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Corporate Social Disclosures By Indonesian Listed Companies

Juniati Gunawan
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Corporate Social Disclosures by Indonesian Listed Companies

Juniati Gunawan

Doctor of Philosophy

**Edith Cowan University
Faculty of Business and Law
School of Accounting, Business and Management
Perth, Western Australia**

December 2008

This thesis is dedicated to my beloved dad and mum in memoriam...
If I could live my life over, I would have to be your daughter again.
I'm proud of you....

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Life is a journey. Completing a part of the journey is finishing a part of life. This project is one part of my journey that has provided me with significant lessons of life: patience, wisdom, motivation, commitment, opportunity, cooperation, generosity, appreciation, and most of all; to value the most beautiful things in life: love from The Almighty God through my family and friends. Thank you, Lord for all Your kindness!

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Finally, thank you to every one who has contributed to the permanent colour of my life during my study in Perth. I pray that God will bless each of you forever.

Perth, December 2008

Juniati Gunawan

USE OF THESIS

The Use of Thesis statement is not included in this version of the thesis.

DECLARATION

I certify that this thesis does not, to the best of my knowledge and belief:

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Juniati Gunawan

Publications

Sections of the work contained in this thesis have been presented/published in the peer-reviewed journals and conferences.

Journal articles:

1. Gunawan, J. (2007). Corporate Social Disclosure by Indonesian Listed Companies: A Pilot Study. *Social Responsibility Journal*, 3(3), 26-34.
2. Gunawan, J., & Harahap, S. S. (2006). Corporate Social Disclosures in Company Annual Reports: Evidence from Indonesian, Malaysian and Australian Islamic Financial Institutions. *Indonesian Management and Accounting Research*, 2(2), 14-32.

Conference papers:

1. Gunawan, J., Djajadikerta, H., Smith, M., (December 2008). *An Examination of Corporate Social Disclosures in Indonesian Listed Companies*. Paper presented at the 7th Australasian Conference on Social and Environmental Accounting Research, Adelaide, South Australia.
2. Gunawan, J. (February, 2008). *The Most Important Information of Corporate Social Disclosures Perceived by the Stakeholders versus the Most Information Disclosed in the Companies' Annual Reports: Evidence from Indonesia*. Paper presented at The 1st Parahyangan International Accounting and Business Conference, Bandung, West Java-Indonesia.
3. Gunawan, J. (June, 2007). *Corporate Social Disclosure by Indonesian Listed Companies: A Pilot Study*. Paper presented at The 6th International Conference on Corporate Social Responsibility (ICSR), Kuala Lumpur, Malaysia.
4. Gunawan, J., & Harahap, S. S. (August, 2006). *An Examination of Corporate Social-Environmental Disclosure in the Annual Reports of Indonesian, Malaysian and Australian Islamic Financial Institutions*. Paper presented at the American Accounting Association Annual Meeting 2006, Washington D.C., USA.

ABSTRACT

The issue of corporate social disclosure (CSD) has been of growing concern among businesses and communities globally, including those in Indonesia. As one of the big developing countries which offers a large domestic market and workforce, Indonesia is exposed to this issue.

This study examines the extent of CSD in Indonesian listed companies by applying the content analysis method to company annual reports for the years 2003 to 2006. Prior studies have focused on exploring the theoretical framework, seeking the motivation for disclosures and obtaining certain stakeholder's opinions regarding CSD. However, those studies were limited to developed countries and to select stakeholder groups for their perceptions. For these reasons, the current study proposes to enrich research into CSD, particularly by providing evidence from a large developing country in Asia, with an expanded research corpus. First, the practice of CSD in Indonesian listed companies was examined, including the trend and discussion about the nature of disclosures from the content analysis. Second, the importance of CSD information for stakeholders was investigated through the examination of a broader range of stakeholders (shareholders, employees, suppliers, customers, communities, and investors). Third, top management representatives of the listed companies were questioned to elicit company motivations and identify the most influential party to practise CSD. Finally, some variables, including the company's type and size, financial performance, percentage of ownership, creditors' and auditors' influences, and corporate age were examined to establish their relationships to the extent of CSD.

A pilot study was undertaken prior to the main study as this research area is considered relatively new for Indonesia. The samples, including the issues of data collection, questionnaires, and hypotheses were initially tested and the results were then used to redesign the main study. The main study findings indicate that the majority of hypotheses can be accepted and suggest that: (1) Every stakeholder group has significantly different perceptions of the importance

of CSD information, but 'product' was identified as the most important information; (2) 'community' was considered as the most influential party and 'creating a positive image' was the greatest motivation for companies to practise CSD; (3) There were significant positive trends in CSD quantity and quality from 2003 to 2006; (4) there were also significant differences between 'state' and 'non-state' companies in the extent of CSD; and (5) company size, financial performance, age, and auditor's influences were found to have a significant positive effect on the extent of CSD quantity and quality. 'Company type', however, did not influence CSD significantly, and 'owners' influence' correlated positively rather than negatively to CSD, contradiction prior expectation. Mixed results were provided by the 'solvency ratio' as this variable had a significantly positive influence on CSD quantity, but not quality. The overall correlations between predictor and criterion variables are considered to be low to moderate, varied from 0.463 to 0.607 for correlation coefficients (R) and 0.215 to 0.368 for determination coefficients (R^2) in the regression model.

One of the major implications of this study underlines the significant and consistent influence on the extent of CSD by 'state owned' companies in Indonesia when compared with that of 'non-state owned' companies. This appears to be an important variable and should be studied further. In addition, both stakeholder and legitimacy theories have been used to explain certain areas of CSD practices in Indonesia. The role of these theories may be sharpened or combined with other theories to build a clearer picture of the practices, especially to explain the gap that exists between stakeholder's and company's perspectives'. The findings on the items of CSD that were perceived as important by the Indonesian stakeholders can also be helpful in developing a CSD list for evaluating social reporting. The content analysis results provide valuable insights into the extent and nature of CSD, and thus, this study motivates further research to re-assess the factors that influence CSD, the theoretical foundation, and the current issues affecting CSD practices in Indonesia.

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CHAPTER 1

INTRODUCTION

One of the most important business issues of the twentieth century has been the empirical enquiry into how contemporary organisations conduct their business ethics and responsibilities. To discuss the issue, this chapter introduces the background to the study, including the rationale, research questions, contribution, and the research framework. The assumptions made in the design of the project, the organisation of the thesis, and finally a chapter summary are also outlined.

1.1. Research Background

In recent years, the issue of corporate social responsibility (CSR) has been of growing concern among both business and academic communities (Balabanis, Philips, & Lyall, 1998; Deegan, 2002a; Rashid & Ibrahim, 2002). Gustafson (2005) echoes this view and notes in his article that since the beginning of the 21st century, there has been a growing societal demand for increased corporate social responsibility and environmental accountability. In addition, the expectations of stakeholders have gone beyond direct transactions between shareholders and company, organisations now being expected to participate in the solution of social problems, such as poverty and infrastructure, within a wider community (Kok, et al., 2001).

Several pressures are identified by Haigh and Jones (2006) as key drivers related to the growing issue of CSR. Firstly, pressures from business competitors, investors, and consumers that force business managers to undertake CSR activities. Secondly, the regulatory pressures from governments and non-governmental organisations (NGOs) drive the emergence of CSR. Finally, Chapple and Moon (2005) indicate that globalisation also contributes to the large adoption of CSR. The increased activities of international businesses have led to a spread of CSR issues, these having influenced the number of exported products which have to meet international criteria, including product safety and quality

standards. In addition, conducting business in international trade requires a good company image which can be obtained through the implementation of CSR activities.

CSR can be defined as “the obligation of a firm to use its resources in ways to benefit society, through committed participation as a member of society, taking into account the society at large and improving welfare of society at large independent of direct gains of the company” (Kok et al., 2001, p. 287). This definition raises two important points: firstly, companies should conduct a business which is socially responsible to society as an integral part of their ongoing strategy; and secondly, it is implied that a business cannot be separated from societal issues such as community and environment. Consequently, these two points lead to the basic premise that companies are responsible, not only to maximise profit, but also to protect the environment and to contribute to the well-being of society.

Whilst there has been increased public attention to CSR worldwide, most of the CSR studies conducted so far have been in the context of such developed countries as Western Europe, the USA and Australia (Brown & Deegan, 1998; Deegan & Rankin, 1996; Deegan, Rankin, & Tobin, 2002; Gray, Kouhy, & Lavers, 1995; Raar, 2002; Snider, Hill, & Martin, 2003; Tilt, 1994). Conversely, there have been relatively few empirical studies on CSR practices in developing countries (see for example, Ahmad & Sulaiman, 2004; Belal, 2001; Ramasamy & Hung, 2004; Rashid & Ibrahim, 2002; Thompson & Zakaria, 2004). Most of the studies from developing countries have been carried out in the context of newly industrialised countries such as Malaysia and Singapore. There is a lack of detailed CSR studies in the context of South Asian countries that are considered to be “less developing” and poorer, including Indonesia (Belal, 2001).

Given the considerable differences in the economic and cultural environment, moral judgment and government roles that corporations play in a particular country, the extent of CSR practices will differ across countries (Adams, Hill, & Roberts, 1998). For example, a study conducted by Williams (1999) in the Asia Pacific nations (Australia, Singapore, Hong Kong, the Philippines, Thailand,

Indonesia and Malaysia) found the two cultural dimensions of uncertainty avoidance and masculinity, together with the political and civil systems, are significant determinants of the quantity of voluntary environmental and social accounting levels of disclosure. Therefore, it can be concluded that the country of origin is important as a determining factor and may provide significant variations of CSR practices (Gray, Owen, & Adams, 1996; Hackston & Milne, 1996).

Parallel with this view, Chapple and Moon (2005) report that CSR is not homogeneous but varies among countries. Consequently, a more valuable insight into CSR practices may be found by conducting a study in a developing country, thereby adding to the existing body of CSR literature. For this reason, this study selects Indonesian listed companies to be examined for their CSR practices by investigating the extent of their corporate social disclosures (CSD).

1.2. Motivation

This study is motivated by a lack of similar studies conducted in Indonesia and also by the nature of the Indonesian community which is likely to be sensitive to some CSD issues. Some suggestions and gaps highlighted in previous studies are also discussed in this study.

1.2.1. Why Indonesia?

As the biggest country in the South East Asia region, Indonesia has a complex and varied social and geographical environment. Located centrally on the world's trade routes, Indonesia faces a number of factors exposing it to CSD practices. These include the issues of poverty alleviation, human rights, health and safety environmental concerns, pollution and waste, social and political insecurity, and the high needs for direct foreign investment (Goyal, 2006; Raynard & Forstater, 2002).

CSD relates closely to the environmental and social issues in a society (Panwar et al., 2006). Worldwide environmental issues include air pollution, low water quality, and deforestation; and social issues relate to industrial strikes and poverty (Howe, 2003). The poverty rate in Indonesia is considered the worst in

Asia. It has been recorded that 17% of the total population in Indonesia, representing about 39 million people, live under the poverty line (Arka, 2006). The rate of poverty has been identified by Jenkins (2005) as an opportunity for higher level of CSR disclosures in terms of likely impacts on poverty reduction.

In addition to poverty, Indonesia has also been rated as the world's worst for deforestation activities. Over 70% of Indonesia's original frontier forests have been lost (Hills, 2005). Panwar et al. (2006) explained that the forest products' industry is very familiar with the increasing societal expectations regarding its use of forests throughout the world. Thus, companies are expected to show their responsibilities by maintaining the sustainable use of forests as a natural resource.

Direct foreign investment has been signalled by Goyal (2006) as having a positive impact on CSD practices for developing countries since CSR expenditure can be a fraction of income. Investors are more concerned with their investments and the decisions made by the boards of directors in maintaining the sustainability of their business. However, unlike other developing countries, Indonesia seems to be struggling to attract foreign investors since the economic crisis in 1997. Greenlees (2005) reported that investors and lenders have been slow to return to Indonesia because of the high rate of corruption. Donaldson (2005) and Mares (2006) urge the implementation of good CSR practice to be one way of reducing corruption, as it deals with corporate transparency. It will be interesting, therefore, to see how CSR is practised through its disclosures in a country where corruption is common.

It is also important to examine CSD in relation to culture. With a population of about 225.3 million, an area of 1.9 million square kilometres, and over 300 regional languages, Indonesia has a highly diverse culture (UN, 2005). Williams (1999) found that countries with lower scores on cultural determinants, such as masculinity and uncertainty avoidance, demonstrate more disclosures on CSR compared to those with higher scores. Based on the work of Hofstede (1996) in scoring country culture, Indonesia has been found to score of 46% and 48% which are less than moderate levels for both "masculinity" and "uncertainty

avoidance” respectively. These levels indicate that companies in Indonesia must provide more comprehensive information related to CSR disclosures.

Another important aspect of Indonesian culture is religion, Indonesia having the world’s largest Muslim population. According to Hofstede (1996) more than 85% of Indonesian population follow the Islamic faith. The role of Islam in CSR as “giving to society is deep-rooted in Islamic tradition, being a cornerstone of positive CSR” Al-Ali (2006, p. 1). This value suggests that the majority of employees in Indonesia have a perception that CSR is about donation. As a result, the information disclosed in CSD is more likely to focus on ‘donation’ or ‘community development’ information. The current study addresses this issue and discusses the findings compared with previous studies, which have mainly disclosed information on environment, energy, and customers and human resources (Deegan, 2002a; Gray et al., 1995; Kuasirikun & Sherer, 2004; Purushothaman et al., 2000).

Indonesia has a number of unique factors that may positively or negatively influence the level of CSR disclosures. However, the practice of these disclosures is still in question. Therefore, the reasons outlined above provide significant motivation for Indonesia to be chosen for investigation by this study.

1.2.2. Gaps in the Existing Literature

A number of researchers have examined the area of CSD, focusing on the development of theoretical foundations. The majority of these studies have applied stakeholder or legitimacy theory (Delmas & Toffel, 2004; Donaldson & Preston, 1995; Mitchell, Bradley, & Wood, 1997; Ahmad & Sulaiman, 2004; Brown & Deegan, 1998; Deegan et al., 2002; Wilmshurst & Frost, 2000). Both theories provide their own justifications in explaining CSD.

Stakeholder theory represents a concept whereby companies integrate social and environmental concerns in their business operations and in their interactions with stakeholders (Wilson, 2001). While legitimacy theory asserts that organisations ensure their operations are within the bounds and norms of their respective societies being perceived by outside parties as ‘legitimate’ (Deegan, 2002b).

However, the findings from previous studies are not conclusive as to what theory is best applied to explain CSD. In this study, both theories are applied to indicate which is the relevant theory for better explaining the Indonesian situation.

Conflicting results have also been found in prior studies on the factors which influence CSD. For example, a positive correlation between CSD and organisational characteristics, such as company's size and type, have been identified by Stanwick and Stanwick (1998), Balabanis (1998), Choi (1999), Kokubu (2001), and Al-Tuwaijri (2004). However, Ingram and Frazier (1980), and Freedman and Jaggi (1996) found that these variables are negatively correlated with CSD. Through this study, some interesting findings are expected after examining the factors associated with the extent of CSD.

Other gaps from previous studies on CSD have also been identified, these providing further motivation for the conduct of this study. Firstly, only a few researchers have addressed the reasons why companies disclose CSR practices. Two notable authors, Mathews (1997) and Deegan (2002a) have suggested that future research is required to ascertain these reasons and provide further directions on the most appropriate theoretical foundation, motivational factors, or other factors influencing CSD. Although some studies have provided the reasons for CSD, they were of limited value being obtained from selected managers only, as outlined in the following paragraph.

Ahmad and Sulaiman (2004), for example, selected managers from accounting departments only. Milne, Owen, and Tilt (2000) chose local authorities and officers of Non-Government Organisations' (NGOs'), and Wilmshurst and Frost (2000) surveyed chief financial officers (CFOs) to get their opinions on their motivations for practising CSD. To address these limitations, this study will seek opinions from managers at higher managerial levels from various departments concerning their reasons for CSD.

Another limitation of previous research has been examination of disclosure items without considering the appropriateness of the items to the stakeholders' expectations. Prior CSD research has investigated the quantity and quality of

disclosures based on sentences, paragraphs, and pages; and also whether the items are monetary, non-monetary, or descriptive in nature (Gamble et al, 1995; Raar, 2002; Tilt, 2001). Although this information has provided valuable information into the types (quality) and extent (quantity) of disclosures, it has not ascertained whether the information fulfils the needs of the stakeholders (Deegan & Rankin, 1997). This limitation has also been accommodated in the current study by taking into consideration a variety of stakeholders' opinions (shareholders, employees, suppliers, customers, communities, and investors), on the importance of each CSD item. The opinion of stakeholders regarding the importance of different items in CSD provides useful information to shape a disclosure list that meets stakeholders' needs. Further, such a list might facilitate the Indonesian government in establishing guidelines for reporting on CSR practices.

Consequently, to fulfil the purposes of this study, a pilot study was implemented initially. This is important as prior studies on CSD have been conducted in other countries, which are characteristically different from Indonesia. Apart from clarifying the issues of collecting CSD reports, some new aspects of CSD practices have also been explored in this pilot study, including testing the questionnaires and disclosure items. The intention was to prepare a feasible main research plan. As a result, the outcomes of the pilot study have been used to modify the main study.

1.3. Statement of the Research Questions

Based on the research background, this study examines CSD levels in Indonesian listed companies; the stakeholders' opinions of the importance of the disclosure list; identification of the motivations for practising disclosures, and the factors related to the extent of disclosures. The main research question of this study then becomes: "To what extent do Indonesian listed companies practise CSD?".

In an endeavour to answer this research question, this study will address the following questions:

1. To what extent do Indonesian listed companies practise CSD in their annual reports?

2. What kinds of CSD information are important to Indonesian stakeholders?
3. What are the motivations for Indonesian listed companies for practising their CSD?
4. What factors influence the extent of CSD practices in Indonesia?

By answering these questions, it is expected that this study will add to existing evidence about the practice of CSD in Indonesia.

1.4. Contribution of the Study

This study focuses mainly on the most important aspects of CSD in order to better understand the implications of CSR practices. It makes several contributions. Firstly, in general, the study contributes to a better understanding and awareness of corporate social responsibility (CSR) issues, specifically the importance of disclosing them through the companies' annual reports. This is encouraged by understanding the CSD level in the annual reports, both in the quantity and quality of information. Secondly, the study examines corporate social disclosure practices, including the items of disclosure perceived important by stakeholders. These findings are expected to assist businesses in Indonesia to be more focused on their disclosed items according to the stakeholders' demands.

In addition, understanding the motivation of Indonesian companies in disclosing their CSR activities may be particularly useful for the Indonesian government to encourage companies to conduct business ethically, while it may also establish CSD guidelines. Finally, this research can be considered as the first CSD study in an Indonesian context that provides evidence on factors relating to CSD level based on the importance of disclosure items as perceived by the stakeholders. Consequently, the major contribution of this study will be to enrich the existing CSD literature in the context of a developing country.

1.5. Research Framework

In order to rationalise and provide a better picture of this study, a research framework is provided in Figure 1.1. Two groups are involved: companies and stakeholders.

From the viewpoint of the companies, the focus is to provide evidence on how Indonesian listed companies practise their social responsibilities through disclosure activities (CSD). These practices will be investigated by identifying the extent of disclosures in the annual reports which covered both quantity (the amount) and quality (the nature or the description) of disclosures. This is measured by disclosure scores obtained from a content analysis process. The process includes a transformation of sentences in the companys' annual reports into disclosure scores. Greater scores will be awarded to more comprehensive information. The extent of disclosure will be treated as the dependent variable, which is then related to the independent variables in order to find significant relationships among them.

Three factors have been identified in relation to the extent of CSD: influences, nature of companies, and motives. The influential factors from the stakeholders' group, such as creditors, auditors, and owners will be examined from the secondary data. These data will become parts of the independent variables. Other stakeholder influences, such as government, suppliers, communities, and customers, are then summarised from the companys' responses to the questionnaires. These results are then discussed in detail in chapter six. The nature of companies, such as category, size, age, and financial performance was obtained from the secondary data and positioned as independent variables. Further, these variables were examined, using statistical tools, for their correlations and influences on the CSD practices. The final factor, the motives of the companies, examples being to meet stakeholders' demands, to act accountably, to create a positive image, or to attract investors, were collected from the companies' responses to the questionnaires. These responses were treated as descriptive variables. All variables are accommodated in the hypotheses explained in chapter three.

In order to build a relevant measurement for the CSD items list, six stakeholder groups have been chosen: shareholders, employees, suppliers, customers, communities, and investors, and are considered to represent the main stakeholders for each company. Respondents from the six groups were asked to

rank the importance of every item of disclosure. From these stakeholders' perspectives, the level of importance of CSD items was developed - an important contribution of this study. Further discussions about these stakeholders are provided in chapter two.

The research framework further pictures the gap between the CSD practices of the companies and the important CSD items from the stakeholders' perspectives. The study will use empirical evidence to discuss this gap. The discussion will include an analysis of the primary and secondary data, which will be combined with both the qualitative and quantitative mixed method research approaches implemented. To provide better insights into the problem, the discussions will also portray the phenomenon of CSD practices which have resulted from the investigation in this field study; this includes the result of interviews that help to explain why these gaps exist.

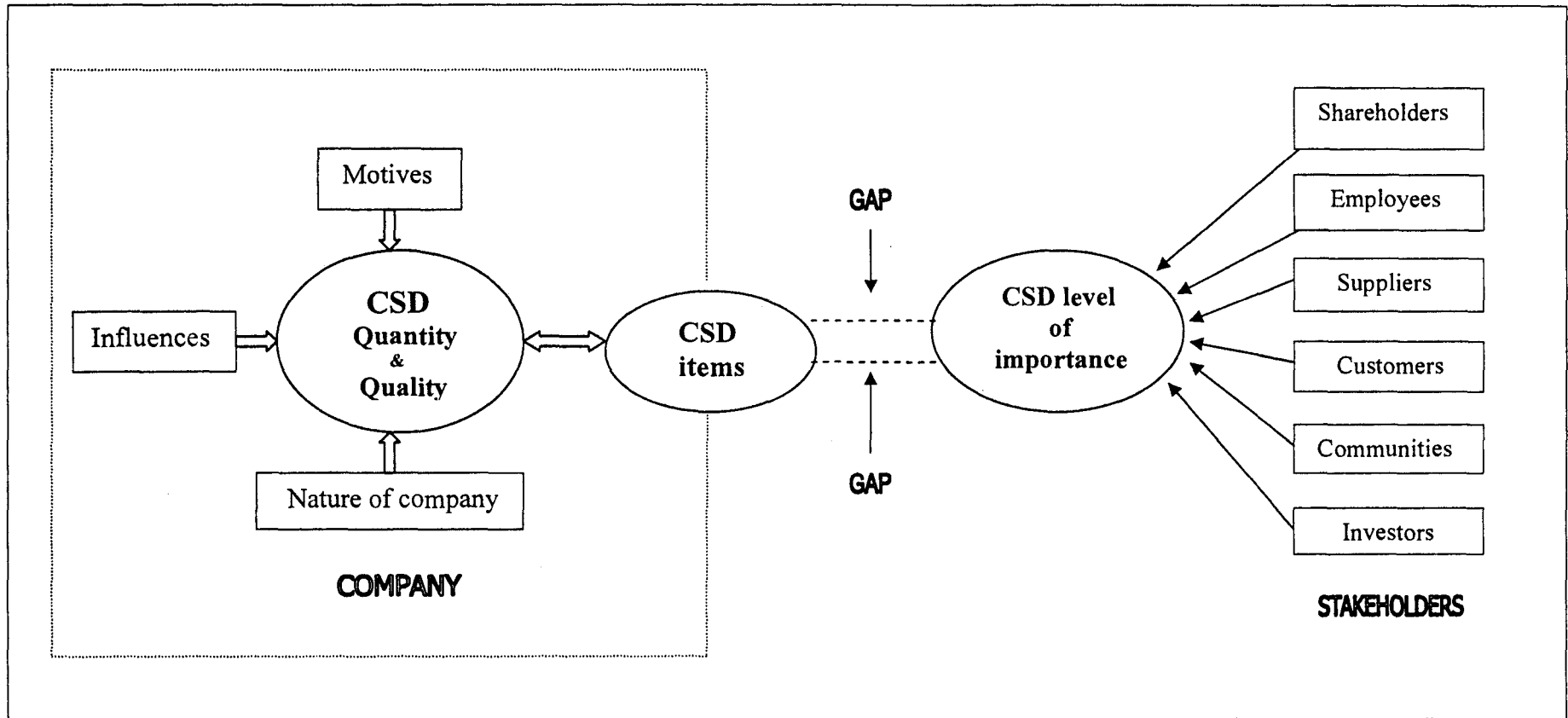


Figure 1.1. Research Framework

1.6. Assumptions

The following assumptions have been made in the development of this study:

- a. The sample used in this study is considered to represent the CSD practices by listed companies in Indonesia.
- b. Respondents from companies at the level of at least managers are assumed to have enough understanding of CSD. This also applies to respondents from the stakeholders' groups. From their initial responses to the questionnaires, both groups of respondents are expected to demonstrate confidence in expressing their opinions.
- c. Since the respondents were not English speaking, a translation-back-translation process on the questionnaires was conducted by an independent translator to reduce biases.
- d. The process of content analysis has been conducted carefully to minimise any subjectivity that may arise. Consequently, the scores of CSD are considered to represent the practices of CSD by Indonesian listed companies.
- e. By reducing some CSD items after the pilot study, the existing items used in the main study are considered as picturing the Indonesian stakeholders' expectations and to be applicable to the situation.

1.7. Thesis Organisation

The remainder of this thesis is organised as follows. Chapter two outlines the relevant literature linking corporate social responsibility and corporate social disclosures. The theoretical framework of previous studies is also explained. The hypotheses and development of relevant questionnaires are explicated in chapter three. Noteworthy is that some related theoretical foundations were applied to provide a strong basis in the foregoing development. These initial hypotheses were intended to be developed into final hypotheses after the pilot study results. Chapter four presents the pilot study report, which includes the

results of preliminary findings for the investigation of the Indonesian stakeholders and companies through the questionnaires, the initial hypotheses testing, and the relevant information for the main study. Specifically, the implications for the main study were outlined. The data collection procedures and the research design are described in chapter five. In addition, this chapter also discusses methodological issues, as well as the selection of the samples and the statistical applications used for data analysis. The details of the process for conducting content analysis are also given so a better understanding of how this process has been applied is obtained. Chapter six discusses the findings from questionnaires and disclosures which are obtained from both the companies' and stakeholders' responses, the extent of CSD, and the nature of the information given. The relevant data obtained during the questionnaire process are presented, covering interviews and field visits. Further, the outcomes of the study, including the results of the statistical examinations, hypotheses tests, and discussion of findings are outlined in chapter six. Finally, conclusions, limitations, and future research directions are presented in chapter seven to conclude the thesis.

1.8. Summary

The growing demand for CSR practices in the world has led to many studies which have examined CSD. The majority of studies, however, provide evidence from developed countries rather than developing countries, thereby creating inadequate views of CSD practices. In response to the importance of conducting CSD studies from developing countries, Indonesian listed companies have been selected to be examined for this research. Other issues related to CSD have also been investigated, such as the motivations, influences, and nature of companies associated with CSD. The following chapter, the literature review, provides a comprehensive overview of previous studies relating to the topic.

CHAPTER 2

LITERATURE REVIEW

This chapter reviews the literature related to the issues of corporate social responsibility (CSR) and corporate social disclosures (CSD). It also shows how these issues provide the understanding for undertaking this study, particularly the discussion about concepts, motivations, aspects, themes, and reports of CSD.

2.1. Corporate Social Responsibility

The development of Corporate Social Responsibility (CSR) reflects a growing expectation from communities and stakeholders about the role of companies in their societies; it also implies that companies should respond to the increasing environmental, social, and economic pressure placed on them (Wilson, 2001). A definition of CSR has been widely canvassed by many scholars. For example, Leonard and McAdam (2003, p. 28) define CSR as “a balanced approach for organisations to address economic, social, and environmental issues in a way that aims to benefit people, communities, and society”. Snider, Hill, and Martin (2003) suggested that CSR is the practice of organisations to communicate to their various stakeholders about their commitments to be socially responsible. This situation shows that the demand for CSR is likely to increase as societies rapidly react to environmental and social issues.

Significant concepts underlie CSR. Owen and Scherer (1993, p. 11) explain, “... almost everybody believes that corporations should be concerned about something more than making money; that they have responsibilities not only to their stockholders but also to employees, customers, communities, and society at large”. To be socially responsible, therefore, a company should develop a capacity to respond to social pressure by using processes such as environmental assessment and stakeholder management (Black & Hartel, 2004). This concept

implies that CSR has a strong affinity with the principle of commitment to serve all stakeholder groups and to enhance management quality.

Company's commitments to serve their stakeholders should include such elements of CSR, as issues of environmental protection, and social and economic growth. Details of a number of other CSR elements were addressed by Leonard and McAdam (2003) who consider human rights, workplace and employee issues, such as occupational health and safety, organisational governance, marketplace and consumer issues, community involvement, and social development to be relevant. In addition to these elements, Deegan (2002a) suggested that a number of additional aspects of CSR should be disclosed in a CSR report, including information about the interaction with local communities, the level of support for community projects, health and safety record, employment training and educational programs, and environmental performance.

Another concept, part of CSR, needing to be addressed, is management quality, which plays an important role in relation to social responsibility activities in organisations. This view is reflected by Gray, Owen, and Adams (1996) who state social accountability only arises as an issue if the management has a social responsibility. The role that management envisages for CSR depends on the managerial view of how the organisation would like to establish a relationship with its society. This perspective indicates that a better quality of management in response to CSR issues may lead to better CSR practices.

2.1.1. The Benefits of Corporate Social Responsibility

Previous studies have noted that CSR activities can create competitive advantages for companies. Relating to product and service issues, Oppenheim & Przasnyski (1999) consider that by adopting CSR, companies may produce excellent products with durable quality, faster delivery processes at minimum cost, work satisfaction and mutual-long-term loyalty between organisations and their stakeholders. To indicate a particular stakeholder who is interested in CSR practice, Epstein and Freedman (1994) explain that individual investors will more likely invest their money in a company which practices CSR.

Consequently, a socially responsible company will benefit by attracting investors as well.

A number of other benefits of CSR implementation can be identified, including reducing and limiting litigation, protecting brand image, improving customer satisfaction, reducing absenteeism and employee turnover, and increasing the ability to retain talented employees (Leonard & McAdam, 2003; Milne & Gray, 2007). Further, operational cost savings, enhanced reputation, increased ability for recruitment, better relations with government, better management of risk, and opportunities for learning and innovation, have also been included as benefits which can result from CSR practices (Raynard & Forstatere, 2002). In summary, practising CSR may be beneficial for the area of environmental management, social and environmental reporting, human resource management, and community involvement.

2.1.2. Issues on Corporate Social Responsibility

Different stakeholders' interests become the central issue of CSR as it deals with three different impacts on business activities. Figure 2.1 depicts the challenge for companies to manage and balance the interests of a wider group of stakeholders as well as comprehend the interconnections among the social, economic, and environment factors. This figure also illustrates the possible stakeholders with their relationship to the impacts of these three business activities.

Undoubtedly, it is difficult for a company to cover all of these issues and to overcome all difficulties. One approach to achieving some measure of success is suggested by Ince (1997) who explains that the characteristics of a company, for example, industry type, will determine its main stakeholders and CSR performance issues. Further, debates in terms of satisfying stakeholders are still continuing in relation to which CSR practices should be regulated and which should remain voluntary for a certain industrial types of organisations.

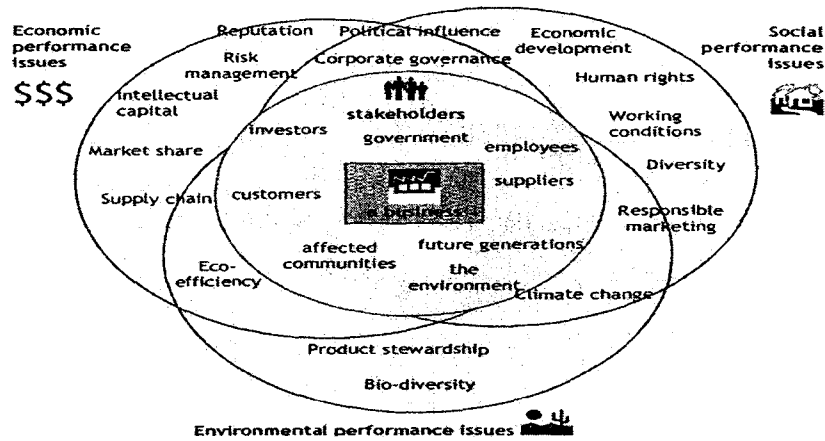


Figure 2.1. Mapping CSR, Issues and Stakeholders
(Source: Raynard & Forstater, 2002)

To respond to the issue of voluntary and mandatory disclosures developed in recent years, a massive proliferation of CSR standards has been set by different stakeholders, including corporate social officers, multilateral agencies, and governments. They compete in providing arguments and reasons to their own advantage. However, since the practice of CSR is influenced by the many factors discussed in section 2.6 and in the following chapter, some authors have noted that it should be practised on a voluntary basis rather than being required by law; and that businesses be given the freedom to choose the most lenient practices instead of the ideal (see Buhmann, 2006; Der Laan, 2004). As a result, the practice of CSR is still voluntary in global countries; thus one approach to examine the practice is by investigating CSR disclosures (Gray, Owen, & Adams, 1996).

2.1.3. Corporate Social Responsibility: Practices versus Disclosures

Efforts to evaluate social responsibility activities carried out by businesses are still being debated, and as yet there has been no standardised system for reporting. Several national and international bodies are continuing to promote the reports in relation to these activities. Some recognised bodies, such as the Global Reporting Initiatives (GRI), the International Standards Organisation (ISO), and the World Business Council for Sustainable Development (WBCSD), provide guidelines for reporting social activities and as well provide

certification for those companies fulfilling the standard (see. C. Adams & Narayanan, 2007).

The reporting of Corporate Social Responsibility (CSR) has been interchangeably used with Corporate Social Disclosure (CSD) in many studies. In fact, CSD underlines the process of 'disclosure' of certain subjects in social activities that have been undertaken by companies. Thus, a differentiation can be explained between 'reporting' and 'disclosure'. Reporting tends to refer to 'a report' that is used to 'disclose' particular topics, such as sustainability and environmental reports; while 'disclosure' seems to render information to readers through a report. In this study, because the report for disclosing social activities is an annual report, 'corporate social disclosure' (CSD) is used to examine the information disclosed in this report. This is a method of investigating companies' social activities enumerated in their annual reports.

The term CSD has been used by Hackston and Milne (1996), O'Dwyer (2002), and Tilt (1994, 2007), and the examination of CSD in the annual reports has been substantially undertaken by previous studies (Deegan & Rankin, 1997; Gamble et al., 1995; Kuasirikun & Sherer, 2004; O'Donovan, 2002; Ratanajongkol, Davey, & Low, 2006). From these prior studies, it can be concluded that examination of CSR practices through their disclosures in an annual report is considered appropriate, although there may be gaps between the actual practices and the disclosures made in the reports.

The gaps may exist because the importance of disclosure and statutory requirements is not well understood, there being a lack of demands for CSD, and independent verification of disclosures is absent (Belal, 2001; Kuasirikun & Sherer, 2004). These reasons also explain why the score of disclosures is low. Accordingly, three situations can be identified between CSR and disclosure practices. First, the actual practices of CSR may be higher than its disclosures in the annual reports. In this situation, companies might refer to the above reasons for providing low disclosure scores. Second, companies may exaggerate the disclosures rather than their actual CSR activities in order to increase their corporate image, attract investors, or obtain a certain qualification (see Leonard

& McAdam, 2003; Owen & Scherer, 1993; Ratanajongkol, Davey, & Low, 2006; Thompson & Zakaria, 2004). These intentions are more likely to be similar to the companies' motivations in practising their CSD.

Finally, the ideal situation is that companies disclose their CSR activities according to the actual practices they have undertaken, this performance may describe the real picture of CSR practices in its disclosures. While the main purpose of this study is not to examine the actual practices of CSR, it is expected, as stated in section 1.6, that CSD scores are able to describe these practices. Hence, this study provides evidence to assist readers in gaining information about CSR practices, but not to judge its performances. To give insights into the problems and provide directions for future studies, a further discussion concerning the gaps forms part of chapters six and seven, delineating actual CSD and CSR activities.

2.2. Theoretical Foundation for Corporate Social Disclosures

This study will focus on two notable theories that explain the extent of CSD: legitimacy and stakeholder theory.

2.2.1. Legitimacy Theory

For the purposes of this study, legitimacy is defined as “a generalised perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definition” (Schuman, 1995, p.574 cited in Tilling, 2004). Legitimacy theory focuses on various strategies for managers in a corporation who may choose to maintain high standards in order to be legitimate (Deegan, 2002a). Dowling and Pfeffer (1975) cited in O'Donovan (2002, p. 345) define legitimacy theory as “a condition or status which exists when an entity's value system is congruent with the value system of the larger social system of which the entity is a part”. Another definition states that legitimacy theory is “a theory that, as applied in the social and environmental reporting literature, is rather simplistic but nevertheless appears to be the theoretical basis most frequently

used in attempts to explain corporate social and environmental disclosure policies” (Deegan, 2002a, p. 318).

2.2.1.1. Power and Norm of Legitimacy

The theory of legitimacy can be explained using two approaches which can be explicated according to their focus on either power or norm. The notion of ‘power’ is a feature of the philosophy of the French writer and philosopher, Jean-Jacques Rousseau; and ‘norm’ refers to the philosophy of sociology developed by a sociologist; Max Weber (Merquior, 1980).

Inspired by Rousseau, Merquior (1980) explains that legitimate power comes from the ideas of political science, which refer to the conviction that people believe in given regulations and are willing to accept and obey the authorities. This explanation is consistent with the meaning of the word ‘legitimus’ which refers to ‘law’, and the expression of legitimacy that employs a set of laws established by certain authorities or governments. However, apart from judicial field, modern theorists have added an agreement of legitimacy concept by stating it in a ‘norm’ approach.

Legitimacy according to the concept of ‘norm’ shifts from ‘rule’ to ‘socio-cultural’, mainly focusing on social values (Merquior, 1980). This concept has been adopted by major studies to explain CSD. They underline the concept of ‘norm’ by fulfilling the contract with society. This situation may be explained because there are no specific laws governing CSD.

One illustration to depict legitimacy based on the norm or social values concept is illustrated in Figure 2.2. This explains that threats to present legitimate practices emanate from an organisation’s negative association with an issue or event. The area marked by X represents the congruence between a corporation’s activity and society’s expectations. In contrast, the areas of Y and Z represent incongruence between a corporation’s actions and society’s perception of every activity conducted by the corporation. These areas describe ‘illegitimacy’ or legitimacy gaps (Sethi, 1978, cited by O’Donovan, 2002). In order to be legitimate, companies should ensure the area X is as large as possible, thereby

reducing the legitimacy gaps. If this gap is broader which means that companies fail to comply with societal expectations, the result may lead to litigation, limited resources, or reduced demand for products (Deegan, 2002b).

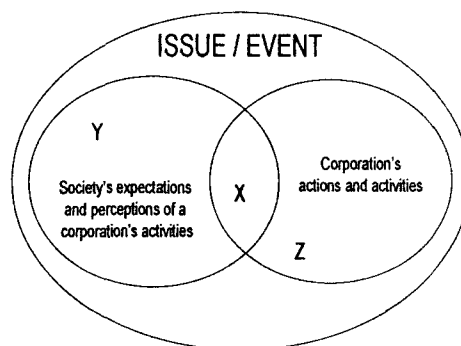


Figure 2.2. Issues or Events and Corporate Legitimacy
(Source: Brown & Deegan, 1998)

2.2.1.2. Empirical Studies of Legitimacy Theory

Legitimacy theory has been used by a number of researchers as a framework to analyse corporate disclosure policies (Brown & Deegan, 1998; Deegan & Gordon, 1996; Guthrie & Parker, 1990; O'Donovan, 2002; Wilmshurst & Frost, 2000). For example, Guthrie and Parker (1990) applied legitimacy theory to Australian companies during the 1970s, concluding that the peak level of social disclosures was at the time when mining, steel and oil industries became targets for conservationists. These results support legitimacy theory as being a basis for CSD practices which are responsive to environmental pressures, including political, social and economic (Deegan & Rankin, 1996).

A similar view was reflected by Brown and Deegan (1998) who found that Australian companies disclosed social and environmental information related to the degree of media attention devoted to these issues. Deegan (2002a) also provided evidence that CSD in annual reports is undertaken for legitimate purposes. Although there are limited regulatory requirements to provide CSD, corporations seem to provide information only when they are coerced into doing so. Another study by O'Donovan (2002) noticed Australian managers provided disclosures when they expected to gain, maintain, or restore the legitimacy of their organisation. Using six vignettes describing different environmental

issues, it showed that no disclosures would be provided when threats were minimal.

Empirical tests of legitimacy theory have been continuing. For example, it was found that Canadian gold mining companies disclosed more social activities than other companies to maintain their credibility through the media (Maigness, 2006). Moreover, when there was a major environmental accident in the mining industries at the end of 1995, in order to gain more legitimacy from the public, these companies provided more social disclosures compared to companies which operate 'quietly' out of public view.

An interesting finding reported that legitimacy theory may predict the reduction of social disclosures as well. Evidence from Africa showed that the companies decreased specific disclosures when they perceived the information to be potentially more damaging rather than if legitimacy was supported (Villiers & Staden, 2006). Consequently, the companies in industries that realise their disclosures have negative environmental impacts, make their disclosures of environmental information less specific, and more general. They also changed the type of information when they perceived shifts in legitimacy threats or reduced the volume of information as a legitimising strategy to avoid further bad impacts.

Finally, two recent studies by Staden and Hooks (2007), and Cho and Patten (2007) explored the legitimacy theory. Staden and Hooks applied legitimacy theory to predict a positive association between environmental responsiveness and disclosure. They assessed the quality and extent of the environmental reporting from hard copies and websites. Using a sample of New Zealand companies and an external environmental responsiveness ranking generated by the Centre for Business and Sustainable Development, they found the extent of disclosures was positively related to the responsiveness. This shows the responsive or active firms under environmental issues may also be proactive in publishing their organisational legitimacy through their disclosures.

In addition, social disclosures were utilised as a tool for legitimate companies in the United States. Cho & Patten (2007) found that companies with poorer environmental performance had higher levels of disclosures compared to those with better performance. These companies also indicated that the extent of monetary disclosure was significantly higher than similar disclosures made by either the sensitive industries groups or the non-groups. This evidence explains why companies, which need to increase their legitimate position often use disclosures as a legitimating tool.

The empirical studies cited, confirm that the majority of researchers adopted legitimacy theory in terms of norms or social contract. Deegan (2002b) suggests that organisations need to adapt to community expectations if they want to be successful. In contrast, organisations will be penalised if they do not operate in a manner consistent with community expectations. Underlining this idea, organisations may not survive if they cannot espouse outputs, goals, and methods that society finds acceptable (Villiers & Staden, 2006).

2.2.2. Stakeholder Theory

A business relates closely to its stakeholders, its satisfactions being the important factor determining the success of the company. This fact leads to a discussion about stakeholders who cannot be separated from the CSD topic if the company is to survive.

Stakeholders are the central focus of stakeholder theory. They include a wide range of people and interest groups who have some kind of involvement with organisation (Price, 2004). These are stockholders or shareholders, customers, suppliers, employees, the local community, government and others. Specifically, a stakeholder can be defined as “any group or individual who can affect or is affected by the achievement of the organization’s objectives” (Freeman, 1984, p. 46). Another definition of stakeholder is “a group to whom the corporation is responsible” (Alkhafaji, 1989, p. 36). All these definitions refer to stakeholders as “groups in relationship with an organization” (Thompson, Wartick, & Smith, 1991, p. 209).

Stakeholder theory has emerged as a critique of the strong shareholder influences in corporations. Price (2004) stated that, in general, the influential shareholders of companies in the US did not consider other stakeholders, particularly employees, when they wanted to make decisions. In fact, a set of stakeholders, not just a single one, is important to support corporations' sustainability (Steurer et al., 2005). This view is congruent with the principle of stakeholder management which states that a company must be able to maximise results for the benefit of all stakeholders, rather than just the shareholders of the entity (Deegan, 2002b; Jones, 1999).

2.2.2.1. Type of Stakeholders

Previous studies have categorised stakeholders in different ways. Freeman (1984) grouped the main stakeholders as 'the big five': shareholders, employees, suppliers, customers, and communities. According to Cappelen (2004), stakeholder can be identified as shareholders, employees, customers, creditors, suppliers and the local community. Tilt (2004) explains the major stakeholders of a company are shareholders, employees, creditors, suppliers, customers, banks, the government, the community, public interest groups, and the general public. In addition, Bakan and Burke (2005) emphasise that stakeholders are not only shareholders, but also employees, customers, suppliers, investors and regulators. From these discussions, it can be concluded that shareholders, employees, suppliers, customers, investors or creditors, and communities, are the most commonly cited groups considered to be important stakeholders for companies. Because of the important relationship between these stakeholders and the companies, they are associated with this study, being selected to be respondents to the questionnaires.

However, the degrees of stakeholders are not all equal. Each stakeholder has different influences on the conduct and progress of an organisation. Some stakeholders are more important than others and cannot be expected to have the same interest in every industry. Ince (1997) divided stakeholders into two types: primary and secondary. Primary stakeholders are people who participate in progressing the survival of an organisation's operation as a going concern (Clarkson, 1995, cited in Ince, 1997). These include shareholders, investors,

employees, customers, suppliers, and communities. Cooper (2004) also makes a similar point about the stakeholders' primary group as consisting of shareholders, investors, employees, customers, suppliers, and communities. The consistency of definition of the group of stakeholders categorised in the primary groups has given support to the common citation that they are the most important stakeholders. This fact provides strong justification for the inclusion of these primary groups in this study.

Secondary stakeholders are classified as people who affect the organisation and are affected by it, but are not as important as the primary stakeholders, for example, the media and special interest groups (Ince, 1997). Adapted from the stakeholder typology of Wheeler and Sillanpaa (1997), the secondary stakeholders can be categorised as government entities and regulators, social pressure groups, civil institutions, trade bodies, media and academic critics, commentators, and competitors (Cooper, 2004).

Mitchell, Agle Bradley, and Wood, (1997) aver the secondary stakeholder groups could be ignored or given a low priority as they have no power or urgency for organisations. However, based on the concept of a normative stakeholder, organisations have a moral obligation to minimise the business risks and potential harms to all their groups of stakeholders. Further discussion about two perspectives of stakeholders' rights, which include a normative and a positive approach, is provided in the following section.

2.2.2.2. Normative and Positive Approaches

Stakeholder theory can be considered as an 'umbrella term' representing a number of alternative theories, which address various issues associated with stakeholders (Deegan, 2001). These issues include the rights of stakeholders, the power of stakeholders, and the effective management of stakeholders. From these issues, the majority of stakeholder discussion concerns their rights. Deegan (2001) explained the two approaches in the stakeholders' rights which can be applied: an ethical (moral) or normative right and a positive (managerial) right.

The normative (ethical) approach states that all stakeholders have their rights to be treated fairly by an organisation, and that the issue of stakeholder power is not directly relevant (Deegan, 2001). A similar approach is applied by Hasnas (1998) who suggests that managers should manage an organisation for the benefit of all stakeholders. This view implies that under a normative approach, stakeholder theory leads corporate managers to understand all of their stakeholders and manage their relationships effectively. In addition, it can also be explained that companies need to improve the value of their business outcomes and minimise the harm to all of their stakeholders, not only a part.

In contrast, the positive (managerial) approach explains that managers should consider the different stakeholder groups within society and evaluate how they support the organisation's survival (Deegan, 2001). Gray et al. (1996) elaborated this approach by stating that the more important a stakeholder is to a company, the more effort will be exerted by the company in managing the relationship. Implicitly, this principle has been addressed previously by Freeman (1984), who stated that the corporate planning and business policy within stakeholder theory focuses on corporate strategic decisions by certain groups who support the corporation to continue to exist. This statement seems to refer to the primary stakeholder groups which support the organisations' survival directly (Clarkson, 1995). Consequently, it can be concluded that the positive stakeholder approach supports the classification of primary and secondary stakeholder groups discussed in section 2.2.2.1.

This positive stakeholder approach is best evident in the work of Mitchell et al. (1997) who have developed a stakeholder theory by identifying their control under three dimensions:

1. the stakeholder's power to influence the firm
2. the legitimacy of the stakeholder's relationship with the firm
3. the urgency of the stakeholder's claim on the firm

They explain that organisations should prioritise service duty to their stakeholders by addressing which stakeholders are more powerful, which have more legitimate claims, and which need to be urgently served.

'Power' is the ability of stakeholders to impose their will on organisations (Etzioni, 1964 cited on Parent & Deephouse, 2007). A legitimate stakeholder is "one whose actions and claims are seen as appropriate, proper, and desirable in the context of a social system" (Suchman, 1995 cited in Parent & Deephouse, 2007). "Urgency" is the degree to which a stakeholder believes claims are time-sensitive or critical (Mitchell, Bradley, & Wood, 1997). This idea supports the view that stakeholders, who have more degree of control on organisations' resources, are more significant in having their demands fulfilled compared to those who less control (Ullmann, 1985). It is important to understand the principle of 'who' and 'what' the stakeholders really are; therefore the evaluation of both actual and potential stakeholders is essential (Mitchell, Bradley, & Wood, 1997).

2.2.2.3. Stakeholder Identification

Six primary stakeholder groups were selected to be participants in ranking the perceived importance of CSD items in this study. The justification is that these primary groups represent the perspectives of the major groups of stakeholders. As different stakeholders have different interests, their opinions in rating the CSD items may also be different, as discussed in the following section.

Shareholders

The financial performance of an organisation has been widely discussed as one of the major matters shareholders are concerned about in the organisation. Shareholders normally invest in shares in order to maximise their returns, and therefore, they hope companies maintain their sustainability. To realise this expectation, their attention to CSD may relate to reducing operational costs and improving product quality. In addition, any favourable information about CSD may also lead to an increase in share prices in the stock market, and consequently may raise shareholders' stock values (Epstein & Freedman, 1994). Thus, all good information about CSD, for example, 'receiving awards' and 'reducing operational costs', will be more likely to be perceived as the most important disclosures by shareholders.

Employees

For employees, human resource information can be considered crucial in CSD. Employees play a significant role of support to the organisations' life, and therefore, the working environment should encourage them to work comfortably. This environment includes any issues of health and safety working conditions, employees' benefits and training, and productivity levels to create job security and satisfaction (Cooper, 2004).

Suppliers

Suppliers are always interested in gaining fair value in exchange of goods and money (Post et al., 1996). Suppliers can withhold supplies or refuse to fill orders if companies fail to meet their payments. Based on this understanding, suppliers seem to be concerned mainly with company's responsibilities and the information disclosed which relates to these issues, including the gaining of certifications or awards.

Customers

The customers' satisfaction is fundamental to an organisation and therefore, it is essential to understand their demands. 'Product' has been found to be a key objective for customers as they are the users. Some information about product safety and quality may be perceived as most important for them to ascertain they consume 'secure' products (Clarkson, 1995).

Communities

Communities cover a wide range of different stakeholder groups otherwise known as the 'public'. For the purpose of this study, the communities consist of representatives of non-government officers, academicians, activists, and entrepreneurs. Clarkson (1995) identifies some community issues that may be useful to unearth their demands, such as public health, safety and protection, conservation of energy, environmental assessment, community relations, product safety, and donations. Generally, the issues of communities are closely correlated with public profile (Campbell, Moore, & Shrives, 2006). Thus, it can be predicted that the important social information for communities is associated with public issues.

Investors

Investors were found to use social information for their investment decisions (Epstein & Freedman, 1994). Similar to shareholders, good economic impacts for organisations seem to be perceived as the most important information for investors. As shareholders are more concerned about capital gains, investors may focus on the organisations' ability to honour the future payments they required, in either the short or the long term (Cooper, 2004). Accordingly, the information on economic stability, profitability, and sustainability, would receive the most attention from investors.

Identifying each of a stakeholder's issues leads to an understanding that companies must disclose relevant information to fulfil needs. Consequently, consumer demands may reflect on the CSD items selected as important in the questionnaires in this study. Thus, stakeholder theory may be used to explain the differences in the importance of items in the CSD as ranked by the different stakeholder respondents.

2.2.2.4. Stakeholder Theory and Corporate Social Disclosure

Stakeholder theory has become an important basis of knowledge for companies to secure their relationship with stakeholders through CSD. Snider et al. (2003) state that stakeholder theory is often used as an integral part of the concepts of CSD. This view is also supported by Carroll (1999) who explains that CSD relates to a society, which is represented by stakeholders. Wilson (2001) argues the importance of stakeholder theory as a concept whereby companies are able to integrate social and environmental information in their business operations and in their interactions with stakeholders.

Prior studies have tested the reliability of stakeholder theory in the area of CSD. Roberts (1992) found stakeholders' power explained the levels and types of CSD when he investigated the Council Economic Priorities reports of 130 major corporations in the US for 1984, 1985, 1986. A similar view was described by Snider et al. (2003) who suggested that stakeholder theory relates to CSD, in that businesses have responsibilities to their stakeholder groups. The authors conducted a study to discover which firms are communicating with their

stakeholders in their commitment to be socially responsible. The results showed that the most successful global firms, such as the ABN-AMRO Holding Company, Siemens Corporation, Kraft Foods Corporation, and Nissan Corporation, declared their CSD practices on their websites. Their general value statements set the ethical tone for all stakeholders and influenced the content of their CSD messages.

“Social disclosure is seen as a part of the dialogue between the company and its stakeholders” (Gray, Kouhy & Lavers, 1995, p. 53), underscoring the perspective from the accounting aspect which contend the use of annual reports, including financial and social information, is a primary method for communication with stakeholders (Smith, Adhikari, & Tondkar, 2005). A corporation should listen to and openly communicate with its stakeholders in order to gain their support. This implies that long-term survival and success of a corporation requires excellent communication between the corporation and its stakeholders.

Stakeholder theory was also used to explain differences in CSD between different countries. The role of the corporation and its stakeholders as defined in a society affects the extent of CSD both in quantity and quality (Smith, Adhikari, & Tondkar, 2005). By applying ownership and cultural factors, they investigated countries with a stakeholder orientation (Norway and Denmark) and a shareholder orientation (USA). The findings confirm that large companies with a stakeholder orientation provide a higher level of CSD both in terms of quantity and quality, compared to the US companies, which have a more shareholder orientation. This study confirms the appropriateness of a stakeholder approach regarding CSD.

However, stakeholder theory is not always relevant to the issue of CSD. According to Tilt (2004), there is no evidence that stakeholder theory relates to the extent of CSD for Australian companies. She investigated Australian lobby groups, which were considered as the companies' stakeholders. The study showed these lobby groups had little influence on CSD practices. The companies disclosed information in order to comply with standards, rather than

to meet the stakeholders' desires. This implies that these companies tend to practise CSD in accordance with standards or government regulations, if they are available, but using less effort to consider their stakeholders' demands. It seems that legitimacy theory plays more of a role than stakeholder theory in explaining this situation. Thus, further studies are still needed to identify other factors that may better explain CSD practices and enrich the theoretical framework.

This study approaches stakeholder and legitimacy theories as relevant theories that may explain the CSD practices in Indonesia, without deliberately testing them. Both theories are used to explicate every phenomena happening in the practice of CSD in Indonesia, based on each hypotheses defined in this study. This justification aims to provide a detailed and comprehensive description of the results of the current study, then indicate the theories that may be applicable for further studies. This strengthens the fact that CSD practices have some relevance and needs to be understood using multiple theories, for example, in explaining the motive for CSD as discussed in the following section. Consequently, both stakeholder and legitimacy theories are discussed closely as they are related and the two are often used to complement each other (Deegan, 2002a).

2.3. Motives for Corporate Social Disclosure

There is no single motivation in making disclosures and therefore, many theories could be considered to explain the motives of companies in practising their disclosures (Van Der Laan, 2004). Deegan (2002b) emphasised this contention by stating that particular theories cannot be expected to provide a full description of particular behaviour, but that one may be superior to the others. Based on the two leading theories in the CSD area, stakeholder and legitimacy theories, two approaches are offered to illuminate managerial motivation in practising CSD.

Accounting reports should also serve as social; and political and economic vehicles (Guthrie & Parker, 1990). If the approach is socially oriented, CSD

should provide useful information to wider stakeholder groups; and political and economic approaches should encourage companies to obey laws and to create economic benefits. The political approach has a similar form to legitimacy theory although the level of organisational legitimacy is not static (Van Der Laan, 2004). Fulfilling demands of shareholders and employees by reporting social activities has become the motivation for companies to obtain better economic impacts, while community and customers are motivated by social impacts (Epstein & Freedman, 1994).

Both economic and social impacts seem complementary, for example, some 'customers' may have dual impacts by producing social impacts and eventually creating strong economic impacts for a company. Loyal customers can be potential markets that ensure production sustainability of companies, while simultaneously acting as components of a society, supporting a company's positive image. To define clear motivations from both social and economic impacts, every company should be able to identify its stakeholders' position and need according to the circumstances.

Limited studies have investigated the reasons for companies to practice CSD. Wilmshurst and Frost (2000) reported that Australian companies disclosed their corporate social activities according to shareholders' needs and legal issues. Similarly, Malaysian companies are more likely to disclose their corporate social activities because of legal requirements and compliance with ISO 14000 (Ahmad & Sulaiman, 2004). In addition, Milne, Owen, and Tilt (2000) state that disclosing environmental information is important to create an image and to gain public credibility, to anticipate environmental regulations, and to increase efficiency and competitive advantage for Australian and New Zealand companies.

Gaining a good reputation or positive image, and compliance with certain regulations seems to be the major motivators for companies in practising CSD. A company's positive image may create a competitive advantage while complying with the legal obligations, which secure the company from litigation (Adams, 2002; Milne et al., 2000; Wilmshurst & Frost, 2000). Other

motivations may also be found in future studies, thereby completing the understanding of motivation adopted from Deegan (2002a).

2.4. Important Aspects of Corporate Social Disclosures

Five important aspects should be of concern for practicing CSD. These are: subject, audience, content, motivation, and reliability (Gray, Owen, & Adams, 1996). The following discussion briefly explains each of these aspects.

‘Subject’ focuses on the understanding of CSR (see also section 2.1) dealing with areas of ‘ethical issues’. Disclosing appropriate CSR activities is covered in these issues. Broader understandings in relation to CSR are concerned with, stakeholders, environment, total impact, policy, government, and cultures (Gray, Owen, & Adams, 1996).

‘Audience’ is the people who will potentially read the CSD. This includes shareholders, investors, employees, local and national government, pressure groups, media, regulatory bodies, competitors, peers, industry groups, consumers, suppliers, and society in general (Gray, Owen, & Adams, 1996). In short, all these people are stakeholders, and therefore, most company reports are addressed to ‘stakeholders’ without the need to cite a specific group.

‘Content’ includes three aspects: narrative, quantitative perspectives, and financial information. Narrative refers to assertion, factual, and intentions; quantitative quantifies the actual target; and financial or currency describes expenditure requirements, valuation, impact, or liability (Gray, Owen, & Adams, 1996). These three types of content can be used to describe CSD.

‘Motivation’ is the reason an organisation carries out CSD. Many scholars find it is interesting and useful to understand why an organisation produces CSD as discussed in section 2.3. Further possible motives can be listed, such as: to comply with ethical, legal requirements, and codes of practice; to create tools for marketing, public image, and defence; to respond to pressure; to maintain a position of power; to influence perceptions; and to overcome fears of secrecy.

Some motivations may dominate; however, there is always more than one motivation as the result of many interests. This view is consistent with Deegan's (2002b) and Van Der Laan's (2004) ideas as previously discussed.

'Reliability' refers to what extent readers trust the information disclosed, in terms of completeness, fairness, and timeliness. Further, because the nature of reporting CSD is voluntarily, if the CSD information is not audited by an independent body, the issue of reliability becomes more significant than if the audit was mandatory. Therefore this study is relevant in that it seeks to know the willingness of companies to disclose their CSR activities.

Apart from the five aspects discussed above, there are distinctions between internal and external reporting that tend to result in different forms of CSD. Reporting CSD in annual reports, for example, may provide different information to that disclosed in internal bulletins. These differences relate to the audience of and motivation for the report by the organisation. Organisations use the full range of approaches to CSD since the reporting is voluntarily. Finally, it is expected that companies practise their CSD faithfully and, consequently, the information they disclose to readers is trustworthy.

2.5. Themes in Corporate Social Disclosure

This study applies eight themes of disclosure items, majority of which are those most cited and relevant for CSD, namely environment, energy, human resources, community involvement, products, sustainability, external relations, and other issues in CSR (Deegan, Rankin, & Tobin, 2002; Kuasirikun & Sherer, 2004; Purushothaman et al., 2000; Raar, 2002; Ratanajongkol et al., 2006; Thompson & Zakaria, 2004; Wilmshurst & Frost, 2000). Each theme is elaborated in the following discussion.

The 'environment' cannot be separated from social issues. The World Summit Conference in 2002 reached the consensus that businesses should have social and environmental responsibility to protect the planet and sustain life (Watson & Mackay, 2003). Environmental issues are very broad and require in depth

studies to elaborate upon them. Most items in CSD relate to environmental information, which may signify its importance compared to other issues therein.

Non-renewable 'energy' is becoming a crucial issue due to the huge exploitation of fossil-related energy globally. Because the future lack of energy may damage people's lives, one of the issues of which companies should be aware is the forthcoming shortage of energy. Energy also relates to the importance of existing natural resources for if companies continue to exploit non-renewable energy, the environment may suffer. Therefore, information about the importance of energy conservation can be a good campaign for raising energy awareness and showing the company's responsibility.

'Human resources' among CSD themes identifies employees as a key issue for businesses. Employees are categorised as primary stakeholders who need to be served and maintained to ensure a good relationship. A company should assure its employees that it can provide employee benefits and create a safe workplace for them in order to show its responsibility. Employees are crucial being directly associated with operational business relationships, including the practise of CSD. As a result, a company should report its employee benefits, thereby improving its reputation and management (Ramasamy & Hung, 2004).

A business cannot survive without permission from its surrounding 'communities'. Many examples exist showing how a company had to close its business because of community riots, violence, or litigation. In Indonesia, the pollution of *Teluk Buyat* with arsenic and mercury from the mine waste of *PT Newmon Minahasa Raya* led to its prosecution by the community and its dissolution. In this case, the communities played a major role in raising the issue, this resulting in further legal actions. Hence, it is important that companies conduct business ethically and disclose their activities in serving and providing benefits for their communities as a part of their responsibilities before obtaining a 'social permit'.

‘Products’ are essential for a company’s existence, and thus, the information about products is also important. Through product information, a company may deliver its image to the public so that they can evaluate the company’s performance. Product quality provides a basis for a company’s strategic advantage and any improvement in this quality may lead to enhanced company performance (Dunk, 2002). As indicated previously, customers, as primary stakeholders, are very concerned with the product information in CSD. Epstein and Freedman (1994) highlighted this matter by referring to the demand for information regarding product safety and quality by corporate shareholders.

