CORPORATE SOCIAL RESPONSIBILITY TOWARDS CORPORATE PERFORMANCE: WHETHER A BARRIER OR AN ENDORSER?

1,2Astrie Krisnawati, 1Gatot Yudoko, 1Yuni Ros Bangun

1School of Business and Management-Institut Teknologi Bandung, Indonesia.
2Telkom University, Indonesia

Correspondence: astrie.k@sbm-itb.ac.id

ABSTRACT

It is commonly considered that the concept of Corporate Social Responsibility (CSR) contrasts with the principle of a business. The success or failure of a corporate is mostly measured by its financial achievements. Social responsibility and financial profitability are like two sides of a coin. As if there is a trade-off between conducting CSR and achieving corporate performance. Since every activity of a corporate will create a cost as the consequence, then being responsible to society might be harmful to the corporate profitability in terms of financial efficiency. However, some paradigms of business assert that complying with social responsibility is a way to attain corporate sustainability which means that CSR is an endorser, rather than a barrier, to achieve corporate performance. This conceptual paper will show the linkage between CSR and corporate performance through literature review of some previous studies to find the gaps that can be filled in by further research to establish a novel notion of Corporate Social Performance (CSP).

Keywords: Corporate Social Responsibility, Corporate Performance, Corporate Social Performance.

1. INTRODUCTION

Profit orientation and social interests are contrary in businesses. Therefore, the relationship between Corporate Social Responsibility (CSR), Corporate Performance, and Corporate Social Performance (CSP) has been frequently discussed by recent studies with some different contexts all over the world. Different results are obtained from those studies. Huang (2010) did his study to examine the interrelationship among Corporate Governance, CSR, Corporate Financial Performance (CFP), and CSP in electronic companies operating in Taiwan. The result of this study shows that CFP does not influence CSP. Boesso and Michelon (2010) did their study to empirically explore the relationship between CSR performances and competitive performances in Italy with data gathered from KLD’s SOCRATES database. The result of their study shows that CSR performance has a negative relationship with Return on Sales (ROS), but has a positive relationship with Capital Expenditure. In other words, CSR performance has different impacts on some corporate performance indicators. Zulkifli and Muhamad (2011) did their study to investigate the relationship between CSR and CFP in Malaysian public listed companies. They found that there are positive and significant relationships of CSR on CFP. This result shows that CSR can be considered as an effort to endorse financial performance, but there is a limited evidence to prove the relationship in the long term. The other research was done by Chen dan Wang (2011). This study shows that the Chinese companies’ financial performance of the current year can be improved by their CSR activities. CSR activities also have significant impacts on their financial performance of the next year, vice versa. The result of this study shows that CSR and CFP can significantly influence each other. Vurro and Perrini (2011) did their study on samples taken from Fortune 100 global companies. Their study shows that the level of CSR disclosure does not improve CSP, but the more themes covered by a firm in its CSR report, the higher its CSP in the next year. Thus,
the different findings resulted by those studies urge a further research to find a new model of CSP.

2. LITERATURE REVIEW

Referring the bibliometrics study done by Bakker, Groenewegen, & Hond (2006), there are seven existing CSP studies those are the most highly cited (≥ 100) based on database of Citation Index in 2005 gathered from Web of Science/Social Science, Scopus, and Google Scholar. They are the studies of Carroll (1979); Aupperle, Carroll, & Hatfield (1985); McGuire, Sundgren, & Schneeweis (1988); Clarkson (1995); Klassen & McLaughlin (1996); Waddock & Graves (1997); and Wood (1991). These are the vanguards and forerunners of CSP studies, so that the further research in CSP field needs to explore them to obtain deep understandings of CSP concept. This study takes efforts in synthesizing those theories to find the linkage among them in order to propose new notions of CSP for further research.

Carroll (1979)

To develop a conceptual framework for Corporate Social Performance (CSP), which is called as Three-Dimensional Model of Corporate Social Performance, Carroll (1979) brings forward three questions to be answered in his study, i.e. (1) What does the definition of Corporate Social Responsibility include in? (2) What social issues must the corporate address? (3) What is the philosophy of social responsiveness?

