

Is Strategic Posture and Economic Performance the Determinant of Corporate Social Responsibility Disclosure? Empirical Evidence from Indonesia

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Abstract:

This study aimed at testing the role of strategic posture and economic performance as the determinants in corporate social responsibility disclosure. The disclosure of the social corporate responsibility is interesting to investigate since it can lead to explanation on the corporate determinant to conduct the social responsibility disclosure using stakeholder theory application. This study involved 181 companies that have already administered the social corporate responsibility disclosure in 2013 to participate as the sample of this study. The sampling technique was done using purposive sampling method. The result of this study shows that the strategic posture positively influences the corporate social responsibility disclosure. Similar to it, the economic performance also has a positive influence to the corporate social responsibility disclosure.

Keywords: *corporate social responsibility disclosure, stakeholder theory, strategic posture, and economic performance*

1. INTRODUCTION

Background of the Study

Corporate social responsibility is an important responsibility of companies in this global era. Companies or corporations cannot only take benefit from their business but they should also fulfill their responsibility to the society in order to maintain their business. The corporate social responsibility plays a crucial strategy for the business for it is able to improve the performance of the company (Waddock dan Graves, 1997).

Stakeholder theory was implemented in this study in order to draw a perspective that companies as business entities should not be egoistic, instead, they should concern about the needs of the stakeholders. Russouw (2008) stated that different needs among the stakeholder motivate the companies to fulfill the corporate social responsibility disclosure.

Strategic posture is the head of the unit that takes the responsibility in helping the companies in disclosing the corporate social responsibility (Huang and Waston, 2015). This unit was intended to take care of matters related to the environment and society that motivates the companies to facilitate activities and disclose their social corporate responsibility.

Economic performance shows companies' ability to manage their enterprises seen from the economics point of view. The economic performance is reflected by the companies' competence to earn economic values and to distribute the values to the stakeholders. At this state, the companies are said to be capable to grant the stakeholders' demands. Good economic performance motivates the companies to disclose the corporate social responsibility (Kartadjudena, Hadi, dan Budiono, 2011).

2. REVIEW OF RELATED LITERATURE

2.1 Corporate Social Responsibility Disclosure

Corporate social responsibility disclosure is the information about the activities related to the companies' responsibility to the society and the environment. This information is quite crucial to the companies as well as to the stakeholders that are closely related to the enterprise. The disclosure of the corporate social responsibility can play a strategic role to the enterprise (Jitaree, 2015).

Information on the corporate social responsibility disclosure is able to gain trusts from internal and external parties related to the companies' financial reports as the consideration to take actions (Hejati and Hesari, 2012). Cui and Na (2012) explained that the corporate social responsibility disclosure improves users' trust that decreases the asymmetrical information between the companies and the stakeholders.

2.2 Stakeholder Theory

Stakeholder theory is a theory that relates organization units and their surroundings including the internal and external parties. Stakeholder theory is defined by Branco and Rodrigues (2007) as a point of view from which companies see not only from the shareholder side but also from other sides of stakeholders. The stakeholder theory was also defined by Friedman and Miles (2002) as a threshold point among the corporate management, corporate social performance and business ethics. Those definitions show that companies in running their business should concern about the parties that share interests with the companies in order to maintain the balance share point between the companies and the stakeholders.

Stakeholder theory also directs the corporate to fulfill the interests of the stakeholders (Rossouw, 2008). The companies should give well treatment to either the profit-oriented stakeholders or other stakeholders such as government, consumers, investors, suppliers, employees and managers.

2.3 Strategic Posture

Of the companies policies is the seriousness of the corporations in fulfilling their social responsibilities. The establishment of strategic posture is a reflection of corporations' policies. Strategic posture is a special unit that manages the corporate social responsibilities of the company that is important to the glibness of the enterprises in taking care the social responsibility matters. Klassen and McLagughlin (1996) stated that companies that have strategic posture will be able to decrease negative risks related the society and environment.

An active strategic posture determines the companies' competence to provide information related to corporate social responsibility disclosure to the stakeholders (Magness, 2006). The strategic posture will be

able to motivate companies to administer social activities and corporate social responsibility disclosure in the most transparent and accountable way.

2.4 Economic Performance

Excellent economic performance shows the competence of the corporation in conducting good management of the company. Corporations with good economic performance have enough financial resources to use for investment. The social responsibility is also a corporate investment since the corporate social responsibility needs funding. Companies always work to achieve excellent economic performance to be able to fulfill the corporate social responsibilities.

The role of the managers is also crucial in allocating the fund to administer social related activities (Balabarnis, Philips and Lyall, 1998). The social activities are various as the entity of the corporate social responsibility in fulfilling the needs of the stakeholder.

