD	Corporate Social Disclosure
CSP	Corporate Social Performance
CSR	Corporate Social Responsibility
CFP	Corporate Financial Performance
CSEAR	The Centre for Social and Environmental Accounting Research
DSM-IV	Diagnostic and Statistical Manual of Mental Disorder
ESG	Environment Social Governance
FASB	Financial Accounting Standard Board
FCTC	The Framework Convention on Tobacco Control
FTS	Free Travel Scheme
GDP	Gross Domestic Product
GRI	The Global Report Initiative
NGOs	Nongovernmental organisations
MICE	Meetings, Incentives, Conventions and Exhibitions
MNCs	Multinational Corporations
MNEs	Multinational Enterprises
MSAR	Macao Special Administrative Region
OECD	Organisation for Economic Cooperation and Development
OSHACT	The Occupational Health and Safety Act
PRC	People's Republic of China
RCRA	Resource Conservation and Recovery Act
RG	Responsible Gambling
RGAW	Responsible Gambling Awareness Week
SEA	Social and Environmental Accounting
SEC	the United States Securities Exchange Commission
SRI	Social Responsible Investment
UNGC	United Nation Global Compact
VIP	Very Important Person
WWF	World Wide Fund
24/7/365	24 hours a day, 7 days a week, 365 days a year

## **Chapter 1**

### **Introduction**

#### **1.1 Introduction**

##### **1.1.1 CSR**

Corporate Social Responsibility (CSR) is an important response to increasing amounts of criticism levelled at corporations. Many scholars, authorities, and organisations have defined CSR in various ways. Dahlsrud (2006) compares and contrasts 37 definitions of CSR and identifies that the most widely cited CSR definition is suggested by Commission of the European Communities (2001, p. 6). This defines CSR as “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis”. In the academic literature, CSR has been widely discussed. There have been a number of academic studies on defining CSR in numerous ways, including conceptualisation of CSR from the perspective of shareholders, stakeholders, and society (Friedman, 1970; Carroll, 1979, 1991; Freeman, 1984; Donaldson and Preston, 1995; Mitchell, et al., 1997; Van Marrewijk, 2003). The literature also links CSR to its wider context of corporate citizenship, business ethics and sustainability (Crane and Matten, 2007; Young and Tilley, 2006). Chapter 2, Section 2.2 explains why there are various definitions and different perspectives of the term CSR.

CSR has been discussed in many different areas of management studies. In particular, this term is often associated with the gradual increase in the corporate reporting of social and environmental policies, practices, and performance. KPMG (2011) reports that 95 percent of the largest global 250 companies in the world report on their corporate social responsibility and this is often known as “Corporate Social Disclosure



(CSD)”. A number of studies have examined the relationship between corporate social performance (CSP) and corporate financial performance (CFP) (Ullmann, 1985; Richardson, et al., 1999; Griffin and Mahon, 1997; Orlitzky, et al., 2003; Margolis and Walsh, 2003). The various studies draw substantially different conclusions and the results tend to be positive, negative, mixed, or neutral effects, but this depends on various factors, such as measures, samples, and methods (Cai, et al., 2012). Recently, CSR has also been linked to Socially Responsible Investment (SRI) and Environmental Social Governance (ESG).

CSR not only has been widely examined in management studies, but has also become a global phenomenon. Corporations, especially MNCs, often integrate CSR into their business strategy. CSR has become a mainstream of business activities and global business practices (Levy and Kaplan, 2008). Corporations tend to “do well by doing good”, which means that they can perform well in financial terms, in business operations and can be responsible for creating a better society (Kurucz, et al., 2008). This is often known as “the business case”. The business case appears to provide a number of advantages for corporations: competitive advantage, corporate image and reputation, cost reduction and synergistic value creation (Kurucz, et al., 2008; see Chapter 2, Section 2.2.3).

Nevertheless, “the business case” for CSR appears to be under a “win-win” and “business as usual” scenario with the underlying assumption of operating good organisations and enhancing shareholder value (Banerjee, 2008). Not all scholars agree with the business case, and some assert that CSR engagement is largely based on the financial initiative rather than an ethical initiative. Friedman (1970) argues that a

socially responsible corporation must maximise shareholder wealth. Corporations appear to have no legal requirement to serve the public interest (Crane and Matten, 2004; Banerjee, 2007). The debate is generally based on the notion of capitalism, rather than a win-win situation. The behaviour of the large, influential, and powerful corporations, especially MNCs, tends to suggest that they do not assume responsibility for their economic action and their behaviour can gradually affect society and the environment (Gray, et al., 1996). In other words, corporations often engage in CSR activities in order to pursue financial interest, without seeking to change the structure of capitalism (see Chapter 2, Section 2.2.4).

Corporations, especially MNCs, are becoming increasingly influential, powerful and dominant in business and society. MNCs have the ability to choose their stakeholders (see, for example, Freeman, 1984; Donaldson and Preston, 1995) and shape CSR in ways that are beneficial, rather than the impact of their business operation (Bondy, et al., 2012). CSR is possibly “windowing dressing” for irresponsible behaviour (Banerjee, 2008), or a “smokescreen” for deregulation (Hanlon, 2008). In other words, CSR can be seen as an important device for organisational legitimacy.

Due to various cultures, there is no particular CSR template for international corporations (Birch and Moon, 2004). Over the past five decades, a number of studies have extensively investigated CSR in developed regions, notably North America and Europe (Maignan and Ralston, 2002; Matten and Moon, 2004; 2008; Carroll, 2008). In the last decade, a growing number of CSR studies have been conducted in developing regions, for example Asia, Africa and Latin America (Crane and Moon, 2007; Visser, 2008). Matten and Moon (2008) suggest an explanation of “implicit” and “explicit”

CSR to analyse CSR in national institutional contexts. Globalisation and free trade may thus increase MNCs's explicit CSR in the developing regions, where there may be weak institutions or poor governance (Matten and Moon, 2008; see Chapter 2, Section 2.5).

Despite the increasing body of CSR literature over the past decades, several studies have focused on CSR in such particular industries as oil (Coupland, 2005), banking (Scholten, 2009) and retailing (Kolk, et al., 2010). However, controversial industries remain largely unexplored. For example, little attention has been paid to such controversial industries as tobacco (Pava and Krausz, 1997; Palazzo and Richter, 2005; Tilling and Tilt, 2010; Fooks, et al., 2013) or brewing (Quaak, et al., 2007) and gambling. The gambling industry, a further example of a controversial industry, has received relatively little attention in the CSR literature. Few CSR studies have indeed concentrated on the gambling industry (Hing, 2001; Jones, et al., 2009; Lee and Park, 2009; Li, et al., 2011; see Chapter 2); however, these studies have not examined the construction of legitimacy in this industry. The gambling industry appears to be a source of tension and conflict. Examination of CSR in the gambling industry provides a novel setting to investigate the complexity and subtlety of business and society and deepening the understanding of the nature and development of CSR (see Chapter 2, Section 2.4).

Controversial, contentious or sin industries have been defined as those which are often associated with “products, services or concepts that for reasons of delicacy, decency, morality, or even fear, elicit reactions of distaste, disgust, offence or outrage when mentioned or when openly presented” (Wilson and West, 1981, p. 92). A controversial industry's products and services are highly contested. The level of cognitive beliefs concerning its products and services helps to constitute product acceptability and

reconfigure a controversial industry's legitimacy (Galvin, et al., 2004-05) (Chapter 2, Section 2.3).

Arguably, the construction of legitimacy in the gambling industry cannot be simply due to laws and societal norms. First, the industry may or may not be legalized. According to Galvin, et al. (2004-05, p. 69), "The struggles over industry legitimacy are less about the activity of gambling per se, and much more about the authorised organisations and locations in which these activities take place". Therefore, gambling is subject to rigorous government regulation (Miller and Michelson, 2012). A number of countries legalized the gambling industry for different political reasons, such as urban regeneration, tax revenue and tourism development (Austrin and West, 2005). Second, gambling may or may not be a legitimate form of activity (Reith, 2007). Gambling appears to be a socially constructed illegitimate form largely based on its historical background (Reith, 2007). As a result of economic, political, and cultural changes in western society, the evolution of gambling can be characterised as movement from an illegitimate form to a legitimated form of socially undesirable behaviour of recreation and consumption (Reith, 2007). Hence, interpretation of the legitimacy of gambling has changed over time. Legitimacy theory, thus, can provide a useful starting point to investigate CSR in the gambling industry (Chapter 2, Section 2.3).

### **1.1.2 Gambling**

Gambling<sup>1</sup> is said to have a long history (Appendix 1) and is as old as the history of human beings. Gambling appears to link to different aspects of human nature, namely

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<sup>1</sup> According to Blaszczyński, et al. (2011, p.7), gambling is generally defined as "a risk-taking activity that involves an agreement between two or more parties where something of value is wagered on an event of uncertain outcome and where chance determines the outcome of that event".

faith<sup>2</sup>, ethic and rationality (Reith, 2007). In the historical context, gambling can serve as a form of recreation in different cultures<sup>3</sup> (Culin, 1992 cited in Sauer, 2001); however, gambling became caught up in discourses on deviant behaviour related to alcoholism, addiction, and prostitution (Reith, 2007). In the mid-twentieth century, economic, social, political changes transformed Western societies and encouraged a paradigm shift on gambling (Reith, 2007). From the 1970s to 1980s, neo-liberal economic policies have encouraged the imposition of high taxes on gambling as alternative sources of revenue for governments and the political economy of gambling was increasingly deregulated, resulting in substantial expansion of commercial gambling as a global enterprise (Reith, 2007).

In the twenty-first century, the gambling industry has become a profitable industry by

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<sup>2</sup> Divination is the practice of employing an explanatory device so as to receive a message from the unknown (Bloch, 1951) or using supernatural or intuitive ways to tell the future, such as Greeks and Etruscans use entrails (liver) and Karydaomancers use coconut shells (Schwartz, 2006). In contrast, deep-rooted opposition to gambling originated in religion. Although there is a little discussion of gambling in the Bible, gambling is known to have been subject to civil punishment among Jews (McGowan, 1994 cited in Sauer, 2001). Additionally, the Puritans considered gambling to be evil and prohibited because it was against the teaching of God (Barker and Britz, 2000). All indulgence in pleasure is immoral which is more related to the religious asceticism (Collins, 2003). Thus, gambling as a way of life was perilous for the burgeoning Puritan community's survival (Barker and Britz, 2000).

<sup>3</sup> Several studies have investigated gambling preferences in nine ethnic groups, for example the GAMECS Project in 1999. The GAMECS Project (1999) with 976 regular gamblers was a study to analyse gambling preferences in nine ethnic groups in Sydney, Australia. Arabic, Chinese, Vietnamese, and Greek participants present a lower rate to use gaming machines outside casinos than the general populace. Chinese, Croatian, Korean, Spanish, and Vietnamese prefer to go to the casino gambling, while Greek and Italian prefer playing cards. Hence, the preference of different forms of gambling varies across culture or national history. This prevalence could be linked to approval and familiarity of specific games and whose values and beliefs are passed down to next generations (Raylu and Oei, 2004). Several studies have compared Caucasian and Chinese gambling behaviour (Lesieur and Rosenthal, 1991; Raylu and Oei, 2004; Lau and Ranyard, 2005). The Chinese tend to exhibit higher rates towards gambling. Chinese culture has unique concepts of fate, chance, and luck, which are explained in terms of hidden gifts of destiny, power of number, and honouring of God (Papineau, 2005). Gambling culture has been a part of Chinese lifestyle, history, and tradition, and this culture has integrated into values and beliefs (Raylu and Oei, 2004). Yet, the results of several studies indicate that higher incidents of gambling are limited not only to Chinese, but also Jewish and "deviant" minority groups, such as the poor (Light, 1977b), ethnic minorities (Light, 1977a), and indigenous people (Dickerson, et al., 1996; Zitzow, 1996; Volberg and Abbott, 1997; Wardman, et al., 2001; Raylu & Oei, 2004). Importantly, religious participation appears to moderate gambling participation to a certain degree (Ellison and Nybrotten, 1999, Diaz, 2000; Brown, et al., 2003; Lam, 2006). Thus, religiosity might play a crucial role in discouraging people from engaging in gambling activities.

selling hope, excitement and entertainment to consumers (Reith, 2007). This industry can be regarded as a subset of the leisure sector, alongside cruises, holidays, sports, and theme parks (Christiansen, 1998). This rapid development reflects the new acceptability of this industry, which seeks to portray itself as normal business activities for free market, free choice and services for sale (Galvin, et al., 2004-5). The industry prefers the term “gaming” with its connotation of play and leisure, rather than “gambling” with its connotation of financial loss (Reith, 2007). The evolution of gambling is moving towards a legitimated form of recreation, entertainment, and consumption, rather than an illegitimate form associated with alcoholism, prostitution and drugs (Reith, 2007). Games of chance are not only a product of consumer culture, but also express the values of instant gratification, self-fulfilment, and conspicuous consumption (Reith, 2007). Despite its universality, the concept of gambling varies greatly in history, and its meanings vary according to different forms of gambling, people and society (McMillen, 1996b, p. 6).

The global gambling sector is typically viewed as part of the other services sector. This sector is positioned in the middle of the Fortune Global 500 list (KPMG, 2005). This globalization strongly affected the expansion of the gambling market (McMillen, 1996a). Gambling takes different forms<sup>4</sup>. On the global level, the gambling sector had a total revenue of £354 billion in 2012 with a compound annual growth rate (CAGR) of

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<sup>4</sup> According to MarketLine’s (2012a) report, the global casinos and gaming consists of different forms of betting and gambling. The broad spectrum of gambling can be classified into five major categories, each with its own characteristics. First, the casinos segment covers all gambling activities in casinos, for example card games, roulettes and slot machines; second, the lotteries segment encompasses all state, private, and charitable lotteries, including traditional draws, scratch card games and other similar products; third, the sports betting segment usually involves betting the outcome of such sporting games as horse races, football matches, and dog races and also pari-mutual operators; fourth, this segment involves bingo and slot machines located outside casinos; and fifth, the final segment refers to online gambling<sup>4</sup> and gaming activities (MarketLine, 2012a). The Internet has had a significant growth rate over the last decade. Thus, online gambling has become as a popular form of entertainment in the gambling industry (Soriano, et al., 2012). In 2009, there were appropriately 2,500 online gambling websites owned by 600 organisations (Remote Gambling Association, 2010). The complexity of Internet gambling cannot be underestimated, varies across country, jurisdiction and time (Cabot, 2006 and Rose and Owen, 2005 cited in Wood and Williams, 2007). A few of these companies were publicly listed on the stock exchange market, but most of them are privately owned (Wood and Williams, 2007).

3.8% (MarketLine, 2013a). This report shows the growing global gambling industry is significantly bigger than the shrinking global investment banking and brokerage sector (£45.9 billion), but smaller than the global oil and gas sector (£2,316.8 billion) and the metals and mining industry (£2,154.3 billion) (MarketLine, 2012a; b; c; d). More pertinently, this global gambling sector grew moderately in 2011 when compared to the global oil and gas industry (5.7% and 25.1% respectively), but well when compared to the global investment banking and brokerage sector, which shrank by 11.7% (MarketLine, 2012 a; b; c; d). In particular, the Asia-Pacific and European gambling sectors are growing by 8.6% and 4.2% respectively (MarketLine, 2012a). Although there was a global economic downturn in 2008, the performance of the gambling sector is expected to have an anticipated growth rate of 6.1% from 2011 to 2016 (MarketLine, 2012a).

Notably, the gambling industry has been facing a number of opportunities and challenges. From an economic perspective, gambling may have an effect on economic development (Siegel and Anders, 1999). Various countries legalized gambling for profit in welfare regimes<sup>5</sup> and for different reasons, such as public finance (Florida, US and Canada), economic development, (Louisian, US and Macao) and suppressing illegal gambling (the UK and Canada) (Campbell and Smith, 1998; Chambers, 2011).

Legalised gambling can be viewed as a major source of tax revenue in order to provide

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<sup>5</sup> Chambers (2011) provides a general overview of gambling for profit in welfare regimes. These regimes can be classified into three groups: liberal regimes, social democratic regimes and conservative (corporatist) regimes. First, liberal federations, including United States, Canada, Australia, New Zealand, and United Kingdom, are highly decentralized and they tend to have the strongest tendency to allocate general revenue to states (Chambers, 2011). Due to the competitive deregulated market, the American-style casinos could allocate general gaming revenue to state coffers (Chambers, 2011). Second, social democratic states include Denmark, Finland, Sweden, and Norway (Chambers, 2011). Third, conservative (corporatist) regimes fall between social democratic and liberal states (Chambers, 2011). These European countries include Spain, Italy, Greece, Germany, Belgium, Luxembourg, Austria, France, and Portugal. Based on this classification, the Anglo states are more likely than the continental European countries to legalise gambling, while both corporatist and social democratic states adopt an interventionist approach, which means they have a stronger state intervention in the market (Chambers, 2011). These countries direct gambling revenue to social and cultural activities (Chambers, 2011).

not only public goods, for example education, pension and health care service (Christiansen, 1998; Blaszczyński, et al., 2004; Beem and Mikler, 2011), but also infrastructure, occupation and tourism (Christiansen, 1998; Felsenstein, et al., 1999; Korn and Shaffer, 1999; Collins and Lapsley, 2003). Yet, these benefits depend on the degree of the government's political transparency, fairness and integrity (Cheng, 2009). From a liberal sociological perspective, gambling has a positive notion because it is viewed as a legitimate leisure activity that can enrich ordinary people's lives (McMillen, 1996b; Cheng, 2009). Goffman (1967) argues that gambling can provide players a way to show their character, such as in risk-taking, being bold and courageous. Gambling is regarded as maintaining a social structure due to the debilitating impact of modern work (Goldthorpe, et al., 1969; Parker, 1976 cited in McMillen, 1996b). Hence, gambling can be considered as a safety valve from which to escape the burden of work, a positive cohesive element and a mechanism to preserve social order (Herman, 1967 and Devereux, 1968 cited in McMillen, 1996b; Aasved, 2003).

In spite of the opportunities offered by the gambling industry, the gambling industry faces various challenges. Due to the dramatic growth of gambling and gambling operators' aggressive marketing, this industry creates several socially undesirable externalities in the production of this revenue. Gambling may cause a psychological health crisis (Quinn, 2001). Problem gambling may have three notorious terms: "compulsive gambling"<sup>6</sup>, "problem gambling"<sup>7</sup> and "pathological gambling"<sup>8</sup> (Raylu and Oei, 2002, p.1010), which are distinct from social recreational gambling (McMillen,

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<sup>6</sup> The term "compulsive" is usually employed by Gamblers Anonymous members (Raylu and Oei, 2002). Gambling induces compulsive behaviour in an exciting atmosphere to win more money (Lam, 2007).

<sup>7</sup> "Problem gambling" has been widely used in the gambling academic literature. The term refers a wide range of difficulties with gambling and this term would be employed in a broader sense to include individuals who may have the experience gambling problems (Raylu and Oei, 2002).

<sup>8</sup> Pathological gambling is a term employed by the American Psychiatric Association to recognise a gambling illness (Blaszczyński, et al., 2004) so this term "pathological" is usually used by clinicians (Raylu and Oei, 2002). Pathological gambling is characterised by out of control in gambling, the seeking of losses, deception, family disruption, financial bankruptcy and illegal behaviour (Volberg, 1994).



1996b). In particular, the issue of “problem gambling” has become more prominent during the past few decades (Hing, 2001). “Problem gamblers<sup>9</sup>” constitute roughly 2% of the general population (Blaszczynski, et al., 2011; LaPlante, et al., 2011), with a rate of around 0.9% in the UK (Wardle, et al., 2011) and 1.5% in Australia (Miller and Michelson, 2012), but with higher rates ranging from 2.5% to 4.0% in some jurisdictions in China (Loo, et al., 2008). In particular, the prevalence of problem in Macao (4.3% to 6.0%) from 2003 to 2007 is greater when compared to that in HK (4.5%) and Singapore (2.9%) in 2008 (Appendix 2).

However, it can be argued that a small percentage of the population experiences gambling problem (Li, et al., 2011). Psychologists and psychiatrists assert that gamblers are unable to resist gambling because gamblers’ states of mind concerning impulse and sensation can be classified as “impulse control disorder” and “disorders in thinking” (Reith, 2007). As a result, gamblers will have an enhanced risk of suicide and family violence (McMillen, 1996b; Schalkwyk, et al., 2006), while problem gamblers can affect social relationships and the equilibrium of society (England and Albrechi, 1984; McMillen, 1996b; Korn and Shaffer, 1999). In particular, a single problem gambler negatively influences an average of 10 to 17 people, most commonly family, friends and employers (Shaffer and Korn, 2002).

While some studies in social science have highlighted the link between criminal behaviour and illegal gambling (McMillen, 1996b), other studies have attempted to measure the social cost associated with gambling problem (Walker and Barnett, 1999; Grinols and Mustard, 2001; Henriksson, 2001). Grinols and Mustard (2001) assert that

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<sup>9</sup> In this thesis, the term “problem gamblers” refer to people who have a gambling problem.

the social costs of gambling activity are 1.9 times higher than social benefits. The negative effects and related social costs of gambling can be classified into nine categories, namely crime, business and employment costs, bankruptcy, illness, suicide, social service costs, government direct regulatory costs, family costs and abused dollars (Grinols and Mustard, 2001). Walker and Barnett (1999) further show twelve alleged social costs, particularly, seven types of alleged social costs in the transfers or pecuniary externalities category (Table 1). However, Christiansen (1998) claims that the social costs and the social benefits tend to be hard, but not impossible, to quantify. This quantification attempts to provide a general indicator, but it does not appear to be a reliable indicator. Thus, the evidence can justify the claim that gambling is not a simply a form of entertainment; rather, it is detrimental to people's spiritual welfare.

**Table 1: Alleged social costs of gambling**

<b>Alleged Social Cost</b>	<b>Economic Perspective</b>
(1) Income lost from missed work; (2) Costs borne by gambler's decreased productivity on the job; (3) Depression and physical illness related to stress; (4) Increased suicide attempts	Costs borne by gambler
(5) Bailout costs; (6) Unrecovered loans to transfers or pecuniary pathological gamblers; (7) Unpaid debts externalities and bankruptcies; (8) Higher insurance premiums resulting from pathological gambler-caused fraud; (9) Corruption of public officials; (10) Strain on public services; (11) Industry cannibalization	Transfers or pecuniary externalities
(12) Divorces caused by gambling value judgment	Value judgment

Source: Walker and Barnett (1999)

The opportunities and challenges of gambling are still being articulated nowadays, but are expressed in various ways. The evolution of arguments presents some reflections on the plural character of modern societies where people have different beliefs as a result of their differing value systems towards gambling (McMillen, 1996b).

### **1.1.3 CSR, Gambling and Externalities**

The combination of the nature of corporations, CSR, and gambling could be considered a complex and subtle issue. In fact, the gambling industry is similar to other industries, in that it seeks to make profit, build customer loyalty and increase market share (Quinn, 2001). One negative impact of the gambling industry is individual and public health, as it becomes an “externalizing machine” (see Bakan, 2004). Banerjee (2008:55) argues “if a corporation had the legal right to externalize the social and environmental costs of its business activity with impunity, its responsibility to the larger community was less clear...” In order to have an overview of externalities caused by the gambling industry, these can be classified into two types: direct (positive and negative) and indirect externalities (moral behaviour) (Benston, 1982). In the gambling industry, direct externalities can have positive and negative effects (Grinols and Mustard, 2001). The positive effects include an increase in companies’ profit, taxes and employment benefits, while the negative effects and related social costs of gambling are many, as discussed in the previous section (see Table 1).

In particular, the gambling industry attempts to highlight the positive externalities, rather than the negative ones; however, indirect externalities concern social responsibility reporting as a means of enhancing the moral “tone” of the community (Benston, 1982). McGowan (1997, p. 214) asserts that, “...gambling does not contribute to developing the ‘goodness’ or virtue of the individual ... Gambling attacks the overall “moral” character of a society”. Thus, corporations in the gambling industry may embrace CSR as one of the solutions to tackle the criticism arising from direct and indirect negative externalities. The thesis sets out to explore whether the use of CSR is sincere in the gambling industry that capture the complex, dynamic, and complicated

business environment. This industry may be a reflection of other industries which may also employ CSR as a means of making profit as usual.

As a result of the negative externalities, gambling operators are often criticised for exploiting the general public (Hing and McMillen, 2002). Stakeholders impose pressure upon many gambling operators to apply more ethical concerns in the gambling business so as to avoid or mitigate possible gambling problems and harmful impacts (Hing, 2001). This initiative is called “responsible gambling” (RG) (Blaszczynski, et al., 2004; 2011). RG can be seen as a subset of CSR and further discussion will be examined in Chapter 7.

Despite responsible gambling engagement by the gambling industry, the industry has also been facing an ongoing legitimacy threat; most particularly, gambling- and health-related issues (Section 1.1.2). The gambling industry can be expected to engage in efforts to identify with symbols of social legitimacy, for example CSD disclosures, CSR initiatives, and RG programmes (Reast, et al., 2012). This industry might seek the legitimacy implicit with adoption of CSR for various motivations, such as to ensure the industry’s two main objectives: continuity and creditability (Reast, et al., 2012). There has, however, been a lack of research examining organisational tactics or strategies to gain or seek legitimacy in the context of the gambling industry (Chapter 2, Section 2.3.4).

This thesis will argue that the international gambling industry could be expected to have a high volume of CSD and RG disclosure. However, the thesis does not find this to be the case. Rather, it shows that there are relatively low volumes of CSD and RG

disclosure in the international gambling industry and that this low volume of disclosure represents a proactive legitimising strategy. These findings are similar to those of the tobacco industry (Campbell, et al., 2003; Tilling and Tilt, 2010) and the mining industry (De Villiers and Van Staden, 2006); however, these findings are entirely different from the mainstream CSD studies on unforeseen crisis literature (Patten, 1992; 2002; Elsbach; 1994; Chapter 4).

In terms of the understanding of CSR prevalent in Macao's gambling industry, the thesis's case study, it is argued that there is a focus on positive social impacts, for example, community and employee welfare, and the industry's positive impact on local economic development in order to obscure, it would seem, such negative impacts as gambling addiction and health-related issues (Chapter 5).

In line with strategic legitimacy theory (Dowling and Pfeffer, 1975; Ashforth and Gibbs, 1990; Lindblom, 1993; Suchman, 1995; O'Donovan, 2002; Chapter 2), the thesis holds that Macao's gambling industry engages symbolically, rather than substantively, with CSR and RG in order to manage stakeholders' perceptions in an attempt to gain different sources of legitimacy and in turn to enhance its economic interests, for example, renewing gambling licences, ensuring imported labour supply and accessing a steady stream of customers (Chapters 6 and 7).

It is important to make explicit at an early stage my moral perceptions of what I term sincere and insincere CSR, not only since these are likely to shape my reaction to the data collected and inform my critical analysis of the data, but also because these perceptions motivate the thesis as a whole. I began my research with an under-theorised

sense of what a genuine commitment to normative claims by corporations might entail: for example, corporate philanthropy, employee welfare, and avoidance of social and environmental harm. Depending on the moral claims of a researcher, such a normative perspective might preclude gambling altogether, whether the activity takes place in a commercial or domestic setting, on the basis that, for example, it may harm gamblers and their families, and possibly the wider community. Alternatively, it could be argued that commercialised gambling is simply a leisure activity with few negative real world consequences.

In terms of my own moral perspective, therefore, gambling should not be linked to a corporation's single-minded pursuit of its economic interests when this action is pursued without any regard for its potential social and environmental costs to the wider community. Any claimed CSR in this case, in my view, would be insincere since it would only serve the goal of profit-maximisation.

In contrast, I would term sincere CSR that which prioritises social (public) interests over the narrow interest of a company, such as economic growth, profit maximisation or wealth creation, which create socially and environmentally undesirable and negative externalities. Corporations should admit the social and environmental costs of their business operations. They should fully commit to socially responsible behaviour by protecting the local community and environment, rather than engaging symbolically with CSR to enhance their financial interests.

CSR activities, practices, and discourses therefore become 'insincere' when they are used to hide or obscure immoral core business activities. The gambling industry, as

examined in this thesis, is similar to other industries with environmental, social and ethical issues, for example mining, armament, and biotech industries (Section 2.4.1). The issues of controversy vary greatly across time, culture, and social norms (Campbell, 2007; Waller, et al, 2005; Jo and Na, 2012). To varying degrees, the research position is highly dependent upon the personal moral claims of a researcher, for example, “Does profit outweigh social costs?” “Is economic growth the first priority?” “Are financial interests more important than social interests?” The thesis is not intended to help profit-making organisations to develop strategic CSR by making profit at the expense of the public. The public, government, and academics should not blindly accept all CSR initiatives as sincere CSR. The thesis is intended to critically examine how organisations in the gambling industry obscure negative impacts, manage stakeholder perceptions and appear to place emphasis on protection in order to enhance their economic interests.

As will become apparent in the thesis, I consider the use of insincere CSR somewhat surprising as a further moral assumption I make relates to the issue of protection of the customer by the gambling industry. These organisations should bear some responsibility for protecting the customer from the negative impacts of gambling-related activities, most particularly, addiction, for a number of reasons. Firstly, new gamblers are rarely aware of the risk of addiction, seeing gambling as a leisure pursuit. Secondly, gamblers are rarely aware of the likelihood that they will lose money. Notably, in Macao, the probability of winning is not made public by gambling organisations in the way that it is in UK, for example. Thirdly, these impacts are not experienced by the individual. Rather, they affect the individual’s family, friends, and the community. In other words, although the decision to gamble tends to be an individual one, the negative impacts of this decision are likely to affect a wider community. Finally, and possibly most importantly, the core aim of the industry, that is to encourage gambling, and as a consequence

gambling addiction among some gamblers, conflicts with the protection of public health. It is for these reasons, then, that I believe that gambling companies have a moral duty to protect their customers and it is this moral assumption that informs the critical lens I use to analyse the impact of the gambling industry on Macao.

## **1.2 My personal motivation**

This thesis has arisen from two main concerns that have driven my work and my study. These concerns have been from my time at university and work, and the period of social changes in Macao, 2004 (Appendix 1).

In business school, I was taught about growth and profit maximisation in the economic courses I followed at the university and during my work experience in a chemical company. The case of Enron, the World.com and recent financial crisis revealed unethical business practices. What was wrong? Had I been taught to conduct business in an unethical way? CSR seemed to be one of the solutions to these crises so I started exploring CSR. After taking a Masters degree in International Business, my interest moved to CSR, rather than profit maximisation. This course taught us to challenge, confront and interrogate business and business practice. I found this course intellectually stimulating. I enjoyed studying CSR and optimistically viewed an organisation as having the potential to be powerful and capable of stifle change.

Macao has experienced massive social change and rapid economic development over the past decade. Macao's gross domestic product (GDP) per capital was £48,338 and Macao attracted over 28 million tourists in 2011, a number of 50 times greater than Macao's population (Government of MSAR Statistics and Census Service, 2012a;



Appendix 2). This development caused a small town lifestyle with its mixed Chinese and Portuguese culture to be transformed into a diverse multicultural entertainment centre with and leisure activities. The number of casinos increased from 15 to 35 from 2004 to 2013 (Appendix 2). Currently, Macao is one of Asia's major gambling hubs (Ernst & Young, 2009). The gambling industry is the leading industry in Macao with over 60% of local residents working in this or related industries (Appendix 2). Most of my friends working in this industry started to change, it seemed to me, their ethical stance, morals and attitude to money, while my family members were affected negatively and positively by this industry. I slowly witnessed the substantial economic growth of Macao, which has turned into a "sin city".

The economic benefit sits uncomfortably with me and I have no idea why the local people praise this industry, when the community is full of hidden people who are negatively affected by this industry. What is going on? What does the gambling industry do to the community? When I was in Macao, I was not only questioning my moral stance, but also found this place was not suitable for living. Macao, as a small town, does not have enough capacity to absorb these negative social consequences. I have personally experienced more negative social impacts than economic benefits, for example gambling problem, gambling-related crime, and social disruption (Section 1.1.2).

These developments appeared to me to have a direct link to the CSR agenda. I started to think about gambling problems and health-related issues as a CSR issue, which raised a number of questions in my mind. "Was the gambling problem being addressed by means of CSR in the gambling industry? Was there a possibility that CSR might offer a

new agenda concerning gambling problems in this industry? If so, how could they address these externalities? If not, why not?” The aim of this thesis is to search for a discourse of organisational “externalities”. The challenge that I face, is that I am attempting to move a traditional thinking and simple understanding towards a more complex and subtle understanding of the industry. The objective of this thesis is to persuade locals, students and government officials to engage in a critical view of this industry and pay attention to the wider related social and environmental issues. Hence, I matched my personal concerns to my academic interests. These motivations reveal the origins of my PhD study.

### **1.3 Contribution of the thesis**

This thesis is intended to make two main contributions to the CSR and legitimacy literature. First, the thesis is intended to respond to the calls from CSR scholars for much more critical examination of specific CSR practices (for example, Banerjee, 2007; Devinney, 2009). The complexity and subtlety of corporations’ motivation for CSR engagement needs to be examined. Relatively few studies have examined CSR in such controversial industries as tobacco (Pava and Krausz 1997; Palazzo and Richter, 2005; Tilling and Tilt, 2010; Fooks, et al., 2013) and brewing (Quaak, et al., 2007). The gambling industry, a further example of a controversial industry, remains largely unexplored in the CSR literature. Gambling appears to be a source of tension and conflict between CSR and profit-making organisations in the gambling industry. The industry may provide a different context, setting, and background (Cai, et al., 2012; Soriano, et al., 2012) in order to understand how and why organisations in this industry employ CSR. With regard to the CSR literature, examining CSR in the gambling industry provides an opportunity to examine the subtle and complex relationship

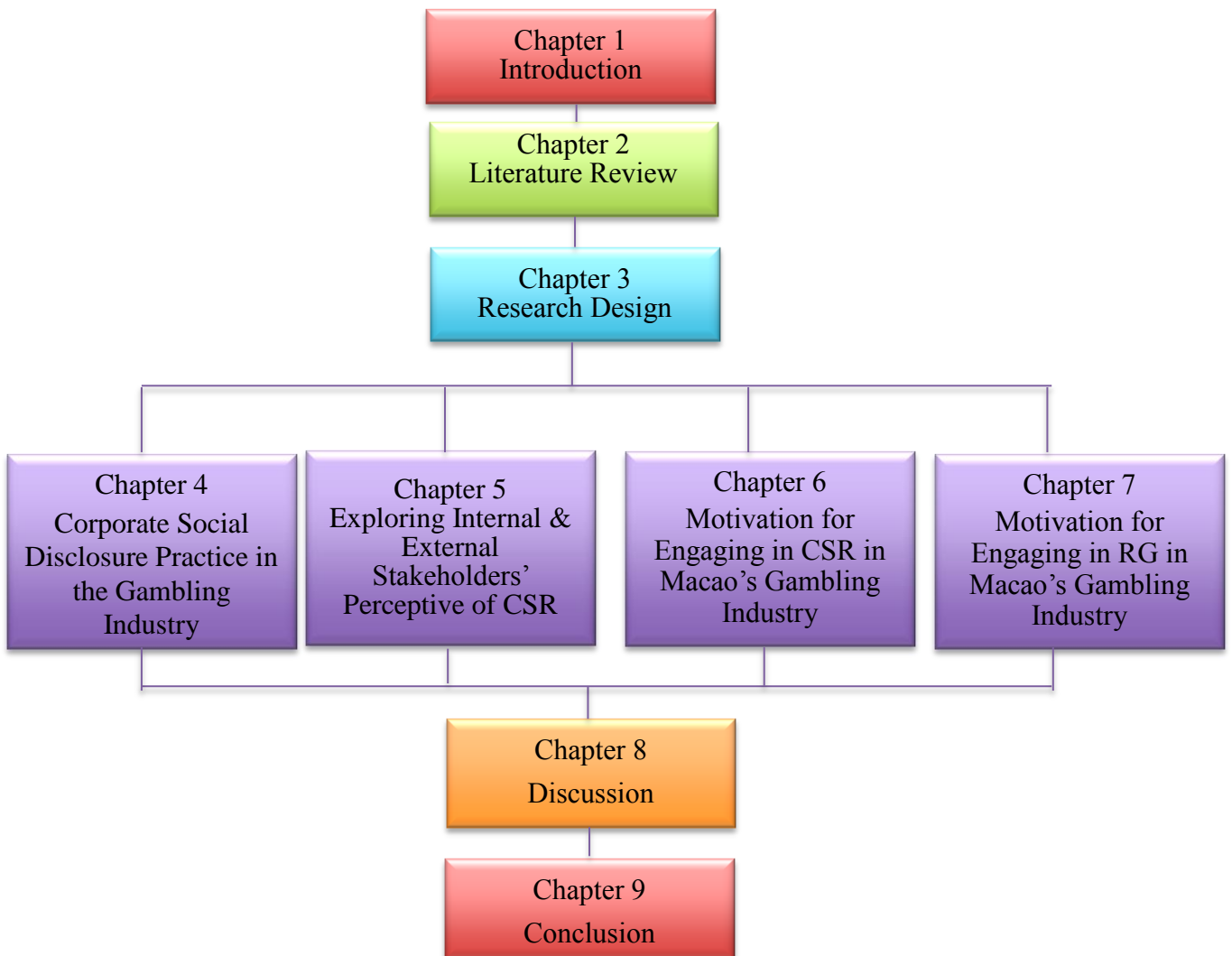
between business and society. This thesis understands the gambling industry to be a novel setting for an investigation of CSR. The investigation of this industry may enhance and deepen scholarly understanding of the nature and development of CSR in this context.

Second, some studies have examined CSR in the gambling industry without examining and questioning the construction of legitimacy in this industry (Hing, 2001; Jones, et al., 2009; Lee and Park, 2009; Li, et al., 2011). This thesis is intended to contribute to the legitimacy theory literature by examining how organisations in controversial industries, particularly the gambling industry, appear to have a similar nature to the tobacco industry in seeking legitimacy (Pava and Krausz, 1997; Campbell, et al., 2003; Moerman and Der Laan, 2005; Palazzo and Richer, 2005; Tilling and Tilt, 2010; Fooks, et al., 2013). Relatively little prior CSR research relating to legitimacy has focused on organisations in the gambling industry. Yet, there are two recent studies (Miller and Michelson, 2012; Reast, et al., 2012) which have investigated legitimacy and CSR in this industry. This thesis attempts to show how organisations in the gambling industry in general and organisations in Macao's gambling industry in particular seek legitimacy. The findings of this thesis may be similar to or different from those in other controversial and uncontroversial industries in the organisational legitimacy literature (Chapter 8). This industry presents a case that pushes the boundaries of this theory, which has received relatively little attention in the context of controversial industries.

## 1.4 Summary

This chapter covers five sections, including an introduction, my personal motivations for conducting this research, and contributions to the thesis. The following diagram shows the structure of I have adopted.

**Figure 1: The structure of this thesis**



## **Chapter 2**

### **Literature review**

#### **2.1 Introduction**

This chapter not only provides the literature review of this thesis, but also locates this thesis within the field. Despite the fact that organisations in controversial industries receive much higher scrutiny than those operating in uncontroversial industries (Reast, et al., 2012), there has been relatively little exploration, examination and investigation into managing organisational legitimacy, such as tactics, strategies and devices employed to seek, gain or maintain strategic legitimacy in the context of controversial industries in general and the gambling industry in particular.

Studies of organisational legitimacy suggest potential actions for gaining, maintaining, and defending organisational legitimacy, which might suggest strategic initiatives for organisations seeking legitimacy in controversial industries (Reast, et al., 2012). A number of studies in organisational legitimacy have examined a different variety of legitimacy-seeking strategies and tactics including external endorsements (Galaskiewicz, 1985), collaborations with third parties (Ashforth and Gibbs, 1990, Oliver, 1991) impression management and the use of different accounts (Elsbach, 1994). Reast, et al. (2012) suggest that some organisations endeavour to identify themselves with symbols or values that provide a greater foundation of social legitimacy (Dowling and Pfeffer, 1975), for example through CSR-related initiatives, corporate social disclosures (CSD) and communications (Deegan, 2002). These legitimacy-seeking strategies and tactics can also be employed and applied in the context of the gambling industry.

Against the background of research in legitimacy, reviewed in this chapter, this thesis makes a theoretical contribution by identifying and analysing the role of legitimising

strategies, namely CSD, CSR initiatives and one of the important mechanisms for the symbolic CSR - RG initiatives – as they are deployed in an effort to maintain legitimacy and to reduce to the gambling industry's business operation. These three initiatives can be considered as symbolic management techniques (see Ashforth and Gibbs, 1990) to enhance the gambling industry's economic interest. This thesis can contribute to strategic legitimacy literature by examining a novel case of how organisations in the gambling industry attempt to employ legitimacy-seeking strategies and their strategic focus on CSD, CSR, and RG without explicitly discussing gambling addiction and health-related issues.

The chapter is divided into six sections. This section gives a brief introduction to the chapter. Section 2.2 provides a brief review of the Corporate Social Responsibility (CSR) literature followed by a general overview of Legitimacy Theory in Section 2.3. Section 2.4 presents CSR and legitimacy in the controversial industries, particular the gambling industry. Section 2.5 shows how CSR is applied in various countries. Finally, a concluding remark is made in section 2.6.

## **2.2 Corporate social responsibility (CSR)**

### **2.2.1 CSR and the social responsibilities of business**

As a starting point, many academic, authorities, and institutions have defined CSR and the social responsibilities of business. Dahlsrud (2006), for example, compares and contrasts 37 definitions of CSR and identifies the most frequently used CSR definition as that suggested by The Commission of the European Communities. This (2001, p. 6) defines CSR as “A concept whereby companies integrate social and environmental concerns in the business operation and in their interactions with their stakeholders on

voluntary basis”.

In the academic literature, CSR is a term that has been widely discussed and may be considered a far more contested concept than the Commission of the European Communities might suggest. Moreover, there has been extensive academic debate over the social responsibilities of business. Authors following Friedman (1970) emphasise the perspectives of shareholders, while for stakeholder theorists, the responsibilities of business are not limited to shareholders, but to a wider number of parties (Freeman, 1984). Stakeholders are groups or individuals who may affect or be affected by corporate actions (Freeman, 1984). Stakeholders broadly include shareholders (Friedman, 1970), employees (Carroll, 1979, 1991; Maignan and Ralston, 2002; Yu, 2009), customers (Valor, 2008), suppliers (Welford and Frost, 2006; Cheung, et al., 2009), community (Carroll, 1979; 1991) and government (Moon and Vogel, 2008). Donaldson and Preston (1995) further explain stakeholder theory in three aspects: descriptive<sup>10</sup>, instrumental,<sup>11</sup> and normative<sup>12</sup> stakeholder theory (Donaldson and Preston, 1995). However, corporations appear to place more emphasis on instrumental stakeholder theory rather than descriptive and normative stakeholder theory; good stakeholder management can lead to enhance corporate financial performance (Freeman, 2010) and the stakeholder model has become a typical element of in management studies (Donaldson and Preston, 1995).

The social responsibility of business links to a wider concept of corporate citizenship,

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<sup>10</sup> The descriptive stakeholder theory describes and explains particular organizational behaviours and characteristics, such as the nature of a corporation (Donaldson and Preston, 1995, p. 70).

<sup>11</sup> The instrumental stakeholder theory is used to identify the relationship between stakeholder management and traditional financial interest (Donaldson and Preston, 1995, p. 71).

<sup>12</sup> The normative stakeholder theory is used to identify moral or philosophical guidelines for business operations (Donaldson and Preston, 1995, p. 71).

business ethics (Crane and Matten, 2007) and sustainability (Young and Tilley, 2006). Thus, CSR, in the loosest sense, seems to overlap with other concepts, lacks “a clear dominant paradigm” (Lockett, et al., 2006, p. 133). The concept of CSR is an essentially “contested concept” (Crane, et al., 2003 cited in Birch and Moon, 2004, p. 19).

Furthermore, increasing awareness of the social responsibility of business is sometimes associated with the significant increase in the reporting of social and environmental policies, practices and performances generally known as “Corporate Social Disclosure (CSD)” or “Social and Environmental Accounting” (SEA). Gray, et al. (1996, p. 3) define this term as “... the process of communicating the social and environmental effects of organisations’ economic actions to particular interest groups within society and to society at large. As such it involves extending the accountability of organizations (particularly companies), beyond the traditional role of providing a financial account to the owners of capital, in particular shareholders”<sup>13</sup>. CSD is often perceived as a manifestation of CSR (Gray, et al., 1996). KPMG (2005) demonstrates that 50 percent of the largest global 250 companies in the world in 2005 used CSD to report on what might be thought as their claims of corporate responsibility activities. This figure increased significantly from 80 percent in 2008 to 95 percent in 2011 (KPMG, 2008; 2011). Some companies report something which might be thought to be their claims of corporate social responsibility (CSR). There has been an increasing trend in CSD due to

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<sup>13</sup> Hackston and Milne (1996, p. 78) provide a similar definition of CSD and define CSD as “the provision of financial and non-financial information relating to an organisation’s interaction with its physical and social environment”. CSD can be viewed as another term, which is called social accounting (Gray, et al., 1997). Gray, et al., (1996, p. 11) suggest that social accounting involves four forms of accounting: first, accounting for different things than conventional accounting, in other words accounting for things other than economic events; second, accounting in different media, as in not accounting in strictly financial terms; third, accounting to different individuals or groups, not just to providers of finance; and forth, accounting for different purposes, not just to enable decisions to be made whose success is exclusively judged in financial or cash flow terms.



a number of common drivers, including managing legitimacy (Deegan, et al., 2002; Patten, 2002) and stakeholder demands (Islam and Deegan, 2010) (Chapter 4).

### **2.2.2. CSR theories**

The purpose of this section is to review those theories of corporate responsibility, which are of particular relevance to the study of CSR in the gambling industry. In order to theorise this thesis, the present researcher will outline the main theories in the CSR literature and provide a justification of an appropriate theory for this thesis.

There have been a number of studies attempting to classify CSR theory (see Garriga and Mele, 2004; Carroll, 2008; Basu and Palazzo, 2008); however, CSR theories are overlapping, interrelated and connected to each other. This section closely follows Garriga and Melé's (2004, p. 52) study since these authors provide a general classification of CSR theories based on how each theory considers "the nature of the relationship between business and society". Garriga and Melé (2004) suggest that current CSR theories can be broadly classified into four main categories: instrumental theories, integrative theories, ethical theories and political theories, which can be considered a general overview of CSR theories in the extant literature.

The first group of CSR theories is instrumental theories, including shareholder value theory (Friedman, 1970), strategies for achieving competitive advantage (Porter and Kramer, 2002) and cost-related marketing (McWilliams and Siegel, 2001), which can be regarded as a strategic tool to achieve economic objectives and wealth creation. The instrumental theories can be generally regarded as achievement of economic performance and are widely used in Anglo-Saxon countries (Melé, 2008). Long-term

economic success can be achieved by considering shareholder interest and other stakeholders, such as government, communities and customers (Melé, 2008). This thesis does not primarily examine how gambling companies employ CSR to achieve financial objectives. Thus, instrumental theories will not be the main focus of this thesis.

The second group of theories is integrative theories, including issue management (Sethi, 1975), public responsibility (Preston and Post, 1981), stakeholder management (Freeman, 1984; Mitchell, et al., 1997) and corporate social performance (Carroll, 1979; Wood, 1991). These authors examine how corporations satisfy social demands and how corporations depend on society for their existence, survival, and growth. In particular, companies operating in other countries (Japan and Europe) are closer to the stakeholder mode (Melé, 2008) and provide a wide context to address wider responsibilities for stakeholders. Yet, the sole purpose of this thesis is not primarily to examine corporations in the gambling industry's response to social issues, such as gambling problem, social disruptions and social impacts. Although this aspect can provide a helpful insight into these organisations, this aspect may not provide a framework to analyse the controversial industry. Give that this thesis aspires to a broader sense of the gambling industry. Integrative theories will be ruled out for its purpose.

The third group of theories is ethical theories, which concentrate on ethical requirements that strengthen the relationship between corporations and society and are based on principles that relate to doing the right things to maintain a society (Garriga and Melé, 2004). These ethical theories include universal rights (Cassel, 2001), sustainable development (Gladwin and Kennelly, 1995) and the common good approach, which builds on intrinsic philosophical concepts, such as Aristotelian virtue ethics

(MacIntyre, 2002), Kantian duty ethics (MacIntyre, 2002), Catholic social thoughts (Carey, 2001), Buddhism (Marques, 2009), Confucianism (Wang and Juslin, 2009) and Kyosei (Kaku, 1997; Boardman and Kato, 2003). Ethical theories are not populated in a specific country. Ethical theories provide an underlying philosophical foundation upon which to view the concept of CSR; however, ethical theories tend to lack clarity and there is little scholarly consensus due to a lack of empirical support. Although ethical theories can be useful to give some insights into understanding whether or not the gambling industry is ethical or not, this controversial debate is not the main focus of this thesis, which focuses instead on the articulating of CSR by gambling companies.

Even though the above three CSR theories can provide some helpful perspectives to this thesis, the present researcher has considered political theories to be more suitable for an examination of the gambling industry worldwide. Three major political theories can be loosely classified as corporate citizenship (Davis, 1973), integrative social contract theory (Donaldson and Dunfee, 1994, 1999) and corporate constitutionalism (Davis, 1967). Political theories focus on the “interaction and connection between business and society and on the power and position of business and inherent” (Garriga and Melé, 2004, p. 55). In addition, the broader political CSR literature has often addressed the relationship between government and business (Moon and Vogel, 2008).

### **2.2.3 The business case**

CSR looks to have become a mainstream part of business activities and this is probably for a number of reasons. Corporations not only have a financial purpose, but also have additional purposes: social and environmental concerns of business (for example, Elkington, 1997). This view of the relationship between making profit and social and

environmental concerns is often known as “the business case” for CSR (Kurucz, et al. 2008). Corporations can “do well by doing good”, which means that they can perform well in financial terms in business operations and can be responsible to creating a better society (Kurucz, et al., 2008). Thus, business practitioners often incorporate CSR in their business. This view is possibly a superficial view of the motivations for corporations’ CSR engagement.

The business case for CSR is likely to provide a wide range of benefits for companies. It is often argued that organisations employing CSR can gain not only competitive advantage (McWilliams and Siegel, 2001; Porter and Kramer, 2002; Brammer and Millington, 2005; Kurucz, et al., 2008), but can also enhance corporate image and reputation (Fombrun and Shanley, 1990; Turban and Greening, 1997; Brammer and Millington, 2005; Kurucz, et al., 2008; Jo and Na, 2012). CSR can be regarded as a strategic tool to change corporate image and re-construct corporate reputation in order to get the support of the community (Hertz, 2001; Klein, 2001; William, 2004). A number of studies have examined CSR in relation to employees and the results show that employing CSR can improve employee productivity (Brammer and Millington, 2005; Lertzman and Vredenburg, 2005) and attract a quality labour force (Turban and Greening, 1997; Greening and Turban, 2000; Backhaus, et al., 2002) in order to reduce the turnover rate of employees (Hertz, 2001). In addition, several CSR studies have shown that CSR engagement can reduce costs (Smith, 2005; Kurucz, et al., 2008; Carroll and Shaband, 2010), risks (Cai, et al., 2012; Jo and Na, 2012), and have synergistic value creation (Kurucz, et al., 2008).

#### **2.2.4 Critical perspectives of CSR**

However, CSR in “the business case” context tends to be limited to a “win-win” situation and “business as usual” with the assumption of making good business and improving shareholder value (Banerjee, 2008). Not all scholars agree with the business case.

First of all, some scholars believe that the economic motivation is important. Friedman (1970) argues that a socially responsible corporation must maximise shareholder wealth. Sternberg (2000) extends Friedman’s (1970) argument by claiming that a corporation using its resources for non-financial purposes may be considered a form of “socialism” and is *theft* of the owner’s property. After all, corporations seem to have no legal requirement to serve the public interest (Crane and Matten, 2004; Banerjee, 2007). The development, promotion, and diffusion of CSR can be underpinned by an economic initiative, rather than an ethical one (Tilston, 2004). Henderson (2001) argues that corporate commitment to CSR is “deeply flawed” or “a mistaken view” which undermines the market economy. Long-term CSR engagement can be regarded as incompatible with economic objectives (Lertzman and Vredenburg, 2005). When there is an economic downturn, corporations may choose their survival over CSR engagement (Kapelus, 2002).

The above discussion is based on the ideology of a free-market and capitalism. Provided that we accept “pristine capitalism”, the only social responsibility of a profit-making corporation is to seek profit (Gray, et al., 1996). Large, influential and powerful corporations, especially MNCs, tend not to be held responsible for their economic action and their behaviour can gradually affect society and the environment (Gray, et al.,

1996). Gray and Milne (2004) go so far as to argue that the two famous scholars of capitalism, Karl Marx and Milton Friedman, surprisingly agreed on this notion; corporations cannot be socially responsible since the design of an organisation in contemporary capitalism follows a financial initiative. In addition, Carroll, et al. (2012, p. 8) claim that “corporate social responsibility asserts that capitalism is not perfect, but that the system can be perfected; capitalism has faults, but they can be addressed through other institutions (government) or through voluntary action by capitalists themselves”. In other words, corporations generally engage in CSR in order to pursue economic interest, without attempting to change the structure of the capitalism.

Recent CSR studies have increasingly called for more reflexive and critical perspectives on CSR (Bondy, et al., 2012). The critical CSR literature has focused on three main issues. First, scholars challenged the universality of the CSR concept by showing how it is conceptualised differently in different countries (Blowfield and Frynas, 2005; Scherer, et al., 2009). According to Campbell (2007, p. 950) “...Socially responsible corporate behaviour may mean different things in different places to different people and at different time ...” Matten and Moon (2008) have developed a theoretical analysis of national business systems to analyse CSR in national institutional contexts to address the questions of how and why CSR differs across country and to suggest an explanation of “implicit<sup>14</sup>” CSR (Section 2.5). Second, the critical CSR literature questions the role of business in society. Corporations increasingly take the role of government (Matten and Crane, 2005; Moon, et al., 2005) and this is known as “corporations as political actors” (Scherer and Palazzo, 2007). Third, the recent CSR studies have recognised that it is important to improve CSR research and its application in business (Bondy, et al.,

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<sup>14</sup> Implicit CSR refers to “values, norms and rules that result in requirement for corporations”, while explicit CSR refers to “voluntary corporate policies, programmes and strategies” (Matten and Moon, 2008, p. 410).

2012). In particular, Banerjee (2007, p. 167) and Devinney (2009, p. 54) both place emphasis on the importance of the need for a much more rigorous investigation of particular CSR practices, outcomes, and implications for society. Concentrating on CSR as a “good alone” (Devinney, 2009, p. 54) is a naïve thought. The complexity and subtlety of corporations’ reasons for engaging in CSR needs to be explored in reflexive mode.

Corporations, especially MNCs, are becoming increasingly influential, powerful, and dominant in business and society. MNCs have the ability to choose their stakeholders (see, for example, Freeman, 1984; Donaldson and Preston, 1995). This selection is not directly related to the impact of their business operation, but is linked to the power, urgency, and legitimacy of the stakeholder claim (Mitchell, et al., 1997). MNCs are increasingly involved in providing public services, for example the development of national infrastructure, to ensure the access of MNCs to critical resources (Crane, et al., 2008a). Therefore, MNCs are in an exclusive position to shape CSR in ways that are beneficial to them (Bondy, et al., 2012). CSR is possibly “windowing dressing” for irresponsible behaviour (Banerjee, 2008) or a “smokescreen” for deregulation (Hanlon, 2008). Bondy, et al.’s (2012) study shows how the existence of CSR within MNCs represents a shift in the meaning of CSR away from stakeholders concerns, operational impacts and consideration of social and environmental issues and towards pursuing profit.

The term, CSR, has thus been subjected to scrutiny and it would seem that corporations’ motivation for engaging in CSR remains questionable. Equally, CSR can be considered a shield, label, or cloak deployed by corporations to cover up their corporate

externalities. Corporations seem to employ this term in order to portray themselves as good businesses in order to create a stable, secure, and responsible business environment and thus in turn to ensure their survival, placate stakeholders and lobby government. In other words, CSR can be seen as an essential device for developing and maintaining organisational legitimacy.

### **2.3 Legitimacy theory**

One of the main features of a controversial industry is that its products and services are contested. CSR in this controversial industry is likely to be questionable (Miller and Michelson, 2012). The level of cognitive beliefs about the product or service helps to constitute product acceptability and reconfigure a controversial industry's legitimacy (Galvin, et al., 2004-05).

In this thesis, it will be argued that the construction of legitimacy in the gambling industry can be subtle and complex due to both laws and societal norms. First, there is the dichotomy of free market-based regulation and gambling prohibition, "which does not seem to advance us very far as both positions in pure and simple form are rather marginal in mainstream debate" (Borrell, 2008, p. 267). From an industry viewpoint, some gambling regulation is appropriate because it can serve to increase and create lucrative businesses (Borrell, 2008). Much debate exists around which type of gambling activities should be legalised. However, according to Galvin, et al. (2004-05, p. 69), "The struggles over industry legitimacy are less about the activity of gambling per se, and much more about the authorised organisations and locations in which these activities take place". Thus, it is subject to significant regulation and control by government (Miller and Michelson, 2012). Some countries, such as the US, the UK and



Australia, legalised the gambling industry for a number of political reasons, such as urban regeneration, tax revenue and tourism development (Austrin and West, 2005). In this vein, the legitimacy of the gambling industry can ensure the stability of businesses, markets and investors (Borrell, 2008). The gambling industry responds to any accusations by providing official arguments and legal justification for its actions (see also Spar and La Mure, 2003).

Second, gambling tends to be socially constructed as illegitimate according to the historical background of gambling (Reith, 2007; Chapter 1). However, the evolution of gambling can be characterised as movement from an illegitimate form to a legitimated form of socially undesirable behaviour of recreation and consumption due to economic, political, and cultural changes in western society (Reith, 2007). Thus, the legitimacy of gambling is susceptible to re-interpretation and change over time (see Johnson and Holub, 2003). It is for these reasons that legitimacy theory can provide a useful starting point to examine CSR in the gambling industry.

### **2.3.1 Definition of legitimacy**

Legitimacy has been widely discussed in institutional theory (Meyer and Rowan, 1977; Oliver, 1991; Suchman, 1995), resource dependence theory (Pfeffer and Slancik, 1978), and organisational ecology (Singh, et al., 1986; Baum and Oliver, 1991). In defining legitimacy, it is an essential issue to consider various definitions and concentrate on what it means in terms of CSR. The concept of organisational legitimacy is derived from the work of Parsons (1960) which views legitimacy as congruence of organisation with social laws, norms and values; whereas, Weber's (1978) writings discuss the importance of social practice which is related to "maxims" or rules and Weber also suggests legitimacy can be in conformity with both social norms and formal laws.

Relating to this thesis, an organisation will be considered legitimate if it represents social norms and values. Dowling and Pfeffer (1975) try to distinguish the difference between the laws and societal norms and values by stating that legitimacy is not entirely defined by what is legal or illegal, but a democratic law tends to correlate with societal norms and values. Suchman (1995, p. 574) provides a generic definition of legitimacy as “a generalized perception or assumption that the actions of an entity are desirable, proper or appropriate within some socially constructed system of norms, values, beliefs and definitions”. The most widely used definitions of organisational legitimacy focus the scope of actors’ behaviours concerning legitimacy assessment (Bitektine, 2011). Legitimacy could be understood as actors’ perceptions of the organisation, as a judgment regarding the organisation, or as the behavioural consequences of perception and judgment so as to reveal actors’ actions, particularly, acceptance and endorsement (Bitektine, 2011, p. 152), preserve “societal acceptance” (Weaver, et al., 1999) and lend credibility (Galvin, et al., 2004-5). The definition of legitimacy indicates that social actors grant or withhold legitimacy that shows a mechanism of “social control” (see Parson, 1951). Thus, social actors can encourage and promote structures and practices that they perceive as favourable for their organisation, their social group or even the whole society (Bitektine, 2011).

### **2.3.2 Concept of legitimacy**

Aldrich and Fiol (1994) and Suchman (1995) deal with the conceptual dimensions of legitimacy. Aldrich and Fiol (1994, p. 648) identify two different legitimacies: cognitive and socio-political legitimacy. Cognitive legitimacy refers to a certain recognised organisational form and characteristics (Meyer and Rowan, 1977; Barron, 1988; Suchman, 1995). These characteristics are generally identifiable organisational features,

such as structural, technical, or procedural characteristics, which “can be part of a cognitive legitimacy judgement inasmuch as they are used to classify the organisation as a member of a certain industry or class of organisations” (Bitektine, 2011, p. 158). Socio-political legitimacy, on the other hand, refers to whether certain organisational features, attributes, and outcomes of their activities against social norms, or their features are socially acceptable or unacceptable and which lead to organisations being sanctioned until they change their behaviour (Meyer and Rowan, 1977; Aldrich and Fiol, 1994; Suchman, 1995; Kostova and Zaheer, 1999).

Suchman (1995) notes three theoretical aspects of legitimacy: first, legitimacy is “generalised” – “it represents an umbrella evaluation that, to some extent, transcends specific adverse acts or occurrences”; second, legitimacy is a “perception or assumption” – “it represents a reaction of observers to the organisation as they see it”; third, legitimacy is ‘socially constructed’ – “it reflects a congruence between the behaviours of legitimated entity and the shared (or assumedly shared) beliefs of some social group” (Suchman, 1995, p. 574). It is important to note that organisations with questionable legitimacy tend to lack public support from the media (Marcus and Goodman, 1991) and would be viewed as less trustworthy (Suchman, 1995). It is important to note that organisations can lose their perceived legitimacy (Campbell, 2007).

### **2.3.3 Types of organisational legitimacy**

Suchman (1995) distinguishes three types of organisational legitimacy: pragmatic legitimacy, moral legitimacy and cognitive legitimacy. Pragmatic legitimacy results from the calculations of self-interested individuals who are a part of the organisation’s immediate audiences, such as the key stakeholders or the public (Suchman, 1995).

Organisations offer something valuable and stakeholders are thereby getting something valuable in return (Reast, et al., 2012). Moral legitimacy refers to judgements on organisational activities which are the right thing to do within a set of accepted social values (Suchman, 1995, p. 579). Moral legitimacy reflects a normative evaluation of the organisational activities (Aldrich and Fiol, 1994). Cognitive legitimacy, finally, refers to “an organisation or mere acceptance of the organisation as necessary or inevitable based on taken-for-granted” assumptions (Suchman, 1995, p. 582). Cognitive legitimacy is different from pragmatic and moral legitimacies, as cognitive legitimacy does not involve an evaluation (Reast, et al., 2012). Seeking organisational legitimacy become more difficult as one moves from pragmatic to moral to cognitive (Suchman, 1995).

#### **2.3.4 Managing organisational legitimacy**

Some studies have examined how new organisations, entrepreneurs, multinational enterprises<sup>15</sup> (MNEs) seek legitimacy (Baum and Oliver, 1991; Aldrich and Fiol, 1994; Kostova and Zaheer, 1999<sup>16</sup>; Zimmerman and Zeitz, 2002). Legitimacy can be considered a resource, which is essential for survival (Dowling and Pfeffer, 1975; Woodward, et al., 2001; O’Donovan, 2002), and is important to have the retention of corporations’ license to operate (Deegan, 2002). Ashforth and Gibbs (1990) suggest legitimation practices and Suchman (1995) further explores three distinct purposes of

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<sup>15</sup> The multinational enterprise is an organisation that operates in more than two countries, while the MNE subunit is related to the shared policies, practices and strategies (Kostova and Zaheer, 1999). Thus, the legitimacy of the MNE subunit is the acceptance and by particular host country institutional environment (Kostova and Zaheer, 1999, p.65).

<sup>16</sup> In particular, the MNEs, such as Nike, Shell, and BP, operate their subsidiaries in developing countries. Kostova and Zaheer (1999, p.68) suggest that MNEs often face two institutional environments: the internal environment of MNEs and the external host country environment. The first one refers to internal legitimacy, which is related to a unit adopting the organisational structures, policies, and practices institutionalized within the MNEs (Kostova and Zaheer, 1999). Internal legitimacy is vital for its survival of a subsidiary because of its dependence on the parent company for continuing access to resources, for example capital, knowledge and technology (Pfeffer & Salancik, 1978). The second one refers to the acceptance of an MNE subsidiary is affected by the host country environment and attitude toward foreign firm (Kostova and Zaheer, 1999).

legitimacy: gaining, maintain, and repairing legitimacy. The choice of legitimation tactics or techniques often depends on the aims of any organisational response (O'Donovan, 2002, p. 349).

The first purpose of an organisation is to gain legitimacy. If large organisations move into a new area, they will face the challenge of gaining legitimacy (O'Donovan, 2002, p. 349). This challenge can be seen as a "liability of newness" (Ashforth and Gibbs, 1990). In order to gain legitimacy, such organisations tend to take a proactive strategy to alter social values. They have advance knowledge of change, which could possibly threaten the organisations' legitimacy; therefore, they can control the information and message before the issue becomes more public (O'Donovan, 2002). In other words, organisations wish to restrict the public's knowledge of the negative information as long as they could (O'Donovan, 2002).

Maintaining legitimacy can be generally considered easier than gaining or repairing legitimacy (Ashforth and Gibbs, 1990; O'Donovan, 2002). In maintaining legitimacy, the challenge of organisations is to identify the public's needs so that organisations need to observe, change, and protect past accomplishments (Suchman, 1995; O'Donovan, 2002). Thus, organisations can be expected to change and control public's perceptions (Sethi, 1978; Suchman, 1995; Deegan, 2007). According to O'Donovan (2002, p. 350), maintaining legitimacy has been classified into three different levels: first, if organisations are accepted as good corporate citizens and act responsibly, the public will have certain expectations concerning social and environmental activities; second, if organisations have the less "legitimacy", the less they need to maintain; third, if organisations promote themselves as socially and environmentally responsible, they will

move one step ahead to fulfil what public would expect in order to maintain legitimacy. Repairing legitimacy has been related to different levels of crisis management (Elsbach and Sutton, 1992). Several CSD studies have generally examined how organisations adopted repairing legitimacy to respond to unforeseen crisis (Patten, 1992, 2002; Elsbach and Sutton, 1992; Elsbach, 1994; Deegan, et al., 2000). Repairing legitimacy is similar to gaining legitimacy; however, the main difference between the two is that repairing legitimacy appears to be involved in reactive strategies to unforeseen and immediate crises, whereas gaining legitimacy is proactive and not generally related to a crisis (O'Donovan, 2002).

Organisational legitimacy suggests strategic initiatives for organisations seeking legitimacy in controversial industries (Reast, et al., 2012). In particular, companies in the tobacco industry are socially constructed as “illegitimate” (Campbell, et al., 2003). Thus, companies appear to adopt proactive strategies in gaining legitimacy, rather than to take reactive strategies to repair legitimacy to respond to an unforeseen crisis (O'Donovan, 2002). The tobacco industry in general has been facing ongoing threats to its legitimacy: smoking and health issues (Tilling and Tilt, 2010). The two important documents were the 1962 British Royal College of Physicians report and the 1964 Surgeon-Generals Report (USA), which concluded that cigarette smoking is positively linked to lung cancer and other diseases associated with smoking (Gately, 2001 cited in Tilling and Tilt, 2010). Furthermore, Moerman and van der Laan (2005, p. 385) concluded that British American Tobacco (BAT) used social reporting as a “management strategy to forestall the introduction of more onerous regulation and to obfuscate or deflect poor social performance.” Their results thus suggest a legitimacy motivation for social disclosure due to a consistent threat to their legitimacy (Moerman

and van der Laan (2005).

In a similar vein, the gambling industry has also been facing ongoing legitimacy threats: especially those of gambling- and health-related issues. The health issues can be broadly divided into individual and public health levels. From individual health level, gambling problem can raise in psychological problems, including loss of self-esteem, depression and risk of suicide (Quinn, 2001). From public health level, gambling problem can influence social relationships, economic loss, and legal effects (England and Hlbrechi, 1984; Korn and Shaffer, 1999; Li, et al., 2011). In general, “problem gamblers” constitute roughly 2% of the general population (Blaszczynski, et al., 2011; LaPlante, et al., 2011). This small percentage of the population which experiences gambling problem (Li, et al., 2011) may not realise their problem with gambling, and it is hard to control impulsive gambling and may even lead to involvement in socially destructive behaviour (from family violence to crime) (The Productivity Commission, 1999).

The gambling industry can be expected to engage in efforts to identify with symbols of social legitimacy, for example CSD disclosures, CSR initiatives, and Responsible Gambling (RG) programmes (see Chapters 1 and 7) (Reast, et al., 2012). The industry might seek the legitimacy associated with CSR engagement for a number of reasons, for example to ensure the industry’s continuity and credibility (Reast, et al., 2012). Continuity can be achieved due to key stakeholders providing significant resources to industries that appear to be “desirable, proper and appropriate within some socially constructed systems of norms” (Suchman, 1995, p. 574), while credibility might enhance how individuals understand the industry’s trustworthiness (Miller and Michelson, 2012). A number of studies examine organisational tactics or strategies to

gain or seek legitimacy in a range of such industries as tobacco (Tilling and Tilt, 2010), brewing (Campbell, et al., 2003) and minerals (Deegan and Blomquist, 2006); however, relatively few studies have discussed gaining or seeking legitimacy in the gambling industry.

### **2.3.5 Sources of legitimacy**

Organisations tend to look for different sources to legitimise their actions. These sources can be viewed as the audiences-based types of legitimacy (Bitektine, 2011). The audience can confer legitimacy on an organisation that can vary across industries (Bitektine, 2011). More importantly, some audiences are more important than others so that organisations can choose their strategy to decide which audiences that they should focus on (Oliver, 1991; Elsback and Sutton, 1992; Suchman, 1995; Clemens and Cook, 1999). However, several studies have investigated external audiences, for example the media and professional associations, rather than internal audiences (see Pollock and Rindova, 2003). Deephouse and Suchman (2008) outline three major sources of legitimacy: authority, the media, and interorganisational relations.

#### **2.3.5.1 Authority**

The first source of legitimacy is related to authority. Meyer and Scott (1983, p. 200-201 cited in Deephouse and Suchman, 2008) classify legitimacy sources into two main groups: the State and professionals. The first group is those who “have standing and license, derived from the organisation’s legitimating account of itself” (Deephouse and Suchman, 2008, p.55). This group tends to be a regulatory legitimacy, resulting from enforcement activities within the State. This group refers to an authority which establishes the regulations that control the way organisations should behave in a



particular field (Pfeffer and Salancik, 1978; Singh et al., 1986; Baum and Oliver, 1991; Deephouse, 1996). In other words, this group can influence on performance and existence of industries and organisations, but is limited in institutional contexts (Bitektine, 2011). Operational measurements of legitimacy with this type include longitudinal data on the number of registered, licensed, or certified organisations (Pfeffer and Salancik, 1978; Singh, et al., 1986; Baum and Oliver, 1991). Government generally determines the conditions for granting of licenses to operate gambling organisations, and similarly constrain the activities of these organisations in order to protect citizens' rights (see Crane, et al., 2004). In the case of the gambling industry, governments establish the regulations that control organisations in the industry and which determine how they should behave. The second group is those who have collective authority, such as lawyers, accountants, and intellectuals (Meyer and Scott, 1983). The gambling industry can be expected to be similar to other industries, for example the banking industry (Coupland, 2006), which suggests that CSR self-regulation through the legitimacy of the accounting professions, such as KPMG, which shows the role of accounting and auditing procedures.

#### **2.3.5.2 Media**

The second source of legitimacy is the media. Baum and Powell (1995) note that the media is one of the rich indicators of society-wide legitimacy. From 1990s, researchers in this area have been working on organisational legitimacy as reflected in communications through different forms of media (Deephouse and Suchman, 2008). Media reports have been generally employed as operationalisation of legitimacy (Elasback, 1994; Deephouse, 1996; Brown and Deegan, 1998; Pollock and Rindova, 2003). Other studies used other forms of media, such as business articles (Abrahamson

and Fairchild, 1999), newspaper (Ryan and Barley 1994 cited in Deephouse and Suchman, 2008) and prestige media - The Wall Street Journal (Lamertz and Baum, 1998; Bansal and Clelland, 2004). More importantly, media reports can reflect and influence the opinion of the public (Fombrun and Shanley, 1990). Moreover, the media can act as “a monitoring service by reporting illegitimate activities” (Hybel, 1995, p. 244). In particular, the CSD literature has widely used media reports, such as annual reports (Patten, 1992; Gray, et al., 1996; Brown and Deegan, 1998; O’Donovan, 2002), standalone reports (Kolk, 2003), and internet website (Williams and Pei, 1999; Coupland, 2005; 2006; Aerts and Cormier, 2009) as communication strategies (Chapter 3). Thus, we might expect that organisations in the gambling industry can employ CSD as a legitimising tool to offer a stronger base and a symbol of social legitimacy (Miller and Michelson, 2012; Reast, et al., 2012).

### **2.3.5.3 Interorganisational relations**

The third source of legitimacy is derived from interorganisational relations. Organisations gain legitimacy as they are connected to other legitimate sources (Deephouse and Suchman, 2008) such as endorsements from political figures (Pfeffer and Salancik, 1978), board of directors (Singh, et al., 1986), industry leaders (Baum and Oliver, 1991), investors (Rao, et al., 2001; Certo, 2003) and advocacy groups (Rao, 1998; Rao, et al., 2000). A good illustration of this is corporate donation, which can link to corporate managers and develop strategic alliance with prestigious partners; thus, this relationship can possibly be viewed as an important source of legitimacy (Galaskiewicz, 1985; Deephouse and Suchman, 2008).

In the case of the gambling industry, even if gambling companies engage in corporate

philanthropy, these organisations attempt to justify themselves to be a good citizen. For example, the gambling research conducted by one UK University, which is funded by one of the gambling companies - Gala Coral (Gala Coral, 2009a). Interorganisational relations can also be regarded as stakeholder collaboration, which can be viewed as a major pillar in establishing credibility (Palazzo and Richter, 2005). Sometimes, a third independent party is perceived by the community as a high value standard and this can be regarded as procedural legitimation (Richardson and Dowling, 1986). Another example is the oil industry, Shell Gas (LPG), justified its action by referring to the neutral experts – scientists who have done several independent studies (Basu and Palazzo, 2008). Such collaboration can provide a greater credibility for CSR programmes. Hence, credible personnel and experts also bolster organisational legitimacy so that such organisations can be viewed as prudent and rational (Elsbach and Sutton, 1992). This collaboration can result in increasing the credibility of the impression management tactics.