To answer the first question, Carroll categorizes the CSR definition into Economic Responsibilities, Legal Responsibilities, Ethical Responsibilities, and Discretionary Responsibilities. Economic Responsibilities deals with the nature of business that is to earn profit, so that a corporate is responsible to produce product and provide services to fulfill the needs and wants of society by selling them for profit. Legal Responsibilities is about the demand of society for business to comply with laws and regulations in achieving its economic goal. Ethical Responsibilities explains that society expects business to act beyond legal requirements although it is not codified into law. Discretionary Responsibilities is about volitional responsibilities of a business to do voluntary activities in giving philanthropic contributions to society. It is the forerunner of The Pyramid Model of CSR (Carroll, 1991), but there is a difference between these theories. In the study of Carroll (1979) the four responsibilities must be done simultaneously, while in Carroll (1991) they are done hierarchically in a stratified pyramid.

To answer the second question, Carroll states that a corporate needs to decide what social issues will be addressed, such as product safety, occupational safety and health, business ethics, preoccupation with the environment, consumerism, and employment discrimination. Emphasizing what social issues to be address is an important aspect of CSP. However, the focus on a particular social issue can change over time depending on the type of industry and many other factors as asserted by Holmes (1976), i.e. corporate need, corporate ability to help society, seriousness of social need, interest of top executive, public relations value of social action, and government pressure.

To complete his conceptual model of CSP, Carroll (1979) answers the third question by explaining how a corporate acts to respond social responsibility and social issues. The level of social responsiveness is categorized into reaction, defense, accommodation, and proaction. The level of responsiveness will determine the business strategy and represent an aspect of management’s social performance.

The answers of those three questions then form three dimensions of CSP model, i.e. Social Responsibility Categories, Social Issues Involved, and Philosophy of Social Responsiveness. Instead of separating between economic and social issues, this
conceptual model puts economic performance as a part of total social responsibilities of a corporate. It integrates economic matters into social performance framework. It is such a comprehensive model that can assist a corporate to manage a better social program by identifying which categories it will address to solve major social issues. Figure 3.8 shows the CSP model asserted by Carroll (1979).

Figure 1: The Three-Dimensional Model of Corporate Social Performance

*Source:* Carroll (1979)

However, as a performance model, this Carroll’s model is more proper to be regarded as a planning tool rather than a measurement framework, as it does not clearly mention what indicators can represent the performance. This model does not provide the framework to measure the performance itself that can help a corporate evaluate how good its efforts in social performance in the way to achieve its total corporate performance.

**Aupperle, Carroll, & Hatfield (1985)**

The topic of the relationship between CSR and profitability has been studied by many researchers and showed varying results. Aupperle, Carroll, & Hatfield (1985) did their research on this repeated issue to help solve problems of ideological bias and limited methodological procedures of some previous studies. It is also to answer the difficulty of adequately measuring CSR. Using factor analysis, Aupperle, Carroll, & Hatfield (1985) determine the four constructs of CSR definition asserted by Carroll (1979) as proxy of CSP. They then divide those constructs into two categories; “concern for society” and “concern for economic performance”. The former consists of the three non-economic constructs, i.e. legal, ethical, and discretionary. While the latter is the economic construct. The economic component is compared to the non-economic components. Aupperle, Carroll, & Hatfield (1985) did a survey on CEOs’ social orientation. The perceptions on corporate social responsibility of CEOs or their delegated representatives are measured by giving statements for each component and scoring them by applying Likert Scale of 4-3-2-1 for the economic, legal, ethical, and discretionary components. Aupperle, Carroll, & Hatfield (1985) consider that the high scores of “concern for society” will indicate strong orientation of social responsibility.
The corporate performance criteria in this study is represented by financial performance with Return on Assets (ROA) as the indicator, for both short-term (one year) and long-term (five years). Aupperle, Carroll, & Hatfield (1985) employ risk-adjusted ROA in the measurement for anticipating the risk propensities. Their study found that there are no statistically significant relationships between social responsibility and profitability. Various levels of social orientation towards social responsibility do not correlate with the difference of financial performance. This result shows that a corporate does not take financial advantage from conducting social responsibility. However, the findings are possibly resulted due to limited perceptions of CEOs. The CEOs might not be representative of their corporates.

