

It's the Time to Assess the Quality of National CSR

¹Eva Rianty Angelina Sitanggang, ²Basuki, ³I Made Narsa

¹Politeknik Katolik Saint Paul, Indonesia

^{2,3}Indonesia University of Airlangga, Indonesia

Abstract:

Most companies in the implementation of social responsibility using a number of the company's budget for pro-social activities and philanthropy. Cited from some previous research that factors are more expressed in CSRD (Corporate Social Responsibility Disclosure) is human resources and community involvement while Environmental disclosure still require more attention. Not concern in environmental issues will threat the sustainability of the environmental and community life itself. Some economists realized that the quality of the environment has an inverse relationship (trade-off), which means that efforts to accelerate economic growth will be followed by the environmental damage due to the depletion of natural resources and environmental degradation. The level of public awareness and businesses respond to the needs of nature conservation with an efficient use of resources is still very varied across the country. It is believed to be due to differences in the level of competitiveness across countries. The level of competitiveness is associated with innovation, skills (Fagerberg, 1996) and technology (Eisdorfer and Hsu, 2011). Developed countries have a higher level of competitiveness compared with developing countries and some research suggests the implementation of CSR in developed countries is better when compared to developing countries. Companies are operating in the hightech industry has the opportunity to become the market leader, but this does not guarantee a high quality of CSR activities in that countries. To date, there has not been much research on measuring the quality of CSR. This study offers a measurement of the National CSR Index Quality for mining and metal sector. Researchers considered that the measure of quality for each business sector is not the same. This study uses content analysis of the aspects listed companies based on the quality criteria set out in this study.

Keywords: National Competitiveness, National CSR Quality

I. INTRODUCTION

Prior research found that the majority of companies have noticed in social responsibility by engage in pro-social activities and philanthropy (van Aaken, et al., 2013). Abu Baker (2000) found that the more likely factor expressed in CSD in jordaniah is human resources and community involvement whereas environmental disclosure at JSC (Jordaniah stock company) still requires further attention. Companies that have a high index of CSR does not reflect the implementation of a quality company. Some examples of cases of highly globalized country in Indonesia is the case of PT. Lapindo Brantas in Sidoarjo, submerging hundreds of hectares of rice fields and farmlands, settlements, cattle. This company also have content that harmful to living organism with exceeds the threshold like the content of cadmium (Cd), lead (Pb), Chrysene and Benz (a) anthracene (PAH). Company PT. Lapindo Brantas is a joint venture between PT. Energi Mega Persada Tbk., PT. Medco Energi Tbk. and Santos Australia. These companies received a platinum award in the field of environment, platinum award in the economic field and gold award in the social field. Eventhough the company got alot of award but it doesn't reflect the quality of the CSR implementation.

The continuity of a country can not be separated from the continuity of life and environmental sustainability of it's country. Porter and Van der Linde (1995) examined the relationship of environmental and competitiveness by raising the issue of how to balance the community's desire to protect the environment with the economic burden on the industry. Economists in the United States have overcome prediction about the impact of environmental cost by changing technology so that new mindsets can be seen that taking into account the balance of economic, environmental and social aspects will contribute to improve the competitiveness of a country.

Many cases of environmental damage affects not only the sustainability of the environment and people's lives but also affect the sustainability of the company. One of the factors considered influential on CSR implementation in each country are differences in the level of competitiveness. Some facts indicate that the environmental damage in developing countries related to the low level of national competitiveness. Some literature states that the level of competitiveness is very concerned with the level of technology of the country. Companies operating in the high technology industry has the opportunity to become the market leader if they developed the latest technology, updates, and adopt appropriate technologies (Eisdorfer, and Hsu, 2011).