### **2.3.6 Organisational legitimacy – strategic and institutional legitimacy**

Suchman (1995) suggests that there are two mainstreams of organisational legitimacies: strategic and institutional legitimacy. The strategic approach takes a micro level of analysis by referring to “a managerial perspective emphasises the ways in which organisations instrumentally manipulate and deploy evocative symbols in order to garner societal support” (Suchman, 1995, p. 572). This approach assumes that managers have a high degree of control over the legitimacy process (Dowling and Pfeffer, 1975; Ashforth and Gibbs, 1990; Lindblom, 1993). By contrast, institutional legitimacy takes a macro level of analysis. According to Suchman (1995, p.572) “adopts a more detached stance and emphasises the ways in which sector-wide structuration dynamics generate

cultural pressures that transcend any single organisation's purposive control". This approach tends to concentrate on how organisations adopt an institutional environment so as to manage legitimacy (DiMaggio and Powell, 1983; Meyer and Rowan, 1991). This approach also describes organisational legitimacy as a continuous and unconscious adaptation process in which corporations react to external expectations (Palazzo and Scherer, 2006). These two perspectives of organisational legitimacy, strategic and institutional legitimacy, which are interrelated, overlap and are interwoven, are both pertinent to this thesis.

#### **2.3.6.1 Strategic Legitimacy**

The "legitimacy gap" (Sethi, 1978) is used to describe the situation where there is a lack of correspondence between the actual or perceived behaviour of an organisation and with social values and norms. In the gambling industry, the issues of "problem gambling" have become more prominent during the past few decades (Hing, 2001). "Problem gamblers" constitute roughly 2% of the general population (Blaszczynski, et al., 2011; LaPlante, et al., 2011). In particular, a problem gambler negatively influences an average of 10 to 17 people, such as family, friends, and employers (Shaffer and Korn, 2002). The social costs of gambling activity are 1.9 times higher than social benefits (Grinols and Mustard, 2001). Gambling has been linked to illegal activities including drugs, prostitution and crime (Collins, 2003; Reith, 2007; Chapter 1). As a result, the gambling industry has been facing an ongoing legitimacy threat: in the form of gambling addiction and health-related issues (Section 2.3.4). In this controversial industry, it is expected to have created the legitimacy gap. This provides a motivation for organisational legitimation.

To consider organisational strategies for maintaining or creating congruence of social value between organisations and society, two particular papers, Dowling and Pfeffer (1975) and Lindblom (1993), have been cited in the CSD literature. Dowling and Pfeffer (1975, p.127) outline three ways corporations face legitimacy threats.

- the organisation can adapt its output, goals and methods of operation to conform to prevailing definitions of legitimacy
- the organisation can attempt, through communication, to alter the definition of social legitimacy so that it conforms to the organisation's present practices, output, and value;
- the organisation can attempt, again through communication, to become identified with symbols, values, or institutions which have a strong base of social legitimacy.

Consistent with Dowling and Pfeffer's communication strategy, Lindblom (1993) states that legitimacy is a dynamic concept. Lindblom (1993) argues that a distinction needs to be considered between legitimacy and legitimation. The former is a status or condition, while the latter is the process of obtaining states or condition (Lindblom, 1993). When organisations face various legitimation threats, they will adopt four general legitimation strategies, which overlap with Dowling and Pfeffer's (1975) work.

- An attempt to educate its stakeholders about the organisation's intentions to improve that performance;
- An attempt to change the stakeholders' perceptions of the event (but without changing its actual performance);
- An attempt to distract (ie. manipulate) attention from the perceived problem areas (concentrate on some positive activity not necessarily related to the failure itself);
- An attempt to change external expectations about its performance.

In particular, Lindblom's (1993) work focuses on both the proactive and reactive nature of legitimation strategies with symbolic actions in order to maintain organisational legitimacy. Legitimacy theory can be applied in the gambling industry, which can take

certain actions if the revelations about harm associated with gambling can create a significant legitimacy gap. This gap may well provide an important motivation for organisational legitimation within the gambling industry. The gap can probably be reduced through CSD, CSR initiatives and RG programmes. Legitimacy theory has not only been described as a positive theory, seeking to explain or predict particular managerial activities and certain actions, but has also been described as a system-based theory (Deegan, 2007). The purpose of legitimacy theory is viewed by Dowling and Pfeffer (1975) and Lindblom (1993) as shifting public opinion and convincing public audiences that the organisation is legitimate (Neu, et al., 1998; O'Dwyer, 2002). However, these strategies have been used in CSD empirical studies, which in turn limits legitimacy to a superficial level of examining a set of strategies, rather than to have a deeper level of discussing or an investigating of the concept of legitimacy itself. Thus, legitimacy theory is generally considered to be underdeveloped (Deegan, 2002) and needs further development (Neu, et al., 1998; Deegan, 2007).

In recent years, gambling companies have been criticised because of the harms associated with gambling; however, gamblers are deemed to make their own choice to gamble. Gambling companies can provide information which is about the attributes and contributions of organisations to offset the negative impact to society. Therefore, gambling companies tend to highlight their strengths, such as taxation, donation, and RG engagement, while neglecting information that will have unfavourable implications, such as news concerning gambling addiction, social disruption and illegal activities (money-laundering, kidnapping, and corruption). As a result, gambling companies attempt to produce such information to distract the attention of the public in order to change the values of society towards gambling (see Lindblom's third point, 1993).

Nevertheless, if a company's major product is perceived and socially structured illegitimate, for example the tobacco companies, "legitimacy can never be attained in the eyes of some constituencies and here the objective cannot be restore something which it never had" (Campbell, et al., 2003, p. 560). O'Donovan (2002) suggests that the lower the perceived legitimacy of the organisation, the less likely it was to bother providing CSD disclosure. Another explanation could be that such companies are socially constructed as illegitimate and so social disclosure would have "no effective value" (Campbell, et al., 2003). Thus, such companies are more likely to make low or no social disclosures so stakeholders are slowly being neglected (Campbell, et al., 2003). Tilling and Tilt (2010) and De Villiers and van Staden (2006) found that reducing disclosure can be viewed as a legitimising strategy in the tobacco industry in Australia, and the mining industry in South Africa. Importantly, little unfavourable information is disclosed, supporting Owen and O'Dwyer's (2008) view that voluntary social disclosure appears to illustrate favourable managerial accounts of positive information. Organisations repairing or maintaining legitimacy might view disclosure completely different from those organisations building or establishing legitimacy (Campbell, et al., 2003). Organisations attempting to build legitimacy might feel that the costs of disclosures are higher than the benefits, and thus adopting the best strategy is simply to remain silent (Campbell, et al., 2003).

It is worth noting that the particular CSR process adopted differs from one organisation to another, or from one industry to another. However, strategic legitimacy can be changed to analyse another industry or the gambling industry in a different context.

### **2.3.6.2 Substantive and symbolic legitimacy**

Both Dowling and Pfeffer (1975) and Lindblom (1993) have the common theme of symbolic action and Ashforth and Gibbs (1990) further explores this aspect as two legitimacy approaches: substantive and symbolic management techniques.

Substantive management techniques refer to “material change in organisational goals, structures, and processes or socially institutionalized practices” (Ashforth and Gibbs, 1990, p. 178). Substantive management techniques include role performance, coercive isomorphism (conform to the values, norms and expectations of constituents) (DiMaggio and Powell, 1983; Section 2.3.6.3), altering resource dependencies and altering socio-instituted practices, all of which techniques involve a real change in the behaviour of the corporation (Ashforth and Gibbs, 1990, p. 178). In contrast, symbolic management techniques refer to techniques with which organisations will portray or symbolically manage themselves in order to “*appear* consistent with social values and expectations and transforms the meaning of acts” (Ashforth and Gibbs, 1990, p. 180). Symbolic management techniques comprise espousing socially acceptable goals, denial and concealment, redefining means and ends, offering accounts, offering apologies and ceremonial conformity. According to Ashforth and Gibbs (1990), organisations necessarily employ either substantive or symbolic management techniques or both.

### **2.3.6.3 Institutional legitimacy**

Institutional legitimacy, in contrast, can consider broader contexts in the constitution of the organisation. Meyer and Rowan (1977) suggest that rational myths are regarded as prescriptions of proper behaviour, and organisations become isomorphic with their institutional environment to gain legitimacy with different types of stakeholders.



Legitimacy can be achieved by conforming to institutionalised structures and practices (Meyer and Rowan, 1977).

This is regarded as “a set of constitutive beliefs” (Suchman, 1995, p. 576). The most cited work for institutional legitimacy is DiMaggio and Powell (1983), which suggest three main processes: coercive isomorphism, mimetic processes and normative pressures. These three pressures can increase homogeneity of practices concerning different institutions (Scott, 2001 cited in Bondy, et al., 2012).

Coercive isomorphism<sup>17</sup> refers to organisational behaviour which may be controlled by institutional pressure rather than by managers that produce an “iron cage” (DiMaggio and Powell, 1983). However, these pressures may be complex, pervasive, and powerful and explain why and how organisations should exist and behave (Milne and Pattern, 2002). Coercive isomorphism includes both formal and informal rules to enforce organisations. Formal rules are regarded as hard law and forms of regulative pressures from governmental regulation (Scherer and Palazzo, 2011). Informal rules are viewed as “soft law<sup>18</sup>” with voluntary actions and self-regulation of companies without a governmental power (Moon, et al., 2011). Self-regulation can be viewed as the “new institutionalism” in CSR which is codified rules, norms and regulations assigned legitimacy to new management practices (Matten and Moon, 2008; Moon, et al., 2011). The new institution can be divided into four main types (Table 2).

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<sup>17</sup> Coercive isomorphism refers to organisations to become similar “not through adaptation to an external or technically demanding environment or through weeding out of technical and social misfits, but through adaptation to a socially constructed environment” (Boxenbaum and Jonsson, 2008, p. 80).

<sup>18</sup> Soft law means “their effectiveness depends on the extent to which the inherent norms are understood and spread among business” (Moon, et al., 2011).

**Table 2: Institutions for global CSR**

	Responsible business institutions (examples)
Responsible global business institutions within companies	<ul style="list-style-type: none"> <li>• The Nestlé Business Principles</li> <li>• Unilever’s Sustainable Agriculture Guidelines</li> </ul>
Responsible global business institutions among companies	<ul style="list-style-type: none"> <li>• International business associations (e.g. the World Business Council for Sustainable Development, International Business Leaders’ Forum)</li> <li>• Sector-based associations (e.g. the Electronics Industry Citizenship Coalition, the Equator Principles {finance})</li> <li>• Issue- based associations (e.g. Business Coalition on HIV Aids)</li> <li>• Region-based associations (e.g. CSR Europe, European Alliance on CSR)</li> </ul>
Multi-stakeholder institutions involving responsible global business	<ul style="list-style-type: none"> <li>• Global Reporting Initiative Kimberly Process Investment screens and indexes (e.g. FTSE 4 Good)</li> <li>• Sector-specific institutions (e.g. Extractive Industries Transparency Initiative) Certification systems (e.g. Forestry Certification System, Marine Stewardship Council)</li> </ul>
International government-led institutions for responsible business	<ul style="list-style-type: none"> <li>• OECD Guidelines for Multinational Enterprises UN Global Compact International Standards Organisation</li> </ul>

**Source: Based on Moon, et al. (2010)**

The first type of new institution refers to CSR institutions within companies, which means that MNCs have increasingly become responsible for their supply chains (Moon, et al., 2011). Organisations endeavour not only to employ CSR expertise, but also to develop CSR policies, procedures, and reports (Moon, et al., 2011). One of the examples in this classification is that in business principles, the Nestlé claims to have similar environmental, health and safety standards among their subsidiaries as in Switzerland; however, there remains scepticism about whether society can depend on intra-company institutions to carry out this business principle (Moon, et al., 2011).

The second type is CSR institutions among companies, which refers to organisations which collaborate with each other to develop institutions that provide fundamental CSR principles and assist individual companies to achieve these requirements (Moon, et al., 2011). *The World Business Council for Sustainable Development* consists of more than 200 CEOs from 35 countries across 20 sectors and this institution are involved in policy debates, enhances the business case for sustainable development and develops projects in emerging markets (Moon, et al., 2011). Further examples of institutions have a sectoral, issue and regional basis (Table 2) and these institutions are self-governing with collective motivations (Moon, et al., 2011).

The third type is multi-stakeholder CSR institutions, which refers to numerous multi-stakeholder institutions which seek to develop responsible business standards (Moon, et al., 2011). The Global Reporting Initiative (GRI), an example, consists of representatives of accounting, business, society, and government, and this initiative encourages sustainability development reporting practices and enhances transparency (Moon, et al., 2011). The FTSE4Good, a further example, addresses responsible business behaviour at the international level and organisations tend to be explicitly engage in using these indicators with investors (Moon, et al., 2011). *The Marine Stewardship Council* developed by Unilever and the World Wildlife Council deal with the depletion of fish stocks (Moon, et al., 2011).

In the case of the gambling industry, at the industry level, RG initiatives were developed and initiated using industry-based voluntary codes of practice due to government and public pressures (Blaszczynski, et al., 2011). Nevertheless, the mandatory and voluntary RG initiatives vary greatly across countries (Chapter 7; Appendix 3). These

organisations in the gambling industry can be also expected to follow industry-based RG initiatives and legislative requirement. However, RG does not have one established standard, and thus RG tends not to have international organisations to establish legislative requirement (Chapter 7).

The final type is international governmental organisations that combine their power, business partners and other organisations to establish CSR institutions (Moon, et al., 2011). The UN Global Compact (UNGC) provides a framework of ten principles concerning human rights, the environment, and anti-corruption and consists of over 4,000 companies with business associations, nongovernmental organisations (NGOs), trade unions and academic institutions (Moon, et al., 2011). However, the UNGC lacks real practices and 400 signatories were removed from the list due to inadequate reporting (Moon, et al., 2011).

Organisations can encounter institutional pressure from international governmental organisations and comply with certain standards, such as ISO 9001, ISO 14001<sup>19</sup> and ISO 26000<sup>20</sup> (CSR). Organisations in the gambling industry can be expected to follow the lead of other industries and adopt these standards. However, organisations may employ either substantive or symbolic management techniques or the mixture of the two as means of legitimation; however, any attempts at legitimation seem to form part of a “myth system” that is loosely or completely decoupled (Milne and Patten, 2002). Taking managing environmental issues as an example, corporations may provide accounts of a

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<sup>19</sup> The International Organisation for Standards (ISO) issued ISO 14001, which stands for an international environmental management standard. It is common practice for environmentally sensitive organisations to comply this standard (International Organisation for Standardisation, 2010).

<sup>20</sup> According to International Organisation for Standardisation (2010, p.4) defines ISO 26000 as “an ISO International Standard giving guidance on SR. It is intended for use by organisations of all types, in both public and private sectors, in developed and developing countries, as well as in economies in transition. It will assist them in their efforts to operate in the socially responsible manner that society increasingly demands. ISO 26000 contains voluntary guidance, not requirements, and therefore is not for use as a certification standard like ISO 9001:2008 and ISO 14001:2004.”

wide range of institutionalised practices, such as ISO 14000, environmental audits and committees, in order to manage and reduce environmental pollution (Milne and Patten, 2002). Yet, such environmental initiatives actually do little to engender a real or material change to the “real work” of the organisations (see Jackall, 1998 and Bowles, 1991). Milne and Patten (2002) suggest that whether organisations employ pure symbolic or substantive management techniques, these forms of organisational legitimations may do little to change significantly organisational behaviours.

The OECD also developed a number of standards in relations to responsible business at the international level; however, these standards are heavily dependent on national governments for jurisdiction (Moon, et al., 2011). At national level, CSR is comparatively government driven, reflecting European Commission Initiatives and national government within European countries (Albareda, et al., 2006; Gond, et al., 2011). Regional and local governments, for example, have developed CSR policies in European countries, such as German province of North Rhine-Westphalia, the UK local government (Matten and Moon, 2008) and the French government (Igalens and Nioche, 1997 cited in Gond, et al., 2011). However, CSR at the national level is implemented across national government systems (Gond, et al., 2011). Gond, et al. (2011, p. 646) distinguishes five distinct modes of CSR-government configurations: (1) CSR as self-government; (2) CSR as facilitated by government; (3) CSR as partnership with government; (4) CSR as mandated by government; (5) CSR as a form of government.

Mimetic pressures arise mainly from uncertainties in the business environment, such as changes in consumer preferences, absence of government regulation or negative publicity (Bondy, et al., 2012). Organisations tend to imitate peers that are perceived as

influential or successful (Haveman, 1993) and sometimes managers tend to consider practices from industry peers, such as business reengineering and total quality management, as “best practices” (Matten and Moon, 2008). MNCs not only join business coalitions for CSR to sign up to new principles, codes and standards, such as the UK Business in the Community and CSR Europe, but also subscribe to CSR training programmes, for example the UK CSR academy, so as to learn CSR practices (Matten and Moon, 2008). Another example of mimetic processes is CSR reports, in which MNCs received guidance or information from CSR organisations (Matten and Moon, 2008). Bondy, et al.’s (2012) study shows that MNCs in the UK indicated strong mimetic isomorphic pressure to show some form of CSR engagement due to the competition between them. A unit operated in a host country, a further example, adopting the organisational structures, policies, and practices from the parent company, which is known as internal legitimacy (Kostova and Zaheer, 1999). This view can be associated with the resource dependency theory (Pfeffer & Salancik, 1978), which suggests that a subsidiary’s survival is highly dependent on the parent company for continuing access to critical resources, particularly CSR and RG knowledge. There is an increasing trend towards CSR practices or reports in developed countries so that the gambling industry is expected to mimic this process so as to learn and develop CSR practices in general and RG practices in particular.

Normative pressures refer to what is generally considered a proper moral duty (Suchman, 1995). Such pressures are often related to an external source, for example, education and professional authorities which directly or indirectly, set standards for legitimate organisational practices (Matten and Moon, 2008). More importantly, professional power is generally assigned by the state (DiMaggio and Powell, 1983).

Such authorities can standardise the “skills and cognitive base” for members of education and professional authorities in order to create the “legitimacy for their occupational autonomy” (Bondy, et al., 2012, p. 283). Thus, university and professional training authorities are important centres for the development of organisational norms for managers and their staff (DiMaggio and Power, 1983). There are signals from the organisational environment that adoption of a certain practice or structure is a proper action (Boxenbaum and Jonsson, 2008). This can influence professionals in organisations, which are likely to adopt similar practices and structures (Galaskiewicz and Burt, 1991). Bondy, et al.’s (2012) empirical study shows that MNCs did not find normative isomorphic pressure as a significant driver in the UK context.

Boxenbaum and Jonsson (2008) suggest that these three pressures stem from an organisation field which can be classified into two main pressures: regulative pressure from the state (coercive isomorphism) and peer pressure (mimetic and normative pressure). Similarly, Strang and Soule (1998) suggest that these three pressures can be divided into external diffusion (pressure from the State and peers), while internal diffusion (pressure from professional information networks).

In the organisational legitimacy literature, organisational response to institutional pressures can be divided into two approaches: the agentic approach and the non-agentic approach (Boxenbaum and Jonsson, 2008). The former refers to organisations as active agents that can have different responses to institutional pressures (Ingram and Clay, 2000). Oliver (1991) suggests that how organisations can deal with institutional pressure of five strategic responses: acquiescence (conformity), compromise (decoupling<sup>21</sup>),

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<sup>21</sup> According to Boxenbaum and Jonsson (2008, p. 81), decoupling means “organisations abide only superficially by institutional pressure and adopt new structures without necessarily implementing the related practices.” That means decoupling can be inconsistent with the practice and transform the practice which is beneficial to organisations.

avoidance, defiance, and manipulation. Organisational capacity and ability to comply, resist and manipulate pressures can be predicted based on these five institutional factors. Oliver's (1991) work has initiated a number of empirical studies in this area (see Ingram and Simon, 1995; Goodrick and Salancik, 1996). The latter refers to institutions as social fact that organisations can internalise institutional pressures to a great extent (Dacin, 1997; D' Aunno, et al., 2000; Beck and Walgenbach, 2005). This adoption of a structure and practices are perceived as self-evident and are related to translation and edition (Boxenbaum and Jonsson, 2008).

The limitation of institutional legitimacy needs to be considered. DiMaggio and Powell's (1983) theoretical framework is ambiguous, thus leading empirical researchers to develop their own methods (Oliver, 1988). Isomorphic pressure has been found in relation to competitive pressure, space and time (Dacin 1997; Ruef and Scott, 1998). According to Mizruchi and Fein (1999), mimetic pressure has received the most attention among the three isomorphic pressures. Mimetic pressure is more widely employed than coercive and normative pressures in North American social sciences, while coercive and normative pressures are widely employed in other particular institutional literature, for example the European institutional school (Mizruchi and Fein, 1999). Furthermore, mimetic pressure is easier to examine with quantitative methods, while coercive and normative pressures are more difficult to collect the data and show in quantitative studies (Mizruchi and Fein, 1999). DiMaggio and Powell's (1983) paper tends to ignore the connection between institutional processes and elite interests (Tolbert and Zucker, 1983). The political consequences of institutional process can be widely lost in organisation theory (see Stern and Barley, 1996).



## **2.4 CSR and legitimacy in the controversial industries**

### **2.4.1 Defining controversial industry**

Controversial, contentious or sin industries have been defined as those which are often associated with “products, services or concepts that for reasons of delicacy, decency, morality, or even fear, elicit reactions of distaste, disgust, offence or outrage when mentioned or when openly presented” (Wilson and West, 1981, p. 92). In other words, certain products, services, and concepts are categorised as controversies when they create dissensus among members of society at a particular point of time (Miller and Michelson, 2012). Controversial industries are generally characterised by social taboos, moral debates and political pressures, which include not only sinful industries, for example tobacco, alcohol, gambling, and pornography, but also industries in relation to emerging environmental, social or ethical issues, such as weapons, nuclear, and biotech (Cai, et al., 2012). However, the precise classification of controversial industries can vary by time (Campbell, 2007), by culture (Waller, et al, 2005) and by the degree of unethical violation of social norms (Jo and Na, 2012).

There is an on-going discussion between proponents and opponents of CSR in controversial industry sectors (Cai, et al., 2012). Proponents suggest that controversial industries have legitimate right to develop CSR engagement due to two main reasons: (1) CSR is an important mechanism to enhance corporate reputation; (2) top management is free to select which strategy to operate their business (Cai, et al., 2012, p. 468). By contrast, opponents argue that governments should “denormalize” activities which controversial industries describe as “socially responsible” (Cai, et al., 2012, p. 468). Opponents further argue that CSR engagement developed by organisations in the controversial industry is not entirely trustworthy due to that fact that these organisations’

beliefs stem “from deeply rooted distrust from the past” (Jo and Na, 2012, p. 442).

A number of studies have examined CSR in controversial industries. Several studies have examined addictive industries such as tobacco (Pava and Krausz, 1997; Palazzo and Richter, 2005), brewing (Quaak, et al., 2007), and gambling (Hing, 2001). In particular, Palazzo and Richter (2005) argue that even though the tobacco industry has begun to engage in CSR, CSR engagement may be a smoke curtain and hide the fact that their business hurts billions of people every year. Other CSR studies have investigated other contentious industries. Byrne’s (2010) study shows that the corporations can influence the US government’s military policy. Banerjee and Bonnefous (2011) find that the French Nuclear Industry employed different strategies to manage different stakeholders in order to enhance its economic growth strategy. Other “sinful” industries, for example pornography, are normally regarded as immoral and incompatible with CSR (Davidson, 1996).

According to CSR literature on these controversial industries, although organisations of this type claim to engage in CSR, they operate under the structure of capitalism and actually tend to use CSR to continue their business-as-usual practices. CSR engagement and sustainable development are reframed to enhance their business as usual context and continue to legitimate themselves as legal entities. The question of whether organisations in controversial industries can be socially responsible and how and why how these organisations gain or seek legitimacy through CSR engagement remains in an infant stage in the CSR literature.

#### **2.4.2 CSR and legitimacy**

Over the past decade, some studies of CSR in the gambling industry have tended to focus on such developed countries as Australia (Hing, 2001; Miller and Michelson, 2012), the UK (Jones, et al., 2009; Soriano, et al., 2012), and the US (Lee and Park, 2009; Cai, et al., 2012; Jo and Na, 2012). However, relatively few studies have examined CSR in the gambling industry in developing countries with some notable exceptions, for example China's sports lottery industry (Li, et al., 2011). The social consequences of gambling can be harmful and thus gambling operators adopt ethical concerns in the gambling business, which is called "responsible gambling" (RG) initiatives (Hing, 2001; Blaszczynski, et al., 2004; 2011; Chapters 1 and 7). In addition, a number of RG studies have been widely conducted in such developed countries as the US (LaPlante, et al., 2011), Canada (Giroux et al., 2008) and Australia (Breen, et al., 2005; Hing and Nuske, 2011a); however, a few studies have concentrated on RG in developing countries, such as South Africa (Tyawa, 2012) and Macao (Vong, 2010).

Although some CSR studies have attempted to compare the gambling industry with other controversial industries concerning financial performance, firm value and firm risk (Lee and Park, 2009; Cai, et al., 2012; Jo and Na, 2012), most of these studies have examined at only one country and lack an international comparative dimension. Some studies have only investigated a single dimension, such as the relationship between consumers' perceptive of gambling and CSR (Li, et al., 2011; Soriano, et al., 2012). Additionally, some RG studies have been conducted in different forms of gambling and can be classified into two main groups: in casinos (Hing, 2001; 2005; Breen, et al., 2005; Giroux, et al., 2008; LaPlante, et al., 2011; Reast, et al., 2012), and in non-casinos studies, including online gambling, electronic gambling machine and video lottery

(Smeaton and Griffiths, 2004; Nisbet, 2005; Cloutier, et al., 2010; Monaghan and Blaszczyński, 2010; Miller and Michelson, 2012; Soriano, et al., 2012). These studies have focused on internal employees' perspectives. It would have been more persuasive if these studies had widened their scope to include wider stakeholders of the industry.

Legitimacy theory is also applied in CSR literature. Corporate legitimacy has been described as the “yardstick” for the CSR discussion because CSR can be used to legitimise a corporation's activities and increase corporate acceptance (Palazzo and Richter, 2005). Pava and Krausz (1997) suggest four distinct criteria for evaluating the legitimacy of CSR: local knowledge, level of responsibility, sharing consensus and relationship to financial performance.

Furthermore, a number of CSR studies have applied legitimacy theory to the study of a range of such controversial industries as oil (Coupland, 2005; Branco and Rodrigues, 2006), tobacco (Pava and Krausz, 1997; Palazzo and Richer, 2005; Tilling and Tilt, 2010; Fooks, et al., 2013) and brewing (Campbell, et al., 2003).

As mentioned earlier, CSR has been linked to a significant increase in the reporting of social and environmental policies and practices. In particular, a few prior CSD studies have applied legitimacy theory in the context of the tobacco industry. Campbell, et al., (2003) investigate a longitudinal period of voluntary social disclosures in the annual reports of companies in tobacco, brewing and retailing industries in the UK and their results conclude that the volume of social disclosure vary across sectors. When corporations are faced with a threat, they increase the volume of social disclosure as a legitimising strategy; however, British American Tobacco (BAT)'s social disclosure

declined over time, and the results do not support the traditional view (Campbell, et al., 2003). Their study is limited to only the UK tobacco company. It would be more persuasive if their study with a large sample may get some overview of average behaviour. Moerman and Der Laan (2005) examine the BAT's 2001/2002 Social Report and their results suggest that managing the perceptions of society through social reporting seems to forestall the introduction of more stringent regulation, privileging certain issues and deflecting poor social performance. This view is in line with legitimacy theory as suggested by Dowling and Pfeffer (1975) and Lindblom (1993). However, this study is limited to a single report and other supporting documents in one year and lacks an in-depth investigation with key stakeholders. Tilling and Tilt (2010) provide a longitudinal study (1955-1999) of CSD in the annual reports of the Australian-based tobacco company (Rothmans Ltd). Their results suggest that the voluntary CSD may have been provided with a view to counteracting the negative information to the organisational legitimacy of the smoking and health debate (Tilling and Tilt, 2010). Their findings support the traditional view that when corporations face a threat, they engage in legitimising strategies, for example increasing the volume of disclosure in their qualitative analysis; however, the quantitative analysis did not support the traditional view and prior empirical studies (Tilling and Tilt, 2010). Yet, the authors examine a single company in one industry and present a case from limited stakeholders.

What remains unknown is how organisations in controversial industries, particularly the gambling industry, which tends to have a similar nature to the tobacco industry and the brewing industry, seeks legitimacy. Relatively little prior CSR research relating to legitimacy has concentrated on the gambling industry. A few studies have focused on

CSR (and RG) in the gambling industry without discussing the construction of legitimacy in this context (Hing, 2001; Jones, et al., 2009; Li, et al., 2011).

Gambling can be regarded as a form of entertainment, leisure activity or recreation, but it can equally be linked to alcoholism, prostitution and drugs. Given the gap between these two views, it is not surprising that there is a lack of consensus around CSR and legitimacy in the gambling industry. The level of cognitive beliefs about the product or service helps to constitute the product acceptability and reconfigure the industry's legitimacy (Galvin, et al., 2004-05). In this thesis, it will be argued that the construction of legitimacy by the gambling industry can be a subtle and complex process in the gambling industry due to laws and societal norms (Section 2.3).

Two recent studies (Miller and Michelson, 2012; Reast, et al., 2012) have attempted to provide a better understanding of legitimacy and CSR in the gambling industry. This is because study of the gambling industry has the potential to provide a deep insight into the relationship between CSR and organisational legitimacy in the controversial industries. Miller and Michelson (2012) show the difficulty in establishing legitimacy in relation to CSR in the electronic gaming machine sector in Australia. The authors examine two state-funded studies for developing policies in Australia for developing gambling policy; however, the limited documents restricted their investigation of CSR in the gambling industry (Miller and Michelson, 2012). Reast, et al.'s (2012) study examines various strategies employed by the UK gambling industry to seek organisational legitimacy, with a case study of the failure of a regional supercasino project. Their results suggest various strategies are available to gambling companies seeking organisational legitimacy in the highly complex industry. However, the extent

of organisational legitimacy is likely to differ or simply vary across organisations, industries and countries (culture) (Reast, et al., 2012). Therefore, the legitimacy-seeking strategies of organisations in the gambling industry in other contexts (countries) could provide a useful starting point to explore, examine, and investigate the problems of legitimacy.

## **2.5 CSR and Culture**

Section 2.4 examined the legitimacy-seeking strategies of organisations in the gambling industry and show they can manifest themselves differently across country (culture). This section provides this perspective in the context of CSR. There is no particular CSR template for international corporations due to various cultures (Birch and Moon, 2004). Several studies have widely examined CSR in developed regions, such as the US, Europe and North America, over the past five decades (Maignan and Ralston, 2002; Matten and Moon, 2004; 2008; Carroll, 2008), while other studies have been conducted in developing regions, such as Asia, Africa and Latin American (Crane and Moon, 2007; Visser, 2008). Matten and Moon (2008) have developed a theoretical analysis of national business systems to analyse CSR in national institutional contexts to address the questions of how and why CSR differs across country and to suggest an explanation of “implicit” and “explicit” CSR. Due to globalisation and free trade, these changes may thus increase MNCs’ explicit CSR in the developing regions, for example in Asia, where there are weak institutions or poor governance (Matten and Moon, 2008).

Some studies have examined CSR in Asian countries in order to enhance the understanding of CSR. Welford (2004) conducted a comparative study of CSR between Europe and Asia using a survey and found that CSR policies in Asian companies lag

behind European countries. CSR has been prevalent over the last two decades in Asia as Asian companies become increasingly exposed to a global capital market and “Americanisation” of business practices (Matton and Moon, 2004; 2008). Chapple and Moon (2005) undertook a study in seven Asian countries by analysing corporate websites. The results show that MNCs are more likely to adopt CSR than those operating in their home countries but that the profile of their CSR is likely to reflect the country of operation, rather than the country of origin (Chapple and Moon, 2005). Wang and Juslin (2009) argue that the CSR concept does not fit into the Chinese context. The authors suggest a new definition of CSR called “the Chinese Harmony approach”, which draws on Confucianism<sup>22</sup> (interpersonal harmony) and Taosim<sup>23</sup> are needed (harmony with nature) to provide a better insight into CSR. Xu and Yang (2010) undertook a survey comparing CSR in China with that in Western countries to develop a conceptual dimension of CSR. The result shows that the western CSR dimensions are similar to China’s CSR dimensions, including economic responsibility, legal responsibility, environmental protection, customer orientation, employee and charity; however, the result also unveils some Chinese dimensions of CSR, such as social stability, good faith, and employment (Xu and Yang, 2010).

Regarding employment, CSR policies in Asian countries in the form of corporate welfare schemes are often associated with employees’ interest (Gond, et al., 2011), such as work-life balance (Welford, 2004), health and safety and employee education in developing countries which governments are unable to protect such right (Crane, et al.,

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<sup>22</sup> Wang and Juslin (2009, p. 441) states that Confucian harmony relies on four main principles: the stability of society based on the five cardinal relationship, the family as a core unit of society, reciprocal virtuous behaviour and self-cultivation.

<sup>23</sup> According to Wang and Juslin (2009, p. 445) explain Taoism as “pursues the harmonious complexity of natural ecosystems, believes that the relationship between man and nature is reciprocal and retributive, and they are exploiting each other as well.”



2004). Thus, corporations operated in Asian countries increasingly share the responsibilities of the local government (Moon, et al., 2011). This can enhance the relationship between organisations and community in developing countries so corporations can be viewed as a good employer (Schmitt, 2010).

## **2.6 Concluding remark on literature**

In conclusion, prior CSR and legitimacy literature have not had an extended focus on the gambling industry (Section 2.4). With its novel focus, this thesis not only enhances the understanding of CSR in the gambling industry, but should also provide a general overview of this industry. This thesis attempts to investigate three main research questions: [1] *to what extent* does the gambling industry disclose CSR-related data? [2] *how* is CSR understood in the gambling industry? and [3] *why* does the gambling industry engage in CSR? The first research question is a preliminary global investigation of the gambling industry. As can be seen in Section 2.4 in this chapter, the CSR literature the gambling industry remains largely unexplored. Prior literature has given little guidance on the issue of legitimacy and CSR. The first question seeks to provide a foundation to understand this industry with a general overview, similarities and differences in the industry. The context provided by this first question then lays the groundwork to ask more pressing questions and so the second and third questions attempt to provide an in-depth investigation of the gambling industry.

## **Chapter 3**

### **Research Design**

#### **3.1 Introduction**

As outlined in Chapter 1, the purpose of this thesis is to explore the understandings of Corporate Social Responsibility (CSR) within the gambling industry in order to further the understanding of CSR. According to the literature review (Chapter 2), the issue of CSR in the gambling industry remains largely unexplored (see, for example, Hing, 2001; Jones, et al., 2009; Li, et al., 2011). Furthermore, there is relatively little exploration and guidance on the issue of legitimacy and CSR in the gambling industry (see, for example, Miller and Michelson, 2012; Reast, et al., 2012). One might have thought, an industry with such a conflicted reputation would have found CSR an essential component in its strategic posturing (see, for example, Reast, et al., 2012). In particular, the Responsible Gambling (RG) initiative, as discussed in Chapter 1, would seem to manifest CSR engagement of organisations in the gambling industry.

The relatively unclear picture of CSR and legitimacy in the gambling industry has shaped the research strategy of this thesis, which is to examine three research questions: *(1) To what extent does the gambling industry disclose CSR-related data? (2) How is CSR understood in the gambling industry? (3) Why does the gambling industry engage in CSR?* (Chapter 2). The three main research questions require both a global investigation and an in-depth investigation in a particular context. There are few studies in relation to a global survey which might provide an initial exploration of international gambling companies' engagement with CSR as a whole. This method may answer the first research question. However, such a survey (Section 3.2) will be superficial and help little with the more pressing second and three questions of this thesis. These two research questions need an in-depth investigation.

The research design of the thesis employs mixed methods: context analysis to provide an exploratory investigation and a focused, in-depth investigation to seek motivations and explanations. Each choice in different step is made at each stage.

This chapter is split into two research methods: content analysis and semi-structured interviews. Each section shows the justification, potential limitations, and process of conducting each method.

## **3.2 Content Analysis**

### **3.2.1 Justification of content analysis**

Chapter 1 outlined a general overview of the gambling industry. The concept of gambling varies greatly in history, and its meanings are largely based on a complex range of different forms of gambling, the society within which gambling takes place, and the changing nature of the gambling industry. However, the literature has provided little guidance and exploration of the industry on a global level or how the industry is organised into global initiatives and postures on CSR or RG.

To overcome this problem, the obvious choice of method would be either some form of international survey or some examination of public documents produced by gambling companies. A survey might be useful; however, it would probably not be productive in terms of access, returns, or analysis. The more obvious approach is widely adopted in the CSR and CSD literature as illustrated in Chapters 2 and 4 and is to investigate public documents from organisations in the gambling industry.

Content analysis is an initial research method used as an exploratory technique within

the gambling companies. This thesis will analyse the information for constructs and to what extent the gambling industry discloses *CSR-related data* (Chapter 4). This method can be employed to examine past data (Easterby-Smith, et al., 2008) and can enable the researcher to analyse CSR-related data by examining organisational documents, such as annual reports, stand-alone reports, and corporate websites. Such a method allows one to discern the importance or salience of CSR-related data in this industry as some companies tend to report something, which might be thought to be their claims of CSR.

Berelson (1952, p. 18) defines content analysis as “a research technique for the objective, systematic and quantitative description of the manifest content of communication”. In addition, Holsti (1969, p. 14) refers to this method as “characteristics of message”. Hence, this method could get superficial indicators of content (Bryman and Bell, 2007). There are, however, a number of advantages of using content analysis (Bryman and Bell, 2011). First, this method is transparent since the coding decision rules and coding procedures can be clearly shown to ensure the possibility of result replications; second, content analysis is regarded as an unobtrusive method, which does not involve any participants; third, this method is highly flexible and can be applied to a variety of different media (Bryman and Bell, 2011)..

Content analysis can be considered a quantitative and qualitative method (Unerman, 2002 cited in Belal, 2008). Quantitative content analysis measures volume of disclosure which infers the importance of the text (Gray, et al., 1995a; b; Krippendorff, 1980; 2012), while qualitative content analysis attempts to concentrate on the meaning and implication of the context of disclosure (Bennington, 1999 cited in Belal, 2008). In this thesis, quantitative content analysis was selected to enable an initial exploration in the

gambling companies in six countries, in order to gain a general overview in this industry. Such analysis can draw inferences concerning the importance, rather than the meaning of the context of disclosures.

### **3.2.2 Potential limitation of content analysis**

According to Bryman and Bell (2007), content analysis has three major limitations: (1) the problem of getting documents of authenticity, credibility, and representation; (2) possible errors when devising a coding manual; (3) it is hard to answer “why” questions through content analysis. Additionally, Abbott and Monsen (1979, p. 506) state, that content analysis has two possible types of errors: (1) the formulation of categories does not completely cover all the issues in the annual reports; (2) inaccuracy in coding the raw data within the categories. Errors will also inevitably arise from the rounding of measurements with a different variety of fonts, printing designs and graphic styles (Gray, et al., 1995b).

More importantly, this method involves a considerable element of “subjectivity” with the same documents meaning different things to other users (Tilt, 1998). In order to minimise this inevitable subjectivity, a pilot study was conducted by the researcher before the formal study was carried out (Section 3.2.3.5.1) and the researcher discussed the coding schedule with her supervisor before the pilot study. The classification scheme is designed to be reliable, consistent, and robust so that different people coding the same text can get the similar results (Weber, 1990). The researcher coded the text at different times and invited four colleagues from the research department to code the same text so as to modify the coding schedule, to increase intra-coder and inter-coder reliability and to limit inconsistency (Section 3.2.3.3; Milne and Adler, 1999).

Although content analysis can generate a general picture and identify some patterns and trends in the gambling industry, it can lack close examination and neglect some important messages. Consequently, multiple sources of data will be employed for triangulation<sup>24</sup>. More than one method can be employed in development of research, which leads to a greater confidence in findings (Webb, Campbell, Schwartz and Sechrest, 1996 cited in Bryman and Bell, 2007) and enhances validity of the thesis (see Stebbins, 2007). The collected views will offer an indication of underlying situation (Easterby-Smith, et al., 2008, p. 63). Therefore, this thesis employs qualitative methods in order to answer the “how” and “why” questions.

### **3.2.3 Content analysis**

This section outlines the process of conducting content analysis as the first research method in the thesis. Section 3.2.3 is divided into five parts: introduction to content analysis method, defining the units of analysis, objectivity, systematic and reliability, sample for the gambling industry, and collection or recording data of the sampled gambling companies.

#### **3.2.3.1 Introduction to content analysis method**

Content analysis has been widely employed in Corporate Social Disclosure (CSD) and Social Environmental Accounting (SEA) literature. The main purpose of this part of the thesis is to provide an overview of CSD in the global gambling industry in six countries. In order to do so, this thesis provides a description of Corporate Social Responsibility (CSR) through content analysis of the annual reports to determine the volumes of

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<sup>24</sup> Saunders, Lewis, and Thornhill (2009, p.614) define triangulation as “The use of two or more independent sources of data or data collection methods within one study in order to help ensure that the data are telling you what you think they are telling you”.

disclosures. In CSD research, what an organisation says on a particular subject, can be regarded as an indication of the importance that the reporting organisation attaches to this subject (Krippendorff, 1980; Deegan and Rankin, 1996; Neu, et al., 1998), such as social and environmental issues (Chapter 4).

This thesis employed a conventional content analysis which has a different variety of comparable findings in the literature. This method is largely based on an established research instrument developed at The Centre for Social and Environmental Accounting Research (CSEAR) at the University of St Andrews (see Gray, et al. 1995a; b). The reason for the choice of this research instrument was mainly the comprehensive coverage of its development at the CSEAR in the UK context. However, this thesis investigates the gambling industry in both developed and developing countries. Thus, some adjustments have been made to account for cultural difference and the gambling industry.

The following section will outline a number of different stages<sup>25</sup> and different choices in order to show how the research instrument was developed and to justify the choice made at each stage.

### **3.2.3.2 Defining the units of analysis**

Krippendorff (1980) identifies three types of unit of analysis in content analysis: sampling units, recording units, and measuring units.

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<sup>25</sup> These stages are based on the work of Gray, et al. (1995b) and are also influenced by Hackston and Milne (1996), Welford (2004), Williams and Pei (1999), The Global Report Initiative's (GRI) Sustainability Guidelines (2002) and Corporate Social Responsibility in Asia (2009) (see Appendix 7).

### 3.2.3.2.1 Sampling units – corporate annual reports

A number of CSD studies have widely used annual reports as the sampling units<sup>26</sup>. Content analysis enables the researcher to analyse CSD by examining organisational documents, such as annual reports, so as to discern the importance or salience of CSR in an industry. This is because some companies appear to report some information, which might be thought to be their claims of social responsibility.

Although annual reports can be recognised as important media, Zéghal and Ahmed (1990) argue other forms of media, such as company brochures, advertisements and press notices, provide richer sources of information. It is impossible to ensure completeness of the public corporate documents (Unerman, 2000). In the gambling industry, all corporate documents, for example press releases, employee magazines or brochures in various countries cannot be easily accessed. Crucially, the alternative mediums of disclosure, for example stand-alone reports<sup>27</sup>, integrated reports<sup>28</sup> and corporate websites are not employed in this thesis. The shortage<sup>29</sup> of stand-alone reports and no integrated reports were found in the gambling industry. In addition, corporate websites can be treated as a public document and as a form of communication (Coupland, 2005); however, the content in corporate websites were changed over time. Thus, the websites were employed for any updated CSR-related information. In order to have a systematic and a complete data set, annual reports were selected as the sample units.

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<sup>26</sup> See Abbott and Monsen, 1979; Wiseman, 1982; Guthrie and Mathews, 1985; Guthrie and Parker, 1989; Zéghal and Ahmed, 1990; Gray, et al., 1995a; Hackston and Milne, 1996; Deegan and Rankin, 1997; Adams, et al., 1998; Islam and Deegan, 2008; Cho, et al., 2010.

<sup>27</sup> Standalone reports are individual reports; however, these reports are usually issued together with annual reports. Such reports provide a detailed information of social and environmental issues.

<sup>28</sup> Recently, corporations have tended to issue a single integrated report which includes economic, social and environmental performance.

<sup>29</sup> Of the 28 sampled gambling companies, 13 companies have standalone reports.



There are a number of reasons for choosing annual reports, rather than other forms of media in this thesis. First, annual reports tend to have a higher degree of credibility than other types of reports and are the most important information provided to shareholders and stakeholders (Tilt, 1994; Deegan and Rankin, 1997; Buhr, 1998; Neu, et al., 1998). Second, a regularly produced annual report is not only a legal document, but also a way of communication and social construction (Hines, 1988; Neimark, 1992). Such materials cannot only offer valuable background information about the company, but can also provide a partial insight into past managerial decisions and a timeline of organisational change (Bryman and Bell, 2007). The public cannot observe most organisational activities. As a result, they rely on words and numbers, such as annual reports or financial statements, as imperfect proxies for these activities (Gjesdal, 1981 cited in Neu, et al., 1998). Third, annual reports can be considered a statutory form of reporting that incorporates mandatory and voluntary disclosure (Hackston and Milne, 1996; Wilmshurst and Frost, 2000). Fourth, annual reports are more easily accessible via corporate website than other corporate reports (Adams and Harte, 1998; Wilmshurst and Frost, 2000). Nevertheless, the exclusive use of annual reports can have some drawbacks. Selecting annual reports tends not to give a full picture of CSR policies among these companies (Roberts, 1992) or superficial disclosure (Gray and Bebbington, 2001). Additionally, the primary focus of the annual report is to communicate the economic function of a corporation and other functions will be reported in separate reports (Gray, 2001).

#### **3.2.3.2.2 Recording Units – Categories of CSR Context Units**

Content analysis requires an accurate and exclusive category of CSD. The process of category usually involves creating a set of different main categories and sub-categories.

Recording units are used to help the examination of each annual report (Unerman, 2000). This section explains how the process of recording units was identified and can be divided into three parts: categories, sub-categories, and a pilot study.

The first part explains how these categories were identified. In this thesis, eight categories<sup>30</sup> have been formulated to account for the main themes of CSD. The identification of the categories was classified into two main groups: the categories based on those established categories (CSEAR, 2011; Gray, et al., 1995b) and other new categories emerged from the literature.

The second part explains how the sub-categories were adjusted and refined to fit in this thesis. A further concern with the categories derived in Gray, et al. (1995a; b) is concerned with a specific industry. Little exploration of CSD practices in the gambling industry has been examined. Jones, et al.'s (2009) study provides valuable information to examine CSR in the UK context by using online reporting. The following section concerning whether the instrument could be applied in this thesis.

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<sup>30</sup> The first group of “categories” was based on categories developed at the Centre for Social and Environmental Accounting Research (CSEAR) at the University of St Andrews (see Gray, et al., 1995a; b). There were seven main categories. The first four main categories are environment, community, consumer and employee’ These four major categories have been widely employed in the Social and Environmental literature (Gray, et al., 1995a; Hackston and Milne, 1996; Williams and Pei, 1999). In addition, “director” and “corporate governance” were added in the recent development in the UK (see CSEAR, 2011). The last category was called ‘general other’ in order to capture any issues not covered by the first six main categories (Gray, et al., 1995a). The second group of “categories” was based on the current Corporate Social Responsibility (CSR) literature. “Economic” was added as an eighth main category for two reasons. First, the CSR literature suggests that ‘economic’ plays an important part in local community. Corporations tend to justify their actions through their tangible economic contributions to their communities, for example, providing jobs, employing local people, and contributing tax (Basu and Palazzo, 2008). Second, this thesis investigates the gambling industry in both developed and developing countries. The “economic” category appeared was in the Global Report Initiative’s (GRI) Sustainability Guidelines (2002) and Corporate Social Responsibility (CSR) in Asia (2009). This “Economic” dimension is likely to grow in the literature on CSR in developing countries (Visser, 2008). This category can be regarded as an important element in this thesis.

The sub-categories have been added according to cultural difference and the context of the gambling industry. The above categories were subdivided into sub-categories so as to capture CSD. Their research instrument is designed within a western context; however, raises the question of its application within a non-western context (Hackston and Milne, 1996; Williams and Pei, 1999). Those two studies chose to adopt Gray, et al.'s (1995b) instrument to both western and non-western context as was done for this thesis. The sub-categories were largely based on the work of Gray, et al. (1995b) and largely framed by Hackston and Milne (1996), Williams and Pei (1999), The Global Report Initiative's (GRI)<sup>31</sup> Sustainability Guidelines (2002), Welford (2004), and CSR in Asia (2009). These concerns were the applicability of this Western research instrument that can be applied to developed and developing countries and different contexts (the gambling industry). These studies and reports investigated CSD in different countries and conducted comparative studies (Appendix 7).

The third part explains how a pilot study was conducted in order to test the appropriateness of categories or sub-categories in this thesis. In order to determine whether the instrument needed adapting, and the extent to which it needed adapting, a pilot study was carried out. In order to finalise these categories and decision rules, a pilot study was conducted in July and August 2010. Annual reports were downloaded from the corporate websites and the literature was reviewed. A sample of the 2007 annual reports was read to have a rough idea and a sense of the major themes in this industry. The purpose of this pilot study was to test whether or not the western established research instrument developed by Gray, et al. (1995b) was appropriate for a

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<sup>31</sup> Global corporations are more likely to follow the Global Reporting Initiative (GRI) in their reports GRI encourages corporations to report particularly on transparency and sustainable development and consists of individuals, accounting representatives, corporations and society and governmental organisations (Moon, et al., 2011, p.217).

comparative study of the gambling industry in both western and non-western contexts.

The result of this pilot study suggested that Gray, et al.'s (1995b) categories were largely suitable for this thesis. Categories were applicable to the gambling industry, because nearly all CSD categories were covered in the annual reports of the sampled gambling companies. At sub-category level, the instrument was shown to be less appropriate. There were two apparent differences in the sub-categories in relation to the gambling industry and the emerging CSD research. First, the sub-category of responsible gambling (Chapter 1) disclosure was added in the consumer category as the high frequency mentioned in the sampled annual reports. Second, the sub-category of stakeholder engagement disclosure was added in the community category. This theme emerged from the KPMG reports (2005; 2008). As well as adding sub-categories to the instrument, the preliminary findings of the pilot study supported deleting certain sub-categories. Some adjustments were made to the sub-categories<sup>32</sup> (Appendix 7).

### **3.2.3.2.3 Units of analysis – measuring volume of CSR**

This section will discuss how the choice of the enumeration was made in order to capture the CSD-related data. Gray, et al. (1995a) state that there are two general ways to identify the measurement: the number of CSD or the amount of disclosure. The authors claim that the second one can provide a richer data set than the first one. The enumeration units often include words (Deegan and Gordon, 1996; Deegan and Rankin, 1996; Wilmshurt and Frost, 2000), sentences (Hackston and Milne, 1996, Buhr, 1998;

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<sup>32</sup> For example, the employee category previously included "South Africa". South Africa represented any statement of compliance with code and/ or submission to The Department of Trade and Industry (DTI) and any information or reference to employment in South Africa other than as part of economic/review or employment data (Gray, et al., 1995b). This sub-category was not applicable to the western countries and the gambling industry and thus this sub-category was not included in the decision rules. A full coding schedule of categories and sub-categories is presented in Appendix 7.

Patten and Crampton, 2004) and pages (Guthrie and Parker, 1990, Gray, et al., 1995b and Unerman, 2000), the frequency of disclosure (Cowen, et al., 1987) or high/low disclosure rating (Patten, 1991). In general, the three common units of analysis for quantifying disclosures are words<sup>33</sup>, sentences<sup>34</sup> and pages<sup>35</sup>. This thesis chose the proportions of page as units of analysis for a number of reasons<sup>36</sup>. First, the gambling companies tend to use non-narrative disclosures, such as photographs, charts, and figures. Second, a further research method used in this thesis is in-depth interviews, the

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<sup>33</sup> Words are easily categorised and scanned in the databases. Quantification in terms of words can be recorded in detail (Deegan and Gordon, 1996). Yet, the coding of words as a unit of measurement is difficult as interpretation of individual words out of context or words without a sentence is problematic because it is difficult to check the specific meaning or no meaning (Milne and Adler, 1999; Unerman, 2000).

<sup>34</sup> Sentences are used to convey meaning (Hackston and Milne, 1996). Milne and Adler (1999) argue that sentences are far more reliable than words and pages as a measure of volume of disclosure. Whole sentences can be counted with more accuracy than words (Hackston and Milne, 1996; Tsang, 1998) and the use of sentences can overcome the misinterpretation of individual words and this also provides the means of determining any variations in disclosure practices (Holland and Foo, 2003). Milne and Adler (1999) claim that a careful reading of annual reports actually reveals that sentences form the foundation of coding decisions. In addition, discerning the meaning of individual words is problematic (Hackston and Milne, 1996). However, the use of sentences will only capture narrative disclosures (Unerman, 2000), and measuring sentences, words, or text units fails to capture differences of font size, choice and boldness (Beattie, et al., 2004).

<sup>35</sup> Pages can not only overcome grammatical differences, but also cover the non-narrative disclosure, for example photographs, charts and graphs, while words or sentences will ignore any non-narrative disclosures (Unerman, 2000). Measuring proportion of pages will therefore provide potentially powerful, immediate, and effective methods of communication (Beattie and Jones, 1992; 1994; Graves, et al., 1996; Preston, et al, 1996). In addition, Unerman (2000) argues that non-narrative disclosures, such as photographs, sometimes more powerful than narrative disclosures as stakeholders may not have time to read all the details in annual reports. Textual images together with words can come to signify organisational actions (Tinker, 1991). However, the use of page size also has some difficulties for measuring font size, column sizes, pages sizes, margins, and graphics and the use of a grid presents problems of comparability (Ng, 1995 cited in Hackston & Milne, 1996; Wilmshurst and Frost, 2000). More importantly, boldness and colour in both non-narrative and narrative disclosures cannot be captured (Beattie and Thomson, 2007). Although Milne and Adler (1999) demonstrated that counts of sentences give similar results to proportions of pages, the volume of pages seems to be the best method employed in this thesis

<sup>36</sup> More importantly, the location of data within corporate annual reports was not recorded in this thesis because Gray, et al. (1995b) could not find a persuasive reason to look at certain locations in the corporate annual reports that may be preferred (see also Unerman, 2000). However, in some Intellectual Capital's studies, Beattie and Thomson (2007) suggest that the location of disclosure of the corporate annual report may be formative with regard to the important information, reader attention and auditor confirmation. Various sub-categories found in the same location may be useful to investigating the relationship (Beattie and Thomson, 2007). This could be problematic if repeated and similar information might be legitimately expected to appear in different sections of the corporate annual reports (Gray, et al., 1997). Thus, the location of data will not consider in this thesis. This thesis employs content analysis to capture CSD within the annual reports so that there is no distinction between various locations of CSD underlying in each annual reports.

transcripts of which were closely examined (text including sentences) in order to provide a deeper understanding of CSR in the gambling industry. Third, this thesis did not employ any software to search for key words and sentence to categorise them.

Content analysis tends to give a subjective assessment of the quality. Types of CSD followed the general guidelines of the research instrument. Moreover, the subjective assessment can also be reflected in the coding process and the other researchers' feedback. However, the key assumption of content analysis studies is that quantifying of disclosures within a category signifies the importance of the category (Krippendorff, 1980; Gray, et al., 1995a; Deegan and Rankin, 1996, Neu, et al., 1998; Unerman, 2000). Milne and Adler (1999) state that the coded output from inexperienced coders with little or no prior training can be relied upon for aggregate total disclosure analysis.

Considering pages as the measurement units, there is a possibility that some information may be lost. Therefore, the CSEAR research instrument tends to provide some attempt to access the *quality* and the *type* of CSD. The information disclosed in the annual reports will provide the quality of the statement referred to three types of news: neutral, good or bad news, while the statements made in the annual reports were classified into three types: monetary quantitative, other quantitative or declarative (see Gray, et al., 1995b; CSEAR 2011). Consideration was given to whether the data disclosed was auditable or not so as to distinguish between the data which was simply assertive and data which could be verified by a third party (CSEAR, 2011). This classification or categorisation of news would be a subjective assessment of the quality and the type of CSD using the general guidance provided on these judgments (Appendix 11).

### **3.2.3.3 Objective, systematic and reliable**

Krippendorff (1980) indicates that the data are objective, systematic, and reliable. The following paragraph will discuss these three issues in detail.

The first issue is the objectivity of the data. In content analysis, a clear definition is deemed an important part. This involves the need for an objective definition of CSD and identification of a set of sub-categories. These categories would enable independent researchers to identify what is CSD and what is not CSD. In spite of achieving objectivity, the categories chosen are unavoidably subjective. Although the requirement in content analysis is objectivity, decisions made in the process of coding content are inherently subjective in nature.

The second issue is related to systematic which refers to the recording process. Each annual report was examined according to the decision rules. When a particular text was identified and was labelled as a particular category, a template was used to measure the volume of disclosure in each annual report. This category was classified according to whether the text was monetary quantitative, other monetary or declarative. All the information was recorded in one data entry form. This recoding process was repeated for every selected text. After examining each annual report, the total volume of disclosure in a sub-category was added together and was recorded under the sub-category heading. Then, the total of each category was calculated by adding all the sub-category. Finally, each sampled annual report was recorded. This recoding procedure was repeated again when examining another annual report.

The third issue is related to reliability of the data. Employing content analysis to

examine CSD, there are two reliability issues: the coding instrument and consistent coding decisions (Milne and Adler, 1999). This thesis attempted to examine these two reliability issues. First, the coding instrument needs to be reliable with well-established decision rules and disclosure categories, which was based on the established research instrument developed at the CSEAR and the extant CSD literature (Chapter 4). An essential step of piloting the decision rules was tested before the formal study. Second, consistent coding decisions need to be shown through the employing of different coders, different time periods and any inconsistencies need to be discussed. The thesis involved one primary researcher, but four volunteers were also involved (two were PhD students, while two were taught-graduate students<sup>37</sup>). In order to be replicable and test the coding schedule, the primary researcher gave the coding schedule to other researchers and taught them how to code a set of the annual reports. The primary researcher coded at three different times and showed consistent results over time which is called “intra-coder reliability”, while the findings of the primary researcher were checked and discussed with four coders to ensure “inter-coder reliability” (See Milne and Adler, 1999). However, a comparison of the results found that two of coders had in a high level of agreement, while two of them did not. If there were any inconsistencies, the researcher would discuss with other coders to reduce the level of discrepancy, refined the decision rules and disclosure categories. Importantly, shared meanings and the process of collecting data was able to be replicated by other researchers.

#### **3.2.3.4 Sample for the gambling industry**

In order to get a representative picture of the gambling industry, the selected sample

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<sup>37</sup> All of them were studying in the School of Management at the University of St Andrews. Each of them analysed ten reports for each region. All of them used the same recording instructions and grid to record the annual reports in the gambling industry.



contained data from six countries, three years, 28 companies, and 82 annual reports. The selection of annual reports in these six countries was three financial from 2007 to 2009. The choice of the period was determined by the data collection period (from 2010) when the latest available annual reports were for 2009. The sample was divided into two parts: the selection of countries and the selection of gambling companies (Appendix 6).

#### 3.2.3.4.1 The selection of countries

There is relatively limited information available concerning the global gambling industry. Thus, the selection of countries in the sample was largely based on MarketLine's reports, Ernst & Young's (2009) report, and the CSR literature. This study's sample was limited by two factors: lack of full data access to all countries and language limitations.

**Table 3: Global casinos & gaming sector geography segmentation: total revenue in US\$ billion**

<b>Geography</b>	<b>Total revenue 2011</b>	<b>Percentage</b>	<b>Total revenue 2012</b>	<b>Percentage</b>
Asia-Pacific	186.8	44.4%	222.2	48.7%
America	128.0	30.4%	98.4	21.6%
Europe	103.5	24.6%	97.7	21.4%
Middle East	2.8	0.7%	2.7	0.6%
Rest of world	--	--	37.8	8.3%
Total	421.1	100%	456	100%

Source: Global Casinos and Gaming, MarketLine (2012a, 2013a)

According to MarketLine's reports (2012a, 2013a; Table 3), the global casinos and gaming sectors are broadly divided into five geographical regions: Asia-Pacific, America<sup>38</sup>, Europe, Middle East & Africa, and rest of the world. Asia-Pacific regions,

<sup>38</sup> The global gaming market for America refers to North America and South America, while Europe refers to Western Europe and Eastern Europe.

America and Europe account for 48.7%, 21.6%, and 21.4% of the global casinos and gaming sector value respectively (MarketLine, 2013a).

**Table 4: China’s casinos & gaming sector geography segmentation: total revenue in US\$ billion**

<b>Asia-Pacific</b>	<b>Total revenue 2011</b>	<b>Percentage</b>	<b>Total revenue 2012</b>	<b>Percentage</b>
China	82.6	44.2%	115.6	51.6%
Japan	52.4	28.1%	53.9	24.3%
Australia	21.3	11.4%	21.3	9.8%
South Korea	12.0	6.5%	12.3	5.5%
India	--	--	5.7	3.0%
Rest of Asia-Pacific	18.4	9.9%	19.6	5.8%
<b>Total</b>	<b>186.7</b>	<b>100%</b>	<b>222</b>	<b>100%</b>

Source: Casinos and Gaming in China, MarketLine (2012g, 2013c)

The casinos and gaming sectors in the Asia-Pacific region mainly include China, Japan, Australia, South Korea, India and the rest of Asia-Pacific region (MarketLine, 2013c; f; Table 4). China, Japan and Australia account for 51.6%, 24.3% and 9.8% of the Asian-Pacific casinos and gaming sector value respectively. Most forms of gambling in China are banned; however, gambling activities and lotteries are permitted significantly in Macao and Hong Kong (MarketLine, 2013c). Therefore, Macao and Hong Kong were selected in the sample. However, Japan was not included in the sample due to data access limitations as only financial reports and no annual reports are available online<sup>39</sup>. Australia is positioned third in the Asia-Pacific region, and thus Australia is selected for the sample due to limited information on South Korea and India largely based on MarketLine’s and Ernst and Young’s reports (2009).

<sup>39</sup> According to MarketLine’s (2013f) report, Maruhan Corporation is the leading gaming company in Japan. Only financial reports, rather than annual reports are available on the corporate website.

**Table 5: Casinos & gaming sector geography segmentation in America: total revenue in US\$ billion**

<b>Geography</b>	<b>Total revenue 2011</b>	<b>Percentage</b>	<b>Total revenue 2012</b>	<b>Percentage</b>
USA	93.7	73.2%	98.4	73.7%
Canada	17.6	13.7%	17.8	13.3%
Mexico	3.2	2.5%	3.4	2.6%
Rest of American <sup>40</sup>	13.5	10.5%	13.9	10.4%
<b>Total</b>	<b>128</b>	<b>100%</b>	<b>133.5</b>	<b>100%</b>

Source: Casinos and Gaming in the US, MarketLine (2012f, 2013b)

Within the global casinos and gaming sectors (MarketLine, 2013a; Table 3), the American sector is ranked second. The US gaming sector dominates in the American regions, followed by Canada and Mexico (MarketLine, 2013b; Table 5). Thus, the US gaming sector was chosen for the study, because of its size, and data access limitations for Canada and Mexico. There was a difficulty in gaining access to the government-owned Canadian gambling companies' annual reports at the initial stage in 2009 and also many leading companies, for example Gamehost Inc., only publish incomplete annual reports. There was limited information on the Mexican gambling industry available in MarketLine's and Ernst and Young' reports (2009).

<sup>40</sup> North America comprises the United States, Canada and Mexico, while South America comprises Argentina, Brazil, Chile, Colombia, and Venezuela (MarketLine, 2013a). The information of the United States and Canada is available in MarketLine's reports, while Mexico and other countries in South America are not considered due to the limited information available in both MarketLine's and Ernst and Young' reports (2009).

**Table 6: United Kingdom casinos & gaming sector geography segmentation: total revenue in US\$ billion**

<b>Geography Western Europe</b>	<b>Total revenue 2011</b>	<b>Percentage</b>	<b>Total revenue 2012</b>	<b>Percentage</b>
Italy	25.1	24.3%	21.3	21.8%
Germany	15.6	15.1%	15.2	15.6%
the United Kingdom	14.3	13.8%	14.5	14.8%
France	12.4	11.9%	12.1	12.4%
Spain	11.8	11.4%	11.0	11.2%
Rest of Europe	24.3	23.4%	23.7	24.2%
<b>Total</b>	<b>103.5</b>	<b>100%</b>	<b>97.8</b>	<b>100%</b>

Source: Casinos and gaming in the United Kingdom, MarketLine (2012h, 2013h)

Within the global casinos and gaming sectors (MarketLine, 2013a; Table 3), the European sector is positioned third. The Western European<sup>41</sup> gaming sector mainly includes Italy, Germany, the UK, France, Spain, and Rest of Europe (MarketLine, 2013g; Table 6). Italy, Germany, and the UK account for 21.8%, 15.6%, and 14.8% of the Western European casinos and gaming sector value respectively (MarketLine, 2013g). The UK was chosen in the sample due to data access limitations on other European countries. Italy<sup>42</sup>, Germany<sup>43</sup>, Spain,<sup>44</sup> and France<sup>45</sup> were not included in the sample as the corporate documents were not in English.

<sup>41</sup> Eastern Europe comprises the Czech Republic, Hungary, Poland, Romania, Russia and Ukraine. However, it is limited information available in MarketLine's, and Ernst and Young's (2009) reports.

<sup>42</sup> According to MarketLine's (2013e) and Ernst and Young's reports (2009), there are five major gaming operators in Italy. However, the corporate website of Snai and Lottomatica are not in English, while only Sisal's annual reports in 2011 and 2012 are available online.

<sup>43</sup> Oddest is part of the German state-operated Lotte and Toto Block (DLTB) and it is an effective monopoly (MarketLine, 2013g). The corporate website is not in English and it is difficult to access the corporate documents, for example annual reports, financial reports or stand-alone reports.

<sup>44</sup> There are three major gaming operators in Italy: The CIRSA Gaming Corporation, Codere S.A and Gala Coral Group Limited (MarketLine, 2013e). The CIRSA Gaming Corporation has limited access to annual reports from 2010 or before on their corporate website, while the corporate website of CODERE S.A. is not in English. Gala Coral Group Limited is based in the UK, but the group operates in Europe and Italy (MarketLine, 2013e).

<sup>45</sup> The leading gambling operators in France are La Francaise Des Jeux, Groupe Partouche SA and Pari Mutuel Urbain (MarketLine, 2013d); however, it is difficult to gain access to their information due to language limitation. None of these organisations' websites is in English.

Middle East-Africa (MEA) comprises Egypt, Israel, Nigeria, Saudi Arabia, South Africa, and United Arab Emirates. There is limited information available for MarketLine's reports in the MEA gambling market. According to Ernst and Young's (2009) report, there are 45 casinos in South Africa, 25 casinos in Egypt, four casinos in Israel and two casinos in Nigeria. There is limited information related to Saudi Arabia, the United Arab Emirates, Egypt, Israel, and Nigeria. Thus, South Africa was selected in the sample.

With a number of selection criteria, the selected countries in this thesis are Macao and Hong Kong, Australia, the US, the UK and South Africa. This method can be seen as a technique to explore and develop a theory, particularly legitimacy theory (Chapter 4). Eisenhardt's (1991) multiple case studies method, through the analysis of a wide range of cases, rather than a single case, allows for the generation of a general construct because this method enables replication and extension of a single case study and it has methodological rigor. The comparative multiple-case logic of replication will permit the researcher to extend theoretical insights (Eisenhardt, 1991).

#### **3.2.3.4.2 The selection of gambling companies**

After six countries were selected, gambling companies needed to be selected for each of these countries. The main criterion for including a company within a sample was its size as shown by its market capitalisation. However, the sample of some countries, such as South Africa, Macao, and Hong Kong, were collected in a slightly different process, unlike the US and the UK. The sample was difficult to access from South Africa (three companies). Zeng (2010) notes that seven (now six)<sup>46</sup> gambling companies in South

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<sup>46</sup> The gambling market share of South Africa's gambling industry are Sun International (39.4%), Peermont Global (21.2%), Tsogo Sun Gaming (15.2%), Gold Reef City (12.1%), Monte Casinos (6.1%), London Club (3.0%) and Desert Palace (3.0%) (Zeng, 2010). However, Gold Reef City merged with Tsogo Sun Gaming in 2010, therefore there are six gambling companies in South Africa. The last three gambling companies' websites were not available online.

Africa. The researcher tried an initial online search for South African gambling companies; however, only three of these gambling companies had corporate websites. The other three gambling companies without corporate websites has a market of less than one percent. In Macao, there are only six gambling operators; hence, all companies were selected. Finally, the Hong Kong sample is quite inadequate and actually only one gambling company<sup>47</sup>. As a result, there are 28 gambling companies in the sample (Table 7).

**Table 7: The selection of gambling companies according to its size, market capitalisation**

Country	UK	US	Australia	South Africa	Macao	Hong Kong
No. of company	6	6	6	3	6	1

### 3.2.3.5 Collection/ recording data from the gambling companies

After collecting the annual reports of the sampled gambling companies (Section 3.2.3.4), a pilot study was carried out to test the research instrument.

#### 3.2.3.5.1 Pilot Study

This thesis involved 82 annual reports<sup>48</sup> in the final sample. In the initial stage of

<sup>47</sup> In Hong Kong, the Hong Kong Jockey Club operates a different gambling business model as a non-profit organisation. Interestingly, other gambling companies, for example, Neptune Group Ltd, AMAX holdings and Paradise Entertainment Ltd, which are all listed on the Hong Kong stock exchange. These three companies are actually regarded as “junket operators”. These companies operated “VIP Gaming Rooms” in Macao’s Casino Operators. The relationship between Macao’s Casino Operators and junket operators are in Joint Venture. Macao’s Casinos Operators only have the obligation to increase the number of gaming tables or to apply new projects with the government of Macao’s approval (The Independent, 2012). In other words, junket operators do not have such right and are regarded as “business partners” (See the Independent, 2012) .

<sup>48</sup> The selection of annual reports in six countries was drawn from three financial year end from 2007 to 2009. Thus, 84 reports should been included in the final sample. However, in Macao sample, SJM only listed on the Hong Kong Stock Exchange in 2007 and their first annual report was published in 2008. In addition, one of the Australian companies published their 2007 annual report in PowerPoint format rather than a standard format, so it is difficult to measure in PowerPoint form.

content analysis, 21 annual reports were a part of the pilot study (from 2010/7 to 2010/9). Milne and Adler (1999) suggest that a period of training with at least 20 reports will be necessary for the less experienced coders before the coded output can be relied upon. This is an important step for the present researcher to familiarise themselves with the research instrument and to refine the coding schedule prior to conducting the formal study. A number of these selected companies formed part of the final sample. In the pilot study, any issues related to coding with the decision rules and any problems using the grid measure were noted. These issues were discussed by the researcher with her supervisors before measuring the final sample. Another step was to test the research instrument and to clarify the decision rules so as to refine the decision rules before proceeding the formal study (Section 3.2.3.3).

#### **3.2.3.5.2 Recoding Process**

After conducting a pilot study, the actual recording process began (from 2010/11 to 2011/3). During the recoding process, each annual report was examined when referring to the decision rules (Gray, et al., 1995b; CSEAR, 2011; Appendix 7 and 8). A template was divided into one hundredths of a page (with 25 rows of equal height and four columns) and it was used to measure each annual report (Gray, et al., 1995b; CSEAR, 2011; Appendix 10). Amount of disclosure was measured by the number of cells taken up by a disclosure, including blank parts of a page, as a part of communication (See Gray, et al., 1995b).

This type of measurement gives a general reading of the text in the annual reports; however, this does not address the implicit meaning behind the text. When the particular text was identified and was labelled as a particular category, this category was classified

according to the quality of the statement (Appendix 11). The data for each annual report was recorded in one data entry form (Appendix 12) together with background information<sup>49</sup>. This recording procedure was repeated for every selected text. When there was more than one incidence for a specific category, the total volume of disclosure in a sub-category was added together and was recorded under the sub-category heading. Then, the totals for each category was calculated by adding together the relevant total of sub-category. Finally, each sampled annual report was recorded and these numbers were added up in order to calculate the volume of disclosure.

#### **3.2.3.5.3 Final sample of annual reports in the gambling industry**

The annual reports in the final sample were read three times so as to ensure the completeness of the recording process. The texts in the annual reports were coded and the results were consistent at different times. The differences, missing items, and errors discovered in the second or third rounds were corrected. These differences did not make a significant difference in relation to the aggregated volume of disclosure, which signified the importance of disclosure. In doing so, different coders were encouraged to make their understanding of their category more accurate. The shared meanings of the categories were important in the recording process.

The amount of disclosure for each annual report was recorded, using a standard A4 page of a grid (Gray, et al., 1995b; Appendix 10). Selection of each report was classified into

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<sup>49</sup> In the process of collecting data, background information on the gambling companies often plays an important part in examining content analysis at a later stage. Background information was collected in order to examine the relationships between the volume of CSD and corporate characteristics as suggested by the CSD literature. Corporate size of the sampled gambling companies from the year ended 2007 to 2009 was collected in terms of market capitalisation, total assets, total sales, and number of employees. Moreover, the types of business of the sample was also collected because these companies are operating not only in gambling industry, but also in other such industries as hotel, construction, and entertainment.



each category and was firstly recorded manually on a coding sheet (CSEAR, 2011 and Appendix 12). This coding sheet was to record the volume of disclosure and to make some notes in a memo column. All the coding sheets were kept for rechecking at a later stage. The volume of disclosure was recorded in different categories and sub-categories. The total amount of each category was calculated for each annual report.

