REDUCTION IN SHIPMENT DELINQUENCIES AND PRODUCT LEAD TIME ON ENHANCING CUSTOMER SERVICE:A CASE STUDY

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Abstract

Customer service plays an important role in an organization's ability to generate income and revenue. From this perspective, customer service should be included as part of an overall approach to systematic improvement. A customer service experience can change the entire perception a customer has of the organization. The present paper identifies the current weaknesses of an electronic company in terms of shipment delinquencies and long product lead-times and to propose recommendations to the company to overcome the issues towards enhancing customer service. The paper investigates the organizations' internal and external environment factors towards establishing strengths and opportunities and further analyzing the various problems faced in order to establish the root-cause components. A list of recommendations are proposed through which the company may be able to enhance its level of customer service, increase its market share and sustain in the industry as a serious and viable contender.

Keyword: Shipment; Lead-Time; Product Inventory; Customer Service

Introduction

SmartCap is an electronic component manufacturing company which employs over 1200 employees and are specialized in the manufacturing of electronic passive components namely capacitors. Capacitors are components that are used to store an electrical charge and are used to regulate current in a circuit. There are various types of components however the focus of this paper will be on multi-layered ceramic capacitors (MLCC). According to industry experts, the Global MLCC market is expected to continue to increase with steady growth over the period 2013–2015. SmartCap receives orders from its sales offices strategically located all over the world via EDI (electronic data

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interchange). Over the past several years, SmartCap has managed to extend superior service to its customers. However, since November ‘2012, there was a drastic decline in service which was due to a high number of delinquent shipments and extended product lead-time. Upon analysis of the annual customer satisfaction survey and plant key performance indicators, the issues are centered around the Chip Fabrication (front-end) process where product cycle-time has increased sharply due to several factors including resignations of technicians, capacity bottlenecks in operations, limitations to the order processing system, poor communication resulting in badly planned inventories of materials, supplies and machine spares. Due to the severity of the issue, as an interim action, management has decided to implement certain containment actions in order to reduce the impact to the customers with immediate effect. However, the root-causes must be identified and proper corrective actions must be implemented fast to avoid such recurrence.

Industry Profile

Rising demand for MLCCs is driven by the proliferation of multifunction devices that need high-speed, low-power ICs, compact modules and numerous interfaces. Mobile phones, laptops, flat-screen LCD televisions and video game consoles are currently the key applications for the line, which is leaning toward miniaturization in reflection of trends in consumer electronics. Ceramic capacitors, with their ability to support the power supply needed for semiconductor devices, have emerged as an integral component of the semiconductor devices. Hampered by the economic turmoil, the global ceramic capacitors market experienced weakening demand starting from the year 2009 until late 2010. However, the market recovered significantly in the year 2011, and is forecast to grow at a faster rate compared to the other segments, primarily due to their usage in almost all electronic devices. In addition, the development of new designs of MLCCs, with higher capacitances, improved bypassing, filtering and decoupling capabilities, is expected to expand their application in a broader range of end use markets. Prospects for ceramic capacitors therefore remain upbeat through the forecast period. Technological advancements and the emergence of new end use markets constitute the key growth drivers in the ceramic capacitors market. In addition, the increasing investments of manufacturers and suppliers to improve capacitance, making it useful in a broad array of applications, would spur market growth through the foreseeable future. According to industry experts, the Global Multilayer Ceramic Capacitor (MLCC) market is expected to continue to increase with steady growth over the period 2013–2015. The manufactures are expected to know whether the customers are price or lead time sensitive based on the simultaneous dependence of price and demand on delivery time before selecting a time-based competitive strategy (Saibal&Jewkes, 2004). However, due to stiff competition in the marketplace, there is an increasing demand for lower prices and shorter deliveries.

Issues Faced

Over the past several years, SmartCap has managed to extend superior service to its customers. However, since November '2012, there was a drastic decline in service which was due to a high number of delinquent shipments and extended product lead-time.

The negative trend coupled with the poor financial results obtained in the last quarter of 2012 was alarming. Following a detailed analysis of the feedback received, the company arrived to the following 3 conclusions:

- Frequent shipment misses (either shipments are late or quantity shipped does not meet the requirement of the customer). On time deliveries dropping far below the industry benchmark of 95%.
- Increased product lead-time which is higher than that of most competitors. Benchmark is 25 days upon receipt of order.
- Shorter product delivery lead-time expectation due to reduced inventory levels maintained by distributors. Pan and Yang (2002) have constructed integrated inventory model with controllable lead time.
- A further analysis indicated that the major impact to the poor service is coming from the front-end operation which is the Chip-Fabrication.

Containment Actions Implemented

In order to contain the problem as well as to ensure minimum disruption to the service level to the customers, the management decided to put in place several actions on a temporary basis until the issue is eradicated completely. The following were the actions implemented which were put in place with immediate effect:

- Increased machine capacity by releasing additional machines to production. These machines were shut-off earlier as a cost-reduction plan in lieu of the weak sales forecast received from Sales and Marketing.

- Pulled over a few quality inspectors from other product lines to MLCC to attend to the high number of parts on hold for rework to shorten the waiting time.

- Pulled over a few technicians from other product lines to MLCC to address the high down-time issue.

- Redeployed operators who were being cross-trained to MLCC.

- Removed the over-time restriction on MLCC line.

- Authorized material control to expedite and bring in raw materials immediately to support operations.

These containment actions are costly but management agreed that in the interim the most critical point is to gain back the confidence from their customers with the hope that orders continue to come in at the normal rate.

Research Methodology

In October '2012, the plant received the final quarter forecast and immediately realised about 20% drop in orders. In order to reduce the impact to the bottom line performance, management decided to take certain actions as a cost-reduction effort in line with the weaker booking rate. Hayya et al., (2011) have studied the impact of stochastic lead time reduction on inventory cost under order crossover.

The following actions were implemented:

- No overtime (the previous quarter the plant was running with 12% overtime)
- Reduce number of machines in production by 20% with the intent of aligning capacity to forecast number.
- Cut down overhead expenses by 20%.
- Reduced the purchase of supplies and materials by 20%. Cancel orders/postpone deliveries.
- Redeploy operators and technicians to other lines and arrange for cross-training in the Training Department.

However, when the On-Time Delivery indicator dropped sharply in November '2012 and continued on a declining trend till February '2013; management was pressed to look for answers immediately. Matters became worse when the Customer Satisfaction Index for the year 2012 was published. Due to shipment misses and longer lead-times, customers started to cancel orders.

The situation forced management to immediately take containment actions discussed above to reduce the impact to the customers. Meanwhile, in parallel, urgent attention is required to determine the root-cause and implement corrective actions accordingly in order to avoid such recurrence. Factors that contributed to the poor service are all discussed in detail here.

Preventive Maintenance Schedule

It is a process and mandatory quality requirement that a comprehensive preventive maintenance schedule need to be drawn up for all critical machines in production. These machines need to be released to the Engineering group to carry out calibration and preventive maintenance at least twice per year. However, there was a loop-hole in the system. Production personnel did not release these machines to Engineering on a timely basis due to fear of loss of capacity. Thus became a non-conformance which resulted in a high volume of products held up for secondary quality buy off which thus increased the cycle time.

Technicians Turn-Over

Another issue that contributed to the higher down-time of machines was the resignation of several experienced technicians in the front-end process in September '2012. After careful analysis, it was identified that these technicians despite their seniority in the line, they are paid about the same wages earned by a newly hired diploma-certified technician. Most of these experienced technicians rose from rank and file and do not possess the required paper qualifications to move up the scale. This created dissatisfaction amongst them.

Availability of Spares / Machine-Parts

Spares and machine parts were maintained in the warehouse. Ordering of parts and establishment of safety level of spares were based strictly on usage history and sales forecast. However, due to the ad-hoc and unplanned release of machines to Engineering for preventive maintenance and calibration work, the purchasing personnel were unable to track correctly the usage as they were not given the right information in a timely manner. Purchasing personnel were not being made aware of the preventive maintenance schedule and the critical parts that were required for this process. Also, the frequent change in the preventive maintenance schedule made it more difficult for them to plan for these spare-parts.

Availability of Raw Material

Raw materials were maintained in the warehouse. Material controllers order raw materials and establish their safety level based on historical consumption patterns and monthly order forecast received from Sales & Marketing. Due to incorrect or unreliable forecast received from Sales & Marketing, the material controllers will have to plan for pull-ins or push-outs accordingly. This has the tendency to lead to material stock-out which eventually brings down production machines resulting in delays and a loss of capacity.

Capacity Bottlenecks in Production

Another factor that contributed to longer cycle-time in production was specific product-mix related bottlenecks in production. For certain product mix, production had to change the set-up of the machine before running them. Machine set-up and changeover takes time and results in loss of capacity. Dedicating a specific machine for these products was not cost-effective as they may tend to run idle at times. Changing the set-up parameters of the machines frequently also results in loss of capacity; thus creating a longer cycle-time due to products being held up. All the issues discussed above directly impacts the production cycle-time which eventually led to shipment delays and longer product lead-time resulting in poor customer service performance.

Method of Analysis

In the above sections, various issues that could lead to the current poor customer service levels were reviewed. Before going into the details and identifying the root-causes, it will be good to carry out an in-depth internal and external environment assessment of the organization. This is needed to understand clearly the internal strengths and weaknesses of the organization versus the external opportunities and threats faced by the organization. For this purpose, I will use the Internal Factor Evaluation (IFE) matrix and External Factor Evaluation (EFE) matrix. From here, the TOWS analysis will be used to formulate appropriate strategies. A further matrix called the Competitive Profile Matrix (CPM) is used to identify the organization's position in the market with respect to major competitors. Finally, as this case revolves around the plant's internal operations, the Cause-and-Effect diagram (also referred to commonly as Ishikawa diagram or fishbone diagram) will be used to identify the root causes to the problem.

Internal Assessment

The objective of the Internal Assessment is to identify the key strengths and weaknesses of the business unit and the organization at large. The major strengths of the organization are detailed below:

- *Good Product Quality* – Products of SmartCap are renowned for its product quality and are mostly superior to competitor's products. This is a result of high quality raw materials which are used in the process.

- *Wide Product Range* – SmartCap has a diversified range of ceramic capacitors and offer products ranging from low capacitance to ultra-high capacitance.

- *Competitive Pricing* – Prices of the ceramic capacitors from SmartCap are very competitive. In order to achieve this, the plant carries out a 6-monthly cost-reduction drive.

- *Strong Sales & Marketing Team* – SmartCap has Sales and Marketing personnel stationed at all the major hubs in Asia, Europe and US. Offices are set up in high density commercial areas.

- *Wide Distribution Network* – Various warehouses and distribution centres are located at major business hubs around the world in order to provide more efficient and effective deliveries.

- *Strong Product Knowledge* – The plant has been in the business for more than 20 years. There has also been a substantial technology transfer from the US and Europe plants.

- *Participative Management Style* – Management is actively involved in day-to-day business issues. All managers are hands on and have received proper and adequate training.

- *Strong Asset Position* – The plant is in a strong financial position and has carried out some significant strategic alliance formation in Europe and US. Cash flow is healthy.

On the other hand, there were also several weaknesses identified:

- *Long Product Lead Time* – Due to the stringent cost-reduction exercise carried out, Operations were under immense pressure to deliver products efficiently. This caused an increase in the cycle-time as major emphasis were put in meeting the numbers which resulted in lack on emphasis on product quality. According to Richard et al., (1995), the traditional long lead times and high inventory levels are more costly endeavours that may not even achieve product parity.

- *High Shipment Delinquency* – The pressure to deliver products on-time in accordance to industry lead-time resulted in Operations being unable to meet the volume in a timely manner. The change in product mix plus the inflexible machine changeover led to the violation of the FIFO (First-In, First-Out) rule which resulted in delinquencies.

- *Long Operations Cycle Time* – Frequent machine down-time and accumulation of lots at the quality control gate as a result of using non-qualified machines on the line created a huge impact to the cycle-time at the Chip Fabrication process. Ouyang et al., (2007) studied an integrated vendor–buyer inventory model with quality improvements and lead time reduction.

- *Poor Internal Communications* – Changes in periodic maintenance schedule and re-scheduling of orders were not communicated well to the Purchasing department which ended up with inaccurate purchases of supplies, spare-parts and raw materials.

- *High Turnover Rate* – Experienced and senior technicians were not compensated accordingly and felt that they were treated unfairly as new hires with proper paper qualifications were paid better.

- *Rigid Inventory Policies* – Despite many calls from the planners to plan inventories accordingly, corporate were unwilling to do so for fear that these inventories would end up being ‘dead stock’.

Marketing were unable to provide a clear and accurate forecasts as well.

- *Capacity Constraints* – The plant had limited capacity for certain product mix and this created a bottleneck in Operations. Tools to carry out these changeovers were limited and Operations prefer to group these products to be processed at once to minimize changeovers.

- *Limitation in Computerised Systems* – The existing Order-Processing system did not have the capability to manage production capacity by product mix and this often resulted in over-commitment of customer order that led to service failures.

Table 1 below identifies the plant's key strengths and its weaknesses. The overall score achieved by the plant is 2.30 which indicates a below average achievement.

Table 1: Internal Factor Evaluation (IFE) Matrix

KEY INTERNAL FACTORS		Weight	Rating	Weighted Score
STRENGTHS				
1	Good Product Quality	0.12	4	0.48
2	Wide Product Range	0.08	4	0.32
3	Competitive Pricing	0.08	3	0.24
4	Strong Sales/Marketing Team	0.02	3	0.06
5	Wide Distribution Network	0.02	3	0.06
6	Strong Product Knowledge	0.05	4	0.20
7	Participative Management Style	0.02	3	0.06
8	Strong Asset Position	0.02	3	0.06
WEAKNESSES				
1	Long Product Lead-Time	0.12	1	0.12
2	High Shipment Delinquency	0.12	1	0.12
3	Long Operations Cycle-Time	0.12	1	0.12
4	Poor Internal Communications	0.05	2	0.10
5	High Turnover Rate	0.05	2	0.10
6	Rigid Inventory Policies	0.08	2	0.16
7	Capacity Constraints	0.03	2	0.06
8	Limitation in Computerised Systems	0.02	2	0.04
		1.00		2.30

External Assessment

The objective of the External Assessment is to identify the key opportunities that could benefit the plant and threats that should be avoided. This will enable the plant to respond offensively or defensively to the factors by formulating strategies that take advantage of external opportunities or that minimize the impact of potential threats. The major opportunities are presented below:

- *Growing Asian Market* – Due to rapid globalization, increased economic power and higher population growth, Asian countries have become a massive consumer of electronic equipments. The increase in purchasing power for electronic devices and mobile phones, have had a direct impact to the demand for ceramic capacitors.

- *Customers Value Quality & Design* – Despite the price war due to mushrooming competitors, customers still prefer high quality components with flexible designs.

- *Increased Demand from New Applications* – The growth of the electronic sector particularly in mobile devices such as smart-phones, modems, tablet computers and Global Positioning Devices have had a direct impact as well to the demand of ceramic capacitors.

- *Strategic Location* – The plant and its sales and marketing teams are strategically located to offer customers personalized efficient service. The possibility to react faster and adapting to changing demands faster gives the plant an advantage.

- *Resource Availability* – With its massive population and strong growth, resources (in terms of labour, equipment and supplies) are easily available for rapid expansion exercises.

- *Forming Strategic Alliance* – SmartCap should take advantage of the market in Asia by forming strategic alliances with major competitors. Its strength in quality and product knowledge would make it a suitable partner for many new players in the field (particularly in China) who has huge capacities and vast resources.

- *Local Source of Raw Materials* – Due to the rapid increase in electronic manufacturing plants in Asia, the plant can take advantage of local suppliers to replace the overseas suppliers. This automatically reduces the level of inventories the plant has to hold due to shorter raw material lead-times. Suppliers will also be more flexible to adapt to demand changes faster.

- *Contractual Agreements with Major Customers* – The plant can take the initiative to set up contractual agreements with major customers and work with them closely to identify demands for niche products. Setting a Customer Relationship Management (CRM) strategy with core customers will also help in identifying potential changes in demand thus making room for more accurate forecasts.

However, apart from opportunities there are also potential threats that the plant should avoid:

- *Strong Competition* – The increased demand for ceramic capacitors has attracted many new players in the market (particularly in China). These competitors are also being funded by the

Government. Their objective is match and lower prices in the market irrespective of their cost structure. Losses are being absorbed by the Government and their long-term strategy is to wipe out competitors thus resulting in enjoying larger market share.

- *Increased Raw Material Costs* – Prices of raw materials especially precious materials such as Nickel, Tin, Zinc, Copper and Palladium are increasing due to the higher demands from the Chinese manufacturers.

- *Reduced Market Share* – Despite competitive prices and superior product quality, the plant is at risk of losing its market share due its poor service, longer lead-time and frequent shipment delinquencies.

- *Industry Mergers & Acquisitions* – Most of the players in the market are getting into mergers and acquisition in order to have a larger capacity and more diversified product offering.

- *Shorter Industry Lead-Time* – Competitors are willing to hold stock for customers thus improving the availability of capacitors. This gives them a superior advantage over competition in terms of lead-time.

- *Potential Substitute Products* – The huge popularity of ceramic capacitors have also gone un-noticed by other passive components makers. Film capacitor and tantalum capacitor makers are also rapidly increasing their product availability and lowering their prices in order to get into this market.

- *Lack of Customer Loyalty* – In the capacitor business, it is often very difficult to engage customer loyalty. Loyalties are only formed when the manufacturer can constantly deliver superior quality products in a timely manner at the right cost. There are ample choices in the market for customers to choose from.

- *One-Stop Purchases* – Most electronic applications needs a range of passive electronic components in order to build a complete module. This involves resistors, capacitors, inductors as well as other components. The trend in the industry is moving rapidly to one-stop purchases whereby a supplier who can provide the entire combination of passive components would definitely have an edge over its competitors.

Table 2 below illustrates the plant's position with respect to external opportunities and threats. The plant achieves an average score of 2.55.

Table 2: External Factor Evaluation (EFE) Matrix

KEY EXTERNAL FACTORS		Weight	Rating	Weighted Score
OPPORTUNITIES				
1	Growing Asian Market	0.12	4	0.48
2	Customers Value Quality & Design	0.12	4	0.48
3	Increased Demand - New Applications	0.08	3	0.24
4	Strategic Location	0.02	3	0.06
5	Resource Availability	0.05	3	0.15
6	Forming Strategic Alliances	0.04	3	0.12
7	Local Source of Raw Materials	0.04	4	0.16
8	Contractual Agreements - Major Customers	0.02	3	0.06
THREATS				
1	Strong Competition - Increased Capacity	0.12	1	0.12
2	Increased Raw Material Costs	0.05	2	0.10
3	Reduced Market Share - Poor Service	0.12	2	0.24
4	Industry Mergers & Acquisitions	0.06	1	0.06
5	Shorter Industry Lead-Time	0.08	2	0.16
6	Potential Substitute Product - Film Capacitors	0.04	2	0.08
7	Lack of Customer Loyalty	0.02	1	0.02
8	One-Stop Purchase - Electronic Components	0.02	1	0.02

Market Positioning

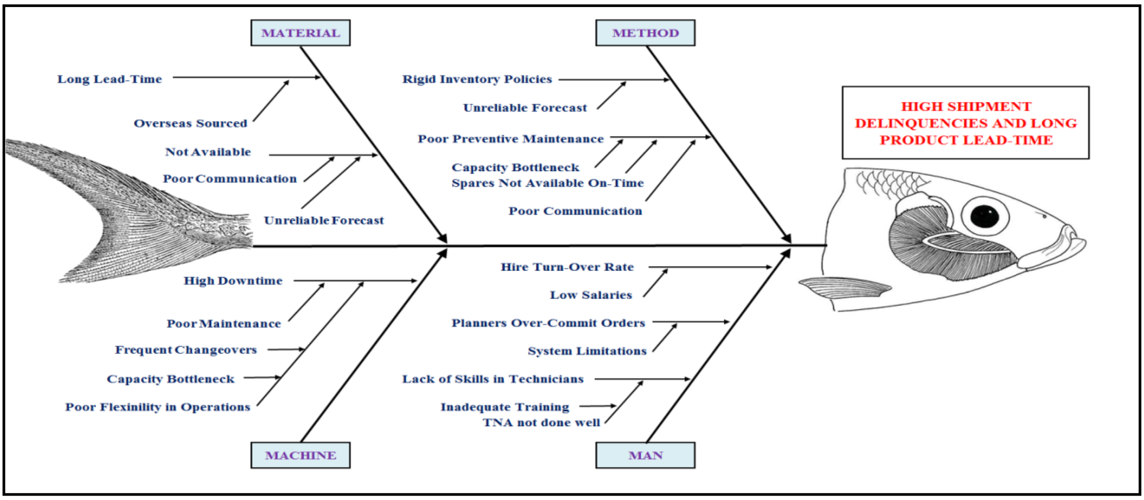
Table 3 below illustrates the competitive positioning of the plant with respect of two major competitors; Tamura (Japan) and Danyun (Taiwan). The overall score of the plant (3.06) despite being above average is still lower than both competitors and the major reason for this is its poor service performance as indicated by its score in On-Time Deliveries and Availability/Lead-Time.

Table 3: Competitive Profile Matrix (CPM)

			SMARTCAP		TAMURA, JPN		DANYUN, TWN	
CRITICAL SUCCESS FACTORS		Weight	Rating	Weighted Score	Rating	Weighted Score	Rating	Weighted Score
1	Market Share	0.12	3	0.36	4	0.48	4	0.48
2	Product Quality	0.14	4	0.56	3	0.42	3	0.42
3	Price Competitiveness	0.10	4	0.40	4	0.40	4	0.40
4	Customer Loyalty	0.08	3	0.24	3	0.24	3	0.24
5	On-Time Deliveries	0.15	2	0.30	4	0.60	3	0.45
6	Availability / Lead-Time	0.15	2	0.30	4	0.60	3	0.45
7	Distribution Network	0.06	4	0.24	4	0.24	4	0.24
8	Product Offering (Scope)	0.08	3	0.24	4	0.32	4	0.32
9	Management Experience	0.06	4	0.24	4	0.24	3	0.18
10	Financial Position	0.06	3	0.18	4	0.24	4	0.24
		1.00		**3.06**		**3.78**		**3.42**

Recommendations

Based on the internal and external analysis carried out and following the identification of several issues that has an impact to customer service in terms of lead-time and shipment delinquency, a thorough analysis of the possible causes are analysed to identify the potential root-cause to the problem. This will be carried out with the aid of a Cause-and-Effect Diagram that helps identify, sort, and display possible causes to the specified problem. Figure 1 below illustrates the possible causes and effects.



weaknesses and identifying the opportunities and threats through the external evaluation, a major step towards strategy formulation is to match the key internal and external factors. TOWS matrix provides a framework that helps the organization to focus on its strengths while minimizing weaknesses and to take the greatest possible advantage of opportunities while avoiding the threats. Figure 2 below illustrates the 4 types of strategies (SO – Strengths versus Opportunities, WO – Weaknesses versus Opportunities, ST – Strengths versus Threats and WT – Weaknesses versus Threats) that should be used by SmartCap.

TOWS MATRIX		**STRENGTHS**		**WEAKNESSES**	
		1	Good Product Quality	1	Long Product Lead-Time
		2	Wide Product Range	2	High Shipment Delinquency
		3	Competitive Pricing	3	Long Operations Cycle-Time
		4	Strong Sales/Marketing Team	4	Poor Internal Communications
		5	Wide Distribution Network	5	High Turnover Rate
		6	Strong Product Knowledge	6	Rigid Inventory Policies
		7	Participative Management Style	7	Capacity Constraints
		8	Strong Asset Position	8	Limitation in Computerised Systems
OPPORTUNITIES		**SO STRATEGIES**		**WO STRATEGIES**	
1	Growing Asian Market				
2	Customers Value Quality & Design	1	**Expand aggresively into Asian market (S4,S5,O1).**	1	**Review compensation package. (W5,W4,O5)**
3	Increased Demand - New Applications				
4	Strategic Location				
5	Resource Availability	2	**Allocate additional resources to R&D department (S6,S8,O3).**	2	**Enhance order processing system. (W8,O4,O6)**
5	Resource Availability				
6	Forming Strategic Alliances				
7	Local Source of Raw Materials	3	**Source aggressively for local based suppliers of Raw Materials. (S6,O5,O7)**	3	**Redefine organization structure to enhance communication & efficiency (W4,O4,O5)**
8	Contractual Agreements - Major Customers				
THREATS		**ST STRATEGIES**		**WT STRATEGIES**	
1	Strong Competition - Increased Capacity				
2	Increased Raw Material Costs	1	**Form Strategic Alliances with major competitors in Asia. (S6,S8,T4)**	1	**Review Inventory Policy to provide MTO or ATO features. (W1,W2,W3,T5)**
3	Reduced Market Share - Poor Service				
4	Industry Mergers & Acquisitions				
5	Shorter Industry Lead-Time				
6	Potential Substitute Product - Film Capacitors	2	**Extend product range beyond ceramic capacitors (S6,T6,T8)**	2	**Implement CRM with major and potential customers (W2,T7).**
6	Potential Substitute Product - Film Capacitors				
7	Lack of Customer Loyalty				
8	One-Stop Purchase - Electronic Components	3	**Review alternate materials. (S6,T2)**	3	**Review policy for on-hold products. (W4,T5)**

In order to sustain in this competitive environment, various strategies have been identified resulting from in-depth analysis of the case above. The major issue is directed towards improving the efficiency and effectiveness of the plant towards achieving higher levels in customer satisfaction. These strategies can be classified into two categories; short-term strategies and long-term strategies.

Short-Term Strategies

This is the main focus of this paper. The objective is to eradicate shipment delinquencies and reduce product lead-times to enhance customer service. The strategies recommended for this purpose are explained below.

- ***Review Organization Structure***

From the analysis above, several occurrences of poor communications have been identified. This is largely related to the form of organization structure in place which is very functional. Taking this as well as potential extension of product range into consideration, the need to emphasize focus and control is essential for sustainability. For this reason, it is proposed that the plant may adapt a Strategic Business Unit (SBU) organization structure as depicted in Figure 3. The advantages of an SBU structure includes improved communications, clear allocation of resources and narrowed as well as focussed objectives are established.

