

# Chapter 15

## Corporate Social Responsibility Reporting in the Gambling Industry: Interaction With Government

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### ABSTRACT

*The social cost of the gambling industry has always been controversial. In 2015, the Macau Special Administrative Region (SAR) government initiated a midterm review to evaluate the overall performance of the gambling industry. The objective of the study was to investigate how does the government influence and guide the operators to control their social cost and create value to society. This study applied content analysis and collected data from annual reports, sustainability/social reports, and corporate websites of all gambling operators in Macau from 2005 to 2016. The results were further analyzed by looking into the critical policy documents released and issues occurred during the period. The result indicated that the gambling operators have used CSR reporting as a communication channel with the government, which is consistent with legitimacy theory and stakeholder theory. In addition, most of the companies have reinforced their disclosure related to government policies after the midterm review report. This finding also reflects some insights of the political economy theory.*

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## INTRODUCTION

Macau, Las Vegas, Atlantic City and Monte Carlo are the four largest casino cities in the world. The gambling industry in these regions is highly related to the local economic development. In addition to creating large numbers of jobs, they also attract many tourists and bring rich taxes to the government. However, on the other side of the gambling industry, there exist high social risks, including money laundering, crime, bankruptcy, suicide, family problems, fraud, which need a lot of government control. Therefore, the responsible operation of gambling enterprises to prevent social problems and promote economic development has become the expectation of the local residents as well as the government (Guan et al., 2018). Many casinos have started to publish CSR reports, incorporate CSR information into their annual reports, or establish rules for responsible gaming. However, in-depth analyses of these reports in terms of the collaborations and value co-creation between the local government and gambling operators are yet to be conducted in the accounting academia (Leung & Gray, 2016). Therefore, this study investigates the annual reports and CSR related reports with the hope to better understand the social practices of the gambling operators and their perceptions, responses and interpretations of the government's expectations. Considering Macau as the world's largest gambling city since 2018, the findings of this study provide significant insights and hopefully can be generalized to other gambling cities in terms of "how gambling enterprises cooperate with the government to better fulfill their social responsibilities", so as to help themselves integrate into the local society and achieve sustainable development goals in the long-run. In addition, the study can also provide valuable references to the governments for policy adjustments and improvements.

## CSR and CSD Related to Government Policies in the Gambling Industry

Corporate social responsibility (CSR) was firstly defined by Bowen (1953) as the obligation of a corporation to pursue its policies, to make its decisions, or to follow its lines of action desirably in terms of the objectives and values of the society (Carroll, 1999). As time goes by, more and more scholars, authorities, and organizations define CSR in various ways. Dahlsrud (2006) compared and contrasted 37 definitions of CSR. He found that the CSR definition suggested by the Commission of the European Communities (2001, p. 6) was the most widely adopted one. It 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*".

The increase in CSR studies is partially caused by the gradual increase in the reporting of CSR. According to a KPMG report (2011), 95 percent of the largest global 250 companies in the world have disclosed their social responsibilities and this kind of reporting is often known as "Corporate Social Disclosure (CSD)". Although CSD shows a growing trend, the pressure of companies to disclose their CSR activities mainly comes from two stakeholder groups, namely the general public and the government regulatory agencies. CSD is believed to be an attempt to counteract the prevailing belief, especially the belief from these two parties, that many business actions are illegitimate (Abbott and Monsen, 1979).

The Macau Government released the "mid-term" review report of the local gambling industry in May 2015 to examine the overall impact made on the industry after its liberalization in 2001. This report has included many non-financial indicators such as the effort in developing non-gambling attractions and compliance with laws and regulations. However, in the report, there was no comprehensive evaluation on the CSR performance regarding the requirement specified in the concessionary contracts signed

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