Next, all the annual reports were coded and recorded on a coding sheet, a detailed checking process was undertaken to ensure the correctness of each entry before transferring all the data on the coding sheet to a Microsoft Excel spreadsheet. Any errors were immediately corrected. After that, all the data in the Microsoft file could be analysed and presented as descriptive statistics. This then allows the generation of figures and patterns in CSD in the gambling industry (Chapter 4).

### **3.3 Semi-structured interviews**

#### **3.3.1 Justification for semi-structured interviews**

As shown in a literature review (Chapter 2), relatively few studies have examined CSR in the gambling industry. These studies have attempted to compare the gambling industry with other controversial industries in relation to financial performance, firm value and risk (Lee and Park, 2009; Cai, et al., 2012; Jo and Na, 2012), while other studies have examined the relationship between consumers and CSR (Li, et al., 2011; Soriano, et al., 2012). However, these studies would be more persuasive if they had widened their scope to include stakeholders, which are or can be affected by the gambling industry, and vice versa.

In order to overcome this problem, the possible choices of approach would be

ethnographic approaches, natural language approaches, and interview methods. Ethnography was initially considered for the purposes of the current study. Despite its considerable advantages, but this method subsequently ruled out. Although this approach would have provided the researcher with both considerable insights into how gambling companies understand CSR and with an insider perspective of reality, gaining full access to the gambling companies would have been a very difficult, perhaps even dangerous, and a time-consuming process. Thus, the method proved impracticable given the time constraints involved.

The choice of the natural language method might be appropriate because it enables the discovery of views, perceptions and opinions (Easterby-Smith, et al., 2008). Two types of the natural language methods, discourse analysis<sup>50</sup> and interviews, are employed in this thesis in order to answer the “how” question from different perspectives. The term *discourse* involves thoughts, language, and written text which refer to a specific subject and the practices, structures, standards, and norms inherent in institutional and social spheres (Foucault 1973 and 1977 cited in Livesey and Kearins, 2002). Discourse analysis can explore how language and text construct, reproduce and change the social world (Phillips and Hardy, 2002 quoted in Saunders, et al., 2009). Such analysis enables the close reading of the content and language of corporate annual reports in order to construct the meaning of CSR in the gambling industry. This analysis can reveal the hidden motivations behind the text or explore the fundamental aims of a discourse (Lee and Ling, 2008). However, discourse analysis was initially considered. Despite its potential benefits, this method ruled out for this thesis. Discourse analysis has been criticised for being too narrow and insensitive to the context or too broad to be

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<sup>50</sup> Saunders, Lewis, and Thornhill (2009, p.502) define as “Discourse analysis is a general term that covers an extremely wide variety of approaches to the analysis of language in its own right and is concerned with how and why individuals’ language is used by individuals in specific social contexts”.

meaningful (Alvesson and Kärreman, 2000; Bryman and Bell, 2007). This method can be criticised for distorting or oversimplifying a complex reality and giving it instead as “a relatively sanitised picture of business-society relations” (Spence, 2007, p. 874).

The more obvious approach that is widely adopted in the CSR and CSD studies, and that is to provide an in-depth understanding of organisations in the gambling industry is by way of interviews. Interviews are intended to answer how and why questions. The researcher is interested in “how” people understand and perceive CSR in the gambling industry and “why” the gambling industry engages in CSR. It is better for the researcher to gain a general understanding of the gambling companies’ CSR engagements and social reporting practices before proceeding to carrying out fieldwork, through such method as interviews. Interviews can capture the meaning and interpretation of such phenomena related to the interviewees’ world (Kavle, 1996 cited in Easterby-Smith, et al., 2008). Such a method concentrates on understanding an interviewees’ own experiences by collecting in-depth data to develop stories and accounts in order to understand social phenomena (Rubin and Rubin, 1995).

Interviews can be conducted in formal or informal ways and can be classified into three types, namely, highly structured interviews, semi-structured interviews, and unstructured interviews (Easterby-Smith, et al., 2008). Highly structured interviews tend to be used for market research (large-scale surveys), whereas unstructured interviews tend to be used for ethnography purposes (Easterby-Smith, et al., 2008). Unstructured interviews and semi-structured interviews are two major types of interviews when conducting qualitative research (Bryman and Bell, 2007). The purpose of the thesis involves neither market research nor ethnography; thus, semi-structured interviews,

which lie in between highly structured interviews and unstructured interviews, will be employed. Semi-structured interviews represent exploratory discussions that can help the researcher to understand interviewees' responses to the "what", "how" and "why" questions (Bryman and Bell, 2007). Such interviews offer the researcher an opportunity to investigate interviewees' answers and allow participants to elucidate or construct their own replies (Saunders, et al., 2009). The process of semi-structured interviews is flexible and the emphasis is to show how interviewees frame and understand issues and what they view as important in explaining events, patterns and forms of behaviour (Bryman and Bell, 2011). The design of questions tends to be "open" in semi-structured interviews when the research is an exploratory study seeking to discover the thoughts which are uppermost in interviewees' mind (Saunders, et al., 2009).

### **3.3.2 Potential limitation of semi-structured interviews**

Although this method will give a rich and in-depth insight into employees working in Macao's gambling industry, a number of limitations will be considered. First, interviewees are invited to participate in a free and open conversation, so they will express answers in their own language and deliver more detailed responses (Bryman and Bell, 2007; Eriksson and Kovalainen, 2008). In the analysis, the researcher is aware that personal bias can distort perception and interpretation of phenomena (see Stebbins, 2007). However, the researcher will look for evidence that contradicts the findings during the process of analysis to attempt to present a fair view of the gambling industry. Second, most interviewees will not have English as their first language so the researcher will let them respond in their first language, Cantonese, and translate raw information into English when making notes. There is, however, a limitation, as differences between the two languages, especially in terms of word meaning, may lead to some distortion of

the information (Bryman and Bell, 2007). In order to minimise this discrepancy, the translated quote will be discussed and proofread by an English teacher. Third, writing down the notes from each interview may also cause bias (Hair, et al., 2003). In order to overcome these limitations, the researcher endeavours to minimise any discrepancies and discuss the transcripts with peers as well as provide all interviews' notes if they are needed. Fourth, the selected sample is only in Macao, which have limited samples, and thus it is not be possible to get wider opinions (Hair, et al., 2003). Fifth, even though collecting qualitative information is not intrinsically unreliable and invalid, it depends on how the data is analysed (Lee and Lings, 2008).

### **3.3.3 In-depth semi-structured interviews**

Semi-structured interviews were used to answer the second and the third research questions, which are qualitative in nature: *How is CSR understood in the gambling industry?* and *Why does the gambling industry engage in CSR?* Given time constraints and limitations, the researcher is unable to interview every single company from each of the selected countries. Thus, this thesis is mainly focused on Macao<sup>51</sup>, which has been selected to conduct the interviews for four main reasons. First, Macao provides explanations as its gross gambling revenue in 2012, of US\$38 billion, has outstripped six times that of the Las Vegas Strip as the world's largest gambling market (Eadington and Siu, 2007; The Economist, 2013). Second, Macao's Gross Domestic Product (GDP) for the second quarter of 2013 is 10.2%, which is mainly from gaming services (Government of MSAR Statistics and Census Service, 2013). Third, Macao's gambling

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<sup>51</sup> Macao has not been investigated in relation to CSR or more generally. The choice of the case depends on the amount of new information to be learned from incremental cases (Eisenhardt, 1991, p.622) and the variation between cases (Flyvbjerg, 2006). Flyvbjerg (2006) also points out that the typical or average cases might not provide the richest information; instead, atypical case(s) might reveal more information since they involve more actors and mechanisms in a particular situation.

industry is the leading industry in Macao with over 60% of local residents working in this industry or related industries and with a gaming tax of 35 percent and 4 percent of its gross gaming revenue to the government for other social and cultural activities (Macao Government Information Bureau, 2010; Appendix 2). Forth, the researcher not only has greater access to Macao's gambling companies compared to those other countries, but is also capable of understanding and explaining the social setting; enabling how to communicate with readers and to generate theory within the context (Dyer and Wilkins, 1991).

The objective of this thesis is to examine perceptions and motivations for CSR in Macao's gambling industry. In order to pursue this objective, semi-structured interviews were chosen to collect data from internal and external stakeholders. Importantly, the whole process of conducting interviews with both groups was similar. Some aspects, however, were slightly different, particularly sampling decisions, contacting interviewees, data collection and interview questions. The following section outlines the process of conducting semi-structured interviews and is divided into seven parts: reliability and validity in qualitative research, sampling decision, contacting interviewees, data collection, interview questions, interview profile and data analysis.

### **3.3.3.1 Reliability and validity in qualitative research**

Guba and Lincoln (1994) suggest two primary criteria for assessing a qualitative study: trustworthiness and authenticity. Trustworthiness consists of four criteria: credibility, transferability, dependability, and conformability.

The first criterion of trustworthiness is credibility. The credibility of findings in the

thesis entails ensure the thesis was carried out according to good practice (an ethical application form from the School of Management, see Appendix 13) and submitting findings to the participants for confirmation and approval (Bryman and Bell, 2007; Trochim and Donnelly, 2007). The second criterion is transferability, in which findings can be “generalized or transferred to other contexts or settings” (Trochim and Donnelly, 2007, p149). However, the findings in this thesis appear to have contextual uniqueness and cannot necessarily be transferred to other controversial industries. Additionally, transferability can be achieved to some extent through the process of conducting interviews and analysing the data so that other researchers can follow and replicate. The third one is dependability, which ensures a complete record of all the research process (Bryman and Bell, 2007; Trochim and Donnelly, 2007). The researcher kept an extensive and detailed record of the process, including selection of interviewees, interview questions and data analysis for other researchers to follow and replicate. The last one is confirmability, which refers to whether the findings could be “confirmed or correlated by others” (Trochim and Donnelly, 2007, p. 149). Yet, it would be impossible to have the interviews conducted two researchers in an identical manner. In order to overcome this problem, the present researcher has shown to “have acted in good faith” and “has not allowed personal values or theoretical inclinations to sway the conduct of the thesis and findings deriving from it” (Bryman and Bell, 2007, p. 414). In addition to trustworthiness, Guba and Lincoln (1994) propose “fairness” as a criterion of authenticity. In order to do so, this thesis represents different perceptions and viewpoints of internal stakeholders working in the gambling industry as well as other salient stakeholders (Section 3.3.3.2).

### **3.3.3.2 Sampling decision**

In selecting the interviewees in Macao’s gambling industry, this process involves

internal and external stakeholders. However, the process of sampling was slightly different between the two groups.

For the selection internal stakeholder interviewees, the objective was to cover a wide range of employees in Macao's gambling industry for two primary reasons. Firstly, the researcher conducted pilot interviews<sup>52</sup> in Macao during the summer of 2010. The result suggested that not all gambling companies had a CSR department, which can be positioned and linked in various departments (Footnote 52). Thus, the researcher decided to interview employees in different departments and at different levels. Secondly, even though senior managers are likely to possess overall knowledge of a company including CSR strategic aspects (O' Dwyer, 2002; Belal and Owen, 2007), all employees in a company may encounter CSR issues at some stage in their careers. In order to obtain a complete picture of CSR practice within a company, it was important to select interviewees from different levels within that company.

On the other hand, by selecting external stakeholders, the objective was to cover the related stakeholders<sup>53</sup>. This step is designed to deepen the insight and "complete the

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<sup>52</sup> The pilot interviews involved four interviews with employees in Macao's gambling companies and one interview with a CSR director in one of the UK's gambling companies (from 2010/7 to 2010/10). After the pilot study, three important issues are valuable to prepare for the formal interviews. First, prior to commencing the fieldwork, these questions were piloted in five interviews and were subsequently refined. The interview questions were divided into two sections. The first section is to prepare for those interviewees who have heard of CSR; whereas the second section is for those interviewees who have never heard CSR and the questions are designed for more open and directed them to answer the main research questions in relation to CSR. Second, the researcher found that there are no CSR departments in any gambling companies in Macao. These companies have some departments which deal with CSR issues, but they sometimes are under Human Resource Departments, Communication Departments or Public Relations Department. Therefore, this finding assisted the researcher to decide the selection of interviewees in formal interviews. Third, the researcher is a lack of experience in interviewing participants. Prior to commencing the interviews, the researchers practiced the interview skills with other PhD students who are familiar with the fieldwork.

<sup>53</sup> Fifth, suppliers were not included amongst stakeholders in this thesis because only one interviewee recognised this group of stakeholders from which it can be inferred that suppliers appeared not to be salient stakeholders in the gambling industry.



picture already obtained and to enrich the information on the first group”, i.e. the internal stakeholder interview (Boeije, 2002, p. 399). The selection of these external interviewees was based on internal stakeholder interviewees’ responses and a number of reasons. First, the government of Macao and academics played leading roles in CSR and RG in Macao’s gambling industry. Second, problem gambling counsellors and gamblers tended to be salient stakeholders in the industry. Third, journalists appeared to represent the opinions of the local community so as to provide a more comprehensive view to the industry. Fourth, some interviewees suggested that labour unions tended to have a close relationship with the industry that supplied the trained frontline employees to the industry. The final sample can be seen in Tables 8 and 9.

### **3.3.3.3 Contacting the interviewees**

An important step was to contact stakeholders for interviewees. However, this process was slightly different between the two groups.

Internal stakeholder interviewees who worked at different levels in the six gambling companies were chosen via two methods: personal contact and a snowball sampling technique. Firstly, initial contact with the interviewees was made through an email which outlined this research and attached five broad research questions (Appendix 14). This enabled each interviewee to consider this thesis and to seek clarification, if needed. 80 emails were sent, and 14 favourable responses were received. The researcher contacted the potential interviewees by phone in January 2011 in Macao. Secondly, the drawing of a random sample to ensure a representative sample was clearly impossible. Therefore, the practical mode of finding suitable interviewees who were relevant to this

thesis was through the snowball sampling technique<sup>54</sup> (Bryman and Bell, 2007). By establishing contacts with other potential interviewees, 30 interviews were finalised.

A similar approach was adopted when contacting external stakeholder interviewees. They were chosen via three methods: sending an official letter, personal contact and snowball sampling technique. Firstly, initial contact with the interviewees was made in Macao through an official letter which includes five broad research questions (Appendix 15). Official letters were sent to 30 different potential interviewees, followed by email and by phone. Finally, 20 favourable responses were received. Secondly, to ensure equal representation from a random sample was very difficult as it was infeasible to contact all external stakeholders in Macao. Thirdly, the practical approach of finding appropriate interviewees was through personal contact and the snowball sampling technique. In the end, 19 interviews were finalised.

#### **3.3.3.4 Data collection - procedures of interviews**

This section provides detailed information on the initial stage of the interviews. This procedure was similar for internal and external stakeholders. Before starting the interviews, the researcher explained the nature of the research to each interviewee. The guarantee of anonymity and confidentiality was outlined in the information sheet and that the interviewees' names and organisations would not be disclosed. All information was clarified at the beginning of each interview in order to get open responses to the questions. The researcher was not looking for right or wrong answers, but was seeking to find out the interviewee's opinions. The questions were more open-ended to invite

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<sup>54</sup> The snowball technique is not drawn from a random sample. The researcher will not know the exact population which the sample would have to be drawn. Such approach can be achieved through the only feasible person from who can access the sample of the population (Bryman and Bell, 2007).

them to participate in a conversation (Bryman and Bell, 2011). They were not assumed to have professional knowledge. This arrangement was to maximise the likelihood of interviewees providing truthful responses during the interview.

At the beginning of each interview, the interviewees were asked if it was possible to record the conversation during the interview. The purpose of making a digital record of each interview was to enhance the accuracy of the data collection<sup>55</sup>. If the interviewees wanted to stop the tape recording at the beginning<sup>56</sup> or during the interview, the researcher would do so. If they wanted to receive a transcript in order to retain or check it, they could ask the researcher to send a copy to them, which happened in one case. Finally, five of the 49 interviewees did not agree to be digital recorded.

After explaining the outline of the research, the researcher asked each interviewee whether or not they needed any further information. More than half of them took this chance to seek more clarification. Then, the researcher tried to answer the interviewees' questions and to remove their anxiety. This approach led to a more relaxed atmosphere in the course of the interview and developed the rapport and trust between the interviewer and the interviewee. Most interviewees were willing to provide further information to the researcher if needed after the interviews.

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<sup>55</sup> During the course of recorded interviews, written notes were taken so as to identify key concepts and interesting points, which the researcher returned to analyse at a later stage. Moreover, the researcher used the notes to identify conflicting information, which she then clarified. More importantly, during each interview, notes were written the relationship between the researcher and the interviewee, the level of rapport, the reaction to the questions and the researcher's initial impression.

<sup>56</sup> In the case of the interviews in which interviewees did not wish to be tape-recorded, those notes were written up immediately after the interviews to avoid missing major themes, points and phrases. In addition, observations were written down in the notes, which helped to examine, comprehend, and enhance the accuracy of the interview at a later stage of analysis.

Interviews were held at different locations for the convenience of the interviewees. Of the 49 interviewees, 27 were interviewed at their workplace in Macao, while the remaining 17 interviewees were interviewed at a quiet coffee shop of their convenience. Three interviewees, who were gamblers, were interviewed at the gambling treatment centres. If there was a noise that made the audio-recorded speech inaudible, the researcher put the audio-recorder as close to the interviewees as possible. The interviews lasted between 30 minutes and two hours, depending on the interviewees' schedule, degree of knowledge, and willingness to share the information.

### **3.3.3.5 Interview questions**

The questions were open-ended (including the questions in the interview guideline<sup>57</sup>) and were shaped by the CSR literature (Chapter 2), the pilot content analysis, and the pilot interviews. The design of the questions was open to discussion and to avoid dichotomous questions which led to direct answers, for example yes or no answer. The questions were clear to ensure each interviewee understood and was able to answer the questions. In addition, the researcher had a detailed discussion with other PhD peers who were familiar with this research method.

The researcher thus designed two sets of questions based on the pilot interview<sup>58</sup> for internal stakeholder interviewees: Case 1 - those who recognised the term CSR, and Case 2 - those who did not recognise the term CSR (Appendix 14). The interviews

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<sup>57</sup> The interview guideline (see Appendix 14 and 15) was prepared before the interviews and allowed the researcher to explore and probe further issues that emerge perspectives relating to particular questions which helped the researcher to understand this topic better. The interview guideline may act as a general template, these questions cannot be restricted the researcher's openness to new or emerging themes during the interview (O'Dwyer, 2004). The same questions were asked in each interview, but the sequence of the questions varied across interviews.

<sup>58</sup> The findings of the pilot interview undertook between July and August in 2010 suggests that one of the interviewees did not recognise the term CSR.

ranged from 40 to 120 minutes to explore the five broad areas. These five questions tend to be open, general, and simple. This would help to draw the interviewees' opinions and perception concerning certain business practices, routines and ethics that can reveal the extent of CSR. If the researcher deemed that the interviewee recognised CSR during the interviews, she would lead them to answer Case 1 questions.

After the data collection in internal stakeholders, 25 interviews were undertaken between January and February in 2011 in Macao. The researcher started to transcribe and make a summary of all the interviews. Certain key stakeholders emerged from the interviews and the content analysis. It was important to know how these stakeholders view CSR in Macao's gambling industry. After reviewing the transcripts, annual reports and the literature review, salient stakeholders were identified (Table 8). Thus, the researcher would adopt the similar approach undertaken in internal stakeholders and two sets of questions for external stakeholder interviewees: Case 3 - those who recognised the term CSR, and Case 4 those who did not recognise the term CSR (Appendix 15).

### 3.3.3.6 Interview profile

**Table 8: Profile of internal stakeholders in Macao's gambling industry**

Company	Job Title	Level
Company A (Western company)	Director <sup>59</sup> , Communications	Senior management
	Director, Human Resources	Senior management
	President, Education Dept.	Middle management
	Clerk, Account Receivable, Accounting Dept.	Non-management
	Officer, Security Dept.	Non-management
Company B (Western company)	Casino Accountant, Casino Finance	Junior management
	Supervisor*, VIP room	Junior management
	Officer, Public and Communication Dept.	Non-management
	Coordinator, Convention & Exhibition, Sales Dept.	Non-management
	Telephone Marketer, Casino Marketing	Non-management
Company C (Western company)	Chief Executive Officer	Senior management
	Vice President, Human Resource Dept.	Senior management
	Marketing Executive, International Marketing, Casino	Middle management
	Coordinator, Promotion and Events, Casino Marketing, Business Dept.	Non-management
Company D (Western company)	Executive Vice President, Chief HR/ CSR Officer	Senior management
	Senior Manager, Casino Promotions and Events	Middle management
	Manager, Finance Planning Analyst, Finance Dept.	Middle management
	Supervisor, Public Administration	Junior management
	Technical Analyst, Information Technology Dept.	Non-management
	Cleaner	Non-management
Company E (Chinese company)	Assistant Director, Employee Training Dept.	Senior management
	Director, Casino Operations	Senior management
	Supervisor, Employee Relation of Human Resource Dept.	Junior management
	Inspector*, Table Gaming	Non-management
	Supervisor*, Table Gaming	Non-management
Company F (Chinese company)	Director, Security Department	Senior management
	Assistant Manager, Public Relations Dept.	Middle management
	Assistant Manager, Public Administration	Middle management
	Assistant Operation Manager*, Table Gaming, Casino Operation	Middle management
	Supervisor, Account Receivable, Finance Dept.	Junior management
Total		30

*Notes: (\*) refers to frontline employees who work in table gaming in casinos  
Department= Dept.*

<sup>59</sup> Two directors were interviewed together when this interview was arranged by Company A's Human Resource Department.

Table 8 shows that internal stakeholder interviewees worked at various levels in six gambling companies in Macao. All interviewees were interviewed during two periods: January to February 2011 and June to August 2011. 30 interviewees<sup>60</sup> were named according to their company, job title and level of position, for example Manager, Company A, was the code for a manager who worked in Education Department in Company A (Table 8). This arrangement can help readers to know which quotes<sup>61</sup> come from and understand their position to answer the interviewees' questions. This is an important step for examining the data in more depth.

Regarding the company, one of the Macao gambling companies had a monopoly from 1960 to 2001 (Appendix 2). This company has continued to dominate Macao's gambling industry since 2001. Another Chinese gambling company was from Hong Kong. The other four international gambling companies were mainly from the US and Australia. In particular, the sample of internal stakeholders could be classified into four main groups: senior, middle, junior, and non-management levels, so as to concentrate on the perspectives of all interviewees at different levels regarding CSR. This step of comparison is between interviews within the same group, which means interviewees share the same concept (Boeije, 2002).

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<sup>60</sup> All interviewees were Macao citizens, with the exception of one British and one Australian. Ten interviewees were from two Chinese companies in Macao, and twenty interviewees were from four international gambling companies.

<sup>61</sup> More pertinently, many (but not all) of the selected quotations were translated from Cantonese into English. The researcher double checked with her English teacher to ensure the quotations were written with similar meaning in order to convey or express the interviewees' ideas or actual meanings.

**Table 9: Profile of external stakeholders (ES) at Macao’s gambling industry**

Type of Organisation	Code	Job Title
Government Department	Regulator 1	Director, Gaming Regulatory Authority
	Regulator 2	Inspector, Gaming Regulatory Authority
	Regulator 3	Supervisor, Problem Gambling Prevention and Treatment Centre
Academic Institution	Academic 1	Director, Institute for the Study of Commercial Gaming and Associate Professor, Gambling studies
	Academic 2	Associate Professor, Business Economics,
	Academic 3	Associate Professor, School of Public Administration/ Social Work Programme,
	Academic 4	Associate Professor, Department of Communication
Problem Gambling Counselling Centre	Counsellor 1	Supervisor, Problem Gambling Counselling Centre A
	Counsellor 2	Assistant Unit In-Charge, Problem Gambling Counselling Centre B
	Counsellor 3	Director, Problem Gambling Counselling Centre C
	Counsellor 4	Executive, Problem Gambling Counselling Centre D
Individual Gambler*	Gambler 1	Hotel Technician, Casino A
	Gambler 2	Dealer, Table Gaming, Casino B
	Gambler 3	Officer, Security Department, Casino C
Journalism	Journalist 1	Reporter, Bilingual Newspaper A
	Journalist 2	Director, Bilingual Newspaper A
	Journalist 3	Assistant Chief Editor, (Local) Newspaper B
	Journalist 4	Executive, Newspaper C
Labour Union	Labour Unionist 1	Director, Macao Gaming Industry Labourers Association
Total	19	19

*Notes: Gamblers (\*) refer to local citizens who worked in the gambling companies and gambled in their pleasure time. One of the interviewees worked as a frontline employee. There is some grey area of identification between gamblers and employees.*



Macao's gambling industry can have different salient stakeholders<sup>62</sup> who can affect or be affected by the industry. Table 9 shows the second group of interviewees. These interviewees were named according to their type of organisation, an interviewee code and job title. The classification is slightly different from the first group because interviewees worked in different types of organisations, rather than a single type. Thus, the interviewees were given a particular code for convenience, for example Government Official 1, was the code for a director in Gaming Regulatory Body (Table 9). This step can make a comparison between the interviews with other group (Boeije, 2002). All 19 interviewees were interviewed from June 2011 to August 2011, and were Macao citizens, with the exception of one German and one Portuguese.

### **3.3.3.7 Data analysis**

In this thesis, computer aided qualitative data analysis software (CAQDAS)<sup>63</sup> was employed. The researcher dealt with a large data set, 49 interviews, and was inexperienced with managing qualitative data. This software offered a number of benefits concerning analytical procedures (Saunders, et al., 2009). It can organise the data systematically, increase transparency, and enhance continuity. The researcher could access and learn<sup>64</sup> one software of CAQDAS, namely Nvivo, in the School of Management<sup>65</sup> in 2011.

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<sup>62</sup> Every corporation interacts positively or negatively with stakeholders (Carroll, et al., 2012). The most normal stakeholders generally include owners, employees, suppliers, customers, local community, and government.

<sup>63</sup> There are a range of CSQDAS developers, such as ATLAS. Ti, HyperRESEARCH, MAXqda2, NVivo and QSR N6 (Saunders, et al., 2009, p. 516).

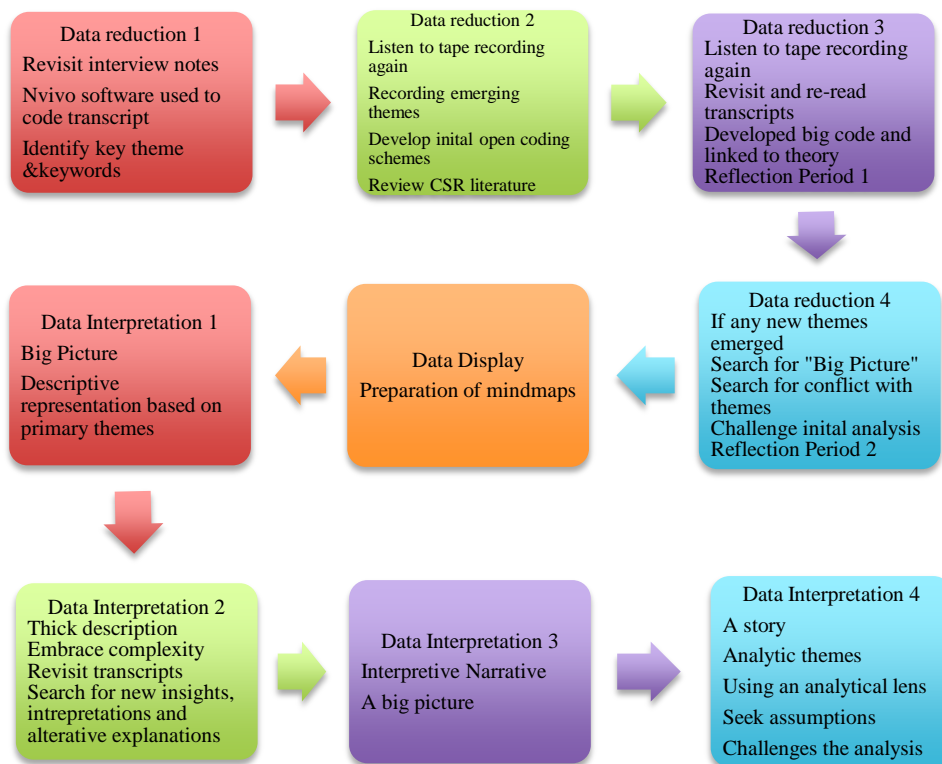
<sup>64</sup> Moreover, the researcher took a course of using Nvivo 8 in the first year of her PhD. After collecting all the interviews, the researcher asked colleagues in the School of Management and Psychology, who had the practical experience of using this software.

<sup>65</sup> This software is also available at some departments, for example Psychology, Management, or Geography.

The principles of using CAQDAS, (for example Nvivo 8) can help when examining qualitative data with regard to managing a project, organizing data, structuring work, keeping close to data, exploring the data, coding and retrieving, searching and interrogating, and writing memos (Saunders, et al., 2009, p. 515). However, Nvivo is merely a tool for assisting interview analysis. This software cannot do critical thinking and cannot formulate conclusions; thus, the researcher will need to interpret the data (O'Dwyer, 2004).

The analytical process was driven by the data. The transcripts were read several times and the primary themes were developed. Subsequently, the transcripts were all imported to Nvivo 8 and all the files saved in an external hard disk. Thus, all documents were built up in an “electronic filing cabinet” in order to enhance deeper analysis (Fisher, 2010). Reading and analysing the transcripts were mainly driven by the research questions. The procedure was inductive with different themes outside the interviews that were derived from the notes (O'Dwyer, 2003). There were three distinct phases in the interview data analysis: data reduction, data display and data interpretation (Miles and Huberman, 1994; O'Dwyer, 2004), which is explained in the following section.

**Figure 2: Process of interview data analysis (Adapted from O'Dwyer, 2004)**



### 3.3.3.7.1 Data Reduction

The 49 interviews were transcribed<sup>66</sup>. Each transcript was double checked with the digital recorder to ensure accuracy. Any errors were immediately corrected. All the transcripts were read together with the interview notes<sup>67</sup> taken during the interviews, reflections after the interview, and any observations written, so as to assist transcript analysis.

Numerous sources for data collection, such as the interview guideline, the digital record interview and rough diagrams, were gathered to assist in transcript analysis. The process of data reduction was conducted in four months (from October 2011 to January 2012) and was divided into four stages (Figure 2).

<sup>66</sup> Since 49 interviews were conducted, all internal and external stakeholder interviewees were Macao citizens with six exceptions, one British, one Australian, one Japanese, one German, one Portuguese and one local citizens who like to speak in English. Therefore, 43 interviews were conducted in Cantonese, while six interviews were conducted in English.

<sup>67</sup> Moreover, the interview notes were written in a note form to remind companies' policies, perspectives and opinions within an organisation (Bryman and Bell, 2007).

In the first phrase, the initial process was started to provide a general overview of the interviewees' notes. A summary was made after each interview. All the themes or perhaps keywords used by the interviewees were identified and written down on a separate sheet of paper before transferring to Nvivo. This step was important to generate the key themes that helped to interpret and theorised the findings at the later stage.

In the second phrase, the interviews were listened to again, the transcripts were read and the open codes were developed according to the CSR literature (Chapter 2; O'Dwyer, 2004). Open coding<sup>68</sup> is the part of qualitative analysis regarding identifying, categorising, and describing the situation found in the transcripts and these labels refer to the nouns or verbs of a conceptual world (Fisher, 2010). This analytic process can help to identify general categories. Initially, any open codes were made and were highlighted in yellow beside the interview transcripts. As a result, more than 100 open codes were made at the initial stage and were transferred to Nvivo 8. The codes themselves do not cause the problem. Yet, too many open codes led to a focus on small codes, rather than big codes.

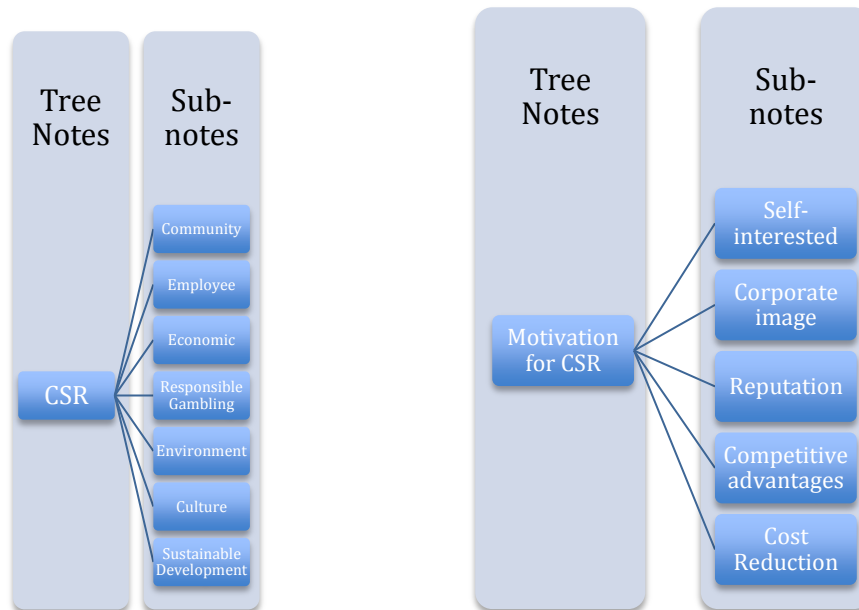
In the third phrase, the interviews were listened to again, the transcripts were reviewed in more depth and key themes were developed from the data. Focusing on big codes were mainly described the central issue and was framed according to the theory (Chapter 2). The big codes were also referred to in the open code done in the second phrase. The purpose was to integrate the open codes into the big codes. Subsequently, big codes for each interview were developed systemically, which can be a number and the letter of alphabet, to identify the key themes. A number of open codes were grouped

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<sup>68</sup> Computer aided qualitative data analysis software (CAQDAS), for example, Nvivo 8 offers allocation of concept of "free nodes" which are standalone nodes with no connection with other nodes and with no hierarchical structure (Fisher, 2010).

under the certain theme – “CSR/concept”, for example CSR/ECO<sup>69</sup> (Figure 3). After identifying primary themes, sub-themes and new themes, some patterns emerged to make sense of the data. A reflection period was needed and a discussion was made with her supervisors.

**Figure 3: Examples of code development**



The fourth phrase was the second ‘reflection’ period (See O’Dwyer, 2004). The researcher reread the transcripts to check if any new themes emerged. Primary themes and sub-themes were renamed after deep thinking and questioning. This step was introduced to search for the ‘big picture’ and for analytic themes (See O’Dwyer, 2004). Sometimes, some themes tended to conflict with other themes between internal and external stakeholders and these conflicting themes derived from the findings in the earlier stages of analysis (See O’Dwyer, 2004). The preceding analysis led to have limited explanations; hence, the researcher started to question the data, to seek assumptions behind the quotes, and to challenge the initial analysis.

<sup>69</sup> CSR/ECO meant “the concept of Corporate Social Responsibility in relation to economic development”, CSR/RG meant “the concept of Corporate Social Responsibility in relation to Responsible Gambling”, and CSR/CUL meant the concept of Corporate Social Responsibility in relation to cultural perspective.

### **3.3.3.7.2 Data Displays**

Producing data displays is an important step. Data can be shown in a number of ways; however, this process involves selection or data reduction (Fisher, 2010). Data display is an essential part of qualitative analysis that involves systematic development, and coherent explanation of interview findings (O'Dwyer, 2004). This thesis used a mind-map to illustrate the findings. Interviewees were divided into internal and external stakeholders and were split according to roles of people in organisations and types of companies.

### **3.3.3.7.3 Data Interpretation**

The process of data interpretation can be divided into three main stages. First, revisit transcripts, mind maps, and literature were an initial process. A descriptive representation of the interview findings was based on the primary theme (O'Dwyer, 2004). These provide the big picture of current themes from the data so as to give some sense of richness and complexity (See O'Dwyer, 2004). An initial story emerging from the data was drawn from the main themes and sub-themes.

Second, an initial thick description (O'Dwyer, 2004) was written with data sets and notes. Employing the main themes or sub-themes of the interview findings led to a limited explanation and a loose framework. An iterative process can have a reflection, a clarification and a challenge to the previous findings. The initial thick description<sup>70</sup> drew some new insights, new interpretations and alternative explanations (O'Dwyer, 2004). The researcher became aware of more conflicts, contradictions, and paradoxes from the findings. This process can question the initial analysis and interpretation of the

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<sup>70</sup> Thick description means "rich accounts of the details of a culture" (Geertz, 1973 cited in Bryman and Bell, 2007, p.413) and Guba and Lincoln (1994) contend that a thick description provides other researchers with a database for ascertain about the level of transferability of findings to another context.

data.

Third, a more interpretive narrative (Llewellyn, 1999) or a big picture representing the interview findings was carefully crafted around the key themes (O'Dwyer, 2004). Finally, a narrative concentrating on an analytical theme helped to develop a story by using legitimacy theory (Chapter 2) that could make some sense of the data (O'Dwyer, 2004). This step could make a connection between the literature and the big codes or themes (Chapter 3). This step can help seek assumptions and challenge the analysis.

With these two approaches, each finding in Chapters 4, 5, 6 and 7 could be regarded as a stepping-stone to build up a small story and to develop a big story in Chapter 8. Therefore, each finding chapter included extensive description, linking to the literature (Chapter 2) and the theory (Chapter 2). However, the process of coding text into chunk and put the text out of the context into groups of related fragments that can decontextualize the data and lose the social setting (Bryman and Bell, 2011).

### **3.4 Summary**

This chapter has described the research design of the thesis: content analysis and semi-structured interviews. Each method covers method selection, potential limitation and a detailed description of how each method is shown a detailed description and process. In Chapter 4, content analysis findings are presented, followed by the semi-structured interview findings in Chapters 5, 6, and 7.

## Chapter 4

### Corporate Social Disclosure Practice in the gambling industry

#### 4.1 Introduction

CSR has been associated with a significant increase in the reporting of social and environmental policies, practices, and performance. This is generally known as “Corporate Social Disclosure (CSD)”. The quantity and quality of corporate disclosure has become increasingly questionable as evidence. The KPMG (2011) reports, for example, shows that there is an increasing trend to corporate disclosure in a number of countries (34) and sectors (16).

A number of the CSD studies have examined how the nature of a particular industry may affect the level of CSD. Companies in high profile industries<sup>71</sup>, for example the automobile, airline and oil industries, are more likely to have higher levels of CSD than those in low-profile industries, such as food, hotel, and services (Roberts, 1992; Newson and Deegan, 2002). Companies with higher sensitivity to environmental issues appear to provide more environmental disclosure than those with lower sensitivity (Cowen, et al., 1987; Patten, 1991, 1992, 2002; Hackston and Milne, 1996; Cho and Patten, 2007; Aerts and Cormier, 2009). Companies with a “higher public” profile – the most vulnerable to change in social opinion – tend to undertake community disclosure and these types of companies are likely to relate to consumers and the general public (Campbell, et al., 2006). According to Hackston and Milne (1996, p. 81), “consumer-oriented industries companies can be expected to exhibit greater concern with demonstrating their social responsibility to community”. This type of social

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<sup>71</sup> According to Roberts (1992, p. 605), high profile industries refer to “industries with consumer visibility, a high level of political risk, and concentrated, intense competition”.



disclosure is often voluntary in nature. For the higher profile companies, for example retailers, brewers and petrochemicals, the findings have shown that community disclosure is a higher priority than other types of disclosure in annual reports of lower profile companies, for example chemicals, intermediates and aggregates (Campbell, et al., 2006).

Some CSD studies have investigated controversial industries, for example the tobacco industry (Campbell, et al., 2003; Moerman and Der Laan, 2005; Tilling and Tilt, 2010), and the brewing industry (Campbell, et al., 2006). The gambling industry, a further example of a contentious industry, remains largely unexplored in the CSD literature, and most of the CSD studies do not address the gambling industry specifically.

Since the gambling industry creates several socially undesirable externalities in the production of its revenue, problem gamblers have become more prominent over the past few decades (Hing, 2001). Companies in the gambling industry with high community visibility are associated with consumers and the public (Campbell, et al., 2006).

According to legitimacy theory (Chapter 2), the gambling industry has been facing an ongoing threat to its legitimacy: gambling addiction and health-related issues. The legitimacy threat can create a significant legitimacy gap (Sethi, 1978), which provides an important motivation for organisational legitimation within the gambling industry (Dowling and Pfeffer, 1975; Lindblom, 1993). Thus, the gambling industry might engage in efforts to reduce this gap through identifying some symbols of social legitimacy, particularly CSD (Chapter 2). This approach can be regarded as strategic legitimacy (Suchman, 1995), which assumes that managers have a high degree of

control over the legitimacy process (Dowling and Pfeffer, 1975; Ashforth and Gibbs, 1990; Lindblom, 1993). Organisations in the gambling industry are expected to deploy legitimating disclosure more strongly (see Campbell, et al., 2003), particularly RG disclosure (gambling addiction and health-related issues) to reduce the legitimacy gap. In contrast, institutional legitimacy tends to concentrate on how organisations adopt an institutional environment to manage legitimacy (DiMaggio and Powell, 1983; Meyer and Rowan, 1991). DiMaggio and Powell (1983) suggest that there are three main process used to maintain institutional legitimacy: “coercive isomorphism”, “mimetic processes” and “normative pressures”. Based on the legitimacy literature (Chapter 2), organisations in the gambling industry are expected to be shaped by or to conform to the institutional environment.

Prior CSD literature provided a little guidance in the area of CSD and the gambling industry as discussed above. Thus, content analysis (Chapters 3) was employed to provide an initial exploration of the social and environmental reporting practices of the gambling industry and its engagement with Corporate Social Responsibility (CSR) in order to answer the first quantitative research question of the thesis. RQ1: *To what extent does the gambling industry disclose Corporate Social Responsibility (CSR)-related data?* This question attempts to explore what organisations in the gambling industry report to the public, and what they do not report. This chapter will examine CSD and related data in the annual reports across six countries, including the UK, the US, Australia, South Africa, Macao and Hong Kong, over three years from 2007 to 2009. The selected sample comprises data from 28 companies and 82 annual reports (Chapters 3).

There are four main findings in this chapter. First, not surprisingly, disclosure is mostly dominated by mandated employee and director disclosure. Second, the RG disclosure, concerning customer protection cannot be regarded as an important issue in the annual reports. It could be argued that the gambling industry attempts to remain silent concerning gambling addiction and health-related issues. The gambling industry appears not to develop some symbols, for example CSD and also RG disclosure, to maintain social legitimacy. Third, there is a no relationship between corporate size and the volume of disclosure. These findings indicate that organisations in the gambling industry tend to operate on a national, rather than international level since these organisations appear to make references to national, rather than international, reporting practices and authorities. Fourth, this industry appears to lack an international gambling association which might develop an international standard of RG codes and practices. These findings indicate that the gambling industry is unlikely to have institutional pressure from global and industry levels.

This chapter reports on the preliminary content analysis findings of CSD in the gambling industry. The chapter is divided into seven sections. The first section reports the introduction of the chapter. Section 4.2 provides the overall volume of total CSD, followed by an overview of the main trends in volume of CSD over the three year across six countries in Section 4.3. Section 4.4 shows the total CSD across six countries in comparison with the recent international evidence and the volume of disclosure in the gambling industry represented by the countries. Section 4.5 presents thematic analysis across six countries, which can be divided into mandatory and voluntary CSD with a detailed analysis on each theme. Section 4.6 shows the relationship between corporate size and CSD, and finally a concluding remark is in the last Section 4.7.

#### **4.2 Overall volume of total corporate social disclosure (CSD)**

In order to capture gambling companies' engagement with CSR, CSD within corporate annual reports will be examined in detail. CSD has been divided into eight categories (Appendix 8), which have resulted in an uneven distribution of CSD across the six countries. In Table 10, the average volume of total CSD over the three year was 12.71 pages of the annual reports. The highest volume of disclosure is related to director with 3.71 pages due to the mandatory disclosure in annual reports. Other types of disclosure indicate a very low priority given to responsible gambling (0.22 pages), economic (0.15 pages), and consumer (0.06 pages) disclosures. The volume of responsible gambling disclosure is roughly a seventeenth of the volume of director disclosure, while the volume of economic disclosure and consumer disclosure are approximately a twenty-fifth and a sixtieth of the volume of director disclosure respectively. The maximum volume of disclosure is undertaken in 2009 at 27.18 pages of the corporate annual report relating to community at Hong Kong.

**Table 10: Average volume of CSD from 2007-2009 across 6 countries (Descriptive statistics)**

	2007	2008	2009	Mean (07-09)	Max (07-09)	Min (07-09)	Median (07-09)	Disclosure	No Disclosure
Total CSR	11.97	11.28	14.88	12.71	33.12	5.29	12.63	82 (100%)	0%
Voluntary	5.79	4.34	7.65	5.92	31.74	1.03	2.77	82 (100%)	0%
Mandatory	6.18	6.94	7.23	6.78	10.58	0.94	7.49	82 (100%)	0%
Economic	0.10	0.17	0.19	0.15	0.49	0.01	0.08	40/82 (49%)	42/82 (51%)
Environment	0.67	0.42	0.59	0.56	2.35	0.08	0.37	59/82 (72%)	23/82 (28%)
Consumers	0.05	0.05	0.09	0.06	0.15	0.00	0.04	24/82 (30%)	58/82 (70%)
Responsible Gambling	0.22	0.18	0.28	0.22	0.76	0.00	0.17	36/82(44%)	46/82 (56%)
Community	3.45	2.41	5.22	3.69	27.18	0.00	1.02	55/82 (67%)	27/82 (33%)
Employees	3.89	3.30	3.58	3.59	7.97	0.87	3.34	82/82 (100%)	0/82 (0%)
Directors	3.15	4.13	3.90	3.71	7.30	0.08	4.67	76/82 (93%)	7/82 (7%)
Corporate Governance	0.20	0.37	0.56	0.38	1.10	0.00	0.35	66/82 (80%)	16/82 (20%)
Others	0.24	0.25	0.47	0.32	2.27	0.00	0.30	47/82 (57%)	35/82 (43%)
<p>Note: The figures in % indicate the percentage of companies in the sample disclosing in the relevant category.</p> <p>Note: Max, Min, Median are from the year 2007- 2009</p>									

**Table 11: Number of disclosing in 6 countries**

2007-2009	US	UK	Australia	South Africa	Macao	Hong Kong	Number of Disclosure
Total CSD (Voluntary Mandatory)	18	18	17	9	17	3	82
Economic	5/40 (13%)	10/40 (25%)	4/40 (10%)	8/40 (20%)	10/40 (25%)	3/40 (8%)	40/82 (49%)
Environment	13/59 (22%)	12/59 (20%)	13/59 (22%)	7/59 (12%)	11/59 (19%)	3/59 (5%)	59/82 (72%)
Consumers	3/24 (13%)	8/24 (33%)	4/24 (17%)	4/24(17%)	3/24 (13%)	2/24 (8%)	24/82 (30%)
Responsible Gambling	1/36 (3%)	14/36 (39%)	9/36 (25%)	9/36(25%)	3/36 (8%)	0/36 (0%)	36/82 (44%)
Community	4/55 (7%)	16/55(29%)	11/55 (20%)	9/55(16%)	12/55 (22%)	3/55(5%)	55/82 (67%)
Employees	18/82(22%)	18/82 (22%)	17/82 (20%)	9/82(11%)	17/82(20%)	3/82 (4%)	82/82 (100%)
Directors	16/76(21%)	18/76(24%)	17/76 (22%)	8/76 (11%)	14/76 (18%)	3/76 (4%)	76/82 (93%)
Corporate Governance	14/66 (21%)	16/66 (24%)	14/66 (21%)	6/66 (9%)	16/66 (24%)	0/66 (0%)	66/82 (80%)
Others	1/47 (2%)	14/47 (30%)	11/47 (23%)	9/47 (19%)	9/47 (19%)	3/47 (6%)	47/82 (57%)

Notes: % are represented in bracket

### 4.3 Trends in total CSD

Figure 4: Average volume of total, voluntary and mandatory CSD across 6 countries

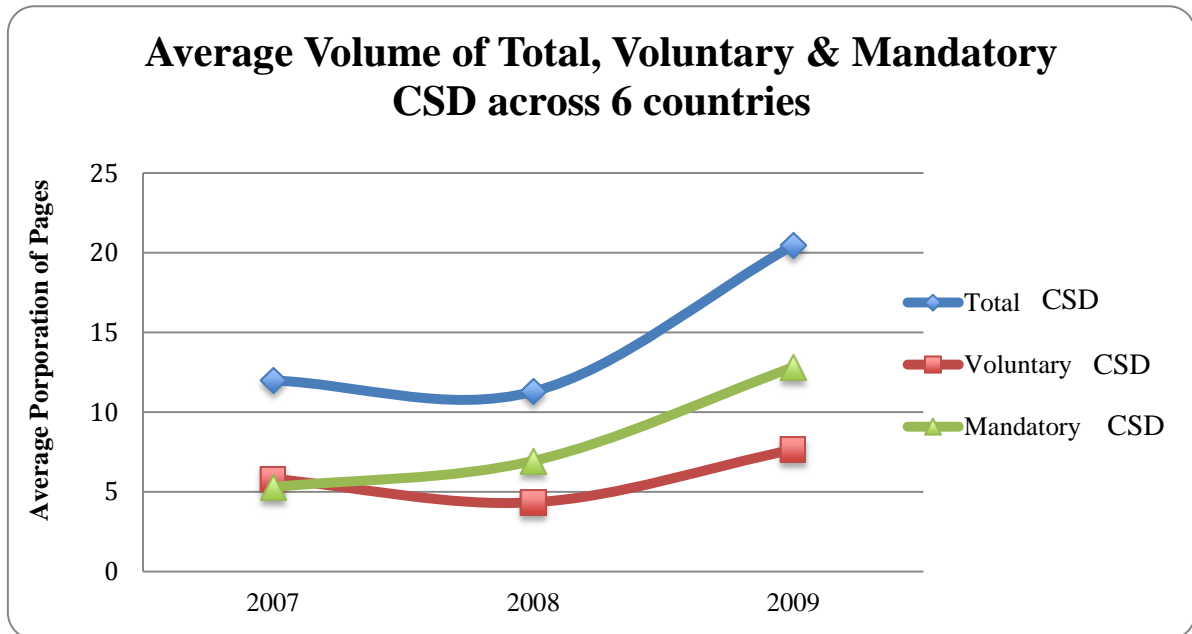


Figure 4 shows that average volume of total, voluntary, and mandatory CSD across six countries. There has been a gradual increase in the volume of total disclosure, voluntary and mandatory disclosures from year 2007 to 2009. The average volume of total CSD remains relatively constant during 2007 and 2008, but it rises sharply in 2009 (Figure 4). From 2007 to 2009, the average volume of mandatory disclosure increases steadily. In 2007, particularly, the average volume of voluntary disclosure is slightly higher than the mandatory disclosure in 2007; however, it goes to opposite direction in 2007 onwards. The average volume of voluntary disclosure increases slightly between 2008 and 2009. This decrease corresponds with the sharp increase in the volume of mandatory disclosure. Perhaps, a financial crisis started at 2007; therefore, gambling companies tended to have less resources to engage in CSR activities so as to decline slightly in their voluntary disclosure between 2007 and 2008.

#### 4.4 Total CSD across 6 countries

##### 4.4.1 International comparison of CSD in the gambling industry

Figure 5: International comparison of disclosure in the gambling industry

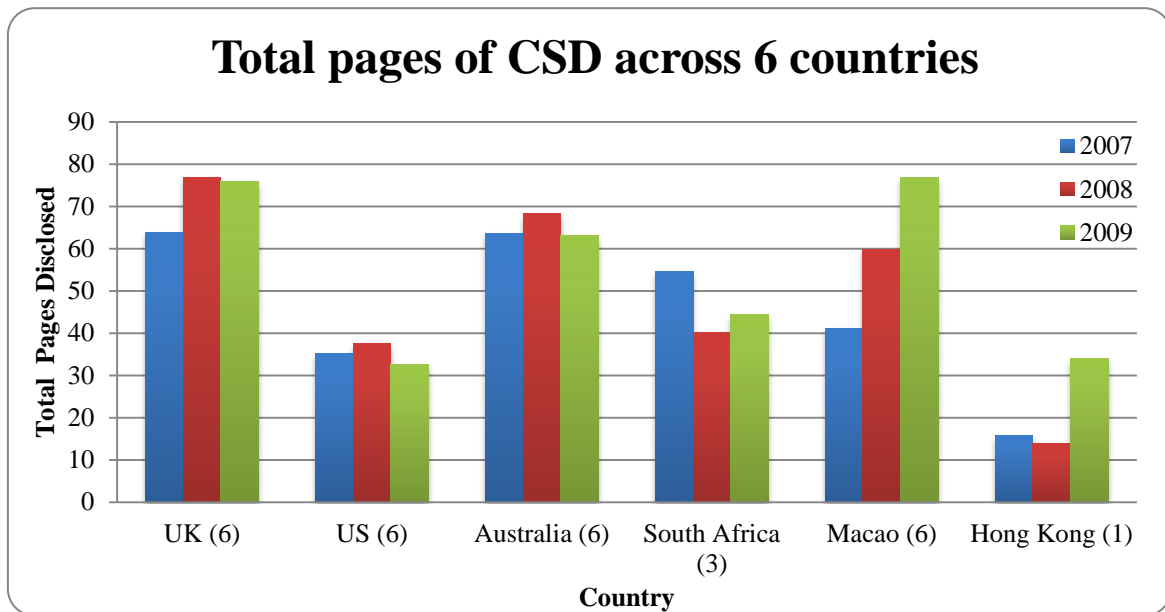


Figure 5 illustrates the international comparisons of disclosure within the gambling industry. The relative volumes of disclosure from the UK and Australia are similar and leading in the sample because the UK and Australia generally require for greater accountability, transparency, and a strong demand from different stakeholders, such as consumers, employees and shareholders (KPMG 2008; 2011<sup>72</sup>). Surprisingly, the volume of disclosure from the US appears to be low and even lower than the volume of disclosure from South Africa. The findings of the KPMG International Report of CSD are based on all sectors at national level. The sampled companies in the US represent only the gambling industry rather than all sectors. Therefore, the findings indicate that the volume of disclosure in the US gambling industry cannot be expected to follow the national reporting practices. Interestingly, it is unanticipated to see an increasing trend of disclosure in Macao and Hong Kong and there is no explanation for this phenomenon.

<sup>72</sup> The previous studies refer to the KPMG's survey (2005, 2008 and 2011), which concentrated on standalone report; however, these reports include some general data concerning CSR reporting, including annual reports. In these reports, the gambling industry is classified as the "other service" sector, which 13% of the sampled companies in large global companies (G250) (KPMG, 2008).



#### 4.4.2 International comparison of average yearly levels of disclosure

**Figure 6: Average pages of disclosure per year per company across 6 countries**

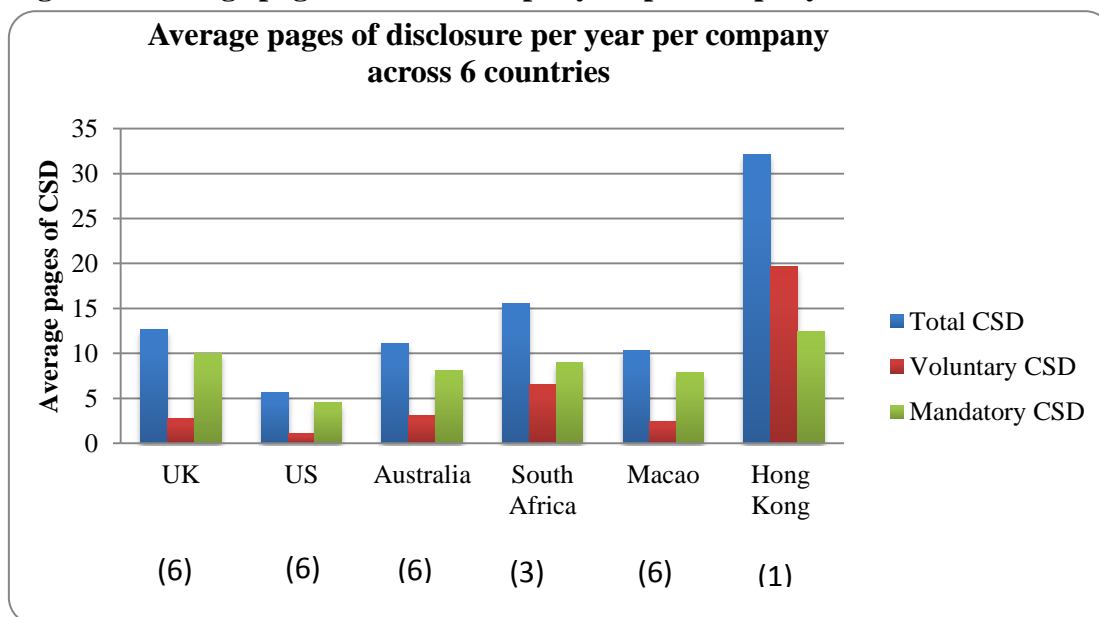


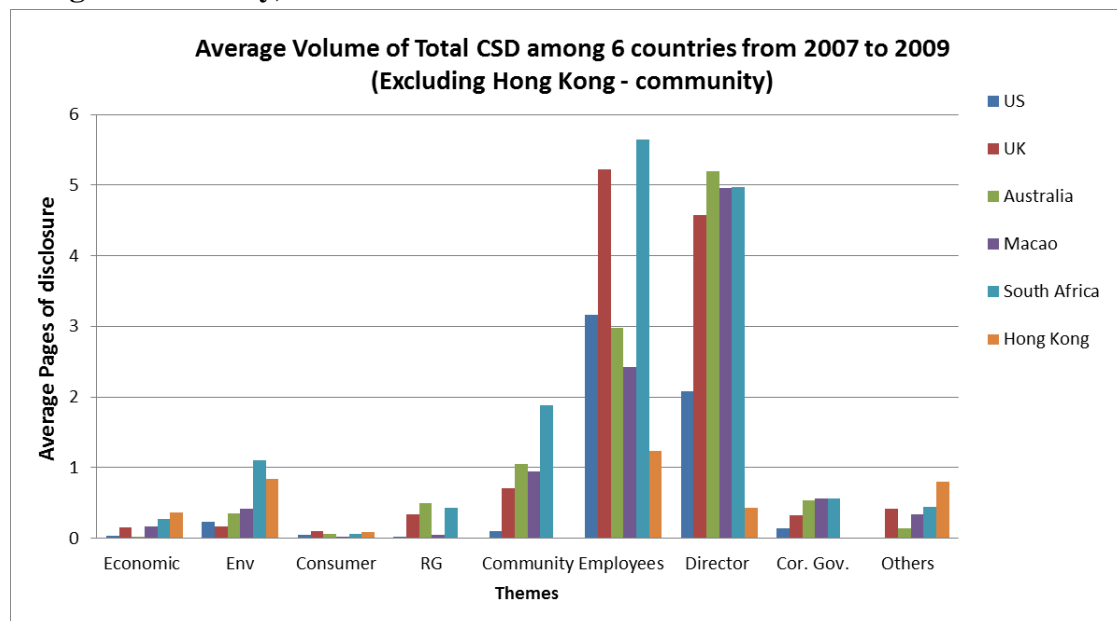
Figure 6 shows the average volume of disclosure per year per reporting company across six countries over the three years<sup>73</sup>. The total volume of CSD disclosure can be divided into total, mandatory, and voluntary disclosures. It is helpful to discuss the difference between these two disclosures. The average volume of total mandatory disclosure is 6.78 pages higher than the average volume of total voluntary CSD with 5.94 pages across the US, the UK, Australia, Macao, and South Africa (Table 10). Mandatory disclosure is consistently higher than voluntary disclosure for the sample. In contrast to voluntary disclosure, the average volume of voluntary disclosure from Hong Kong is

<sup>73</sup> Prior CSD studies have concentrated on international comparative studies (Guthrie and Parker, 1990; Adams, et al., 1998; Adams and Kuasirkun, 2000; Buhr and Freedman, 2001; Holland and Foo, 2003; Van Der Lann Smith, et al., 2005). A number of CSD studies have predominantly investigated on developed countries. The empirical works on CSD have focused on developed countries, for example the US, the UK, Canada, Australia, New Zealand, and European countries (Wiseman, 1982; Guthrie and Parker, 1989; Harte and Owen, 1991; Patten, 1991; Roberts, 1992; Adams, et al, 1995; Gray, et al., 1995a; Deegan and Gordon, 1996; Hackston and Milne, 1996, Adams and Kuasirkun, 2000; Buhr & Freedman, 2001; Cho, et al., 2010), while there has been increasing number of studies on developing countries, for example South Africa (Savage, 1994; De Villiers and Charl, 1999; Van Staden, 2000; Mitchell and Hill, 2009), Bangladesh (Belal, 2001, 2008; Belal and Owen, 2007), Uganda (Kisenyi and Graym, 1998), Nigeria (Disu and Gray, 1998), and Ghana (Rahaman, 2000), Turkey (Nuhoglu, 2003). Other CSD studies have examined in Asian countries, such as Japan (Lodhia, 2000), Malaysia (Teoh and Thong, 1984; Jamil and Mohamed, 2002), Singapore (Tsang, 1998), Hong Kong (Lynn, 1992; Gao, et al., 2005), Thailand (Kuasirikun and Shere, 2004) and China (Kolk, et al., 2010).

higher than those reported by the UK, the US, Australia, South Africa and Macao. In particular, Hong Kong is also the highest in the sample in terms of voluntary disclosure. Apparently, Hong Kong disclosed the most information on CSD on average due to the highest volume community disclosure levels in 2007, 2008 and 2009 (Appendix 16). The phenomenon for this is not obvious, but it may have something to do with the sample and the types of organisations. The collected sample comes from one gambling company<sup>74</sup> in Hong Kong a result the sample may be considered unrepresented, but it can be argued that this finding can influence how to analyse the data. In addition, the gambling company in Hong Kong is a non-profit organisation, which is different from those profit-making gambling companies in the sampled countries.

#### 4.5 Themes analysis across 6 countries

**Figure 7: Topics of disclosure - an international comparison (Excluding Hong Kong - Community)**



Apart from the volume of disclosure being generally very low, a number of interesting disclosures are obvious in Figure 7 (Table 11; Appendix 16). The figure provides a general overview of “themes” across six countries.

<sup>74</sup> The Hong Kong Jockey Club is representative in Hong Kong

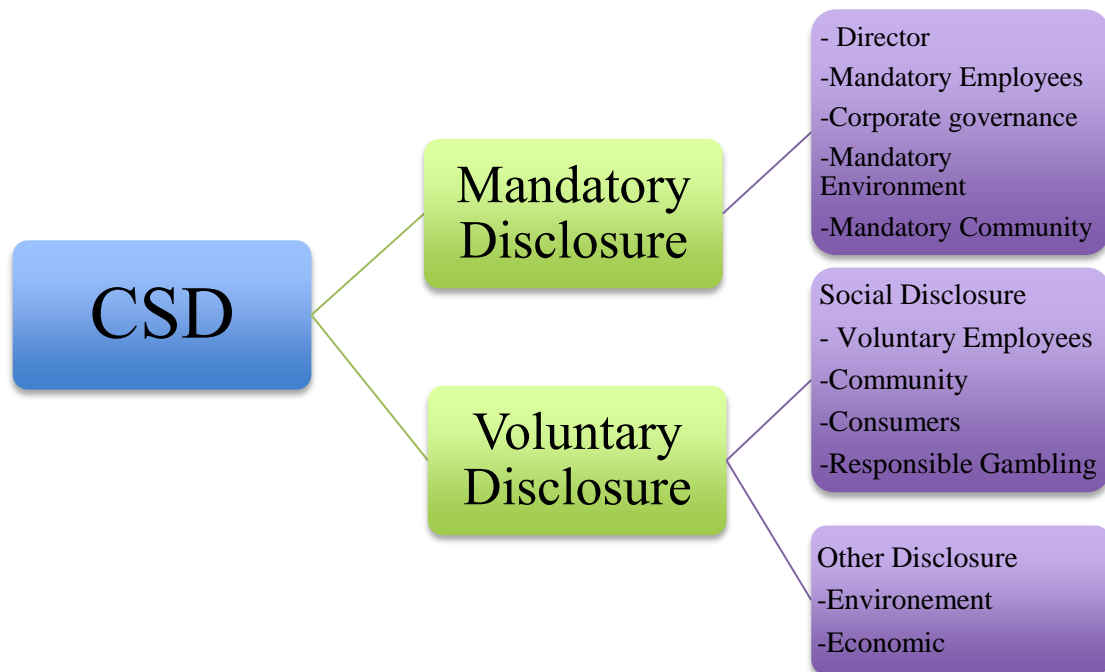
First, both employee disclosure and director disclosure dominated the annual reports. This shows the importance of mandatory disclosure. These findings are consistent with those of the previous CSD studies (Gray, et al., 1995a; Parker, 2008/09). Second, the CSD tends to be very low in general; however, Hong Kong has the highest volume of community disclosure with a maximum of 17.4 pages between 2007 and 2009 (Appendix 16). This phenomenon is due to the distorting information influence of only one sample in Hong Kong and this company being a non-profit-making organisation which is different from those in the sample. Third, the environmental disclosure from South Africa and Hong Kong are higher than the sample from the UK, the US, and Australia. Surprisingly, these findings are not in line with those of prior studies (KPMG, 2005; 2008). This is due to the limited sample in South Africa and Hong Kong. Fourth, economic disclosure from Macao, South Africa and Hong Kong are relatively higher than the samples from the UK, the US and Australia. If a country is heavily dependent on the gambling industry, this industry plays a significant role in economic development in this country. Finally, one unique theme to this industry is called Responsible Gambling (RG). RG disclosure is very disappointing with a low volume of disclosure in general. The sample from Hong Kong offers no disclosure, and the sample from the USA and Macao merely none as well.

#### **4.5.1 Average volume of mandatory CSD across 6 countries: A general outline**

This section will be divided into two disclosures: (1) mandatory (Section 4.5.1) and (2) voluntary (Section 4.5.2) across six countries. This classification can show legislative disclosure (minimum disclosure) and voluntary disclosure beyond minimum requirement (see Adams, et al., 1995; Gray, et al., 1995a). However, other scholars did

not divide disclosure into mandatory and voluntary disclosure (Patten, 1991; Hackston and Milne, 1996). Patten (1991) argues that a distinction between mandatory and voluntary is not helpful for because the level of mandatory is so low. The distinction between the two disclosures can arguably be seen as how corporations follow the minimum disclosure requirement. Each following section will highlight different categories and will be discussed in detail.

**Figure 8: Corporate social disclosure - mandatory and voluntary disclosure**



**Figure 9: Average volume of mandatory CSD across 6 countries from 2007-2009**

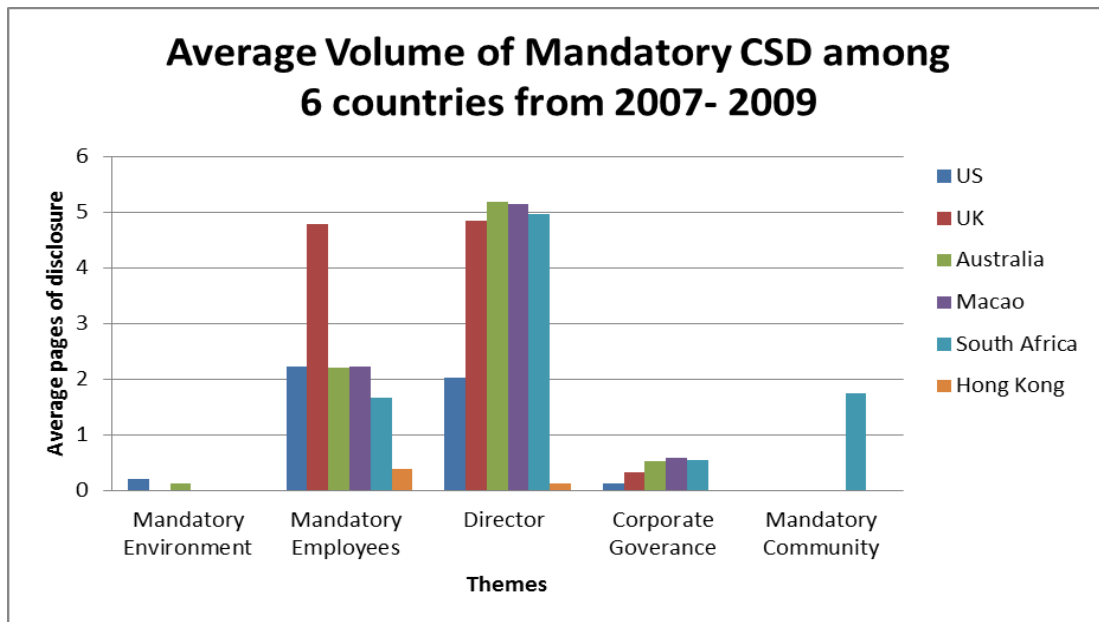


Figure 9 breaks the mandatory CSD per country into five main themes. Mandated disclosure concerning directors and employees dominate with 2.25 pages and 3.72 pages respectively. While other disclosure, including corporate governance, mandatory environment and mandatory community, are varied.

#### **4.5.1.1 Director disclosure**

Figure 9 shows that director disclosure is the highest volume of mandatory disclosure. These findings are consistent with those of previous CSD studies, which suggest that the volume of director disclosure tends to be high (see Parker, 2008/2009). The findings show 93 % (from 82 annual reports) of all gambling companies to disclose information concerning director over the three-year period (Tables 10 and 11). The UK, Australia, South Africa and Macao are similar in that these countries require mandatory disclosure concerning directors' information, for example directors' emoluments, remuneration and short-term benefits. The following text is one of the examples.

### ***Other Directorships***

*“Christchurch Casinos Limited, in which SKYCITY has a 45.7% interest, paid director’s fees of \$40,000 each for A B Ryan and N B Morrison. These directors’ fees were paid to SKYCITY and were not received personally by either Messrs Ryan or Morrison. Queenstown Casinos Limited, in which SKYCITY has a 60% interest, paid director’s fees of \$7,500 each for A B Ryan and N B Morrison. These directors’ fees were paid to SKYCITY and were not received personally by either Messrs Ryan or Morrison.”*

(Australia, Skycity, 2009:60)

#### **4.5.1.2 Mandatory employee disclosure**

Table 11 shows that 100% of all the sampled companies disclose information concerning employee. Employee disclosure can be divided into mandatory disclosure and voluntary disclosure (Figures 9 and 10). This section focuses on mandatory employee disclosure, while voluntary employee disclosure will be discussed in Section 4.5.3.2. In mandatory employee disclosure, the gambling companies complied with minimal mandated legislation in most countries. This type of disclosure can be viewed as a statutory item in the published annual report and accounts of larger organisations (Day and Woodward, 2004). Employee disclosure is driven by the mandatory disclosure, which is not surprising or inconsistent with those findings of prior studies (Guthrie and Parker, 1990; Roberts, 1992; Adams, et al., 1995; Gray, et al., 1995a; Hackston and Milne, 1996; Adams, et al., 1998; Parker, 2008/2009).

The sampled countries have legislation requiring disclosure in relation to employee-related information. In particular, the UK reports the highest volume of employee disclosure. The UK has legislation to disclose information concerning employees, for example the Companies Act 2006 in relation to Employee Data, Employee Pension, Employee Share Ownership, and the Health and Safety at Work Act 1974 and the Employment Act 1982 concerning Employee Disability (Appendix 9). The

following text is one of the examples of employee pension.

### **Pensions and other post-employment benefits**

- *The defined benefit pension fund holds assets separately from the Group. The pension cost relating to this fund is assessed in accordance with the advice of independent qualified actuaries using the projected unit credit method.*
- *Any past service cost is recognised immediately to the extent that the benefits have already vested and otherwise is amortised on a straight line basis over the average period until the benefits vest. The retirement benefit asset recognised in the balance sheet represents the fair value of scheme assets less the value of the defined benefit obligations as adjusted for unrecognised past service cost.*

(UK, Ladbrokes, 2009:67)

Interestingly, Macao and South Africa are similar to developed countries, including the US, the UK and Australia. South Africa, in particular, has legislation requiring the disclosure of information concerning employees, such as the Occupational Health and Safety Act (OSHACT) 1996, the Employment Equity Act, the Promotion of Equality and Prevention of Unfair Discrimination Act 2000, the Protected Disclosures Act 2000, the Labour Relations Act and the South African Companies Act (Employee Pension) (Appendix 9). These findings are in line with those of previous studies (Roberts 1990 cited in Adams, et al., 1998, p. 3). Gold Reef provides one of the examples.

### ***Health and Safety***

- *Employees are equipped to address health and safety through training in fire fighting, first aid and evacuation procedures. As a result of the training courses and the safety and control measures put in place during the year, only minor incidents were reported by all the casinos.*
- *All the established casinos conduct regular health and safety risk assessments for instance Gold Reef City Casino conducted a safety, health and environmental risk assessment during the year in conjunction with Marsh International as part of a business continuity planning process.*

(South Africa, Gold Reef, 2007:19)

Similarly, mandatory employee disclosure in the US and Australia are similar to that in Macao and South Africa with 3.01 pages in employee information. However, in Hong Kong, the findings reflect that there is a deficiency in compliance with regulatory requirement in mandatory employee disclosure. The reason for this may be due to fact that the Hong Kong Jockey Club, a non-profit organisation, may present different disclosure requirements than that of profit-making gambling organisations.

#### **4.5.1.3 Corporate governance disclosure**

The volume of corporate governance disclosure averages 0.38 pages across six countries except in Hong Kong. Roughly 80 % (82 annual reports) of all gambling companies disclose this type of information over the three-year period (Tables 10 and 11). The average disclosure was 0.38 of a page with a maximum of 1.10 pages (Table 10). In Figure 9, Australia, Macao, and South Africa are similar in that they indicate greater compliance than the US and the UK regarding legislative requirement in corporate governance. However, in their annual reports, the sample in Hong Kong is a non-profit organisation, which may not need to disclose only general information in terms of corporate governance. The following text is from the annual report of William Hill PLC.

