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THE CASE OF BUILDING CORPORATE SOCIAL GOALS IN INDONESIAN CORPORATE TO EMBRACE CORPORATE SOCIAL RESPONSIBILITY IN DEVELOPING ECONOMIES

ISKANDAR SIREGAR[1], KARIM SALEH[2], AND SANUSI FATTAH[3]

[1]Doctoral Student, Postgraduate Program in Economics, Hasanuddin University, Makassar, Indonesia
[2]Professor, Faculty of Economics and Business, Hasanuddin University, Makassar, Indonesia
[3]Assistant Professor, Faculty of Economics and Business, Hasanuddin University, Makassar, Indonesia

ABSTRACT

The basis of corporate responsibility has reached a new level with the transition from the question of why corporations must be socially responsible to that of how they can become socially responsible. At this level, issues of Ccorporate social Rresponsibility are being integrated into the core policy objectives of global companies which are also moving beyond their individual business initiatives. A steps to identify former research on Corporate Social Responsibility is needed from former research so that companies in Indonesia could have a better change to contribute to building better societies, and they should therefore integrate social concerns into their Corporate Social Goals, core strategies and consider the full extent of their impact on communities. In the process, social audits could also help Indonesian company identify opportunities for reducing company risk, increasing process efficiency, introducing innovative practices, and strengthening management controls.

Key Words: Corporate Social Responsibility, Developing Economies, Indonesia, Corporate Social Goals, Social Audit

1. INTRODUCTION

Strong and developing economies have begun incorporating Ccorporate Ssocial Rresponsibility principles within their socio-economic strategies and are also integrating these principles into the very fabric of their national economies (Zadek, 2001). Unlike the strong and developing economies, this reform has not been reflected in Indonesian corporate, where civil society groups are unorganised, regulatory agencies are either ineffective or corrupt, consumers are not adequately informed regarding their rights and abilities and the media and NGOs do not mirror the corporate conscience.

Criticisms of the notion that companies should live up to and act in accordance with their social responsibilities, are probably as old as the idea itself. For a long time, economists in particular have fiercely argued against the concept of Corporate Social Responsibility and warned that it would endanger the capitalist market system as a whole. Consequently, Corporate Social Responsibility have developed into highly debated and well-researched internationally.

This debate comes from the many definitions of Corporate Social Responsibility, for example Marrewijk (2003) summarizes several different views of Corporate Social Responsibility which leads to different definitions. According to him, there are three different views of Corporate Social Responsibility: the shareholder approach, the stakeholder approach, and the societal approach. The shareholder view is a profit-oriented (with maximum financial returns to shareholders), and it does not consider that social responsibility belongs to the domain of corporations and Corporate Social Responsibility is considered only if it is in support for the long term business goal.

Moreover, Marrewijck (2003) propose the third view, the stakeholder approach views, that corporations have to balance the effect of business with the interests of all stakeholders. And finally, the societal approach offers a broader Corporate Social Responsibility view which considers that corporations are responsible to the society since they are the integral part of the society.

Different views come from Garriga and Mele (2004), which propose mapping theories on Corporate Social Responsibility. They identify that Corporate Social Responsibility approaches can be grouped into four theories, namely instrumental

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theories, political theories, integrative theories and ethical theories. Instrumental theories view Corporate Social Responsibility as a mere tool to achieve an economic objective or wealth creation – similar to what the Marrewijk's term as the shareholder approach. Political theories such as corporate constitutionalism and corporate citizenship theories concentrate on relationship between business and society in term of power and position of business and its responsibility in society.

The third theories from Garriga and Mele (2004), integrative theories, see that business is an integral part of society, hence needs to incorporate social demands. It is within these theories' domains that the Marrewijk's term of the stakeholder approach and the societal approach reside. And finally, Ethical theories are concerned with ethical requirements for business operating in society. Businesses have to operate in an ethical manner to achieve a good society.

The emerge of this different viewpoint of Corporate Social Responsibility is not surprising, because the idea have just began to take recognizable shape in the third decade of the 20th century (Frederick 1994). According to him, some social theorists claimed that the debate on the issue had possibly started as early as 1913. By the mid-1920s, the business community had acknowledged the need for the corporate directors to act as trustees for the interests, not only of the stockholders, but also of the other social claimants.