**McGuire, Sundgren, & Schneeweis (1988)**

McGuire, Sundgren, & Schneeweis (1988) propose the different views of relationship between corporate social responsibility and corporate financial performance. The first view sees that social responsibility and financial performance is a trade-off. Social responsibility causes costs that can create economic disadvantage for the firm. The second view sees that the cost of social responsibility is low and may bring advantage for the firm from the increasing of employee morale and productivity. The third view sees that the cost of social responsibility is significant, but it comes from the reduction of other costs that can be avoided by conducting social responsibility.

In their study, McGuire, Sundgren, & Schneeweis (1988) conclude from previous studies that there are various ways to measure performance of CSR, and three of them are commonly used. The first method employs evaluations of corporate policies from experts. The second method applies content analysis of corporate annual reports and the disclosure of other corporate documents. The third method uses the pollution controlling system of corporates to measure corporate social performance. The different methods of CSR measurement may create different findings as the results.

The study of McGuire, Sundgren, & Schneeweis (1988) is a further development continued from the study of Aupperle, Carroll, & Hatfield (1985). McGuire, Sundgren, & Schneeweis (1988) gather data of CSR performance from annual survey done by Fortune magazine. The survey had been conducted since 1982 covering the largest firms within 20-25 industry groups. The survey rates the firms based on eight attributes, i.e. financial soundness, long-term investment value, use of corporate assets, quality of management, innovativeness, products and services quality, use of corporate talent, community, and environmental responsibility. While indicators used to measure financial performance are from data on accounting and stock market performance. Market performance is measured by risk-adjusted return, or alpha, and total return. Market risk is measured by beta, a measure of systematic risk, and the standard deviation of total return. Accounting-based performance is measured by return on assets (ROA), total assets, sales growth, asset growth, and operating income growth. Accounting-based risk is measured by the ratio of debt to assets, operating leverage, and standard deviation of operating income.

The results of this study show that ROA and total assets are significantly and positively correlated with corporate social responsibility. The other measurements of accounting show little association with corporate social responsibility. These results support the statement that corporate social responsibility affects corporate financial performance through the effects on stakeholders. McGuire, Sundgren, & Schneeweis (1988) give an important suggestion for further research that rather than studying the subsequent performance, it is more recommended to use the prior performance as it is a better predictor to study the relationship between financial performance and corporate social responsibility.
Clarkson (1995)
The study of Clarkson (1995) presents conclusions of previous studies of CSP within 1983-1993. The main conclusions resulted by this study are: (1) It is important to distinct stakeholder issues and social issues as the corporate and its managers have relationship with stakeholders instead of society. (2) It is important to determine the level of analysis, whether it is institutional, organizational, or individual. (3) After completing the two previous conclusions, then it will be possible to evaluate and analyze the CSP and the performance of its managers in terms of corporate responsibilities and relationships with its stakeholders.

To explain his first conclusion, Clarkson provides a table consisting of list of typical corporate and stakeholder issues. This table categorizes the issues based on the interests of each stakeholder. Those issues are categorized into stakeholder issues rather than social issues for the reason that all those issues concern with one or more stakeholder groups instead of society as a whole.

The second conclusion is about the level of analysis. The discussion of Corporate Social Responsibility and Corporate Social Responsiveness is in institutional level which represents business and society. The analysis and evaluation of Corporate Social Performance are in organizational level which is identified as corporation and its stakeholder groups. The analysis and evaluation of management performance are in individual level which concerns with managers in terms of managing stakeholder issues and relationships with stakeholders.

Clarkson’s study is a further development of Carroll’s three-dimensional model in terms of evaluating corporate performance to explain the third conclusion. Clarkson (1995) applies The Reactive-Defensive-Accomodative-Proactive (RDAP) Scale in more practical way to evaluate corporate performance in terms of stakeholder relationships and responsibilities. Clarkson adds two important elements in The RDAP Scale, i.e. Posture or Strategy and Performance. The first element is to identify the posture or strategy of a company in managing stakeholder issues. While the second element is provided to measure stakeholder satisfaction by evaluating a company in terms of the management of particular stakeholder issues and its level of responsibility. Table 3.3 will show the RDAP Scale applied by Clarkson (1995).