##### ***Compliance with the Combined Code***

*“During the year, the Company has been in full compliance with the June 2008 issue of the Combined Code on Corporate Governance (the ‘Code’), published by the Financial Reporting Council and available on its website [www.frc.org.uk](http://www.frc.org.uk).”*

(UK, William Hill PLC, 2009:59)

#### **4.5.1.4 Mandatory environmental disclosure**

The sampled gambling companies in the US and Australia disclosed mandatory environmental information in annual reports. These findings are consistent with those of



Welford's (2004) study, according to which companies in developed countries, particularly the US and Australia, pay more attention to environmental issues and establish environmental regulations than less-developed countries, such as Macao and South Africa. Additionally, these findings are in line with those of Holland and Foo (2003) who found that the US often discloses environmental information due to mandatory reporting. The US has worked to constrain its application in international environmental disclosure (Kerr, et al., 2009). The feasibility-based standards found in the US environmental law, for example the Clean Air Act and the Resource Conservation and Recovery Act (RCRA). The US corporations embraced these environmental laws, which reflect the core elements of the precautionary principle (Kerr, et al., 2009, p. 384). The Superfund clean-up process of the Environmental Protection Act<sup>75</sup> is structurally designed to implement the precautionary principle (Kerr, et al., 2009, p. 384). Here is one of the examples.

***We are subject to environmental laws and potential exposure to environmental liabilities.***

*“We also are subject to laws and regulations that impose liability and clean-up responsibility for releases of hazardous substances into the environment. ... The presence of contamination, or failure to remediate it properly, may adversely affect our ability to sell or rent property. The Bullwhackers properties are located within **the geographic footprint of the Clear Creek/Central City Superfund Site**, a large area of historic mining activity which is the subject of state and federal clean-up actions. Although we have not been named a potentially responsible party for this **Superfund Site**, it is possible that as a result of our ownership and operation of these properties (on which mining may have occurred in the past), we may incur costs related to this matter in the future.”*

(US, Penn National Gaming, 2009:20: emphasis added)

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<sup>75</sup> “Structural incentives within the Superfund process seem to encourage [the] EPA to require more protective approaches: it is the PRPs [potentially responsible parties] that are supposed to pay, and the public generally chooses to err on the side of safety” (Kerr, et al., 2009, p. 384).

#### 4.5.1.5 Mandatory community disclosure

Community disclosure is generally voluntary in nature; however, South African gambling companies disclosed mandatory community information. All of companies in South Africa disclose community information (Table 11). The findings highlight that South Africa introduced a novel regulation framework, which is intended to promote community investment by the corporate sector within black communities (Kerr, et al., 2009, p. 513). This regulation refers to the Broad-Based Black Economic Empower Act in 2003 (the BBBEE Act)<sup>76</sup>, where all states and public entities must take into account codes of good practice. This Act requires companies to either have black ownership or have a partnership with black owned businesses (De Villier and Staden, 2006, p. 770).

##### ***BEE - Company ownership***

*“As a black owned and controlled company we are committed to our national objective to transform the workplace to reflect the demographics of South Africa. Seven of our eleven directors are black, and two are women. **The group has adopted a five-year transformation plan that will result in the company achieving a Level Two BBBEE contributor status.** To achieve this the company has designed interventions in discrete categories that includes developing a pipeline of black talent, procuring from black owned businesses, developing and mentoring new black owned enterprises and sustaining a coherent social investment programme.”*

(South Africa, Peermont Hotels Casinos Hotels, 2009:20: emphasis added)

All in all, the total volume of CSD can be divided into mandatory and voluntary disclosures. The findings show that total mandatory disclosure was higher than total voluntary disclosure. The CSD disclosure is mostly dominated by mandated disclosure

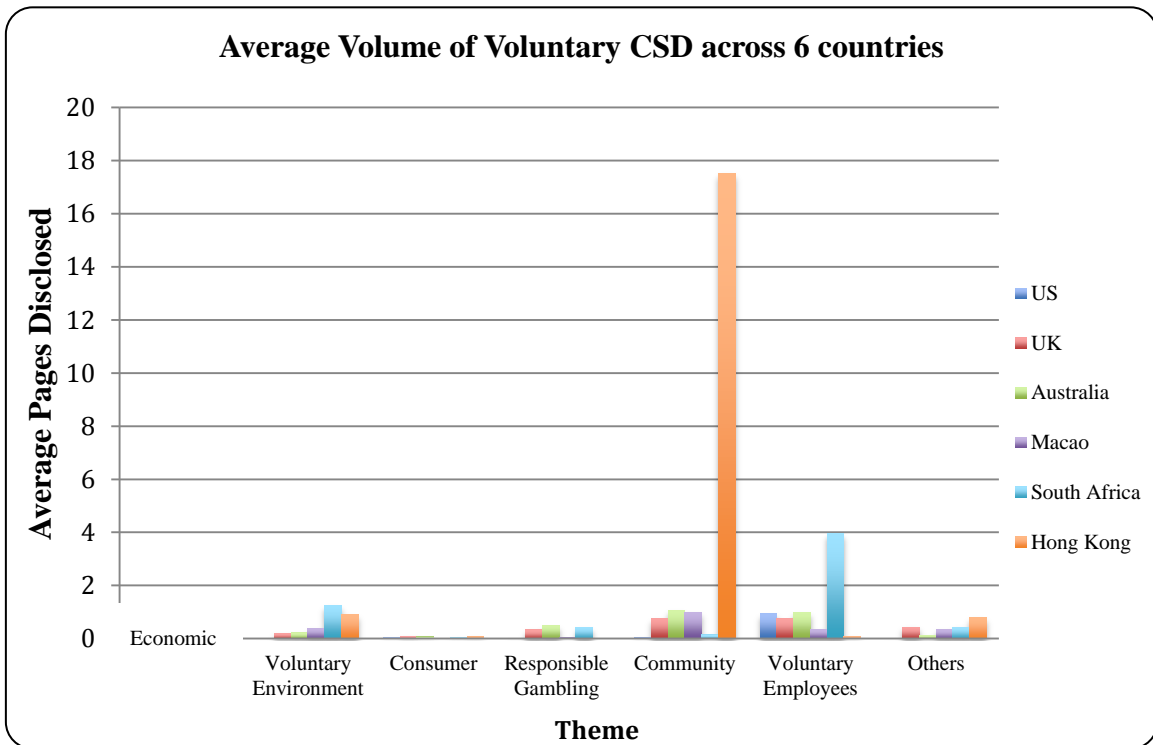
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<sup>76</sup> The Broad-Based Black Economic Empowerment (BBBEE) act when: (a) determining qualification criteria for the issuing of licenses and concessions ...; (b) developing and implementing a preferential procurement policy; c) Developing criteria for entering into partnerships with the private sector; d) developing criteria for entering into partnerships with the private sector (Kerr, et al., 2009, p. 513).

in relation to directors, employees, and corporate governance. Importantly, mandated environmental disclosure is commonly disclosed by American and Australian gambling companies, while mandated community disclosure is only disclosed by South African gambling companies.

#### 4.5.2 Average Volume of Voluntary CSD across 6 countries: A General Outline

Figure 10: Average volume of voluntary CSD across 6 countries from 2007- 2009



**Figure 11: Average volume of voluntary CSD across six countries (Excluding Hong Kong - community)**

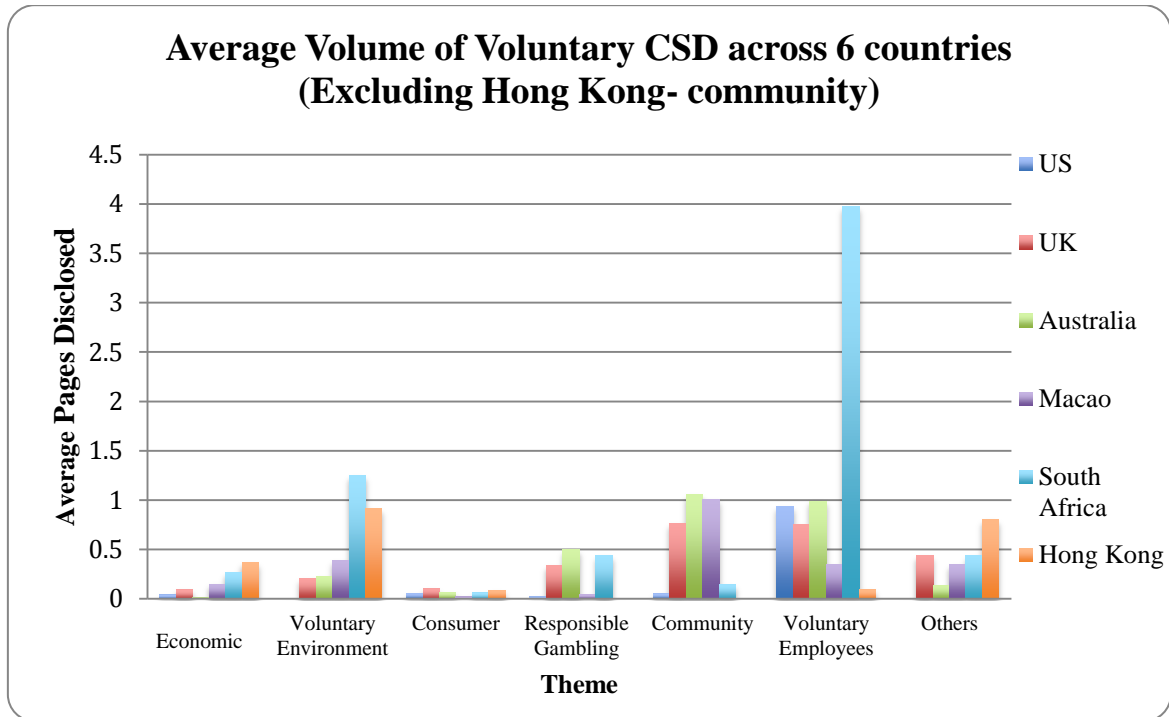
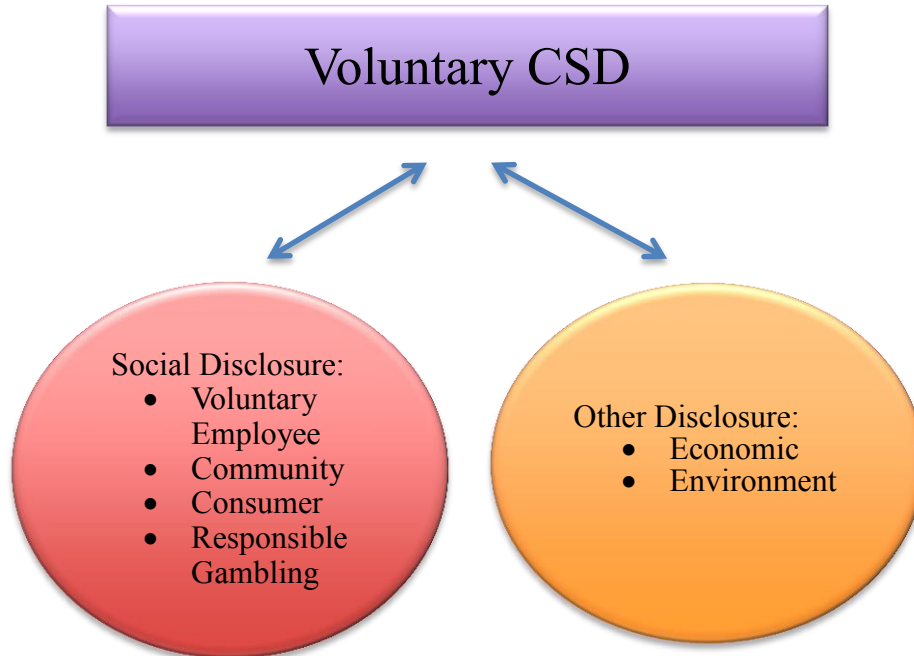


Figure 10 breaks the voluntary CSD per country into seven themes. Voluntary disclosure is dominated by community and voluntary employee disclosure. The community disclosure is dominated by disclosure from one company for Hong Kong, while the voluntary employee disclosure is led by disclosure from three companies for South Africa. Furthermore, environmental disclosure is dominated by South Africa, and followed by Hong Kong. Surprisingly, the volume of environmental disclosure in South Africa and Hong Kong appears to be higher than the UK and Australia. However, the US shows the lowest volume of environmental disclosure. More pertinently, the average volume of consumer disclosure in the UK, Australia and South Africa tends to be relatively low, while the average volume consumer disclosure in the US, Macao and Hong Kong is close to zero.

### 4.5.3 Illustration and description of categories of voluntary CSD across 6 countries

Figure 12: Voluntary CSD of social disclosure and other disclosure



#### 4.5.3.1 Social disclosure

This section is mainly focused on voluntary social disclosure, which includes disclosure concerning voluntary employee, community, consumer, and responsible gambling. The following section will examine each types of voluntary social disclosure in detail and provide appropriate illustrations and descriptions. Voluntary other disclosure, including environment- and economic-related disclosure will be discussed in Sections 4.5.3.5 and 4.5.3.6.

**Figure 13: Average volume of voluntary social CSD across 6 countries (consumers, responsible gambling, community and voluntary employee disclosure)**

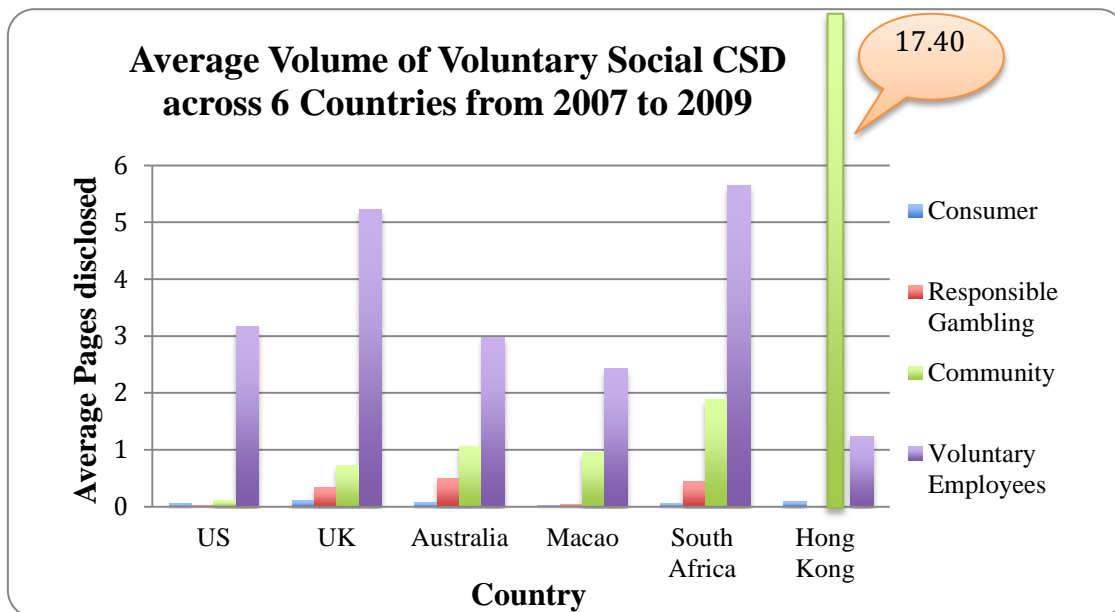


Figure 13 shows that the gambling companies making social disclosures, including consumers, responsible gambling, community and voluntary employee disclosure, from 2007 to 2009 are relatively low ranging from 0.06 pages to 3.69 pages (Table 10). A number of CSD studies have widely investigated environmental disclosure (Ingram and Frazier, 1980; Wiseman, 1982; Patter, 1992; 1995; Deegan and Gorden, 1996; Deegan and Rankin, 1996; Freedman and Jaggi, 1998; Buhr and Freedman, 2001; Holland and Foo, 2003; Cho and Pattern, 2007; Cho, et al., 2010). Some studies have examined social disclosure (Belkaoui and Karpik, 1989; Campbell, 2000; Campbell, et al., 2006). However, there have not been many studies that consider one unique dimension of social disclosure in the gambling industry – responsible gambling.

Before examining the relationship between RG and each country, this section will examine three social disclosures: voluntary employee, community and consumer. First, voluntary employee disclosure seems to be the highest of the social disclosure. The most common disclosure in the voluntary employee disclosure included Employee

Pensions, Shares Employees, and Employee Others. These findings are in line with those of previous studies in developed countries (Guthrie and Parker, 1990; Roberts, 1992; Adams, et al., 1995; Gray, et al., 1995a; Hackston and Milne, 1996; Adams, et al., 1998; Parker, 2008/2009) and Asian countries (Andrews, et al., 1989; Tsang, 1998; Jamil, et al., 2002; Newson and Deegan, 2002; Kuasirikun and Sherer, 2004; Gao, 2005), which suggest that corporations generally provide social disclosure, particular on employee-related information. Second, community disclosure is lower than voluntary employee disclosure, ranging from 0.11 pages to 1.89 pages; however, community disclosure in Hong Kong is the highest of the sample. These findings are consistent with those of Gao (2005) who found that the highest volume of disclosure is community disclosure in Hong Kong. The most common disclosure in this category included community involvement and charitable donations. Third, responsible gambling disclosure, a sub-category of consumer disclosure, is a relatively low volume of disclosure ranging from 0.02 pages to 0.1 pages. Further explanation will be given in Section 4.5.3.4.

#### **4.5.3.2 Voluntary employee disclosure**

This section focuses on voluntary employee disclosure. The predominance of voluntary employee disclosure is evident, with three gambling companies in South Africa undertaking the highest volumes of this type of disclosure, followed by the UK, the US and Australia (Figure 13). The UK has legislation to disclose employee information, for example Employee Data, Employee Pension and Employee Disability (Section 4.5.1.2). However, not all the sample countries have reporting requirements to disclose mandated employee disclosure. The common types of mandatory employee disclosure are those related to Employee Pension and Employee Share Ownership (Appendix 9). In

particular, the US, Australia, Hong Kong and Macao, do not have reporting requirements to disclose mandating employee disclosure, for example Employee Data, Employee Disability, Employee Health and Safety (Appendix 9). As a result, for those countries, employee information, for example Employee Equal Opportunity and Employee Others, is categorised as voluntary employee disclosure. The following text is one of the examples of Employee Others.

*Many companies in Hong Kong have been forced to lay off staff and often, part-timers have been the first to go – but the Club has given a commitment not to make layoffs unless absolutely necessary, aware that the stable and reliable income its racing and betting operations provide means so much to so many people in Hong Kong from all walks of life.*

(Hong Kong, the Hong Kong Jockey Club, 2008:20)

#### 4.5.3.3 Community disclosure

**Figure 14: Average volume of voluntary social CSD across six countries (consumers, responsible gambling and community)**

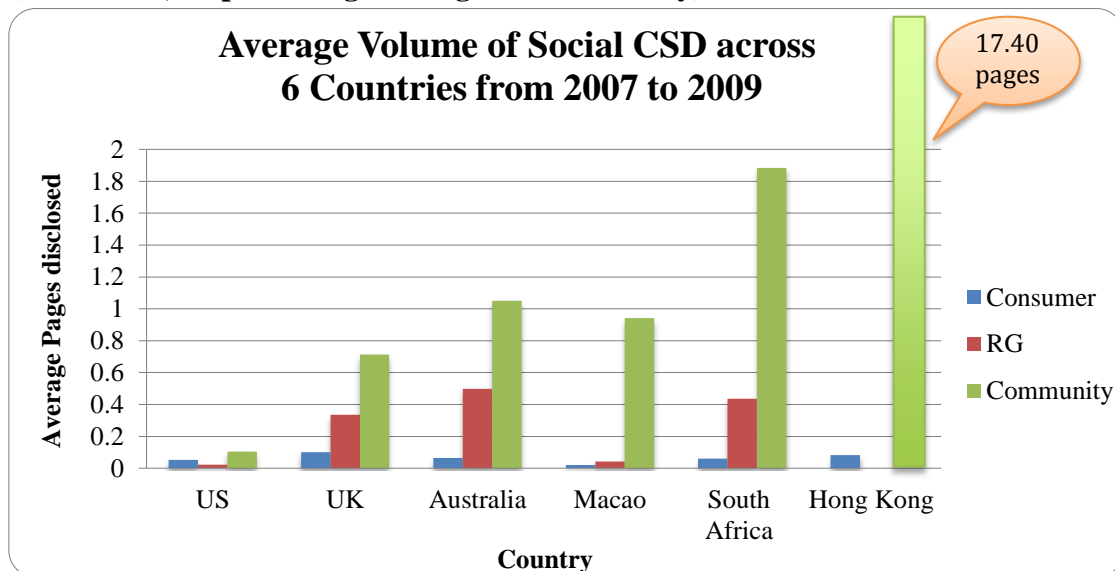


Figure 14 shows the average volume of social disclosure in terms of three categories. The company in Hong Kong undertook the highest average volume of community disclosure with a maximum of 17.4 pages; however, caution should be exercised interpreting this data (Section 4.4.2).



*“Some HK\$13 billion a year from the Club’s racing, football and Mark Six operations goes to Government as duties or taxes – a major contributor to public spending. Another HK\$1 billion-plus is set aside annually from the Club’s surplus for charitable and community projects, benefiting tens of thousands more local citizens from all walks of life.”*

(Hong Kong, the Hong Kong Jockey Club, 2008:18)

In contrast, the UK, the US, Australia and Macao, have far a much lower volume of disclosure on average 1 page. The disclosure tends to take the form of descriptive and monetary statements. In these countries, community disclosure is often in voluntary, rather than mandatory disclosure in annual reports. These findings are not in line with those of previous studies, which found that community disclosure is a higher priority than other types of disclosures in the annual reports of the “higher” profile companies (such as retailers, brewers, petrochemicals), which interact directly with consumers than in their annual reports of “lower” profile companies (for example chemicals, intermediates and aggregates) (Campbell, 2000; Campbell, et al., 2006). Surprisingly, the US has a relatively low volume of community disclosure since most of the annual reports in the US sample were in 10-K form, which had special disclosure requirements at the New York Stock Exchange.

#### 4.5.3.4 Consumer (responsible gambling) disclosure

Figure 15: Average volume of consumer and RG disclosure across 6 countries

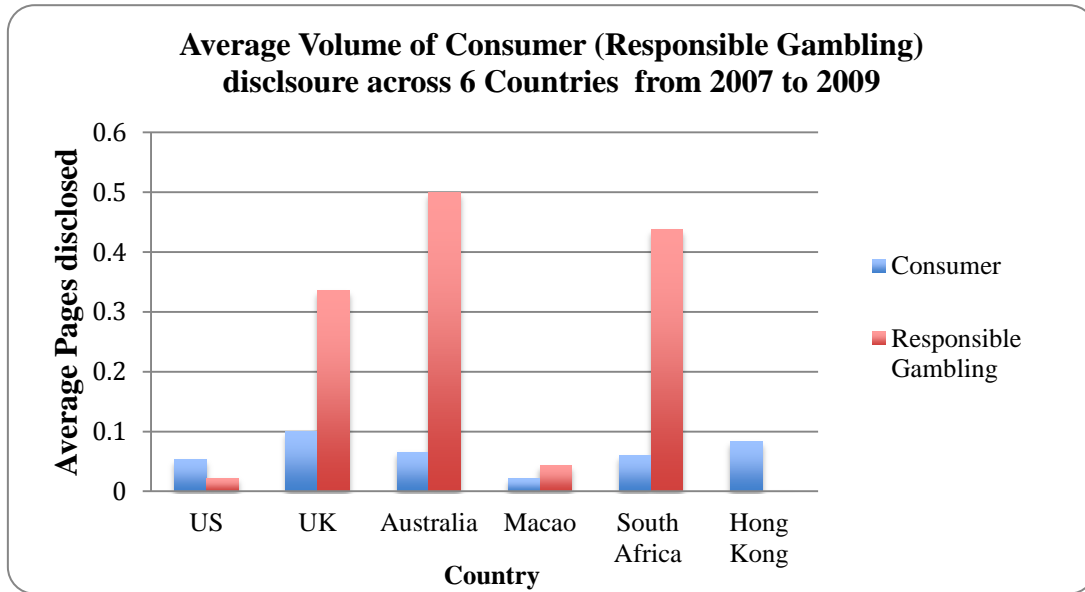


Figure 15 shows the average volume of RG disclosure compared to consumer disclosure. After reviewing the RG literature (Chapter 2), conducting a preliminary study of content analysis and conducting a pilot interview in 2009 (Chapter 3), this category appears to be unique to the gambling industry. RG tends to incorporate the concept of consumer (gamblers) and public protection from gambling-related adverse effects; therefore, this category was included as a sub-category of consumer disclosure (Chapter 3). This category is highlighted in the literature to show how the gambling companies have a role to play in RG and managing their social impacts.

The nature of the industry has been considered a contributory factor affecting the level of CSD. Companies in more sensitive industries are more likely to disclose more CSD information (Adams, et al., 1998). In the case of the gambling industry, organisations in this industry have been facing the ongoing threat to its legitimacy: in the form of gambling addiction and health-related issues (Chapter 2). The legitimacy threat can create a significant legitimacy gap. Thus, these organisations might engage in efforts to

reduce this gap through deploying CSD more strongly (see Campbell, et al., 2003). These organisations can be expected to disclose high volume of RG disclosure in relation to customers. Table 11 shows that 44% and 30% of the sample disclose responsible gambling and consumer-related information. Surprisingly, the results show that the volume of RG disclosure is the second lowest with below 0.22 pages, followed closely by consumer disclosure with average 0.06 pages (Figure 14). At a national level, gambling companies in Australia, South Africa, and the UK have the volume of RG disclosure with 0.50 pages, 0.44 pages and 0.33 pages respectively. In contrast, the US and Macao shows almost nothing with 0.02 and 0.04 pages. Interestingly, the sample of one Hong Kong company shows no disclosure and the reason could be explained that there is only one sample from Hong Kong, and this company is a non-profit organisation.

This section attempts to explain a possible reason of relative low volume of RG disclosure. This industry tends to disclose RG information in relation to voluntary employee disclosure and community disclosure, rather than customer disclosure. Interestingly, RG disclosure appears to concentrate on employee training programmes in identifying high risk behaviours on site and educating employees to have RG awareness. Such disclosures are predominately declarative and are classified as “Employee Others”, rather than under “Consumer” disclosure. The tone and orientation of RG disclosure accorded closely with Lindblom’s (1993) third legitimacy strategy. Gambling companies appear to distract attention away from the customer protection towards employee protection with satisfactory performance within RG.

### ***Responsible Gaming***

- *We promote responsible gaming to the public and staff members via the following channels: Placed new Responsible Gaming materials including brochures and posters, at the main entrances and back-of-house areas... to alert both the public and our staff members of the importance of responsible gaming.*
- *Established Macau's first and only Responsible Gaming Support and Counselling Hotline to **provide employees with twenty-four hours**, seven days a week telephone counselling, individual face-to-face counselling and online counselling are also provided as needed.*
- *Established guidelines for **staff members to take online and classroom trainings** so that they are aware of the risks associated with problem gambling*
- *Established procedures for **all staff members to take a Mandatory Responsible Gaming Education** and yearly Responsible Gaming training refresher courses.*
- *Established procedures for **staff members to provide self-exclusion services** to our patrons if needed.*

(Macao, Galaxy 2009:28: Emphasis added)

The findings indicate that the volume of RG disclosure appears to be relatively low. This implies that RG is thought not to be an main issue. In particular, RG is typically designed to promote consumer protection (Blaszczynski, et al., 2004; 2011). Yet, RG disclosure in gambling companies' annual reports tend to report information concerning employee training programmes, mandatory or voluntary codes of RG practices and gambling regulation, rather than customer protection.

The volume of RG disclosure ranges between relatively low and nothing. These findings are in line with CSD studies in the controversial industries, particularly in the tobacco industry in the UK and Australia (Campbell, et al., 2003; Tilling and Tilt, 2010) and in the mining industry in South Africa (De Villiers and van Staden, 2006), which found that reducing disclosure can be viewed as a legitimising strategy. These findings are consistent with O'Donovan (2002) who found that the lower the perceived

legitimacy of the organisation, the less likely it was to bother providing CSD disclosure. The finding suggests that gambling companies are socially constructed as illegitimate so that social disclosure would be of “no effective value” (Campbell, et al., 2003). Indeed, these findings for organisations in the gambling industry building or establishing legitimacy are totally different from those organisations repairing or maintaining legitimacy, particularly, previous CSD studies on unforeseen crisis or unexpected disasters, such as the oil spills (Patten, 1992; 2002; Elsbach and Sutton, 1992; Elsbach, 1994; Deegan, et al., 2000).

Organisations attempting to build legitimacy might feel that the costs of disclosures are higher than the benefits (Campbell, et al., 2003). Therefore, the best strategy for organisations in the gambling industry appear to be to remain silent. Thus, they would wish to restrict the public’s knowledge of gambling- and health-related issues as long as they could (O’Donovan, 2002). Such companies seem to make low or no social disclosures so stakeholders are being slowly neglected by such social disclosure, particularly the gambling addiction and health-related issues (see Campbell, et al., 2003). Thus, low or no RG disclosure in the gambling industry could be viewed as a proactive strategy (O’Donovan, 2002). Importantly, these findings are in line with Owen and O’Dwyer (2008) who found that voluntary social disclosure appears to report favourable managerial accounts of positive information, rather than negative information (see Solomon and Lewis, 2002). However, it remains questionable on whether or not these organisations can truly embrace transparency. Transparency concerning this sensitive area remains unsatisfactory and invisible based on the findings in this section.

#### 4.5.3.5 Voluntary other disclosure

This section is mainly focused on voluntary other disclosure regarding environment-related and economic disclosure.

#### 4.5.3.6 Environmental disclosure

Table 11 shows 72% of the environmental information disclosed by the sampled companies general statements, rather than of detailed discussion of special issues, such as climate change<sup>77</sup> and carbon footprint disclosure<sup>78</sup> (KPMG, 2005, 2008).

*“Central to our understanding of good corporate citizenship is our commitment to sustainable development. Apart from the implementation of internationally recognised **environmental management systems**, the group actively participates in the **Heritage environmental rating programme** which commits us to high and demand standards in respect of responsible tourism and business practices”.*

(South Africa, Sun International Limited, 2010:28, 29: emphasis added)

*“The Group participates in the Federal Government’s **Energy Efficiency Opportunities initiative** and in December 2008 published its initial report regarding opportunities that have been identified to reduce energy consumption. ... The Group has also registered for the Federal Government’s **National Greenhouse Energy Reporting System**. Tabcorp is required to submit details of its energy consumption and emissions by 31 October 2009”.*

(Australia, Tabcorp, 2009: 9: emphasis added)

Organisations in the gambling industry tend not to focus on environmental disclosure and can be regarded as the environmentally less sensitive industry. These findings are

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<sup>77</sup> According to KPMG (2008, p.49), climate change has emerged as one of the most important issues in Corporate Social Responsibility and has posed potential risks to companies around the world, including physical, regulatory, litigation, or reputational. Of G250, 57% address the business risk of climate change in their reports; however, 68% of the N100 do not address this issue (KPMG, 2008, p. 49).

<sup>78</sup> Carbon footprint reporting is not very common in the industry; however, companies are starting to take opportunities and risks in relation to climate change seriously (KPMG, 2008).

consistent with those of prior studies (KMPG, 2005; 2008). The gambling industry can be classified under the sector of “other services”<sup>79</sup> as a rough indicator to compare its CSD level with other sectors. Of the “other services” sector in G250, 31% address the business risk to the environment, for example climate change, but CSD level of “other services” sector is not as high as the top three sectors, including mining, utilities and metals (KMPG, 2005) (Appendix 17). The trend is similar for the N100 in the “other services” sector, which shows a relatively low percentage addressing the climate change issue (KMPG, 2005). These findings imply that this sector is lagging behind other sectors in its disclosure about climate change issues.

In addition, these findings are in line with those of CSD studies in the area of environmental sensitivity<sup>80</sup> according to which the gambling industry can be classified as the environmentally less sensitive industry (Adams, et al., 1998), rather than the environmentally sensitive industry, such as, the chemical, metals, and mining industries (Cho, et al., 2010). Other CSD studies have divided the sectors into two main groups: high profile companies<sup>81</sup> and low profile<sup>82</sup> companies (Patten, 1992; Roberts, 1992; Hackston and Milne, 1996; Newson and Deegan, 2002). In general, high profile companies are more likely to have higher levels of CSD than low profile companies. The nature of the gambling industry appears to cause the environmental issue to become less important.

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<sup>79</sup> The “Other services” sector comprises computer services and software, diversified outsourcing services, entertainment, health care, hotel, casinos, resorts, mail, package and freight delivery (KMPG, 2005 and Appendix 17). The “Other services” sector can provide a rough indicator of the situation of the gambling industry so as to compare its CSD level with other sectors.

<sup>80</sup> Environmental sensitivity has been considered a key factor in determining the level or amount of CSD (Harte and Owen, 1991; Deegan and Gordon, 1996). A number of CSD studies in the United States, Europe and Australia (Cowen, et al, 1987; Patten, 1991, 1992, 2002; Hackston and Milne, 1996; Cho and Patten, 2007; Aerts and Cormier, 2009) suggest that companies with higher sensitivity on the natural and environmental issue appear to make more environmental disclosures than those with lower sensitivity.

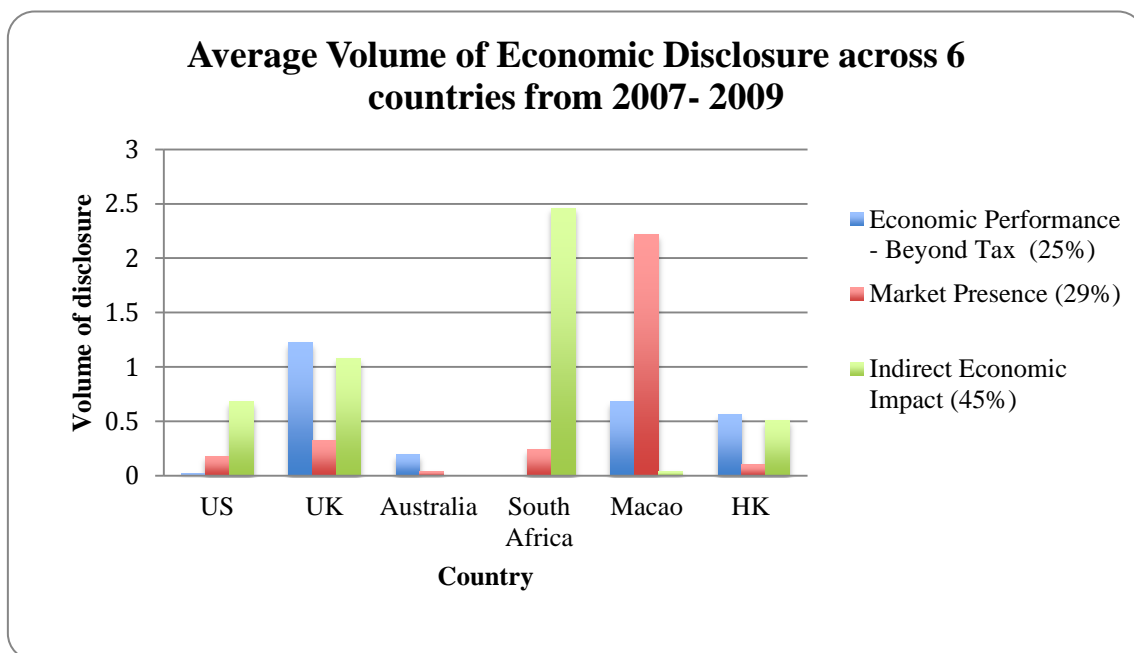
<sup>81</sup> Companies in high profile industries, for example, the automobile, airline, oil industry, raw material extraction, chemical, wood, paper and forestry (Roberts, 1992; Newson and Deegan, 2002).

<sup>82</sup> Low-profile industries, including the food, health and personal products, hotel, household products, services, health care, computers and electronic industries (Roberts, 1992; Newson and Deegan, 2002).

In particular, since Macao and Hong Kong also have similar political and economic backgrounds, the volume of environmental disclosure in the sample of Macao and Hong Kong is relatively low with an average 1.3 pages. These findings are consistent with those of previous studies, which indicate that the level of environmental disclosure is relatively low in Asian countries, such as Singapore (Newson and Deegan, 2002), Malaysia (Jamil, et al., 2002) and Hong Kong (Jaggi and Zhao, 1996; Gao, 2005). In particular, both Jaggi and Zhao's (1996) and Gao's (2005) studies suggest that companies in Hong Kong disclosed little environmental information in the 1990s and companies tend to disclose in brief, descriptive and narrative statements.

#### 4.5.3.7 Economic disclosure

**Figure 16: Average volume of economic disclosure across 6 countries from 2007-2009**



Although economic disclosure accounts for 49% of all the sample (Table 11), this type of disclosure appears to be the third lowest volume of disclosure among nine categories (Section 4.5). These findings are in line with those of the KPMG (2005) report, which found that only a minority of companies in G250 discuss the economic impact of their



business operations as it is not easy to measure the social gains of economic activity.

Economic disclosure can be viewed as fundamental information in the annual reports. Nearly all gambling companies provide basic “economic performance” information, such as profits, revenue and sales, as well as the amount of tax paid to the government, in their annual reports. These findings are consistent with those of the KPMG (2005) report, which found that 77%<sup>83</sup> of G250 companies provide such information. Yet, 45% of gambling companies reported economic disclosure<sup>84</sup>, which comprised economic performance beyond taxation<sup>85</sup>, market presence,<sup>86</sup> and indirect economic impact<sup>87</sup>, in their reports (Section 4.1). Examining the economic disclosure in detail, indirect economic impact shows 45% in economic disclosure that gambling companies draw particular attention to the economic impact of their operation on the local community. These findings are similar to those of the KPMG (2005) survey.

At national level, South African gambling companies show the highest volume of indirect economic impact disclosure and provide the information about infrastructure investment to the local community, while Australian gambling companies pay little attention to indirect economic impact. These findings are in line with those of the CSR literature, which report that companies are likely to claim economic contribution to developing countries (Visser, 2008; CSR in Asia, 2009).

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<sup>83</sup> of G250 companies, 61% provide basic information on their economic performance, such as profits and sales in their Corporate Responsibility Reports and 16% of G250 companies provide information about tax issues, such as tax payment. 6 % of the companies receive little attention in economic issues concerning fair trade and fair competition (KPMG, 2005).

<sup>84</sup> The decision rule of economic disclosure is broadly followed by the Global Reporting Initiative’s (GRI) Sustainability Guidelines (GRI, 2002).

<sup>85</sup> Economic performance refers to significant financial assistance from government (GRI, 2002).

<sup>86</sup> Market presence refers to procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation (GRI, 2002).

<sup>87</sup> Indirect economic impact refers to development and impact of infrastructure investments and services provided, provided primarily for public benefit through commercial, in-kind, or pro bono engagement, understanding and describing significant indirect economic impacts (GRI, 2002).

*“The resort has significantly acted a catalyst for other major new investment in public and private infrastructure in the area and has been responsible for a wide variety of new hotels and lodges, new retail, public utility spending and investments by tourism operators”.*

(South Africa, Sun International Limited, 2008:19: emphasis added)

The second highest volume of the economic disclosure is “market presence” with 29%. At a national level, Macao shows the highest volume of disclosure in market presence, and economic disclosure typically focuses on hiring the local people and recruiting a proportion of senior managers from the local community.

*“Our deep local knowledge and experience are vital resources as we strive to expand and further develop our operations. In doing so, we will continue to promote the sustainable prosperity of Macau, **the home of over 90% of our employees.**”*

(Macao, SJM Holdings Limited 2009:6: emphasis added)

The last category is economic performance beyond taxation, which shows 25% in economic disclosure. At a national level, the UK gambling companies are the highest in this category, followed closely by Macao and Hong Kong.

*“The Group has invested a large amount of time and money in pursuing a number of fiscal neutrality claims. In simple terms, EU VAT principles require that similar services are taxed in the same way. A major case in the European Court of Justice (Linneweber) was a key precedent for the gambling industry and is the basis for a number of claims being made.”*

**(UK, The Rank Group PLC 2008:30)**

Since the gambling industry can be regarded as a socially sensitive industry, the industry tends to focus on social disclosures including voluntary employee, community,

consumer and RG, rather than non-social disclosure, including environmental and economic-related information. However, reporting on information concerning gambling addiction and health-related issues seems to be absent in this industry.

#### **4.6 Corporate size and volume of corporate social disclosure (CSD)**

The CSD literature suggests that corporate size is generally recognised as an important factor affecting the level of CSD and as an essential explanatory variable (Cowen, et al., 1987; Roberts, 1992; Patten, 1991, 1992, 2002; Gray, et al., 1995a; Deegan and Gordon, 1996; Hackston and Milne, 1996; Adams, et al., 1998; Cormier and Magnan, 2003; Cho, et al., 2010). This means larger companies tend to disclose more social and environmental information than smaller companies (Andrew, et al., 1989; Williams, 1999; Gao, 2005). Additionally, the CSD literature undertaken in Asia-Pacific nations<sup>88</sup> suggests the same result. However, some CSD studies have shown the inverse relationship between corporate size and volume of disclosure and no size effect in the US sample (Roberts, 1992), in the Hong Kong sample (Lynn, 1992) and in the US and Belgium sample (Bouten, et al., 2012). This section is to find out whether this relationship also holds for the gambling industry.

Corporate size has been measured by different factors in previous studies, including market capitalisation, (Guthrie and Parker, 1990; Hackston and Milne, 1996; Newson and Deegan, 2002), number of employees (Abbott and Monsen, 1979), turnover (Gao, 2005; Deegan and Gordon, 1996; Adams, et al., 1998) and total assets (Trotman and Bradley, 1981; Brammer and Pavelin, 2004; Cho, et al., 2010). Market capitalisation is chosen to analyse corporate size because of the higher chances of getting English

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<sup>88</sup> Asia-Pacific region refers to Australia, Singapore, Hong Kong, Philippines, Thailand, Indonesia, and Malaysia

language annual reports from the publicly listed companies (Adams, et al., 1998) and a consistency with prior CSD studies of international comparison (Guthrie and Parker, 1990; Hackston and Milne, 1996). Market capitalisation was collected from Thomson Reuters DataStream.

**Table 12: National comparison between corporate size and volume of disclosure**

Enterprise	Market Capitalisation <sup>89</sup> BPN (million <sup>90</sup> ) 2007-2009	Rank	Total average disclosure 2007-2009 (pages)	Rank	Total average mandatory disclosure 2007- 2009 (pages)	Rank	Total average voluntary disclosure 2007-2009 (pages)	Rank
Sands	11,182,220	1	6.15	22	4.37	19	1.91	18
Harrah	9,375,997	2	8.34	14	6.61	11	0.64	26
MGM	6,380,557	3	6.33	21	2.53	22	2.91	10
Wynn	5,806,120	4	4.05	27	1.73	25	2.67	12
Station	3,072,920	5	6.57	20	5.15	16	4.76	5
Crown	2,948,320	6	13.24	8	8.41	10	2.35	15
Tabcorp	2,577,887	7	7.32	17	6.27	12	2.87	11
Aristocrat	2,060,715	8	10.81	13	5.03	17	0.11	28
Tatts	1,757,970	9	12.11	9	11.23	6	1.86	19
Penn	1,591,467	10	4.69	26	5.01	18	0.55	27
William Hills	1,460,527	11	18.72	5	13.63	4	3.8	6
Ladbroke	1,233,000	12	18.97	4	16.88	2	2.18	17
Galaxy	1,137,210	13	15.22	7	11.93	5	3.32	9
Boyd	933,260	14	4.75	25	2.03	24	0.85	24
Sun	875,520	15	23.26	2	14.68	3	15.72	2
SkyCity	797,450	16	11.66	10	2.98	21	14.55	3
SJM	792,267	17	6.84	19	3.08	20	0.92	23
Melco	592,117	18	25.36	1	18.17	1	3.37	8
Ameristar	562,467	19	3.59	28	2.48	23	1.21	22
Gold Reef	486,400	20	17.96	6	10.61	7	5.59	4
Pinnacle	462,820	21	7.04	18	5.69	15	2.23	16
The Rank	417,733	22	11.64	11	8.53	9	2.45	14
Peermont	145,657	23	5.42	23	1.13	27	3.71	7
Ainsworth	20,590	24	10.81	12	9.68	8	1.25	21
Gala Coral	---	25	8.18	15	6.15	13	2.61	13
The Tote	---	26	8.05	16	6.13	14	1.8	20
Camelot	---	27	4.79	24	0.49	28	0.75	25
Jocky Club	---	28	21.5	3	1.39	26	20.48	1

<sup>89</sup> Each country group represents the US, the UK, Australia, Macao, South Africa, and Hong Kong. Market capitalisation provides an alternative measure to other such measures of size as number of employees, turnover, and total assets. The purpose of the correlated coefficients test between the other size measures is to check whether they are different from each other. All these alternative measures are highly and positively correlated with market capitalisation. Among the sample of the US companies, market capitalisation has a strong positive correlation with other measures of size, for example number of employees, turnover, and total assets with correlation coefficients of 97%, 96%, and 97% respectively. In the sample of the UK companies, market capitalisation has a positive correlation with others with correlation coefficients of 0.46%, 0.97% and 0.95% respectively. In the sample of the Australian companies, market capitalisation has a positive correlation with others with correlation coefficients of 0.67%, 0.65%, and 0.81%. In the sample of the Macao companies, market capitalisation has a positive correlation with others with correlation coefficient of 0.42%, 0.62%, and 0.64%. In the sample of the South African companies, market capitalisation has a positive correlation with others with 0.99 %, 0.99%, and 0.99%.

<sup>90</sup> Since the sample includes six countries, the currency is standardised in Pound Sterling. The currencies are counted into Pound Sterling to make the companies comparable.

Table 12 shows the relationship between corporate size and volume of CSD in gambling companies in six countries. Market capitalisation across the gambling companies varies greatly from £11,182,220 million to £20,590 million based on market capitalisation from 2007 to 2009 (see Footnote 89). Further analysis is needed; thus, the total average disclosure can be divided into total average mandatory disclosure and total average voluntary disclosure. Each market capitalisation column and the three types of disclosure columns are associated with rank columns. The results show that there is no clear relationship between corporate size and volume of CSD (including total average disclosure, total average mandatory disclosure, and total average voluntary disclosure). For example, Sands Corp in Macao ranks first in market capitalisation; however, this company ranks 22<sup>nd</sup> in total average disclosure, 19<sup>th</sup> in total average mandatory disclosure and 18<sup>th</sup> in total average voluntary respectively. Another example is Boyd Gaming Corporation in the US. The result shows that this company ranks 14<sup>th</sup> in market capitalisation; however, this company ranks 25<sup>th</sup> in total average disclosure, 24<sup>th</sup> in total average mandatory disclosure and 24<sup>th</sup> in total average voluntary disclosure. Ainsworth Game Technology ranks 24<sup>th</sup> in market capitalisation. Yet, this company ranks 12<sup>th</sup> in total average disclosure, 8<sup>th</sup> in total average mandatory disclosure and 21<sup>st</sup> in total average voluntary. The findings of all sampled gambling companies are inconsistent with those of prior studies (Andrews, et al., 1989; Williams, 1999; Gao, 2005), which found that larger gambling companies generally appear to disclose more CSD than smaller gambling companies.

**Table 13: Kendall and Spearman rank correlation coefficient for all companies over 3 years (2007- 2009)**

2007		Kendall			Spearman			
	size	Total average disclosure	Total average mandatory	Total average voluntary	size	Total average disclosure	Total average mandatory	Total average voluntary
size	1				1			
Total average disclosure	-0.219 1	1			-0.3325 0.1409	1		
Total average mandatory	-0.1905 1	0.7619* 0	1		-0.2597 0.2555	0.8247* 0	1	
Total average voluntary	-0.1619 1	0.4476 0.0299	0.2095 1	1	-0.2364 0.3023	0.6169* 0.0029	0.3273 0.1476	1
2008		Kendall			Spearman			
	size	Total average disclosure	Total average mandatory	Total average voluntary	size	Total average disclosure	Total average mandatory	Total average voluntary
size	1				1			
Total average disclosure	-0.1542 1	1			-0.2302 0.2906	1		
Total average mandatory	-0.1542 1	0.8419* 0	1		-0.2342 0.2821	0.9625* 0	1	
Total average voluntary	-0.0711 1	0.4427 0.0202	0.3004 0.2852	0.996	-0.1048 0.6343	0.6093* 0.002	0.4255 0.0429	1
2009		Kendall			Spearman			
	size	Total average disclosure	Total average mandatory	Total average voluntary	size	Total average disclosure	Total average mandatory	Total average voluntary
size	1				1			
Total average disclosure	-0.2029 1	1			-0.3096 0.141	1		
Total average mandatory	-0.1957 1	0.8333* 0	1		-0.2774 0.1894	0.9478* 0	1	
Total average voluntary	-0.087 1	0.3478 0.1107	0.1812 1	1	-0.1304 0.5435	0.5139 0.0102	0.28 0.1851	1

\* Significant level at 1% level.

Table 13 provides a simple Spearman and Kendall rank correlation coefficients for all the sampled gambling companies by year (from 2007 to 2009). The result in Table 13 is consistent with the result as shown in Table 12. All rank correlation coefficients between corporate size and different measures of CSD are not significantly different from zero. These findings indicate that there is no relationship between corporate size and volume of disclosure (including total average disclosure, total average mandatory disclosure, and total average voluntary disclosure). Total average mandatory disclosure and total average voluntary disclosure are positively correlated with total volume of total disclosure, but total average mandatory disclosure is not correlated with total average voluntary disclosure.



**Table 14: Kendall and Spearman rank correlation coefficient for each country group over 3 years (2007- 2009)**

US	Kendall				Spearman			
	size	Total average disclosure	Total average mandatory	Total average voluntary	size	Total average disclosure	Total average mandatory	Total average voluntary
size	1				1			
Total average disclosure	0.1961	0.9935			0.2426	1		
	1				0.332			
Total average mandatory	0.4118	0.7059*	1		0.5645	0.8653*	1	
	0.1131	0.0003			0.0147	0		
Total average voluntary	-0.2484	0.3725	0.1176	0.9935	-0.3872	0.4726	0.1724	1
	0.9646	0.2019	1		0.1124	0.0476	0.4939	
<b>UK</b>	<b>Kendall</b>				<b>Spearman</b>			
	size	Total average disclosure	Total average mandatory	Total average voluntary	size	Total average disclosure	Total average mandatory	Total average voluntary
size	0.9167				1			
Total average disclosure	0.1944	1			0.4238	1		
	1				0.2557			
Total average mandatory	0.3611	0.6667	1		0.5764	0.8333*	1	
	1	0.0989			0.1043	0.0053		
Total average voluntary	-0.1389	0.1667	-0.1667	1	-0.1865	0.2333	-0.1333	1
	1	1	1		0.631	0.5457	0.7324	
<b>Australia</b>	<b>Kendall</b>				<b>Spearman</b>			
	size	Total average disclosure	Total average mandatory	Total average voluntary	size	Total average disclosure	Total average mandatory	Total average voluntary
size	1				1			
Total average disclosure	-0.0441	1			0	1		
	1				1			
Total average mandatory	-0.0735	0.6176*	1		-0.098	0.6495*	1	
	1	0.0038			0.7082	0.0048		
Total average voluntary	0.25	0.4118	0.0294	1	0.3775	0.5539	0.076	1
	1	0.1409	1		0.1353	0.021	0.7719	
<b>Macao</b>	<b>Kendall</b>				<b>Spearman</b>			
	size	Total average disclosure	Total average mandatory	Total average voluntary	size	Total average disclosure	Total average mandatory	Total average voluntary
size	1				1			
Total average disclosure	-0.6324*	1			-0.8162*	1		
	0.0028				0.0001			
Total average mandatory	-0.5294	0.8676*	1		-0.7181*	0.9559*	1	
	0.0207	0			0.0012	0		
Total average voluntary	-0.6471*	0.5735*	0.4412	1	-0.7941*	0.7475*	0.5686	1
	0.002	0.0091	0.0905		0.0001	0.0006	0.0172	
<b>South Africa</b>	<b>Kendall</b>				<b>Spearman</b>			
	size	Total average disclosure	Total average mandatory	Total average voluntary	size	Total average disclosure	Total average mandatory	Total average voluntary
size	1				1			
Total average disclosure	0.3333	1			0.4286	1		
	1				0.3374			
Total average mandatory	0.3333	1	1		0.4286	1.0000*	1	
	1	0.016			0.3374	0		
Total average voluntary	0.2381	0.3333	0.3333	1	0.2857	0.5	0.5	1
	1	1	1		0.5345	0.2532	0.2532	

Table 14 provides a simple Spearman and Kendall rank correlation coefficients for each country group (including the US, the UK, Australia, Macao, and South Africa) from 2007 to 2009; however, Hong Kong is removed from the analysis because there is only one company in Hong Kong. Overall, the results show that there is no direct relationship between corporate size and the three types of disclosure. The results for each country group are similar to those for all gambling companies (Tables 12 and 13). However, there is some evidence showing a significant relationship between corporate size and the three types of disclosure. First, the sample in Macao shows a significant negative correlation between corporate size and the volume of disclosure regardless of its nature (i.e. mandatory or voluntary). The findings show inconsistencies with those of prior studies (Andrews, et al., 1989; Williams, 1999; Gao, 2005), which found that the larger gambling companies generally appear to disclose more CSD than smaller gambling companies. In Macao, smaller gambling companies appear to disclose more CSD than larger gambling companies.

Two possible explanations can be offered for this phenomenon. First, in the Macao sample, since Wynn Resort, Limited, Las Vegas Sands Corp., and MGM Mirage are originally from the USA, the annual reports from the parent companies (the country of origin), rather than the subsidiary companies in Macao, were examined. Second, for Macao's gambling market, both Wynn Macao Ltd. and Sands China Ltd<sup>91</sup> published their annual reports for the year-end 31 December 2009, while MGM China Holdings Ltd published annual reports for December 31, 2011 (Wynn Macao Ltd., 2010; Sands China Ltd., 2010; MGM China Holdings Ltd, 2012). The researcher started to collect all

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<sup>91</sup> Wynn Macao, Ltd., Sands China Ltd., and MGM China Holdings Ltd. were also traded on the mainboard of the Hong Kong Stock Exchange in 9 September, 2009, 30 November, 2009 and 3 June, 2011 respectively (The Hong Kong Stock Exchange, 2012a; 2012b; 2012c). These three gambling companies are also a subsidiary of NASDAQ listed Wynn Resorts, Limited, Las Vegas Sands Corp., and MGM Mirage.

the annual reports at the end of 2009 and examined at the beginning of 2010. It was not possible to obtain a subsidiary annual report for the whole period from 2009 to 2011. Wynn Macao Ltd and Sand China Ltd. Limited, for example, did not publish first a subsidiary annual report until 2009 and MGM China Holdings Ltd did not publish their subsidiary annual report until 2011. Therefore, the annual reports from parent companies were chosen in this thesis.

Second, the US sampled companies show positive and significant correlation between corporate size and total average mandatory disclosure. Total average mandatory disclosure is part of the total average disclosure. Total mandatory disclosure is higher than the voluntary disclosure as shown in Figure 6. The reason for this is not obvious, but it might relate to national reporting practices. Perhaps, the US companies appear to follow the US reporting legislation by different authorities, such as the Financial Accounting Standard Board (FASB) and the United States Securities Exchange Commission (SEC). The larger US gambling companies generally appear to disclose more mandatory disclosure in relation to information concerning employees, directors and environment than smaller gambling companies.

Overall, these findings in Tables 12, 13 and 14 are largely not in line with those of mainstream CSD studies, which found a positive relationship between corporate size and volume of disclosure (Andrews, et al., 1989; Williams, 1999; Gao, 2005). The findings of this thesis are consistent with the findings of no size effect in the US and Belgium sample (Bouten, et al., 2012), in US sample (Roberts, 1992) and in Hong Kong (Lynn, 1992). Perhaps, such large variations indicate that especially the larger firms are not only operating in the gambling industry but also in other related industries, such as

the hotel industry. These findings suggest that organisations in the gambling industry tend to operate on a national, rather than an international level. This raises the question of the local orientation in their disclosure.

There are two particular aspects to support this argument. First, the gambling industry appears to employ local, rather than international, reporting practices as a point of reference in their annual reports. The findings suggest that the gambling companies tend to follow local or national reporting standards, for example The Companies Act 2006 (the UK), The Corporations Act 2001 (Australia) and The King III Code on Corporate Governance 2008 (South Africa). Nevertheless, the gambling industry did not generally apply any global reporting standards, codes, and guidelines, such as SA 8000, AA 1000 guideline<sup>92</sup> and the GRI Sustainability Guidelines. Yet, some of the gambling companies followed certain international reporting standards, such as ISO 9001, ISO 14001, and ISO 26000.

Second, the gambling companies tend to make references to national, rather than international authorities. In this sample, the UK gambling companies tended to make references to national authorities, such as the Gambling Commission, the British Gambling Prevalence Survey and the Association of British Bookmakers in their annual reports. Australian gambling companies appeared to make references to national bodies, such as The Australia Gaming Council, the Australasian Casino, and the Victorian Responsible Gambling Ministerial Advisory Council.

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<sup>92</sup> The AA1000 guidelines from AccountAbility provides guidance on how to establish a systematic stakeholder engagement process that generates the indicators, targets and reporting systems needed to ensure its effectiveness in impacting on decisions, activities and overall organisational performance (KPMG, 2005, p. 43).

At industry level, there is the absence of an international gambling association or authority which might develop an international standard of RG codes, practices and guidelines so that the gambling industry can follow RG. This phenomenon is not clear, but it might be something to do with the inadequate industry reporting requirements (Blaszczynski, et al., 2011). On account of the unexpected weak pressure from international organisations, there was insufficient pressure to regulate this industry. Indeed, the gambling industry is entirely not in line with other industries. The Australian mineral industry, for example, has some guidelines for Sustainable Development (KPMG, 2005). The tobacco industry has international standards<sup>93</sup> of The Framework Convention on Tobacco Control (FCTC) developed by the World Health Organisation (Moerman and Van Der Laan, 2005). Hence, the selected gambling companies in this thesis obviously do not follow any international standard of RG practices, but national, industry-based standards of RG practices. Each company seems to apply the mandatory or voluntary codes of RG practices proposed by the host country, such as the UK, Australia, and South Africa.

#### **4.7 Concluding remarks**

This chapter provides a preliminary international exploration of gambling companies' CSD across six countries. The findings show that CSD provided by all the sampled gambling companies appears to be relatively low. There are four key findings in this chapter. First, not surprisingly, disclosures are mostly dominated by mandated disclosure in relation to employees and directors. These findings are in line with those of prior CSD studies. Second, the role of RG disclosure, concerning customer protection,

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<sup>93</sup> The Framework Convention on Tobacco Control (FCTC) is an international standards on issues, for example, tobacco production, advertising, marketing and prevention of smuggling (Moerman and Van Der Laan, 2005).

cannot be viewed as a major issue in the annual reports. However, the findings show that with no and low RG disclosure a lack of in the sensitive information can be viewed as a proactive legitimising strategy. Arguably, the gambling industry attempts to remain silent concerning gambling addiction and health-related issues. Thus, the gambling industry appears not to develop some symbols, namely CSD and RG disclosure to maintain social legitimacy. Third, there is no relationship between corporate size and the volume of disclosure. These findings suggest that the gambling industry tends to operate on a national, rather than international level since the sampled gambling companies seem to make references to national, rather than international, reporting practices and authorities. Fourth, this industry appears to lack an international gambling association which might develop an international standard of RG codes and practices; and thus the gambling industry in other country can follow RG standards, codes and practices. There is a lack of mimetic process of RG disclosure as there are no international organisations or associations to regulate this industry. These findings imply that the industry is unlikely to have institutional pressure from global and industry levels.

With a range of sampled countries, particularly, the role of RG is unique in this thesis. RG disclosure in the US and Macao shows almost nothing with 0.02 pages and 0.04 pages respectively (Section 4.5.3.4). In particular, only one out of 18 annual reports in the US disclosed RG information, while 3 out of 17 annual reports in Macao disclosed RG information. However, Macao's gambling industry is a unique place for further investigation for a number of reasons. First, Macao's gross gambling revenue has six times outstripped that of Las Vegas as the world's largest gambling market (Eadington and Siu, 2007; The Economist, 2013). Second, the government of Macao, the whole economy and the vast majority of residents are heavily dependent on this industry. Third,

the government of Macao started to introduce RG polices in 2009. Chapters 5, 6 and 7 provide an analysis of semi-structured interview findings in the case of Macao's gambling industry in order to further investigate CSR.

## Chapter 5

### Exploring Internal and External Stakeholders' Perspective of Corporate Social Responsibility

#### 5.1 Introduction

This chapter builds on the content analysis findings of Chapter 4 to develop a deeper understanding of how the concept of CSR is being developed in the gambling industry. Though the concept of CSR varies across country, industry and time, there are few previous studies concerning CSR and legitimacy in the gambling industry (Chapter 2). Semi-structured interviews (Chapters 3) were employed to provide an in-depth investigation to seek more explanations by asking the second research question: *How is Corporate Social Responsibility (CSR) understood in the gambling industry?* This research question is qualitative in nature and uses interviews with 30 internal stakeholders and 19 external stakeholders to explore Macao's gambling industry.

Interviewees were initially asked if they recognised the term CSR. Both internal and external stakeholders' recognition of CSR appeared to be high. Of the 30 internal stakeholders, 25 interviewees recognised this term; whereas, of 19 external stakeholders, 15 interviewees recognised CSR. In general, a number of interviewees tended to find it difficult to expand and elaborate on how Macao's gambling industry has CSR and any responsibilities in any great depth. Some interviewees were very general in their responses as if they had shared everything they knew on the topic and their experience. However, the researcher believed that some interviewees refused to speak openly because they were worried about adverse effects on their company or their work. Some of them had been previously interviewed and what they expressed in the interviews was slightly different from what was written in the previous media reports.



In stark contrast, however, of 30 internal stakeholders, five failed to recognise this term and tended to refer to employee benefits or welfare as “social responsibilities”. These interviewees were unsure if their company operated CSR programmes. Similarly, of 19 external stakeholders, four interviewees, three of whom were gamblers, failed to recognise this term. The gamblers appeared to find it difficult to expand on the topic and limited their comments to RG and employee benefits. They believed that this industry tended not to be considered socially responsible.

There was a fairly strong sense that internal and external stakeholders recognised that the gambling industry has a broad range of stakeholders. However, the findings in this chapter suggest that Macao’s gambling industry appears to prioritise social concerns, and these are limited to corporate philanthropy, employee welfare, and economic development, rather than gambling- and health-related issues.

This chapter is divided into five sections. The first of which introduces the chapter. The second section focus on proactive social concerns, including community, employees, and economic development, were the gambling industry primary responsibility. The third section discusses how most interviewees tended to emphasise and elaborate on Responsible Gambling (RG) and they attached importance to employees, rather than customers, which can be viewed as an avoidance approach by deflecting attention from the perceived problem. The fourth section explores the limited influences of culture on CSR, environmental responsibilities and other responsibilities. Finally, a concluding remark is made at the end of this chapter.

## 5.2. Proactive social concerns as a shield

Although the concept of CSR have been widely debated and contested (Chapter 2), it is possible to identify the broad parameters of the CSR debate in Macao's gambling industry. This industry could be viewed as a socially sensitive industry so it tended to improve social aspects in order to operate unhindered. One executive vice president believed that CSR addressed the "social issues" in any country, but "social issues" were clearly visible in Macao.

*"Everybody has a different [CSR] definition. I define it, as you know to address the social issue of their country in which you operate and how the company has a proactive solution. ... Is it a women issue, a gaming issue, or a youth issue? The issue is related to the industry". (Executive Vice President, Company D)*

### 5.2.1. Community

The most commonly identified responsibility in Macao's gambling industry was social responsibilities towards the local community. The vast majority of internal stakeholders working in all positions in both Chinese and international gambling companies and most external stakeholders referred to this concept. CSR in Macao's gambling industry is widely understood in the narrow sense of social responsibilities, for example corporate donations, sponsorships and employee volunteering, which could all be regarded as types of corporate philanthropy.

*"The Macao gambling industry pays attention to charitable donations, sponsorships, contribution to society and educational support." (Assistant Operation Manager, Company F)*

*"They [The gambling companies] have donated money or set up certain training programmes. By having some kind of volunteers work [,] [employees] visit the handicapped and ... invite some elderly to come free dinner party." (Journalist 2)*

Additionally, a director and some managers working in the international gambling companies suggested that the fulfilment of social responsibilities could address emerging local social issues, namely human trafficking and a policy of employment of previously unemployed people. These issues were viewed as benefiting both the gambling industry and the community, thereby highlighting the complementary relationship between business and society. This was limited to a win-win scenario (Chapter 2).

*“We will not accept and not participate in prostitution. But, I know prostitution in this building. .... I want to create a resource and a structure where a security and safety mechanism that we can engage with girls who find the courage to break that cycle and actually get help.” (CEO, Company C)*

*“Those people are long term unemployed... We put them through intensive training programmes. ... That to me is a very good ethical way. We are not just recruiting. We brought them up to work for us.” (Manager, Company A)*

Yet, a manager was sceptical about the social responsibilities concerning corporate donations. He argued that the gambling industry’s long-term fulfilment of CSR was not compatible with economic self-interest.

*“We are lacking the ideas how to do CSR. We just give money or sponsor activities. ... the CSR we do is very short term. There is no long-term project to do CSR. ... Because they are too busy making money ...” (Manager, Company D)*

In a similar manner, some external stakeholders expressed the view that Macao’s gambling industry appeared to use a small amount of money to attach importance to the unprivileged groups, rather than gamblers (customers).

*“In terms of social responsibility, they are keener on being seen as a helper of the community in general, [but it is] not necessarily gamblers. ... Many of them give to the charity rather than to the casinos.” (Journalist 4)*

*“The gambling companies won’t organise a party in a high-class restaurant for the elderly. ... Honestly, the underprivileged groups don’t care. They sponsor a small amount of money for every activity.” (Counsellor 1 – Translation)*

It was striking that a quarter of the internal stakeholders working at all levels recognised a “social conflict” between the nature of gambling and CSR engagement. Conflicts may arise where the internal stakeholders feel that the anticipated benefits from CSR engagement do not match the risks associated with the gambling industry’s negative externalities, notably gambling addiction and health-related issues. A manager believed that CSR was not able to cover or resolve negative social impacts on the Macao community.

*“You take a few steps from CSR and gambling. ... If you are spoiling people’s lives, people are in addiction. You know whatever CSR you do. It is not able to offset the damage of the society, right?” (Manager, Company A)*

Historically, gambling has been linked to illegal activities, including drugs, prostitution and crime (Collins, 2003; Reith, 2007; Chapter 1). The gambling industry could be viewed as a community-sensitive industry, as it tends to improve social aspects in order to operate unhindered. Thus, CSR in this industry is widely understood to focus exclusively on social matters, such as the philanthropic contributions to the local community. These findings are consistent with the views of Carroll (1979, 1991), Porter and Kramer (2002) and Brammer and Millington (2005). CSR in this context may enhance the complementary relationship between the gambling industry and the local community, but it was limited to a win-win scenario (Banerjee, 2008). However,

corporate donations to and sponsorships of local communities or charities may be controversial since a large amount of companies' gambling revenues can come from gamblers. In particular, "Very Important Person" (VIP) rooms account for over 60% of the gaming revenue of Macao's gambling industry, while the mass market accounts for over 50% of the gaming profits (The Economist, 2013). Responsibility towards the community enacted through philanthropic effects is likely to gain acceptance and support from the community (Weaver, et al., 1999). These findings are in line with those of Palazzo and Richter (2005) for the tobacco industry. This may affect how the local community viewed the gambling industry. Thus, the findings could be evidence of Macao's gambling industry using a legitimising strategy, which is consistent with Lindblom's (1993) point two. It is a possibility that this industry might dictate the level of CSR. It is fair to suggest that such a proactive approach could enhance its business-as-usual scenario and deflect attention away from its irresponsible behaviour.

### **5.2.2 Employees**

The second theme in relation to the prevalence of CSR in Macao's gambling industry was responsibilities owed to employees. This concept was identified by most of the internal stakeholders, who worked at different levels in both the Chinese and the international gambling companies and by external stakeholders. These findings are consistent with the concept of CSR in relation to employees (Maignan and Ralston, 2002). CSR in the form of corporate welfare schemes is linked to employees' interest and benefits (Gond, et al., 2011), for example work-life balance (Welford, 2004), health and safety and education in the developing countries, where governments are unable to protect such right (Crane, et al., 2004). Since the vast majority of Macao residents work in this industry, responsibilities towards employees and their interest became an

essential part of this industry, which in turn showed the local community another way to care. A counsellor noted:

*“The gambling companies have a lot of employees who are local citizens in Macao. Sometimes, they organise social activities for employees and employees’ families as another way to give back to the community.” (Counsellor 1, Translation)*

The interviewees referred to responsibilities towards employees, including employee training, employee social activities, and employee benefits when they discussed CSR. A government official gave a detailed example of responsibilities owed to employees.

*“From employees’ perspectives, the gambling industry has responsibilities to their employees, for example employee training, employee benefit, employee equality, employees’ family, employees’ health, compensation for over time (OT), health and safety and working environment.” (Government official 2, Translation)*

Additionally, an academic elaborated on this concept in more depth, specifically on development of employee whistle-blower protection as employee welfare.

*“Some of Macao’s gambling companies have compliant mechanisms so that employees have an opportunity to complain. In 1990s, these companies did not provide a whistleblowing scheme so employees couldn’t complain.” (Academic 3, Translation)*

Concerning employee welfare, work-life balance, and whistle-blower protection, the gambling industry seems to increasingly share the roles and responsibilities of the government of Macao concerning employees (see Moon, et al., 2011). Such treatment of employees was seen as directly enlightening self-interest. A manager explained the motivation for investing in human resources.

*“The government keeps telling us or the community. We have to develop human resources [employees and young people]. Not just for the small and medium-sized [enterprises] as well as the cash cow of the gambling operators because this benefits for us in the long-term.” (Manager, Company F)*

Indeed, it was striking that the gambling industry failed to consider “employee health risks”, including public health problems, individual health problems and individual psychological problems. These issues introduce the question of the extent to which this industry has seriously engaged in responsibilities towards employees. These findings are inconsistent with those of Crane, et al. (2004) for the metal industry in Germany, which shows that there is a very strong legal position for workers and trade unions.

Firstly, frontline employees, particularly dealers working on a rota, would lead to public health, and family problems, although they have employee health insurance, social activities, and employee benefits. This issue was raised by some internal stakeholders working at non-management level and some external stakeholders.

*“The casinos are open 24 hours a day. Employees working on a rota can affect employee health. This industry should take responsibility. It is a serious problem in the long-term.” (Coordinator, Company B, Translation)*

*“Dealers work at the weekend. They have a rest on days off. If they have children, the maid takes care of their children, who meet the maid rather than their parent. This affects public health.” (Technical Analyst, Company D, Translation)*

*“Dealers can earn a stable income, but they work on a rota. They may have a bad relationship with their wife and their children. ... Sometimes, when they go home at night, all family members are asleep.” (Gambler 3, Translation)*

Second, frontline employees’ (dealers’) passive smoking in the casinos was viewed as an

employee health problem. This was recognised by several internal and external stakeholders.

*“Many customers are allowed to smoke in the casinos. It is not good for frontline employee health.” (Coordinator, Company B, Translation)*

*“In VIP rooms and mass markets, many customers can smoke ... Smoking may affect employees’ health and they may get lung or nose cancer and high blood pressure.” (Labour unionist 1, Translation)*

A journalist emphasised a lack of smoking enforcement and absence of monitoring by the government of Macao.

*“When the government established smoking laws, casinos were exempted. We have been waiting for 3 years for non-smoking areas ... Dealers are affected the most. The casinos fail to provide a healthy working environment for employees.” (Journalist 1, Translation)*

Third, employee psychological problems were an important issue. Frontline employees, particularly dealers, were under a great deal of pressure to work on the casino gaming floor due to unhappy customers and gambling addiction. Several internal and external stakeholders suggested that the gambling companies should provide more counselling services for frontline employees.

*“The gambling companies should provide stress management. Employees are under a great deal of pressure. If customers lose money, they blame employees who become unhappy.” (Counsellor 4, Translation)*

*“They can do better in CSR, for example the counselling services for employees. ... The first priority is for employees because they are working in this industry.” (Director, Company F, Translation)*



*“I know many dealers who are addicted to gambling. They work at gaming tables and watch customers win so easily. Not only customers are addicted to gambling, but also employees.” (Casino Accountant, Company B, Translation).*

A counsellor gave an example of how one of the gambling companies took care of their employees and family members by organizing an “*Employee Assistance Campaign*”, which provides a counselling hotline, consultation and workshops for their employees so that they had a healthy and balanced lifestyle to perform at their best for the company.

*“This company invited us to offer counselling services. Normally, we have referrals and find the clients, but the response rate is very low. This company is very happy to know employees’ problems. ... This is the first time that they collaborate with social services.” (Counsellor 2- Translation)*

CSR in this industry is widely understood as responsibilities owed to employees. This industry increasingly shares the roles and responsibilities of the government of Macao concerning local employees. These findings are similar to those of Moon, et al.’s (2011) views. Such treatment of employees suggests a complementary relationship between the gambling industry and the local employees. These findings are consistent with Lindblom’s (1993) point two. This legitimising initiative may provide the industry with a high level of employee loyalty, public’s trust and local support for two reasons. First, the vast majority of local residents work in this industry, rather than non-gambling industries due to high salary incentives (Appendix 2). Second, the industry increased the number of job opportunities in Macao, which eased local employment pressure in the early years. These findings are in line with those of Schmitt (2010), who found that the key to enhance the relationship between organisations and community in developing countries is just to be good employers.

However, it is fair to suggest that this industry highlighted the importance of employee responsibility without concerning potential employee health risk issues. This industry seemed not to be required to tackle employee health risks and employee problem gambling as mentioned above. These issues were absent from the discourse of senior management interviewees. This introduces a question of why the international gambling companies failed to aware employee health-related issues, particularly they had gained experience operating in their home countries. This industry appears to exclude its social impacts on employee and public health-related issues. Since over 60% of Macao's employees work in posts directly in relation to gambling services (Wu and Wang, 2008; Wan, 2009), employees can be viewed as key stakeholders in Macao's gambling industry. If this industry fails to manage the employee health risk in its employees' eyes, this failure may pose a threat to the industry gaining acceptance and support from Macao's local citizens. This support of the local community can be considered as an important source of legitimacy (see Chapter 6 – Section 6.4.4).