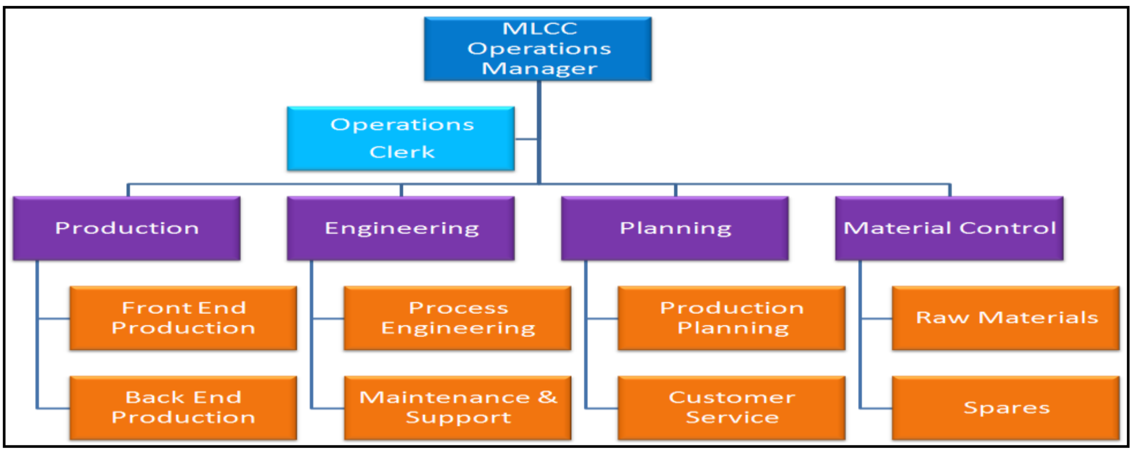


Figure 3: Strategic Business Unit organization structure

The MLCC operations manager will have total control over the maintenance, planning and material control activities. It provides an avenue for enhanced communication and control within the department. Process engineering will be tasked to review process improvement projects as well as to monitor in process quality indicators which will prevent the use of non qualified machines in operations thus reducing the need for a second quality buy-off for non-conforming products which eventually leads to reduced level of oh-hold lots resulting in improved cycle-time. On the other hand, there will be closed follow-up and tracking of materials and spares on the line with the involvement of the planning and material control group. There will also be closer working relationships established between the production and maintenance group to avoid reschedules of preventive maintenance activities as well as to achieve a quicker turn-around time to bring up machines which directly relates to increased capacity.

- ***Review Inventory Policy***

In order to be able to serve the customers better, sales and marketing should work with the plant to build products to stock (MTS).

The plant should not be made accountable for this stock. It should be the primary responsibility of the Sales and Marketing team to define the safety level as well as to ensure these products are eventually sold to customers. This safety stock will also act as a buffer to operations in the event of some unforeseen circumstances whereby customer expectations are still being met despite longer cycle-times in production. It also helps the plant to secure orders requiring shorter delivery dates. On the other hand, to further improve the situation, the plant should plan as well for ATO (assemble to order) on certain products. These are semi-finish products maintained in inventory and the responsibility to keep this inventory in check should fall squarely on the shoulders of the MLCC Operations Manager. The flexibility it provides is because one semi-finish product can be linked to several finished products and the production planners should carefully monitor and manage these products by linking them to products required by customers; thus shortening the lead-time for shipment. The proposed organization and management of plant inventories are illustrated in Figure 4. A periodic 6 monthly audit should be carried out by management to review these inventories.

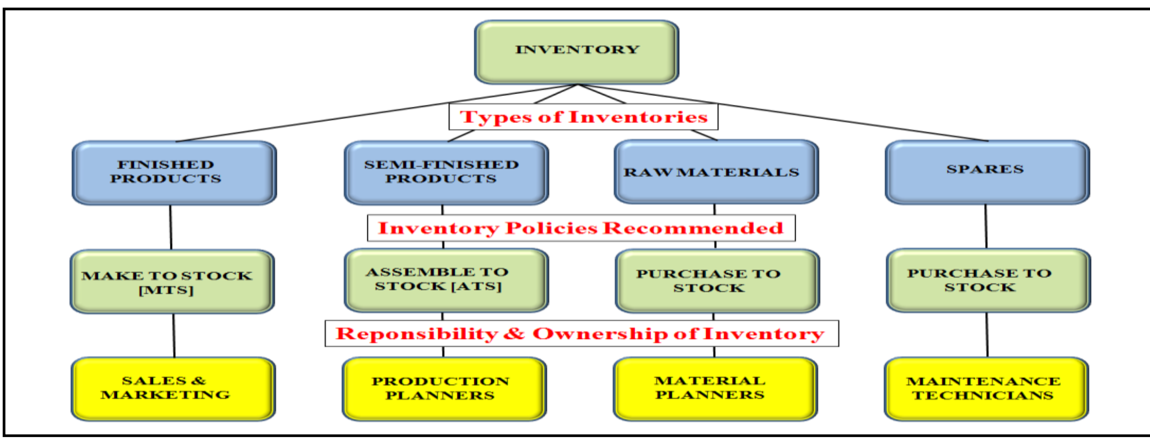


Figure 4: Flow of Inventory Management

- ***Address Issues Related to Employee Development and Compensation***

  The issue related to the resignation of several experienced technicians in the Front-End Process of the MLCC Operations line is an issue of great concern to management. Currently, the HR policy identifies only 1 path for career growth and employee development. For each position, several job grades are identified based on employee qualifications and experience. In each job grade, a salary scale is defined (from Minimum to maximum range). For an employee to move from one job grade to the next one, he should possess all the requirements defined in that job grade, failing which he will not have the chance to move up the ladder. This creates room for resentment and dissatisfaction among employees. To overcome this, it is proposed that management considers a dual path career growth (one along the management path and the other along the technical path). For employees who rose from rank-and-file who possess great amount of tacit knowledge of the operations but do not have the necessary paper qualifications, they can still move up the ladder on the technical path and position themselves on the same job grade as someone who lacks in experience but has the required paper qualification. On the other hand, the management path provides staffs with an opportunity to be in the management team. In addition, a plant wide Training Needs Analysis (TNA) exercise also needs to be carried out across the plant with immediate and urgent focus on technician's capability and skill levels.

- ***Enhance Order Processing System***

The missing link in the current order processing system is the capability to manage capacity and bottleneck by various types of products. This feature is very critical for production planners and customer service personnel to provide accurate lead-times to the customer as well as to refrain from over-committing orders on a particular product. Management must seriously consider this issue and take appropriate steps to overcome this shortcoming. This strategy should be noted as a short to medium term strategy for the plant.

- ***Qualifying Local or Alternate Sources for Raw Materials***

In order to cut-down the lead-time involved in purchasing raw materials especially for those that are overseas sourced, management need to establish a project team comprising of process engineers, material controllers, quality engineers and the purchasing team to localize these materials. This can be done in stages starting with most critical items first. Apart from shortening the lead-time, there are other benefits that can be derived with localizing purchases of materials which includes lower price and lower inventories as well more frequent deliveries can be arranged.

Long-Term Strategies

Though this does not directly influence the scope of this project, it is important to mention the strategies that should be considered here by the plant to achieve sustainability. All the strategies mentioned above have been reviewed with this respect before being proposed for implementation. Strategies involved here involves the plant's expansion plans via the formation of strategic alliances with key competitors as well as expanding the plant's product range beyond ceramic products as a means to offer a one stop solution to customers. In lieu of that, it is also proposed for the plant to implement a Customer Relationship Management system to establish formal relationships with core customers that will help the plant in identifying the current and future needs of these customers. Reducing shipment delinquencies and product lead-times towards enhancing customer service should be considered on a wider scale and should be forward-looking.

Downsides Management

The biggest downside to the strategies recommended above is the resistance to change following the alteration of the existing organization structure. Despite the fact that no individual or organization can escape change, it however raises anxieties because people fear economic loss, inconvenience, uncertainty and a break in normal social patterns. Resistance to change is a great threat to successful strategy implementation and it can take the form of sabotaging, absenteeism, unwillingness to cooperate and filing unfounded grievances. People often resist because they do not understand what is happening or why the changes are taking place. Successful strategy implementation hinges upon top managements' ability to develop an organization climate which is conducive to change. Change must be viewed as an opportunity rather than as a threat. Since change involves everyone in the organization as well as all levels of the management team; from lower level managers to senior managers, therefore it is essential to involve them as much as possible from the initial stages. Clear, concise and regular communications are also important to ensure that employees understand the reasons leading to the changes and what is expected of them. It is also important to convince employees that this change is to their personal advantage.

Strategy Implementation

In order to overcome this resistance, the following additional actions are necessary to ensure smooth implementation.

- ***Establishing annual objectives***

  Establishing annual objectives is a decentralized activity that involves all managers. Active participation in establishing annual objectives can lead to acceptance and commitment. This is essential as it represents the basis for resource allocation. Establishing annual objectives in the form of a Balanced Score Card (BSC) is also a primary mechanism for evaluating managers. It is a major instrument for monitoring progress and finally it helps to establish organization and business unit priorities. It is also a basis for linking rewards and incentives to performance and achievement. The proposed Balanced Score Card required for this project is presented in Figure 5 below.

OBJECTIVES	MEASURE or TARGET	PRIMARY RESPONSIBILITY
CUSTOMER		
1. Ensure On Time Delivery	95%	Operations
2. Decrease MLCC Product Lead-Time	25 Days	Operations, Sales & Marketing
MANAGERS/EMPLOYEES		
1. Change Organization Structure	Implement New Structure	All
2. Review Career Path and Compensation Package.	Implement New Package	Human Resource
3. Conduct Plant Wide TNA Exercise	Training Calendar	Training
4. Review & Define Inventory Policy	Inventory Policy	Operations, Sales & Marketing
OPERATIONS/PROCESSES		
1. Reduce MLCC Product Cycle-Time	25 Days	Operations
2. Expand product line	5 New Products	R&D and Operations
3. Enhance Order Processing System	Include Capacity by Product Type	MIS and Operations
COMMUNITY/SOCIAL RESPONSIBILITY		
BUSINESS ETHICS/NATURAL ENVIRONMENT		
FINANCIAL		
1. Increase Sales Revenue	15%	Sales/Marketing
2. Reduce Cost of Goods Sold - Localize/Alternate Materials	20%	Operations

Figure 5: Balanced Score Card

- ***Formation of Policies***

  Policies are required to make a strategy work. They set boundaries, constraints, and limits on the kinds of administrative actions taken. They clearly let both employees and managers know what is expected of them. They also provide a basis for management control, allow coordination across business units and reduce the amount of time spent by managers on decision making.

- ***Allocation of Resources***

  Resources should be allocated in accordance with organization priorities indicated by the annual objectives. There are 4 types of resources which are financial resources, physical resources, human resources and technological resources. The real value of resource allocation lies in the resulting accomplishment of organization objectives.

- ***Managing Conflict***

  Establishing annual objectives and structural changes in the organization tend to lead to conflicts due to different expectations and perception amongst employees. Conflict is unavoidable in organizations, so it is important that conflict be managed and resolved before it affects performance.

Conclusions

The present research article includes a detailed analysis of the issues faced by SmartCap, an electronic component manufacturing company, with respect to customer service. Following the analysis, several strategic recommendations were provided with well defined implementation strategies. The customer satisfaction is addressed today as a strategic business development tool and is crucial to the sustainability of any business. In the current context of globalization which gives room to intense competition especially in the electronics industry, measuring customer satisfaction must be done continuously, consistently, timely, accurately and through a reliable process. Customer satisfaction does have a positive effect on an organization's profitability, satisfied customers form the foundation of any successful business as customer satisfaction leads to repeat purchase, brand loyalty, and positive word of mouth. Organizations must take extreme measures to ensure continued customer satisfaction. In formulating customer satisfaction strategies for SmartCap, an in-depth assessment of the organization’s strengths and weaknesses with respect to external opportunities and threats were carried out. Prior to the implementation of these strategies, potential downsides were carefully studied and actions were identified on how to overcome these potential downsides. Never the less, strategy implementation involves changes in the organization and for successful implementation, a complete ‘buy-in’ need to be in place through effective communication and total employee involvement.

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ON HOLISTIC WISDOM CORE DATUM ACCOUNTING: SHIFTING FROM ACCOUNTING INCOME TO VALUE ADDED ACCOUNTING

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Abstract

This article is designed to create value added accounting concept based on holistic wisdom as supplant of income concept based on conventional accounting. The methodology used is The General Theory of Science from Hidayat Nataatmadja to build a value added concept with harmonious parity, *kewargaan* (citizenship) and *iman* (faith). Step one is to detect how accounting is used for Neoliberalism despotism tools that do not match harmonious parity. This is an agenda to enable MNCs (Multi National Companies) to "jail" accounting, therefore accounting must be limited-holders orientation designed and formed in conventional financial statement structures. In addition, there is a power need from accounting politics, which are the IAI and national-international networks. For deep interaction analysis, theoretical and political designs are needed to investigate income concept and advanced development from social and environmental accounting approach. Step two, using harmonious citizenship to develop accounting income concept that is free from Neoliberalism clutch, value added concept is employed. However, value-added concept needs to move further towards value added accounting based on holistic wisdom. The result, value added accounting has twelve chakra(s). Accounting does not just take sides to limited-holders, but must also take sides to broadening stakeholders, pro people and environment with God Consciousness based on harmonious *iman*. This is called holistic holders.

Key Words: neoliberalism, *limited-holders, holistic-holders*, value added with holistic wisdom, knowledge of universe, faith-parity-citizenship concordance.

By working through large corporations that bestride this earth, human beings for the first time have successfully utilized world resources efficiently as dictated by the logic of objective gain. (George Ball; Chairman Lehman Brothers International 1968)

Corporatocracy, (government that is controlled by owners of large corporations) as a powerful system to control global economy and politic, has seven elements, which are large corporations, government political power, especially America and its affiliates, international banking, military force, mass media, co-opted intellectuals, and last but not least is national elites with the characters of inlanders, compradors, or slaves. (M. Amin Rais: Selamatkan Indonesia 2008)

Accounting up to this date is still on the *peripheral datum*[1], as a supplement for the Western accounting *core datum*[2]. *Peripheral datum* stance could be seen from the reduction of the main strength of Indonesian accounting, Pancasila (ekonomi kerakyatan or people-based economy), ontological base of Indonesian traits, without the role of *coring dogmatic of datum* (centering to complete the *datum*) as epistemological driver, axiology, technology into the practice and regulation of accounting in Indonesia. Liberalism as the Western main *datum* (value, ideology, concept) has "entrapped" accounting into the tyranny of capital owners through corporations as their most effective and efficient tools. Liberalism has three main elements, which are prioritizing personal wealth, searching and maximizing gains, as well as competing in free market economy. To achieve the three elements of liberalism, capitalism as generator is needed to enable capital accumulation for personal interest that is known as owners, stock-holders, investors or creditors. It is clear that conventional accounting *core datum* is liberalism-based capitalism. Now, it even evolves to Neoliberalism.

The question is where is Neoliberalism web in accounting? The answer lies in the income concept that is carried out by Multi National Companies (MNCs). Is this true? This article tries to detect further how accounting has been used as tool in the interest and sake of Neoliberalism as well as to propose its antithesis which is income concept based on people economy. This article is structured in the following fashion. First, elucidation is given to explaining how the MNCs entrap accounting by designing accounting theory that is designed for

[1]*Peripheral*means on the margin or marginalized. *Datum*here could be describes as value or knowledge ideology, that possesses normative, conceptual, factual and empirical scope.*Peripheral Datum* is a term that describes value or ideology of knowledge that normatively, conceptually, factually and empirically is marginalized or is on the margin of dominating presently.

[2]*Core*means center or centralized. *Core Datum*in this article could be described as value or ideological stance of knowledge that is normatively, conceptually, factually and empiricallybecomes the centre and is dominating presently.

the sake of limited holders (limited stake-holders). This design is formed in the conventional structure of financial statements. Second, after accounting is designed for limited holders, accounting politic empowerment is needed by the hand of IAI and its national-international web. To see how theoretical and political designs interact, the main and most central accounting concept, which is income, is explored further. As explanation to Indonesian economy substance, Ekonomi Kerakyatan (People Based Economy) is brought to light as a base to develop Value Added Accounting Concept pro People. Meanwhile, methodological framework would employ indigenous Indonesian knowledge derived from The General Theory of Science from Hidayat Nataatmadja.

RESEARCH METHOD

The fact is liberalism that now undergoes evolution to become Neoliberalism, and that has gradually enveloped Indonesia from its policies to concrete actions, is not in line with such intermediating corridor. Liberal ideology, according to Nugroho (2001), tends to maintain individual rights and negates the fact that private sphere has public sphere consequence. Even intermediating institutions (such as religious, social-economical institutions including cooperation/koperasi) are being challenged and driven into private sphere.

Ekonomi Kerakyatan (People Based Economy) that is in essence a free intermediate substance pattern as well as private and public sphere dichotomy, such as *Koperasi,* now becomes representation of globalism and neoliberalism, that is unconsciously taking a slow suicidal path. Supposedly, *Ekonomi Kerakyatan* (People Based Economy), according to Mubyarto (2002), is not about cooptation and stunting of the majority of Indonesian people businesses, but about production and consumption activities from and to all society, that is managed by leaders and watched over by members of society. Arif's (1995) proposal to remedy national economy is to perform basic social reformation, namely "an effective development state". "An effective development state" is an elite power that possesses these following nature and behavior (1) free from any interest except for people interest; (2) free from any seduction to enrich oneself and family from the use of power at hand ; (3) organizes political ideology that is pro-people, pro-justice, anti-oppression, anti-feodalism, anti-nepotism and despotism, place high value on integrity, appreciate real and committed work to human emancipation; (4) do not perform country as a "soft state", which is a weak and timid government that is reluctant to take lawful action towards every form of deviations that would slow down real social transformation process.

How is Indonesian accounting that is pro-empowerment and strengthening people economy? The most apparent action is to develop accounting not from the "materialism and anthropocentric oriented" based. Indonesian accounting form in the future is accounting that is not limited to material, as well as egoism individual and group. Holistic empowerment comprises material, self and social egoism, must be developed and extended further. It must even go beyond that; it must be based on the real Pancasila and UUD 1945.

If we refer to the source of all sources of law in Indonesia, Pancasila, then we can not read it in parts, but whole. When we detect accounting as part of economy, then we could design accounting from the fifth tenet of Pancasila (Social justice for all Indonesian people). Designing accounting must hinge on all principles in Pancasila. A holistic form of the five principles in Pancasila consists of the Indonesian human-self character (the second principle), society identity (the fourth principles) and Godliness values (the first principles) that adhere in the unity (the third principles). These holistic natures of Pancasila then should adhere to internalization of Indonesian Accounting.

A holistic interpretation of Pancasila values according to Nataatmadja (1983, 30-31) actually constitute of the nature of Pancasila itself.Meaning of Pancasila must be perceptible in a wholeness of science and religion. In Pancasila exist the real unity between objectivity interest and subjectivity materiality of self, social and environment simultaneously that is based on Godliness values. That is the substance of Pancasila; that is the substance of Accounting; holistic accounting. Holistic accounting should face unity orientation between objective-subjective, between real-unreal, between quantitative-qualitative, and should possess material-soul-spiritual values, that is financial-social-environmental oriented, which should have Godliness values. Holistic Accounting would be in line with Pancasila values, that according to Nataatmadja (1994, 1), is a form of *Keilmuan Semesta* (The General Theory of Science), as the *Rukun Sentral* (Harmonious Centre) from People Base Economy with Pancasila version**.**

Rukun Sentral of *Keilmuan Semestaala* Hidayat Nataatmadja has three harmonious derivatives. First, *Rukun Paritas* (Harmonious Parity), as a manifestation from Quranic verse; God create all of things in counterpart. This means that objectivity should be accompanied by subjectivity, *vice versa* (Nataatmadja 1994, 37). Second, *Rukun Kewargaan* (Harmonious Civilizations), together with *Rukun Paritas* form new scientific paradigm towards *Rukun Keimanan* (Harmonious Beliefs) as the core. This is rejecting individualistic and atomistic approach, but prioritizing togetherness and unity of every form (Nataatmadja 1994, 43). As the result, material-nonmaterial as well as quantitative-qualitative aspects must be oriented for all, pro togetherness-people-society-environment, and deny serving only one interest. This would bring principle consequences of accounting parity and accounting equilibrium.

Based on Pancasila holism too, if we detect accounting as a part of economy, then by referring to UUD 1945, article 33 of UUD 1945 can not be read just as a part of economic interest of Indonesian people. Economic wealth is not just a manifestation from article number 33

UUD 1945. Article 33 is just a part of holistic will of Indonesian people that is to obtain social, economic, political, cultural, physical, soul, and spiritual welfare, which is a manifestation towards the dignity of Godliness Human. This means that if accounting wants to be free from the "jail" of the American version economic materialism, then of course we should not rush into accepting antithesis like Marxism, or a more "soft" form such as socialist materialism and also new socialism.

Then the message conveyed by HOS Tjokroaminoto, "The King without Crown", The Guru of Nation Founders, is true: "to be out of capitalism towards socialism is useless, since both still worship or deify materialism. The right economy is economy for people, economy with togetherness orientation, to possess moral, social responsibility, and more importantly responsibility to God". This spirit must exist in our accounting. Accounting must strive for all, for togetherness orientation, to possess moral, social responsibility, and more importantly responsibility to God. But, religiosity of people based accounting is not similar to religiosity in "spiritual" company that has employed spirituality as the "driver" to obtain economic bottom line interest or whatever economic reasons it poses.

People based accounting must be intact and steady to recline to long term interest, which is God's ways. This is people based accounting in Genuine Religious People *Core Datum* corridor. Godliness Concept of Accounting is the apex of Harmonious Parity and Harmonious Civilizations, which is named by Nataatmadja (1994, 24-31) as Harmonious Beliefs. The Core of Harmonious Beliefs is the belief to Oneness of God (*Kesatuan Ilahi*) with all of God's guidance and advice. From Harmonious Beliefs and obedience to The Creator, human orientation sees everything not just based on objectivity, but also with subjectivity values. Objectivity is connected with materiality of things, while subjectivity is connected to soul and spiritual transcendental values as well.

Findings And Discussion

Theoretical foundation: inconsistency in neoliberalism structure of financial statement (harmonius parity). Inconsistencies in Harmonious Parity in accounting could be seen from four accounting despotism keywords in financial statements structure. The first keyword is Bottom Line Income. Accounting orientation and interest are based on income that is covered in Income Statement. Income is the first objective for the sake of owners as a whole; comprises traditional owners, stockholders/shareholders, as well as investors. In order to match income to owners' interest, some efforts need to be done, ranging from cost of goods sold (CGS) efficiency and engineering of sale price, to achieve maximum gross profit. Determination of gross profit is not enough, therefore management interest (operation), labor cost (wages), government tax and other holders who could subtract the gross profit are need to be designed with definition of word "expense", which literally means "burden". Everything in expense parts constitute to the "burdening" of income. In this sense, "expense" must be designed so that owners' income becomes dominant and maximum.

The second keyword is Right Top Line Liability. Orientation and interest of accounting at liability is covered on the balance sheet and is placed on the top right. Why is this so? The explanation for that lies on the trilogy of Modigliani and Miller's Capital Structure's (1958; 1961; 1961), *i.e.* the fundamental "finance theorem". Lialibity is about effective method for owners and management (in internal position) to share "profit" with creditors (in external position) via theoretical design and empirical behavior of business owners to face the tax payment pressures from the state/government. Why should the owners share the profit with creditors? This is because creditors possess wealth sources, but without direct control company rights, unlike the stockholders and investors (through annual or extraordinary general meeting of shareholders). In addition, owners as well as management also have advantage over liability, because dividend for investors as well as stockholders who wish for high equities values, since the cost of liability is very low. Political atmosphere of management and owners to get value added for "slaved" company could be cruelly felt in the process of capital structure engineering and accounting as technical representations. This is named as Balance Sheet Politics.

The third keyword is Left Top Line Cash in Balance Sheet and Bottom Line Cash in Cash Flow Statement. Cash orientation and interest of accounting are shown on two financial statements, which are positioned on Left Top and Bottom Line Cash. Top Line Cash could be found at the Balance Sheet, while Bottom Line Cash could be found at Cash Flow Statement. Technically, cash could be viewed from its nature as tools that inform its connection with company's future cash flow, profitability, solvency, and flexibility. In a more conceptual view of cash flow accounting, cash could be seen in connection with "asset values recognition" and "income measurement" of investor interest for watching company's past, current and future performances. Cash could have "honest" values for investors as healthy company measurement other than income, because income is more vulnerable to manipulation practices, changing accounting methods, and have abstract value that could not show real value. Both "cash" (in balance sheet and cash flow statement) are used for interest trade-off between management on one side and owners/investors/stockholders on the other side. In the management interest, if more cash is invested then management can have direct control and intervention. For external management interest, cash is used to distribute certainty profit in form of dividend.

The fourth keyword is Substance Equity. Equity orientation and interest of accounting could be seen at Statement of Retained Earnings (SRE). SRE is usually shown as an end part of financial statements; that is to inform income progress between both annual financial statements that will be distributed to all stockholders/shareholders. Another SRE goal is to provide income information that is still owned by company. This means that SRE interest is earnings information just for owners and not to all stakeholders. So, the "zenith" of all financial statements and accounting actually lays in the SRE, which elucidates company ability to create earnings, equity and income information owned by company.

In conclusion, income, liability, cash and earnings, actually accounts that are prepared for limited-holders. They are management, owners, investors, stockholder/shareholders, and creditors. So, the core of financial information and all of accounting design have been solely oriented to limited-holders. This is neoliberalism or *core datum* in accounting. There are inconsistencies in harmonious parity from the general theory of science. Inconsistencies could be shown in the emphasis on objectivity of accounting. Subjectivity has been abandoned and considered as an unimportant part of accounting.

Theoretical foundation: inconsistency of income concept (harmonious civilizations). Despotism could be viewed from politicization of accounting. Accounting inconsistencies are contained in epistemological aspect, specifically in a subjectivity negation and more emphasis to objectivity. Further, inconsistencies impact could be seen from epistemological perplexity of harmonious civilizations. Harmonious civilizations views that accounting can not be created only for one side egoism or self interest, but must also bring value added or benefit for "all". Negation of all interests and determination of unjust interest in accounting will be shown under political economy of accounting in the context of struggles over "income".

Politics of accounting is launched to disseminate "seeds" of the "main truths" in conventional accounting values namely income, liability, cash, and earnings, as the core datum spirit of liberalism. Dissemination is carried out through accounting regulations in the name of IAI (The Indonesian Institute of Accountants) in Indonesia as an AICPA subordinate (American Institute of Certified of Public Accountants) in the past (with regulation product namely the SAK or Financial Accounting Standards, similar to FASB) as well as the IASB (International Accounting Standard Boards) now (with regulation product namely the IFRS – International Financial Reporting Standards). Both AICPA and IASB are accounting regulators with most members of their boards are dominated by the Big Four and have economic dependence on the MNCs. Is this true? The following arguments will be discussed.

Neoliberalism clutch in accounting. MNCs are modern forms of advanced Capitalism which is usually called by the name of Neo Liberalism; ultimate power that is evolved from Liberalism. Accounting itself is the tool for the MNCs, as well as the tool for Neoliberalism to disseminate power above society, state and even God. More technically, IFRS as an accounting regulation in the name of harmonization or convergence, in the world where "money" and "profit" could be created must submit itself to corporation hegemonic clutch. Corporate hegemonic clutch is what it is called by Merino *et al.* (2005) as manufactured consent (industrialized deregulation). Manufactured consent is an effective way for maneuver power and ideological justify from deregulation way (ascertain acts in every countries) to distribute wealth globally in emphasis free-market condition that also must be regulated intervention as well. Global wealth in accounting existed via four conventional accounting core datum interest. MNCs are designing deregulation via harmonization or convergence in accounting and pressure in using IFRS. Who are in charge? They are accountant and financial analyst assigned as professional gatekeepers, functioned to inject MNCs' interest via politics lobby and auditing deregulation for profit. When accounting is not value-free, but value-laden, then automatically conventional accounting presently is dominated by the Western *core datum*. This would shape the characters of accounting into capitalistic, secular, egoist and anti altruistic (Mulawarman 2009). When accounting is directed towards economic-political interest of the MNCs for economic liberalism, then accounting which is taught and practiced without any filtration, would clearly be oriented towards economic liberalism as well (see, for example Choi and Muller 1998; Graham and Neu 2003; Kim 2004; Abeysekera 2005; Lehman 2005, Mayper *et al.* 2005; Merino *et al.* 2005; Diaconu 2007; Mulawarman 2008).