Table 1: The Reactive-Defensive-Accomodative-Proactive (RDAP) Scale

<table>
<thead>
<tr>
<th>Rating</th>
<th>Posture or Strategy</th>
<th>Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reactive</td>
<td>Deny responsibility</td>
<td>Doing less than required</td>
</tr>
<tr>
<td>Defensive</td>
<td>Admit responsibility but fight it</td>
<td>Doing the least that is required</td>
</tr>
<tr>
<td>Accomodative</td>
<td>Accept responsibility</td>
<td>Doing all that is required</td>
</tr>
<tr>
<td>Proactive</td>
<td>Anticipate responsibility</td>
<td>Doing more than is required</td>
</tr>
</tbody>
</table>

Source: Clarkson (1995)

Clarkson (1995) has provided a measurement framework of CSP which emphasizes in relationship between a corporate and its stakeholders. However, this performance can create a bias in measurement as each stakeholder group of a corporate might have different perspective in evaluating in which rating a corporate is. So that, this framework is proper to evaluate the performance of a corporate in terms of relationship with its stakeholders per stakeholder group, not in a whole.

Klassen & McLaughlin (1996)
This study consists of three constructs, i.e. social responsibility, environmental performance, and financial performance. Klassen and McLaughlin (1996) use
environmental reputation to represent the measurement of social responsibility. Through their study, they show the relationship between two variables, i.e. environmental management and firm performance. The firm performance is represented by financial performance. This study uses environmental award achievement as the indicator to measure the performance of environmental management rather than the disclosure of annual report, with the reason that the disclosure of annual report tends to subjective as it is done by self-measurement while environmental award is granted based on the measurement done by the third party. The indicator of financial performance is the market value which is represented by the stock return. This study applies event study methodology to find the linkage between environmental management and financial performance. The Cumulative Abnormal Return (CAR) resulted by this event study empirically supports the overall hypothesis proposed by the model. It confirms that the strong environmental performance positively affects the corporate financial performance in some different kinds of industry. Then environmental management becomes a crucial dimension of corporate management and operations strategy. Environmental management consists of product and operations technologies and management systems which can improve the environmental performance of a corporate. Then the environmental performance through market gains and cost savings can finally improve the financial performance. Figure 2 shows the linkage of environmental management to firm profitability.

![Figure 2: Linkage of Environmental Management to Firm Profitability](Source: Klassen and McLaughlin (1996))

However, there are some weaknesses of this study. Applying an event study methodology based on market efficiency is susceptible to over-valued or under-valued stock returns due to the possibility of “insider trading” that the stock price does not reflect the information correctly. Furthermore, the indicator of stock return used by this study to measure the variable of corporate financial performance only represents the interest of investors, whereas there are other stakeholders who can influence the
financial performance of a corporate, such as customers. Customers have a potential role to determine the corporate financial performance in terms of profitability. It needs to be studied further how the customers react to the environmental performance of a corporate, whether it influences the customers’ purchasing decision which will finally impact to corporate profitability.

Wood (1991)
Wood (1991) tries to reformulate CSP model through her conceptual study. She redefines CSP and states that definition of CSP consists of three important elements, i.e. principles, process, and outcomes. In terms of these elements, this definition is in accordance with the study of Waddock & Graves (1997) which states that CSP is a multidimensional construct consisting of inputs, internal processes, and outputs. Wood (1991) asserts that assessing CSP on inputs means to examine the level of principles of social responsibility encouraging the actions taken by the firm which consists of institutional principle for legitimacy, organizational principle for public responsibility, or individual principle for managerial discretion. Assessing CSP on process means to examine the level of the firm taking socially responsive processes which consists of environmental assessment, stakeholder management, and issues management. While assessing CSP on outcomes of corporate behavior means to examine the social impacts in terms of the firm’s societal relationship, the social programs, and the presence of social policies.

Through her reformulation of CSP, Wood (1991) does not segregate CSP as a construct that is totally different from corporate performance. This construct can be used to assess the connection with explicit value in terms of proper relationships between business and society. However, it is needed a further study to clear up the CSP model proposed by Wood (1991) in determining the indicator and quantitative proxy of each construct to measure the performance.