Environmentally friendly technologies are necessary to be maintained for long-term national competitiveness. The research appears based on the fact that negative environmental impacts including pollution, the destruction and the imbalance of the whole ecosystem caused by the activities of companies that are not operated by the qualified social responsibility

II. LITERATURE REVIEW

The implementation of CSR can contribute positively to increase the National competitiveness (Battaglia et al., 2014; Boulouta, 2012; Boulouta and Pitelis, 2014; Debeljak and Gregoric, 2006). It is needed a balance of economic, social and environmental improvements. Boulouta (2012) notes that the strategy used by the company is to capture the value by increased productivity so it increase the standard of living. Further, the implementation of CSR based on positioning strategies will put CSR embedded, the cost leadership strategy with cost reduction. Battaglia et al. (2014) state that responsible business behavior can reduce the cost and risk of the company. Cost and risk reduction can be achieved through public relations. Linkage on competitive advantages are also obtained in the presence of explicit statement of policy EEO (Equal Employment Opportunity) for the opportunity to recruit and retain the most talented employees so that the company has a competitive advantage over other companies (Smith, 2005). The CSR Measurements of the company's can enhance the firm's competitiveness through increase stakeholder values. In terms for implementing of CSR reasons for competitiveness, there are ten factor driving motivation of the company: Economic consideration, ethical consideration, innovation and learning, employee motivation, risk management or risk reduction, access to capital or Increased shareholder value, reputation or brand, market position or share, strengthened supplier relationships, as well as cost savings (Crawford and Scaletta, 2006).

Porter and Van der Linde (1995) noticed that the concept of competitiveness is about suppression technology while the science of environmental impact is still rudimentary in many companies and industries. Regulation can provide a critical influence on the direction of innovation, as well as regulations on environmental prudent to increase efficiency, creativity and innovation of a company. The relationship between the environment and the competitiveness of the industry is a model of modern competition that is closer to reality. The point of success must combine the innovation-based solutions that can promote environmental and industrial competitiveness. The continuity of a State can't be separated from the continuity of life and environmental sustainability of the country is located.

What is National Competitiveness?

Competitiveness is the ability to create sustainable added value through the company's activities and also to improve the quality of life for its citizens. The analysts are using the definition of competitiveness widely and centered on the factors that are structurally affect the media for improved economic performance long-term (Fagerberg, 1996), but Laal (2001) states competitiveness as basic business concept for many strategic analysts to increase performance. The essence of competitiveness both at national level and the industry is how a company or country can compete and maintain their sustainability.

National competitiveness is expressed as a measurement of the relative ability of a nation to create and maintain an environment in which businesses can compete so that the level of welfare can be improved (Kao et al., 2008). There are four different aspects of competitiveness: technology, capacity, demand and prices (Fagerberg, et al., 2007). Competitiveness at the company level can be measured from cost efficiency, productivity of labor, investment and experience of the company's business activity before (Stojcic, Hashi, and Telhaj, 2011) as well as the ability to offer products with superior value (Porter and Van der Linde, 1995).

What is National CSR Disclosure Quality?

CSR is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with stakeholders on a voluntary basis (Bernard, et al., 2013). United Nations commission on environment and development explained that "*sustainability means meeting the basic needs of all the world's people today without compromising the ability of future generations to meet their needs. In an environmental context, sustainability refers to an efficient use of resources that minimizes impact on the environment (Esty, et al., 2005).*

To increase the CSR performance, the company is involved in pro-social behavior such as volunteering, philanthropy involvement and willingness to release the budget and all the activities of pro-social moral duty is not due to the company but just another form of marketing companies as a result of the calculation above instruments companies (Van Aaken, et al. 2013).

Companies need to have a good attitude (good attitude) towards social reporting and the environment, which the company believes that a bad report may result in losses for the company and companies that pay attention to sustainable development will contribute to the benefit of the company itself (Krongkaew-arreya and Setthasakko, 2013). This is in line with the concept of triple bottom line i.e. People, Planet and Profit (3P), which refers to the planetary well-being of people's lives, Planet referring to environmental sustainability and profit referring to the fulfillment of the expectations of the investors (shareholders).