In the end, accounting must continue its vision as important tool to realize globalization for the MNCs (Thorelli 1977 in Choi and Muller 1998). The behavior of the MNC through accounting harmonization practices is similar to colonialism (Choi and Muller 1998, 48). Accounting "colonialism" through harmonization in Indonesia has started ever since the monetary crisis in 1997. The IMF (International Monetary Fund) has proposed several requirements regarding lending conditionalities from the Memorandum of Economic and Financial Policies[3]. If Indonesia should undergo macro economics changes, then one requirement is that accounting practices in Indonesia should adopt the policies of the neoliberal IASB (Graham and Neu 2003). Adoption pattern without seeing value sources of Indonesia is named as *abdi-dalem* (slave) mentality by Nataatmadja (1984, xxv). Human that possesses *abdi-dalem* character is in fact "has not become a human", since he/she has not achieve independent knowledge and living, and therefore he/she ought to be oppressed.

Accounting theoretical-political interaction through income concept. Income as one keyword in conventional accounting, conceptually is still on technical level, material-oriented and related to conventional economics. Income on technical level has been described by Chariri and Ghozali (2000, 214) as operational accounting income, under the view of cooperation as a unit. Income is "the difference between realized revenue from transactions that occur in one period

[3]The Memo of Understanding was signed between the IMF and Indonesian government in 1997 before the fall of President Soeharto as a result of Reformation in 1998.

and expense that relates to that revenue". This operational definition, according to Wolk *et al.* (1989, 269-270) refer to Accounting Terminology Bulletin (ATB) 2, which reflects revenue-expense approach and emphasizes direct identification from revenue-producing activities. If the discourse of accounting income is based upon revenue-expense approach, then we will discuss the income concepton syntactic level. Accounting income on syntactic level, according to Suwardjono (2005, 469-473), is defining income as the difference between measurement and matching between revenue and expense with transaction-activities approach.

Besides the two approaches, there is an approach that seeks to maintain financial capital as well as physical capital under the view of who is in power over the capital. Under the financial capital view, income must be brought closer to the first interest of economic value of stockholders or obligation, equities and (or) creditor. Meanwhile, under the view of physical capital, then income should be brought closer to the first interst of the company ability to perform physical production capacity to produce goods and services that is run by the management. In simple term, when income is viewed under financial capital, its primary orientation is stock-holders, obligation-holders, equity and creditor. However, under physical capital view, income orientation is the management. So, technically, accounting income must be produced towards adequate financial statement information provision for the interest of stock-holders, obligation-holders, equity, creditor and management. The interest of the society, environment, as well as compliance with sociological-society ethical standards or social-religious interest for example the determination of *zakat, infaq, shadaqah* in Islam has not been touched. If investigated further, then obedience towards God has been forgotten. Besides that, income information that is required pertains to material information only, in both financial and physical income. Non-material information is not the main information, but only marginalized information (periphery). Non-material information is not the main information, but only marginalized information. Material information is quantitative in nature (numbers). This key is the main key to accounting, beyond this, such as qualitative information, is not of a main concern, but it becomes additional or peripheral information.

Whether information is material or not is then described in materiality principle. (Hicks 1964; Bernstein 1967; Frishkoff 1970; Ro 1982; Messier *et al.* 2005). The importance of materiality is confirmed by the Financial Accounting Standards Board's Memorandum Discussion (1975, 3):

> The concept of materiality pervades the financial accounting and reporting process. It influences decisions regarding the collection, classification, measurement, and summarization of data concerning the results of an enterprise's economic activities. It also bears on decisions concerning the presentation of that data and the related disclosures in financial

> statements. As applied by preparers and auditors, the concept of materiality is generally understood ultimately to involve determination of the importance of a matter for financial reporting purposes.

The essence of materiality relates to the materiality of accounting information provided for public. On the other hand, if it is not material then accounting information should not be presented (ignored) and disclosed separately (Ro, 1982). The consequence would be that not all financial information needs to be disclosed; or not all misstatement needs to be corrected (Rose *et al.* 1970 in Ro, 1982). Further, materiality principle according to Hicks (1964) follows the basic proposition:

> "…if it doesn't really matter, don't bother with it"

This proposition in accounting, Hicks (1964) continues, could be regarded as follows:

> "If financial statements are to be prepared and examined with anything approaching reasonable economy, and if they are to be meaningful and useful, such a doctrine is indispensable".

Materiality clearly leads to two things. First, relativity of materiality itself and second, quantification of accounting information materiality. Relativity and quantification become the base for Frishkof (1970) two generate two important words in defining materiality:

> "...the relative, quantitative importance of some piece of financial information, to a user, in the context of a decision to be made."

For Frishkoff (1970) relativity and quantification of accounting information is needed to satisfy the interest of financial information users in the context of decision making. Relativity and quantification could also be seen from the definition of materiality put forward by Financial Accounting Standards Board's (FASB) in the Statement of Financial Accounting Concepts No. 2 (FASB 1980, 132):

> "The omission or misstatement of an item is material in a financial report, if, in light of surrounding circumstances, the magnitude of the item is such that it is probable that the judgment of a reasonable person relying upon the report would have been changed or influenced by the inclusion or correction of an item."

The definition of materiality by the IFRS is not far different:

> "Materiality is a component of relevance. Information is material if its omission or misstatement could influence the economic decisions of users"

Based on the explanations, accounting over-emphasizes "material" income and its limited orientation to "specific" users (stock-holders, obligation holders, equity, creditor and management) and has negated *peripherally* "other" users (society, environment) and even God. If it is immaterial, it should be ignored. Based on these "specific" users so these "specific" users could understand income well, then important information is limited to quantitative or numeric information, while qualitative information must be "banished" to be "peripheral" information.

Value added accounting concept with holistic wisdom. Other alternative besides egoistic and self-interest approach would result in new movement, which is Social and environmental accounting, usually referred to as Corporate Social Responsibility on Accounting. The thought of charity corporation is not new. Berie and Means (1975) have proposed company transformation to be actively involved in social and environmental interest. Even management book written by Drucker (1993; 2004) affirms that company should not be interested in the internal of the company (implementation within management) but must also in the interest of the society.

The role of companies and management that is based on social interest is not new or a surprise. It is not an advanced thought or evolution towards good companies and management. This is because, in essence, if we look back to the history of company as entity in the society, then it is clear that a company is born for the sake of the society, not for itself. According to the expert of the western business history, Ross Robertson (Estes 2005, 29), a company is established to serve public interest or society. Even in 1800s, company is not permitted to have other purpose except to represent public interest (Davis in Estes 2005, 29). The problem arises with time. Companies are bigger, more in numbers, and therefore becoming greedier and oriented towards self interest (Estes 2005, 35). The time shows that world class companies have turned to MNCs and have forgotten their duties as entities who must serve the public. This change of role, according to Barnett and Muller (1984, 8-11), could be seen from the change of MNCs' paradigm or worldview, from social interest to power interest beyond nation state. MNCs' worldviewin the modern world in centralized in viewing the world as "one economic unit" to fulfill the old capitalism dream on One Great Market. The way to do this is by "destroying boundaries" towards the transcendental unity of corporation, tool of world development, single power for peace and powerful representation of international society. The reflection of such paradigm has taken shape of Income Statement to simplify performance quantification for the sake of stockholders instead of stakeholders (Estes 2005:37). Social and environmental aspect itself by the MNCs remain the same; they are externalities, therefore accounting approach as information representation and company accountability has placed social and environmental aspects as voluntary accounts. Such social and environmental accounting approach is known widely as Middle Ground stream.

The development of social accounting and its representation in the form of Corporate Social Reporting (CSR), is dominated by Middle Ground, which retains the traditional accounting *status quo*. This traditional nature could be seen in the form of financial statement that until now capture only limited social reality signals in the company organization lives and ignores externalities (Gray, *et al.* 1996:298). Accounting reporting has placed social and environmental interest as voluntary disclosure. Voluntary disclosure with complete and thick indicators, in whatever manner, would place social and economic reporting as cause and effect concept. Gray (2006) sees that social-economic accounting approach based on “business as usual” or on Triple Bottom Line[4] would not have much difference. Companies’ financial statements formally possess social and environmental care, but in reality these financial statements do not have impact whatsoever on the going concern of empirical ecology. The destruction of environment and social system or even individual alienation are still rising with the rise of such “social and environmental caring” financial statements. Formal audit approach does not have direct correlation to the improvement of the individual, social and environment (which are in effect getting destroyed).

The difference between the Middle Ground and Non-Middle Groundaccording to Mulawarman (2006:184) lies on the scope of accountability. The Middle Ground retains the conventional accounting *status-quo*. CSR has only become supplementary extension. This school is also called Environmentalism or shallow ecology. Non-Middle Ground has conducted extensions and critics towards conventional accounting by changing Financial Statement with mandatory CSR report. However, both are still in material conception. The extension lies on the financial and non-financial measurement conception. Non material values are not yet detected. Thoughts about material

[4]Triple Bottom Line (TBL) is rooted from John Elkington’s book namely Cannibals With Forks: The Triple Bottom Line in 21st Century. Elkington develops three important components for sustainable development, which are economic growth, environmental protection and social equity. The three components are usually referred to as 3P,profit, planet and people. In short, TBL depicts that company should not just be concerned with economic gain based solely on profit, but also is concerned with environment (planet) and social welfare (people). In Indonesia TBL application in CSR has been realized in the *Undang-Undang Perseroan Terbatas*(Law of Limited Company); UU No. 40, 2007. Law that also regulate CSR could also be found in UU No. 25 2007 on Capital Investment; as well as UU No. 19 2003 on BUMN (State Owned Companies).

conceptions in non middle group school have shifted from Shallow Ecology towards Deep Ecology.

Shallow Ecology is a view that is concerned with environment through technical or economical approach. Shallow Ecology has two perspectives. First, to view environmental destruction as change of functions because of the entrance of strange substance in the environment though its natural ability to cope with the problem. Its solutions are technical in nature and it relies on scientific and technological instruments. Second, to view environmental destruction as external costs of economic activities that would bring failure of the market. Both perspectives have placed human above nature.

Deep ecology according to Capra (1996:6-8) is a shift of paradigm from anthropocentric shallow ecology. Deep ecology does not separate human from his/her natural environment. It views the world not as groups of separate objects but as a network of phenomena that is interconnected and depended fundamentally upon one another. Deep ecology admits all intrinsic values of every creature and views that humans are no more than a chain in the web of life. Deep ecology is in fact an ecological consciousness that is directed towards spiritual consciousness.

Deep EcologybyCapra has even made changes on spiritual level. However, the spirituality here is limited to cyclic consciousness in anthropocentric self-interest reality towards ecological reality of the universe. In the appendix of The Tao of Physics in 1999 (twenty five years after the book was being published for the first time), Capra reaffirms the meaning of spirituality of the New Paradigm to replace Modern Science:

> "Spirituality that is related to the new vision of reality which I have generally laid out in this book, most possible is an ecological spirituality, that is earth-oriented and postpatrirchal."

Implementation of Deep Ecology in accounting could be seen from accounting researches such as conducted by Gray (2006) who describes that social-environmental accounting has changed from the previous practices. So far, social-environmental reporting is only a supplement and legitimation for the company. The concern is only "clothing" but not "the heart" of the company. The ecological "clothing" and sustainability as stakeholder's representation of concerns are worn as "mask" for company orientation of stock holder's interest. Why is this happening? This is because financial statements are based upon "pristine liberal economic democracy", which is moral self-interest view with liberal economic power interest. As the result of liberal economic thought, economic power is placed on rational investors (capital market) that would have impact on social welfare. This base of liberal thought brings about Trickle Down Theory. Social accounting here has put more emphasis on qualitative report and descriptive statistic to see how organizations report their activities to their stake holders. This means that application of reports are no longer supplements but has become supplant and reaches equal positions with the present dominant financial statements.

Technical implementation has been conducted by Mook, *et al.* (2003; 2005) who give alternative of the domination of income statement with Expanded Value Added Statement(EVAS). EVAS is an alternative discourse on value added-based income concept[5]. EVAS is an extension of value added statement (VAS) (Mulawarman 2006, 171). VAS is employed to internal creation and distribution to stake holders, as well as fund maintenance towards independence of the company. EVAS puts emphasis on the role of organization in directing benefits for the general society that is usually neglected in financial statement because it is regarded as externalities and could not be quantified monetarily. EVAS focus has put forward integration of financial and non-financial information, financial data synthesis with social input-output, financial and social data combination to portray social and economic impact of the company. Even though EVAS still retains material accounts (financial-social-environmental) and limited qualitative/descriptive, it still could not present non-material/qualitative accounts that are wider in scope, be them soul or spiritual accounts.

The advancement of social-environmental accounting has used deep-ecology, but it is still negated by accounting “mainstream”, which is traditional accounting with additional orientation to society and environment based on shallow ecology. The long journey for accounting does not stop on social and environmental accountability. To me, accounting must proceed further by using holistic Pancasila and referring to UUD 1945 that employ the principle of *Paritas dan Kewargaan dari Keilmuan Semesta*/Parity and Citizenship of the General Theory of Science (Nataatmadja 1994). Value Added Accounting as a replacement of conventional accounting income does not stop at account recording that is material oriented and limited quantitatively as shown in EVAS.

Value Added Income, therefore has a holistic form namely balanced accounting matrix based on Harmonious Parity (*Rukun Paritas*), *i.e.* balanced in material-soul-spiritual as well as self-financial-social-environment, be them in quantitative and (or) qualitative forms in the corridor of Godliness value as the beginning purpose-process-ending purpose of the company. Besides that, Harmonious Parity-based accounting, would not only prioritize limited holders interest or the joining of society and environment in accounting scope, but also has the main emphasis on pro people accounting, pro environment

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[5] Value Added is an income concept that portrays income in a wider perspective compared to conventional accunting income concept. VA has a unique accounting income in “justice”through the principle of income creation and distribution to all interst groups from management, employees, stock holders, owners, creditors, government, suppliers, consumers and environments (Mulawarman 2006, 129-130).

accounting, as logical consequence of company as it becomes tool towards God consciousness. The impact is clear, that it would be important to explore further value added concept that possesses not just social and environmental "wisdom", but also material extension (financial-social-environment) as well as non-material extension (batin/soul and spiritual) based on Harmonious Parity. This is value-added based on holistic wisdom sourced from the General Theory of Science from Nataatmadja (1994), which elucidates value added accounting based on holistic wisdom with the orientation of accountability that is pro holistic holders. Value Added Accounting based on holistic wisdom would produce twelve chakras as shown in the table 1 (appendix).

Value added Accounting matrix based on holistic wisdom has two main concepts, which are horizontal and vertical value added concepts. Horizontal value added concept is material in nature (quantum), through the path of soul as a way to achieve spiritual reality (wisdom). Each horizontal value added is hierarchical to follow the pattern of vertical value added pattern comprises four aspects: self, social, universe and spiritual. The details of the twelve chakras based on holistic wisdom are explained in 5.3.

The twelve chakras of value added accounting based on holistic wisdom. Chakra of self quantum is the base of material-self value added. This chakra is an egoistic chakra that reflects the human independence and importance as reality that possesses economic wills. Although economic wills are materialized in the value added of self, they are still accompanied by the second chakra, which is self flowing soul chakra.

Chakra of self flowing soul is a reflection of self ethics that have become the way or *"sunatullah"* of human. The will to accumulate value added self quantum is usually limited or controlled by this flowing soul chakra, while seeing self and social reality as self that could not be free from society effects. Self flowing soul chakra is the self chakra that bridges self to will for value added that calms the soul.

The interaction between self quantum chakra and self flowing soul chakra towards the balance of material and soul will, yet retains the empathy to other selves, would give self value added to others. When human has reached this balance (the balance of material satisfaction as well as empathy in the form of value added charity from his/her soul reflection) then value added is achieved based on self wisdom chakra.

Social quantum chakra is a base of material-sociological value added. Based on this chakra, value added has sociological-society nature, which means that the zenith of material value added is social balance. Companies are no longer the centres of material interest, but social balance is the centre of material interest. The main orientation of value added is the balance between material income quantification interest for direct internal company (management and employees), indirect internal company (owners, stock holders, creditors) as well as indirect external company (surrounding society and society in general).

Social flowing soul chakra is the sociological value added aspect that is qualitative in nature. Social flowing soul chakra is a bridge to sociologically horizontally balance social quantum (quantitative-material value added) with social wisdom (qualitative-spiritual value added). Social quantum could be well distributed financially when there is a soul that is sourced from social wisdom. In simple words, social flowing soul chakra is the inner social wisdom voice that is implemented in the distribution of value added for each interest holder in justice. Social flowing soul chakra, besides acting as a bridge of social wisdom, is also qualitative-sociological value added aspect that provides calm and peaceful space for every stake holder. This means, there is in fact society soul value added that must be distributed in proportion to each stake holder. It would take the form of local culture soul values as representation of company's sociological stance. Company is regarded as social soul value added distributor when it accommodates local culture into the company's activities. Indonesian national-local culture must be accommodated well, with determining accounts based on people economy, as well as accounts based from Pancasila; that are implemented from the textual tenets of Pancasila and Indonesian activities, be them national or local. An example is the possibility of the formation of account such as "*gotong-royong*" (activities of villagers/citizens to maintain and develop public facilities for social-societal functions) or "*arisan*" (activities that share economic benefits in turns and strengthen kinship amongst housewives as well as additional fund for the family). These are indigenous Indonesian activities. "*Gotong royong*" or "*arisan*" have become well accepted as cultural values that could be accepted by Indonesian societies at national level[6]. Companies would not be regarded as having social soul value added when cultural values are not well absorbed and the local values are reduced by company's culture domination.

The zenith of accounting qualitative-sociological value added is called chakra of social wisdom. Social wisdom is spiritual value added of the company that combines spiritual universal values with localities where the company conducts its activities. This means that value added distribution process is given to each stake holder based on the value added creation aspect of each stake holder interest that owns spiritual wisdom. Value added accounting creation aspects are built through justice, goodness and honesty as well as *akhlaq*/ethics where the company operates. Creation aspect is not only about financial measurement and would result in material/quantitative value added accounting distribution. The judgment of *akhlaq*/ethics must be involved in the measurement model as well as accounting recognition pattern. Social wisdom values are no longer in voluntary form of

[6]Even "*Gotong* Royong" was made as Indonesian cabinet name in the ruling of President Megawati Soekarnoputri, which is*Kabinet Gotong Royong.*

creation or distribution aspects, but they must become mandatory aspect that would emerge in every financial statement.

The next chakra is called Universe Quantum. In accounting, Universe Quantum chakra must recognize ecological materiality that is balanced with the Social Quantum. Up to this date, environmental aspects are regarded as externalities for the company. This is not so in value added based on holistic wisdom. Environment Quantum is also a part that is inherent in the creation measurement until its distribution. This means that the company must place natural environment as one stake holder at the same level (with balance and justice) with other interest holders. Environment Quantum must have equal right to income distribution. Based on such just distribution the environment can maintain its sustainability.

The Universe Flowing Soul chakra is similar to Social Flowing Soul chakra. It functions as a horizontal-ecological balancing bridge between Universe Quantum with (quantitative-material value added) with Universe Wisdom (qualitative-spiritual value added). Universe Quantum could be well distributed financially when there is a soul that is sourced from Universe Wisdom. Universe Flowing Soul is the inner voice of Universe Wisdom that is implemented in the justice of value added distribution of each interest. Universe Flowing Soul besides the bridge to Universe Wisdom, is also ecological-qualitative aspect that gives room for ecological sustainability for each interest holder. This means that there is environmental soul value added that must be distributed in justice to every interest-holder. This would take the form of natural balance soul value as a representation of ecological position of the company. Ecological aspect with various local cultures in Indonesia become important and must be textually or contextually accommodated by the company. The company is regarded to have distributed Universe Flowing Soul value added when it has taken great care to maintain environmental friendly process in its business activities. The company would not be regarded to have Universe Flowing Soul value added if ecological balance has been disturbed. Environmental destruction would not have affected directly the company, but also when social space has been disturbed from its environment stability, then the company does not have care for the environment at all.

The peak of value added accounting that is qualitative-ecological in nature is chakra of Universe Wisdom. Universe Wisdom is a spiritual value added of the company that would keep the values of balance as well as environmental stability in cultural symbols and in behavior of the company. This means that ecological values must be involved in the measurement and recognition criteria of creation and distribution aspects of value added accounting. The values of Universe Wisdom are not just about voluntary aspects of either value added creation or distribution, but must become mandatory aspect that would show up in every financial statement.

Spiritual Quantum Chakra is the peak of material-quantitative value added. Spiritual Quantum is the central measurement to determine whether value added (be it in the process of creation or in the process of distribution) would have spiritual value added for every interest holder, from (direct and indirect) internal company to (direct and indirect) external company. Spiritual Quantum must be immersed in every aspect of material-quantitative value added, based on spiritual values whose measurement models have already been developed. For example, *zakat, infaq, shadaqah* or *halal-haram* in Spiritual Quantum of Islamic society known as *syara'* (law) aspects in Islam[7]. These *syara'* measurements have been determined through *Fiqh* (regulation) with several mathematical-quantitative calculation models. Similar ting could be determined. Spiritual Quantum in cultural wisdom *a la* Indonesia that is very thick with spiritual-sociological uniqueness must also be accommodated. There are "*slametan*" (a ritual to gain safety as well as blessing as shown in farmers' economic activities) or "*larung*" (a ritual to gain safety as well as blessing as shown in fishermen's economic activities). "*Slametan*" activity could also be conducted , not just farmer, but also in general events, such as when one is about to go on a *haj,* building a house, getting a new social status, then friends and neighbors are invited to join in thankful prayer to God. The fact is, "*slametan*" is no longer local tradition, similar to "*gotong royong"* or "*arisan*". It has become the national culture behavior of Indonesian society. "*Slametan*" activities have even become "psychological duties" that have been carried out by many companies in Indonesia[8].

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[7]Activities that are thick with shariah atmosphere, both social-environmental have been made as one important aspect in the value added concept of shariah accounting (eg. Mulawarman, 2009)

[8]The empirical evidence could be found in "*slametan*" at Jasa Raharja (BUMN/state owned company in insurance business) ofWest Sumatera. When it moved to its new office in Padang, on 22 October 2009, it held "*slametan"* as well as social activities which are having feast together with the orphans and giving them gifts (http://www.jasaraharja.co.id/read.cfm?id=7865). "*Slametan*" in large scale has been a yearly tradition in *Pabrik Gula Jati Barang*(a state owned sugar company) that is owned by PTPN IX (Persero), Brebes, Jawa Tengah as a largefarming BUMN in Indonesia. These activies are called Metikan. Especially in 2009 the event was called *Metikan Pesta Giling 2009 PG Jati Barang Banjaratma*. The event of "*slametan*" nearing harvesting season as one that is conducted by PG Jati Barang is also carried out by othe state owned sugar palantations belonging to PTPN in all Java with different terms such as *Cembengan, Wiwitan, Royalan, Bancakan* (http://pgjatibarang.blogspot.com/2009/05/metikan-pesta-giling-2009-pg-jatibarang.html). Pertamina, as one of the largest BUMN in Indonesia in oil business, in its 50 years of anniversary has held "*slametan*" every where. UPMS VII Region in Makassar for example, by holding a "*slametan tumpengan*"on 9 Desember 2007 (http://www.pertamina.com/download/mediapertamina/2008/mpno03210108.pdf). Pertamina EP Field Pangkalansusu held "*slametan*" and donation distribution to 44 orphans in Desa Sei Baharu, Kecamatan Hamparan Perak,

Spiritual Flowing Soul chakra is the peak of soul-qualitative value added. Spiritual Flowing Soul value added is the rights that exist in religious individual or society. Spiritual Flowing Soul aspect provides opportunity for the acceptance of employees' and societies' rights, for example, to carry out their religious obligations. Amongst these activities are *shalat,* building *mushala* in offices, donation to local mosque establishment where the company is. Similar conducts should be applied to other employees or societies with different religions such as Christians, Catholics, Hindu, Budha, or Konghucu.

Lastly, the peak of all value added chakras is called Spiritual Wisdom chakra. Spiritual Wisdom value added is the recognition of Godliness spirituality as a base for company, society and nature. Spiritual Wisdom value added is not about qualitative value added aspect that is most abstract that "might" not be possible to be recorded or physically quantified. Spiritual Wisdom aspect has the highest position in every aspect of wisdom; be it in Social Wisdom or Universe wisdom. For me, Spiritual Wisdom value added must exist in the beginning-process-end of Universe and Social Wisdom, which then would be immersed in all other value added aspects; such as soul-social-universe similar to soul-spiritual or even quantum of social-universe-spiritual. In short, spiritual wisdom becomes the driver in addition of challenging Spiritual Wisdom, for the value added, and also "drivers" for the rest of value addeds. This is consciousness value added based on *Ilahiyyah* or Godliness.

CONCLUSION

Neoliberalism are directed towards economic interest with technological tool-including accounting – to handle the traffic of company cash flow through "virtual world" that is getting uncontrollable. Such condition would have effect on monetary traffic and control of technology as well as production that are only concentrated on a few MNCs. This concentration would produce political hegemony and shift economic power of developing countries into "figure actors" or subordinates whose fates are depended upon the MNCs. The countries as well as the economy of the people would be under hegemony of MNCs as "oppressed colonialized companies"; supported by corrupt government (state capture corruption). This has been affirmed by Rais (2008:182) that neoliberalism has become a way for MNCs' corporate crime leading towards state capture corruption, through MNCs' collusion with most of executives, legislatives, judicative and mass media.

The search of accounting with holistic wisdom is taking us to accounting based on the ideology of true Pancasila. Accounting

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Deli Serdang, right before oil drilling activities took place. Before oil drilling, prayer was done to avoid any danger and to obtain satisfactory reward (http://www.harianglobal.com/index.php?option=comcontent&view=article&id=23061%3Apertamina-ep-pangkalansusu-santuni-anak-yatim&Itemid=60) .

implementation in income concept that is in line with Pancasila must be pro people, pro society, pro environment, subjective as well objective in nature and is characterized by the balance of justified value added both material and non material. This means that the income concept is no longer partial, but becomes a holistic value added, both material and non-material simultaneously. Accountability of value added with holistic wisdom would finally refer to the balance of twelve value added chakras.

Rolas cakra iku rolas kasampurnan
Rolasing angka siji lan loro
Siji loro dadi telu
Siji sepi, loro lumrahing kasaimbanganing urip, telu pinuju kalengkapaning urip
Siji karep, karepe seneng dunyo
Loro bareng, barenge kerukunan, barenge kalestarining alam
Telu lengkap, lengkaping rogo, manah lan makrifat
Loro iku kaseimbanganing manah lan pikir
Siji iku tujuan kaseimbanganing manah lan pikir marang Gusti Pangeran
Siji ora kekal, loro ora kekal, telu ora kekal
Siji loro telu, ing akhire lakon, ilang, kosong
Kosonge raga, kosonge jiwa, kosonge urip, kasampurnan...