### **5.2.3 Economic development**

The third common CSR concept in Macao's gambling industry was economic responsibilities. Half of the internal stakeholders worked at senior management level in both the Chinese and the international gambling companies, and external stakeholders who spanned all roles, held a similar view that the gambling industry made significant tangible economic contributions to Macao society in terms of taxation, job creation and infrastructure. These findings are similar to those of Christiansen (1998), Korn and Shaffer (1999) and Felsenstein, et al. (1999), who found that legalised gambling, can be regarded as a major source of tax revenue to provide economic development. In particular, a CEO and a manager tended to make it clear that economic growth and

contribution were seen as the necessary precursors for the achievement of CSR.

*“Six large companies in Macao control ... influence the economic activities in Macao. ... So, we are in Macao clearly demonstrating the economic growth.”*  
(CEO, Company C)

*“We are the gambling operators and people have more job opportunity. Over the past ten years, we have increased the standard of living and salaries. People can now afford to buy a house.”* (Manager, Company F)

Importantly, internal stakeholders working at all levels recognised that there will always be a gambling industry in Macao, since the government and the whole economy were heavily dependent on this industry. Since this industry is one of the most highly taxed industries in Macao (up to 40%) (see Appendix 2), this industry provides revenue from gambling tax for the government of Macao, and income for local employees, civil servants and residents.

*“Macao depends on this industry and we pay to all the civil servants. We contribute 40% of our gambling revenue to the government. A lot of local people depend on us. ... The whole economy depends on us.”* (Manager, Company D)

*“If Macao doesn't have the gambling industry, we can't find jobs.”* (Cleaner, Company D, Transaction)

Crucially, several external stakeholders noted that the Macao society relied heavily on this industry is gambling tax to support local infrastructure and job creation. These developments would have been unthinkable without this industry.

*“They make profit from the gamblers who lose their money. They create jobs and entertainment. They create wealth to the community as a whole and are creating a lot of tax. ... Another point is that it is very labour intensive. ... I don't know where these people would work if we didn't have casinos.”* (Journalist 2)

*“The gambling industry also provides a fund for the society to develop technology and tourism in order to improve infrastructure.” (Government official 2)*

The level of dependency may address the question of the extent to which this industry has the close relationship between the government of Macao and the Chinese government.

*“Before the handover to Mainland China, Macao had been a gambling place for a few hundred years. Macao could not survive without this industry. The central government [Mainland China] permitted Macao’s gambling industry to continue after the handover to China.” (Director, Company F, Translation)*

Conversely, a supervisor at junior management level explicitly questioned the extent to which the government of Macao made wise use of the gambling taxation and delivered the contribution of taxation effectively needed by the community. Thus, the importance of economic contribution remains questionable.

*“The government received the gambling tax from the gambling industry, but failed to make use of this taxation to balance the social impacts made by this industry. Can the taxation cover the social costs?” (Supervisor, Company E, Translation)*

Economic contribution is an important issue and cannot be ignored in the CSR debate. The industry plays a significant economic role in the local community, as the majority of local residents, the government and the economy are heavily dependent on this industry. These findings are consistent with the CSR literature, which was on the significant role of economic responsibilities in local community (Carroll, 1979; 1991; Wood, 1991) and appears to be more explicit in developing countries than developed countries (Visser, 2008; CSR in Asia, 2009). Both internal and external stakeholders deemed the gambling industry’s existence to be inevitable. The industry has made a

direct economic impact on Macao. Thus, it is fair to suggest that economic contribution was the most powerful justification made by the industry. Such economic contribution could enhance the complementary relationship between the industry and the local community.

These findings are consistent with Lindblom's (1993) point three. These findings suggest that this industry appears to employ a legitimising strategy and tends to draw attention to its strengths, such as taxation, job creation, and infrastructure, while it seems to neglect information concerning unfavourable implications of its activities, for example personal, social and health disruption (see McMillen, 1996b). An alternative explanation could be in line with Campbell, et al.'s (2003) study, who found that the tobacco industry seems to be socially constructed as illegitimate. As a result, such an industry tends to disseminate little or no information to stakeholders who may slowly neglect important issues and may focus on unrelated issues (Campbell, et al, 2003). Thus, the industry appears to operate a business as usual scenario and continue to exploit the local community.

### **5.3 Avoidance perspective**

#### **5.3.1 Responsible gambling (RG) as a distraction**

The third common issue arising from the interviewees was Responsible Gambling (RG), which is consistent with the CSR literature on consumers' perspective and incorporates the concept of "consumer protection"<sup>94</sup> (see also Chapter 7), but this can be viewed as a distinctive issue in the gambling industry. More than half of the internal stakeholders

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<sup>94</sup> Consumers being defined to include customers or gamblers as well as the concept of public protection, education and awareness (Błaszczynski, et al., 2004; 2011).

working at all levels in both Chinese and international gambling companies referred to RG, while half of external stakeholders referred to the same concept<sup>95</sup>. Most internal stakeholders appeared to place much emphasis on supporting employees and relatively little emphasis on supporting customers or gamblers. This view was in contrast to external stakeholders who tended to prioritise the support of customers or gamblers over employees. There is a detailed analysis of the topic of RG in Chapter 7.

First and foremost, the necessity for “Employee education, awareness and assistance programmes” appeared to be highlighted as important in Macao’s gambling industry. These employee programmes were mentioned by half of the internal stakeholders working at all levels and one third of the external stakeholders. This programme was designed for all the employees, who worked both on the casino floor and at the back office. This programme has also been implemented in several casinos in Canada, the United States and Europe (Giroux, et al., 2008). As a manager for a Chinese gambling company and a director of an international company put it:

*“We develop RG posters, cards and mandatory training programmes for all our team members, including employees who don’t work on the frontline. You can detect someone who is at risk and help them.” (Manager, Company F, Translation)*

*“Last year, our company devoted itself to promoting RG, for example sharing activities with frontline employees and back office employees. ... All employees are seen as our big family. We organised some games to promote the concept of “RG”*

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<sup>95</sup> These findings are similar to those of Macao RG survey, which found that the public awareness level of the term “Responsible Gambling” was slightly increased from 16.7% (pre-event) to 23.7% (post-event) in 2010 (The Institute for the Study of Commercial Gaming, University of Macao, 2010a). More importantly, gambling operators provide RG training to their casino employees’ and support “Responsible Gambling Awareness Week” (RGAW) and it was expected that casinos had a higher level of awareness of RG than Macao residents. However, casino employees’ and gamblers’ understanding of RG was not significantly improved before and after the RGAW. Visiting gamblers’ understanding of this term was even lower than that of casino employees’ and Macao-based gamblers’ (The Institute for the Study of Commercial Gaming, University of Macao, 2010a)

*and how to face challenges and problems.” (Director, Company A, Translation)*

An officer and a gambler revealed that the RG training programme could help them to understand the risk of gambling, the notion of chance and randomness<sup>96</sup> and the availability of resources. Yet, it is possible to suggest that the gambling industry seemed to be reluctant to disclose these potential risks inherent in the games to customers.

*“A problem gambler will affect his/her family members. Gambling is a form of entertainment. But, our company always has the house advantage. We taught employees about the concept of money.” (Officer, Company B)*

*“We attended an orientation programme ... The probability of customers winning is generally 25%, whereas the probability of gambling companies winning is 75%. In other words, customers will lose. ... They have formulas. The longer customers play, the more gambling tax customers pay (5%).” (Gambler 3, Translation)*

Although the gambling industry usually provides employee education and awareness programmes, two academics were sceptical about RG programmes, which were “very short and simple” and “hard to implement”. Gambling operators could contribute money to help problem gamblers, rather than training their employees.

*“RG is a good idea, but it’s hard to implement. How to train employees to check, approach and help problem gamblers ... if you gamble too long, you should take a rest. Where do they put the posters? Restroom? Gambling tables?” (Academic 2)*

*“RG is a lip service. The government of Macao requires gambling operators to train their employees about RG. Do they train all employees or some? New employees know RG, but they forget in the second year. ... Gambling operators can contribute money to help problem gamblers. But, they don’t.” (Academic 3, Translation)*

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<sup>96</sup> These findings were similar to those conducted by Ladouceur, et al. (2004) for video lottery retailers and Giroux, et al. (2008) for three casinos in Quebec, Canada.

More importantly, “Customer awareness, assistance, and voluntary self-exclusion programmes” appeared to be another important element in the RG programme. A third of internal stakeholders working at all levels and a quarter of the external stakeholders tended to be committed to taking some measures to protect customers. RG engagement concerning customers enabled the gambling industry to point to the evidence of their doing something with regard to RG when not necessarily having to do anything substantive (see Ashforth and Gibbs, 1990).

*“Our company has a responsibility towards customers. We operate in this direction. We make profit, but we care about this issue. We don’t want our customers to have any bad gambling behaviour.” (Vice President, Company C, Translation)*

*“The most important thing was RG and we provide free [hotline] services ... for the people [customers] who have gambling problems.” (Manager, Company D)*

*“If customers cannot control themselves, they ask a social service organisation to put them on a voluntary self-exclusion programme for 6 months or 1 year. If they can control themselves, they can withdraw the application. ... It works for people who volunteer, but not for others.” (Supervisor, Company D, Translation)*

RG in Macao’s gambling industry was widely recognised; however, interviewees did not understand this term sufficiently to find it useful. Having this code of RG practice could arguably be seen as a symbolic commitment to improving customer protection in order to fulfil social demands (see Ashforth and Gibbs, 1990). The target audience of the RG programme is directed to customers and public (Blaszczynski, et al., 2011). However, the findings suggest that the gambling industry can be seen to be involved in the responsibility of RG discourse concerning employee and customer protection, while doing so has little real effect on its business operation to customers. It is apparent from the above quotes that the industry was limited in scope because it concentrated on RG



concerning employees, rather than the importance of assisting and protecting customers. These findings suggest that this industry actually employed a symbolic legitimising strategy. This is consistent with Lindblom's (1993) point three; i.e. seek to manipulate perception by deflecting attention from customer protection to employee protection. It could be argued that RG can be viewed as potentially quite harmful to certain stakeholders if the gambling industry's adoption of RG fails to act in the interests of consumers (gamblers). Thus, RG could possibly be viewed as window dressing for the industry's irresponsible behaviour.

### **5.3.2 Reducing gambling problem as long-term business development**

The concept of sustainable development is widespread in western countries (Lertzman and Vredenburg, 2005; Young and Tilley, 2006); however, this concept was less prevalent in Macao's gambling industry. A few directors recognised it, but they failed to give much in-depth discussion of sustainable development and elaborated no further than merely recognising long-term business development in terms of enlightened self-interest.

*"We are looking for sustainable development. We don't want to make profit for just ten years and leave Macao. ... We consider developing a business foundation and positively consider the gambling problems in the early days, but we won't wait until it happens." (Director, Company A, Translation)*

By contrast, an academic and a counsellor expressed their belief in a slightly different way by referring to the idea of balance. If the gambling companies had a negative impact on the society, the society would be worse off. In other words, they could balance social interests in order to achieve sustainable development in Macao by reducing the number of problem gamblers. This priority can be viewed as a social

aspect of sustainable development.

*“... in order to have sustainable growth, [the company] makes sure that we can maintain the top leaders who pay attention to the long-term growth and balance of social interests from time to time.” (Academic 2)*

*“CSR not only makes a profit, but also achieves sustainable development. This is reducing the harm associated with gambling problem from not making profit. ... The gambling industry affects 6.8% of the Macao population. If the gambling companies donate money, is it enough to cover the social cost of a society of which 6.8% problem gamblers?” (Counsellor 3, Translation)*

Interestingly, another academic held a completely different view of the concept of sustainable development as social welfare development. He expressed his belief in the Catholic religion and made the connection between the Bible’s concepts and corporate donations as a metaphor.

*“Charity should go beyond the idea of donation. Charity should teach people how, when and where to catch fish [living] and maintain sustainable development. Catching all the fish means no fish to eat. ... What kinds of nets are used to catch what kind of fish.” (Academic 3, Translation)*

The concept of sustainable development was likely to be understood differently by directors, academics, and problem gambling counsellors. The awareness and the degree of understanding of this concept varied. This introduces the question of why internal stakeholders recognised economic elements of sustainable development, while external stakeholders recognised social elements of sustainable development. According to the literature (Chapter 2), it was a realistic assumption that the directors viewed sustainable development as compatible with economic objective. This industry presented how it engaged in the discourse of long-term business development. Yet, social elements of

sustainable development have not translated into any practical business elements. This industry could be viewed as a socially sensitive industry and thus the social concerns appeared to be the primary issue of social aspects of sustainable development, particularly reducing the number of problem gamblers in Macao, rather than environmental aspects. This phenomenon could be explained by two major reasons. First, this may be due to the liberalisation of Macao's gambling industry and the local citizens concern with the social stability, process and impact of Macao (Appendix 2). Second, the concept of sustainable development in relation to the environment tends to be less important, and a weak environmental enforcement (Appendix 2) may well account for why the concept of sustainable development tends not to be widespread in Macao.

#### **5.4 Limited perspective on environment and other responsibilities**

##### **5.4.1 Little Chinese cultural influence on CSR**

A Chinese cultural influence on CSR was less prevalent in Macao's gambling industry. This industry seemed to cover similar sets of CSR themes to those companies which operated in developed countries. Surprisingly, the findings did not support the view that Chinese cultural traits (eastern culture) are prevalent in Macao (see Wang and Juslin, 2009; Xu and Yang, 2010). A reason for this may be that Macao was a Portuguese Colony, which seems to have been "westernised" over 400 years ago (Appendix 2). Another reason for this is the rapid development of this industry over the past decade; as international gambling companies have introduced a western management style. Even though Chinese cultural traits are not prevalent in Macao, a fifth of internal and external

stakeholders referred to two typical Chinese CSR concepts – the Confucian harmony<sup>97</sup> concept of reciprocity<sup>98</sup> and of family, and the Buddhist ethical concept of “Karma”. Both concepts remain important and have had a profound influence on Chinese culture, even in Macao (Macao Government Information Bureau, 2010).

“Taking from society and giving money back to society”, which refers to one of the Confucian harmony concepts – reciprocity – was the most common quote from both internal and external stakeholders. This concept explains that this industry could operate in a reciprocal way by returning wealth to society. Several internal stakeholders working in management referred to this concept. A vice president suggested that harmony was an important concept of operating their businesses in Macao.

*“We are talking about “Taking from society and giving money back to society”. ... When our company makes so much money, by all means, our company shares with the community. ... Our company makes use of our resources and expertise to give back to the community.” (Vice President, Company C, Translation)*

In contrast, several external stakeholders characterised the gambling industry’s policy as a “Hit and Run” policy, as one interviewee called it. In particular, the international gambling companies in Macao make a profit which goes back to their home country without returning wealth to society. For example, a director from the labour union noted that:

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<sup>97</sup> The notion of harmony that was propounded by one of the most famous Chinese philosophers, Confucius (551- 479 BC) (See Wang and Juslin, 2009).

<sup>98</sup> According to Wang and Juslin (2009), Confucian harmony relies on four main principles: the stability of society based on the five cardinal relationships, the family as a core unit of society, reciprocal virtuous behaviour and self-cultivation. Reciprocity is referred to the third principle of the Confucian harmony concept. Confucianism believes that if people attempt to treat others virtuously, others will treat the same virtuous behaviour (Wang and Juslin, 2009). In other words, if companies apply the reciprocity, the Confucian harmony concept, companies will operate in a reciprocal way by returning some wealth to society (Wang and Juslin, 2009, p. 443).

*“Taking from society and giving money back to society”. They just earn the money and then “Hit and Run”. The gambling industry should give something back to the Macao community.” (Labour union 1, Translation)*

The gambling industry seemed to project an image to the public that they earned money without investing in the local community. In other words, a sense of belonging could be regarded as an important value for operating a gambling business in Macao and reinvesting money back to the society as a means of achieving the important value. A similar view was expressed by a journalist and a counsellor:

*“The western gambling companies said that it’s not true that they promote their image among the community, but local people believe that actually Americans are making and taking the money away without investing here.” (Journalist 4)*

*“The gambling companies make profits and then go. They can go, but it is not for sustainable development. They don’t have a sense of belonging. ... It is against the doctrine of CSR.” (Counsellor 3, Translation)*

Another Chinese CSR concept was the Confucian harmony concept of family<sup>99</sup>. The gambling companies attempt to form a family atmosphere amongst their employees. This concept could be applied particularly to develop the employment relationship, thus enhancing the complementary relationship between the company and employees. For example, a counsellor explained that:

*“One of the considerations is culture, including religious background. The Chinese have the Confucian virtue. ... for example, Xiao<sup>100</sup> (Filial Piety), Yi<sup>101</sup>*

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<sup>99</sup> According to Wang and Juslin (2009, p. 442), “Confucianism views the family as the natural habitat of humans, the most desirable environment for mutual support and personal growth and as the building-block for society’s structure and function (Moise, 1986 cited in Wang and Juslin, 2009). Confucius believed that a good family relationship is the key to harmonious society, in that if people could learn to perform their familial roles properly, they would in turn be able to carry out their roles in society and government properly (Confucius, Analects 1, p. 2 and 4, p. 20)”.

<sup>100</sup> Xiao – “Xiao is being obedient” (Confucius, Analects: 2.5 cited by Wang and Juslin, 2009) and Xiao means Filial Piety denotes the respect and obedience that a child should show to his parents (Wang and Juslin, 2009, p. 444)

*(Righteousness) and the concept of family. These concepts are not strong in the western culture. ... The Chinese emphasise the concept of family. If the gambling companies provide a job opportunity for employees, their employees will remain loyal to their company.” (Counsellor 3, Translation)*

Another typical Chinese CSR concept was the Buddhist concept of “Karma<sup>102</sup>”, which is a principle of “cause and effect”, developed by Buddhism. However, this concept was not widespread in Macao. A telephone marketer expressed her belief:

*“Some Chinese companies used blood-soaked cotton wool collected from hospitals, [rather than clean and unused cotton] to make clothes [due to the hygiene problem]. No one wants to work in these companies ... At the ethical level, no one wants to do bad things. According to the Chinese ethical concept, the principle of causality is called ‘Karma’. [People’s present experience is largely based on previous actions, while future experience depends on what people do at the present time (See Marques, 2009)].” (Telephone Marketer, Company B, Translation)*

According to the the CSR literature (see Wang and Juslin, 2009; Xu and Yang, 2010), Macao’s gambling industry was assumed to have some Chinese cultural traits. Additionally, Macao's traditional religions, including “Confucianism” and “Buddhism”, have profoundly influenced local residents based on Macao’s historical context (Macao Government Information Bureau, 2010; Appendix 2). Unexpectedly, these findings suggest that the two Chinese cultural traits were not widely recognised in Macao. Due to migration of Catholicism and Protestantism in the early 20th century to Macao (Macao Government Information Bureau, 2010; Appendix 2), this infusion of different religions could dilute or weaken its eastern culture. More pertinently, in relation to the one of the Confucian harmony concepts – “reciprocity” – these findings suggest that

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<sup>101</sup> Yi - righteousness simply means what is ethically best to do in a certain context, or the performance of duties regardless of their outcome (Dolor, 2001 cited by Wang and Juslin, 2009, p. 444).

<sup>102</sup> Bercholz and Kohn (1993, p. 318) cited in Marques (2009) explain karma as follows: “According to the doctrine of cause and effect, our present experience is a product of previous actions and volitions, and future conditions depend on what we do in the present.”

Macao's gambling industry could operate not merely on the exchange of money, but in a reciprocal way by returning some wealth to society. However, the international gambling companies seemed to show no sense of belonging, which means that companies make profit without investing in Macao. In particular, the public's view of international companies in the gambling industry's lack of reciprocity may pose a threat to the industry gaining legitimacy and may make it difficult for the industry to gain different sources of legitimacy, for example the local community (Weaver, et al., 1999), the government of Macao (Crane, et al., 2004) and the Chinese government (Baum and Oliver, 1991; Deephouse, 1996) (Chapters 6 and 7).

#### **5.4.2 Environmental responsibility**

The concept of environment is widely discussed in the developed countries (Matten and Moon, 2008) and there has been an increase in environmental consciousness in Asian countries (Williams, 2011). However, this phenomenon seems to be less prevalent in Macao's gambling industry. Importantly, this industry tended to have less obvious impacts on the environment than other such "environmental sensitive industries" as oil, mining and chemical (Cho, et al., 2010). The gambling industry could be arguably viewed as a "socially sensitive industry". Several internal stakeholders working at non-management level and to a greater extent to the international gambling companies recognised environmental responsibilities. More importantly, environmental responsibilities were a relatively new concept in the Chinese gambling companies in Macao. However, a supervisor also expressed this concept merely in terms of enlightened self-interest.

*"Our company is not familiar with environmental responsibilities. Our company is not necessarily to establish a new department to do this thing [environment]. ... When they want to increase profit and reduce expenditure, they consider recycling*

*paper as environmental protection.” (Supervisor, Company E, Translation)*

Contrary to the predominant viewpoints, environmental responsibility was merely a cost saving tool (Chapter 6). Yet, it is relatively difficult to sustain the exclusion of environmental impact from the CSR debate. Several internal and external stakeholders explicitly criticised that this industry, which operated on 24 hours a day, 7 days a week, 365 days a year (a 24/7/365 basis) and played a dominant role in Macao’s economy, might have potential environmental impacts on Macao by highlighting electronic waste, light pollution, and air pollution. In particular, the quality of air has deteriorated over the past ten years (To, et al., 2011). The academics seemed to show more critical perspectives on environmental impact than other internal and external stakeholders.

*“The life cycle of slot machines is very short and varies from 1 to 7 years. This is electronic waste. How do they dispose of them? ... The government doesn’t have a strong guideline to regulate this.” (Academic 1, Translation)*

*“We have light pollution because of too many casinos and lights. ... The gambling companies switch off the lights for an hour in Energy Saving Week or World Environmental Day. This is a symbolic gesture.” (Academic 3, Translation)*

*“The gambling companies have too many shuttle buses at the ferry pier, the airport and the gateway to China. ... Their shuttle buses occupy Macao’s main roads, but they don’t deal with this problem.” (Academic 4, Translation)*

*“Both light pollution and air pollution exist in this industry. It is open 24 hours a day and uses light, air conditioning or heating systems which waste a lot of natural resources.” (Coordinator, Company B, Translation)*

Both internal and external stakeholders discussed environment perspectives in general and presented a narrow understanding of environmental responsibilities, merely



environmental protection in terms of saving cost. Doing so, the findings present how well the gambling industry enables the responsibility of environment. This industry was limited to a win-win scenario in scope because it focused on environmental management. It may be inappropriate to suggest that this industry was concerned with environmental responsibility. The gambling industry, which is similar to the tobacco industry (Tilling and Tilt, 2010), has been facing the ongoing threat to its legitimacy: gambling addiction and health-related issues (Chapter 2). Thus, this industry could arguably be viewed as a socially sensitive industry (see Cho, et al., 2010), which tended to have more obvious impacts on society, rather than on the environment. However, this industry operates on 24 hours a day, 7 days a week, 365 days a year (a 24/7/365 basis) and uses significant amounts of electricity for lighting, heating and power in casinos, hotels and shopping malls, and thus the consumption of electricity increased twofold between 2000 and 2010 (To, et al., 2011). It was apparent from above quotes that several internal and external interviewees highlighted this industry might have potential environmental impacts on Macao, for example electronic waste, light pollution and air pollution. These impacts could not be underestimated.

In general, the concept of environment was not widely seen in Macao's gambling industry. This phenomenon could be explained by three major reasons. First, this industry has undergone a rapid development over the last decade. In particular, social problems, notably gambling problem, tend to associate with this industry during the process of transition from a monopoly gambling market to a competitive gambling market (Appendix 2). Second, weak environmental enforcement in the industry may well account for why there is weak sensitivity regarding the "environment" in Macao. Third, Macao has a limited space of 29.9 km<sup>2</sup>, with a very high population density and with a relatively high number of 35 gambling companies (Appendix 2). Thus, there are

not many green spaces in Macao, which has a total green area of 7,703,995 sq meters; a per capital green area of 14.2 sq. meters (Appendix 2).

### **5.4.3 Other responsibilities**

More importantly, the concepts of stakeholders, legal and shareholders have been widely discussed in the CSR literature. Surprisingly, the findings suggest that these three concepts were not prevalent in Macao's gambling industry. A few managers, academics and journalists tended to have a general discussion on these three concepts.

First, the concept of stakeholders (Freeman, 1984; Donaldson and Preston, 1995; Mitchell, et al., 1997) tended to be understood by senior managers and academics; however, this concept was still far from being widely understood by other interviewees in Macao. Additionally, this phenomenon could be explained by the fact that a majority of internal and external stakeholders implicitly mentioned some of stakeholders, such as community, employees and customers. It is not necessary to mention the concept of stakeholders. Alternative explanation could be drawn from the unusual findings in this thesis, which found that the industry seems to lack stakeholder pressures, from NGOs (gambling counselling service organisations), media (journalists) and problem gamblers and their family members. Without such stakeholder pressures could not profoundly influence the industry to engage in voluntary CSR and RG standards.

Professional gambling counselling service organisations<sup>103</sup> could be regarded as stakeholders who can affect, or be affected by the gambling industry. However, it is

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<sup>103</sup> Professional gambling counselling service organisations can be divided into three types of organisations according to their provider: the government of Macao, non-profit organisations, and one of the gambling operators.

evident that these organisations seem not to have a strong demand for Macao's gambling industry. Although these organisations occasionally generate concerns for problem gamblers, this industry tends not to regard them as bringing major pressure for greater social concerns. The reason for this is not apparent, but it may have something to do with political issues. In particular, non-profit gambling counselling service organisations are indirectly funded by Macao's gambling industry due to the gambling tax (Appendix 2). The government, the gambling industry and gambling counselling service organisations tend to be interlinked with each other. Macao's gambling industry seems to have developed an interorganisational relation with these organisations (Deephouse and Suchman, 2008), which can help the industry in distancing itself from criticism and provide a justification as a good citizen. Yet, non-profit organisations found it difficult to collaborate with the industry to provide counselling services for their customers (gamblers) according to the interviews. Aggressive demand for collaboration and support in problem gamblers seem to pose a threat to gaining funding for these professional gambling counselling service organisations.

Macao's gambling industry seems not to be affected by the media as suggested by the literature (see Islam and Deegan, 2010). The local media appears to report gambling-related financial news, past community achievements and regulatory procedures, rather than community resistance and antigambling advocacy (see Humphreys, 2010). Although the negative social impacts are reported in the local community, the industry seems not to be affected by the negative information. The reason for this is not clear, but it may perhaps have something to do with the nature of the industry and also some political issues. The gambling industry has been facing an ongoing threat to its legitimacy, notably in the form of gambling addiction and

health-related issues (Chapter 2). The public may generally perceive the gambling industry's major product in a negative light. However, this industry, particularly international gambling companies, tends to have the experience to manage the legitimacy gap in developed countries. In addition, the main source of the media's income, particularly advertisement, is largely from Macao's gambling industry.

Problem gamblers and their family members seem to be the most vulnerable and marginalised. They seem to have no power and no voice to fight against Macao's gambling industry. The reason for this phenomenon looks increasingly obvious, and it may have something to do with economic issues. The vast majority of local residents are heavily dependent on this industry since most of them work in it, and other gambling-related industries. They tend to prioritise the economic benefits brought by the industry over its social costs. On the other hand, the industry seems to be successful in engendering a positive view among the local community by providing job opportunities, building infrastructure and taxation, rather than concentrating on gambling addiction and health-related issues. Representatives of the industry rarely use the term "problem gamblers", but "customers" in the interviews. Yet, the industry seems to shield its role in producing corporate externalities and promote an ethical stance.

Second, surprisingly, the concept of legal responsibility (Carroll, 1979; 1991; Moon and Vogel, 2008) was not prevalent in Macao's gambling industry. Few internal stakeholders explicitly recognised this concept. It was unusual that the internal stakeholders did not feel the obligation to comply with any legislation. Nevertheless, this concept may intertwine, overlap, and interlink with other CSR concepts, including employment practice and the obligation of pay taxes as discussed in this chapter. These concepts

could be viewed as “implicit CSR”, which is not considered a deliberate, voluntary, and strategic decision, but could appear in a form of norms and rules (Matten and Moon, 2008). Additionally, the international gambling companies operate in Macao, which is a so-called developing country, where there is a weak institution, a weak enforcement and poor governance (see Matten and Moon, 2008). In other words, Macao’s gambling industry is effectively in a position to take advantage of Macao’s less regulated gambling industry for gambling business operations and to move its investment to a place where local laws are suitable for this industry. These findings imply that there was weak institutional pressure from the external environment at regional level, notably the government of Macao, on CSR engagement. These findings are not similar to those of previous CSR studies in developed countries (Chapter 2), which found that local governments have developed CSR policies in European countries, such as the UK, France and Germany (Matten and Moon, 2008; Igalens and Nioche, 1997 cited in Gond, et al., 2011). However, these findings are in line with those of CSR studies in East Asia (Gond, et al., 2011), which found that the government tends to rely on self-government CSR, rather than a partnership with government or mandated by government. The findings suggest that organisation in Macao’s gambling industry can possibly fall into CSR as self-government category, rather than other relationship types, as described in Gond, et al.’s (2011) study. The government of Macao seems to have a little interference in CSR in Macao’s gambling industry; however, CSR in this context is a typical case of CSR beyond legal requirement (see Gond, et al., 2011). From a theoretical perspective, organisations in Macao’s gambling industry are not fully shaped to the institutional environment at regional level. These findings are not consistent with the institutional legitimacy literature in Chapter 2.

Third, unexpectedly, there was a little discussion or elaboration on responsibilities towards shareholders (Friedman, 1970) both within Macao's gambling companies and in the international gambling companies operating in their home countries. A possible explanation of this phenomenon could be drawn from the legitimacy theory (Chapter 2). Macao's gambling industry employs a set of legitimising strategies, particularly CSR and RG, to manage different stakeholders' perceptions (Lindblom, 1993) so as to reduce the legitimacy gap and gain different sources of legitimacy to ensure its survival. It is possible to suggest a sophisticated view of the absence of shareholders that this industry attempted to manage different stakeholders in order to enhance economic self-interest and ultimately benefit shareholders value in the long term. This will be discussed in Chapters 6 and 7.

## **5.5 Concluding remarks**

Both internal and external stakeholders identified different concepts of CSR. It comprised a set of programmes incorporating corporate philanthropy, employee welfare, economic development and a specific industry-wide initiative known as RG. Organisations in the gambling industry endeavour to communicate their responsibility by obscuring certain features of their work when emphasising others. Thus, they shield their role in producing corporate externalities and promoting an ethical stance. From the above discussion, three main areas needed to be further investigated and analysed.

First, organisations in Macao's gambling industry appear to highlight proactive social concerns, including community involvement, employee welfare, and economic development. These views are similar to those of Gond, et al. (2011) for the nineteenth-century US and Western Europe. The reason for this is obvious and it may

have something to do with political issues. A majority of residents, the government, and the economy have been heavily dependent on the gambling industry. These organisations seem to pursue the control of social issues so as to shield its irresponsible behaviour. More importantly, these organisations appear to either omit or exclude their corporate externalities from their discourse. CSR programmes can be viewed from a purely strategic viewpoint. These proactive social concerns could be viewed as a means of managing stakeholders' by showing their good deeds the industry has done for the community (Lindblom, 1993). Such engagement could possibly enhance the gambling industry's relationship with society. This will be discussed in Chapter 6.

Second, both internal and external stakeholders appear to emphasise and elaborate on RG in interview questions. The target audience of the RG programme are customers and the public (Blaszczynski. et al., 2011). However, the findings suggest that the internal stakeholders tended to place emphasis on the importance of employee, rather than customers responsibilities, while the external stakeholders viewed that reducing the number of problem gamblers could be possibly viewed as sustainable development in Macao. Having RG polices can arguably be viewed as the gambling companies' symbolic commitment to improving customer protection or public health so as to fulfil social demands and expectations (Ashforth and Gibbs, 1990). Yet, this industry employed RG as a means of deflecting attention from customer protection to employ protection (Lindblom, 1993). RG tends to have no real meaning in practice; however, RG remains symbolically important. RG will be investigated in more depth in Chapter 7.

Third, the concepts of stakeholders appeared to be less prevalent in Macao's gambling

industry. There is a little evidence to suggest that this industry not only received strong pressure from external stakeholders, particularly gambling counselling service organisations, journalists, and problem gamblers and their family members, but also little pressure from institutional environment, notably the government of Macao. In other words, this industry seems to have its own way to operate and does not receive any pressure from the external environment. From a theoretical perspective, organisations in Macao's gambling industry are not entirely conformed to the institutional environment at regional level. These findings are not similar to the institutional legitimacy literature (Chapter 2). This aspect will be investigated in Chapter 8.

The next chapter (Chapter 6) will discuss the internal and external stakeholders' perspectives on the implementation of CSR in Macao's gambling industry. Chapter 6 covers three rationales for CSR engagement: business case adoption strategies, stakeholder management, and source of legitimacy.



## Chapter 6

### Motivation for Engaging Corporate Social Responsibility in Macao's Gambling Industry

#### 6.1 Introduction

Chapter 6 builds on the interview findings of Chapter 5 to provide a deeper insight into Macao's gambling industry's motivation for engaging in CSR. A few CSR studies have examined the tension between CSR and profit-making organisations in the gambling industry, which is a further example of a controversial industry (Chapter 2). This thesis may enhance and deepen understanding of CSR in the gambling industry. Semi-structured interviews (Chapter 3) were employed to investigate the third research question: *Why does the gambling industry engage in Corporate Social Responsibility?* This research question is qualitative in nature and explored through interviews with 30 internal stakeholders and 19 external stakeholders of Macao's gambling industry.

There are three main findings in this chapter. First, organisations in Macao's gambling industry employ CSR as a part of the business case, emphasising promotion of corporate image and reputation, gaining competitive advantages and saving cost. These findings are in line with prior CSR literature, which advocates CSR as a win-win scenario (Chapter 2). Second, this industry employs CSR as a means of managing stakeholders by changing their perception, educating them and distracting their attention from perceived problems (Lindblom, 1993). Third, they also wish to appear "legitimate" to two important audiences: internal audiences (the parent company) and external audiences (the public, the government of Macao and the Chinese government). Each group can provide certain forms of political and social support to the industry through granting greater access to critical resources, including knowledge, acceptance, gambling licenses, labour, land, and customers to enhance their self-interest and survival.

The chapter is divided into five sections: having outlined an introduction in the first section; second, the business case adaptation strategies will be analysed; third, stakeholder management will be investigated; fourth, different sources of legitimacy will be examined; and a summary is made at the end of the chapter.

## **6.2 Business Case adoption strategies**

There are a number of international and domestic gambling companies in Macao's gambling industry. Despite the differences between international and domestic gambling companies, the findings suggest that organisations in Macao's gambling industry employ CSR as a part of the business case. These findings are consistent with previous CSR literature (Chapter 2), which focuses on how corporations can do well by performing well in financial terms as a business operation and seem to be engaging with responsibility to create a better society at the same time (Kurucz, et al., 2008). This assumption of CSR is limited to a win-win situation (Banerjee, 2008). There are three main findings concerning the business case of CSR, namely rebuilding corporate image and reputation, gaining competitive advantage by attracting local talent and cost reduction.

### **6.2.1 Rebuilding corporate image and reputation**

The rationale for CSR engagement seemed likely to promote a corporate image and reputation to become a better industry. These findings are generally consistent with those of the business case in CSR literature, which suggests that organisations employing CSR can enhance corporate image and reputation (Fombrun and Shanley, 1990; Turban and Greening, 1997; Brammer and Millington, 2005; Kurucz, et al., 2008; Jo and Na, 2012). Historically, gambling has been associated with illegal activities

including drugs, prostitution and crime (Collins, 2003; Reith, 2003; Chapter 1). CSR engagement could be used to sanitise these illegal activities and may rebuild the corporate image that the gambling companies could be viewed as normal business to operate in Macao. This was recognised by half of both the internal and external stakeholders. This view was widely expressed by the internal stakeholders working at all levels at both international and Chinese gambling companies and to a lesser extent by those working at junior management levels.

*“Let society know that many people are prejudiced. ... Being selfish, CSR can improve our corporate image. When we were young, casinos were like a dirty place. Customers taking gamble with their lives. We don’t want to give this image to the general public.” (Vice President, Company C, Translation)*

*“I believe that CSR is an intangible asset which is a tool to build up a corporate image in the long term.” (Supervisor, Company E, Translation)*

*“Every gambling company makes a contribution to society. They have this social status and keep their reputation. ... so everyone pays more attention to these companies.” (Telephone Marketer, Company B, Translation)*

*“Our company needs to attract large corporations’ attention. If such big business partners have a good impression of us, they pay more attention to our company.” (Officer, Company A, Translation)*

This view was not limited to internal stakeholders. More than half of the external stakeholders held a slightly different view. This view was expressed to a greater extent in academia and journalism. They asserted that CSR, particularly corporate donation seemed to be an easy way to rebuild positive corporate images and develop good public relations in order to gain trust and support from the community.

*“One gambling company donated 1 billion dollars to our university in instalments,*

*while another company also donated 30 million dollars to us. ... I think what that they are doing to make a good of themselves and a good public relations exercise.” (Academic 4, Translation)*

*“They don't donate money just because they are very nice people. ... They do it because it is good for their image. ... From a more cynical view, it is some kind of PRs [public relations] or a marketing tool ...” (Journalist 2)*

As can be seen from the above quotes, CSR engagement could enhance corporate image. In some respects, one journalist held a critical view that companies often laid off employees during the financial crisis; however, Macao's gambling industry seemed to continue to employ their employees in the difficult time with reduced wages, reduced working hours and an unpaid leave scheme (Vong, 2010). In other words, this industry appears to take the role of government to provide employee job security. CSR in this form can be viewed as a means of gaining trust and winning support from employees and the community, thereby promoting public relations.

*“During the [financial] crisis in 2009, organisations fired employees. ... The gambling companies took this opportunity to improve their image, you know, to organise the activities for employees so that they can strengthen their presence in Macao.” (Journalist 4)*

The findings suggest that this industry could take a proactive stance towards CSR engagement so as to promote a corporate image, which can sanitise its reputation by obscuring the uncovered and illegal activities, thus rebuilding, restoring, reconstructing its corporate image to win trust, support and espousal from employees and the community. This view is similar to that of Hertz (2001) and Klein (2001). Furthermore, these findings are in line with those of Cai, et al. (2012) and Jo and Na's study (2012), which found that CSR engagement of controversial industry can reduce its risk, and

therefore, enhance corporate image and corporate reputation. The gambling industry endeavours to alter the perception of its image, appearance, and identity (Dowling and Pfeffer, 1975; Suchman, 1995). These findings are similar to those of Palazzo and Richter (2005) for the tobacco industry. The gambling industry could be viewed the other normal industries that operate in a business as usual context.

### **6.2.2 Competitive advantage by attracting local talents**

CSR engagement was viewed as a means of gaining competitive advantage of attracting local employees to work in gambling companies over other gambling competitors and such other industries as banking, retailing or construction. Since there has been a rapid development of Macao's gambling industry over the past decade, organisations in the industry had a high demand for a labour in both gambling and non-gambling areas (Appendix 2). However, the supply of local labour did not meet the demand of the industry. Due to the shortage of local labour in Macao, CSR can be considered as a tactically means of attracting local employees to work in the gambling industry. This view was expressed by less than a quarter of the internal stakeholders working at senior and middle management levels in Chinese and international gambling companies.

*“I think that our company attaches importance to CSR because of the labour shortage in Macao. If we don't do CSR to establish a good image, it may affect our human resource competitiveness.” (Director, Company F, Translation)*

*“If our company has a good image, I think that we can get more resources. It is easier for employees to apply to us. I don't believe that anyone wants to work in an inhumane place with no CSR practices.” (Supervisor, Company E, Translation)*

Macao's gambling industry experienced dramatic growth over the past decade, thereby offering various job opportunities and providing employee benefits (Chapter 5). The

industry seems to endeavour to reduce this legitimacy gap to develop a symbol of social legitimacy, particularly CSR initiatives (Chapter 2), in order to gain more resources, such as local talents.

*“We like to think we are the best employer in Macao. Part of that is our brand and how we can attract people. We can pay high salaries and some of our competitors have employees who are happy to join us.” (Manager, Company A)*

These findings indicate that CSR engagement in Macao’s gambling industry about attempting to gain competitive advantage over other gambling companies and other industries by attracting local talent. These findings are similar to prior CSR literature, which claims that CSR can offer a competitive advantage in attracting local labour force (Turban and Greening, 1997; Greening and Turban, 2000; Backhaus, et al., 2002; Porter and Kramer, 2002). The industry endeavours to alter the perception of its image, appearance and identity (Dowling and Pfeffer, 1975, Suchman, 1995; Palazzo and Richter, 2005) to reduce the legitimacy gap in order to gain more resources, particular local talent. However, in this context, CSR is limited to a win-win situation by creating good gambling business and benefiting shareholders in the long term (Chapter 2). The underlying purpose of CSR engagement was often viewed as enlightened self-interest in order to reduce the turnover rate of employees for its internal performance (See Hertz, 2001). CSR engagement can be seen as a part of the business case.

### **6.2.3 Cost reduction**

Environmental concerns (Chapter 5), could be seen as a potential benefit on the economic success of Macao’s gambling industry and enlighten its self-interest. In particular, cost reduction can be achieved through CSR activities directed at the

environment (Carroll and Shabana, 2010). Several internal stakeholders were likely to show these responsibilities merely environmental protection in terms of reducing energy in order to save cost.

*“Environmental responsibilities are things like reducing water usage, electricity usage and waste, for example changing to environmental shower heads and bed sheets. ... Environmental protection is cost saving and we get environmental accreditation from the government every year.” (Officer, Company B)*

*“They spend a lot of money on using this new environmental technology to reduce energy cost. Some gambling companies apply western environmental technology to Macao.” (Technical Analyst, Company D, Translation)*

*“When they want to increase profit and reduce expenditure, they consider recycling paper as environmental protection.” (Supervisor, Company E, Translation)*

These findings indicate that CSR engagement in Macao’s gambling industry is an attempt to reduce costs. These findings are similar to the views of Kurucz, et al. (2008) (Chapter 2). Yet, this CSR engagement can enhance long-term shareholder value through reducing cost (Smith, 2005). Cost reduction arguments for CSR have been generally accepted among managers (Carroll and Shabana, 2010). Macao’s gambling industry appear appears to a win-win scenario by perform finally in business operation and can have responsibility to environment (Kurucz, et al. 2008; Chapter 2). The purpose of CSR engagement was often viewed as enlightened self-interest to reduce cost to these organisations, which built a business case for CSR.

#### **6.2.4. Self-interested rationales**

The underlying motivation for CSR engagement was often seen as self-interest rationales. This view was commonly expressed by one third of the internal stakeholders working at all levels in both international and Chinese gambling companies. This

assumption of self-interest leads to a free rider scenario where the gambling industry will not usually take on CSR unless it meets its profitability criteria (Banerjee, 2008). In particular, helping the community, providing employee training and sponsoring employee education led to the industry having economic benefits in both the short and the long-term. CSR was seen as a means of increasing corporate benefits rather than, seeking to advance the interest of the community and employees. Two managers expressed this from the industry's viewpoint.

*“CSR is a good business decision because it helps the branding and the community in the eyes of the government. ... We would get something back immediately. ... CSR has to be purely altruistic.” (Manager, Company A)*

*“The government keeps telling us or the community. We have to develop human resources [young employees]. Not just for the small and medium-sized [enterprises] as well as cash cow of the gambling operators because it is the long term that benefits us.” (Manager, Company F)*

The industry engaged in CSR according to their financial ability. However, when there was a serious economic downturn, they would choose business survival over continuing to engage in CSR. These findings are in line with those of Kapelus (2002) for the mining industry. This raises the notion of capitalism. CSR asserts that capitalism is not perfect (Carroll, et al., 2012). In other words, this industry engaged in CSR and pursued economic self-interest without changing the structure of a market economy (see Carroll, et al., 2012). A CEO and a casino accountant in the international gambling companies emphasised this viewpoint.

*“When the company's survival comes into question, they will always pick survival over ethical actions. There is a limit. There is a potentially limiting factor of the capital system that currently exists.” (CEO, Company C)*



*“We won’t engage in CSR which conflicts with our self-interest. ... But, if the gambling companies are in a bad economic situation, they fire people. They do less charity work and they engage in CSR according to their financial ability and they won’t keep doing CSR.” (Casino Accountant, Company B, Translation)*

A more complete view on CSR as enlightened self-interest was recognised by a third of the external stakeholders, particularly those who were gamblers, journalists and a labour unionist. Since Macao’s gambling industry is a profit-making business, rather than a non-profit one, such as the Hong Kong Jockey Club (Chapter 4). The industry seemed to calculate potential business benefits that it gained from CSR before it actually engages in CSR. A director in a labour union and a gambler explained their viewpoints.

*“If they open a Sanatorium or a nursery school, can they make money? They think that they can’t make profit from these activities. Businessmen calculate everything and calculate every single return.” (Labour Union 1, Translation)*

*“The gambling companies want customers to lose ... [I know] because I used to work in casinos. ... They say they want to stop gambling problem and promote RG, but they don’t think so. .... Macao’s gambling industry is a profit-making business. It is different from the Hong Kong Jockey Club.” (Gambler 2, Translation)*

The findings in the previous three sections concerning business case of CSR are limited to a win-win situation (Chapter 2). However, these findings indicate that CSR can be viewed as a means of enhancing profitability, which is consistent with the views of Friedman’s (1970). Since Macao’s gambling industry is a profit making business, rather than a non-profit one or stated-owned business, corporations in this industry fall under the institution of capitalism (see Carroll, et al., 2012). On the other hand, a non-profit one or state owned business appeared to operate the interest of the public, rather than the interest of shareholders. Undoubtedly, Macao’s gambling industry has increasingly

contributed economic development in the local community (Chapter 5); however, their motivation for engaging in CSR remains questionable. No matter how this industry employed CSR, the underlying purpose of CSR engagement was often seen as enlightened self-interest in both short-term and long-term. These findings are consistent with Karl Marx and Milton Friedman, who claim that the design of an organisation in contemporary capitalism follows a financial initiative (Gray and Milne, 2004). This phenomenon was more explicit when this industry encountered an economic downturn as it ensures business survival, rather than CSR engagement.

### **6.3 Stakeholder Management**

There remained some scepticism about whether or not the industry was truly engaging in CSR. This section examines how this industry employed CSR as a means of achieving strategic legitimacy, thus engaging symbolically, rather than substantively in CSR initiatives. The industry employs a set of legitimising strategies to manage stakeholders' perception by changing their perception, by educating them and by distracting their attention from perceived problems. These interpretations are mainly based on Lindblom's (1993) framework, which provides a useful analytical lens to examine the data.

#### **6.3.1. Changing stakeholders' perception by balancing negative social impact**

First, Macao's gambling industry appeared to employ CSR as a means of changing stakeholders' perceptions by employing symbolic CSR initiatives of social legitimacy. The construction of the gambling industry is so contested for two main reasons: (1) the industry may or may not be a legalised and (2) gambling may or may not be a legitimated form of activity (Reith, 2007; Chapter 2). Historically, this industry has been

associated with illegal activities, namely drugs (Chapter 1). Thus, Macao's gambling industry employed CSR as a means of changing stakeholders' perception by balancing the perceived negative social impact of gambling on society against a positive engagement in CSR in Macao. A supervisor and a manager noted that the nature of the gambling industry was seen as having a negative impact on society so that CSR could be employed as a means of countering the public negative perception of the industry.

*"The gambling industry has a negative image. Our company knows this point so they make donations to balance this negative image." (Supervisor, Company D)*

*"The nature of business will always be attacked. [No] matter how much we contribute ... because of its negative noise, we have to do a lot better to protect the branding and image." (Manager, Company F)*

Similarly, this view of employing CSR to balance the perceived negative image of the industry to a positive CSR engagement was supported by half of the external stakeholders. Apart from the government officials and a director of labour union, those interviewees shared a similar view with the notion of balancing between corporate survival and social impacts, thus enhancing corporate self-interest.

*"If individuals gamble heavily, they lose money, and then may have family abuse, child abuse and crime. ... CSR is especially important to balance the company's return and the social conflict." (Academics 2)*

*"Ideally, they will make sure that they don't have problem gamblers. You know flooding into their casinos. They donate a lot of their [the company's] money to charity ... and they give back as much as possible to society." (Journalist 2)*

*"If they don't have CSR, they can't survive in the long term. They may use society's resource. ... The gambling companies need to balance their future development and the social interest." (Counsellor 1, Translation)*

*“One of the gambling owners held a superstitious belief. He makes so much profit from gamblers and then donates to charities because his two sons died in a car accident. He wants to balance it by donating his money.” (Gambler 3, Translation)*

These findings indicate that by legitimising CSR through communication, Macao’s gambling industry could reach strategic objectives by creating a more positive image of the industry than the perceived negative image of the industry. The positive and extensive CSR engagement, particularly community involvements, employee welfare and economic development, can profoundly influence the public’s perception and social value (Chapter 5). These findings are consistent with Lindblom’s (1993) point two. This positive image may convince the public that they are “not all that bad”. These findings are similar to those of Campbell, et al. (2003) for the tobacco industry. However, the gambling industry is not required to tackle social issues, thus this was not framed in the discussion about CSR. It seems that the social impacts of gambling- and health-related issues are removed from the gambling industry discourse. It is relatively difficult to sustain the exclusion of social impacts from CSR debate. These CSR engagement can be regarded as a symbolic, rather than substantive, management technique (Ashforth and Gibbs, 1990). More importantly, the industry seemed to employ CSR to signify falsely that the industry’s performance has already changed; however, CSR engagement could possibly reduce the legitimacy gap. This strategic approach can be seen as a proactive strategy by the industry so that the industry attempted to get the positive image across in order to put its own interpretation on CSR (see O’Donovan, 2002).

### **6.3.2 Educating stakeholders about its intentions to improve its social performance**

Second, Macao’s gambling industry attempted to educate stakeholders’ perception

through employing symbolic CSR initiatives of social legitimacy. The industry appears to employ CSR to educate its stakeholders about its intentions to improve its performance. These findings are in line with the views of Lindblom's (1993) point one. This industry employed various forms of media, such as newspapers, videos and TV shows, as a source of organisational legitimacy to educate, influence and shape the opinion of their employees and the public, in order to reiterate past CSR achievements, namely community involvements in Macao. These findings are consistent with the views of Deephouse and Suchman (2008), who suggest that organisations seek different sources of organisational legitimacy. This was recognised by some of the internal stakeholders working at middle management level. Two supervisors working at junior management level in the international gambling companies noted:

*“If we donate money, we take a photo and put it in the newspaper. ... We have a video in the staff rooms or offices which shows what we have donated for charity during the year.” (Supervisor, Company D)*

*“When we take a ferry from Macao to Hong Kong, we can watch their CSR activities on the TV in the ferry all the time. ... The video shows the elderly having a buffet in a restaurant or kids making Easter eggs ... We realised that our company did CSR activities.” (Supervisor, Company B, Translation)*

More importantly, a manager in marketing and a senior manager in the public relations department provided some examples of how their company educated the general public and employees about gambling as a choice, as a form of entertainment and as a leisure environment in Macao's gambling industry.

*“When we educate people about gambling, you know gambling is a choice. You know it is not something wrong. ... We are taught not to label the gamblers as doing bad things.” (Manager, Company F)*

*“Our company can be regarded as socially responsible. ... My boss taught us that gambling is an entertainment which is different from the early days. ... We hope to provide a leisure environment for customers in the mass market. ... Do you want your customers to lose all their money? At least, my boss didn't teach me.” (Senior Manager, Company D, Translation)*

These findings suggest that Macao's gambling industry employs different forms of media as a source of organisational legitimacy in attempt to educate, influence and shape the opinions of their employees and the general public by reiterating past CSR achievements, and educated stakeholders that gambling is as a legitimated form of activity (see Reith, 2007). These findings are consistent with the views of Lindblom's (1993) point one. The local community should judge this industry by its current positive and negative contributions to the community. However, past CSR achievements are subject to scrutiny. This industry appears to concentrate on corporate philanthropy, rather than gambling addiction and health-related issues. This strategic focus on corporate philanthropy can be regarded as symbolic, rather than a substantive, management technique (Ashforth and Gibb, 1990). The legitimising strategies could reflect or portray the industry as having transformed itself, which may actually move the industry towards an actual change as a reformed industry; however, this legitimising strategy can be seen as forestalling any real changes in corporate behaviour. These findings are consistent with those of Deegan and Blomquist (2006) for the Australian minerals industry. The strategic legitimacy could benefit the interests of the owners of the gambling industry, rather than the consumers in order to sustain corporate operations. In other words, it could be argued that CSR could be regarded as potentially quite harmful to certain stakeholders if the industry's adoption of CSR could fail to act in the interests of consumers (gamblers), within society.

### 6.3.3. Distracting attention from perceived problems

Finally, Macao's gambling industry employed CSR as a means of distracting the public's attention away from perceived negative impact of the industry towards positive impact of the industry on local community, while drawing attention to the positive impact of the industry, thus in turn changing the public's attitude to the industry, and giving the public a more positive impression. These findings are in line with the views of Lindblom's (1993) point three. The findings suggest that the industry seems to highlight its strengths, particularly the positive value of social engagement, rather than the negative phenomenon in relation to gambling- and health-related issues. This view was supported by some of the internal stakeholders working at middle management and non-management levels and one external stakeholder.

*“The gambling business has a perceived negative image ... You can't eliminate that and teach people how to think about it, but you can change people's perceptions ... to move the focus away from gaming. ... We want to change our image and to align ourselves with tourism, leisure, and recreation.” (Manager, Company F)*

*“The gambling industry is generally perceived to have a negative image because of problem gamblers. ... Thus, the industry attaches importance to CSR and tries to persuade people to think positively.” (Coordinator, Company C, Translation)*

*“One way of changing this image is to promote CSR events which helped to improve its [the industry's] image so the community perceived them as benefactors of the community.” (Journalist 4)*

More pertinently, this industry appears to be secretive and sensitive regarding the confidential information of “junket operators”<sup>104</sup> and “VIP high rollers”<sup>105</sup>. Over 70%

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<sup>104</sup> Junket operators signed Joint-Venture contracts with Macao gambling operators which hold concessionaries and sub-concessionaires to operate “VIP Gaming Rooms” in their casinos (also see Footnote 47).

of Macao's gambling revenues come from VIP rooms (Eadington and Siu, 2007). Of great concern were the responses from five external stakeholders concerning the industry's lack of transparency in regard to junket operators, big customers and illegal employment policy. The industry seemed to have difficulty in gaining legitimacy on the basis of the integrity and transparency of its operations (Soriano, et al., 2012).

*“From a low transparency industry to some transparency, CSR is improving. [But] it is still below what is acceptable. ... Especially, junket operators ... and some of the big customers gamble in gambling rooms. [This information] was not disclosed to the license holders.” (Academics 2, Translation)*

*“[The gambling companies] are listed on the stock exchange which requires certain transparency. But, they tend to be secretive and sensitive to, especially, high rollers and big gamblers. ... they are bonded by some of the secrecy rules. ... Some aspects are quite confidential.” (Journalist 2)*

Even more compelling was the infringement of the employment policy provided by some of the gambling companies. A gambler revealed the ways in which the employment policy is broken.

*“Some managers want to make a fortune. For example, if our company hired imported labour, mainly from mainland China. Their salaries are MOP\$9,000, but they actually receive MOP\$7,000 or less. ... They need to pay a fee to an agent and other fees to managers and supervisors.” (Gambler 4, Translation)*

These findings imply that Macao's gambling industry shifted their attention from assisting problem gamblers to community involvement (Chapter 5). These findings are consistent with the views of Lindblom's (1993) point three. These findings are also

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<sup>105</sup> The junket operators often offer credit to VIP high-rollers from mainland China according to the value of their fixed assets (The Independent, 2012). If VIP high-rollers lose money in any casino in Macao, the junket operators have their own special ways, for example custody, to collect debts from VIP high-rollers (The Independent, 2012).



similar to those of Hing and McMillen (2002) for the Australian gambling industry. The negative impacts of the industry seem to be unrepresented in the interviews. This raises the questions of why internal stakeholders were silent on gambling addiction and health-related issues, while external stakeholders recognised all these negative impacts, for example gambling addiction, junket operators, and illegal employment policies. Not mentioning the negative effects of the industry can be regarded as an avoidance approach, which implies the management style of the industry tends to be secret or sensitive (see O'Donovan, 2002). Thus, the concept and construct of CSR could not possibly be regarded as a true representation of the gambling industry. These findings are consistent with those of Palazzo and Richter (2005) for the tobacco industry. These are not necessarily false, but could be misleading (Lindblom, 1993). This strategic focus on CSR without explicitly dealing with gambling- and health-related issues can be regarded as a symbolic, rather than substantive, management technique (Ashforth and Gibbs, 1990). The industry attempted to bolster its position as a legitimate organisation without really changing of its operations. Otherwise, making industry-sensitive information public can pose a threat the gambling industry to legitimising its actions. These findings are similar to those of De Villiers and Van Staden (2006) for the mining industry in South Africa.

#### **6.4 Sources of legitimacy**

This section concentrates on how Macao's gambling industry can be said to employ CSR as a means of gaining different sources of legitimacy so as to ensure its survival. They attempted to appear "legitimate" to two important audiences: internal audiences and external audiences. The internal audiences are the parent companies, while the external audiences can be divided into three groups, namely the public, the government

of Macao, and the Chinese Central Government (mainland China). Each group provides certain forms of political and social support through a better access to critical resources without which the gambling companies would not be so profitable. The following sections will discuss four aspects of organisational legitimacy through the lens of the legitimacy theory (Chapter 2).

#### **6.4.1. Internal legitimacy from the parent company**

Macao's gambling industry is mixed with international and domestic gambling companies. Those international companies are Multiple National Enterprises (MNEs), originating from the USA and Australia (Appendix 2), which seems to share CSR policies, practices and strategies from the parent companies. Thus, the legitimacy of the MNE subunit is the acceptance and the host country institutional environment (Kostova and Zaheer, 1999, p. 65). Kostova and Zaheer (1999, p. 68) suggest that MNEs often face two institutional environments: "the internal environment of MNEs" and "the external host country environment". However, the findings show that the internal pressure from parent company corporate culture are more significant than the external pressure from the government of Macao.

The influence of parent company corporate culture in motivating CSR seemed to be a reason to engage in CSR of the subsidiary operated in Macao. This corporate culture can be regarded as an example of internal legitimacy, which refers to a unit adopting the organisational structures, policies and practices institutionalized within the MNEs (Kostova and Zaheer, 1999). This is essential for a subsidiary's survival because of its dependence on the parent company for continuing access to resources, such as capital, knowledge and technology (Pfeffer & Salancik, 1978). This dependency was recognised

by more than a third of the internal stakeholders working at senior, middle and non-management levels at the international gambling companies and to a lesser extent in the Chinese gambling companies. In most cases, the subsidiaries of international gambling companies were according to parent companies' CSR and RG policies, practices and guidelines. Two internal stakeholders believed that CSR of Macao's subsidiary was profoundly influenced by parent company corporate culture.

*“Actually, we have implemented many diversity programmes in the US and attach importance to the community. The CEO in Macao also pays attention to the contribution to the society. On the first day, our company came here. We have many social activities that can help the society or our employees.” (Vice President, Company C, Translation)*

*“The main reason is our company is from the US. In the US, our company is engaged in CSR. So, they introduce this corporate culture to Macao and still have this CSR department.” (Coordinator, Company B, Translation)*

*“I think that our company is from the US. ... In the US, the parent company has RG policies ... because American gambling companies encourage RG.” (Telephone Marketer, Company B, Translation)*

The international gambling companies seemed to follow largely the parent company standards or the Western standards (see Moon, 2002; Welford, 2004) and to transplant their CSR philosophy to the Macao context in which they operate their businesses (Kostova, 1997). However, in MNEs, internal legitimacy requirements can vary depending on each host country. One officer working at non-management level argued that the corporate culture relating to CSR in a subsidiary company in Macao was often not exactly the same as the US parent company's.

*“We follow CSR from the parent company. When I first worked in this department,*

*staffs have been doing CSR for one year. We have engaged for a long time with our own standards, but it is not exactly the same as the parent company. Some western CSR can't be implemented in Macao.” (Officer, Company B, Translation)*

More importantly, several academics, journalists, and counsellors questioned whether or not their parent companies could transfer their full CSR philosophy to their Macao subsidiaries. It is fair to suggest that there is inadequate community and government audit on CSR in Macao's gambling industry. These views are similar to those of Vong's (2010) study. However, the findings for Macao are entirely different from those of developed countries, such as Australia (The Productivity Commission, 1999), the US and the UK (see Smith, 2009), on providing a national review of the gambling industry. It seemed necessary to have an independent third party to provide an objective report to monitor, verify and evaluate CSR standards in Macao's gambling industry.

*“The gambling industry is very good at CSR and it is better than other industries. ... we can't use local [low] standards to judge. ... Macao doesn't have any power to evaluate these companies. ... Are they reaching the global standard or are they worse than the US? We don't know.” (Journalist 3, Translation)*

*“There are some international labelling activities. If they don't have CSR, the international organisations boycott this company. We are in line with them and social service organisations to monitor this industry at a global level.” (Counsellor 3, Translation)*

These findings show that international organisations operating in Macao appear to engage in efforts to reduce the legitimacy gap and to identify some symbols of social legitimacy, particularly by using CSR and RG philosophies from the parent company to continue access to resources, for example CSR and RG knowledge. These findings are in line with the idea of Kostova and Zaheer (1999), who suggest that internal legitimacy is important for a subsidiary in order to be able to depend on the parent company for

continuing access to resources, for example knowledge (Pfeffer and Salancik, 1978). Hence, the industry could possibly improve its survival chances and reduce the chance of opposition (see Bitektine, 2011).

#### **6.4.2 External legitimacy from the public**

External audiences can be divided into three main groups. First, the findings indicate that Macao's gambling industry employed CSR as a means of gaining acceptance and support from the general public, thereby emphasising the complementary relationship between corporations and the community. Thus, the support of the local community can be viewed as an important source of legitimacy. This industry seemed to take a proactive CSR strategy, which can be regarded as preventing the public's resistance to its dominance in Macao in order to increase the likelihood of acceptability or possibly reduced chances of opposition (Weaver, et al., 1999). These findings are consistent with those of Palazzo and Richter (2005) for the tobacco industry. This view was expressed by some of the internal stakeholders mostly working at middle and senior management levels in international gambling companies, and to a lesser extent by those who working in the Chinese gambling companies.

*“There is no telling the community how good I am. What I am demonstrating is engaging with the community.” (CEO, Company C)*

*“Having a good relationship with the community is good for their businesses. Then, I think where we talk about education and labour pool. You know it is such a small labour pool in a small resort. We can improve anything. It will help us eventually.” (Manager, Company A)*

*“I mean renewing [gambling] licenses. The gambling companies need to get Macao people to support because Macao people have [the right] to say indirectly how the government gives us [the gambling companies] to continue to operate the*

*gambling licenses.” (Manager, Company D)*

*“First, minimising the harm (I think). I mean if the gambling industry is a new industry, we want the community to accept our company. So, we can’t harm the local residents.” (Officer, Company B, Translation)*

By contrast, some of the external stakeholders, two journalists, held a slightly different view on gaining acceptance and support from the general public. They suggested that Macao’s gambling industry attempts to promote itself as a normal industry and to portray itself as being a benefactor in Macao in order to enhance corporate acceptance or possibly reduce the chances of opposition.

*“They may be tempted to use [CSR] to promote themselves as a normal industry.” (Journalist 2)*

*“Chinese [gambling companies] are now portraying themselves as benefactors in that sense. You know to promote the idea that they are involved in the community. ... I have been talking to these PR [Public Relations] people. They all want to see themselves as community helpers and that they help their community. That is the general idea of all the casinos at this point.” (Journalists 4)*

Since the gambling companies operated in Macao in 2004, they will face the task of gaining legitimacy, which is termed the “liability of newness” (Ashforth and Gibbs, 1990). The internal stakeholders tend to build a good relationship with the community and to demonstrate its CSR engagement to stakeholders through the good deeds that this industry has done for the local community, while two journalists highlighted that the motivation for engaging in CSR was to promote itself as a normal industry and a benefactor in Macao. The industry promotes CSR as favourable for its organisations, salient stakeholders and the society. It introduces the question of why the gambling

industry employs CSR. If this industry has a bad relationship with the public, this industry causes harm to the local community, which leads to the no longer trusting them. Such CSR engagement can be viewed as a window dressing for corporate externalities, with the intention to distort its inherent problems, notably in the form of gambling- and health-related issues. These findings are similar to those of Palazzo and Richter (2005) for the tobacco industry. Hence, the local community can possibly provide societal support in order to enlighten self-interest through a granting access to important resources, such as gambling licenses and employees.

### **6.4.3 External legitimacy from the government of Macao**

Maintaining a good relationship with the government of Macao seemed to be an important source of legitimacy for the industry. The government of Macao could be regarded as an authority which establishes the regulations that control the way Macao's gambling industry should behave (Pfeffer and Salancik, 1978; Singh, et al., 1986; Baum and Oliver, 1991; Deephouse, 1996). More pertinently, the government can determine the conditions for the social licenses and constrain the industry's activities to ensure to protect citizens' rights (see Crane, et al., 2004). This industry has invested time and money in CSR, which might influence political decision-making. This was recognised by a quarter of the internal stakeholders working at all levels and an elaboration came from the international gambling companies. In particular, two managers and a journalist expressed the view that maintaining a good relationship with the government of Macao was viewed important in order to gain support from the government to ensure its survival and to gain supply of critical resources, namely increasing the imported labour quota, granting land for expansion and renewing gambling licenses in 2020 and 2022.

*“... driven by the need to build up a good relationship with the government. ... Keep the government happy. ... If the government does not care about how much money we spend and how much we put into it. ... If there is no sense in what we are doing, we have a bad relationship with the government.” (Manager, Company A)*

*“Now, all of them have to do it [CSR] because we are competing with each other. We all want the government of Macao to help, like labour issues or getting a new place to develop in the Cotai area. ... If they don't engage in [CSR], when the time is to renew [their] licenses ... If any conflict happens, the government may not help them because they perform badly [in CSR].” (Manager, Company D)*

*“I think that they [the gambling companies] are very keen to have a good relationship with the government because obviously they want the government to renew their license and they want to expand their operation ... they need more workers. ... the government authorizes the quota for more workers.” (Journalist 4)*

With regard to labour issue, some internal stakeholders discussed the importance of gaining more resources by importing foreign labour, rather than local labour to ensure their existence and survival. The government of Macao regulates the amount of labour imported for the gambling industry in order to ensure the balance of the local job market. The gambling industry tended to justify for a shortage of English-speaking employees and experienced gambling employees. In Macao, nearly 30% of non-resident workers have been worked in middle or senior levels in the gambling and hospitality sectors (Appendix 2). Yet, the findings suggest that language differences could create communication problems, particularly misunderstandings between local employees and foreign supervisors. These findings are in line with those of Wan's (2009) study. A director and a journalist highlighted the inequality issue of the local employees, who can't speak English. These employees tended to work in the low-level jobs, due to Macao historical background and its previous economy structure.

*“The senior managers are from Hong Kong, Australia, America and they can*



*speak English. ... We studied Portuguese before, but we speak Cantonese in our daily lives. We don't speak English. ... Many local residents can't speak English so they can only work in low level jobs.” (Director, Company F, Translation)*

*“A few hundred thousand people work in low level jobs. ... But, many 50-year-old locals are still unemployed and they previously worked in a manufacturing industry. The gambling industry doesn't need their skills and that leads to causing structural unemployment and having many social conflicts.” (Journalist 1, Translation)*

However, a manager asserted that local employees were lacking English speaking skills and knowledge of gambling management. This would affect the quality of its services.

*“They [the government of Macao] restrict [gambling] company quotes of foreign employees. There is a problem. A shortage of labour will affect the quality of our services. We don't want to spend money on hiring these people [local citizens] because they lack skills.” (Manager, Company D)*

In comparison, a labour unionist revealed that a CEO in one of the gambling companies was a member of legislative assembly to encourage the government of Macao to employ more imported labour, rather than local labour. This perspective was from management level, rather than from non-management level. This industry could possibly use its political power to lobby the government to reduce the regulation on imported labour in order to obtain more resources.

*“The management always wants to hire imported labour. We disagree because the gambling industry doesn't demand high qualifications and only needs junior or secondary education level. Many local people fulfil this requirement and salaries are higher than those in other industries. ... Why doesn't the industry hire local employees? The locals only work in low level jobs.” (Labour Union 1, Translation)*

In addition, some internal stakeholders revealed that it was expatriate, rather than local

employees that tended to get promotion opportunities to middle and upper management levels. Managerial vacancies are often filled by those who can communicate with foreign managers. These findings are consistent with those of Wan's (2009) study, which found that the reward and promotion system are thought to be poor and unfair for employees in Macao's gambling industry. This phenomena shows a conflict between CSR engagement in terms of job creation (Chapter 5 - Section 5.2.3) and provision of low-level jobs. If this industry fails to manage the employee inequality issue in its employees' eyes, this issue may therefore pose a threat to the industry gaining an important source of imported labour from the government of Macao.

*“Local residents only work at low-levels, but the gambling industry fails to localise the jobs. ... They don't give local employees a chance to gain more promotions.”*  
(Director, Company F, Translation)

*“A few local residents get promotion and work at management level. The gambling industry usually hires employees from Hong Kong and Malaysia. But, they don't know how long they wait to get promotion. ... Local residents don't have the expertise in casino management.”* (Technical Analyst, Company D, Translation)

The government of Macao could be seen as an authority which establishes the gambling regulations that control the way Macao's gambling industry should behave in Macao (Chapter 2). Organisations in Macao's gambling industry attempted to build a good relationship with the government to gain an important source of legitimacy (Deephouse and Suchman, 2008) to ensure the supply of resources in order to ensure their survival. This industry with CSR can be considered being more legitimate partners for governments in the developing countries, such as Macao. The government can be viewed as an implicit institutional shareholder. This industry instrumentally manipulates CSR in order to gain political support to enlighten self-interest through a better access

to three main critical resources: imported labour, land and gambling licenses. First, they need to maintain a good relationship with the government as they attempted to gain more resources, particularly imported foreign labour (with English-speaking and experienced gambling employees), rather than local employees, who found it difficult to get promotions. The government controls the quota for imported labour in the gambling industry. Second, this industry seems to pursue CSR strategies as a means of winning the trust of the government of Macao so that this industry could grant more land to expand its gambling business operation in Macao. Third, this industry also employed CSR as a means of preparing to renew gambling licenses for its continued existence in 2020 and 2022. This industry could conform to organisational legitimacy for the retention for its license to operate (see Deegan, 2002).

#### **6.4.4 External legitimacy from the Chinese central government**

Maintaining a good relationship with the Chinese Central government (mainland China) can be considered an important source of legitimacy. This was recognised by some of the external stakeholders. Historically, the government of Macao has had a close relationship with the Chinese government (Appendix 2). The Chinese government could be viewed as another authority, which establishes the regulation that allows the legalisation of Macao's gambling industry (Appendix 2), and indirectly controls the way this industry should behave in Macao (see Pfeffer and Salancik, 1978; Singh, et al., 1986; Baum and Oliver, 1991; Deephouse, 1996). One gambler asserted that the gambling industry heavily depends on policies set out by the Chinese government. Since nearly 90% of visitors come from mainland China (Appendix 2), maintaining a good relationship with the Chinese government could be viewed as gaining access to

critical resources (visitors) from mainland China through the “Free Travel Scheme”<sup>106</sup> policy to ensure the industry’s continued survival in Macao.

*“Some gambling companies made donations for natural disasters to Mainland China. The industry all depends on mainland China. ... If the Chinese Central government cancelled the Free Travel Scheme Visas to Macao, they would lose major income.” (Gambler 2, Translation)*

An academic expressed the belief that Macao was a place to invest due to its economic structure. The international gambling companies appeared to build up a good relationship with the Chinese Central government in Macao in order to develop a gateway to invest in mainland China.

*“The foreign companies win the trust of the Chinese Central government (mainland China). Macao is their first place to invest. If they operate very well, they can invest in mainland China easily.” (Academic 3, Translation)*

The Chinese government could be regarded as another important authority. Thus, the gambling industry employed CSR to maintain a good relationship with the Chinese government in order to gain legitimacy to ensure its supply of critical resources, particularly Chinese visitors (customers), to improve the likelihood of survival. These findings are in line with Deephouse and Suchman’s (2008) view, which suggest that the authority can be viewed as a major source of legitimacy (Chapter 2). Without a base of these important customers, neither gaming income nor profits are possible. More pertinently, Macao is the only place in mainland China where it is legal to gamble in

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<sup>106</sup> Macao’s gambling industry has launched a decisive policy called the “Free Travel Scheme” (FTS) to permit Chinese visitors to come to Macao since 2003 (Gu and Tam, 2011) (see Appendix 2). This scheme allows mainland residents to visit Macao and Hong Kong on an individual basis rather than a tour group basis (Vong, 2010).

casinos (Vong, 2004; BBC, 2009; MarketLine, 2013c), while in mainland China it is limited in a form of a national lottery (Appendix 2). In addition, Chinese people appear to show higher participation rates towards gambling than the Caucasians mainly due to the Chinese culture, historical background and tradition (Raylu and Oei, 2004; Lau and Ranyard, 2005; Papineau, 2005; Chapter 1).

## **6.5 Concluding remarks**

Organisations in Macao's gambling industry have been facing an ongoing threat to its legitimacy as the negatively perceived links between gambling addiction and health-related issues are established (Chapter 2). These organisations may endeavour to minimise the legitimacy gap through identifying CSR as a symbol to enhance social legitimacy.

