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The Effect of Stakeholder Power, Strategic Posture and Special Interest Group on CSR Disclosure

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Abstract
This study aim is to examine the effect of stakeholder powers, strategic posture and special interest group on CSR disclosure. The research population is all public companies listed in Indonesia Stock Exchange (IDX) for period 2011-2015. Total 362 samples were determined by purposive sampling method. Data was analyzed by regression analysis technique. The research findings show that stakeholder power decreases CSR disclosure. Adversely, strategic posture studies, and special interest groups increase CSR disclosure.

INTRODUCTION

The practice of corporate social responsibility (CSR) disclosure is closely related to firm value. CSR disclosure practices are Affected by several factors, such as management strategy and stakeholder interests (Misra and Suar, 2010; and Yin, Rothlin, and Caccamo, 2013). Secondary stakeholders are a determinant in social disclosure practices (Thijssens, 2015).

The researches of social responsibility disclosure by Ullman (1985), Robert (1992), and Chiu and Wang (2014) show that stakeholder power, strategic posture, and economic performance become determinants of CSR disclosure practices. This study results reinforce that different stakeholders interests determine company to carry out the social responsibility disclosure. Empirical studies of companies listed in China show that government pressure has a significant positive effect, while shareholder pressures and creditor pressures have no significant effect on CSR disclosure (Liu and Anbumozi, 2009).

The firm size and high levels of pollution increase the disclosure of environmental information while profitability lowers disclosure (Tang and Luo, 2010). Halkos and Skouloudis (2015) explained the determinants of corporate social responsibility in Greece in business sector. The results show that corporate social responsibility depends on size of organization and internalization level but not dependent on profit. Large companies or government-owned companies in Thailand tend to disclose corporate social responsibility. This is because the government serves the community. The visibility of company does not determine the company's corporate social responsibility (Wuttichindanon, 2017). The disclosure factors and its effect on corporate value are important because the research results produce different results.

The first factor is stakeholders power, in this case the government and creditors as the stakeholders power. The government has the power to implement the CSR disclosure. Government Intervention through the Income Tax Law no. 36 year 2009 allows the social responsibilities expenditure to be deducted from taxable income. Political costs hypothesis developed by Watts and Zimmerman (1978) indicates that firms carry out social responsibility activities as political costs to facilitate income tax incentives. Therefore, it will encourage companies to implement corporate social responsibility (Mangoting, 2007). Creditors have power in form of controlling financial resources for operational Sustainability and capital structure of company. The company's dependence on creditors will motivate the company to increase revenue (debt / equity hypothesis) (Deegan and Unerman (2006: 210). One strategy undertaken is to carry out activities and CSR disclosure in order to provide trust to creditors to improve performance (Lee, Seo, and Sharma, 2013), so there is certainty for creditors to pay their receivables.

The second factor is strategic posture, such as Chief Sustainability Officers or (CSOs) will help companies to implement and disclose social responsibility (Huang and Waston, 2015). This unit deals specifically with corporate social responsibility, so its existence will motivate the company to carry out the corporate social responsibility. The various forms of social responsibility in strategic posture aim to improve economic performance.

The special interest group is the third factor that become novelty of this research. Special interest groups are stakeholders representing the public interest in company for implementation of CSR disclosure. This group will conduct an assessment of implementation of CSR disclosure to increase public trust in company (Hussainey and Razik, 2011).

This study examines the four motivation factors of companies to implement social responsibility disclosure by adding special interest groups as other stakeholder interest factor. This is necessary because special interest groups have power to affect the community as one of stakeholders to give trust to company. This study aims to examine the factors that affect the firm value. This research should contribute to enrich CSR literature in Indonesia.

BASIS THEORY AND HYPOTHESES

CSR disclosure

The corporate social responsibility is information of company's condition related to social and environmental activities. Such information is very important for companies and the stakeholders. Almost every major company has presented its CSR disclosure report both independently (stand-alone report) and integrated in annual report used as a corporate strategy (Jitaree, 2015).