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Appendix

Table 1. Value Added Accounting matrix Based on Holistic Wisdom

Value Added Accounting for	**Spiritual**	**Flowing Soul (*Batiniah*)**	**Material**
God	Spiritual Wisdom	Spiritual Flowing Soul	Spiritual Quantum
Environment	Universe Wisdom	Universe Flowing Soul	Universe Quantum
Society	Social Wisdom	Social Flowing Soul	Social Quantum
Self	Self Wisdom	Self Flowing Soul	Self Quantum

LIVING IN HARMONY:FINANCIAL REPORTING OBJECTIVE OF JAVANESE TRADITIONAL MARKET TRADERS

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Abstract

Accounting conceptual framework consists of two main components, they are the objectives of financial reporting and the concepts that resultand follow logically from those objectives.Modern retail market usually uses this conceptual framework to prepare its financial reporting. The purpose of this study is to define the financial reporting objectives of Javanese traditional market traders who have different concept with modern retail market traders because they have different culture. This study uses grounded theory method to explore the accounting values of Javanese traditional market traders. Using 7 informants in 4 traditional markets in South of Malang, it is found that the feeling of grateful for whatever they got (*nrimoingpandum*) and great tolerance each other (*among roso*) as a foundation for their simple accounting reporting. This study comes with living in harmony as a financial reporting objective of Javanese traditional market trader.

Key words: Javanese traditional market, grounded theory, living in harmony.

Introduction

The FASB's accounting conceptual framework consists of two main components, they are the objectives of financial reporting and the concepts that result and follow logically from those objectives (Johnson, 2004). The objectives flow from the more general to the specific. They also begin with a broad focus on information that is useful in investment and credit decisions. That focus then narrows to investors' and creditors' primary interests in the prospect of receiving cash from their investments in or loans to reporting entities and the relation of those prospects to those of the entities. Finally, the objectives focus on information about an entity's economic resources, the claims to those resources, and changes in them (including measures of the entity's performance). That information is useful to investors and creditors in assessing the entity’s cash flow prospects. Therefore, based on FASB’s conceptual framework, the financial reporting objectives are focus on matters of *wealth*. Investors and creditors seek to maximize their wealth (within the parameter of the risks that they are willing to bear). Likewise, business entities also seek to maximize their wealth. It follows, then, that information about the wealth of those entities and the changes init is relevant to investors and creditors that are seeking tomaximize their wealth by investing in or lending to those entities.

The purpose of this study is to define the financial reporting objectives of Javanese traditional market traders. This is based on the understanding that the existence of accounting include its financial reporting objectives, besides influenced by the norms, beliefs, values and its institutionalization, it is also influenced by the culture. Javanese traditional market traders have different characteristics with modern market traders that generally used FASB’s accounting conceptual framework; therefore their accounting conceptual framework will be different with those of modern market traders.

The participants (traders and buyers) of the traditional market have daily routines in doing business transactions that very different with those on modern retail market. Many gracious values inherent in the traditional markets that can be explored and used as a strategy to compete in today's global world, but very few studies that did it include research in the accounting field. Therefore, this study aims to explore the greatness of accounting values in the traditional market. By exploring the accounting values of traditional market, it is expected to give a space the Javanese local wisdom in the scientific world, especially in accounting world. Choosing traditional market traders in this study besides to provide some light in understanding the accounting from the other side, it’s also because the very lack of studies relating to traditional markets, especially from the accounting view.

The most popular research on traditional markets today is about the marginalization of traditional markets by the existence of the modern market (Anam, 2011a, 2011b; Poesoro, 2007; Rosfadhila, 2007; Suryadarma, Poesoro, Budiyati, Akhmadi, & Rosfadhila, 2007). Many people believe that the presence of modern markets, especially supermarkets and hypermarkets, is pushing urban traditional markets into a corner (Rosfadhila, 2007). There appear to be a cultural shift where traditional market participants began to move to follow the culture of modern retail which they think are more practical and comfortable. Modern and traditional markets are competed in the same market, the retail market. Almost all of the products that sold in traditional markets can also be found in the modern market, especially hypermarkets.

The uniqueness traditional market (people, who close each other; interaction between buyers and sellers; bargaining process) no longer be found in the modern market such as mall or hypermarket. Homogenization ofcultureis certainly an impacton themarginalizationof accountingconceptsthat existin the Javanese traditionalmarkets. Through theconstruction ofthe objectives offinancialreporting based on the cultural valuesof traditionalmarkets, this studyis expected toresistthedomination. Researcher notified no studies have raised the accounting values that exist in the traditional market society. Basically, the accounting values of the traditional market society that makes the traditional markets can exist up to now even in the monetary crisis, in which many modern companies out of business, but the traditional market still survive.

The absence of traditional market in accounting research likely due to a form of accounting in the traditional market itself does not appear. Here the researchers believe that accounting is basically 'present' or 'exist' in the traditional markets but in different forms, especially the form of financial reporting that is not the same as the accounting practices that exist today. This thought is based on an understanding of the accounting presented by Hopwood (1994:228) as cited by Chariri (2010) that: "The existence of accounting is determined by culture, customs, norms, and institutions [original emphasis]". Based on these statements, this study believes that accounting 'present' in the traditional market. Furthermore how accounting practices and concepts are developed in a traditional market study intended in this study.

This research based on the understanding that the accounting reality is socially constructed reality that is the result of symbolic interaction in a community. As a socially constructed reality, the actors in a social community can construct financial reporting in accordance with their beliefs, values and social norms. Therefore a social community that have beliefs, values and norms that are different from other social communities, it will have a different financial reporting. So is the case with the traditional markets that have different cultural values with that in the modern market, of course, has a different financial reporting conceptual framework.

Financial reporting objective is selected in this study because all the concepts of financial reporting logically follow or are based on the objective (Johnson, 2004). Currently, the definition of financial reporting objective that widely used as guidelines for the preparation of financial reporting is the financial reporting objective that set by the Financial Accounting Standards Board (FASB) in the Generally Accepted Accounting Principles (GAAP). GAAP states that financial reporting should be able to provide useful information for potential investors and creditors and other users in making financial decisions. Besides financial reporting which contain economic resources of the company, must also be able to help investors, creditors and other users in assessing the amount, timing and uncertainty of cash flow and improving the performance of the company.

The financial reporting objective focuses on economic values and ignores the value of non-economic values such as social interaction. Lee (2006) in his article reviewing the FASB conceptual framework that is used to make proposals on Principle Based Accounting Standard, states that the conceptual framework represents economic realities. Lee (2006) also mentioned that the conceptual framework is unlikely to succeed unless the FASB also include issues of social reality and the representation of its numbers. Macintosh (2006) also states that an accounting conceptual framework that is prepared only on the basis of economic thought, it may has a conflict with the accounting practices that are based on the concept of social welfare. In addition, the concepts of accounting that focuses on the accumulation of economic objects (such as the concept of property, assets, and income distribution) become less meaningful to the people who have the belief that wealth or most prized possessions are the values of justice, kindness, and high spirituality that everything cannot be expressed in terms of money (Gibson, 2000).

As a social system, the values in the financial reporting reflect the culture of the society that produced it (Harrison & McKinnon, 1986). Therefore, it can be said that the objective of financial reporting set by the FASB contained values that more dominated by Western culture. This statement is supported by Baydounand Willett (1995) which states that the accounting system used in developing countries that adopted the Western system may not be relevant. This is because the accounting system from Western countries has cultural values that are different from their culture.

The existence of accounting besides determined by the norms, habits and its institutionalization, it is also greatly influenced by the culture. Some researchers such as Hofstede (1991), Schein (2004), Taylor (2004), and VelayuthanandPerera (1996) consider that accounting is a socially constructed reality, therefore accounting practices cannot be separated from its cultural context.

Human cultures can be language, objects, colors, sounds, actions or deeds (Herusatoto, 2008). In Java, the people social relationships have two basic principles that reflect a noble life, harmony (*rukun*) and respect. The principles aim to maintain a harmonious society in a state of harmony. Harmony means in the condition of calm and serene, without strife and conflict and mutual aid (*tulungtinulung or Sambatsinambat*) (Suseno, 1997). Mulder (1978) defines *rukun* as:

> *Rukun* is soothing over of differences, cooperation, mutual acceptance, quietness of heart, and harmonious existence. The whole of society should be characterized by the spirit of *rukun*, but whereas its behavioral expression in relation to the supernatural and to superiors is respectful, polite, obedient, and distant, its expression in the community and among one's peers should be *akrab* (intimate) as in a family, cozy, and *kangen* (full of the feeling of belonging).

Respect is the use of language or conversation and to describe the behavior of respect for those who come in social contact (Suseno, 1997).

For the Javanese, traditional markets are the locus of their culture (Arifin, 2008). The traditional market is a cultural center that describes the expressions of attitudes and values inherent in its society (Bariarcianur, 2008). There is often seen that profit is not the primary goal, but rather a tool of spiritual fulfillment of the unity in each transaction. Communication and social interaction that exists automatically and then become the intimate relationship between sellers and buyers. Themain characteristic of traditional markets is bargaining process, which is the basic democracy concept in building an agreement. Interaction in the traditional market reflects the Javanese trading ethos which is not fully emphasize in profit. All kinds of expressions of attitudes and values (include accounting values) are produced and marketed in the traditional market. This means that the accounting concepts that applied in traditional markets contain the cultural values of its society. Democratic nature and the unity of all participants in the traditional market will generate accounting concepts which is different from those used by modern shopping centers that are more materialistic and individualistic. In the traditional market, the trader is an actor who constructs the concepts of accounting in accordance with his/her beliefs, values and social norms. Meanings, attitudes, idealism, including accounting conceptual framework in the traditional markets are constructed through the interaction among the traders. Therefore, the traders are participants who actively create meaning (such as the accounting conceptual framework) that exist in the market.Choosing traditional market traders in this study besides to provide some light in understanding the accounting from the other side, it's also because the very lack of studies relating to traditional markets, especially from the accounting view.

This paper is organized into three further sections. In Section 2, we outline the research methods and the specific sites. In Section 3, we elaborate and discuss the Javanese traditional market values and how they apply in accounting. This is followed by conclusions in section 4.

RESEARCH METHOD

This study uses grounded theory. Creswell (1998) states that grounded theory is to generate or discover a theory, an abstract analytical schema of a phenomenon that relates to a particular situation. This situation is one which individuals interact, take actions, or engage in a process in a response to a phenomenon. To study how people act and react to this phenomenon, the researcher collects primarily interview data, makes multiple visits to the field, develops and interrelates categories of information, and writes theoretical propositions or hypotheses or presents a visual picture of the theory.

Grounded theory provides enormous opportunity to find a new theory, developed and verified through systematic data collection, and analysis of data pertaining to that phenomenon. Data collection, data analysis, and theory relate each other in a reciprocal relationship.

Glaser and Strauss (1985) explain that grounded theory is a qualitative research method that uses a systematic procedure to develop a theory. Grounded theory rooted in symbolic interaction which tries to explain the meaning, attitude, desire, and the interaction between one another (Cutcliffe, 2000). In symbolic interaction, people construct their reality by symbols around him. Therefore, individuals are active participants in the creation of meaning of the situation. Therefore, grounded theory aims to discover patterns and concepts that exist within a group that is defined through social interactions and their reality. The purpose of grounded theory is to examine the foundation of the social processes and to understand the interactions that resulted from many variations in the process.

Based on the understanding of grounded theory mentioned above, the method is suitable for this study that aimed to define the concept of financial reporting objective that can be found through the interactions among the traders in Javanese traditional markets. Grounded theory method focuses on thought reflection that verbalized as the basis for understanding the social and interpersonal construction of decisions and daily activities of Javanese traditional market traders. Therefore this method is more emphasis on the importance of the experience of the informants.

Grounded theory studies use data coding procedures that are designed thoroughly and carefully to increase the validity of data interpretation. To get close interaction between researchers with the existing culture in the traditional markets of Java, the process of data collection conducts together with research analysis. The process seemed inseparable or difficult to distinguish and relate to each other continuously from the beginning until at the end of study.

This study uses four traditional markets in South Malang. The reason for choosing these markets is because of their uniqueness. These markets only operate on the particular day of the five Javanese days[1] that has been prescribed for decades ago by the ancestors. The research sites and their operational system of this study are:

Table 1
Research Sites

No	Name of Traditional Market	Place	Operational System
1	Gedangan	Gedangan	Wage and Pahing
2	Donomulyo	Donomulyo	Pon and Kliwon
3	SumbermanjingKulon	SumbermanjingKulon	Legi
4	Lohdalem	Kalipare	Jum'atPahing

[1]*Pon, Wage, Kliwon, Legi*, and *Pahing.*

This study aims to define the concept of financial reporting objective based on the cultural values of Javanese traditional market. The financial reporting objectives are constructed through interactions among the traders. Here the traders in the traditional markets are also individuals who construct financial reporting objectives, so that the participants in this study are the traders in the traditional markets. Numbers of participants in this study were 7 people who trade in the four traditional markets.

In this study, researcher also became a participant. In this case, researcher assist one of the participants, Ken (chicken trader in the *SumbermanjingKulon* Market). Through this activity, researcher can actually feel and understand the meaning and concept of accounting that occurs among the traders in the market. While the data collection process in the other three markets was done by observation and in-depth interviews and occasionally researcher will act as a buyers.

FINDINGS AND DISCUSSION

Interviews and direct interaction with communities of Javaneseshow that they not only interpret the course material profits (the difference between the sales and the cost), but also an element of relative profit that is priceless and cannot be converted to rupiah. Familiar invitation delivered by one of the informants (buEdi) when I did an interview and also make purchases on her shirt is one manifestation of how she assessed our meeting as a great advantage. The traditional market traders interpret the profit not only in the form of material gain alone but the value of brotherhood and friendship is also a part of their profits. Meaning of wealth for the traditional market traders attached to the trade concept known as "*tuna sathakbathisanak* (a little profit, but a lot of relatives or friends)". Meaning of wealth for the traditional market traders are not only the values of the material but also non-material values such as friends and trust. The implication of the meaning of such property is that the traders do not recognize their worth excessively.

In the process of achieving profit, traditional market traders have a belief that any outcome or profit that they get, they always accept it with sincerity and patience. They have a belief that fortune has been given by God and now how people try to get it. This belief has a meaning that as long as they've tried as much as possible, then what ever the results, they will accept it with sincerity. In this case there is no effort for them to do anything that might harm their fellow traders just to get greater profits.

In general, the location of the merchants in the traditional market is very close to each other, it is likely they are very close to the location of their competitors and also a buyer is likely to move from one merchant to another merchant that located not far apart. In addition, because the operation of the market is not every day, the traders actually have a chance to sell in other markets that do not have the same day market operation. They actually also want to get a higher profit, but they also have a feeling that they have to share their fortune with other merchants. This certainly does not come in the modern market, proven more competitive modern retail that is located very close each other. In the traditional market, the relationship between merchants who sell similar goods is not competition but rather a partnership relationship. They consider the merchants that sell the same products as partners. They have a principle that they must work hard to get results, but it should not ignore the interests of others or harm others.

Almost all traditional traders keep records of their transactions. The nature and form of their recording vary depending on how important they considered the note. Still referring to the concept of *sakmadya* (as it needed), traders are taking notes with a very simple, means that only transactions or information they think important are they wrote or called with their taste (sakmadya). Here the record is intended to avoid conflict. So, if the transaction is not have a conflict impact although with large value, then it will not be recorded by traditional market traders, for example, a record of their initial capital, the cost of building the place, the purchase price of the vehicle for transportation, and so on. In contrast to small value transactions but if it would create a conflict, then they will take note, for example transactions debts, payroll, and customer order list. Finally it can be concluded that the traders essentially making financial reporting, but a form of financial reporting can be formal (physically present) or could also informally (in imagination only).

Financial Statements which are medium in conveying financial information contain essentially the Balance Sheet, Income Statement, Statement of Changes in Equity, statement of cash flow statement, notes and other reports and explanations are an integral part of the financial statements. In those statements, elements which are directly related to the measurement of financial position are assets, liabilities, and equity. While the elements related to performance measurement in the income statement are income and expenses. Statement of financial position usually reflects income statement elements and changes in the various elements of the balance sheet.

The forms of financial statements of Javanese traditional market traders are not all appear physically, their contents are also not as complete as those mentioned above. The contents of their financial statements are information that only need for daily decision-making. In general, the contents of their financial statements are information about the purchase price, sales price, the amount to be sold tomorrow, the volume of sales, and capital. Basically the traditional market traders do not distinguish between private properties with property used in their business.

The users of Javanese traditional market financial statement are the traders themselves, employees, and their partners. The traditional market traders themselves or the owner must be very concerned over the financial statements they make. They can make decisions based on the information contained in their financial statements. These decisions include: how much capital is needed to sell tomorrow, what amount of money that can be used for family needs, what item that must be purchased, and how much money that must be invested to other merchants.

Several traders employ their family or neighbor to help them. Therefore, one of the users of their financial statements is employee. The employees need financial information, especially the selling price of merchandise, since the price in the traditional market is not fixed price (non-negotiable), so that this information needed to make a decision on what price the merchandise could be sold if there is a buyer who bid.In addition, employees also need financial information to know when they will be employed by the merchants; it is special for seasonal employees. Therefore, they can decide what work they can do when they not working in the traditional market.

The traditional market traders do not consider other merchants who selling similar goods with them as a competitor, but they regard them as their partners. As partners, they also get information about the expenses incurred by the other traders as well as the amount of profit they get. The system is clearly different from the system of competition that exists in the modern market. In the modern market, profit and costs of the company is information that should not be distributed or communicated to competitors. Here, the company may obtain information about competitors' profits, but profits should not inform the company to a competitor. Likewise for other information, such as suppliers with cheap price, transportation cost, and so on. In traditional markets, profits and other information held by traders is not a secret for other traders (competitor).

There are other parties who require financial statements besides the traditional market traders or owners, employees and competitors. They are the suppliers and creditors. Almost all traditional market traders buy goods in the supplier use "*nyaurngamek*" system which means the merchant will pay when they pick up again on supplier merchandise. Thereforethe suppliers require financial information to the merchants in order to decide whether to give more credit or not.

Finally this study come with the proposition that financial reporting objective of Javanese traditional market traders is to provide financial information that very useful in making economic decisions for those who need it with focus on living in harmony among market participants. In order to achieve the objectives of financial reporting, then there are three pillars that underpin the financial reporting objective, namely *nrimopanduming* (thankful for what you got), *among roso* (keep feeling), and *sakmadya* (as enough as).Financial reporting objectives that are based on three pillars (*nrimoingpandum, among roso* and *sakmadya*) is certainly going to be the basis for determining other concepts that can be studied in subsequent research. The three pillars of financial reporting objectiveis certainly not only can be used by traditional market traders, but also for other small or large company.

CONCLUSION

Javanese traditional markets, in a crowd of modern market that growth very rapidly, still able to smile and laugh with their local wisdom properties. The three pillars *nrimopandum* (thankful for what you got), *among roso* (keep feeling) and *sakmadya* (as enough as), making the traditional marketsare able to prove their existence until today. The principle *nrimoingpandum, among roso* and *sakmadya* certainly have implications for their accounting concepts. This study aims to assemble these concepts in the accounting world. Wisdom values that are always inherent in the traditional market traders will necessarily result in accounting concepts that are different with the modern accounting concepts.

This study uses grounded theory method to explore the cultural values that develop in Javanese traditional market traders. Grounded theory is a qualitative research method that uses a systematic procedure to develop an action, interaction,or process theory-oriented, based on data obtained from the research arena. The process of data collection, data development, theoretical concept development, and literature review in grounded theory is reflexive, open and ongoing in-cyclical continuous process.

The participants of this study are seven people who trade in the four traditional markets that became the site of this study. The four traditional markets are *Gedangan, Donomulyo, SumbermanjingKulon,* and*Lohdalem*traditional markets. Until recently these markets still represent the culture and business ethos of Java community. These markets operate on average 2 times in a period of daily Javanese cycle (5 days). It is only *Lohdalem* traditional market that operates every Friday *Pahing* which means every 36 days.

This research found that living in harmony among all participants in the traditional markets is the objective of their financial reporting besides giving financial information to the owner, investor, potential investor, and their partners. This concept defines profit not only in kind of material, but also non material profit specially a harmonious life among the traditional market traders. Relatives and a wide social network is also a non-material wealth.

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CORPORATE SOCIAL RESPONSIBILITY DISCLOSURE AND FIRM FINANCIAL PERFORMANCE IN MINING AND NATURAL RESOURCES INDUSTRY

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Abstract

Business operations nowadays should not only pursue profits, but also contribute positively to the society as well as environment. This is because people currently have become more critical to the need of social control over the business. Business then has to respond this through the implementation of Corporate Social Responsibility (CSR) and disclose the activities related to it into the form of CSR disclosure. In line with this phenomenon, the purpose of this research is to examine the influence of CSR disclosure to firm financial performance. The legitimacy theory, the stakeholder theory as well as the agency theory are used in building the research framework in relation to CSR disclosure and its effect to firm financial performance. The study is conducted quantitatively by using natural resources and mining corporations listed in the Indonesian Stock Exchange from 2010-2012 as the samples. Meanwhile, the independent variable is CSR disclosure proxied by Corporate Social Disclosure Index (CSDI) and the control variables are firm financial performance represented by Return on Equity (ROE) and Cumulative Abnormal Return (CAR). Leverage, growth opportunities, firm size, and stock beta are used as control variables. To find out the relationship between the variables, the multiple regression test was applied. Finally, the results indicate that the sign of the relationships are positive but not significant. This means that although the perspective that socially responsible firm may be associated with a set of economic benefits, it is now still emerging but now yet settled in the Indonesian context.

Keywords: *Corporate Social Responsibility Disclosure, Firm Financial Performance, Mining and Natural Resources Industry*

INTRODUCTION

In conducting business operations, business people should not only pursue profits, but also expect to contribute positively to the social environment. This is because people have become more critical and capable of social control over the business. This strategy business is known as corporate social responsibility (CSR). The term CSR was founded for the first time in the writings of Social Responsibility of the Businessman in 1953 (Bowen, 1953). Howard Rothman Browen revealed that the presence of CSR is not obliged by the government or authority, but rather a commitment that was born in the context of business ethics (beyond legal aspects) in order to prosper as a society based on the principle of merit as the value and needs of the community.

In particular, Utama (2007) stated that the development of CSR is associated with more extensive environmental damage in Indonesia and the world, ranging from deforestation, air and water pollution, to climate change. With the development above, the Act No. 40, 2007 on Limited Liability Corporations, has been published. Through this law, each corporation and is obliged to implement this. It is certainly beneficial to the presence of CSR disclosure will have an impact, either directly or indirectly to corporate finance in the future. Investors also want their investment and confidence in the company to have a good image in the public. Thus, if companies do CSR programs as an ongoing basis, the company will be able to run well. Therefore, the CSR program is more appropriate to be classified as an investment and should be the business strategy of the company (Siregar, 2007: 285).

In accounting, there is also a concept of social accounting as a part of the knowledge of accounting and report that aims to measure the social effects (social costs and benefits) arising from the business unit's activities (McNamara, 1999). Hence the company has a broader responsibility to make money not only for shareholders, but also for all stakeholders. Company in this case is an economic entity that is responsible not only to shareholders but also to the wider community (Kurniawan, 2007).

In accordance to social accounting, the annual financial report is one tool that can be used for the disclosure of social and environmental information. In addition, the economic decision made by looking at a company's financial performance, now is no longer relevant. Eipstein and Freedman (1994), in Anggrainy (2006), found that individual investors are attracted to social information reported in the annual report. Therefore, a tool that can provide information about the social, environmental and financial aspect is needed. This report then is known as sustainability report. Specifically, sustainability report is used to report on economic policy, environmental and social impact and performance of the organization and its products in the context of sustainable development. Sustainability report includes the report on economic, environmental and social influences in relation to organizational performance (The Association of Chartered Certified Accountants (ACCA), 2004 in Anggraini, 2006).

However, most companies face various challenges of the external environment which are often difficult or dilemmatic to response. Poor governance is one of main obstacles that discouraged companies to invest in Indonesia. According to Koester (2007: 2), even those with high commitment on CSR wonder how to sustain their meticulous efforts in such a business climate. For mining companies, the attention to social issues and the development of social relations associated with the local people or local communities is increasingly important. The emergence of social problems has the potential interruption of operations and high transaction costs which would be a financial burden as well as a bad reputation and image of the company. Many big companies has a company goal to create and maintain a harmonious relationship with the environment in the surrounding areas of operations as well as working with the government to provide great benefit to society.

Therefore, a group of business activities needs a social responsibility to help the wider community, in which the activities will do. The social responsibility together with commitment and decision-makers for those general measures in addition to their own interests, also provides improved welfare. In this case, there are several elements: (1) social responsibility, an obligation that the institutions should be accountable to their economy, (2) the institutions are responsible for polluting the environment, discrimination in employment, and ignoring the needs of their employees (O'Dwyer, 2005).

Research that has been done by Dahlia and Siregar (2008) stated that the level of CSR disclosure in corporate annual reports have positive effect on return on equity (ROE) as a proxy variable of financial performance. This means that there is a significant productive effect between CSR activities undertaken by the company with the financial performance of the company. Moreover, Balbanis, et al. (1988) had examined the effect of CSR disclosure in a company's profitability listing on the London Stock Exchange. The results have shown that the disclosure of CSR in the company is positively correlated to overall profitability, but negatively correlated to market performance. However, different results by Sembiring (2003) found that profit is not proven to CSR disclosure.

Based on the background issues that have been described above, generally the purpose of the current research is to examine the influence of CSR disclosure to firm financial performance. Specifically, this research is conducted by using the natural resources and mining firms listed in the Indonesian Stock Exchange (IDX) from 2010 to 2012. The research used Corporate Social Disclosure Index (CSDI) as a measure of CSR disclosure, with the indicators taken from the Global Reporting Initiative (GRI). The firm financial performance is proxied by Return on Equity (ROE) and Cumulative Abnormal Return (CAR).

The results of the paper, which will be discussed later on, imply the need to develop better CSR disclosure as well as its appropriate measures within corporations in Indonesia. Besides, this condition may become the consideration for regulatory body to take more action to ensure the integrity of corporate social responsibility, especially awareness of the importance of CSR and its disclosure in annual report. Moreover, this research implies that there are many companies in Indonesian that have been engaged to corporate social responsibility, although the disclosure has not been sufficient. It comes to be the evidence for internal and external parties that it needs further consideration and should not solely rely on financial numbers listed on financial statement to take an investment and management decision. On the other hand, it may also support corporate to be more aware with a corporate social responsibility.

Finally, it is essential to integrate the CSR concept into accounting education because its important to develope and improve to broaden the perspective the term of CSR in Indonesia. It is also important to enrich the research in accounting with studies related to CSR. This is because the research result are able to contribute to the literature to more widely explain the phenomenon of corporate social responsibility disclosure and its impact on financial performance. It is expected, by refering to this research, that the academics could develope new findings to solve the problem related to social responsibility which may impact the society.

This paper is organized as follows. This first part has discussed the background as well as the contributions of the study. The next part will examine the literatures that have been written previously in relation to the connection between CSR disclosure and firm financial performance. The third part includes the research method applied and followed by the fourth section which discusses the results. Finally, the paper will be summed up and the limitations found during the study are described on the last section.

THEORETICAL FRAMEWORK

Corporate social responsibility disclosure is the process of communicating the social and environmental impacts as economic methods of companies on specific groups in the community and in society as a whole (Gray et al. 1987). Negative contribution to the environment surrounding the company has led to loss of public confidence, so that the necessary information about the company's operations with respect to the environment as a corporate responsibility needs to be disclosed.