The fundamental idea embedded in Corporate Social Responsibility is that business corporations have an obligation to work for social betterment (Davis et al. 1980; Frederick 1994; Davis and Blomstrom 1996). One of the most powerful arguments for Corporate Social Responsibility is that public expectations for business have changed (Anshen 1980; Davis and Blomstrom 1996). It is maintained that the business organisation exists only because it satisfies valuable needs of society.

Society bequests business its charter to exist and that charter can be rescinded at any time if it fails to live up to society's expectations. For that reason, if business wishes to stay viable in the long run, it must come to terms with the society's needs and demands. Caroll (1991) provides a summary of evolution of Corporate Social Responsibility and then offers an approach viewing Corporate Social Responsibility components using a pyramid. There are four responsibility components that compose Corporate Social Responsibility: economics responsibility, legal responsibility, ethical responsibility and the last one is philanthropic responsibility.

This has put some developing economies such as those of Thailand and Indonesia also recently revised their company-related legislation. For details, see the Companies Act 2007 (Sri Lanka), the Nepal Companies Act 1991 (Nepal), the Companies Ordinance 1984 (Pakistan), the Companies Act of Republic of Maldives 1996 (Maldives), the Thailand's Public Limited Companies Act of 1992 (Thailand), Companies Act of the Kingdom of Bhutan 2000 (Bhutan), the Companies Act 1994 (Bangladesh), the Limited Liability Companies Act 2007 (Indonesia).

In Indonesia, as in the case of other developed economies, the ethos of Ccorporate Ssocial Rresponsibility has not been suitably incorporated into Indonesian Corporate. Hence, in Indonesia, corporation does not contribute greatly to social development. Generally, in labour-intensive weak economies where the presence of Ccorporate Ssocial Rresponsibility-driven social coalition is sparse, NGOs and media do not reflect corporate conscience and regulatory strategies do not possess the required features to ensure corporate societies' long-term commitment to stakeholder accountability, corporate self-regulation does not seem to contain the core principles of Ccorporate Ssocial Rresponsibility.

In these circumstances, some developing economies are attempting to incorporate Corporate Social Responsibility principles into the core of their corporate regulations and are adopting different regulatory strategies to this end. They are reforming their main corporate laws and regulations to assist corporate management to relate Corporate Social Responsibility principles to their self-regulation.

For instance, Indonesia and Ghana have reportedly incorporated Corporate Social Responsibility issues in their company and labour laws. For instance, Article 74 of the Limited Liabilities Companies Act 2007 (Indonesia) denotes how companies should incorporate Corporate Social Responsibility principles in their internal regulation. Likewise, the Bursa Malaysia Corporate Social Responsibility Framework provides a set of guidelines for companies to develop their social responsibility-oriented strategies. Vietnam has taken different regulatory initiatives to boost the social responsibility of its companies, while India is considering an amendment of its company, mines

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and mineral-related laws to include Corporate Social Responsibility notions.

Two instances where India is actively considering the incorporation of Corporate Social Responsibility notions in corporate regulation through legislation are the Companies (Amendment) Bill 2009 (India) and the Mines and Minerals (Development and Regulation) Bill 2010 (India). For the Companies (Amendment) Bill 2009, (http://www.prsIndia.org/uploads/media/Company/Companies%202009.pdf at 8 June 2011; India Ccorporate Ssocial Responsibility, New Mining Bill Proposes 26 Percent Profit to Share, http://www.Indiacsr.in/article-1517-New-Mining-Bill-proposes-26-percent-Profit-to-share.html8June2011 at 8 June 2011.

Other developing economies are providing different incentives as well as making coercive measures to insist their companies be more inclined to participate in labour, environmental and community activities. They are providing the necessary directions through legal provisions and policies for developing multi-player activism in the corporate sector. As a result, economies like Singapore, Hong Kong, China and South Korea are becoming competitive with the strong economies in certain aspects of Ccorporate Social Responsibility.

Corporation in Indonesia, therefore seem very minimal in considering social responsibility issues as important in corporate self-regulation; they respond very poorly to their social responsibilities. In this situation, the laws and legal regulations related to corporate responsibilities are generally prescriptive and do not include the required strategies to compel Corporate Governance to embrace Corporate Social Responsibility notions within their core strategies.

