

The Influence of Corporate Social Responsibility and Stakeholder Commitment to Company Performance with Slack Resources as Moderation

Wuryan Andayani^{1,*} Adel Hikam Arif², Maharani Wuryantoro³

^{1,2,3} Brawijaya University, Indonesia

*Corresponding author. Email: andayani@ub.ac.id

ABSTRACT

This study aims to examine The Influence of CSR and Stakeholder Commitment on Firm performance with Slack Resources as Moderation. This research's contribution is that companies carry out philanthropy to communities affected by Covid19, and companies with excess resources can help people affected by Covid19. This study offers analysis method using PLS. We find that companies make every effort to make stakeholders believe that the company pays attention to social and environmental aspects. The slack resource has a direct effect to firm performance. Stakeholder commitment increases the disclosure of the company's financial performance. In CSR programs, companies can set aside profits to do philanthropy to empower communities, improve environmental damage, and carry out philanthropy to communities affected by the Covid-19 pandemic. The availability of company resources can improve the relationship between stakeholder commitment and company financial performance. The company uses resources to deal with unexpected conditions both internally and externally. Companies with excess resources can do philanthropy to help people affected by Covid19.

Keywords: CSR, Stakeholder, Firm Performance, Slack Resources, Covid-19.

1. INTRODUCTION

CSR implementation is still a debate among academics regarding whether it is a must for companies to implement CSR. The question among academics is whether companies that operate ethically and have a social responsibility are able to achieve better performance than companies that do not operate ethically. CSR is considered a reaction to pressure from stakeholders that can hinder company activities [1].

Various studies show that companies can take advantage of their ethically responsible operations and pay attention to social interests [1]. [2] suggests that some researchers state that management must always direct the company's operations only for the sake of increasing shareholder wealth. Companies must be socially responsible, get support from various stakeholders, and increase shareholder wealth while maintaining performance by carrying out ethically and socially responsible [3], [4].

Slack resources Companies need to maintain their good name by disclosing information on CSR

implementation to the public with regard to their concern for environmental aspects, labour, consumers, society, and the energy used in company operations to gain the trust of shareholders and stakeholders which will lead to company performance [5].

[6], [7] show a negative relationship between CSR and company performance. According to [8], it is caused by managers who do not have the necessary capabilities to carry out CSR. [9] shows that CSR activities cannot always provide a higher company value but can provide a positive company value. [10] shows that donations given by companies have no effect on performance.

Companies cannot break away from their relationship with stakeholders [11]. According to [12], stakeholder orientation is a strategy to satisfy stakeholders for the company's sustainability. The implementation of CSR is an effort to maintain the company's commitment to stakeholders [13].

Slack resources are unutilized or surplus resources used to produce output [14]. Research

conducted by [15], [16] shows a positive effect. This is in line with companies to carry out social actions. According to [17], slack resources represented by available slack and absorbed slack positively affect the company's performance. In addition, a meta-analysis conducted by [18] shows that there is a positive relationship.

The discussion about the effect of CSR on company performance shifts from the question "does it pay to be good" to "when does it pay to be good" [19]. In a meta-analysis conducted by [20], there are several moderators, for example, research conducted by [21] which uses industry as a moderator, and [22] uses innovation as a moderator.

The use of slack resources as a moderator was carried out in the research of [1]. According to [18], the role of the moderator for slack resources depends on the measuring instrument used and the performance measurement chosen. No research uses slack resources as a moderator of the relationship between CSR and company performance. This study filled the gap of the previous research.

2. LITERATURE REVIEW

2.1. CSR

[23] It stated that CSR is defined as the activity of carrying out social and environmental actions based on statutory regulations. The definitions by [24] include promoting economic prosperity, environmental improvement, social responsibility.

Disclosure of CSR information consists of a stand-alone report, assurance and reporting guideline to improve disclosure quality. Stand-alone reports prioritize social and environmental information aimed at stakeholders [25], [26], [27]. Assurance services aim to increase the credibility of CSR reporting [27], [28], [29], [30], [31]. The CSR implementation include social, environmental, ethical, human rights, and consumer concerns in their strategic plans [32]. Companies are always required to comply with government regulations and need to have voluntary initiatives to meet stakeholder expectations.