According to Gray et al. (1995) there are two significantly different approaches in doing research on corporate social responsibility disclosure. First, social responsibility disclosure firms may be treated as a supplement to conventional accounting activity. This approach is generally considered as the primary users of corporate social responsibility disclosure and tends to limit the perception of social responsibility report. The second alternative approach is to put corporate social responsibility disclosure on an examination of the role of information in public relations and organization. Broader outlook has become a major source of advances in the understanding of corporate social responsibility disclosure and is a major source of criticism against the disclosure of corporate social responsibility.

Disclosure of corporate social responsibility is needed, however, because the company has added the value of the contribution to the community in which the company has used its social sources. If the company's activities cause damage to the social sources that may present a social cost to be borne by the public, then the company needs to improve the quality of social resources. This will lead to social benefits. Pratiwi and

Djamhuri (2004) define social disclosure as a reporting or delivering information to stakeholders on all activities related to the company's social environment. The results proved in different countries, that the annual report is an appropriate media to convey corporate social responsibility. Social responsibility arises if the organization has the awareness that they have a duty to perform responsibility towards the environment. CSR Disclosure categorized as voluntary disclosure. Some companies are trying to disclose information voluntarily on social responsibility because it is in demand by investors and shareholders (Suwardjono, 2005 in Benny, 2008). The company has a contract with the community to perform activities based on the values of justice and how companies are responding to some interest groups to legitimize the actions of firms (Tilt, 1994 in Wahyu, 2008). If there is a conflict then the company will lose its legitimacy and would threaten the life of the company (Lindblom, 1994 in Benny, 2008).

The diversity of the above understanding shows that up to now there is no single definition of the disclosure of corporate social responsibility. According to (Gray et al., 1995 in Novalianto, 2006) there are two reasons why there is no clear definition of social responsibility disclosure, such as:

1. The definition of social disclosure is still too difficult to describe. It means that the results and the complete impacts of the activities of the company can not be publicly known, so that it has not been able to communicate.
2. The social disclosure is too embracing all activities of the company that have a social and environmental impacts and all the financial data can be considered relevant to the social and environmental surroundings.

Moreover, every firm should have its own purpose related to the reasons to conduct CSR disclosure. In general, Ramanathan (1976) in Puspitaningrum (2004) suggest several goals of social disclosure, including:

1. To identify and measure corporate social contribution each period, which is not only a form of internalization of social costs and social benefits, but also the effect of these externalities to different social groups.
2. To help determine whether the strategies and practices directly affect the company's resources and the status of the power of individuals, communities, social groups and generations which are consistent with the social priorities, on the one hand, and the aspirations of the individual on the other.
3. To provide optimal information relevant to the social elements in the objectives, policies, programs, performance and contribution to the company's social goals.
4. To enhance enterprise competitive advantage in globalization and free trade.

Social disclosure is intended as a medium for communicating social reality in order to make decisions economically, socially, and politically acceptable. Social disclosure is also a response to the information needs of interested parties such as labor unions, environmentalists, the religious group and other groups (Guthire and Parker, 1990 in Utomo, 2000). Corporate social disclosure, which only focuses on environmental disclosure, makes the public want to know how began impact the company's activities on the environment. However, many companies assume that the public (citizens and NGOs) do not contribute feedback, especially regarding earnings, for the company so many companies are reluctant to undertake social responsibility(Susan, 2006).

On the other hand, CSR disclosure in annual financial statements which is intended to enhance their corporate image is characterized by the attention of investors to invest in the company's stock. It also motivates some companies to undertake CSR disclosure to the surrounding environment in the forms of the annual financial statements, a separate environmental reports and corporate websites. According to Wibisono (2007, in Ronni 2008), firms gain some advantage for disclosing social responsibility, such as to maintain and to boost the company's reputation and brand image, to get license to operate (social license to operate), to reduce the risk of the company's business, to enhance the access to resources and to the market, to reduce costs, to improve relations with stakeholders, to improve relations with regulators, and to improve employee morale and productivity.

Research on the effect of CSR disclosure on financial performance has been widely performed and produced mixed results. Eptein and Freedman (2008) found that individual investors interested in social information disclosed in the financial statements of the company. However research conducted by Lina (2007) concludes that corporate social performance does not affect the company's financial performance, while research conducted by Aldilla and Dian (2009) suggests that CSR disclosure has a significant positive effect on the financial performance of corporations.

Moreover, research by Anggraini (2006) found the company will disclose certain information if there are rules that ask them to do so. Banking and insurance companies in majority (more than 50%) disclose more information about the development of human resources if compared with other industries. This is because banking and insurance companies are highly dependent on the ability of human resources (employees) in providing services to the customers. Companies with large ownership and management and are included as the industry with high political risk (high-profile company) tend to disclose more social information than other companies. Nahar (2007) provides empirical evidence of the compare with high profile category, and feels the need of those companies to implement broad social disclosure with the aim of creating a positive impact on firm performance.

There are three types of theories used in this research which is related to CSR disclosure, namely legitimacy, stakeholder and agency theories. Legitimacy theory explains that the companies which conduct business activities, with the limits set by the norms, social values and reactions to these restrictions, encourage the importance of organizational behavior with respect to the environment (Chariri, 2007). O'Donovan (2002) finds that organizational legitimacy can be seen as something to be desired or sought by the company from the society. Thus, the legitimacy can be a benefit or potential resource for the company to survive (going concern issue). Dowling and Pfeffer (1975) state that the company's organizational activities should be appropriate to the social environment.

Furthermore, it is stated that there are two dimensions in order to gain support for the legitimacy of the company, namely: (1) activities of corporate organizations should fit (congruence) with the value system in community, (2) the reporting of the company's activities should also reflect social values. Barkemeyer (2007) reveals that in the explanation of the power of the legitimacy theory of the organization there are two things in the context of corporate social responsibility in the developing country: first, the capability to put the motive of profit maximizing makes a clearer picture of the company's motivation to enlarge its social responsibility. Second, the legitimacy of an organization can be used to incorporate cultural factors which shape the different institutional pressure in distinctive concept. The above description explains that the legitimacy theory is a theory underlying CSR disclosure. It is performed to obtain a positive value and legitimacy from the society.

Additionally, the company is not only responsible for the owners (shareholder) as occurred during this time. Company responsibility originally measured only limited to economic indicators (economic focused) in the financial report, and now shifted to take into account social factors (social dimensions) to stakeholders, both internally and externally. Stakeholder theory argued that the company is not only operating the entity of its own, but provides benefits to stakeholders (Chariri, 2007). Stakeholders are all parties, both internal and external, that has relationships which are affected and influenced, directly or indirectly by the company. Stakeholder is a group or an individual who can affect, or affected by, the success or failure of an organization (Luke et al. 2005).

Therefore, stakeholders are internal and external parties, such as governments, company's competitors, community, corporate workers, and others that had greatly existence affected and influenced by the company. Based on the basic assumption of the stakeholder theory, the company cannot release itself from social environment (social setting). Companies need to maintain stakeholders legitimacy and support in the policy framework and decision-making, so as to support the achievement of it in the objectives of companies, which guarantee its stability and going concern.

Finally, agency theory bases its contractual relationships among the members of the companies, on where the principal and the agent as the main actors. Principals (shareholders) are parties that mandate the agency to act on the name of the principal, while the agent (management) is a party entrusted by their principal to run the company (Arifin, 2005). Agents are obliged to account for what has been entrusted by her principal. Agency theory explains the relationship between the principal and the agent. CSR practice and its disclosure are also associated with agency theory (Cowen et al. 1987; Adams, 2002, and Campbell, 2000 in Farook and Lanis, 2005). Social responsibility is one of management's commitments to improve performances especially in the social ones. Therefore, management will get a positive assessment by the owners of the capital. Gray et al. (1987) states that disclosure of social responsibility is an extension of organizational responsibility beyond its traditional role to provide financial reports to the owners of the capital, particularly shareholders.

The performance of a firm can be assessed through its annual account reports, where information about growth, investments, earnings, costs, etc. are listed. In this case, assessing CSR is a necessary condition to study their own social responsibility and thus to control environmental and social impacts. In this section the researcher would like to describe and review the performance of company. There are non financial performance and financial performance. The relationship between non financial performance and financial performance in the context of CSR will be discussed on the next section.

In assessing the social and environmental performance, the establishment of a steering system for the performance and accountability on these external dimensions imply the existence of metrics to assess the quality of management of the business related to non-financial aspects. In fact, the existence of these metrics is also of particular importance to other stakeholders where ethical investors require such information to select the best performing companies. This leads companies to establish a legal and socio technical infrastructure to make measurable CSR stakeholders. In theoretical terms, the extent of CSR faces similar problems to those identified to define the concept of CSR such as, the multiplicity of approaches and dimensions of this complex concept, the difficulty in reporting objectively its more subjective components which are often linked to an assessment based on criteria related to ethics or a social context. Among the different methods of measurement of CSR that have been used, there are several categories that can be applied (Dikhili and Ansi, 2012), i.e.:

1. Measures of speech, such as content analysis of corporate social disclosure in annual reports, which are to be based on remarks made by companies to assess their CSR, for example by counting the number of lines or words dedicated to CSR themes in the annual report of a company.
2. Indicators of pollution provided by some agencies to assess the business pollution and, such as the “Toxic Release Inventory” in the U.S., and measurements of the diffusion of CO2 by businesses.
3. Measures of attitudes and values aimed at assessing the sensitivity of members of the organization (e.g. managers and employees) to the various dimensions of CSR and are generally administered in the form of a questionnaire.
4. Measures of reputation, such as the indicator of reputation developed by Markowitz in the 1970s in the American Fortune magazine, which

includes criteria related to CSR that are assessed by a panel of industry experts.

Meanwhile, the financial performance is based on data from financial statements. In fact, the accounting measures provide most of the time positive correlations between CSR and financial performance. (Cochran and Wood, 1984; Waddock and Graves, 1997; Preston and Bannon, 1997). In addition, these measures from the accounts have the advantage of providing a more relevant economic performance of the company. On the other hand, stock measures have the advantage of being less subjective to managerial manipulation. However, these variables represent a specific assessment to the investor and not allowing revealing the economic reality of the company (Ullmann, 1985).

Therefore, the relationship between corporate social disclosure (non financial performance) and profitability (financial performance) has become basic concept to describe the view that the social responses require the same managerial style as what needs to be done to make the company profitable (Bowman and Haire, 1916 in Ahmad, 2007). Corporate social disclosure reflects a credible approach to adaptive management related to a dynamic environment, multidimensional, which has the ability to deal with social pressure and responsive to social needs. The greater the social disclosure is, the lower the political cost of the company (Hasibuan, 2001 in Jayanti, 2011) will be. By expressing concern for the environment through financial reporting, the company in the long term can avoid huge expenses resulting from the demands of society.

Several previous academics have conducted research regarding the relationship between CSR disclosure and financial performance. Among them are Belkaoui (1989, in Benny 2008) who find the results that there is a positive relationship between social disclosuresand the level of financial leverage. This suggests that the higher the social disclosure, the lower the ratio of debt / equity is, since the companies with a higher debt level more likely will violate the credit agreement. Therefore, the company must provide higher earnings than the current in the future. In order to present a higher profit, the company must reduce costs (including the costs to disclose social information).

Meanwhile a research by Cheng and Kristiawan (2011) uses return on equity (ROE) and price to book value (PBV) as the control variables. CSR disclosure is based on the Global Reporting Initiative (GRI). This research uses annual reports of 40 the natural resources companies in Indonesia stock exchange listed in the period of 2007-2009. The results of this research conclude that CSR disclosure has significant effect on abnormal return indicating that investors consider CSR in decision making. ROE as the control variable has a negative relationship with abnormal returns. However, PBV has no significant effect on abnormal returns.

Furthermore, in their research, Dahlia and Siregar (2008) use CSR as the independent variable and financial performance, as represented by the ROE and CAR, as the dependent variable. Leverage, size, growth and the unexpected return are used as the control variable. This study uses a sample of public companies listed on the Indonesian Stock Exchange during 2005 and 2006which publish annual reports and other documents either physically or via website. The result of the study states that there is an influence of CSR on the corporate financial performance. CSR effects positively on ROE, but not on CAR. Based on these previous studies, the hypothesis can be formulated as follows:

H1: CSR disclosures have a positive effect on Return on Equity (ROE).

Then, another research by Tsoutsora (2004) uses extensive data over a period of five years. This study explores and tests the sign of the relationship between the corporate social responsibility and the financial performance. The dataset includes most of the S & P 500 firms and covers the years of 1996-2000. The relationship is tested by using empirical methods. The result indicates that the sign of the relationship is positive and statistically significant, supporting the view that the corporate social responsibility performance can be associated with series of bottom-line benefits.

According to Almilia and Vitello (2007, in Dahlia and Siregar 2008), companies with good environmental performance will be responded positively by investors through the stock price fluctuation increasing period to period, otherwiseif the company has poor environmental performance, it willget some doubt from investors against the company and be responded negatively that its price fluctuations in the stock market can decline year to year. Thus, the hypothesis can be formulated as follows:

H2: CSR disclosures havea positive effect on Cumulative Abnormal Returns (CAR)

RESEARCH METHOD

The current quantitative research used the secondary data from annual reports of natural resources and mining company listed on the Indonesia Stock Exchange for the period 2010-2012. The use of secondary data is based on the premise that the secondary data have a good level of validity so that the expected results obtained have good accuracy as well. A data collection technique in this research is the documentation or records method (archival research).

Documentation is the secondary data collection method in which researchers collect data obtained indirectly through an intermediary (obtained and recorded by other parties), in the form of historical data which are then used as research material (Ghozali, 2006). As a guide, research instruments were used in the form of a checklist or a list of questions that contain disclosure of social responsibility items based on the Global Reporting Initiative. The Global Reporting Initiative (GRI) is a non-profit organization that promotes economic, environmental and social sustainability. GRI provides all companies and organizations with a comprehensive sustainability reporting framework that is widely used around the world (www.globalreporting.org).

The population of the study involves natural resources and mining corporations listed in Indonesia Stock Exchange in 2010-2012. This industry is chosen as the representative of high-profile company which has high social and environmental risk. Besides, this type of industry has not been explored in previous research in the Indonesian context. Meanwhile, 2010-2012 were selected to be the sample of the study since the firms have the most recent annual reports to describe the latest condition. The total population of the study are 41 corporations per year. The sample selection is done using purposive sampling method, which is limited to certain types that can provide desired information and meet some of the criteria specified by the researcher (Sekaran, 2006). The criteria used to determine the sample are publishing financial statement in 2010-2012, ending the financial statements on December 31, 2010 up to 2012, having a complete data to be used to measure the variables, and using rupiahs as the reporting currency.

Furthermore, the independent variable in this study is Corporate Social Disclosure Index (CSDI), which is the proxy of CSR disclosure. Information on CSDI, which are based on Global Reporting Initiative (GRI) was obtained from its official website. GRI consists of three main disclosures, namely economic, environment and social as the basis of sustainability reporting (Dahlia and Siregar, 2008). CSDI calculations are performed by using dichotomous approach, i.e. each item in CSR research instrument which is given a value of 1 if it is disclosed and the value of 0 if it is not disclosed. Additionally, the scores of each item are summed up to obtain the overall score for each company (Haniffa et al., 2005 in Sayekti and Wondabio, 2007). CSDI calculation formula is as follows:

$$CSDI_j = \frac{\sum X_{Ij}}{n_j}$$

where:

CSDIj : *Corporate Social Responsibility Disclosure Index* corporation j

nj : number of item of firm j, nj = 34 (in this study the researcher used 34 disclosure items are used based on GRI i.e.: community themes (8 items), consumer and products themes (5 items), employment themes (14 items), and environmental themes (7 items). The descriptions of these items can be seen on the appendices at the end of this paper.

Xij : 1 = if the item 1 is disclosed; 0 = if the item 1 is not disclosed

Hence, $0 < CSDIj < 1$

Meanwhile, the dependent variable is the firm financial performance represented by the ROE and CAR. ROE is obtained from the sum of the regression's coefficient of CSDI, leverage, size, stock beta (correction beta), growth, and unexpected earnings (Dahlia and Siregar, 2007). CAR is obtained from the sum of the regression's coefficient between CSDI, leverage, size, stock beta (beta correction), growth, and unexpected earnings (Dahlia and Siregar, 2007). Based on the above definition, ROE and CAR can be described as follows:

a) ROE one year ahead

ROE is one of the main tools that investors use in assessing a stock. In general, the ROE calculation is resulted from the division of profit in

equity during the past years. Prihadi (2008) states that ROE can give some idea of the company include:
1. The ability of the company to make a profit (profitability).
2. The efficiency in managing the company's assets (asset management).
3. The debt used to conduct business (financial leverage).

In this study the one-year ROE is calculated using the formula of net income divided by equity to measure the financial performance of companies. According to Prihadi (2008) the formula to calculate ROE is as follows:

$$ROE = \frac{\text{Net Profit}}{\text{Equity}} \text{ X } 100\%$$

b) CAR

CAR is expressed as a percentage of the revenue from the initial capital investment (Samson, 2006). Earnings in equity investments include the advantages of buying and selling shares, while capital gain (loss) is the difference in profit (loss) from current investment price relative to the price of the last period (Jogiyanto, 1998). According to Jogiyanto (1998), CAR can be divided into two terms i.e. the return realization (realized return) and the return expectations (expected return). In this research, abnormal return is obtained in two stages. The first phase represents the excess of the actual return less the market return obtained from the second stage (Dahlia and Siregar, 2008), by using the following formula:

$$R_{it} = \frac{IHSI_t - IHSI_{t-1}}{IHSI_{t-1}}$$

$$R_{mt} = \frac{IHSG_t - IHSG_{t-1}}{IHSG_{t-1}}$$

$$AR_{it} = R_{it} - R_{mt}$$

where:

AR_{it} : Abnormal return for company i on day t.
R_{it} : Firm's daily return on day t.
R_{mt} : Index of market return on day t.
IHSIt : Individual stock price index of the firm i at time t.
$IHSI_{t-1}$: Individual stock price index of the firm i at time t -1.
$IHSG_t$:Composite stock price index at time t.
$IHSG_{t-1}$: Composite stock price index at time t -1

The research also includes several variables that previous studies found to affect CSR. These control variables involve the firm's capital structure, growth opportunities, profitability, the firm's size, stock beta, and unexpected earnings. The proxies of each control variables are leverage, the ratio of market value of equity to the shareholders' price to book value (PBV), logarithm of total assets, correction beta, and the difference between realized accounting profit and the expected accounting earnings. Furthermore, this study used the classical assumption test before testing the hypothesis. This classic assumption testing is used so that the independent variable as an estimator of the dependent variable will not be bias. The tests include the normality test, multicollinearity test, heteroscedasticity test, and autocorrelation test.

In accordance with the research conducted by Dahlia and Siregar (2007), to test the first hypothesis, Ordinary Least Square (OLS) test was used, It is a method that fits a curve to data pairs $(x_1, y_{1)....,}$ $(x_{n,} y_n)$ by minimizing the sum of the squared vertical distances between the "y" values of the curves. The first model proposed is to regress the variable of ROE over the next year with CSDI variable, as well as control variables consisting of leverage, size and growth. The purpose of this test was to determine the effect of disclosure between CSR and ROE. The statistical model is as follows:

$ROE_{it+1} = \beta_0 + \beta_1 CSDI_{it} + \beta_2 Lev_{it+1} + \beta_3 SIZE_{it+1} + \beta_4 GROWTH_{it+1} + \varepsilon it$

Where:

GROWTH	: growth opportunities
ROE	: Return on Equity
CSDI	: Corporate Social Disclosure Index based on GRI indicators
LEV	: firms Ratio (leverage)
SIZE	: Firm's Size
$\beta 0 - \beta 2$	: the estimated coefficient
εit	:error term
i	: 1, 2, ..., N (number of observations)
t	: 1, 2, ..., T (amount of time)

Then, the testing of second hypothesis is also conducted by using multiple regression test and Ordinary Least Square (OLS). The second model is regressing CAR as a proxy of financial performance with CSDI and leverage, size, beta, growth, and unexpected earnings. The following is the statistical model

$CAR_{it} = \beta_0 + \beta_1 CSDI_{it} + \beta_2 Lev_{it} + \beta 3 SIZE_{it} + \beta 4\ BETA_{it} + \beta 5\ GROWTH\ 1_{it} + \beta 6 UE_{it} + \varepsilon it$

ROE	: Return on Equity
CAR	: Cumulative Abnormal Return
CSDI	: Corporate Social Disclosure Index based on GRI indicators
LEV	: Firms Ratio (leverage)
SIZE	: Firm's Size
BETA	: Enterprise's market beta(beta correction)
GROWTH	: growth opportunities
EU	: Unexpected Earnings
$\beta_0 - \beta_2$	:Estimated coefficient
ε_{it}	: *error term*
i	: 1, 2,..., N (number of observations)
t	: 1,2,..., T (amount of time)

FINDINGS AND DISCUSSIONS

A total of 48 companies remained in the sample for 2010-2012 after being excluded either because the data is not complete, the firm is delisted during the years, and do not meet other criteria mentioned in the previous section. Table 1 below is the descriptive explanation of the variables used in this research. Then, the statistical result for the first hypothesis can be seen in Table 2. Fromthe table aboveit is known thatthe value of F-statistic has theProb (F-statistic) of 0.036, meaning that H1 is accepted. Thus, it can be concluded that simultaneous increase in CSDI, leverage, size, and growth has significant effect on ROE_{t+1}. However, the variables of CSDI, leverage, and growth partially do not have significant effect to the ROE, except firm size.

Table 1: Descriptive Statistic

Description	ROE	CSDI	LEV	SIZE	GROWTH	UE	B	CAR
Average	14,9475	0,485	0,6025	15,10938	2,1975	0,015581	0,268606	0,132481
Standard of Deviation	14,58747	0,151789	0,654762	1,219139	4,029706	0,041208	0,268475	0,277597
Minimum Value	-29,62	0,26	0,11	11,9	-10,93	-0,020	-0,1007	-0,3692
Maximum Value	31,03	0,74	2,56	16,86	8,31	0,155	0,9401	0,4413

Table 2: Regression Results of Hypothesis 1

Dependent Variable	**Independent Variable**	***B***	t_{stats}	***Significance***	**Conclusion**
	Constant	-110,51			
ROE	X_1 (CSDI)	9,1722	0,406	0,693	Not significant
	X_2 (LEV)	10,728	1,549	0,149	Not significant
	X_3 (SIZE)	7,328	2,730	0,020	significant
	X_4 (GROWTH)	1,738	1,518	0,157	Not significant

a = 0,050
R = 0,760
Determination Coefficient (adj. R^2)= 0,578
F-statistics = 3,771
F-table ($F_{4,11,\ 0.05}$) = 3,357
significance = 0,036
t-table ($t_{11,\ 0.025}$) = 2,201

Moreover, Table 3 below shows the regression results of the second hypothesis. F test for this model indicates that independent variables (CSDI, leverage, size, growth, unexpected earning, and beta) have no significant simultaneous effect on the dependent variable (CAR). In this second hypothesis test, it is also found that there is no partial effect of each independent variable to the dependent variable.

Table 3: Regression Results of Hypothesis 2

Dependent Variable	Independent Variable	*B*	t_{stats}	*Significance*	Conclusion
CAR	Constant	-0,389			
	X_1 (CSDI)	-0,023	-0,036	0,972	Not significant
	X_2 (LEV)	0,022	0,106	0,918	Not significant
	X_3 (SIZE)	0,037	0,455	0,660	Not significant
	X_4 (GROWTH)	-0,021	-0,612	0,556	Not significant
	X_5 (UE)	2,300	1,111	0,295	Not significant
	X_6 (BETA)	-0,102	-0,309	0,764	Not significant
	α = 0,050				
	R = 0,491				
	Determination Coefficient (adj. R^2) = 0,241				
	F-statistics = 0,477				
	F-table ($F_{6,9,\ 0.05}$) = 3,374				
	significance = 0,810				
	t-table ($t_{11,\ 0.025}$) = 2,262				

Based on the findings, CSDI and the control variables generally have significant effect on ROE. This means that CSDI of a firm affects its ROE in the future. This result is in the contrary to Setiawan and Janet (2010) which state that the investors and analyst interview in their study have stated CSR is not a consideration for their investment decision. They argue that CSR will have no effect on their investment, especially in the short term. In the case of mining and natural resources industry, it implies that the investors in this industry already have considered CSR as one important factor of investment decision.

However, leverage partially givesno significant effect on ROE_t. This result is supported by previous research conducted by Sembiring (2005). Belkaoui and Karpik (1989, in Anggraeni, 2006) stated that it is because the higher the leverage, the more likely the company experiences a breach of contract in which the manager will attempt to report a higher current profit than it is in the future, including expenses for the expressed corporate social responsibility.Meanwhile company size in this section has positive coefficient which indicates that the increaseof the size of the company may increase ROE. It can be explained that larger firms are usually more diversified in terms of type of business, so the risk of failure is smaller than small firms. Thus, large companies generally can generate future cash flow better, so as to improve its financial performance in the future. Results of this study proved the hypothesis ofBalabanis, Phillips and Lyall (1998), which state that the size of the company affects its financial performance.Finally, it is known that growth has no significant effect on ROE. This result is in contrast with the result obtained by Tampubolon (2008, in Lucyanda and Siagian, 2012) who found that company's growth rate has an effect to the company. The level of sales as the proxy of growth can cause this to happen and the increase is not an aspect to be seriously considered by the company in doing its corporate social responsibility.

In terms of the second hypothesis, this study failed to prove that the companies doing high environmental disclosures in the financial statements have an impact on market performance. This is probably because the issue of CSR is relatively new in Indonesia and most investors have a low perception towards it. This means that investors still do not consider CSR disclosure as a factor to motivate investment in particular company. Besides, the quality of CSR disclosure is not easy to measure because generally companies disclose CSR only as part of the advertising and avoid giving the relevant information. Moreover, most investors are oriented to short-term performance, while CSR is considered to affect the medium-term and long-term performance which caused it to take longer time to see the benefit of adopting CSR.

Tsoutsura (2004) states that corporate social responsibilty affects the financial performance. The results indicate that the sign of the relationship is positive and statistically significant, supporting the view that socially responsible corporation can be associated with a series of triple bottom-line benefits that consists of profit, people and planet that links together with CSR. The result is contrary to research done by Brine, Brown and Hackett (2005) that their preliminary results revealed no statistically significant relationship between corporate social responsibility and financial performance. One of the reason was still few companies adopted CSR in their companies.Then, Widiastuti (2002, in Dahlia and Siregar, 2008) states that the phrase in the annual report does not make stock prices more informative, because the expression given there only provide financial information without any description related to market performance. The result is contrary to research done by Cheng and Kristiawan (2011), that the company doing social responsibility well will enjoy better market performance. It means that companies adopting CSR make their companies have a good image which affects their financial performance, and attracts investor's to their company.

Nevertheless, the results of this study are consistent with the research conducted by Dahlia and Siregar (2008), where they also found no significant relationship between CSR disclosure with the market performance of the firm. One possibility is that the market response to the implementation of CSR undertaken by the company cannot directly influence the return, but it takes a longer time.Furthermore, leverage variable in this current study has no effect on CAR. The greater the leverage of a company means the company has a higher debt levelcompared to the capital. Thus, if there is an increase in profit then the benefit is for the debtholders because debtors have confidence that the company will be able to pay off their debts. However, it will be responded negatively by investors because investors believe that the company will tend to make debt rather than pay dividends (Mulyani et., al 2007). Therefore, the company which has high leverage will be responded negatively by the market, so that the relationship of accounting earnings on stock returns will be lower (Naimah, 2008). In addition, the company having a high level of leverage without balancing it with good monitoring activity against creditors, strong control of the financial cash flow, and lack of discipline of the manager, will be responded negatively by the market, which in turn can exacerbate the performance of the market (CAR).