Moreover, corporate social goals of major corporations in this country do not possess suitable features to consider stakeholders, other than government agencies and stockholders, within corporate self-regulation so that they could contribute to and monitor corporate compliance and performance (Siregar, 2016). This paper focused on how to establishing this corporate social goals in Indonesian Corporation as a way to enhance the implementation of Corporate Social Responsibility at large and to critically answer our research problem (Siregar, 2016) on whether the concept of Corporate Social Responsibility that come from developed economies could be implemented in developing economies in this case Indonesia by looking at previous research in developing economies particularly in Asian region.

Previous Corporate Social Responsibility Research in Asia

One of the objectives of this paper is to clarifying the feasibility of Corporate Social Responsibility in terms of *developing economies* at large and in particular Indonesia. Previous discussion shown that there is an extensive historical and generally highly critical debate in the development literature about the classification of countries as *developed* and *less developed* or *developing*. Without reviving that debate here, suffice to say that we use *developing economies* because it is still a popular term used to collectively describe nations that have relatively lower per capita incomes and are relatively less industrialized.

This is consistent with the United Nations Developments Program's in 2006 categorization in its summary statistics on human development and is best represented by the World Bank's classification of lower and middle income countries. It should be noted, however, that the UNDP's classification of high, medium and low development countries or economies produces a slightly different picture than the World Bank's list of which countries are developed and developing.

The rationale for focusing on Corporate Social Responsibility in developing economies as distinct from Corporate Social Responsibility in the developed world is fourfold. First, developing economies represent the most rapidly expanding economies, and hence the most lucrative growth markets for business. Second, developing economies are where the social and environmental crises are usually most acutely felt in the world. Moreover, developing countries are where globalization, economic growth, investment, and business activity are likely to have the most dramatic social and environmental impacts (both positive and negative). Finally, developing economies present a distinctive set of Corporate Social Responsibility agenda challenges which are collectively quite different to those faced in the developed world.

As Indonesia located in Asia, it is worthwhile to compare what have been found from previous research on Corporate Social Responsibility in Asia. Asia is the region most often covered in the literature on Corporate Social Responsibility in developing countries. The literature found that Corporate Social Responsibility performance varies

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greatly between countries in Asia, with a wide range of Corporate Social Responsibility issues being tackled (e.g. education, environment, employee welfare) and modes of action (e.g. foundations, volunteering, and partnerships).

A number of quantitative studies confirm this picture of Corporate Social Responsibility variance. In a survey of Corporate Social Responsibility reporting in Asia, Chapple and Moon (2005) find that nearly three- quarters of large companies in India present themselves as having Corporate Social Responsibility policies and practices versus only a quarter in Indonesia. Falling somewhere between these two extremes are Thailand (42%), Malaysia (32%), and the Philippines (30%).

Moon (2005) findings is inline with Iskandar research in Indonesia (2016), as they also infer from the research that the evolution of Corporate Social Responsibility in Asia tends to occur in three waves, with community involvement being the most established form of Corporate Social Responsibility, following by successive second and third waves of socially responsible production processes and employee relations. In a comparative survey of Corporate Social Responsibility in 15 countries across Europe, North America, and Asia, Welford (2005) speculates that the low response rates from countries like Hong Kong, Malaysia, Mexico, and Thailand may in itself be an indicator of Corporate Social Responsibility being less prevalent in developing countries.

This seems to be borne out by the research findings, in which these countries fairly consistently underperform when compared with developed countries across 20 aspects of Corporate Social Responsibility measured by the survey. More specifically, Malaysia is generally the weakest in terms of Corporate Social Responsibility performance, with Thailand being relatively strong on external aspects (such as child labor and ethics) and Hong Kong being generally better on internal aspects (such as non-discrimination and equal opportunities).

The adoption of Corporate Social Responsibility in Indonesia was relatively low compared to neighbouring countries. During the Soeharto regime, besides the multinational companies, the majority of big businesses were controlled by the state, the military or his cronies. Exploitation of labour (low wage, unfair treatment) as well as environment (pollution, deforestation) was a common practice, and there was not much Corporate Social Responsibility practised (Kemp 2001; Koestoer 2007). A seven-country study by Chapple and Moon (2005) found that the penetration of Corporate Social Responsibility reporting in the seven countries in Asia was low (average 41 %) compared to UK (98 %) and the penetration in Indonesia is the lowest (24 %).