Waddock & Graves (1997)
Through their literature studies, Waddock and Graves (1997) state that CSP is a multidimensional construct which consists of inputs, internal processes, and outputs and encompasses issues of managerial decisions and corporate behaviors. Inputs include issues of investments in pollution control equipment and other environmental strategies. Internal processes include some issues of treatment of women and minorities, nature of products produced, relationships with customers, etc. While outputs include issues community relations and philanthropic programs.

Waddock and Graves (1997) conclude that measurements of CSP can be done through some methods, including forced-choice survey instruments, content analysis of documents, behavioral and perceptual measures, case study methodologies resembling social audits, social disclosure, and pollution control investments. Each method has its benefits and limitations. Waddock and Graves (1997) also assert three views of relationship between CSP and financial performance as asserted by McGuire, Sundgren, & Schneeweis (1988) that cost of CSR might be a trade-off with financial performance, might bring advantage to financial performance, and might be a reduction of other costs.

Waddock and Graves (1997) propose slack resources theory and good management theory in the direction of causality between CSP and financial reformance. Slack resources theory says that better financial performance generates the availability of slack resources that enables the corporate to put more investment for social performance. It brings out Hypothesis 1: Better financial performance generates improved CSP, ceteris paribus. It is also to answer the suggestion of McGuire,
Sundgren, & Schneeweis (1988) to do further study of relationship between prior financial performance and CSP.

While good management theory says that there is a correlation between good management practice and CSP due to good relationship with stakeholder groups, and it supports financial performance. Then it delivers Hypothesis 2: Improved CSP generates better financial performance, ceteris paribus. It shows that CSP may not be only the independent variable, but it might be a dependent variable as well.

In this research, CSP is measured by rating eight attributes applied by KLD database. Five attributes emphasize in relations with stakeholders, i.e. community relations, employee relations, environment, product characteristics, and treatment of women and minorities. The rest three attributes have less relation with stakeholders, i.e. military contracting, participation in nuclear power, and involvement in South Africa. While financial performance is measured by return on assets (ROA), return on equity (ROE), and return on sales (ROS). Waddock and Graves (1997) apply control variable between dependent and independent variables. This study uses firm size as control variable and it is measured by total assets and total sales with the long-term debt to total assets ratio as the proxy. The results of this study support both Hypothesis 1 and Hypothesis 2, that CSP and financial performance have strong relationship, either CSP as dependent and independent variable. This linkage creates a virtuous circle and we can conclude that CSP is crucial for corporate performance. Instead of being a sideline thing for a business, CSP is the way to run a business itself. Although the results have given an accurate measurement in supporting the hypothesis, but it is required further studies which examine lags other than 1-year time period used in the current study and explore specific relationships between stakeholder categories and financial performance to confirm the results consistently over time.

After doing literature review and synthesis of the existing CSP theories, it is found that there are similarities and distinctions among them in terms of attributes of CSP, proxies of corporate performance, and recommendations for further research, as shown in Table 2, to underlie the new notions of CSP.

<table>
<thead>
<tr>
<th>Theories/Models</th>
<th>Attributes of CSP</th>
<th>Proxy of Corporate Performance</th>
<th>Recommendations for further research</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carroll (1979)</td>
<td>● Economic ● Legal ● Ethical ● Discretionary</td>
<td>-</td>
<td>● Inclusion of social responsibility definition ● Social issues to be addressed ● Philosophy of social responsiveness</td>
</tr>
<tr>
<td>Aupperle, Carroll, &amp; Hatfield (1985)</td>
<td>● Economic ● Legal ● Ethical ● Discretionary</td>
<td>Return on assets (ROA)</td>
<td>It is required superior methodologies or new qualitative approaches.</td>
</tr>
<tr>
<td>McGuire, Sundgren, &amp; Schneeweis (1988)</td>
<td>• Financial soundness</td>
<td>• Accounting-based performance (return on assets/ROA), total assets, sales growth, asset growth, and operating income growth)</td>
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<tr>
<td></td>
<td>• Long-term investment value</td>
<td>• Accounting-based risk (ratio of debt to assets, operating leverage, and standard deviation of operating income)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Use of corporate assets</td>
<td>• Use of corporate talent</td>
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<td></td>
<td>• Quality of management</td>
<td>• Community &amp; environmental responsibility</td>
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<td></td>
<td>• Innovativeness</td>
<td>• Quality of products or services</td>
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<td></td>
<td>• Use of corporate talent</td>
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<td>• Community &amp; environmental responsibility</td>
<td>• Financial soundness</td>
<td></td>
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</table>

It is more recommended to use the prior performance as it is a better predictor to study the relationship between financial performance and corporate social responsibility.

