

## Forces and Obstacles for Corporate Environmental Disclosure (CED) in Libya: Perspective of Stakeholders

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### ABSTRACT

**Purpose:** this paper aims to investigate why companies make or do not make Corporate Environmental Disclosure (CED) and whether stakeholder theory can explain voluntary CED practices in Libya.

**Design/Methodology/approach:** Evidence is collected from in-depth interviews with thirty interviewees from six groups of stakeholders of Ahlia Cement Company (ACC) namely: regulators and policy makers; local governments; managers; employees; shareholders and financial institutions.

**Findings:** The findings suggest that there is a strong consensus between the six groups surveyed on a number of Obstacles for CED. However, there is no consensus between these groups of the forces for CED.

**Research limitations:** this study investigates the stakeholders of Ahlia Cement Company (ACC) only. More perceptions of stakeholders of other Libyan companies is needed.

**Originality/Value:** The results of this study provide strong evidence that application of stakeholder theory to empirical CED research can move future research in this area.

**Key words:** Corporate environmental disclosure, stakeholder theory, Libya, Ahlia Cement Company.

**Paper type:** an exploratory research paper.

### 1. Introduction

Environmental disasters in today's world have increased corporate environmentally responsibility awareness. This has put force for corporations to engage into environmental accounting and reporting matters. As Margolis and Walsh (2003, p. 281) argued that "from society's perspective, creating wealth and contributing to material wellbeing are essential corporate goals. But restoring and equipping human beings, as well as protecting and repairing the natural environment, are also essential objectives. Companies may be well designed to advance the first set of objectives, yet they operate in a world plagued by a host of recalcitrant problems that hamper the second set".

However, CED practices have increased in both the developed and the developing countries in the last two decades (GRI. 2010). It is probable that there is no single motivation for making environmental disclosure. ...Whether there is an economic motivation for the disclosure ... a reaction to user needs....or a political motivation ....it is probably a consequence of each management's particular perception of the world it faces (Freedman and Stagliano, 1992, p.113). There is no agreement in the literature about the reasons for make or do not make CED. Thus, this study is intended to complement the literature on this area with special focus on Libyan context. It aims to investigate the forces and obstacles for CED and whether stakeholder theory can explain voluntary CED practices in Libya.

The next section of the paper proceeds with stakeholder theory, before considering the research methodology adopted in the collection and analysis of data. The paper then presents the findings and concludes with some analytical comments.

## 2. Stakeholder Theory

Stakeholder Theory is based on the hypothesis that a corporation's continued survival requires the support of stakeholders. Freeman (1984) defines a stakeholder as "any group or individual who can affect or is affected by the achievement of the firm's objectives". The theory assumes that the behaviour of various stakeholder groups (shareholders, creditors, employees, customers, suppliers, public interest groups, and governmental bodies) encourages management to relate corporate needs with their surroundings. The support of stakeholders must be sought and the activities of the corporation are adjusted to gain that support. Patten (1992) contended that if a firm dissatisfies a relevant stakeholder, this stakeholder can apply pressure on the firm to meet its expectations. Shocker and Sethi (1974) stated that any organisation operates under a social contract to: (1) deliver socially desirable ends, and (2) distribute economic, social, or political benefits to groups from which it derives its power and resources. Social performance and disclosure are, then, viewed as a strategic plan to deal with stakeholders' demands (Ullmann, 1985). Stakeholders may view environmental disclosure as an adequate reflection of non-market effects of corporate behaviour (Guthrie and Parker, 1990).

Ullmann (1985) and Roberts (1992), who provided support for a stakeholder theory approach for explaining and analysing decisions to undertake CED, add another element (i.e., power) that contributes to the corporate response to stakeholders' demands. The more powerful the stakeholder, the more the company must adapt (stakeholder management)<sup>1</sup>. Freeman (1984) proposed a more detailed analysis about how to manage stakeholders and noted that there are at least three levels of analysis, which can help an organisation to manage the relationships with its stakeholders. These levels are: (1) the organisation must understand who are the stakeholders in the organisation and what are the perceived stakes; (2) the organisation must understand the organisational process used either implicitly or explicitly to manage the organisation's relationships with its stakeholders and whether these processes 'fit' with its 'stakeholder map'; and (3) the organisation must understand the set of transactions or bargains among the organisation and its stakeholders and deduce whether these negotiations 'fit' with the stakeholder map and organisation process for stakeholders.

However, Gray et al. (1996) have identified two variants of stakeholder theory. The first considers the organisation centred, which is similar to Ullmann (1985) and Roberts (1992)'s argument. It means that the company is at the centre of the system and while it is connected to other stakeholders its main role is to ensure that they serve its needs with a minimum of conflict (see also Adams and Harte, 1999; Key, 1999). Stakeholders are identified by company with reference to the extent to which the organisation believes the interplay with each group needs to be managed in order to further the interests of the company. The more important or powerful the stakeholders, the more effort will be exerted by the company in managing or adapting the relationship.