The low penetration of Corporate Social Responsibility in Indonesia during 1990s and early 2000s can be understood since Corporate Social Responsibility was an alien concept to Indonesian companies, including the state owned companies, even though charity or philanthropic activities were a common practice. According to Koestoer (2007) Corporate Social Responsibility adoption by Indonesian companies was initiated by multinational companies after major cases of labour and human right issues on Nike and Levi Strauss in 1992.

There was a great hope during the post Soeharto era (Reformation) in 2000s. With more democratic government at all levels and the decentralization of the political system in which municipalities (Kabupaten) have more to say, it has empowered people to participate in decision making, including monitoring of companies if they operate irresponsibly to the environment and society. This development has contributed to the greater adoption of Corporate Social Responsibility in Indonesia.

Indonesia is the most populous Muslim country with the island of Bali having a majority of Hindus. With the increasing number of committed Muslims in the middle class as well as the increasing number of committed Muslims holding important leadership positions, the pressure to adopt Islamic values in business is strong. The Islamic Law (Shariah) clearly regulates how business must be conducted. Zinkin and Williams (2006) conducted study of compatibility between the tenets of Islam and the UN Global Compact. The result of the study shows that the tenets of Islam (in this case the tenets are tightly related to principles of Islamic Ethics) are highly compatible with the UN Global Compact.

The strong movement of Corporate Social Responsibility reached to The House of Representatives in 2007. On 16 August 2007, the House enacted Corporate Social Responsibility /sustainability legislation (Company Law Number 40/2007), the first Corporate Social Responsibility /sustainability law in the world. Initially (the first

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draft) the law requires (mandatory) all Limited Liability Companies to disclose
their Corporate Social Responsibility /sustainability activities; however there was a strong rejection from the business community. The draft of the law was revised and the law was passed with a narrower scope, which only applied to the natural resources companies to disclose their Corporate Social Responsibility /sustainability activities (ACCA, 2010).

Many companies were unhappy with the law. They argued that Corporate Social Responsibility must be conducted on a voluntary basis. In 2009, the law was challenged in the Constitutional Court (MK) but the law was supported by the MK. The chair of MK (Mahfud M.D.) stated that "Environmental damage in Indonesia has reached a critical level. . . It's time for the state, along with society and businesses, to be responsible for the negative impacts of the damage." (The Jakarta Post, 4/16/2009).

Recently, there are growing numbers of organisations (NGOs) that contribute to the development of Corporate Social Responsibility or sustainability in Indonesia. KEHATI (The Indonesian Biodiversity Foundation) collaborates with The Indonesian Stock Exchange, introduced the first SRI index in South East Asia to track performance of companies in social and environmental concerns in 2009. The Indonesian Institute of Accountant – Management Accountant Compartment (IAIKAM) introduced award for sustainability reporting and National Centre for Sustainability Reporting (NCSR) and the Forum for Corporate Governance in Indonesia (FCGI) encourages companies on sustainability reporting (CSR Asia 2010).

Recent study on sustainability in Asia (Read-Brown et al. 2010) reveals that the Indonesia's position is high, ranking third among ten Asian countries in general category (China, Hong Kong, India, Indonesia, Malaysia, Philippines, Singapore, South Korea, Taiwan and Thailand) and ranking sixth on overall. This high position may be highly related to the law mentioned above that requires resources-based Limited Liability companies to disclose their Corporate Social Responsibility /sustainability report within their annual report. The study further revealed that companies in Indonesia scored well on community investment although most of the community activities were philanthropic-based activities.

Koestoer (2007) asserted that many companies in Indonesia, both local and multinational companies, have demonstrated that Corporate Social Responsibility supports business sustainability. In other words, being socially responsible is good for business or being socially responsible will help companies to market their products and build their reliable workforce. Last but not least, Corporate Social Responsibility will also help companies to build trust in their business dealings.

Establishing Corporate Social Goals in Indonesian Corporation

Earlier in this paper, we found that In Indonesia particularly and the developing economies, Corporate Social Responsibility is not sufficiently focused on the development of self-regulated social, environmental and ethical corporate responsibilities. Corporate Social Responsibility does not nurture internal regulations based on any established concept. Due to the absence of a socially responsible corporate culture, companies often consider their social, environmental and ethical responsibilities as peripheral issues.