‘Sustainability’ as an issue has grown enormously in recent years (Bebbington, 1997). It is defined as “meeting the needs of the present without compromising the ability of future generations to meet their own needs” (United Nations World Commission on Environment and Development, 1987, p. 8). In order for a company to maintain its reputation and cater to stakeholders needs, it should include sustainability information about its business operations in its CSD. This proposition is supported by Watson and Mackay (2003) who stated that twenty five percent of a company’s reputation is linked to the issue of sustainable development. This development can be achieved through maintaining companies’ social and economic values and reporting them in CSD.

‘External relations’ describe stakeholder requirements, communication, benchmarks, consultation, and information issues (Raar, 2002). In order to understand stakeholders’ needs, a company should maintain good external communications with, for example, labour unions, customers, media, and communities. The relationship can be created through regular meetings or gatherings. Good corporate communication will reduce misunderstanding between stakeholders’ expectation and the company’s actions; therefore, information in CSD is necessary for the public.

The ‘other information’ theme in this CSD list covers other relevant issues in social disclosures, such as corporate objectives, disclosures about consumers or suppliers, and receiving awards other than awards related to environmental issues. It is expected this useful public information be included in this theme.

Reviewing the above themes, identifies CSD to be basically a public relations vehicle for a company to report its activities, and designed to offer reassurances of image building (Elkington, 1997). Accordingly, one theme cannot be separated from the others, as they are a union to create a balance of social disclosures. Detailed items under each theme are further explored in section 5.5.

2.6. Factors Related to Corporate Social Disclosure

As illustrated in Figure 1.1, three components have been identified as influencing the extent of CSD: motivations of companies, factors influencing, and nature of companies. The motives of companies have been elaborated in section 2.3 of this chapter. Factors that influence the extent of CSD were analysed from the companys' responses, the secondary data obtained from the annual reports, capital market directories, and the Indonesian Finance Department. These different sources of data were collected to provide better evidence from different perspectives. Further discussion for establishing questionnaires and other factors influencing the extent of CSD are provided in the next chapter, which formulates the hypotheses.

2.7. Reporting of Corporate Social Disclosures

The discussion of CSD reporting includes many aspects that may have been discussed previously. However, the following section is important for providing an insight into the CSD practices, especially reporting. The primary aim of CSD reporting is to provide information of CSR activities undertaken by companies in order to lead readers to particular conclusions, decisions, or ideas. A study of CSD in Australian companys' annual reports noted it was important for stakeholders within the companies to be able to consider CSD reporting as a tool for decision making; and reported that 72.4% of Australian shareholders had indicated the information disclosed was material to their decisions (Deegan & Rankin, 1997).

One of the reporting forms relates to CSD being a 'triple-bottom-line'. Triple-bottom-line reporting has been defined by Elkington (1997) and Deegan

(2002a) as a form of reporting that supports CSD by providing information about the economic, environment, and social performance of an entity (Leonard & McAdam, 2003). Deegan (2002a) explains that triple-bottom-line represents a departure from previous “bottom line” perspectives which traditionally focused solely on an entity’s financial or economic performance. Triple-bottom-line is directly tied to sustainable development. It reports the information that enables readers to assess the sustainability of an organisation’s or a community’s operations (Deegan, 2002a).

However, Milne (2004) noticed that sustainability is often confused with triple-bottom-line. Some organisations adhering to triple-bottom-line declare they conform to sustainability or sustainability development. Further, Milne explains that triple-bottom-line is unlikely to be a sufficient condition for overall sustainability; whereas sustainability reports should provide information beyond economic, environmental and social issues, and include values, strategies, and the practices of corporations. Apart from triple-bottom-line and sustainability reports, other types of report can be identified: social report, environmental report, accountability report, and corporate social responsibility report. All have similar principle ideas to CSD, but the style and the scope of reporting may be different.

2.7.1. Incentives and Disincentives of CSD Reporting

The incentives of CSD reporting were summarised briefly by While Trotman (1979, p. 27), cited in Deegan and Rankin (1997) who posit that:

“....social responsibility reporting may contribute to public image and this in turn may lead to greater public acceptance, more identification and avoidance of confrontation such as strikes and boycotts...by reporting social responsibility information companies are showing that they are acting responsibly and that there is no need for further legislation to force them to do so”.

This citation points out that reporting CSD brings benefits closely related to the advantages of conducting CSR. The role of CSD however, cannot be neglected, because without it the public may not understand what CSR activities have been undertaken by the companies. Reporting CSD has further incentives, such as influencing public perceptions, responding to certain cases or pressures, and

communicating with stakeholders. Without CSD, companies may not gain all the benefits of practising CSR.

There are reasons for not practising CSD or for merely identifying the minimum practices of CSD, and these include: the absence of any demand for information or legal requirements, the possibility the cost may outweigh the benefits, the fear of readers' reaction, and the possibility the organisations had never considered CSD because an understanding of the benefits was lacking (Gray, Bebbington, & Walters, 1993; Thompson & Zakaria, 2004). The commitment, competency, and the availability of personnel in management positions also contribute to the practice of CSD by reporting policy (Adams, 2002). Therefore, organisations short of these people may be unable to practise CSD appropriately.

2.7.2. Location of Disclosures

Two major issues in CSD reporting are: the documents used to explain the disclosures and the locations of the disclosures in the documents (Gray, Kouhy, & Lavers, 1995). The first issue refers to the media used and the type of reporting, such as the annual report, internal reports like companys' internal magazine, bulletin, or newsletter, sustainability report, CSR report, environmental report, or triple-bottom-line report. The second issue relates to where in a particular document, especially in an annual report, the data reside. According to Gray et al. (1995), the most likely locations for the disclosures of social and environmental information in an annual report are as follows:

- a. Chairman's statement; it is more likely to be read.
- b. Separate section or separate booklet as a part of the annual report; it indicates the importance attached to the issues.
- c. Statutory section; it falls within the auditor's ambit.
- d. Director's report; it demonstrates the high profile of the issue and/or its integration with mainstream matters of the company.
- e. Review of the year; it is fully integrated with the mainstream activities of the organisation.

Other locations identified as used for reporting CSD are sub-sections under the management discussion report. The sub-section title usually directly specifies the content of the discussion, such as social activities, environmental issues, or community relations. There is no specific title to describe these sub-section discussions; thus, companies use various terms.

The main report for the analysis of CSD practice within an organisation is in the company's annual report because it is proactively constructed and projected as the public image of the corporation (Stanton & Stanton, 2002). In addition, annual reports are required by legislation, produced on a regular basis by all companies, and are relatively easy to be compared (Tilt, 2001). These reasons have been used by major studies that consider an annual report as a relevant report for CSD (Cowen, Ferreri, & Parker, 1987; Guthrie & Parker, 1990; Roberts, 1992). Further, stakeholder groups utilise a company's annual report to as a major source of information about its social performance (Tilt, 1994). These groups have been identified by Deegan and Rankin (1997) and include investors, creditors, employees, government, and public or community. For these reasons, annual reports were investigated in this study.

2.7.3. Content and Nature of Information

This section further elaborates on the content of disclosures briefly discussed previously in section 2.4.

The content and nature of CSD varies across countries. Companies in Europe and Australia are more likely to disclose information about environment, energy, customers, recycling, and pollution (Gray et al., 1995; Tilt, 2001, and Deegan, 2002a); companies in Asia have focussed on information about employees and human resources in disclosing their social activities (Kuasirikun & Sherer, 2004; Purushothaman et al., 2000; Ramasamy & Hung, 2004; Ratanajongkol et al., 2006). While the content of CSD is generally different from country to country, the nature of this information has been similar throughout the world.

The majority of companies tend to disclose CSR activities in a neutral, positive, and descriptive tone, rather than in a negative or quantitative tone. Positive disclosures include information about compliance with standards and receiving awards (Deegan & Gordon, 1996; Tilt, 2001); while negative disclosures include information about penalties as well as other 'bad news', such as boycotts, employees' strikes, and number of accidents in the workplace (Deegan et al., 2002). Other information, such as training for employees, pollution control, product development, donation, and recycling, are considered as neutral disclosures (Ahmad & Sulaiman, 2004). Disclosing positive information may indicate that a company is trying to create a good image for what it has achieved through its CSR, and this is consistent with companies' motivations.

Previous studies have noted that most companies tend primarily to use descriptive, narrative, or qualitative information to report their CSD. These kinds of information have taken up a large portion of CSD reporting rather than quantitative, monetary, pictures, graphs, and charts (Guthrie & Parker, 1990; Tilt, 2001; Belal, 2001; Raar, 2002; Ahmad & Sulaiman, 2004; Kuasirikun & Sherer, 2004). In practice, quantitative and monetary information, to a certain degree, can be used to assess feasibility; and graphs and charts can be used to turn numbers into pictures and represent comparisons allowing people to understand the information easier (Burch, 1986). Thus, disclosing information in corporate social activities both descriptively and quantitatively, using graphs or charts, may provide a more comprehensive report to the readers. To accommodate this issue, the present study provides different measurement for every different type of CSD to be elaborated in later sections of the thesis.

2.8. Summary

This chapter highlights the practices of CSD and the relevant issues, as well as the approaches of two prominent theories in explaining CSD: stakeholder and legitimacy theory. The discussion provides a foundation to fulfil the purposes of this study has indicated that more studies in this area are needed to provide

more evidence of CSD practices from different countries. The next chapter continues this literature review for developing the hypotheses and questionnaires.

CHAPTER 3

HYPOTHESIS AND QUESTIONNAIRE DEVELOPMENT

This chapter details the initial hypotheses and questionnaires that relate to the purpose of this study. The variables and questionnaires from the majority of previous studies, conducted in different countries, may not be relevant in Indonesia because of cultural differences that may influence CSD practices. In addition, prior studies do not establish conclusive findings to explain the factors that influence CSD. For these reasons it is essential that hypotheses from these earlier studies together with any new hypotheses developed in this study be pre-tested in the Indonesian situation.

Questionnaires developed by the researcher have augmented those developed from previous works to represent the common practice of CSD in Indonesia. Both the early hypotheses and the questionnaires developed in this chapter were examined in the pilot study to formulate solid hypotheses for the main study and, importantly, to ensure they were applicable in the Indonesian situation. As a result of the pilot study, those hypotheses and questionnaires shown to be not relevant to the Indonesian situation were modified.

3.1. Hypothesis Development

The hypotheses development is explained in the following discussion, including the descriptive variables and the association between variables both as predictors (dependent) and criterion (independent) variables.

3.1.1. Descriptive Variables

The majority of the descriptive variables were obtained from the stakeholder and company questionnaires. These variables include the motivation for CSD and also the ranking of the importance of CSD information. The trend for quantity and quality disclosures was also investigated from the total disclosure scores which were obtained from the examination of three years of company annual reports.

3.1.1.1. The Importance of Corporate Social Disclosure Information

A number of studies have examined the perceived importance of CSD information from the stakeholders' perspective. This has been noted by Epstein and Freedman (1994) who state that a gap exists between the social information supplied by companies and the information demanded by their stakeholders. In their examination of the important social disclosures as perceived by US investors, 'stop pollution' under the 'environment' theme was shown as the most important social disclosure for the stakeholders. Sixty-seven percent of the Australian respondents from different stakeholder groups, including shareholders; stockbrokers and research analysts; accounting academics; and the representatives of financial institutions, identified environmental information as essential for stakeholder investment decisions (Deegan & Rankin, 1997).

Snider, Hill, and Martin (2003) describe how a variety of stakeholder groups developed general value statements in environmental policies (corporate environmental policy or CEP) to be practiced by US companies. As a result of these CEPs, a number of global firms based in the US, such as ABN-AMRO and Coca Cola, focused on environmental issues when designing and conducting their social activities. Controlling pollution and protecting natural resources are two other issues that further illustrate how environmental information is a vital component of corporate social responsibility policy (Williamson, Wood, & Ramsay, 2006). The environment cannot be separated from these issues. Many global issues in corporate social responsibility relate to the environment because it is a basic need for everyone (Panwar et al., 2006; Tilt, 2001).

The Indonesian government through the Ministry of Environment has taken the lead by developing an environmental regulatory framework (Achda, 2006). Whether or not Indonesian stakeholders perceive the environment to be the most important information for them in CSD is unclear. However, a hypothesis can be proposed based on prior studies; therefore, it is hypothesised that the environment is the most important theme for stakeholders when compared with

other themes, such as energy, human resources, community relations, products, sustainability, or other CSD information. It is stated as:

H1 : The environmental theme is perceived to be the most important CSD by Indonesian stakeholders.

3.1.1.2. The Motives for Corporate Social Disclosure

The objective of the next research question is to ascertain the motivation of Indonesian listed companies for disclosing their social activities voluntarily. Prior studies have provided different findings after investigating company motivation as relevant to the conclusion that there is no single motivation for practising CSD (Deegan, 2002b; Van Der Laan, 2004). In line with this view, the next hypotheses are proposed to signify three major motivations, which are assumed to be practised in Indonesia. The analysis of these hypotheses was provided from the results of the company questionnaire in the pilot study.

Stakeholder power is indicated as one of the significant factors that relate to the extent of CSD (Roberts, 1992). Stakeholder's pressure on companies in Asia to report their social activities has been noted by Imam (2000) and Achda (2006). Imam states that businesses in Bangladesh are now under pressure from stakeholders to provide CSD reports. A recent article by Achda also reported that a growing number of stakeholders has forced the practices of corporate social responsibility on Indonesia. The Indonesian public is becoming more critical of the activities of companies, especially those relating to social and environmental issues.

Employees have been identified as a stakeholder group, which play a significant role in increasing the level of CSD (Ramasamy & Hung, 2004; Snider, Hill, & Martin, 2003). Some US companies believe that, in order to secure their businesses, they need to balance employee development and advancement for the good of the individuals, with the success of the firm (Snider, Hill, & Martin, 2003). A key benefit of CSD practices for Singaporean companies has been the increased motivation and retention of employees (Ramasamy & Hung, 2004). When companies meet their employees' needs, business risks, including

employee boycotts or strikes are minimised, and this is relevant to the practice of CSD (Adams, 2002).

Wilmshurst and Frost (1999) surveyed chief financial officers in selected Australian companies and ranked the perceived importance for their CSD decisions. The results show that 'shareholders or investors rights to get information' is the strongest reason for companies to disclose their social activities. A majority of US communities also expect companies to disclose their social activities to all stakeholders, not just to some of them (Epstein & Freedman, 1994). A similar finding in Qatar shows that stakeholders, such as accountants, external auditors, academicians, and bank officers, perceive CSD should be reported to fulfil the needs of all stakeholders (Al-Khater & Naser, 2003).

From the above discussions, it is likely that stakeholders play a significant role in motivating companies to practise CSD in Indonesia. The following hypothesis accommodates stakeholder theory by focusing on the stakeholders' need; therefore, the first competing hypothesis is proposed as:

H2A: The motive of Indonesian listed companies to practise CSD is to meet stakeholders' demands.

A number of studies have reported 'meeting the legal requirements' as another motivation of companies to practise CSD. Deegan (2002a) indicated that the motivation of Australian managers to report CSD was based on their legal obligations. Ahmad and Sulaiman (2004) also found that 'meeting the legal obligations' is the most likely reason for Malaysian companies to disclose their social activities. Compliance with the existing regulations by reporting CSD is perceived as legitimising the company operations (Tilt, 2001; O'Donovan, 2002).

Although Jones et al. (2005) identify no clear legal requirements or specific recommendations about CSD in Indonesia, initial regulation might have been subsequently introduced (Achda, 2006). An investigation of any new legal requirements or particular regulations in Indonesia will be undertaken in the

pilot study. If no regulations are identified, the following competing hypothesis will be excluded or modified in the main study. The hypothesis is initially proposed as:

H2B: The motive of Indonesian listed companies to practise CSD is to meet legal obligations.

Finally, the majority of studies found that companies disclose their social activities to enhance their corporate image. According to Milne, Owen, and Tilt (2000), Australian and New Zealand companies are perceived by their communities as not serious about the environment, their motivation to provide CSD being only to create a favourable public image. A similar view is also stated by Adams (2002) who highlights the main motivation for UK companies to practise CSD is to enhance the image of their companies.

Other studies reported that the majority of companies disclose their social activities in terms of a 'positive' or 'good news' nature, rather than 'negative' or 'bad news', so as to enhance their reputation (Deegan & Gordon, 1996; Deegan & Rankin, 1996; Deegan, Rankin, & Tobin, 2002; Hackston & Milne, 1996; Tilt, 2001). Relevant findings also show that companies in Asia generally reported their CSD as 'good news' (Ahmad & Sulaiman, 2004; Belal, 2001; Ratanajongkol, Davey, & Low, 2006). Given these results, disclosure of positive or good information may indicate that companies are trying to create a good image through their social activities. This evidence is congruent with Campbell et al. (2006) who stress that CSD was positively associated with public profiles. A company with a better public image will more likely disclose more positive information in its CSD than one with a poor public image.

That companies are motivated to create a positive image through their CSD is further tested in Indonesia and it is expected that the results will support the existing studies. Accordingly, the last competing hypothesis to find the main motivation of Indonesian listed companies is proposed as:

H2C : The motivation for Indonesian listed companies to practise CSD is to create a positive image.

3.1.1.3. The Trend of Corporate Social Disclosure

The issue of CSD has received increased global attention. A leading longitudinal study by Mathews (1997) reports that during the twenty-five year period from 1971 to 1995, the social and environmental accounting literature increased dramatically. He reviewed this by researching prominent journals, such as the *Accounting, Auditing & Accountability (AAAJ)*, *Journal of Accounting and Public Policy (JAPP)*, and *Accounting, Organizations and Society (AOS)*. The results show that the number of social accountability papers published in these journals has grown significantly, indicating that attention to CSD has also increased over this period.

Other evidence supports a positive trend in the CSD level of Australian companies from 1983 to 1997 (Deegan, 2002a). A similar phenomenon has also been observed in Asian companies. There has been a growing trend of CSD practice in Malaysia, Thailand, and Bangladesh. Abdul Rashid and Ibrahim (2002) have found that Malaysian executives and managers had positive attitudes toward corporate social responsibility and their level of awareness appears to have improved continually. In Bangladesh, Imam (2000) reports a significant improvement in the level of CSD in the companys' annual reports for the years 1996 and 1997. One study from Thailand supports this evidence by explaining that the extent of CSD in Thai companies improved over the years 1997, 1999, and 2001 (Ratanajongkol et al., 2006). The increase in the level of CSD in global business confirms that social and environmental issues have received significant attention.

Neu, Warsame, and Pedwell (1998) and Adams (2002) suggest that the influence of external pressure may contribute to the increasing level of CSD. Particularly in Asian countries, globalisation has been recognised as a significant external factor that is positively associated with the extent of CSD (Chapple & Moon, 2005). Companies intent on surviving globally have to respond to the issue of globalisation. Chapple and Moon indicate that the issue of globalisation significantly affects countries such as Indonesia and therefore,

it is expected that the CSD practices in Indonesia are more likely to increase in the future.

Besides globalisation, the growing concerns of a number of Indonesian stakeholders may also contribute to the higher level of CSD in this country (Achda, 2006). Since early 2000, the government has forced companies to recognise stakeholder demands. This leads to an assumption that from 2003 to 2005 there was a growing level of CSD as represented by total scores in both quantity and quality. These levels were first investigated in the pilot study through a content analysis process of the company annual reports. To address this assumption, the last descriptive hypothesis is proposed as:

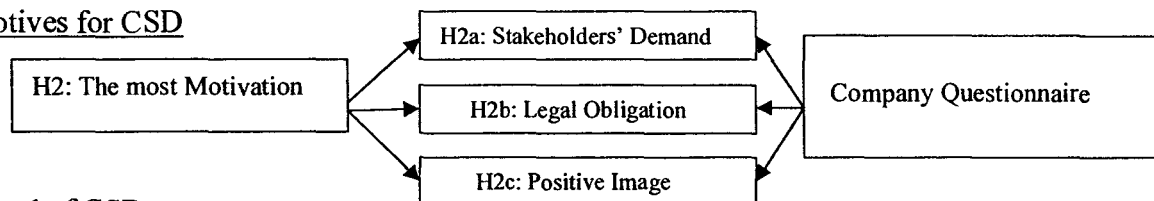
H3: There are improvements in the extent of CSD in Indonesian listed companies from 2003 to 2005.

Figure 3.1 summarises the descriptive variables stated in hypotheses one to three. The descriptive variable classifications are composed to state the hypotheses and the data necessary for this investigation. The first group of hypotheses concerns the most important information perceived by the stakeholders. This information was gathered from the stakeholder questionnaires. The second group illustrates three competing hypotheses to be tested to provide the initial results of the motivation of companies to carry out CSD; information from the company questionnaires is used. Lastly, the hypothesis to identify the improvement of disclosures over the period of investigation examined the company annual reports.

The Importance of CSD Information



Motives for CSD



Trend of CSD



Figure 3.1. Summary of Initial Descriptive Variables

3.1.2. Predictor and Criterion Variables

Previous studies have identified a number of determinant factors for CSD such as company type, size, financial performance, age, and the influence of owners, creditors, and auditors (see for example, Balabanis, Philips, & Lyall, 1998; Choi, 1999; Hackston & Milne, 1996; Mohamad & Ahmad, 2002; Owen & Scherer, 1993; Stanwick & Stanwick, 1998). These factors are the most common factors that are incorporated as the predictor variables that relate to CSD. The criterion variables are represented by the extent of their influence on CSD, which consists of total quantity and quality scores. Since there are relatively few studies examining the association of these predictor variables in an Indonesian context, the pilot study was also used to test whether it is appropriate to include them in the main study; and to find any other variables that can be added. Through this process, it is expected that the results of this study add to existing literature and provide better and more relevant evidence from a developing country.

3.1.2.1. Corporate Characteristics

The characteristics of companies are represented by company type, size, financial performance, and age, and are discussed in the following section.

A. Company Type

The type of industry has been identified as a factor that potentially affects the quantity and quality of CSD level. Companies in sensitive industries are perceived to provide more CSD than those in non-sensitive industries. They are considered to be more responsive in disclosing activities that relate to social and environmental practices due to their business type. Raar (2002), from his examination of Australian listed companies, found that two industry groups are more sensitive than others:

1. Companies categorised as 'risk in terms of environmental impact', include the industry group of diversified resources, mining, energy, paper and packaging, chemicals, agricultural, metals, and property.
2. Companies categorised as 'consumer focused', include the industry group of food and householder, alcohol and tobacco, building materials, retail, tourism, leisure and sport, health care and biotechnology.

Roberts (1992) and Hackston and Milne (1996) held the same views, stating there are several industries identified as highly sensitive industries, for instance, agriculture, petroleum, chemical, forest and paper products, automobile, and airline. Companies in these industries provide greater information regarding social and environmental activities because the public pays more attention to the responsibility these companies demonstrate in the exploitation of natural resources. The above discussion provides the conclusion that companies within the 'sensitive' industries category are perceived as environmentally damaging and are therefore expected to provide significantly more information within their annual reports than those of 'non-sensitive' industries (Deegan & Gordon, 1996).

In Indonesia, industrial types have characteristics particular to their operations. For example chemical, mining, and logging industries will be different from those that provide services, such as banking. This study uses the Indonesian Capital Market Directory 2005 issued by the Jakarta Stock Exchange (JSX) to categorise the types of industries. Companies from sensitive and non-sensitive

industries were categorised based on prior studies (Roberts, 1992; Hackston & Milne, 1996; Raar, 2002). The two industry groups are listed below.

Companies classified as highly sensitive industries are:

1. Agriculture, including plantation, animal husbandry, fishery, forestry.
2. Mining, including coal mining, crude petroleum and natural gas production, metal and mineral mining, land/stone quarrying.
3. Basic industry and chemicals, including cement, ceramics, glass, porcelain, metal and allied products, chemicals, plastics and packaging, animal feed, wood industries, pulp and paper.
4. Miscellaneous, including machinery and heavy equipment, automotive and components, textile and garment, footwear, cable.
5. Consumer goods, including food and beverages, tobacco manufacturers, pharmaceuticals, cosmetics and household, house ware.
6. Property, real estate and building construction, including property and real estate, building construction.
7. Infrastructure, utilities and transportation, including energy, toll road, airport, harbour and allied products, telecommunication, transportation, construction.
8. Trade, services and investment, including wholesale, retail trade, restaurant, hotel and tourism.

Companies categorised as non-sensitive industries are:

1. Finance, including bank, financial institution, securities, company, insurance, investment fund.
2. Advertising, printing and media.
3. Computer and services.
4. Investment companies.
5. Others, such as provider companies and broadcasting companies.

These classifications are considered appropriate to differentiate between sensitive and non-sensitive industries. To support the assumption that the

sensitive industries provide more CSD than do the non-sensitive, the hypothesis is addressed as:

H4: Sensitive industries provide greater CSD than do non-sensitive industries

B. Company Size

Company size is commonly used as a factor to determine CSD level (Balabanis, Philips, & Lyall, 1998). Larger firms may have more incentive to make disclosures as they are seen to receive more public attention (Cowen, Ferreri, & Parker, 1987; Hackston & Milne, 1996). Deegan (2001) indicates that the size of a company is often used as an indicator of market power which leads to scrutiny by various stakeholders, such as government, employees, consumers, and environmental lobby groups. As a result, the expectation to provide relevant information is greater for larger firms. Two supportive findings reported that larger companies in Singapore and New Zealand disclosed more corporate social activities than did smaller companies (Hackston & Milne, 1996; Purushothaman et al., 2000).

However, Ingram and Frazier (1980), Freedman and Jaggi (1982), and Roberts (1992) found there to be no relationship between company size and CSD level. Contrary relations are also provided by Owen and Scherer (1993), and Stanwick and Stanwick (1998). They state that there is a negative correlation between company size and CSD level, smaller companies providing more information than larger ones to obtain more public attention. These findings imply the influence of company size on the extent of CSD needs to be further examined.

Company size is commonly measured by total sales and assets. Belkaoui and Karpik (1989) employed total sales in their study, Roberts (1992) used total revenue, and Patten (1991) applied total sales to measure company size. Given that no theoretical reasons exist for a particular measure of size in disclosure studies, total assets and sales were initially applied to be tested in the pilot study by assuming that they are positively associated to the extent of CSD (Deegan, 2001). Thus, the following hypothesis is addressed as:

H5: There is a positive correlation between company size and the extent of CSD.

C. Company Financial Performance

Financial performance has been examined as a factor that may influence CSD practices (Mcguire, Sundgren, & Schneeweis, 1988). Hai et al. (1998) explain that there is a positive relationship between financial performance, measured by return on assets (ROA), return on equity (ROE), and the extent of CSD in Singaporean companies. Similarly, Stanwick and Stanwick (1998) assert that ROA in European companies has a positive relationship to CSD. Choi (1999) used the variables of net margin, return on equity, earning and cash flow per share, price earning ratio, and sales and profit growth rate, to measure financial performance in Korean companies. He concludes that sales growth rate is moderately associated with disclosure decisions, and other financial indicators are weakly related to the level of disclosures. These results explain that the financial performance of a company may contribute positively to the improvement of CSD, or that companies with better financial performance disclose more information on their social activities than do those with worse financial performance.

This study selects three common measurements to evaluate financial performance in the context of Indonesian companies. They are proxied by return on assets (ROA), return on equity (ROE), and earning per share (EPS). ROA is defined as the amount of net income per total asset, ROE being the net return for total equity, and EPS the net income per common stock. These three indicators are expected to expose the financial performance of a company and their positive influence on CSD. The following hypothesis demonstrates the assumption of a company that financial performance is related to the practice of CSD in quantity and quality.

H6: There is a positive correlation between a company's financial performance and the extent of CSD.

D. Company Age

Company age is the number of operational years since the company was established. The more mature a corporation is the more likely it is to have a highly valued reputation and history of its involvement in corporate social activities (Choi, 1999). Roberts (1992) highlights this statement by providing evidence from US companies in which the extent of social disclosure is influenced by corporate age. Choi, through his investigation of the semi annual financial reports of Korean companies, found that the quality of a company environmental disclosure tended to improve with the age of the company. To support to this issue, Adams (2002) included corporate age as one characteristic that may influence CSD practices.

Although there is little evidence of company age having been studied, Indonesian businesses seems to be more responsive to 'senior' companies because they are more recognised and gain more public attention than do newer companies. It can be assumed that an 'older' company has more experience in CSD and consequently its CSD practices are expected to be more than those of a 'younger' company. For this reason, company age is considered as a positive factor influencing the extent of CSD and thus, it is hypothesised as:

H7: There is a positive correlation between company age and the extent of CSD.

3.1.2.2. The Influences of Stakeholders

In accordance with stakeholder theory, Ullmann (1985) states that stakeholders provide the justification for strategic decisions about activities which relate to corporate social responsibility. Every industry cannot be expected to have similar stakeholders, leading to many debates about who the stakeholders really are (Ince, 1997). This study selects three stakeholder groups that are considered to be representative of common stakeholders by every listed company. This selection was also justified because the influence of these stakeholders can be measured from secondary data. These three stakeholder groups, creditors,

auditors, and owners, were examined for their influences on the extent of CSD practice in Indonesian public companies.

A. Creditors

The role of creditors is significant in Indonesian companies as they control access to financial resources essential for the continuous operation of a corporation (Choi, 1999). This is especially true for the majority of Indonesian companies, which rely significantly on debt financing. Ullmann (1985) states that the more a corporation relies on debt financing, the greater it must respond to the expectations of its creditors in relation to social responsibility activities. Creditors are becoming more concerned about the CSD report because they can assess the information about company sustainability and its relationship with the community. The report of the activities of a company in serving its communities and environment is expected to be a source for determining the company existence.

In this study, the proxy of creditors' influence is measured by solvency ratio, calculated from total company debt divided by total assets (Botosan, 1997; Choi, 1999). To find whether creditors' influence is positive to the extent of both the quantity and quality of CSD, the next hypothesis is stated as:

H8: There is a positive correlation between the influence of creditors and the extent of CSD.

B. Auditors

Auditors play a significant role in determining an accounting policy, especially in initiating new accounting practices, including the promotion of the decision to disclose social activities (Adams, 2002; Choi, 1999; Mohamad & Ahmad, 2002). Auditors are involved in CSD because one of their important tasks is to assist their clients in conducting business ethically and in accordance with accounting policies. The business ethics with which companies have to comply include conducting business harmoniously with the community and environment, and disclosing their activities transparently.

Auditors who work in larger audit firms are considered more independent and professional than those who work in smaller firms, because the bigger firms are expected to be more organised and with clearer regulations. In addition, larger audit firms usually have better reputations than smaller ones and hence, have more responsibility to maintain their good company image. For these reasons, the influence of auditors in the practice of CSD is expected to be positively associated with the extent of disclosures.

In Indonesia, the auditor together with the Indonesian Professional Accountant Body is essential in determining accounting policies. The Indonesian Professional Accountant Body is responsible for the Indonesian accounting standard, which promotes ethical, transparent, and responsible business conduct. All Indonesian businesses must comply with this standard, as well as accounting reports, which for listed companies, should be audited by independent auditors, and must be submitted to the public through the Indonesian Capital Market Supervisory Agency. In this sense, Indonesian auditors are expected to support companies to undertake business ethically by providing assistance such as allocating the accounts that relate to social activities properly or disclosing companies' social activities reliably.

Because of the importance of the auditor's role in Indonesia, this study attempts to provide evidence on how this role influences the practices of CSD. These influences were determined from the size of the audit firm as measured by total clients and total assets (Mohamad & Ahmad, 2002). It is assumed that an audit firm with more clients or greater assets will provide a positive influence to the practice of CSD of the companies it audits. This assumption leads to the next hypothesis proposed as:

H9: There is a positive correlation between the size of an audit firm and the extent of CSD.

C. Owners

Company owners are stakeholders who have significant influence in any company. Cormier and Gordon (2001) state that the status and percentage of ownership influence the amount of social and environmental disclosure.

According to Choi (1999), dispersed corporate ownership will increase the pressure for management to make more disclosures because there will be more individual needs to be fulfilled. Further, concentrated ownership may reduce the management pressure to disclose social activities. To provide evidence of how the owners' influence the extent of CSD in Indonesian companies, this study includes the following variable to be tested in the pilot study. The measurement of owners' influence is calculated by the major or principal stockholder's shares divided by total capital (Choi, 1999). Under this assumption, the following hypothesis is addressed as:

H10 : There is a negative correlation between the percentage of ownership and the extent of CSD.

Figure 3.2 below, sums up the selected predictor variables which were tested for their associations to the criterion variables (CSD level in quantity and quality scores). The corporate characteristics are represented by the company type, size, financial performance, and age. Type of company was examined by dichotomous variables: sensitive and non-sensitive industries, company size was measured by total assets and sales, company financial performance was identified by ROA, ROE, and EPS, and lastly, company age was calculated by the years of operation since company establishment.

The stakeholders' influences were demonstrated by the influences of creditors, auditors, and owners. The creditors' influence was measured by the solvency ratio, the auditors' influence was measured by the audit firms' total assets and clients, and the owners' influence was measured by the percentage of ownership (owners' share concentration). The CSD level is represented by the extent of disclosures in Indonesian listed companies' annual reports measured by quantity and quality.

Corporate Characteristics:

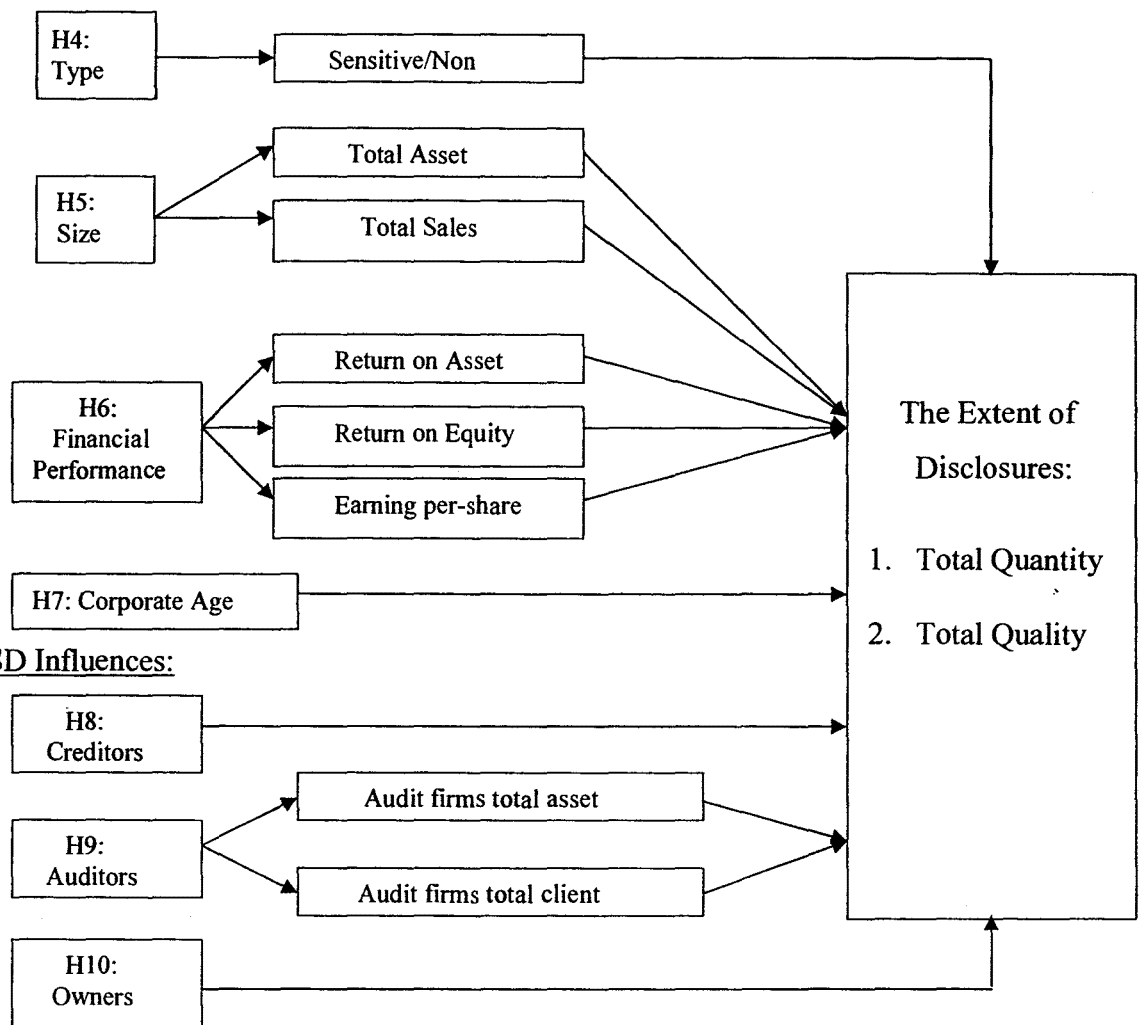


Figure 3.2. Summary of Initial Predictor and Criterion Variables

Most of data to formulate the last seven hypotheses were obtained from companys' annual reports, including company size, age, and financial performance, and the influence of owners and creditors. As previously discussed, the adequacy of the number of annual reports was to be reported in the pilot study. Because the available data required for the major examination was still an issue, other sources of data have also been traced during the pilot study process. Inadequate data was excluded from the main study.

Similar procedures have been applied to obtain data for company type and the influence of auditors. Since the Indonesian Capital Market Directory Books and the Indonesian Finance Department record the type of industry and the size of

audit firms (in terms of total clients and assets) respectively, these two sources were explored. In conclusion, all the predictor and criterion variables incorporated in the hypotheses rely on the secondary data and therefore, it is important to confirm the accessibility of this data after the pilot study.

The hypotheses tested in the pilot study were to provide initial answers that confirm their inclusion in the main hypotheses. The process of developing the hypotheses for the major study includes modifying or deleting irrelevant hypotheses and adding new hypotheses. Besides the hypotheses, the questionnaire developments have also been through a similar procedure. These initial questionnaire formulations are discussed in the following section.

3.2. Questionnaires Development

Two types of questionnaires were implemented in this study. The key questions were developed from prior studies and deliberately lead to the aims in the conduct of the main study. The questions reflect on the uncertain ideas or the information needed to be included in the major study.

The questionnaires were originally developed in English; however, since the respondents are Indonesian, their understanding of English may have been an issue. Therefore, the questionnaires were translated into Indonesian through a 'translation back-translation' process, including back-translated into English by different individuals, and comparing the original and back-translated versions, then revising the Indonesian version (Shields et al., 2000 and Syakhroza, 2001). To give utmost clarity to the respondents, the questionnaires were provided in both English and Indonesian, especially if terms cannot be properly translated, for example, 'employee stock option plan', 'stakeholders', 'corporate social disclosure', or 'conservation'. A similar translation process was applied to the development of the main questionnaires for the major study, it being important to ensure all respondents have a common understanding of all the questions.

3.2.1. Questionnaire for Companies

This questionnaire is addressed to the various managerial levels who work in Indonesian listed companies; there are three parts to the questions, A, B and C, which are structured to obtain information about the social activities and reporting practices, the report forms, the stakeholders' influence, and the motivation in practising CSD. The detailed questions are provided in Appendix A2.

Part A seeks general information on how the Indonesian listed companies practise their CSD. First, it shows enquiries about CSR activities that companies have conducted. Second, one question asks whether any specific rules or regulations influence CSD practice. The answers are important to provide an indication whether legitimacy theory can explain the practice of CSD in Indonesian listed companies. Third, another question searches for information about the reports used by companies to disclose their social activities and ascertain the possibility of obtaining these reports. The companies that indicated producing other reports apart from their annual reports, have been asked to provide a copy of them. Finally, the characteristics of the reports were investigated, such as their name, and the period and initial year of publication. All these questions were developed by the researcher in order to determine the sample of CSD reports for the main study, and to reveal any useful insights for enriching the discussion of CSD practices.

Part B tries to discover the most influential stakeholders for the companies in practising their CSD. Nine stakeholder groups are presented, summarised from previous studies (Freeman, 1984; Ince, 1997; Cappelen, 2004; Tilt, 2004; Bakan & Burke, 2005). These groups are the most cited stakeholder groups, classified both as primary and secondary stakeholders. Part C attempts to ascertain the motivation of the companies to practise CSD. These questions were considered representative of the most common motivation for companies to practise CSD provided by Tilt (1994), and Wilmshurst and Frost (2000). They have been used by Ahmad and Sulaiman (2004). Parts B and C are the key questions for this questionnaire as related to the purpose of the study. Part D provided one open

question to anticipate information about other CSD practices that the companies could provide. The relevant information gathered from this answer was used in the discussion of the findings.

3.2.2. Questionnaire for Stakeholders

The questionnaire for stakeholders aims to determine the level of importance of the disclosure items. The questionnaire was distributed to Indonesian stakeholders, namely; shareholders, employees, suppliers, customers, investors, and communities. Questions in part A focus on the respondents' background, such as occupation and understanding of companys' annual reports, as well as to which stakeholder group they belong. This group categorisation was adopted from the classification developed by the Indonesian Business Week Magazine for obtaining stakeholders' opinion in selecting the most admired companies in Indonesia. This internal document is only accessible for research purposes.

Part B provides a list of disclosure items with the different themes to be ranked by the stakeholders according to their perceived importance. This list was developed by Hackston and Milne (1996), Deegan et al. (2002), and Raar (2002). Combining these themes developed by each scholar is justified and appropriate to measure and cover the issue of CSD. Part C was developed by the researcher and presents three open questions about the disclosure items and other information relating to CSD practices in order to seek other opinions from stakeholders. All relevant answers are discussed and incorporated with the results. The complete questionnaire is attached in Appendix A3.

The list of disclosure items was used to examine the CSD in the companys' annual reports through content analysis, as well as to be included as a questionnaire item for stakeholders to obtain their perceptions of the importance of each item. Content analysis was applied to the relevant information in the annual reports, in parallel with the disclosure list in order to convert it to a score. A seven-point Likert scale was used to measure the responses from the stakeholders. Disclosure items which received the least important information, in the stakeholders' opinions, thus, apparently irrelevant in the Indonesian situation were excluded from the disclosure list in the major study. Information

considered relevant by the stakeholders was included as additional information in the disclosure list. Subsequently, items of the initial disclosure list were modified after obtaining these responses, with the final list giving a picture of the most relevant CSD information based on Indonesian stakeholders' perceptions.

One important early question is to discover the motivation for companies to practise CSD from the stakeholders' perspective. The stakeholders' answers to this question are interesting because they create an opportunity to compare the answers to similar questions attained from the company questionnaires. Thus, discussion about motivation for companies to practise CSD provides an insight and understanding from both parties: stakeholders (stakeholder questionnaire) and companies (company questionnaire). The discussion to be recorded in Section 6.5 is expected to be one of the most useful contributions to this study.

3.3. Disclosure Items Development

As previously stated, the list of disclosure items was used in both investigating CSD in the companys' annual reports and questioning the stakeholders about the importance of each item. These CSD items were adopted and combined with the items from Hackston and Milne (1996), Deegan et al. (2002a), and Raar (2002). Hackston and Milne developed the items based on the earlier work of Ernst and Ernst (1978), Guthrie and Parker (1989), and Gray, Kouhy, and Lavers (1995). Based on these items, Deegan et al. added additional information to the list. Raar (2002) uses methodological research data based on the study of Gray, Kouhy, and Lavers (1995) to provide details of social responsibility reporting. As a result, an initial list of disclosure items is presented to ask the dimensions of CSD in terms of environment, energy, products or consumers, community, employee or human resources, sustainability, and external relations. These combinations are indicated in the CSD list and are similar to the list in the questionnaire for stakeholders (Appendix A3).

However, some information has been excluded from the disclosure list because of similar meaning or being inappropriate for the Indonesian condition, for

example, information about 'using natural resources including recycled material' and 'researching recycled material'. This information can be accommodated in one item, namely 'natural resources'. The information about 'researching recycled material' is not applicable to Indonesian companies and therefore deleted, because the practice of recycling is most uncommon. To ensure that other items are relevant in the Indonesian context, the pilot study asked the stakeholders' opinions about the importance of each item. Consequently, a modified disclosure list for the main study was formed according to the perceptions of Indonesian stakeholders, this providing better reliability and validity.

3.4. Summary

Chapter three discusses the development of the hypotheses and questionnaires, as well as the disclosure items. Because this study is considered the first to replicate a number of variables from prior studies, a pilot study was undertaken to provide better research methodology for the main study, and to assure the validity of the variables used for the first time, together with those from previous studies. The next chapter discusses the pilot study process and findings, including the significance of the pilot study, and the development of final hypotheses and questionnaires.

CHAPTER 4

PILOT STUDY

The aim of this pilot study was to provide preliminary findings about the practice of corporate social disclosures (CSD) by Indonesian listed companies, so as to modify details of the methodology of the major study before its application in the field. The research procedures to be used in the major study have been applied in this study, but on a smaller sample. The pilot study has been undertaken to provide better direction for the main study, including the collection of samples from primary and secondary data, as well as analysing the findings from those data in order to modify, add, or re-design the main study. To provide data flow in the pilot study process, this chapter presents the objectives, followed by the motivation, issues, methodology, and discusses the findings, before drawing conclusions and implications for the main study.

4.1. Objective

The general purpose of the pilot study can be linked to Sproull's suggestion: "to assess the various research procedures prior to the major study so that modifications or estimations can be made, if necessary" (Sproull, 1995, p. 348). To accommodate these modifications, the detailed objectives of this study are summarised as follows:

1. To determine whether the selected variables and hypotheses are appropriate for the main study.

The initial hypotheses discussed in the previous chapter were developed mainly from prior studies. Through this pilot study, it is expected that these hypotheses can be confirmed as suitable, or modified for the major study.

2. To determine sample and sample size.

One of the issues in conducting a pilot study is to provide direction for determining samples. This study is important since it will aid in the consideration, selection, and confirmation of the samples that can be accessed for the main study.

3. To provide information on the appropriateness of the research design to accomplish the objectives.

The research design is essential to assure the integrity of the research undertaken. The process used in the pilot study, if appropriate, will increase the confidence in the research design when applied to the main study.

4. To provide a check on all aspects of data collection, such as devising methods to access data.

The pilot study provided an opportunity to determine the most suitable and comprehensive method of collecting data, including establishing the accessibility of data required for the main study.

5. To check the validity and reliability of the questionnaires.

Since the questionnaires were developed and applied in other countries, it was important to determine if these questionnaires are suitable for the Indonesian situation. Additionally, the issue of the language used in the questionnaires was considered significant, as the originals were in English, while the local language is Indonesian. The pilot study provided an opportunity to not only translate the questionnaires into the local language, but also to modify them so as to make them more applicable to the major study.

6. To provide information for modification of procedures in the main study, if necessary.

In the event that any of the procedures in the pilot study require adjustment or modification, these changes will be incorporated in the procedures for the main study.

From the objectives stated above, this pilot study provides the necessary information required to modify and improve the method and procedures applied in the main study. This in turn, may increase the quality of the conclusions reached in the major study.

4.2. Motivation

Although previous studies have been undertaken into CSD, the studies were carried out in developed countries, and therefore focused on the CSD practices in those countries. Since there are different CSD profiles in each country, a need existed for research to be conducted in developing countries. This study was carried out based on this need, together with the desire to identify CSD scores and develop appropriate measurements for the examination of CSD applicable in Indonesia. A further need is to establish whether the samples, questionnaires, ideas, and variables used in this study are feasible for application in the major study. The final motivation in conducting this study was to provide confidence for the hypotheses developed, and intentionally seeking other hypotheses that may result this pilot study. These justifications show the motivations for conducting this pilot study and its significance for the major study.

4.3. Pilot Study Issues

Three issues have been examined in this pilot study: data collection, variables, and questionnaires. The data collection included obtaining secondary data from company annual reports and internal publications. The variables were investigated to formulate solid predictor variables for the main study. The relevant responses from respondents to the two questionnaires were also investigated and used to modify the main study, if applicable.

4.3.1. Issues in collecting Annual Reports and Internal Publications

Initially, the major study proposed the collection of company annual reports and internal publications to find out whether companies use these reports to disclose their CSR activities; and whether these reports can be drawn as samples. It was

noticed that some Indonesian public companies produce internal reports to disclose their CSR activities. It may be appropriate to include both the annual reports and the internal publications for examination in the main study. In the event that the number of annual reports and internal reports required may not be reachable, this pilot study will try to determine methods of accessing, not only the company annual reports, but also any internal reports, including magazines, newsletters, and bulletins. The results will be evaluated to determine whether these two types of reports are sufficiently productive of worthwhile data for them to be examined in the major study. If a sufficient number of the reports were not available, they were excluded as samples in the main study and only considered in the discussion section of this study.

In the investigation of Indonesian listed companies, the provision of annual reports became an issue because there is no particular regulation for these companies to submit annual reports to the Indonesian stock market commission. They are only compelled to submit financial reports on a quarterly basis. The majority of company annual reports submitted are reserved in the Jakarta Stock Exchange (JSX) library (*'Capital Market Reference Centre or Capital Market Electronic Document Services'*), as either hard or soft copies, and are available to the public. This pilot study will explore other avenues to attain company annual reports. Any successful methods will be used in the main study to ensure the maximum number of annual reports can be gathered. The number of these reports available for the main study will also be estimated.

4.3.2. Issues in determining Predictor Variables

This pilot study examined the initial hypotheses previously discussed. Simple statistical analysis was performed to determine whether the predictor variables were appropriate, and to indicate any correlations to the extent of CSD. These variables are company type, size, financial performance, age, and the influence of creditors, auditors, and owners. The issue arises as to the sufficiency of these data, because the variables mentioned are relatively new for CSD practices in Indonesia. The prior studies indicated that these hypotheses were applicable and

could be included in the main study, although some may require re-formulation with additional variables based on Indonesian situation.

4.3.3. Issues in obtaining Questionnaire Feedback

Confidence of gaining enough respondents was essential for this study. Through the pilot study, ways to obtain maximum respondents were explored in order to demonstrate that this process can also be used in the main study. The majority of the questions were adopted from previous studies, and therefore there is a concern whether they are applicable to the Indonesian situation. Thus, the reliability of the questionnaires needs to be assured. Questions were also developed by the researcher to seek more comprehensive information in line with the purposes of the main study. These results were useful in the redesign of the main questionnaires, leading to the addition of new questions and the deletion of those deemed inappropriate. A summary of the initial questionnaire design is provided in Figure 4.1, the complete questionnaires being attached as Appendix A2 and A3.

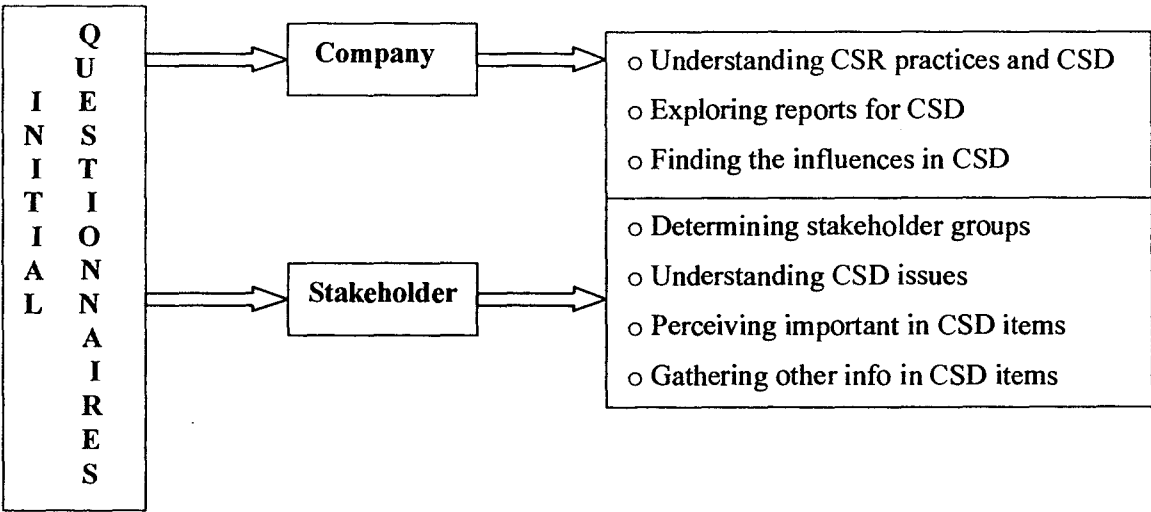


Figure 4.1. Initial Questionnaire Scheme

Two questionnaires were designed to meet the purpose of the main study and were addressed to Indonesian companies and selected stakeholders. The company questionnaire focused on acquiring an understanding of the practice of CSR, and the media used to disclose this. A number of reports was presented as

options from which the companies to choose, including annual reports, web sites, magazines, bulletins, newsletters, and other reports. The company questionnaire also enquired into the influence of, and motive for CSD in order to provide preliminary findings that may support similar ideas for the main study.

The stakeholder questionnaire was intended to provide primary findings on the appropriateness of CSD items that can be used for measuring the extent of CSD. The three objectives of this questionnaire are: first, to ascertain the selected Indonesian stakeholder groups (shareholders, employees, suppliers, customers, communities, investors) understanding of CSD; second, to establish whether these stakeholders can really give their opinions on the importance of items of CSD; and finally, to identify items on the CSD list that may be unsuitable for the Indonesian situation. It is also expected that the stakeholders will suggest items that consider important but not included on the present CSD list. These stakeholder opinions are necessary to create the final list of CSD items for the major study.

4.4. Methodology

The pilot study method illustrates the process of conducting the study, including the design and data collection.

4.4.1. Design of Pilot Study

Four steps in Figure 4.2 describe the pilot study design. First, the study focused on the responses to questionnaires, as primary data, and the collection of annual reports as secondary data. This was followed by data analysis pre-tested questionnaires, annual reports, and hypotheses, including determination of possible samples and evaluation of content analysis. A report is presented in the findings and discussions section, followed by a statement of the implications for the main study.

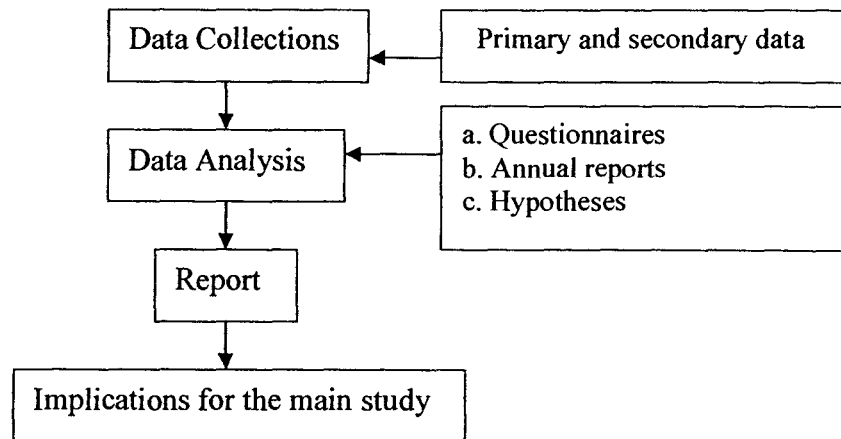


Figure 4.2. Pilot Study Design

4.4.2. Sample and Data Collection

To overcome the difficulties in primary data collection, two events were attended to seek respondents to be targeted, those events being the *Community Development Forum* organised by the *Corporate Forum for Community Development (CFCD)*, a prominent NGO, and *The Opening Conference of The Indonesian CSR 2007* organised by *The Indonesian Public Welfare Ministry*. These events provided the opportunity for the researcher to meet the Indonesian stakeholders and company personnel, and to garner their participation as respondents. To ensure that the respondents felt confident in answering the questionnaires, the researcher provided explanations and answers to any queries that arose. Once the respondents agreed to participate, either company or stakeholder questionnaires were distributed.

4.4.2.1. Primary Data

The two questionnaires were originally developed in English; however, since the respondents are Indonesian language speakers, some doubt existed about their comprehension of the language used in the questions. To overcome this concern and to give utmost clarity to the respondents, the questionnaires were provided in both English and Indonesian. During the questionnaire process, it was observed that the majority of the participants preferred to read the questions

in Indonesian rather than English; however, a few chose to read the English version, because some CSD terminology is easier to understand in English. Almost all the respondents answered the questions in Indonesian. The provision of these questionnaires in two languages was considered a proper approach for this study as it provided the chance for the respondents to select their most convenient language as well as to check the meaning of the terms used.

The questionnaire process was conducted in three steps. First, the researcher explained the company and stakeholder questionnaires to the audiences. This explanation provided the opportunity to those who were willing to participate, whether they were representative of a company or of a stakeholder. Second, the questionnaires were distributed to those individuals who were willing to participate according to their questionnaire selection. Last, the questionnaires were collected after the events, and in some instances they were returned either by mail or by fax.

Thirty company questionnaires and one hundred stakeholder questionnaires were distributed during the events attended. After the events, twelve responses from the companies, represented by managers, general managers, and directors were returned. All these questionnaires were answered completely; therefore, they were valid for inclusion as samples. Thirty-five responses from stakeholders were also obtained at that time with a further three being returned by mail during the following two-week period. From a total of 38 stakeholder questionnaires returned, two were rejected because they were not completed, leaving the remaining 36 responses as samples. These responses were from thirteen communities, thirteen employees, four shareholders, three customers, two investors, and one supplier. These classifications of stakeholder groups was decided by the stakeholders themselves, according to their preferences and based on the appropriate requirements that were defined in the questionnaire. The detailed profiles of the stakeholder respondents are provided as:

1. Investors: entrepreneur and commissioner
2. Shareholders: director and managing director
3. Employees:

- General Manager
- Senior manager
- Manager (taxation, operational, human resources, sales)

4. Communities:

- Researcher and lecturer
- Manager, senior manager, General Manager
- Government officer
- Non-Government Officer (NGOs)
- Activist
- Business consultant

5. Suppliers : entrepreneur

6. Customers: secretary, dean, and consultant

These profiles show that there is a relatively large range of occupations in the stakeholder groups and it is expected that they represent the majority of stakeholder's opinions.

4.4.2.2. Secondary Data

Several ways to obtain secondary data, including the company annual reports and internal reports, were explored. The first priority was to find hard copies of the annual reports. Collecting hard copies was important as they are the most readable report and simple to detect if any pages are missing. The second priority was searching the available soft copies, followed by visiting the company website. Contacting companies to ask them to provide reports was the least priority, as this requires more time and often requires dealing with the company's complex bureaucracy.

Visits to the Jakarta Stock Exchange Library were found to be the most accessible way of obtaining hard and soft copies of the annual reports. However, to collect internal reports, the researcher had to contact the company's corporate secretaries or public relations officers directly. Finally, 68 annual reports were collected, which included 22 reports for the year 2003, 23 reports for 2004, and another 23 reports for 2005. These reports were useful principally for conducting a content analysis to determine the extent of CSD,

and also for obtaining some company financial data. Apart from the annual reports, other data were gathered from the Indonesian Capital Market Directory (ICMD) publication, and the data-base of the Indonesian Finance Department. Access to these last two sources was relatively straightforward.

Eight internal publications were eventually collected: three magazines, three bulletins, and two newsletters, from four different companies. The process to obtaining the same publications from more companies proved to be difficult. One reason for this was that not all companies produce the same type of internal reports for disclosing their CSR activities. The internal reports are produced according to the preferences and internal policies of each company; therefore, each company has different publications and times of circulation. Another reason was that some companies release several internal reports within their departments, so it was difficult to justify which reports were suitable to be examined and considered as representative of the whole company. Finally, because the majority of companies did not have complete records of their internal publications, it was hard to ask them to provide the reports. Based on these reasons, the internal reports could not be effectively evaluated; but they were still discussed to provide ideas for the common comparison of the annual reports.

To provide clarity on the number of samples for this pilot study, a summary of data collected is provided in the following table. The valid sample was analysed to generate findings, discussions, conclusions, and implications.

Table 4.1. Summary of Sample

	Primary data / Responses		Secondary data / Reports	
	Company	Stakeholder	Annual report	Internal report
Collected	12	38	68	8
Valid	12	36	68	8

4.4.3. Data and Content Analysis

The company and stakeholder questionnaires were analysed by counting the frequency for each answer, then ranking the totals. The hypotheses were analysed by performing simple statistical tests in order to find indications to enable development of stronger final hypotheses. These methods are considered acceptable since the number of samples is relatively small. Some relevant information obtained in the open questions from both the company and stakeholder questionnaires was summarised for adding to the discussion.

A content analysis was performed by the researcher to analyse the annual reports to determine the extent of CSD. Wolfe (1991) defined content analysis as systematic procedures for studying the content of written documents. The application of content analysis was carried out by converting the qualitative information in the annual reports into quantitative scores. Table 4.2 depicts the two measurements applied in terms of the extent of CSD: quantity and quality. This table shows the weights given for 'how much disclosure' and 'how the information is measured'.

Table 4.2. Quantity and Quality CSD Measurement

Quantity of disclosure (‘how much’)	Quality of disclosure (‘how measured’)	Quality definition
1 = sentence	1 = monetary	Disclosure in monetary/currency terms
2 = paragraph	2 = non-monetary	Quantified in numeric terms of weight, volume, size, etc, but not financial/currency
3 = half A4 page	3 = qualitative only	Descriptive prose only
4 = 1 A4 page	4 = qualitative and monetary	Descriptive prose and currency
5 = >1 A4 page	5 = qualitative and non-monetary	Descriptive prose and numeric terms
	6 = monetary and non-monetary	A combination of currency and numeric terms
	7 = qualitative, monetary and non-monetary	Descriptive prose, financial and numeric terms

Adopted from Raar (2002)

The above score criteria was selected because it was found to be the most comprehensive and detailed measurement for content analysis in the examination of CSD in the annual reports. By applying this detailed measurement, it was expected that detailed analysis can be performed to generate more comprehensive results in calculating CSD. The possible maximum score that can be achieved is 255 for total quantity and 357 for total quality. This number is obtained by multiplying the maximum score for each measurement and the total of 51 CSD items (Appendix A3). The following section provides an explanation for the awarding of scores to each sentence as related to every CSD item.

i. Quantity of disclosures

A range from one to five was awarded on each CSD based on how much information is disclosed.

- a. A score of 'one' for disclosure in sentence.

If the CSD information disclosed is only one or two sentences, a score of 'one' is awarded for this quantity of CSD.

- b. A score of 'two' for disclosure in paragraph.

A score of two is given for information stated in a paragraph, provided that paragraph has at least three sentences. From previous experience in conducting content analysis, it was noted that up to two paragraphs of information can be disclosed to obtain a score of two.

- c. A score of 'three' for disclosure in half an A4 page.

Disclosure stated in three paragraphs that occupies half an A4 page was awarded a score of three. The coders took care and conscientiously calculated number of statements disclosed in the annual reports, especially if less than three sentences were used in a paragraph.

- d. A score of 'four' for disclosure of a page of A4.

Disclosure of more than three paragraphs usually accounted for almost a full A4 page. Although this is not an absolute rule, coders have to identify statements that occupy a page of A4 before awarding a score of four.

- e. A score of 'five' for disclosure of more than one A4 page.

The highest possible score awarded for the quantity of disclosure is a 'five'. This score is for the disclosure stated in more than one A4 page. This information usually describes a certain topic in detail and various social activities that the company conducted, but still on the same issue, for example, charity information.

ii. Quality of disclosures

The score for quality of disclosure ranged from one to seven. The method for measuring how the information is disclosed is set out below:

- a. A score of 'one' for monetary information.

Monetary information can be described in currency terms. Any of currency terms that are disclosed without other descriptions are given a score of one.

- b. A score of 'two' for non-monetary information.

The quantified numeric terms instead of currency, such as numeric in weight, volume, and size are considered for obtaining a score of 'two'.