Many diverse standards are being used across countries. ISO 26000 and GRI provide indicators that can be used as guidance in assessing the performance of corporate CSR. Each business sector also has a different emphasis on CSR indicators. NCSRQ is the quality of each country's CSR based on an assessment of the specific indicators in each sector that presents a balance of economic, social and environmental aspects

III. RESEARCH METHODOLOGY

Research data obtained from Global Stock issued by Revenue Watch Institute which includes countries that have companies engaged in extractive sector. Company data in the country comes from the largest companies based on market capitalization ranked by The World Federation of Exchanges. This study uses data for 3 years, 2013, 2014, and 2015. The selection criteria specified are:

1. The country sample specified in this study is only the country that has a company engaged in mining and metal so that the country with the business in the oil and gas sector is excluded from the research sample.
2. Countries with companies in the mining and metals that do not issue annual reports for 2013, 2014, and 2015 are excluded from the sample companies.
3. Countries with companies in the mining and metals sector that issue annual reports for 2013, 2014, and 2015 but do not include CSR reports excluded from the sample companies.

The sample is a number of 26 countries consisting of countries of Australia, Brazil, Spain, India, Belgium, United Kingdom, South Africa, Russia, United States, France, Canada, Finland, China, Singapore, HongKong, South Korea, Sweden, Norway, Japan, Kazakhstan, Turkey, Thailand, Mexico, Indonesia, Greece, Netherland.

Independent variable

There are many standards for measuring CSR performance. The most common and widely standard used among countries is the standard issued by GRI-G4. The measurement aspect of GRI-G4 generally consists of 91 indicators. This research uses only 9 indicators that are considered material for mining and metal sector. The ninth indicator is expected represent the quality assessment of CSR implementation in the mining and metal sector. The proposed of National CSR index is calculated by using the following formula:

$$NCSRQI_J = \frac{\sum_{i=1}^{S_j} X_{ij}}{N \times S_j}$$

Whereas:

- X_{ij} = the number of disclosures made by each company based on content analysis in country-J
- N = total score quality CSR (mining sector = 9)
- S_j = the amount of companies in country-J

Dependent variable

Africa including Ghana, Uganda, Tanzania, and Mozambique rich in natural resources but have quite apprehensive situations where its conditions are worse than countries without natural resources. One of the things that led to the failure of the country due to the countries rich in natural resources often do not pursue sustainable growth strategies. They failed to recognize that if they do not reinvest their resource wealth into productive investments above ground then they actually become poorer. Political dysfunction also exacerbates problems such as conflict over access to resource rents lead to government corruption and undemocratic. Some countries are experiencing this problem due to signing a bad contract that gives a disproportionate share of the value of resources to foreign private companies. The thing to do is to ensure that citizens have to get the full value for the resources (Stiglitz, 2012).

Competitiveness means a set of institutions, policies and factors that explain the level of productivity of an economy in a country. National competitiveness is measured by The Global Competitiveness Index (GCI). The Global Competitiveness Index is the measurement of The Global Competitiveness Report that presents the value derived from all drivers of competitiveness of a country conceptually. GCI was published by the World Economic Forum since 2005. The global competitiveness index was formed from 114 indicators categorized into 12 pillars. The Global Competitiveness Index (GCI) captures the economy fundamentally. The Global Competitiveness Index scales are in the range of values 1 to 7. The country with the highest GCI score reflects a very competitive country and vice versa. Countries with low GCI scores reflect the condition of less competitive countries.

IV. HYPOTHESIS

Our study can be considered to be a new avenue for research. This study is tries to build a new measurement for the quality of National CSR. The contribution of this study is to provide an overview of CSR measurements that will indicate the quality of CSR. There are several previous studies that provide a framework for assessing the quality of CSR. Research Wiseman (1982) provides an indicator measurements arranged in detailed environments based on four sub-categories: economic factors, litigation, pollution abatement and other environmental aspects. Analysis to assess the quality and quantity of reporting is also done by Adnan and shayuti (2012), Adnan (2009) and Adnan (2010) in which this study did checklist of over 65 items indicator GRI G3 to obtain a quantity index CSR and evaluation of each sentence CSR determination by the score of 0-4 scale, where '0' without disclosure; '1' for a common rhetorical statements; '2' for the statement of the existence of certain business-specific, descriptive information on the implementation and monitoring; and '4' for the use of targets in addition to measuring the results publication.