Subsumed under the umbrella term Corporate Social Responsibility, the assumed duties of business in society have been an increasingly debated topic (Crane et al, 2008; Crane and Matten, 2004; Kakabadse and Morsing, 2006; Werther and Chandler, 2006). Especially within the scientific discussion, two contradicting positions can be distinguished: on the one hand, there is the argument that resources spent on other than economic goals are an illegitimate waste of resources, because they are contradictory to a firm's responsibility to its shareholders and therefore even to the very function of business in modern societies (Levitt; 1958; Friedman, 1962; Friedman, 1970; Jensen, 2002; Henderson, 2001; Sundaram and Inkpen, 2004).

On the other hand, proponents of Corporate Social Responsibility try to champion their idea by emphasising the so-called business case for Corporate Social Responsibility. Arguing that Corporate Social Responsibility can come along with certain benefits that might outweigh its costs, they see Corporate Social Responsibility engagement as a necessity for business, not least for the sake of its own economic interest (Bowen, 1953; Brown and Fraser, 2006; Drucker, 1984; Freeman, 1984; Kotler and Lee, 2005; Mintzberg, 1983; Porter and Kramer, 2006; Utting, 2005; World Business Council for Sustainable Development, 2000).

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This notion is of particular importance, because if Corporate Social Responsibility and profit maximising interests could indeed be shown to go hand in hand, two conflicts could be resolved. First, on a conceptual level, (economists') arguments against Corporate Social Responsibility as an illegitimate expenditure would lose their basis and two conflicting positions would eventually be united. Second, managers in practice could justify Corporate Social Responsibility expenses to the shareholders not only due to their moral quality but also with reference to their economic benefits.

Similarly, investors would not have to worry about a trade-off between their hope for a maximum return on their investment on the one hand, and their ethical considerations on the other. However, as long as this parallelism of societal engagement and private business interests lacks empirical support, it risks corresponding to its advocates' wishful thinking rather than to a reliable fact that can serve as the ground for management decisions.

Consequently, a profound understanding of CSR's economic impacts is highly relevant to both academic debate as well as practice. Considering the above said, talking about 'economic impacts' only refers to effects on the firm level, not all (macro-) economic effects possibly conceivable. Hence the role of Corporate Social Responsibility in the development of a socially responsible corporate culture is minimally present in the world including Indonesia. There is no systematic approach to ensure the fulfillment of Corporate Social Responsibility.

For instance, the Indonesian companies who are suppliers in the global supply chain are, however, meeting some moderate social and environmental responsibilities (where compliance is required). Their expenses for maintaining compliance are high and are not sustainable since their governance and internal strategies are not focused enough to allow them to develop a self-regulated responsibility system that would enable them to meet these practices more easily and in a cost-effective manner (Hamel and Prahalad, 1990).

For an instance, Indonesian laws and legal regulation relating to corporate regulation are of a prescriptive nature and do not contribute to developing a culture sensitive to Corporate Social Responsibility. These laws happen to be less effective in developing social responsibility in corporate plans and do not provide the required scope for external stakeholders to assess the performance of corporate self-regulation, especially in the absence of effective monitoring agencies and organized civil society drivers that could be considered as complementary to formal legislation.

In retrospect, the instances of unethical business operation, industrial pollution, labour agitation, and mistrust in the corporate strategies are on the increase in the country. Indeed, the very idea that the law might force companies to be socially responsible is problematic, especially between the proponents of a 'post-regulatory' world and an increased demand for socially responsible corporate regulations (Zerk, 2006).

Simply put, a 'post-regulatory world' indicates the decrease of state-promulgated regulations and the rise of private ordering systems throughout the world. State authority is not at the centre of this regulatory system; rather, it is a joint effort in which private parties play an important part in the dominant mode of regulation in all aspects within a country, including its international affairs. In these circumstances, governments create less legislation and depend more on private parties (Black, 2002; Scott, 2004).

Under these circumstances, scholarly evidence and best practice suggests that regulators should use a mix of strategies to improve the implementation of Corporate Social Responsibility in companies, rather than relying on any single strategy (May, 2005; Winter and May, 2001; Hutter, 2006; Nagarajan, 2008). This approach should attempt to link social values to economic incentives and disincentives, and indirectly influence Indonesian Company to incorporate Corporate Social Responsibility principles through self-regulation.