Moreover, company size has no effect on CAR. Results of this study indicate that company size does not help to determine the level of investor's confidence. The larger the company, the more it can control the market conditions, and face economic competition, or the less susceptible it is to economic fluctuations (Wahyudi 2004, in Dahlia and Siregar 2008), thus reducing the uncertainty of the company in terms of its financial performance. In other words, the size of the company is not among the factors that are considered by investors to be interested in investing in a company. This result is consistent with the results of the study (Sulistio 2005, in Dahlia and Siregar 2008), which states that the size of the company does not have a significant effect on cumulative abnormal return.

Growth of the company also has no significant effect on CAR. The results of this study failed to show that companies that have high growth opportunities are expected to provide high profitability in the future, and are expected to return more persistently.Then, the unexpected earnings (UE) is found positive but does not have significant effect on abnormal returns for investors. These results indicate that earning per share (EPS) contains information that tends to be small and not significant enough to affect market reaction.

Finally, it is obtained that beta stock has no significant effect on CAR, showing that beta stock, as a proxy of risk securities, was not significantly influence the market performance of the company. The results of this study might be due to the low value of the beta, which indicates that there is a decrease in the company's business activities, making it less attractive to investors (Dahlia and Siregar, 2008). This is because ifbeta<1, it means thatthe movement ofstock returnsis lowerthan themarket return. Thus, the beta will have no effect on the company's stock price or return. This result is consistent with the results of the study of Widiastuti (2002), who found that the beta had no significant effect on CAR.

CONCLUSION

The objective of this research is to examine the effect of earnings CSDI (Corporate Social Disclosure Index) on financial performance. The basic model in this study is a multiple linear equation in which CSDI (Corporate Social Disclosure Index) as the independent variable, ROE (Return on Equity) and CAR (Cumulative Abnormal Return) as the dependent variables. Meanwhile, the control variables are leverage, firm size, beta stock, unexpected earning and growth. In the samples consist of mining and natural resources companies listed in the Indonesia Stock Exchange.Based on the results of the data analysis, it can be concluded generally that CSDI does not affect both ROE and CAR with control variables such as leverage, beta stock, growth, and unexpected earning, except size variable although CSDI and the control variables is found to affect ROE simultaneously. It may be due to the lack of investor's perception toward CSR disclosure since it is still new in Indonesia.

The current research also has several limitations. The firms used as a sample in this research include only mining and natural resources company. It may cause this research result to be unable to be generalized to other sectors. Furthermore, this research only covers three-years annual financial report. Consequently, this research result may not represent a long-year period. Then, the possible weaknesses in this study may also lie in the determination of measurement of corporate socal disclosure. when analyzing the link between CSR and economic performance, as well as one of the reasons for obtaining conflicting results, lies in defining adequate and representative quantitative measures for the complex CSR concept. And the other is CSR disclosure index determination and assessment is subjective indicators. because there is no standard terms or reference for this assessment, so as to make the results differ among researchers.

Therefore, more extensive studies are needed to explore the causal mechanisms linking CSR to financial performance and to determine whether or not those relationships hold consistently over time. The source of the connection between CSR and financial performance has rarely been systematically investigated. It is also important to posit the timing in the relationship, since it would be valuable to investigate and to ascertain how long it takes for the impact of CSR on financial performance to be revealed. For the above to be realized, more data on CSR should become available. Besides, the number of samples during the three-year study may still be insufficient to produce a conclusion that can be generalized for a long year period. Therefore, either the period or the number of sample observations should be given special attention in further similar research. Moreover, this study only focused on companies with established criteria, from the mining and natural resources industry. In the subsequent study, it might be better to develop the research with the addition of another industry sector.

Another suggestion for future research is related to the proxy of corporate social responsibility. An alternative approach to measure corporate social responsibility would be to draw on existing corporate social responsibility indices such as the Corporate Responsibility Index. As stated by Brine, Brown and Hackett (2005) there are two empirical approaches to identify corporate social responsibility such as corporate responsibility index and socially responsible investment funds to identify appropriate investments. Tsoutsura (2004) also found thatKLD (Kinder, Lydenberg and Domini) Index uses a combination of surveys, financial statements, articles on companies in the popular press, academic journals (especially law journals), and government reports in order to assess CSP (corporate social performance) along eleven dimensions. Based on this information, KLD constructed the Domini 400 Social Index (DSI 400 and the functional equivalent of the Standard and Poors 500 Index, for socially responsible firms.

On the other hand, the suggestion for future research comes from the notable source, which is a meta analysis such as the study undertaken by Orlitzky et al. (2003), who integrated 30 years of research from 52 previous studies and used meta analytical techniques to support the proposition that corporate social performance and corporate financial performance are positively correlated and statistically significant. Interestingly, the meta analysis found a higher correlation between financial performance and a company's management of its social impact than between financial performance and a company's management of its environmental performance.

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APPENDICES

CSR Disclosure Themes:

COMMUNITY THEMES
1. Support the arts and cultural activities
2. Support for sports activities (including sponsorship)
3. Participation in community activities around the office plant
4. Spiritual support to institutions
5. Support to educational institutions (including scholarships, internship opportunities and research opportunities)
6. Support to other social institutions
7. Social facilities and public facilities
8. Priority jobs for the surrounding communities (including the provision of facilities and motivation forself-employed by the company)

CONSUMER ANDPRODUCTS THEMES
1. Product quality
2. Quality awards (including a certificate of quality, halal certificates and awards)
3. Customer satisfaction
4. Computer Problems Year (Masalah Komputer Tahun) 2000 YTK
5. Research, innovation and development of products or services

EMPLOYMENT THEMES
1. The amount of labor
2. Safety (Safety policies and facilities)
3. Health (including doctors and clinic facilities company)
4. Cooperation with employees
5. Salary or wages
6. Health and other benefits (including UMR, crisis assistance, welfare for employees, insurance and transport facilities)
7. Education and training (including collaboration with public universities)
8. Gender equality in employment and career opportunities
9. Worship (including commemoration religious holidays)
10. Employee time off (including time of frequired by female workers)
11. Retirement (including retirement fund formation or election)
12. Labour Union
13. Collective labor agreement
14. Employee turn over

ENVIRONMENTAL THEMES

1. Environment policy
2. Environmental certification and environmental impact assessment (EIA)
3. Rating (including awards in the field of environment)
4. Energy (including energy saving, the total energy used and so on)
5. Pollution prevention or treatment (including sewage treatment)
6. Support for wildlife conservation
7. Support for environmental conservation

FORMAL AND INFORMALINSTITUTIONSINWAL-MART CASE

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Abstract

This paper analyzes the strategies which are followed by Wal-Mart in different parts of the world from the viewpoint of theories of institutions, property rights and agency. The analysis of the questions what happens to these firms when they are in countries with high corruption index? It could answer this question in light of the theory of institutions, the theory of property rights and the theory of the agency. This paper specifically focuses on finding out if the above theories are applicable. The analysis concludes that the same firm adopts a different strategy in each place even if is in conflict with their values at home.

Keywords: Agent, financial incentives, regulatory pillar, principal.

Introduction

According tothe main page ofWal-MartSamWalton(29 March 1918 - 05April 1992)opened his firststore inRogers, Arkansasin 1962. In 1991, CIFRA andWal-Martteamed up tobringmore placesits "low prices every day"(Wal-Mart, 2012; Alonso, 2012; El Universal, 2012).In1997, according tothe story postedon the front pageof this store, JeronimoArangodecided topursue other projectsandWal-Martacquired allof the shares ofCIFRA.In additionto “Our commitmentsection”of the same web pagementions thatWal-Mart deMexico andCentral America isa company dedicatedto the trade sectoroperating insix countries: Costa Rica, El Salvador, Guatemala, Honduras, Mexico andNicaragua.

Wal-Mart hasa widevariety offormats, including discount stores(Bodega AurreráExpress, Family PantriesandPali), supermarkets(Superama, SupertiendasPaiz, PantryDonJuan, La UnionandMásx Menos), wineries(MI Bodega Aurrerá, MaxiBodegaandBodegaAurrerá), hypermarkets (Wal-Mart, HiperPaiz e Hipermás), membership warehouseclubs(Sam's Club andClubCo), clothing stores (Suburbia), restaurants(Vips, El Portón andRagazzi) andBancoWalmart(Wal-Mart, 2012).

On April 27, 2012 El Universal published an article in which it is mentioned that in the last 10 years Wal-Mart reported increases of 10% in sales annually. Between 2009 and 2010 the number of units of Wal-Mart jumped from one 1, 466 to 2, 279. This jump is mainly due to the merger of its operations with subsidiaries in Central America. IT added that to date, Mexico compounds 87% of Wal-Mart's income to the parent, and the remaining 13% get it from Central America (El Universal, April 27, 2012, PGR and investigate the case Wal-Mart SFP). In the first quarter of 2012 sales in Mexico, according to the Mexican Stock Exchange, have been $ 96,901,609.00, which represents $ 72,761,097.00 more than its nearest competitor called Soriana (Mexican Stock Exchange, 2012).

Calculating a Herfindahl indicator with data from the Mexican Stock Exchange in Mexico, it is concluded that acts in an oligopolistic market in which the leader is precisely Wal-Mart (own calculation).As illustrated in Figure 1 sales represent 63% of sales from its competitors.

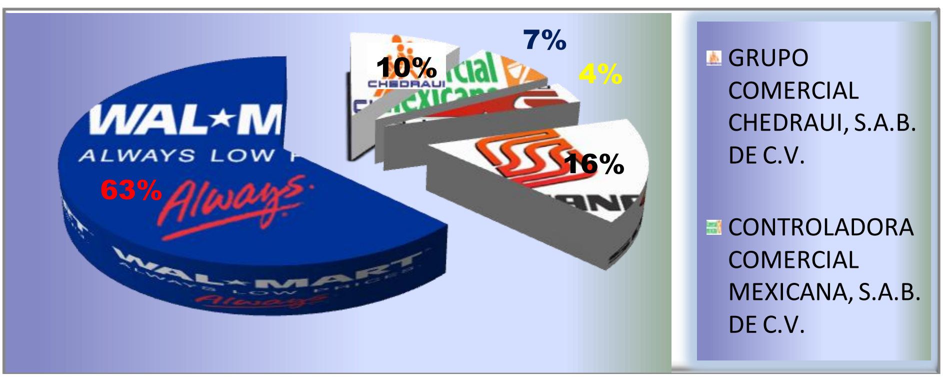

Figure 1: Sales-market share
Source: Own elaboration with data from

This year, 2012, Wal-Mart plans to invest 19 billion pesos and open between 410 and 436 stores in Mexico and Central America. But the scandal reached to Wal-Mart on 21 April 2012, when New York Times, declared: "Wal-Mart sent investigators to Mexico City, and within days was found evidence of widespread corruption. They found a paper trail of hundreds of suspicious payments totaling more than $ 24 million. They also found documents showing that senior executives of Wal-Mart de Mexico not only knew of the payments, but had taken steps to hide to the Wal-Mart headquarters in Bentonville, Arkansas. In a confidential report to his superiors, the principal investigator of Wal-Mart, a former FBI special agent, summarized his initial findings this way: "There is a reasonable suspicion to believe that the Mexican and U.S. laws have been violated." it is clear that these are $ 24 million dollars (The New York Times, 30 de abril de 2012, 21).

With this, the prosecution conducted by the Public Ministry (MinisterioPúblico) said that would request information to United States

(U.S.) to analyze the case Wal-Mart. In addition The National Banking and Securities Commission (ComisiónNacionalBancaria y de Valores, CNBV) does not conduct any investigation to the bank or the issuing Wal-Mart, because the underlying issue about the alleged bribe payments made by the retailer to expand in Mexico, it said it is not competence for the financial authority (El Universal, 2012).

To vary, Milenio (2012) reports that Wal-mart announced that it will cooperate unreservedly with Mexican authorities, so shall make available the information on permits and licenses of their units in the country. In connection with the alleged bribes given for expansion in Mexico, Wal-mart established yesterday in a statement to the Mexican Stock Exchange a process to ensure that requests and petitions from the authorities are responded.

Theoretical Framework

A theoretical framework of agency theory, theory of institutions-based and property rights can be shaped by many authors but there is going to be treated only a few starting with North (1990). North (1990) defines institution as any human being that designs restrictions to shape their interactions then it follows that it can be observed those informal institutions and of course it speaks of formal organizations, these formal institutions however, their development becomes even more complicated relationship of cooperation to achieve good results in the firm. North himself comments that institutions serve as guide to action for people, then it follows that decisions will be limited by them, think first in informal institutions.

In informal institutions there is no written code of ethics but the most important is framed as a set of values which are not leveraged but generate a significant competitive advantage, since it reduces the cost of monitoring even at zero. This is mainly because the principal is expected to put their wealth in reliable hands. Who entrust their money to a person who has a criminal record for theft? Who entrusted the care of their home to someone who has a reputation for incendiary? For obvious reasons, the principals have strong incentives to select either the type of people who would trust their money.

The agent to whom it is delegated the responsibility of capital, not only is holding the principal's capital, but also control of the firm. So, the agent also will be careful not to incur a serious offense against society according to the ethics of the firm globally. North (1990) also mentions how important formal institutions are. Formal institutions are laws that have already been created before, as examples mention the U.S. Constitution. When violating the laws one would challenge the authorities in charge of enforcing them, therefore somebody violating the laws must face the penalties depending on the severity of the penalty.

Institutions according to North (1990) should not be confused with the organizations, including organizations as political bodies, which are released different types of associations like political parties, unions, family farms, cooperatives, rural production, etc. Are included there too corporate bodies such as churches, clubs, sports associations, etc., and finally also it includes educational agencies between which are mentioned: elementary, middle, high schools, universities, vocal training centers, etc. Then it can be concluded that organizations are groups of people associated with a common purpose to achieve a particular goal, while as already above, so to speak institutions are the rules of both formal and informal action. So the institutional framework influences the creation and evolution of each company and on the other organizations also generates changes in institutions.

Although North (1990) says that institutions are a creation of human beings is also evolving together. North also suggests that when taken as limiting institutions to make decisions that will reach uniformities generate less uncertainty as to the conditions to be presented by external decisions, these limitations can be linked with past decisions and future

For an institutional analysis is necessary to analyze two important aspects of human behavior. These aspects are motivation and decrypt the environment (North 1990). Is important to notice that motivation can come in any way, such as ambition, the need or just by simple altruism, and secondly to decipher the environment is quite complicated because the same company may be subject to different cultural areas depending of the operation zones. For example if there is a successful business in the United States of America and moves to North Korea and observed that the success it had in the U.S. is not in this new country, why? Just for the environment in which it develops, something similar happens with informal institutions of a firm when it develops in different geographical areas.

This is mainly because individuals process information differently depending on the culture in which they were developed (North 1990). That bias can be remedied or rather can be reduced with formal institutions, of which it is noted, are derived property rights. North (1990) mentions those formal institutions in developed countries and judicial systems, the body of law, agents such as lawyers and mediators all neutrals are more complete and reduce uncertainty to a large extent. Moreover in developing countries formal institutions are weak because there is ambiguity as to legal doctrine and even worse not know how the court system works.

North (1990) argues that the institutional framework provides guidelines for building knowledge and skills, and that management will be the deciding factor for the long-term development of a society.

A theory closely linked as already mentioned is that of property rights on this can summon Barzel (1989) mentioned that these rights of individuals over resources mainly consist of three aspects. Mainly the first is to have the right to consume the resource. The second is to obtain revenue from them and the third is the ability to transfer these resources. This concept is closely related to transaction costs, yet these transaction costs are defined as the economic costs associated with the transfer, capture and protection of rights.

Eggertsson (1990) notes that organizations and institutions are not immutable, organizations and institutions vary with time and place, with political arrangements and structures of property rights, with the technologies used, physical qualities of resources and services exchanged. This observation has much resemblance to the conclusions reached with North (1990). It is clear that the institutions are changing according to time and place, for example it is said that formal institutions are stronger in developed countries and weaker in developing countries and therefore will not have the same development either in the same time or in the same place.

Eggertsson(1990) refers to the rights ofpeople to usethe resources andproperty rights. The rightsof peopletousethe resources, i.e., property rights, inany societyare supported byprotocolforces, social custom, ostracism, and are also compatiblewiththe formal lawsthat are backedby theState'spowerof coercion.

Speaking ofthis very factMahoney(2005)says that the enforcement of intellectualpropertyincludesexclude others from theuse of scarce resources. The exclusive proprietarycallsexpensive measuresand thetracing of resourcesand compliance withproperty rights. The economic valueof the exclusive rightsof ownership depends, ceterisparibus, on the costsof enforcingthose rights. That is,the costs ofthe exclusionof others,which ultimatelydepends oncoercion. Theexclusiverights enforcementis usually undertaken bybothindividual ownersand the State(Mahoney 2005:183).

To further clarify the concepts used in this work, it is important to cite Peng definitions e.g. talking about the vision based on the institutions he says that a perspective del leader holds that in addition to the conditions at the firm and industry, firms also have to take into account major influences from sources such as state and society to plan the strategy (Peng 2006:93). In another interesting definition of institution, Peng says that it is a humanly planned restrictions that structure interaction of people, known informally as the rules of the game (Peng 2006:93) The definition of institutional framework is a framework of formal and informal institutions that govern the behavior of the individual and the firm (Peng 2006:93). Following is given a definition of more formal institutions, as institutions consist of laws, regulations and rules (Peng 2006:93).

Another important definition is the regulatory pillar: as the formal rules, laws and regulations influence the behavior of individuals and firms (Peng 2006:93). Now it is necessary to know which means informal institutions: institutions represented by norms, cultures and ethics (Peng 2006:93). The author says that the training is the pillar formative as the values, beliefs and norms of other relevant players influence the behavior of individuals and firms (Peng 2006: 93).

In this paper the word standard is a term that means the prevailing practice of the major players affecting individuals and focus firms (Peng 2006:94). Cognitive pillar is understood as cognitive understanding of internal values and beliefs that are taken for granted and that guide the behavior of individuals and firms (Peng 2006:94). When it is said that transaction costs are thought in terms of costs associated with economic transactions, or more broadly, the costs of doing business (Peng 2006:94). Opportunism is mentioned as a term meaning the particular search of a benefit with fraud (Peng 2006:94).

Peng mentioned the word ethics referring to the rules, principles and standards of conduct governing the behavior of the individual or firm (Peng 2006:94). Ethical relativism means the relative thinking that ethical standards vary significantly around the world and that there is no universal consensus about ethical and unethical behavior (Peng 2006:107).The phrase referring to ethical imperialism refers to imperialist thinking that personal ethical standards should be applied universally around the world (Peng 2006:107). And a word to be used continuously is corruption which means: The abuse of public power for private gain, usually in the form of bribes (Peng 2006:109).

RESEARCH METHOD

In this paper it is used the exploratory method, since it gives a broad overview of various publications, as well as a careful analysis of the theories that are involved in this case. Information was taken from major newspapers in the country and other internationals as the case of the New York Times, where important news unfolded about the issue.

Theissue is discussedin the light ofthetheory of institutions, theresource-basedtheoryand theagency theory. There is describedwhatsome authorshave writtenonthe matterof these theories, besides givingviewstoapply thesetheoriesto the particular case, but this could be expandeda bitmorewhen it is consideredthat it isa case thatcan be repeatedmany times incountriessimilartoMexico.All of thisin order togive some viewson the issueand proposeappropriate ways toapplyexistingtheoriessuccessfully infirmsaround theworld.

Findings and Discussion

As suggested bytheagency theory, it should betaken some steps to reducethe asymmetryof information betweenprincipalandagent, which in this casewould beat the corporate level, althoughit were not related to theExecutive DirectorGeneral, but to the executive groupin Mexico. There is a quite seriousfailureofgovernance mechanisms, as several decisions were madewithout regardto the owners andtheboard. Alsofailedeconomicincentive system, because it did not regulatedcommunication between the agent and principal, so emphaticonthis issueexceededthe thought ofBerleandMeans (1932)when they wanted tobe the agent as the driving forcebehind thedirection.

Berle and Means (1932) also mentioned a very important point in saying that a control group outside owners can make profit diversions. If Wal-mart was made indirectly by choosing an option which was evident in the executive group in Mexico, in search of economic incentives to increase sales in the country, as mentioned at the beginning, representing 87% of sales perhaps they thought that their election would benefit the agent-principal however incurring in corruption dumb prestige for the firm.

The case has to be analyzed from the point of view of the theory of institutions that is closely linked to property rights. It is seen that formal rules were violated and the informal rules also, as mentioned disrepute decision came as a result of dirty, first expected that informal institutions were the basis for a principal-agent relationship properly, based on the pillar formation agent. What would have happened if the agent values were sufficiently large to yield to corruption? Possibly Wal-Mart's success would not be as overwhelming as the statistics show.

What happened to the formal institutions?, Taking as a base the explanation of Pang, the pillar regulator did nothing to prevent this type of petty corruption and worse only be sent to inform that solicited information. Institutions seem not work in Mexico, what informal institutions in the U.S.? The New York Times reported on April 21 had not taken action regarding bribes, had not notified anyone, and mentions that Wal-Mart is deliberately concealed information from corrupt acts.

As seen for the case, Wal-Mart touches many points in business theory such as theory of institutions where it is clear that the institutions in Mexico are very poor both formal and informal. Since the law shields these practices while that people who are in the municipal powers and governors tend to tarnish their reputation with widespread corruption. The ethical imperialism is a myth in this case, but rather applied ethical relativism.

Transaction costs were high in this case to settle by having to pay a bribe. And now comes to light when all this also has to pay a fine in the U.S. At least, it seems very difficult here that the government takes enforcement action. The rule to follow was to do everything possible to violate ethics although, not surprisingly, Wal-mart continues its expansion and its market share to become even stronger.

CONCLUSION

The main business strategy that was used in Wal-mart was based on institutions, particularly applying ethical relativism. As it is well known, this firm enjoys a reputation in the U.S. ethics one would think that Wal-mart acts under ethical imperialism framework for the role of culture, however it did not happen. It is therefore concluded that companies that do not operate under this same strategy will be at a disadvantage which prevent its market positioning.

The main recommendationis, although it may soundssad, take advantage of all those conditionsthat allowthe company to grow, market positioningand includeSWOTanalysisalsothe institutional framework, although thisrepresentsa breach ofthe rule whichwould haveto berespectedinhome.

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THE RELATIONSHIP BETWEEN INDIVIDUAL AND GROUP CREATIVE BEHAVIORS

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Abstract

The purpose of this study is to examine the relationship between individual and group creative behaviors. Creativity is defined as the interaction among aptitude, process, and environment by which an individual or a group produces a perceptible product that is both novel and useful (Plucker et al. 2004).Group creativity are performed via brainstorming and group meetings (Reiter-Palmon et al., 2012). Data was collected from 108 Indonesian college students. Individual creative behaviors were measured via the activity checklist developed by Runco et al.(2001). Group creative behaviors were evaluated by the self-reported scale that clearly reflected the process to generate ideas in group activities. Factor analysis found five factor solutions for group creative behaviors. Linear regression analysis found that Runco's individual creative behaviors exerted the significant influences on four out of five group creative factors, i.e., collaborative, originality, ingenious, and self-confidence. Theoretical and practical implications are considered.

Key Words: Individual Creative Behavior, Group Creative Behavior

INTRODUCTION

In recent years, most of activities are operated in organizations. Organizations provide products and services that are novel and useful. However, past studies put considerable focuses on individual processes that develop creative products (Puccio and Cabra, 2012). For example, cognitive process, creative thinking, and creative behavior are heavily studied.

Regarding the organizational level, researchers investigate the planning process to generate creative products under the name of "innovation" (Hunter, Cassidy, and Ligon, 2012).Practically, organizations produce creative products through the group activities rather than individual works (Paulus, Dzindolet, and Kohn, 2012). A lot of project teams are composed in Google, IDEO, and Nintendo to develop new products. However, few studies uncover to what degree group processes are effective (Palmon, Wigert, and Vreede, 2012). This study aims to explore the process to generate creative products via group activities.

Hocevar (1981) argued that past behaviors are one of the most effective predictors of creative outcomes. The behavioral approach focuses on behaviors and activities that ordinary people, not genius and incredible person, take to produce creative products (Runco, Plucker, and Lim, 2001). For example, the behavioral approach involves an activity that a sales clerk in the book store used to make unique point-of-purchase advertisings (POP ads). Assessments of behaviors are usually used as self-reported scales (Kaufman, Plucker, Baer, 2008). However, the behavioral approach has the depending on a specific situation. Past studies tend to focus on educational setting (Kaufman, Plucker, and Baer, 2008). Researches on educational setting specified the two dimensional model: artistic and scientific (Carson et al. 2005; Dollinger, Burke, and Gump, 2007; Hocevar, 1979; Ivcevic and Mayer, 2007).However, the two dimensional model doesn't fit organizational setting.

In organizational setting, creativity defined as ideas that are novel and useful (Mumford, Hester, and Robledo, 2012). Because the ideas, such as new concepts of automobiles and planning surprise events in the hotel, are likely to contribute to the organization (Acar and Runco, 2012). Walczyk, Runco, Tripp, and Smith (2008) argued that the ideational behavior is the effective indicator to evaluate people who have a tendency to generate ideas well.

In order to assess behaviors to generate ideas, Runco et al. (2001) developed the Runco Ideational Behavioral Scale (RIBS). The scale measures ideational behaviours that reflect underlying potentials and talents to generate ideas (Plucker and Makel, 2010). Runco et al. (2001) designed the RIBS to target ordinary people who generate original and unique ideas in everyday life. However, the RIB Sevaluates ideational behaviors in individual works only, excluding ideational behaviors in group works.

According to Reiter-Palmon, Herman, and Yammarino (2008), the idea generation in groups are facilitated by the brainstorming and group meeting. The brainstorming is the most basic and effective technique of the ideas generation (Baruah and Paulus, 2011; Brown and Paulus, 2002; Paulus and Yang, 2000). Osborn (1957) organized the brainstorming based on the Guilford's (1971) structure of intelligence (SOI) model. The SOI model explains that creative productions are produced by the combination with divergent and convergent thinking. Divergent thinking leads to four characteristics of ideas: quantity of ideas (fluency), variety of ideas (flexibility), quality of ideas (Elaboration) and uniqueness of ideas (originality). Convergent thinking facilitates feasibility, workability, and persuasion of ideas.

Osborn (1957) argued the brainstorming should be operated via two steps: 1) listing ideas (divergent thinking) and 2) sophisticating ideas (convergent thinking). However, most of studies focus on the Step

1only (Reiter-Palmon, Wigert, and Vreede, 2012). Especially, quantity of ideas is treated as creative outcomes (Brown and Paulus, 2002).Because original and unique ideas correlate with the number of ideas, quantity of ideas is the most important factor of creative outcomes (Kohn, Paulus, and Choi, 2011).Few studies examine both listing and sophisticating ideas in the brainstorming processes. Therefore it is important to examine both listing and sophisticating process in the group brainstorming.

Two research questions are examined. First, this study aims to explore the factor structure of group ideational behaviors. Ideational behavior is one of the most effective predictors of creative outcomes (Plucker 1998; Plucker and Makel, 2010). In recent studies, two popular behavioral scales are existed: the Creative Achievement Questionnaire (CAQ; Carson, Peterson, and Higgins, 2005) and the Runco Ideational Behavior (RIBS; Runco, Plucker, and Lim 2001). However, these two behavioral measurements are focused on behaviors in individual works only, not consider behaviors in group activities.

