

NH Approach: Social Responsibility Performance Measurement Case of Mining Industries in Indonesia Stock Exchange

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Abstract—This research aims to measure the performance of social responsibility of companies in mining industries that are traded in Indonesia Stock Exchange by using NH Approach measurement model. NH Approach is a model of social responsibility performance that is compiled in an integrated manner so that various dimensions of social responsibility take into account such as in terms of environmental dimensions, society, energy, employees, products or consumers, and other forms of social responsibility dimension. The result of the performance measurement of social responsibility shows that in general the grade of social responsibility performance is moderate. That's because of the weak regulation and weak awareness of corporations' understanding about social responsibility.

Keywords—Legitimacy, Social Responsibility Performance, NH Approach

I. BACKGROUND

Public and state awareness of the thoughts and practices of sustainable development is not just a hope. Sustainable development is an urgent need, given the fact that the environmental damage, caused by the unbalanced resource exploitation and the exponential growth of human beings, seems to threaten the next generation. Therefore, resource utilization should be done in regards to the sustainability of future generations.

The emergence of many national and international cases is a proof of real industrialization and disproportionate use of resources. Global warming, environmental pollution with physical waste and radiation, decreasing air quality, the emergence of various diseases in society, welfare imbalances, the use of underage labor, and the like is a protracted protest of industrialization that can disrupt the hopes of sustainable development [1]. It has sparked the attention of many, both nationally and internationally.

Reflecting on various cases, companies' awareness to take part in overcoming the negative impacts of the company's operations is increasing. The real form is to allocate part of the financial resources for the stakeholders to take action, by paying more attention to social responsibility [2].

Ever since the introduction of social responsibility by Rachel Carson around the 1960s in a book entitled "Silent Spring" has now gone through a significant metamorphosis process [3]. It can be seen from the pattern and orientation of social responsibility ranging from charity activities in the

coreplasma and community development. The development of social responsibility has also shifted from the activities of Ad Hoc to integrative activities and become the company's strategic area. The shift shows that the appreciation of social responsibility has become an important and structured part of the company's operations [3].

Although social responsibility has become a part of a company, and has benefits both for the company and for society in a broad sense, but it seems that many companies consider that social responsibility is still considered as a burden and generates waste [2]. There are at least five fundamental reasons the company calculates the trade-offs of cost and benefit in the practice of social responsibility, namely: (1) a considerable social cost content; (2) the effectiveness of social responsibility can not be directly felt by the company; (3) social responsibility is considered as more voluntary; (4) there is no legal aspect of the violation against social responsibility implementation; and (5) the absence of clear parameters of social responsibility performance that is used as a foothold [3]. The implications that arise when the litigation is weak in the practice of social responsibility, and the lack of guidelines and performance parameters of social responsibility, the awareness and availability of social responsibility becomes very different. There is a company that is very concentrated and full of seriousness in carrying out social responsibility, but also there are still many companies that run social responsibility is just to fulfill the rules, and Ad Hoc [2][3].

Indeed there are many models or methods for measuring the performance of social responsibility, but the various measures of social responsibility performance are still partial, with less integrated locus of measurement. Therefore, it is necessary to model integrated and integrative social responsibility measurement. This research is intended to construct an integrated and comprehensive measurement model utilizing NH Approach rules.

II. THEORETICAL FRAMEWORK

The concept that underlies the logic of the importance of the company to stabilize the policy of social responsibility is the legitimacy theory and social contract theory. The existence of a company in the environment, directly or indirectly, means a contract with the community (social contract) [4]. In line with the emergence of social contracts, companies are bound by the existing system of values and

norms in society, so corporate operations must be in harmony with existing social contracts [5].

Conditions are reversed when the operations of the company are far from the norm and the expectations of the stakeholders. Legitimacy theory explains the basic framework of the importance of stakeholder alignment to the company. The existence of the company amid the environment can bring negative impact, so it can lead to the reaction of stakeholders.

Companies need stakeholder legitimacy, since stakeholders are resource suppliers needed by the company, and simultaneously as users of the company's products. Therefore, if there is illegitimacy, it can threaten the going concern of the company. Guarantees of legitimacy can only be advanced if there is a match between the expectations of the company and the expectations of stakeholders [6][7][8][9]. There in lies the importance of that the company must improve the social responsibility performance as a parameter of company alignment to its stakeholder [3][10][11].

III. RESEARCH METHODOLOGY

This research employs quantitative descriptive approach, in which research data is taken from annual report of companies trading in Bursa Efek Indonesia or translated Indonesia Stock Exchange in Mining Industries. In addition, the data is also gathered by survey, ie data related to the performance of social responsibility. Documentation and survey techniques are used to obtain data and then is analyzed by using NH Approach Model so that the performance level of corporates social responsibility is known.

IV. RESULTAND DISCUSSION

The dilemma of social responsibility practices cannot be separated from the motives underlying the practices in companies, including in mining industries. Of the 7 companies that trade in the Indonesia Stock Exchange in Mining Industries, it shows a fairly high variance in appreciating social responsibility practices. The high appreciation of the company towards the practice of social responsibility is triggered by the basic motive that is used as a companies' footing when doing social responsibility practice.