- c. A score of 'three' for qualitative information.

Descriptive, narrative, or qualitative information noticed as the majority of disclosures was awarded a 'three' score. This nature of information means it is relatively easily found. However, the coders must be careful if any numbers are disclosed simultaneously.

- d. A score of 'four' for qualitative and monetary information.

If the CSD is stated in a combination of qualitative and monetary information, a score of 'four' was awarded.

- e. A score of 'five' for qualitative and non-monetary information.

The disclosures qualitatively combined with non-monetary information is given a 'five' score.

- f. A score of 'six' for monetary and non-monetary information.

The information disclosed for being in currency and other numeric terms is awarded a 'six' score.

- g. A score of 'seven' for qualitative, monetary, and non-monetary information.

The highest possible score of qualitative measurement is 'seven'. This score is awarded for the most comprehensive nature of CSD information that combines qualitative, monetary, and non-monetary aspects.

An agreement is developed on awarding scores. To avoid any double counting of any information on the same issue that may be disclosed in several locations, the score was given based strictly on the greatest amount of disclosure on a topic in the annual reports. This is possible as the quantity of the paper size is similar within all company annual reports, including the font type and size, as suggested by the Indonesian Capital Market Supervisory Agency.

While the majority of the annual reports are provided in bi-lingual texts: Indonesian and English, some companies do not provide English text in their annual reports. To overcome any confusion in calculation of 'how much' and 'how measured' amounts of disclosure, it was decided to refer to the Indonesian text only. The researcher was careful in counting the sentences or paragraphs in a page to indicate the quantity of the disclosures, where the report is published in both languages. As the number of samples was manageable and the researcher saw an opportunity to gain experience that would be useful in the main study, the content analysis in this pilot study was completed by the researcher. The detailed procedures of content analysis for the major study, with a greater number of samples, are presented in section 5.4.

4.5. Findings and Discussion

This section provides the findings after examination of the questionnaires, content analysis, and hypotheses analysis. From the discussion of the findings, some conclusions and implications were drawn to support the main study.

4.5.1. Primary data

The analysis of samples from primary data includes the evaluation of company and stakeholder responses to the questionnaires. All relevant findings, as well as some discussions during the questionnaire process, are also presented, not only to give ideas for the major study, but also to provide some new perspectives about CSD practices in Indonesia.

4.5.2. Company Responses

The questions answered by companies provide a measure of their understanding of CSD, and the influence and motivation for the practice of CSD.

- i. Eighty-three percent of the companies conducted CSR activities more than nine times a year, as indicated by their CSR programs. This shows that these companies had a CSR programme almost every month. The personnel responsible for these CSR activities include individuals from the CSR units or departments, community development service units, general affairs, public relations, or communications departments. The CSR programs were normally developed early in every budgeting year to relate the activities and their costs. Most of the programs were long-term, some lasting from three to five years. On average, there were between ten to fifteen new programs conducted each year, while other activities in CSR were from programs continued from the previous year.
- ii. All respondent companies had policies that relate to CSR activities within their organisations. This finding supports the finding that these companies undertake CSR activities regularly, according to their company policies. While CSR policies were often incorporated into the company's value and vision, only a few companies were aware of CSR reporting and the benefits of reporting their activities. Consequently, it is predicted that the extent of CSD is low for the companies, which do not have any CSD policies or guidelines.
- iii. The greatest focus of CSR activities conducted by the companies can be ranked as illustrated in Table 4.3. The main purpose of CSR activities

can be seen to serve the surrounding communities, followed by providing benefits to employees (human resources), maintaining the environment and external relations, minimising energy usage, improving product quality, and sustaining the existence of the company. These findings had been predicted as it was noticed that CSR programs in Indonesia were designed to serve communities surrounding the company, especially in its ‘first ring’, which is within 10 kilometres of the company headquarters.

The activities to create ‘sustainability’, on the other hand, appeared not to be clear to the companies, and therefore they considered it as a lower priority. Companies considered that ‘sustainability’ would be the outcome from CSR activities, rather than the CSR activities themselves. They are not really certain of what particular activities can create sustainability, as all CSR activities are considered to generate sustainability for the future. The greatest areas of CSR activities are to serve the communities, so the information of ‘community’ might be the major CSD disclosure in the annual reports, based on the assumption that the nature of information in CSD represents the CSR activities that have been conducted.

Table 4.3. The Area Activities of CSR

Rank	CSR activities	Average point
1	Community	2.08
2	Human Resources	2.67
3	Environment	3.42
4	External relations	3.58
5	Energy	5.17
6	Products	5.33
7	Sustainability	6.25
8	Other activities	7.50

Note: 1 = most activities to 8 = least activities

- iv. The company annual report is the most published report which discloses CSR activities, as shown in table 4.4. This is followed by the company websites, bulletins, newsletters, and magazines. One respondent identified other media used to report CSR activities, including TV,

radio, and regular press releases. Compared to other reports, annual reports have been considered as the most appropriate report to disclose CSR activities as they are projected to public, proactively constructed, and produced in a regular basis (Stanton & Stanton, 2002; Tilt, 2001). For these reasons, it is expected that the majority of Indonesian companies place the information about their CSR activities in their annual reports, and consequently, choosing an annual report as the media of CSD for the main study can be confirmed. The financial report section in the annual report, which has more mandatory regulations based on the accounting standards, has no specific rules for the disclosure of CSR activities in this document. A few suggestions treated as voluntary disclosures, for example, inform of ‘employees profiles’ or disclose that company operation is accordance with a ‘safety working environment’. Thus, as a result, disclosures about ‘employees’ profile’ or a ‘health and safety working condition’ might become the major disclosed information in the company annual reports.

Table 4.4. Reports for CSR Activities

Rank	Reports	Percentage
1	Annual Reports	100%
2	Websites	83%
3	Bulletins	75%
4	Newsletters	58%
5	Magazines	50%
6	Sustainability Reports	33%
7	CSR Reports	33%
8	Environmental Reports	17%
9	Others	8%

- v. The main influence on companies to disclose CSR activities was ‘community’. In contrast, ‘supplier’ did not seem to have much influence on this decision (Table 4.5). This information concurs with the reality that companies are concerned about the communities as reflected in the CSR activities that are targeted to serve them (as shown in Table 4.3.) The fact that the government had the second greatest influence on companies to maintain CSD practices was considered an interesting

finding. Although there are no specific regulations for a company to conduct CSR, it was felt that the government supported CSR activities. One guideline from the Indonesian government (Government regulation no. 19/2003 referring to 'state owned companies') is for the allocation of 2% of the net income of the company for conducting CSR activities. This is considered as the only guidance in the area of CSR for Indonesian companies, it being addressed only by state owned companies. 'State owned' companies refer to companies that have their majority shares owned by the government. However, as the issue of CSR is growing rapidly in Indonesia, further regulations or guidelines may be introduced in the near future.

Auditors and suppliers were considered the two parties that least influenced the practice of CSD. Companies feel that these parties were not involved significantly in the issues of CSD. Auditors mainly assess the financial reports of the company and conduct their jobs according to the audit procedures. Since there is no audit system that can be identified as relating to CSD financial practices, the auditors have not shown their concerns about CSD. In addition, suppliers seem only aware of the going concern of the company with regard to the supply of raw materials and in collecting payment for what they supply. As long as the companies show a good record of payment, the suppliers are likely to be satisfied. These thoughts are not entirely true, however, although the influence of auditors and suppliers was found to be not as great on CSD as that of other stakeholder groups, whose support for the practice of CSD is necessary. Their encouragement of the company to disclose its CSR activities helps to maintain company sustainability so that it can create a long-term business relationship and provide benefits to all parties.

Table 4.5. The Influence Parties for CSD

Rank	Influenced parties	Average point
1	Communities	6.17
2	Government	5.83
3	Employees	5.58
4	Shareholders	5.33
5	Media	4.50
6	Investors	3.83
7	Customers	3.33
8	Auditors	2.42
9	Suppliers	1.50

Note: 1= no influenced to 7 = full influence

- vi. Three major motives have been found as the greatest motivation for Indonesian companies to practise CSD: to create positive company images, to show that companies act accountably or responsibly in reporting, and to comply with stakeholders' expectations or demands. This finding confirms that the majority of companies in developing countries, in the early stage of conducting CSR activities, aim to create good company images (Adams, 2002; Milne et al., 2000; Wilmshurst & Frost, 2000). However, the finding is a good indicator that Indonesian companies are also aware of the need to act accountably and comply with their stakeholders' expectations for adequate CSD information. Table 4.6 demonstrates the rank of motivations in practising CSD in Indonesia.

Table 4.6. The Motives for CSD

Rank	Purposes	Average point
1	Image	6.17
1	Act	6.17
1	Stakeholders	6.17
4	True and fair	6.08
5	Legal	5.50
6	ISO 14000	3.92
7	Media	3.42
8	Investor	3.25

Note: 1= strongly disagree to 7 = strongly agree

4.5.1.2. Stakeholder Responses

The stakeholder feedback showed that the understanding of stakeholders in the content of company annual reports was considered acceptable. Thirty-three from thirty-six respondents (91%) stated they have read the annual reports and 88% of these respondents read the reports within the last year. Thus, these results suggest responses from stakeholders who answer the questionnaires are relatively reliable. The following discussion demonstrates other findings on how the stakeholders provide their opinions of the importance of each CSD theme; and how every stakeholder group perceived the importance of information differently.

- i. Eight sections of the disclosure themes, as described in Table 4.7, were ranked by the stakeholders based on their opinions about the importance of the information 'Products' being considered the most important information, especially 'product safety'. The stakeholders considered the products of a company to reflect how the company was responsible in serving their stakeholders through safe production, before conducting other corporate activities. For this reason, the product information is crucial for stakeholders. In contrast, the stakeholders perceived information about 'community' as the least important. The stakeholders noticed that many companies served their surrounding communities merely to protect the company businesses, rather than to show they were truly responsible. Therefore, because of this reason, the stakeholders were not really concerned about information that related to the 'community'.

Table 4.7. Important Information Themes Perceived by Stakeholders

Rank	Information theme	Average point
1	products	6.30
2	environment	5.70
3	sustainability	5.69
4	human resources	5.66
5	energy	5.65
6	external relations	5.36
7	other information	5.28
8	community	5.13

Note: 1 = least important to 7= most important

- ii. While each stakeholder group perceived the importance of CSD information slightly differently, these differences were not likely to be significant. For example, investors considered ‘product’ and ‘sustainability’ to be the most important information, while employees and communities stated that ‘product’, ‘human resources’, and ‘environment’ were the most important information for them. These findings support the notion that ‘product’ is perceived as the most important information by the all stakeholder groups. The average of the important information for every theme, from all stakeholder groups is provided in Table 4.8.

Table 4.8. The Most Important Information as Perceived by Stakeholder Groups

Information Theme	Shareholders	Employees	Suppliers	Customers	Communities	Investors	Suppliers
Environment	5.67	5.60	4.80	6.10	5.90	4.80	4.80
Energy	5.64	5.50	5.60	5.90	5.90	5.00	5.60
Human Resources	4.98	5.60	4.90	6.30	5.90	5.80	4.90
Community	4.55	4.70	5.00	5.70	5.60	5.10	5.00
Product	6.33	6.50	6.00	6.40	5.90	7.00	6.00
Sustainability	5.00	5.20	6.00	6.00	6.20	7.00	6.00
External relation	5.75	4.80	4.00	6.30	5.50	6.00	4.00
Other Info	5.42	4.60	4.70	5.70	5.70	6.20	4.70

Note: 1 = least important to 7= most important

4.5.2. Secondary Data

This section discusses the results of investigating the company annual reports and other company internal reports, especially the results of content analysis as explained in section 4.4.3.

- i. From the 68 annual reports collected, the reports selected as samples were from similar companies, which resulted in twenty reports being selected for each of years 2003, 2004, and 2005. The reports were predominantly from the companies, which were classified as ‘sensitive industries’, with only approximately 16% being categorised as ‘non-sensitive industries’ (section 3.1.2.1). This composition shows that the

number of companies categorised as ‘sensitive’ industries is greater than those in the ‘non-sensitive’ industries group.

- ii. The most information disclosed by the companies was ‘other information’, especially on ‘good corporate governance’ and ‘achieving awards’. The information of ‘good corporate governance’ in the annual reports seemed to be presented structurally and comprehensively. This may be because this information is required by the Government. ‘Achieving awards’ is positive information for companies; therefore, it is likely to be disclosed so as to gain a positive company image. On the other hand, the information about ‘environment’ and ‘energy’ is only disclosed occasionally. This shows that the companies may not be aware that conservation of the environment and energy are part of their responsibility; and thus, may not realise the importance of disclosing this information in their annual reports. Table 4.9 and 4.10 rank the average of the total CSD in the annual reports in terms of quantity and quality respectively. While these tables show a slightly different order of disclosure in the average scores of quantity and quality, ‘other information’ was the most disclosed information for both of them.

Table 4.9. The Most Disclosed Information by Companies – Quantity

Rank	CSD Themes	Average point
1	Other Information	5.91
2	Human Resources	2.50
3	Sustainability	2.47
4	External Relation	2.37
5	Products	1.90
6	Communities	1.30
7	Environment	0.49
8	Energy	0.16

Table 4.10. The Most Disclosed Information by Companies – Quality

Rank	CSD Themes	Average point
1	Other Information	7.83
2	Products	4.27
3	External Relation	4.08
4	Human Resources	3.89
5	Sustainability	3.04
6	Communities	3.03
7	Environment	1.3
8	Energy	0.4

iii. The average of the extent of disclosure in the annual reports during the three year evaluation period was a total of 24.25 for quantity and a total of 43.15 for quality. Since the achievable total disclosure for quantity and quality is 255 and 357 respectively, these pilot study results can be considered low, verifying that CSD is still in its infancy period in Indonesia. Information regarding the reason companies disclosed little CSD information was gathered from the individuals of some companies, during the questionnaire process. These reasons are summarised as:

- a. The management of the company may have felt that disclosing CSR activities was not important and this disclosure provided no benefit; thus, it was considered that mandatory disclosure required by the government may be needed.
- b. The company considered CSR activities were the activities to 'secure' company operations. Therefore, disclosure beyond this idea was not considered necessary if the company was already running well.
- c. The understanding about CSR, and moreover CSD, was considered limited in Indonesian companies, with only a few people qualified in this subject. Since the practice of CSD is at an early stage, it may take more time to develop.

The above reasons provide a better understanding when analysing CSD practices in Indonesia and this can be a useful contribution to the discussion of the main study.

iv. Table 4.11 documents eight reports categorised as internal reports (two newsletters, three bulletins, three magazines) from four different companies. Since the numbers of the internal reports is relatively small, the analysis was conducted manually. Using similar measurement for quantity and quality as in the annual report (Table 4.2), the content analysis produced the average quantity total score of 19.55 while the quality score was 27.67. The information disclosed was limited to certain information; therefore, this may create low scores for the extent of CSD. The type of information disclosed is discussed in the next paragraph.

Table 4.11. Internal Reports Collection

Company name	Newsletter	Bulletin	Magazine
PT SG	November 2006	December 2006	August and December 2006
PT ME	January 2007	January 2007	-
PT ULI	-	-	December 2006
PT ATM	-	August 2006	-

Most of the companies utilised the internal reports to provide information about their activities, not only on CSR, but also on corporate events. These were addressed to their employees. Every company has its own policies regarding this publication, for example, the publication frequency, number and size of pages, and type. These parameters are different for each company. The majority of newsletters are published every month, while bulletins are published either every month or every three months. Magazines are published every month, every three months, or every six months. The nature of the information in the internal reports is specific, although not as comprehensive as it is in the annual reports. The major information found in every internal report relates to 'donations', 'scholarships', and 'external relations'. Information regarding the CSR activities is quite detailed, often relating to specific events and activities, for example, describing the number of participants, the venues, and often including pictures. The quality of the information in the internal reports is more likely to be greater than that in annual reports, although it is more limited, in terms of the range of information.

Every internal report has its specifications, the content and number of pages, for example, magazines provide more pages compared to bulletins and newsletters. They range from 24 to 30 pages per magazine and provide articles written by the management, including activities conducted by the head office and branches. Bulletins contain less pages and articles (about twelve to sixteen pages), with pictures of activities conducted within branch offices. Finally, newsletters which provide information and articles, predominantly in pictures; these contain only about four to six pages. Newsletters are used to provide information about the activities in smaller branch offices. Since there were obstacles in collecting these kinds of reports, as explained in section 4.4.2.2, they were excluded as samples; however, they may be used to enrich later discussion or provide implications for further study.

The findings from questionnaires and content analysis indicate that CSD practices have been perceived differently by the companies and stakeholders. The companies disclose their CSR activities with a certain intention, for example, to gain a good company image, but do not reveal all of what they have achieved. The results show the purpose of their CSR activities is mainly to serve their communities; however, they disclose much information in the 'other information' theme, such as achieving awards. This finding may suggest there are gaps between CSR and CSD practices, and consequently it indicates that CSD may not represent the CSR activities adequately.

Companies and stakeholders perceive the importance of information disclosed in the annual reports differently. While companies like to inform regarding their success in gaining awards, stakeholders perceive that 'product' information is more useful for them. As discussed previously, it can be concluded there is another gap between the most important information perceived by the stakeholders and the most information disclosed in the company annual reports. This gap can be explained because there are different motivations for companies and stakeholders regarding CSD.

4.5.3. Disclosure Items

The full range of the disclosure list applied in this pilot study is attached as Appendix A3 (similar to the stakeholder questionnaire). Some helpful findings and discussions during the examination of the stakeholders' questionnaires and content analysis process are presented below.

1. An investigation of the stakeholder's responses cannot identify any new items suggested by the Indonesian stakeholders as additions to the existing CSD list. However, they did suggest more clarity of disclosure for item number 33, namely 'donation'. The category 'donation' refers to activities that support the community, such as events, organisations, education and arts. Two additional activities have been proposed: 'supporting sports activities' and 'building religious places', such as mosques, churches, and temples. These are both relevant as Indonesia is a religious country with the world's largest Muslim population, and the stakeholders are likely to support the building of mosques.
2. The stakeholders indicated that 'summer or part-time employment of students' included in the community theme was not relevant, as this activity is not common in Indonesia. The stakeholders implied that 'on the job training' activities are more suitable for Indonesian companies, rather than employment of students on a part-time basis.

Similarly, there are five items in the disclosure list that are unfamiliar to the companies. These are all included in the 'energy' information category. Throughout the three years of annual reports examined, these items have never been disclosed. Indonesian companies may still have a premature understanding on how to utilise energy as part of their business responsibility. This finding was supported by the stakeholders who also provided less important information for 'energy'. This indicated that both Indonesian stakeholders and companies may not be aware of 'energy' as one area of CSR about which they should be concerned. Thus, it can be predicted there will be little if any information about 'energy' disclosed in the annual reports.

The following items should be considered for exclusion from the CSD list:

- a. Utilizing materials for energy production
- b. Disclosing energy savings resulting from product recycling
- c. Researching improvements in energy efficiency of products
- d. Receiving awards for an energy conservation program or being penalised for energy waste
- e. Disclosing the company energy policies.

Apart from the items mentioned above, it was also found that the information about 'penalties' under 'other penalties' (item 51) is not appropriate for the Indonesian situation. It is unclear whether any legal penalties apply to Indonesian companies, any existing fines being for companies, which pollute. Consequently, the information about 'penalties' must also be deleted from these CSD items.

3. The information on disclosing CSR activities in the annual reports appears to be influenced by events that have happened over the period. For example, the 2004 annual reports disclosed much 'donation' information for victims who were badly affected by the Tsunami in Aceh, Indonesia. The 2005 annual reports include information about donations for the earthquake victims in *Yogyakarta*. The majority of companies showed their concern by supporting and contributing to the communities when any natural disasters occurred.
4. Documentation of information disclosed in the annual reports is mostly positive and descriptive in nature, rather than negative and quantitative. These disclosures indicate that the companies tend to inform the reader regarding compliance with regulation and on improving their images, such as disclosing good corporate governance, receiving awards, and achieving targets.

According to the findings and discussions on the disclosure items, it is important to note that modifications are needed for the main CSD list. This

will be further discussed in the conclusions and implications for main study in section 4.6.

4.5.4. Hypothesis Analysis

The preliminary hypotheses discussed in the previous chapter were tested in this pilot study to support the development of the main hypotheses. Some simple calculations and statistical data analyses have been performed for each hypothesis according to the descriptive, and predictor and criterion variables.

4.5.4.1. Descriptive Variables

Three areas of descriptive variables proposed in the initial hypotheses have been investigated, the results being discussed in the next section.

A. The importance of Corporate Social Disclosure Information

The stakeholder questionnaire results in Table 4.7 show that 'product' was perceived as the most important information by the stakeholders. As the first hypothesis proposed the 'environment' as the most important information for the stakeholders, this hypothesis is not accepted. The 'environment' was perceived as the second most important information source by the stakeholders. This finding is interesting because, in the absence of similar evidence 'product' is considered as the most important information for stakeholders. This result may suggest that the Indonesian stakeholders are more concerned with 'product' information in order to be assured they are consuming safe and quality products rather than maintaining 'environment'.

B. The Motives for Corporate Social Disclosure

'Meeting stakeholder demands' and 'creating a positive image' have become major purposes for the Indonesian listed companies which practise CSD. However, 'meeting legal obligation' was not shown as a major purpose for the practise of CSD by the companies examined. Thus, the idea that the disclosure of CSD is to 'meet legal obligation' should be replaced with 'to act accountably' as this was found to be one of the main purposes expected in CSD.

C. The Trend of Corporate Social Disclosure

It was expected that the extent of disclosure would increase from 2003 to 2005, being reflected in the total score results from the content analysis for every year investigated. The previous studies also reported a growing trend of CSD, indicating that the issue of corporate social responsibility has been expanding. The results of a *Paired Sample T-test* suggest there was a significant improvement in the extent of CSD quantity for 2003 to 2004 ($p\text{-value} < 0.05$). However, there were no significant improvements for the total quantity in 2004 to 2005 ($p\text{-value} > 0.05$). In addition, the extent of CSD quality did not improve significantly during the three year's of examination ($p\text{-value} > 0.05$). These results are limited because the small sample investigated may not be representative of the total population. Hence, any conclusions should be treated with caution, a greater sample being needed before further investigation.

4.5.4.2. Predictor and Criterion Variables

Regression analyses were undertaken to find the association between predictor and criterion variables. Since the sample for each year is relatively small, the test was run by combining all the data for the three years period. A normality test was performed on the criterion variables that reveal the extent of CSD quantity and quality. The result from the *One Sample of Kolmogorov-Smirnov Test* shows that both total quantity and quality scores have normal distributions. Thus, parametric tests were applied.

A. Corporate Characteristics

Type, size, financial performance, and age are the four corporate natures selected to describe the characteristics of companies. Each of them is discussed in the following section.

a. Company Type

Industries were classified as either 'sensitive' or 'non-sensitive' industries. The pilot study found that more than 80% of the Indonesian companies were 'sensitive' industries in terms of CSR (section 3.1.2.1). Only four companies, from the total of 20 in the sample, were classified as 'non-sensitive' industries. *Independent Samples T-Test* was performed and the

findings demonstrate that there were no significant differences between the type of industries and the extent of CSD in both quantity and quality (p-value > 0.05). The practice of CSD conducted by a company was unaffected by whether it was categorised as 'sensitive' or 'non-sensitive'.

b. Company Size

Company size was tested by total assets and sales. Using *simple regression*, the results show that both total assets and sales had a significantly positive affect on CSD in quantity and quality (p-value > 0.05). This indicates that the greater the total assets and sales of a company, the greater the total quantity and quality of CSD.

c. Company Financial Performance

Three financial performances, return on assets/ROA, return on equity/ROE, and earning per-share/EPS, were examined to represent companys' financial performance. *Simple regression* analysis demonstrated that these three financial performances have no significant association with the extent of CSD quantity or quality (p-value > 0.05). However, their correlations are indicated positive. The results may change if greater samples are applied during the full application of the research.

d. Company Age

The age of a company seems to have a significantly positive influence of the extent of CSD in total quantity, but not in quality. However, this premature evidence needs to be further examined to obtain better results. The calculation of 'company age' can be suggested using 'month' rather than 'year' as applied in this pilot study, to obtain more detailed figure.

B. The Influence of Stakeholders

The following section discusses creditors, auditors, and company owners who have been selected as representative of the stakeholder 'parties' examined from the secondary data. *Simple regression* analyses were applied to examine these variables.

a. Creditors

The regression analysis suggests that creditors do not significantly influence to the extent of CSD in either quantity or quality. The level of significance in the ANOVA test, in *Simple regression* analysis was above 0.05 ($p\text{-value} > 0.05$), which implies that the company's solvency is unlikely to significantly relate to the extent of CSD.

b. Auditors

Similarly for creditors, none of the total asset or clients of audit firms were found to be significant in explaining the influence of auditors on the extent of CSD, either in quantity or quality ($p\text{-value} > 0.05$). This may support the company responses suggesting that auditors are not considered as an influence on the extent of CSD. However, another statistical test could be tried to examine this variable in a better way, as it was observed that the data set provides a strong pattern for the similarity of figures for the companies, which those were audited by 'big accounting firms'. This data hovers around 34%, 38%, and 43% for 2003, 2004, and 2005 for the whole data set. Categorisation of 'big and non-big accounting firms' may be suggested as needing closer examination of this type of data.

c. Owners

There was a significant influence indicated by the ownership concentration on the extent of CSD quantity and quality ($p\text{-value} < 0.05$). A negative correlation between the owners and the extent of CSD was present; and this appeared to be relevant to the hypothesis statement, which has suggested that if the percentage of ownership is higher, then the extent of CSD is lower (section 3.1.2.1). However, analysis of much more data is required to confirm this initial finding.

An attempt to perform a *multiple regression* analysis was undertaken to examine four significant predictor variables (total asset, sales, age, and ownership), as predictor variables, resulted from the above *simple regression*. The result of *adjusted R^2* shows that the variables of total asset, sales, age, and ownership explained 0.36 and 0.25 of the extent of CSD quantity and quality respectively. However, the multicollinearity problem existed for total asset and

sales. This may suggest that the total asset and sales presents the same indicator as company size; therefore, it should be examined in a separate regression model. The initial findings from this *multiple regression* analysis provide a context for further examination in the main section of this study. The discussion about statistical analysis is provided in section 5.6, together with the methodology section for the main part of this study.

From the initial tests of the hypotheses, it is clear that they can be modified and the development of new hypotheses is possible. Further detailed investigation is also needed to provide better evidence in larger samples, including re-testing each variable and re-applying different method of measurements. The discussions about these implications are continued in the following section.

4.6. Conclusions and Implications for the Main Study

This section summarises the findings discussed above and develops some implications for the main study, including highlighting the relevant results from primary and secondary data analyses.

4.6.1. Companies and Stakeholders

From the companies and stakeholders' responses, some important areas and interesting findings were found relative to the questionnaires and hypotheses.

1. Indonesian companies conduct CSR activities regularly and the majority of the programs are long-term. These programs relate to company policies, which show they are familiar with CSR; however, practising CSD is relatively new for them. They do not have any CSD policies but rather only report their CSR activities in limited publications, with limited concern. Consequently, the main study is considered relevant to be conducted to find evidence on how CSD has been practised up to this point.
2. A new hypothesis can be developed to accommodate a strong assumption that 'communities' is the party that most influences Indonesian companies

in their practice of CSD. This assumption is supported by the finding that the companies focussed their CSR activities on serving their surrounding communities.

3. The hypothesis concerning a company's motivation for practising CSD should be modified. 'To act with accountability' should replace the motivation of 'meeting legal obligation' as this motivation has not been stated previously. The two other motivations, namely 'to meet stakeholders' demand' and 'to create positive image' are still relevant and they should be included in the main study. Both of these motivations were confirmed in the pilot study.
4. State owned companies followed government guidelines in the practice of CSR, and this may affect their CSD practices. Moreover, the majority of the Indonesian state owned companies were identified as big companies in Indonesia. Thus, it can be assumed that their roles in supporting business in Indonesia are also significant and therefore, their CSD practices are expected to be valuable. To accommodate this issue, an additional measurement for a company category can be augmented by seeking an association between the 'state owned' and 'non-state owned' companys' extent of CSD. Consequently, the company category for the main study will be examined in two categories: company type (sensitive and non-sensitive) and company status (state owned and non-state owned).
5. The method used to collect respondents from both companies and stakeholders in this pilot study can be repeated in the main study. This method not only improves time efficiency, but also the attendance at events where the target respondents are gathered simplifies this process.
6. While different stakeholder groups have perceived the importance of CSD items slightly differently, a further test about this assumption is needed. Consequently, a new hypothesis was developed to provide evidence of whether the differences do exist.

7. There is a possibility that the stakeholders feel all the information in the disclosure items is 'good'; and therefore, they consider them 'important'. For this reason, it is essential to explain to the respondents before the main study about the 'degree of importance' before they answer the questions.

As a result of this pilot study, the above implications are to be used to reformulate questionnaires, hypotheses, and method in the main research.

4.6.2. Corporate Social Disclosure Reports and Disclosure Items

The following section discusses the CSD reports, which have been selected as the sample and disclosure items for the main survey of CSD.

1. Some obstacles were encountered in obtaining company internal reports (refer to section 4.4.2.2); therefore, it has been decided that these reports cannot be used as secondary data in the main study. Consequently, the main source of secondary data for the major study is the company annual report. This decision is also motivated because all companies disclose their CSR activities in their annual reports and no difficulties are foreseen with the collection of these reports from the Jakarta Stock Exchange Library, both in hard and soft copies. In the main study, a target of at least 100 annual reports from each year from 2003 to 2005, and extending into 2006, will be analysed.
2. The internal reports, which included many pictures of CSR activities, were identified as having more quality information. However, the quantity of information disclosed in these reports is limited, mainly to that regarding 'donations' and 'supporting communities' rather than other information as on CSD list. The internal reports have been excluded as samples, and they will not be discussed in the main study.
3. The indication that CSD divulged in the annual reports was influenced by the events during the annual report period is proposed for more investigation in the main study. The nature of CSD information was mostly positive and

descriptive in nature and is predicted to be similar in the main study. The low total scores of CSD as reported in the pilot study has become a concern to be investigated during the questionnaire processes. This investigation can be undertaken by interviewing company personnel during the data collection in the main study. The outcomes will expand the discussion of the nature and reasons for practising CSD.

4. Two additional categories have been added under the 'donation' theme on the disclosure list (item 33): 'supporting sports activities' and 'building places of worship'. These additions are to ensure the utmost clarity for the content analysis of the company annual reports, based on the Indonesian situation.
5. Some items under the 'energy' and 'communities' themes, as discussed in section 4.5.3, are considered irrelevant for the Indonesian situation. These items have been excluded from the CSD list used in the main study. The six items are:
 - a. Summer or part-time employment students, under the 'community' theme.
 - b. Utilizing materials for energy production, under the 'energy' theme.
 - c. Disclosing energy savings resulting from product recycling, under the 'energy' theme.
 - d. Research aimed at improving energy efficiency of products, under the 'energy' theme.
 - e. Receiving awards for energy conservation programs or penalties for energy waste, under the 'energy' theme
 - f. Disclosing the company energy policies, under the 'energy' themeAdditionally, the information about 'other penalties' under the 'other information' theme (item 51) has also been excluded; therefore, the remaining information in this item addresses the information of 'other awards'.
6. The CSD list is further modified by the separation of the information about 'penalties' and 'receiving award' under the 'environment' theme, to avoid

any misunderstanding or multiple meanings. The stakeholder questionnaire for the main study now offers two separate answer options to address the importance of both ‘penalties’ and ‘receiving award’ under item eight (see the stakeholder questionnaire for the main study in Appendix A6). As a result, the number of items on the CSD list used in the main study is now 46, instead of 51.

7. From the stakeholders’ view, ‘product’ has been perceived as the most important information in CSD. This information replaces the ‘environment’ information, which was identified as the second most important information for the stakeholders. Thus, the statement in the initial hypothesis was changed from ‘environment’ to ‘product’ as this information is assumed to be the most important.

After modification of the CSD list in accordance with the findings of the pilot study, it is expected that the list for the main survey instrument is representative of the Indonesian stakeholders’ opinions and the measurement of CSD is now considered more appropriate for the major study.

4.6.3. Final Hypotheses

This section provides the re-stated hypotheses derived from the initial hypotheses, and presents newly developed hypotheses resulting from the pilot study.

4.6.3.1. Descriptive Variables

The three sections in the descriptive variables in the pilot study (Figure 3.1) have been expanded to four for the main study.

1. The Importance of Corporate Social Disclosure Information

The first hypothesis addresses the differences among stakeholders in their perception of the important information in CSD items. The hypothesis now becomes:

H1: There are differences among stakeholder groups in their perception of the importance of information in CSD theme.

‘Product’ is assumed to be the most important information as perceived by the stakeholders and therefore it replaces the ‘environment’ as predicted. Hence, the revision of the preliminary hypothesis is now stated as:

H2: The most important CSD information perceived by the stakeholders is in the ‘product’ theme.

2. The Party of Influence on Corporate Social Disclosure

This additional hypothesis has been developed to address the premise that ‘community’ is considered the most influential party for a company to practise CSD. The relevant hypothesis is formulated as:

H3: The most influential party for companies to practice CSD is the community.

3. Motive for Corporate Social Disclosure

The pilot study showed that ‘meeting obligation’ was not considered as a motivation for a company to practise CSD, but ‘to act accountability’ was found to be the motivation; therefore one competing hypothesis has been revised accordingly. The other two hypotheses are confirmed and as a result, they will be further examined in the main study. These notions are re-stated and hypothesised as:

H4A: The motive of companies to practise CSD is to meet stakeholders’ demand.

H4B: The motive of companies to practise CSD is to act accountably or responsibly.

H4C: The motive of companies to practise CSD is to create a positive image

4. Trend of Corporate Social Disclosure

The pilot study indicated that the trend of CSD in both quantity and quality may improve significantly if it is applied to a greater sample. By adding one further year (2006) of the annual reports to the investigation, it is believed the sample will be enhanced and the test of CSD trend will be more

representative. Thus, the main study includes the examination of year 2006, and the hypotheses are proposed as:

H5A: There are improvements in total quantity CSD from 2003 to 2006

H5B: There are improvements in total quality CSD from 2003 to 2006

4.6.3.2. Predictor and Criterion Variables

As a result of addition and re-statement of initial hypotheses, the following hypotheses are proposed. This is comprised of two sections: corporate characteristics and stakeholders' influences.

1. Corporate Characteristics

The characteristics that represent a corporation in its relation to the extent of CSD are company category, size, financial performance, and age.

The category of companies re-tested in the main study is 'sensitive' and 'non-sensitive' industries. Although the pilot study cannot identify any correlations between these categories and the extent of CSD, the hypotheses can be developed based on the study discussed in the literature review in section 3.1.2.1. Accordingly, the hypotheses are re-stated as:

H6Ai: Sensitive industries provide greater CSD quantity compared to those of non-sensitive industries.

H6Aii: Sensitive industries provide greater CSD quality compared to those of non-sensitive industries.

Additionally, a further examination comparing 'state owned' companies with 'non-state owned' companies can be added to examine the category of industries. Thus, this is hypothesised as:

H6Bi: State owned companies provide greater CSD quantity compared to those in non-state owned companies

H6Bii: State owned companies provide greater CSD quality compared to those in non-state owned companies

To establish whether company size correlates with the extent of CSD, the measurement of 'market capitalisation' has been added to the main study. Botosan (1997) suggests this variable can be included in measuring company size. The pilot study confirmed the availability of this data and therefore, its inclusion is feasible. The original measurements of company size, total assets and sales are still applicable, and are re-tested in the major study.

Hence, the hypotheses to test these notions are addressed as follows:

H7Ai: The greater the company total assets, the greater is CSD quantity

H7Aii: The greater the company total assets, the greater is CSD quality

H7Bi: The greater the company total sales, the greater is CSD quantity

H7Bii: The greater the company total sales, the greater is CSD quality

H7Ci: The greater the company market capitalisation, the greater is CSD quantity

H7Cii: The greater the company market capitalisation, the greater is CSD quality

The company financial performance represented by return on assets (ROA), return on equity (ROE), and earnings per-share (EPS) are also re-tested in the main study to determine which financial data can be incorporated into the research model. The hypotheses of these measurements are stated as:

H8Ai: The greater the company return on assets, the greater is CSD quantity

H8Aii: The greater the company return on assets, the greater is CSD quality

H8Bi: The greater the company return on equity, the greater is CSD quantity

H8Bii: The greater the company return on equity, the greater is CSD quality

H8Ci: The greater the company earning per-share, the greater is CSD quantity

H8Cii: The greater the company earning per-share, the greater is CSD quality

The final corporate characteristic investigated was corporate age. It was noticed that the age of a company may influence the extent of CSD. The measurement

of the company age in the main study is based on the number of months the company has been established. The next hypotheses then become:

- H9i: The greater the company age, the greater is CSD quantity
- H9ii: The greater the company age, the greater is CSD quality

2. The Influences of Stakeholders

Creditors, auditors, and owners are the stakeholders to be further tested in the main study, obtained from the secondary data collection, were to ascertain whether they have significant influence on the extent of CSD. Creditors are calculated by solvency measurement; auditors previously represented by total assets and total clients, will be categorised by 'big' and 'non-big' audit firms. However, the data collection from the audit of firm total assets and clients will be still gathered for observation. Owners are measured by the percentage of major ownership or ownership concentration. The majority of the hypotheses are stated in a positive direction; however, the influence of the owner is stated negatively, as suggested by the pilot study result. This negative association shows that the relationship between the owners' influences is opposite to the extent of CSD as discussed in section 3.1.2.2.

The assumptions that these three stakeholders may significantly influence the extent of CSD in both quantity and quality lead to the following hypotheses:

- H10i: The greater the company solvency, the greater is CSD quantity
- H10ii: The greater the company solvency, the greater is CSD quality

- H11i: Companies audited by a big accounting firm provide greater CSD quantity compared to those audited by a non-big accounting firm.
- H11ii: Companies audited by a big accounting firm provide greater CSD quality compared to those audited by a non-big accounting firm.

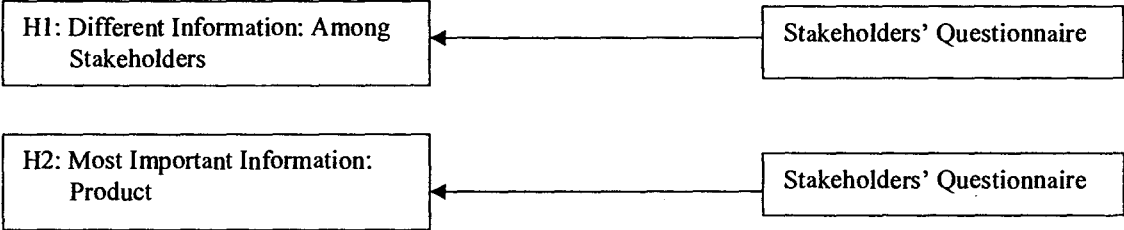
- H12i: The greater the company owners' influence, the lower is CSD quantity
- H12ii: The greater the company owners' influence, the lower is CSD quality

4.6.3.3. Summary of All Variables

To summarise the final hypotheses for the main study, figure 4.3 and 4.4, together with Table 4.12 are provided on the following page. The first column of Figure 4.3 lists the hypotheses sections, followed by the detailed hypotheses statements (if any), and finally, the third column describes the source of the data.

Descriptive Variables

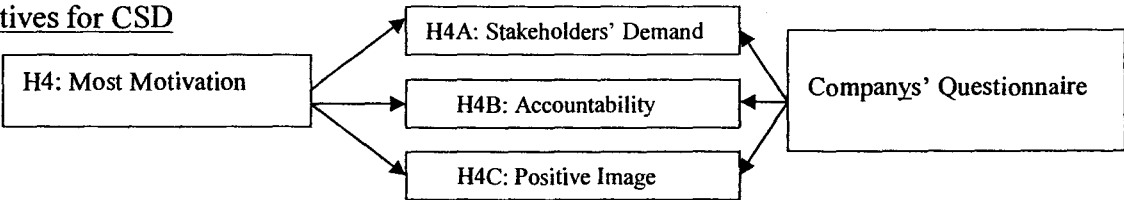
The Importance of CSD Information



The Influence Party on CSD



Motives for CSD



Trend of CSD

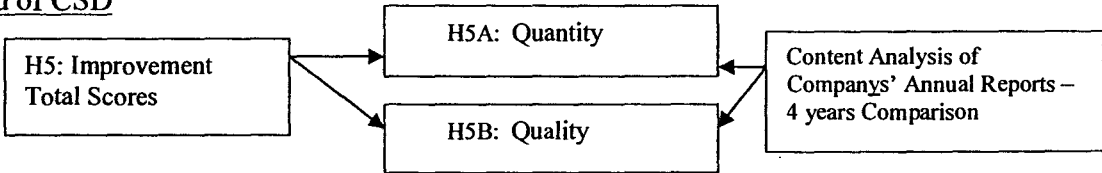


Figure 4.3. Summary of Descriptive Variables

Figure 4.4 illustrates the hypotheses sections and the measurements (if any) positioned as the predictor variables and their relationship to the extent of CSD in both total quantity and quality. The sign of positive (+) or negative (-) indicates the expected sign of these relationships.

Predictor and Criterion Variables

Corporate Characteristics:

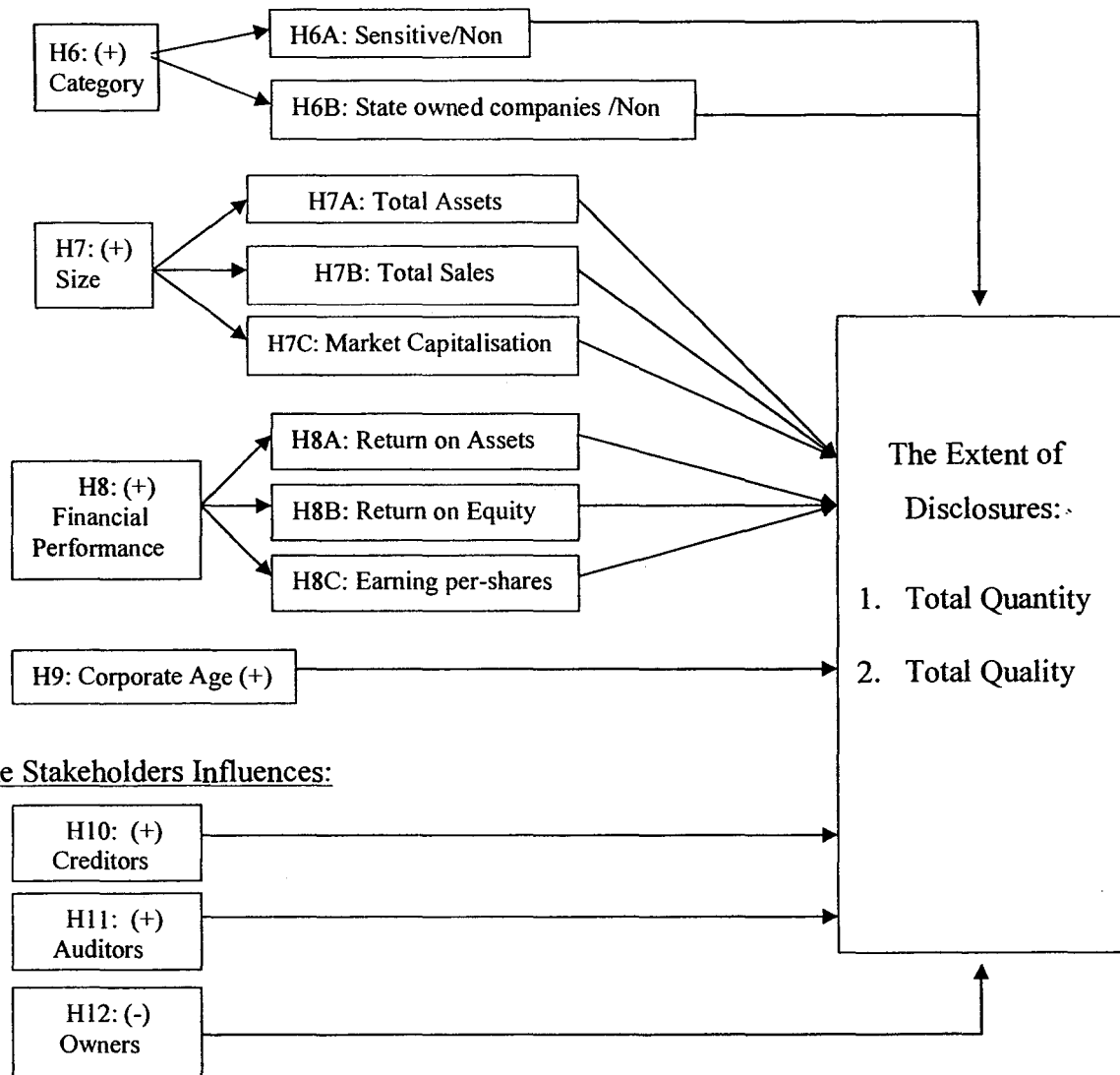


Figure 4.4. Summary of Predictor and Criterion Variables

To provide a clearer picture of hypothesis modification and mutation of additional hypotheses from the initial into the final hypotheses, Table 4.12 is presented on the next page.

Table 4.12. The summary of initial hypotheses from the pilot study and final hypotheses for the main study.

Initial Hypotheses	Final Hypotheses
----	H1: Different opinion from different stakeholder groups for CSD items
H1: ' Environment ' as the most important information	H2: ' Product ' as the most important information
----	H3: 'Communities' as the most influencing party to practise CSD
H2: Stakeholders' demand, legal obligation , and positive image as the most motivation to practise CSD	H4: Stakeholders' demand, accountability , and positive image as the most motivation to practise CSD
H3: Improvement of the extent of CSD during three years	H5: Improvement of the extent of CSD during four years
H4: Sensitive and non-sensitive industries to the extent of CSD	H6A: Sensitive and non-sensitive industries to the extent of CSD H6B: State owned and non-state owned companies to the extent of CSD
H5A, B: Total asset and sales to the extent of CSD	H7A, B, C: Total asset, sales, and market capitalisation to the extent of CSD
H6A, B, C: ROA, ROE, EPS to the extent of CSD	H8A, B, C: ROA, ROE, EPS to the extent of CSD
H7: Age to the extent of CSD (calculated by year)	H9: Age to the extent of CSD (calculated by month)
H8: Solvency to the extent of CSD	H10: Solvency to the extent of CSD
H9A, B: Auditor, calculated by total asset and client of audit firms to the extent of CSD	H11A, B: Auditor, classified into ' big and non-big ' audit firms
H10: Percentage of ownership to the extent of CSD	H12: Percentage of ownership to the extent of CSD

The results of the descriptive variable examinations are included in the discussion as evidence of the practice of CSD in Indonesia; and the results of the significant predictor variables test are further investigated to create a research model. It is expected that this model can be evaluated to provide insights into the factors associated with the extent of CSD in quantity and quality, and also their influences. Thus, the results can be a basis for drawing conclusions, congruent with the objectives of this study.

4.7. Summary

This chapter outlines the process of the pilot study necessary to ensure the feasibility of conducting the main study. The pilot study process was undertaken using the same methodology as that proposed for the main study, but in smaller samples. The data collection, survey instrument, and hypotheses have been confirmed or re-formulated to be applied during the main study. From the next chapter and forward, this thesis will focus on the main study: the research methodology to be used is presented in the next chapter.

CHAPTER 5

RESEARCH METHODOLOGY

This chapter explicates the procedures and analysis used to undertake this study, including research design and method, data collection, questionnaires and content analyses, CSD items, and analysis of variables. The results of the pilot study were used to develop this research methodology.

5.1. Research Design

An appropriate research design identifies or develops the procedures and logistical steps required to undertake a valid, objective, and accurate study (Kumar, 1996). The initial design was grounded in a detailed examination arising from preliminary observations and literature reviews, which both can define the specific research questions and challenges, foster the evolution of relevant theories and delineate possible variables (Sekaran, 2003). This allowed a pilot study to be undertaken in order to assess whether sampling and questionnaires design were appropriate, as previously discussed in chapter four. The design of the major study was then finalised based on the pilot study but much larger samples were used to generate more robust final conclusions. This process is highlighted in Figure 5.1.

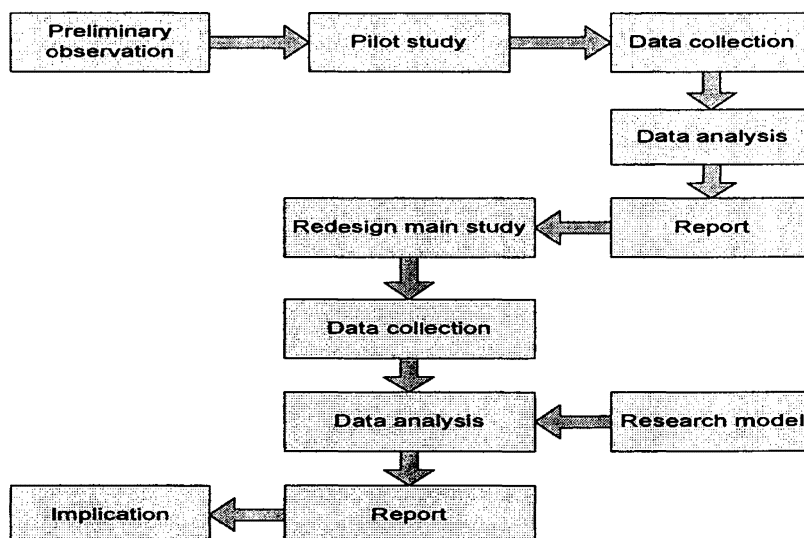


Figure 5.1. Research Design

5.2. Research Method

This study uses two research types: descriptive and causal research to meet the objectives. Kumar (1996) explained that a descriptive approach describes a situation, problem, or phenomenon. This approach was used to describe the CSD practices and their relevant issues, including the importance of CSD information, motives for CSD practices, and stakeholder influence. This descriptive analysis was also complemented by perspectives obtained during interviews and field visits. Causal approach was used to determine a cause-and-effect relationship, including its strength correlation, which refers to the association among variables, and between dependent and independent variables. Correlation and regression analysis were applied to analyse these variables. Hence, this study maximises its chance of meeting the goals by using a diverse range of information sources, approaches, and types of data.

The following sub-sections cover three important research methodology issues for this study to justify the questionnaire development, content analysis and sample selection.

5.2.1. Methodological Issues in Questionnaire

The questionnaires in this study were designed to avoid bias questions. According to Sekaran (2000), there are several reasons why biased questions occur. First, a *double-barrelled question* incurs the risk of different possible responses to its sub-parts. A question which introduces multiple concepts and does not have a single answer should be replaced by separate questions. For example in this study, there is a statement about 'receiving awards or penalties relating to the company's environmental policies' in the CSD items to be posed to stakeholders. This sentence would probably confuse respondents and result in an ambiguous answer because it has two questions, one on 'awards' and the other on 'penalties'. Thus, the statement has been separated into two sentences: (1) 'receiving awards relating to the company's environmental policies' and (2) 'receiving penalties relating to the company's environmental policies'. By separating this statement, the double-

barrelled question problem has been overcome and the respondents may feel more confident about expressing their opinions.

The second problem is caused by *recall-dependent questions*, which ask the respondents to recall their hazy memories. Sekaran (2000) notes that such questions might cause bias in answers. In this case, one question addressed to companies asked, 'how many people are employed in your company' is considered to be at risk from the recall-dependent question problem. As this question did not relate significantly to the purposes of this study, hence, its answers were ignored and excluded from analysis.

A third problem of *extremity* refers to a tendency to respond to the scale by picking only extreme values (Alreck & Settle, 1985). This bias may be generated from too many numbers being included in the scale. Thus, the scale should be in line with the respondents' preferences to reduce extremity bias. This study uses a seven-point Likert-type scale, which has been used widely to provide an adequate frequency, thereby controlling extreme bias. As further suggested by Alreck and Settle, the scale should be started with ordering numbers which is from the smallest number for 'the least' to the largest number for the 'more' important rank. The current study follows this order (from 'one' to 'seven'). Questions have also been grouped according to their similar theme to make the respondents' task easier. Two structured questionnaires that have been developed are attached in the Appendix A5 and A6.

Apart from the bias questions problem, the language is also important as respondents are not English speaking. The questionnaires are provided in bilingual form and therefore, translation fidelity becomes an issue. Sekaran (2003) noted that while designing instruments for collecting data from different countries with different languages, the translation process of the local language is a key issue. The translation should be equivalent to the original language in which the instrument was developed. To control this issue, a 'blind' translation process was undertaken.

The questionnaires were initially developed in English and translated into Indonesian. An independent 'blind' translator back translated the Indonesian version into English, then the original and back-translated versions were compared. The Indonesian version was revised based on the detected differences and judged to assess translation fidelity. The independent 'blind' translator stated that the results of the translations were considered to be fair. This procedure follows the suggestions stated by Sekaran (2003) and Shields, Deng and Kato (2000).

Accordingly, the two structured questionnaires can be considered appropriate for this study as the relevant issues were covered during their development. The purposes of the study were also included in the questionnaires. These structured questions were designed to allow the hypotheses to be evaluated and a few of additional questions on general issues were included as they enriched the discussion phase. Overall, the methodological risks were addressed and the questionnaires related well to the objectives of this study.

5.2.2. Content Analysis Method

Content analysis, which was applied extensively in both the pilot and main study, transforms qualitative data to a quantitative format through codifying. Krippendorff (1980, p.21) defines content analysis as "a research technique for making replicable and valid inferences from data to their context". Gray et al. (1995, p. 80) cited from Abbott and Monsen (1979, p.504) describe content analysis as:

a technique for gathering data that consists of codifying qualitative information in anecdotal and literary form into categories in order to derive quantitative scales of varying levels of complexity.

The content analysis method has been widely used to analyse the extent of disclosures; however, several authors have noted that it is prone to a 'subjectivity' problem, which is associated with the issues of reliability and validity (Guthrie & Parker, 1990; Choi, 1999; Tilt, 2001; Raar, 2002; Ahmad & Sulaiman, 2004).

Three reliability issues are pertinent to content analysis, namely stability, reproducibility, accuracy, and validity (Krippendorff, 1980).

Stability addresses the ability of coders to consistently re-code the same data in the same way over a period of time. Inconsistencies in coding constitute unreliability that may happen because of ambiguities in the coding rules or use of the wrong numeric code for a category. To overcome this problem, Krippendorff suggests applying duplication during the content analysis process by employing more than one person as a coder, so that subjectivity can be minimised. However, 'reproducibility' or 'intercoders reliability' issues then become a concern whether content coding produces the same results when the same test is coded by different coders. The last issue of 'accuracy' refers to the extent to which the classification corresponds to a standard or norm. Krippendorff recommends that replicating for a standard coding for some texts is a common practice for many studies but a norm can be established for each study. For these reasons, some guidelines for conducting content analysis are provided in section 5.4.

The term 'validity' refers to the correspondence of the categories to the conclusions and the generalisability of results to a theory. Krippendorff (1980) explained that "if the same construct is measured by two different methods and the resulting variables are highly correlated, then these variables are valid indicators of the construct". 'Generalisability' can signify as "the scope of applicability of the research findings in one organisational setting to other settings" (Sekaran, 2003). These quotations imply that a wider range of applicability of the results generated by a research may create more useful implications for the users.

To confirm reliability and validity in a content analysis process, Weber (1988) suggests the use of common sense definitions and imagination when analysing the sentences and awarding codes, scores or points. The results of content analysis should also be objective, that is, they should be based on the facts of the written statements derived from sample, and not based on one person's subjective or

emotional values. This study follows the suggestions by providing criteria for the selection of the coders, and offers briefings to explain the process (as explained in section 5.4.2 in this chapter). Thus, it is expected that the content analysis procedures have properly addressed these theoretical and practical issues.

5.2.3. Sample Selection

Based on the research objectives, this study attempts to provide information on CSD practices in Indonesia by collecting both quantitative and qualitative data through company annual reports, questionnaires, and some additional information. Hussey & Hussey (1997) emphasised the advantages of implementing quantitative and qualitative approaches are that they can greatly complement and strengthen each other. The combined sample selections are explained in the following section.

5.2.3.1. Primary Data

The primary data for this study was obtained from the survey questionnaires, addressed to personnel of an Indonesian listed company and individuals as representative stakeholders. The survey analysis proposes to describe the CSD practices in Indonesia, based on the characteristics of this set of individuals in order to find opinions or causes of certain phenomena (De Vaus, 2002). To provide a contextual aspect and to obtain other relevant information, short interviews and company visits were also conducted during the questionnaire process. There were no specific questions purposely developed for these interviews or company visits, but discussions were based around the questionnaires and, along with observing the real CSD practices, to provide a more reliable perspective.

Two questionnaires in the pilot study were slightly modified for the main study in the general questions section for company and CSD items for stakeholder. The general questions that were changed aim to further explore the respondents' backgrounds and their opinions about CSD practices. The answers of these questions were used to provide context and support subsequent analysis. The

structure of the key questions that related to the research objectives were similar; for example, motivation and influential party for CSD (company questions) and the importance of CSD items (stakeholder questions).

Providing a bilingual format was useful for the respondents. During the pilot study process, it was obvious that the respondents preferred to read Indonesian, but did also refer to some terminology in English. The English terminologies, for example, 'corporate social responsibility', 'corporate social disclosure', and 'stakeholder' were easier to understand rather than those in the Indonesia version. After following the careful process of the translation-back-translation, described in section 5.2.1, the translated Indonesian sentences were considered equivalent to the English of the original.

This study applies *mixed-mode surveys* to achieve the number of respondents in a relatively short period. These surveys combine types of survey methods in different ways, according to the situation, to reduce cost and non-response rate (Dillman, 2000). The surveys began by contacting the targeted respondents by phone and email to explain the purpose of the survey, the questionnaire format, and to ask them to participate. They were given the option to complete the questionnaires in either hard or soft copies; however, all the respondents choose to receive the questionnaires as soft copies, via the internet. A web information technology administrator from Edith Cowan University, using the *monkey survey* facility, was employed to distribute the questionnaires. This facility allowed the answers to be recorded anonymously and relayed to the researcher's student e-mail.

Attending group events was effective for both the pilot and main studies, because it enabled the researcher to recruit several respondents and, at the same time, meet them face-to-face. Face-to-face meetings assist surveys by overcoming constraints with sampling and questionnaire design (De Vaus, 2002). It gave a chance for the respondents to ask or provide comments as the topic of the questions is relatively new. Further, the researcher could adapt the questions as necessary, clarify doubts,

and ensure that the responses for novel questions are properly understood (Sekaran, 2003).

Some selected events attended during the data collection period were the Indonesian Business Award 2007, Indonesian Business Link-annual meeting and gathering, Indonesian CSR Expo-closing ceremony, Learning Forum on CSR, Community Development Forum, and Trisakti University-alumni gathering. Through these events, the researcher achieved the number of targeted responses, both for companies and stakeholders, in six weeks. To ensure that the respondents felt confident in answering the questionnaires, the researcher provided a background explanation of the surveys to individuals or small or large groups, and answered all questions that arose. It was considered that by the time respondents chose to complete the questionnaires, they understood the questions. To express appreciation, the researcher gifted a *'thank you'* pin magnet to every respondent who completed a questionnaire. This practice was based on the idea that small material incentives can encourage people to participate or to induce a feeling of obligation in the respondents (De Vaus, 2002; Dillman, 2000).

The criteria upon which respondents should judge whether they were representative as company personnel or part of a stakeholders' group were explained. A covering letter also provided information about the researcher, the importance of the study, and other relevant information, while the first page of each questionnaire included information about the topic and general guidelines for answering the questions. Simple advice had been given to the targeted respondents in choosing the questionnaires; if they held a managerial position or above in a public company, they were advised to be company respondents, otherwise, they should consider themselves as stakeholders for an appropriate group. This strategy was employed to ensure that every respondent answered the questions according to the real position and situation so that reliable responses could be obtained.

Personal Interviews

As indicated above, *unstructured interviews* focused on material in the questionnaires. The interview process explored the answers from respondents by asking questions like: 'why do you think this is important', 'what other reasons', 'can you tell me more', 'what else', 'could you please be a little more specific', 'please describe', and 'any other information you would like to add'. The use of these phrases or appropriate body language encouraged more detailed answers (De Vaus, 2002; Sekaran, 2003). These techniques also help access respondents' perceptions, meanings, and definitions of situations and construction of reality (Punch, 1998). The researcher selected respondents randomly and conducted 20 interviews from both company (8 people) and stakeholder groups (12 people). The interviews were conducted in Indonesian to ease communication. Without identifying the respondents, the relevant answers were noted on the questionnaire sheets and translated into English. This translation was then further reviewed by an expert to confirm the meaning. The relevant results from these interviews are accommodated in the discussion and analysis in chapter six.

Company Visits

During the research, seven leading companies were visited to obtain current CSD information, as well as perspectives on 'real' CSR practices. As discussed in chapter one, CSR is different from CSD, but the issues cannot be separated. Moreover, the practices of CSD in Indonesia are relatively new while CSR issues have been growing remarkably fast. Therefore, company visits are valuable for anticipating these vast issues and interpreting the real practices (De Vaus, 2002).

While there were no specific guidelines for the visits, the activity usually commenced by listening to the company's presentation, which explained its business activities, mission and vision, and by observing CSR programs and documents. Documents that disclosed the company's CSR activities were reviewed, followed by discussions and informal meetings. The final phase involved visiting some CSR implemented programs and meeting with the stakeholders, particularly

the local community. These activities allowed the researcher to conduct in-depth analyses of the practices of CSR and CSD from three perspectives. First, it was useful to verify whether CSD represented the CSR activities appropriately. Second, through the visits the researcher gained experience and created networks, and finally, where necessary, the researcher provided advice or suggestions on improving both CSD and CSR practices. These activities helped to maximise the value of this study both theoretically and practically.

Overall, both interviews and company visits in this study were used to supplement, clarify, and balance the quantitative analysis with comprehensive qualitative or descriptive discussions. These activities provided greater insight into relevant issues and were an important contribution of this study.

5.2.3.2. Secondary Data

The major secondary data in this study was company annual reports that were used mainly for conducting content analysis. The selection of these reports was initially based on the *simple random sampling method*. From the population of submitted annual reports in the Jakarta Stock Exchange Library, every annual report had an equal chance to be selected (Levin & Rubin, 1998). However, as this study aimed to gather annual reports from the same company for four consecutive years, the sample had to be selected based on companies that provided annual reports for each year from 2003 until 2006. Companies that were de-listing during the period were not included in the sample.

Annual reports were collected at the Jakarta Stock Exchange (JSX) Library, The Capital Market Reference Centre (for hard copies), and The Capital Market Electronic Document Services (for soft copies). Alternative sources were from the JSX website (www.jsx.co.id) or the company's own website. Hard copies were preferred as these were comprehensive and had better image quality compared to soft copies. All listed companies in Indonesia are suggested to submit annual reports to the JSX library, although this suggestion is not always fulfilled. Other

sources of corporate information were obtained from *the Indonesian Capital Market Directory* (ICMD) published by the Jakarta Stock Exchange, and *the JSX Watch book* published by the 'Business Indonesia' Library.