According to findings (Chapter 6), these organisations employ CSR as a part of the business case, namely to improve corporate image and reputation, gaining competitive advantage, and cost reduction. These findings are consistent with the previous CSR literature, which advocates CSR as a win-win scenario (Chapter 2). However, these organisations' motivation for CSR engagement was often viewed as self-interest rationales. It is suspected to blur their agenda of a business-as-usual. The industry will not often engage in CSR unless it meets its profitability criteria (Banerjee, 2008).

The motivation for CSR engagement remains questionable that whether or not organisations in the gambling industry are entirely engaging in CSR. However, these organisations seem to engage "symbolically", rather than "substantively" in CSR initiatives. The findings indicate that these organisations could employ CSR to achieve

legitimacy by managing stakeholders in three main aspects: first, changing stakeholders' perception by balancing the perceived negative social impact of the industry against a positive CSR engagement in Macao; second, educating, influencing and shaping stakeholders' perception through reiterating past CSR achievement by different forms of media; and third, distracting the public's attention away from the perceived negative impact of the industry towards a positive impact of the industry on the local community, while drawing attention to the positive impact of the industry. This thus in turn changes the public's attitude towards the industry, giving the public a far more positive impression. These examinations are based upon three aspects of Lindblom's framework (1993). These findings are in line with those of the legitimacy theory (Chapter 2). Macao's gambling industry instrumentalise, manipulates and deploys symbolic CSR, rather than involving real change in organisational practices concerning gambling- and health-related issues (Ashforth and Gibbs, 1990). These strategies would appear to have succeeded, at least to the extent that Macao's gambling industry is not highly regulated, scrutinised or evaluated by the government of Macao, and thus the industry continues to survive. These findings pose a challenge to the extant institutional legitimacy literature at regional level (Chapter 2).

More importantly, organisations in the gambling industry wish to appear "legitimate" to two major audiences. First, internal audiences are the parent company. Second, external audiences are mainly from the local community, the government of Macao and the Chinese government. Each audience can provide certain forms of political and societal support in order to enhance economic interests through a better access to critical resources, namely CSR knowledge from parent company, public acceptance, gambling licenses, imported labour, land, and customers. The industry can seek legitimacy with

CSR engagement that could improve the likelihood of its survival and continuity (see Reast, et al., 2012).

Chapter 7 reports the semi-structured interview findings based on the emerging themes, RG, a subset of CSR, while discussing the concept of CSR in Chapter 5 – Section 5.3.1 examines how Macao’s gambling industry attempts to minimise the legitimacy gap through employing RG programmes as a symbol of social legitimacy. It covers six main sections, including background of RG, introduction of the chapter, discussion of RG, RG as a symbolic commitment, sources of legitimacy and a concluding remark.

## Chapter 7

### Motivation for Engaging in Responsible Gambling in Macao's Gambling Industry

#### 7.1 Introduction of this chapter

Chapter 7 lends further weight to the argument from Chapter 6. This chapter examines interview findings in relation to Responsible Gambling (RG), a subset of CSR, which is consistent with the CSR literature concerning consumers' perspectives (Section 7.2.1). Several RG studies have examined and been limited to employees' perspectives (Chapter 2). The thesis attempts to explore a wider stakeholder perspective on RG. Additionally, the vast majority of the interviewees tended to emphasise and elaborate on this topic in most of the interviews (Chapter 5). Hence, RG appeared to be a substantial concept in Macao's gambling industry so RG will be investigated in more depth in the chapter. Semi-structured interviews (Chapter 3) were used in this thesis to examine the third research question. *Why does the gambling industry engage in Corporate Social Responsibility (CSR) (and Responsible Gambling)?* This question is qualitative in nature and was explored in the interviews with 30 internal stakeholders and 19 external stakeholders of Macao's gambling industry.

The findings in this chapter concentrate on the motivation for Macao's gambling industry's RG engagement. There are three main findings in this chapter. First, the concept of RG seems to be obscure, but organisations in Macao's gambling industry take advantage of RG ambiguity for their own interest. Thus, RG could be viewed as a sustainable development tool to enlighten self-interest as the industry wishes its customers to play a number of games, rather than one game. This view introduces the question of why internal stakeholders working at senior management level and a leading



RG academic recognised no apparent conflict between the pursuit of economic interest and the promotion of RG amongst the public, while external stakeholders tended to recognise this conflict. These findings are in line with prior CSR (RG) literature, which advocates CSR (RG) as an economic initiative, rather than an ethical one (Chapter 2). Second, this industry employs RG as a means of managing stakeholders by changing their perception: this is achieved by highlighting the individual responsibility, educating them about its intention to improve social performance, and distracting their attention from gambling problems to customer protection to employee protection. RG, in this context, is actually to promote the interest of the industry, rather than the interest of customers. RG has no real meaning in practice; however, RG remains symbolically important. Third, they appear legitimate to the major external audiences, namely the University of Macao, the public, the government of Macao and the Chinese government. Each group can provide certain forms of political and social support through granting greater access to critical resources, namely creditability, acceptance, gambling licenses, labour, land and customers, to ensure the industry's survival.

The chapter is divided into six sections. After an introduction, the second section outlines a general background of RG. The third section examines the concept of RG. The fourth section investigates how organisations in Macao's gambling industry employ RG as a symbolic commitment to managing stakeholders and follow by how these organisations seek different sources of legitimacy. Finally, a concluding remark is made at the end of the chapter.

## **7.2 Background of Responsible Gambling (RG)**

Gambling operators may be criticised for exploiting the general public (Hing and

McMillen, 2002) because the social consequences of gambling, such as gambling addiction, health-related issues and social disruption can be harmful (Chapter 1). Furthermore, stakeholders tend to put pressure on gambling operators to apply ethical concerns in order to avoid possible gambling problems (Hing, 2001). Consequently, CSR in the gambling industry has gradually received more attention from gambling providers, the public, regulators, and researchers. Gambling operators, thus, adopt some “responsible gambling” (RG) initiatives (Hing and McMillen, 2002) and comply with a variety of socially-responsible practices, for example providing counsel to problem gamblers by implementing precautionary and curative approaches (Miers, 2008). They can thus be considered to behave in a socially responsible manner (Lee and Park, 2009). RG can be viewed as a subset of CSR and as an important concept in the gambling industry. RG has been widely discussed in psychology, medicine and gambling studies.

### **7.2.1 Definition of responsible gambling (RG)**

Due to government and public pressures, RG was initiated using industry-based voluntary codes of practice (Blaszczynski, et al., 2011). Blaszczynski, et al. (2004, p. 308) define RG as “policies and practices designed to prevent and reduce potential harms associated with gambling; these policies and practices often incorporate a diverse range of interventions designed to promote consumer protection, community/consumer awareness and education, and access to efficacious treatment”. The purpose of RG is to minimise gambling problem through consumer protection mechanisms, including awareness, education, harm minimisation techniques, and treatment (Dickerson, 2003). The generic term of RG incorporates concepts of customer protection, harm minimisation and harm reduction (Blaszczynski, et al., 2011). Furthermore, Blaszczynski, et al. (2004, p. 302) developed the US-based Reno Model of RG. This

model provides a “blueprint for action, to advance and coordinate strategies to limit gambling related problems”. Yet, this RG model is based on seven stated assumptions<sup>107</sup>. These assumptions are largely based on “business as usual” and “win-win” contexts. This is similar to the business case for CSR, that is corporations can both perform well in financial terms and be responsible to society (Kurucz, et al., 2008).

This Reno Model comprises five key stakeholders: consumers, gambling operators, health services and other welfare providers, interested community and government (Blaszczynski, et al., 2004). RG appears to incorporate the concept of consumers and stakeholders. Stakeholders in the concept of CSR are similar to stakeholders in the concept of RG. This concept can be viewed as a subset of the wider field of CSR, concerned with how the gambling operators manage their social impacts (Hing, 2003).

In Australia, parts of Europe and Canada, public health approaches appear to be committed to problem prevention and harm reduction, in form of informed choice and responsible play (Reith, 2007). Gambling operators operating in Canada, the US and Europe tend to implement employee education, awareness and assistance (Giroux, et al., 2008). RG in North America represents a microcosm of what has been developing in the gambling industry worldwide. Eadington (2003) suggests a four-stage<sup>108</sup> model to

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<sup>107</sup> The Reno Model developed by Blaszczynski, et al. (2004, p. 309) is based on seven stated assumptions: (1) Gambling provides a level of recreational, social and economic benefits to individuals and the community; (2) a portion of participants, family members and others can suffer significant harm as a result of excessive gambling; (3) Scientific research can and should guide gambling harm reduction strategies; (4) safe levels of gambling participation are possible; (5) the total societal benefits of gambling must exceed the social cost; (6) Abstinence is viable and important, but not necessarily essential, goal for individuals with gambling-related problems; (7) for some gamblers who have developed gambling-related problems, controlled participation and a return to safe levels of play may be achievable goals.

<sup>108</sup> This model is divided into four stages: (1) both government and the gambling industry denial and inaction; (2) lip service committed by government and the gambling industry; (3) a partial commitment by government and the gambling industry in response to RG (Eadington, 2003 cited in Smith, 2009). The final stage refers to unconditional acceptance and fully implementation of RG measures to minimise gambling related harms by government and the gambling industry (Eadington, 2003 cited in Smith, 2009).

evaluate the commitment to RG (Eadington, 2003 cited in Smith, 2009).

### **7.2.2 Critics of responsible gambling (RG)**

RG can be considered an important social issue for gambling operators; however, there are two general criticisms of applying RG. First, there is a lack of empirical evidence to show general consensus about the effectiveness and efficacy of RG programmes to prevent incidence or reduce gambling-related harms (Blaszczynski, et al., 2011). There have been only three scientific evaluations of the effectiveness of RG programmes in reducing harm to patrons; two studies were conducted in Canada (Ladouceur, et al., 2004; Giroux, et al., 2008) and another study was conducted in the US (LaPlante, et al., 2011).

Second, the scope of RG seems to highlight the responsibility of the individual player, rather than the gambling operator or the state, which links to wider ideologies of neo-liberalism and emphasises individual freedom and choice (Reith, 2007) and human right policies (Blaszczynski, et al., 2004). Within the context of civil liberties, gambling companies cannot remove an individual's right to make a decision so that individuals must be informed of the risk (Blaszczynski, et al., 2004). The emphasis appears to concentrate on gamblers' responsibility to receive information, regulate their behaviours, and make the right decision, thus limiting how long and how much they play (Reith, 2007). The notion of RG implies that anyone can be at risk and become a problem gambler (Cosgrave, 2010). Delfabbro and King (2012, p. 1553) state that policy reforms are limited by a "business as usual" discourse which holds a view that "problem gambling represents only a small minority of total gamblers, is attributable largely to individual behaviour and is unlikely to be influenced by the nature of the products themselves". In the American literature, there is a tendency to view "problem gambling"

as an individual and psychological disorder, rather than a public health issue (Hing and McMillen, 2002).

This problem does not imply gambling operators who have no responsibility to protect individuals. RG is generally referred to gambling operators to seek reducing harm (Dickerson, 1998 cited in Breen, et al., 2005). They have the responsibility to ensure that they do not make misleading claims, omit relevant information, develop products designed to foster excessive gambling, or target inappropriate subpopulations (Blaszczynski, et al., 2011, p. 4). RG engagement can be regarded as incompatible with economic objectives (Soriano, et al., 2012). Gambling companies provide RG ostensibly to help customers to be more responsible in their playing, which might increase customers' trust in the gambling companies (Griffiths, et al., 2009). However, the gambling industry may do this to shift the public's attention away from the need to assist problem gamblers to corporate philanthropy (Hing and McMillen, 2002). From the purest liberation grounds, the state should not try to prevent or discourage individuals from gambling as they wish (Collins, 2003). Yet, the determinant of participating in certain activities, for example gambling participation, is based on individual decision. By far the most important argument is made for the gambling industry. This argument is similar to that of the tobacco industry (Pava and Krausz, 1997). Having said that, individuals can bear the responsibility for understanding the nature of gambling and potential risks associated with gambling<sup>109</sup>.

Since the political economy of gambling has been increasingly deregulated, which in turn led to the expansion of commercial gambling in the 1980s, this industry has had

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<sup>109</sup> However, individuals appear to find psychological, social, and cultural factors preventing them from seeking help (Hing and Nuske, 2011b). Pride, shame, and denial are the common barriers to help-seeking gamblers and non-help-seeking gamblers (Pulford, et al., 2009).

greater freedom. The obligation of gambling participation is widely based on both individual and corporate responsibility (Reith, 2007). Gamblers are regarded as rational consumers; whereas, the industry as the leisure provider, is a legitimated organisation in society. Blaszczynski, et al. (2004) use the Australian Productivity Commission's report (1999, p. 16-45) to suggest that the government "specify in statute a duty of care by gambling providers that they take all reasonable and practical steps to protect their customers from gambling problems". For example, gambling operators can possibly discourage vulnerable individuals from playing excessively in order to prevent from them losing when they cannot afford to play. Thus, governments play a vital role in taking responsibility for imposing legislation to determine the nature, extent and location of gambling, to maximise consumer protection and to monitor gambling operators (Blaszczynski, et al., 2011). The responsibility for minimising the harm arising from "problem gambling" by incorporating adequate consumer protection measures into gambling operations lies with governments and gambling operators, rather than with individual gamblers (Hing and McMillen, 2002). Thus, the responsibility for RG has been widely debated. RG appears to be complex and ambiguous. The extent of the duty held by governments, gambling companies or players is yet to be determined.

### **7.2.3 Introduction of RG initiatives in legalised gambling countries**

RG has primarily focused on the problem gamblers. Some studies have shown that problem gamblers contribute around one-third of revenue from all types of gambling (The Productivity Commission, 1999; Williams and Wood, 2004). More importantly, roughly 2% of adults in the general population are considered pathological gamblers (Blaszczynski, et al., 2011; LaPlante, et al., 2011). Nevertheless, the mandatory and voluntary codes of RG vary greatly across countries, and even between gambling venues

within one country. RG initiatives involve different degrees of coercion and voluntary action (Hancock, et al., 2008). Even though many jurisdictions in the gambling industry around the world mandate the completion of RG training (The American Gaming Association, 2008), RG does not have one established norm for its implementation. Undoubtedly, the RG initiatives over the last two decades have been adopted mostly in developed countries, notably, Canada, the US, Australia, New Zealand, and the UK (Appendix 3). RG appears to regulate in local, rather than international, authorities.

Legislation and voluntary codes of RG practice have been established to improve social responsibility in relation to gambling in various countries. Yet, the legislation and code vary greatly from country to country and so there is no one established form (Hing and Mackellar, 2004). Importantly, Blaszczynski, et al., (2004) argue that the promotion of RG faces other major difficulties, namely an unclear conceptualisation, different constructs of problem gamblers and no common framework of RG<sup>110</sup>.

### **7.3 Responsible gambling (RG)**

Macao's gambling industry employed RG as a means of managing stakeholders in order to enhance economic interest. The findings suggest that this industry tended to employ RG as a symbolic commitment in order to improve its social performance, particularly in relation to customers. However, RG could arguably be viewed as a profit-making tool to improve economic performance.

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<sup>110</sup> First, there is a lack of conceptual clarity regarding the parameters of gambling-related harms and inconsistency in the definition of RG (Blaszczynski, et al., 2004). Second, how scientists measure gambling-related harms because public policy makers, gambling operators and clinicians have different perceptions of the construct of problem gamblers (Blaszczynski, et al., 2004). Consistent terminology needs to be developed that places gamblers into such categories as problem, compulsive, neurotic, excessive, and pathological gamblers (Blaszczynski, et al., 2004). Third, it is apparent that there is no common framework for identifying RG guidelines and there is no clear definition of either RG practices or a code of conduct (Blaszczynski, et al., 2004).

### 7.3.1 The contested concept of responsible gambling

First and foremost, the term “Responsible Gambling” (RG) could be understood in different ways, thus Macao’s gambling industry tended to adopt a respectable euphemism. RG has been implemented in different gambling developed countries, for example Australia, Canada, and the US (Hing, 2001; 2003; Hing and Nuske, 2011a; b; Giroux, et al., 2008; LaPlante, et al., 2011); however, RG is relatively new in Asian countries, where there is relatively little literature subject (Chapter 2). These findings suggest that RG in Macao appeared to be a common practice in the gambling industry, and was “borrowed” from western countries. Taking some quotes from the findings as examples, “We had RG experience in the US” (*Vice President, Company C, Translation*) and “the US parent company has RG policies” (*Officer, Company B, Translation*). According to the responses from several internal stakeholders at senior, middle and junior management level, RG was recognised as a new concept in both the Chinese and the international gambling companies and they appeared keen to defend the obviously limited recognition of RG.

*“After the opening of gambling companies, this market is infant. Western gambling companies bring new concepts, particularly responsible gambling. ... We need some time to understand this concept.” (Director, Company E, Translation)*

*“RG is a new concept for local residents, visitors and employees. There is a cognitive gap.” (Officer, Company B, Translation)*

While another external stakeholder also claimed that:

*“Macao doesn’t have international experience of RG. The concept of RG originated in western countries.” (Counsellor 3, Translation)*



It is not only internal stakeholders who alluded to having difficulty in understanding RG, but some external stakeholders were also particularly keen to emphasise the difficulty in promoting the concept of RG to the general public. There is a lack of problem gambling prevention, counselling and treatment centres in most Chinese societies (Tang, et al., 2007). In Macao, there were no such centres until 2004 (Fong, et al., 2011). A counsellor noted that Macao's gambling industry has been legal for over 150 years, while RG was introduced in 2009. Thus, the culture of gambling in Macao seemed to be stronger than the new culture of RG that has been promoted in recent years.

*“Perhaps, the whole community doesn't have a concept of what RG is. ... Macao has a long history of gambling for a few hundred years, not for few decades. The gambling culture is very strong. But, gambling addiction prevention is quite new.”(Counsellor 3, Translation)*

A RG academic highlighted that RG was designed to develop prevention or harm minimisation of gambling problem, rather than as a treatment for that problem.

*“The aim of RG is to prevent citizens from having additional gambling problem cases. RG is for prevention, but not for treatment. We hope that the promotion of RG may reduce the number of problem gamblers to a minimum level.” (Academic 1, Translation)*

He further explained the difficulty in promoting the concept of RG to the general public. Any promotion of RG may be associated with the promotion of gambling activities.

*“Responsible Gambling has been promoted for 2 years [in 2009]. We overcame a number of difficulties. Some people believed that the promotion of responsible gambling was the promotion of gambling. ... Actually, I didn't agree. It is the same as the promotion of anti-smoking and responsible driving.” (Academic 1,*

*Translation)*

Nevertheless, a minority of the external stakeholders were sceptical about the concept of “Responsible Gambling<sup>111</sup>”. Responsible Gambling was often known as *responsible gaming* or *rational gaming* – which is a respectable euphemism increasingly used by the gambling industry. This view is similar to those of Reith (2007), which states that gaming is associated with its connotation of play and leisure, rather than financial loss. The difference between “responsible gambling” and “rational gambling” tends to relate to the classification of customers. The customers can be divided into four types: “non-gamblers”, “leisure gamblers”, “problem gamblers” and “pathological gamblers”. Responsible gambling refers to people who have been involved in gambling experiences, while rational gambling refers to people who are not involved in gambling activities.

*“‘Rational gambling’ is for local residents who are not involved in gambling activities. ... Responsible Gambling is not going beyond self-limit. ‘Rational Gambling’ means gamblers think about it carefully. Gamblers know what they are doing and think about the consequences of gambling.” (Counsellor 4, Translation)*

*“I think that the concept of Responsible Gambling is fine, but gamblers feel uncomfortable to be reminded of their own responsibility because the notion of gambling is irresponsible behaviour. Others called Responsible Gambling as ‘Rational Gambling, which means not to gamble. ... but it is difficult to get the social acceptance of RG.” (Academic 1, Translation)*

The findings indicate that RG is a relatively new concept in Macao; therefore, the government of Macao still has a few lessons to learn from Asian countries regarding RG policies (The Institute for the Study of Commercial Gaming, 2009). Historically, the

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<sup>111</sup> The word “gambling” refers to its connotations of financial loss, whereas, the word “gaming” refers to its connotation of play and leisure (Reith, 2007).

term RG originated from industry, and a generic form of RG incorporates concepts of customer protection, harm minimisation and harm reduction (Blaszczynski, et al., 2011). However, the findings suggest that the term “Responsible Gambling” could be understood in a different way and is often known as “Responsible Gaming” or “Rational Gaming”, which is a respectable euphemism gradually employed by Macao’s gambling industry. The findings suggest that the concept of RG tends to be obscure and lacks a clear and precise definition. More importantly, the RG model is broadly based on one of the stated assumptions that “the total societal benefits of gambling must exceed the social cost” (Blaszczynski, et al., 2004, p. 309). Thus, the industry is likely to take advantage of this new concept of RG for its own and best interests. In other words, it could be argued that the industry’s RG adoption could fail to act in their stakeholders’ best interest, particularly problem gamblers within the society.

### **7.3.2. No apparent business conflict**

It was striking that in discussing the conflict between the pursuit of economic interest and the promotion of RG amongst the public, some internal stakeholders working at the senior management level recognised no apparent conflict in Macao’s gambling industry. These views reflected a belief that economic interest was likely to be compatible with RG. In their views, this industry took a proactive approach to admitting, rather than denying the negative consequences of gambling to the society. A CEO explained that:

*“I don't see that it is a conflict. ... I think that the key issue is openness. Basically, the notion of the conflict is basically denial. It [The notion of conflict] says I am going to the gambling industry, therefore, I will think about the negative consequences. ... It is not the conflict. It is a question of how to manage that.”(CEO, Company C)*

However, this industry employed RG as a symbolic commitment to show its intention of expressing its concern for customers. The industry seemed to highlight the individual responsibility. The discourse was used to shift the responsibility for problem gamblers away from the industry. The industry attempted to seek alternative justifications to ensure its survival. An executive vice president expressed her belief that her job was to increase customer awareness of the danger of the gambling.

*“I think that it is not the gambling industry [that is] irresponsible. I believe it is individual awareness. So therefore, the job of a gaming company is to make individuals aware of their responsibility.” (Executive Vice President, Company D)*

A leading academic in RG and one government officer also agreed with the previous viewpoint. RG policies are not necessarily discerned to have a conflict of interests, since RG policies have been employed since 2009. RG was deemed as a means of promoting a healthy gambling business in Macao; however, it can be argued that RG was a symbolic commitment to tackling gambling problem and continue to operate business as usual. The government of Macao is heavily dependent on this industry so there was little incentive to the regulatory authorities to impose so much pressure on this industry.

*“Gambling operators may think that RG is in conflict with their interests from the beginning. In other words, RG may reduce gambling profits. But, nowadays, the evidence shows that there has been no adverse relationship between profit and responsible gambling. Therefore, they don't have this weird idea.” (Academic 1, Translation)*

*“We want to promote gambling as a positive thing because gambling is viewed negatively. If they earn more profit, they are happy. From the government's perspective, we hope that they are running a healthy business, contributing to society and making profit.” (Government official 2, Translation)*

In stark contrast, RG engagement could be seen as incompatible with economic objectives. These findings are similar to those of Soriano, et al. (2012) for the online gambling industry. This conflict seemed to show that the underlying nature of gambling companies is to make profit. This view was mostly recognised by a third of the external stakeholders and a few internal stakeholders working at junior management levels.

*“I think that it is difficult for the gamblers to be responsible in an absolute term. If I think about it, is it [contradicting], right? ... I can understand the business. You know I think that it is a private company. The objective is to make money from gaming.” (Journalist 4)*

*“If they don’t promote RG obviously and directly, it is ‘casting pearls before swine’. It is difficult to educate customers not to gamble. It is a conflict with their interests.” (Academic 2, Translation)*

*“If our company employs a RG policy, everyone [customers] is reminded of the importance of a time limit. Can customers play for just an hour? ... This policy may reduce the harm of gambling problem. It contradicts our business operation.” (Supervisor, Company C, Translation)*

These findings suggest that Macao’s gambling industry seemed to promote RG, which may lead to a business conflict. This introduces the question of why external and internal stakeholders, who worked at junior management level, suggested a conflict of interest, while senior managers, a government officer and a RG academic suggested that there was no conflict of interest. Customers are often considered the main source of gambling income. It is evident that VIP rooms account for over 60% of the revenue of Macao’s gambling industry, while the mass market accounts for over 50% of the profits (The Economist, 2013). However, a number of RG polices seem to assist customers to stop playing if they have any symptoms of gambling problem. Such customer RG polices seemed to contradict the gambling companies. Macao’s gambling industry has

employed a RG policy since 2009 and been involved in RG discourse; however, the terms of RG engagement were transformed. RG could arguably be seen as a symbolic commitment of gambling companies to tackle the gambling problem in order develop a safe and healthy gambling industry (Ashforth and Gibbs, 1990); however, the industry continued to operate its business as usual. It could be argued that real commitment to RG was a wrong approach, and it would not reduce the number of problem gamblers or minimise social impacts.

### **7.3.3 Improved economic performance**

The motivation for Macao's gambling industry to employ RG was often viewed as self-interest driven. RG could be viewed as a sustainable development tool to improve financial performance and perhaps ironically contribute to the long-term economic development in the industry. It seemed fair to suggest this industry manipulated RG to ensure that it presents a concern for customers; however, this industry wants customers to come back to play repeated games, rather than lose a large amount of money at one game. This view was expressed by a few internal stakeholders working at junior and middle management levels in Chinese and international gambling companies.

*“We want customers to lose some money. If we let them know the importance of Responsible Gambling, our company can make more profit. They come back to play next time rather than lose a million dollars at once.” (Supervisor, Company D, Translation)*

*“If our company doesn't attach importance to Responsible Gambling, our customers lose all their money at once. Under these conditions, it is only a one-time game, not a repeat game. So, this isn't good for the long-term development.” (Supervisor, Company E, Translation)*

A government official agreed with the internal stakeholders' views. The government of Macao tended to persuade the gambling industry to employ RG, thus in turn to improve financial performance. Otherwise, the industry might show a great reluctance to RG. This persuasion revealed that the government of Macao was heavily dependent on this industry.

*“A RG guideline is a basic procedure to improve their [the gambling company's] performance. ... We use this attitude to push the gambling operators to promote RG.” (Academic 2, Translation)*

RG seemed to improve the gambling companies' performance concerning their relationship with employees, thus enhancing mutual employer and employee benefits. The important issue was to prevent employees from getting addicted to gambling. Hence, RG was limited to a “win-win” situation by having responsibilities towards employees and by increasing financial performance. A manager expressed this idea:

*“I think that RG is mutually benefit and what I talked about before is one aspects of CSR. ... If one person has a gambling problem, it will affect their families and colleagues. If you [employees] have gambling problems, you [employees] will ask your colleagues to lend you money and this will create a lot of conflict. It will bring about bad performance of the operation.” (Manager, Company D)*

These findings suggest that RG was viewed as a means of enhancing profitability, which is similar to the critics of CSR (Friedman, 1970). Macao's gambling industry are under the institution of capitalism, which follows the financial initiative (Gray and Milne, 2004; Carroll, et al., 2012). These findings lend weight to Chapter 6 – Section 6.2.4. RG could arguably be seen as a symbolic commitment of Macao's gambling industry to improving its social performance, particularly in relation to customers; however, this industry actually employed RG as a sustainable development tool, perhaps ironically, to improve economic performance in the long term. This phenomenon becomes more

explicit with the understanding of this industry's intention to let customers play repeated games, rather than one game. The industry is seen to engage in RG initiatives, while doing so has little real effect on customer protection. Yet, RG remains symbolically important in the business operation (Ashforth and Gibbs, 1990). The industry continues to pursue economic self-interest without changing the structure of capitalism.

## **7.4 Responsible gambling as a symbolic commitment**

### **7.4.1 Changing the notion of responsibility**

Macao's gambling industry employed RG as a means of changing stakeholders' perception, by highlighting the individuals' responsibility. The discourse of responsibility used to place more emphasis on gamblers' responsibility for their gambling than on gambling operators' responsibility. The determinant of gambling participation and treatment are highly associated with the ideology of neo-liberalism (Blaszczynski, et al., 2004; Reith, 2007) (Section 7.2.2). RG programmes seemed to place greater emphasis on the modification of an individual's gambling behaviour, rather than that of Macao's gambling industry itself. Importantly, the gamblers' responsibility for managing their own gambling behaviour was recognised by most of the internal stakeholders at all management levels, in both Chinese and international gambling companies.

*“Actually, we can't actively help customers. It really depends on customers. ... We can't make the first move to help customers. When customers are at the gaming table, we let them continue to gamble.” (Supervisor, Company E, Translation)*

*“It is very difficult for gamblers not to gamble. Gambling operators are very passive and put the RG leaflets on site. Gamblers read the RG leaflets if they realise they have problems.” (Casino Accountant, Company B, Translation)*



Thus, this industry tended to have its passive approach and provide a few possible RG practices to its customers. Any form of RG practices would normally meet the minimum requirement as proposed by the University of Macao, particular employee education and awareness programmes.

*“Our company is open for business, but we can’t stop customers from playing. ... For example, we train our employees in customer service to ask customers to stop playing, but our company doesn’t encourage doing us to do so.” (Senior manager, Company D, Translation)*

By contrast, a third of external stakeholders speculated that the gambling operators could take some responsibility for protecting individual gamblers. The insufficiency of customer services was considered a serious issue. This theme tended to be divided into two aspects. First, an insufficient number of personnel provided to support customers. Gambling companies in developed countries tended to have independent gambling coordinators and counsellors, rather than employees at the gambling sites to help customers (Hing and Nuske, 2011b). Second, insufficient physical customers support in the environment by the gambling operators was recognised by the external stakeholders. Macao’s casinos employ a “Vegas-style” design, with a lack of windows, clocks, natural day light, but with bright colourful light and the sounds of winning (Hing, 2004; Williams, et al., 2007; The Independent, 2012). Several external stakeholders explained that examples of this type of physical support are needed, including rest rooms, clocks, and warnings about the potential risks of gambling, which give customers informed choices<sup>112</sup> should be provided.

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<sup>112</sup> Informed choice is a fundamental principle of human right policies (Blaszczynski, et al., 2004). Informed choice is designed to ensure that ‘individuals will retain the ability to decide whether and how they intend to gamble by providing them with information that is accurate and not misleading’ ((Blaszczynski, et al., 2004, p. 312).

*“If customers are sick or uncomfortable, gambling coordinators and counsellors take customers to a rest room. Gambling companies in Las Vegas provide this service for customers and Macao should do the same.” (Academic 4, Translation)*

*“Casinos are high risk areas. ... Gambling operators provide gambling places and resting areas for customers. ... If customers have problems, gambling operators have responsibilities to help customers.” (Counsellor 3, Translation)*

*“Casinos should have clocks and daylight [more windows] so that customers can know what time it is. These are some aspects of RG.” (Government official 3, Translation)*

*“They generally hide away RG information in quiet areas and we need to search for this. Actually, customers’ informed choice is not enough and there is a lack of information regarding the probability of winning.” (Counsellor 2, Translation)*

Macao’s gambling industry employs RG as a means of changing stakeholders’ perception by highlighting their individual responsibility (Reith, 2007). These findings are in line with the views of Lindblom’s (1993) as expressed in point two. These findings indicate that this industry employing RG could reach strategic objectives by placing emphasis on individual gamblers’ responsibility for their gambling, rather than the gambling operators’ responsibility. This change of emphasis introduces the question of why internal stakeholders recognised as individual responsibility, whereas external stakeholders recognised as gambler operators’ responsibility. Wider ideologies of neo-liberalism, individual freedom, and choice can convince the public that the determinant of gambling participation and gambling treatment is individual’s choice and economic rationalism. This highly encourages a “right to gamble” argument. The gambling industry does not and cannot cause harm. Gamblers choose to play, and thus gamblers voluntarily choose to accept the risks of gambling. This assumption of the gambling industry is similar to that of Pava and Krausz (1997) and Moerman and Van

Der Lann (2005) for the tobacco industry. This argument shifts the responsibility away from the gambling industry, arguing that it is not directly responsible for the behaviour of gamblers. However, such argument made by the gambling industry was rendered ineffectual. Individuals can make rational choices if they have full access to unbiased information. Additionally, this industry is heavily reliant on gambling revenues from problem gamblers. It is fair to suggest that gambling operators can bear the responsibility to protect individual gamblers (Hing and McMillen, 2002). This RG engagement makes it ineffective to protect the community and provide precautionary policies (Campbell and Smith, 2003). Thus, the gambling industry engaged symbolically, but not substantively with RG practices but continued to seek the profit-making motivation (Ashforth and Gibbs, 1990). It is relatively difficult to sustain the exclusion of gambling operators' responsibility from the RG discourse.

#### **7.4.2 Employee as the most vulnerable group**

RG can arguably be viewed as a means of educating stakeholders about Macao's gambling operators' intentions to improve its social performance. The RG model has five key stakeholders (Appendix 18). More importantly, some of Macao's international gambling operators appear to interact with key stakeholders more than the Chinese gambling companies (Appendix 19). In general, all gambling operators appear to place importance on "employees" and "customers" and provide employee RG training and customer protection measures to meet the minimum RG standards proposed by the University of Macao (Appendix 20). Nevertheless, the evidence suggests that scepticism about whether or not Macao's gambling industry can truly embrace RG remains. The findings suggest that the gambling industry tends to place a high emphasis on employees rather than customers. The target audience of the RG model in Macao is directed at gamblers and the general public, rather than gambling venue employees

(Blaszczynski, et al., 2011); however, there is possibly a grey area of gambling venue employees which can be a part of the community and gamblers.

Particularly noteworthy were the responses from the internal stakeholders working at senior or middle management levels regarding employees as “the most vulnerable” group of people in Macao’s gambling industry. Thus, this industry tends to exert more efforts and resources on employee education, awareness and assistance programme.

*“We have to teach the team members first [because] employees are the most vulnerable. ... We hired a third part, a social service organisation that specializes in telephone counselling.” (Manager, Company F)*

In particular, a director justified why the industry concentrated on employees as they received feedback from problem gambling counselling centres that the users of the services were employees, rather than customers. Casino front-line employees showed more vulnerability to gambling disorder than non-casino employees (Shaffer and Hall, 2002). This is partly because casino employees are allowed to participate in gambling within, and gambling outside the casinos<sup>113</sup> (Wu and Wong, 2008). Casino employees worked in stressful working conditions as they served rude customers in passive smoking workplace (Macao Workers’ Union, 2010). This vulnerability can be explained by the fact that *only* Macao residents can be employed as casino employees, particularly dealers in casinos, while expatriates can be employed as senior casino employees, such as croupiers’ supervisors, pit managers and shift managers. Approximately 60% of Macao’s employees work in posts directly related to gambling services (Wan, 2009; Wu and Wang, 2008). Hence, casino employees could be regarded as more vulnerable than

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<sup>113</sup> For example mah-jong with friends, horse racing by telephone and internet gambling (Wu and Wong, 2008).

customers. This view was explained by a director and a problem gambling counsellor.

*“In the early days, we attached importance to customers’ gambling problems. Our company gets feedback from social service organisations. Most users are employees working in the gambling industry rather than casino guests.” (Director, Company A, Translation)*

*“Customers’ response rate is very low in our centre. We collaborated with one gambling company to introduce our counselling services and the workshop to management to check employee problems, such as, emotional, behavioural, and physical signs. If employees have problems, they can contact our centre. ... We receive good responses from employees. ... They care employees.” (Counsellor 2, Translation)*

More pertinently, another justification was that major customers are from mainland China, rather than from Macao. Problem and pathological gamblers seem to be exported from Macao to mainland China. Thus, the discourse of social impacts seemed to be removed by the gambling industry, which continues to operate its business as usual.

*“... A high percentage of gamblers coming through from this property [casino] are not from Macao. ... 90% of the gamblers here are from PRC [mainland China]. They go home and they take the problems with them. We don’t have to see those people on the street” (Manager, Company A)*

*“Responsible gambling is for employees. Nearly all the customers are from mainland China. Gambling companies will not exclude Chinese customers.” (Gambler 1, Translation)*

These findings show that Macao’s gambling industry attempts to educate stakeholders that employees are the most vulnerable people in the industry. These findings indicate that casino front-line employees showed more vulnerability to gambling disorders and stressful work conditions than non-casino employees, which are similar to those of

Shaffer and Hall (2002). Other justifications were the responses from problem gambling counsellors that the main users of problem gambling counselling services were not customers; but employees working for the gambling companies. Importantly, nearly 90% of customers are mainly from mainland China, rather than from the local community (Appendix 2). Gambling problem and gambling addiction tends to be transferred from Macao to mainland China. The negative externalities tend to be removed by the gambling industry discourse. Yet, it is relatively difficult to sustain the exclusion of the negative externalities from this debate. Thus, the industry may focus on what it can do, rather than what it cannot do. This was possibly the reason why the industry tended to concentrated on employees, rather than customers. This industry employed RG as a means of distracting the public's attention away from customer protection towards employee protection. These findings are consistent with the views of Lindblom's (1993) point three. This strategic focus on employees can be regarded as a symbolic, rather than substantive, management technique (Ashforth and Gibbs, 1990). This adoption of RG can be regarded as legitimising strategy, which can be considered forestalling any real changes in corporate behaviour. These findings are similar to those of Deegan and Blomquist (2006) for the Australian mineral industry. However, RG could be seen as harmful if, through implementing it, this industry does not seem to act in the interest of particular groups, notably gamblers.

#### **7.4.3 Employee conflict - actual RG practices**

This section examines the findings in relation to the employees experienced conflict between companies' "stated RG policies" and "actual RG practices". Macao's gambling industry provides a RG training programme which can offer some help to customers (gamblers) to be more responsible in their gaming and possibly increase customers' trust

in the industry (Griffiths, et al., 2009). The stated RG policies referred to employee RG training to recognise the warning signs, or symptoms of problem gamblers and seek assistance; however, internal stakeholders' responses appeared to show inconsistency with regard to actual RG practices. Particularly noteworthy was the uncertainty concerning identification of problem gamblers. The casino frontline employees, including dealers, supervisors and dealer inspectors, who were not professional gambling counsellors, were deemed as not qualified to recognise the warning signs or symptoms of gambling problems. Several internal stakeholders, for example, a vice president and an officer gave the following responses.

*“We constantly remind customers of how they seek assistance. But, we rarely contact customers who are addicted to gambling because we are not professional gambling counsellors.” (Vice President, Company C, Translation)*

*“Responsible Gambling is a guideline. The frontline employees are not professional medical people and don't have the professional knowledge to check problem gamblers.” (Officer, Company B, Translation)*

Nevertheless, the gambling operators tended to implement a passive approach and as few RG practices as possible for customers. Perhaps, customers tend to find psychological, social and cultural factors to prevent them from seeking help (Hing and Nuske, 2011b). Pride, shame and denial were the three major obstacles to help-seeking gamblers and non-help seeking gamblers (Pulford, et al., 2009). A director justified not approaching customers directly because customers seemed to be very sensitive towards gambling problem, with concerns about invasion of privacy and an admission of their gambling problem. This was deemed to prompt customers to stay away.

*“Our company is open for business. It is very difficult for us. Actually, some*

*customers don't want to talk to us or don't need help. ... From the employees' perspective, if they find some warning signs or symptoms, they at least can provide information for customers." (Director, Company A, Translation)*

From the responses from the casino frontline employees, including dealers, supervisors and dealer inspectors, working at non-management and junior management, they appeared to have no obligation and no authority to recognise problem gamblers. Thus, they seemed to maintain their reticence to intervene and tended to place greater emphasis on “serving customers as the first priority”, rather than “asking customers to seek assistance”, thereby reducing their risk of making mistakes or receiving negative responses from customers.

*“We deal with ten thousand customers a day. You don't know which customers have a gambling problem. If customers don't have a problem, we ask them to contact our security officers for assistance. ... We actually increase the risk of making mistakes.” (Supervisor, Company C, Translation)*

*“But, we work Responsible Gambling in another way. If a customer is very sleepy, we won't ask him/her to go home or take a rest. If we do that, we make them stay away. Providing the best customer service and satisfying customers' needs are more important.” (Inspector, Company E, Translation)*

A leading social work academic argued that the changes in western management style to become professional triggered by the liberalisation of Macao's gambling industry. Frontline employees may want to support problem gamblers; however, the power and presence of supervisors tends to discourage them from doing so. This causes a conflict for frontline employees between personal ethics and their individual employment situation. Although they are expected to smile, greet and call customers by their names, their job requirement is to keep their distance to avoid cheating and misconduct (Wan, 2009). Thus, they tend to be reluctant to help people with a gambling problem.



*“If dealers talk to customers, dealers are accused of fraud.... A supervisor is standing behind the dealers, who are at greater risk of being fired. It is an internal regulation. ... Gambling operators are afraid of employee fraud. Employees ask customers to go to the toilet. They may get something from the toilet to commit some kind of misdeed.” (Academic 3, Translation)*

These findings indicate that Macao’s gambling industry seems to place importance on employee training in RG, through such means as employee education, employee awareness and employee training (Chapter 5). The training can offer some help to customers (gamblers) to be more responsible in their gambling, which might increase customers’ trust in the industry (Griffiths, et al., 2009). It may be possible to signal to the public that this industry is being less irresponsible when its social impact seemed to be minimised. However, this industry appears to show conflict experienced by employees between gambling companies’ “stated RG policies” and “actual RG practices”. In particular, this industry apparently does not minimise the harm, such as reducing the number of problem gamblers. On the basis on the interviews, it could be argued that there was probably avoidance of dealing with gambling problem. It is possible to suggest that such symbolic RG engagement seemed to shield the industry from having to involve in more substantive elements of RG (Ashforth and Gibbs, 1990). RG engagement enables the gambling industry to point to the evidence of doing something with regard to RG when not necessarily doing something substantive.

#### **7.4.4 Symbolic commitment of customer protection**

These findings show that customer education and assistance programmes appear to be an important step in RG. It is possible to be optimistic about the extent to which RG has found its way onto the RG guideline proposed by the University of Macao. Over a third

of the internal stakeholders working at all levels in the international gambling companies, but to a lesser extent by those working in the Chinese gambling companies, appeared to be committed to taking some measures to protect customers. Less than a quarter of external stakeholders held a similar view. This engagement signalled that the gambling industry gradually developed some form of responsibility; however, it was still limited in a win-win scenario.

*“... our company has a responsibility towards customers and employees through “Responsible Gambling”. Therefore, our company really operates in this direction. We make sure that we not only make a profit, but also are aware of what is happening. We do not hope that our customers have any bad gambling behaviour.”*  
(Vice President, Company C, Translation)

*“I think that all these companies have an internal mechanism. For instance, it controls the people’s gambling and promoting the idea [of] not spending all their savings on gaming somehow.”* (Journalist 4)

Macao’s gambling industry provides a customer assistance programme, particularly the voluntary self-exclusion programme which is provided by the government of Macao and social service organisations. This programme is a good measure for assist customers (Giroux, et al., 2008) and might increase customers’ trust in the gambling companies (Griffiths, et al., 2009). However, the findings suggest that some scepticism remains about whether or not this industry is entirely embracing the voluntary self-exclusion programme. This programme is based on the assumption of individual responsibility (Reith, 2007). Customers have to ask to be signed up for this programme application form and they were almost impossible to enforce due to lack rigorous RG standards and absence of monitoring by the government of Macao. RG could arguably be seen as a symbolic commitment by organisations in the gambling industry to improve their social

performance. A supervisor explained how this programme works in the industry.

*“If customers cannot control themselves, they ask a social service organisation to put them on a voluntary self-exclusion programme for 6 months or 1 year. If they can control themselves, they can withdraw the application. ... It works for people who volunteer, but not for others.” (Supervisor, Company D, Translation)*

However, an academic explicitly questioned the implementation of RG practices as window dressing. These findings are similar to the view of Eadington’s (2003) assessment of RG in North America, which indicates a partial commitment by the government of Macao and Macao’s gambling industry in response to RG.

*“What I see are a lot of activities that could be viewed as window dressing ... [the gambling operators] want to show that they protect the community’s interest. We now spend our resources on taking care of problem gamblers.” (Academic 2)*

Apparently, gambling operators seem to play a significant role in promoting RG concerning customer protection. The findings suggest that organisations in Macao’s gambling industry used RG engagement to educate and persuade stakeholders that the gambling industry gradually developed some form of responsibility towards customers. These findings are in line with the views of Lindblom (1993) as expressed in point one. They have followed the minimum RG requirement with some customer measures, including assistance information, signage, and voluntary self-exclusion programme, proposed by the University of Macao (Appendix 19 and 20). First, the awareness of RG information and signage was not very high according to the responses from the external stakeholders. However, these findings are not in line with those of Hing (2004) for the Australian gambling industry. The RG information and signage were ineffective as they were placed in less predominant areas. A counsellor explained:

*“We have an observation in the gambling industry. They generally put RG information in less predominant areas and we need to search for this information.”  
(Counsellor – Translation)*

The voluntary self-exclusion programme based on the assumption of an individual’s responsibility (Reith, 2007), a lack of rigorous RG standards and absences of monitoring by the government of Macao. Self-excluded gamblers could go to other casinos to gamble. These findings are similar to those of Breen, et al. (2005) for the Australian gambling industry. Thus, RG could arguably be seen as a symbolic commitment of gambling companies to improve customer protection or public health issues in order to fulfil social demands and expectations (Ashforth and Gibbs, 1990). It is possible that RG standards may dictate the level of responsibility. It is fair to suggest that the gambling industry employed RG as a symbol to maintain legitimacy to ensure its business operations.

#### **7.4.5 Shifting responsibility to the government of Macao**

On the basis on the findings, the discourse of Macao’s gambling industry tended to shift the responsibility away from the gambling industry to the government of Macao. This was recognised by several internal stakeholders working at senior and middle management levels. One senior manager defended himself and tended to blame the government’s lack of concern with RG in the early days. He persuaded the government authorities to promote RG practices in Macao in 2004; however, the government showed a great resistance to doing so and only started to promote RG in 2009.

*“I talked to the Chief Executives and the secretary of social services in 2004 ... They [the officers] will be much more resistant [on RG] because the Macao Citizens are much more accessible to gaming. ... the government said most of the gamblers are Chinese [from mainland China] and foreigners and we don’t need to*

*learn [RG], right? ... Not because I am genius, but I actually experienced before [in Australia].” (CEO, Company C)*

The political position of the government of Macao, a lack of rigorous RG standards, and absence of monitoring of whether Macao’s gambling industry engages in RG. A supervisor compared Macao’s RG policies to Singapore’s. He believed that RG was viewed as a mere general guidance proposed by the University of Macao and the government. The responsibility for minimising the harm arising from gambling problem tended to incorporate adequate customer protection measures into gambling operations. It is possible to suggest that such customer protection measure lie with the government, rather than the gambling operators. Greater regulation of RG concerning age restrictions and financial transactions from the government are necessary.

*“The Singapore government set up a series of measures to protect local citizens from gambling addiction, for example an entrance fee for local citizens. ... In contrast, the government of Macao doesn’t care about the local citizens and the gambling industry does what it wants.” (Supervisor, Company B, Translation)*

*“The government of Macao should regulate the gambling operators. They would not break the laws. For example, ID registration for every customer. This procedure may prevent customers from coming to casinos and providing a fake ID. Now, there are too many ATMs and pawnbrokers on site. ... More than 10 ATMs are located on every single gambling floor.” (Government Official 1, Translation)*

In particular, five of the external stakeholders felt that RG was generally a voluntary guidance for the gambling industry. One of the external stakeholders, an expert on RG, explained that RG was neither a regulation nor a policy address delivered by the Macao Chief Executive. In fact, RG has the status of a guideline<sup>114</sup> to say that is a minimum

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<sup>114</sup> In Macao, there are three types of laws and regulations. The first one is regulations. The second one is a policy that address delivered by the Macao Chief Executive. The third one is called Micro which is

requirement imposed by the government of Macao. But, this only applies in the gambling industry, not in other industries.

*“Responsible gambling is not a regulation. Basically, the government uses RG as a voluntary guideline. If gambling operators are doing more things, the government likes it.” (Academic 1, Translation)*

More importantly, one of Public Relations managers felt that there was little incentive to undertake the voluntary RG programmes as the regulatory authorities and social service organisations imposed so many impractical measures on the gambling industry.

*“It is very good to have intensive RG promotion as suggested by the government authorities and NGOs . ... When you post RG posters and leaflets in a casino where there are a lot of distraction, this is not going to work. [Gamblers won’t look at them.]” (Manager, Company F)*

In some respects, the voluntary self-exclusion programme, a part of the RG programme, could have a positive bearing on responsibility towards customers. Yet, some internal stakeholders working at middle and non-management levels tended to defend a major obstacle to regulate RG due to a lack of a centralised party, the government of Macao. It seemed clear from the interviews that such discourses of RG were used to shift responsibility to the government away from the gambling industry. Using privacy protection regulation as a rationale, a manager, and an officer argued that it was impossible to work collaboratively to support RG.

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neither regulations nor a policy address delivered by the Macao Chief Executive, but it is the minimal requirements under government inspection.

*“Unlike the US or Australia, [problem gamblers] to sign themselves [the voluntary self-exclusion programmes] in the black list. In Macao, there is no centralised party [to regulate RG] ... The privacy protection code is not shared among the gambling operators.” (Manager, Company F)*

*“But, the voluntary self-exclusion programme is only for our company, not for other companies. ... Three casinos are fine for us. ... There are 35 casinos in Macao. If the government of Macao can regulate the gambling industry, the power of responsible gambling is bigger than ours [our company power].” (Officer, Company B)*

However, this industry was deemed to lack self-discipline in relation to the voluntary self-exclusion programme, particularly insufficient main entrance security checks, to prevent problem gamblers and teenagers from entering. This was recognised by some external stakeholders, particularly gamblers and counsellors.

*“We helped problem gamblers to apply for the voluntary self-exclusion programme with the six gambling operators in Macao. If security doesn’t check their ID, problem gamblers can get into casinos.” (Counsellor 2, Translation)*

*“Sometimes, 14 or 15 year olds<sup>115</sup> played in casinos. ... Security officers sometimes allow them to enter the casino. Government officials [gambling inspectors] are usually working in casinos. If customers are underage, gambling operators are very sensitive.” (Gambler 3, Translation)*

A government official admitted that there was an absence of monitoring of the voluntary self-exclusion programme. The local community tended to lie with the government and the gambling industry, rather than individual gamblers.

*“A 16-year-old girl went to one of the gambling companies and won the jackpot. ... but we don’t have regulations to monitor this area at the moment, so we will have*

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<sup>115</sup> In 2012, the legal age to enter casinos is 21.

*regulations in the future. We are in discussion with the gambling companies. ... Society blames the gambling companies and our department.” (Government official 2 - Translation)*

However, Macao residents appeared to find it easy to access gambling venues. Gambling companies seemed to locate their outlets in residential areas, which may increase the number of problem gamblers. Half of the external stakeholders implicitly tended to blame this on the gambling industry and the regulatory authorities. In contrast, Australia, France, and Malaysia do not allow residents to gamble at casinos (Williams, et al., 2007). This regulation in these countries ensures that gambling revenues are from outside the host country so as to protect residents from negative social impacts (Williams, et al., 2007).

*“There are too many casinos in Macao. Gambling companies are like ‘OK stores’ [convenience stores]. ... Going to casinos is too convenient. Nowadays, Mocha [slot machines] and internet betting are so convenient.” (Journalist 1, Translation)*

*“The citizens of Macao have much greater access to casinos and find it so easy to get into the casinos. The promotion of gambling advertisements and facilities are diversified and massive, for example gambling shuttle buses, billboards in every corner of the community and bus stops.” (Counsellor 2, Translation)*

It may be possible to suggest that Macao’s gambling industry was being more irresponsible when they located their companies, which were very close to primary schools, secondary schools and universities. Such locations might seriously affect future generations Macao.

*“One of the gambling companies opened slot machines in every corner of the community, close to primary and secondary schools and universities. ... The gambling companies don’t care about this issue.” (Academic 4, Translation)*



According to two gamblers and a counsellor's responses, the gambling industry tended to prioritise customers' gambling convenience over customers safety concerns. It seemed fair to suggest that it was a mistaken view that the industry would minimise the harm. However, it attempted to find every possible means to exploit customers in order to enlighten self-interest.

*"... The gambling industry doesn't tell the public what responsibility they have because it doesn't care about how customers get their money. Using a credit card is convenient for customers playing games." (Gambler 2, Translation)*

*"The gambling companies should not have too many ATMs. Banks should be located outside the casinos. ... Now, banks are located inside our casinos and are next to each VIP room. ... Customers can't wait to lose their money." (Gambler 3, Translation)*

Although the gambling industry provides RG initiatives for customers, the findings suggest that RG is currently not effective, particularly the evasion of voluntary self-exclusion programmes and the easy accessibility of gambling venues. These findings in Macao are similar to those of RG initiatives in North American (El-Guebaly, et al., 2005 cited in Smith, 2009). The debate of RG is limited to such an extent, that the government of Macao became apparently necessary for tackling the social impacts. It seems fair to suggest Macao's gambling industry has instrumentally manipulated a symbolic measure of RG to ensure of social legitimacy. It is extremely unlikely that this industry has failed to recognise gambling problem. The discourse of this industry tended to shift responsibility away from the gambling industry to the government. It may be possible to suggest that, from a theoretical perspective, this industry seems to operate its business without very strong institutional pressure. These findings are not in line with those of institutional legitimacy literature (Chapter 2). Under-regulation poses a

powerful threat to implementing actual RG practices effectively. The industry appeared not to operate under great pressure from the external environment, particularly the government. These findings for Macao are not consistent with those of RG in developed countries, for example Canada, Australia, and the UK, which suggest that RG initiatives involve in mandatory, rather than voluntary actions (Appendix 3). The reason for this is not clear and it may related to political and economic issues. First, the government seems not to be inclined to apply rigorous RG standards since that would lead to it losing revenue, as the government is heavily dependent on this industry. These findings are in line with those of Smith's (2009) study of other governments in developed countries. Second, Macao's gambling industry has been the leading industry, as the local residents highly rely on the industry. Although RG may have prevention value to problem gamblers, it could be more effective if the government promoted mandatory, rather than voluntary RG practices. In other words, the government appears to rely on self-regulated voluntary RG practices. However, the level of obligation tends to be low.

## **7.5 Sources of legitimacy**

### **7.5.1 The important role of the academic institution**

The liberalisation of Macao's gambling industry was in 2003; however, the introduction of RG policies, related standards and guidelines<sup>116</sup> only started in 2009 (The Institute for the Study of Commercial Gaming, 2009). The government of Macao recognised the increasing prevalence of problem gamblers from 4.3% in 2003 to 6.0% in 2007 (The Institute for the Study of Commercial Gaming, 2009; Appendix 2). The government has

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<sup>116</sup> The Institute for the Study of Commercial Gaming (2009, p.1; 2010b, p.1; 2011, p.1) defines "Responsible Gambling occurs in a properly regulated environment where one's involvement in gambling activities brings no harm to the gamblers, family members, friends, other gamblers or casino staff; nor would it lead to having negative consequences for the local community and residents. In other words, Responsible Gambling is a practice that confines the gambling-related damage to socially acceptable level".

a very close relationship with the gambling operators, as the government is heavily dependent on this industry. Therefore, a third party – the University of Macao – involved in the RG programme has actually taken a significant role in standing, shaping and promoting RG through close work with the government. The academic institution is perceived as a credible institution in the eyes of the public and might bolster organisational legitimacy to enhance its survival, which refers to procedural legitimation (Richardson and Dowling, 1986).

A leading RG scholar explained how he started to think about RG in 2007 and developed a *Lotus*<sup>117</sup> Model of RG for the Chinese community, with five stakeholders according to historical, cultural and political economic context in 2009 (Appendix 18). However, this Lotus model was based on same stated social and economic benefit assumptions of The Reno Model of RG<sup>118</sup> developed by Blaszczynski, et al. (2004). The role of an academic institution was intended to promote the right values and collaborate with problem gambling counselling centres<sup>119</sup>.

Macao's gambling industry could maintain its existence through the support of RG programmes, including attending “Responsible Gambling Awareness Week” (RGAW), and RG training courses, organised by the academic institution and the government of Macao. This RG training course was for representatives of the gambling companies, who could receive practical RG training to educate their company's team members. The industry was expected to express the support for RG. Such collaboration with the

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<sup>117</sup> The lotus flower in full bloom is a symbol of the prosperity and success of Macao.

<sup>118</sup> Blaszczynski, et al. (2004) developed The Reno Model of RG, which provides a blueprint for tackling gambling problem and suggests different tactics to alleviate gambling problems and related problems.

<sup>119</sup> Professional gambling counselling service organisations in Macao are highly motivated to undertake and support RG in the community. Professional gambling counselling service organisations can be divided into three types of organisations according to their provider: the government of Macao, non-profit organisations or the gambling operators.

University of Macao could be argued to benefit the industry and legitimise current structures so as to increase its credibility. This was recognised by some internal stakeholders working at all management levels in both the Chinese and international gambling companies.

*“The ‘Responsible Gambling Awareness Week’ is organised by the University of Macao and the government authority every year. We support the government. We think that RG is very important.” (Vice President, Company C, Translation)*

*“I attended the two-week training course in ‘Responsible Gambling’ organised by the University of Macao and government authorities. ... I attended a seminar and then I put what I had learnt into practice to teach my team members in our company. The course took 3 hours.” (Supervisor, Company C, Translation)*

Macao’s gambling industry attempted to engage in RG policies, which were proposed by a third party, the University of Macao. Such collaboration could be viewed as a major pillar in establishing credibility. These findings are similar to those of Palazzo and Richter (2005) for the tobacco industry. This industry justified RG engagement by referring to the neutral institution which developed a policy. Hence, this industry developed a strategic alliance and collaboration with the academic institution and the government of Macao; thus, this relationship can be seen as an important source of legitimacy. These findings are in line with Deephouse and Suchman’s (2008) idea, which states how organisations gain the sources of legitimacy from interorganisational relations (Chapter 2). A credible institution – the University of Macao – can bolster the gambling industry’s legitimacy so that this industry can be considered prudent and rational (see Elsbach and Sutton, 1992). Nevertheless, there is the danger of selecting the academic institution to develop RG policies. The University of Macao is indirectly through gambling revenue from the gambling industry (Appendix 2). The academic

institution tended to develop RG policies, standards, and guidelines with the stated social and economic assumptions. Thus, the industry can possibly achieve some form of responsibility under a “win-win” situation.

### **7.5.2 The government of Macao**

Since the number of gambling licenses for Macao’s gambling industry is limited, these licenses could become valuable resources. The findings indicate that RG could be viewed as a means of maintaining a relationship with the government of Macao. The government was viewed as the authority to establish the regulations to control the industry, to undertake gambling inspections and grant gambling licenses to gambling operators (Pfeffer and Salancik, 1978; Singh, et al., 1986; Baum and Oliver, 1991; Deephouse, 1996). This view is expressed by more than a quarter of the internal stakeholders working at non-management, junior and middle levels, but less so by senior management and external stakeholders.

*“If we don’t promote it [RG], the government said that we affect the whole economy. The gambling industry is one of the major pillars of economic development in Macao.” (Manager, Company F)*

*“The government of Macao should protect the community and prevent the gambling industry from dominating Macao. I think that the gambling companies are under pressure from the government to follow the RG guidelines because the gambling companies need licenses to operate.” (Officer, Company A, Translation)*

*“They send employees to attend responsible gambling training courses. This can be seen by the government of Macao.” (Gambler 1, Translation)*

Macao’s gambling industry employed RG programmes, particularly following the RG guidelines and sending representatives to attend RG training courses in the University of Macao. This approach could maintain a good relationship with the government of Macao so as to gain an important source of legitimacy to ensure the industry’s survival.

These findings are in line with the views of Deephouse and Suchman (2008), who claim that the government of Macao can be regarded as a critical source of legitimacy (Chapter 2). This argument lends weight to the previous argument in Chapter 6. In particular, organisations in Macao's gambling industry employed RG as a means of preparing to renew for their gambling licenses to ensure their existence in 2020 and 2022. These findings are similar to those of Deegan (2002).

### **7.5.3 The Chinese central government**

Macao's gambling industry appeared to employ RG to maintain a good relationship with the Chinese Government as a major source of legitimacy. The rapid development of this industry had major social impact on neighbouring countries, particularly mainland China (Fong, et al., 2011; Gu and Tam, 2011). This industry tended to employ RG to show the Chinese Government that they are tackling the problem of rising social impact from mainland China. This RG engagement could possibly persuade the government to grant more Free Travel Scheme Visas to citizens from other provinces and thus to increase its Chinese customer base. The industry tended to be heavily dependent on the political policies of China. Since 90% of gamblers are from China, rather than from Macao (The Government Information Bureau, 2010), problem and pathological gamblers seem to be resident in China, which is consistent with Gu and Tam's (2011) views. These findings are similar to those of Garrett and Nichols's (2005) study in the US (Garrett and Nichols, 2005 cited in Gu and Tam, 2011). A journalist and a gambler expressed this viewpoint.

*“The Central Chinese Government is under great pressure and receives much criticism. So, they reduced the number of Free Travel Scheme visas from China, mainly from the Guangdong provinces (Pearl River Delta), to prevent people from*

*gambling in Macao. Some enterprises went bankrupt, which as a result may experience negative social impacts.” (Journalist 4, Translation)*

*“The Central Chinese Government doesn’t want its government officials to gamble in Macao. If gamblers lose money, they may commit suicide. The country may lose its talented people.” (Gambler 3, Translation)*

The above quotes may be indicative of an alternative view of the relationship between the Chinese government and Macao’s gambling industry. Most of the internal and external interviewees seemed to ignore the power of the Chinese government. The Chinese government could be regarded as another important authority which establishes the regulation that allows the legalisation of Macao’s gambling industry (Chapters 2 and 4) and indirectly controls the way they should behave in Macao. These findings are in line with the views of Deephouse and Suchman (2008), who claim that the Chinese government can be regarded as a critical source of legitimacy (Chapter 2). Macao’s gambling industry attempted to employ RG to maintain a good relationship with the Chinese government to gain important source of legitimacy to seek critical resources, particularly Chinese visitors for its continued existence. They attempted to tackle problem gamblers from mainland China so that the Chinese Central government may increase the number of the Free Travel Scheme visas. This phenomenon is clear and it may have something to do with the political and cultural issues. First, Macao is the only place in mainland China where is legal to gamble in casinos (Vong, 2004; BBC, 2009; MarketLine, 2013c), while mainland China is limited in a form of a national lottery (Appendix 2). Second, owing to the influence on Chinese culture, historical background and tradition, the Chinese seems to show higher gambling participation rates than Caucasians (Raylu and Oei, 2004; Lau and Ranyard, 2005; Chapter 1). Otherwise, organisations in Macao’s gambling industry could not be so profitable.

## 7.6 Concluding remarks

This chapter reports the extant findings related to RG, a subset of CSR (Chapter 5). The findings in this chapter concentrated on the motivation for Macao's gambling industry to engage in RG. The following arguments in this chapter lend weight to my argument in Chapter 6. There are three main findings in this chapter.

First, the concept of RG seems to be unclear, organisations in Macao's gambling industry take advantage of its ambiguity for their own interest. Thus, RG could be viewed as a sustainable development tool, perhaps ironically, to enlighten self-interest as the industry wishes its customers to play repeated games, rather than only one game. It introduces the question of why internal stakeholders working at senior management level and a leading RG academic, recognised no apparent conflict between the pursuit of economic interest and the promotion of RG amongst the public, while external stakeholders tended to recognise this conflict. These findings are in line with prior CSR (RG) literature, which advocates CSR (RG) as an economic initiative, rather than an ethical one (Chapter 2). Thus, the industry can continue to operate on a "win-win" scenario, and in a "business as usual" context.

Second, organisations in Macao's gambling industry employ RG as a means of managing stakeholders by a number of legitimising strategies. First, these organisations employed RG as a means of changing stakeholders' perception by highlighting the individual responsibility. This argument shifts the responsibility away from the gambling industry, by arguing that they are not directly responsible for the behaviour of gamblers. Second, the industry can be said to employ RG as a means of educating stakeholders, particularly in employee training and customer protection programmes.



However, with regard to employee RG training, the stated RG policies tended to show inconsistency in actual RG practices based on the internal stakeholder interviewees' responses. This inconsistency was due to the frontline casino employees' incompetence to identify problem gamblers and the customers' sensitivity of admission gambling problem. Regarding customer protection, the awareness of RG signage was ineffective and the voluntary self-exclusion was based on the assumption of an individual's responsibility, a lack of rigorous RG standards and absence of monitoring by the government. Organisations in Macao's gambling industry seem to operate their business without strong institutional pressure. These findings present a challenge to the institutional legitimacy literature (Chapter 2). Third, RG is actually to protect the interest of the industry, rather than the interest of customers. However, the industry tends to distract stakeholders' attention away from customer protection towards employee protection. The reasons are obvious and it may have to do with the vulnerable casino employees to gambling addiction and the major source of Chinese customers. The discourse of negative externalities seemed to be removed by this industry.

Third, organisations in Macao's gambling industry appear legitimate to the important external audiences, namely the University of Macao, the government of Macao and the Chinese government. These arguments lend weight to the arguments in Chapter 6. Each group can provide certain forms of political and social support through a granting greater access to critical resources, namely credibility, gambling licenses, imported labour, land and customers, to improve the likelihood of its survival in Macao. These findings are also in line with the idea of Deephouse and Suchman (2008), who suggest that the major source of legitimacy includes interorganisational relations and the authority.

Organisations in Macao's gambling industry can be seen to have engaged in RG, while doing so has no major effect on their business operation and present how well the gambling industry enables to engage the RG debate. RG makes no real difference in practices; however, RG remains symbolically important. As a result, the industry-oriented discourse that emerges moves the RG debate away from its social impacts on problem gamblers and society to concentrate on how the industry can continue to operate in a win-win scenario and a business as usual context. However, it is relatively difficult to sustain the exclusion of social impacts from CSR or RG debate. Importantly, ignoring the negative externalities remains daunting as the social impacts of problem gamblers continue to deteriorate.

The next chapter (chapter 8) considers the discussion of the research findings reported in Chapter 4 (content analysis) and Chapters 5, 6 and 7 (interviews) together with the literature review (Chapter 2), and research methods (Chapter 3) to answer the three research questions outlined in Chapter 2.

## **Chapter 8**

### **Discussion**

#### **8.1 Introduction**

This thesis has explored how CSR operated in a novel setting and how the thesis might contribute to the understanding of CSR and legitimacy in a controversial industry, in this particular case, the gambling industry. This chapter is divided into six sections. Following this introduction, the second section examines how organisations in the gambling industry reshape CSR. The chapter then explores how RG can be viewed as CSR. The fourth section reflects on CSR as a source of strategic legitimacy. The fifth section considers the possible contributions of the thesis to the CSR and legitimacy literature. The final section summarises this chapter and leads into Chapter 9, which concludes the thesis.

#### **8.2 Reshaping CSR**

##### **8.2.1 How CSR is perceived in the gambling industry**

According to the findings discussed in Chapter 5, CSR as practised in the gambling industry in Macao comprises a set of programmes incorporating corporate philanthropy, employee welfare, economic development, and a specific, industry-wide initiative known as RG (Chapter 7). Both Chinese and international gambling organisations in Macao's gambling industry attempt to communicate their responsibility by obscuring certain impacts of their work, notably gambling addiction and health-related issues whilst highlighting others. Organisations in Macao's gambling industry seem to either omit or exclude their corporate externalities on local community from their discourse. By CSR and RG, I refer therefore to a series of practices by which organisations in the gambling industry seek to shield their role in producing corporate externalities, and to

promote at least the appearance of an ethical stance.

### **8.2.2 What differs from stakeholders accounts**

The stakeholder approach is elaborated on by Freeman (1984; 2010), Donaldson and Preston (1995), and Mitchell, et al. (1997) (Chapter 2). Freeman (2010) suggests that managers can employ the concept and framework of the stakeholder approach to manage their organisations effectively and through this lead them to be successful in the business environment. This aspect is linked to instrumental stakeholder theory as suggested by Donaldson and Preston (1995).

Stakeholders are groups or individuals who may affect or be affected by the achievement of an organisation's goal (Freeman, 1984; 2010) and broadly include two main groups: internal stakeholders (owners, customers, employees, suppliers) and external stakeholders (governments, competitors, consumer advocates, environmentalists, special interest groups and media) (Freeman, 2010). The concept of stakeholder has been widely discussed in the CSR literature. Corporations, especially MNCs are becoming increasingly influential in business and society such that they attempt to shape CSR to their advantage by choosing which of their stakeholders to favour and to seek to manage differently those which are beneficial, rather than harmful to their business operation.

The findings discussed in Chapter 5 suggest that organisations in Macao's gambling industry seem to place emphasis on social concerns, including corporate philanthropy, employee welfare and economic development, rather than gambling addiction and health-related issues. The gambling industry is the leading industry in Macao, with over

60% of local residents working in this or related industries, and with a gaming tax of 35 percent, as well as 4 percent of its gross gaming revenue going to the government for other social and cultural activities (Appendix 2). Thus, organisations in Macao's gambling industry are in a great position to choose particular aspects of socially responsible behaviour in ways which are beneficial to them and to give an account of CSR favourable to their activities. There are two examples to support this argument. First, the findings suggest that CSR in this industry is widely understood to concentrate exclusively on the philanthropic contributions to the local community. Responsibility towards the community enacted through philanthropic effect seems likely to gain acceptance and support from the community (Weaver, et al., 1999). Second, organisations in the gambling industry increasingly seem to share the roles and responsibilities of the government of Macao concerning local employees, for example employee welfare, to enhance a complementary relationship between the gambling industry and the local employees. These views are similar to those of Moon, et al.'s (2011) study in Asian countries. Additionally, Macao, which is a so-called developing country, tends to experience a weak institution, a weak enforcement and poor governance (see Matten and Moon, 2008).

Surprisingly, the findings suggest that the concept of stakeholders is not prevalent in Macao's gambling industry. The concept of stakeholders (Freeman, 1984; Donaldson and Preston, 1995; Mitchell, et al., 1997) seems to be understood only by a few managers and academics. The concept was far from being widely understood only by other interviewees in this study. An alternative explanation of the apparent lack of awareness of the stakeholder concept could be drawn from the unusual findings of the thesis that the organisations in the gambling industry seem to experience weak

stakeholder pressures, from NGOs (gambling counselling service organisations), media (journalists) and problem gamblers and their family members. Without such pressure, it is unlikely that the stakeholders could begin to have any substantive influence on the industry to encourage it to comply with voluntary CSR and RG practices.

Professional gambling counselling service organisations could be viewed as stakeholders who can affect or be affected by the gambling industry. Yet, the findings (Chapters 5, 6 and 7) suggest that Macao's gambling industry appears not to experience strong pressure from these counselling organisations. Even though these counselling organisations occasionally show concern for problem gamblers, the gambling industry itself tends not to regard them as bringing any major pressures for a greater social response. The reason is not clear, but it may be related to political issues. Especially, non-profit gambling counselling service organisations are indirectly subsidised by Macao's gambling industry from the gambling tax revenue (Appendix 2). Gambling counselling service organisations appear to link to the government and the industry. Macao's gambling industry seems to have developed an inter-organisational relationship with these counselling organisations (Deephouse and Suchman, 2008), which can help the industry to distance itself from criticism and attempt to promote itself as a good citizen. The interviews, however, seemed to suggest that the non-profit ones found it difficult to collaborate with the gambling industry to provide counselling services for their customers (gamblers). If these counselling service organisations request for greater assistance and protection for gamblers, this request may pose a threat to the funded counselling service organisations. This is mostly derived from the gambling industry itself. As discussed above, organisations in Macao's gambling industry are becoming increasingly influential in the local community.

Similarly, organisations in Macao's gambling industry seem not to be affected by the media - as was suggested by the evidence (Chapter 6). The local media appears to report gambling-related financial news, past community achievements and regulatory procedures, rather than community resistance and antigambling advocacy (see Humphreys, 2010). Although negative social impacts are sometimes reported in the local community, the industry is less likely to be affected by the negative information. The reason for this is not apparent, but it seems likely to be connect to the nature of the industry and, again, political issues. The government of Macao, local business and community are heavily reliant on the gambling industry. The main source of the media's income, particularly advertisement, is mainly derived from the industry. Additionally, the international gambling companies in Macao's gambling industry can be expected to have the experience to seek and maintain legitimacy in developed countries.

The close relationship of the industry and counselling organisations, as well as the economic importance of these organisations in Macao, would suggest that problem gamblers and their family members seem to be the most vulnerable and marginalised of the stakeholders related to the gambling industry. They also seem to have less power to fight against the industry. More than 60 percent of residents work in the gambling industry and other gambling-related industries (Appendix 2). Organisations in Macao's gambling industry seem to be successful in engendering a positive view among the local community by providing job opportunities, building infrastructure and giving taxation, rather than concentrate on gambling- and health-related issues (Chapter 5). Evidence of the latter is the prevalence of problem gambling amongst between 15 and 64 year olds increased from 4.3% in 2003 to 6% in 2007 (The Institute for the Study of Commercial Gaming, 2009). In particular, interviewees working in the gambling industry seldom use

the term “problem gamblers”, and much prefer that of “customers” in the interviews. These findings suggest that these organisations attempt to employ CSR to seek to shield their role in producing corporate externalities and seek to promote socially responsible activities.

As discussed above, organisations in Macao’s gambling industry are in a strong position allowing them to base their CSR activities around stakeholders which are favourable to them. These findings are in line with those of Bondy, et al. (2012) for MNCs, that is to say the existence of CSR within MNCs shows a shift in the meaning of CSR away from stakeholder concerns towards profit-making concerns.

### **8.2.3. Corporate Social Disclosure (CSD)**

The thesis can help academics in researching Corporate Social Disclosure (CSD) to understand the ways in which the construction of legitimacy is undertaken in the gambling industry. Given the contested nature of the gambling industry, organisations “which are considered to be more sinful than other others will be expected to disclose more social information than those which are considered to be less sinful” (see Campbell, et al., 2003: p. 561). Organisations in this industry have been facing an ongoing threat to its legitimacy: in the form of gambling addiction and health-related issues (Chapters 1 and 2). This threat can create a significant legitimacy gap, and thus these organisations can be expected to reduce this gap through deploying CSD more strongly (Campbell, et al., 2003). However, as examined in Chapter 4, CSD provided by all the sampled gambling companies appears to be relatively low. In particular, the role of RG, related to promoting consumer protection, awareness, and education, cannot be regarded as an important issue in annual reports. The reason for this is unclear, though it



might be related to the absence of adequate industry reporting requirements (Blaszczynski, et al., 2011).