Thus it encourages CED to be interpreted as indicative of which stakeholders matter most to the company, as management's attention will only be drawn to those stakeholders they perceive to be most salient, and thus those to which the company may be seeking to influence (Gray et al., 1996; Mitchell et al., 1997; Harvey and Schaefer, 2001). Moreover, stakeholder theory could be used to explain non-disclosure of certain environmental information if it was found that there was little demand for such information or that those who demand it were not stakeholders considered to be highly salient by the company (Adams and Harte, 1999). In supporting that, Ince (1998, p.235) concluded that "there seems to be an understanding by UK companies, at least by the companies analysed in this study (Ince's survey), that there is a range

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<sup>1</sup> Stakeholder management, as a concept, alludes to the need for an organisation to manage the relationships with its particular stakeholder groups in an action-oriented way. Using this perspective, CSED can be seen as part of the dialogue between a company and its stakeholders (Gray et al., 1995a) with management using CSED as a medium for engaging in this management of stakeholders in order to gain their support and approval (Adler and Milne, 1997). It is the continuance of the organisational interests that motivates disclosure and the more important the stakeholder to the organisation; the more effort will be put into managing their relationship with the organisation (Gray et al., 1996).

of importance of stakeholder groups. As a result, companies seem to be using CED to disclose information about these groups and individuals to manage or to improve the relationship". The second variant considers accountability. It stated that the company owes accountability to all its stakeholders, which is determined by the relationship (s) of those stakeholders with the company. It is, however, generally considered to be normative (Gray et al., 1995).

Some of the reasons behind the absence or presence of corporate environmental disclosure in a given country could be partly explained by stakeholder theory in developing countries (Al-Khater and Naser, 2003; De Villiers, 2003; Elijido-Ten, 2004; Ahmad et al., 2005; De Villiers and Van Staden, 2007; Suttipun and Stanton, 2012). Ahmad (2010) reported an empirical study of perceptions of Libyan managers on corporate environmental responsibility, accountability and disclosure, based on a questionnaire survey of 85 managers from large Libyan industrial companies. His study has examined the extent to which managers have been engaged in corporate environmental management and disclosure in Libya, and analysed views of Libyan managers on the motives to disclose or not disclose environmental information. It is influenced by the results of prior researches into Libyan Corporate Environmental Disclosure (CED) practice which indicated that there is a little evidence of CED either in terms of its quantity or quality (Ahmad and Handley-Schachler, 2008, Ahmad and Mousa, 2010). The overall results suggest that the vast majority of the managers accept that Libyan companies and the managers should recognize their environmental responsibility and provide environmental disclosure to the central authorities. However, most surveyed managers felt that a scarcity of legal and professional standards and guidelines, along with their lack of expertise, qualification and training in the field of CED have prevented them from engaging in CED. Therefore, CED has not been put in the agenda of many Libyan companies.

However, one of the main limitations of this study is that it concerned only with the perception of management. Thus, this study is intended to complement this work by investigating why companies make or do not make CED from the prospective of six groups of stakeholders of ACC namely: regulators and policy makers; local governments; managers; employees; shareholders and financial institutions. It is guided by stakeholder theory that views companies as part of a broader social system within which, Suttipun and Stanton (2012) argue, CED is a strategy influencing relationships between companies and other parties with which they interact.

### 3. Research Method

This paper adopts a pure qualitative research method. The rationale for the choosing of a qualitative approach stems from the nature and context of the study. Researchers used qualitative research when they seek to understand the context the study matter in terms of how and why it occurs (Cassell and Symon, 1994) and when the study phenomena is emergent rather than prefigured (Creswell, 2003). This paper reports on a study of stakeholders' perceptions concerning the current state and the absence of CED in Libya. The evidence in this paper was collected using face-to-face semi-structured interviews with individuals and senior representative of various stakeholder groups between mid December 2008 and March 2009. The data came from 30 stakeholders from six groups of stakeholders of ACC<sup>2</sup> namely: Regulators and Policy Makers; Local Government; Shareholders; Managers; Employees; and Financial Institutions.

These groups have been chosen because they have a direct relationship with the company. That means the company cannot survive without these groups of stakeholders. The

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<sup>2</sup> The headquarter of the ACC is located in Khums, and with six plants; Elmergib cement plant; Suk Elkhamis complex; Lebda cement plant; Zliten cement plant; Paper Bags plant and Gypsum plant (<http://www.acc.com.ly/>). The reasons for selecting this particular case are: (1) the cement industries are one of the highest industries affecting the environment in terms of air pollution in Libya (Othman and Karlberg, 2007); and (2) the Ahlia Cement Company was the first cement company in Libya and it is one of the largest companies in Libya and it has six plants with sites across Libya. García-Ayuso and Larrinaga (2003) stated that, it could be argued that larger firms are subject to stronger pressure from stakeholders.

particular interviewees were chosen on the basis that they have knowledge about CED or they are responsible for handling environmental information. The interview questions were in Arabic because the official language in Libya is Arabic. One part of the interview was devoted to understanding the current level of CED in Libya. The second part of the interview was devoted to developing a critical understanding of the reasons for non-disclosure of environmental information. A phone call was made to the organisations or individual stakeholders requesting an interview with the individual who had knowledge about the subject of this paper. Most of the contacts were made through this process.