This study assumes that the group ideational behavior is the multi-dimensional. According to Sawyer (2010), in order to produce creative outcomes, individuals have to take more diverse roles in group processes than individual works. In this study, the structure of group ideational behaviours was explored in the brainstorming workshops empirically.

Second, this study aims to specify the relationship between individual and group ideational behaviors. Because the best scientific explanation of creativity is hybrid, incorporating properties of both individuals and groups (Sawyer, 2010). This study assumes that the individual creative behavior positively influences on group ideational behaviors via divergent thinking, not influences on group ideational behaviors based on improving persuasions and feasibility of ideas. If the individual creative behaviourhas no relationship with behaviors based on implementability of ideas, groups might consist of not only people who are able to show high individual creativity, but also people who can commit to improve persuasion and feasibility of ideas. This study is the exploratory investigation of the group ideational behaviors.

RESEARCH METHOD

Data was collected from 108Indonesian university students (52 male and 54 female) in economy and business majors. Five freshmen, 95 sophomore students, and 6 junior students completed the survey in the courses in the faculty of economy and business. The average age is 19.47 (SD = .73).

Individual creative behaviors. The RIBS (Runco *et al.* 2001)is used as the measurement of individual creative behaviors, the RIBS describes creative behaviors in everyday life that are adaptable to organizational situations. Runco et al. (2001) provided the uni-dimensionality of the RIBS. The RIBS measures creative behaviors by 23items with 5 point Likert scale rating from 1 (Never) to 5 (Very often).

Group ideational behaviors. The group ideational behavior was measured by the original items in this study. The conceptual framework was derived from the discussion with two faculties and eight graduate students. By the close look at the actual brainstorming workshops, group ideational behaviors are differentiated into three constructs: flexibility of ideation, fluency of ideation, and storytelling. Flexibility of ideation means the degree to which the person makes open ideation and avoid stereotype in brainstorming. Fluency of ideation is based on Guilford's (1967) four factors, i.e. fluency (quantity of ideas), flexibility (variety of ideas), originality, and elaboration (quality of ideas). Fluency describes the behavior that stimulates the discussion and generates more ideas. Storytelling is the behavior that makes idea understood easily and improves the persuasion by making the plot and visual aids.

In addition, levels of creative thinking and creative magnitude are measured. Levels of creative thinking and creative magnitude depend on the four C model of creativity (Kaufman and Beghetto, 2009): little C, big C, mini C, and pro C. Little C is described as everyday creativity which can be found in nearly all people. Big C means the eminent creativity which is the genius ideation and being able to find in the gifted innovator. Mini C is presented as creativity inherent in the learning process. Pro C is defined as the developmental and effortful progression beyond little C that represents professional level expertise in any creative areas.

All items were described actual behaviors to perform creative ideation. 35 items, rating from 1 (Never) to 5 (Very often) were designed under the assumption of having the multi-dimensional structure divided into the ideational process and improving persuasion.

FINDINGS AND DISCUSSION

In order to examine the structure of group ideational behaviors, the exploratory factor analysis was used. The exploratory factor analyses were conducted by the maximum likelihood estimation with the promax rotation with the Kaiser normalization. Five factors eigen values were extracted of sizes looking at 7.27, 1.77, 1.44, 1.14, and 1.00,accountingfor 25.08%, 6.12%, 4.96%, 3.95%, and 3.45% of the total variance, respectively. Six items were eliminated because they didn't have high loadings on five factors. Item loadings and eigen values of five factor solution were appeared in Table 1. Factor 1 was interpreted as collaborative that was behaviors that stimulate discussions to generate ideas. Factor 2 was named as originality that was behaviors that showed originality in group discussions. Factor 3 was organized as storytelling that was behaviors that made the plot and storyline to present ideas. Factor 4was identified as ingenious that was behaviors that developed quality of ideas in group discussions. Factor 5 was categorized as self-confidence that was behaviours based on confidence own potentials and talents to generate ideas. The calculation of Cronbach's alpha for overall group ideational behaviors produced an estimate (.86).

Table 1: Factors loadings of Groups Ideational Behaviors

	I	II	III	IV	V
When I join the meeting and group work, I am confident in showing unique ideas.	,687	-,161	-,047	,142	,052
I often break the ice when the discussion became calm down.	,599	,151	,176	-,197	-,081
I am good at brushing up my ideas on the basis of other ideas.	,529	-,106	,219	-,084	,005
I often show a lot of ideas in the meeting.	,524	,216	,100	-,154	,160
When I join the meeting and group work, I have open ideas which are unbounded by the provided theme.	,512	-,020	-,038	-,064	,196
When I join the meeting and group work, I always suggest concrete ideas.	,504	-,098	,271	,076	-,050
My colleagues think that I'm good at generating new ideas.	,477	,138	-,197	,129	,216
I have a trouble showing my ideas in the meeting.	,431	-,156	-,214	,259	-,266
I am able to have the bizarrest ideas in my colleagues.	-,001	,739	-,120	-,012	-,029
I would like to personalize things (e.g. painting the wall in personal color).	-,236	,700	-,095	-,036	,110
My colleagues often said that my ideas are avoided	,481	,494	-,190	-,153	,162
I often enjoy adding new elements to existed ideas.	,171	,480	,106	,258	-,244
I am able to show my originality in my major feild.	,043	,470	,122	,052	-,060
I sometimes come up with genius ideas suddenly.	,046	,434	,294	,081	-,214
I always want to buy products and services that I can modify by myself.	,028	,411	,066	,300	,092
I am good at Kaizen and improving existed ideas.	,012	,385	-,031	,324	-,035
When I presented my ideas to others, I always consider the structure of my explanation (e.g. introduction, development, turn, and conclusion).	,220	,041	,852	-,318	-,057
When I presented my ideas to others, I am conscious of the plot and the storyline.	,058	-,098	,706	,039	-,112
When I presented my ideas to others, I express my ideas with visual aids like figures, pictures, and so on.	-,015	-,046	,479	,166	,132
I am not satisfied being the same as everyone else.	-,264	,122	,441	,174	,219
I always show my originality through I get immersed in anything I do.	,088	,004	-,129	,766	-,153
I think the important thing is the uniqueness and originality of ideas rather than feasibility.	-,229	,106	-,023	,658	-,010
When I presented my ideas to others, I improve originality and ingenuity of ideas in my presentation.	-,046	-,012	,241	,443	,226
I am confident in my ideas and qualities of my performance.	,299	,151	-,015	,410	-,058
I often think new ideas by combining with resources and materials in my hands.	,152	-,063	,182	,347	,223
Qualities of my productions and ideas are so high, that people sometimes understand that I have an expertize.	,223	-,180	-,100	-,124	,822
My ideas are sometimes unacceptable as being too creative.	-,082	,334	-,039	-,033	,498
I am confident that my idea is the best in the world.	,103	,163	,126	,099	,359
Whatever I do, I'm always conscious of having originality.	,237	-,210	,148	,255	,337
Eigen value	7,275	1,776	1,440	1,146	1,002
% of Variance	25,085	6,123	4,966	3,951	3,454

Note: N = 108, most likelihood estimation, promax lotation, overhall cronbach alpha (= .86)

In order to examine the relationship between individual and group ideational behaviors, the multiple regression analyses were used. Control variables, such as age and sex, were considered, and factors of group ideational behaviors except a factor to be the dependent variable. The relationship between individual and group ideational behaviors was appeared in Table 2. The individual ideation behaviors exerted significant influence on group ideational behaviors except storytelling; collaborative (□ □˜ □ □˜ .), originality (□ = .609**), ingenious (□ = .272*), and self-confidence (□ = .425**). Storytelling were affected from age (□ = .037*), sex (□ = .004**), collaborative (□ = .037*), self confidence (□ = .025). Multi-collinearity was not found in all independent valuables.

Collaborative			Originality			Storytelling			Ingenious			Self-confiden	
Beta	t	*P*	Beta	t	*P*	Beta	t	*P*	Beta	t	*P*	Beta	t
			,002	,025	,981	,205	2,116	,037	,056	,582	,562	,036	,419
,002	,025	,981				,116	1,156	,250	,089	,917	,361	-,129	-1,482
,209	2,116	,037	,114	1,156	,250				,170	1,790	,077	,192	2,273
,061	,582	,562	,093	,917	,361	,182	1,790	,077				,226	2,603
,049	,419	,676	-,167	-1,482	,141	,255	2,273	,025	,281	2,603	,011		
,125	1,437	,154	,003	,039	,969	,179	2,112	,037	-,108	-1,293	,199	,096	1,290
-,120	-1,339	,184	,002	,025	,980	,251	2,917	,004	,160	1,878	,063	-,219	-2,931
,330	2,604	,011	,609	5,396	,000	-,041	-,316	,753	,272	2,220	,029	,425	4,082
8,10			9,01			8,53			10,10			16,03	
7	100		7	100		7	100		7	100		7	100
,000			,000			,000			,000			,000	
0,36			0,387			0,37			0,414			0,529	

CONCLUSION

The goal of this study was two holds. First, this study explored the factor structure of group ideational behaviors. Second, this study explored the relationship between individual and group ideational behaviors.

Regarding the first research question, the factor structure of group ideational behaviors was explored via factor analyses. The result of factor analyses found that the structure of group ideational behaviors had more complexity than the individual ideational behaviors. Although the individual ideational behaviors were found to be one factor (Runco et al. 2001), this study found the five factor solution of group creative behaviors: collaborative, originality, storytelling, ingenious, and self-confidence.

Collaborative is defined as behaviors to commit and facilitate the discussion to generate ideas. Originality is interpreted as competencies to produce original and unique ideas. Storytelling described behaviors to improve persuasions of ideas in presentations. Ingenious was similar to originality, but more practical than originality. Ingenious was defined as activities to add more originality to ideas. Self-confidence consisted of the confidence in quality of own ideas. These five factors could be interpreted by brainstorming theories. Osborn (1957) argued that the brainstorming consisted of two dimensions: generating ideas and brushing up ideas. In order to generate quantity of ideas, group members are required taking on collaborative behaviors, originality, and self-confidence of own ideas. On the other hand, storytelling and ingenious ideations are useful for brushing up ideas. In summary of the implication about the first research question, the factor structure of group ideational behaviors was interpreted as two dimensions: 1) three factors (collaborative, originality, and self-confidence)were behaviors that stimulate quantity of ideas, and 2) two factors (storytelling and ingenious) were behaviours that sophisticate ideas.

Regarding the second research question, this study found that the individual ideational behaviors significantly influenced on most of group ideational behaviors. The individual ideational behaviors positively were correlated with group ideational behaviors that improve quantity and quality of ideas. In contrast, the individual ideational behaviors were not related to storytelling. Storytelling is the behaviors to improve persuasions of ideas. In other words, people who have competencies to generate ideas in individual works take effective behaviors to generate ideas in groups. However, the individual ideational behavior does not influence on improving persuasions to present ideas.

This study implies the practical benefits that organizations have to recognize the differentiation of ideation skills and presentation skills. In many organizations, ideational skills are sometimes confused with presentation skills. Presentation skills increase feasibility and persuasiveness of ideas by making prototypes, sketching and roughing ideas, and describing the plot and storylines (Puccio and Cabra, 2012). In order to produce creative outputs, both ideational skills and presentation skills need to be combined. It is desirable that groups have to be composed of diverse members; person who can produce unique ideas, clever people who have critical thinking, and the storyteller who has good technique to present ideas.

One of the biggest limitations of this study was the process of data collection. The present study collected data from university students only. Therefore, results need to be replicated with more diverse samples before they can be generalized confidently. Additionally, the present sample size was modest. Larger samples will provide greater findings than occurred herein in future researches.

Future research is expected to develop the five factor model of group ideational behaviors more elaborately. The group ideational behavior receives influences from environments and group situations, e.g. organizational contexts, creative leadership, diversity of groups, and personality of group members. In order to confirm the validity, future researchis expected to specify the relationship between group ideational behaviors and creative outcomes.

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MANAGING ENVIRONMENTAL AND ECONOMIC PERFORMANCE: A REVIEW OF THEORY AND PRACTICE ON PERFORMANCE MEASUREMENT

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Abstract

As businesses struggle to maintain sustainability, a great deal of interest has focused on the issues of performance measurement systems. This paper provides a literature review on the evolution of performance measurement systems, from the traditional performance measures to the sustainable balanced scorecard. More importantly, this paper highlights the vital role of sustainable balanced scorecard as a tool that manages both economic and environmental performance. Majority of the existing sustainable balanced scorecard studies were found to be of normative nature giving limited information on how the integration process between economic and environmental dimensions is being carried out via balanced scorecard. Future research is needed to enhance the understanding of the role of the sustainable balanced scorecard as an important tool in the management of economic and environmental performance in the organization.

Keywords: Balanced Scorecard, Environmental management, Sustainability, Eco-efficiency

Introduction

It is undeniable that the popularity of balanced scorecard has tremendously increased since it was first proposed by Kaplan and Norton in 1993. As we know, the main aim of balanced scorecard was to address the limitations of the traditional performance (PMS), which were criticised for their narrow focus on accounting measures. The latest survey on balanced scorecard utilization conducted across five continents found that it is now being ranked as the top five most used management tools, and the number one tool used by managers in Europe, Middle East and Africa (Le & Associates, 2013).

Growing environmental awareness over the last decade has led to corporate sustainability dominating the policy statements of many organisations. The concept, first coined by Brundtland in 1987, has resulted in organisations implementing environmental management systems to manage and control their environmental and social performance. But both environmental and social sustainability remain separated from traditional core business strategies and management systems, which are largely geared towards financial performance indicators (Dyllick and Hamschmidt, 2000).

A big plus of the balanced scorecard approach to performance management is its ability toaccommodate a range of objectives, balancing financial and non-financial, short-term and long-term, as well as quantitative and qualitative success measures (Moller and Schaltegger, 2005). These benefits have underpinnedresearch that incorporates environmental and social goals by altering and extending the balanced scorecard, creating a sustainability balanced scorecard (SBSC) (Figge*et al.*, 2002; Wagner, 2007) or "green" balanced scorecard (Lansiluoto and Jarvenpaa, 2008). Some sustainability balanced scorecard models have incorporated environmental and social objectives into existing balanced scorecard perspectives, while others have redesigned an entirely new sustainability balanced scorecard based on selected environmental and social objectives (Figge*et al.*, 2002).

The objectives of this paper are to investigate the evolution of performance measurement systems through to the introduction of the sustainability balanced scorecard, and to review empirical studies and identify research gaps.

The paper first discusses traditional performance management systems, including balanced scorecard as a performance measurement system and strategy implementation tool. It addresses, in brief, the fundamentals of performance management systems and then works towards the balanced scorecard and lastly the sustainability balanced scorecard. Following are the evolution of the balanced scorecard into the sustainability balanced scorecard, and findings and research gaps from previous empirical studies.

Literature Review

What is Performance Measurement?

One of the most quoted performance measurement definitions is by Neely *et al.* (1995), "Performance measurement is a topic often discussed but rarely defined." Their paper went on to propose definitions for performance measurement, performance measures and performance measurement systems.

Performance measurement can be defined as the process of quantifying the efficiency and effectiveness of action.Where else a performance measurement system is being defined as the set of metrics used to quantify both efficiency and effectiveness of actions.

The literature on performance measurement is most prolific during two phrases; the first phrase started in 1880s and the second phrase in the late 1980s (Ghalayani and Noble, 1996, as cited in Gomes, Yasin, and Lisboa, 2004). The first phrase was based on cost accounting orientation, which aimed to help managers appraise the relevant costs of operating their firms. Later, this method was adapted to incorporate other financial measures, such as profit and return on investment.

By the 1960s, researchers had developed traditional management accounting systems that focused on financial measures such as traditional budgeting, costing and variances analysis, and cost volume profit. The focal point of these developments was to monitor organisational costs. These ideas were supported byNanni*et al.* (1992), and Ballantine and Brignall (1996),who saw them as a means of maintaining organisational control and financial goals for hierarchical manufacturing organisations (Hussain, 2005).

Limitations of the Traditional System

As existing performance measurement systems originated from centuries-old accounting systems (Neely *et al.*, 1995), they have been characterised as being financial-based, internally focused, backward looking, and more concerned with local department performance rather than overall business performance. Financial measures such as profit, cash flow, and return on investment are used to evaluate overall business health and the performance of employees (Yee-Ching Lilian Chan, 2004).

The narrow financial-based focus of performance management systems has resulted in widespread criticism(Kaplan, 1983), with critics alleging that traditional financial-based performance measurement systems failed to measure and integrate all the factors that are crucial to business success (Kaplan, 1983, 1984).

A turning point occurred in the mid-1980s when Johnson and Kaplan (1987, as cited Kaplan and Norton, 1992) authored *Relevance Lost – The Rise and Fall of Management Accounting*,which highlighted the need for better integration of performance measurements and increased focus on continuous improvement rather than minimization of variance. They also criticised traditional performance measurement systems forignoring customers and their needs. Similarly, McNair and Mosconi (1987) emphasized the need to develop performance measurement systems that integrate financial and non-financial measures which are aligned to the success of the business strategy. Santori and Anderson (1987) have also stressed the importance of non-financial measures in monitoring performance of and motivating staff in an organisation. Thus, by late the 1980s, frameworks that attempted to present a wider view of performance measurement started to surface (Cross and Lynch, 1989).

Towards More Integrated Performance Measurement Models

High competitive pressures and changing patterns of external demands, coupled with limitations of traditional performance management systems, has led scholars to consider more non-financial based measures (Neely, 1999). This change in focus marked the beginning of the second evolutionary phrase, which addressed the changing needs of global business activities and responded to the criticisms of traditional performance measurements. The outcome was an increased interest in developing more balanced,multidimensional performance measurement systems. Table 1 shows a summarised evolution of performance measurement systemsfrom the 1880s to early 2000.

In the 1990s, performance measurement systems and frameworks surfaced that offered integrated solutions or methodologies to resolvespecific issues (Taticchi e*t al.*, 2010). One of the most popular models was the balanced scorecard, and it remains one of the most cited performance measurement systems, which leads to the conclusion that the balanced scorecard is widely accepted among scholars and practitioners (Gomes *et al.*, 2004).

Table 1: The Evolution ofPerformance Measurement Systems

Measures	**Main Focus**	**Key Development**
1880	Early accounting systems	Cost accounting
1960	Financial	Accounting Earnings, Earning Per Share, ROI, NPV
1970	Financial	Accounting Earnings, Residual Earnings, ROI, Cash Flow
1980	Financial/Managerial	Unit costs, Joined Budgets, Operating Profits, Cash Flow
1990	Financial / Non-financial	Strategic Measurement Analysis and Reporting Technique (SMART); The Supportive Performance Measures (SPA); Performance Measurement Questionnaire (PMQ); Performance Measurement System in Service Industry, BSC; The Service Profit Chain, Integrated Performance Measurement Systems (IPMS); The Comparative Business Scorecard, Performance Prism
Early 2000	Financial / Non-financial & Sustainability	Sustainable Balanced Scorecard (SBSC), Sustainable Performance Measurement (SPM)

Source: Anbalagan, n.d.; Taticchi, Tonelli and Cagnazzo, 2010; Figge*et al.*, 2002;Fiksel*et al.*, 1999.

The Balanced Scorecard (BSC)

The concept of the balanced scorecard, developed in the early 1990s, is based on the assumption that the efficient use of investment capital is no longer the sole determinant for competitive advantage, but soft factors, such as intellectual capital, knowledge creation, or excellent customer orientation, are equally important (Kaplan and Norton, 1992). Hence, the balanced scorecardcombines non-financial and financial measures in an internal corporate reporting process so that managers can assess the efficiency of strategic plans and actions.The main purpose of the balanced scorecard is to translate the business strategies into strategic objectives where the strategic objectives are cascaded down in a hierarchical system of perspectives. Accordingly, there is an intertwine link between these perspectives which eventually lead to economic performance improvements.

The term "balanced" refers to a "balance between external measures for shareholder and customers, and internal measures for critical business processes, innovation, learning and growth. The measures are balanced between the results from the past effort and the measures that drive future performance. Thus the scorecard is balanced between objective, easily quantified outcome measures and subjective, judgmental and performance driven for the outcome measures" (Kaplan and Norton, 1996; Kaplan, 2013).

Generally, there are four main perspectives in the balanced scorecard i.e. financial, customer, internal business processes and learning and growth. In each of the perspectives, there will be specific objectives and indicators. The indicators are the targets to be achieved that would eventually lead to the achievement of the specific objectives of the perspective.

As mentioned above, the financial perspective is the endpoint of the cause and effect relationships amongst all other perspectives. In the financial perspective, the long term economic strategies are defined explicitly through short term and long term indicators that reflect economic achievements. The next perspective is the customer perspective which is often relate as the main cause of economic achievement as it focuses on client base issues such as differentiation strategies and value creation. The indicators of the customer perspective would reflect customer related achievements such as market share, consumer satisfaction trends, and product or service delivery time. Next is the internal business process perspective which is mainly concern about the operational side of the organization. The indicators in this perspective must be able to capture information that would describe whether efficiency and effectiveness have been achieve throughout the operational side of the business. Examples of the indicators include measures of service and product quality, production cycle time, and process quality yields. Last but not least is the learning and growth perspective which focuses on the foundation of the organization as a whole. The concern of this perspective is on the creation of organisational value particularly through employees and innovative practices. Among the indicators of this perspective are employee cross-training and skill levels, employee turnover, patents applied for and received, and other product development

Balanced scorecardcan be categorised into three generations. The first generation was developed by Kaplan and Norton (1992) to assess the effectiveness of financial and non-financial dimensions. In addition to the financial dimension, customer satisfaction, internal processes, and learning and growth balanced the financial measures.
Later, in 1996, Kaplan and Norton advocated causal links between the perspectives which highlighted the organisation's targeted results and hypothesized the means by which these could be could be achieved. In layman terms, for example, an organisation that trains their employees well improves the quality of service and customer satisfaction, which results in more purchases and profitability. Thus, the second version of the balanced scorecardwas a multidimensional performance measurement system thatlinked strategic outcomes through cause and effect relationships (Kaplan and Norton, 1996, as cited in Tung *et al.*, 2011).

The balanced scorecard was further developed, with additional perspectives added (Kaplan and Norton, 2001). The third generation attempted to address sustainability issues, which now receive attention from various stakeholders (customer, suppliers, local communities, investors, and government) and affect an organisation's bottom-line, and was formulated into sustainability balanced scorecard(Epstein and Wisner, 2001; Figge*et al.*, 2002; Langfield-Smith *et al.*, 2009). This version is appropriate when sustainability is an important part of an organisation's business strategy and competitive advantage (Epstein, 2008; Kaplan and Norton, 1996).

From this discussion, balanced scorecard has developed into a highly regarded performance measurement tool (Atkinson *et al.*, 1997; Rigby and Bilodeau, 2009),which provides managers a method of measuringdifferent aspects of performance and linking these to its overall strategy.

Empirical Studies on BSC

Mostprevious studieson the balanced scorecardhave discussed the balance of scorecard perspectives, and how managers use scorecard measures to evaluate performance (Chow, Ganulin, Haddad, and Williamson, 1998; Ittner and Larcker, 1998; Mooraj, Oyon, and Hostettler, 1999). More recently, researchers have investigated industry applications of balanced scorecard(Frigo, 2002; Libby *et al.*, 2004; Lipe andSalterio, 2000 as cited in Ju Yup Lee, 2012), and organisational performance outcomes from balanced scorecard implementation (Frigo, 2002; Hoque and James, 2000; Malina and Selto, 2001). The most common industry of study has been manufacturing, and, as seen in Table 2, many of the organisations discussed in balanced scorecard literature are from that field.

Table 2: List of Organisations

Source	**Organisations Mentioned**
Kaplan and Norton Book: The Balanced Scorecard (1996)	Dupont, General Electric, Hewlett-Packard, Shell Canada
Olve*et al*. Book: Performance Drivers (1998)	ABB, British Airways, British Telecom, Coca-Cola Beverages – Sweden, Electrolux, Skandia, Volvo Xerox
Epstein Book: Counting What Counts	Whirlpool, Cigna Property & Casualty, Bank of Montreal, Skandia
Kaplan and Norton Book: The Strategy Focused Organisation (2001)	Nova Scotia Power, AT&T Canada (now Equifax), Wintherthur International

Source: Zingales and Hockerts (2003)

The majority of study have reported that balanced scorecardimplementation is positively associated with improved organisational performance. For example, Malmi (2001) reportedbalanced scorecardimproves areas such as logistics, delivery reliability, warehouse turnover, planning and control systems, as well as organisation growth. Similarly, in their study on the effectiveness of the balanced scorecard in the US banking industry, Davis and Albright (2004) found branches that adopted balanced scorecard had better financial performance than those branches using traditional performance systems. An advantage of balanced scorecardis that it can also deliver qualitative results. Epstein and Manzoni (1998) noted that the balanced scorecard “allows managers to keep an eye on the way performance is achieved and offers the organisation a clear way to communicate and reinforce its strategy”, and Malina and Selto (2001) stated that organisations that adopt thebalanced scorecardare better at developing, communicating and implementing organisational strategies.

An organisation’s characteristics affect balanced scorecard effectiveness, in particular the organisation’s size and the intensity of balanced scorecardintegration into business processes (Hoque and James, 2000). They suggest that large firms make better use of the balanced scorecardthan small firms. In their survey of Australian manufacturing firms, Yu *et al*. (2008) revealed that different forms of the balanced scorecardare employed by different types of organisations. For example, organisations vary the number of perspectives with the addition of perspectives such as safety, environmental, behavioural and ethical measures/targets.

Sustainability Balanced Scorecard (SBSC)

One of the biggest challengesnow confronting organisations is to realise the contribution of corporate sustainability to the sustainable development of theeconomy and society (Burritt and Schaltegger, 2010). Organisational behaviour seems to be aligned with this aim, as the attitude of 'fully abide by the law and meet obligations' is giving way to a willingness to 'accept a higher level of obligation and moral responsibility than that demanded by mere compliance with the law' (Robin, 2006). Organisations are slowly shifting their focus towards the challenge of implementing corporate sustainability.

Corporate sustainability encompasses three dimensions: ecological, social and economic. Achieving sustainable developmentrequires organisations to improve in all the three dimensions simultaneously because, according to Bieker*et al.* (2001, as cited in Leon-Soriano, Munoz-Torres and Chalmeta-Rosalen, 2010), bi-directional links, known as "The three sustainable cases", hold all three dimensions at the same importance level for sustainability. However, most organisations focus on the "Green" case, and attempt to link economic sustainability with ecological sustainability by measuring economic output versus environmental impact (Schaltegger and Sturm, 1994). By measuring and reporting the eco-efficiency for its products or services, an organisation has the means to monitor and report overall sustainability performance, and improve corporate dialogue and communication with stakeholders.

One of the key weaknesses in the approach taken by most organisations is the lack of integration of environmental, social, and economic management systems.Based on empirical findings, most corporate strategies disregard issues of corporate sustainability (Bieker and Waxenberger, 2002). Furthermore, to complicate matters, environmental measures are quantitative (for example, emission of greenhouse gas generated is measured in tonnes) but not calculated in monetary terms (Butler, Henderson and Raiborn, 2011; Schaltegger and Moller, 2012), making it more difficult to integrate into traditional financial systems.