In most major developed economies, this self-regulated responsibility helps to create a more socially responsible corporate culture as their corporate governance is in a stronger position to persuade management to more fully embrace the principles of Corporate Social Responsibility as part of their core strategies. However, in developing economies, such as Indonesia and Malaysia, the degree to which the ethos of Corporate Social Responsibility has turned corporate governance towards their social responsibilities needs to be explicated in their culture.

Corporate culture is defined as the set of common values, attitudes, and behaviors which are perceived as being those of the organization (Deal and Kennedy, 1982). As with other cultures,

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corporate culture is taught to employees both explicitly and by example. Corporate values and attitudes include ethical standards, flexibility of management, creativity of employees, the need for compliance with the law, and concern for public welfare and Corporate Social Responsibility.Organizations generally attempt to hire those individuals who fit well into their corporate culture.

This virtually guarantees the continuance Corporate Social Responsibility in companies culture. However, this proofen to be difficult indeed as international organizations sometimes run into problems when they attempt to extend their corporate culture to overseas operations (Hofstede, 2001). Conflict may occur between the corporate culture and that of the host country culture. Companies which have carried out international operations over extended periods of time generally begin to see their corporate culture become more cosmopolitan.

Indeed, very little is known of the convergence of corporate culture and Corporate Social Responsibility in Indonesia. Most of the scholars have highlighted this convergence from the perspective of strong economies, while the research of this convergence in weak economy context could also provide valuable insights.

Given the lack of effective legal strategies and other non-legal drivers necessary for incorporating the ethos of Corporate Social Responsibility into companies, corporate self-regulation in Indonesia are not contributing adequately to the development of a socially responsible corporate culture. The corporate attitude in these economies towards social responsibility seems to be that ‘we are complying with all the rules and regulations but we do not need to disclose’ (Marrewijck, 2003).

Corporate directors and managers argue that they should be trusted, since they believe themselves to be the sole agents necessary to develop their social responsibilities. However, this corporate attitude does not reflect the management strategies of most of the companies in these economies. For instance a preliminary research conducted in Indonesia has come to this conclusion, finding that even company owners and directors do not fully understand the notions of corporate self-regulation and Corporate Social Responsibility. Their social, environmental and ethical performance has become a concern for investors, buyers, consumers and other local stakeholders (Valor, 2005).

The way a company handles stakeholders' expectations can have varying affects on the company's bottom line and its impact to the society at a whole. For example, in the USA Johns Manville was forced into bankruptcy by thousands of lawsuits claiming not only that John Manville had sold defective products that contained asbestos, but that the managers had known as early as the 1930s that exposure to asbestos was potentially life-threatening (Depree & Jude, 1995).

On the other hand, companies, such as Ben & Jerry's and the Body Shop, which pride themselves on being socially responsible businesses have been forced by increased competition to abandon some of their social strategies (Kaufman Rosen, 1994). Managers nowadays must predict social trends as well as financial trends to identify potentially embarrassing and costly liabilities. At the same time, managers must balance social and financial goals of a company to remain competitive, especially when expected changes seem to come from the employees, consumers, and government agencies.

Of the numerous issues related to Corporate Social Responsibility, five have been dominant: community relations, employee relations, environment, product, and women/minority (Lydenburg & Kurtz, 1992). To assess what importance should be placed on the various Corporate Social Responsibility issues, a company must first identify its stakeholders. For community and employee relations, stakeholders may consider their importance to be the same across industries, while the importance of other issues may vary by industry.

The way these social issues are viewed may also be related to the socioeconomic characteristics of the stakeholders. In a survey on product safety and product liability issues, consumers' perception of product issues were found to be related to their education, occupation, and income level (Darden et al., 1994). Understanding how stakeholders within each industry perceive these social issues is necessary in order to prioritize Corporate Social Goals and to ensure appropriate allocation of scarce resources to these Corporate Social Goals according to the need of their stakeholders.

Cases from developed economies have shown that since the late 17th century, Corporate Social Responsibility has been used strategically to improve employee’s productivity and increase market share by making investments in health, welfare, skills, and education (Hall, 1989). For

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example, when Julius Rosenwald took over Sear, Roebuck he recognized that he needed a healthy farm community to prosper (Drucker, 1989). Rosenwald's "farm agent" provided farmers with a means to education and modern farming methods which ultimately lead to increasing the farmers' buying power.