3. HYPOTHESIS CONSTRUCTION

3.1 Strategic Posture and Corporate Social Responsibility Disclosure

The active role of the strategic posture determines the success of the activities of corporate social responsibility disclosure. Managers play important roles to maintain good relationship between the organization and the stakeholders. The activities of the strategic posture are classified into active and passive strategic posture. The active strategic posture actively responds to the various needs of the stakeholders through corporate social responsibility disclosure.

Companies with active strategic posture will be able to maintain the success of the enterprise. The more active the strategic posture, the higher the motivation of the corporation to disclose the corporate social responsibility. The result of the studies conducted by Ulman (1985), Robert (1992) and Chui Wang (2014) showed that active strategic posture influenced the disclosure or the corporate social responsibility.

Chief Sustainability Officers (CSOs) are employed to measure the success of the strategic posture in this study. CSOs as the strategic posture helps the corporation to stay committed that improves the sustainability of the company through the corporate social responsibility disclosure. The more active the CSOs, the higher the motivation to fulfill the social related duties of the company. Based on the explanation, the hypothesis was formulated as follows.

H1 : Strategic posture positively influence the corporate social responsibility disclosure.

3.2 Economic Performance and Social Responsibility Disclosure

The operational of corporations is determined by the financial state of the company which is in line with Ullmann's framework (1985). When the economic performance increases, the profit is also increased. Thus, the company will be able to fulfill the duty to the stakeholders such as disclosing the corporate social responsibility.

The economic performance is the indicator of the financial state of companies. The better the economic performance, the better the financial state of the company. In this state, the company will be able to do the corporate social responsibility disclosure. Results from the studies conducted by Robert (1992), Brammer and Palevin (2008), Chui and Wang (2014) strengthen the view on the positive influence of the economic performance to the corporate social responsibility disclosure. The higher the performance, the higher the corporate social responsibility disclosure.

The restrained economic values were used as the measurement of economic performance in this study. The restrained economic values showed the gap between the income of the corporation and the income distribution to the stakeholders (Global Reporting Initiative, 2010). Based on this reason, there hypothesis was formulated as follows.

H2 : Economic performance positively influences the corporate social responsibility disclosure.

4. RESEARCH METHOD

4.1 Types and Source of the Data

This study employed quantitative data which represents phenomena through numbers. This study used secondary data taken from the *Bursa Efek Indonesia (BEI)* including the corporate social responsibility disclosure report and financial report of the corporations.

4.2 Population and Sample of This Study

The population of this study were all the corporations that conducted the corporate social responsibility disclosure registered in *Bursa Efek Indonesia (BEI)*. The purposive sampling method was used to choose the sample based on certain criteria and judgment related to the view that the more sensitive the corporations to the environment, the higher the level of corporate social responsibility disclosure. There were 181 samples used in this study.

4.3 Method of Data Analysis

This study employed the General Least Square (GLS) method using Eviews 8 to for estimation and data analysis. The GLS have some advantages than OLS for its ability to accommodate classical violations. White Heteroskedasticity-Consistent Standard Errors and Covariance were used in the GLS in order to avoid problems related to heteroskedasticity. In line with the White method, this method did not require assumptions toward the normality of the distraction variables as proposed by White (1980). Therefore, the GLS method created Best Linier Unbiased Estimator (BLUE) estimations, Gujarati (2003).

5. HYPOTHESIS TESTING

Hypothesis testing 1 (H1): The Influence of Strategic Posture to Corporate Social Responsibility Disclosure

The testing of hypothesis 1 (H1) was intended to provide empirical proof of the influence of strategic posture to the corporate social responsibility disclosure. Table I shows the coefficient value was 0.114 while the t-statistic value was 288.32 with a probability of 0.000. It shows that the strategic posture positively influences the corporate social responsibility disclosure. Therefore, it can be concluded that Hypothesis 1 (H1) has been accepted.

Table 1. Effect of Strategic Posture on Corporate Social Responsibility Disclosure

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	Standard Error (STERR)	T Statistics (O/STERR)
SP->CSR	0.144	0.127	0,333	0.000396	288.32

Description: SP: Strategic Posture, CSR: Corporate Social Responsibility Disclosure

Hypothesis Testing2 (H2): The Influence of Economic Performance to Corporate Social Responsibility Disclosure

The testing of hypothesis 2 (H2) was intended to provide empirical proof of the influence of economic performance to the corporate social responsibility disclosure. Table I shows the coefficient value was 1.52E-14 while the t-statistic value was 154.06 with a probability of 0.000. It shows that the economic performance positively influences the corporate social responsibility disclosure. Therefore, it can be concluded that Hypothesis 2 (H2) has been accepted.