Collis and Hussey (2003) consider that there are two different approaches for analysing qualitative data. One approach is to quantify the data, either formally or informally. In other words, turn the qualitative data into numerical data. Another approach is to non-quantify the data. Following a reiterative process suggested by O'Dwyer (2004) interview transcripts and notes were then summarised and analysed thematically together with personal reflections by the authors using NVivo version 8. Before using Nvivo primary analysis of the data collected was undertaken. The primary analysis of the data collected was a four-step process. Each interview was transcribed to the Arabic Language in a Microsoft Word 2007 document format almost entirely, leaving out only those portions where the interviewee or interviewer digressed from the research focus completely. The second step was for each interview to be translated from Arabic to English and effort was made to keep the original meaning in place. The final step is for all interviews to be transferred and sorted as a project in the Nvivo 8 software.

The secondary analysis using Nvivo version 8 developed a system of codes to categorise the detailed data and facilitate its retrieval through content analysis as Kumar (2005) recommended. The results are reported in the following section.

#### 4. Findings

This section explores the absence of CED from the context of Libya. In particular, it describes the current state of CED, the reasons for non-disclosure, the motivations for disclosure, and the factors for enforced CED provided by interviewees. Firstly, interviewees were required to comment on the current level of ED by a company. Most of the respondents 22 out of 30 (73%) said that their environmental information was not disclosed by Libyan companies. For example one interviewee says:

*“Libyan companies do not disclose their environmental information” (M1).*

However, the remaining interviewees (8 – 27%) thought that there is a clear lack of CED in Libya and half of these (4 – 14%) were from the Regulators and Policy Makers group. Thus, it can be noted that because some government authorities and agencies required companies to provide some environmental information in compliance with the 1980 Act, this disclosure is not voluntary disclosure and not all or most stakeholder groups can access this information.

*“There is no frequent environmental disclosure in Libya but there is in the case of a request by government agencies” (E1).*

#### 4.1 Forces for CED in Libya

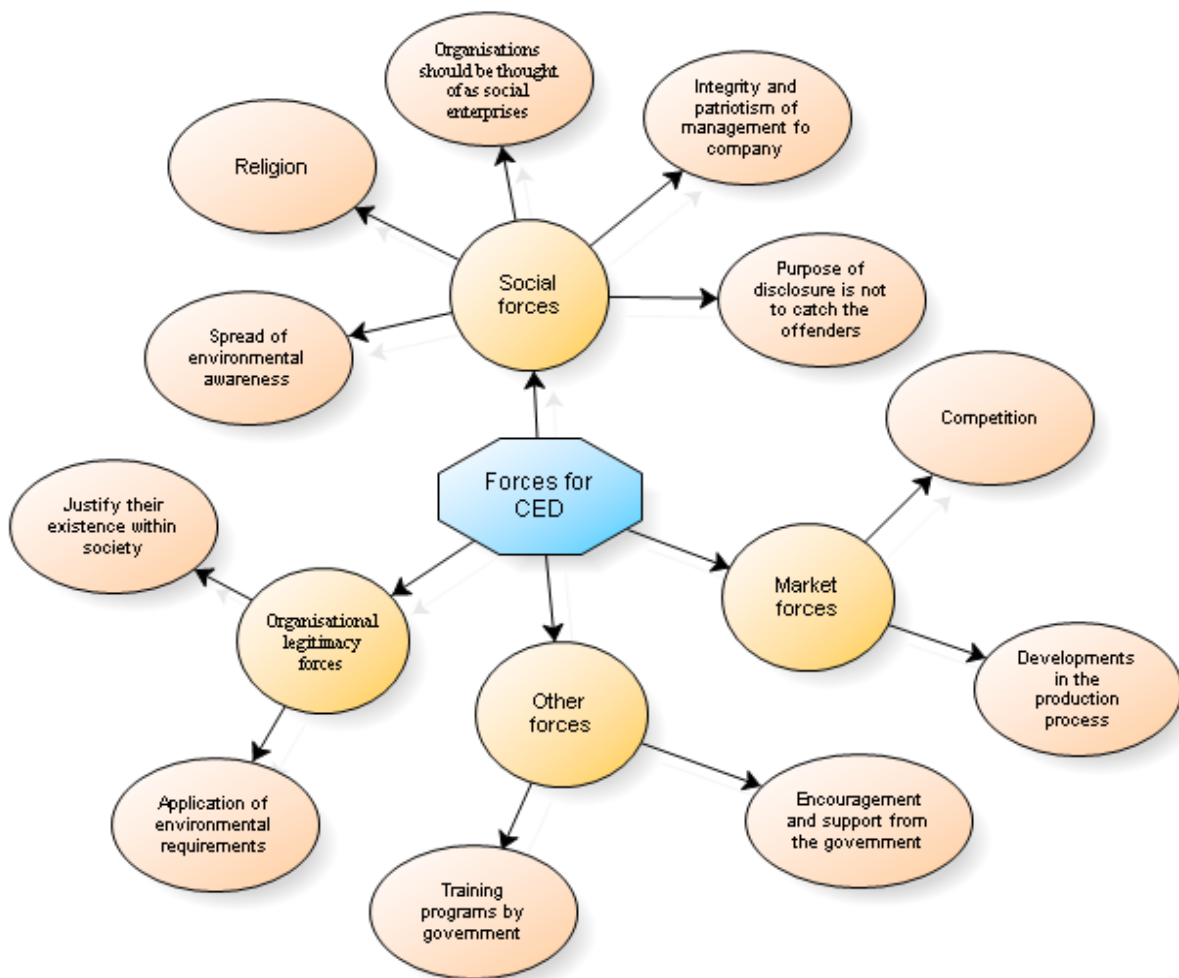
When interviewees were asked about the factors that encourage corporate environmental disclosure in a company, interviewees believed that there are some motivations that could encourage companies to disclose their environmental information. Figure (1) presents the forces for CED that are suggested by the interviewees. There are some complex motivations for encouraging companies and organisations to disclose their environmental information. These forces have been classified as follows:

##### 4.1.1 Social Forces

There are some social forces identified by interviewees that encourage Libyan companies to

disclose their environmental information. Firstly, 15 of the interviewees (50%) expressed that the spread of environmental awareness between all parties of users encourages Libyan companies to disclose their environmental information. Contrary to this viewpoint, one of the main reasons for non-disclose that can be seen in the previous section is the lack of environmental awareness. Thus, if everybody (insiders and outsiders) become aware of the environment in general and especially environmental information then companies will be encouraged to disclose their environmental information. Hence, media (such as TV and newspapers) and government should play a major role to spread environmental awareness between communities as a whole. As a result, they can put pressure on companies to make environmental disclosure. The following comment reveals one of the interviewees’ opinion regarding this issue:

*“I believe that the motives that encourage the company to disclose its environmental information is just that there is environmental awareness by the government and the community and also the government willingness to help companies to solving environmental problems” (E3).*



**Figure 1: Suggested Forces for CED in Libya**

The second motivation emerging under the social issues is that organisations should be thought by the community to be social enterprises. This issue was asserted by three interviewees (10%) from employees and financial institutions groups. That means if the community looks to a company as a social organisation and it provides a services to the community, this will encourage the company to disclose all information, including environmental information without fear of community reaction.

*“In addition, another motivation that encourages companies to disclose their environmental information is a company’s role in society. This makes it imperative for the dissemination of environmental information. The faith of the company’s role in society and being a part of society requires the preservation of the environment. It also requires the dissemination of environmental information to all parties” (FI5).*

The third social force is religion which was expressed by three interviewees (10%) from the groups of local government and shareholders. All the population in Libya are Muslim and religion has had a role in determining and enforcing ethical behaviour. The following comment illustrates one of the interviewees’ view on this issue:

*“Fundamental human rights; there must love for others as there is love for him, because Islam urges us to do so.....” (S1).*

The fourth social motivation was expressed by one shareholder interviewee (3%) regarding the integrity and patriotism of companies. In other words, if management of companies have integrity and patriotism then they will disclose all their information including environmental information and they do not care about the reaction of the users. This is the duty of companies for protection the environment.

*“I believe that the motives that encourage the company to disclose environmental information is in the case of integrity, and patriotic management of the company. Because, the preservation of the country and the continuation of the preservation of the health and well-being of future generations regarding the integrity and preservation of the person” (S4).*

The final social motivation is when the management of companies feel that the purpose of environmental disclosure is to solve the problem rather than catch the offenders. This motivation was asserted by one Regulators and Policy Makers interviewee (3%). Commenting on this issue, he stated:

*“When the purpose of disclosure is not to catch the offenders rather to address the environmental problems and it is intended for but the purpose of boosting the economic activity of the state, when the owner feels that the project would help to solve environmental problems, then environmental information will be disclosed” (DM5).*

#### **4.1.2 Market Forces**

There are two motivations that could be market motivations that were expressed by some interviewees. Firstly, some interviewees (10 - 33%) believed that market advantage can encourage companies to disclose this environmental information. Market advantage includes the company market and production markets. That means for companies to disclose any information voluntarily they need to see tangible benefit when they make voluntary disclosure. Thus, environmental disclosure can play a role in attraction of consumers and shareholders. The following comment declares this opinion:

*“I believe that the only motivations which encourage a company to disclose environmental information are in the event that there is competition in the market. Thus, environmental disclosure can play the role in attracting consumers and shareholders” (FI2).*

An interviewee (3%) from the Regulators and Policy Makers group added another market forces which is the development of the production process. Using an advanced and modern technology encourages companies to disclose their environmental information to show users that

they are using friendly technology. Consequently, this is attractive to consumers and shareholders. The following comment declares this opinion:

*“Another motivation is development in the production process in order to reduce environmental damage. Explaining that the product of the company does not harm the environment and its industry is friendly to the environment” (DM2).*

#### **4.1.3 Organisational legitimacy forces**

Two more motivations, which conflict with the social forces and market forces suggested above, have been identified for not disclosing. These relate to the organisational legitimacy. Two interviewees (7%) from the Regulators and Policy Makers group revealed that the application of specification and environmental requirements encourage companies to disclose their environmental information in terms to show the stakeholders and states government that the companies protected the environment. In other words, if the company preserve the environment and does efforts to preserve the environment, this will encourage it to disclose its environmental information. The following response reflects this thought:

*“Another motivation is explaining that the product of the company does not harm the environment and its industry is friendly to the environment and also the company applying the specifications and environmental requirements. Thereby strengthening its position in society and improving its image before the society and Regulators and Policy Makers in the country” (DM3).*

Another organisational legitimacy forces were expressed by two interviewees (7%) from the local government group is companies should justify their existence within society because they are accountable to society. That means, companies disseminate their environmental information to prove that their activities are not harm the environment. One of the local government interviewee stated:

*“Company should bear some sort of environmental responsibility to justify their existence within the society.....” (LG3).*

#### **4.1.4 Other Forces**

There are two other factors which conflict with the social; market; and organisational legitimacy forces suggested above, have been identified for encourage companies for disclosing. These relate to the concerning the influence of Libyan government policies on the encouragement of Libyan companies to make environmental disclosure. Some interviewees (5 – 17%) stated that states government should arrange training programmes for organisations about the identify and the importance of CED. The following response of one of the interviewee outlines his opinion regarding the factor:

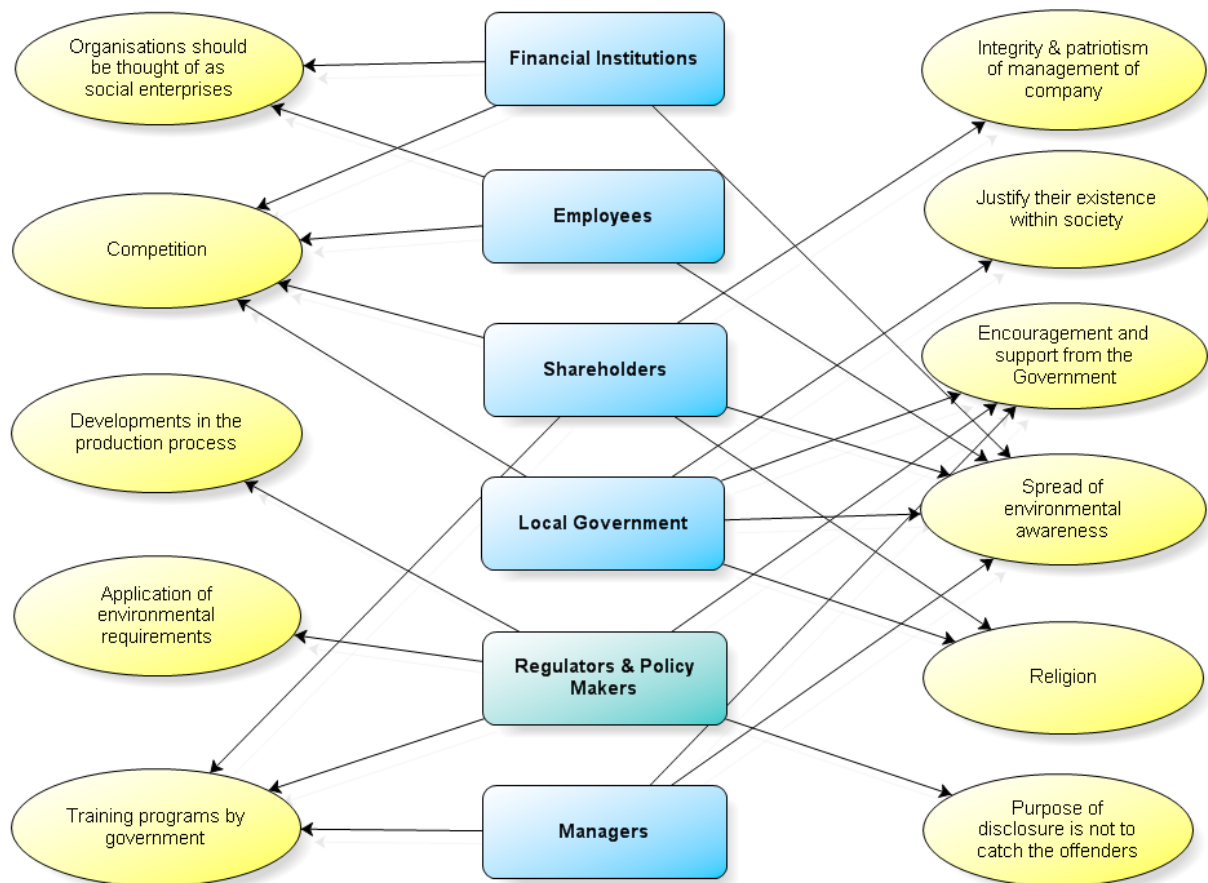
*“Another motivation that could encourage companies to disclose their environmental information is the government should arrange training programmes and seminars for companies and their employees about the importance of environmental disclosure. Therefore, get these setting them defending the national loyalty of their society, which encourage companies to disclose their environmental information” (DM4).*

Other some interviewees (3 – 10%) expressed that Libyan government should support companies that disclose their environmental information that encourage other companies to make disclosure. Due to companies desire to see the tangible benefits from the voluntary disclosure.