The process of collecting the financial and quantitative data was primarily focused on the company annual reports as the data are considered the most reliable data version. However, the ICMD and JSX Watch books were also used for cross-checking the financial data obtained from the annual reports. They were also useful for complementing the quantitative data that were not available in the annual reports, for example, 'market capitalisation' and 'percentage of ownership'. A summary of data sources is provided in Table 5.1.

Table 5.1. Source of Secondary Data

Observed Variables	Measurements	Source of Data*
The Extent of CSD	Total quantity and quality	AR
Company Type	Sensitive and non Industry	ICMD
	State owned and non Company	JSXW
Company Size	Total asset	AR
	Total sales	AR
	Market capitalisation	ICMD
Financial Performance	Return on asset	AR
	Return on equity	AR / ICMD / JSXW
	Earning per-share	AR / ICMD / JSXW
Corporate Age	Age	JSXW
Solvency	Solvency ratio	AR / ICMD / JSXW
Auditors	Big and non-big audit firm	AR / ICMD / JSXW
Owners	Owners percentage	JSXW

*ICMD = Indonesian Capital Market Directory Book

JSXW = JSX Watch Book

AR = Annual Report

5.3. Data Collection

The primary data collection was summarised from the questionnaire feedbacks from both company and stakeholder responses. The number of annual reports for this study is presented as secondary data.

5.3.1. Questionnaires

The targeted number of questionnaires responses was achieved. The process to obtain the responses is discussed below (also see Table 5.2 and 5.3).

5.3.1.1. Company Responses

Five hundred questionnaires for companies in hard copies were distributed completed with cover letters and another twenty-five were sent through electronic survey. The total responses collected were 252 as can be seen on Table 5.2, of which 239 are from the hard copies and thirteen from the electronic survey feedback. The response rates of 48% and 52% for hard copy and electronic feedback respectively were close to 50%, a figure that Babbie (2005) considered adequate for generalising the results of survey.

Table 5.2. Company Responses

Media	Number of distributions	Responses collected	Incomplete /Irrelevant	Relevant
Hard copy	500	247	8	239
Internet	25	14	1	13
	Total	261	9	252

The company questionnaire was only accepted from those who held a managerial position, or higher, in an Indonesian public company. Consequently, those respondents with inappropriate job positions or incomplete questionnaires were excluded from the observation, as indicated in above table. There was no limitation for the unit or department, or functional area in which the individual worked. Respondents could be from accounting, finance, marketing, human resources, communications, or public relations; and they could be a manager, general

manager, director, or president director. This justification is based on the perception that they hold a 'right' position to understand CSD and many of them were often involved in the relevant decision making process in the company. This is consistent with the guideline from Sekaran (2000, p. 278) who stated that "judgment sampling involves the choice of subjects who are in the best position to provide the information required".

5.3.1.2. Stakeholders' Responses

Six main stakeholders groups were chosen for this study based on the understanding that these parties may support CSD practices (Freeman, 1984; Post et al., 1996; Cormier et al., 2001, and Cappelen, 2004). These stakeholder groups were shareholders, employees, suppliers, customers, and investors of the Indonesian public companies, and relevant community members, such as government and non-government officers, analysts, senior lecturers, professionals, and press. Members of these stakeholder groups were randomly selected based on their willingness to participate. Table 5.3 describes the distribution of stakeholder responses that were successfully obtained.

Table 5.3. Stakeholder Responses

Stakeholders' group	Responses collected		Incomplete/ Irrelevant	Relevant
	Hard copy	Internet		
Shareholders	31	1	-	32
Employees	109	3	12	100
Suppliers	30	-	-	30
Customers	58	2	7	53
Communities	68	3	9	62
Investors	29	-	-	29
Total	325	9	28	306

Seven hundred and fifty hard copies of stakeholder questionnaires were distributed to targeted respondents at all events attended. Three hundred twenty five responses were obtained and twenty-eight were incomplete. Thirty questionnaires were also sent by the electronic survey and nine responses were obtained. All of these

responses were completed and can be included as samples. From the total responses, the rate is 43% for the hard copy and the 30% from electronic feedback. Consequently, the total of relevant responses included in the observation was 306, as described in Table 5.3.

The following flowchart demonstrates the process of the questionnaire collection. It summarises the process from the starting point of distributing the questionnaires for the targeted individuals, explaining the questionnaires, the decision to be respondents or not, and finally, the observation for every answer in order to select the responses for data observations or samples.

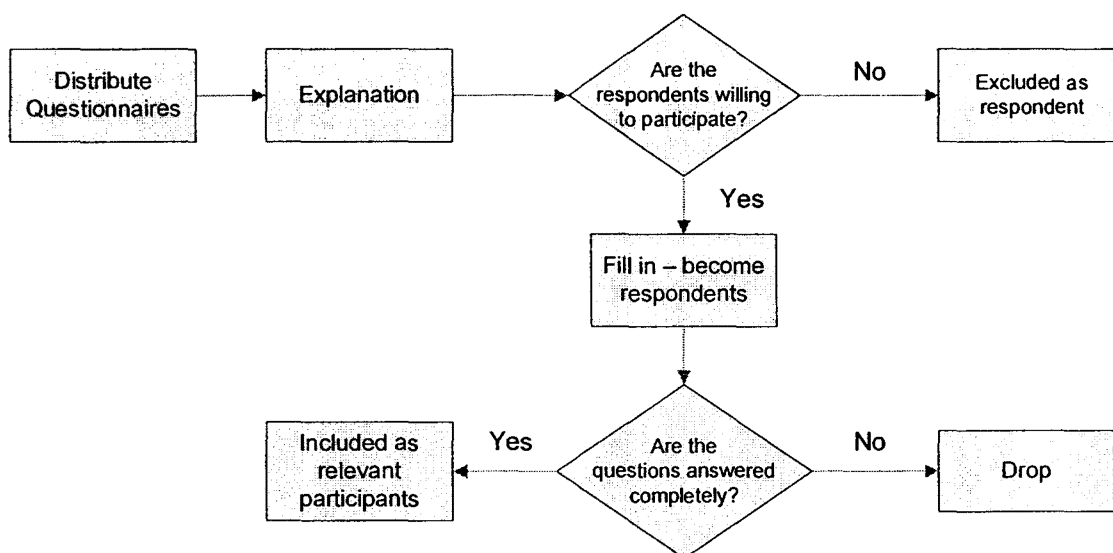


Figure 5.2. The Flowchart of Primary Data Collection

5.3.2. Annual Reports

The collection of annual reports also includes reports used in the pilot study. The first purpose was to examine three year annual reports, but it was extended to four years as the latest 2006 annual report became available. The period of Indonesian annual reports follows the financial year, which is similar to calendar year, from 1st January to 31st December each year. There are about 330 companies listed on the

JSX for the each of the years 2003, 2004, 2005 and 2006. The justification for selecting these four current years is that they are the closest years to this research. These companies spanned most types of industries, including those in sensitive and non-sensitive categories as explained in section 3.1.2.1.

Three phases of report collection have been performed to maximise the number of companies that provided four years of annual reports. The first stage was the random sampling collection from the hard copies available in the Capital Market Reference Centre as the most targeted source. This yielded 131, 138, and 119 reports for the years of 2003, 2004, and 2005 in that order. This number is considered to represent the number of relevant annual reports submitted to the JSX library. Those reports excluded may have had missing pages or incomplete financial data (Table 5.4).

Table 5.4. First Stage of Annual Reports Collection

Year	Total listed companies	Number of collections	Incomplete / drop	Valid		Total
				Sensitive	Non-sensitive	
2003	330	137	6	89	42	131
2004	333	142	4	93	45	138
2005	336	122	3	84	35	119
			Total	266	122	388

From the total of about 330 listed companies, only around 150 were identified as providing annual reports to the JSX; and of these, 88 companies provided a complete sequence of 2003-2005 annual reports. As the target was 100 annual reports each year, a second collection stage commenced based on searching for reports through the JSX soft copies (The Capital Market Electronic Document Services source) and the JSX website. This process resulted in a complete time series of 119 companies, which provided 2003-2005 annual reports (Table 5.5).

Table 5.5. Second Stage of Annual Reports Collection

Year	Previous number of collections (first stage)	Excluded	Added	Valid		Total
				Sensitive	Non-sensitive	
2003	131	32	20	78	41	119
2004	138	28	9	78	41	119
2005	119	24	24	78	41	119
			Total	234	123	357

One hundred nineteen annual reports from the same companies had finally been collected after the second stage, consisting of 78 sensitive and 41 non-sensitive industries. The proportion of sample between non-sensitive and sensitive industries is 34%, which reflects the distribution of total listed companies in Indonesia. The final stage of the collection of company annual reports was to add one current year of the reports, which was 2006. As this process was to complete the existing sample, the 2006 annual reports were drawn according to the companies that had been selected in the second stage. These reports were obtained from soft copy as very little hard copy was submitted to the JSX. It seems that in the future, the reports will be provided more in soft copies rather than hard copies. Two companies have been found to be de-listing; therefore they were omitted from the samples. Consequently, there are 117 company annual reports for each year, with 76 from sensitive and 41 from non-sensitive industries every year. Table 5.6 presents this composition.

Table 5.6. Final Stage of Annual Reports Collection

Year	Previous number of collections (second stage)	Excluded	Added	Valid		Total
				Sensitive	Non-sensitive	
2003	119	2	0	76	41	117
2004	119	2	0	76	41	117
2005	119	2	0	76	41	117
2006	0	0	117	76	41	117
			Total	304	164	468

The 468 company annual reports were examined for their CSD through the content analysis process. The total quantity and quality resulted from this examination are

treated as dependent variables and the process of converting the sentences in the reports into scores is discussed in the following section.

5.4. Content Analysis Process

Unlike the pilot study in which only one coder converted the sentences into numbers, in this main study, three coders were involved, following Krippendorff's (1980) suggestion to reduce the subjectivity in awarding scores (see discussion in 5.2.2.). Two research assistants were employed to gather the annual reports at the same time, and also to work as coders for the content analysis. A set of guidelines that govern the content analysis procedure was established to achieve reliable and systematic coding, ascertain that the process is applicable, and yield uniform results on repeated procedures. To achieve these objectives, the six aspects summarised from Krippendorff (1980) were addressed in every content analysis process applied: form of data, data definition, data population, context of data, analysis boundaries, and target of the inferences

a. Form of data

The data used in the content analysis were the information disclosed by the Indonesian listed companies in their annual reports. This information refers to the disclosures or statements about social activities (CSD) that have been conducted by the companies. This form of data has also been considered as the 'unit of analysis' in this study.

b. Data definition

The statements in the annual reports that were included as data were those that corresponded to CSD list items. These items are explored in section 5.5.

c. Population of the data

The population of data comprises annual reports from the Indonesian listed companies that were selected as samples (Table 5.6) and these samples are considered as population when the content analysis process is conducted.

d. The context relative to which data were analysed

Several context prerogatives were considered in this content analysis process, such as the nature of data, the quantity of data provided, the keywords, and importantly the meaning of the information that correlated to the disclosure items. By identifying these correlates, the scores for CSD were awarded.

e. The boundaries of the analysis

The reliability and validity were considered as quality control issues. Similar meanings of the information which corresponded with the disclosure list items and the location of CSD within the annual reports were also noticed as boundaries for this content analysis process. To minimise these boundaries, supervision and a set of guidelines were provided during the process.

f. The target of the inferences

Obviously, the target of conducting the content analysis process in this study was to identify all of the total disclosures in the annual reports. These total disclosures describe the amount and the quality of disclosures provided by the companies in informing about their social activities.

Based on an understanding of the above content analysis aspects, the next step was to develop complete guidelines. These guidelines were explored and discussed in detail among the coders (in this study, coders refer to the researcher and two research assistants). The main purpose of these guidelines was to establish an agreement for conducting the content analysis process consistently and systematically.

5.4.1. Content Analysis Guidelines

The guidelines were developed for providing general information, identifying CSD items, conducting the content analysis process, and awarding scores (see also section 4.4.3).

5.4.1.1. General Guidelines

The coders were required to understand and carefully follow every step of the guidelines. These manuals and the disclosure sheets for recording the scores were always available when the content analysis process was conducted. Every coder undertook the content analysis independently, but communicated if uncertainty arose. The name of the company was confirmed among coders after that company's information was examined to monitor and trace the number of samples that were evaluated.

5.4.1.2. Guideline for Identifying Items

A set of 46 CSD items was provided, complete with all related examples and keywords (see section 5.5). These examples were presented, based on the researcher's experience, to better illustrate how to identify a CSD item from a specific sentence in the annual reports. The keywords were also developed by the researcher based on the understanding of every context stated in the report. Both examples and keywords were useful for more easily identifying the sentences and referring to the appropriate CSD item.

Every sentence in the annual report before the financial statement could potentially be coded against one of 46 CSD items as the company disclosures, although, in practice, not all sentences contain information relevant to CSD. These sentences comprise not only discussions by the management, but also particular sections that clearly address corporate social activities information, human resources, or community relations. The identification process included matching the occurrence of keywords, and the relative contexts in which they were used, to the CSD items on the disclosure sheet. This is called the *context sensitive* process (Krippendorff, 1980) and is further explained in the following guidelines.

5.4.1.3. Guideline for Conducting Content Analysis

The guidelines emphasise aspects considered vital to arranging a systematic content analysis procedure, that provides more clarity and understanding. All coders applied the following steps conscientiously during the content analysis procedures.

- a. Read the texts in the annual reports from the first page until the last page before the financial statements section.

This first step is important to ensure that all discussion pages were considered for analysis. All relevant Indonesian text was read as the first priority because all the annual reports provide this language, instead of English. Keywords were sought throughout the sentences and at the same time understood for the relevant information related to these keywords. Care was taken to ensure that the keywords in Indonesian had the same meaning as the original keywords that were stated in English.

- b. Indicate each statement disclosed and its relationship to the keywords, in context of the CSD items.

This second step includes determining the context relative to which annual reports were analysed. For example the statement of "... company has launched new housings in ...". As the company is a real estate industry, 'housing' can be categorised as 'product'. This is considered as CSD information and suits the 'product' theme, under the 'product development' item. Similar processes were conducted thoroughly for every sentence identified as disclosing information.

- c. Interpret and select the appropriate items for CSD.

The next step identified the theme of a disclosure, for example, environment, energy, human resources, product, sustainability, or others, followed by the items, for example, pollution or aesthetics, under the environmental theme, to match the disclosed information and the relevant CSD item. Once the appropriate item has been selected, the scores can be

awarded. The 46 CSD items are attached in Appendix A6 (stakeholder's questionnaire).

d. Award scores for both quantity and quality.

After the appropriate item was selected according to the disclosed information, scores were given based on the score measurement guidelines (see table 4.2 and 'guideline for awarding scores' in section 4.4.3).

e. Ignore all the irrelevant information that was not considered as CSD and thus, avoid awarding scores.

Irrelevant information that did not relate to CSD was identified and then ignored. This is a way to reduce the text into categories, and to help simplify the process without leading to simplistic results (Krippendorff, 1980).

f. Draw inferences

After the scoring process was completed, the scores in each theme were calculated in both quantity and quality; then all these scores were added to obtain overall total disclosure scores. These total scores inform readers about CSD practices undertaken by these Indonesian companies.

Following the guidelines for conducting the content analysis process, the next guidelines are for completing the process by measuring disclosures and deciding scores.

5.4.1.4. Guidelines for Awarding Scores

The process of awarding scores was applied in the same way as it was applied in the pilot study. This can be seen in section 4.4.3, under 'data analysis sub-section'. The content analysis process incorporating the development of guidelines for this study is shown in Figure 5.3.

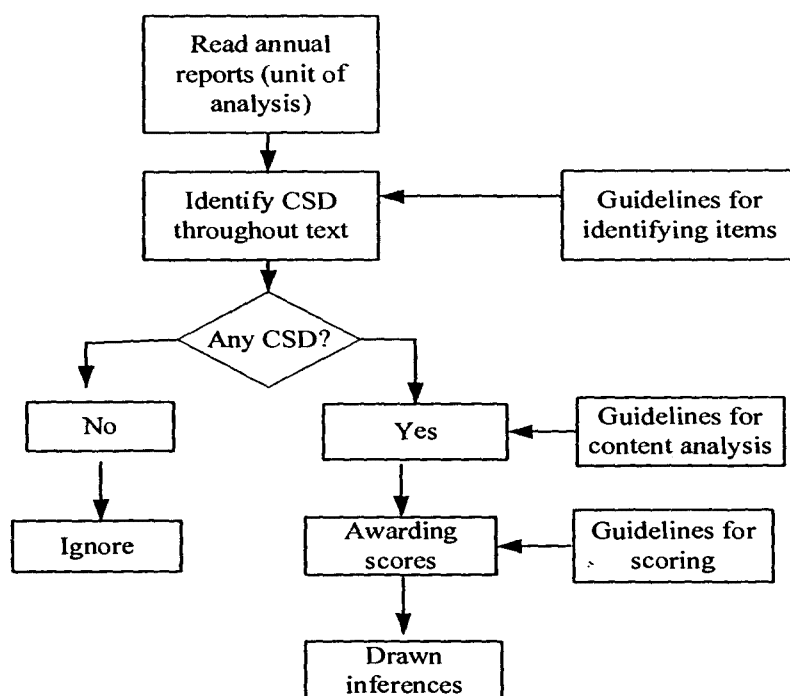


Figure 5.3 Content Analysis Process

Beside the above steps, the other aspects of reliability and consistency were also of concern. This step includes multiplying and adjusting scores, important aspect of this study more than one person was coding. Responding to these issues, further guidelines for awarding scores were developed.

- a. One context of CSD information only should be applied to a single item of disclosure, or it can be said that one sentence of CSD information cannot be awarded multiple scores or added to another score. If a sentence contained two kinds of different meaning, the coders should search for this similar information in other pages, as there were always further explanations about this kind of sentence. For example "... company has launched new housing based on the environmental friendly...", seems to have two meanings: product development (as explained in point b above) and environmental concern. At this stage, scores should not be given, but related information should be explored on other pages. It is likely that a potentially ambiguous disclosure, for example 'product development' and 'environmental concern'

will be clarified further on another page. For this reason, careful identification and observation must be performed before giving scores.

- b. It was also considered appropriate to adjust scores during an ongoing content analysis process. However, once any ambiguity or uncertainty in scoring has been resolved, the adjustment process should end. The process can subsequently be reviewed as explained in section 5.4.2. This correction is needed because information maybe disclosed repeatedly on several pages in the annual report.
- c. The re-assurance of recording every score for CSD on a disclosure sheet should be confirmed for both quantity and quality in the appropriate items. It cannot be recorded for only quantity or quality, as once CSD is stated, it contains both quality and quality.

Understanding and applying these guidelines were crucial to a careful examination of content analysis in this study. The following section describes these applications and process.

5.4.2. Content Analysis Application

The two research assistants were employed for collecting data from the annual reports and conducting the content analysis process as coders. They were selected in Jakarta through the Trisakti University, where the researcher is employed. The selection process is outlined below.

a. The Selection of Research Assistants

To recruit reliable research assistants, a three step process was undertaken initially. The researcher posted notices describing the desired criteria, which included the requirement for the applicant to be an accounting student with a GPA minimum of 3.5 (out of 4), in the last semester of his or her study, had undertaken a thesis, and

was experienced as a class or research assistant. Within a week, a shortlist of six applicants who met these criteria was prepared.

The researcher then supplied the six students with CSR and CSD materials, including a set of guidelines for content analysis procedures; an explanation was also given as to the process of the analysis. The candidates were given a week to study the material before being interviewed to establish if they understood the material supplied. The interview was conducted by a panel that consisted of the researcher, and a senior lecturer who was familiar with CSD issues. The interview explored the candidates' understanding of the topics, and their capabilities and commitment to undertake the task. Four students were successful through this assessment.

Finally, each candidate was given a simulated content analysis test on company annual reports that had been analysed by the researcher, to confirm that he or she could apply the knowledge gained to arrive at consistent scores. The candidate then had to explain the rationale for the proposed scores. After evaluating these efforts and the candidate's performance during the overall selection process, two were selected as research assistants. Further, the panel was convinced that both students had sufficient time to collect data and conduct the scoring process without any negative impact on their other workloads.

b. Briefing

The successful candidates were then given two briefings. The first explored all the guidelines and every item on the disclosure list. The researcher explained the meanings of each item with some examples of sentences that reflected the disclosure guidelines. Although the majority of the annual reports were provided in both Indonesian and English, the briefing included translation and interpretation of disclosure items from English to Indonesian. This was necessary because the CSD items were stated in English in some annual reports while others were only available in Indonesian.

Next, the keywords of every CSD item were underlined to ease the process of interpreting the sentences. For example, for the first item of 'pollution control in the conduct of operation', the keywords were 'pollution control'. Therefore, every statement which contained the text 'pollution control' was considered as a match for awarding scores. The information of 'pollution control' includes pollution under specific environmental issues, such as water and air. This example was used for explaining the process of transferring statements into points based on the keywords and the relative context of the sentences. This dual strategy reduced misconceptions and increased the reliability of the content analysis process of the study.

In the second briefing, the assistants were trialled in conducting content analysis procedures under the researcher's supervision. Ten annual reports were examined step-by-step following the guidelines and the total scores recorded were reviewed by the researcher. The coders' confidence in the analysis process was enhanced by a discussion on the awarding of scores.

The briefing continued with an explanation of the strategy for acquiring quantitative data from the annual reports or other sources. Data include the company's return on assets, return on equity, earning per-share, market capitalisation, and may have involved calculating ratios. The alternative sources for this information was through the soft copies, the Indonesian Capital Market Directory (ICMD) or the JSX Watch book as explained in section 5.2.3.2. All financial and quantitative data obtained were reviewed to confirm the reliability.

c. Supervision

During the six months of collecting quantitative data and the scoring process, the researcher supervised and monitored the activities through face-to-face meetings, e-mails, and regular telephone calls. Apart from the disclosure lists, all other relevant information obtained during the process was recorded, for example, the type of awards given to the company and its future commitment to reporting CSR. The two

assistants were encouraged to record and discuss any doubts that arose during the process of obtaining the information.

d. Verification

The next step was to verify the quantitative data and scores from the content analysis. Assistant 'A' re-conducted the scoring task on data scored by assistant 'B', while assistant 'B' re-conducted work completed for another company by assistant 'A'. Both assistants worked independently of each other, without seeing the other person's results. Any differences in the assessment of the quantitative data was re-examined and re-calculated. 'Five' and 'seven' for quantity and quality respectively, were determined as the maximum acceptable total score deviation. Any deviation beyond this range meant the content analysis process had to be re-performed by the researcher in the initial review stage. The justification of 'five' and 'seven' was based on the reason that they are the maximum scores for quantity and quality disclosures that can be achieved for each of the 46 CSD items.

e. Initial Review

The initial review was undertaken by the researcher together with the two assistants. The process included discussions in interpreting the differences in relative context of the CSD information and clarifying the score, as well as elaborating any uncertain issues that have been recorded. After confidently confirming the context in the sentences or as indicated by keywords, the scores were re-assigned in the disclosure sheet.

f. Final Review

Finally, around 20% of the content analysis results as well as the quantitative data recorded were re-evaluated randomly by the researcher to assure that the score and data obtained was evidenced appropriately. The evaluation included re-scoring the selected company annual reports following the content analysis guidelines, and re-inputting the quantitative data. If any scores resulting from this final review were different from the previous records, the judgment of the researcher was applied.

This review was also used to screen the completeness and accuracy of the quantitative data. Incomplete data were excluded from the sample observation.

Figure 5.4 summarises the steps in the content analysis process and quantitative data collection. These two processes were undertaken concurrently as they shared the sources.

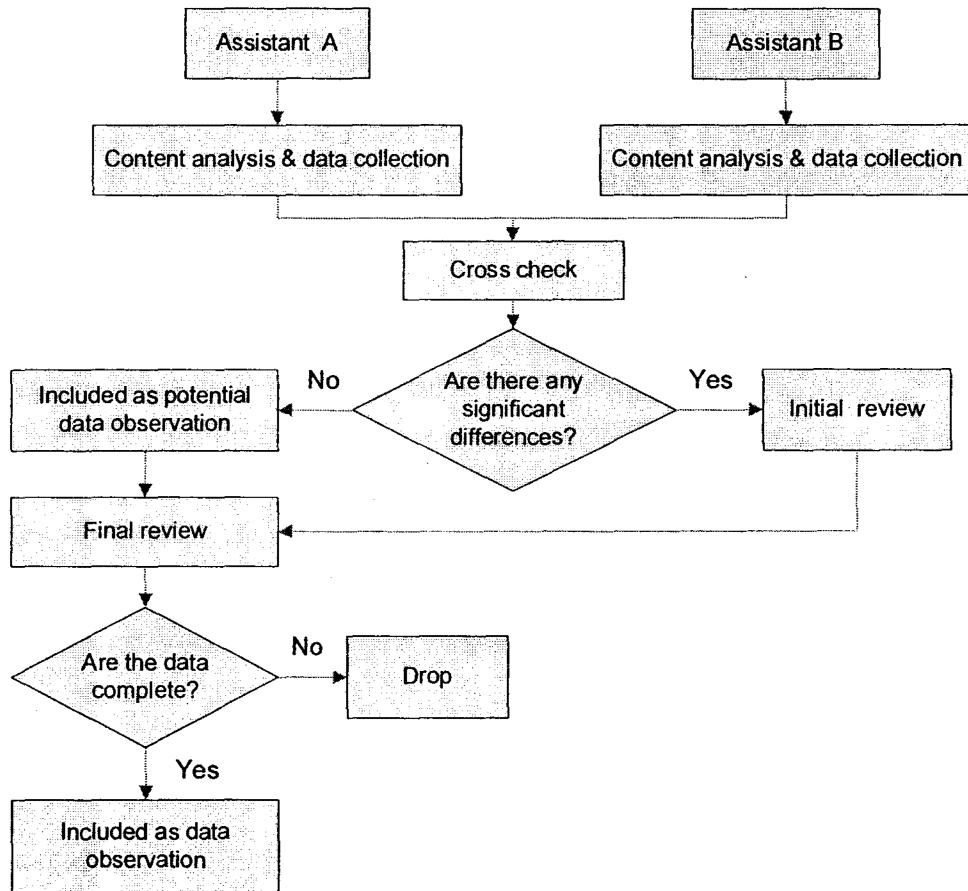


Figure 5.4. Content Analysis and Quantitative Data Selection Process

5.5. Disclosure Items Analysis

The CSD items were originally adapted from Hackston and Milne (1996), Deegan et al. (2002), and Raar (2002); however, some were developed during the pilot study (section 4.6.2). By combining items from several sources and confirming the relevant items during the pilot study, the CSD items used in this study were considered to be both comprehensive and appropriate for an Indonesian context.

The keywords and examples were developed by the researcher based on the knowledge and experience to simplify the content analysis process (keywords below are presented in *Italics*). These keywords and examples are included in the disclosure sheet manual (Appendix A6).

A. Environment

Environmental issues are the major component of CSD that include relevant information, such as pollution, aesthetics, and technological aspects that are important to be disclosed.

a. Environmental Pollution

1. *Pollution control* describes how the company reduces pollution, including that of water, air, and noise pollution during its business operations.
2. Statements indicating the *company compliance* with environmental laws and regulations. Company compliance information can vary for many different laws and specific business types. Common information about this compliance, in accordance with the 'environmental effects analysis policy', has been identified for companies in sensitive industries, for example, in mining.
3. Statements indicating that the *pollution* from operations has been or will be *reduced* informs readers of the good results of what a company has done to reduce pollution, for example, the reduction in number of asthma cases since the company installed an air cleaning system.

4. *Prevention or repair* of damage to the environment. This disclosure includes land reclamation, reforestation, rehabilitation of exploited land, and elimination of waste.
5. *Natural resources* highlight examples of recycling or reducing the consumption of glass, metals, oil, water and paper.
6. *Efficiently using material resources* in the manufacturing process. A sentence like "...company was using material resources efficiently according to the procedure operational standard ..." is considered appropriate to this CSD item.
7. Information regarding *supporting environmental campaigns* such as support for government environmental programs, including the provision of waste bins to reduce rubbish through 'clean our environment to healthier life' program campaign, would be appropriate for this disclosure item.
8. *Receiving awards* relates to recognition of the company's environmental policies or programs or *penalties* against the environmental regulations. Penalties information includes all information of payment obligations for any environmental violations. In contrast, awards refer to any appreciations or certifications received by a company describing its obedience to environmental laws or outstanding support for environmental standards, such as ISO 14000, 'proper award' from the Indonesian Ministry of Environment and eco-label qualification.

b. Aesthetics

9. Designing *facilities harmonious* with the environment. Information such as applying environmental-friendly machinery during business operations is awarded scores according to this disclosure item.
10. *Contributions* in terms of cash or art/sculptures to *beautify the environment*, including support for certain institutions to improve the environment.

c. Other

11. Undertaking *environmental impact studies* to monitor the company's impacts on the environment, such as employing specialists to monitor the environmental effects, from the production activities on a regular basis.
12. *Training employees* in environmental issues, in any environmental subjects, for example, a course on waste management systems.
13. *Technology* applied to support environmental sustainability, including information about applying technology to manage the company's waste output, such as using modern machines to separate the refined and unrefined materials for production; or evaluating applied technology such as electrostatic precipitators, scrubbers, and cyclones to improve air emissions.

B. Energy

The pilot study revealed that information about 'energy' was relatively rare. However, this issue cannot be separated from CSD. The following items describe how a company should consider improving its energy efficiency.

14. *Conservation* of energy in conducting business operations, for example, using bio-energy, such as bio-diesel.
15. *Efficiently* using energy during the manufacturing process, including information relating to eco-efficiency, which is reducing both energy consumption and costs.
16. *Efforts to reduce energy* consumption, including discussions about looking for alternative energy from renewable sources to reduce consumption.
17. Concern about the *energy shortage*. For example, "... company is concerned about the need to conserve given the intense exploitation on natural resources. We need to use energy wisely ...".

C. Human Resources

Human resources information refers to how the companies serve and show concern for their employees, including the following issues:

18. Employee *health and safety*. This item confirms all relevant information about the following issue should be considered as CSD and attracts scores:

- a. reducing or eliminating pollutants, irritants, or hazards in the work environment;
- b. promoting employee safety and physical or mental health;
- c. disclosing accident statistics;
- d. complying with health and safety standards and regulations;
- e. receiving a safety award;
- f. establishing a safety department or committee or policy;
- g. conducting research to improve work safety;
- h. providing low cost health care for employees;
- i. dealing effectively with compensation, litigation or enquiries related to safety; and
- j. providing information on industrial action related to health and safety.

19. Employment of *minorities* or *women*, includes the issues of:

- a. recruiting or employing racial minorities and/or women;
- b. disclosing percentage or number of minority and/or female staff;
- c. employing youth or local community personnel;
- d. promoting apprenticeship schemes;
- e. establishing goals for minority representation in the workforce;
- f. developing programs for the advancement of minorities in the workplace;
- g. employment of other special interest groups, e.g. the handicapped, ex-convicts or former drug addicts; and
- h. disclosing information on internal advancement statistics.

20. Employee *training*. All issues for providing training for employees are easily found in the company annual reports. This issue includes external and

internal training, providing financial assistance to employees in educational institutions or continuing education, and establishing a training centre for both employees and communities.

21. Employee *assistance or benefits*. The following statements have been included as CSD in the annual reports:

- a. providing staff accommodation or staff home ownership schemes;
- b. providing scholarships for employees' children; and
- c. providing recreational activities or facilities, such as togetherness in sporting activities, and family or employee days.

22. Employee *remuneration*. This item includes disclosures such as the implementation of employee revenue system and payroll, and compensation schemes based on performance measures.

23. Employee *profiles*, includes information about providing:

- a. the number of employees in the company and/or at each branch or subsidiary;
- b. the occupations or managerial levels involved;
- c. the disposition of staff, that is, where the staff are stationed and the number involved;
- d. statistics on the number of staff, the length of service in the company and their age distribution;
- e. per employee statistics, for example, assets and sales per employee; and
- f. information on the qualifications of employees recruited.

24. Employee *share purchase scheme*, such as information about providing a profit sharing scheme through an 'employee stock option plan' (ESOP).

25. Employee *morale*. The issues for these disclosures include statements that companies provide a set of regulations on business and work ethics, values, norms, standardised code of ethics and code of conduct, such information guiding the management and employees towards maintaining company integrity.

26. *Industrial relations*. This refers to information describing a company's relationship with trade unions and/or workers.
27. Other information such as *re-organisation, branch or company closure, reduction in employees, or employee turnover*.

D. Community involvement

The CSD items for this theme relates to all information about serving the local communities, including:

28. *Donation* of cash, products or employee services to support established community activities, events, organisations, education, sport, religious activities, and arts. This disclosure also refers to the donation to victims of natural disasters and building religious places or sporting areas for local communities.
29. Sponsoring *public health* projects, includes information about blood donation programs and free medical treatments for local residents that offered by companies.
30. Aiding *medical research*. A company which supports medical research usually in collaboration with the medical faculty of a certain university or institution.
31. Sponsoring *educational conferences, seminars or art exhibits*. Sentences such as "... companies sponsored 'film and art exhibition'... or ...companies supported health seminars ..., are included in this disclosure item.
32. Funding *scholarship* programs or activities, such as providing a scholarship fund for further studies.
33. Other special *community* related *activities*, for example, providing civic amenities, supporting town planning, providing water pumps and water tanks to supply clean water or electricity generators, or paving roads by working with local residents.
34. Supporting *national pride or government sponsored campaigns*. Supporting Government efforts in national sport tournaments or public good campaigns

such as youth smoking prevention are examples of relevant disclosures for this item.

- 35. Supporting the *development of local industries or community programs* and activities, such as fostering small and medium-scale enterprises (SMEs) by providing credit schemes or facilitating their access to sources of finance.
- 36. Recognising *local and indigenous* communities. The statement that company has programs to serve and to respect the rights of indigenous peoples is an example for this disclosure.
- 37. Providing *aid or compensation* to communities around their operations.

This disclosure includes declarations that a company has compensated local communities after exploration processes or operations, such as bauxite extraction. Other companies might disclose their upgrading of water supplies for their local communities as the companies extract large amounts of water from the land.

E. Products

Identifying information about “products” ‘should be a straightforward response to the following keywords.

- 38. *Product development*, including its packaging, the amount or percentage figure for research and development expenditure and/or its benefits, or information on any research projects set up by the company to improve its product in any way.
- 39. *Product safety*, such as disclosing that products meet applicable safety standards; or disclosing improved or more sanitary procedures.
- 40. *Product quality*, includes the issues of the firm’s product quality achievements as reflected in prizes or awards received, for example, attaining ISO 9000 certification as an international recognition for a product. Disclosures of that information would be relevant to this item.

F. Sustainability

To be awarded scores for this disclosure item, companies should clearly inform stakeholders of any sustainable initiatives relating to economic and social values.

41. Information about *sustainability* through the *integration of economic and social goals and values*, linked with long term decision making and performance issues, is highly relevant for this item.

One example of such a disclosure is: "... the company maintained its sustainability by concerning itself with continuous economic and social development ...".

G. External relations

This theme explores the issue on how the companies maintain their relationships with their stakeholders through particular events.

42. Other relevant information for company attitudes and activities would relate to stakeholder requirements, *stakeholder communication*, benchmarks, consultation and information issues.

Scores should be awarded to those companies which stated that they hold regular meetings to maintain good communications with their suppliers, customers, governments, and stakeholders.

H. Other Information

The items under this last theme in the CSD list, that is 'other CSR information', include the issues of corporate policies, company concern for their stakeholders, and various awards received by the companies that reflect their good performances.

43. General disclosure of *corporate objectives or policies relating to the social responsibility* of the company to the various segments of society, or disclosing about corporate governance practices, such as establishing a GCG committee.

44. *Other disclosing or reporting* to groups in society *other than shareholders and employees*, for example, to consumers or any other information that relates to the social responsibility of the company.

45. *Receiving awards*, other than for the environmental issues, including, for example, CSR award, Customer Satisfaction Award, Best Brand Award, Best Companies for corporate governance, and other awards.

The above explanations for each CSD item contribute to the complete guidelines for assessing every step of the content analysis procedure. Further item summary analysis is presented in chapter six.

5.6. Method of Analysis

This study comprises two main data sources to be analysed: responses from the questionnaires as primary data, and scores generated from the content analysis, complemented by other information, such as characteristics of industries, financial performances, and stakeholder's influences as secondary data. The data-set was analysed differently according to the type of data and hypotheses stated. The scale of measures for each variable was investigated before conducting the analyses. These variable scales are important to differentiate each variable with varying degrees of sophistication; or they could be used as a fine-tuning tool that differentiates individuals on the variables (Sekaran, 2003). Table 5.7 provides a summary of the observed variable, size or measure, scale, and the types or tools of analysis. The analyses were conducted using the *Statistical Package for the Social Science* (SPSS) program version 14.

Table 5.7. Rationalisation of Variables

Observed Variable	Size or Measure	Scale	Type or Tool of Analysis
H1: Stakeholders	Different information among stakeholders	Nominal	Chi-Square Descriptive analysis
H2: Important information	Most important information in CSD	Ordinal	Kruskal Wallis Descriptive analysis
H3: Influencing Party	Most influencing party for CSD	Ordinal	Chi-Square Descriptive analysis
H4: Motivation	Motivation for CSD	Ordinal	Chi-Square Descriptive analysis
H5: Trend CSD	The extent of total quantity and quality score	Ratio	Kolmogorov-Smirnov Kruskal Wallis A Paired Sample T-test Repeated Measure ANOVA Descriptive analysis
H6a: Sensitive and non industry	Categorisation of sensitive and non	Nominal	Chi-Square Contingency Table (Cross-tabulation analysis)
H6b: State owned and non company	Categorisation of state owned and non	Nominal	
H7a: Total asset	Amount of asset owned by a company	Ratio	Spearman's Rho Correlation Pearson Correlation Simple Regression Factor Analysis prior to Multiple Regression
H7b: Total sales	Amount of sales generated by a company	Ratio	
H7c: Market capitalisation	Stock price multiplied by outstanding stock	Ratio	
H8a: Return on asset	Total net income per-asset	Ratio	
H8b: Return on equity	Total net income per-equity	Ratio	
H8c: Earning per-share	Total net income per-common stock	Ratio	
H9: Age	Number of months operating	Ratio	
H10: Solvency ratio	Total debt per-total assets	Ratio	
H12: Owners percentage	Major stockholders' shares per-total capital (shares concentration)	Ratio	
H11: Big and non-big accounting firm	Audited by big and non-big accounting firm	Nominal	Chi-Square Contingency Table (Cross-tabulation analysis)

Two questionnaires were designed using closed questions in Likert scales with a seven-point-scale to obtain the stakeholder's and company's opinions. A few open questions were intended only to explore possibilities of any relevant information. The scales range from the lowest score of one, which refers to strongly unimportant, uninfluenced, or disagree, to the highest score of seven, which indicates strongly important, influence or agreement. Non-parametric tests were applied as the data generated from the questionnaires are not normally distributed and based on the principle of ranking data (Field, 2005).

Chi-Square and *Kruskal-Wallis* tests are the main non-parametric analyses used to examine the responses of the questionnaires. *Chi-Square test* was used to find any relationships among nominal or ordinal variables by comparing the frequencies in certain categories, and may also be applied on a contingency table of independence between rows and columns. As a rule of thumb, *Chi-Square test* should be applied for data observation that is greater than 5 to keep the results with 'satisfied' statistical power (Field, 2005). *Kruskal-Wallis* tests were used to find differences in some variables, based on ranked data (Field, 2005). The application of *Chi-square* and *Kruskal-Wallis* are provided in section 6.1.

The analyses commenced with an examination of the stakeholder's responses to answer hypotheses 1 and 2. First, the stakeholder groups were categorised into 6 nominal scales, indicating 6 groups: shareholders, employees, suppliers, customers, communities, and investors. *Chi-square* test was applied to see whether these groups have any correlations; then, descriptive analysis was performed to generate the mean scores in order to find the total responses from each stakeholder group for each theme of CSD. Every CSD theme was analysed with descriptive statistics to obtain the mean scores, to find the most important information perceived by the general stakeholder groups. Finally, *Kruskal Wallis* test was attempted to support the findings whether the stakeholders have significant differences in their perceptions of the importance of 46 CSD items. The asymptotic significant values (p-values) used in this study to accept the hypotheses should be less than 0.05 at 95% significance level.

A similar process was conducted to examine hypothesis 3 and 4 using the data resulting from the company responses. *Chi-Square* test was applied to find whether the opinions from companies influencing CSD, and motivation for CSD, were different. Afterwards, descriptive analyses were conducted to calculate the mean scores so as to rate the most influential party in CSD and the highest motivation for CSD. These two analyses were conducted in a straight forward manner as the number of data observations was sufficient. A few answers of general and open questions, from both stakeholder and company, were discussed to give additional insight into the problem, as suggested by Cavana, Delahaye, and Sekaran (2001). The relevant answers were documented together with some information from the interviews and field visits. These discussions were summarised and will be included in the following chapter.

Kolmogorov-Smirnov is often used to check the data for its normal distribution. If the test results are not significant ($p\text{-value} > 0.05$), and the distribution of the sample is not significantly different from a normal distribution, it is probably normal (Field, 2005). This test was applied to check the extent of CSD, represented by the scores of quantity and quality, then to decide what further analyses tests can be conducted. The results of the test indicate that the distribution of the CSD scores was not normal, suggesting that non-parametric tests should be applied. As a result, *Kruskal Wallis* test was initially conducted to find the significant differences among the CSD scores during 4 years of examination, as stated in hypotheses 5. A parametric test may be conducted if the data can be transformed into a normal distribution or by minimising the data outliers (Field, 2005). Thus, an attempt has been made to transform both of the CSD scores quantity and quality into *natural logarithm* (\ln). As the results of this transformation generate a normal distribution, parametric tests, were then conducted to confirm or deny the results of the non-parametric.

The detail of differences of CSD for each year and the difference between CSD quantity and quality were tested using a *Paired Sample T-Test*. This test compares the difference between the sample mean. Over for 4 years, a *Repeated Measure Anova* was also performed to verify whether the significant differences in CSD quantity and quality were present. A descriptive analysis to calculate the

mean scores for both CSD quantity and quality, and a bar chart is presented to demonstrate the results (section 6.1.5 and Appendix C8).

The next analyses for hypotheses 6 and 11 were tested using *Chi-Square Contingency Table* in *Cross-tabulation* analysis as non-parametric tests, the data having been classified in category and into certain groups. In this context, hypotheses 6 refers to the type of companies, classified in 'sensitive and non-sensitive' industries, and 'state and non-state owned' companies. They were examined for different levels of the CSD groups: low and high. A similar process was applied to investigate companies which were audited by 'big and non-big audit firms' in hypothesis 11. If the significant value is less than 0.05 ($p\text{-value} < 0.05$), the alternative hypotheses can be accepted at 95% significant level.

Next, to examine the variable correlations in hypotheses 7 to 12 (except 11), the *Kolmogorov-Smirnov* test was initially implemented to check the normality of the data distribution. The results indicate that the majority of data was not normally distributed (Appendix C12) and therefore, *Spearman's rho* correlation was used to measure the strength of relationship between these two variables (Field, 2005). This test was applied in a *1-tailed* significant test, supporting a one direction relationship as predicted by the hypotheses. However, to observe the correlations among the all variables, *2-tailed* significant tests were applied as the directions of their correlations are still uncertain (Appendices C13 to C16). A *Pearson correlation* test was attempted to confirm the results of *Spearman's rho*, after transforming the un-normal data.

Prior to the transformations, a value of 'one' was added to replace the negative values in ROA, ROE and EPS, as negative values cannot be transformed directly (Field, 2005). This 'one' value yielded 'zero' after transformation. Then, following the suggestion from Tabachnick and Fidell (1989) to try any transformations that fit with the data, this study found that the natural logarithm (ln) and square root (sqrt) appeared to be 'best' transformation applied for the variables. The normality test provides a slight improvement of the data distribution, although not all of tests were normal (Appendix C12). At a 95%

level of significance, the strength of correlation among these variables was evaluated to identify whether a collinearity problem existed. A strong correlation between variables may indicate the presence of multicollinearity that might cause the reliability of *multiple regression* analysis results (Field, 2005). To observe every single predictor variable, a *simple regression* was conducted prior to the *multiple regressions*. Since the data transformation results did not provide significant differences from the original data for its distribution, the application of regression analysis was conducted using the raw data.

Simple regression tests were undertaken to predict the power or strength of the influence from every single predictor or independent variable (refers to variable X), to the criterion or dependent variable (refers to variables Y). The functional relationships between two variables are specified as:

$$Y = \alpha + \beta X + e$$

This function can be explained as X, as predictor variable is likely to precede or cause Y as a criterion variable, β is the slope parameter, α is the intercept parameter, and e is the residual variable (Von-Eye & Schuster, 1998). In this study, variable Y represents the extent of CSD, measured by the total score of quantity and quality, which resulted from the content analysis process. Variables X represent the selected independent variables, resulting from the secondary data collection (refer to the discussion in section 4.6.3.2).

Multiple regressions were undertaken after the simple regression to generate a regression model from some predictor variables. One common problem in multiple regressions is multicollinearity as explained by Field (2005). Multicollinearity exists when there is a strong correlation between two or more predictor variables in a regression model. Some reasons if these correlations are present are, first, it limits the size of R , which refers to a measure of the multiple correlations between the predictors and the outcome. Consequently, it also limits R^2 that indicates the variance in the outcome for which the predictors account. Second, multicollinearity makes it difficult to assess the individual importance of a predictor; and finally, it can cause an unstable predictor equation of the regression model. The multicollinearity problem can be

identified using the *Variance Inflation Factor* (VIF) in the SPSS program. The value of more than 10 in VIF can be an indication that the problem exists.

Before undertaking multiple regression analyses, a factor analysis was conducted to anticipate the problems of multicollinearity. Field (2005, page 731) describes factor analysis as "...a multivariate technique for identifying whether the correlations between a set of observed variables stem from their relationship to one or more latent variables in the data, each of which takes the form of a linear model...". This technique is useful to reduce a data set to a more manageable size while retaining as much of the original information as possible, and this can be used to solve the problem of multicollinearity by combining variables that are collinear. The *Kaiser-Meyer-Ohlin* (KMO) and the *Bartlett's test of sphericity* values are often used to check whether factor analysis yields distinct and reliable factors. A value close to 1 for the KMO indicates that patterns of correlations are relatively compact and factor analysis is appropriate to be conducted. A significant value which are less than 0.05 (p-values < 0.05) or close to zero indicates that a *variance-covariance matrix* is proportional to an identity matrix. This value is a test of *sphericity* in the *Bartlett's test of sphericity* that can be found when undertaking factor analysis. Both KMO and Bartlett are important to assure that factor analysis can be reliable to generate a new structure of a set of variables.

Finally, multiple regressions analyses were performed by combining the whole possible variables resulted from a *varimax rotated principle component analysis* in factor analysis. The 'best' model of this combination (the highest value of R^2) was then chosen as a regression model. The model is written in an equation as:

$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + \dots + b_iX_i + e$ (Von-Eye & Schuster, 1998), or it also can be written as:

$Y = B_0 + B_1X_1 + B_2X_2 + B_3X_3 + \dots + B_iX_i + e$ (Field, 2005).

Y is the value of the criterion or dependent variable, what is being predicted or explained. a (alpha) or B_0 is the constant or intercept, b_1 or B_1 is the slope (beta coefficient) for X_1 , while X_1 is the first predictor or independent variable that explains the variance in Y, b_2 or B_2 is the slope (beta coefficient) for X_2 , while

X_2 is the second independent variable that explains the variance in Y . The similar explanation applied to b_3 or B_3 and X_3 until the number of predictor variables that included in the model (b_iX_i or B_iX_i), and e is the residual. The regression model is expected to describe the influential predictors to the criterion variables more comprehensively.

5.7. Summary

The research methodology has been elaborated in this chapter, including the process of data selection, content analysis, and the results of sample collection. Some issues in developing questionnaires, applying content analysis and statistical tests were also outlined to provide insights of the research process. Bivariate and multivariate analyses are used in this study to answer the hypotheses using parametric and non-parametric tests in the SPSS program. The systematic process of applying these statistical tests, including discussion of hypotheses and findings are described in the following chapter.

CHAPTER 6

RESULTS AND DISCUSSION

The overall objective of this study is to assess the extent of CSD practices by Indonesian listed companies, including stakeholder perceptions of the importance of CSD information, company motivation, and factors influencing CSD. This chapter reports and discusses the empirical results relevant to the hypotheses posited. First, the specific quantitative tools used for assessing the hypotheses are highlighted, followed by (a) the findings and their interpretation for each hypothesis, (b) correlation and multivariate analyses, and (c) CSD quantity and quality predictors. Finally, additional information arising from open questions, short interviews and field visits is used to augment discussion of content analysis results, stakeholder and company perceptions, followed by a theoretical perspective. The major findings and their interpretations in this chapter contribute to the final chapter on general conclusions and opportunities for future research.

6.1. Results of Hypothesis Testing

Descriptive and inferential statistics have been used to test the hypotheses using the *Statistical Package for the Social Sciences* (SPSS) program version 14 as previously described in section 5.6. Hypotheses 1 and 2 were resolved using the stakeholders' responses. The stakeholder questionnaires sought ratings of the importance of CSD items and the results were then averaged for each group of items, according to the theme. The stakeholders' responses were also assigned to their respective six stakeholder groups. The grouping of CSD items into theme and stakeholders' responses into stakeholder groups aims to simplify the analyses and discussions. Hypotheses 3 and 4 were addressed using the companies' answers. Hypotheses 5 to 12 were tested using content analysis and secondary data evaluation. The non-parametric analyses were applied as appropriate with the nature of data. *Kruskal Wallis* and *Chi-square* tests were conducted to find the mean ranks and differences analyses respectively; and *Spearman's rho* was used for non-parametric correlation analysis, as explained

in section 5.6. Multivariate analyses in the form of multiple regressions generated models that helped identify influential variables. The research questions were answered through testing the hypotheses and characterising Indonesian CSD practices.

6.1.1. Hypothesis 1

The first hypothesis examines the differences among the six stakeholder groups in their perceptions of the importance of CSD themes. This hypothesis was stated as:

H1: There are differences among stakeholder groups in their perception of the importance of information in CSD theme.

To test this hypothesis, the groups of stakeholders have been labelled by a categorical number for nominal scales, from one to six for all of the stakeholder groups. A *Chi-square* test, applied to examine results for these nominal scales, showed that there are statistically significant differences among the groups ($p\text{-value} < 0.01$, Appendix C1) and therefore, the hypothesis H1 is accepted. Descriptive analysis was also performed to calculate the differences of the mean scores for each stakeholder group and theme, as summarised in Table 6.1. It shows that every stakeholder group ranked the importance of every theme differently. This finding appears to support the notion that different stakeholders have different interests and demands (Cooper, 2004; Mitchell, Bradley, & Wood, 1997; Ullmann, 1985). It also suggests that if the stakeholders have different needs, a company should be able to identify and fulfil their needs to foster company sustainability. This idea is explained in stakeholder theory under a positive or managerial approach (Deegan, 2001, as discussed in section 2.2.2.2).

Table 6.1. Summary of the Mean Scores for Stakeholder's Responses in Perceiving the Importance of CSD Information

Stakeholders	Total responses	environment	energy	human resources	community	product	sustainability	external relation	others
Shareholders	32	171.097	195.793	172.086	147.684	191.573	211.047	167.844	179.599
Employees	100	150.699	141.864	153.598	147.293	145.763	142.185	153.715	146.990
Suppliers	30	117.881	115.604	125.597	143.342	121.689	110.950	138.150	142.467
Customers	53	173.558	183.432	170.024	165.498	177.009	174.689	165.113	157.950
Communities	62	151.385	143.587	146.919	157.978	146.728	141.895	138.863	151.465
Investors	29	148.453	152.651	145.390	160.328	142.586	159.121	162.879	154.782

Ratings on which mean scores were based from 1 = strongly unimportant to 7 = strongly important.

Table 6.1 indicates that shareholders and customers are essential in their perceptions of the importance of CSD items. Both of these stakeholder groups provided high mean ranks for the CSD theme. Further analysis of particular items under the themes showed that investors perceived that the most important information was for an 'employee stock option plan' or ESOP, and communities considered 'supporting the development of local industries or community programs' as the most important item. The investors took notice of whether companies inform about ESOP, as it may indicate that they have economic stability or profitability, and are likely to honour future payments (Cooper, 2004). Perception of the importance of 'development of local industries' may reflect demands from the community to improve their economic condition through developing these industries. Several answers from open questions reinforce this conclusion: "... it is expected that companies disclose their involvement in developing local industries so that people understand whether activities of companies in a region bring benefits to that community ...". This finding is relevant because the economy is one of the significant problems in Indonesia, and therefore the majority of the community is concerned about local prosperity.

Unlike shareholders and customers, the 'supplier' has been found to be a stakeholder group that considered CSD less important than did other stakeholder groups, as indicated by the lowest mean scores (Table 6.1). For the 46 CSD items ranked by each stakeholder, more than 50 percent of them were perceived as being of low importance to suppliers. Suppliers may have little interest in CSD information as they are not directly involved in the daily

operation of the business, or it may signify that they are not aware of the benefits of this information.

6.1.2. Hypothesis 2

After investigating the differences among the stakeholder groups, the CSD items ranked by the respondents were examined to answer the second hypothesis, addressed as:

H2: The most important CSD information perceived by the stakeholders is in 'product' theme.

First, a descriptive analysis (Appendix C2) was used to calculate the mean value for each CSD item and group it into theme; these mean scores were then ranked using an EXCEL, as presented in Table 6.2.

Table 6.2. The Importance of CSD Information Theme as Perceived by Stakeholders

Rank	Information theme	Mean score	Std Deviation
1	Product	5.338	1.433
2	Energy	5.043	1.527
3	Other information	5.014	1.421
4	Sustainability	5.007	1.636
5	Human resource	4.972	1.595
6	Environment	4.858	1.537
7	External relation	4.843	1.560
8	Community	4.788	1.446

Ratings on which mean scores were based from 1 = strongly unimportant to 7 = strongly important

The finding is consistent with the pilot study result (Gunawan, 2007) and the hypothesis H2 is accepted, as the 'product' was perceived by the stakeholders as the most important information in CSD. Moreover, 'product safety' attained the greatest mean score of any other CSD items. One response written in the stakeholder questionnaire is indicative: "... companies need to inform of any certifications or qualifications which prove that their products pass safety and quality assurance ...". This strengthens the evidence that Indonesian stakeholders regard this information highly. One possible explanation for this is the low level of law enforcement and monitoring of product safety provided by the Indonesian government. Consequently, many 'unsafe' products are distributed without proper inspection and this situation has resulted in product

litigation by customers. Epstein and Freedman (1994) also reported that despite a higher levels of government monitoring in USA, stakeholders there strongly demanded information on 'product safety and quality' in company annual reports.

In contrast, 'community' was found to be the least important information for the stakeholders (Table 6.2). This finding appears to support the results from Milne, Owen, & Tilt, (2000) who stated that stakeholders in New Zealand and Australia may not be concerned about whether companies care for communities. In Indonesia, many local news reports highlight Indonesian companies that provide services to their communities, presumably to gain a good image. If information about 'serving communities' is easily found in media such as television, newspaper or radio, stakeholders may consider it less essential for this to be in annual reports.

To sum up the findings in hypotheses H1 and H2, further investigation of the CSD themes and items was undertaken. Shareholders strongly influence the perceived importance of CSD information. They provided the highest scores as discussed previously, and 6 of the 8 CSD themes perceived as the most important information by this group (Table 6.1). These themes are 'energy', 'human resource', 'product', 'sustainability', 'external relation' and 'other information'; conversely, only 'environment' and 'community' were the most important for customers. The item analysis reveals that the stakeholders have significantly different perceptions in the importance of 27 of the 46 items on the CSD list. The asymptotic significant values in the *Kruskal Wallis* analysis for these items were less than 0.05 (Appendix C1).

Across all stakeholder groups, the least important information item was 'employment of minorities or women', within the 'human resources' theme (Appendix B10). Similarly, Epstein and Freedman (1994) considered that shareholders in the USA were less interested in being informed about aiding minorities or women. In Indonesia, beside the low score for this information, the disinterest is reflected by some stakeholders' opinions who stated that the information about 'minorities and women' is considered as 'uncommon

practice' since the concern and respect for these groups has not been taken seriously. They suggested that government should emphasise the rights of minorities, including disabled people, children, and women workers. Apart from the different opinions about CSD information by stakeholders, the second hypothesis results may expand CSD discussion as few studies have highlighted 'product' as the most interesting information for stakeholders. Thus, this study suggests 'product' is important information in a CSD list.

The third and fourth hypothesis arose from the company questionnaires (Appendix A5) which sought opinions on which relevant parties in Indonesian society influence companies to practise CSD and what are the motivations of companies in carrying out CSD.

6.1.3. Hypothesis 3

Hypothesis 3 was stated as:

H3: The most influential party for companies to practise CSD is the community.

Companies rated nine selected parties in terms of their perceived influence on CSD practices. The parties selected represent the wider group, including primary and secondary stakeholders (see also the discussion in section 3.2.1). Firstly, a *Chi-square* test was conducted to analyse whether there were differences of companies' opinions in rating the influence of the parties provided in the questionnaires options. The result shows that the p-values were less than 0.05 (Appendix C3), that is, there is statistical evidence that companies have considered the influence on CSD practice by each party (government, media, auditor, shareholder, employee, supplier, customer, community, and investor) differently. A descriptive analysis was then performed to calculate the mean scores and generate a bar chart for each party (Appendix C4). Table 6.3 summarises the ranked scores and Table 6.4 presents the responses from companies (252 companies) for each party based on rating scale.

Table 6.3. The Influence Parties for CSD

Rank	Party	Mean score	Std. Deviation
1	Community	5.325	1.128
2	Shareholder	5.012	1.196
3	Government	4.913	1.266
4	Media	4.683	1.019
5	Investor	4.671	1.368
6	Customer	4.587	1.452
7	Employee	4.151	1.528
8	Auditor	4.048	1.338
9	Supplier	3.587	1.008

Ratings on which mean scores were based from 1 = no influence to 7 = full influence

Table 6.4. Company Responses on Each Party Influencing CSD

Parties	Rating Scale						
	1	2	3	4	5	6	7
Government	0	3	30	71	64	50	34
Media	0	5	17	90	93	35	12
Auditors	6	23	55	85	46	26	11
Shareholders	3	8	13	38	110	57	23
Employees	22	10	37	81	62	21	19
Suppliers	3	37	68	101	39	4	0
Customers	6	15	29	76	52	49	25
Communities	0	3	12	38	86	73	40
Investors	9	9	20	68	76	52	18

Rating scale from 1 = no influence to 7 = full influence

‘Community’ achieved the highest mean score compared to other parties, suggesting that it had the greatest influence on CSD practice, followed by shareholder and government. Thus, hypothesis H3 is accepted. This finding was also supported by the answers written in the questionnaires, that companies have to report their CSR activities because of community pressures. The outcome was similar to that of a study in Bangladesh (Imam, 2000). ‘Community’ becomes a central focus for companies to secure their business operations and to avoid any litigation (see also Adams 2002; Milne et al., 2000; Wilmshurst & Frost, 2000). During the company visits, the situation was confirmed, as the majority of the companies focus on serving their surrounding communities to respond to the community demands and to legalise their business operations.

In contrast, ‘supplier’ had the least influence on CSD practices. This finding complements the result in section 6.1.1 that identified ‘suppliers’ as a group

which had the lowest ranking for perception of CSD information as important for them. Thus, it may be assumed that in the area of CSD, the suppliers' role is not as strong as other stakeholder groups and this situation needs to be improved to create their awareness. Cooper (2004) explains that 'supplier' is categorised as primary group of stakeholders, and therefore its involvement in determining the company business sustainability is essential, and the issue of sustainability closely relates to good practice of CSD.

6.1.4. Hypothesis 4

The motivations of companies in practising their CSD were hypothesised as:

- H4A: The motive of companies to practise CSD is to meet stakeholders' demand
- H4B: The motive of companies to practise CSD is to act accountably or responsibly
- H4C: The motive of companies to practise CSD is to create a positive image

Eight possible motivations were selected by companies in their perceptions of motivation in practising CSD. A *Chi-square* analysis was initially performed to find whether the companies' motivation for performing CSD were different. The asymptotic significant values showed that $p\text{-values} < 0.05$ (Appendix C5) indicating that the companies did have significantly different motivations. A descriptive analysis was then undertaken to calculate the mean score, then the motivations were ranked to identify the most significant. Table 6.5 summarises the mean scores and Table 6.6 details the number of company responses on every motivation based on a rating scale, this is completed by a bar chart in Appendix C6.

Table 6.5. Motivations for CSD

Rank	Motivation	Mean score	Std. Deviation
1	Create a positive image	5.214	1.585
2	Act accountably	4.813	1.398
3	Comply with stakeholder's demands	4.718	1.322
4	Attract Investors	4.603	1.448
5	Provide 'true and fair' operations	4.563	1.386
6	Comply with media pressure	4.464	1.298
7	Meet legal obligations	4.393	1.816
8	Comply with ISO 14000	4.345	1.463

Ratings on which mean scores were based from 1 = strongly disagree to 7 =strongly agree

Table 6.6. Company Responses on Each Motive for Practising CSD

Motivations	Rating Scale						
	1	2	3	4	5	6	7
Legal	21	22	32	61	32	46	38
ISO	9	20	34	74	61	35	19
True & Fair	6	13	27	80	60	45	21
Positive Image	6	9	19	44	66	29	79
Accountability	3	12	32	42	89	41	33
Investment	7	13	29	71	63	42	27
Stakeholders	4	14	21	56	94	41	22
Media	6	16	21	82	80	33	14

Ratings scale from 1 = strongly disagree to 7 = strongly agree

A number of factors may affect the decision to practise CSD. As shown in the above tables, 'to create positive image' was found as the strongest motivation for Indonesian companies to disclose their social activities. This result supports the prior studies that have focused on the company's intentions for practising CSD (Leonard & McAdam, 2003; Ratanajongkol, Davey, & Low, 2006; Thompson & Zakaria, 2004). However, the spread of scores for rating scale 2 to 7 was relatively small; and a wide spread of results was recorded among responses to any of the individual motivations. This was partially to 'meet legal obligations' which had the highest number of scores for rating 4 and 6, and the close scores for 1 and 2.

Since there is no single motivation for practising CSD, the three ideas in the hypotheses can be generally accepted, as they are the three main motivations from companies. However, from a statistical point of view, only one hypothesis can be admitted, and therefore hypothesis H4C is the most appropriate (Deegan 2002b, Van Der Laan, 2004). This motivation had been predicted and recognised by the Indonesian public, and verified during the interviews with both stakeholders and companies. The companies consider that 'creating a positive image' is vital for their success in business, and the stakeholders understand that it is the major reason for companies to disclose social activities (see also the general discussion in section 6.5).

Indonesian companies try to create a positive image by providing donations and other aid activities to show sympathy, especially when natural disasters occur, such as the Tsunami tragedy in 2004 and earthquakes in 2005 and 2006. At the

time of these tragedies, many leading companies showed assisted the victims by broadcasting their activities on television and in newspapers. Apart from these events, it is easy to find publications that provide information about the activities of companies, mostly regarding the contribution of materials or funds to society. Having analysed this situation, two opinions can be drawn from the stakeholder's perspectives. The public do not have any objection if companies publish their CSR activities, providing that the number of publications is not seen as excessive. Further, the public noticed that some companies did not disclose the real extent of their social activities. The publicity often exaggerates the reality to gain a positive image. Based on this survey, the fact that Indonesian companies were motivated to create a good image by undertaking CSD can be evident.