[6] states that CSR is designed to increase profits. Managers only have to be responsible to shareholders and carry out a fiduciary duty to maximize shareholder wealth. [11] refutes this argument by stating that companies must consider the differences in needs between individuals and groups that can affect the company or be affected by the company's

activities. Companies have to relate well to stakeholders is the main key to the CSR program. The perspective of stakeholders is a strategic tool in business strategy management [33].

2.2. Resource Based Theory and Slack Resources

This study uses RBV as a basis that the company collects various resources [34]. Owned resources are unique and cannot be duplicated by other companies [35]. According to RBV, the resources owned by the company enable the company to operate more effectively and efficiently [36]. Resources owned by a company can be categorized into financial, physical, legal, human resources, organizational, informational, or relational [36].

Slack resources itself is exceeds the minimum requirement to produce output [14]. These resources can include excess inputs such as labor that is not working at full capacity or excess financial resources [37]. [38] define slack resources as a kind of backing that allows companies to adapt to external and internal pressures caused by environmental changes or institutional changes.

Regarding slack measurement, financial-based measurements are very commonly used, such as changes in budget and sources of funds [39], or changes in expenses for company operations [40]. [41], measure both financial slack and human resource slack. Available slack includes cash and financial instruments available as financial resources in the future [42]. Potential slack is a discretion that can indicate future resources from external parties through debt and investment [42].

2.3. CSR, Slack Resources, and Company Performance

Previous studies have shown that CSR has a positive effect on performance because it can provide easy access to important resources [43], makes it easier for companies to promote products [44] and helps companies gain legitimacy from stakeholders [45].

CSR is used as a company tactic to signal to the public about the company's attitude towards society to build good relationships, which will also lead to performance [46]. Thus, hypothesis 1 is derived as follows:

H1: There is a positive relationship between CSR and Company Financial Performances

[47] It shows that the higher the company's slack resources, the more companies invest in CSR. [15] [16] show the positive influence of slack resources on CSR because slack resources become an opportunity for companies to take social actions. [17] Stated slack resources as measured by indicators of available slack and absorbed slack have a positive effect on the company's market performance. [18] It shows that slack resources affect company performance depending on the slack and performance indicators used. Slack resources affect CSR and performance, the hypothesis proposed is:

H2: Slack Resources moderates the relationship between CSR and Performance.

2.4. Stakeholder Theory

Stakeholder theory states that companies must consider the interests of the company's stakeholders [48] and have a responsibility to operate in the interests of all stakeholders [11]. Company management will take stakeholders into account and focus on specific stakeholders for the sustainability of the company's life [49]. Disproportionate attention to stakeholders can help companies gain legitimacy to get better financial performance [50]. The company needs to consider stakeholders' aspirations and demands and the possible impact of each policy taken and take corrective action [51]. Companies that want to be successful in the long term can meet stakeholder demands [11]. [52] states that there are two stakeholder groups, namely primary and secondary stakeholders.

H3: There is a positive relationship between stakeholder commitment and disclosure of the company's financial performance

H4: Slack resources moderate the relationship between stakeholder commitment and corporate financial performance.

2.5. Conceptual Framework

Figure 1 illustrates the conceptual framework based on resource-based theory, stakeholder theory, the relationship between CSR and stakeholder commitment with the company's financial performance, and the moderating variable of slack resources.

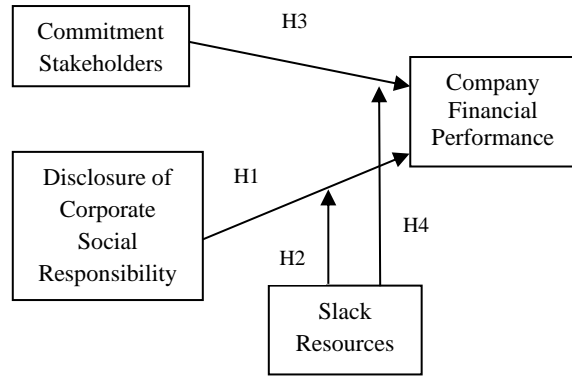


Figure 1 Conceptual Framework

3. RESEARCH METHODS

3.1. Research Data

Research data is taken from public companies listed on the Indonesia Stock Exchange from 2014 to 2018.