Table 2. Effect of Economic Performance on Corporate Social Responsibility Disclosure

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	Standard Error (STERR)	T Statistics (O/STERR)
EP->CSR	1,52E-14	63.695.10 ⁶	382.316.10 ⁶	9.89E-17	154.06

Description: EP: Economic Performance, CSR: Corporate Social Responsibility Disclosure

6. DISCUSSION

6.1 *The Influence of Strategic Posture to the Corporate Social Responsibility Disclosure*

The result of this study shows that the corporate social responsibility disclosure can be improved through strategic posture. This condition shows that the entity of the strategic posture will be able to control the management of corporate social responsibility disclosure.

This study explains that the strategic posture in companies functions to motivate the companies to fulfill their social responsibility duties. The active role of the strategic posture enables the companies to administer activities to fulfill the needs of the stakeholders by controlling the activities related to the corporate social responsibility. The stronger the role of the strategic posture, the better the motivation of the companies to complete their corporate social responsibility disclosure.

The result of this study supports the second model proposed by Ullman (1985) which states that the strategic posture plays a crucial key to the companies. The strategic posture reflects the companies' willingness to participate in social development in order to fulfill the needs of the stakeholders. It is done as a management strategy to grant the demands of the society. Active strategic posture will be able to manage the needs of the stakeholders better than passive ones. Thus, the entity of the strategic posture will be able to motivate the companies to disclose their social responsibilities to fulfill the needs of the stakeholders. This result also goes in line with the result of a study conducted by Robert (1992) stating that companies that own special department to take care of the social responsibilities have better performance on the corporate social responsibility disclosure. This implies that the role of the departments in the companies are the strategic postures that need to be given an active role to fulfill the needs of the stakeholders. Similar to the research finding of Elijido (2004), companies that adopt the passive strategic posture would not be able to fulfill the stakeholders' needs. On the other hand, beside active strategic posture fulfills the needs of the stakeholders, it also conducts the corporate social responsibility disclosure. This finding also supports the one proposed by Chui and Wang (2014) in Taiwan which states that the strategic posture positively influences the quality of the corporate social responsibility disclosure. Those explanation strengthens the view that the more active the strategic posture in a company, the better the quality of corporate social responsibility disclosure.

6.2 *The Influence of Economic Performance to Corporate Social Responsibility Disclosure*

This study resulted an empirical proof that corporate social responsibility disclosure can be improved through economic performance. It means that the higher the economic performance, then the higher the corporate social responsibility disclosure would be.

This view can be proven from the improvement on the profit of the companies as the effect of the improved economic performance. The improvement of the profit supports the glibness of the operational management of the company. Thus, the improved economic performance will motivate the company to disclose the corporate social responsibility. This action is taken to fulfill the needs of the stakeholders.

The result of this study also supports the third model proposed by Ullman (1985) that the improvement on the economic performance also improves the profit of the company, making it possible for the company to conduct corporate social responsibility disclosure. This result also goes in line with result of the research conducted by Robert (1992) which explains that the higher the economic performance shown by the return on equity (ROE), the higher the corporate social responsibility disclosure of a company. This view is also in line with Brammer and Pavelin (2008) and Chiu and Wng (2014) which state that economic performance have a positive influence toward the corporate social responsibility disclosure.

7. CONCLUSION & SUGGESTIONS

Conclusion

From the result of this study, it can be concluded that corporate social responsibility disclosure can be improved through an active role of strategic posture. An active strategic posture is able to manage the needs of the stakeholders and fulfill the needs by conducting social activities and corporate social responsibility disclosure. Therefore, the entity of strategic posture is a determinant to the corporate social responsibility disclosure.

The result of this study is an empirical proof that excellent economic performance improves the corporate social responsibility disclosure. Good economic performance also improves the profit which also

supports the operational management of the corporations. Thus, the economic performance is a determinant to corporate social responsibility disclosure.

There is a delimitation of this study. This study only investigated the internal factors of companies as determinants of corporate social responsibility disclosure. It has not yet tap on the influence of external factors such as the government policies, investors, creditors, and stakeholders to the corporate social responsibility disclosure. This study also only investigated corporations in Indonesia.

Suggestions

Future researcher may expand this study to tap on the external factors that might determine the corporate social responsibility disclosure such as government, creditors, investors, suppliers, Non-Governmental Organization (NGO) and other stakeholders. Investigations on the role of external stakeholders on the corporate social responsibility disclosure can give a clearer proof if external stakeholders play certain role in corporate social responsibility disclosure. In addition, future researchers are encouraged to involve other companies abroad to provide stronger proof on the determinant factors of corporate social responsibility disclosure outside Indonesia.

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