Two other leading motivations in practising CSD were 'acting accountably or responsibly in reporting' and 'complying with stakeholder's demands'. 'To act accountably and responsibly' can be considered as a positive sign from the Indonesian companies, showing that they were aware of providing useful information to the public from credible sources. If this practice is truthful, it indicates that the companies might be able to build corporate trust and commitment, and subsequently, this may create good relationships with stakeholders (Gray, Owen, & Adams, 1996). 'Complying with stakeholder's demands' is consistent with the finding of the third hypothesis, which showed that 'community' strongly influences companies for their CSD practices.

The third and fourth hypotheses have been accepted as a result of the feedback from the company survey. The findings seem to complement each other and support the majority of prior studies, in regard to the influence and motivation for CSD (see for example Achda, 2006; Al-Khater & Naser, 2003; Imam, 2000; Milne, Owen, and Tilt, 2000). The next discussion presents the results of the content analysis of CSD scores, followed by the correlation among variables.

6.1.5. Hypothesis 5

The fifth hypothesis proposes to provide evidence of the increased trend of CSD during 2003 to 2006. The CSD scores resulting from the content analysis were used to see this trend. The results are also useful as they are positioned as the criterion variables to examine the influences of predictor variables in hypotheses 6 to 12. To accommodate the extent of CSD in both quantity and quality, the hypotheses were stated as:

H5A: There are improvements in total quantity CSD from 2003 to 2006.

H5B: There are improvements in total quality CSD from 2003 to 2006.

A descriptive analysis was initially performed to observe the mean scores of CSD quantity and quality for each year. Table 6.7 demonstrates that all samples were included (n=117 for each year), and the mean scores were increased for both CSD quantity and quality annually. To test that this increased trend may be statistically significant, *compare mean* score analyses were used.

Table 6.7. Descriptive Statistic for CSD Quantity and Quality

	CSD Quantity				CSD Quality			
	2003	2004	2005	2006	2003	2004	2005	2006
Mean Score	20.085	23.598	27.171	36.624	29.812	33.641	38.145	47.573
Std. Deviation	12.176	14.426	18.326	24.012	24.047	23.827	28.527	28.111
Total sample = 117 companies for each year								

Prior to the analysis, the distribution of data was examined. A *Kolmogorov-Smirnov* test was applied and the result indicates that the majority of CSD scores from 2003 to 2006, for both CSD quantity and quality, were not normally distributed (p-values < 0.05, Table 6.8). For this reason, a non-parametric test was performed on the raw data, but a parametric test was also undertaken to obtain robust results by transforming the raw CSD scores into *natural logarithm* (ln). This transformation has resulted in a normal distribution as indicated by the p-values greater than 0.05. Table 6.8 presents the test results before and after the data transformation.

Table 6.8. Normality Test for CSD and ln CSD Quantity and Quality

	Kolmogorov-Smirnov Z		Asymp. Sig. (2-tailed)	
	Before transformation	After transformation	Before transformation	After transformation
Year	Quantity			
2003	1.335	0.592	0.057	0.874
2004	1.384	0.457	0.043	0.985
2005	1.851	0.649	0.002	0.793
2006	1.897	0.864	0.001	0.444
	Quality			
2003	1.567	0.593	0.015	0.874
2004	1.395	0.479	0.041	0.976
2005	1.581	0.735	0.013	0.652
2006	1.619	0.719	0.011	0.679

Kruskal-Wallis was chosen as a non-parametric test for an independent sample analysis using the raw data. The results for both total CSD quantity and quality show significant differences among the four years examined ($p\text{-value} < 0.05$). These findings suggest there to be significant improvement of CSD scores in quantity and quality from 2003, 2004, 2005, and 2006. Afterwards, the transformed CSD scores, labelled by ln-CSD, were applied to re-examine the extent of CSD from 2003 to 2006 using a *Paired samples T-Test*. The results detail the significant differences in the yearly sequence (from 2003 to 2006). These two test results are attached in Appendix C7. From the above findings, the study confirms the positive improvements in the extent of CSD in Indonesia (Appendix 8). Based on the understanding that the CSD data was sourced from similar companies which were repeatedly tested for the four years period, a *Repeated Measures Anova* was conducted to obtain robust results. The findings show that CSD in both total quantity and quality scores improved significantly ($p\text{-values} < 0.05$, Table 6.9). The values of *Wilks' Lambda* or *U statistic* show moderate levels (0.475 and 0.519 for quantity and quality respectively), which specify that the mean of the group was moderately different (equal to one indicates all means are equal).

Table 6.9. *Repeated Measures Anova* for CSD Quantity and Quality
2003 to 2006

Test	CSD quantity		CSD quality	
	Value	Sig	Value	Sig
Pillai's Trace	0.525	0.000	0.481	0.000
Wilks' Lambda	0.475	0.000	0.519	0.000
Hotelling's Trace	1.104	0.000	0.927	0.000
Roy's Largest Root	1.104	0.000	0.927	0.000

As discussed above, hypotheses H5A and H5B were strongly supported. These results are relevant to the fact that CSD issues in Indonesia grew remarkably every year. There were many discussions about CSD practices among businesses and academicians, reflected by enormous seminars, workshops, talk shows, panel discussions, conferences, magazines, and newspaper features on this topic. This trend is expected to continue similarly in the future, as positive trends for CSD are also evident in other Asian countries, such as Bangladesh, Malaysia, and Thailand (Deegan, 2002a; Imam, 2002; Mathews, 1997; Rashid & Ibrahim, 2002; Ratanajongkol et al., 2006).

In order to comprehend the discussion, the total scores of CSD in quantity were also tested with the total scores being of quality for a total of four years. A *Paired-Sample T-test* was applied to the transformed data, and the result indicates that the CSD quantity was significantly statistically different with CSD quality ($p\text{-value} < 0.05$, Appendix C7). This result may indicate that the Indonesian companies disclosed the information differently between the amount (quantity) and the nature (quality), for example, they provided comprehensive discussion of limited types of information. Consequently, there were variations in the quantity and quality scores that were awarded for each type of information disclosed during the content analysis process. These variations have created the differences in the scores.

The findings above became the foundation to justify the criterion or dependent variables, represented by the CSD quantity and quality, to be evaluated separately, unless the reason of number of samples. The analysis of the extent of CSD was conducted for each of the years because the total CSD was found to be significantly different for each year. Similarly, as the total of the CSD

quantity and quality were significantly different, both were examined separately to generate comprehensive results. As a result, the majority of the next hypotheses were evaluated by year, and the quantity and quality analyses were analysed in separated notions.

6.1.6. Hypothesis 6

The sixth hypothesis examines the categories of company, differentiated by 'type' and 'status', named as variable 'X'. These variables were stated in 'dummy' (labelled as zero and one) to indicate type, between 'sensitive' (0) and 'non-sensitive' industries (1), and status of 'non-state' (0) and 'state owned company' (1). Variable 'Y' represents the extent of CSD. The analyses were conducted for a four-year period to obtain enough samples for each category.

Two steps were undertaken for this analysis. Firstly, a *categorical* analysis was completed by coding variables Y (CSD quantity and quality scores) into categories, to generate the similar comparison of nominal scales between X and Y. For this purpose, the CSD quantity and quality scores were firstly classified into three groups: low, medium, and high, based on their frequencies. However, the findings demonstrate that using these classifications, the majority of sample frequencies for both company type and status are very small (less than five), particularly in the 'high' group. As a rule of thumb, *Chi-square* test may not generate robust results when the sample number is smaller than five (section 5.6). To overcome this situation, the classification of CSD scores was changed into two groups: low and high. The sample frequencies, afterwards, showed improvements as only 'type' which was categorised in the 'high' group generating three samples of observation. Since it was considered as the best effort, this study continued the analyses using a *cross-tabulation* to find any significant differences between the 'sensitive and non-sensitive' in 'company type', and 'state-owned and non-state owned' in 'company status'. Both classifications of CSD quantity and quality in three and two groups were still performed to make comparisons of the results. A descriptive analysis was also undertaken to identify which 'type' and 'status' had a greater influence on CSD. The detailed processes are outlined in the following paragraph.

A. Hypothesis 6A

Hypotheses 6A examine the type of companies between ‘sensitive and non-sensitive’ industries for their influence on CSD, for both quantity and quality. The hypotheses were stated as:

H6Ai: Sensitive industries provide greater CSD quantity compared to those of non-sensitive industries.

H6Aii: Sensitive industries provide greater CSD quality compared to those of non-sensitive industries.

Initially, the CSD quantity and quality scores were grouped into three categories: low, medium, and high, by calculating the range between the lowest and highest scores using descriptive analysis, and re-coding the data into a nominal scale using an SPSS function. A *Chi-Square* test in a *Cross-tabulation* analysis (*Chi-Square contingency table*) was then run to see if significant differences existed between the two company types for the three groups of CSD. The results show that the type of industry was not significantly influential for CSD in both quantity and quality (p-values = 0.211 and 0.335 respectively, Appendix C9). As the sample size of ‘non-sensitive’ industries in the ‘high’ group of CSD quantity and quality was only three and zero respectively, this finding might have less statistical power ($n < 5$) as discussed in section 5.7. Subsequently, the classifications were modified into two groups (1=low, 2=high) instead of three CSD groups.

A number of samples showed improvements in two CSD categorisations; 9 frequencies in CSD quantity, but still only 3 in CSD quality. However, the *Chi-square* outcomes were similar to the previous analysis (p-values = 0.272 and 0.185 respectively), indicating that ‘sensitive’ and ‘non-sensitive’ industries were not a significant influence on CSD (Appendix C9). This result is similar for both three and two groups of CSD categories. This finding was confirmed by the *Spearman’s rho* correlation test. The results show no significant correlations between type of company and the extent of CSD in either quantity or quality during the period 2003 to 2006. Consequently, the hypothesis H6Ai and H6Aii are not accepted; however, the conclusion should be taken into

consideration, in spite of both the limited sample size and the variability of the data.

Further observation shows that both CSD quantity and quality in sensitive industries obtain greater mean values than those in the non-sensitive industries (Table 6.10). This result might indicate that companies categorised in sensitive industries provide greater CSD quantity and quality than companies in non-sensitive industries, although the differences in contributing to the extent of CSD between these two types are not statistically significant as discussed previously.

Table 6.10. Descriptive Statistics for CSD in Sensitive and Non-sensitive Industries

Descriptive statistic	CSD Quantity		CSD Quality	
	non-sensitive	sensitive	non-sensitive	sensitive
Mean	24.375	26.646	32.625	38.198
Median	19	21.5	25	31
Std. Deviation	16.766	19.748	22.443	28.888

Companies in sensitive industries tend to provide greater CSD as they may attain more public attention regarding their business operations, which exploit natural resources, for example, agriculture, petroleum, chemical, forest or paper products, compared to other industries which do not use much of these resources (Hackston & Milne, 1996; Roberts, 1992). These kinds of industries can damage the environment through the use or discharge of hazardous wastes and effluent, which will have an affect on the surrounding communities. For this reason, the companies within sensitive industries are expected to show more responsibility in conducting and reporting their social activities compared to those in non-sensitive industries (Deegan & Gordon, 1996).

However, since the differences between the types of industries were not significant, this may indicate that Indonesian companies in industries also tend to provide a large amount of CSD, as demonstrated by some prominent services institutions, such as banks. Owen and Scherer (1993) explain that service industries like banking may tend to be more attuned to the potential impact of social responsibility issues because of their closeness to the customers. This

highlights the fact that reporting social responsibility is not only to satisfy the environmental regulations, or to meet community expectations, but it also underlines stakeholder relationships, human resources, products, and sustainability (Deegan, 2002a). These aspects provide comprehensive CSD information that companies in all industry types are encouraged to consider.

B. Hypothesis 6B

Hypotheses 6B examine the category of industries through company status. These notions were hypothesised as:

H6Bi: State owned companies provide greater CSD quantity compared to those in non-state owned companies

H6Bii: State owned companies provide greater CSD quality compared to those in non-state owned companies

To test these hypotheses, similar steps were applied as in hypothesis 6A. First, the CSD quantity and quality scores were classified into three nominal categories: low, medium and high, using the 're-code' function in SPSS. As with the sample frequencies in CSD quality for 'state' and 'non-state' companies were less than five (Appendix C10), the categorisation of CSD was modified into two groups: low and high. These two groups of CSD improved the frequency of sample of company status ($n > 5$), and therefore, a minimum requirement for using *Chi-square* test in *Cross-tabulation analysis* was fulfilled.

A descriptive analysis was performed to generate the CSD mean scores for each company status, followed by a *Cross-tabulation analysis*. The *Chi-square* test shows that $p\text{-value} < 0.05$ for CSD quantity and quality (Appendix 10), which signifies that both state and non-state owned companies have significant differences in influencing the extent of CSD. Similar results were also obtained from the *Spearman's rho* tests, indicating that 'company status' has a significant correlation with the extent of CSD.

Table 6.11 demonstrates that the mean scores for CSD quantity and quality in 'state owned' companies are far greater than those in the 'non-state owned'. This result suggests that although there were fewer state owned companies in

Indonesia (about 37 from a total of around 330 companies listed in JSX), these companies play a significant role in the wider acceptance of CSD practices in Indonesia. It may be a signal that ‘state owned’ companies comply with the regulations by allocating a budget for CSR activities, and subsequently, this leads to a high practice of CSD (refer to Government regulation no. 19/2003 for ‘state owned companies’). The finding is consistent with a study conducted in Australia, which indicated that companies disclosed the information to comply with accepted standards or government regulations (Tilt, 2004).

Table 6.11. Descriptive Statistics for CSD in State and Non-state Companies

Descriptive Statistic	CSD Quantity		CSD Quality	
	non-state owned	state owned	non-state owned	state owned
Mean	23.955	55.964	33.271	83.786
Median	20	53.5	28	82.5
Std. Deviation	17.796	22.892	22.129	46.108

n = 468 companies

In practice, it was also noticed that the Indonesian state owned companies have been playing a significant role, not only in the area of CSD, but also in the whole Indonesian economic and business. In this context, it is likely that the practice of CSR in Indonesia has been influenced much by the government, and it can be predicted that the government will also play an important role in developing CSD. Eljido-Ten (2007) provided evidence about the existing power of the Australian government. Using the 2002 Australian Conservation performance, it showed that government companies provided more environmental disclosures to minimise public litigation, than did non-government companies. The third hypothesis in this study also supports this idea by providing a result that Indonesian companies considered government as the third influence party (after community and shareholder) in motivating them in practising CSD (see Table 6.3).

To conclude, the type of company in this study (sensitive and non-sensitive) was not shown to influence the extent of CSD. In contrast, the government appears to have greater influence on Indonesian companies, through the commitment of ‘state owned’ companies to CSD practices, being copied by ‘non-state owned’ companies. Add to this, the ‘sensitive’ and ‘state owned’

were observed to provide greater CSD mean scores rather than those in the 'non-sensitive' and 'non-state owned' companies. From these findings, both hypotheses H6Ai and H6Aii are rejected, while hypotheses H6Bi and H6Bii are accepted.

The next hypotheses were evaluated using *Spearman's rank correlations*, a non-parametric measure of correlation, to test the direction and strength of the relationship between two variables. This correlation shows whether a set of value (X) has an effect on another value (Y), and vice versa. The analyses were undertaken for each year for most variables in order to answer the hypotheses. The selected results are provided in Table 6.13, while the complete results are attached in Appendix C13 until C16.

6.1.7. Hypothesis 7

Hypotheses 7 examines company size as represented by total assets, total sales, and market capitalisation, in their associations with the extent of CSD. The correlation results are provided in Table 6.13.

A. Hypothesis 7A

The influences of company total assets on CSD were addressed in the hypotheses:

H7Ai: The greater the company total assets, the greater is CSD quantity

H7Aii: The greater the company total assets, the greater is CSD quality

The *Spearman's rho* coefficient correlations for each year of 2003 to 2006 showed a significant positive relationship between company total assets to CSD, with p-value < 0.05. The rho correlation coefficients ranged from 0.245 to 0.610 in CSD quantity, also increased through time, although temporal trends were not tested for significance. Similarly, for CSD quality, the correlations showed a significant positive relationship ranged from 0.222 to 0.590 with p-values < 0.05 across all year 2003 to 2006. Thus, the hypotheses H7Ai and H7Aii are accepted, suggesting that companies which own greater assets will provide higher CSD both in quantity and quality, compared to those with less assets.

B. Hypothesis 7B

The correlations of company total sales on the extent of CSD were addressed in the hypotheses as:

H7Bi: The greater the company total sales, the greater is CSD quantity

H7Bii: The greater the company total sales, the greater is CSD quality

For the years 2004 to 2006, the Spearman's rho analyses indicated a highly significant positive relationship between total sales and both CSD quantity and quality (p-values < 0.05). The relationships for 2003 were still significant and positive (p values < 0.05), but were weaker. The rho correlation coefficients increased from 0.166 to 0.665 in CSD quantity and from 0.188 to 0.648 in CSD quality. Thus, both hypotheses are accepted, suggesting that companies with greater total sales will provide greater CSD rather than those with lower sales.

C. Hypothesis 7C

The last hypotheses to represent company size are 'company market capitalisation'. The hypotheses were addressed as:

H7Ci: The greater the company market capitalisation, the greater is CSD quantity

H7Cii: The greater the company market capitalisation, the greater is CSD quality

The finding provides similar results to those for total asset and sales. The rho correlation coefficients of company market capitalisation also show significance to the extent of CSD throughout the year 2003 to 2006. These correlations fluctuate between 0.173 to 0.713 for CSD quantity, and 0.202 to 0.703 in CSD quality, with p-values < 0.05. The results indicate that companies with greater market capitalisation are more likely to provide greater CSD both in quantity and quality, but this situation may not occur for companies with less market capitalisation. Based on these findings, hypothesis H7Ci and H7Cii are both accepted.

Statistically positive significant correlations have been reported for the three variables that represent company size for CSD in both quantity and quality, in each year from 2003 to 2006. The correlation coefficients between these company size variables and the extent of CSD increased through time, although

temporal trends were not tested statistically. These outcomes might indicate that in the future, larger companies (refer to total assets, sales and market capitalisation) will be more likely to provide more comprehensive CSD as they may have more incentive to do so and competency to make disclosures, compared to those with smaller companies. Further, larger companies are often seen to receive more public attention so their need for CSD reporting is greater (Cowen, Ferreri, & Parker, 1987; Hackston & Milne, 1996). This result is consistent with prior studies, conducted in New Zealand and Singapore that found larger companies provided greater CSD than smaller companies (Hackston & Milne, 1996; Purushothaman et al., 2000). Supporting the arguments of Hackston and Milne (1996), Deegan (2001) explains that the size of a company is often used as an indicator of market power which leads to greater scrutiny by the stakeholders, and as a result, an expectation of better reporting is greater for larger firms.

The above explanation can reasonably be applied in Indonesia, while larger companies have more economic power and better administrative systems compared to those of smaller industries. This situation has resulted in a more proactive approach by big companies to the relatively new CSD practice in Indonesia. They often establish a specific unit or department, with appropriate staff who are responsible for conducting CSR programs and for reporting them to the top management. In general, their reporting of CSR activities including disclosures in annual reports are visually impressive, with the cover design, pictures of activities, or the use of specific types of publications, such as CSR, environmental, or sustainability report. These reports are often attached together with the annual report.

These large Indonesian firms are often conglomerate companies that play significant roles in directing and determining the country's economic condition. The public see them as being very close to the government which in turn has power through relevant regulations, including for CSD practices and reporting. With the combination of 'power' and 'financial abilities', it is understandable that 'large' Indonesian companies practise greater CSD to maintain their

credibility through public exposure, rather than companies with less ‘power’ and ‘financial ability’, as they attract more attention from the community.

6.1.8. Hypothesis 8

Company financial performance has been examined by company return on assets (ROA), return on equity (ROE), and earning per-share (EPS). Six hypotheses have been developed to accommodate these measurements. The summary results are provided in Table 6.13.

A. Hypothesis 8A

The hypotheses addressing ROA and the extent of CSD were stated as:

H8Ai: The greater the company return on assets, the greater is CSD quantity

H8Aii: The greater the company return on assets, the greater is CSD quality

Company return on assets (ROA) was generated from the total net income divided by total assets. Results from the *Spearman's rho* correlation demonstrated that ROA was positively significantly correlated to the extent of CSD in quantity and quality from 2004 to 2006 (p-values < 0.05). The ranges of significant correlation strength were from 0.256 to 0.359 for CSD quantity and 0.302 to 0.357 for CSD quality. However, in 2003, ROA did not significantly correlate to the extent of both CSD quantity and quality. The correlation coefficients were very weak (less than 0.10). This might be because of many negative values of the net income, generating negative ROA, and the practice of CSD being relatively immature. Further examination is needed to provide more evidence about the influence of ROA on the extent of CSD.

B. Hypothesis 8B

Hypotheses 8B were stated as:

H8Bi: The greater the company return on equity, the greater is CSD quantity

H8Bii: The greater the company return on equity, the greater is CSD quality

The company's net income was divided by total equity to generate the return on equity (ROE) ratio. The positive correlation strength of ROE and the extent of

CSD varied from 0.385 to 0.407 and from 0.375 to 0.418 for CSD quantity and quality respectively, resulting in a significant relationship in 2004 to 2006, but not in 2003. As with ROA, it is likely that ROE experienced many negative values in 2003 that caused the insignificant correlation to the extent of CSD.

C. Hypothesis 8C

Hypotheses 8C represents company earning per-share (EPS) and its relation to the extent of CSD that stated as:

H8Ci: The greater the company earning per-share, the greater is CSD quantity

H8Cii: The greater the company earning per-share, the greater is CSD quality

EPS is the last proxy of the company's financial performance used in this study. This ratio describes the total net income divided by the total outstanding common stock. The test of *Spearman's rho* correlation found, that from 2004 to 2006, EPS has significantly correlated to the extent of CSD in both quantity and quality (p-values < 0.05). The rho coefficient correlations varied from 0.365 to 0.447 for CSD quantity and from 0.405 to 0.426 for CSD quality. In 2003, EPS did not significantly correlate with CSD, and this is possibly because a number of big companies experienced negative incomes, and also they split their outstanding common stock, which influenced the number of the outstanding common stock. Accordingly, the EPS values fall. Additionally, public expectations that companies would adopt the practice of CSD were increasing; so, despite adverse economic conditions, many companies continued disclosing their social activities. This is a possible explanation why EPS (also ROA and ROE) in 2003 did not show significant correlations to the extent of CSD.

Results from the correlation tests lead to the conclusion that in 2003, no financial performance had a significant correlation on the extent of CSD in either quantity or quality. From 2004 to 2006, all positive correlations were significant (p-values < 0.05) although the rho correlation coefficients (range from 0.256 to 0.475) indicate weak to moderate association. Having these findings, hypotheses H8A, H8B, and H8C can be accepted with the exclusion of 2003, as explained above. The rho correlation coefficients did not increase

consistently from 2004 to 2006 and hence, it is not appropriate to conjecture on future trends.

Financial performance has been reported as having positive, negative, or neutral impacts on CSD in the literature (section 3.1.2.1 part C). The variables chosen to represent company financial performance also differs amongst these studies (Choi, 1999; Hai et al., 1998; Stanwick & Stanwick, 1998). Although the majority of the relevant results in this present study indicate significant positive correlations, the relationships between financial performance and the extent of CSD requires further investigation. This may be possible in the future where a longer time series for a broader range of financial performance indicators is available.

A commonly expressed opinion obtained during the interviews with company personnel, show that, regardless of financial performance, the practice of CSD has to be maintained. One sentence can be quoted as: "... even though the company may experience losses, a minimum amount of CSD should always be practised to maintain the company's credibility toward the public's views. Moreover, CSD is a business strategy that is conducted independently and therefore, it is not always affected by the profit or loss that the company generates ...". This statement was verified by a number of companies which continued to provide a large amount of CSD information in their annual reports, even though they were suffering loss. In fact, the absence of a discernible link between CSD and economic benefit was noticed in a study conducted on Malaysian companies, and led to the view that CSD was driven more by social concerns than by profit considerations (Yusoff, Lehman, & Nasir, 2006). Thus, before drawing a conclusion about the relationship between financial performance and CSD, many factors should be considered, including company motivations. The evidence that positive relationships are present in this study may provide a good foundation for future research. However, the findings about 2003 should be of concern as financial performance might influence the early practice of CSD, although after that year, the fact that Indonesian companies have committed to the practice of CSD, regardless of their financial performance, might also be true.

Added to this discussion, the positive relationship between financial performance and CSD are relevant to the hypotheses, and some major published studies, despite the weak correlations are still noteworthy (see Balabanis, Philips, & Lyall, 1998; Choi, 1999; Hackston & Milne, 1996; Hai et al., 1998; Stanwick & Stanwick, 1998). Hai et al (1998) explain that better financial performance may allow companies to allocate greater finance to the practice of CSD, for example, to hire a consultant in preparing the reports. Similarly, one respondent in the present study stated that: "...if you do not have enough funds, you cannot do much for conducting and reporting social activities...". Waddock and Graves (1997) highlighted good corporate social performance being achieved if companies are able to maintain prior and future financial performance through quality of management by practising reasonable CSD. From these two ideas, it may be concluded that financial ability is important to conduct CSD; it should be managed by a good financial allocation and supported by good management decisions.

In contrast to the majority of studies which examined this association in one direction, Al-Tuwaijri, Christensen, & Hughes (2004) used a simultaneous relationship between financial performance and CSD in the US companies. Applying *three-stage least squares regression analysis* for three variables, they found that the relationship in both directions were feasible. To establish the presence of this 'two-direction' model, this study exchanged the predictor and criterion variables and performed a single regression analysis. The findings showed that the regression models appeared unacceptable; the major coefficient determinations (R^2) were zero, indicating that CSD was not a good predictor of financial performance. In this study, the practice of CSD cannot be considered as factor in good financial performance. Consequently, the idea of two-direction relationship between financial performance and CSD cannot be supported. As the practice of CSD in Indonesia is still in an early stage of development, its impact on financial performance is still not apparent; this may be a possible explanation. The public, too, may be reluctant to put its trust in companies when the genuineness of the CSD practices is still questioned. However, future study should consider developing or re-examining this 'two-direction' model.

6.1.9. Hypothesis 9

The age of the company was calculated by the number of months, since it was established, regardless of any changes of the company name. The hypotheses to accommodate this company characteristic were addressed as:

H9i: The greater the company age, the greater is CSD quantity

H9ii: The greater the company age, the greater is CSD quality

The *Spearman's rho* correlation test shows that the company age correlates significantly with both CSD quantity and quality for each year (p -values < 0.05), except for CSD quality in 2005 (p -value = 0.051). The rho significant coefficient correlations ranged from 0.183 to 0.209 and 0.171 to 0.187 for CSD quantity and quality respectively, indicating weak correlations. Based on these major significant findings, hypotheses H9i and H9ii can be accepted.

This study provides support for a relationship between 'age' and CSD. Similarly, Choi (1999) and Roberts (1992) found that company age was positively correlated with CSD. The fundamental argument about this positive relationship is the more mature a company is, the more likely it is to have a highly valued reputation and a history of involvement in corporate social activities. The public may recognise this easily and may expect greater CSD from a well-established company than a new company. This is probably true in Indonesia where the public, especially local communities, gives more attention to 'mature' companies than to 'newer' companies.

6.1.10. Hypothesis 10

Company solvency was tested in the hypotheses stated as:

H10i: The greater the company solvency, the greater is CSD quantity

H10ii: The greater the company solvency, the greater is CSD quality

Solvency ratio was often used to proxy creditor power by calculating total company debt divided by total assets (Botosan, 1997; Choi, 1999). This study found that the solvency ratio is weakly, but positively significantly correlated (0.160 and 0.188) to the extent of CSD quantity in 2003 and 2004, but not in 2005 and 2006. Thus, hypothesis H10i can be accepted with caution. For CSD quality, none of the years yielded significant correlation (p -value > 0.05), and

therefore, hypothesis H10ii is rejected. It was observed that correlation coefficient signs were weakly negative in 2006, for both CSD quantity and quality (rho correlation coefficients = -0.062 and -0.059 respectively), although these correlations were not significant. Prior studies which also found negative correlation for this variable are Cormier and Gordon (2001), in Canadian companies, and Eljido-Ten (2007) in Australian companies. They argued that solvency ratio can be negatively related to CSD because it may indicate areas of increased proprietary costs for companies. These costs could make credit negotiations more difficult and costly because publication may indicate areas of corporate risk; therefore the companies are reluctant to provide CSD.

Conversely, Ullmann (1985) noticed that companies which rely on greater debt financing also provided greater CSD as a way of meeting creditors' expectations for activities of social responsibility in US companies. In the context of the present study, Indonesian companies may be more likely to 'satisfy' their creditors' demands than consider the proprietary costs for disclosures. However, caution is needed since the correlation coefficient values in both CSD quantity and quality were low and differently signed through time.

6.1.11. Hypothesis 11

Hypotheses 11 address the influence of auditor represented companies, which are audited by big accounting firms and those audited by non-big accounting firms. Positive correlations to accommodate these notions have been hypothesised as:

H11i: Companies audited by a big accounting firm provide greater CSD quantity compared to those audited by a non-big accounting firm.

H11ii: Companies audited by a big accounting firm provide greater CSD quality compared to those audited by a non-big accounting firm.

A *Chi-square* test in a *Cross-tabulation* analysis was applied to examine these hypotheses, as the variables were nominal or categorical. Companies audited by big accounting firms were labelled 'one' and those audited by non-big firms were labelled 'zero'. The extent of CSD was classified into two groups: low and

high. The results show that there were significant differences in the extent of CSD quantity and quality between a company audited by a big accounting firm and one audited by a non-big accounting firm for the entire four-year period (p -values < 0.05). The tests were conducted for the total sample collected from 2003 to 2006 to obtain more than five numbers of frequencies for each tabulation, and for the robustness purposes in the *Chi-Square* test (see discussion in section 5.6). However, inevitably, the sample frequency for companies audited by non-big accounting firms categorised in the 'high' group of CSD quality only resulted in two observations. This limited sample suggests interpreting the results with caution.

Descriptive analysis was further performed to explore the data. The mean values show that companies audited by big accounting firms provided greater CSD quantity and quality compared to those audited by non-big accounting firms (Table 6.12). This result supports hypotheses H1 i and H1 ii.

Table 6.12. Descriptive Statistics for Companies Audited by Big and Non-big Audit Firms

Descriptive statistic	CSD Quantity		CSD Quality	
	Big firms	Non-big	Big firms	Non-big
Mean score	29.580	19.657	41.563	27.469
Median	24	17	35	23
Std. Deviation	20.599	13.191	29.410	19.362

Findings in this study are in line with a prior study conducted in Malaysia by Mohamad and Ahmad (2002) who found that auditors play a significant role in assisting their clients to conduct business ethically, and to comply with accounting policies and stakeholder's demands. The same situation pertains in Indonesia. The auditors who work in big accounting firms have a great influence on the practice of CSD, as they have more involvement and responsibility in maintaining a high audit quality by assisting companies to provide adequate information about their social activities in their annual reports. Auditor's involvements also play an important role in determining the accounting policies and reporting, including social disclosures (see also discussion in Adams, 2002). Currently, in responding to the rapidly developing issue of CSD, the *Indonesian Accountant Association*, under the *Management*

Accountant Compartment has established a centre for sustainability reporting, and to support the practice of CSD in Indonesia. This situation will be more likely to encourage Indonesian companies to practise better CSD in the future.

6.1.12. Hypothesis 12

The last hypotheses tested the company owner's influence on the extent of CSD were stated in negative directions:

H12i: The greater the company owners' influence, the lower is CSD quantity

H12ii: The greater the company owners' influence, the lower is CSD quality

The *Spearman's rho* correlation indicated that the influence of the company owners, represented by the degree of ownership concentration, has weak positive significant correlations with the extent of CSD quantity in 2005 and 2006 (0.191 and 0.285 respectively), and to CSD quality in 2003, 2005, and 2006 (0.163, 0.196, and 0.309 in that order). The rho correlation coefficients ranged from 0.105 to 0.285 (quantity) and 0.109 to 0.309 (quality) with no clear temporal trends evident. Since the correlation predictions were negative, the finding does not support the hypotheses, and hence, both hypotheses H12 are rejected.

In contrast to expectations, this study found that the wider the ownership dispersions, indicated by lower percentage numbers, the more likely it was for the company to provide less CSD. This suggests that shareholder power may not be relevant in Indonesia, CSD practice being more likely to be influenced by communities (refer to discussion in hypothesis 3). While the result conflicts with the findings of Choi (1999), Cormier and Gordon (2001), Elijido-Ten (2007), and McKinnon and Dalimunthe (1993), it coincides with Alsaeed (2006). He found that high ownership concentration in Saudi Arabian companies tended to disclose more information. Some explanation is tentatively provided in the following paragraph; however, given that the rho correlation coefficients were relatively low and the statistical testing provided positive trends for the directional hypotheses, the results of the present study should be interpreted with caution.

It was evident that stakeholder power may not be relevant in Indonesian companies if the majority of the ownership was held by the owners and their relatives. These companies can be identified as 'family businesses'. This study however, did not propose to examine family business culture and only deals with available data. Other studies which examined family business and CSD have indicated that the control by the owners in a family business is dominant (Abdul Rashid & Ibrahim, 2002; Uhlaner, Goor-Balk, & Masurel, 2004). These companies are owned, controlled, and operated by members of the families. If most of the company belongs to the owners in a family group, it is more likely that the management would have to comply with their decisions, including CSD reporting, as family character often impacts on management policies (Uhlaner, Goor-Balk, & Masurel, 2004). It can also be said that the management represents the owners and, since the management has higher concerns about CSD it is more likely they are willing to practise greater CSD (Al-Tuwaijri, Christensen, & Hughes, 2004).

This discussion relates also to the ownership of shares. The big portion of shares represents the major shareholders, and in this case, the position of owners is as major shareholders. Results in hypothesis 3 shows that shareholders are the second major party in influence on the practice of CSD (Table 6.3). Deegan and Rankin (1996) explain that shareholders consider CSD as an important issue influencing their relevant decisions. Consequently, the greater the percentage of ownership by major shareholders, the stronger their influences on CSD practices, and therefore this situation could favour a positive relationship between ownership and the extent of CSD.

To sum up the hypotheses 10 to 12, several points are worth pondering. First, the influence of creditors to the extent of CSD requires further investigation as this study observed a negative correlation. Second, it was evident over the four years studied that the auditors' influence were significant, indicating that they play an important role in the practice of CSD in Indonesia. Finally, the influence of owners as shareholders on CSD was positive, but only significant for CSD quality, not quantity.

To conclude the overall hypotheses findings, three groups of the various influential factors on CSD have been developed by Adams (2002) as discussed. The groups are corporate characteristics, general contextual factors, and internal context. With reference to ‘corporate characteristics’, the variables represented by company size, type, age, and financial performance provide a significantly positive relationship with CSD practices. The stakeholder influences, including ‘general contextual factors’ also contribute to the extent of CSD. The motivation for CSD as representative of ‘internal context’ provides findings consistent with previous studies. Three groups of factors have been covered in this study, showing the inter-relations between variables and CSD. ‘Corporate characteristics’ relate to ‘general contextual factors’, ‘general contextual factors’ relate to ‘internal context’, and vice versa. These three factors combine to influence CSD (Figure 6.1). Adam (2002) explains that the diagram is not intended to represent a comprehensive model of CSD, but highlights the influential factors and the relationships between them. The power of the various variables is their influence on CSD differs across countries, industries, companies, and time; and there is still no agreement about which variables best predict the volume of CSD.

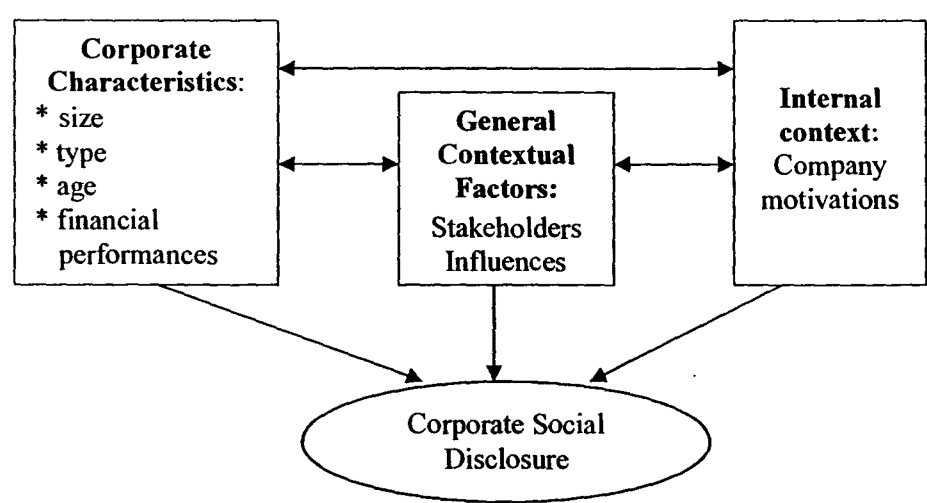


Figure 6.1. Diagrammatic Portrayal of The Influences on CSD

Source: Adams (2002), with modification according the variables used in this study

To summarise, the *Spearman’s rho correlation* results used to examine the major hypotheses were discussed above and are presented in Table 6.13.

Table 6.13. The Spearman's rho Correlation Results

		QUANTITY				QUALITY			
		2003	2004	2005	2006	2003	2004	2005	2006
Total Asset	Correlation Coefficient	0.245**	0.495**	0.534**	0.610**	0.222**	0.471**	0.528**	0.590**
	Sig. (1-tailed)	0.004	0.000	0.000	0.000	0.008	0.000	0.000	0.000
Total Sales	Correlation Coefficient	0.166*	0.441**	0.492**	0.665**	0.188*	0.450**	0.531**	0.648**
	Sig. (1-tailed)	0.037	0.000	0.000	0.000	0.021	0.000	0.000	0.000
Capitalisation	Correlation Coefficient	0.173*	0.473**	0.537**	0.713**	0.202*	0.463**	0.551**	0.703**
	Sig. (1-tailed)	0.031	0.000	0.000	0.000	0.014	0.000	0.000	0.000
ROA	Correlation Coefficient	-0.008	0.256**	0.267**	0.359**	0.061	0.302**	0.334**	0.357**
	Sig. (1-tailed)	0.465	0.003	0.002	0.000	0.258	0.000	0.000	0.000
ROE	Correlation Coefficient	0.090	0.407**	0.365**	0.385**	0.099	0.409**	0.418**	0.375**
	Sig. (1-tailed)	0.166	0.000	0.000	0.000	0.145	0.000	0.000	0.000
EPS	Correlation Coefficient	0.114	0.365**	0.421**	0.447**	0.152	0.405**	0.475**	0.426**
	Sig. (1-tailed)	0.110	0.000	0.000	0.000	0.051	0.000	0.000	0.000
Age	Correlation Coefficient	0.208*	0.209*	0.189*	0.183*	0.171*	0.180*	0.152	0.187*
	Sig. (1-tailed)	0.012	0.012	0.021	0.024	0.033	0.026	0.051	0.022
Solvency	Correlation Coefficient	0.160*	0.188*	0.049	-0.062	0.080	0.143	0.023	-0.059
	Sig. (1-tailed)	0.043	0.021	0.301	0.254	0.194	0.062	0.405	0.264
Owner	Correlation Coefficient	0.140	0.105	0.191*	0.285**	0.163*	0.109	0.196*	0.309**
	Sig. (1-tailed)	0.066	0.130	0.020	0.001	0.040	0.121	0.017	0.000

**Correlation is significant at the 0.01 level (1-tailed).

* Correlation is significant at the 0.05 level (1-tailed).

Capitalisation refers to market capitalisation, ROA=Return on Asset, ROE= return on Equity, EPS=Earning per-share, Owner refers to percentage of ownership

The table demonstrates the major significant correlations of variables X to Y, except for solvency ratio. As a robustness check, a parametric Pearson correlation test was also undertaken after the variables were transformed into a normal distribution using *natural logarithm* and *square root* (Appendix C11, C12, and C17). Generally, the significance levels and the correlation coefficients between these two correlation tests appear to coincide. Consequently, the correlation results from the *Spearman's rho* correlation tests used to answer the hypotheses can be confirmed.

Table 6.14 summarises the results of hypotheses testing. From the total of 32 hypotheses, only seven were rejected. These findings, consequently, can be considered to support the existing studies, although the correlation coefficients tests (Table 6.13) were found to show only weak to moderate relationships (from around 0.160 to 0.713). The majority of these correlations appear to increase every year, indicating a stronger correlation. A few correlations were not significant or provided different results to the expected; therefore, some of the hypotheses were rejected.

Table 6.14. The Summary of Hypothesis Results

Hypotheses	Results
H1: Stakeholder has different perspective in perceiving the importance of CSD	<i>Accepted:</i> there are significant differences among stakeholders in perceiving the importance of CSD
H2: 'Product' as the most important information by stakeholders	<i>Accepted:</i> 'product' has been perceived as the most important CSD by stakeholders
H3: 'Community' as the most influencing party for CSD	<i>Accepted:</i> 'community' has been considered as the most influential party for CSD
H4A: Motive CSD: Stakeholder's demands	<i>Rejected:</i> 'stakeholder's demands' is the third motivation for CSD
H4B: Motive CSD: Act accountability	<i>Rejected:</i> 'act accountability' is the second motivation for CSD
H4C: Motive CSD: Positive image	<i>Accepted:</i> 'create a positive image' is the most motivation for CSD
H5A: Positive trend for CSD quantity	<i>Accepted:</i> there are significant positive trends for CSD quantity from 2003 to 2006
H5B: Positive trend for CSD quality	<i>Accepted:</i> there are significant positive trends for CSD quality from 2003 to 2006
H6Ai: Greater CSD quantity for sensitive industries compared to non	<i>Rejected:</i> there are no significant differences between sensitive and non-sensitive industries to the extent of CSD quantity ^a
H6Aii: Greater CSD quality for sensitive industries compared to non	<i>Rejected:</i> there are no significant differences between sensitive and non-sensitive industries to the extent of CSD quality ^b
H6Bi : Greater CSD quantity for state owned companies compared to non	<i>Accepted:</i> there are significant differences between state owned and non-state owned companies to the extent of CSD quantity ^c
H6Bii: Greater CSD quality for state owned companies compared to non	<i>Accepted:</i> there are significant differences between state owned and non-state owned companies to the extent of CSD quality ^d

^a and ^b It is indicated positive correlations as the sensitive industries provide greater CSD for both quantity and quality compared to those in non-sensitive industries

^c and ^d It is indicated positive correlations as the state owned companies provide greater CSD for both quantity and quality compared to those in non-state owned companies

Hypotheses	Results
H7Ai: Greater total assets – greater CSD quantity	<i>Accepted:</i> there are significant positive correlations between company total assets and CSD quantity
H7Aii: Greater total assets – greater CSD quality	<i>Accepted:</i> there are significant positive correlations between company total assets and CSD quality
H7Bi: Greater total sales – greater CSD quantity	<i>Accepted:</i> there are significant positive correlations between company total sales and CSD quantity
H7Bii: Greater total sales – greater CSD quality	<i>Accepted:</i> there are significant positive correlations between company total sales and CSD quality
H7Ci: Greater capitalisation – greater CSD quantity	<i>Accepted:</i> there are significant positive correlations between market capitalisation and CSD quantity
H7Cii: Greater capitalisation – greater CSD quality	<i>Accepted:</i> there are significant positive correlations between market capitalisation and CSD quality
H8Ai: Greater ROA – greater CSD quantity	<i>Accepted:</i> there are significant positive correlations between ROA and CSD quantity ^e
H8Aii: Greater ROA – greater CSD quality	<i>Accepted:</i> there are significant positive correlations between ROA and CSD quality ^f
H8Bi: Greater ROE – greater CSD quantity	<i>Accepted:</i> there are significant positive correlations between ROE and CSD quantity ^g
H8Bii: Greater ROE – greater CSD quality	<i>Accepted:</i> there are significant positive correlations between ROE and CSD quality ^h
H8Ci: Greater EPS – greater CSD quantity	<i>Accepted:</i> there are significant positive correlations between EPS and CSD quantity ⁱ

^e Significant results, except for the year 2003 and negative correlations in 2003

^f Significant results, except for the year 2003

^g and ^h Significant results, except for the year 2003

ⁱ Significant results, except for the year 2003

Hypotheses	Results
H8Cii: Greater EPS – greater CSD quality	<i>Accepted:</i> there are significant positive correlations between EPS and CSD quality ^j
H9i: Greater age – greater CSD quantity	<i>Accepted:</i> there are significant positive correlations between company age and CSD quantity
H9ii: Greater age – greater CSD quality	<i>Accepted:</i> there are significant positive correlations between company age and CSD quality ^k
H10i: Greater solvency – greater CSD quantity	<i>Accepted:</i> there are significant positive correlations between solvency and CSD quantity ^l
H10ii: Greater solvency – greater CSD quality	<i>Rejected:</i> there are no significant positive correlations between solvency and CSD quality
H11i: Greater CSD quantity for companies audited by big compared to non-big accounting firm	<i>Accepted:</i> there are significant positive correlations between CSD quantity for companies audited by big compared to non-big accounting firm
H11ii: Greater CSD quality for companies audited by big compared to non-big accounting firm	<i>Accepted:</i> there are significant positive correlations between CSD quality for companies audited by big compared to non-big accounting firm
H12i: Greater ownership concentration – lower CSD quantity	<i>Rejected:</i> there are no significant negative correlations between ownership and CSD quantity ^m
H12ii: Greater ownership concentration – lower CSD quality	<i>Rejected:</i> there are no significant negative correlations between ownership and CSD quality ⁿ

^j Significant results, except for the year 2003

^k Significant results, except for the year 2005

^l Significant results, except for the year 2005 and 2006

^m Significant results, except for 2003 and 2004, but the correlations are positive

ⁿ Significant results, except for 2004, but the correlations are positive

6.2. Inter-variable Analysis

The other results in *Spearman's rho* correlation (Appendix C13 to C16) are discussed in this section. Each variable is observed, providing an insight into the major variables used in this study. The coefficient of correlation among total assets, total sales and market capitalisation has been found significant, with strong positive coefficient correlations from 0.80 to 0.87. Similarly, they were inter-correlated among ROA, ROE, and EPS with strong positive coefficient correlations from 0.68 to 0.75. These strong correlations might indicate that the variables have multicollinearity when multivariate analyses are undertaken. Moreover, each group, for example total asset, sales, and market capitalisation represent the same proxy, namely, company size, while ROA, ROE, EPS represent the financial performance. Multivariate analyses should to be conducted with caution when selecting the variables with the same proxy having strong correlation. Other variables, such as 'age', 'solvency', 'auditor's influence' and 'ownership' associate moderately (coefficient correlations < 0.5) with other variables. These correlations might not be significant in causing multicollinearity. Section 6.3 presents the factor analysis which was used to counter the problem of multicollinearity, by combining the collinear variables and reducing the number of variables (Field, 2005).

Prior to multivariate analysis, a simple regression analysis, was undertaken to observe the functional relationships between two variables, independent or predictor variables (X), to dependent or criterion variables (Y) (Von-Eye & Schuster, 1998, also see discussion in section 5.6). Field (2005) explains that simple regression analysis is primarily used to predict the causality coefficient or coefficient of determination (R^2), which indicates the amount of variability of variable Y that is explained by X. In general, the predictor variables (X) provided around 0.20 to 0.50 significant influence correlation (indicated by R) to the criterion variables (Y). The most influence variables to Y, as representative of CSD quantity and quality, were provided by company status, followed by total asset, total sales, market capitalisation, age, and auditor's influence. 'Company type' and 'solvability ratio' were seen as variables which did not significantly influence the extent of CSD (the majority of p-values > 0.05) during the four

years being examined. The influences of most predictor variables to the criterion variables were stronger for every year studied. The Anova test in this simple regression, provides a significantly good degree of predictor variables to the extent of CSD. Appendix C18 summarises the results of R, R^2 , and significant values.

6.3. Multivariate Analysis

A multiple regression analysis was then undertaken to ascertain the influence of the predictor variables and criterion variables (see Figure 4.4). Four techniques of the regressions were performed to find the 'best' model that fits to the data set. First, all predictor variables in the raw data were included in a multiple regressions analysis. The results indicated the presence of multicollinearity problems. Second, predictor variables were selected by analysing their correlation from *Spearman's rho* analysis conducted previously. As discussed in section 6.2, the group 'company size', proxied by total assets, total sales, market capitalisation, and also the group 'company financial performance', proxied by ROA, ROE, and EPS, showed strong correlations within their proxies in each group. These predictor variables correlate themselves more than 0.5 in their own group. As three variables represent a similar group (company size and financial performance), only one variable with the highest correlation to the extent of CSD from the each group was selected to represent the group. These variables were expected to provide strong influences on the criterion variables, together with other predictors from other groups.

Next, the third technique was to transform all predictor and criterion variables (Appendix C11) to reduce data outliers and to make them normally distributed. However, the presence of multicollinearity was observed. Finally, the last technique was to perform a factor analysis to overcome the multicollinearity problem, by excluding variables which have strong collinearity. Factor analysis can also be used to summarise and reduce the data in multivariate analysis (Hair, et al., 1998; see also section 5.6). From the four techniques of multiple regressions, the significant predictors were observed in order to choose the model of 'best' fit to the data. The findings resulted in no major differences among

these four techniques; however, the last technique initiated with a factor analysis appeared to generate a slightly better model when compared with the others, with no multicollinearity problem being identified. For this reason, the study selected the multiple regressions with the factor analysis technique to be used to analyse the variables.

Using principal components and varimax rotation, four and five factors were extracted from the total 12 predictor variables. The highest correlation from each loading factor (higher than 0.5) was selected to be potentially tested with the criterion variables, as these factors explain more than 50 percent of the variance in the dataset. The analyses passed both the *Kaiser-Meyer-Ohlin* measure of sampling adequacy (0.66 to 0.71) and the *Bartlett's test of sphericity* (X^2 significance equals zero). As explained in section 5.6, this indicates that the pattern of correlation is relatively compact; therefore factor analysis should yield distinct and reliable factors, the dataset being suitable for factor analysis (Appendix C19). The results of every factor extracted varied from year to year, but they represent every group of the predictor variables (refer to company size, type, financial performances, influential parties, and characteristics). Table 6.15 to 6.18 demonstrates the loading factors in a principal components matrix for each year.

Table 6.15. Varimax Rotated Principal Components Analysis for 2003

Items - 2003	Principal components			
	1	2	3	4
Total sales	0.842			
Market capitalisation	0.772			
Status	0.678			
Total assets	0.628			
Auditor's Influence	0.621			
ROA		0.558		
Type		-0.523		
Owner			0.719	
Solvability				0.717
Age				0.639
Variance explained (percent)	24.34	14.87	9.61	8.79
Cumulative variance explained (percent)	24.34	39.21	48.82	57.61

Table 6.16. Varimax Rotated Principal Components Analysis for 2004

Items - 2004	Principal components				
	1	2	3	4	5
Market capitalisation	0.855				
Total sales	0.843				
Total assets	0.710				
Status	0.685				
ROA		0.803			
ROE		0.771			
Auditor's Influence			0.703		
Type			-0.597		
Owner				-0.688	
Age					0.641
Variance explained (percent)	24.12	15.03	12.10	9.99	8.66
Cumulative variance explained (percent)	24.12	39.15	51.24	61.23	69.89

Table 6.17. Varimax Rotated Principal Components Analysis for 2005

Items - 2005	Principal components				
	1	2	3	4	5
Market capitalisation	0.797				
Total sales	0.794				
Status	0.665				
Total assets	0.617				
Solvability		-0.579			
ROA		0.552			
EPS		0.512			
Auditor's Influence			0.753		
Type				0.583	
Age					0.759
Variance explained (percent)	25.26	14.15	10.37	9.05	8.29
Cumulative variance explained (percent)	25.26	39.40	49.78	58.83	67.11

Table 6.18 Varimax Rotated Principal Components Analysis for 2006

Items - 2006	Principal components			
	1	2	3	4
Total sales	0.808			
Market capitalisation	0.804			
Status	0.700			
Total assets	0.615			
ROA	0.571			
EPS		-0.510		
Type			0.804	
Solvability			-0.678	
Age				0.629
Variance explained (percent)	27.50	14.09	10.92	9.01
Cumulative variance explained (percent)	27.50	41.59	52.50	61.51

The multiple regression analyses were conducted on annual publications by testing every possible variable combination extracted from the principal components by factor analysis. The combination with the highest adjusted R² was selected as the 'best' model and used to analyse the predictor variables for CSD. The significant predictors and the parameter estimates (B) were then used to define the equation of the model. Individual year analysis was conducted and the results are provided in the following discussion.

6.3.1. Predictor Variables for Corporate Social Disclosure - Quantity

This section discusses the results of multiple regression analyses with the predictor variables resulting from the factor analysis of the extent of CSD in quantity for each year.

CSD Quantity-2003

The factor analysis generated four varimax components in 2003 and the best model of the predictor variables were 'company status', 'type', 'age', and 'ownership concentration'. The multiple regressions result indicates that this model significantly influences the extent of CSD quantity (p-value < 0.05) with 'company status' and 'age' as the significant influence variables (p-value = 0.000 and 0.006 respectively). The four selected predictor variables account for 0.505 (R value) of the variation in CSD quantity score. The adjusted R² shows 0.228, suggesting that this model explains 22.8 percent of the extent of CSD quantity, and since the difference between R² and adjusted R² is considered small (0.255-0.228=0.027), the cross-validity of this model is relatively good (Field, 2005). From the Variance Inflation Factor (VIF) values, no multicollinearity problems can be identified (VIF < 4). Table 6.19 demonstrates these findings.

The equation model for the significant variables derived from the results can be given as:

$$\begin{aligned} \text{CSD QT}_{03} &= B_0 + B_1\text{Status} + B_4\text{Age} + e \\ &= 9.743 + (21.055\text{Status}) + (0.015\text{Age}) + e \end{aligned}$$

Descriptively, it can be explained that CSD quantity in 2003 was influenced by 21.055 if the status of the company was 'state owned', and the score improved by

0.015 for every additional month of company age. In the situation that ‘status’ and ‘age’ are held, (value=0), the model contributes 9.743 score to the extent of CSD (value of constant- B_0 as provided in Table 6.19). Thus, ‘company status’ provides the most significant influence on the model compared to other predictor variables, and overall, the model explains 25.5 percent (indicated by R^2) of the extent of CSD quantity in 2003.

Table 6.19. Multiple Regression Results from the Selected Variables for CSD Quantity 2003

Quantity - 2003	R	R ²	Adjust R ²	Sig
Model Summary	0.505	0.255	0.228	0.000

Variable	B	t	Sig	VIF
Constant (B_0)	9.743	3.089	0.003	
Status (B_1)	21.055	5.000	0.000	1.019
Type (B_2)	3.696	1.781	0.078	1.002
Owner (B_3)	0.035	0.691	0.491	1.044
Age (B_4)	0.015	2.780	0.006	1.026

CSD Quantity-2004

Five components were generated from the factor analysis. ‘Company status’, ‘age’, ‘ROA’, ‘auditor’s’, and ‘owner’s influences’ were included into a regression model as they produced the highest adjusted R^2 (0.265) compared to other variable combinations. These variables account for 0.545 (R) of the variation in CSD quantity score and explain 0.297 of the amount of CSD (R^2) as presented in Table 6.20. This model is significant (p-value < 0.05) with three variables significant to the CSD quantity. There was no multicollinearity that could be identified (VIF < 4).

The model equation describing the significant variables is written as:

$$\begin{aligned} \text{CSD QT}_{04} &= B_0 + B_1\text{Status} - B_3\text{Auditor} + B_5\text{Age} + e \\ &= 14.425 + (20.505\text{Status}) - (6.420\text{Auditor}) + (0.017\text{Age}) + e \end{aligned}$$

It explains that CSD quantity in 2004 was influenced significantly by company status (20.505), auditor (6.420) and age (0.017). State owned companies that were audited by one of the big accounting firms were more likely to provide greater CSD quantity in 2004, moreover if the company’s age is older. This

shows that there was improvement in constant value (B_0), indicating that this model better explained the extent of CSD in 2004 than it did for 2003.

Table 6.20. Multiple Regression Results from the Selected Variables for CSD Quantity 2004

Quantity - 2004	R	R ²	Adjust R ²	Sig
Model Summary	0.545	0.297	0.265	0.000

Variable	B	t	Sig	VIF
Constant (B_0)	14.425	3.788	0.000	
Status (B_1)	20.505	4.187	0.000	1.033
ROA (B_2)	0.098	1.839	0.069	1.052
Auditor (B_3)	-6.420	-2.630	0.010	1.026
Owner (B_4)	0.051	0.889	0.376	1.028
Age (B_5)	0.017	2.822	0.006	1.044

CSD Quantity-2005

The next model selected 'company status', 'age', 'type', 'ROA' and the 'influence of auditor' as the 'best' to explain the extent of CSD quantity in 2005. This model accounts for 0.593 and influences 0.322 to the extent of CSD (Table 6.21). The validity of this model can be confirmed as the differences between R^2 and adjusted R^2 were relatively small (0.03). The significance of the model (p -value < 0.05) consists of the four predictor variables which influence the extent of CSD quantity in 2005 significantly. The VIF coefficients are less than four, which confirm the absence of harmful multicollinearity.

The equation for this model is:

$$\begin{aligned} \text{CSD QT}_{05} &= B_0 + B_1\text{Status} + B_2\text{ROA} + B_4\text{Age} + B_5\text{Auditor} + e \\ &= 10.721 + (30.850\text{Status}) + (0.324\text{ROA}) + (0.022\text{Age}) + \\ &\quad (0.008\text{Auditor}) + e \end{aligned}$$

'Company status' appears to play a most important role in influencing the extent of CSD, as indicated by the constant value ($B_1=30.850$) being far greater when compared with other significant variables (0.324, 0.022, and 0.008, for 'ROA', 'age', and 'auditor' in that order). The constant coefficient (B_0) value slightly decreases from the previous year, suggesting that the regression model in 2005 is also slightly weaker when compared with that in 2004. 'Company age' and

'auditor's influence' contributed little support (0.022 for 'age' and 0.008 for 'auditor') to the extent of CSD, although they were significant. The positive sign of 'auditor' indicates that 'non big' accounting firms has greater influence on CSD than that of 'big' firms. This finding contrasts with the expected sign and also with a study conducted in Malaysia by Mohamad and Ahmad (2002), but it confirms a study from Korea (Choi, 1999). Choi explained that the cost allocations might cause this situation. Companies may be able to allocate more funds to the practice of CSD when they do not need to pay high fees to the big accounting firms; therefore they tend to hire non-big firms. Another possible explanation noticed in this study is that some big companies, which have provided a high score of CSD in previous years, have changed their audit firms. This change may be because of compliance with the rule of the 'Sarbanes-Oxley Act of 2002', saving the audit fees; or the diminished reputation of two big accounting firms in Indonesia because of alteration in the composition of their partnership. However, the results for 2005 in CSD quantity should not be taken as a final finding because the results from the other years confirmed the notion that companies audited by big accounting firms tend to provide greater CSD than those audited by non-big firms. Since the result is unlikely to provide consistent findings, 'auditor's influence' in future research will be interesting to be re-examined as a predictor variable for CSD. Table 6.21 summarises the outcomes.

Table 6.21. Multiple Regression Results from the Selected Variables for CSD Quantity 2005

Quantity - 2005	R	R ²	Adjust R ²	Sig
Model Summary	0.593	0.352	0.322	0.000

Variable	B	t	Sig	VIF
Constant (B ₀)	10.721	2.740	0.007	
Status (B ₁)	30.850	5.120	0.000	1.050
ROA (B ₂)	0.324	2.673	0.009	1.085
Type (B ₃)	-0.686	-0.230	0.818	1.027
Age (B ₄)	0.022	2.887	0.005	1.031
Auditor (B ₅)	0.008	2.361	0.020	1.024

CSD Quantity-2006

Derived from four principal components in the factor analysis, variable 'company status', 'ROA', 'solvability', and 'age' resulted in the highest adjusted R² (0.331) when compared with those of other models. Since the VIF coefficients were less than four, no harmful multicollinearity problem exists. This model generated three variables that significantly influence the extent of CSD quantity in 2006, namely, 'company status', 'ROA', and 'age', with p-values less than 0.01, as shown in Table 6.22. These three significant variables can be formed into a model equation regression as written as:

$$\begin{aligned} \text{CSD QT}_{06} &= B_0 + B_1\text{Status} + B_2\text{ROA} + B_4\text{Age} + e \\ &= 18.792 + (40.704\text{Status}) + (0.740\text{ROA}) + (0.021\text{Age}) + e \end{aligned}$$

This model explains that 'company status', repeatedly, shows the highest influence (41.704), followed by 'ROA' (0.740) and 'age' (0.021) to CSD quantity in 2006. All positive signs indicate that 'state owned' companies, with higher return on assets, and of more mature age have a significant influence on CSD, with 18.792 coefficient constant values (B₀). A summary result is presented in Table 6.22.

Table 6.22. Multiple Regression Results from the Selected Variables for CSD Quantity 2006

Quantity - 2006	R	R ²	Adjust R ²	Sig
Model Summary	0.595	0.354	0.331	0.000
Variable	B	t	Sig	VIF
Constant (B ₀)	18.792	3.660	0.000	
Status (B ₁)	40.704	5.128	0.000	1.075
ROA (B ₂)	0.740	3.616	0.000	1.396
Solvability (B ₃)	0.074	1.194	0.235	1.275
Age (B ₄)	0.021	2.152	0.034	1.038

To conclude the findings for the extent of CSD in quantity, several points can be highlighted. First, the results of predictor variable analyses to the extent of CSD in quantity during 2003 to 2006 generally support the discussions and findings in the hypotheses. Variables 'company status' and 'age' have constantly influenced CSD, suggesting that they have power in explaining the scores. In the multivariate analyses especially, 'company status' has continually showed the

greatest significant correlations, implying that this variable is also the strongest predictor for the extent of CSD in quantity. Second, although the variables of 'company type', 'owners', and 'solvability' are supported the model, they were not significant in influencing the quantity of CSD. Finally, the regression models have not experienced the problems of multicollinearity that can reduce validity; instead, the models generate better predictions to the extent of CSD quantity, as indicated by the increase in the adjusted R^2 for each year of the study.

6.3.2. Predictor Variables for Corporate Social Disclosure – Quality

To comprehend the discussion of CSD, the predictor variables that influence the extent of CSD quality are enumerated in this section, for each year findings.

CSD Quality 2003

'Company status', 'owner', 'age', and 'total assets' produced the 'best' model to predict the extent of CSD quality in 2003 with the determinant coefficient of 0.215 (R^2). The adjusted R^2 slightly decreased from R^2 values, indicating that if the model was derived from the population rather than from the sample, it would reduce the variance by approximately 0.290 (R^2 minus Adjusted R^2 , Table 6.23). In this model, 'company status' and 'age' have significantly influenced the extent of CSD, with p-values < 0.05 (Table 6.23). From these findings, the regression model was developed as:

$$\begin{aligned} \text{CSD QL}_{03} &= B_0 + B_1\text{Status} + B_3\text{Age} + e \\ &= 14.708 + (46.685\text{Status}) + (0.023\text{Age}) + e \end{aligned}$$

This equation interprets 'state owned' companies to have influenced extra 46.685 (if the effects of 'age' is held), and every additional month of 'company age' resulted in a 0.023 improvement in the CSD quality in 2003 (if the effects of 'status' is held). Without the particular effects of these two variables, the model influenced 14.708 as indicated by the constant coefficient value (B).