3.2. Research Samples

The research sample is as divided into 4 (four) criteria that are (1) population, issuers are no longer listed on the IDX during the observation period, (2) issuers do not disclose social and environmental information for 5 consecutive years, (3) either in annual reports or in sustainability reports, and (4) the number of samples that meet the criteria. Besides that, the total sample as much as 350 sample with object of research is 70.

3.3. Independent Variable

3.3.1. The Independent Variable

3.3.1.1. Stakeholders

Stakeholder commitment measured using the four-item measures disclosed in this category, namely 1). List of stakeholder groups involved by the organization, 2). The basis used in identifying and selecting stakeholders, 3). Approach to stakeholder engagement, 4). Stakeholder engagement topics.

3.3.1.2. CSR, Namely the Quality of CSR Disclosure

The quality variable of CSR is measured using a measurement model designed by [53]. The

information measures the quality of CSR disclosure disclosed (relative quantity), information density, information accuracy, and management orientation.

3.3.2. Slack Resources

Slack resources are the excess of actual and potential resources owned by the company [38]. These resources adapt according to changing conditions of the company's internal pressure and external pressure. Slack resources are measured using Current Ratio and Debt to Equity proxies.

3.4. Dependent Variable

3.4.1. Financial Performance

ROA, ROE and TobinQ measure financial performance variables as market-based performance measures [54]. High ROA indicates that the company has higher wealth.

$$ROA = \text{Net Profit Before Tax} / \text{Total Asset}$$

ROE is calculated by the formula:

$$ROE = \frac{\text{Net Profit After Tax}}{\text{Equity}} \times 100 \% \quad (1)$$

TobinQ is a performance measure concerning investment opportunities. Tobin Q, which is more than 1 indicates that the market value of the company's assets is greater than its replacement cost. TobinQ is calculated by:

$$TobinQ = \frac{MVE + PS + DEBT}{\text{Total Aset}} \quad (2)$$

3.5. Analysis Method

To test the hypothesis proposed use PLS. PLS is appropriate to test the predictive effect of the relationship between latent variables in a model that does not require normally distributed data, and can combine regression and factor analysis methods in one statistical technique.

4. RESULTS AND DISCUSSION

4.1. Results of Partial Least Square (PLS)

4.1.1. Analysis Initial Validity and Reliability Test

There are two types of validity in PLS SEM: convergent validity and discriminant validity. The Average Variance Extracted (AVE) value is at least 0.5. This value illustrates adequate convergent validity, which means that one latent variable is able to explain more than half the variance of its indicators on average.

The reliability of the measurement model is tested through the value of Cronbach's alpha and composite reliability (CR) which must reach a minimum of more than 0.7 so that the research instrument can be said to be reliable.

Table 1. Validity and Reliability Test

	Cronbach's Alpha	rho_A	CR	AVE
Performance	0,812	0,952	0,877	0,712
Stakeholders Commitment	1,000	1,000	1,000	1,000
CSR Disclosure	1,000	1,000	1,000	1,000
Size	1,000	1,000	1,000	1,000
Slack Resources	0,265	0,534	0,580	0,348
Age	1,000	1,000	1,000	1,000

The analysis shows that the Average Variance Extracted on the slack variable shows the number 0.348 which means it has not met convergent validity. Cronbach alpha value in the slack variable shows the

number 0.265 which is not reliable because less than 0.7 (table 2). Therefore, indicators with an outer loading value of less than 0.5 or 0.7 should be eliminated.

Table 2. Outer Loading

	Performance	Stakeholders commitment	CSR Disclosure	Size	Slack	Age
Absorbed Slack					0,328	
Age						1,000
Available Slack					0,486	
Current Ratio					0,818	
Debt to Equity Ratio					0,796	
Financial Slack					-0,306	
Stakeholders Commitment		1,000				
CSR Disclosure			1,000			
ROA	0,950					
ROE	0,598					
Size				1,000		
TobinQ	0,937					

The outer loading value of absorbed slack, available slack and financial slack are 0.328, 0.486, and -0.306, respectively, which is invalid because less than 0.5. Therefore, these indicators should be eliminated.