Corporate social responsibility information strengthens the perception of external parties to company's financial statements. For example, investors will be taken into account it in decision making (Hejazi and Hesari, 2012). The corporate social responsibility will strengthen the trust of information users on company's condition and reduce the information asymmetry between the company and its stakeholders (Cui, Jo, and Na, 2012). Increasing corporate awareness of corporate social responsibility leads to the need for social disclosure standards. This condition encourages the development of standard forms of social disclosure adopted by companies (Paraschiv, Nemoianu, Langa, and Szabo, 2012).

Some developed standards are The United Nations Global Compact, Accountability 1000, Social Accountability 8000, and Global Reporting Initiative (Robins, 2005). The United Nations launched a Sustainability program to demonstrate the existence of a company in carrying out the corporate social responsibility. Standards measurement and reporting related to internal and external audits are developed by Accountability 1000, while Social Accountability 8000 focuses on auditing and certifying the corporate work practices. The Global Reporting Initiative (GRI) focuses on sustainable environmental, economic and social disclosure standards. The Global Reporting Initiative (GRI) development starts from G3 Global Reporting Initiative (GRI) G3, and Global Reporting Initiative (GRI) G1, and Global Reporting Initiative (GRI) G4. Nearly 1,800 companies from various countries have performed social disclosure responsibilities in 2010 (GRI, 2010).

The Stakeholders power

Stakeholders play a major role in company's survival because it has the power to affect companies with different capacities and interests. Government has the power to pressure the company through legislation issued to make companies take responsibility to the environment (Lu and Abeysekera, 2014; Albareda, 2007).

The government with stakeholder power will determine the activities of corporate social responsibility. Liu and Anbumonzi (2009) revealed that government power has a positive and significant effect on CSR disclosure. Such conditions provide an understanding that government as a regulator must be able to balance the society interests and government interests through the implementation of legislation by company.

Various interests of stakeholders become a power holder force to encourage companies to engage in social and environmental activities and disclosures. Ullmann (1985) has developed a corporate social responsibility within scope of stakeholders using the stakeholders power as one of its variables. The strength of stakeholders is seen as the stakeholders power to affect management in controlling their resources to meet the interests of different stakeholders. Different stakeholder interests are met through social responsibility activities and disclosure. This is reinforced by results of Robert (1992) and Mitchel, Agle, and Wood, 2007) that use the stakeholders power variable motivates the implementation of social responsibility disclosure. Therefore, Therefore, hypothesis 1 of this study is given below.

H1: The stakeholders power positively affects the corporate social responsibility disclosure.

Strategic Posture

Public trust in company will increase if the company meets the needs of community, such as the company's actions to carry out the social responsibility activities for business undertaken. The company's internal policy will determine the seriousness of company in managing its social responsibility activities. As the existence of a specialized unit that manages social responsibility will facilitate the company in carrying out its social responsibilities (Klassen and McLaughlin, 1996). Therefore, strategic posture is required for implementation of corporate social responsibility activities and disclosures.

The active role of strategic posture determines the company's strength in providing broad information to stakeholders regarding corporate responsibility to environment (Magness, 2006). Companies will be motivated to perform their social responsibilities well because the existing strategic posture will focus on performance of corporate social responsibility. The existence of strategic posture will improve the company's environmental reputation so that company can improve the performance of social responsibility. Hussaeny and Salma (2010) stated that increasing reputation of company's environment will be able to increase the share price to be used to predict future earnings.

Strategic posture plays a role in Sustainability and success of a company. It is understandable that an active strategic posture will take into account the interests of stakeholders by conducting and controlling the activities and corporate social responsibility to meet the interests of stakeholders. More active the strategic posture can increase the company's drive to carry out the corporate social responsibility. This is reinforced by research results from Ullman (1985), Robert (1992), Elijido (2004), and Chui and Wang (2014), that strategic posture positively affects the corporate social responsibility. Therefore, hypothesis 2 of this study is given below.