Table 6.23. Multiple Regression Results from the Selected Variables for CSD Quality 2003

Quality - 2003	R	R ²	Adjust R ²	Sig
Model Summary	0.463	0.215	0.186	0.000

Variable	B	t	Sig	VIF
Constant (B ₀)	14.708	2.350	0.021	
Status (B ₁)	46.685	4.788	0.000	1.330
Owner (B ₂)	0.088	0.860	0.392	1.060
Age (B ₃)	0.023	2.111	0.037	1.026
Total assets (B ₄)	-1.15E-007	-1.448	0.150	1.348

CSD Quality 2004

Similar to CSD quantity in 2004, the regression model for CSD quality 2004 included 'company status', 'ROA', 'auditor', 'owner', and 'age'. The correlation coefficient value was 0.528 (R) and the variability in the outcome was 0.279 (R²). 'Company status' and 'auditors' have been identified as significant variables, derived from the model that influence the amount of CSD. With the significant values of 0.000 for 'status' and 0.026 for 'auditor', the regression equation model was presented as:

$$\begin{aligned} \text{CSD QL}_{04} &= B_0 + B_1\text{Status} - B_3\text{Auditor} + e \\ &= 24.403 + (39.557\text{Status}) - (9.241\text{Auditor}) + e \end{aligned}$$

Descriptively, the equation explains that CSD quality in 2004 increased 39.557 when the companies were in the 'state owned' status (avoiding 'the auditor's influence'), and another score added 9.241 when they were audited by a big accounting firm (withheld 'status' variable). This model passed the multicollinearity problem, the VIF coefficient values being less than four, as demonstrated in Table 16.24.

Table 6.24. Multiple Regression Results from the Selected Variables for CSD Quality 2004

Quality - 2004	R	R ²	Adjust R ²	Sig
Model Summary	0.528	0.279	0.247	0.000
Variable	B	t	Sig	VIF
Constant (B ₀)	24.403	3.832	0.000	
Status (B ₁)	39.557	4.829	0.000	1.033
ROA (B ₂)	0.154	1.730	0.086	1.052
Auditor (B ₃)	-9.241	-2.263	0.026	1.026
Owner (B ₄)	0.035	0.364	0.717	1.028
Age (B ₅)	0.019	1.833	0.069	1.044

CSD Quality 2005

The 'best' model extracted from the factor analysis consists of 'company status', 'ROA', 'type', 'age', and 'auditor's influence', with a correlation of 0.607 and variability of 0.368 for the CSD quality in 2005, as indicated by R and R² (Table 6.25). Three variables in the model showed significant influence to this CSD (p-values < 0.05), that 'status', 'ROA', and 'auditor'. These significant influential variables were included in a regression equation model as:

$$\begin{aligned}
 QL_{05} &= B_0 + B_1\text{Status} + B_2\text{ROA} + B_5\text{Auditor} + e \\
 &= 18.449 + (53.873\text{Status}) + (0.466\text{ROA}) + (0.013\text{Auditor}) + e
 \end{aligned}$$

The 'auditor' variable shows a positive sign, similar to the CSD quantity in 2005, indicating that 'non-big accounting firms' have a greater influence on CSD than do 'big firms'. This finding was contrary to the expectation, as explained previously for CSD quantity in 2005. The results summary is provided in Table 6.25.

Table 6.25. Multiple Regression Results from the Selected Variables for CSD Quality 2005

Quality - 2005	R	R ²	Adjust R ²	Sig
Model Summary	0.607	0.368	0.340	0.000
Variable	B	T	Sig	VIF
Constant (B ₀)	18.449	3.068	0.003	
Status (B ₁)	53.873	5.820	0.000	1.050
ROA (B ₂)	0.466	2.504	0.014	1.085
Type (B ₃)	-4.254	-0.929	0.355	1.027
Age (B ₄)	0.020	0.136	0.078	1.031
Auditor (B ₅)	0.013	2.491	0.014	1.024

CSD Quality 2006

The factor analysis reveals four principal components for CSD quality in 2006, and the combination of ‘company status’, ‘ROA’, ‘solvability’, and ‘age’ have appeared as the ‘best’ regression model. The significant model (p-value < 0.05) produced 0.60 correlation strength (R) and 0.36 variability (R²) as to the extent of CSD quality in 2006 (Table 6.26). ‘Company status’, ‘ROA’ and ‘age’ were found as significant predictor variables that influenced CSD (p-values < 0.05). ‘Company status’, repeatedly, has been shown to be the strongest influence variable (B coefficient = 48.608), while ‘company age’ contributes the least support to the CSD (0.024). The regression equation model can be written as:

$$\begin{aligned} \text{CSD QL}_{06} &= B_0 + B_1\text{Status} + B_2\text{ROA} + B_4\text{Age} + e \\ &= 26.888 + (48.608\text{Status}) + (0.868\text{ROA}) + (0.024\text{Age}) + e \end{aligned}$$

Table 6.26. Multiple Regression Results from the Selected Variables for CSD Quality 2006

Quality - 2006	R	R ²	Adjust R ²	Sig	
Model Summary	0.600	0.360	0.337	0.000	
Variable	B	t	Sig	VIF	
Constant (B ₀)	26.888	4.492	0.000		
Status (B ₁)	48.608	5.253	0.000	1.075	
ROA (B ₂)	0.868	3.641	0.000	1.396	
Solvability (B ₃)	0.091	0.211	0.211	1.275	
Age (B ₄)	0.024	0.039	0.039	1.038	

To summarise the findings of the predictor variables to CSD quantity and quality, several points can be emphasised. First, the overall regression model tends to improve as the adjusted R² grows steadily. However, unlike in CSD quantity, the adjusted R² slightly decreased for CSD quality in 2006. Since the decline from the previous year was not significant, (0.34 to 0.33 in 2005 and 2006 respectively), no important reasons should necessarily be declared. In addition, the major significant predictor variables showed stronger correlations and better explanations to the variability of the extent of CSD in both quantity and quality from 2003 to 2006.

The second conclusion is 'company status' and 'age' have been found as significant predictor variables that have influenced CSD quantity from 2003 to 2006. Unlike other predictor variables, 'company status' has consistently been a significantly strong influence on both CSD quantity and quality in every year studied. Little evidence addressed 'company status' as a specific variable influencing CSD, many studies focusing more on government's role (Bakan & Burke, 2005; Tilt, 2004).

Finally, three other significant predictor variables have influenced CSD quantity and quality during the four year's examination, although not in every model. They are 'company age', 'ROA', and 'auditor's influence'. The influence of these variables has been explained differently by major studies, as the results are still inconclusive (see discussion in 6.1.8, 6.1.9, and 6.1.11). However, this study concludes that 'company age', 'ROA', and 'auditor's influence' appear to play a significant role in contributing to the amount of CSD in Indonesia. This conclusion is supported by the findings from both bivariate and multivariate analyses (Table 6.13 and section 6.3).

A further attempt was made to observe the predictor variables that resulted from the regression. Inspired by the study of Elijido-Ten (2007), this study examined 'company status' and 'age', after observing that these were dominant influences on CSD, and considered them as moderating variables by multiplying them with other significant variables. Interval or ratio scales are needed to examine the moderating variables, and therefore 'company status', assigned as a dummy variable (nominal scale), was excluded. To replace this variable, 'auditor's influence' has been tried, using the total client data indicated 'big' and 'non-big' accounting firms. These data were collected during the pilot study (section 4.4.2.2.). The finding, after multiplying with ROA, showed that 'company age' was only a significant influence to the CSD quantity in 2005, while 'auditor's influence' was significant for CSD quality in 2006. With these limited significant results and poor coefficients of determination supporting the model, the outcomes appear to be premature for any conclusion. For this reason, the present study only suggests considering these variables as moderating variables for any future study.

6.4. Findings and Discussion on Content Analysis Results

This section discusses the CSD items disclosed by companies in their annual reports. Relevant to the discussion are the findings in the first and second hypotheses that have described the most important CSD information perceived by stakeholders (section 6.1.1 and 6.1.2). The content and nature of disclosures are firstly discussed, followed by the analysis of each item.

6.4.1. Content of Disclosure

Guidelines for conducting content analysis that were developed in this study (section 5.4.1), became a useful tool during the content analysis to deal with information that was repeated in more than one section of the report. Information that was discussed on a particular issue on a number of pages in the report was only counted once under an issue approached in the CSD list. Positive in nature and little quantitative information have been predicted as a common practice of disclosures (Deegan & Gordon, 1996; Tilt, 2001). Detailed discussion about the content of these disclosures is provided in the following paragraphs.

‘Human resource’ was the most disclosed information in the company annual reports for both CSD quantity and quality during the four years of examination. For CSD quantity, ‘Human resource’ was followed by ‘other information’ and ‘community’, while for CSD quality, ‘community’ was second, followed by ‘other information’. This difference was the result of more comprehensive ‘community’ information, with many pictures of social activities, and the amount of allocated budget to generate high scores for quality. The mean scores were calculated using descriptive analysis; a summary is provided in Table 6.27.

Table 6.27. Descriptive Statistics for CSD Theme Disclosed by Companies during 2003-2006

Descriptive Statistics	QUANTITY			QUALITY		
	<i>Sum</i>	<i>Mean</i>	<i>Std. Deviation</i>	<i>Sum</i>	<i>Mean</i>	<i>Std. Deviation</i>
Environmental	827	7.068	8.847	1,444	12.342	16.877
Energy	186	1.590	3.105	317	2.709	5.010
Human Resource	4,959	42.385	11.488	6,474	55.333	16.499
Community	2,513	21.479	13.962	4,082	34.889	21.552
Product	1,002	8.564	4.775	1,429	12.214	7.102
Sustainability	126	1.077	2.447	154	1.316	2.864
External Relation	338	2.889	2.403	465	3.974	3.067
Other Info	2,620	22.393	8.750	3,239	27.684	10.038

As predicted, 'human resource' dominates disclosures in the company annual reports. Cooper (2004) explains that revealing 'human resources' is important because they play a significant role to support the company's life. Employees are crucial because they are directly associated with business operational activities, including the practice of CSD (Ramasamy & Hung, 2004). This finding is consistent with major studies conducted in Asia and also in Europe, Canada, New Zealand, US, UK, and Australia (Guthrie & Parker, 1990; Hackston & Milne, 1996; Kuasirikun & Sherer, 2004; Purushothaman, et al., 2000).

The 'other information', that is 'information about 'good corporate governance' (GCG), has been the second and third major disclosures in CSD quantity and quality respectively. The clear link of good corporate governance to the practice of CSD has not been subject to rigorous empirical testing. However, one study has discussed the critical role of corporate governance and its potential for promoting CSD in Russian business (McCarthy & Puffer, 2008). The study suggests non-Russian businesses operating in Russia had to be aware of GCG practice in that country in order to comply with CSD. This can be interpreted as business sustainability being dependant on good corporate governance practice and a social responsibility. Theoretically, this idea is acceptable. However, in Indonesia, it is still unclear whether a company that discloses GCG can be seen as confirming its social responsibility, as both aspects are complementary; CSD appears to have more issues related to stakeholders while GCG has more emphasis on ethical business issues. In fact, some of the companies disclose GCG in their annual reports just to comply with the government regulations, unaware

that appropriate practice and reporting of good corporate governance is also important for realisation and reporting of its social responsibility.

The information about 'community' was the third most frequent information disclosed in CSD quantity and the second major disclosure for CSD quality. This was similar to the findings of Kuasirikun and Sherer (2004), and Ratanajongkol, Davey, and Low (2006), in their study of Thai companies. Social pressure together with local community pressure is a relevant explanation as to why companies disclose a lot of information about their community activities. In particular, business enterprises today are under pressure from the community to report the activities they have conducted in protecting community interests and demands (Imam, 2000). This supports the finding that Indonesian companies consider 'community' as the most influential party to practise CSD; therefore they tend to disclose comprehensive information about this (discussion in section 6.1.3).

In contrast to the most information disclosed, 'energy' and 'sustainability' were found to provide less important information about Indonesian companies. Two reasons can explain this situation. First, companies are unaware of efficient energy utilisation, and second, many companies do not realise that 'energy' closely relates to CSD. A similar reason for minor disclosure in 'sustainability' is that the companies are not familiar with disclosing sustainability in terms of economic and social activities, although they understand that maintaining economic and social values can create sustainability. In this context, the knowledge of reporting should be improved so that companies better understand the information relevant to CSD, and how to inform the activities relative to CSD. Because the issue of energy efficiency and sustainability is increasing today, disclosure about this information is becoming more essential.

The high variance numbers show that the CSD scores are widely spread between the most and the least disclosed information, indicating that some companies provide high CSD scores, while others were much lower. This also reflects the lack of standard or consistent CSD reporting within the company annual reports. Gray, Owen, and Adams (1996) explain that since the practice of CSD is still

voluntary, the moral responsibility of companies plays an important role, therefore the practice of CSD varies among them. Table 6.28 presents the average total scores of 26.870 and 37.293 for quantity and quality respectively. Considering that the maximum possible scores are 230 and 322 for quantity and quality respectively, it is clear that the practice of CSD in Indonesian companies is still in its infancy.

Table 6.28. Total Amount of Disclosures

	Minimum	Maximum	Sum	Mean	Std. Deviation
Total CSD Quantity	4	113	12,575	26.870	18.795
Total CSD Quality	4	195	17,453	37.293	26.965
Total sample = 468 companies for 4 years examination					

Like the majority of studies conducted in Asia, the small number of disclosures reported in this study is similar to the results of other studies, for example, Belal (2001), Ratanajongkol et al., (2006), Thompson and Zakaria (2004), (relate discussion in section 3.1.1.3). This reinforces the argument by Gray, Owen, and Adams (1996), that since there are no existing disciplines set out by the accounting and reporting authorities, the disclosure in Indonesia is left to the discretion of management. Further, lack of understanding and perceived benefits of CSD, as well as the cost of reporting may also contribute to the apparent low scores in both quantity and quality, as revealed by some company personnel (discussion in section 4.5.2 and Thompson & Zakaria, 2004). Interestingly, two other reasons can be highlighted. First, some Indonesian companies fear 'non-government organisations' and 'local governments' which often approach the company for money, if it discloses social activities. Second, as there are no tax benefits or other incentives from the government, the willingness of the companies in practising CSD is limited.

6.4.2. Nature of Disclosure

Further to the above discussion, the nature of information in CSD appeared to be identical. Positive and descriptive (declarative) information was predominant in the annual reports for every year of the examination. No negative information could be found during this study, and little information disclosed

comprehensively, in the context of quantitative, graph, or monetary. Companies seem to fear negative public reaction to any 'bad news' reports, such as fines or penalties. This public reaction could have an adverse impact on the company image (Adams, 2002). Declarative 'good news' was predicted before as the Indonesian companies may use CSD to obtain a good company image and enhanced credibility. This situation agrees with other major studies which reported the same findings (Adams, 2002; Milne, Owen & Tilt 2000; Wilmshurst & Frost, 2000).

Specific events may increase the extent and nature of CSD, as indicated in the content analysis process. Given the fact that many Indonesian companies provide great information about serving communities through donations, the nature of charitable provision focused on supporting victims of natural disasters as it relates to the particular tragedy. The situation arises if the company wants to respond to stakeholder needs or if it wants to indicate a willingness to be responsible corporate citizen (Adams, 2002; Ramasamy & Hung, 2004). However, apart from the similarities in disclosing the nature of donations, the other content of disclosures varied across the industries. Service industries provided the lowest disclosures on the 'environmental' theme, but greatest information in the 'human resources' and the 'external relations' themes, especially regarding customers. Companies involved in mining tended to disclose compliance to specific government regulation in land reclamation and repair of environmental damage. The location of the companies operations also influenced the information of CSD, as the practice of social activities was related to the needs of the local communities. Other factors, such as the interests of companies and management competencies were also strongly associated with the nature of disclosures (see Owen & Scherer, 1993; Ratanajongkol, Davey, & Low, 2006).

6.4.3. Corporate Social Disclosure Item Analysis

The following discussion describes the items disclosed by the companies under every CSD theme. Appendix B2 to B9 provide the comprehensive results of this item analysis for every year, and Appendix B10 for the total 4 years of the examination.

A. Environment

As discussed above, the amount of 'environmental' information disclosed in the annual reports was relatively low. The few disclosures that were made refer to the repair of damage to, or protection of the environment, the receipt of awards for environmental activities, and reducing pollution. The companies were evidently unaware of the need to disclose information such as the efficient use of natural resources, or the training of employees in environmental issues. There was also no disclosure about 'receiving penalties' as a result of environmental violations, although in fact, some companies had received penalties. It was noticed that companies in oil industry, mining, agriculture, food and beverages, and paper and allied products provided more environmental information compared to other industries, demonstrating that industry type may have an affect on differences in CSD information, as previously discussed.

Companies provided major disclosures in 'compliance with the government regulations in terms of environmental impact', 'pollution has been reduced', and 'prevention of damage to the environment' items. This is similar to that of Australian companies (Deegan and Gordon, 1996). Some statements were examples, such as "... asthma had decreased because the company established an air cleaning system ...", "...sound and water pollution have been reduced resulting in no more complaints from the neighbouring..." and "...land reclamation, reforestation, rehabilitation of exploited land, and eliminating of waste, have been conducted by company...". In the absence of reporting 'environmental penalties', on the other hand, some disclosures informing the achievement of maintaining environment, such as acquiring ISO 14000, 'proper' awards from the Indonesian Ministry of Environment, or eco-label qualifications. Information about 'using recycled products' or 'conducting recycle process', 'applying proven technology to maintain the environment', for example, improving air emissions, or training employees in environmental issues, was little to be found.

Environmental reports were identified as another form of reporting environmental activities. These reports did not usually accompany the annual reports, but were separate reports. Although not many, the big Indonesian companies tended to

produce this kind of report for better comprehensive disclosures. It is more likely that more companies will produce environmental reports in the future as the number of reports in 2006 was greater than they were in the previous years.

B. Energy

‘Energy’ received minimal attention in CSD. This information appeared as uncommon information for Indonesian companies (Gunawan, 2007) as they may have assumed that energy saving is not a part of CSD, or they were unaware of efficient energy use. Ratanajongkol, Davey, and Low (2006) also reported that among industries (refer to manufacture, finance, and property) ‘energy’ was informed as the least disclosed in the Thai companies annual reports.

Within the ‘energy’ theme, ‘efficiently using energy during the manufacturing process’ was the most disclosed. In contrast, ‘voicing the company’s concern about energy shortage’ was rarely reported; however, bio-diesel was being used by a small number of companies which disclosed they had been using it in their operations to ‘save energy’. It is worth noting that this information is considered as a good indication that ‘energy’ may be disclosed more in the future. Others reported that they had reduced energy consumption to save production costs. One example about ‘energy’ disclosure that showed the concern for energy shortage was “... company concerns about the lack of energy as there were huge exploitations of the natural resources; therefore we are all should use the energy wisely ...”.

In line with the fact that the price of petrol is rising globally and subsequently transportation costs too, more attention should be paid to the awareness of using energy efficiently. This would be similar to environmental accounting that has been developed as a new branch of accounting to enhance the existing ‘cost management’ knowledge, for example, a new idea such as ‘energy accounting’ could be considered. Beyond the pros and cons, there are certain benefits to be obtained in calculating energy consumption so that people understand mathematically the value of energy and, consequently, may realise how much money they can save by using energy efficiently. A further positive impact is that many social problems can be eliminated by this saving. The funds generated from

this saving can be used to develop the communities or to conduct other social activities that bring more benefits for them. Thus, responsible energy usage is expected to become of greater concern and its impact will be more significant on CSD.

C. Human Resources

As discussed above, 'human resource' information has been the major disclosure in the company annual reports. 'Employee profiles', including managerial levels, board of director's profiles, and number of employees were dominant in CSD quantity and quality, as this information was considered as compulsory disclosure. Obviously, all the Indonesian annual reports had comprehensive information about their boards of directors and commissioners, with descriptions about their education and employment history, complete with impressive photographs. The second most disclosed item in 'human resources' is 'employee training'. This issue includes 'external and internal training', 'providing financial assistance to employees in educational institutions' or continuing education', or 'establishing training centre for both employees and communities'. The importance of reporting this information may be due to the perception that employees as primary stakeholders directly associated with business operational activities, are desperate to secure the business, and therefore their competencies are of concern (Ramasamy & Hung, 2004).

In contrast with this finding, information about 'employment of minorities or women' is the least information disclosed by the companies for all the CSD items as previously explained (see section 6.1.2). The only information from this item is that companies employ people from the local community. The information about creating harmonious, fair, transparent and conducive work environment, establishing environment, health and safety (EHS) policy, stating the number and severity of accidents per million man hours worked, and declaring health and safety management systems, are examples of the 'employee health and safety' disclosure items. The major information for 'employee assistance or benefits' include providing staff accommodation or home ownership schemes, scholarships for employees' children, and recreational activities, such as togetherness in sport activities, and family or employee days. 'Employee remuneration' was disclosed

by informing of the implementation of employee revenue systems and payroll, and compensation schemes based on performance measures. This information has become greater as it is now a government directive related to the practice of good corporate governance. 'Disclosing company's relationship with trade unions and/or workers, was found as representative of 'industrial relations'; however, no information about any strikes, industrial actions or activities or the resulting losses in terms of time and productivity were included. Finally, other information such as re-organisation, closing down, reduction in number of employees, and employee turnover was associated with events that occurred in the company during that period. This information was rare, as business in Indonesia is sensitive in relation to labours issues; therefore, employee turn over or reduction, or re-organisation were disclosed carefully.

D. Community involvement

Maintaining a good relationship with communities surrounding the location of the company is important to assure that activities of the company operate well. Indonesian companies believe that this is 'social permission' to conduct a business. For this reason, the majority of social responsibility activities are targeted to serve the community, particularly community development. Thus, the disclosures about community, especially charity, were easily found in the company annual reports.

It is worth noting that 'corporate giving or donations' was major information under the 'community' theme (see also section 6.4.2). Evaluation of statements informing about corporate giving shows that a company was motivated by the desire to support the local community needs, while improving community awareness of the 'good' name of the company. These intentions are classified as local community support and commercial motivation (Meijer et al., 2006). Interviewees, as representative of companies, further explained that they had been approached by local community, NGO or local government to provide many donations although in fact, they did not have any corporate sponsorship policies. The companies eventually had to allocate a significant amount for donations in order to maintain good relationships with the local communities and government. This situation appears common with big or prominent companies that received

much public attention. As Indonesia has the largest Muslim population of any country in the world, the perception of 'donation' is relevant to Islamic values, namely '*zakat*' (Al-Ali, 2006). Thus, the Indonesian companies consider 'providing donation' does not only represent company social responsibility, but complies with their religion beliefs. Some examples of donations such as building religious places, funding infrastructure-improvement projects to make life in rural villages less arduous, and donating to victims of natural disasters, confirm this situation.

Other specific disclosures under 'community involvement' include 'sponsoring public health', in which the most disclosed items were blood donation programs and free medical treatment for local residents. Some companies financed medical faculties in collaboration with certain universities or institutions to conduct medical research, although the medical research itself has not been developed in Indonesia. Providing scholarships for further study was noted as a remarkable disclosure in the company annual reports of some large and famous companies. *Sampoerna* Foundation, *Tanoto* Foundation, and *Eka Tjipta* Foundation are three such 'charity organisation'. These foundations focus on funding scholarships for educational programs not only for their employees' families, but also for the general public.

The most disclosures for 'other special community related activities' were about companies' involvement in the communities' activities such as providing water pumps and tanks for supplying clean water, electricity generators, or paving roads. These activities were normally conducted together with the local residents. 'Supporting national sport tournaments' or 'campaigns to prevent youth smoking' were examples of CSD, showing that companies were involved in Government programs. Supporting the development of local industries was revealed by companies that provided credit schemes or facilitated small medium enterprise's access to sources of finance. 'Company community programs designed to respect the rights of indigenous peoples' was an example of 'recognising local and indigenous communities'. This kind of statement however, was found infrequently. The last item, 'providing aid or compensation to communities' was represented by the information of compensating for land that belongs to local

communities after the company's exploration process in bauxite subtraction, and by building water irrigation schemes for them.

E. Products

'Products' information was easily identified in the annual reports. As previously discussed in section 6.1.2, 'product safety' was the most expected disclosure by the stakeholders, but disappointingly, this information seemed to be neglected when compared with other product information, such as 'product development' and 'product quality'. The disclosures in 'product safety' were only provided by companies in food and pharmaceutical industries as they are obliged to comply with the product safety regulations. This may be the reason why companies not involved with food or pharmaceutical manufacture tended to be resistant to disclosing this information. Another reason is, perhaps, the nature of the industries was not compatible with the issue of product safety, for example, companies in service industries. Other examples of 'products' disclosures were associated with new product packaging, the amount or percentage of research and development expenditure to improve existing products, and the release of new products. Information about the achievement and maintenance of ISO 9000 series certification was also dominant, showing that companies fulfilled the requirements in producing quality products.

F. Sustainability

Only companies that clearly linked their sustainability efforts with economical and social values in long-term decision making and performance issues were considered to have completed this CSD item. The following sentence "... in order to maintain the sustainability, company has continually decided focusing in economic and social improvements by returning some profits to support social development ..." and "... company believes that maintaining economical and social development is a tool to create sustainability..." are examples of this disclosure. There is still some debate whether social activities really create sustainability or if they are just another cost to secure company operations. This perception may be the reason why disclosure about the linkage between sustainability and economic and social values was hard to find in the annual reports.

G. External relations

Common disclosures addressing the manner in which companies maintain their external relations emphasised 'customer communication'. This kind of disclosure was easily found in service industries that were oriented towards customer relations, particularly in the banking sectors. Information about 'holding regular meetings with their stakeholders' was also disclosed by different industrial sectors.

H. Other Information

The last section in the disclosure list is 'other CSR information'. This includes the issues of corporate policies, companies' concern for their stakeholders, and various awards received by companies, reflecting their good performances. Completing the discussion about the most disclosed information by companies in prior paragraphs, the information about good corporate governance (GCG) has been disclosed remarkably, particularly in establishing an independent commissioner and audit committee. Other two disclosure items reported company concerns about the issue of human rights, and achievement of several awards, such as CSR awards, Customer Satisfaction Awards, Best Brand Awards, and Best Companies for Corporate Governance. The information of these achievements was often accompanied by impressive pictures of the awards.

Having analysed every CSD item stated in the annual reports, several points can be highlighted. First, with regard to the reporting methods, nature, location, and the amount of CSD, this study provides similarities with CSD practices in the majority of Asian countries (Imam, 2000; Kuasirikun & Sherer, 2004; Purushothaman, et al., 2000; Ramasamy & Hung, 2004; Ratanajongkol et al., 2006). Second, the 'Board of Directors' section in the annual reports is not always the most important location for CSD, as the disclosures are spread across the management discussions, GCG section, and separate sections indicating direct topics, such as 'social activities', 'maintaining environment', or the many other terms used to describe CSD. Third, the type of industry influences the type of information disclosed by the company, but the nature of the disclosures was similar, that is, in terms of descriptive and positive information. Fourth, the

specific events become general disclosures when they happened during the specific period. Fifth, the amount of disclosures, both in quantity and quality, were limited. Finally, despite the similarities within Asian countries, this study supports the idea that many aspects should be considered as greatly influencing CSD, such as social, political, cultural, legal or government, economic, and technology factors (Belal, 2001; Tsang, 1998).

6.5. Additional Discussion

This section discusses other relevant information obtained from the stakeholder and company questionnaires, as well as from the observation during company visits, short interviews and the current situation.

6.5.1. Stakeholder and Company Responses

The stakeholder respondents are considered representative as they varied across a range of different positions, such as owners, entrepreneurs, lecturers, auditors, consultants, and company staff levels from employees to vice presidents and directors. The screening process to select stakeholders was undertaken by selecting appropriate events associated with corporate social responsibility, as discussed in section 5.2.3.1. Hence, it is assumed that respondents understand the topic and subsequently, their responses may increase the reliability for this study.

From the results of open questions in the stakeholder questionnaire, some interesting conclusions can be drawn. Firstly, it is clear that the majority of stakeholders consider CSD reported by the Indonesian companies are mostly for the benefits of the companies, such as to promote their products, to create a good name, to gain positive image, to secure their businesses, to obtain a trust and credibility from the public, and to avoid any litigation. Only a few statements from the stakeholders reveal that companies disclose their CSR information to show their genuine attention to maintaining the environment. These opinions may verify that Indonesian stakeholders are still uncertain if CSD as reported in the annual reports brings worthwhile benefits for the communities, as they doubt whether the companies really conduct the activities as they have reported.

Further, the stakeholders stated that they want to see negative information disclosed in the annual reports. They noticed that in order to obtain the maximum benefit in reporting CSD as discussed above, the companies were reluctant to inform the public of any negative information. In fact, the stakeholders need this information to make a 'proper' decision and to evaluate companies' performance by obtaining information that is balanced and fair.

Other information that was suggested to be added to the CSD items is that showing the company's awareness of the issues of global warming and disclosing the percentage of budget that should be allocated to CSR activities. In fact, the global warming issue has been growing remarkably in Indonesia since 2006 because Indonesia was preparing to hold an international forum about global warming in Bali. The event was successfully held in December 2007 and as a result, the Indonesian government is now providing more support in protecting global warming effects. Moreover, the government has recently introduced a regulation for limited liability companies in Indonesia (Limited Liability Company Bill article number 74/2007) to conduct CSR and report it in a certain form, along with its financial information. This issue is ongoing with strong pros and cons arguments, and the public waiting for further advice from the government. If the regulation is endorsed and it becomes a practical guideline, Indonesia can be considered as the first country in the world that has regulated CSR and made CSD reporting a mandatory activity.

Similar to stakeholders, 98 percent of the respondents from companies declared that their familiarity with the content of the company annual reports. This demonstrates that the respondents may also notice any CSD information stated in the reports. The answers to general questions were used to describe the Indonesian companies' perspective and their practice in CSD. The majority of respondents (47.6 %) stated that their companies were only 'slightly aware' of the issue of corporate social responsibility, but they considered this issue to be important (42.5%). The respondents also believed that it was important for the company to practise CSD, with 69.4 percent of the companies actually having a CSD policy. These findings lead to a conclusion that Indonesian companies perceive the importance of CSR issue and its reporting (CSD), but they tend to

either ignore or slightly wary about practising it, although they do have policies. The reasons can be explained, likewise why CSD information was limited (see section 4.5.2, 2.1.3, and Gunawan, 2007).

Three relevant responses from the respondent addressing the limit of CSD can be paraphrased as "...it is still unclear how widespread we should disclose the information about social activities. Since the benefits of disclosure is also vague, at the point the practice become costly, the need to disclose information is considered unnecessary...". Another statement can be cited as "...in an Insurance company like us, CSD is not essential as we are not directly associated with the issues. We just provide charities and social activities to serve communities around us and build a relationship with them...". Interestingly, one note was written by the interviewee who reflected on the lack of government tax incentives being also seen as a barrier for companies to practise CSD (also discussed in section 6.4.1). These three opinions strengthened the reasons for companies providing only limited CSD, summarised as: first, the companies are still uncertain about the benefits of CSD and they are more reluctant to provide the information if the disclosure costs rise; second, in the opinion of most Indonesian companies, 'serving communities' and 'giving donation' are considered 'enough' to demonstrate their social responsibility; and third, the role of government is essential to support the practice of CSD. At this point, agency theory, political theory and legitimacy theory are probably also relevant to complement the discussion and further explain the situation (Deegan, 2001, 2002a; Smith, Yahya, & Amiruddin, 2007; Watts & Zimmerman, 1983; Watts & Zimmerman, 1990).

Another finding during the interviews and field visits is that the type of CSD reports has been widely discussed in Indonesia. The companies have been looking for the 'best' type of report to inform of their CSD activities; they consider that annual reports may not be appropriate anymore. An annual report has limited space to inform of CSD, being mainly for presenting financial reports, rather than focusing on such as CSD. Wilmshurst and Frost (2000, p. 17) reflected a similar view by stating that "... annual reports are time consuming and costly to produce, and companies must rationalise the competing demands for space while there are also much other information is likely to exist ...". This idea

supports the argument that other media are often used to supplement the annual report, and provide more CSD information (Tilt, 1994). For this reason, the Indonesian companies tended to use other forms, such as Environmental reports, CSR reports, Social reports, and Sustainability reports. These reports have been unearthed during this study being provided by some leading Indonesian companies. A 'Global Reporting Initiative (GRI)', which produces the guidelines for a 'sustainability report' has been frequently used by companies to practise CSD; there are no other similar guidelines in Indonesia. These findings about the use of CSD indicate there may be more companies providing CSD but using different forms of report to complement the annual reports. These reports, probably based on the GRI guidelines, will have been planned and modified in accordance with the Indonesian situation.

6.5.2. Theoretical Perspective

The above findings and discussions lead to several points related to the notable theoretical perspectives: stakeholder and legitimacy theories, without deliberately testing them as discussed previously in section 2.2. Stakeholder and legitimacy theories were used both to explain the practice of CSD in Indonesia. They complement each other (Deegan, 2002a).

Stakeholder theory seems applicable in explaining the differences between stakeholders' demands, which confirms stakeholder difference in terms of a positive (managerial) approach (section 2.2.2.2.). This notion is supported by the findings in hypotheses 1 and 2 (section 6.1.1 and 6.1.2). In detail, the issues of stakeholder's rights explain why each of the stakeholder groups has a different perspective of the importance of CSD information; 'stakeholder identification' may specify these differences (section 2.2.2.3 and Cooper, 2004).

According to Ullmann (1985), stakeholder power is considered another factor in explaining CSD. Using predictor variables represented by solvency ratio and the proportion of owner shares, suggested by Roberts (1992), stakeholder power has been accommodated in hypotheses 10 and 12. As discussed in the hypotheses findings (section 6.1.10 and 6.1.12), this study could not provide evidence which

supports stakeholder power and its influence on CSD in Indonesian companies. Both Ullmann and Roberts provide explanations about stakeholder power by including 'strategic posture', which refers to the way an organisation's decision makers respond to external demands in examining stakeholder power. They argue that when stakeholder power is high, companies with an active strategic posture have greater involvement in CSD. Magness (2006) continued this study by examining strategic posture and differentiating disclosure as mandatory or voluntary. The combination of strategic posture, stakeholder power, and financial performance produced significant influences of stakeholder power on CSD. 'Strategic posture' was excluded which might be a reason why stakeholder power could not identified in this study.

Another finding demonstrates that stakeholder power does not seem relevant in explaining the gap between the information expected by the stakeholders and the information disclosed by the companies. There is evidence that the information disclosed by the companies has not fulfilled the information that the stakeholders' needed. The stakeholders expected information about 'product' and 'energy' to be disclosed, while companies disclosed much information on 'human resources', 'community' and 'other information'. This initiates a gap between what companies have declared and what stakeholder's want. In this context, the gap may be explained better using legitimacy theory, as hypothesis 4 suggests that 'meeting the stakeholders' is not the first priority in practising CSD demand', but 'creating a positive image' to 'legalise' their business activities is. Legitimacy theory, in this case, provides a foundation for understanding how and why companies might use CSD information to benefit them (Deegan, 2002a).

Further, this study has noticed that stakeholder theory appears to explain the situation in the stakeholder context, while legitimacy theory is more relevant to explain the companies' point of view of CSD being practised (Figure 6.2). This study reveals that stakeholder theory may not be appropriate to illuminate the practice of CSD, but that Indonesian companies tend to pay little attention to serving stakeholder's needs, rather obtaining benefits for themselves. 'Serving communities' as disclosed in the company annual reports was merely targeted to 'secure' company business operations and 'avoid' any social or law penalties.

Further, the result in hypothesis 6b shows that the status of 'state owned companies' has significantly influenced CSD, this variable being continuously significant in both bivariate and multivariate analyses (section 6.1.6 and 6.3). Cormier and Gordon (2001) asserted that 'company status' closely links to the idea of 'legitimacy' because government owned companies are politically supported and must practise CSD more for reasons of accountability and visibility as outlined in legitimacy theory. To conclude this discussion, it may be said that Indonesian companies practise CSD, essentially to smooth their relationships with government and society.

In summary, while stakeholder and legitimacy theory have played a role in some particular sections in explaining the findings in this study, the role of these two theories still needs further refinement. Both theories can be used to explain phenomena, but other possibilities for other theories should be neglected. Gray, Kouhy, and Lavers (1995) emphasise that CSD is a complex activity that cannot be fully explained from a single theoretical perspective or from a single level of resolution. Agency theory or political cost theory might also be relevant in explaining some areas of CSD (Smith, Yahya & Amiruddin, 2007; Watts & Zimmerman, 1983). Figure 6.2 illustrates the relationship between stakeholder and legitimacy theory, and CSD. This figure is not intended to represent a comprehensive theoretical perspective of influences on CSD, but highlights the relationships among them, based on this study.

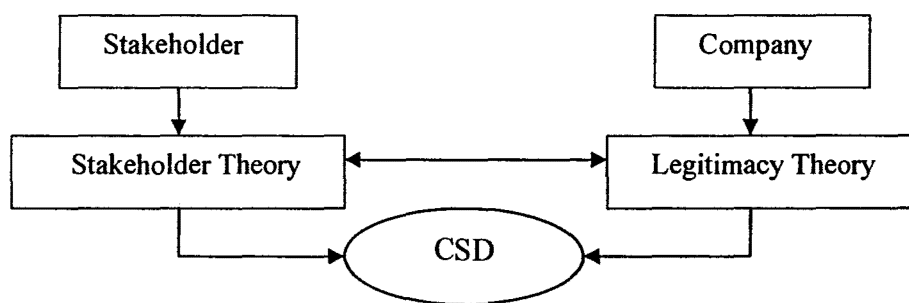


Figure 6.2. The relationships among Stakeholder and Legitimacy theory, and CSD

To complete this findings and discussions chapter, it is worth remembering that all inferences drawn in this study relate to the volume of disclosures, but not

necessarily refer to the level of corporate concern or activities in social responsibility in real practice. A company may be concerned about social responsibility issues but may not disclose such in the annual report, for example, to preserve independence of the corporate to hold certain information that should not be published. Another feasible reason is the companies may provide other types of reports to inform of CSD activities; thereby limiting the information disclosed in the annual reports. On the other hand, the situation may be completely opposite if the companies were to use CSD to gain a good image. In this context, the volume of CSD may exceed that which companies have carried out in real activities (see also discussion in section 6.1.4).

6.6. Summary

Given the absence of unambiguous theoretical or empirical support for CSD, the findings in this study are expected to contribute valuable evidence in this research area. The main statistical test: *Spearman's rho* correlation has been undertaken to examine the hypotheses, completed by *Chi-square* and *Kruskal Wallis*. The regression analyses have also been applied to find influences between predictors and criterion variables. The results suggest that the majority of the hypotheses can be accepted and the variable 'company status' has constantly influenced CSD in both quantity and quality for every year of the examination. Apart from inferential statistics, content analysis results have provided comprehensive discussion on every CSD theme and item disclosed by companies. Stakeholder and legitimacy theories have played essential roles in explaining different parts of the findings, both of these theories evidently complementing each other. Further conclusions from these findings are presented in the next chapter, together with the limitations of the study and implications for future research.

CHAPTER 7

CONCLUSIONS

This final chapter summarises the findings and discussions presented in previous sections, and provides answers to the research questions. Current issues about corporate social responsibility activities, which are predicted to influence future CSD practices are outlined to provide new perspectives for future research, together with some implications, derived from the study.

7.1. General Review

This study has presented empirical findings regarding the CSD practices in Indonesian listed companies. The research questions and hypotheses have been specifically defined and stipulated in the framework of the study (Figure 1.1). This study has investigated the factors from the perspectives of the companies, which concern mainly 'motives for CSD' and the 'company characteristics' influencing CSD; it also presents detailed discussions about stakeholder groups. The final discussion provides descriptive analyses of CSD information from both the stakeholders' and companys' perspectives taken from the questionnaires, and the information disclosed by companies as yielded by the content analysis.

The theoretical constructs have been designed based on stakeholder and legitimacy theory, and the literature review. A pilot study was concluded prior to the main study. As a consequence of the pilot study results, changes were made to the CSD items and hypothesis statements in the main study. The sample, both from primary and secondary data has achieved the targeted numbers; however, the frequency of data observation was still an issue in a few cases. *Content analysis* has been used as a main measurement to calculate the extent of CSD in both quantity and quality. *Kruskal Wallis*, *Chi-square*, and *Spearman's rho* correlation have been used to analyse the major hypotheses, complemented with *multiple regressions* to generate models. Overall, the findings of hypothesis tests were relevant with the expected notions and they can be considered as supportive

for previous studies. In doing so, the study has achieved its objectives and provided evidence of the CSD practices in Indonesian listed companies.

7.2. Conclusion of Findings

The presentation of the conclusive findings is organised according to the research questions, and complemented by a final general summary.

7.2.1. The Practice of Corporate Social Disclosure in Indonesian Listed Companies

Generally, the results of this study suggest that the level of CSD in both quantity and quality is low, restricted to disclosure that is positive and descriptive in nature, and ad-hoc statements regarding donations, for example, when any tragedy occurs. However, the trend of disclosure was positive indicating that more information has been disclosed every year. These findings are relevant with the majority of studies in the area of CSD which coincide with the issue of social activities. Reporting is expected to become increasingly important in the future. From some organisers' databases, it was noticed that the majority of delegates attending selected CSR events in Indonesia during 2007 agreed that CSR, and consequently CSD, will become crucial issues for businesses.

Due to the absence of CSD guidelines, the information reported in the annual reports lacks uniformity and has little informational value. There were different styles of disclosures across the type of industries as each industry has its own characteristics, priorities, and interests. This situation may lead to a conclusion that Indonesian companies are not primarily concerned with accountability reporting to society, but prefer to focus on the companies' intentions.

The content of one hundred and seventeen company annual reports for each year, for a total of 4 years examination (2003 to 2006) was scrutinised using a set of guidelines that were developed in this study. As a result of the CSD information appearing in different parts of the report, a careful content analysis process was required. 'Human resources' information, especially in the 'employee profile'

category was found to be the dominant disclosure in the company annual reports, while information regarding 'sustainability' was the least disclosed. From all items provided in the CSD list, 'employment of minorities or women' was the one that was most ignored by companies as it appears to be an uncommon practice. The most frequent disclosure, that is, 'employee profile' tends to comply with the mandatory disclosures for an annual report submission, although it is not particularly addressed to CSD. This disclosure is regulated by the 'Capital Market Supervisory Agency' as the formal body that monitors the performance of public companies in Indonesia.

It is evident from the study that the amount of CSD quantity and quality in the annual reports increased gradually each year, but the nature of information remained relatively unchanged from year to year. The continued pressure from 'community' was identified as the most significant influence for the practice of CSD. Although 'human resources' represented the most CSD information disclosed in the annual reports, the majority of companies admitted that their social activities were targeted to serve their local communities. Thus, this study has identified a gap between the social disclosure and the real social activities companies undertake. The possible reasons for these limited and different disclosures have been comprehensively explained in the previous chapters, one of them being related to the role of legitimacy theory.

7.2.2. The Important Information of Corporate Social Disclosure Perceived by the Stakeholders

The *Chi square* test shows that different stakeholders perceive the importance of CSD significant information differently. These differences may provide support for stakeholder theory in a positive (managerial) approach, with emphasis on 'stakeholder's rights' and 'stakeholder's identification'. However, in general, three hundred and six stakeholder's responses agree that the most important information for them was 'product', particularly 'product safety'. In contrast, the stakeholders were not interested in reading about 'community' information. Again, this study indicated that there was a gap between the 'product' information needed by the stakeholders and the 'human resources' information

disclosed by the companies. In this context, legitimacy theory would be more relevant to explain the gap rather than stakeholder theory.

7.2.3. The Motivations for Practising Corporate Social Disclosure

This study has shown, mirrored in other studies that the motive for CSD was to 'create a positive image'. Two hundred and fifty two company responses obtained indicate that 'creating good image' is vital for the success of their business. This finding incorporates the fact that no negative or 'bad' information was disclosed in the company annual reports, all being positive in nature. This may suggest that CSD has been used more as a public relations tool, to enhance the image and reputation of the company, rather than to portray the real picture of its social activities.

7.2.4. The Factors Influence the Extent of Corporate Social Disclosure

The CSD scores used in this study include the measure of quantitative and qualitative information in company annual reports using the content analysis method, for the years 2003 to 2006. Some selected predictor variables have been tested in their relations to the extent of CSD in both quantity and quality (Figure 4.4) through the statement of hypotheses. Based on the nature of data, non-parametric analyses have been selected as the main statistical tools. Company size as represented by total assets, total sales, and market capitalisation has been found to be a significant predictor variable to the extent of CSD quantity and quality. Similarly, the financial performance represented by ROA, ROE, and EPS has influenced the extent of CSD substantially, except in 2003 (discussion is in section 6.1.8). Other variables found to be significant were 'auditor's influence', 'company age' and 'company status', while 'solvency ratio' was significant in influencing CSD quantity, but not quality. 'Ownership concentration' displayed the opposite sign to the expected relationship. This finding is interesting as tentative evidence suggests that the major owners of Indonesian companies are likely to have a strong influence on directing the company's activities, including CSD.

Relevant to the bivariate analysis, four predictor variables were found to be potentially significant in influencing CSD in regression models. The variables are 'company status', 'company age', 'ROA', and 'auditor's influence'. The 'company status' variable is the only one which consistently significantly influences the extent of CSD in both quantity and quality, in any regression models, for all the years of examination. This variable constantly correlated to CSD with a significance level of 0.01 (99% confidence level), and the asymptotic significant value (p-value) of 0.000. This contrasted with 'company type', represented by sensitive and non-sensitive industries, which could not be seen as a significant predictor variable in influencing the extent of CSD in Indonesian companies. More reputable and prominent companies, regardless of their company type, were more likely to explain the situation better. Hence, 'company type' was a significant influence on the CSD only if it represented 'status' (state and non-state owned) rather than 'type' (sensitive and non-sensitive).

To conclude, the outcomes of the statistical tests were supported by the results of interviews and field visits, and have led to conclusive findings. Older and larger companies with higher financial performance have greater quantity and higher quality of social disclosures. These greater amounts of CSD also relate to 'company status' and 'auditor's influences'. This study establishes an important benchmark and comparative study in the area of CSD by providing these conclusions, together with discussions about content analysis and questionnaires results, and the relationships of the predictor variables to CSD, which were found to be relatively robust under different measurement techniques.

7.3. Limitations and Implications for Future Studies

A number of limitations are present in the current study. Firstly, only annual reports, from listed companies, accessible for four years were included; therefore, it may not be possible to generalise these results to the larger Indonesian context. Secondly, as a result of the limited availability of annual reports, the data collection may be insufficient for certain frequency analyses. Since the limited availability of annual reports was noticed, significant effort was made during the pilot study to overcome this issue.

Finally, some issues surrounding the validity of the content analysis method may appear because the technique of codifying text into numbers is still considered to be subjective. The level of subjectivity in coding the different items of disclosures is unavoidable given the diversity of the presentation in the annual reports. Prior studies in CSD that applied content analysis method have also noted this limitation (Milne & Adler, 1999; Tilt, 2000; Ahmad & Sulaiman, 2004; Thompson & Zakaria, 2004). Therefore, to address this issue, this study developed a set of guidelines and employed other coders.

This study is considered to be the first CSD research in Indonesia involving a range of aspects, because the practice of CSD in that country was still in the embryonic stage of development; thus it may generate unsatisfactory results for the extent of CSD in both quantity and quality. A more refined measuring system that acknowledges the extent of CSD could possibly have produced different results from those observed in this study. The role of a corporation and its stakeholders in a certain society would also affect the extent of CSD in annual reports. Similar situations can also be explained as the present study did not control some aspects in screening the respondents' background, such as academic level, gender, managerial position, or age. This may also influence the quality of the responses, thus, any future study may address these aspects.

In consideration of the limitations mentioned above, broader comprehensive reports used to inform social activities would enhance the generalisability of the findings, instead of limiting the study to company annual reports, although the availability of data might still be an issue. The discussion could be also extended by including the differentiation of every specific industry related to their particular CSD nature. Other possible theoretical approaches would also provide useful insights to explain the extent of CSD in Indonesia.

Considering the low correlation coefficients (less than 50 percent) of the majority predictor variables on the extent of CSD, future studies may find other representative variables that are more applicable to the Indonesian situation. In addition, since little evidence included 'company status' as an important predictor

variable to CSD, results from this study advise the incorporation of this variable when examining the extent of CSD. Other possible parties that influence companies in practising CSD can also be created, for example 'competitors'. Companies may be challenged to divulge more social information when they notice that their business competitors disclose 'better' CSD. In addition, 'tax incentives' might be added as another possible motivation for companies in practising CSD, if the government offers this benefit. These two examples for the future development of questionnaires were suggested by some personnel who represent companies.

A need exists to improve the quantity and quality of CSD among companies. It may, therefore, be timely for accounting professional bodies and the 'Indonesian Accounting Standards Board' to seriously consider the development of social reporting standards. At the same time, this body can also play a significant role in improving the knowledge of conducting social reporting, for example, with other report forms, such as environmental reports or sustainability reports. The 'Capital Market Supervisory Agency' should also provide guidelines for informing social activities in the company annual reports. The plan for implementing both the 'Act on Cooperation Limited' and ISO 26000 may incorporate CSD development and improvement. Government, industrial bodies, accounting profession, and scholars could be involved to excel this practice.

7.4. Future Practice for Corporate Social Disclosure in Indonesia

This study offers a platform for further work relating to future predictions based on the up-dated practices. Every new paradigm of social activity will provide new practices for CSD, as a form of reporting these activities. As previously stated, during the last two years an important potential regulation and a particular certification for social activities have been introduced for companies in Indonesia with the endorsement of the 'Act on Cooperation Limited' on 20th July 2007, article number 74. Under this law, all natural resources companies will be obligated to conduct and inform of their social activities, and will remove the incentive for companies to conduct and report any voluntary social activities in Indonesia, once it is enacted as law.

The second practice was the introduction of ISO 26000 as guidance for social responsibility. This guidance is currently being reviewed to suit the Indonesian business environment. Some important effects of the implementation of this standard are the universal responsibility of all companies, institutions, government and non-government organisations, and the public to engage in social activities. In addition, ISO 26000 stresses social activities to include good corporate governance, human rights, human resources, environment, 'true and fair' business practices, and consumer issues. This, again, highlights the scope of social activities being broader than the environment.

The above discussion provides fresh perspectives relating to the new practices of social activities into academic practices, especially in CSD. Different approaches in CSD research and theoretical concepts may change as a consequence of different practices of social activities. When the 'Act on Cooperation Limited' is enacted into law, views for CSD research in Indonesia will shift, mainly addressing the consequences from voluntary to mandatory social disclosures, for example, providing evidence of the reactions of corporations in adopting the new regulations. When ISO 26000 is implemented, the suggestion for targeted companies as the institution obligated to practise CSD, as well as other various organisations, could be considered. This will develop more opportunities in selecting broader samples and not being limited only to corporations as was the case here. ISO 26000 has also emphasised the area of social activities that is not limited to the 'environment'. This will further develop the CSD items that can be added to the list, for example, 'human rights' issues. Consequently, it may be a new possibility to create these CSD items as a checklist for social audit or for evaluation in awarding ISO certification. Other related areas, such as business ethics, good corporate governance, and sustainability, could also be specifically associated with CSD and may potentially become interesting studies.

7.5. Summary

This study has provided evidence of CSD practice in Indonesian companies and examined some important areas of this practice, although whole aspects of CSD cannot be 'all-inclusive', as it is very broad. Stakeholder and Legitimacy theory have played a role in explaining certain situations regarding this practice. In general, the major hypotheses have been accepted and this may indicate that the study supports the major findings of prior studies, especially those conducted in Asia. The existence of slight variances may be reasonably explained because of respective national business systems, differences between countries, time periods, and explanatory variables that make the generalisation of results difficult. The findings in this study should be viewed in the light of their limitations, but provide ideas for future research in conjunction with the information presented.

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APPENDIX A

QUESTIONNAIRES

Appendix A1. Cover Letter Pilot Study Survey

EDITH COWAN UNIVERSITY

Faculty of Business & Law
School of Accounting, Finance and Economics
Perth, Western Australia

LETTER TO PARTICIPANTS

Research project: *Corporate Social Disclosures by Indonesian Listed Companies.*

Dear participants,

Your assistance is required in a study of Corporate Social Disclosure (CSD) in Indonesian public companies. I am undertaking this research to complete my Doctor of Philosophy (PhD) study at the School of Accounting, Finance and Economics, Faculty of Business and Law, Edith Cowan University (ECU), Perth, Western Australia.

As a part of the primary data collection process, a number of companies have been selected randomly from a list of public companies at the Jakarta Stock Exchange. In this occasion, I would like to ask a number of top managers and stakeholders of these selected companies to express their views about the importance of CSD. The participation in this research is completely voluntary. The researcher may contact the selected participants to assure their willingness to participate. There is no explanation or justification needed if you choose not to participate.

All the information provided will be used for the research purposes only and will be kept in strict confidence. Only the researcher can access into the data that will be locked in the filing cabinet for 5 years. After 5 years, the documents will be destroyed in accordance with the State Records Retention and Disposal Policy, Australia.

The results of this research will be documented in the ECU library as theses collection, and may also be published for conferences and journals. I hope the findings will be significant to support the efforts made by the Indonesian companies in conducting socially responsible business practices. Therefore, your participation will be greatly appreciated.

If you decide to participate, please find enclosed an anonymous questionnaire to be filled out. There is no need to provide your name or your company's name. Please fill out the questionnaire completely and return it as soon as possible in the enclosed prepaid envelope or mail it directly to this address:

Juniati Gunawan
Rawa Kepa II / 660 Tomang
Jakarta Barat – 11440

Thank you very much for your kind participation in this research. Should you have any queries or need further information regarding the result of this research, please do not hesitate to contact me.

Yours sincerely,

Juniati Gunawan

PhD Candidate

Edith Cowan University – Perth, Australia

Churchlands campus, Building 16.139, phone: +61 8 9273 8502

Email: [REDACTED]

[REDACTED]

Mobile no: + [REDACTED]

Supervisors: 1. Dr. Hadrian Djajadikerta, Email: [REDACTED]
2. Prof. Malcolm Smith, Email: [REDACTED]

This research has been approved by the ECU Human Research Ethics Committee. If you have any concerns or complaints about the research project and wish to talk to an independent person, you may contact:

Research Ethics Officer
Edith Cowan University
100 Joondalup Drive
JOONDALUP WA 6027
Phone: (08) 6304 2170
Email: [REDACTED]

Appendix A2. Pilot Study Survey – Public Companies

A. Corporate Social Disclosure (CSD) Reporting

A. Laporan pengungkapan kegiatan sosial perusahaan /corporate social disclosure (CSD)

1. How often does your company implement CSR activities / programs?
Seberapa sering perusahaan Anda mengimplementasikan kegiatan / program CSR?
☐ 0-3 activities in a year
0-3 kegiatan dalam setahun
☐ 4-6 activities in a year
4-6 kegiatan dalam setahun
☐ 7-9 activities in a year
7-9 kegiatan dalam setahun
☐ More than 9 activities in a year, please state, how many:
Lebih dari 9 kegiatan dalam setahun, mohon sebutkan, berapa kali.....
2. What kinds of CSR activities does your company conduct?
Kegiatan CSR apa yang dilakukan oleh perusahaan Anda?
 (please rank them from 1 for the most to 8 for the least common activities):
(Mohon memberikan ranking 1 untuk kegiatan yang paling sering dilakukan sampai no. 8 untuk kegiatan yang paling jarang dilakukan)

CSR activities relate to: <i>Kegiatan CSR yang berhubungan dengan:</i>	No. of ranking 1 (most) to 8 (least) <i>Ranking no. 1 (paling banyak) sampai 8 (paling sedikit)</i>
Maintaining the environment <i>Menjaga lingkungan</i>	
Saving energy <i>Menghemat energi</i>	
Developing human resources' / employees' competencies <i>Mengembangkan sumber daya manusia/kemampuan karyawan</i>	
Involving in community activities <i>Melibatkan dalam kegiatan komunitas</i>	
Developing products safety and quality <i>Mengembangkan keamanan dan kualitas produk</i>	
Maintaining company's sustainability <i>Menjaga sustainabilitas perusahaan</i>	
Maintaining external relations' communication, i.e stakeholders meeting <i>Menjaga hubungan komunikasi dengan pihak eksternal, misal pertemuan dengan stakeholders</i>	
Others activities, please state: <i>Kegiatan lainnya, mohon sebutkan:</i> _____ _____	

3. Are there any specific rules from the government or within your company which relate to conducting CSR activities?

Apakah ada peraturan khusus dari pemerintah atau dalam perusahaan Anda dalam melakukan kegiatan CSR?