Following the elimination of absorbed slack, available slack and financial slack, none of the Average Variance Extracted values for all variables is

less than 0.5, which means the instrument meets convergent validity (Table 2). According to the Fornell-Larcker criteria, the cross-loading value of each indicator is greater than the other indicators to fulfill the discriminant validity (Table 3). The Cronbach alpha value for each variable shows several more than 0.7, which means that the instrument used in this study is consistent.

Table 3. Second Validity and Reliability Test Result

	Cronbach's Alpha	rho_A	CR	AVE
Performance	0,812	0,948	0,873	0,706
Stakeholders Commitment	1,000	1,000	1,000	1,000
CSR Disclosure	1,000	1,000	1,000	1,000
Size	1,000	1,000	1,000	1,000
Slack Resources	0,759	0,769	0,892	0,805
Age	1,000	1,000	1,000	1,000

Table 4. Fornell-Larcker Criterion

	Performance	Stakeholders commitment	CSR Disclosure	Size	Slack	Age
Performance	0,840					
Stakeholders commitment	0,371	1,000				
CSR Disclosure	0,052	0,029	1,000			
Size	-0,035	0,366	-0,064	1,000		
Slack	0,397	0,233	0,009	-0,212	0,897	
Age	0,312	0,412	-0,033	0,331	0,088	1,000

4.2. Hypothesis Testing

Analysis shows that CSR disclosure has no significant effect on performance and slack resources does not moderate the relationship between CSR disclosure and performance as p-value exceed 0,05 (0,522 and 0,759). Thus, H1 and H2 are rejected. This result supports [53] work suggesting that CSR disclosure is no more than symbolic action. Apart from that, CSR disclosure is also nothing more than a way for firms to gain legitimacy [55].

H3 is accepted, it means that stakeholder commitment increases the disclosure of the

company's financial performance. CSR is the moral responsibility of the company to stakeholders. In CSR programs companies can set aside profits to do philanthropy to empower communities and make repairs to environmental damage. The company carries out philanthropy to communities affected by the Covid-19 pandemic. H4 is accepted, it means that the availability of company resources can improve the relationship between stakeholder commitment and company financial performance. The availability of resources is used by the company to deal with unexpected conditions both internally and externally [38]. Thus, companies that have excess resources can do philanthropy to help people affected by Covid19.

Table 5. Path Analysis

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values	Notes
CSR Disclosure -> Performance	0,035	0,041	0,018	1,939	0,053	H1 Rejected
Moderator 1 CSR Disclosure-Slack Resources -> Performance	-0,027	-0,033	0,229	0,117	0,907	H2 Rejected
Stakeholder Commitment -> Performance	0,257	0,255	0,062	4,169	0,000	H3 Accepted
Moderator 2 Stakeholder Commitment - Slack Resources -> Performance	0,120	0,120	0,042	2,859	0,004	H4 Accepted
Slack Resources -> Performance	0,183	0,189	0,062	2,923	0,004	
Size -> Performance	-0,159	-0,149	0,044	3,617	0,000	
Age -> Performance	0,225	0,224	0,045	4,990	0,000	

5. CONCLUSION

The results of this study indicate that CSR disclosure has no effect on firm performance and slack resources does not moderate the relationship between them. This is because CSR disclosure, in practice, is a firm effort to gain legitimacy. Firms carry out CSR disclosures only as symbolic, in order to get a positive impression so that they can improve the firm's image as well as gain legitimacy from stakeholders. This finding is consistent with [60] work.

Stakeholder commitment increases the disclosure of the company's financial performance. CSR is the moral responsibility of the company to stakeholders.

In CSR programs companies can set aside profits to do philanthropy to empower communities and make repairs to environmental damage. The company carries out philanthropy to communities affected by the Covid-19 pandemic and companies that have excess resources can do philanthropy to help people affected by Covid19.

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