<table>
<thead>
<tr>
<th>Clarkson (1995)</th>
<th>Corporate responsiveness</th>
<th>-</th>
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</table>

• Proposition 1: Primary stakeholder groups will withdraw from corporate system when a corporate has been unable to continue its going concern.
• Proposition 2: Wealth or value for all corporate’s primary stakeholder groups when its profits have been above the average of its industry.
• Proposition 3: Wealth or value for one or more corporate’s primary stakeholder groups when its profits have been below the average of its industry.
Klassen & McLaughlin (1996)  
- Product & operations technologies designed to minimize the environmental impacts.  
- Strong environmental management systems  
| Stock return | Quantifying more exactly the benefits of strong environmental performance for manufacturers under various circumstances is required. |

Wood (1991)  
- Economic  
- Legal  
- Ethical  
- Discretionary  
| - | New research questions to link among the three facets of:  
- Principles of corporate social responsibility  
- Processes of corporate social responsiveness  
- Outcomes of corporate behavior |

Waddock & Graves (1997)  
- Community relations  
- Employee relations  
- Performance with respect to the environment  
- Product characteristics  
- Treatment of women & minorities  
- Military contracting  
- Participation in nuclear power  
- Involvement in South Africa  
| Return on assets (ROA)  
Return on equity (ROE)  
Return on sales (ROS) | To examine lags other than the 1-year time period used in the present study  
To explore relationships between the stakeholder categories and financial performance |

**New Notions of Corporate Social Performance**  
From the literature review and through the Table 3 we can conclude that the existing theories of CSP coincide that performance of Corporate Social Responsibility (CSR) is represented by the construct of Corporate Social Performance (CSP). There are various attributes to measure CSP, but all of them can be categorized into the attributes proposed by Carroll (1979), i.e. economic, legal, ethical, and discretionary. Since the nature of business is profit oriented, the level of financial achievement is the magnitude of corporate performance, it can be seen from Table 2 that corporate performance is
commonly represented by financial performance, in terms of profitability. As profitability is not the only one indicator of financial performance, there might be an opportunity for further research to study other indicators of financial performance, such as liquidity and solvability to measure corporate performance in terms of corporate’s ability to maintain its going concern. The different results of examination of relationship between CSP and firm financial performance – significantly positive correlation and no correlation – encourage further research to confirm whether social responsibility supports or harms the corporate performance. It is also required to conduct further research to obtain novel notions of CSP, in both conceptual and empirical studies, by complying with the recommendations to fill the limitations and to update the results of those existing studies.

The new notions of CSP is derived by finding the relevant corporate performance indicators for each company’s responsibility to its stakeholders specifically. Table 3 shows the relations of each responsibility with each indicator. Each relation will derive a proposition to develop a new model of CSP.

Table 3: Corporate Social Responsibility and The Related Corporate Performance Indicators

<table>
<thead>
<tr>
<th>Corporate Social Responsibility</th>
<th>Corporate Performance Indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>Responsibility to Shareholders</td>
<td>Price Earning Ratio</td>
</tr>
<tr>
<td>Responsibility to Employees</td>
<td>Income per Employee</td>
</tr>
<tr>
<td>Responsibility to Customers</td>
<td>Customer Turnover</td>
</tr>
<tr>
<td>Responsibility to Suppliers</td>
<td>Supply Chain Environmental</td>
</tr>
<tr>
<td></td>
<td>Management Accounting (EMA)</td>
</tr>
<tr>
<td>Responsibility to Environment</td>
<td>Supply Chain Environmental</td>
</tr>
<tr>
<td></td>
<td>Management Accounting (EMA)</td>
</tr>
<tr>
<td>Responsibility to Community</td>
<td>Going Concern</td>
</tr>
</tbody>
</table>

Thus Table 3 results the propositions as follow:

**Proposition 1:** A company’s compliance with responsibility to its shareholders will significantly affect its Price Earning Ratio

\[
\text{Price Earning Ratio} = \frac{\text{Market Price per Share}}{\text{Earnings per Share}}
\]  
(Titman, Keown, & Martin, 2011)

This proposition will examine whether the increasing of a company’s compliance with responsibility to its shareholders will impact to the increasing of its Price Earning Ratio. Price Earning Ratio is one of Market Value Ratios. The higher the ratio, the better it is. If a company treat shareholders well, then shareholders will perceive well to the company, and it is reflected by the the company’s Market Price per Share. The Price Earning Ratio will be higher for companies those are expected to have better earnings growth prospects and less risk. If a company has high Price Earning Ratio, it means that shareholders perceive it to have high potential growth and/or low risk (Titman, Keown, & Martin, 2011).

**Proposition 2:** A company’s compliance with responsibility to its employees will significantly affect its Income per Employee

\[
\text{Income per Employee} = \frac{\text{Revenue}}{\text{Number of Employee}}
\]  
(Warren, Reeve, & Duchac, 2011)
This proposition will examine whether the increasing a company’s compliance with responsibility to its employees will impact to the increasing of its Income per Employee. This ratio measures the company’s income earned by each employee, thus, it also measures the efficiency of a company to manage its employees to generate income for the company (Warren, Reeve, & Duchac, 2011).

Proposition 3: A company’s compliance with responsibility to its customers will significantly affect its Customer Turnover

Customer Turnover = \[
\frac{\text{Total Number of Customers} - \text{Invoked Customers}}{\text{Total Number of Customers}}
\] (Bragg, 2012)

This proposition will examine whether the increasing a company’s compliance with responsibility to its customers will impact to the increasing of its Customer Turnover. The measurement of a company’s compliance with responsibility to its customers is commonly examined in some studies of customers’ satisfaction. It is perceived that the more customers are satisfied by a company, the more the company can attract customers, and also the more loyal the customers to the company. Customer Turnover is useful to determine the impact of a company’s customer service on its customers. A very low turnover is expected as the cost to acquire new customers is very high (Bragg, 2012).

Proposition 4: A company’s compliance with responsibility to its suppliers will significantly affect its Supply Chain Environmental Management Accounting (EMA)

Proposition 5: A company’s compliance with responsibility to the environment will significantly affect its Supply Chain Environmental Management Accounting (EMA)

Proposition 6: A company’s compliance with responsibility to the community will significantly affect its Going Concern

This proposition will examine whether the increasing a company’s compliance with responsibility to its community will impact to the increasing of its Going Concern. Going Concern is defined as an assumption that a business, as an economic entity, is not in the process of liquidation, so that it will continue indefinitely. Thus, cost is proper to become a basis of valuation (Porter & Norton, 2010). This proposition is based on an assumption that a company’s compliance with responsibility to the community can be regarded as a social insurance in which a company can reduce or avoid costs incurred by dissatisfaction of a community.
3. CONCLUSION
Through literature review of existing theories and previous studies, it is concluded that that performance of Corporate Social Responsibility (CSR) is represented by the construct of Corporate Social Performance (CSP). There are various attributes to measure CSP, but all of them can be categorized into the attributes proposed by Carroll (1979), i.e. economic, legal, ethical, and discretionary. Corporate performance is commonly represented by financial performance, in terms of profitability. However, profitability is not the only one indicator of financial performance. Thus, this study offers six propositions as new notions of Corporate Social Performance, i.e. (1) A company’s compliance with responsibility to its shareholders will significantly affect its Price Earning Ratio; (2) A company’s compliance with responsibility to its employees will significantly affect its Income per Employee; (3) A company’s compliance with responsibility to its customers will significantly affect its Customer Turnover; (4) A company’s compliance with responsibility to its suppliers will significantly affect its Supply Chain Environmental Management Accounting (EMA); (5) A company’s compliance with responsibility to the environment will significantly affect its Supply Chain Environmental Management Accounting (EMA); (6) A company’s compliance with responsibility to the community will significantly affect its Going Concern. These propositions can be considered as potential topics for further research in order to fill the gaps of existing theories.

4. REFERENCES