*“The government should assist and support companies and institutions that disclose environmental information because companies look to the benefits from the voluntary*

disclosure. For example, granting customs exemptions on special equipment that is imported for the preservation of the environment” (M1).

Based on the above results, it appears that there is no consensus between the six groups surveyed on the forces for corporate environmental disclosure. The most important force for CED in Libya in terms of the overall groups of stakeholders is the spread of environmental awareness. This is followed by the encouragement of competition, the support from the government, and the provision training programs by the government (Figure 2).



**Figure 2:** Target Groups Suggested Forces for CED in Libya.

**4.2 Obstacles for CED in Libya**

Figure (3) presents the Obstacles for CED that are identified by the interviewees. There are some compound reasons for companies and organisations not to disclose their environmental information. These reasons have been classified as follows:

**4.2.1 Lack of Legal Requirements**

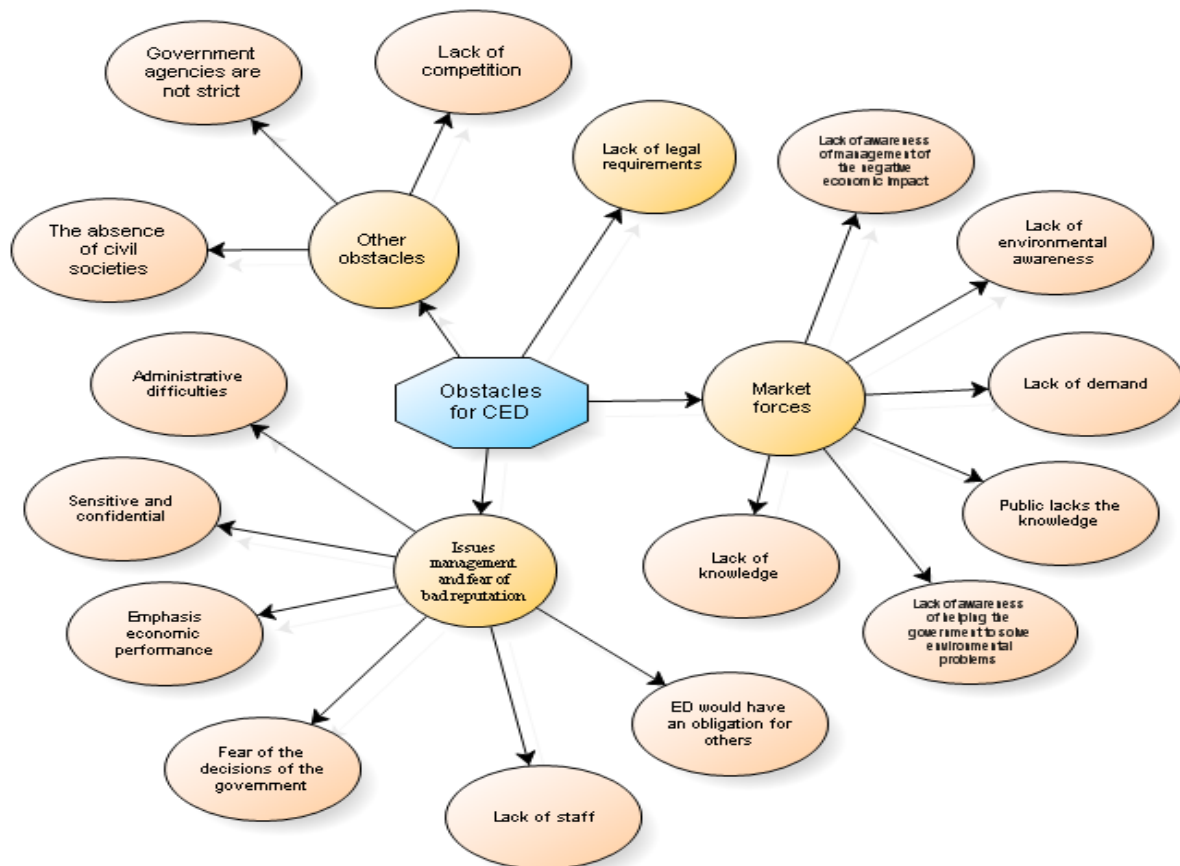
Like many other countries of the world CED is not a mandatory requirement in Libya. Most interviewees (93%) expressed the view that the main reason for not disclosing these significant issues is the absence of a legal requirement. The prevailing managerial attitude is: we will only comply if we are legally bound to do so. The following quotation is illustrative of this attitude.

*“There are no regulatory requirements for companies to disclose their environmental information to users” (S3).*

The above quotation illuminates corporate unwillingness and a lack of sincere commitment in Libyan companies towards CED. It appears that the absence of mandatory



requirements for CED provides Libyan companies with a convenient pretext for avoiding these serious issues which need to be addressed for the reasons noted earlier. In order to address these issues businesses would require a fundamental shift in traditional thinking of profit making as the sole objective. Otherwise, any kind of attention to these issues would be treated as diversion of scarce business resources and a distraction from the fundamental corporate objective of shareholders' wealth maximisation.