H2: Strategic posture positively affects the corporate social responsibility disclosure.

Special Groups of Interest

A special interest group is a group with an interest in company for corporate social responsibility. As a secondary stakeholder, a special interest group is pressuring the company to be socially and socially responsible for business (Clarkson 1995). As a representative of community a special group of stakeholders provides an assessment to company related to corporate social responsibility activities. The results of special interest group assessments can be used as dialogue between stakeholders and companies to create new creations by companies (Tokoro, 2007). Creations created by company for social responsibility activities are expected to enhance the company's reputation to improve the company's sales and performance. Therefore, the actions of special interest groups will motivate the company to carry out the CSR disclosure.

Both the assessment and dissemination of information made by special groups interest become a pressure for companies to increase corporate social responsibility and disclosure activities (Tilt, 1994). Better the special group assessment will increase the activity and CSR disclosure to meet the interests of stakeholders. The results of Clarkson (1995), Tokoro (2007), and Kochan (2014) reinforce the positive effect of special interest group on CSR disclosure. Therefore, hypothesis 4 of this study is given below.

H3: Special interest groups have a positive effect on corporate social responsibility disclosure.

RESEARCH METHODS

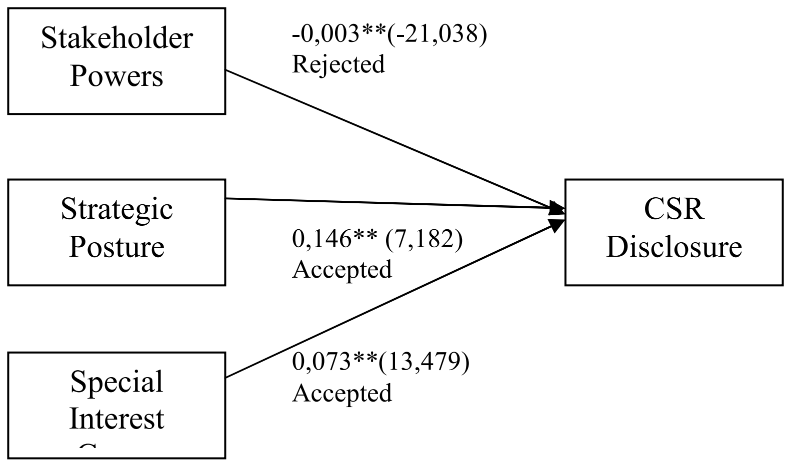
The study population is all public companies listed in Indonesia Stock Exchange (IDX) for period 2011-2015. The 362 samples are determined by using purposive sampling method with criterion based on judgment that company that is more sensitive to environment will have higher level of social responsibility disclosure. This will be able to provide an overview of population. The sample selection procedure is carried out with the following criteria:

1. The industry has a major effect on environment and society, because this has pressure both from society and government. Therefore, the higher the company's effect on environment will intensively engage in social responsibility. Industries with major environmental effects such as manufacturing, mining, property and real estate, infrastructure, agriculture, basic industries and chemicals, industry, utilities and transport have a high effect on environment. Companies in financial, insurance, trade, services and investment sectors are not included in research sample.
2. Industries that present CSR disclosure in annual reports, ongoing reports, or company websites during 2012-2013.
3. Industries that have complete variables in annual reports, ongoing reports and company websites.

The antecedent variables (KPK, PS, KE, and KKB) use year (t-1) data, i.e. 2011 and 2012 with 362 observations. Corporate disclosure uses data from 2012 and 2013 with 181 observations per year so there are 362 observations. The product market competition uses data of 2012 and 2013 with 362 observations. Company value uses data (t + 1), i.e. data of 2013 and 2014 and (t + 2), i.e. data of 2014 and 2015. Number of observations for (t + 1) as many as 362 and (t + 2) as much as 362. The collected data is analyzed by using regression analysis technique.

RESEARCH RESULT AND DISCUSSION

Hypothesis testing using regression analysis results. The results of hypothesis test are summarized in Figure 1 below.