Table 1. Indicators of the CSRD Quality

1. Economic Indicators	Performance Market Presence (career development/proportion of	Direct economic value generated and distributed. Proportion of senior management hired from the local community at significant locations of operation.
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2. Environmental Indicators	senior management	Percentage of materials used that are recycled input materials Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas. NOx, SOx, and other significant air emissions- prevention of pollution. Total weight of waste by type and disposal method- prevention of pollution. Total number and volume of significant spills-Prevention of pollution.
	Materials (recycle)	
	Biodiversity	
	Emission	
	Effluent and Waste (waste disposal) by type	
3. Social Indicators	Spill/Spillage	Total number and volume of significant spills-Prevention of pollution.
	Occupational Health and Safety (Health and safety)	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender
	Compliance (non compliance/incompliance)-whistleblowing system	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations

Hooks and Staden (2011) examine the environmental reporting of the same group in a variety of media and found that various methods of content analysis is used to assess the level and quality of disclosure has a very high correlation with each other. Assessment of quality measurement value of each sentence can help to differentiate the company that makes high quality with low quality disclosure. Powerful countries generally have a high level of competitiveness. Previous studies on CSR reporting have shown that there is a strong country effect influencing the level of sustainability reporting (Young and Marais, 2012). Pitelis and Boulouta (2012) examined the relationship between CSR and competitiveness at the national level and provide empirical evidence that the implementation of CSR can provide a significant contribution to national competitiveness by using the national standard of living. Pitelis and Boulouta (2012) also found that the State with a relatively low level of innovation also can compared to countries with a high innovation by implement the CSR-based positioning strategy. Turyakira et.al. (2014) examined the effect of CSR activities to increase competitiveness. By using the 750 respondents, it's shows that CSR activity-oriented workforce, society-oriented CSR activity, as well as market-oriented CSR CSR activity and regulatory activity significantly affect the competitiveness of SMEs. Vilanova (2009) explains that the CSR and competitiveness have a relationship through the learning cycle where corporate values, practices, and policies can be redefined permanently. The integration process can ultimately lead to innovative practices.