**Figure 3:** Suggested Obstacles for CED in Libya

#### 4.2.2 Lack of Awareness / Knowledge

Given the fact that the phenomenon of CED is comparatively new to the companies in developing countries many of them may not be familiar with its processes and requirements. More than half of the interviewees shared this view (16 – 53%). They contended that some of the reasons for non-disclosure might be attributed to lack of awareness and knowledge amongst corporate managers and the public regarding CED.

*“The reason for the absence of CED is the lack of environmental awareness, whether by companies or by people. I think the media such as TV and newspapers should play the role to increase the environmental awareness in the people”* (DM4).

13 out of 30 interviewees (43%) from all groups of stakeholders except the employee group state that the reason is also because companies are not concerned about this type of information due to a lack of knowledge.

*“I think the lack of knowledge concerning this type of information prevents organisations from disclosing this information”* (DM1).

Moreover, 8 out of 30 respondents (27%) –except from the shareholders group- stated that the

general public do not have enough knowledge about the importance of environmental information. Increasing the knowledge about the environmental information could lead to demand for this information. This was recognised by some interviewees (13 - 30%). They expressed the reason that there is no explicit demand for environmental information whether internal or external demand.

*“.....the public lacks the knowledge and understanding of the importance of environmental information” (FI3).*

It can be noted that there is an absence of environmental awareness and knowledge in terms of both companies and the public. Subsequently, there is an absence of the pressure on companies to disclose environmental information. However, one interviewee from the local government group (3%) added another reason for the absence of CED. This reason is that the management of companies are not aware of the negative economic impact of non-disclosure.

*“Lack of awareness of management of the negative economic aspects as the result of the non-disclosure is the reason for the absence of CED” (LG1).*

Moreover, two interviewees (7%) from the local government group believed that companies do not disclose their environmental information because the management of companies do not recognise that the government can help any company to solve any environmental problems. Commenting on this reason he stated:

*“I think the other reason for non-disclosure is the lack of awareness of the cooperation that the government is ready to help any company to solve any environmental problem” (LG1).*

#### **4.2.3 Issues Management and Fear of Bad Reputation**

Six more factors, which conflict with the lack of awareness suggested above, have been identified for not disclosing. These relate to the fact that companies were not actually undertaking enough activities for protecting the environment and that environmental disclosure could bring adverse publicity, particularly if the disclosures are not positive. Some interviewees (10 - 33%) revealed that one reason for companies not disclosing environmental information is that companies aim to achieve profit maximization for their shareholder and they are not concerned about environmental performance. The following comments reveal some of the interviewees' thoughts regarding this issue:

*“I think another reason is because the objective of the company is to emphasize on economic performance over environmental performance. In addition, achieving the profits is at the expense of the environment because the environmental aspect is the only one that could have been avoided and no one is concerned about it. For example, companies allocate amounts in their budgets for their environmental activities even though sometimes included under other items. At the end of the fiscal year you will find these allocations were either under spent or transferred to the following year. Also, sometimes it was spent on other activities through transfer to other items” (M3).*

Moreover, one third of respondents (11 - 36%) from the groups of managers, employees, shareholders, local government, and financial institutions revealed that the other reason is that management of companies thought if they disclosed environmental information; it would have an obligation for others against the company. Therefore, this is an implicit recognition by the company for any environmental damage that may be caused by the company's activities to others as a result of its operations. An interviewee from shareholders group and the financial institutions group provided the following comments:

*“Another reason is that the management of the company believes that this information would create an obligation for others and would have a legal obligation which could force the company to pay sums of money. So, for that reason they do not disclose environmental information” (S5).*

Similarly, (8 - 27%) interviewees from the same groups above believed that companies do not disseminate environmental information because the management of the companies thought this information was sensitive and confidential. In other words, this information should be kept secret and should not be read by others especially external parties. For this, some companies disclose environmental information in their annual reports hidden under other items. The following response reveals one interviewee’s opinion:

*“This kind of information is sensitive and confidential to disclose. Sometimes environmental information is disclosed in annual reports but it is not clear, because it is hidden among other items” (E1).*

In addition, some interviewees (7 - 20%) from the managers, employees, local governments, and financial institutions groups added another reason among management issues which is administrative difficulties. In the same vein, (2 – 7%) of interviewees from the groups of employees and financial institutions expressed the reason as the lack of staff who are qualified and have experience on environmental disclosure. The following response reveals some of the interviewees’ opinions:

*“I think another reason is because the lack of staff that are qualified and have the expertise and knowledge of environmental disclosure” (E4).*

Two interviewees (3%) from the Regulators and Policy Makers group mentioned that there is non-disclosure in Libya because the management of companies fear the decisions that could be undertaken by the government agencies against the company. The following response reveals these opinions:

*“Furthermore, the management of companies fear the decision of the government restricting the activity of the company if it discloses environmental information such as to increase the taxes” (DM4).*

#### **4.2.4 Other Obstacles**

There are three other reasons for non-disclosure which were mentioned by one or two respondents. Firstly, 2 interviewees (7%) out of thirty from the groups of employees and local governments expressed that there is no existing competition in the market that makes companies disclose their environmental information. Companies need to see the tangible benefits from disclosure and this could happen in the free market. It can be noted that the economic system in Libya has been changing and the Libyan government has encouraged foreign investors to invest in Libya. Thus, it has established a Privatisation and Investment Board which aims to supervise the national and foreign investment in the local market. Moreover, it works to increase the participation of the private sector through ownership of public companies such as the company that is studied and also to promote the establishment of private projects. Moreover, it has established a stock market since 2006. Thus, it could be expected that voluntary disclosure in the following years will be very important.