On the other hand, negligible or low RG disclosure concerning gambling addiction and health-related issues can perhaps be regarded as a proactive legitimising strategy. More importantly, organisations in the gambling industry rarely publish information on the nature or the extent of the gambling problem in relation to customers and public health in their annual reports in general (Chapter 4). These findings are consistent with those of Campbell, et al., (2003) for the UK's tobacco industry, Tilling and Tilt (2010) for the Australian tobacco industry, and De Villiers and van Staden (2006) for South African mining industry, which found that reducing disclosure can be viewed as a legitimising strategy.

However, these findings for the gambling industry are completely different from prior CSD literature on unforeseen crises, which found that organisations facing an expected disaster will try to repair and maintain legitimacy (Patten, 1992; 2002; Elsbach and Sutton, 1992; Elsbach, 1994; Deegan, et al., 2000; Chapters 2 and 4). Organisations in the gambling industry attempting to build legitimacy might feel that the costs of disclosure are higher than the benefits, and thus adopting the best strategy is simply to remain silent (Campbell, et al., 2003). These organisations can possibly restrict the negative information, for example gambling addiction and health-related issues, as long as they could (see O'Donovan, 2002). These findings support O'Donovan (2002) who claims that the lower the perceived legitimacy of the organisation, the less likely it is to bother providing CSD. Organisations in the gambling industry can be socially constructed as illegitimate so that social disclosure would be of "no effective value"

(Campbell, et al., 2003). Therefore, these organisations seem not to need to develop some symbols of social legitimacy, CSD in general and more surprisingly RG disclosure in particular, to build their social legitimacy.

#### **8.2.4 Gambling in Macao and the CSR literature**

The thesis provides a more reflexive and critical perspective on the complexity and subtlety of corporations' motivation of CSR engagement responding to the call for Bondy, et al.'s (2012) study.

According to findings examined in Chapter 6, both Chinese and international gambling organisations in Macao's gambling industry employ CSR as a part of the business case. These findings are consistent with prior CSR literature (Chapter 2), which suggest that CSR is typically seen as a win-win scenario (Banerjee, 2008). Organisations can do well by performing well in financial terms as a business operation and appear to be engaging with responsibility to create a better society at the same time (Kurucz, et al., 2008). There are three main findings in relation to the business case of CSR (Chapter 6). First, gambling has been historically linked to illegal activities, such as drugs, prostitution and crime (Collin, 2003; Reith, 2003; Chapter 1). The gambling industry's rationale to engage in CSR seemed to be to promote a corporate image and to sanitise its reputation through obscuring the uncovered and illegal activities, thereby rebuilding, restoring, and reconstructing its corporate image to ensure that it wins trust, support and espousal from employees and the community. Second, CSR engagement in the gambling industry appeared to gain competitive advantage over other gambling competitors and other industries by attracting local talents as a main source. Third, cost reduction was likely to be illustrated as merely environmental protection in terms of saving energy.

The thesis attempts to investigate particular CSR and RG practices in the gambling industry. Macao's gambling industry's the underlying motivation for CSR engagement was often seen as self-interest rationales (Chapter 6). These organisations engage symbolically, rather than substantively, with CSR and RG practices in order to manage stakeholders' perception by changing stakeholders' perception, educating them and distract their attention from perceived problems (Section 8.4). They endeavour to appear "legitimate" and this is to be directed at two main audiences: internal audiences (the parent company) and external audiences (the public, the government of Macao, the Chinese government, the University of Macao, problem gambling counselling service organisations, and media) to gain sources of legitimacy in order to ensure the industry's continuing survival (Section 8.4). Each group provides certain forms of political and social support through a granting greater access to critical resources, including acceptance, credibility, gambling licenses, land, imported labour and Chinese customers, without which organisations in the gambling industry would not be so profitable. This industry will not usually undertake CSR activities unless it meets its profitability criteria (see Banerjee, 2008). Therefore, CSR can be seen as a means of increasing corporate benefits, rather than advancing the interest of community.

In particular, one of the most important mechanisms of this symbolic CSR is the RG Initiatives. This thesis has made a novel contribution in identifying RG, a further example of CSR, as a symbolic management technique and in turn to enhance the gambling industry's economic interest.

## **8.3 Responsible Gambling as Corporate Social Responsibility**

### **8.3.1 What does Responsible Gambling mean in the gambling industry?**

In particular, the term “Responsible Gambling” (RG) is sometimes termed and alternatively known as “Responsible Gaming” or “Rational Gaming”, which is a respectable euphemism largely employed by this industry (Chapter 7). This view is in line with those of Reith (2007), who claims that gambling is linked to its connotation of play and leisure, rather than financial loss.

The findings discussed in Chapter 7 suggest that the concept of RG appears to be vague and to lack a clear and precise definition. Organisations in the industry tend to take advantage of the ambiguity and to adopt their own interpretation of RG policies for their best interests. Based on responses from several internal stakeholders at the Chinese and international gambling companies, it could be argued that RG is a discourse and set of business practices deployed in the industry with the particular aim of improving financial performance and long-term development as the industry intended customers to come back to play games repeatedly, rather than lose a large amount of money on one game. Thus, RG can, perhaps ironically, contribute to the long-term economic development of Macao’s gambling industry.

### **8.3.2 How the gambling industry employs responsible gambling**

The motivation for organisations in Macao’s gambling industry RG engagement was questionable. Arguably, these organisations endeavoured to manage their legitimacy. Chapter 7 suggests that some scepticism about whether or not organisations in Macao’s gambling industry have defined it in a particular manner to win legitimacy without changing their business practice remains. However, these organisations appear to

engage symbolically, rather than substantively. Stakeholders in RG with a range of five key stakeholders (Chapter 7; Appendix 18 and 19); however, these organisations appear to place more emphasis on the support of their employees than customers. Customer protection, a further example of RG programme, showed inconsistency in actual RG practices. In particular, the awareness of RG information and signage was not very high, while the voluntary self-exclusion programme is largely based on the assumption of the individual's responsibility (Chapter 7). RG programmes in particular in order to manage stakeholders' perception and gain sources of legitimacy in order to enhance its survival. These findings are consistent with the accounts of strategic legitimacy (Chapter 2; Dowling and Pfeffer, 1975; Ashforth and Gibbs, 1990; Lindblom, 1993; Suchman, 1995). Organisations in Macao's gambling industry can be said to employ a set of legitimising strategies to manage stakeholders' perception by changing their perception, educating them and distracting their attention from perceived problems (Chapter 7). These interpretations are largely shaped by Lindblom's (1993) framework (Chapter 2).

Organisations in Macao's gambling industry employed RG as a means of changing stakeholders' perception by placing more emphasis on the individual responsibility (Reith, 2007). This responsibility introduces the question of why most of the internal stakeholders at all management levels in both Chinese and international gambling companies to place responsibility for gambling problem on the individuals, while external stakeholders place responsibility for gambling problem on the gambling operators. The determinant of gambling participation and treatment are linked to wider ideologies of neo-liberalism, freedom and choice (Chapter 1). This assumption of the gambling industry is consistent with the assumption of Pava and Krausz (1997) and Moerman and Van Der Lann (2005) for the tobacco industry, which suggests that

individuals have the right to choose their participation. This argument shifts the responsibility away from the gambling industry, arguing that it is not directly responsible for the behaviour of gamblers. RG engagement makes it ineffective to protect the community and provide precautionary policies (Campbell and Smith, 2003). However, these organisations are heavily reliant on gambling revenues and, inevitably, on gamblers. Some studies have shown that gamblers contribute approximately one-third of gambling revenues from all types of gambling (The Productivity Commission, 1999; Williams and Wood, 2004). In particular, VIP rooms accounts for over 60% of the gaming revenue of Macao's gambling industry, while the mass market accounts for over 50% of the profits (The Economist, 2013). It is fair to suggest that gambling operators can bear the responsibility to protect individual gamblers, discourage gambling addiction and minimise the prevalence of gambling problem (Hing and McMillen, 2002; Chapter 1). The responsibility for RG has been widely debated in the academic studies and government policies. RG tends to be complex and highly contentious because the extent of responsibility held by governments, gambling operators or individual players is yet to be determined.

Organisations in Macao's gambling industry employ RG as a means of educating stakeholders about their intentions to improve social performance. Macao's RG framework includes the government, gamblers, family members and friends, gaming operators, problem gambling prevention treatment centres<sup>120</sup> and education and other community organisations (The Institute for the Study of Commercial Gaming, 2009, 2010b, 2011). Both the Chinese and international gambling companies in Macao can be said to concentrate on two aspects: employee training and customer protection. More

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<sup>120</sup> There were no professional gambling counselling centres for treatment and prevention until 2004 (Fong, et al., 2011; see Appendix 2).

pertinently, international gambling operators would appear to be more active than the Chinese gambling operators on these two concerns (Appendix 20).

Both the Chinese and international gambling operators provide employee education, awareness and assistance programmes (Chapter 7; Appendix 20). This training programme seems intend to support employees so that they can offer support to customers in order to help them to be more responsible in their playing; this in turn might increase customers' trust in the industry (Griffiths, et al., 2009). It may be possible to educate and signal to the public that organisations in Macao's gambling industry are being less irresponsible when their social impacts in relation to gambling addiction and health-related issues seem to be minimised. Even though the stated RG policies referred to employee RG training to recognise the warning signs, to recognise the symptoms of problem gamblers and to encourage such gamblers to seek assistance, internal stakeholders showed inconsistency in actual RG practices. The reasons for this inconsistency are twofold. First, the frontline casino employees, including dealers, supervisors and dealer inspectors, were not deemed sufficiently competent and trained to act as professional gambling counsellors such that they might recognise the warning signs or symptoms of problem gamblers. The frontline casino employees appeared to have no obligation and no authority to identify problem gamblers. They tend to maintain their reticence to intervene and prioritise "serving customers" over "asking customers to seek assistance", thus minimising their risk of making mistakes or receiving negative responses from customers. Even if they may want to help problem gamblers, this causes a dilemma between personal ethics and individual employment situation. Their job requirement is to keep their distance to avoid cheating and misconduct, even though they are expected to smile, greet and call customers' names (Wan, 2009). Second,

customers appeared to be very sensitive to gambling problem in relation to invasion of privacy and an admission their gambling problem. Pride, shame and denial were the three main barriers to help-seeking and non-help seeking gamblers (Pulford, et al., 2009). On the basis on the interviews, it could be argued that such symbolic RG engagement seemed to shield organisations in the industry from engaging in more substantive elements of RG (see Ashforth and Gibbs, 1990).

Both the Chinese and international gambling operators provide customer education and assistance programmes to protect customers, including RG assistance information, signage and voluntary self-exclusion programme (Chapter 7; Appendix 20). RG engagement signalled and educated stakeholders that organisations in Macao's gambling industry in general steadily progressed some form of responsibility. However, the awareness of RG information and signage was not high based on the responses from the external stakeholders. Additionally, the voluntary self-exclusion programme is based on the assumption of individual's responsibility, insufficient rigorous RG standards and absence of monitoring by the government of Macao.

In summary, RG can be seen as a symbolic commitment of organisations in the gambling industry to improve customer protection or health issues so as to fulfil social demands and expectations (Ashforth and Gibbs, 1990). The symbolic pursuit of RG is employed to minimise the legitimacy threat in form of gambling- and health-related issues to ensure the likelihood of their survival in Macao's gambling industry.

### **8.3.3 Contribution to existing accounts of responsible gambling**

As discussed in Chapter 7, RG appears to improve the gambling companies'



performance; in other words, what is ostensibly for the benefit of the employee is also, and possibly more importantly, a benefit for the employer. The awareness of RG can be enhanced to prevent employees from becoming gambling addicts in order to reduce the turnover rate of employees (see Hertz, 2001). These findings are similar to the business case in CSR. Corporations can “do well by doing good”, which means that they can perform well in financial terms in business operations and can be responsible to creating a better society (Kurucz, et al., 2008).

However, Delfabbro and King (2012, p. 1553) state that RG is limited by a “business as usual” discourse which holds a view that “problem gambling represents only a small minority of total gamblers, is attributable largely to individual behaviour and is unlikely to be influenced by the nature of the products themselves”. In general, “problem gamblers” constitute approximately 2% of the general population (Blaszczynski, et al., 2011; LaPlante, et al., 2011). However, gambling can cause psychological health crises (Quinn, 2001) and induce “problem gambling” (McMillen, 1996b). In particular, a problem gambler negatively influences an average of 10 to 17 people, such as family, friends and employers (Shaffer and Korn, 2002). Gambling problem can affect social relationship and loss of traditional routines, England and Albrechi, 1984; Korn and Shaffer, 1999; Chapter 1). This evidence suggests that corporate externalities on the local community cannot be omitted or excluded from the discourse of organisations in Macao’s gambling industry. Without such corporate externalities, these organisations would not be so profitable.

In addition, this RG model is based on seven stated assumptions (Chapter 2), particularly, that the total societal benefits of gambling must exceed the social cost. RG

in this context is similar to the business case of CSR, with the assumption of making a good business and improving shareholder value (see Banerjee, 2008). Organisations in Macao's gambling industry are profit-making corporations, rather than operated in the public interest. The design of an organisation in contemporary capitalism follows a financial initiative (see Gray and Milne, 2004). Thus, genuine RG engagement can be regarded as incompatible with an economic objective (Soriano, et al., 2012). RG can arguably be regarded as a long-term business development tool to improve financial performance (Chapter 7).

#### **8.3.4 Responsible gambling and stakeholders accounts of CSR**

Every corporation interacts positively or negatively with stakeholders (Carroll, et al., 2012). The most common stakeholders generally include owners, employees, suppliers, customers, local community and government (see Freeman, 1984; 2010; Chapter 2) who can affect or be affected by the industry. As RG can be viewed as a subset of CSR, stakeholders in RG initiatives in Macao with a wide range of the population, including government, gamblers, family members and friends, gaming operators, problem gambling prevention and treatment centres, and education and other community organisations (Appendix 18). Stakeholders in the concept of CSR are similar to stakeholders in the concept of RG (Section 8.2).

The findings examined in Chapter 7 lend weight to my argument concerning CSR in Section 8.2 (Chapters 5 and 6). Organisations in Macao's gambling industry are so influential and powerful that they are in a great position to shape their discourses and practices of RG to be beneficial, rather than harmful to their business. In particular, the target audience of RG programmes usually aim at gamblers and the public

(Blaszczynski, et al., 2011). However, the findings indicate that this industry appears to prioritise the support and allocation of more resources to its employees over its customers in RG programmes. Both the Chinese and international gambling companies attempt to educate stakeholders that employees are the most vulnerable people in the industry as casinos front-line employees showed vulnerability to disorder gambling and stressful working conditions. Other justifications were, firstly, the feedback from problem gambling counselling centres that the users of the services were employees, rather than customers, and, secondly, the major source of customers are from mainland China, rather than Macao. Thus, the negative externalities appeared to be omitted by the gambling industry discourse. Organisations in Macao's gambling industry may focus on what they can do (gamblers in Macao), rather than what they cannot do (i.e. gamblers from mainland China).

Organisations in Macao's gambling industry can be said to employ RG in relation to the protection of people, focusing on their ability to protect employees, rather than saying little on their inability to protect customers, thereby distracting the public's attention away from customer protection towards employee protection. These organisations rarely use the term problem gamblers, representatives of the industry referring to all customers as customers in the interviews. This view is supported by the fact that preventing the community from focussing on unfavourable information. These organisations – in all probability - employ RG as a means of distancing themselves from potential challenge and minimising criticism of their social impacts on the community.

As I argue in Chapter 6, Macao's gambling industry employs CSR as a means of distracting the Macao public's attention away from negative impact of the industry on

local community, while drawing attention to the positive impact of the industry, thus in turn creates a far more positive impression of the industry. These findings are in line with Lindblom's (1993) third legitimation strategy. This strategy of the gambling industry is similar to the strategy of Moerman and Van Der Lann (2005) and Tilling and Tilt (2010) for the tobacco industry. The industry shifted attention from providing services for assisting problem gamblers to social involvements, which are similar to the findings of Hing and McMillen (2002) for the Australian gambling industry. The negative effects of this industry tend to be unrepresented in the interviews.

In summary, RG is maintained as a symbolic commitment only is potentially harmful to certain stakeholders, particularly if the industry's adoption of RG fails to act in the interests of certain groups, in particular consumers (gamblers), within society. The industry has endeavoured to shift in the meaning of RG away from key stakeholders (see Bondy, et al., 2012) concerns towards profit-making concerns and thus bolster its position as a legitimate organisation without really changing its operations. These findings suggest that questions remain about whether or not Macao's gambling industry can truly embrace CSR and RG.

## **8.4 CSR as a source of strategic legitimacy**

### **8.4.1 Source of legitimacy**

Organisations in Macao's gambling industry not only manage stakeholders' perceptions, but also gain different sources of legitimacy in order to enhance their survival. These organisations wish to appear "legitimate" to two main audiences: internal audiences and external audiences (Chapters 6 and 7). Each group provides certain forms of political and social support through better access to critical resources without which these

organisations would not be so profitable.

The internal audiences are the parent companies (Chapter 6). In particular, the international companies operated in Macao seem to share CSR and RG policies, practices and guidelines with the parent companies. They tend to use the parent company as a point of reference, thereby increasing the companies' reliability about their CSR and RG operations in Macao. This corporate culture can be viewed as an example of internal legitimacy, which suggests that a sub-unit adopting the "organisational structures, policies and practices institutionalized within the MNEs" will be likely to operate in a similar mode according to external legitimacy requirements (Kostova and Zaheer, 1999, p. 72). This is vital for the industry's survival of a subsidiary because of its dependence on the parent company for continuing access to resources, for example capital, knowledge and technology (Pfeffer & Salancik, 1978).

The external audiences can be divided into six major groups. Organisations in Macao's gambling industry appear to engage in efforts to maintain legitimacy despite such issues as gambling problem through identifying some symbols of social legitimacy through CSR engagement and RG initiatives. First, the support of the local community can be important in gaining acceptance and can enhance the complementary relations between corporations and community (Chapters 6 and 7). Several internal stakeholders mostly working at senior and middle management levels in the international gambling companies and to a lesser extent by those who working in the Chinese gambling companies expressed this view. Thus, these organisations appear to employ CSR and RG as a proactive strategy, which can be considered preventing the public's resistance to their dominance in Macao so as to increase the likelihood of acceptability or possibly

reduced chances of opposition (Weaver, et al., 1999). These findings are similar to those of Palazzo and Richter (2005) for the tobacco industry.

Second, the government of Macao could be viewed as an authority which establishes the regulations that control the way Macao's gambling industry should behave in Macao (Pfeffer and Salancik, 1978; Singh, et al., 1986; Baum and Oliver, 1991; Deephouse, 1996). Several internal and external stakeholders expressed this view. More importantly, the government can determine the situations for the retention of gambling licenses to operate organisations in the gambling industry, and ensure their activities that will not act against citizens' rights (Crane, et al., 2004). Thus, maintaining a good relationship with the government appears to be an important legitimating strategy for CSR and RG implementation to ensure the industry's survival and gain sources of legitimacy (Chapters 6 and 7). This industry instrumentally manipulates CSR and RG in order to gain political support to enlighten self-interest through a better access to three main critical resources: renew gambling licenses in 2020 and 2022, land for business expansion and a steady stream of imported labour (Chapters 6 and 7).

Third, the Chinese government appears to be another important source of legitimacy (Chapters 6 and 7). The Chinese government forms the regulations that permit the legalisation of Macao's gambling industry (Appendix 2), and determine the conditions, and standards of behaviour for the industry (Pfeffer and Salancik, 1978; Singh, et al., 1986; Baum and Oliver, 1991; Deephouse, 1996). This view was expressed by external stakeholders, but to a lesser extent by internal stakeholders. It is possible to suggest that internal stakeholders did not explicitly discuss the relationship between their companies and the Chinese government. In particular, the Chinese government appears to indirectly

control the travel and visa schemes by which customers from mainland China (comprising 90% of the total customer pool) may travel to Macao. Macao is the only legal gambling place in mainland China (Vong, 2004; BBC, 2009; MarketLine, 2013c); whereas, mainland China is allowed to a limited form of a government lottery (Appendix 2). According to the findings discussed in Chapters 6 and 7, organisations in Macao's gambling industry employ CSR to maintain a good relationship with the Chinese government in general and employ RG to tackle the problem of increasing social impact exported to mainland China in particular; thereby gaining critical resources (visitors) from mainland China through the "Free Travel Scheme" policy to ensure continued these organisations' survival in Macao. Without these important customers, neither gaming income nor profits are possible. More pertinently, the Chinese tend to exhibit higher participation rates than Caucasians (Raylu and Oei, 2004; Lau and Ranyard, 2005; Chapter 1). Chinese culture has unique concepts of fate, chance and luck and gambling culture has been a part of Chinese lifestyle, history and culture (Raylu and Oei, 2004; Papineau, 2005). Hence, the gambling industry is under "the rules of the game" to make profit.

Fourth, the University of Macao is an important mediator in the legitimacy of the industry (Chapter 7). The academic institution involved in the RG programme has actually taken an important role in standing, shaping and promoting RG policies, standards and guidelines through working closely with the government of Macao. Macao's gambling industry could sustain its survival through supporting RG programmes, particularly attending "Responsible Gambling Awareness Week" (RGAW), and RG training courses. Such collaboration with the University of Macao could be seen as a major pillar to legitimise current structures so as to increase the gambling

industry's credibility. These findings are similar to those of Palazzo and Richter (2005) for the tobacco industry, which suggests that the collaboration is between the tobacco company (Philip Morris) and a medicine professor (Ragnar Rylander) who dealt with the research in relation to the health effects of passive smoking. The academic institution is seen by the companies in the gambling industry as providing creditability for political support of other authorities bodies, such as the government of Macao. These findings are consistent with Deephouse and Suchman's (2008) idea, which claims how organisations gain the sources of legitimacy from interorganisational relations (Chapter 2). However, there is the risk of appointing the academic institution to develop the RG agenda. This academic institution is largely funded by the gambling industry indirectly through gambling taxation (Chapter 7). It is possible to suggest that the University of Macao only have developed RG guidelines with the stated social and economic assumptions (Chapter 2) and thus the gambling industry can be expected to achieve some form of responsibility under a business as usual scenario. Thus, this industry's approach to its legitimacy may have been indirect, complex, and subtle.

Fifth, the second last source of legitimacy seem to be professional gambling counselling service organisations (Chapter 5). The government of Macao and the local community are heavily dependent on the gambling industry. The government and the gambling industry appear to associate with problem gambling counselling service organisations. Organisations in Macao's gambling industry are likely to develop an inter-organisational relation with these counselling service organisations (Deephouse and Suchman, 2008), which can help these gambling companies to distance themselves from criticism and attempt to justify them to be good citizens. These counselling service organisations can be seen by organisations in the gambling industry as providing



credibility for community support or political support of other authorities, for example the government of Macao. The gambling industry can make use of these resources, for example, the feedback from problem gambling counselling centres that the users of the services were employees rather than customers (Chapter 7). These findings are similar to Deephouse and Suchman's (2008) view, which claim that how organisations gain the sources of legitimacy from interorganisational relations (Chapter 2). However, there is a possible dilemma between helping problem gamblers and getting counselling service organisations' funding. In particular, the non-profit counselling organisations are largely funded by the gambling industry indirectly through gambling taxation (Chapter 7). There is a possible risk that the non-profit counselling organisations tend to help employees rather than customers and thus the gambling industry can possibly achieve some form of responsibility.

Sixth, the final source of legitimacy is the media (Chapter 6). Different forms of media, including newspapers, videos and TV shows, could educate, influence and shape the opinions of employees and the public about the industry's past CSR achievements concerning community involvements in Macao's gambling industry (see Fombrun and Shanley, 1990). This view was recognised by several internal stakeholders mostly in the international gambling companies and to a lesser extent by those who working in the Chinese gambling companies. This can be regarded as a communication strategy to enhance its organisational legitimacy. However, organisations in the international gambling industry simply do not need to develop some symbols, CSD and RG, to maintain social legitimacy. These organisations are to simply remain silent on the sensitive issues, which can be regarded as a proactive response (O'Donovan, 2002). These findings are consistent with those of Campbell, et al., (2003) for the UK's

tobacco industry, Tilling and Tilt (2010) for the Australian tobacco industry, and De Villiers and van Staden (2006) for South African mining industry.

#### **8.4.2 Strategic legitimacy**

The construction of the gambling industry is contested for two reasons: the gambling industry may or may not be a legalised and gambling may or may not be a legitimated form of activity (Reith, 2007; Chapter 2). However, this industry has been linked to illegal activities (Chapter 1) and thus it was perceived to be negative.

Organisations in Macao are gambling industry employ CSR as a means of managing stakeholders (Chapter 6). First, these organisations attempt to change stakeholders' perception by balancing the perceived negative social impact against a positive and extensive CSR engagement in Macao, including community involvements, employee welfare and economic development. Second, these organisations tend to adopt symbolic CSR initiatives of social legitimacy. Third, these organisations attempt to distract the Macao public's attention away from perceived negative impact of the industry on local community, while drawing attention to the positive impact of the industry, thus in turn changes the public's attitude to the industry, making the public far more positive impression.

More pertinently, organisations in Macao's gambling industry attempt to identify symbols of social legitimacy, namely CSR, to signify falsely that their organisational performance has already changed; however, these organisations endeavoured to bolster their position as a legitimate organisation without really changing their operations. The legitimising activity could benefit the interests of the owners of the gambling industry,

rather than the interests of consumers. It could be argued that CSR is viewed as potentially quite harmful to certain stakeholders if the industry's adoption of CSR fails to act in the interests of particular group or particular customers (gamblers), within society. It seems fair to suggest that this strategic focus on CSR without explicitly concerning gambling- and health-related issues can be viewed as a symbolic, rather than substantive, management technique (Ashforth and Gibbs, 1990) to reduce this legitimacy gap in order to ensure that the gambling industry presents a minimal threat to its business operation. These findings are similar to the legitimacy literature (Seith, 1978; Dowling and Pfeffer, 1975; Lindblom, 1993) and the strategic legitimacy literature (Ashforth and Gibbs, 1990; Suchman, 1995) (Chapter 2).

## **8.5 Contribution to the literature**

### **8.5.1 Critical perspective on CSR**

The thesis has responded to the calls from certain scholars in the CSR literature for much more critical examination of specific CSR practices (Banerjee, 2007; Devinney, 2009). The complexity and subtlety of corporations' reasons for CSR engagement need to be examined in reflexive mode. Relatively few studies have examined the tension between CSR and profit making in such controversial industries as tobacco (Pava and Krausz 1997; Palazzo and Richter, 2005; Tilling and Tilt, 2010; Fooks, et al., 2013) and brewing (Quaak, et al., 2007). The gambling industry, a further example of a controversial industry, has received relatively little attention in the CSR literature. With this novel setting, examining CSR in the gambling industry provides an opportunity to examine the subtle and complex relationship between business and society. The understanding and CSR engagement of the gambling industry may have different and interesting contexts (Cai, et al., 2012; Soriano, et al., 2012). The thesis suggests that

CSR can be considered a cloak deployed by corporations to cover up their corporate externalities, such as gambling addiction and health-related issues. Corporations in the gambling industry are becoming increasingly influential in business and society. Corporations are likely to shape CSR to their advantage by choosing their own stakeholders which are beneficial to them. Corporations employ CSR in order to portray themselves as good businesses in order to create a stable, secure, and responsible business environment and thus in turn to ensure their survival, placate stakeholders and lobby government. The thesis has presented a potential case that the gambling industry appears to be a source of tension and conflict in deepening the understanding of CSR in this context. An analysis of this industry may enhance scholarly understanding of the nature and development of CSR.

Organisations in Macao's gambling industry engage in symbolic CSR and RG practices so as to manage stakeholders' perceptions and in an effort to appear legitimate to a range of audiences to gain different sources of legitimacy to ensure their survival. More pertinently, the most essential mechanism in the gambling industry can be one of this symbolic CSR, which is called the RG Initiative. This thesis has made a particularly novel contribution in recognising the importance of RG, a further example of CSR, in the gambling industry. RG can be regarded as a symbolic management technique as discussed in the thesis and in turn to enhance the gambling industry's economic interest.

The thesis also has responded to the calls from scholars for how CSR is conceptualised differently in different countries (Blowfield and Frynas, 2005; Scherer, et al., 2009). The thesis has raised important questions about the meaning of CSR and its applicability in different cultural contexts (see Bondy, et al., 2012), since the thesis was primarily

conducted in Macao (mainland China), and the perception of CSR in Macao's gambling industry. As a result, the thesis might help western academics to appreciate the ways in which the concept of CSR in a developing country, Macao (mainland China), may take on its own specific context-dependent meaning and may be different from or similar to that in developed countries (see Moon and Shen, 2010). However, this context-dependent meaning is a complex issue. Given Macao's location within Chinese heritage culture, one might expect a strong influence of the traditional elements of Chinese culture. Interestingly, possibly and unexpectedly, the findings in the thesis suggest that the two Chinese cultural traits, "Confucianism" and "Buddhism", were not widely recognised by interviewees in Macao. This may be due to Macao's colonial history. As a result of migration of Catholicism and Protestantism to Macao in the early 20th century (Appendix 2), this infusion of different religions could dilute or weaken the region's eastern culture and in turn this may have profoundly influenced local residents (Appendix 2). Such insights can further these academics understanding of the nature and development of CSR in Asian countries, for example mainland China.

### **8.5.2 Links between CSR and legitimacy literature**

Several studies have concentrated on CSR in the gambling industry without discussing legitimacy (Hing, 2001; Jones, et al., 2009; Lee and Park, 2009; Li, et al., 2011). The thesis has contributed to the CSR and legitimacy literature that how organisations in controversial industries, particularly the gambling industry, appears to have a similar nature to the tobacco industry to seek legitimacy (see Pava and Krausz, 1997; Campbell, et al., 2003; Moerman and Der Laan, 2005; Palazzo and Richer, 2005; Tilling and Tilt, 2010; Fooks, et al., 2013). Relatively little prior CSR research relating to legitimacy has focused on organisations in the gambling industry; however, recent studies (Miller and

Michelson, 2012; Reast, et al., 2012) have examined legitimacy in this industry. The legitimacy-seeking strategies of organisations in Macao's gambling industry have provided an in-depth investigation of how and why these organisations seek legitimacy.

This thesis has contributed to the literature on legitimacy theory by investigating the gambling industry. This industry presents a case that pushes the boundaries of this theory, which has received relatively little attention in the controversial industries. This thesis has made two main contributions to the CSR and legitimacy literature.

#### **8.5.2.1. CSR in the strategic legitimacy literature**

Organisations operating in controversial industries receive much higher scrutiny than those uncontroversial industries (Reast, et al., 2012). A few studies pertaining to organisational legitimacy have concentrated on organisations in controversial industries (Reast, et al., 2012). The thesis can help to address organisational legitimacy in the international gambling industry in general, and Macao's gambling industry in particular. The thesis contributes by exploring a novel case of the gambling industry.

In the thesis, it can be argued that the construction of legitimacy in the gambling industry can be more subtle and complex than uncontroversial industries due to two main reasons: (1) the industry may or may not be a legalised and (2) gambling may or may not be a legitimated form of activity (Reith, 2007; Chapters 1 and 2). Organisations in the gambling industry are typically socially constructed an "illegitimate", which is similar to those of the tobacco industry (see Campbell, et al., 2003). These organisations might seek the legitimacy implicit with adoption of CSR for two main reasons: continuity and credibility (Reast, et al., 2012, 2012). Continuity can achieve due to

key stakeholders providing significant resources to industries that appear to be “desirable, proper and appropriate within some socially constructed systems of norms” (Suchman, 1995, p. 574), while creditability might enhance how individuals understand the industry’s trustworthiness (Miller and Michelson, 2012). There has been a lack of research into tactics or strategies employed to gain legitimacy in the gambling industry. Several studies have investigated organisational tactics or strategies to gain or seek legitimacy in a number of such industries as tobacco (Tilling and Tilt, 2010), brewing (Campbell, et al., 2003) and minerals (Deegan and Blomquist, 2006). Yet, a few studies have examined maintaining legitimacy in the gambling industry.

Organisations in the gambling industry continue to face ongoing threats to its legitimacy in the form of gambling addiction and health-related issues (Chapters 1 and 2). It could be argued that these organisations endeavoured to develop symbols of social legitimacy, including CSD, CSR initiatives, and RG practices. Some scepticism remains about whether or not the gambling industry and Macao’s gambling industry are actually engaging in CSD, CSR, and RG.

Organisations in the international gambling industry tend to adopt proactive strategies in gaining legitimacy, rather than to take reactive strategies to repair legitimacy to respond an unforeseen crisis. They seem not to need to develop CSD and RG disclosure to repair their social legitimacy. These findings are entirely different from prior CSD literature, which suggest that corporations increase the volume of disclosure when they face a threat of their legitimacy. However, the findings for organisations in the gambling industry are not supporting this traditional view. The findings are similar to the controversial industries, which found that reducing disclosure can be viewed as a

legitimising strategy (Section 8.2.3). This view has received little examination in the academic literature. Furthermore, Macao's gambling industry appears to engage symbolically, rather than substantively, in CSR initiatives in general and RG initiative in particular in order to manage stakeholders' perception and gain sources of legitimacy in order to enhance the industry's survival. These findings are consistent with the strategic legitimacy literature (Chapter 2; Dowling and Pfeffer, 1975; Ashforth and Gibbs, 1990; Lindblom, 1993; Suchman, 1995). This thesis has not only made a contribution to understand CSR in a novel setting of the gambling industry, but also to identify one of the important mechanism from the symbolic CSR, particularly RG initiative, to enhance the gambling industry's financial interest.

More pertinently, the most essential mechanism in the gambling industry can be one of symbolic CSR, which is called RG Initiative. This thesis has made a particularly novel contribution in recognising the importance of RG, a further example of CSR, in the gambling industry. RG can be regarded as a symbolic management technique as discussed in the thesis and in turn to enhance the gambling industry's economic interest.

#### **8.5.2.2. CSR in the institutional legitimacy literature**

In the thesis, these findings of organisations in the international gambling industry (Chapter 4) and organisations in Macao's gambling industry (Chapters 5, 6 and 7) are somewhat similar to those of the institutional legitimacy literature, which suggest that these organisations are shaped by and entirely conform to the institutional environment (Chapter 2). The thesis can also contribute to the institutional legitimacy literature as the gambling industry tends to lack institutional pressure at three levels: global, industry and regional. In the absence of strong institutional pressures, including coercive,



mimetic and normative pressures, these organisations can shape CSR in ways beneficial to them.

First, at global level, organisations in the gambling industry appear to lack institutional pressure from international governmental organisations, such as the United Nations, the World Bank, or the OECD, to have some institutional forms, such as the UN Global Compact (Chapter 2). According to the findings discussed in Chapter 4, not all the sample gambling companies applied CSR reporting standards and RG reporting standards. However, these findings are not consistent with prior CSR literature, which found that MNCs operating across countries tend to be more likely to sign up to the standards of responsible business than those companies operating in a single country (Chapple and Moon, 2005). These organisations seem to lack weak self-regulation, which can be described as soft law with voluntary actions, since a company's compliance with the standards is voluntary (Moon, et al., 2011; Chapter 2). These phenomena often depend on national governments to monitor, censure and prosecute companies, thus the absence of symbolic power of international organisations can weaken the significance of legitimacy at the global level (Moon, et al., 2011).

The reason for this was not clear, but it may relate to the size of the corporation. There is no relationship between the size of the corporation and the volume of disclosure (Chapter 4). These findings are not consistent with the mainstream CSD literature (Andrews, et al., 1989; William, 1999; Gao, 2005); however, these findings are in line with those of CSR studies, which found no size effect (Lynn, 1992; Roberts, 1992; Bouten, et al., 2012). There are two possible explanations for this phenomenon. The industry uses local, rather than international, reporting practices and authorities as a

point of reference.

The content analysis findings (Chapter 4) suggest that the sampled gambling companies appeared to comply with local or national reporting standards, such as The Companies Act 2006 (the UK), The Corporations Act 2001 (Australia) and The King III Code on Corporate Governance 2008 (South Africa). Furthermore, the gambling industry can be said to operate on a national, rather than international level with reference to local, as opposed to international authorities. Taking the UK and Australia as examples, the UK gambling companies appear to make references to local bodies, for example the Gambling Commission, the British Gambling Prevalence Survey and the Association of British Bookmakers in their annual reports. The Australian gambling companies tend to refer to local authorities, for example the Australia Gaming Council, the Australasian Casino, and the Victorian Responsible Gambling Ministerial Advisory Council.

However, the content analysis findings (Chapter 4) are not entirely in line with prior CSR literature which found that MNCs tend to respond to the mimetic pressure of the “soft law” by adopting voluntary actions and self-regulation, which can be viewed as the “the new institutionalism” in CSR (Matten and Moon, 2008; Moon et al, 2011). Organisations in the gambling industry did not widely apply any multi-stakeholder CSR institutions or any global non-financial reporting standards, codes and guidelines, such as AA 1000 guideline, the Global Reporting Initiative’s (GRI) Sustainability Guidelines, and international standards on human rights (the International Labour Organisation) (Moon, et al., 2011; Chapter 2). These organisations are less likely to imitate industry peers that are perceived as influential or successful (Haveman, 1993) and viewed as examples of “best practices” (Matten and Moon, 2008). However, only some of the

gambling companies in the sample followed certain international reporting standards, for example ISO 9001, ISO 14001 (the UK and Australia), and ISO 26000.

Additionally, the findings suggest that organisations in the gambling industry did not find normative isomorphic pressures at the global level. These organisations do not seem to have such education and professional authorities to provide training, for example auditor training for awarding certification, such as ISO 26000, workshops and seminars (Matten and Moon, 2004). These findings are similar to those of Bondy, et al.'s (2012) study which shows that MNCs did not find normative isomorphic pressure to be a significant driver in the UK context.

Second, at industry level, there is no international gambling association which can be expected to develop an international RG standard, practice and guideline so that the gambling industry can follow RG (Chapter 4). In other words, in the absence of strong coercive pressure at the industry level, organisations in the gambling industry can follow their best interests. The reason behind this phenomenon is not apparent, but it might have something to do with the absence of adequate industry reporting requirements (Błaszczynski, et al., 2011). The unexpectedly weak pressure from international organisations was insufficient to regulate this industry. Indeed, the gambling industry is completely different from other industries, such as the Australian mineral industry, which has some guidelines for Sustainable Development (KPMG, 2005; Deegan and Blomquist, 2006), and the tobacco industry, which has international standards of the Framework Convention on Tobacco Control (FCTC) developed by the World Health Organisation (WHO), which sets international standards on issues, for example tobacco production, marketing and anti-smuggling (Moerman and Van Der

Laan, 2005) (Chapter 2). Therefore, the international gambling industry apparently does not follow any international RG standard, but a national, industry-based RG standard. Each company seems to apply a mandatory or voluntary RG standard developed by the host country.

There is a rising trend in adopting CSR practices or reports in the developed countries and in industry so that the gambling industry is expected to mimic this process so as to learn and develop CSR and RG practices (DiMaggio and Powell, 1983; Suchman, 1995; Chapter 2). However, the findings suggest, among international gambling companies, there seems to be weak mimetic process of CSR and RG disclosure due to the absence of strong isomorphic pressure from peers at the industry level and strong coercive institutional pressures from the global and industry level (Chapter 4). The content analysis findings suggest that organisations in the gambling industry tend to neither keep pace with competitors at the industry level nor become CSR or RG leaders in the industry. Furthermore, even though RG disclosure may be regarded as “best practice” in the gambling industry, the strategic approach of RG disclosure appears to be at local, rather than industry level due to the variance of RG disclosure practices at national level and inadequate RG reporting requirements at industry level. These findings are not in line with those of prior CSD studies in other industries which suggest that organisations in the minerals industry appear to have strong a mimetic process of environmental reporting practices (Deegan and Blomquist, 2006).

Furthermore, the findings also suggest that organisations in the gambling industry did not find normative isomorphic pressures at the industry level. There is little evidence to suggest that education and professional institutions provide RG training. Yet, RG

training does not have one established norm for its implementation and varies across different jurisdictions (Chapter 7; Appendix 3).

Third, at regional level, organisations in Macao's gambling industry in general do not have strong institutional pressure from the government of Macao to implement CSR as the government is heavily dependent on this industry (Chapters 5, 6 and 7). This phenomenon is partly due to weak and incomplete regulatory enforcement during the pre-liberalisation era of Macao's gambling industry (Fong, et al., 2011). In other words, the government tends to regulate this industry in a relaxed legal environment, so this industry appears to be able to operate in a legal vacuum. Unexpectedly, the concept of legal responsibility (Carroll, 1979; 1991; Moon and Vogel, 2008) was not prevalent in Macao's gambling industry (Chapter 5). It was unusual that the internal stakeholders did not feel much obligation to comply with regulations. The reason for this was not clear, but it may related to level of obligation. Importantly, this concept may intertwine, overlap, and interlink with other CSR concepts namely, employment practice and the obligation to pay taxes (Chapter 8). These concepts could be regarded as implicit CSR that is in the form of norms and rules without a deliberate, voluntary, and strategic decision (Matten and Moon, 2008). More pertinently, explicit CSR refers to voluntary corporate policies and tends to common in the multi-national gambling companies operating in Macao, which is a so-called developing country, where there are a weak institution, a weak enforcement, and poor governance (see Matten and Moon, 2008).

Organisations in Macao's gambling industry are effectively in a position to take advantage of Macao's relatively loose regulation of the gambling industry for business operation and to move its investment to a place where local laws are suitable for this

industry. These findings in Macao are not in line with those of prior CSR studies in developed countries (Chapter 2), which suggest that regional and local governments which have developed CSR policies in European countries, such as the German province of North Rhine-Westphalia, the UK local government (Matten and Moon, 2008) and the French government (Igalens and Nioche, 1997 cited in Gond, et al., 2011). Gond, et al. (2011, p. 647) established “Five CSR-government configurations”. For categorising industry by relationship with government, there are five relationship types, namely CSR as self-government, CSR as facilitated by government, CSR as a partnership with government, CSR as mandated by government and CSR as a form of government (Gond, et al., 2011 p. 647 - 648). Interestingly, organisation in Macao’s gambling industry can be classified CSR as self-government category, rather than other relationship types (Gond, et al, 2011). The government of Macao seems to have a little interference in CSR in Macao’s gambling industry; however, CSR in this context is a typical case of CSR beyond legal requirement (see Gond, et al., 2011). These findings are common patterns in East Asia (Gond, et al., 2011).

Similar to previous findings, organisations in Macao’s gambling industry do not have strong institutional pressure from the government of Macao to implement RG policies, practices and guidelines (Chapter 7). These findings are not in line with those of RG in developed countries, such as Canada, Australia and the UK (Chapter 2; Appendix 3), which shows that RG is a mandatory, rather than voluntary initiative (Chapter 2). The reason for this is not apparent, though it may have something to do with political and economic issues. Firstly, the government appears to be reluctant to apply stringent RG standards since that would lead to it losing revenue, as the government is heavily dependent on this industry. These findings are consistent with those of Smith’s (2009)

study of other governments in developed countries are highly dependent on the gambling industry. Secondly, the gambling industry is the leading industry in Macao. The vast majority of local residents, employees, and civil servants are heavily dependent on this industry. Thus, the government of Macao tends to rely on the initiative of gambling companies themselves to engage in self-regulated voluntary RG practices.

However, the level of obligation tends to be low. There are two particular examples to illustrate this argument. First, the voluntary self-exclusion programme tends to be unsuccessful. Apparently, the limitation is due to the absence of a centralised party, particularly the government of Macao, to regulate RG. It is not possible for gambling companies to work collaboratively to support this programme due to the privacy protection regulation. Second, in addition to accessibility, Macao residents seem to find it easy to access gambling places. Macao's gambling companies tend to locate their outlets in residential areas, which can be expected to increase the number of problem gamblers. This industry tends to attach more importance to customer gambling convenience than customer safety concerns in order to enhance its economic benefits. These findings are not in line with those of Williams, et al. (2007), who claimed that other countries, such as Australia, France, and Malaysia, do not permit residents to gamble at casinos. This policy is to ensure that gambling revenues are from outside of a host country in order to protect local residents from social harm (Williams, et al., 2007).

Regarding mimetic pressure in Macao's gambling industry, there is some evidence of a weak mimetic process of CSR and RG initiatives in the international gambling companies in Macao, but not in the non-international gambling companies. CSR and RG initiatives appear to come in from the international gambling organisations,

particularly from the US, via their parent company. The subsidiaries of international gambling companies operated in Macao were, in most cases, heavily dependent on the parent company for accessing critical resources with particular reference to CSR and RG knowledge and philosophy from the parent company in order to develop CSR and RG initiatives. These findings are in line with resource dependency theory (Pfeffer and Salancik, 1978). However, the interview findings suggest that CSR and RG in a subsidiary gambling company in Macao was not always entirely the same as the US parent company's and was adapted to the local economic, social and political situation, and more importantly, and the local culture. The mimetic process from the industry peers tends to be weak in Macao. This interpretation is supported by the fact that there is some evidence from the field work that the general CSR and RG concepts, policies and initiatives were widely discussed to a greater extent by internal stakeholders working in international gambling companies rather than in Chinese gambling companies. One of the examples supports this argument. Environmental responsibilities were a relatively new concept in the Chinese gambling companies; however, there was little evidence to suggest that the Chinese companies attempted to imitate the international gambling companies to develop environmental management or practices due to the weak institution of environmental regulation in Macao.

Organisations in the gambling industry appear not only to lack coercive, mimetic, and normative pressures at global, industry and national levels, but also to demonstrate weak normative pressure at regional level (Macao) based on the institutional legitimacy literature (DiMaggio and Powell, 1983; Chapter 2). According to the interview findings (Chapter 7), RG developed by the University of Macao plays a significant role in shaping and promoting RG policies, standards, and guidelines through working closely



with the government of Macao. The professional power is largely assigned by the government (see DiMaggio and Powell, 1983). In other words, an academic institution can be inferred to have a similar professional understanding of what proper action is (Boxenbaum and Jonsson, 2008) and can be viewed as an important centre to develop organisational norms and standardise the “skills and cognitive base” of managers and employees (DiMaggio and Power, 1983; Bondy, et al., 2012).

The findings (Chapter 7) suggest that RG training courses were organised by the academic institution and the government of Macao. In particular, this RG training course was for representatives of the gambling companies, who could receive practical RG training to cascade these skills and practices to other team members of the company. Organisations in Macao’s gambling industry appear to express their support for RG training together with “Responsible Gambling Awareness Week” (RGAW). Such pressures are often related to education authorities which, as an external source, directly or indirectly set standards for legitimate organisational practices (Matten and Moon, 2008). However, in Macao, RG can be considered a guideline, rather than a regulation because the government tends to rely on the voluntary RG engagement of the gambling industry. Thus, it would be more effective if the government promoted mandatory, rather than voluntary, RG practices.

## **8.6 Concluding remarks**

This chapter provides a detailed discussion of how organisations in the gambling reshape CSR, how responsible gambling can be considered as CSR, CSR can be a source of strategic legitimacy and the possible contributions of the thesis to the CSR and legitimacy literature. The following chapter (Chapter 9) concludes with a

restatement of aims and the findings of the thesis, discusses implications of the thesis and also practical applications, and provides limitations of the thesis and some recommendations for future research.

## **Chapter 9**

### **Conclusion**

#### **9.1 Introduction**

This chapter concludes this thesis and is divided into four sections. The first section introduces of this chapter. The second section provides a restatement of the aims and research questions. The third section discusses the implications of the thesis and practical applications. Finally, limitations and recommendations for future research are made at the end of the chapter.

#### **9.2 Introductory restatement of aims and research questions**

The purpose of this thesis is to respond to the call for further, critical examinations of specific CSR practices (Chapters 2). The gambling industry appears to be more complex, and contain conflict and tension than other uncontroversial industries in deepening the scholarly understanding of CSR in this context. The construction of legitimacy in the gambling industry is more complex than other industries due to theory due to laws and societal norms (Chapter 2). Legitimacy theory has been employed to provide a framework to analyse the findings. Organisations in the gambling industry have been facing the ongoing threat to their legitimacy, notably in the form of gambling addiction and health-related issues. These organisations can be expected to endeavour to minimise the legitimacy gap (Dowling and Pfeffer, 1975; Lindblom, 1993) through developing some symbols of social legitimacy, particularly Corporate Social Disclosure (CSD), Corporate Social Responsibility (CSR) and Responsible Gambling (RG). These three perspectives were set out in a form of three research questions (Chapter 2).

First, there has been a lack of exploration and guidance in prior CSD literature on the gambling industry (Chapter 2). Thus, the first research question relates to an initial exploration of the international gambling industry and investigates *to what extent the gambling industry discloses CSR-related data*. The initial exploration of this thesis is a preliminary examination into the social and environmental reporting practices of the gambling industry and its CSR engagement. Content analysis was employed to examine the extent to which organisations in the gambling industry disclose CSD-related information across six countries, namely, the UK, the UK, Australia, South Africa, Macao and Hong Kong. The selected sample was data from 28 companies, 82 annual reports and three years (from 2007 to 2009) (Chapters 3).

According to the legitimacy theory (Chapter 2), organisations in the gambling industry can be expected to deploy legitimating disclosure more strongly in order to minimise the legitimacy gap (Seith, 1978) through developing symbols of social legitimacy, CSD, and RG disclosure. However, the content analysis findings suggest that CSD provided by all the sampled gambling companies appears to be relatively low. More pertinently, the role of RG seems to be considered as an unimportant issue in annual reports. The volume of RG disclosure ranges between relatively low and nothing. Additionally, these organisations seem to be reluctant to publish sensitive information on the extent of gambling addiction and health-related issues in their annual reports (Chapter 4). Thus, such companies are more likely to make low or no social disclosures, meaning stakeholders are being slowly neglected by such social non-disclosure (Campbell, et al., 2003).

These findings for the gambling industry are entirely different from previous CSD studies on unexpected disasters or crisis, which suggest that organisations attempt to

repair and maintain legitimacy (Patten, 1992; 2002; Elsbach and Sutton, 1992; Elsbach, 1994; Deegan, et al., 2000). However, these findings are in line with those of Campbell, et al. (2003) for the UK's tobacco industry, Tilling and Tilt (2010) for the Australian tobacco industry and De Villiers and van Staden (2006) for the South African mining industry, which found that reducing disclosure can be viewed as a legitimising strategy. Organisations repairing or maintain legitimacy might view disclosure completely different from those organisations building or establishing legitimacy (Campbell, et al., 2003). Building legitimacy of organisations in the gambling industry might feel that the costs of disclosures are higher than the benefits, and thus adopting the best strategy is simply to remain silent (see also Campbell, et al., 2003). In addition, these findings are supported by O'Donovan (2002) who claims that the lower the perceived legitimacy of the organisation, the less likely it was to bother providing CSD. Another explanation could be that such companies can be socially constructed as illegitimate so that social disclosure would be "no effective value" (Campbell, et al., 2003). Importantly, little unfavourable information is disclosed, supporting Owen and O'Dwyer's (2008) view that voluntary social disclosure appears to illustrate favourable managerial accounts of positive information. It could be argued that organisations the gambling industry seem not to develop symbols, namely CSR and RG disclosure, to seek their social legitimacy.

Second, the concept of CSR varies across nation, industry, and history. There have been relatively limited prior CSR studies aimed at the gambling industry (Chapter 2). Hence, the second research question has investigated *how CSR is understood in Macao's gambling industry*. The subsequent exploration provides a detailed examination of stakeholders' perceptions of current CSR in Macao's gambling industry. Semi-structured interviews were employed to examine 30 internal stakeholders who

worked in various positions in major six gambling companies, while from 19 external stakeholders who may affect or be affected by the industry (Chapter 3). In terms of the understanding of CSR prevalent in Macao's gambling industry, the thesis's case study, it is argued that organisations in Macao's gambling industry seem to communicate their responsibility by placing more emphasis on social concerns, for example, community and employee welfare, and the industry's positive impact on local economic development in order to obscure such negative impacts as gambling addiction and health-related issues. Thus, these organisations can arguably shield their role in producing corporate externalities and promoting an ethical stance. It is possible to suggest that these organisations appear to either omit or exclude their corporate externalities from their discourse.

Third, a few CSR studies have investigated CSR in the gambling industry in developing countries (Chapter 2). Therefore, the third research question examines *why the gambling industry engages in CSR*. The final examination provides a detailed investigation of the motivation for organisations in Macao's gambling industry to engage in CSR and RG. Semi-structured interviews were employed to examine the final question based on the views of internal and external stakeholders (Chapters 6 and 7). These organisations engage symbolically, rather than substantively, with CSR and RG practices. In this thesis, they employ a set of legitimising strategies to manage stakeholders' perception by changing their perception, by educating them and by distracting their attention from perceived problems. They wish to appear legitimate to two main audiences: internal audiences (the parent company) and external audiences (the public, the government of Macao, the Chinese government, The University of Macao, professional gambling counselling service organisations, and the media), in order to improve the likelihood of

their survival in Macao's gambling industry. Each group provides certain forms of political and social support through a granting greater access to critical resources, including knowledge, acceptance, gambling licenses, land, labour, customers and creditability without which these organisations would not be so profitable. This conclusion is consistent with the strategic legitimacy (Dowling and Pfeffer, 1975; Ashforth and Gibbs, 1990; Lindblom, 1993; Suchman, 1995; O'Donovan, 2002).

This thesis can be concluded that organisations in Macao's gambling industry are in a great position but only to choose particular aspects of socially responsible behaviour which are beneficial to them, but also to give an account of CSR favourable to their activities rather than harmful to their business operations. The evidence suggest that these organisations place emphasis on social concerns, while obscuring others. This argument lends weight to the next argument that these organisations tend to place emphasis on the support of their employees, rather than their customers in the RG programme. These organisations bear some form of responsibility towards employees, but there is little concern for its customers. The existence of CSR within the gambling industry shows a shift in meaning of CSR away from stakeholders concerns towards profit-making concerns.

### **9.3 Implications of the thesis or practical applications**

This thesis provides a general overview of the gambling industry. The findings, analysis and discussion of the thesis indicate that organisations in the gambling industry somewhat similar to those of the in the institutional legitimacy literature (Chapter 2). These organisations appear to lack institutional pressures, including coercive, mimetic and normative pressures, from the outside to drive CSR in the gambling industry at both

industry and regional levels (see Chapter 8).

At industry level, on account of the unexpected a lack of coercive pressure from international gambling associations, there is insufficient pressure to regulate this industry. Without such an association, the gambling industry cannot be expected to develop an international standard of RG codes, policies, practices, and guidelines. RG legislation in the sampled countries has its own gambling regulations, authorities, and regulatory bodies. Due to historical, economic, and social backgrounds, it is not necessary for the gambling industry to follow or replicate RG legislation in one jurisdiction. Thus, there is a great need for a global or international organisation, such as the World Health Organisation, to develop international standards of gambling control. The nature of the gambling industry is somewhat similar to that of controversial industries. For example, the tobacco industry has international standards of the Framework Convention on Tobacco Control (FCTC) developed by the World Health Organisation (Moerman and Van Der Laan, 2005), while the Australian mineral industry has guidelines for Sustainable Development (KPMG, 2005). In the case of the gambling industry, an international governing organisation could set standards on such issues as gambling addiction prevention, advertising, and anti-money laundering. Such an enforcement mechanism could possibly also promote ethically responsible practices.

In addition, there is a little evidence to suggest that few education and profession institutions can provide an award RG certification at the industry level. RG varies across different jurisdictions and does not have one established norm for its implementation (Appendix 3). There is a great need for educational or professional authorities at global level to provide auditor training for awarding RG certification, such



as RG training, workshops or seminars.

The main form of transparency could be corporate annual reports disclosing positive CSR engagement, such as revenues, job creations and philanthropic involvements. However, organisations in the gambling industry seem to be reluctant to have an open discussion on gambling addiction and health-related issues. As long as corporate transparency is limited in this way, the general public suspect the industry's ongoing CSR engagement in community projects. It is fair to suggest that they have little self-critique. According to the findings discussed in Chapter 4, transparency concerning sensitive areas remains unsatisfactory. The position of the gambling industry tends to be more contentious than the other industries, thus, it cannot simply employ the local reporting standards, practices and guidelines. These organisations need to develop a radical form of transparency, accountability and responsibility in order to show the integrity of their operations (see Soriano, et al., 2012). Thus, more disclosure can be done in relation to customer protection, public education, and public health care. They could do much more to promote RG. They can maintain legitimacy to improve the integrity of their operation, which requires transparency, consistency, and fairness. Given the relatively low and no volume of voluntary RG disclosure, voluntary RG has also failed to change corporate disclosure in practice. This thesis suggests whether some form of legal requirement of RG reporting is necessary in the gambling industry.

At regional level, this thesis provides an in-depth analysis of CSR in Macao's gambling industry. This thesis might have some implications for governments considering legalising gambling or other policy makers in relation to CSR engagement. The findings suggest that there is no sufficient institutional pressure or coercive force from the

government of Macao to ensure CSR and RG engagement in Macao's gambling industry yet. Due to the political issues discussed in Chapter 8, there is a danger of the government of Macao to be too dependent on gambling revenue, while losing its priority of public interest. In addition, the government has the conflict of being a recipient of gambling revenue and the industry regulator at the same time. However, there is a great need for a legislative system to be implemented in Macao. Previous CSR studies in European countries, such as the UK, Germany and France (Matten and Moon, 2008; Igalens and Nioche, 1997 cited in Gond, et al., 2011), would be of great help in the future planning of long term CSR implementation in Macao's gambling industry.

Due to the establishment of more stringent regulations by government authorities and greater pressure from stakeholders, organisations in the gambling industry will be more accountable, responsible for, and transparent to what they operate business in society. As a result, these organisations attempt to avoid grey areas, thus making profit at the expense of the community. This thesis can provide some insights into how these organisations may seriously influence individual perception, business ethics, and social norms.

In particular, there is a lack of coercive enforcement, the rigorous standards and an absence of monitoring of whether or not Macao's gambling industry complies with, or follows, the RG guidelines proposed by the University of Macao. This academic institution can be regarded as an important centre for developing RG training courses for managers and employees (Chapter 7) and RG guidelines for the gambling industry (Appendix 19); however, organisations in Macao's gambling industry demonstrate weak normative pressure at regional level. RG can be considered a guideline, rather than a

regulation because the government of Macao is reluctant to introduce substantive regulatory changes due to its dependency on the gambling industry. Thus, RG is virtually meaningless in practice; however, RG remains symbolically important. A limitation is due to the absence of an efficient and effective legal mechanism. Thus, there is a necessity for coercion, rather than voluntary RG initiative in organisations in Macao's gambling industry. There is a tendency amongst these organisations to adopt minimum RG requirements on customers and employees rather than a wide range of key stakeholders (Appendix 19 and 20). Voluntary RG initiatives seem to be less broadly adopted. Obviously, without the incentive of mandatory RG, some companies will not fully apply RG guidelines. There has been a paucity of RG studies in developing countries (The Institute for the Study of Commercial Gaming, 2009). However, the government of Macao can perhaps learn from developed countries, such as Canada, Australia, and the UK (Breen, et al., 2005; Miers, 2008; Smith, 2009; Delfabbro and King, 2012) regarding RG legislation, including RG signage and information, the gambling environment, onsite counselling service, voluntary self-exclusion programmes, age restrictions, financial transaction policies, and accessibility of gambling venues.

Such an approach is necessary to avoid a number of grey areas, for example, the issue of secret collaboration with junket operators. It can be expected that mandatory RG will be more effective and efficient, which in turn would protect the vulnerable customers and the local community. Failure to do so jeopardises customer health, their family members and the welfare of the community. In other words, the government of Macao tends to play a vital role putting effective pressure on gambling companies for improved ethical, social and environmental concerns.

More importantly, the concept of RG is obscure, and thus can possibly lead to confusion, low public confidence and unaccountability. Organisations in Macao's gambling industry widely employ the RG guidelines as a point of reference to the University of Macao. It would be easy to follow RG guidelines if RG was clearly and precisely defined, rather than open to interpretation.

Apart from the mandatory RG and the concept of RG, an independent review of Macao's gambling industry needs to be adopted. National reviews of gambling have been conducted in developed countries, namely Australia (The Productivity Commission, 1999), the US (Eadington, 2003 cited in Smith, 2009), and the UK (see Smith, 2009). These reviews can provide some guidelines for the government of Macao. Although the University of Macao has conducted several gambling-related social and economic research projects, the institution is not an independent reviewer as it is indirectly funded by the gambling industry (Appendix 2). An independent reviewer, for example CSR Asia, can offer such a review by placing emphasis on the public interest and forming the discourse for the debate.

#### **9.4 Limitations and recommendations for future research**

The analysis of content analysis findings in Chapter 4 attempted to provide a general overview of CSD in the gambling industry at the international level. The initial exploration of international gambling companies' disclosure is not conclusive and is related to a specific period of time (from 2007 to 2009). Further research could extend the sample of gambling companies, the sample countries, and the sample period. Additionally, broadening the forms of media, such as stand-alone reports, integrated reports and corporate websites, should also be considered. Such approaches could offer

a more persuasive, reliable, and objective representation of international disclosure in the gambling industry and would establish trends of CSD in this industry over time.

Findings for internal and external stakeholders' perceptions of CSR in Macao's gambling industry have been examined in Chapters 5 and 6. This thesis is based on a sector-specific industry. Further research could be undertaken on the development of CSR across industries or a study with similar industries leading to a deeper understanding of the extent to which CSR is understood in such "controversial industries" as tobacco or brewing. Additionally, this thesis is based on a number of interviews conducted in Macao. What is now needed is a cross-country or cross-region study, focusing on countries such as Singapore, Hong Kong or Australia, to compare and contrast the perceptions and practices of CSR in the gambling industry.

Findings in Chapter 7 related to internal and external stakeholders' perceptions of RG in Macao's gambling industry. During the fieldwork, the vast majority of the interviewees tended to emphasise and elaborate on RG in most of the interviews. Although this thesis includes a wide range of internal and external stakeholders, this can obtain a general picture and deepen insight into CSR in Macao's gambling industry. However, the sample was limited in terms of problem gamblers. I was unable to contact this group of people due to the privacy issue. Through the assistance of problem gambling counselling centres, only three problem gamblers were interviewed. There is a potential grey area how to define problem gamblers in Macao since most of problem gamblers seem to be from mainland China based on the findings. It would be interesting to explore local and non-local problem gamblers' views of CSR and RG to compare experiences of casinos employees. This development would create the opportunity to

undertake an in-depth case study of a gambling company or multiple case studies to seek to explore the interaction between problem gamblers and the gambling industry. This could provide a valuable means for other gambling companies to have a better insight into the problem of implementing RG in this industry.

Due to time constraints, content analysis and semi-structured interviews were conducted in this thesis. The issue of CSR in the gambling industry is an intriguing one, which could be usefully explored, in further research. Discourse analysis can be employed as it enables a close analysis of the content and language of annual reports or other forms of media. Such an approach can seek to understand how gambling companies construct their own interpretation of CSR through how they disclose in the annual reports and how they communicate with stakeholders. This approach will provide a deeper understanding of CSR in the gambling industry.

The thesis is limited to land-based locations, notably casinos, in Macao's gambling industry. Over the past few years, during the course of the thesis, Internet gambling has seen a substantial growth and has led to a new realm of gambling opportunity. Different forms of gambling are traditionally available in land-based locations, but now gambling activities are widely available in the Internet. Any individual can easily access the Internet, which is much more convenient than the past few decades. More research needs to explore Internet gambling. The link between online gambling and CSR or RG practices and the extent to which the regulatory and authority addresses the issue of gambling problem, unfair or illegal business practices and player practices need to be addressed. Further studies on Internet gambling are therefore recommended.

The thesis is an exploratory study of the gambling industry in general and Macao's gambling industry in particular; however, the thesis did not explore or provide an in-depth investigation of any grey area in this industry. More pertinently, a potential question stems from the semi-structured interviews. The relationship between the junket operators and Macao's gambling companies need to be addressed. The thesis found very limited information concerning these issues that there is nearly no chance for the gambling industry to be held accountable for this progress in this regard. Macao's gambling industry tends to be secretive and sensitive in relation to the confidential information of "VIP high rollers" and "big customers". Over 70% of Macao's gambling revenues were mainly from VIP rooms (Eadington and Siu, 2007). These customers are largely from junket operators, who have signed joint-venture contracts with Macao gambling operators, which held concessionaries and sub-concessionaires to operate "VIP Gaming Rooms" in Macao should be included in CSR polices or RG polices, which need to be fully implemented, monitored and reported on. However, this question may be addressed through case studies and might possibly link to local mafia.

## **Appendix 1**

### **History of Gambling**

Artefacts and relics pertaining to different games of chance, for example throwing stones, drawing sticks and gaming boards, have found in the archaeological remains of the Sumerian, Egyptian, and Chinese cultures (Bloch, 1951). The historical context of gambling can be divided into three stages, the Protestant Reformation, the Age of Enlightenment, the Industrial Revolution (Reith, 2007). The Protestant Reformation refers to Games of chance alongside dancing and singing have been condemned as sinful for the work ethic, whereby effort were supposed to be rewarded with an proper level of wealth (Reith, 2007). The Age of Enlightenment refers to Western societies criticised the element of irrationality to be embodied in games of chances. Beliefs are in luck and fate, rather than in personal effort, human reasoning, and loss in games (Reith, 2007). The Industrial Revolution is an important stage. Discussions about gambling separated slightly from ideological discourses of religion to individual physiology of moral defects (Reith, 2007). In the past, the treatment for the “disease” was theological counselling and exhortation; however, when these methods failed, the individuals were subject to public ridicule, corporal punishment, or imprisonment (Aasved, 2003). A few psychiatrists had regarded gambling as an illness in the 1950s.

During the 1970s, psychiatric treatment expanded quickly and The Gamblers Anonymous and The American Psychiatric Association (APA) established a treatment programme for gamblers, called *Diagnostic and Statistical Manual of Mental Disorder* updated version (*DSM-IV*) and a number of assessment instruments. More than ten problem gambling assessment instruments are widely used in mental health care agencies. These assessment instruments include Gamblers Anonymous 20 questions



(GA-20), South Oaks Gambling Screen (SOGS) and Massachusetts Gambling Screen (MAGS), Diagnostic Interview for Gambling Severity (DIGS), Gambling Treatment Outcome Monitoring System (GAMTOMS) and National Opinion Research Centre DSM-IV Screen for gambling problems (Stinchfield, et al., 2007). These instruments have been developed for a wide range of purposes, such as screening, assessment and diagnosis (Stinchfield, et al., 2007).

## **Appendix 2**

### **The Macao context**

#### **A2.1 Introduction**

Macao society has undergone massive change over the past decade. This section presents a general overview of Macao and discusses the distinctive features of Macao from a socio-economic perspective. In order to develop this overview, the section examines Macao's social context, including demographics, education, health, and religion; and Macao's economic context, including its industry, its historical background, its economic development up to the recent period, social impacts of the gambling industry on the local population, labour force and environment.

#### **A2.2 Macao's social context**

##### **A2.2.1 Demographics**

Macao's resident population was a significant increase over the past decade from 436,700 in 2001 to 557,400 in 2011 (Government of MSAR Statistics and Census Service, 2012a). The population density was 18,400 persons per square km (Macao Government Information Bureau, 2010). This gradual increase was mainly due to two reasons. First, immigration is largely based on non-resident workers and migrants from 25,925 in 2001 to 94,028 in 2011, followed by immigrants from mainland China from 4,621 in 2001 to 6,222 in 2011. There are 9,489 foreign nationals with legal residency in 2009; however, there is a decreasing trend with 4,455 in 2010 and 2,812 in 2011 respectively. In addition, 1,266 illegal Chinese immigrants are repatriated to mainland China. Second, natural factors, including an increasing birth rate (3.1%) and a steady mortality rate (0.3%), account for an increase population (Government of MSAR Statistics and Census Service, 2012a). The age structure is mainly dominated by 15-64

years old (79.5%), followed by under 15 years old (12.7%) and 65 years old and above (7.7%) (Macao Government Information Bureau, 2010). The major nationalities are Chinese (93.9%), Pilipino (2%) and Portuguese (1.7%) (Macao Government Information Bureau, 2010). The total number of households was 159,412, which account for 72.9% in private housing, 23.3% in rented housing and 3.8% in housing provided by employers (Macao Government Information Bureau, 2010).

### **A2.2.2 Education**

The Macao SAR Government has continued to support compulsory education (aged from 5 to 15) and allocate more resources in 15-year free education system to enhance the development of both non-tertiary and tertiary education in Macao (Macao Government Information Bureau, 2010). Students in non-tertiary education have slightly decreased from 98,608 students in 2000/2001 to 71,832 students in 2010/2011, while students in tertiary education have increased a threefold, from 8,358 students to 24,156 students, over the past decades (Government of MSAR Statistics and Census Service, 2012a). In particular, the number of students studied in bachelor degree, master degree and doctoral degree has significantly increased from 3660, 1427, and 8 students to 17,875, 2,963, and 192 students respectively (Government of MSAR Statistics and Census Service, 2012a).

### **A.2.2.3 Health**

According to Government of MSAR Statistics and Census Service in 2011 (2012a), the ratio of doctors to residents was 2.6 to 1000, the ratio of nurses was 2.9 to 1000 and the ratio of hospital beds was 2.2 to 1000. The general mortality rate was 3.1 per thousand citizens, while the mortality rate for infants under one year old was 2.1 per thousand

live births. From 2006 and 2009, the average life expectancy was 82.4 years (Macao Government Information Bureau, 2010). According to International Classification of Disease Tenth Edition, Clinical Modification (ICD-10-CM), malignant tumours were the top rank disease (33.1%) in Macao, while circulatory diseases (26.5%) and respiratory disease (13.6%) was the second and the third widespread diseases (Macao Government Information Bureau, 2010).

#### **A2.2.4 Religion**

Macao is a cultural melting pot where Chinese and Portuguese cultures have mixed over 400 years, thus leading to the diversity of religions. The primary religions of Macao's local community are Buddhism, Taoism and Confucianism; however, Catholicism, Protestantism and Islam migrated in the early days so these religions coexist in Macao (Macao Government Information Bureau, 2010). Buddhism plays a significant role in the Chinese community and most Macao residents are profoundly influenced by Buddhism (Macao Government Information Bureau, 2010). Catholicism is the second important religion.

### **A2.3 Macao's economic context**

#### **A.2.2.1 Industry**

Macao's economy is with a range of industries, including manufacturing, construction, wholesaling and retailing, hotel, financial, real estate, public administration and social security, education, health and social welfare, gaming industries (Government of MSAR Statistics and Census Service, 2012a). In 1980s, manufacturing industry was the main industry; however, Macao's economic development has changed to service industries in 1990s (Macao Government Information Bureau, 2010). After the handover to mainland

China in 1999 (see Section A1.3.2), the government of Macao gradually changed the scope of economic development and expanded the gambling industry (Macao Government Information Bureau, 2010). Currently, the gambling industry is the leading industry in Macao, followed by the hotel industry.

### **A.1.3.2 Historical background of gambling in Macao**

Macao, a Portuguese colony for more than four hundred years, has a unique mixture of Asian and Portuguese culture (Hannigan, 2007; Fallows, 2009) which has shaped the history of gambling in this region. Macao has experienced legalised gambling for over 150 years and is the only place in mainland China where is legal to gamble in casinos (Vong, 2004; BBC, 2009; MarketLine, 2013c). There are different types of gambling activities in Macao<sup>121</sup>. Notably, mainland China continues to place legal restrictions on gambling; however, the only legal form of gambling is a government lottery<sup>122</sup> (Cheng, 2009). In contrast, in Hong Kong<sup>123</sup>, a lottery and horseracing gambling are both authorised.

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<sup>121</sup> According to the information from Macao SAR Gaming Inspection and Coordination Bureau (2013b and 2013c), there are 7 different types of gaming activities, including Games of Fortune, Greyhound Racing, Horse Racing, Chinese Lottery, Instant Lottery, and Sports Lottery – Football and Sports Lottery – Basketball. In particular, Games of Fortune can be classified into 28 game types. There are six licensed concessionaries, and mainly with gaming tables and slot machines (Macao SAR Gaming Inspection and Coordination Bureau, 2013d and 2013e).

<sup>122</sup> There are two administrative lottery institutions in China are the China Welfare Lottery Distribution Center founded in 1987 and the China Sports Lottery Administration Centre founded in 1994 (Li, et al., 2011).

<sup>123</sup> Hong Kong was a British colony for more than one hundred and fifty years (Bond and King, 1985). In 1997, Hong Kong was handed over to mainland China and became a Special Administrative Region (SAR) within the People's Republic of China (PRC) (Song, 2002). This was the same as Macao. The agreement will be operated by local regulation and legislation for at least the next 50 years, implying that mainland China can manage “one country and two systems”, “Hong Kong people governing Hong Kong” with a high degree of autonomy, its own currency and customs.

**Table 15: Timeline of gambling issue in Macao**

1557	Portuguese trading market between China and Japan
1840	Legalised gambling
1934	Monopoly held by Tai Heng Company
1961	Stanley Ho purchased Macao's gambling license
1999	Macao handed over to China
2002	Ending Stanley Ho's monopoly and open to foreign countries
2004	From 3 to 6 Concessionaries
2013	35 casinos

Table 15 shows that a historical background and transition of Macao's gambling industry. Macao has been legalised gambling for more than 150 years. The Portuguese had their first colony in Macao in the mid-15<sup>th</sup> century. Macao has been an official Portuguese trading market for China and Japan since 1557 (Hobson, 1995). In the 1840s, British banks and trading corporations flourished in Hong Kong. As a result, this flourishing had a negative impact on Macao's economy. In order to maintain economic stability, the Portuguese government decided to legalise gambling (Fallows, 2009).