Note: ** : Significant at 1% level

Figure 1. Hypotheses Testing Results

Figure 1 shows that H1 is rejected. Meanwhile three other hypotheses are accepted. A full discussion of results of study is presented below.

The Effect of Stakeholder Power on Corporate Social Responsibility

The stakeholders power has a significant role for company to carry out its activities and CSR disclosure. The creditor is one of stakeholders who have an interest to company performance. The better company's performance can increase company's ability to repay the loan. Corporate social responsibility is information to provide trust to creditors. Therefore, the higher the rate of debt ratio in capital can increase the corporate social responsibility.

Hypothesis 1 (H1) testing result become phenomenal in this research which states stakeholders power positively affects on corporate social responsibility. Therefore, the results of this study can not provide support to Stakeholder Theory. The creditor as one of stakeholders having an interest in company for loan. The results of this study also cannot support the results of previous research as conducted by Ullmann (1985), Robert (1992), Mitchel, Agle, and Wood (2007), Chiu and Wang (2014), and Lu and Abeysakera (2014) the stakeholders power as a motivation for CSR disclosure.

The inability to support the results of previous research and stakeholder theory of this study needs further explanation. According to research results the negative coefficient indicates that increased stakeholder power will decrease the level of CSR disclosure (Branco and Rodriguez, 2008). The high strength of stakeholders (creditor) shows the higher the risk of a company, i.e. the company has an obligation to creditors to pay the principal and interest. The high interest rate will decrease the company's profit so it will reduce the allocated funds for corporate social responsibility and disclosure activities. Therefore, the high stakeholders power will reduce the level of CSR disclosure. Thus, the stake holder’s strength from creditor side does not support the stakeholder theory.

The Effect of Strategic Posture on Corporate Social Responsibility

This study results support the hypothesis (H2) which states Strategic posture positively affects on corporate social responsibility. Therefore, it supports the Stakeholder Theory which states that existence of strategic posture as a stakeholder can motivate companies to implement CSR disclosure. The results of this study support previous research conducted by Ullmann (1985), Robert (1992), Elijido (2004), and Chiu and Wang (2014) using strategic postures as determinants of CSR disclosure.

Chief Sustainability Officers (CSOs) as strategic postures help companies to carry out corporate social responsibility and disclosure activities. Active strategic posture will motivate the company more actively to carry out activities and CSR disclosure compared to passive strategic posture. The active role of CSOs will determine the company's strength in providing information to stakeholders related to corporate social responsibility and environmental (Magness, 2006). Active CSOs will improve the company's environmental and social performance.

Effect of Special Interest Groups on Corporate Social Responsibility

This study results support the hypothesis (H4) which states that Special interest groups have a positive effect on social responsibility disclosure. This supports the theory of stakeholders. A special interest group is one of stakeholders representing the community to assess the company for its social responsibilities. Higher appraisal level of a particular group of interested parties can increase the CSR disclosure. The study results are also in line with Clarkson (1995), Tokoro (2007) and Kochan (2014) that special interest groups have a positive effect on

CSR disclosure.

Special interest groups have a big role to play in company, as the result of assessment of special interest group can be used as a dialogue between stakeholders and company (Tokoro, 2007). The dialogue can create social and environmental responsibility activities that can fulfil the public interest. The valuation of special interest groups will motivate companies to implement CSR disclosures.

CONCLUSION

Stakeholders strength decreases the CSR disclosure. The high strength of stakeholders (creditors) indicates the higher the risk a company will pay the principal and interest. Strategic posture research and special interest groups increase the CSR disclosure. Strategic posture will accelerate the company in conducting activities and CSR disclosure. Special interest groups can motivate companies to carry out corporate social responsibility and disclosure activities.

This study has the limitations of regression analysis used is still not able to provide a more in-depth description of variables studied. Therefore, future research can use data analysis techniques of Structural Equation Model to be able to conduct in-depth study.

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