☐ Yes

Ya

☐ No

Tidak

If 'yes', please state:

Jika ya, mohon sebutkan:

4. Identify all reports that your company uses to disclose CSR activities (answer can be more than one)

Sebutkan semua laporan yang perusahaan Anda gunakan untuk mengungkapkan kegiatan CSR (jawaban dapat lebih dari satu)

Report's name (please tick if applicable) <i>Nama laporan (Mohon yang sesuai beri tanda tick)</i>	Initial year of publication <i>Tahun pertama publikasi</i>	Period of publication (eg. weekly, monthly, tri- monthly, semester, annually) <i>Periode publikasi (misal. mingguan, bulanan, 3 bulanan, 6 bulanan, tahunan)</i>	Available for public? (please circle) <i>Apakah tersedia untuk umum? (mohon lingkari)</i>
<input type="checkbox"/> Annual report <i>Laporan tahunan</i>			Yes / No
<input type="checkbox"/> Sustainability report <i>Laporan sustainabilitas</i>			Yes / No
<input type="checkbox"/> Environmental report <i>Laporan lingkungan</i>			Yes / No
<input type="checkbox"/> CSR report <i>Laporan CSR</i>			Yes / No
<input type="checkbox"/> Company's website <i>Website perusahaan</i>			Yes / No
<input type="checkbox"/> Bulletins <i>Buletin</i>			Yes / No
<input type="checkbox"/> Newsletters <i>Newsletter</i>			Yes / No
<input type="checkbox"/> Magazine <i>Majalah</i>			Yes / No
<input type="checkbox"/> Others, please state: <i>Lainnya, mohon sebut:</i>			Yes / No

B. The Influence of Stakeholders

B. Pengaruh Stakeholders

Please describe in the table below the influences of each party in your company in making Corporate Social Disclosure (CSD) in the annual report by circling the most appropriate number using the scale provided below:

Mohon jelaskan pengaruh tiap pihak dalam tabel di bawah ini pada perusahaan Anda dalam mengungkapkan informasi kegiatan sosial perusahaan dengan melingkari satu nomor yang paling sesuai menggunakan skala berikut:

to act with accountability or responsibly in reporting <i>Untuk melakukan tindakan akuntabilitas atau tanggung jawab dalam pelaporan</i>	1	2	3	4	5	6	7
to attract investment funds <i>Untuk menarik dana investasi</i>	1	2	3	4	5	6	7
to comply with stakeholders (shareholders, employees, suppliers, customers, communities) expectations <i>Untuk memenuhi harapan stakeholders (pemegang saham, karyawan, pemasok, pelanggan, komunitas)</i>	1	2	3	4	5	6	7
to comply with media pressure <i>Untuk memenuhi tekanan dari media massa</i>	1	2	3	4	5	6	7

D. Comments

D. Komentar

Please state other comments that you would like to address in relation to Corporate Social Disclosure (CSD) practices in your company:

Mohon sebutkan komentar yang ingin Anda sampaikan dalam kaitannya dengan praktek pengungkapan aktivitas tanggung jawab sosial yang dilakukan oleh perusahaan Anda:

Appendix A3. Pilot Study Survey – Stakeholders

I. Background Information

I. Latar belakang informasi

1. Your occupation: _____
Posisi/Jabatan Anda dalam perusahaan

2. Below is a description of stakeholders' group:
Dibawah ini adalah gambaran kategori stakeholders:

Stakeholders' group <i>Golongan stakeholders</i>	Description <i>Keterangan</i>
Shareholders <i>Pemegang saham</i>	Involved in stock transaction for the last 2 years (2003-2006) or having at least 30% interest in a particular company. <i>Terlibat dalam transaksi saham perusahaan minimal 2 tahun terakhir (2003-2006) atau mempunyai minimal 30% kepemilikan saham dalam sebuah perusahaan tertentu.</i>
Employees <i>Karyawan</i>	Working in a public company for at least 2 years (2003-2006) in a managerial level. <i>Seorang yang bekerja pada sebuah perusahaan publik minimal 2 tahun (2003-2006) di posisi manajer.</i>
Suppliers <i>Pemasok</i>	Being a supplier for a public company at least for 2 years (2003- 2006). <i>Menjadi pemasok untuk perusahaan publik minimal 2 tahun (2003-2006).</i>
Customers <i>Pelanggan</i>	Spending at least Rp 500.000/month on products produced by Indonesian public companies. <i>Membelanjakan minimal Rp 500.000/bulan untuk produk yang diproduksi perusahaan publik di Indonesia.</i>
Communities <i>Komunitas</i>	Becoming a part of a community which is concerned with corporate social responsibilities (CSR) issues or participates in CSR activities regularly. <i>Peduli pada isu tanggung jawab sosial perusahaan (CSR) atau terlibat aktif dalam kegiatan CSR.</i>
Investors <i>Investor</i>	Concerned in companies' performances in CSR in guiding investment making decisions. <i>Memperhatikan kinerja tanggung jawab sosial yang dilakukan perusahaan untuk membantu pengambilan keputusan investasi.</i>

Please choose only one of the above stakeholders' group that most suits you:
Mohon pilih satu golongan stakeholder diatas yang paling sesuai untuk Anda:

☐ Shareholder ☐ employee ☐ supplier ☐ customer ☐ community ☐ investor
Pemegang saham karyawan pemasok pelanggan komunitas investor

3. Have you ever read a company's annual report?
Pernahkan Anda membaca sebuah laporan tahunan perusahaan?

☐ Yes ☐ No
Ya Tidak

4. If yes, when was the last time you read an annual report?
Jika pernah, kapan terakhir Anda membaca laporan tahunan?

☐ Less than one year ago ☐ 2-3 years ago
Kurang dari setahun yang lalu 2-3 tahun lalu
☐ 4-5 years ago ☐ more than 5 years
4-5 tahun lalu lebih dari 5 tahun lalu

II. Tingkat Kepentingan

Please express your opinion on how important is the disclosure of this information in a company's annual report by circling the most appropriate number using the scale provided below:

[illegible]

A. Lingkungan

a. *Polusi lingkungan*

Pollution control in the conduct of business operations, <i>Pengendalian polusi dalam operasi perusahaan</i>	1	2	3	4	5	6	7
Statements indicating the company's compliance with environmental laws and regulations <i>Pernyataan tentang kepatuhan perusahaan pada hukum dan peraturan lingkungan hidup</i>	1	2	3	4	5	6	7
Statements indicating that pollution from operations has been or will be reduced <i>Pernyataan tentang penurunan tingkat polusi yang telah atau akan dilakukan perusahaan</i>	1	2	3	4	5	6	7
Prevention or repair of damage to the environment <i>Pencegahan atau perbaikan kerusakan lingkungan</i>	1	2	3	4	5	6	7
Natural resources, e.g. recycling <i>Pemakaian sumber daya alam yang di daur ulang</i>	1	2	3	4	5	6	7
Efficiently using materials resources in the manufacturing process <i>Efisiensi pemakaian bahan baku alam dalam proses manufaktur</i>	1	2	3	4	5	6	7
Supporting environmental campaign <i>Mendukung kampanye lingkungan hidup</i>	1	2	3	4	5	6	7
Receiving an award or penalties relating to the company's environmental policies <i>Menerima penghargaan atau denda yang berhubungan dengan kebijakan lingkungan hidup perusahaan</i>	1	2	3	4	5	6	7

- b. Aesthetics
b. Keindahan

Designing facilities harmonious with the environment <i>Merancang fasilitas selaras dengan lingkungan</i>	1	2	3	4	5	6	7
Contribution in terms of cash or things to beautify the environment <i>Menyumbang uang atau barang untuk memperindah lingkungan</i>	1	2	3	4	5	6	7

- c. Other
c. Lainnya

Undertaking environmental studies to monitor the company's impact on the environment, e.g. conducting reviews of performance, employing specialist consultants <i>Melakukan studi lingkungan untuk mengawasi dampak lingkungan oleh perusahaan, misalnya melakukan review atas kinerja, mempekerjakan konsultan</i>	1	2	3	4	5	6	7
Training employees in environmental issues <i>Pelatihan karyawan berkaitan dengan isu lingkungan</i>	1	2	3	4	5	6	7
Technology applied to support the environmental existence <i>Menerapkan teknologi untuk mendukung kelangsungan hidup lingkungan</i>	1	2	3	4	5	6	7

- B. ENERGY
B. Energi

Conservation of energy in conducting the business operations <i>Penghematan energi dalam menjalankan operasi bisnis</i>	1	2	3	4	5	6	7
Efficiently using energy during the manufacturing process <i>Efisiensi energi dalam proses manufaktur</i>	1	2	3	4	5	6	7
Utilizing materials for energy production <i>Pemanfaatan bahan baku untuk produksi energi</i>	1	2	3	4	5	6	7
Disclosing energy savings resulting from product recycling <i>Pengungkapan penghematan energi hasil penggunaan produk daur ulang</i>	1	2	3	4	5	6	7
Discussing the company's efforts to reduce energy consumption <i>Pembahasan usaha perusahaan dalam mengurangi pemakaian energi</i>	1	2	3	4	5	6	7
Aiming research at improving the energy efficiency of products <i>Riset untuk meningkatkan efisiensi pemakaian energi dalam menghasilkan produk</i>	1	2	3	4	5	6	7
Receiving awards or penalties for an energy program <i>Menerima penghargaan atau denda dalam kaitannya dengan energi</i>	1	2	3	4	5	6	7
Voicing the company's concern about energy shortage <i>Menyuarakan kepedulian perusahaan atas krisis energi</i>	1	2	3	4	5	6	7
Disclosing the company's energy policies <i>Pengungkapan kebijakan perusahaan atas pemakaian energi</i>	1	2	3	4	5	6	7

C. HUMAN RESOURCES

C. Tenaga kerja

Employee health and safety <i>Kesehatan dan keselamatan karyawan</i>	1	2	3	4	5	6	7
Employment of minorities or women <i>Mempekerjakan kalangan minoritas atau wanita</i>	1	2	3	4	5	6	7
Employee training <i>Pelatihan karyawan</i>	1	2	3	4	5	6	7
Employee assistance/benefits, ie. recreational <i>Bantuan/keuntungan karyawan, misalnya rekreasi</i>	1	2	3	4	5	6	7
Employee remuneration <i>Gaji karyawan</i>	1	2	3	4	5	6	7
Employee profiles, ie. number of employees, managerial levels <i>Profil karyawan, misalnya jumlah pegawai, tingkatan manajerial</i>	1	2	3	4	5	6	7
Employee share purchase scheme, ie. employee stock option plan (ESOP) <i>Pembelian saham perusahaan oleh karyawan, misal opsi kepemilikan saham perusahaan</i>	1	2	3	4	5	6	7
Employee morale, ie. existence of a work ethic <i>Moral karyawan, misal etika kerja</i>	1	2	3	4	5	6	7
Industrial relations, ie. trade union <i>Hubungan perusahaan, misal serikat kerja</i>	1	2	3	4	5	6	7
Others, ie. re-organization / re-structuring, closing down, reduction in employees / down sizing, employee turnover <i>Lainnya, misal re-organisasi/re-strukturisasi, penutupan bisnis, pengurangan jumlah karyawan, pergantian karyawan</i>	1	2	3	4	5	6	7

D. COMMUNITY INVOLVEMENT

D. Keterlibatan dalam komunitas

Donating of cash, products or employee services to support established community activities, events, organizations, education and the arts <i>Bantuan uang, produk atau layanan karyawan untuk mendukung aktivitas komunitas, acara, organisasi, pendidikan dan seni</i>	1	2	3	4	5	6	7
Part-time employing of students <i>Mempekerjakan pelajar secara paruh waktu</i>	1	2	3	4	5	6	7
Sponsoring public health projects <i>Mendukung proyek untuk kesehatan umum</i>	1	2	3	4	5	6	7
Aiding medical research <i>Membantu riset kesehatan</i>	1	2	3	4	5	6	7
Sponsoring educational conferences, seminars or art exhibits <i>Mendukung konferensi pendidikan, seminar atau pagelaran seni</i>	1	2	3	4	5	6	7
Funding scholarship programs or activities <i>Memberikan beasiswa untuk suatu program atau aktivitas</i>	1	2	3	4	5	6	7
Other special community related activities, ex. providing civic amenities, supporting town planning	1	2	3	4	5	6	7

Mendukung kegiatan komunitas lain, seperti menyediakan fasilitas umum, perencanaan kota							
Supporting national pride/government sponsored campaigns <i>Mendukung kampanye pemerintah</i>	1	2	3	4	5	6	7
Supporting the development of local industries or community programs <i>Mendukung pengembangan industri lokal atau program komunitas</i>	1	2	3	4	5	6	7
Recognizing local and indigenous communities <i>Mengakui keberadaan komunitas lokal dan asli</i>	1	2	3	4	5	6	7
Providing aid or compensation to communities around their operations <i>Menyediakan bantuan atau kompensasi untuk komunitas disekitar perusahaan</i>	1	2	3	4	5	6	7

E. PRODUCTS

E. Produk

Product development, ie. its packaging, information on any research projects in order to improve products <i>Pengembangan produk, misalnya kemasan, informasi tentang proyek penelitian untuk peningkatan produk</i>	1	2	3	4	5	6	7
Product safety, ie. disclosing that products meet safety and/or hygiene standards. <i>Keamanan produk, misalnya mengungkapkan bahwa produk sesuai dengan standar keamanan dan kebersihan</i>	1	2	3	4	5	6	7
Product quality, ie. receiving ISO 9000. <i>Kualitas produk, misalnya menerima penghargaan ISO 9000</i>	1	2	3	4	5	6	7

F. SUSTAINABILITY

F. Sustainabilitas / Kestinambungan

Information about maintaining sustainability through economic and social values <i>Informasi tentang menjaga kestinambungan perusahaan melalui nilai ekonomi dan sosial</i>	1	2	3	4	5	6	7
--	---	---	---	---	---	---	---

G. EXTERNAL RELATIONS

G. Hubungan eksternal

Disclosing relationships with stakeholder, ie. stakeholders meeting <i>Pengungkapan hubungan perusahaan dengan stakeholder, misal adanya pertemuan antar perusahaan dengan stakeholder</i>	1	2	3	4	5	6	7
---	---	---	---	---	---	---	---

H. OTHER INFO

H. Lainnya

Corporate objectives/policies/mission relating to the social responsibility ie. corporate governance practices, ISO 14000 <i>Pernyataan tujuan/kebijakan/misi perusahaan yang berhubungan dengan tanggung jawab sosial, misal praktek tata kelola perusahaan, ISO 14000</i>	1	2	3	4	5	6	7
--	---	---	---	---	---	---	---

Appendix A4. Cover Letter Main Survey

EDITH COWAN UNIVERSITY

Faculty of Business & Law

School of Accounting, Business and Management

Perth, Western Australia

QUESTIONNAIRES

Dear All Participants,

This research is required for a Doctor of Philosophy Degree (PhD) in Accounting degree at the School of Accounting, Finance and Economics, Edith Cowan University (ECU), Western Australia. The research focuses on Corporate Social Disclosures (CSD) in Indonesia, especially those practiced by Indonesian public companies.

The title of the research is *"Corporate Social Disclosures by Indonesian Listed Companies"*. For this reason, these questionnaires are meant to obtain the information in terms of the importance of CSD in annual reports based on stakeholders' and managers' perspectives. All the data that you provide for this research will be anonymous and stored confidentially in the PhD room (a room with security password). Only the researcher can access into the data that will be locked in the filing cabinet in the room for 5 years. After 5 years, the documents will be destroyed in accordance with the State Records Retention and Disposal Policy, Australia. Your genuine participation, therefore, is greatly appreciated.

These questionnaires have been approved by the ECU Human Research Ethics Committee as one of the requirements to conduct a survey. The participants will be selected randomly and voluntarily to fill out the questionnaires. Hence, the participants are free to withdraw their consents to further involvement in the research project at any time. The responses from the participants will be waited for two weeks for the first period and another two weeks for the second period. The filled questionnaires can be sent back to the researcher by email, fax, post, or couriers.

Thank you very much for your kind participation in this research. Should you have any queries regarding your responses in the questionnaire or need further information regarding to the research result, please do not hesitate to contact me, my supervisors, or the independent person at Research Ethics Officer as indicated below.

Best regards,

Acknowledged,

Juniati Gunawan
PhD Candidate

Dr. Hadrian Djajadikerta
Supervisor I

Prof. Malcolm Smith
Supervisor II

Juniati Gunawan

ECU, Chuchlands Campus

Email: [REDACTED]

Australian mobile no: +61 [REDACTED]

Indonesian mobile no: +62 [REDACTED]

Dr. Hadrian Djajadikerta

Email: [REDACTED]

Prof. Malcolm Smith

Email: [REDACTED]

Research Ethics Officer

Edith Cowan University (ECU)

100 Joondalup Drive – Joondalup, Perth WA-6027

Ph: +61 [REDACTED]
[REDACTED]

Appendix A5. Main Survey – Public Companies

A. Background information

A. Latar belakang informasi

1. Your position in the company: _____
Posisi/jabatan Anda dalam perusahaan
2. Your experience relates to your current position:
Pengalaman Anda sesuai dengan jabatan Anda sekarang

<input type="checkbox"/> Less than 2 years <i>Kurang dari 2 tahun</i>	<input type="checkbox"/> 2-4 years <i>2-4 tahun</i>
<input type="checkbox"/> 5-10 years <i>5-10 tahun</i>	<input type="checkbox"/> 10 years and above <i>10 tahun lebih</i>
3. How many people are employed in your company?
Berapa jumlah karyawan dalam perusahaan Anda?

a. Full time: _____ people <i>Penuh waktu orang</i>	b. Part time: _____ people <i>Paruh waktu orang</i>
--	--
4. Do you have experience in developing a company's annual report?
Apakah Anda mempunyai pengalaman dalam keterlibatan menyusun laporan tahunan sebuah perusahaan?

<input type="checkbox"/> Yes <i>Ya</i>	<input type="checkbox"/> No <i>Tidak</i>
---	---

B. General questions

B. Pertanyaan umum

1. Is your company aware of Corporate Social Responsibility (CSR) issues?
Apakah perusahaan Anda memperhatikan isu tentang tanggung jawab sosial perusahaan (CSR)?

1. <input type="checkbox"/> not aware <i>tidak memperhatikan</i>	2. <input type="checkbox"/> slightly aware <i>sedikit memperhatikan</i>	3. <input type="checkbox"/> aware <i>memperhatikan</i>	4. <input type="checkbox"/> greatly aware <i>sangat memperhatikan</i>
--	---	--	---
2. How would your company assess the importance of CSR issues?
Bagaimana perusahaan Anda menganggap pentingnya isu tentang CSR?

1. <input type="checkbox"/> not important <i>tidak penting</i>	2. <input type="checkbox"/> slightly important <i>sedikit penting</i>	3. <input type="checkbox"/> important <i>penting</i>	4. <input type="checkbox"/> very important <i>sangat penting</i>
--	---	--	--
3. Do you think that CSR activities are important to be disclosed by your company?
Apakah menurut Anda aktivitas CSR penting untuk diungkapkan oleh perusahaan Anda?

1. <input type="checkbox"/> not important <i>tidak penting</i>	2. <input type="checkbox"/> slightly important <i>sedikit penting</i>	3. <input type="checkbox"/> important <i>penting</i>	4. <input type="checkbox"/> very important <i>sangat penting</i>
--	---	--	--

- ☐ Yes ☐ No
ya *tidak*

C. Pengaruh Stakeholders

Mohon jelaskan pengaruh tiap pihak dalam tabel di bawah ini pada perusahaan Anda dalam mengungkapkan informasi kegiatan sosial perusahaan dengan melingkari satu nomor yang paling sesuai menggunakan skala berikut (silahkan melingkari satu nomor untuk satu perusahaan):

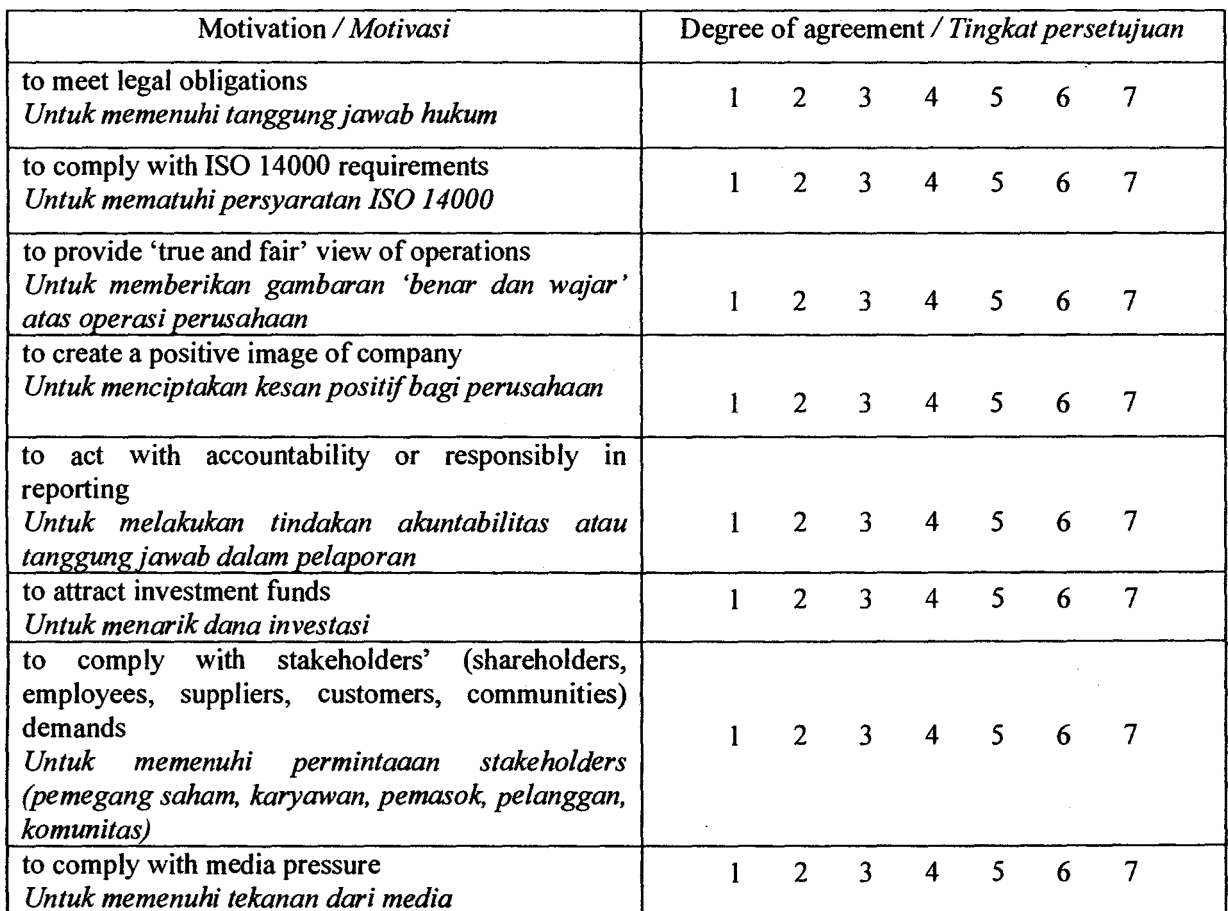
1 2 3 4 5 6 7

No influence Full influence
sangat mempengaruhi *sangat tidak mempengaruhi*

Party / Pihak	Degree of influence / Tingkat pengaruh						
Government <i>Pemerintah</i>	1	2	3	4	5	6	7
Media <i>Media</i>	1	2	3	4	5	6	7
Auditors <i>Auditors</i>	1	2	3	4	5	6	7
Shareholders <i>Pemegang saham</i>	1	2	3	4	5	6	7
Employees <i>Karyawan</i>	1	2	3	4	5	6	7
Suppliers <i>Pemasok</i>	1	2	3	4	5	6	7
Customers <i>Pelanggan</i>	1	2	3	4	5	6	7
Communities (incl. non-government officers/NGOs) <i>Komunitas (termasuk Lembaga Swadaya Masyarakat/LSM)</i>	1	2	3	4	5	6	7
Investors <i>Investors</i>	1	2	3	4	5	6	7

D. Motivasi

Mohon jelaskan motivasi perusahaan Anda dalam mengungkapkan kegiatan sosial pada laporan tahunan dengan melingkari satu nomor yang paling sesuai untuk setiap tujuan menggunakan skala berikut:



E. Comments

E. Komentar

Please state other comments that you would like to address in relation to Corporate Social Disclosure (CSD) practices in your company:

Mohon sebutkan komentar yang ingin Anda sampaikan dalam kaitannya dengan praktek pengungkapan aktivitas tanggung jawab sosial yang dilakukan oleh perusahaan Anda:

Appendix A6. Main Survey – Stakeholders

A. Background Information

A. Latar belakang informasi

1. Your occupation: _____
Posisi/Jabatan Anda dalam perusahaan

2. Below is a description of stakeholders' group:
Dibawah ini adalah gambaran kategori stakeholders:

Stakeholders' group <i>Golongan stakeholders</i>	Description <i>Keterangan</i>
Shareholders <i>Pemegang saham</i>	Involved in stock transaction for the last 2 years (2003-2006) or having at least 30% interest in a particular company. <i>Terlibat dalam transaksi saham perusahaan minimal 2 tahun terakhir (2003-2006) atau mempunyai minimal 30% kepemilikan saham dalam sebuah perusahaan tertentu.</i>
Employees <i>Karyawan</i>	Working in a public company for at least 2 years (2003-2006) in a managerial level. <i>Seorang yang bekerja pada sebuah perusahaan publik minimal 2 tahun (2003-2006) di posisi manajer.</i>
Suppliers <i>Pemasok</i>	Being a supplier for a public company at least for 2 years (2003- 2006). <i>Menjadi pemasok untuk perusahaan publik minimal 2 tahun (2003-2006).</i>
Customers <i>Pelanggan</i>	Spending at least Rp 500.000/month on products produced by Indonesian public companies. <i>Membelanjakan minimal Rp 500.000/bulan untuk produk yang diproduksi perusahaan publik di Indonesia.</i>
Communities <i>Komunitas</i>	Becoming a part of a community which is concerned with corporate social responsibilities (CSR) issues or participates in CSR activities regularly. <i>Peduli pada isu tanggung jawab sosial perusahaan (CSR) atau terlibat aktif dalam kegiatan CSR.</i>
Investors <i>Investor</i>	Concerned in companies' performances in CSR in guiding investment making decisions. <i>Memperhatikan kinerja tanggung jawab sosial yang dilakukan perusahaan untuk membantu pengambilan keputusan investasi.</i>

Please choose only one of the above stakeholders' group that most suits you:
Mohon pilih satu golongan stakeholder diatas yang paling sesuai untuk Anda:

☐ shareholder ☐ employee ☐ supplier ☐ customer ☐ community ☐ Investor
pemegang saham karyawan pemasok pelanggan komunitas investor

3. Have you ever read a company's annual report?
Pernahkan Anda membaca sebuah laporan tahunan perusahaan?

☐ Yes ☐ No
Ya Tidak

4. If yes, when was the last time you read an annual report?
Jika pernah, kapan terakhir Anda membaca laporan tahunan?

☐ Less than one year ago ☐ 2-3 years ago
Kurang dari setahun yang lalu 2-3 tahun lalu
☐ 4-5 years ago ☐ more than 5 years
4-5 tahun lalu lebih dari 5 tahun lalu

B. Tingkat Kepentingan

Please express your opinion on how important is the disclosure of this information in a company's annual report by circling the most appropriate number using the scale provided below:

Level of importance
Tingkat kepentingan

Low High

1 2 3 4 5 6 7

Strongly unimportant
Sangat tidak penting

Strongly important
Sangat penting

A. Lingkungan

a. Environment Pollution
a. *Polusi lingkungan*

Pollution control in the conduct of business operations <i>Pengendalian polusi dalam operasi perusahaan</i>	1	2	3	4	5	6	7
Statements indicating the company's compliance with environmental laws and regulations <i>Pernyataan tentang kepatuhan perusahaan pada hukum dan peraturan lingkungan hidup</i>	1	2	3	4	5	6	7
Statements indicating that pollution from operations has been or will be reduced <i>Pernyataan tentang penurunan tingkat polusi yang telah atau akan dilakukan perusahaan</i>	1	2	3	4	5	6	7
Prevention or repair of damage to the environment <i>Pencegahan atau perbaikan kerusakan lingkungan</i>	1	2	3	4	5	6	7
Natural resources, e.g. recycling <i>Pemakaian sumber daya alam yang di daur ulang</i>	1	2	3	4	5	6	7
Efficiently using materials resources in the manufacturing process <i>Efisiensi pemakaian bahan baku alam dalam proses manufaktur</i>	1	2	3	4	5	6	7
Supporting environmental campaign <i>Mendukung kampanye lingkungan hidup</i>	1	2	3	4	5	6	7
Receiving an award or penalties relating to the company's environmental policies <i>Menerima penghargaan atau denda yang berhubungan dengan kebijakan lingkungan hidup perusahaan</i>	Award / Penghargaan: 1 2 3 4 5 6 7 Penalties / Denda: 1 2 3 4 5 6 7						

b. Aesthetics

b. Keindahan

Designing facilities harmonious with the environment <i>Merancang fasilitas selaras dengan lingkungan</i>	1	2	3	4	5	6	7
Contribution in terms of cash or things to beautify the environment <i>Menyumbang uang atau barang untuk memperindah lingkungan</i>	1	2	3	4	5	6	7

c. Other

c. Lainnya

Undertaking environmental studies to monitor the company's impact on the environment, e.g. conducting reviews of performance, employing specialist consultants <i>Melakukan studi lingkungan untuk mengawasi dampak lingkungan oleh perusahaan, misalnya melakukan review atas kinerja, mempekerjakan konsultan</i>	1	2	3	4	5	6	7
Training employees in environmental issues <i>Pelatihan karyawan berkaitan dengan isu lingkungan</i>	1	2	3	4	5	6	7
Technology applied to support the environmental existence <i>Menerapkan teknologi untuk mendukung kelangsungan hidup lingkungan</i>	1	2	3	4	5	6	7

B. ENERGY

B. Energi

Conservation of energy in conducting the business operations <i>Penghematan energi dalam menjalankan operasi bisnis</i>	1	2	3	4	5	6	7
Efficiently using energy during the manufacturing process <i>Efisiensi energi dalam proses manufaktur</i>	1	2	3	4	5	6	7
Discussing the company's efforts to reduce energy consumption <i>Pembahasan usaha perusahaan dalam mengurangi pemakaian energi</i>	1	2	3	4	5	6	7
Voicing the company's concern about energy shortage <i>Menyuarakan kepedulian perusahaan atas krisis energi</i>	1	2	3	4	5	6	7

C. HUMAN RESOURCES

C. Tenaga kerja

Employee health and safety <i>Kesehatan dan keselamatan karyawan</i>	1	2	3	4	5	6	7
Employment of minorities or women <i>Mempekerjakan kalangan minoritas atau wanita</i>	1	2	3	4	5	6	7
Employee training <i>Pelatihan karyawan</i>	1	2	3	4	5	6	7
Employee assistance/benefits, ie. recreational <i>Bantuan/keuntungan karyawan, misalnya rekreasi</i>	1	2	3	4	5	6	7
Employee remuneration <i>Gaji karyawan</i>	1	2	3	4	5	6	7
Employee profiles, ie. number of employees, managerial levels <i>Profil karyawan, misalnya jumlah pegawai, tingkatan manajerial</i>	1	2	3	4	5	6	7

Employee share purchase scheme, ie. employee stock option plan (ESOP) <i>Pembelian saham perusahaan oleh karyawan, misal opsi kepemilikan saham perusahaan</i>	1	2	3	4	5	6	7
Employee morale, ie. existence of a work ethic <i>Moral karyawan, misal etika kerja</i>	1	2	3	4	5	6	7
Industrial relations, ie. trade union <i>Hubungan perusahaan, misal serikat kerja</i>	1	2	3	4	5	6	7
Others, ie. re-organization / re-structuring, closing down, reduction in employees / down sizing, employee turnover <i>Lainnya, misal re-organisasi/re-strukturisasi, penutupan bisnis, pengurangan jumlah karyawan, pergantian karyawan</i>	1	2	3	4	5	6	7

D. COMMUNITY INVOLVEMENT

D. Keterlibatan dalam komunitas

Donating of cash, products or employee services to support established community activities, events, organizations, education and the arts, including sports or religious activities <i>Bantuan uang, produk atau layanan karyawan untuk mendukung aktivitas komunitas, acara, organisasi, pendidikan dan seni, termasuk kegiatan olah raga atau keagamaan</i>	1	2	3	4	5	6	7
Sponsoring public health projects <i>Mendukung proyek untuk kesehatan umum</i>	1	2	3	4	5	6	7
Aiding medical research <i>Membantu riset kesehatan</i>	1	2	3	4	5	6	7
Sponsoring educational conferences, seminars or art exhibits <i>Mendukung konferensi pendidikan, seminar atau pagelaran seni</i>	1	2	3	4	5	6	7
Funding scholarship programs or activities <i>Memberikan beasiswa untuk suatu program atau aktivitas</i>	1	2	3	4	5	6	7
Other special community related activities, ex. providing civic amenities, supporting town planning <i>Mendukung kegiatan komunitas lain, seperti menyediakan fasilitas umum, perencanaan kota</i>	1	2	3	4	5	6	7
Supporting national pride/government sponsored campaigns <i>Mendukung kampanye pemerintah</i>	1	2	3	4	5	6	7
Supporting the development of local industries or community programs <i>Mendukung pengembangan industri lokal atau program komunitas</i>	1	2	3	4	5	6	7
Recognizing local and indigenous communities <i>Mengakui keberadaan komunitas lokal dan asli</i>	1	2	3	4	5	6	7
Providing aid or compensation to communities around their operations <i>Menyediakan bantuan atau kompensasi untuk komunitas disekitar perusahaan</i>	1	2	3	4	5	6	7

E. PRODUCTS

E. Produk

Product development, ie. its packaging, information on any research projects in order to improve products <i>Pengembangan produk, misalnya kemasan, informasi tentang proyek penelitian untuk peningkatan produk</i>	1	2	3	4	5	6	7
Product safety, ie. disclosing that products meet safety and/or hygiene standards. <i>Keamanan produk, misalnya mengungkapkan bahwa produk sesuai dengan standar keamanan dan kebersihan</i>	1	2	3	4	5	6	7
Product quality, ie. receiving ISO 9000. <i>Kualitas produk, misalnya menerima penghargaan ISO 9000</i>	1	2	3	4	5	6	7

F. SUSTAINABILITY

F. Sustainability / Kestinambungan

Information about maintaining sustainability through economic and social values <i>Informasi tentang menjaga kestinambungan perusahaan melalui nilai ekonomi dan sosial</i>	1	2	3	4	5	6	7
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G. EXTERNAL RELATIONS

G. Hubungan eksternal

Disclosing relationships with stakeholder, ie. stakeholders meeting <i>Pengungkapan hubungan perusahaan dengan stakeholder, misal adanya pertemuan antar perusahaan dengan stakeholder</i>	1	2	3	4	5	6	7
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H. OTHER INFO

H. Lainnya

Corporate objectives/policies/mission relating to the social responsibility ie. corporate governance practices, ISO 14000 <i>Pernyataan tujuan/kebijakan/misi perusahaan yang berhubungan dengan tanggung jawab sosial, misal praktek tata kelola perusahaan, ISO 14000</i>	1	2	3	4	5	6	7
Other disclosing/reporting in social responsibility to different groups other than shareholders and employees, ie. consumers, trade union, suppliers <i>Pernyataan lain atas tanggung jawab sosial perusahaan pada kelompok selain pemegang saham dan karyawan, misalnya pada pelanggan, serikat pekerja, pemasok</i>	1	2	3	4	5	6	7
Receiving other awards, beside environmental issues, i.e. CSR award, Customer Satisfaction award, Best Brand Award, etc <i>Menerima penghargaan, diluar isu lingkungan, misal CSR award, Customer Satisfaction award, Best Brand Award, dll</i>	1	2	3	4	5	6	7

C. Other Information

C. Informasi Lainnya

1. Please state your opinions about the purposes of companies in disclosing CSR activities in their annual reports: (your answers can be multiple)

Mohon sebutkan pendapat Anda tentang apa tujuan perusahaan mengungkapkan kegiatan CSR-nya dalam laporan tahunan: (Jawaban dapat lebih dari satu)

2. Please indicate if any additional information relates to CSR activities that you think should be disclosed in a company's annual report: (your answers can be multiple)

Mohon sebutkan bila ada informasi lain tentang aktivitas tanggung jawab perusahaan yang Anda anggap seharusnya diungkapkan dalam laporan tahunan perusahaan: (Jawaban dapat lebih dari satu)

3. Please mention if you have any comments about the disclosure items above:

Mohon tuliskan komentar Anda atas item pengungkapan di atas:

APPENDIX B

CONTENT ANALYSIS RESULTS

Appendix B1. Corporate Social Disclosure Score

No	Company	Quantity				Quality			
		2003	2004	2005	2006	2003	2004	2005	2006
1	ABBA	10	15	17	31	11	17	24	51
2	ADES	5	7	8	22	5	8	15	33
3	AKRA	16	17	20	43	25	25	30	48
4	ALFA	11	11	14	22	15	15	20	26
5	ALMI	13	13	14	18	15	15	15	26
6	ANTM	74	69	74	112	194	174	188	143
7	ANTA	11	20	11	21	13	26	15	30
8	APEX	29	41	53	92	46	54	76	121
9	AQUA	17	27	40	41	35	33	45	67
10	ABDA	6	10	10	16	9	12	12	20
11	ASDM	10	10	4	16	17	12	3	31
12	ASRM	20	25	40	19	35	38	50	29
13	AMFG	24	14	26	26	37	25	45	40
14	ASIA	8	10	28	24	15	16	31	32
15	APLI	24	24	28	32	33	33	33	40
16	AALI	42	47	59	59	61	76	116	90
17	ASII	44	51	52	58	73	85	98	73
18	UNSP	43	42	41	75	78	76	64	101
19	ANKB	13	15	16	15	16	22	25	26
20	BBIA	19	19	17	29	24	24	24	38
21	BABP	24	25	24	41	37	37	37	52
22	BBCA	33	35	47	50	45	47	55	59
23	BCIC	19	21	21	30	22	25	25	37
24	BDMN	12	35	33	77	16	53	51	80
25	LPBN	32	40	42	64	39	49	49	73
26	BMRI	31	39	40	82	40	56	59	88
27	MAYA	12	12	13	22	13	13	17	33
28	MEGA	30	30	30	38	32	32	32	46
29	BBNI	45	46	45	66	42	43	43	80
30	NISP	36	42	59	49	51	52	70	57
31	BBNP	19	19	19	22	22	22	22	24
32	BNLI	19	30	25	63	29	45	36	86
33	BSWD	26	23	24	27	37	37	29	34
34	BVIC	23	23	23	9	25	29	29	14
35	BRPT	35	27	24	36	47	33	35	42
36	BAYU	20	20	20	22	27	27	27	31
37	BCAP	7	10	13	17	15	15	23	30
38	BHIT	17	16	11	20	22	22	17	25
39	BMTR	35	35	38	42	70	70	74	53
40	BRAM	6	16	22	29	12	39	38	38
41	CENT	10	10	10	11	15	15	15	14
42	CPDW	17	19	24	13	34	29	44	20
43	CKRA	10	10	10	11	14	14	14	13
44	CTRS	3	4	13	19	3	8	13	24
45	CMNP	56	76	78	70	102	109	126	86

No	Company	Quantity				Quality			
		2003	2004	2005	2006	2003	2004	2005	2006
46	CTBN	24	24	21	23	35	35	30	32
47	CFIN	11	11	11	15	15	13	13	20
48	DVLA	25	29	29	52	41	51	51	66
49	DNET	8	8	8	8	10	10	10	12
50	ESTI	9	9	9	13	8	8	8	21
51	FORU	4	3	6	13	3	6	12	22
52	GEMA	15	15	15	19	19	19	19	32
53	GDYR	26	30	34	46	45	45	49	56
54	GGRM	8	21	33	28	9	29	41	50
55	HERO	10	23	16	34	14	31	26	58
56	HEXA	13	20	22	22	24	32	32	29
57	HMSP	10	30	48	67	26	38	54	94
58	SHID	14	11	11	13	20	15	15	22
59	INTP	25	33	39	37	34	50	49	49
60	INDX	5	7	7	10	5	8	8	12
61	ISAT	31	44	81	60	53	47	70	67
62	IDKM	31	39	57	43	51	53	57	65
63	INDS	8	8	8	11	8	8	8	14
64	INCI	18	18	19	20	25	25	25	26
65	INCO	33	30	42	86	60	60	63	117
66	JKSW	19	23	23	34	25	30	30	49
67	JPFA	8	8	14	32	12	11	22	43
68	JRPT	23	24	36	41	33	31	49	50
69	JECC	19	19	19	22	26	26	26	24
70	KLBF	33	33	31	57	51	51	48	63
71	LTLS	14	13	22	42	18	18	36	63
72	LPCK	9	15	22	23	15	17	20	35
73	LPKR	20	26	34	36	25	41	54	46
74	MAMI	14	17	17	23	17	17	17	32
75	MREI	18	24	24	24	25	34	34	35
76	MYOR	12	12	12	25	14	14	14	37
77	MEDC	42	48	49	106	64	70	76	97
78	MERK	7	7	7	8	11	11	11	14
79	MTSM	10	17	30	18	17	22	37	25
80	MTDL	23	18	19	24	35	24	24	28
81	MDRN	21	22	23	21	26	29	32	29
82	MDLN	13	13	13	13	13	13	13	23
83	MLND	8	8	12	7	10	10	13	12
84	PNIN	13	10	5	22	15	9	11	29
85	PNLF	7	9	14	25	8	11	15	31
86	PANS	12	16	16	27	15	20	20	34
87	PANR	8	11	18	44	18	20	31	43
88	PTRO	22	22	24	31	40	38	39	35
89	PGAS	19	29	31	52	32	45	65	72
90	PLIN	12	11	11	24	20	20	15	38

No	Company	Quantity				Quality			
		2003	2004	2005	2006	2003	2004	2005	2006
91	LSIP	6	24	12	47	8	31	26	65
92	PUDP	26	26	28	29	36	36	37	52
93	RICY	21	18	19	19	28	23	23	27
94	RDTX	17	17	21	20	22	22	28	26
95	SMDR	14	9	14	18	24	18	24	26
96	SHDA	14	28	37	59	31	49	67	81
97	SMGR	31	32	79	82	36	57	119	110
98	BATA	16	13	10	22	20	23	17	29
99	SMMA	13	13	13	12	15	15	15	15
100	SMAR	8	20	16	49	9	35	31	67
101	SONA	6	6	11	20	9	9	12	30
102	SAFE	14	14	14	13	17	19	19	20
103	SMRA	9	17	7	32	6	26	12	45
104	SCMA	29	30	42	55	49	49	44	71
105	TOTO	3	4	10	16	5	7	14	18
106	PTBA	51	56	73	69	85	86	106	98
107	TLKM	31	38	58	89	46	57	93	91
108	TMPO	3	13	13	13	6	16	16	23
109	TGKA	5	5	6	30	5	5	10	44
110	TIRA	13	13	18	18	19	19	38	26
111	TKIM	23	37	35	81	37	62	59	114
112	TKGA	18	19	17	17	24	24	24	26
113	TRIM	29	40	29	32	50	66	50	43
114	UNIC	26	23	29	31	42	37	37	47
115	UNVR	16	82	97	111	21	60	72	105
116	UNIT	9	9	9	9	10	10	10	12
117	UNTR	32	20	23	73	53	36	42	83

Appendix B2. Content Analysis Per-Item and Theme – Quantity 2003

Descriptive Statistics

	N	Minimum	Maximum	Sum	Mean	Std. Deviation
env1qt03	117	.00	3.00	13.00	.1111	.46937
env2	117	.00	2.00	8.00	.0684	.34055
env3	117	.00	3.00	18.00	.1538	.59619
env4	117	.00	5.00	25.00	.2137	.69268
env5	117	.00	2.00	8.00	.0684	.36499
env6	117	.00	2.00	2.00	.0171	.18490
env7	117	.00	3.00	5.00	.0427	.33200
env8	117	.00	2.00	16.00	.1368	.48965
env9	117	.00	.00	.00	.0000	.00000
env10	117	.00	2.00	3.00	.0256	.20601
env11	117	.00	3.00	9.00	.0769	.39727
env12	117	.00	3.00	6.00	.0513	.34357
env13	117	.00	1.00	1.00	.0085	.09245
env14	117	.00	2.00	13.00	.1111	.45063
energ15	117	.00	3.00	5.00	.0427	.33200
energ16	117	.00	2.00	17.00	.1453	.47823
energ17	117	.00	3.00	7.00	.0598	.37808
energ18	117	.00	2.00	2.00	.0171	.18490
hr19	117	.00	5.00	88.00	.7521	1.31900
hr20	117	.00	2.00	3.00	.0256	.20601
hr21	117	.00	5.00	205.00	1.7521	1.44381
hr22	117	.00	5.00	71.00	.6068	1.07445
hr23	117	.00	5.00	90.00	.7692	1.32863
hr24	117	.00	5.00	479.00	4.0940	1.73694
hr25	117	.00	5.00	32.00	.2735	.93425
hr26	117	.00	4.00	47.00	.4017	.92903
hr27	117	.00	4.00	15.00	.1282	.54990
hr28	117	.00	3.00	17.00	.1453	.56117
com29	117	.00	3.00	75.00	.6410	.96902
com30	117	.00	4.00	48.00	.4103	.86257
com31	117	.00	4.00	10.00	.0855	.53454
com32	117	.00	4.00	40.00	.3419	.80046
com33	117	.00	4.00	53.00	.4530	.94226
com34	117	.00	4.00	29.00	.2479	.76458
com35	117	.00	3.00	12.00	.1026	.46209
com36	117	.00	4.00	36.00	.3077	.83523
com37	117	.00	2.00	13.00	.1111	.45063
com38	117	.00	3.00	12.00	.1026	.44304
prod39	117	.00	5.00	146.00	1.2479	1.55312
prod40	117	.00	4.00	30.00	.2564	.75605
prod41	117	.00	3.00	29.00	.2479	.66832
sus42	117	.00	5.00	37.00	.3162	1.17920
ext43	117	.00	5.00	39.00	.3333	.96490
oth44	117	.00	5.00	321.00	2.7436	2.00926
oth45	117	.00	3.00	32.00	.2735	.67752
oth46	117	.00	5.00	66.00	.5641	1.32863
Valid N (listwise)	117					

Descriptive Statistics

	N	Minimum	Maximum	Sum	Mean	Std. Deviation
ENVqt03	117	.00	20.00	127.00	1.0855	2.89641
ENERG	117	.00	8.00	31.00	.2650	1.02884
HR	117	.00	26.00	1047.00	8.9487	5.18427
COM	117	.00	15.00	328.00	2.8034	3.89349
PROD	117	.00	8.00	205.00	1.7521	2.03379
SUST	117	.00	5.00	37.00	.3162	1.17920
EXT	117	.00	5.00	39.00	.3333	.96490
OTH	117	.00	15.00	495.00	4.2308	3.52426
Valid N (listwise)	117					

Appendix B3. Content Analysis Per-Item and Theme – Quantity 2004

Descriptive Statistics

	N	Minimum	Maximum	Sum	Mean	Std. Deviation
env1qt04	117	.00	3.00	15.00	.1282	.51759
env2	117	.00	2.00	14.00	.1197	.45793
env3	117	.00	3.00	13.00	.1111	.48739
env4	117	.00	3.00	25.00	.2137	.64097
env5	117	.00	3.00	9.00	.0769	.41841
env6	117	.00	2.00	2.00	.0171	.18490
env7	117	.00	2.00	8.00	.0684	.36499
env8	117	.00	3.00	17.00	.1453	.56117
env9	117	.00	.00	.00	.0000	.00000
env10	117	.00	2.00	4.00	.0342	.26036
env11	117	.00	3.00	15.00	.1282	.51759
env12	117	.00	2.00	6.00	.0513	.31748
env13	117	.00	.00	.00	.0000	.00000
env14	117	.00	2.00	11.00	.0940	.41487
energ15	117	.00	2.00	4.00	.0342	.26036
energ16	117	.00	3.00	12.00	.1026	.44304
energ17	117	.00	2.00	7.00	.0598	.32933
energ18	117	.00	2.00	2.00	.0171	.18490
hr19	117	.00	5.00	99.00	.8462	1.40575
hr20	117	.00	1.00	1.00	.0085	.09245
hr21	117	.00	5.00	218.00	1.8632	1.40753
hr22	117	.00	5.00	75.00	.6410	1.12542
hr23	117	.00	5.00	105.00	.8974	1.45853
hr24	117	.00	5.00	518.00	4.4274	1.39776
hr25	117	.00	5.00	27.00	.2308	.86488
hr26	117	.00	4.00	47.00	.4017	.93827
hr27	117	.00	4.00	21.00	.1795	.63809
hr28	117	.00	3.00	18.00	.1538	.59619
com29	117	.00	5.00	117.00	1.0000	1.37088
com30	117	.00	5.00	69.00	.5897	1.14586
com31	117	.00	5.00	17.00	.1453	.73420
com32	117	.00	5.00	39.00	.3333	.84077
com33	117	.00	5.00	83.00	.7094	1.14515
com34	117	.00	5.00	48.00	.4103	.93913
com35	117	.00	3.00	14.00	.1197	.49414
com36	117	.00	5.00	60.00	.5128	1.14180
com37	117	.00	4.00	26.00	.2222	.69619
com38	117	.00	3.00	26.00	.2222	.67096
prod39	117	.00	5.00	181.00	1.5470	1.68919
prod40	117	.00	4.00	32.00	.2735	.79464
prod41	117	.00	5.00	42.00	.3590	1.01252
sus42	117	.00	5.00	35.00	.2991	1.09281
ext43	117	.00	5.00	60.00	.5128	1.12660
oth44	117	.00	5.00	358.00	3.0598	1.95770
oth45	117	.00	5.00	78.00	.6667	1.23874
oth46	117	.00	5.00	66.00	.5641	1.38579
Valid N (listwise)	117					

Descriptive Statistics

	N	Minimum	Maximum	Sum	Mean	Std. Deviation
ENVqt04	117	.00	22.00	139.00	1.1880	3.12093
ENERG	117	.00	8.00	25.00	.2137	.97228
HR	117	.00	29.00	1129.00	9.6496	5.28713
COM	117	.00	37.00	499.00	4.2650	5.67571
PROD	117	.00	10.00	255.00	2.1795	2.35846
SUST	117	.00	5.00	35.00	.2991	1.09281
EXT	117	.00	5.00	60.00	.5128	1.12660
OTH	117	.00	22.00	597.00	5.1026	4.22102
Valid N (listwise)	117					

Appendix B4. Content Analysis Per-Item and Theme – Quantity 2005

Descriptive Statistics

	N	Minimum	Maximum	Sum	Mean	Std. Deviation
env1qt05	117	.00	4.00	21.00	.1795	.63809
env2	117	.00	2.00	15.00	.1282	.46495
env3	117	.00	5.00	23.00	.1966	.71002
env4	117	.00	5.00	38.00	.3248	.88891
env5	117	.00	5.00	13.00	.1111	.58395
env6	117	.00	2.00	6.00	.0513	.31748
env7	117	.00	3.00	12.00	.1026	.46209
env8	117	.00	3.00	35.00	.2991	.80156
env9	117	.00	.00	.00	.0000	.00000
env10	117	.00	2.00	4.00	.0342	.26036
env11	117	.00	2.00	16.00	.1368	.50695
env12	117	.00	2.00	4.00	.0342	.26036
env13	117	.00	3.00	3.00	.0256	.27735
env14	117	.00	2.00	12.00	.1026	.44304
energ15	117	.00	2.00	5.00	.0427	.27522
energ16	117	.00	2.00	14.00	.1197	.43870
energ17	117	.00	2.00	4.00	.0342	.26036
energ18	117	.00	2.00	2.00	.0171	.18490
hr19	117	.00	5.00	107.00	.9145	1.45964
hr20	117	.00	1.00	2.00	.0171	.13018
hr21	117	.00	5.00	248.00	2.1197	1.50380
hr22	117	.00	5.00	94.00	.8034	1.27468
hr23	117	.00	5.00	125.00	1.0684	1.57418
hr24	117	.00	5.00	527.00	4.5043	1.24308
hr25	117	.00	5.00	36.00	.3077	1.05423
hr26	117	.00	5.00	72.00	.6154	1.18064
hr27	117	.00	4.00	15.00	.1282	.54990
hr28	117	.00	5.00	34.00	.2906	.91028
com29	117	.00	5.00	137.00	1.1709	1.56630
com30	117	.00	5.00	81.00	.6923	1.27618
com31	117	.00	4.00	13.00	.1111	.58395
com32	117	.00	5.00	57.00	.4872	1.03903
com33	117	.00	5.00	103.00	.8803	1.39062
com34	117	.00	5.00	65.00	.5556	1.14805
com35	117	.00	5.00	28.00	.2393	.80569
com36	117	.00	5.00	60.00	.5128	1.20069
com37	117	.00	5.00	42.00	.3590	.90460
com38	117	.00	3.00	24.00	.2051	.60939
prod39	117	.00	5.00	188.00	1.6068	1.68644
prod40	117	.00	4.00	50.00	.4274	1.05304
prod41	117	.00	5.00	36.00	.3077	.83523
sus42	117	.00	5.00	41.00	.3504	1.17676
ext43	117	.00	5.00	83.00	.7094	1.30688
oth44	117	.00	5.00	380.00	3.2479	1.87959
oth45	117	.00	5.00	93.00	.7949	1.28344
oth46	117	.00	5.00	94.00	.8034	1.64127
Valid N (listwise)	117					

Descriptive Statistics

	N	Minimum	Maximum	Sum	Mean	Std. Deviation
ENVqt05	117	.00	22.00	202.00	1.7265	4.09504
ENERG	117	.00	8.00	25.00	.2137	.94531
HR	117	.00	33.00	1260.00	10.7692	5.86395
COM	117	.00	40.00	610.00	5.2137	7.37988
PROD	117	.00	10.00	274.00	2.3419	2.46410
SUST	117	.00	5.00	41.00	.3504	1.17676
EXT	117	.00	5.00	83.00	.7094	1.30688
OTH	117	.00	25.00	691.00	5.9060	4.55991
Valid N (listwise)	117					

Appendix B5. Content Analysis Per-Item and Theme – Quantity 2006

Descriptive Statistics

	N	Minimum	Maximum	Sum	Mean	Std. Deviation
env1qt06	117	.00	3.00	34.00	.2906	.71991
env2	117	.00	5.00	42.00	.3590	.90460
env3	117	.00	4.00	29.00	.2479	.72997
env4	117	.00	5.00	74.00	.6325	1.11879
env5	117	.00	3.00	5.00	.0427	.33200
env6	117	.00	2.00	4.00	.0342	.26036
env7	117	.00	3.00	33.00	.2821	.74099
env8	117	.00	3.00	30.00	.2564	.72104
env9	117	.00	.00	.00	.0000	.00000
env10	117	.00	3.00	18.00	.1538	.53523
env11	117	.00	3.00	40.00	.3419	.80046
env12	117	.00	5.00	14.00	.1197	.61815
env13	117	.00	3.00	13.00	.1111	.48739
env14	117	.00	5.00	23.00	.1966	.73390
energ15	117	.00	4.00	19.00	.1624	.62914
energ16	117	.00	3.00	40.00	.3419	.80046
energ17	117	.00	4.00	20.00	.1709	.68595
energ18	117	.00	4.00	26.00	.2222	.72053
hr19	117	.00	5.00	77.00	.6581	1.30094
hr20	117	.00	2.00	6.00	.0513	.28906
hr21	117	.00	5.00	316.00	2.7009	1.42190
hr22	117	.00	5.00	216.00	1.8462	1.49491
hr23	117	.00	4.00	130.00	1.1111	1.08896
hr24	117	.00	5.00	560.00	4.7863	.85932
hr25	117	.00	4.00	22.00	.1880	.69396
hr26	117	.00	5.00	113.00	.9658	1.41380
hr27	117	.00	5.00	57.00	.4872	1.11119
hr28	117	.00	5.00	26.00	.2222	.78905
com29	117	.00	5.00	304.00	2.5983	1.69207
com30	117	.00	5.00	132.00	1.1282	1.38052
com31	117	.00	3.00	5.00	.0427	.30494
com32	117	.00	5.00	94.00	.8034	1.34061
com33	117	.00	5.00	139.00	1.1880	1.43798
com34	117	.00	5.00	119.00	1.0171	1.40800
com35	117	.00	5.00	67.00	.5726	1.11662
com36	117	.00	5.00	172.00	1.4701	1.47726
com37	117	.00	5.00	39.00	.3333	.87099
com38	117	.00	3.00	5.00	.0427	.33200
prod39	117	.00	5.00	210.00	1.7949	1.56766
prod40	117	.00	3.00	10.00	.0855	.42695
prod41	117	.00	3.00	48.00	.4103	.84235
sus42	117	.00	3.00	13.00	.1111	.48739
ext43	117	.00	5.00	156.00	1.3333	1.49135
oth44	117	.00	5.00	302.00	2.5812	1.10046
oth45	117	.00	5.00	191.00	1.6325	1.44197
oth46	117	.00	5.00	175.00	1.4957	1.87370
Valid N (listwise)	117					

Descriptive Statistics

	N	Minimum	Maximum	Sum	Mean	Std. Deviation
ENVqt06	117	.00	29.00	359.00	3.0684	6.14302
ENERG	117	.00	14.00	105.00	.8974	2.47534
HR	117	.00	30.00	1523.00	13.0171	6.12792
COM	117	.00	38.00	1076.00	9.1966	8.54425
PROD	117	.00	8.00	268.00	2.2906	1.92112
SUST	117	.00	3.00	13.00	.1111	.48739
EXT	117	.00	5.00	156.00	1.3333	1.49135
OTH	117	.00	21.00	837.00	7.1538	4.68603
Valid N (listwise)	117					

Appendix B6. Content Analysis Per-Item and Theme – Quality 2003

Descriptive Statistics

	N	Minimum	Maximum	Sum	Mean	Std. Deviation
env1QL03	117	.00	7.00	27.00	.2308	.98598
env2	117	.00	7.00	19.00	.1624	.84033
env3	117	.00	7.00	32.00	.2735	1.07978
env4	117	.00	7.00	49.00	.4188	1.26108
env5	117	.00	7.00	22.00	.1880	1.04989
env6	117	.00	7.00	7.00	.0598	.64715
env7	117	.00	7.00	12.00	.1026	.79204
env8	117	.00	5.00	32.00	.2735	.97930
env9	117	.00	.00	.00	.0000	.00000
env10	117	.00	7.00	10.00	.0855	.70188
env11	117	.00	7.00	19.00	.1624	.84033
env12	117	.00	3.00	9.00	.0769	.47623
env13	117	.00	3.00	3.00	.0256	.27735
env14	117	.00	7.00	27.00	.2308	.98598
energ15	117	.00	5.00	10.00	.0855	.65090
energ16	117	.00	5.00	39.00	.3333	1.07479
energ17	117	.00	5.00	11.00	.0940	.60148
energ18	117	.00	5.00	5.00	.0427	.46225
hr19	117	.00	7.00	130.00	1.1111	1.84193
hr20	116	.00	3.00	6.00	.0517	.39220
hr21	117	.00	7.00	324.00	2.7692	2.19869
hr22	117	.00	7.00	118.00	1.0085	1.66865
hr23	117	.00	7.00	145.00	1.2393	2.07883
hr24	117	.00	7.00	511.00	4.3675	1.87358
hr25	117	.00	7.00	56.00	.4786	1.63790
hr26	117	.00	5.00	69.00	.5897	1.30089
hr27	117	.00	7.00	29.00	.2479	1.04968
hr28	117	.00	7.00	36.00	.3077	1.19237
com29	117	.00	7.00	162.00	1.3846	2.16096
com30	117	.00	7.00	91.00	.7778	1.58174
com31	117	.00	5.00	16.00	.1368	.75322
com32	117	.00	7.00	78.00	.6667	1.55364
com33	117	.00	7.00	124.00	1.0598	2.03542
com34	117	.00	7.00	46.00	.3932	1.28625
com35	117	.00	4.00	23.00	.1966	.79045
com36	117	.00	7.00	70.00	.5983	1.62979
com37	117	.00	5.00	29.00	.2479	1.01630
com38	117	.00	5.00	30.00	.2564	.98396
prod39	117	.00	7.00	205.00	1.7521	2.10871
prod40	117	.00	7.00	58.00	.4957	1.41801
prod41	117	.00	5.00	60.00	.5128	1.30394
sus42	117	.00	7.00	42.00	.3590	1.34204
ext43	117	.00	7.00	61.00	.5214	1.45388
oth44	117	.00	7.00	368.00	3.1453	2.30915
oth45	117	.00	4.00	55.00	.4701	1.11086
oth46	117	.00	7.00	96.00	.8205	1.74007
Valid N (listwise)	116					

Descriptive Statistics

	N	Minimum	Maximum	Sum	Mean	Std. Deviation
ENVQL03	117	.00	70.00	268.00	2.2906	7.50639
ENERG	117	.00	20.00	65.00	.5556	2.20675
HR	117	.00	50.00	1424.00	12.1709	8.30485
COM	117	.00	34.00	669.00	5.7179	7.99121
PROD	117	.00	15.00	323.00	2.7607	3.31051
SUST	117	.00	7.00	42.00	.3590	1.34204
EXT	117	.00	7.00	61.00	.5214	1.45388
OTH	117	.00	20.00	622.00	5.3162	4.41715
Valid N (listwise)	117					

Appendix B7. Content Analysis Per-Item and Theme – Quality 2004

Descriptive Statistics

	N	Minimum	Maximum	Sum	Mean	Std. Deviation
env1QL04	117	.00	7.00	34.00	.2906	1.13760
env2	117	.00	7.00	28.00	.2393	.95276
env3	117	.00	7.00	24.00	.2051	.95175
env4	117	.00	7.00	48.00	.4103	1.23284
env5	117	.00	7.00	18.00	.1538	.87706
env6	117	.00	7.00	7.00	.0598	.64715
env7	117	.00	7.00	18.00	.1538	.87706
env8	117	.00	5.00	32.00	.2735	1.04736
env9	117	.00	.00	.00	.0000	.00000
env10	117	.00	7.00	12.00	.1026	.79204
env11	117	.00	7.00	27.00	.2308	.98598
env12	117	.00	5.00	11.00	.0940	.60148
env13	117	.00	.00	.00	.0000	.00000
env14	117	.00	7.00	24.00	.2051	.95175
energ15	117	.00	5.00	10.00	.0855	.65090
energ16	117	.00	5.00	25.00	.2137	.87916
energ17	117	.00	5.00	14.00	.1197	.65866
energ18	117	.00	5.00	5.00	.0427	.46225
hr19	117	.00	7.00	146.00	1.2479	1.94274
hr20	117	.00	3.00	3.00	.0256	.27735
hr21	117	.00	7.00	347.00	2.9658	2.00401
hr22	117	.00	7.00	107.00	.9145	1.61124
hr23	117	.00	7.00	179.00	1.5299	2.35098
hr24	117	.00	7.00	545.00	4.6581	1.53781
hr25	117	.00	7.00	45.00	.3846	1.41328
hr26	117	.00	5.00	69.00	.5897	1.30089
hr27	117	.00	5.00	31.00	.2650	.95044
hr28	117	.00	7.00	38.00	.3248	1.27191
com29	117	.00	7.00	202.00	1.7265	2.19962
com30	117	.00	7.00	123.00	1.0513	1.84693
com31	117	.00	7.00	23.00	.1966	.98470
com32	117	.00	7.00	77.00	.6581	1.49229
com33	117	.00	7.00	146.00	1.2479	1.99528
com34	117	.00	5.00	82.00	.7009	1.46961
com35	117	.00	4.00	22.00	.1880	.75352
com36	117	.00	7.00	97.00	.8291	1.83026
com37	117	.00	5.00	37.00	.3162	1.01412
com38	117	.00	7.00	56.00	.4786	1.44197
prod39	117	.00	7.00	245.00	2.0940	2.14147
prod40	117	.00	7.00	61.00	.5214	1.43598
prod41	117	.00	5.00	62.00	.5299	1.34915
sus42	117	.00	7.00	43.00	.3675	1.31699
ext43	117	.00	5.00	85.00	.7265	1.48338
oth44	117	.00	7.00	391.00	3.3419	2.13009
oth45	117	.00	7.00	136.00	1.1624	1.95623
oth46	117	.00	7.00	84.00	.7179	1.69607
Valid N (listwise)	117					

Descriptive Statistics

	N	Minimum	Maximum	Sum	Mean	Std. Deviation
ENVQL04	117	.00	75.00	283.00	2.4188	8.01856
ENERG	117	.00	20.00	54.00	.4615	2.17960
HR	117	.00	40.00	1510.00	12.9060	7.91439
COM	117	.00	34.00	865.00	7.3932	8.69796
PROD	117	.00	15.00	368.00	3.1453	3.31211
SUST	117	.00	7.00	43.00	.3675	1.31699
EXT	117	.00	5.00	85.00	.7265	1.48338
OTH	117	.00	20.00	739.00	6.3162	4.92994
Valid N (listwise)	117					

Appendix B8. Content Analysis Per-Item and Theme – Quality 2005

Descriptive Statistics

	N	Minimum	Maximum	Sum	Mean	Std. Deviation
env1QL05	117	.00	7.00	44.00	.3761	1.31783
env2	117	.00	7.00	33.00	.2821	1.04919
env3	117	.00	7.00	40.00	.3419	1.19021
env4	117	.00	7.00	60.00	.5128	1.36846
env5	117	.00	7.00	27.00	.2308	1.16991
env6	117	.00	7.00	13.00	.1111	.75175
env7	117	.00	7.00	28.00	.2393	1.07999
env8	117	.00	5.00	55.00	.4701	1.27693
env9	117	.00	.00	.00	.0000	.00000
env10	117	.00	7.00	12.00	.1026	.79204
env11	117	.00	7.00	30.00	.2564	1.01840
env12	117	.00	5.00	13.00	.1111	.70439
env13	117	.00	.00	.00	.0000	.00000
env14	117	.00	7.00	22.00	.1880	.88016
energ15	117	.00	5.00	11.00	.0940	.60148
energ16	117	.00	5.00	29.00	.2479	.87991
energ17	117	.00	5.00	8.00	.0684	.53702
energ18	117	.00	5.00	5.00	.0427	.46225
hr19	117	.00	7.00	159.00	1.3590	2.09458
hr20	117	.00	3.00	6.00	.0513	.39054
hr21	117	.00	7.00	363.00	3.1026	2.04005
hr22	117	.00	7.00	138.00	1.1795	1.73511
hr23	117	.00	7.00	213.00	1.8205	2.46218
hr24	117	.00	7.00	557.00	4.7607	1.64343
hr25	117	.00	7.00	61.00	.5214	1.71000
hr26	117	.00	5.00	103.00	.8803	1.52090
hr27	117	.00	5.00	30.00	.2564	.98396
hr28	117	.00	7.00	49.00	.4188	1.30806
com29	117	.00	7.00	214.00	1.8291	2.18652
com30	117	.00	7.00	129.00	1.1026	1.82126
com31	117	.00	5.00	19.00	.1624	.79824
com32	117	.00	7.00	91.00	.7778	1.58174
com33	117	.00	7.00	170.00	1.4530	2.13144
com34	117	.00	7.00	111.00	.9487	1.91116
com35	117	.00	5.00	35.00	.2991	.94927
com36	117	.00	7.00	104.00	.8889	1.88359
com37	117	.00	5.00	61.00	.5214	1.31699
com38	117	.00	5.00	51.00	.4359	1.28240
prod39	117	.00	7.00	256.00	2.1880	2.14930
prod40	117	.00	7.00	87.00	.7436	1.78670
prod41	117	.00	5.00	61.00	.5214	1.27711
sus42	117	.00	7.00	48.00	.4103	1.38436
ext43	117	.00	7.00	120.00	1.0256	1.78819
oth44	117	.00	7.00	414.00	3.5385	2.10721
oth45	117	.00	7.00	157.00	1.3419	2.06849
oth46	117	.00	7.00	109.00	.9316	1.84169
Valid N (listwise)	117					

Descriptive Statistics

	N	Minimum	Maximum	Sum	Mean	Std. Deviation
ENVQL05	117	.00	75.00	377.00	3.2222	9.08211
ENERG	117	.00	20.00	53.00	.4530	2.09883
HR	117	.00	41.00	1679.00	14.3504	8.26221
COM	117	.00	39.00	985.00	8.4188	10.39997
PROD	117	.00	15.00	404.00	3.4530	3.66365
SUST	117	.00	7.00	48.00	.4103	1.38436
EXT	117	.00	7.00	120.00	1.0256	1.78819
OTH	117	.00	27.00	848.00	7.2479	5.46289
Valid N (listwise)	117					