The results of the analysis on the opinions of respondents show that there are two motives of implementation of social responsibility, namely (1) social motive; and (1) economic motive.

Social motive means that companies carry out social responsibility as a call of conscience without any expectation, especially economic expectations. Companies that promote social motive in implementing social responsibility, social responsibility activities are carried out regardless of the expectations of direct counter-achievement (expecting no rewards). This type of social responsibility practice is more charitable and to relieve community burdens.

Economic motive means that companies carrying out the practice of social responsibility have a desire of direct or indirect effects on the company's operations. Social responsibility practices are expected to increase the company's image in the eyes of stakeholders, in order to strengthen the company's operating line. Their social responsibility activities are generally adjacent to the type of business enterprise, or if not, are always associated with efforts to build companies' image.

In terms of the pattern of social responsibility implementations, there are two approaches when corporations do social responsibility, namely: (1) motive approach; and (2) system approach.

Motive approach means the company has some motives, both social and economic motives, in carrying out social responsibility. Motive approach raises voluntary practice of social responsibility; a social responsibility practice that is not based on a recommendation of applicable law or other binding advices. This type of social responsibility practice dominates the practice of corporations' social responsibility.

System approach means the company performs the social responsibility due to the system's recommendation. Here social responsibility practices arise because of the workings of the system, such as the enactment of legislation, or the company uses professional management by establishing a department of social responsibility, or forming a foundation that manages social responsibility.

The fact says that different motives and various patterns (approach) of the implementation of social responsibility shape differences of commitment and seriousness of the company in implementing social responsibility. Some companies implement social responsibility totally seriously, high commitment, and professionally managed and integrated with the company management. In addition, some other companies do social responsibility only to abort the responsibility (minimum). Most importantly the company has implemented social responsibility. The extent of coverage and effectiveness of social responsibility is not important and apart from the company's consideration. The impact is, after doing social responsibility performance measurement, that the grade is not maximal.

The following table describes the results of social responsibility performance calculations on seven companies that go public in the mining industry using NH Approach:

Table 1. *Social Responsibility Outcomes Using NH Approach*

Social Responsibility Forms	Rating	Label
<i>Environment</i>	67	<i>Blue</i>
<i>Energy</i>	60	<i>Yellow</i>
<i>Community</i>	75	<i>Blue</i>
<i>Emplyee</i>	78	<i>Blue</i>
<i>Product</i>	63	<i>Blue</i>
<i>Other</i>	57	<i>Yellow</i>
Total Score		

The performance measurement of social responsibility with the basis of NH Approach is conducted by seing six dimensions; environment, energy, community, employee, product and other dimensions. Every dimension is specified

into indicators. Every indicator is formulized into instruments of measurement.

One interesting thing to note is that NH Approach measures social responsibility performance which is performed integrally. The social responsibility performance in environmental dimension is divided into 32 measuring indicators. The results of social responsibility performance measurement of environmental dimension showed 67 value. This value is classified as middle grade with Blue symbol. Meaning that, even though the company is in mining industries, the social responsibility, which is conducted to various environmental impacts, maintenance, and efforts to maintain post mining utilization, is classified as still low. Many issues of environmental impact, post-mining maintenance and protection must be addressed. The decisive factor of government regulation about maintaining the environment is very important, in order that the company obeys the principles and regulations.

Social responsibility on the energy aspect is generally low, which makes up 60 with Yellow symbol. That is, the level of awareness of energy conservation for the company is still low. In fact, many energy conservation companies are not considered coherent with the social responsibility.

The result of social responsibility measurement on the aspect of community is high enough that is in grade 75 optimum (Blue). Companies generally have been aware of the responsibility to the surrounding community. In fact, many think that the relevant social responsibility activities are aids activities to the community. There are 82 indicators of social responsibility in the areas of community with high responsiveness.

The employee aspect of social responsibility also shows a high grade of 78 (Blue). High grade in the employee aspect is because the social responsibility of this field is mandatory, that is the existence of various regulations related to employment and the effectiveness of labor organization. In fact, the companies are required to conduct various programs related to health, safety, pension, and other forms of remuneration.

The product and consumer protection aspect of social responsibility has a relatively low performance, which is in grade 57 or Yellow. 45 indicators of social responsibility in the product aspect show relatively low value. The fundamental reason why mining industries have low grade is because the mining company's products are not directly related to consumer consumption. Thus, in many companies, product aspect of is less regarded as a parameter of social responsibility.

V. CONCLUSION

The role of social responsibility is very important in maintaining the balance between the benefits of society and the company with the risks posed by the existence of the company. However, because decision making in companies cannot be separated from the trade of cost and benefit, the practice of social responsibility in which there is a large cost content can not be separated from the underlying motive.

The result of analysis shows that there are two motives in social responsibility practice; social and economic motive. In addition, there are two approaches that companies use when implementing social responsibility, namely the motive and system approach.

The results of the calculation of social responsibility performance on the company in the sector of mining industries which go public in Bursa Efek Indonesia showed still quite moderate, that is between Yellow and Blue. The facts show that the government and the stakeholders should take part in the supervision, in addition to the increasing of company's commitment in raising awareness of social responsibility. Litigation factor, corporate understanding, and awareness of the company become very decisive.

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