In addition, one interviewee (3%) from the group of local government mentioned that government agencies do not play such a strict role against a company that its activities affect the environment. He thought that this could be the reason for non-disclose. Furthermore, the absence of environmental civil society organisations was revealed by one interviewee from financial institutions group as a disincentive for disclosure. Environmental civil society organisations can put pressure on companies to disclose their environmental information such as Friends of the

Earth in the UK. The following comments reveal some of the interviewees’ thoughts regarding these issues:

*“Moreover, government agencies which are responsible for protecting the environment are not strict in the case of the discovery of environmental violations” (LG4).*

*“The absence of environmental civil society organisations such as Friends of the Earth pressing to preserve the environment is also a reason for non-disclosure” (FI2).*

Finally, it can be concluded that there is a strong consensus amongst the six groups surveyed on a number of obstacles for corporate environmental disclosure. The most important obstacles for CED in Libya in terms of all groups of stakeholders are: a lack of legal requirements; an emphasis on economic performance; and lack of environmental awareness. Less important is that: ED would have an obligation for others; a lack of knowledge; sensitive and confidential information; the public lacks knowledge; and a lack of demand (Figure 4).



**Figure 4:** Obstacles for Non-disclosure in Libya in terms of Target Groups

## 5. Conclusion

Based on the paper's findings, there are several important reasons for non-disclosure and motivations for disclosure. On one hand, the most important reason for the absence of CED in Libya is the lack of requirements which could be accounted for the argument that companies disclose their information to respond to the state institutions in the form of regulation (Jacobs and Kemp, 2002) also, from non-government organisations (NGOs), in the form of informal regulation (Tilt, 1994). Thus, some countries have required companies to disclose environmental information in annual reports such as Denmark, France, Portugal, Spain, and Sweden (Fleischman and Schuele, 2006). In Libya neither formal nor informal regulation presently requires companies to disclose their environmental information. This reason is supported by quite a number of scholars and previous studies in developing countries namely: Ahmad and Sulaiman (2004); Eljido-Ten (2004); Ahmad et al. (2005); Ahmad (2010); Suttipun and Stanton (2012).

The absence of CED due to lack of awareness and knowledge seems to be a plausible explanation and relevant in the context of developing countries (Belal and Cooper, 2007). The results show that another main reason in Libya is the lack of environmental awareness and knowledge in terms of companies and stakeholders. This finding is consistent with a quite a number of studies that have been concluded with this issue by Belal and Cooper (2007); Ahmad et al. (2005) and Suttipun and Stanton (2012). It is true that managers of corporations need training to achieve the required skills to be able to make CED.

The nonexistence of CED in Libya is caused by some other reasons among of issues management and fear of bad publicity. Three of these reasons (environmental disclosure have an obligation for others, companies fear of state agencies decisions, lack of staff and administrative difficulties) are supported by Suttipun and Stanton (2012). However, the reason that Libyan companies emphasis is on economic performance agrees with Belal and Cooper (2007). The last factor is that management of Libyan companies thought the environmental information is sensitive and confidential is supported by Suttipun and Stanton (2012).

Libyan companies do not make CED due to the absence of competition in market and environmental civil society organisations. The reason of the nonexistence of competitions is in conflict with findings of the study undertaken by Solomon and Lewis (2002). They conclude that one reason for non-disclosure was to avoid providing information to competitors. This could be true when the information is negative but if it is positive then it can improve the company and goods in the market. However, the absence of environmental civil society organisations leads to no strong pressure from community pressure as result, an absence of CED.

On the other hand, the increasing awareness of environmental issues and a general evolution of environmental ethos is the most important forces that encourages Libyan companies to make environmental disclosure. This issue is suggested by Gray et al., (1996) and supported by De Villiers and Van Staden (2007). Companies need to obtain a tangible benefit to make voluntary disclosure. This tangible benefit could be saving cost or increasing income. Thus, market competition (market company and market company products) motivates companies to disclose their environmental information. This means CED is a good opportunity for company to improve its profitability in terms of increasing the sales and encourage investors. This factor agrees with Ahmad and Sulaiman (2004); Eljido-Ten (2004); Ahmad et al. (2005); and Suttipun and Stanton (2012). There are several other factors that motivate Libyan companies to disclose their environmental information which include training programs by government, encouragement and support by government, organisations should be thought of a social enterprises, religion, application of environmental requirements, justify their existence within society, development in the production process, integrity and patriotism of management of company and purpose of disclosure is not to catch the offenders.

This paper contributes to the CED literature by exploring the forces and Obstacles for CED in a developing country context. The paper demonstrated various issues for the absence of CED in Libya which could help policy makers to undertake some serious public policy issues by

understanding motives for encouraging companies to publish their environmental information.

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