Appendix B9. Content Analysis Per-Item and Theme – Quality 2006

Descriptive Statistics

	N	Minimum	Maximum	Sum	Mean	Std. Deviation
env1QL06	117	.00	5.00	53.00	.4530	1.11800
env2	117	.00	3.00	54.00	.4615	1.08706
env3	117	.00	5.00	44.00	.3761	1.03995
env4	117	.00	7.00	106.00	.9060	1.57558
env5	117	.00	3.00	6.00	.0513	.39054
env6	117	.00	3.00	6.00	.0513	.39054
env7	117	.00	4.00	49.00	.4188	1.06057
env8	117	.00	3.00	42.00	.3590	.97787
env9	117	.00	.00	.00	.0000	.00000
env10	117	.00	3.00	30.00	.2564	.84235
env11	117	.00	3.00	60.00	.5128	1.13423
env12	117	.00	3.00	15.00	.1282	.60939
env13	117	.00	5.00	20.00	.1709	.75761
env14	117	.00	7.00	31.00	.2650	.98605
energ15	117	.00	3.00	24.00	.2051	.76043
energ16	117	.00	7.00	64.00	.5470	1.26284
energ17	117	.00	3.00	24.00	.2051	.76043
energ18	117	.00	3.00	33.00	.2821	.87932
hr19	117	.00	7.00	102.00	.8718	1.56766
hr20	117	.00	5.00	14.00	.1197	.65866
hr21	117	.00	7.00	376.00	3.2137	1.55823
hr22	117	.00	7.00	265.00	2.2650	1.64208
hr23	117	.00	7.00	256.00	2.1880	2.05917
hr24	117	.00	5.00	550.00	4.7009	.94927
hr25	117	.00	7.00	48.00	.4103	1.47481
hr26	117	.00	5.00	136.00	1.1624	1.57544
hr27	117	.00	5.00	69.00	.5897	1.24675
hr28	117	.00	5.00	45.00	.3846	1.23767
com29	117	.00	7.00	408.00	3.4872	2.28796
com30	117	.00	7.00	196.00	1.6752	1.95567
com31	117	.00	3.00	9.00	.0769	.47623
com32	117	.00	7.00	140.00	1.1966	1.92192
com33	117	.00	7.00	223.00	1.9060	2.29310
com34	117	.00	7.00	174.00	1.4872	2.01980
com35	117	.00	5.00	91.00	.7778	1.42702
com36	117	.00	7.00	260.00	2.2222	2.22490
com37	117	.00	4.00	56.00	.4786	1.13410
com38	117	.00	3.00	6.00	.0513	.39054
prod39	117	.00	5.00	250.00	2.1368	1.63426
prod40	117	.00	3.00	15.00	.1282	.60939
prod41	117	.00	3.00	69.00	.5897	1.19737
sus42	117	.00	3.00	21.00	.1795	.71457
ext43	117	.00	5.00	199.00	1.7009	1.78241
oth44	117	.00	5.00	345.00	2.9487	.64120
oth45	117	.00	5.00	232.00	1.9829	1.48546
oth46	117	.00	5.00	233.00	1.9915	2.28373
Valid N (listwise)	117					

Descriptive Statistics

	N	Minimum	Maximum	Sum	Mean	Std. Deviation
ENVQL06	117	.00	44.00	516.00	4.4103	8.41709
ENERG	117	.00	13.00	145.00	1.2393	2.98459
HR	117	.00	38.00	1861.00	15.9060	7.21228
COM	117	.00	44.00	1563.00	13.3590	11.36803
PROD	117	.00	11.00	334.00	2.8547	2.29416
SUST	117	.00	3.00	21.00	.1795	.71457
EXT	117	.00	5.00	199.00	1.7009	1.78241
OTH	117	.00	18.00	1030.00	8.8034	4.33558
Valid N (listwise)	117					

Appendix B10. Content Analysis Per-Item and Theme - Total 4 Years

Environment – Total Quantity

Descriptive Statistics						
	N	Minimum	Maximum	Sum	Mean	Std. Deviation
env1totqt	468	.00	4.00	83.00	.1774	.59671
env2	468	.00	5.00	79.00	.1688	.59200
env3	468	.00	5.00	83.00	.1774	.63832
env4	468	.00	5.00	162.00	.3462	.87055
env5	468	.00	5.00	35.00	.0748	.43504
env6	468	.00	2.00	14.00	.0299	.24302
env7	468	.00	3.00	58.00	.1239	.50862
env8	468	.00	3.00	98.00	.2094	.65683
env9	468	.00	.00	.00	.0000	.00000
env10	468	.00	3.00	29.00	.0620	.34381
env11	468	.00	3.00	80.00	.1709	.58226
env12	468	.00	5.00	30.00	.0641	.40889
env13	468	.00	3.00	17.00	.0363	.28669
env14	468	.00	5.00	59.00	.1261	.52672
Valid N (listwise)	468					

Environment – Total Quality

Descriptive Statistics						
	N	Minimum	Maximum	Sum	Mean	Std. Deviation
env1totQL	468	.00	7.00	158.00	.3376	1.14538
env2	468	.00	7.00	134.00	.2863	.98992
env3	468	.00	7.00	140.00	.2991	1.06745
env4	468	.00	7.00	263.00	.5620	1.37678
env5	468	.00	7.00	73.00	.1560	.92040
env6	468	.00	7.00	33.00	.0705	.62200
env7	468	.00	7.00	107.00	.2286	.96462
env8	468	.00	5.00	161.00	.3440	1.07693
env9	468	.00	.00	.00	.0000	.00000
env10	468	.00	7.00	64.00	.1368	.78428
env11	468	.00	7.00	136.00	.2906	1.00585
env12	468	.00	5.00	48.00	.1026	.60171
env13	468	.00	5.00	23.00	.0491	.40834
env14	468	.00	7.00	104.00	.2222	.94935
Valid N (listwise)	468					

Energy – Total Quantity

Descriptive Statistics

	N	Minimum	Maximum	Sum	Mean	Std. Deviation
energ15ttqt	468	.00	4.00	33.00	.0705	.40519
energ16	468	.00	3.00	83.00	.1774	.56727
energ17	468	.00	4.00	38.00	.0812	.44605
energ18	468	.00	4.00	32.00	.0684	.40291
Valid N (listwise)	468					

Energy – Total Quality

Descriptive Statistics

	N	Minimum	Maximum	Sum	Mean	Std. Deviation
enrg15ttQL	468	.00	5.00	55.00	.1175	.66824
energ16	468	.00	7.00	157.00	.3355	1.04126
energ17	468	.00	5.00	57.00	.1218	.64462
energ18	468	.00	5.00	48.00	.1026	.60171
Valid N (listwise)	468					

Human Resources – Total Quantity

Descriptive Statistics

	N	Minimum	Maximum	Sum	Mean	Std. Deviation
hr19ttlqt	468	.00	5.00	371.00	.7927	1.37186
hr20	468	.00	2.00	12.00	.0256	.19464
hr21	468	.00	5.00	987.00	2.1090	1.48615
hr22	468	.00	5.00	456.00	.9744	1.34888
hr23	468	.00	5.00	450.00	.9615	1.37686
hr24	468	.00	5.00	2084.00	4.4530	1.36487
hr25	468	.00	5.00	117.00	.2500	.89461
hr26	468	.00	5.00	279.00	.5962	1.15285
hr27	468	.00	5.00	108.00	.2308	.76188
hr28	468	.00	5.00	95.00	.2030	.72831
Valid N (listwise)	468					

Human Resources – Total Quality

Descriptive Statistics

	N	Minimum	Maximum	Sum	Mean	Std. Deviation
hr19totQL	468	.00	7.00	537.00	1.1474	1.87445
hr20	467	.00	5.00	29.00	.0621	.45198
hr21	468	.00	7.00	1410.00	3.0128	1.96540
hr22	468	.00	7.00	628.00	1.3419	1.74578
hr23	468	.00	7.00	793.00	1.6944	2.26476
hr24	468	.00	7.00	2163.00	4.6218	1.54175
hr25	468	.00	7.00	210.00	.4487	1.55950
hr26	468	.00	5.00	377.00	.8056	1.44515
hr27	468	.00	7.00	159.00	.3397	1.07031
hr28	468	.00	7.00	168.00	.3590	1.25000
Valid N (listwise)	467					

Community – Total Quantity

Descriptive Statistics

	N	Minimum	Maximum	Sum	Mean	Std. Deviation
com29ttlqt	468	.00	5.00	633.00	1.3526	1.60488
com30	468	.00	5.00	330.00	.7051	1.20785
com31	468	.00	5.00	45.00	.0962	.56042
com32	468	.00	5.00	230.00	.4915	1.04191
com33	468	.00	5.00	378.00	.8077	1.26955
com34	468	.00	5.00	261.00	.5577	1.12538
com35	468	.00	5.00	121.00	.2585	.78764
com36	468	.00	5.00	328.00	.7009	1.26569
com37	468	.00	5.00	120.00	.2564	.75646
com38	468	.00	3.00	67.00	.1432	.53448
Valid N (listwise)	468					

Community – Total Quality

Descriptive Statistics

	N	Minimum	Maximum	Sum	Mean	Std. Deviation
com29ttQL	468	.00	7.00	986.00	2.1068	2.34802
com30	468	.00	7.00	539.00	1.1517	1.83017
com31	468	.00	7.00	67.00	.1432	.77350
com32	468	.00	7.00	386.00	.8248	1.65533
com33	468	.00	7.00	663.00	1.4167	2.13352
com34	468	.00	7.00	413.00	.8825	1.74040
com35	468	.00	5.00	171.00	.3654	1.04145
com36	468	.00	7.00	531.00	1.1346	2.00242
com37	468	.00	5.00	183.00	.3910	1.12918
com38	468	.00	7.00	143.00	.3056	1.10992
Valid N (listwise)	468					

Product – Total Quantity

Descriptive Statistics

	N	Minimum	Maximum	Sum	Mean	Std. Deviation
prod39totqt	468	.00	5.00	725.00	1.5491	1.63203
prod40	468	.00	4.00	122.00	.2607	.79640
prod41	468	.00	5.00	155.00	.3312	.84780
Valid N (listwise)	468					

Product – Total Quality

Descriptive Statistics

	N	Minimum	Maximum	Sum	Mean	Std. Deviation
prod39ttQL	468	.00	7.00	956.00	2.0427	2.02085
prod40	468	.00	7.00	221.00	.4722	1.39488
prod41	468	.00	5.00	252.00	.5385	1.27931
Valid N (listwise)	468					

Sustainability – Total Quantity

Descriptive Statistics

	N	Minimum	Maximum	Sum	Mean	Std. Deviation
sust42ttqt	468	.00	5.00	126.00	.2692	1.02650
Valid N (listwise)	468					

Sustainability – Total Quality

Descriptive Statistics

	N	Minimum	Maximum	Sum	Mean	Std. Deviation
sust42ttQL	468	.00	7.00	154.00	.3291	1.22021
Valid N (listwise)	468					

External Relations – Total Quantity

Descriptive Statistics

	N	Minimum	Maximum	Sum	Mean	Std. Deviation
ext43totqt	468	.00	5.00	338.00	.7222	1.29063
Valid N (listwise)	468					

External Relations – Total Quality

Descriptive Statistics

	N	Minimum	Maximum	Sum	Mean	Std. Deviation
Ext43totQL	468	.00	7.00	465.00	.9936	1.68948
Valid N (listwise)	468					

Others – Total Quantity

Descriptive Statistics

	N	Minimum	Maximum	Sum	Mean	Std. Deviation
oth44totqt	468	.00	5.00	1361.00	2.9081	1.78924
oth45	468	.00	5.00	394.00	.8419	1.29097
oth46	468	.00	5.00	401.00	.8568	1.61325
Valid N (listwise)	468					

Others – Total Quality

Descriptive Statistics

	N	Minimum	Maximum	Sum	Mean	Std. Deviation
oth44totQL	468	.00	7.00	1518.00	3.2436	1.92484
oth45	468	.00	7.00	580.00	1.2393	1.77732
oth46	468	.00	7.00	522.00	1.1154	1.96640
Valid N (listwise)	468					

Theme – Total Quantity

Descriptive Statistics

	N	Minimum	Maximum	Sum	Mean	Std. Deviation
ENVtotqt	117	.00	46.00	827.00	7.0684	8.84710
ENERG	117	.00	17.00	186.00	1.5897	3.10493
HR	117	18.00	81.00	4959.00	42.3846	11.48826
COM	117	.00	67.00	2513.00	21.4786	13.96152
PROD	117	.00	19.00	1002.00	8.5641	4.77491
SUST	117	.00	14.00	126.00	1.0769	2.44651
EXT	117	.00	11.00	338.00	2.8889	2.40251
OTH	117	7.00	50.00	2620.00	22.3932	8.75033
Valid N (listwise)	117					

Theme – Total Quality

Descriptive Statistics

	N	Minimum	Maximum	Sum	Mean	Std. Deviation
ENVtotQL	117	.00	95.00	1444.00	12.3419	16.87692
ENERG	117	.00	23.00	317.00	2.7094	5.01044
HR	117	19.00	109.00	6474.00	55.3333	16.49869
COM	117	.00	90.00	4082.00	34.8889	21.55177
PROD	117	.00	36.00	1429.00	12.2137	7.10249
SUST	117	.00	15.00	154.00	1.3162	2.86371
EXT	117	.00	13.00	465.00	3.9744	3.06668
OTH	117	8.00	59.00	3239.00	27.6838	10.03756
Valid N (listwise)	117					

APPENDIX C

STATISTICAL RESULTS

Appendix C1. Chi-Square and Kruskal-Wallis Test for Stakeholder Differences

Chi-Square Test (Stakeholder Group)

Stakeholder Group			
	Observed N	Expected N	Residual
shareholders	32	51.0	-19.0
employees	100	51.0	49.0
suppliers	30	51.0	-21.0
customers	53	51.0	2.0
communities	62	51.0	11.0
investors	29	51.0	-22.0
Total	306		

Test Statistics

	Stakgr
Chi-Square ^a	74.745
df	5
Asymp. Sig.	.000

a. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 51.0.

Kruskal Wallis Test (Per-Item)

Item No.	Chi-Square	Asymp. Sig.	Item No.	Chi-Square	Asymp. Sig.
1	15.314	0.009	24	9.820	0.080
2	23.478	0.000	25	8.228	0.144
3	8.100	0.151	26	13.571	0.019
4	11.770	0.038	27	4.206	0.520
5	13.314	0.021	28	12.336	0.030
6	17.215	0.004	29	1.344	0.930
7	15.612	0.008	30	17.112	0.004
8	15.660	0.008	31	7.015	0.220
9	27.817	0.000	32	5.580	0.349
10	25.040	0.000	33	6.943	0.225
11	16.249	0.006	34	10.562	0.061
12	2.768	0.736	35	4.011	0.548
13	18.619	0.002	36	7.321	0.198
14	8.556	0.128	37	12.091	0.034
15	21.363	0.001	38	4.293	0.508
16	20.918	0.001	39	10.700	0.058
17	36.525	0.000	40	26.085	0.000
18	25.364	0.000	41	26.220	0.000
19	36.364	0.000	42	27.614	0.000
20	19.888	0.001	43	4.882	0.430
21	38.208	0.000	44	11.342	0.045
22	3.496	0.624	45	5.823	0.324
23	19.102	0.002	46	8.094	0.151

Test Statistics: Kruskal Wallis Test, Grouping Variable: Stakeholder groups

Kruskal-Wallis Test (Per-Stakeholder and Item)

		Mean Rank							
Stakeholders	N	Item 1	Item 2	Item 3	Item 4	Item 5	Item 6	Item 7	Item 8
shareholders	32	178.547	194.109	186.984	180.328	176.828	207.719	143.547	182.297
employees	100	138.325	148.625	145.025	144.710	151.100	139.855	163.480	155.075
suppliers	30	133.650	110.467	135.467	121.000	120.367	147.183	97.717	100.000
customers	53	184.236	183.575	163.028	171.632	180.877	165.566	165.925	157.689
communities	62	156.371	145.379	153.935	147.323	142.911	144.968	154.073	160.016
investors	29	136.414	132.414	146.086	167.897	142.914	143.448	163.845	150.052
Total	306								
		Item 9	Item 10	Item 11	Item 12	Item 13	Item 14	Item 15	Item 16
shareholders	32	130.250	192.047	129.125	159.672	173.125	160.781	201.281	194.203
employees	100	147.295	156.475	160.120	147.625	156.670	155.405	135.665	143.310
suppliers	30	94.967	115.800	102.900	152.767	103.483	114.567	133.600	137.133
customers	53	184.594	182.217	170.028	167.972	181.613	170.858	177.387	186.509
communities	62	177.306	125.500	161.242	153.855	143.653	152.855	142.218	134.411
investors	29	153.379	147.086	163.155	140.500	142.328	148.828	163.328	141.138
		Item 17	Item 18	Item 19	Item 20	Item 21	Item 22	Item 23	Item 24
shareholders	32	204.563	183.125	190.797	178.797	178.797	160.859	163.188	176.656
employees	100	144.475	144.005	149.890	154.265	160.975	151.840	158.825	156.370
suppliers	30	101.250	90.433	82.383	119.567	74.833	150.783	105.783	124.300
customers	53	192.245	177.585	189.179	184.321	187.547	169.962	185.906	168.594
communities	62	136.371	161.347	146.927	147.274	138.976	146.960	141.145	136.645
investors	29	148.138	158.000	147.207	115.034	150.017	137.810	141.000	156.707
		Item 25	Item 26	Item 27	Item 28	Item 29	Item 30	Item 31	Item 32
shareholders	32	150.281	190.359	151.594	179.531	152.953	152.484	143.531	162.719
employees	100	163.210	148.075	152.100	140.430	155.055	141.995	156.430	148.475
suppliers	30	156.233	123.450	145.283	173.350	151.383	111.100	118.383	125.983
customers	53	133.406	172.198	174.566	134.557	161.519	185.274	166.415	165.962
communities	62	142.387	149.726	147.637	171.516	143.823	160.944	157.879	162.016
investors	29	181.224	136.517	142.966	145.414	156.966	164.172	157.759	148.138
		Item 33	Item 34	Item 35	Item 36	Item 37	Item 38	Item 39	Item 40
shareholders	32	145.172	138.453	153.719	167.547	126.234	134.031	180.422	199.797
employees	100	145.065	136.785	154.450	139.205	145.995	149.475	150.115	132.165
suppliers	30	130.217	153.300	129.883	166.283	194.350	152.533	149.250	124.800
customers	53	171.972	171.962	163.538	148.821	154.594	164.925	174.981	184.377
communities	62	162.194	159.024	160.637	171.266	150.339	151.661	132.685	156.403
investors	29	163.517	182.397	140.810	144.638	171.966	172.914	145.103	143.034

Stakeholders	N	Item 41	Item 42	Item 43	Item 44	Item 45	Item 46
shareholders	32	194.500	211.047	167.844	194.438	177.609	166.750
employees	100	155.010	142.185	153.715	147.860	142.015	151.095
suppliers	30	91.017	110.950	138.150	126.133	159.750	141.517
customers	53	171.670	174.689	165.113	149.038	147.774	177.038
communities	62	151.097	141.895	138.863	152.984	153.556	147.855
investors	29	139.621	159.121	162.879	165.345	170.379	128.621

Appendix C2. Descriptive Statistics for the Most Important CSD

Item no.	Mean	Std. Deviation
Item 1	5.186	1.778
Item 2	5.176	1.728
Item 3	5.261	1.392
Item 4	5.026	1.631
Item 5	4.601	1.635
Item 6	5.134	1.482
Item 7	4.667	1.589
Item 8	4.863	1.442
Item 9	4.572	1.563
Item 10	4.948	1.420
Item 11	4.376	1.444
Item 12	4.729	1.417
Item 13	4.546	1.482
Item 14	4.928	1.520
Item 15	5.389	1.368
Item 16	5.180	1.592
Item 17	4.941	1.445
Item 18	4.663	1.705
Item 19	5.386	1.632
Item 20	4.294	1.702
Item 21	5.127	1.630
Item 22	4.788	1.596
Item 23	5.046	1.698
Item 24	5.020	1.530
Item 25	4.876	1.472
Item 26	5.075	1.812
Item 27	5.105	1.456
Item 28	5.007	1.421
Item 29	4.817	1.409
Item 30	4.673	1.499
Item 31	4.690	1.251
Item 32	4.660	1.353
Item 33	4.899	1.519
Item 34	4.673	1.578
Item 35	4.690	1.464
Item 36	4.830	1.445
Item 37	4.853	1.451
Item 38	5.098	1.488
Item 39	5.291	1.347
Item 40	5.392	1.584
Item 41	5.330	1.369
Item 42	5.007	1.636
Item 43	4.843	1.560
Item 44	5.029	1.443
Item 45	5.082	1.434
Item 46	4.931	1.388

Appendix C3. Descriptive Statistics and Chi-Square Test For Parties Influencing CSD

Descriptive Statistics

Party	Minimum	Maximum	Mean	Std. Deviation
Government	2	7	4.913	1.266
Media	2	7	4.683	1.019
Auditor	1	7	4.048	1.338
Shareholder	1	7	5.012	1.196
Employee	1	7	4.151	1.528
Supplier	1	6	3.587	1.008
Customer	1	7	4.587	1.452
Community	2	7	5.325	1.128
Investor	1	7	4.671	1.368

Chi-Square Test

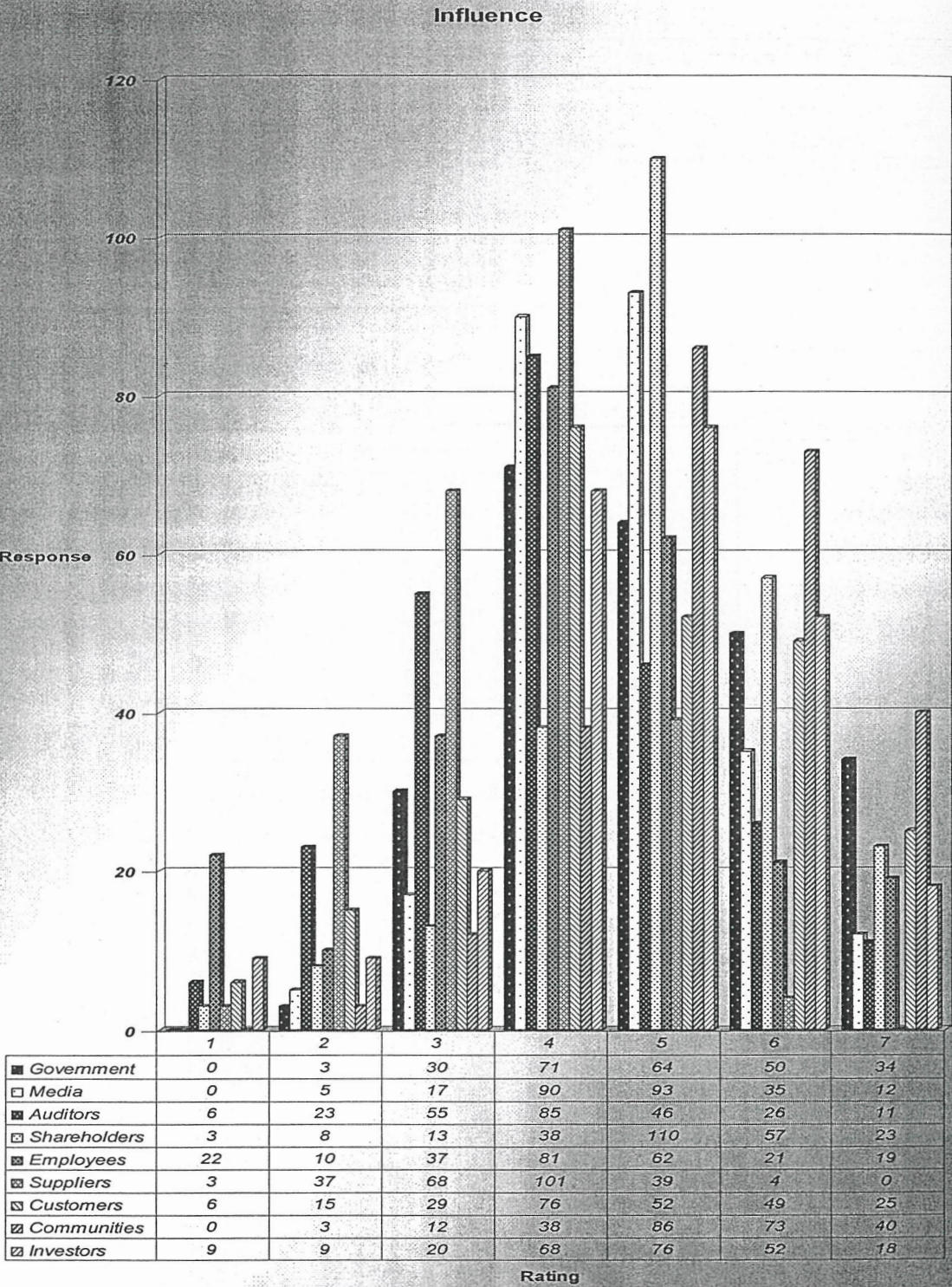
Party	Chi-Square(a,b)	Asymp. Sig.
Government	74.238	.000
Media	186.857	.000
Auditor	129.333	.000
Shareholder	235.889	.000
Employee	113.556	.000
Supplier	170.381	.000
Customer	98.222	.000
Community	127.095	.000
Investor	136.611	.000

Table Caption

a 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 42.0.

b 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 36.0.

Appendix C4. Bar Chart for Company Responses in Parties Influencing CSD



Appendix C5. Descriptive Statistics and Chi-Square Test for CSD Motivation

Descriptive Statistics

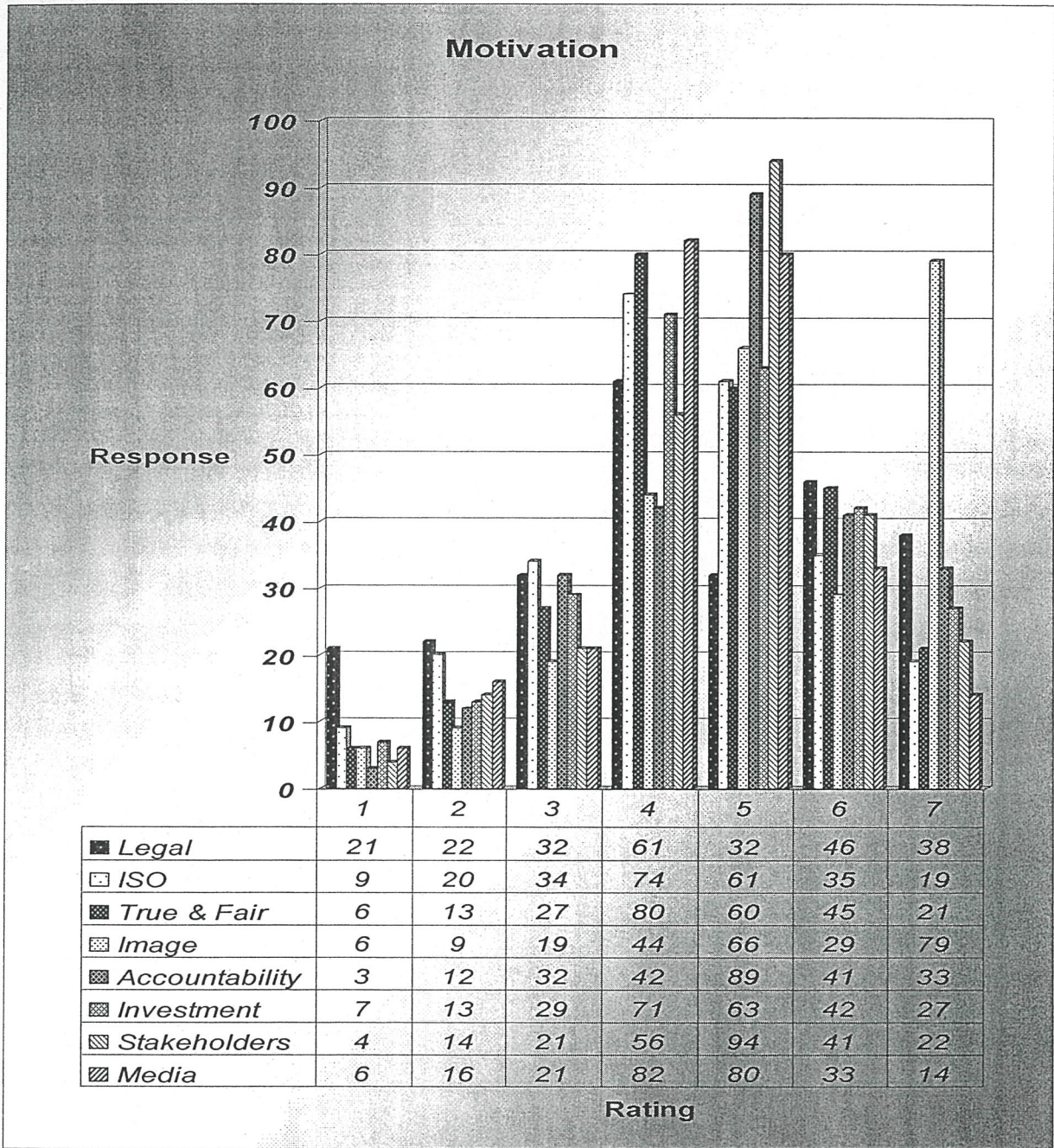
Motivation	Minimum	Maximum	Mean	Std. Deviation
Legal obligation	1	7.000	4.393	1.816
ISO 14000	1	7.000	4.345	1.463
True and fair'	1	7.000	4.563	1.386
Positive Image	1	7.000	5.214	1.585
Accountability	1	7.000	4.813	1.398
Investment	1	7.000	4.603	1.448
Stakeholders compliance	1	7.000	4.718	1.322
Media compliance	1	7.000	4.464	1.298

Chi-Square Test

Motivation	Chi-Square(a)	Asymp. Sig.
Legal obligation	32.833	0.000
ISO 14000	93	0.000
True and fair'	120.222	0.000
Positive Image	132.778	0.000
Accountability	126.667	0.000
Investment	96.944	0.000
Stakeholders compliance	158.833	0.000
Media compliance	168.611	0.000

a. 0 cells (.0%) have expected frequencies less than 5.
The minimum expected cell frequency is 36.0.

Appendix C6. Bar Chart for Company Responses in Motivation for CSD



Appendix C7. Kruskal-Wallis and T-Test Results

Kruska-Wallis Test Result

Kruskal-Wallis Test		
CSD	Chi-Square	Asymp.Sig
Quantity	42.979	0.000
Quality	36.545	0.000

T-Test for total CSD Quant and Qual – per year (relate to Hypothesis 5)

Paired Samples Test

		Paired Differences				t	df	Sig. (2-tailed)	
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower				Upper
Pair 1	NQN03 - NQN04	-.1647	.44211	.04087	-.2457	-.0838	-4.031	116	.000
Pair 2	NQN04 - NQN05	-.1131	.36097	.03337	-.1792	-.0470	-3.389	116	.001
Pair 3	NQN05 - NQN06	-.3026	.41977	.03881	-.3794	-.2257	-7.796	116	.000
Pair 4	NQN03 - NQN06	-.5804	.60184	.05564	-.6906	-.4702	-10.431	116	.000

Paired Samples Test

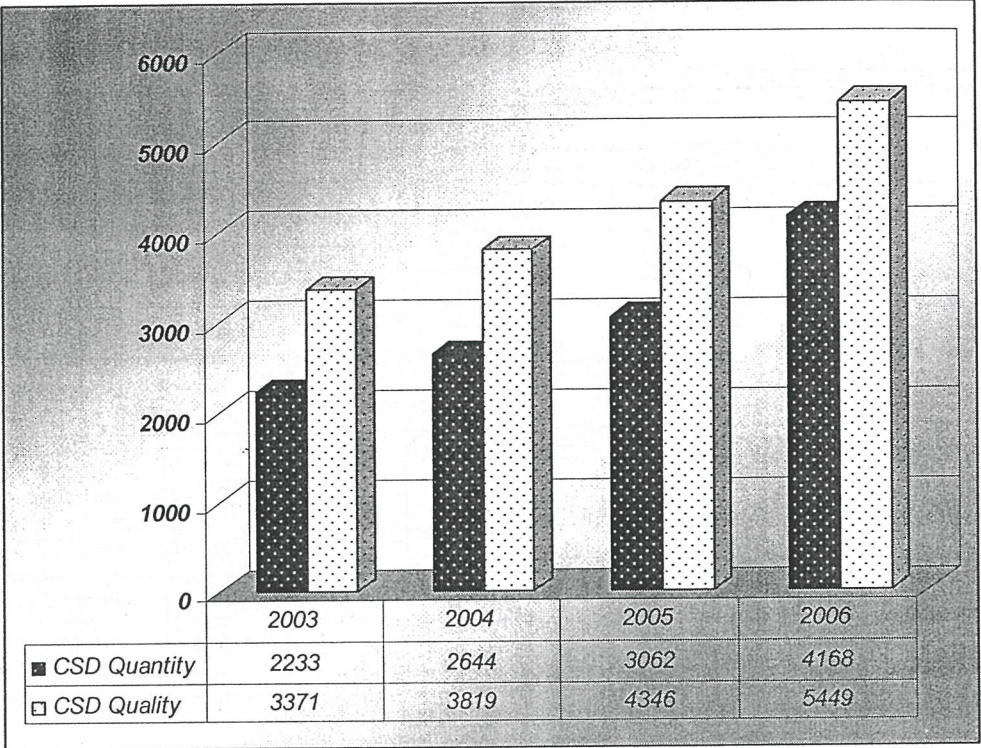
		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	NQL03 - NQL04	-.1547	.48066	.04444	-.2427	-.0667	-3.481	116	.001
Pair 2	NQL04 - NQL05	-.1066	.40148	.03712	-.1801	-.0331	-2.872	116	.005
Pair 3	NQL05 - NQL06	-.2847	.41370	.03825	-.3604	-.2089	-7.443	116	.000
Pair 4	NQL03 - NQL06	-.5460	.63439	.05865	-.6621	-.4298	-9.309	116	.000

Paired-Sample T-test for CSD Total Quantity and Quality 2003-2006

Paired Samples Test

		Paired Differences			t	df	Sig. (2-tailed)
		Std. Deviation	95% Confidence Interval of the Difference				
			Lower	Upper			
Pair 1	TotCSDQT - TotCSDQL	.19362	-.32893	-.29376	-34.787	467	.000

Appendix C8. Bar Chart for Total CSD



Appendix C9. Cross Tabulation for Company Type

Descriptive Statistics for Type of Industry

		Statistics			
N	Valid	csdqtsen	csdqINS	csdqsen	csdqINS
	Missing				
Mean		26.6461	24.3750	38.1981	32.6250
Median		21.5000	19.0000	31.0000	25.0000
Std. Deviation		19.74812	16.76577	28.88836	22.44287
Variance		389.988	281.091	834.537	503.682

Type of Companies in 3 groups – CSD Quantity

Crosstab

		csdQTRW			Total
		low	medium	high	
Type	sensitive	253	40	12	305
	nonsensitive	131	29	3	163
Total		384	69	15	468

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	3.115 ^a	2	.211
Likelihood Ratio	3.212	2	.201
Linear-by-Linear Association	.011	1	.917
N of Valid Cases	468		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 5.22.

Type of Companies in 3 groups – CSD Quality

Crosstab

		csdqualRW			Total
		low	medium	high	
Type	sensitive	268	33	4	305
	nonsensitive	146	17	0	163
Total		414	50	4	468

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	2.188 ^a	2	.335
Likelihood Ratio	3.475	2	.176
Linear-by-Linear Association	.766	1	.382
N of Valid Cases	468		

a. 2 cells (33.3%) have expected count less than 5. The minimum expected count is 1.39.

Type of Companies in 2 groups – CSD Quantity

Crosstab

Count		csdQTRW		Total
		low	high	
type	sensitive	282	26	308
	non-sensitive	151	9	160
Total		433	35	468

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	1.207 ^b	1	.272	.355	.181
Continuity Correction ^a	.835	1	.361		
Likelihood Ratio	1.261	1	.261		
Fisher's Exact Test					
Linear-by-Linear Association	1.205	1	.272		
N of Valid Cases	468				

- a. Computed only for a 2x2 table
- b. 0 cells (.0%) have expected count less than 5. The minimum expected count is 11.97.

Type of Companies in 2 groups – CSD Quality

Crosstab

Count		csdqualRW		Total
		low	high	
type	sensitive	295	13	308
	non-sensitive	157	3	160
Total		452	16	468

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	1.755 ^b	1	.185	.283	.144
Continuity Correction ^a	1.116	1	.291		
Likelihood Ratio	1.935	1	.164		
Fisher's Exact Test					
Linear-by-Linear Association	1.751	1	.186		
N of Valid Cases	468				

- a. Computed only for a 2x2 table
- b. 0 cells (.0%) have expected count less than 5. The minimum expected count is 5.47.

Appendix C10. Cross Tabulation for Company Status

Descriptive statistics for Status of Industry

Statistics		QTstate	QTnonstate	QLstate	QLnonstate
N	Valid	28	440	28	440
	Missing	412	0	412	0
Mean		55.9643	23.9545	83.7857	33.2705
Median		53.5000	20.0000	82.5000	28.0000
Std. Deviation		22.89183	16.79578	46.10805	22.12940
Variance		524.036	282.098	2125.952	489.710

Status of Companies in 3 groups – CSD Quantity

Crosstab

Count		csdQTRW			Total
		low	medium	high	
status	state	8	15	5	28
	non-state	376	54	10	440
Total		384	69	15	468

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	60.783 ^a	2	.000
Likelihood Ratio	42.879	2	.000
Linear-by-Linear Association	59.747	1	.000
N of Valid Cases	468		

a. 2 cells (33.3%) have expected count less than 5. The minimum expected count is .90.

Status of Companies in 3 groups – CSD Quality

Crosstab

Count		csdqualRW			Total
		low	medium	high	
status	state	13	11	4	28
	non-state	401	39	0	440
Total		414	50	4	468

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	91.610 ^a	2	.000
Likelihood Ratio	43.739	2	.000
Linear-by-Linear Association	72.749	1	.000
N of Valid Cases	468		

a. 3 cells (50.0%) have expected count less than 5. The minimum expected count is .24.

Status of Companies in 2 groups – CSD Quantity

Crosstab

Count		csdQTRW		Total
		low	high	
status	state	15	13	28
	non-state	418	22	440
Total		433	35	468

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	65.298 ^b	1	.000	.000	.000
Continuity Correction ^a	59.448	1	.000		
Likelihood Ratio	35.466	1	.000		
Fisher's Exact Test					
Linear-by-Linear Association	65.159	1	.000		
N of Valid Cases	468				

a. Computed only for a 2x2 table

b. 1 cells (25.0%) have expected count less than 5. The minimum expected count is 2.09.

Status of Companies in 2 groups – CSD Quality

Crosstab

Count		csdqualRW		Total
		low	high	
status	state	21	7	28
	non-state	431	9	440
Total		452	16	468

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	42.008 ^b	1	.000	.000	.000
Continuity Correction ^a	35.344	1	.000		
Likelihood Ratio	20.157	1	.000		
Fisher's Exact Test					
Linear-by-Linear Association	41.919	1	.000		
N of Valid Cases	468				

a. Computed only for a 2x2 table

b. 1 cells (25.0%) have expected count less than 5. The minimum expected count is .96.

Appendix C11. Variable Transformation

Variables	Transformation
<i>Dependent Variables</i>	
CSD Quantity	natural log (ln)
CSD Quality	natural log (ln)
<i>Independent Variables</i>	
Total Asset	natural log (ln)
Total Sales	natural log (ln)
Capitalisation	natural log (ln)
ROA	natural log (ln)
ROE	square root (Sqrt)
EPS	natural log (ln)
Age	natural log (ln)
Solvency	square root (Sqrt)
Ownership	no transformation

Appendix C12. Test of Normality

Raw Data		CSD Quantity	CSD Quality	TA	TS	Cap	ROA	ROE	EPS	Age	Sol	Own
Most Extreme Differences	Absolute	0.161	0.144	0.381	0.333	0.371	0.241	0.347	0.296	0.094	0.095	0.044
	Positive	0.161	0.144	0.347	0.291	0.337	0.179	0.274	0.296	0.094	0.095	0.044
	Negative	-0.117	-0.121	-0.381	-0.333	-0.371	-0.241	-0.347	-0.281	-0.049	-0.044	-0.036
Kolmogorov-Smirnov Z		3.492	3.106	8.249	7.202	8.034	5.224	7.508	6.395	2.044	2.048	0.959
Asymp. Sig. (2-tailed)		0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.316
Transformed Data		CSD LN Quantity	CSD LN Quality	LNTAC	LNTS	LNCAP	LNROA	SqrtROE	LNEPS	LNAge	SqrtSol	Own
Most Extreme Differences	Absolute	0.040	0.045	0.060	0.042	0.031	0.086	0.089	0.113	0.083	0.064	0.044
	Positive	0.040	0.045	0.060	0.022	0.029	0.086	0.064	0.113	0.052	0.064	0.044
	Negative	-0.028	-0.040	-0.031	-0.042	-0.031	-0.068	-0.089	-0.084	-0.083	-0.062	-0.036
Kolmogorov-Smirnov Z		0.855	0.980	1.295	0.901	0.675	1.864	1.921	2.434	1.799	1.386	0.959
Asymp. Sig. (2-tailed)		0.458	0.292	0.070	0.391	0.752	0.002	0.001	0.000	0.003	0.043	0.316

TA= total Asset, TS=total Sales, Cap=market capitalization, ROA=return on asset, EPS=Earning per-share, Age=company age, Sol=solvability, Own=ownership
LN=natural logarithm, Sqrt=square root

Appendix C13. Spearman's Rho Correlation Results - 2003

Variable	Correlation	CSD Quantity	CSD Quality	Total Asset	Total Sales	Capitalisation	ROA	ROE	EPS	Age	Solvency	Owner
CSD Quantity	Correlation Coefficient	1	0.958**	0.245**	0.166	0.173	-0.008	0.090	0.114	0.208	0.160	0.140
	Sig. (2-tailed)	.	0.000	0.008	0.073	0.062	0.931	0.332	0.220	0.024	0.086	0.133
CSD Quality	Correlation Coefficient	0.958**	1	0.222	0.188*	0.202*	0.061	0.099	0.152	0.171	0.080	0.163
	Sig. (2-tailed)	0.000	.	0.016	0.042	0.029	0.515	0.290	0.103	0.065	0.389	0.080
Total Asset	Correlation Coefficient	0.245**	0.222*	1	0.808**	0.859**	0.124	0.290**	0.319**	0.097	0.315**	0.118
	Sig. (2-tailed)	0.008	0.016	.	0.000	0.000	0.183	0.001	0.000	0.297	0.001	0.205
Total Sales	Correlation Coefficient	0.166	0.188*	0.808	1	0.788**	0.112	0.214*	0.330**	0.136	0.149	0.188*
	Sig. (2-tailed)	0.073	0.042	0.000	.	0.000	0.228	0.020	0.000	0.144	0.110	0.042
Capitalisation	Correlation Coefficient	0.173	0.202*	0.859	0.788**	1	0.277**	0.305**	0.326**	0.080	-0.015	0.221*
	Sig. (2-tailed)	0.062	0.029	0.000	0.000	.	0.002	0.001	0.000	0.392	0.876	0.017
ROA	Correlation Coefficient	-0.008	0.061	0.124	0.112	0.277**	1	0.652**	0.586**	0.131	-0.202*	0.171
	Sig. (2-tailed)	0.931	0.515	0.183	0.228	0.002	.	0.000	0.000	0.161	0.029	0.065
ROE	Correlation Coefficient	0.090	0.099	0.290	0.214*	0.305**	0.652**	1	0.588**	0.144	0.160	0.018
	Sig. (2-tailed)	0.332	0.290	0.001	0.020	0.001	0.000	.	0.000	0.121	0.084	0.846
EPS	Correlation Coefficient	0.114	0.152	0.319	0.330**	0.326**	0.586**	0.588**	1	0.145	0.053	0.053
	Sig. (2-tailed)	0.220	0.103	0.000	0.000	0.000	0.000	0.000	.	0.120	0.574	0.571
Age	Correlation Coefficient	0.208*	0.171	0.097	0.136	0.080	0.131	0.144	0.145	1	0.070	0.075
	Sig. (2-tailed)	0.024	0.065	0.297	0.144	0.392	0.161	0.121	0.120	.	0.453	0.419
Solvency	Correlation Coefficient	0.160	0.080	0.315	0.149	-0.015	-0.202*	0.160	0.053	0.070	1	-0.160
	Sig. (2-tailed)	0.086	0.389	0.001	0.110	0.876	0.029	0.084	0.574	0.453	.	0.085
Owner	Correlation Coefficient	0.140	0.163	0.118	0.188*	0.221*	0.171	0.018	0.053	0.075	-0.160	1
	Sig. (2-tailed)	0.133	0.080	0.205	0.042	0.017	0.065	0.846	0.571	0.419	0.085	.

** Correlation is significant at the 0.01 level (2-tailed).

* Correlation is significant at the 0.05 level (2-tailed).

Appendix C14. Spearman's Rho Correlation Results - 2004

Variable	Correlation	CSD Quantity	CSD Quality	Total Asset	Total Sales	Capitalisation	ROA	ROE	EPS	Age	Solvency	Owner
CSD Quantity	Correlation Coefficient	1	0.966**	0.495**	0.441**	0.473**	0.256**	0.407**	0.365**	0.209*	0.188*	0.105
	Sig. (2-tailed)	.	0.000	0.000	0.000	0.000	0.005	0.000	0.000	0.023	0.043	0.260
CSD Quality	Correlation Coefficient	0.966**	1	0.471**	0.450**	0.463**	0.302**	0.409**	0.405**	0.180	0.143	0.109
	Sig. (2-tailed)	0.000	.	0.000	0.000	0.000	0.001	0.000	0.000	0.052	0.124	0.242
Total Asset	Correlation Coefficient	0.495**	0.471**	1	0.800**	0.882**	0.219*	0.478**	0.426**	0.135	0.269**	0.042
	Sig. (2-tailed)	0.000	0.000	.	0.000	0.000	0.018	0.000	0.000	0.146	0.003	0.653
Total Sales	Correlation Coefficient	0.441**	0.450**	0.800**	1	0.802**	0.309**	0.457**	0.480**	0.186*	0.155	0.130
	Sig. (2-tailed)	0.000	0.000	0.000	.	0.000	0.001	0.000	0.000	0.044	0.094	0.162
Capitalisation	Correlation Coefficient	0.473**	0.463**	0.882**	0.802**	1	0.385**	0.543**	0.502**	0.140	0.040	0.113
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	.	0.000	0.000	0.000	0.131	0.666	0.224
ROA	Correlation Coefficient	0.256**	0.302**	0.219*	0.309**	0.385**	1	0.806**	0.707**	0.261**	-0.405**	0.120
	Sig. (2-tailed)	0.005	0.001	0.018	0.001	0.000	.	0.000	0.000	0.005	0.000	0.198
ROE	Correlation Coefficient	0.407**	0.409**	0.478**	0.457**	0.543**	0.806**	1	0.785**	0.360**	-0.054	0.126
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	0.000	0.000	.	0.000	0.000	0.564	0.177
EPS	Correlation Coefficient	0.365**	0.405**	0.426**	0.480**	0.502**	0.707**	0.785**	1	0.242**	-0.164	0.122
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	.	0.009	0.078	0.191
Age	Correlation Coefficient	0.209*	0.180	0.135	0.186*	0.140	0.261**	0.360**	0.242**	1	0.057	0.030
	Sig. (2-tailed)	0.023	0.052	0.146	0.044	0.131	0.005	0.000	0.009	.	0.543	0.748
Solvency	Correlation Coefficient	0.188*	0.143	0.269**	0.155	0.040	-0.405**	-0.054	-0.164	0.057	1	-0.090
	Sig. (2-tailed)	0.043	0.124	0.003	0.094	0.666	0.000	0.564	0.078	0.543	.	0.336
Owner	Correlation Coefficient	0.105	0.109	0.042	0.130	0.113	0.120	0.126	0.122	0.030	-0.090	1
	Sig. (2-tailed)	0.260	0.242	0.653	0.162	0.224	0.198	0.177	0.191	0.748	0.336	.

** Correlation is significant at the 0.01 level (2-tailed).

* Correlation is significant at the 0.05 level (2-tailed).

Appendix C15. Spearman's Rho Correlation Results - 2005

Variable	Correlation	CSD Quantity	CSD Quality	Total Asset	Total Sales	Capitalisation	ROA	ROE	EPS	Age	Solvency	Owner
CSD Quantity	Correlation Coefficient	1	0.960**	0.534**	0.492**	0.537**	0.267**	0.365**	0.421**	0.189*	0.049	0.191*
	Sig. (2-tailed)	.	0.000	0.000	0.000	0.000	0.004	0.000	0.000	0.042	0.602	0.040
CSD Quality	Correlation Coefficient	0.960**	1	0.528**	0.531**	0.551**	0.334**	0.418**	0.475**	0.152	0.023	0.196*
	Sig. (2-tailed)	0.000	.	0.000	0.000	0.000	0.000	0.000	0.000	0.102	0.809	0.034
Total Asset	Correlation Coefficient	0.534**	0.528**	1	0.800**	0.847**	0.218*	0.487**	0.508**	0.157	0.240**	0.122
	Sig. (2-tailed)	0.000	0.000	.	0.000	0.000	0.018	0.000	0.000	0.091	0.009	0.191
Total Sales	Correlation Coefficient	0.492**	0.531**	0.800**	1	0.784**	0.363**	0.559**	0.575**	0.171	0.177	0.192*
	Sig. (2-tailed)	0.000	0.000	0.000	.	0.000	0.000	0.000	0.000	0.065	0.057	0.038
Capitalisation	Correlation Coefficient	0.537**	0.551**	0.847**	0.784**	1	0.422**	0.603**	0.579**	0.137	0.027	0.224*
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	.	0.000	0.000	0.000	0.140	0.770	0.015
ROA	Correlation Coefficient	0.267**	0.334**	0.218*	0.363**	0.422**	1	0.835**	0.709**	0.130	-0.348**	0.076
	Sig. (2-tailed)	0.004	0.000	0.018	0.000	0.000	.	0.000	0.000	0.161	0.000	0.418
ROE	Correlation Coefficient	0.365**	0.418**	0.487**	0.559**	0.603**	0.835**	1	0.755**	0.211*	-0.079	0.131
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	0.000	0.000	.	0.000	0.023	0.395	0.158
EPS	Correlation Coefficient	0.421**	0.475**	0.508**	0.575**	0.579**	0.709**	0.755**	1	0.073	-0.105	0.037
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	.	0.431	0.258	0.694
Age	Correlation Coefficient	0.189*	0.152	0.157	0.171	0.137	0.130	0.211*	0.073	1	0.146	0.039
	Sig. (2-tailed)	0.042	0.102	0.091	0.065	0.140	0.161	0.023	0.431	.	0.116	0.674
Solvency	Correlation Coefficient	0.049	0.023	0.240**	0.177	0.027	-0.348**	-0.079	-0.105	0.146	1	-0.097
	Sig. (2-tailed)	0.602	0.809	0.009	0.057	0.770	0.000	0.395	0.258	0.116	.	0.298
Owner	Correlation Coefficient	0.191*	0.196*	0.122	0.192*	0.224*	0.076	0.131	0.037	0.039	-0.097	1
	Sig. (2-tailed)	0.040	0.034	0.191	0.038	0.015	0.418	0.158	0.694	0.674	0.298	.

** Correlation is significant at the 0.01 level (2-tailed).

* Correlation is significant at the 0.05 level (2-tailed).

Appendix C16. Spearman's Rho Correlation Results - 2006

Variable	Correlation	CSD Quantity	CSD Quality	Total Asset	Total Sales	Capitalisation	ROA	ROE	EPS	Age	Solvency	Owner
CSD Quantity	Correlation Coefficient	1	0.974**	0.610**	0.665**	0.713**	0.359**	0.385**	0.447**	0.183*	-0.062	0.285**
	Sig. (2-tailed)	.	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.049	0.507	0.002
CSD Quality	Correlation Coefficient	0.974**	1	0.590**	0.648**	0.703**	0.357**	0.375**	0.426**	0.187*	-0.059	0.309**
	Sig. (2-tailed)	0.000	.	0.000	0.000	0.000	0.000	0.000	0.000	0.044	0.528	0.001
Total Asset	Correlation Coefficient	0.610**	0.590**	1	0.797**	0.876**	0.342**	0.383**	0.466**	0.150	-0.064	0.128
	Sig. (2-tailed)	0.000	0.000	.	0.000	0.000	0.000	0.000	0.000	0.107	0.494	0.169
Total Sales	Correlation Coefficient	0.665**	0.648**	0.797**	1	0.831**	0.424**	0.411**	0.574**	0.238**	0.015	0.278**
	Sig. (2-tailed)	0.000	0.000	0.000	.	0.000	0.000	0.000	0.000	0.010	0.869	0.002
Capitalisation	Correlation Coefficient	0.713**	0.703**	0.876**	0.831**	1	0.525**	0.503**	0.579**	0.190*	-0.170	0.265**
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	.	0.000	0.000	0.000	0.040	0.067	0.004
ROA	Correlation Coefficient	0.359**	0.357**	0.342**	0.424**	0.525**	1	0.690**	0.748**	0.172	-0.237**	0.206*
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	0.000	.	0.000	0.000	0.064	0.010	0.026
ROE	Correlation Coefficient	0.385**	0.375**	0.383**	0.411**	0.503**	0.690**	1	0.619**	0.246**	-0.024	0.214*
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	0.000	0.000	.	0.000	0.007	0.795	0.021
EPS	Correlation Coefficient	0.447**	0.426**	0.466**	0.574**	0.579**	0.748**	0.619**	1	0.235*	-0.164	0.304**
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	.	0.011	0.077	0.001
Age	Correlation Coefficient	0.183*	0.187*	0.150	0.238**	0.190*	0.172	0.246**	0.235*	1	-0.058	0.099
	Sig. (2-tailed)	0.049	0.044	0.107	0.010	0.040	0.064	0.007	0.011	.	0.535	0.289
Solvency	Correlation Coefficient	-0.062	-0.059	-0.064	0.015	-0.170	-0.237**	-0.024	-0.164	-0.058	1	-0.049
	Sig. (2-tailed)	0.507	0.528	0.494	0.869	0.067	0.010	0.795	0.077	0.535	.	0.598
Owner	Correlation Coefficient	0.285**	0.309**	0.128	0.278**	0.265**	0.206*	0.214*	0.304**	0.099	-0.049	1
	Sig. (2-tailed)	0.002	0.001	0.169	0.002	0.004	0.026	0.021	0.001	0.289	0.598	.

** Correlation is significant at the 0.01 level (2-tailed).

* Correlation is significant at the 0.05 level (2-tailed).

Appendix C17. Summary of Pearson Correlation

Variables	Correlations	QUANTITY				QUALITY			
		2003	2004	2005	2006	2003	2004	2005	2006
Ln Total Assets	Pearson Correlation	0.373**	0.561**	0.541**	0.601**	0.314**	0.538**	0.526**	0.586**
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	0.001	0.000	0.000	0.000
Ln Total Sales	Pearson Correlation	0.306**	0.512**	0.465**	0.645**	0.290**	0.522**	0.500**	0.642**
	Sig. (2-tailed)	0.001	0.000	0.000	0.000	0.002	0.000	0.000	0.000
Ln Capitalisation	Pearson Correlation	0.320**	0.538**	0.552**	0.719**	0.308**	0.531**	0.554**	0.711**
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	0.001	0.000	0.000	0.000
Ln ROA	Pearson Correlation	0.059	0.305**	0.257**	0.311**	0.124	0.347**	0.310**	0.321**
	Sig. (2-tailed)	0.526	0.001	0.003	0.000	0.183	0.000	0.000	0.000
Sqrt ROE	Pearson Correlation	0.015	0.377**	0.398**	0.389**	0.003	0.385**	0.441**	0.375**
	Sig. (2-tailed)	0.870	0.000	0.000	0.000	0.978	0.000	0.000	0.000
Ln EPS	Pearson Correlation	0.185*	0.349**	0.380**	0.415**	0.215*	0.401**	0.425**	0.396**
	Sig. (2-tailed)	0.045	0.000	0.000	0.000	0.020	0.000	0.000	0.000
Ln Age	Pearson Correlation	0.242**	0.240**	0.195*	0.163*	0.214*	0.211*	0.162*	0.170*
	Sig. (2-tailed)	0.009	0.009	0.018	0.039	0.020	0.022	0.040	0.034
Sqrt Solvency	Pearson Correlation	0.193*	0.133	0.073	0.000	0.135	0.116	0.054	0.018
	Sig. (2-tailed)	0.037	0.154	0.217	0.500	0.147	0.212	0.282	0.422
Owner	Pearson Correlation	0.160	0.149	0.197*	0.297**	0.178	0.119	0.160*	0.302**
	Sig. (2-tailed)	0.085	0.109	0.017	0.001	0.055	0.200	0.042	0.000

** Correlation is significant at the 0.01 level (2-tailed).

* Correlation is significant at the 0.05 level (2-tailed).

Appendix C18. Summary of Simple Regression

		QUANTITY				QUALITY			
Variables		2003	2004	2005	2006	2003	2004	2005	2006
DType	R	0.137	0.068	0.078	0.130	0.039	0.017	0.130	0.155
	R ²	0.019	0.005	0.006	0.017	0.002	0.000	0.008	0.024
	Sig.	0.142	0.466	0.404	0.164	0.673	0.853	0.163	0.095
DStatus	R	0.414	0.381	0.462	0.479	0.402	0.429	0.510	0.487
	R ²	0.172	0.145	0.213	0.229	0.162	0.184	0.260	0.237
	Sig.	0.000**	0.000**	0.000**	0.000**	0.000**	0.000**	0.000**	0.000**
Total Assets	R	0.232	0.274	0.264	0.346	0.100	0.192	0.207	0.294
	R ²	0.054	0.075	0.070	0.120	0.011	0.037	0.043	0.086
	Sig.	0.012*	0.003**	0.004**	0.000**	0.251	0.038*	0.025*	0.001**
Total Sales	R	0.109	0.261	0.400	0.472	0.060	0.193	0.393	0.439
	R ²	0.012	0.068	0.160	0.223	0.004	0.037	0.147	0.193
	Sig.	0.244	0.004**	0.000**	0.000**	0.480	0.037*	0.000**	0.000**
Cap	R	0.136	0.334	0.454	0.488	0.098	0.230	0.393	0.422
	R ²	0.018	0.111	0.206	0.238	0.010	0.053	0.154	0.178
	Sig.	0.145	0.000**	0.000**	0.000**	0.296	0.013*	0.000**	0.000**
ROA	R	0.015	0.238	0.332	0.409	0.055	0.220	0.319	0.408
	R ²	0.000	0.057	0.110	0.167	0.003	0.048	0.102	0.167
	Sig.	0.872	0.010**	0.000**	0.000**	0.553	0.017*	0.000**	0.000**
ROE	R	0.012	0.173	0.237	0.226	0.025	0.164	0.171	0.159
	R ²	0.000	0.030	0.056	0.029	0.001	0.027	0.051	0.025
	Sig.	0.895	0.063	0.010**	0.065	0.792	0.077	0.014*	0.087
EPS	R	0.025	0.099	0.197	0.187	0.065	0.119	0.199	0.221
	R ²	0.001	0.010	0.039	0.039	0.004	0.014	0.027	0.049
	Sig.	0.792	0.291	0.033*	0.032*	0.488	0.201	0.043*	0.016*
Age	R	0.241	0.275	0.243	0.219	0.186	0.190	0.153	0.214
	R ²	0.058	0.076	0.059	0.048	0.035	0.036	0.015	0.046
	Sig.	0.009**	0.003**	0.008**	0.018*	0.045*	0.040*	0.099	0.021*
Solvability	R	0.128	0.099	0.026	0.078	0.071	0.093	0.049	0.074
	R ²	0.016	0.010	0.001	0.006	0.005	0.009	0.002	0.006
	Sig.	0.169	0.290	0.777	0.400	0.448	0.316	0.598	0.425
DAudit	R	0.171	0.281	0.330	0.376	0.172	0.253	0.318	0.366
	R ²	0.029	0.079	0.109	0.142	0.030	0.064	0.101	0.134
	Sig.	0.065	0.002**	0.000**	0.000**	0.063	0.006**	0.000**	0.000**
Owner	R	0.149	0.134	0.223	0.317	0.138	0.092	0.186	0.331
	R ²	0.022	0.018	0.050	0.101	0.019	0.008	0.026	0.109
	Sig.	0.108	0.149	0.016*	0.000**	0.137	0.325	0.045*	0.000**

**Correlation is significant at the 0.01 level (2-tailed).

* Correlation is significant at the 0.05 level (2-tailed).

DType refers to company type (dummy variables), DStatus to company status(dummy variables), Cap refers to market capitalisation, ROA=Return on Asset, ROE= return on Equity, EPS=Earning per-share, DAudit to auditor's influence (dummy variables), Owner refers to percentage of ownership

Appendix C19. KMO and Bartlett's Test

KMO and Bartlett's Test 2003

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.675
Bartlett's Test of Sphericity	Approx. Chi-Square	375.037
	df	78
	Sig.	.000

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.164	24.341	24.341	3.164	24.341	24.341
2	1.933	14.871	39.211	1.933	14.871	39.211
3	1.250	9.612	48.823	1.250	9.612	48.823
4	1.142	8.787	57.610	1.142	8.787	57.610
5	.993	7.642	65.252			
6	.919	7.072	72.324			
7	.810	6.232	78.556			
8	.717	5.514	84.070			
9	.588	4.520	88.590			
10	.498	3.831	92.421			
11	.469	3.605	96.026			
12	.374	2.874	98.901			
13	.143	1.099	100.000			

Extraction Method: Principal Component Analysis.

KMO and Bartlett's Test 2004

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.657
Bartlett's Test of Sphericity	Approx. Chi-Square	473.909
	df	78
	Sig.	.000

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.135	24.116	24.116	3.135	24.116	24.116
2	1.954	15.030	39.145	1.954	15.030	39.145
3	1.572	12.096	51.242	1.572	12.096	51.242
4	1.299	9.991	61.233	1.299	9.991	61.233
5	1.126	8.661	69.894	1.126	8.661	69.894
6	.897	6.897	76.790			
7	.705	5.420	82.210			
8	.643	4.943	87.154			
9	.595	4.574	91.728			
10	.374	2.879	94.607			
11	.299	2.300	96.907			
12	.263	2.027	98.934			
13	.139	1.066	100.000			

Extraction Method: Principal Component Analysis.

KMO and Bartlett's Test 2005

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.673
Bartlett's Test of Sphericity	Approx. Chi-Square	406.553
	df	78
	Sig.	.000

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.283	25.257	25.257	3.283	25.257	25.257
2	1.839	14.145	39.402	1.839	14.145	39.402
3	1.349	10.375	49.777	1.349	10.375	49.777
4	1.176	9.050	58.827	1.176	9.050	58.827
5	1.077	8.287	67.114	1.077	8.287	67.114
6	.986	7.581	74.696			
7	.744	5.722	80.418			
8	.726	5.585	86.003			
9	.554	4.260	90.263			
10	.422	3.246	93.509			
11	.375	2.883	96.392			
12	.279	2.144	98.536			
13	.190	1.464	100.000			

Extraction Method: Principal Component Analysis.

KMO and Bartlett's Test 2006

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.710
Bartlett's Test of Sphericity	Approx. Chi-Square	375.988
	df	66
	Sig.	.000

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.300	27.498	27.498	3.300	27.498	27.498
2	1.691	14.091	41.589	1.691	14.091	41.589
3	1.310	10.916	52.505	1.310	10.916	52.505
4	1.081	9.006	61.510	1.081	9.006	61.510
5	.983	8.193	69.703			
6	.844	7.030	76.734			
7	.726	6.050	82.783			
8	.629	5.240	88.023			
9	.535	4.456	92.479			
10	.434	3.616	96.095			
11	.311	2.594	98.689			
12	.157	1.311	100.000			

Extraction Method: Principal Component Analysis.