H0: NationalCompetitivenesssignificantly affectthe national CSR quality

V. RESULT

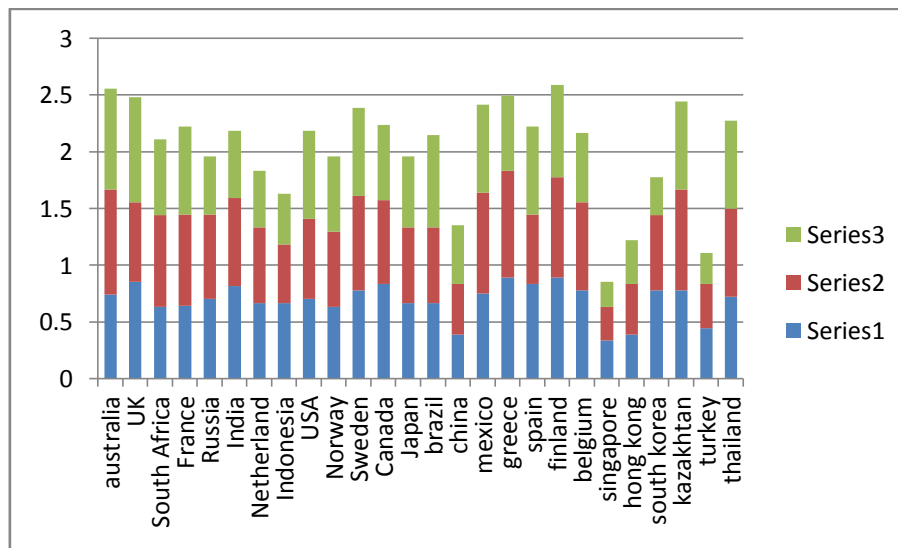


Figure 1. National CSR Quality

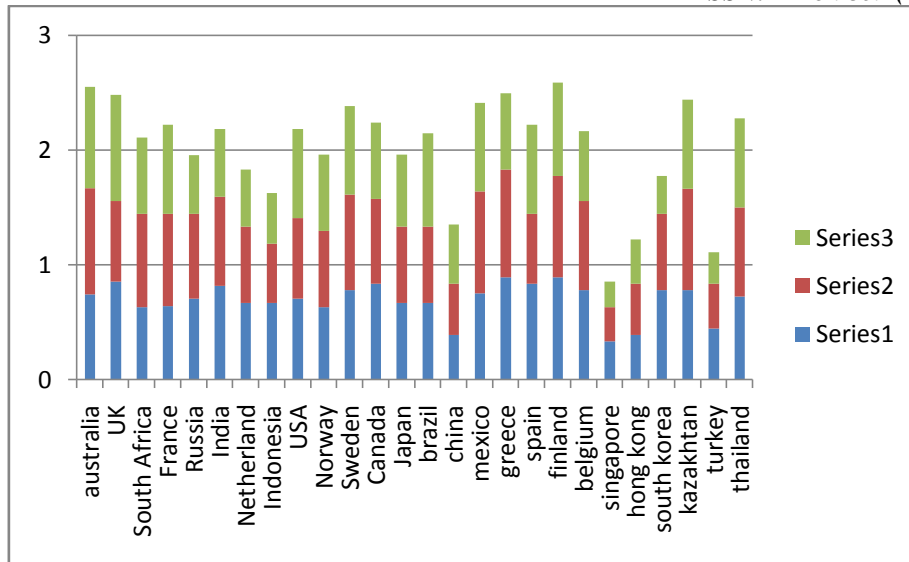


Figure 2. National Competitiveness

The significant effect (CR) with CI 1% is bigger than 2,58 or lower than -2,58 and the significant effect (CR) with for CI 0,5% is bigger than 1,96 or lower than -1,96 (Woolridge, 2015, p.128,129). The results of the study indicate the negative effect of NCSRQ on National Competitiveness. This is indicated from the Z-value and P-values respectively of -2.045 and 0.041. The p-value is 0,041 lower than 0,05 indicate that the NCSRQ affect National Competitiveness and Z-value is -2.045 is lower than -1,96 indicate that NCSRQ negatively affects national competitiveness. This is also showed by the beta value -0,091.

National Corporate Social Responsibility Quality (NCSRQ) is generally done by the company only to gain legitimacy from the community but the implementation of social responsibility is not done on the awareness for the sustainability of society, environment and economy. The tendency of countries with high levels of competitiveness tend to obtain relatively low National Corporate Social Responsibility Quality (NCSRQ) as most developed countries obtain the National Corporate Social Responsibility Quality (NCSRQ) index of the activities of companies whose business operations are in developing countries.

This result supports the research of Kuznetsov and kuznetsova (2008) that stated that the implementation of CSR is just for the social contract according to legitimacy theory. It seems because of developed countries that having mining and metal companies that located in developing countries do not care about the sustainability of the environment. The environmental damage does not affect the survival of their countries.

VI. CONCLUSION

It is important to note that the guidance of GRI-G4 is not available for all sectors. Although the quantity of CSR from the 91-indicators is an important measurement, further research is better to assess the quality of CSR for each sector. CSR Quality index of company is needed to form the National CSR Quality. Moreover, CSR standard in every nation is different across countries. The very popular topic around CSR topic is around environment and the lack of national or international regulation is to characteristic the stringent and enforceable of a policy and regulation. Still in debate, because of mining sector full of conflict and contention but extractive sector gives its role in poverty and development of a country (Sagebien et al., 2008). Many academic and civil society critics because the irresponsible of business activity gives its effect and destroy the nature in the long term not in short term.

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