In the 20<sup>th</sup> century, the ownership of Macao's gambling industry had undergone a significant change. In the 1930s, Tai Heng Company held the monopoly on the gambling industry (Hobson, 1995). However, at the beginning of the 1960s, the ownership changed to Stanley Ho, who was a tycoon from Hong Kong and purchased Macao's gambling license in 1961 (Gaylord, 2008). He owned the monopoly on this industry for nearly four decades. Gambling still dominated Macao's economy (Fallows, 2009). Additionally, he owned not only the gambling industry, but also transportation business, such as ferry, airport (33%), and Air Macao (14%) (Fallows, 2009).

This situation changed at the end of the 20<sup>th</sup> century. In 1999, Macao was handed over to mainland China and became a Special Administrative Region (SAR) within the People’s Republic of China (PRC). This agreement is operated by local regulation and legislation for at least the next 50 years, implying that mainland China can manage “one country and two systems”, “Macao people governing Macao” with a high degree of autonomy, its own currency and customs (Macao Government Information Bureau, 2010, p. 9). The Chinese government appointed Edmund Ho, not a relative of Stanley Ho, as Macao’s chief executive. Stanley Ho’s monopoly on Macao’s gambling industry ended in 2002 when it was opened to foreign companies (Fallows, 2009).

### A2.3.3 Economic development in Macao

**Table 16: Number of casinos in Macao in from 2004 to 2013**

CONCESSIONARIES <sup>124</sup>	2004	2013	Concessionaires/ Sub-concession	Concession contract <sup>125</sup>	Ownership
Sociedade de Jogos de Macao, S.A. (S.J.M)	13	20	Concessions	31/03/2020	Macao
Galaxy Casino, S.A.	1	6	Concessions	26/06/2022	Hong Kong
Wynn Resorts (Macao) S.A.	-	1	Concessions	26/06/2022	US
Venetian Macao, S.A.	1	4	Sub-concession (Galaxy)	-	US
Melco Crown Jogos (Macao) S.A.	-	3	Sub-concession (Wynn)	-	Australia
MGM Grand Paradise, S.A.	-	1	Sub-concession (S.J.M.)	-	US
TOTAL	15	35			

<sup>124</sup> As Kaiser (2007, p. 2137) define concessionary as “Under a concessionary (royalty/tax) arrangement, the contract holder secures exclusive exploration rights from a private party or government for a specified duration, as well as an exclusive development and production right for each commercial discovery”.

<sup>125</sup> In March 2002, SJM Holdings Limited signed gaming concession contract which will be valid until 31 March, 2020 with Macao SAR Government (SJM Holdings Limited, 2010). In addition, Macao SAR Government signed two 20-year contract with concessionaires Wynn Resorts Ltd (Macao) Ltd and Galaxy Casino S. A., which will be valid from 27 June 2022 to 26 June 2022 respectively (Macao Government Tourist Office, 2010). In June 2004, MGM Mirage entered a joint venture with Pansy Ho Chiu-King, who is Stanley Ho’s daughter, to establish a hotel-casino resort in Macao and MGM Mirage signed a sub-concession agreement with S.J.M. (Fallow, 2009; MGM Mirage, 2005). Wynn Resort’s sub-concession is to Melco-PBL joint venture between Melco International Development Ltd, who is owned by Stanley Ho’s son, Lawrence Ho, and Australia Publishing and Broadcasting (Inside Asian Gaming, 2006). Furthermore, Galaxy Casino S. A. also issued a sub-concession with Las Vegas Sands (Inside Asian Gaming, 2006).

At that point, the government of Macao was permitted to increase the number of concessions<sup>126</sup> from three to six concessions (Fallows, 2009). Macao's SAR Gaming Inspection and Coordination Bureau (2013d) reported that there are six licensed operators (Table 16). MGM Grand Paradise, S.A. Las Vegas Sands, Wynn Resorts and MGM are the three largest gambling operators in the US (Ernst and Young, 2009). These companies employ a "Las-Vegas"<sup>127</sup> style which integrates casinos, hotels and resorts. Table 15 shows that the total number of casinos increased from 15 in 2004 to 35 in 2013. S.J.M dominates Macao's gambling industry, showing a significant increase from 13 casinos in 2004 to 20 casinos in 2013 (Table 15). There is limited space in Macao, 29.9 Km<sup>2</sup> with an estimated population 557,440 in 2011, compared to 17.4 Km<sup>2</sup> in 1989, so the government of Macao expanded onto reclaimed land to construct casinos and integrated hotel resorts (Gaylord, 2008; Government of MSAR Statistics and Census Service, 2012b). Apart from the expansion of casinos, the number of gambling tables and slot machines has significantly increased from 1092 and 2254 in 2004 to 5302 and 16056 in 2011 respectively (Government of MSAR Statistics and Census Service, 2012a).

Despite the rapid economic development in Macao, the mainland Chinese Government is pleased with Macao both as a source of steady gambling revenue and as a close ally, but politically separated from mainland China (The Economist, 2010). Importantly, the central government supports Macao's gambling industry and has operated a decisive policy called the "Free Travel Scheme" (FTS) to permit a large number of Chinese visitors to come to Macao for a week since 2003 (Gu and Tam, 2011). Subsequently, a

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<sup>126</sup> According to Macao Government Tourist Office (2010, p.267), "the Legislative Assembly passed Law No. 6/82/M stipulating that the operation of casino gaming activities would be subject to a monopoly franchise or special concession system."

<sup>127</sup> However, these casinos are not sufficient windows, clocks, day night, but with bright and colourful light and the sounds of winning (Hing, 2004; Williams, et al., 2007).



“Closer Economic Partnership Arrangement” was signed between mainland China and Macao to enhance Macao’s economy (Gu and Tam, 2011). In 2010, nearly 90% of visitors were from mainland China, while 10% of visitors were from other countries (The Government Information Bureau, 2010). Nevertheless, Macao’s gambling industry faced two major difficulties in 2008. First, potential social costs in relation to pathological gambling have been exported to mainland China (Gu and Tam, 2011) and this situation is similar to American States, for example Nevada, New Jersey and Mississippi (Garrett and Nichols, 2005 cited in Gu and Tam, 2011). Second, the FTS policy has been tightened since 2008, thus constraining the number of residents from the main provinces<sup>128</sup> able to gamble in Macao. In order to overcome this potential threat, Macao tried to diversify its economy by shifting from the commercial gambling to the MICE (meetings, incentives, conventions and exhibitions) sector (Gu and Tam, 2011).

However, the gambling industry remains the leading industry and plays a significant role in Macao. In 2012, Macao’s gross domestic product (GDP) per capital was £48,338, while Macao attracted more than 28 million tourists in 2011 (Government of MSAR Statistics and Census Service, 2012a). More importantly, over 70% of gaming revenues were mainly from the VIP rooms, rather than mass market (Eadington and Siu, 2007). In particular, all concessionaires and other sub-concessions should pay a gaming tax of 35 percent<sup>129</sup> and contribute additional 4 percent of its gross gaming revenue to the

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<sup>128</sup> According to the Government Information Bureau (2010), the residents of 49 provinces and cities had been extended to apply the Free Travel Scheme to visit to Macao in 2009. The following provinces and cities include all of Guangdong Province; Beijing; Shanghai; Nanjing, Suzhou and Wuxi in Jiangsu Province; Hangzhou, Ningbo and Taizhou in Zhejiang Province; Fuzhou, Xiamen and Quanzhou in Fujian Province; Chongqing; Tianjin; Chengdu; Jinan; Shenyang and Dalian in Liaoning Province; Nanning; Haikou; Changsha; Guiyang; Kunming; Nanchang; Shijiazhuang; Changchun; Hefei; Zhengzhou and Wuhan.

<sup>129</sup> In addition, all three concessionaires must pay 1.6 percent of its gross gaming revenue to the government public foundation, such as conducting academic research, charity and cultural activities (see the Government Information Bureau, 2010). SJM should contribute 1.4 percent of its gross gaming revenues to the government to support urban development, tourism and social security, while Wynn and Galaxy should contribute 2.4 percent (see the Government Information Bureau, 2010).

government for other social and cultural activities (The Government Information Bureau, 2010).

Macao is located in the south of mainland China close to Hong Kong. Figure 18 shows a full picture of six gambling operators operating at the south end of Macao Peninsula, the centre of Taipa and Coloane (MSAR Gaming Inspection and Coordination Bureau, 2013d). Each licensed operator owns different gambling properties as shown in the bottom left corner of the figure

**Figure 17: Location of gambling companies in Macao**



Source: MSAR Gaming Inspection and Coordination Bureau (2013a)

Source: <http://www.dicj.gov.mo/web/en/information/map-03/map.html>

### A2.3.4 Social impact

According to LaPlante, et al. (2008), widespread adults of the general population of mainland China meet the criteria for pathological gambling (2%), with higher rates

between 2.5 and 4.0% in some jurisdictions in China (Loo, et al., 2008). According to The Institute for the Study of Commercial Gaming's (2009) survey in Macao, the prevalence of problem gambling amongst between 15 and 64 year olds increased from 4.3% in 2003 to 6.0% in 2007. This prevalence indicates a deteriorating trend. More importantly, the prevalence rate of the problem gambling issue is greater in Macao when compared to that in HK and Singapore in 2008 (4.5% and 2.9% respectively). By contrast, the prevalence rate of problem gambling is roughly 0.9% in the UK population (Wardle, et al., 2011) and approximately 1.5% in Australia (Miller and Michelson, 2012). According to Fong, et al.'s (2011) study in Macao, the social cost<sup>130</sup> of gambling in Macao rose from US\$40 million to US\$106 million from 2003 to 2007 and has major social impact on neighbouring countries, particularly mainland China. More pertinently, problem gamblers and pathological gamblers seem to be exported from Macao to mainland China (Gu and Tam, 2011). The authors explained that this sharp increase is due to both the increasing number of gambling operators over the past years and the historical effect of the monopoly system.

#### **A2.3.5 Labour force**

The labour force participation rate is 72.5% and with a low unemployment rate of 2.6% in 2011 due to the massive economic change in 2002 (see Section A.1.3.2) (Government of MSAR Statistics and Census Service, 2012a).

Since there has been a rapid development of Macao's gambling industry over the past decades, this industry has required an expansion labour force. Over 60% of Macao's

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<sup>130</sup> The social cost of gambling needs to fulfill three criteria: "the cost has to be social, rather than private or personal; the cost has to result in a real decrease in societal wealth; and the cost has to result exclusively from gambling" (Fong, et al., 2011, p.45). Thus, the social cost of gambling include treatment costs, prevention costs, family or friends physical and psychological costs, legal costs, rent-seeking costs, regulatory expenses and public cost of training, and promotion and research (Fong, et al., 2011).

employees work in posts directly related to gambling and non-gambling activities (Wan, 2009; Wu and Wang, 2008). Thus, Macao's unemployment rate was relatively low at 2.6% in 2011 (Government of MSAR Statistics and Census Service, 2012a). They average earn £18,240 annually in the gambling industry, which is significantly higher than average salaries in the manufacturing industry (£5,672), retailing industry (£9,698) and hotel and food industry (£10,341) (Government of MSAR Statistics and Census Service, 2012a). In particular, this industry continued to employ its employees during the financial crisis in 2008 with a number of schemes, such as reduced wages, reduced working hours and an unpaid leave (Vong, 2010).

Notably, the supply of labour in Macao did not meet the demand of the gambling industry's labour. Nearly 30% of non-resident workers worked in the gambling and hospitality sectors (Government of MSAR Statistics and Census Service, 2012a). In particular, managerial vacancies are often filled by those who can communicate with their foreign managers (Leong, 2008 cited in Wan, 2009), but there are relative few local residents with incompetent English language communication skills, since nearly 73% of local residents are below senior secondary level. Thus, language differences can create misunderstanding between local employees and foreign supervisors; and the reward and promotion system of local employees are be thought as unfair (Wan, 2009). Additionally, casino front-line employees showed more vulnerability to gambling than non-casino employees (Shaffer and Hall, 2002). The casino front-line employees work in the most stressful working conditions as they serve some of the demanding Chinese customers (Macao Workers' Union, 2010); however, they are expected to smile, greet and call customers' name based on the job requirement (Wan, 2009). In order to release their stress, they tend to participate in casino gambling after work and gambling outside

casinos through mah-jong with friends, horse racing by telephone and internet gambling (Wu and Wong, 2008).

### **A2.3.6 Environment**

There are not many green spaces in Macao which has a total green area of 7,703,995 sq meters and a per capita green area of 14.2 sq. meters (Macao Government Information Bureau, 2010). The government of Macao established the Environmental Law (Law No. 2/91/M), guidelines and principles to protect Macao's environment. In particular, there are a number of environmental laws<sup>131</sup> to reduce and control pollution of water, atmosphere and light and arising from ineffective waste management, fuel and noise to achieve the aim of environmental protection (The Government Information Bureau, 2010). The quality of air has deteriorated over the last decades (To, et al., 2011). The gambling industry, operated on 24 hours a day, 7 days a week, 365 days a year (a 24/7/365 basis), uses a substantial amount of electricity for lighting, heating and power in casinos, hotels and shopping malls, and contributed to the consumption of electricity doubling between 2000 and 2010 (To, et al., 2011). However, the government did not have any environmental enforcement with regard to Macao's gambling industry or other industries. In other words, there is weak sensitivity to the environment and weak environmental enforcement in Macao's gambling industry.

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<sup>131</sup> The Government Information Bureau (2010, p. 500) established legislation related to environmental issues including "Rules and Regulations on Water Supply and Drainage in Macao (Decree-Law No. 46/96/M, 19 August 1996), Prohibition Against Discharging Harmful Substances in Marine Jurisdictions (Decree-Law No. 35/97/M, 25 August 1997), Provisions on the Import and Registration of Vehicles Consuming Unleaded Petrol (Decree-Law No. 44/94/M, 22 August 1994), Measures to Control and Minimise the Use of Substances Destructive to the Ozone Layer (Decree-Law No. 62/95/M, 4 December 1995), Prevention and Control of Environmental Noise (Decree-Law No. 54/94/M, 14 November 1994), Provisions on the Sulphur Content of Vehicular Light Diesel Fuel Sold in the Macao Special Administrative Region (Executive Order No. 4/2006, 23 January 2006), and the Emission Limits of Exhaust Pollutants by Newly Imported Heavy and Light Motorcycles (By-law No. 1/2008)".

## **A2.4 Summary**

This chapter covers the Macao context of the thesis and the distinctive features from a socio-economic perspective. The chapter provides a general overview of Macao. This general information will provide the context to examine Macao's gambling industry in Chapters 5, 6 and 7.

### **Appendix 3**

#### **Responsible Gambling (RG) initiatives in developed countries**

In Canada, a RG movement began in Ontario in 1983 under the Canadian Foundation on Compulsive Gambling (Ontario). *The Gaming Control Act was enacted in 1992* and *The Alcohol and Gaming Regulation and Public Protection Act (AGRPPA)* was enacted in 1996 to ensure that legal games of chance are conducted with honesty, integrity and social responsibility (Smith, 2009) (see Appendix 4). In 2002, the RG regulated authority changed from Canadian Foundation on Compulsive Gambling (Ontario) to the Responsible Gambling Council (RGC) (Ontario), which more accurately reflected its increased emphasis on harm minimisation efforts (Smith, 2009). The alliance of RGC (Ontario) and an ad hoc advisory group of government agencies was created for RG (Campbell and Smith, 2003). In recent years, the RG strategy has focused on problem gambling treatment, prevention and education and research (Smith, 2009)

In the US, the gambling industry has been promoted RG. In particular, the American Gaming Association (AGA) was established in 1995 to develop industry-wide RG<sup>1</sup> programmes (The American Gaming Association, 2010). Before the establishment of the AGA, Harrah's Entertainment, Inc. has been a leading company to promote RG since the 1980s through its Operation Bet Smart and (NCRG), the first organisation dedicated to funding scientific research on pathological gambling, treatment and education on RG (The American Gaming Association, 2010). The AGA developed several public and employee education programmes, for example, Responsible Gaming Education Week (RGEW), held annually on the first week of August since 1998 and launched RG Lecture Series, which gathers RG experts together to discuss gaming jurisdictions nationwide (The American Gaming Association, 2010). In 2005, the AGA



launched the “Keeping it Fun” campaign during RG Education Week, which aimed to help gambling industry employees, patrons and the public to show support for the importance of RG awareness (The American Gaming Association, 2010). In 2003, the AGA board of directors enacted the AGA Code of Conduct for RG, a comprehensive set of guidelines governing employee and customer education, underage gambling, alcohol service, advertising and research (The American Gaming Association, 2010). However, in 2008, these RG guidelines become regulations and vary across 20 states. RG is divided into seven general categories: alcohol service, credit/cash access, funding/revenue sharing, self-exclusion, signage/help line/advertising/, training/education (employee training, employee problem gambling prevention, public awareness) and miscellaneous (loss limits/ limited stakes, direct mail/marketing) (The American Gaming Association, 2008, p. 5) (see Appendix 5). Particularly, the self-exclusion programme was a good measure assist customers (Giroux, et al., 2008).

In Australia, RG code is the main highlight of different conferences where academics, gambling operators and regulatory representatives debate different perspectives on the issue, for example, the annual conferences of the National Association for Gambling Studies in Australia and the European Association for the Study of Gambling (Hing and Mackellar, 2004). Also, gambling operators and industry associations introduced voluntary RG policies, such as the *Queensland Responsible Gambling Code of Practice* in 2002 (Breen, et al., 2005) and the ClubSafe Programme in NSW (Hing and Mackellar, 2004). However, each State and Territory has its RG legislation and its own gambling laws, regulatory and enforcement bodies in Australia (Delfabbro and King, 2012). The voluntary RG in Australia refers to three principles, including harm minimisation, informed consent and social responsibility and responsiveness (Breen, et al., 2005). The

Queensland RG Code of Practice with six priority actions: provision of information, interaction with customers and community, exclusion provisions, physical environments, financial transactions, advertising gambling providers to ensure responsible advertising and promotion (Breen, et al., 2005).

In New Zealand, Hing and Mackellar (2004) note that governments have transformed legislation in order to integrate socially responsible initiatives into such gambling acts as, *the Gambling Legislation Amendment (Responsible Gambling) Act 1999 NSW* and The government formally recognised gambling as a public health and *the New Zealand's Gambling Act* was approved in 2003. The objectives of this Act were to control the growth of gambling, to prevent and minimise harm from gambling, to ensure that money from gambling benefits the community and to facilitate community input in decisions about the provisions of gambling (Smith, 2009).

In the UK, the Gambling Act of 2005 was designed to regulate strikethrough commercial gambling (Miers, 2008). The new legislation was fully applied in 2007 (Soriano, et al., 2012). Additionally, the Gambling Commission introduced many codes of practices and regulatory statements (Miers, 2008). The statutory obligation of the Gambling Commission is to pursue methods of RG with regard to the Gambling Acts licensing three objectives: preventing crime and disorder, conducting in a fair and open gambling and protecting children and vulnerable groups (Miers, 2006; Light, 2007).

## Appendix 4: Illustration of Enabling Gambling legislation in Canada

Source: Smith (2009)

<i>Statute</i>	<b>Honesty</b>	<b>Integrity</b>	<b>Social Responsibility</b>
<i>Gaming Control Act</i>	<p><b>Registration</b> of operators of gaming premises; all suppliers of equipment; most employees and trade unions. Intent is to exclude criminals and undesirable elements (Castel, 2008). (Section.1, 3)</p> <p><b>Reporting.</b> Large and suspicious cash transactions (Castel, 2008).</p> <p><b>Restricted Access.</b> No statute, but regulations provide that the Registrar may make standards regarding access (Castel, 2008).</p>		<p><b>Exclusion.</b> Section3.6 (1) "In accordance with the regulations, the Commission (Gaming Control) may issue a written direction to Ontario Lottery and Gaming requiring it to refuse access to its gaming premises to any individual who meets criteria prescribed by the regulations."</p> <p>Regulations under the <i>Gaming Control Act</i> provide that the Registrar may require gaming premises to comply with a policy, which has been approved by ACGO, whereby individuals who have a problem with or addiction to gambling may request to be trespassed from gaming premises and operators are required to enforce. (Reg 385/99 S3.6 1)(Castel, 2008).</p> <p><b>Advertising.</b> Regulations provide prohibitions on lifestyle and escapist advertising; use of celebrities; encouraging persons under 19 to gamble; comparisons of other games (Castel, 2008). No specific mention in Act.</p>
<i>Alcohol and Gaming Regulation and Public Protection Act (AGRPPA)</i>	<p><b>Establishes Regulator with mandate:</b> Section 3 (3) "The Commission shall exercise its powers and duties in the public interest and in accordance with the principles of honesty and integrity, and social responsibility. "</p> <p>Establishes Registrar (Section 6) (1). Broad powers interpreted to provide for regulation of rules of play; set rules for internal controls over cash (Section24)(7) (Castel, 2008).</p>	<p>Commission responsible for administration of <i>Liquor License Act</i> and <i>Gaming Control Act</i>.</p> <p>Broad Powers to establish guidelines. (Section 3(1)).</p> <p>Broad powers of Registrar interpreted to set regulations for gaming equipment. (Section 21(4)(a)</p>	<p>Statutory powers interpreted to require casinos to submit policies with respect to the offering of complimentary to the registrar (Castel, 2008).</p>

Appendix 5: Overview of Statutes and Regulations in relation to responsible gaming in the 20 states in the US.

	CO	DE	FL	IL	IN	IA	LA	ME	MI	MS	MO	NV	NJ	NM	NY	OK	PA	RI	SD	WV
800 Help Line			■	■	■	■	■	■	■			■	■				■			■
Advertising Restrictions						■	■	■					■		■					
Alcohol Service	■				■	■	■	■			■									
Credit Restrictions	■						■				■		■			■				
Employee Training			■	■	■	■	■	■		■		■		■	■	■				
Employee P.G. Prevention			■				■	■								■				
Loss Limit/Limited Stakes	■										■								■	
Marketing/Direct Mail							■				■									
Posters/Signage			■	■	■	■	■	■		■		■	■		■	■	■			■
Public Awareness			■	■			■		■							■	■			
Self-exclusion**			■	■			■	■	■	■	■	■	■		■		■			
Treatment Funding	■				■		■	■	■		■	■	■		■	■	■			■

\*\* Placement on a self-exclusion list may result in exclusion from credit access, complimentary, check cashing, players club benefits and direct mail marketing.

■ = Statutory/regulatory language and implemented  
 \*As of December 2007

Source: The American Gaming Association (2012)

## Appendix 6: List of Companies Used in Final Sample for Content Analysis

<b>UK</b>				
<b>Company</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>Note</b>
Ladbrokes PLC	√	√	√	
William Hills PLC	√	√	√	
The Rank Group PLC	√	√	√	
Gala Coral Group Limited	√	√	√	
The Tote	√	√	√	
Camelot	√	√	√	
<b>US</b>				
<b>Company</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>Note</b>
Ameristar Casinos, Inc	√	√	√	
Boyd Gaming Corporation	√	√	√	
Penn National Gaming, Inc.	√	√	√	
Pinnacle Entertainment, Inc	√	√	√	
Station Casinos., Inc	√	√	√	
Harrah's Entertainment, Inc.	√	√	√	
<b>Australia</b>				
<b>Company</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>Note</b>
Ainsworth Game Technology	√	√	√	
Aristocrat Leisure Limited	X	√	√	2007 reports in PPT for
Crown Limited	√	√	√	
Tabcorp	√	√	√	
SkyCity Entertainment Group Ltd	√	√	√	
Tatts Group Limited	√	√	√	
<b>South Africa</b>				
<b>Company</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>Note</b>
Sun International	√	√	√	
Peermont Global	√	√	√	
Tsogo Sun Gaming/Gold Reef City	√	√	√	
<b>Macao</b>				
<b>Company</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>Note</b>
Wynn Resorts Ltd	√	√	√	
Las Vegas Sands Corporation	√	√	√	
MGM Mirage	√	√	√	
Melco International Development Ltd	√	√	√	
SJM Holdings Limited	X	√	√	Report only available in 2008
Galaxy Entertainment Group Limited	√	√	√	
<b>Hong Kong</b>				
<b>Company</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>Note</b>
The Hong Kong Jockey Club	√	√	√	

## Appendix 7: The Decision Rules for the Categories of Social Disclosure<sup>132</sup>

### 1. Economic Performance<sup>133</sup>

#### *Economic performance*

- Direct economic value generated and disturbed, including revenues, operating costs, retained earnings and payment to capital providers and government;
- Significant financial assistance received from government;

#### *Market Presence*

- Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation

#### *Indirect Economic Impact*

- Development and impact of infrastructure investments and services provided  
Provided primarily for public benefit through commercial, in-kind, or pro bono engagement
- Understanding and describing significant indirect economic impacts, including the extent of impacts

### 2. Environment (decision rule)

#### *Environmental policy*

- Actual Statement of policy;

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<sup>132</sup> Adapted from Gray, et al. (1995b), updated version from the CSEAR website, Hackston and Milne (1996), Williams and Pei (1999), Welford (2004), the Global Reporting Initiative's (GRI) Sustainability Guidelines (2002) and Corporate Social Responsibility (CSR) in Asia. Even though there are some overlaps and similarities between the academic studies and international guideline for social and environmental categories, all the items are considered and included in the decision rules for the categories of social disclosure.

<sup>133</sup> Economic Performance is the new added decision rule of these categories from the Global Reporting Initiative's (GRI) Sustainability Guidelines. This guideline is for voluntary use by organisations for reporting on the economic, environmental, and social dimensions of their activities, products, and services based on reporting principle (KMPG, 2005, p.43). Since the current study is looking at developing countries, Macao and South Africa, where economic is the key factor in corporate social responsibility.

- Statement of formal intentions;
- General Statements of 'the company' will, the company does' nature.

### ***Environmental audit***

- Reference to environment review, scoping, audit, assessment including independent attestation;
- Environmental management system (ISO 14000, EMAS, etc);
- Targets in general (specific detail likely to fall into next section).

### ***Waste, Environmental - Product Process Related***

- Waste(s);
- Eco-efficiency;
- Packaging and take-back;
- Pollution and emissions - air, water, noise, visual and spills;  
(including any attempts to identify, improve, control, treat or prevent)
- Recycling;
- Carbon sequestration, climate change ;
- Products and product development, improvements in products (including products that care for and help protect the environment)
- Land contamination and remediation (financial below);
- Except insofar as it is part of the business  
(e.g. waste disposal or environmental technology).

### ***Environmental Financially- Related Data***

#### ***(Financial data, provision, liability, insurance, invest)***

- Reference to financial/economic impact;
- Investment and investment appraisal;
- Discussion of areas with financial/economic impact;
- Discussion of environmental-economic interaction;
- Contingencies and provisions;

### ***Sustainability***

- Any mention of sustainability
- Any mention of sustainable development, UNCED, Rio, etc
- Discussion of full cost accounting, EU 5th Action programme, formal consideration of Externalities, ecological footprint

### ***Energy***

- Energy Usage, (Spilt with climate change)
- Energy saving and conservation (NB including research on this area<sup>134</sup>)
- Use/ development/ exploration of new sources, efficiency and insulation
- Except in so far as it is part of the business (e.g oil exploration companies)

### ***Environmental Other*<sup>2</sup>**

- Landscaping;

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<sup>134</sup> Williams and Pei's (1999) energy category is overlapped with Gray, et al. (1995b) and is focused on "Research on energy conservation / Research aimed at improving energy efficiency of products". Thus, this is included in this thesis.



- Public amenity provision (NB overlap with sustainability<sup>135</sup>);
- Involvement with initiatives;
- Environmental education (NB care with overlap with community or sustainability<sup>136</sup>);
- Environmental awards; employee training and awareness; partnership between Environmental research institutions and business<sup>137</sup>

### **3. Consumer (and product)**

- Product and customer safety
  - Consumer complaints
  - Specific consumer relations (over and beyond our duty to the customer);
  - Provision for disable, aged, etc. customer;
  - Provision for difficult-to-reach customers
  - Responsible Gambling/Gaming<sup>138</sup>
- (General Statement related to protection, treatment, awareness to gamblers)

### **4. Community**

Impact

Monitor

---

<sup>135</sup> Public amenity provision is overlapped the idea of environmental (aesthetics) suggested by Hackston and Milne (1996) and Williams and Pei (1999). Environmental (aesthetics) refers to designing facilities harmonious with the environment, contributions in terms of cash or art/ sculptures to beautify the environment, and restoring historical building/ structure.

<sup>136</sup> Hackston and Milne (1996) and Williams and Pei (1999) put Environmental education in Sustainability. Hackston and Milne's (1996) study considers environment impact studies as a way to check how the company's impact on the nature, while Williams and Pei's (1999) study put Environmental Education Programs, Awards, and Studies under Sustainability.

<sup>137</sup> These new subcategories are added to the decision rule of "environmental other". These are found in some annual reports in the gambling industry and in the two studies of Hackston and Milne (1996) and Williams and Pei (1999).

<sup>138</sup> This is a newly added to the decision rule of "customers". Since this thesis looks at the gambling industry, "responsible gambling/gaming" was found in certain annual reports disclosing information related to consumers and this concept was also found in the literature around CSR and gambling. Thus, this subcategory was added with an agreement with her supervisor.

### ***Charity***

- Donations in currency or in kind to registered charities within the Companies Act;
- Donations ditto by/ through employees (e.g. GAYE schemes);
- Include references and amounts of political donations (as they fall within the same Companies Act requirement)

### ***Community***

- Excluding charities;
- Any reference to community and/ or social involvement outside the labour force;
- Employee involvement with above if company support is apparent;
- School, arts, sports, sponsorship and voluntary organisations;
- YTS (or equivalent), Business-in-the-Community, Secondment of staff

## **5. Employee related data**

### ***Employee Data***

- Statutory average number employed by category and wages  
(including pension and social security costs)
- Statutory numerical analysis of employees > 30,000 (update)
- Average number employed by geographic area

(Statutory discourse of director's emoluments)

### ***Pension Data***

- Statutory particulars of commitments for pensions whether provided or not.

### ***Consultation with Employees*<sup>139</sup> (NOT include)**

- Statutory action with respect to informing employees, consulting employees, Encouraging (and engaging in) employee participation
- Statutory increasing employee financial and economic awareness.
- EXCLUDES Profit-sharing and ESOPs etc.

### ***South Africa (void since official end of apartheid)*<sup>140</sup> (NOT include)**

- Statement of compliance with code and/or submission to DTI.
- Any information/reference to employment in Southern Africa other than as part of economic/review or employment data.

### ***Disabled Employment***

- Employment of disabled person (including retraining);
- Distinction between registered/unregistered disabled is not relevant data.

### ***Value Added Statement*<sup>141</sup> (NOT include)**

- Any reference to the creation and distribution of value added.
- Any statement headed Value Added or Added Value
- Any statement with 'distribution' to employees and state > shareholders.

### ***Health and safety***

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<sup>139</sup> According to Gray, et al. (1995b) and the CSEAR decision rules, consultation with employees referred to disclosure of statutory particular commitment to employee pensions. There is no equivalent piece of legislation in relation to pension data in the sampled countries, namely, the USA, Australia, South African, Macao and Hong Kong. Thus, this category is not included in this thesis.

<sup>140</sup> According to Gray, et al. (1995b) and the CSEAR decision rules, compliance or any information to employment in Southern Africa is not related to the context in the gambling industry. Therefore, this category is not included in this thesis.

<sup>141</sup> According to Gray, et al. (1995b) and the CSEAR decision rules, value added statement is not related to the context in the gambling industry. Therefore, this category is not included in this thesis.

- Health and safety at work;
- Toxic hazards (e.g.) to employees and the public;
- Any reference to Health and Safety law and/or inspectorate; (COSHH)
- Information to employees, training in Health and Safety Issues;
- Accidents; Injuries
- Reducing or eliminating pollutants, irritants or hazard in the work environment<sup>142</sup>
- Conducting research to improve work safety and Receiving a safety award<sup>143</sup>

### ***Shares Ownership***

- Participation of employees in share schemes, profit sharing, ESOPs where employees means > directors
- Schemes/Reference must be to employees (exclude if reference is to executive or directors only)
- Loans for this purpose but not directors.
- Save as you earn (SAYE) options.

### ***Equal opportunities***

- Equal opportunities;
- Racial equality;
- Sexual equality;

### ***Employee other***

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<sup>142</sup> This subcategory is a newly added to the decision rule of “Health and safety” under “Employee” according to Hackston and Milne (1999) and GRI.

<sup>143</sup> “Conducting research” and “Health and Safety Award” are a newly added to the decision rule of “Health and safety” under “Employee”. These were sometimes found in some annual reports disclosing information related to employees.

- Anything else on employees not covered above
- For example: SAYE beyond coverage in Share Ownership; Staff turnover; Thanks to employees; length of services; Racial and Sexual Equality (to be separated out); Pensioners; Pensions beyond coverage of statutory material; Employee trends/statistics by sex, age for more than 2 years and more than statutory; Statement of employment policy (ies) Redundancy; Changes in salaries or wages; whistleblower scheme<sup>144</sup>; Freedom of Association and Collective Bargaining<sup>145</sup>; Industrial relations<sup>146</sup>;

## 6. Director

- Statutory disclosure of Directors' emoluments, remuneration, short-term benefits, bonuses including pensions
- Directors'/Executive share option schemes and share benefits
- Loans to directors
- Interests in shares
- Any options granted to directors
- Long term incentive schemes (e.g. share related)
- Any share-related issue or director

## 7. Corporate Governance

- General statement of compliance/non-compliance with various codes<sup>147</sup>;

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<sup>144</sup> In the final sample, Macao and Hong Kong were included. CSR in Asia outlines the “whistleblower scheme” under “Employee” and this was also found in some annual reports in the sample. Hence, this is newly added to the decision rule of ‘employees other’ under “Employee”.

<sup>145</sup> This is newly added to the decision rule of ‘employees other’ under “Employee”. This was found in the USA annual reports disclosing information related to employees. This is according to GRI – “Employee” – “human rights”.

<sup>146</sup> This is newly added to the decision rule of “employees other” under “Employee” according to Hackston and Milne (1996) and Williams and Pei (1999). This was found in the USA annual reports disclosing information related to employees.

<sup>147</sup> Various codes are included CSR in ASIA. Particularly, anti-corruption code/policy is largely relevant in the gambling industry.

- Separate report by auditors on corporate governance;
- Section (s) in main audit report indicating compliance/ non-compliance with codes

## **8. General other**

- Anything else;
- For example: corporate objectives, mission statement; statement of social responsibility; code of practice on behaviour beyond including trans-nationals; Ethics; Political statements  
(need/approval/disapproval of government policy, control of unions);  
value of trans-national corporations TNCs/ companies -misunderstood;  
Value of company to community, society, nation, economy, money transaction with government/inland revenue;
- SA8000;
- AA1000.

## Appendix 8 Summaries of Primary Disclosure Categories of Analysis

<b>Total CSR:</b>	Economic + Environment + Consumer + Community + Employee + Director + Corporate Governance + Others
<b>Economic Disclosure</b>	Economic Performance Beyond Tax + Market Presence + Indirect Economic Impact
<b>Environmental Disclosure</b>	Environment Policy + Environment Audit + Waste, Pack, Pollution + Financial Data and Provision + Sustainability + Energy + Environmental Other
<b>Consumer Disclosure</b>	Consumer / Customers + Responsible Gambling Protection
<b>Community Disclosure</b>	Charity and Political Donation + Community + Dialogue and Consultation
<b>Employee Disclosure</b>	Employee Data + Pension Commit + Disabled + Health and Safety + Shares Employees + Equal opportunities + Employee Others
<b>Directors</b>	Directors
<b>Corporate Governance</b>	Corporate Governance
<b>Others</b>	Others

<b>UK</b>	
<b>Mandatory Total</b>	Employee (Employee Data + Pension Commit + Disabled + Health & Safety + Shares Employees) + Directors + Corporate Governance
<b>Voluntary Total</b>	Economic + Environment + Consumer + Community + Employee (Equal Opportunities + Employee Others) + General Other
<b>US</b>	
<b>Mandatory Total</b>	Environment + Employee (Pension Commit + Shares Employees) + Directors + Corporate Governance
<b>Voluntary Total</b>	Economic + Environment + Consumer + Community + Employee (Employee Data + Disable + Health and Safety + Equal Opportunities + Employee Others) + General Other
<b>Australia</b>	
<b>Mandatory Total</b>	Environment (Energy) + Employee (Pension Commit + Shares employees + Employee others + Employee benefits) + Directors + Corporate Governance
<b>Voluntary Total</b>	Economic + Environment (all except Energy) + Consumer + Community + Employee (Employee Data + Disable + Health and Safety + Equal Opportunities + Employee Others) + General Other
<b>South Africa</b>	
<b>Mandatory Total</b>	Environment (Environment Policy) + Community (Black Economic Empowerment) + Employee (Pension Commit Health & Safety + Shares Employees + Equal Opportunity + Employee Other + Whistle Blowing) + Directors + Corporate Governance
<b>Voluntary Total</b>	Economic + Environment (Except Environmental Policy) + Consumer + Community (Charity and Political Donation + Dialogue and Consultation) + Employee (Employee Data + Disable + Employee Others) + General Other



<b>Macao</b>	
<b>Mandatory Total</b>	Employee (Pension Commit + Shares Employees + Employee Others + Employee Benefits) + Directors + Corporate Governance
<b>Voluntary Total</b>	Economic + Consumer + Community + Employee (Employee Data + Disable + Health and Safety + Equal Opportunities + Employee Others) + General Other
<b>Hong Kong</b>	
<b>Mandatory Total</b>	Employee (Pension Commit + Shares Employees + Employee Benefits) + Directors + Corporate Governance
<b>Voluntary Total</b>	Economic + Environment + Consumer + Community + Employee (Employee Data + Disable + Health and Safety + Equal Opportunities + Employee Others) + General Other

## Appendix 9 Corporate Social Reporting By legislation in different countries

<b>CSR required by legislation and professional guidance in the UK</b>		
<b>Area of Disclosure</b>	<b>Information to be disclosed</b>	<b>Relevant legislation</b>
Employee Data	Information about employee numbers and costs	The Companies Act 2006, Section 411
Employee Pension	Disclosure of contribution by a company in relation to any pension scheme established for the purpose of providing pensions for persons employed by the company	Companies (Amendment Act) 1986
	Interests to be disregarded: residual interest under pension scheme or employees' share scheme	The Companies Act 2006, Section 139
	Interests to be disregarded: employer's rights of recovery under pension scheme or employees' share scheme	The Companies Act 2006, Section 140
	Pension scheme (in Chapter 1 of Part 18)	The Companies Act 2006, Section 675
	Exception to pre-emption right: securities held under employees' share scheme	The Companies Act 2006, Section 672
	Residual interest under pension scheme or employees' share scheme	The Companies Act 2006, Section 1166
Disabled employee policy	Details on the employment policy for disabled persons	The 1974 Health and Safety at Work Act; Employment Act 1982
Employee Share Ownership	"Employees' share scheme"	The Companies Act 2006, Section 566
Directors	Information about directors' benefits: remuneration; advances, credit and guarantees	The Companies Act 2006, Section 412 and Section 413
Corporate Governance	Corporate governance rules	The Companies Act 2006, Section 1269
	The Financial Services Authority's listing requirements requires organisations to report on governance and internal controls, which cover, among other things, material non-financial issues	The Combined Code

<b>CSR required by legislation and professional guidance in the US</b>		
<b>Area of Disclosure</b>	<b>Information to be disclosed</b>	<b>Relevant legislation</b>
Employee Data	Requires annual filing by the US Equal Employment Opportunity Commission regarding employment records, including the racial and gender profiles of employees	The Equal Employment Opportunity -1 Survey
Employee Pension	Employees' disclosures about pension plans and other postretirement benefit plans. It requires additional disclosures to those in the original statement 132 about the assets, obligations, cash flows, and new periodic benefit cost of defined benefit pension plans and other defined benefit post-retirement plans. Financial Accounting Standard Board (FASB-Statement No. 132)	Financial Accounting Standard Board (FASB-Statement No. 132)
Employee Share Ownership	To measure the cost of employee services received in exchange for an award of equality instruments based on the grant-date fair value of the award.	Financial Accounting Standard Board (FASB-Statement No. 123)
Directors	---	
Corporate Governance	The Sarbanes-Oxley Act 2002 - SOX mandates include the requirement of independent audit committees, the restriction of corporations' purchases of non-auditing services from their auditors, the prohibition of corporate loans to officers, increased disclosure of off-balance sheet transactions, and the executive certification of financial statements	The Sarbanes-Oxley Act 2002
Environment	Structural incentive within the superfund process seem to encourage [the] EPA to required more protective approaches: it is the PRPs [potentially responsible parties] that are supposed to pay, and the public generally chooses to err on the side of safety	The Comprehensive Environmental Response Compensation and Liability Act (CERCLA) (Better know as the Superfund Act) in 1980; The Superfund Act - Statement of Financial Accounting Standards (SFAS NO 5. guideline - a potentially responsible party (PRP)
Environmental (listed companies)	Disclosure of an administrative or judicial processing related to compliance with federal, state or local	The United States Securities Exchange Commission (SEC)

	<p>environmental laws where the proceeding is: (a) Material to the issuers' business or financial condition, b) Involves penalties and associated charges exceeding 10 per cent of the current assets of the issuer and its subsidiaries on a consolidated basis or c) Involves a governmental authority's party and potential monetary sanctions exceeding \$100,000</p>	Regulation S-K (SEC Regulation S-K Item 103)
Environmental (listed companies)	<p>Items 303(3)(i) requires that in the registrant's Management Discussion &amp; Analysis ("MD&amp;A") there be a description "of any unusual or infrequent events or transactions or any significant economic changes that materially affected the amount of reported income from continuing operation"</p> <p>It is conceivable that in today's financial climate, a consumer boycott or NGO campaign targeting the company for alleged environmental or social indiscretions could qualify as such an "unusual or infrequent event"</p>	(SEC Regulation S-K Item 303 (3) i)
	<p>Companies with more than 10 full-time employees to submit data on emissions of specified toxic chemicals to the Environmental Protection Agency.</p>	The Toxic Release Inventory (TRI)
Social and Environmental Risk	<p>The Sarbanes-Oxley Act 2002 also plays a role in bringing about external transparency on social and environmental risks by ensuring that companies have adequate internal transparency processes. By requiring chief executive officers and chief financial officers to certify to the existence of internal controls that assure adequate information flow, so that internal systems reliably identify and allow for evaluation of material risk (including material environmental and social as well as financial risks) on the part of company officers and others.</p>	The Sarbanes-Oxley Act 2002

CSR required by legislation and professional guidance in Australia		
Area of Disclosure	Information to be disclosed	Relevant legislation
Employee Pension	Obligation to give employer a Product Disclosure Statement in relation to certain superannual products and RSA products	The Corporations Act 2001, 1012I OR 764A - The Retirement Saving Accounts Act 1997 + The Superannuation Industry (Supervision) Act 1993; The Corporations Act 2001, 764A - The Life Insurance Act 1995 and The Workplace Relations Act 1996
Employee share-based scheme	It requires an entity to reflect in its profit or loss and financial position the effects of share-based payment transactions, including expenses associated with transactions in which share options are granted to employees	Australian Accounting Standard Board (AASB) 2 OR AASB 2008-1
Employee Remuneration	Remuneration and reimbursement for officer or employee	The Corporations Act 2001, Section 211
Employee Benefits	The objective of this Standard is to prescribe the accounting and disclosure for employee benefits. The Standard requires an entity to recognise: (a) a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and (b) an expense when the entity consumes the economics benefits arising from service provided by an employee in exchange for employee benefits.	Australian Accounting Standard Board (AASB) 119; (local law)
Directors	---	The Corporation Act 2001; (CLERP9)
Corporate Governance	---	The ASX Corporate Governance Council
Environment (Energy)	1. Reporting of greenhouse gas emissions, <b>energy</b> consumption and production by large companies. 2. Public disclosure of corporate level greenhouse gas emissions and energy information. 3. To provide consistent and comparable data for decision making, in particular, to assist the development of the Carbon Pollution Reduction Scheme.	The National Greenhouse and Energy Reporting Act 2007 (Cth) (COMMONWEALTH) (NGER Act)

CSR required by legislation and professional guidance in the South Africa <sup>148</sup>		
Area of Disclosure	Information to be disclosed	Relevant legislation
Employee Pension	(4) A medical scheme, or a pension scheme including a provident scheme, for the benefit of the past or present employees of a company is an unsecured creditor of the 50 company for the purposes of this Chapter to the extent of— (a) any amount that was due and payable by the company to the trustees of the scheme at any time before the beginning of the company's business rescue proceedings, and that had not been paid immediately before the beginning of those proceedings; and 55 and 252 (b) in the case of a defined benefit pension scheme, the present value at the commencement of the business rescue proceedings of any unfunded liability under that scheme.	The South African Companies Act (1973 or 2008 - 144(4))
Employee - Health and Safety	To provide for the health and safety of persons at work and for the health and safety of persons in connection with the use of plant and machinery; the protection of persons other than persons at work against hazards to health and safety arising out of or in connection with the activities of persons at work; to establish an advisory council for occupational health and safety; and to provide for matters connected therewith.	The Occupational Health and Safety Act (No. 85/ 1993) OR (OSHA) (1996)
Employee Share Ownership	---	The South African Companies Act (1973 or 2008 - 97(1))
Employee - Discrimination	Diversity and No discrimination- This requires timely submission of the annual employment equity report and plan to the Department of Labour, consultation with employees, communication of the report and plan to employees, regular policy and facility audits to ensure that no barriers to employment equity exist (Peermont , 2009) / Making the disclosure reasonably believed at the time of the disclosure that the information showed or tended to show that a company or external company, or a director or prescribed officer of a company acting in that capacity, has (b)(iv) unfairly discriminated, or condoned unfair discrimination, against any person, as	The Employment Equity Act (No 55 of 1998)

<sup>148</sup> All disclosures are for the government. The public cannot access the information unless they disclosure in their annual reports.

	contemplated in section 9 of the constitution and the 15 promotion of equality and prevention of unfair discrimination Act 2000 (Act No. 4 of 2000)	
Employee Whistle-blower	The aim of Protected Disclosures Act (PDA) 2000 is: "to make provision for procedures in terms of which employees in both the private and the public sector may disclose information regarding unlawful or irregular conduct by their employers of other employees in the employ of their employers; to provide for the protection of employees who make a disclosure which is protected in terms of this Act; and to provide for matters connected therewith"	The South African Companies Act (1973 or 2008 - 1503(b)(iii) and The Protected Disclosures Act No 26 of 2000
Directors	---	The South African Companies Act (1973 or 2008 - 69(8))
Corporate Governance (Only for listed companies)	Every company should report at least annually on the nature and extent of its social, transformation, ethical, safety, health and environmental management policies and practices. The board must determine what is relevant for disclosure, having regard to the company's particular circumstances.	Code of Corporate Practices and Conduct (The King Code III <sup>149</sup> ) paragraph 5.1.1
Environment	To provide for co-operative, environmental governance by establishing principles for decision-making on matter affecting the environment, institutions that will promote co-operative governance and procedures for co-ordinating environmental functions exercised by organs of state; and to provide for matters connected therewith.	The National Environmental Management Act (NEMA) (No 107 of 1998) OR (No 14 of 2009)
Community investment (corporate philanthropy- double check)	The Broad-Based Black Economic Empowerment (BBBEE) act when: (a) determining qualification criteria for the issuing of licenses and concessions ...; (b) developing and implementing a preferential procurement policy; c) Developing criteria for entering into partnerships with the private sector; d) developing criteria for entering into partnerships with the private sector	Broad-Based Black Economic Empowerment Act 2003 <sup>150</sup>

<sup>149</sup> The King Code III is a voluntary code. It does according to Johannesburg Stock Exchange Regulation 7.F.5, all listed corporations are required to apply all of the King Code III principles or explain why.

<sup>150</sup> Only relevant for companies are doing business with government or associated with companies doing business with government.

**CSR required by legislation and professional guidance in the Macao – Companies listed on HK Stock Exchange**

<b>Area of Disclosure</b>	<b>Information to be disclosed</b>	<b>Relevant legislation</b>
Employee Pension	Accounting and Reporting by Retirement Benefit Plans	HKAS 26/ IAS 26
Employee Share-based payment	Share-based Payment	HKFRS 2 (Amendment) / IFRS 2 / 01/01/2009
Employee Others	Employee Benefits - Short term - Long Term+ Termination benefits Employee benefits include:	
	(a) Short-term employee benefits, such as wages, salaries and social security contributions, paid annual leave and paid sick leave, profit sharing and bonuses (if payable within twelve months of the end of the period) and non-monetary benefits (such as medical care, housing, cars and free or subsidised goods or services) for current employees;	HKAS 19 (Amendment) / IAS 19 / 10-2008
	(b) Post-employment benefits such as pensions, other retirement benefits, post-employment life insurance and post-employment medical care;	HKAS 19 (Amendment) / IAS 19 / 10-2008
	(c) Other long-term employee benefits, including long-service leave or sabbatical leave, jubilee or other long-service benefits, long-term disability benefits and, if they are not payable wholly within twelve months after the end of the period, profit sharing, bonuses and deferred compensation; and	HKAS 19 (Amendment) / IAS 19 / 10-2008
	(d) Termination benefits.	HKAS 19 (Amendment) / IAS 19 / 10-2008
Directors	Directors' Remuneration	HONG KONG LISTING RULINGS - f) S161 of the Companies Ordinance
Corporate Governance	Corporate governance practices	HONG KONG LISTING RULINGS



<b>CSR required by legislation and professional guidance in the Macao – Companies listed on New York Stock Exchange</b>		
<b>Area of Disclosure</b>	<b>Information to be disclosed</b>	<b>Relevant legislation</b>
Employee Pension	Employees' disclosures about pension plans and other postretirement benefit plans. It requires additional disclosures to those in the original statement 132 about the assets, obligations, cash flows, and new periodic benefit cost of defined benefit pension plans and other defined benefit post-retirement plans. Financial Accounting Standard Board (FASB-Statement No. 132)	Financial Accounting Standard Board (FASB-Statement No. 132)
Employee Share Ownership	To measure the cost of employee services received in exchange for an award of equality instruments based on the grant-date fair value of the award.	Financial Accounting Standard Board (FASB-Statement No. 123)
Directors	----	
Corporate Governance	These requirements include rules relating to a Company's board of directors, including audit committees and Independent Director oversight of executive compensation and the director nomination process; code of conduct; shareholder meetings, including proxy solicitation and quorum; review of related party transactions; and shareholder approval, including voting rights. Exemptions to these rules, including phase-in schedules, are set forth in Rule 5615.	NASDA Stock Market Listing Rule
	The Sarbanes-Oxley Act 2002 - SOX mandates include the requirement of independent audit committees, the restriction of corporations' purchases of non-auditing services from their auditors, the prohibition of corporate loans to officers, increased disclosure of off-balance sheet transactions, and the executive certification of financial statements	The Sarbanes-Oxley Act 2002
Environment	Structural incentive within the superfund process seem to encourage [the] EPA to required more protective approaches: it is the PRPs [potentially responsible parties] that are supposed to	The Comprehensive Environmental Response Compensation and Liability Act (CERCLA) (Better

	pay, and the public generally chooses to err on the side of safety	know as the Superfund Act) in 1980; The Superfund Act - Statement of Financial Accounting Standards (SFAS NO 5. guideline - a potentially responsible party (PRP)
Environmental (listed companies)	Disclosure of an administrative or judicial processing related to compliance with federal, state or local environmental laws where the proceeding is: (a) Material to the issuers' business or financial condition, b) Involves penalties and associated charges exceeding 10 per cent of the current assets of the issuer and its subsidiaries on a consolidated basis or c) Involves a governmental authority s a party and potential monetary sanctions exceeding \$100,000	The United States Securities Exchange Commission (SEC) Regulation S-K (SEC Regulation S-K Item 103)
Environmental (listed companies)	Items 303(3)(i) requires that in the registrant's Management Discussion & Analysis ("MD&A") there be a description "of any unusual or infrequent events or transactions or any significant economic changes that materially affected the amount of reported income from continuing operation" It is conceivable that in today's financial climate, a consumer boycott or NGO campaign targeting the company for alleged environmental or social indiscretions could qualify as such an "unusual or infrequent event"	(SEC Regulation S-K Item 303 (3) i
Social and Environmental Risk	The Sarbanes-Oxley Act 2002 also plays a role in bringing about external transparency on social and environmental risks by ensuring that companies have adequate internal transparency processes. By requiring chief executive officers and chief financial officers to certify to the existence of internal controls that assure adequate information flow, so that internal systems reliably identify and allow for evaluation of material risk (including material environmental and social as well as financial risks) on the part of company officers and others.	The Sarbanes-Oxley Act 2002

<b>CSR required by legislation and professional guidance in the Hong Kong</b>		
<b>Area of Disclosure</b>	<b>Information to be disclosed</b>	<b>Relevant legislation</b>
Employee Pension	Accounting and Reporting by Retirement Benefit Plans	HKAS 26/ IAS 26
Employee Share-based payment	Share-based Payment	HKFRS 2 (Amendment) / IFRS 2 / 01/01/2009
Employee Others	Employee Benefits - Short term - Long Term+ Termination benefits Employee benefits include:	
	(a) short-term employee benefits, such as wages, salaries and social security contributions, paid annual leave and paid sick leave, profit sharing and bonuses (if payable within twelve months of the end of the period) and non-monetary benefits (such as medical care, housing, cars and free or subsidised goods or services) for current employees;	HKAS 19 (Amendment) / IAS 19 / 10-2008
	(b) post-employment benefits such as pensions, other retirement benefits, post-employment life insurance and post-employment medical care;	HKAS 19 (Amendment) / IAS 19 / 10-2008
	(c) other long-term employee benefits, including long-service leave or sabbatical leave, jubilee or other long-service benefits, long-term disability benefits and, if they are not payable wholly within twelve months after the end of the period, profit sharing, bonuses and deferred compensation; and	HKAS 19 (Amendment) / IAS 19 / 10-2008
	(d) termination benefits.	HKAS 19 (Amendment) / IAS 19 / 10-2008
Directors	Directors' Remuneration	HONG KONG LISTING RULINGS - f) S161 of the Companies Ordinance
Corporate Governance	corporate governance practices	HONG KONG LISTING RULINGS



## Appendix 11 Quality Categorisation

**News categorisation and types of disclosure are adopted from Gray, et al. (1995b) and the CSEAR (2011) website:**

### News Categorisation

The categorisation of “news” must be subjective but it generally complies with the following (in terms of meaning conveyed to the receiver):

- **Neutral:** Statement of policy or intent within statutory minimum with no details of what or how; Statement of facts whose credit/discredit to the company is not obvious - which are unaccompanied by editorialising.
- **Good:** Statements beyond the minimum which include (for example) specific details where these details have a creditable or neutral reflection on the company; Any statements/ (photos/ analysis/discussion), which reflect credit on the company; Upbeat analysis/discussion/statements.
- **Bad:** Any statement which reflects/might reflect discredit on the company. Include, for example numbers made redundant (if redundancy is spoken of as a human rather than an economic act) and any increase in accidents (or figures that indicate a discreditable trends)

### Types of disclosure

Disclosure was classified as:

- **Monetary quantitative:** Disclosure was classified as “monetary quantitative” if it contained and was primarily related to financial disclosure of actual financial numbers.
- **Other Quantitative:** “other quantitative” if it contained and was primarily related to actual numbers of a non-financial nature.
- **Declarative:** “Declarative” does not fit the first two categories and it is mainly qualitative in nature.

**Auditable:** Disclosure is further categorised as “auditable” if, given access to the organisation, it would be possible to confirm the statements. (Information can be audited and verified by a third party). This does not require that the data is confirmed.

**Appendix 12 Content Analysis Form**

<b>STRUCTURE OF THE DATABASE RECORDS</b>					
NAME:				CODE (YEAR/OA):	
				TOTAL PAGES/ACCPP:	
CATEGORY	PAGES	EVIDENCE	AUDIT	NEWS	MEMO
<b>Economic Performance</b>					
Economic Performance					
Market Presence					
Indirect Economic Impact					
<b>Environment</b>					
Environment Policy					
Environment Audi,					
Waste, Pack, Pollution, Recycle, Product, Land					
Financial Data, Prov, Liab, Ins, Invest					
Sustainability					
Energy					
Environmental Other					
<b>Consumer/product</b>					
Responsible gambling/gaming					
<b>Community</b>					
Charity and political					
Community					
Dialogue and consultation					
<b>Employees</b>					
Employee data					
Pension Commit					
Disabled					
Health & Safety					
Shares employees					
Equal opportunities					
Employee Other					
<b>Directors</b>					
<b>Corporate Governance</b>					
<b>General Other</b>					

## Appendix 13 Ethical Approval Form



University of St Andrews

University Teaching and Research Ethics Committee

22 June 2010  
Leung Cheng Han  
School of Management

<b>Ethics Reference No:</b> <i>Please quote this ref on all correspondence</i>	MN6499
<b>Project Title:</b>	Corporate Social Responsibility and Gambling Industry: An Exploratory Study
<b>Researchers Name(s):</b>	Leung Cheng Han
<b>Supervisor(s):</b>	Professor Rob Gray

Thank you for submitting your application which was considered by the School of Management's Ethics Committee. The following documents were reviewed:

- |                                  |             |
|----------------------------------|-------------|
| 1. Ethical Application Form      | 8 June 2010 |
| 2. Participant Information Sheet | 8 June 2010 |
| 3. Consent Form                  | 8 June 2010 |
| 4. Debriefing Form               | 8 June 2010 |

The University Teaching and Research Ethics Committee (UTREC) approves this study from an ethical point of view. Please note that where approval is given by a School Ethics Committee that committee is part of UTREC and is delegated to act for UTREC.

Approval is given for three years. Projects, which have not commenced within two years of original approval, must be re-submitted to your School Ethics Committee.

You must inform your School Ethics Committee when the research has been completed. If you are unable to complete your research within the 3 three year validation period, you will be required to write to your School Ethics Committee and to UTREC (where approval was given by UTREC) to request an extension or you will need to re-apply.

Any serious adverse events or significant change which occurs in connection with this study and/or which may alter its ethical consideration, must be reported immediately to the School Ethics Committee, and an Ethical Amendment Form submitted where appropriate.

Approval is given on the understanding that the 'Guidelines for Ethical Research Practice' (<http://www.st-andrews.ac.uk/media/UTRECguidelines%20Feb%2008.pdf>) are adhered to.

Yours sincerely

Convener of the School Ethics Committee

cc Professor Rob Gray  
Shona Deigman

UTREC Convener, Mansefield, 3 St Mary's Place, St Andrews, KY16 9UY  
Email: [utrec@st-andrews.ac.uk](mailto:utrec@st-andrews.ac.uk) Tel: 01334 462866  
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## **Appendix 14 Semi-structured interview guide for internal stakeholders**

### **Personal details**

- How would you describe your role in the organisation?
- How long have you been in this position?
- What background and experience do you bring to this position?
- Could you provide some background information to your department?  
(When and why did your company establish a CSR department if any)

### **Have you heard this term Corporate Social Responsibility (CSR)?**

**Yes – Case 1**

**No – Case 2**

### ***Case 1 – Internal Stakeholder Interviewees recognise the term ‘Corporate Social Responsibility’***

#### **What do you understand by the term ‘Corporate Social Responsibility’ (CSR)?**

- Where are you being informed about this term ‘CSR’?
- How do you know this term?

#### **What do you think CSR as an important issue in your company?**

- Why is it important?
- Could you explain the importance of CSR in the gambling industry?
- What do you think whether the current CSR practices are effective or not?

#### **Why does your company engage in CSR?**

- What has led your company to implement a CSR policy (or not implement CSR policy)?
- What has motivated your company to develop ‘Responsible Gambling’ (If any)?
- What social issues does your company engage in?
- Who are the main audience for CSR?

#### **Would you be willing to discuss your company’s experience of engaging in CSR?**

- What obstacles may your company encounter when they carry out CSR?
- What issues would your company be less likely to engage in?
- Could you give me some examples?

#### **Is there any specific issue to the gambling industry or special challenges?**



- How do you understand the potential conflict between the (danger) of gambling and the notion of responsibilities? (If I know the interviewee)
- Can gambling companies be socially responsible?
- 

***Case 2 - If internal stakeholder interviewees do not recognise the term, what do they perceive CSR implicitly?***

(Certain business practices, organisation routines or business ethics can reveal some extent CSR)

- Tell me about your job and daily operation in your company.
- What do you think about your company?
- What does your company contribute to the society?
- What responsibilities does your company have?
- Can gambling companies be socially responsible?

**General**

- Is there anything else you wish to add?

A list of sub-questions will be included for checking purposes. The present researcher would have ideally covered all the above questions if the time is permitted.

## **Appendix 15 Semi-structured interview guide for external stakeholders**

### **Personal details**

- How would you describe your role in the organisation?
- How long have you been in this position?
- What background and experience do you bring to this position?
- Could you provide some background information about your department?

### **Have you heard this term Corporate Social Responsibility (CSR)?**

**Yes – Case 1**

**No – Case 2**

### ***Case 1 – External Stakeholder Interviewees recognise the term ‘Corporate Social Responsibility’***

#### **1. What do you understand by the term ‘Corporate Social Responsibility’ (CSR)?**

- Where have you been informed about this term ‘CSR’?
- How do you know this term?

#### **2. How do you view of CSR in the gambling industry?**

- What do you think of the current CSR policy/activities in the gambling industry?
- Could you give me some examples of those CSR policy/ activities?
- How do you view ‘Responsible Gambling’? (If they mention)?
- How does the gambling industry deal with social issues (ex. gamblers)?

#### **3. In what ways do you think the gambling industry’s participation in CSR affects society?**

- How do you experience?
- Could you give me some examples?
- What sorts of socially related issues does your organisation encounter?
- Why do you think about it?

#### **4. Would you be willing to discuss the impact of the gambling industry, if any, on your organisation (problem gambling counsellors/ journalists) /university (academics)?**

- Does it have an impact on your organisation?
- What sort of impact does it have? Why?
- Could you give me some examples?

**5. Do you have any thoughts on whether the gambling industry faces any specific issues or special challenges?**

- How do you understand the potential conflict between the (danger) of gambling and the notion of responsibility? (If I know the interviewee)
- Can gambling companies be socially responsible?

***Case 2 - If external stakeholder interviewees do not recognise the term, what do they perceive CSR implicitly?***

(Certain personal ethics or local culture can reveal to some extent CSR)

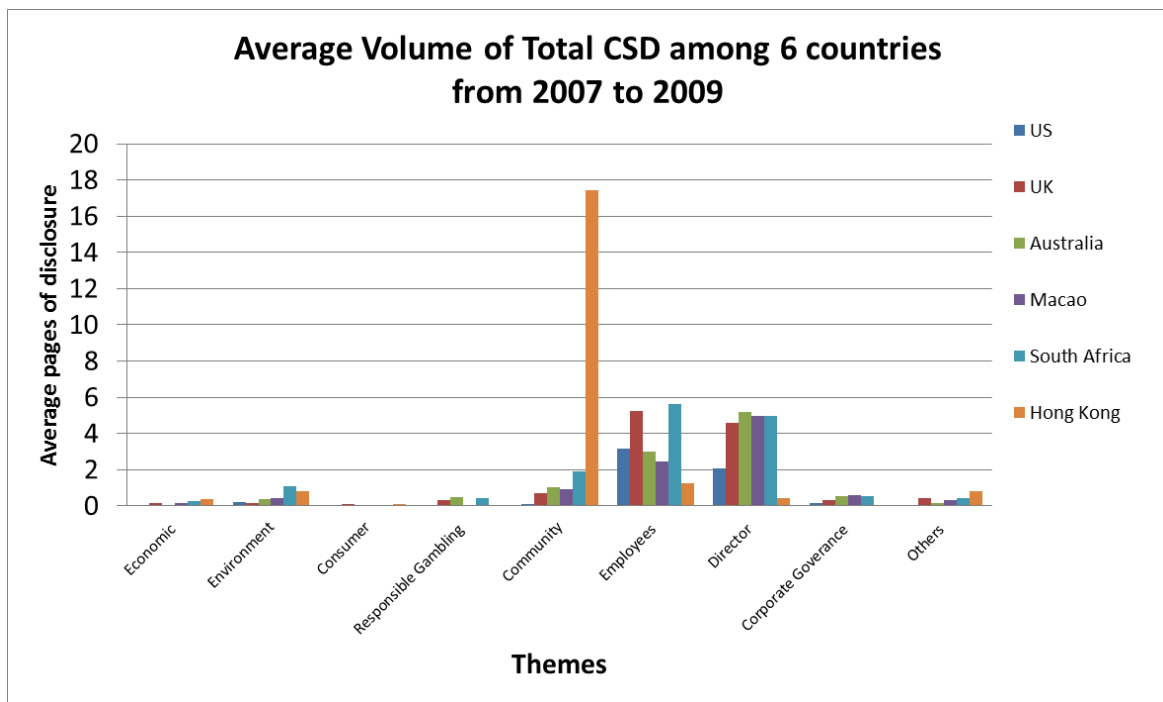
- Tell me about your job and daily operations in your organisation.
- How do you view the gambling industry?
- What does the gambling industry contribute to the society?
- What responsibilities does the gambling industry have?
- Would you be willing to discuss the impact of the gambling industry, if any, on your organisation?
- Can the gambling industry be socially responsible?

**General**

- Is there anything else you wish to add?

A list of sub-questions will be included for checking purposes. The present researcher would have ideally covered all the above questions if time permitted.

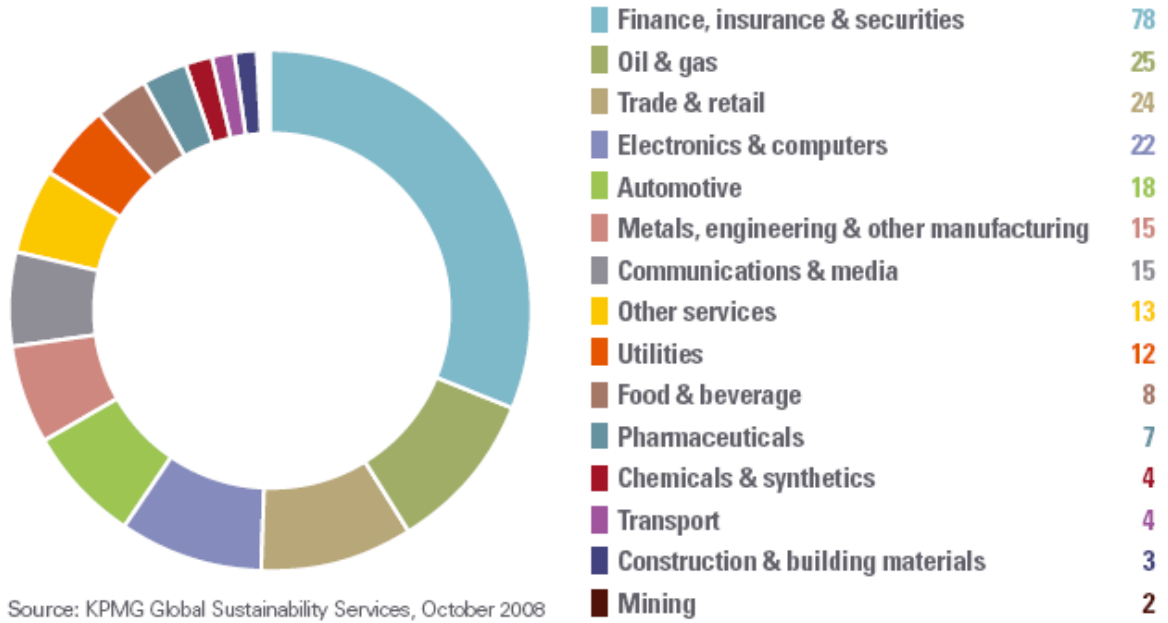
## Appendix 16 Topics of disclosure – an international comparison



## Appendix 17 Industry Sectors at global level and national level

### Corporate Responsibility Reporting at the Global Level - Companies by sector

(G250)



Source: KPMG Global Sustainability Services (2008:14)

### Appendix 18: Key stakeholders in RG policies, related standards and guidelines

The Reno Model of RG (Blaszczynski, et al., 2004)	RG Guideline in Macao (The Institute for the Study of Commercial Gaming, 2009, 2010b, 2011)	Semi-Structured Interview Findings of RG in Macao
<ul style="list-style-type: none"> <li>• Consumers</li> <li>• Gambling operators</li> <li>• Health services &amp; other welfare providers</li> <li>• Interested community</li> <li>• Government</li> </ul>	<ul style="list-style-type: none"> <li>• Government</li> <li>• Gamblers, family members and friends</li> <li>• Gaming operators</li> <li>• Problem gambling prevention &amp; treatment centres</li> <li>• Education and other community organisations</li> </ul>	<ul style="list-style-type: none"> <li>• Employees</li> <li>• Customers</li> <li>• Academic institutions</li> <li>• Government</li> <li>• Problem gambling prevention &amp; treatment centres</li> </ul>

In Macao, the liberalisation of the gambling industry was in 2003, while the introduction of RG policies, standards and guidelines was started in 2009<sup>151</sup>. The government of Macao recognised the increasing trend of problem gamblers. Since the government has a very close relationship with the gambling operators, the third party - an academic institution - was involved in promoting the RG polices in 2009. This RG guideline includes five key stakeholders, including government, gamblers, family members and friends, gaming operators, problem gambling prevention and treatment centres<sup>152</sup> and education and other community organisations (The Institute for the Study of Commercial Gaming, 2009, 2010b, 2011), which is similar to the Reno Model.

Appendix 18 shows that three sources, namely the Reno Model of RG from gambling studies literature (left), RG guidelines in Macao (middle) and semi-structured interview findings concerning RG (right), of the key stakeholders in RG gambling polices, related standards and guidelines are very similar. RG is generally considered to include five key stakeholders, including consumers, gambling operators, health services providers, community and governments, which is commonly referred to as the Reno Model of RG (Blaszcyynski, et al., 2004). Particularly noteworthy is that the role of government concerning RG varies by jurisdiction, historical, cultural, ideological and political economic context (McMillen 2007 cited in Smith, 2009).

<sup>151</sup> However, it is inadequate community and government audit on CSR (and RG) in Macao's gambling industry (Vong, 2010).

<sup>152</sup> In the Chinese community, there is insufficient problem gambling prevention, counselling, and treatment centres (Tang, et al., 2007). Yet, there were no professional gambling counseling centres for treatment and prevention until 2004 (Fong, et al., 2011).

### Appendix 19: RG polices adopted by each of gambling operators in Macao

	Company A – Western	Company B – Western	Company C – Western	Company D - Western	Company E - Chinese	Company F - Chinese
Employees	Re-induction, RG training, signage, video	Re-induction, RG training, employee assistance programme, sponsor employees to be RG counsellor	RG training (including, rejection of underage, problem gambling symptoms, employee assistance programme)	RG training, brochures, signage, video	RG training	RG training
Customers	RG information, voluntary Self-exclusion, removal from GP list at patron's request	Voluntary Self-exclusion	RG signage, RG including corporate policy, limit credit borrowing	RG information, Voluntary Self-exclusion, RG ambassador, Third-Party Exclusion Programmes	RG information	RG promotion
Government	RG information	RGAW			RGAW	
University		Donation for research			RGAW	
Social Service organisations	RG information	Donation				
Others		Attending problem gambling conference				

Source: The Institute for the Study of Commercial Gaming, University of Macao (2011, p.20-25) Note: RG refers to Responsible Gambling; RGAW refers to Responsible Gambling Awareness Week

It is important to note that the awareness of RG information and signage is high based on Hing's (2004) in the Australian gambling industry. However, if the RG information and signage is placed in unnoticed areas, this measure can be regarded as ineffective (Hing, 2005). Additionally, according to Breen, et al.'s (2005) study in Australia, the self-exclusion programme is not effective as the self-excluded gamblers can go to other casinos to gamble. The easy accessibility of gambling venues is another reason for the evasion of voluntary self-exclusion programmes (El-Guebaly, et al., 2005 cited in Smith, 2009).

**Appendix 20: RG Guidelines proposed by the Institute for the Study of Commercial Gaming at the University of Macao**

Pledge for employees	Pledge for customers
1. Provide Responsible Gaming Awareness training for each new employee as a regular part of new-hire orientation.	1. Make Responsible Gaming information available to patrons who seek assistance.
2. Distribute to brochures describing responsible gaming and provide information on where to find assistance, and will continue to make information available to employees going forward.	2. Display Responsible Gaming information in gaming areas on where to seek assistance should the patron desire this advice.
3. Post Responsible Gaming Signage that include help-line telephone numbers at various locations where employees congregate	3. Removal from gaming promotion/marketing mailing list at patron's request.
	4. Make diligent efforts to prevent underage persons from entering gaming area.

Source: The Institute for the Study of Commercial Gaming, University of Macao (2009, p. 21)

Importantly, two international gambling companies (see Company A and B) rather than Chinese gambling companies not only provide employee training in orientation week, but also provide re-induction RG training programmes, RG video at working places and employee assistance programmes. From “customer” aspects, all Macao’s gambling operators provide RG related information to customers; however, some international gambling companies (see Company A, B, D) provide ‘self-exclusion programmes<sup>153</sup>’. Interestingly, Company D also provides “RG ambassador” and “Third-Party Exclusion Programmes<sup>154</sup>”, while Company C provides “limit credit borrowing” services for customers.

<sup>153</sup> According to the Article 6, Clause 1 of Law No 10/2012 – “Regulation the Conditions of Entering, Working and Gaming at Casinos” upon the application of an individual to exclude himself/herself from casinos. The Director of DICJ may prohibit the person from entering all or some of the casinos for a maximum period of two years (Macao SAR Gaming Inspection and Coordination Bureau, 2013f).

<sup>154</sup> According to the Article 6, Clause 1 of Law No 10/2012 – “Regulation the Conditions of Entering, Working and Gaming at Casinos”. The confirmation of an exclusion request made by his/her spouses, ascendant, descendant, or a family member related to him/her within the second-degree kinship by blood, The Director of DICJ may prohibit the person from entering all or some of the casinos for a maximum period of two years (Macao SAR Gaming Inspection and Coordination Bureau, 2013f).



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