More recently, companies are realizing financial benefits by developing environmental compliance programs. 3M, Inc., for example, conducted an environmental compliance audit, and as a result made modifications to its processes and materials which saved the company approximately $570 million in pollution controls and operating costs (Garvin, 1993). Philanthropy is another area where companies are developing strategies to invest in causes such as education, research, the environment, and civil justice systems which will reap future financial benefits. For instance, Cray Research Corp. spends three-fourths of its donations on education with a focus in math and science (Zetlin, 1990). To summarize, developing strategies that integrate the need of their stakeholders to their Corporate Social Goals and management goals, companies can act socially responsible without sacrificing profitability.

During the 1970s, numerous forms of social audits were proposed ranging widely in scope, intent, and performance measures. For instance, Abt Associates marketed a social audit that focused on "the relative costs of different equally desirable social programs, or the relative degree to which different social programs satisfy a given constituency for the same cost" (Abt, 1972, p. 41). These early social audits were focused primarily on measuring and reporting the costs and benefits of expenditures on social issues that suits stakeholder needs.

Recent social audits have changed in focus to evaluate corporate social performance in terms of cost reduction, enhanced product quality, liability reduction, improved operational efficiency, legal protection, and public relations. Largely driven by the increase in environmental legislation, most of today's social audits are environmental audits. One exception is a Boston consulting firm, Smith Obrien, which is currently piloting a social audit that looks at five operating areas: environmental protection and energy reduction, manufacturing, product/service quality, employee relations, and corporate community practices. Their audit focuses on balancing the financial, social, and environmental goals of a company.

For social audits in Indonesian corporation to be effective and efficient, Board of Directors need to develop social measures that tie in with a company's stated goals and to incorporate these measures into the management information system. Currently, companies are experimenting with integrating social issues, albeit primarily environmental issues, into their cost accounting systems in order to evaluate social costs using several techniques, such as activity-based costing, total cost assessment, and life cycle assessment (Skalak et al., 1993/94).

1. Although other managers will likely play a larger role in identifying social issues than the Board of Directors, Board of Directors are beginning to play a role in identifying environmental issues due to the increase in environmental reporting regulations. Their role is particularly important because they need to set an example of Corporate Social Responsibility that is suitable to be measured financially and accountably responsible by an auditor. This in in line with Rittenberg et al. (1992), "internal auditors will be increasingly called on to evaluate both (1) the entity's compliance with applicable environmental laws and regulations and (2) the entity's potential exposure to existing environmental cleanup provisions" (1992, p. 13).

2. Furthermore, the development of social strategies should be addressed by teams consisting of representatives from the various company functions, such as engineering, operations, accounting, marketing, human resource management, environmental affairs, and possibly outside experts. Kaplan & Norton's balanced scorecard, may be one technique that could be used to evaluate the successful implementation of various strategies (Kaplan & Norton, 1992). The balanced scorecard recognizes that managers need both financial and operational measures to be effective. While their model focuses solely on customers, other stakeholder groups could be included.

3. To conclude, we view that Social Audits can identify opportunities for

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reducing company risk, increasing process efficiency, introducing innovative practices, and strengthening management controls. Although most large companies in Indonesia have implemented environmental audit programs, an increasing number of efforts to be made to incorporate Corporate Social Goals by using Social Audits by relying on consulting firms to perform Social Audits.

4. CONCLUSION

5. Despite the enigmatic problem faced by Asian Indonesian corporate, Corporate Social Responsibility is a strong component of new business and Corporate Governance models for long-termsustainability that must be included in their strategic operations. Corporate Social Responsibility embraces four core principles: societal, environmental, economic and stakeholder (Iskandar, 2016). The societal principle holds that companies should contribute to building better societies, and they should therefore integrate social concerns into their core strategies and consider the full extent of their impact on communities.

6. More particularly, this principle requires companies to uphold labour and human rights, and to engage with other relevant ethical issues (Garriga and Mele, 2004). The economic principle emphasises company efficiency in producing goods or providing services without violating social and environmental values. The environmental principle states that companies should not harm the environment in order to maximise their profits and they must take a strong role in repairing any environmental damage caused by their irresponsible use of natural resources (Zadek, 2002).

7. Finally, the stakeholder principle of Corporate Social Responsibility holds that companies should be responsible for considering the legitimate interests of their stakeholders. In short, Indonesian Board of Directors need to adopting Corporate Social Responsibility issues into their socio-economic strategies.

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