To overcome these issues, a promising approach to measuring organisational eco-efficiency is to include environmental and social dimensions into a balanced scorecard, producing a sustainability balanced scorecard (Figge*et al.*, 2002; Hubbard, 2006; Schaltegger and Lukede-Freund, 2011; Wagner, 2007). The first attempts to develop a sustainability balanced scorecard were as a planning tool (Bieker*et al.*, 2001 as cited in Leon-Soriano, Munoz-Torres and Chalmeta-Rosalen, 2010), which could improve the transparency of potential actions that added value in the social and ecological aspects. In addition, the early framework was used to describe causalities between economical, ecological and social dimensions (Bieker and Waxenberger, 2002).

This research resulted in alterations and extensions that incorporated environmental and social goals, creating the sustainability balanced scorecard (Figge*et al.*, 2002; Wagner, 2007) or "green" balanced scorecard (Lansiluoto and Jarvenpaa, 2008). There are a number of advantages to including environmental and social dimensions as part of the scorecard. It now takes into account the perspectives of internal and external stakeholders,and can address both short-term and long-term issues. Secondly, the balanced scorecard is already entrenched in many organisations, so it is easier to build on it rather than try to introduce a new model. Thirdly, as argued by Figge*et al.* (2002), the balanced scorecard is based on a connected set of measures that guide therealisation of an organisation's business goals, which is crucial to change organisational behaviour and achieve sustainability outcomes. The ability of the sustainability balanced scorecard to translate sustainability measures into business practices and competitive strategy to its sustainable outcomes thathighlights the relationship between sustainability and profitability (Butler *et al.*, 2011). Alternative views, from scholars such as Bieker and Waxenberger, 2002, and van Der Woerd and van den Brink, 2004 (as cited in Leon-Soriano, Munoz-Torres and Chalmeta-Rosalen, 2010),have argued that the balanced scorecard was developed to linkfinancial goals with other corporate dimensions, so it already able to incorporate sustainability or corporate social responsibility measures. Thus, it is worth taking note that a broader approach, possibly beyond scorecard implementation, is essential to reach sustainability.

Methods of Developing a SBSC

Figge*et al.* (2002) proposed three possibilities in integrating environmental and social aspects into the existing dimensions of the balanced scorecard. Firstly, both environmental and social aspects can be integrated in the four dimensions. Secondly, an additional dimension dealing with environmental and social aspects can be added. Thirdly, a specific environmental and social scorecard can be developed. Regardless of the method, the end aim is to have a 'greener' balanced scorecard, and all three have been discussed in the literature. The majority of the research has focused on integrating environmental and social sustainability objectives into the conventional balanced scorecard, with alternative opinions presenting options to add a single dimension, such as environment, or highlight the relationship between two dimensions (eco-efficiency), or focus on a single issue (such as strategic philanthropy) (Hansen and Schaltegger, 2012). Table 3 below summarises the three methods.

Table 3: Methods of developing a SBSC

Method	**Approach**
Integration into four basic perspectives	Environmental and social aspects are subsumed under the existing four perspectives, lagging and leading indicators, targets and measures. Captures strategically relevant environmental and social aspects that are already integrated in the market system.
Formulation of a fifth, non-market perspective	Strategically relevant but not market integrated environmental and social aspects are included in an additional non-market perspective. This refers to aspects which are of strategic relevance and influence a firm's success but are not reflected in the basic four perspectives. Therefore, lagging and leading indicators, targets and initiatives have to be formulated and linked towards the financial perspective.
Development of an extra sustainability scorecard	Deduction of a derived environmental and social scorecard Optional second step that is only possible as an extension of addition or subsumption. Used to coordinate, organise and further differentiate environmental and social aspects due to their strategic relevance and position in the cause-and-effect chains.

Source: Schaltegger and Lukede-Freund, 2011

Process of Formulating a SBSC

Based on the previous reasoning, the process of formulating a sustainability balanced scorecardhas to meet a number of basic requirements. Firstly, the process must lead to the integration of environmental and social factors into business management framework. A sustainability balanced scorecardthat meets the specific characteristics and requirements of an organisation's strategy and the environmental and social needs of a business unit is not generic. The second requirement is that the process needs to formulate a business unit-specific scorecard. Thirdly, the strategic relevance of the business unit's environmental and social needs must be taken into account. This includes the question whether the introduction of an additional non-market perspective is necessary.

Developing a sustainabilitybalanced scorecard while meeting these requirements is best achieved through a three-step process

(Figge*et al.*, 2002). First is choosinga business unit, which has a strategy and an opportunity to impact sustainability outcomes. Second, is identifying the environmental and social issues of the business unit. Third is deciding the specific linkages of these issues to the business unit's strategy. Figure 1 below gives an overview of the whole process.

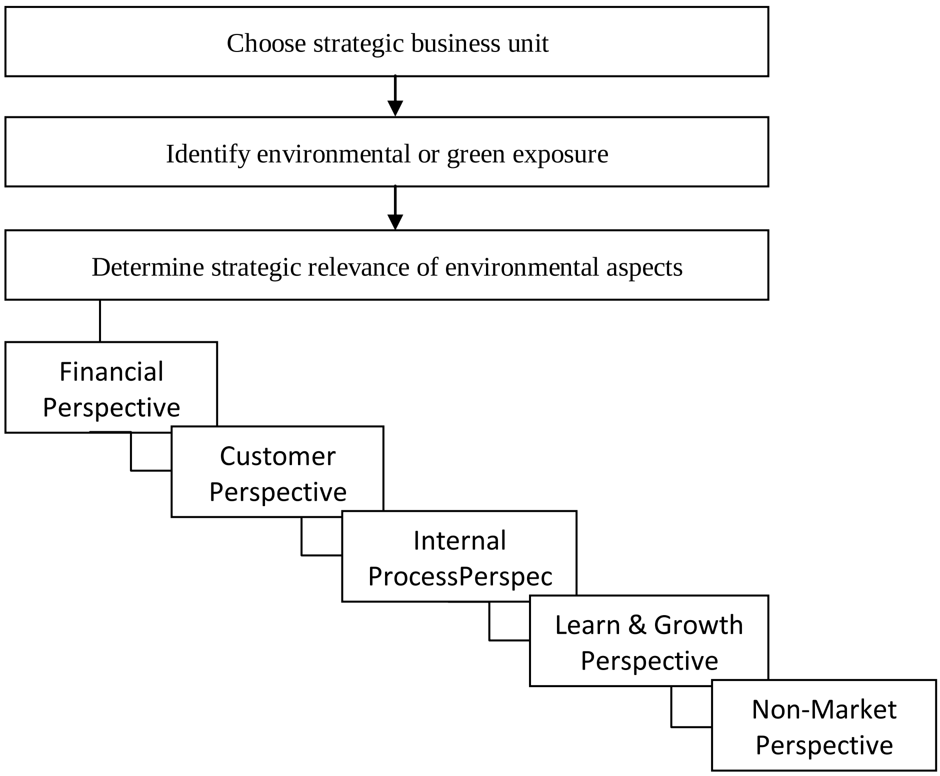

Figure 1: Three-step Process of Formulating aSustainability Balanced Scorecard

Source: Figge*et al.*(2002), Schaltegger (2004).

Empirical Studies on SBSC

A number of studies have examined the sustainability balanced scorecard. Most notable is the systematic review of both conceptual and empirical studies by Schaltegger and Hansen (2012), which revealed six key emerging themes in sustainability balanced scorecardfrom 1995 to 2010. Table 4 shows the main emerging themes, the sub-topic covered, and a brief description of the research.

Table 4: Key Emerging Themes in The Context of Sustainability Balanced Scorecard

Topic	**Sub topic**	**Description**
Intention/type of use	-	Facilitation of strategy development, organisation change, and strategy communication vs. performance management and measurement vs. mere information system
Architecture	Issues addressed	Overall sustainability to selected environmental or social issues
	Perspective	Various modifications introduced: integration of environmental and social strategic objectives into a conventional perspective Reframing/broadening perspective Adding dedicated environmental/social perspectives
	Hierarchy/ case and effect chains	Rather conventional hierarchy vs. top-level perspectives or even network architecture Two camps: Strict cause and effect chains vs. more liberal linkages or even systematic relationships
Performance indicators	Nature	Compilations of large lists of generic environmental/social indicators vs. empirically derived company specific indicators
	Measurement peculiarities	Addressing impact-level indicators sometimes requires extended measurement period and cooperation with external parties
Development process	Prerequisites	Building SBSC from scratch vs. the assumption of the existence of a prior (conventional) BSC
	Steps	Overall, there are five vital steps to consider: a) compose a comprehensive list of environmental and social aspects potentially being strategically relevant b) categorise all aspects into strategic core issues or hygiene factors c) establish cause and effect-chains between performance drivers and strategic core issues d) summarise above results into a

		"Strategy map" e) develop concrete key performance indicators, based on performance drivers
Cascading	Organisational units	BSC cascaded from corporate level to division, to departments and support functions
	Individuals	Further cascading to individual managers/staff; link to individual performance appraisal possible
Links to other systems	Accounting/ information systems	Performance indicators should be linked to, or make use of, data from sustainability accounting systems, such as environmental management systems and HR systems
	Reporting	Though originally not meant as a reporting system, some companies do report BSC results

Source: Schaltegger and Hansen, 2012

Other empirical studiesthat have investigated the integration of environment and social dimensions into the balanced scorecardincludeDias-Sardinha, Reinjders, and Antunes (2002); Dias-Sardinha and Reijnders (2005); Epstein and Warner (2001); Figge*et al.*(2002); and Lansiluoto and Jarvenpaa (2008). Thesestudies listeda number companies that have implemented a sustainability balanced scorecard, including British Telecom (communications), Volkswagen (automobile), Hamburg Airport (logistics) and Novartis (pharmaceutical) (Wagner, 2007), validating that the balanced scorecardis capable of guiding the integration in a way that brings positive effects of environmental management on economic performance or its drivers (Wagner, 2007). One company, Hamburg Airport Corporation in Germany changed its vision and strategic objectives to support the development of a sustainability balanced scorecard, adding a location perspective to the four classical perspectives. By choosing to integrate environmental and social dimensions with its corporate strategy, Hamburg Airport Corporation was able to identify existing environmental and social issues which were not recognised before (Diaz Guerrero et al., 2002; as cited in Schaltegger&Lukede-Freund (2011); Schaltegger&Ludeke-Freund, 2011). The outcomes were that Hamburg Airport defined value-oriented environmental and social measures that supported communication and better integration with general management and strategic objectives, and addressed crucial non-market issues were addressed, which legitimised their actionswith stakeholders. Hamburg Airport continues to derive benefits from the sustainability balanced scorecard and, according to EMAS, still reports on environmental issues (Hamburg Airport Corporation 2008; as cited in Schaltegger&Ludeke-Freund, 2011).

Well known car manufacturer, Volkswagen,has also used the balanced score card to integrate environmental and social aspects with their R&D strategy and derive measurable indicators that are linked to corporate environmental and social performance goals. The integration phase was visualised with a strategy map that contained innovation and society perspectives. The corporate health, safety, and environment departmentof pharmaceutical manufacturer, Novartis,implemented a balanced scorecard in which the traditional four perspectives included environmental management measures. Their scorecard now provides integrated measures of its internal processes that meet the demands of all their stakeholders (Wagner, 2007).

These studiesdemonstrated that integrating balanced scorecard and environmental management may yield financial benefits from pollution prevention measures (Bartolomeo *et al.*, 2000; Wagner, 2007). Lansiluto and Jarvenpaa (2008) pointed out that when an organisation recognises environmental issues, itcan improve financial and environmental performance concurrently. They also acknowledged the balanced scorecard as a valuable tool for collecting and reporting environmental performance information. The study by Epstein and Wisner (2007) revealed a strong, positive relationship between a successful social and environmental strategy and corporate value. They explained that the process of implementing a sustainability balanced scorecard communicated to the organisation the importance of a sustainability strategy and the likely benefits from success—the organisation was able to maintain profitability and environmental and social accountability simultaneously, meeting the demands of corporate stakeholders plus the local communities (Epstein and Wisner, 2001).

Discussion

From the reviewed literature, some integration between balanced scorecard traditional and environmental aspects has occurred (Schaltegger and Hansen, 2012), but the available empirical studies were normative, and did not elaborate on how the integration process between environmental and social dimensions was carried out. For example, Lansiluto and Jarvenpaa's (2008) study of a meat processing company reported the drivers and benefits of the integration process, but failed to explain the integration process in any detail. Further, the study by Dias-Sardinha and Reijnders (2005) focused only on the architecture and cascading issues, and proposed a thematic cascading balanced scorecard with strategic objectives cascading down from top level management to business units, and to departments.

However, for the case of Hamburg Airport Corporation, the authors showed that the sustainability balanced scorecard,based on the theory of Figge*et al.* (2002), worked in practice and helped formulate strategic issues and performance drivers for their strategy programmes (Diaz Guerrero *et al.*, 2002, as cited in Schaltеggerand Ludeke-Freund, 2011).

While some of the reviewed studies reported a positive link between the integration of environmental and social aspects into balanced scorecard and economic performance, the literature fails to demonstrate positive outcomes (Wagner, 2007). The limited empirical knowledge in this area underpins the need forfuture researchon the process of how organisations integrate environmental management aspects into their performance measurement systems, specifically the balanced scorecard, and the relationship between the integration of environmental aspects into balanced scorecard and corporate value.

Another gap in the literature is the lack of studies in environmentally-sensitive industries, which are categorized as industries where pollution control costs form one percent or more of total sales (Low and Yeats, 1992). The big player here is the oil and gas industry, one of the most polluting industries, and the major contributor to climate change and environmentaldegradation as it lives off exploiting non-renewable resources. Companies like BP and ExxonMobil have attempted to improve their reputationby engaging in environmental management practices that produce environment-friendly results in their sustainability reports (Schweitzer, 2011).

A major concern stemming from the research is that even though companies continue to reportsustainability information, researchers claim that most companies fail to actively incorporate sustainability into general management systems (Elijido-Ten and Tjan, 2011). This is supported by a United Kingdom think tank that reported the majority of companies do not incorporate sustainability into their corporate strategy in reality (Watanatada, 2011). Even though one study, by Zingales and Hockerts (2003), showed that balanced scorecardcan align objectives, targets, actions and processes, Royal Dutch Shell incorporated environmental and social issues into their corporate balanced scorecard,but more empirical research is much needed to corroborate these findings.

The service industry, especially the hotel sector, is another industry has been neglected. A growingworld economy and low cost travel options mean the service industry is more important in both developed and developing countries. Global GDP was 69.9 per cent in 2010 (World Development Indicators, 2013) andthe hospitality sector was the fastest growing sector in service industry.Hospitality is tightly linked to environment protection. It is one of the biggest consumers of natural resources, generates tons of waste each year, but is often dependent on the health of the natural environment to attract customers (Graci and Doods, 2008). For example, the hotel sector annually releases between 160 and 200 kg of CO_2 per m^2 of room area, depending on the fuel mix used to provide energy (Hotel Energy Solutions, 2011).

While, like other industries, hospitality is under increasing pressure to ensure sustainable development, especially in maintaining the wellbeing of ecological systems, there is still a scarcity of research on sustainable balanced scorecard in developing countries. The few studies available (for example, Hilton Hotel by Huckestein and Duboff; as cited in Evans, 2005, and White Lodging Services by Denton and White, 2000) have not specifically focused on the implementation of sustainability balanced scorecard in hotels.

Taking into consideration the developments in performance measurement systems and the emergence of sustainability as an important business issue, the study of sustainability balanced scorecard is deemed important. Thus, research that explains the process of determining and selecting economic, ecological, and social indicators, integrating these into the balance scorecard, and linking to positive financial outcomes, will provide much needed evidence for successful implementation of sustainability balanced scorecard.

Conclusion

Researchers and practitioners have increasingly stated that traditional financial data no longer serve as leading indicators of organisation performance, and non-financial dimensions need to be integrated into performance measurement systems, such as balanced scorecard, to measure non-financial performance. Added to this is pressure for more sustainable business operations from various stakeholders. Recent work with the balanced scorecard tool has evolved it into a sustainable balanced scorecard.

Application of the sustainability balanced scorecard has aligned and integrated sustainability measures with corporate strategies, providing a framework for integrating non-financial measures into corporate operations and monitoring. Using this tool, organisationscan implement sustainability strategy and link corporate business and sustainability objectives to programmes and clarify performance outcomes (Butler *et al.*, 2011; Epstein and Wisner, 2007). Therefore, based on the extent literature reviewed, the sustainability balanced scorecard has the ability and flexibility to incorporate non-financial dimensions (including the social and environmental dimensions), to measure organisational performance, and to apply to organisation in a wide range of industries, including the service sector.

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INTERPRETIVE ETHNOACCOUNTING: UNDERSTANDING ETHNOGRAPHYIN THE ACCOUNTING RESEARCH FIELDS

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Abstract

The purpose of the paper is to explore a practical model of ethnography research method for ethnoaccountingsocial and culture. Ethnography is a aninterpretive account of what is lived and understood of a cultureof accounting phenomena. This culture is itself a contextual process that is ongoing, elusive and constantly modified.Ethnoaccounting is a terms used to elucidate where accounting phenomena contextually engaged in society and/ or organization.

Clear steps are introduced where an accounting researcher interested to become an accounting ethnographer. The steps are ranging from understanding the history of ethnography, variety ethnographies, and Preparing for ethnography, to interpretation and reflexivity. Two ethnoaccounting research are described to elucidate the use of ethnography in accounting fields which are Nestle's creative shared value and the history of accounting practices in the era of the King of Udayana. In an essence, ethnography could provide a mode of social and cultural interpretations hidden in the accounting fields.

Introduction

Based on my own experience writing using ethnography, it is interesting. Using Ethnography in accounting research is not a new idea. It is possibleto trace them back as many as to be asked (see Sukoharsono, 2004, 2006). Ethnography is used to understand cultural and social practices in accounting. Why is Ethnography? Ethnography is one of many approaches that can be found within social research today, in general and accounting, in particular. The label of Ethnography is not used in an entirely standard fashion. Its meaning can vary. A consequence of this is that there is considerable overlap with other labels, such as 'qualitative inquiry', 'fieldwork', 'interpretive method', and 'case study', these also having fuzzy semantic boundaries. In fact, there is no sharp distinction even between ethnography and the study of individual life histories, as the example of 'auto/ ethnography' shows; this referring to an individual researcher's study of his or her own life and its context (Reed-Danahay 1997, 2001; Holman Jones 2005). There is also the challenging case of 'virtual ethnography', whose data may be restricted entirely to what can be downloaded from the internet (Markham 1998, 2005; Hine 2000; Mann and Stewart 2000). While, for the purposes of this opening paper, it needs to give some indication of what is the term 'ethnography' to mean, its variable and sometimes contested character must be remembered; and the account providedand what form ethnographic work *ought to take*in the filed of accounting.

The origins of the term lie in nineteenth-century Western anthropology, where an ethnography was a descriptive account of a community or culture, usually one located outside the West, say Indonesia. At that time 'ethnography' was contrasted with, and was usually seen as complementary to, 'ethnology', which referred to the historical and comparative analysis of non-Western societies and cultures. Ethnology was treated as the core of anthropological work, and drew on individual ethnographic accounts which were initially produced by travellers and missionaries. Over time, the term 'ethnology' fell out of favour because anthropologists began to do their own fieldwork, with 'ethnography' coming to refer to an integration of both first-hand empirical investigation and the theoretical and comparative interpretation of social organization and culture.

As a result of this change, since the early twentieth century, ethnographic fieldwork has been central to anthropology. Indeed, carrying out such work, usually in a society very different from one's own, became a rite of passage required for entry to the 'tribe' of anthropologists. Fieldwork usually required living with a group of people for extended periods, often over the course of a year or more, in order to document and interpret their distinctive way of life, and the beliefs and values integral to it.Moreover, during the twentieth century, anthropological ethnography came to be one of the models for some strands of research within Western sociology. One of these was the community study movement. This involved studies of villages and towns in the United States and Western Europe, often concerned with the impact of urbanization and industrialization.

Ethnography has been used in accounting research because at the micro level all organizations whether they be in commercial, private and not for profit sectors too have their own cultures. In these organisations members interact with each other while at the same time interact with prevailing technologies and external environments. Accounting is an intrinsic technology to all such organizations, whether the doing of accounting is for an organisation's own record-keeping,commercial interactions, or the meeting of statutory obligations.

The purpose of the paper is to explore a practical model of ethnography research method for ethnoaccounting culture. Ethnography is an interpretive account ofwhat is lived and understood of a culture in accounting phenomena. This culture is itself acontextual process that is ongoing, elusive and constantly modified. It describes both interaction andsetting, and should be concerned with social behaviour outside as well as inside the site (Wolcott 1975,pp. 24-25). It is a joint act in which the researcher is the centre of the research act (Denzin 1971, p. 58). Ethnography is not identified by the methods it employs, but rather by its aims, "to discover and disclose socially acquired and shared understandings necessary to be a member of a specified social unit" (Van Maanen 1982, p. 103). It is a cultural description emerging from a long and intimate relationship.

Ethnographic Accounting Fields

Ethnographic research in accounting field can take place, and has taken place, in a wide variety of types of research setting: villages, towns, inner-city neighbourhoods, factory shop floors, deep-shaft mines, ships, farms, retail stores, business offices of various kinds, hospital wards, operating theatres, prisons, public bars, mosques, schools, colleges, universities, welfare agencies, courts, funeral parlours, etc. These settings vary from one another in all manner of respects that are relevant to the nature of the relationships that are possible and desirable with the people who live and/or work in them. Furthermore, there is much variation within each category of setting. No set of rules can be devised which will produce good field relations. All that can be offered is discussion of some of the main methodological and practical considerations surrounding accounting ethnographers' relations in the field.

Variety of Ethnographies

Various types of accounting research are classified as ethnographies. In each variety, the site and the observational encounter are defined quite differently. This reviews the different characteristics of each type of ethnographic study and describes some of their logistical implications.

Online ethnography refers to a number of related online research methods that adapt ethnographic methods to the study of the communities and cultures created through computer-mediated social interaction. As modifications of the term ethnography, online ethnography and virtual ethnography (as well as many other methodological neologisms) designate online fieldwork that follows from the conception of ethnography as an adaptable method. These methods tend to leave most of the specifics of the adaptation to the individual researcher. Ethnography suggests the use of specific procedures and standards, and argues for consideration of particular consensually-agreed upon techniques, justifying the use of a new name rather than a modification of the term ethnography

Virtual Ethnography is a highly interactive process that provides the ability to make observations of and participate in computer/device mediated cultures through a multitude of non face-to-face methods. It is used to better understand the behaviors and knowledge of participants in and contributors to those cultures. It is also concerned with the artifacts these cultures produce and the methods in which these cultures share, use, and iterate on them. The key to virtual ethnography is not to consider digital lives separate from real life as they both belong to the same life and can only be holistically understood when approached as one.

Autoethnography is a form of self-reflection and writing that explores the researcher's personal experience and connects this autobiographical story to wider cultural, political, and social meanings and understandings. According to Marechal (2010), “autoethnography is a form or method of research that involves self-observation and reflexive investigation in the context of ethnographic field work and writing” (p. 43). A well-known autoethnographer, Carolyn Ellis (2004) defines it as “research, writing, story, and method that connect the autobiographical and personal to the cultural, social, and political” (p. xix). However, it is not easy to reach a consensus on the term’s definition. For instance, in the 1970s, autoethnography was more narrowly defined as "insider ethnography," referring to studies of the (culture of) a group of which the researcher is a member (Hayano, 1979). Nowadays, however, as Ellingson and Ellis (2008) point out, “the meanings and applications of autoethnography have evolved in a manner that makes precise definition difficult” (p. 449).

Ethnoarcheologyis very intensively used by Budiasih and Sukoharsono (2013) in their research on Accounting Practices and The Use of Money in The Reign of King Udayana in Bali: An Ethnoarcheological Approach. Ethnoarcheology is developed to construct ruptures of history in Bali. It provides understanding of the construction of accounting practices in the usage of currencies applied in the past. Getting a clear picture of the construction of accounting practices in terms of the usage of currencies in the past, it needs a research method that is able to uncover in-depth research question proposed.

Critical ethnography applies a critical theory based approach to ethnography. It focuses on the implicit values expressed within ethnographic studies and, therefore, on the unacknowledged biases that may result from such implicit values. It has been called critical theory in practice. In the spirit of critical theory, this approach seeks to determine symbolic mechanisms, to extract ideology from action, and to understand the cognition and behavior of research subjects within historical, cultural, and social frameworks. Critical ethnography incorporates reflexive inquiry into its methodology. Researchers employing this approach position themselves as being intrinsically linked to those being studied and thus inseparable from their context. In addition to speaking on behalf of subjects, critical ethnographers will also attempt to recognize and articulate their own perspective as a means of acknowledging the biases that their own limitations, histories, and institutional standpoints bear on their work. Further, critical ethnography is inherently political as well as pedagogical in its approach. There is no attempt to be purely detached and scientifically objective in reporting and analysis. In contrast to conventional ethnography which describes what is, critical ethnography also asks what could be in order to disrupt tacit power relationships and perceived social inequalities.

Preparing For Ethnography

The purpose of ethnography is not to generalize from a smaller population to a larger one. Instead, ethnographers are conducted to better understand specific groups and how those people are influenced by their environment. While ethnographers typically interview key informants in the culture, their emphasis in writing an ethnography is not to tell discrete life stories. Instead, ethnographers use their observations, conclusions from informal and formal interviews, results of psychological tests, and interpretations of insider-written documents to weave together an account of key people in the community and to explicate the community's values, ceremonies, problems, and prospects.

Some of the preparations qualitative researchers make for a focus group will be similar to preparations for ethnography. Some will be different.

Appropriate Objectives:
Perhaps the most important part of an ethnography project is settingclear, well-defined objectives. Here are some of the potential objectives ethnography can fulfill: .

- To understand a cultural context – how the emotional, symbolical, or social network informs the lives of accountants.
- To gain insight into a particular organization/ societyniche .

- To identify a lifestyle .
- To learn how management/ accountants actually use a product or service in their everyday lives .
- To discover accounting decision points .
- To reveal unmet needs .
- To find and document the real benefits of accountingexperience .
- To probe problems and opportunities associated with an accounting product or service. .
- To understand and document the quality of suffering and relief offered by a medication .
- To uncover people language, cues, and signals for potential accounting use. .
- To learn selection behavior of accountants and/ or management at the office or organization/ society.
- To seek people ideas under investigation.
- To test accountants' works in context .
- To identify interactional patterns that help to describe accountants/ management in decision making.

There are potentially many more objectives ethnography can fulfill.

Inappropriate Objectives:

Ethnography is not a substitute for quantitative research. It takes place among a limited number of respondents.

- Packing a proposal with multiple objectives. Resist issue greed. The fewer the objectives, the more focused and in depth the findings will be.
- Ethnography is not suited to scope a wide market. Findings often suggest strategic and tactical direction, but the findings may or may not be representative of a broad market category. It would be wise to verify the results with an inexpensive quantitative test.

What You Will Need Before Fieldwork:

A clear, concise statement of objectives. When writing the objectives, consider the ultimate purpose – how the ethnography findings will be used. Understanding a Management Control System in a Company? Each purpose will call for different objectives. And the objectives will help you focus your fieldwork.

A screener. Any qualitative researcher who has developed a screener for other kinds of qualitative research will be able to write a screener for ethnography. The principle is the same – narrowing down the qualifications until the exact respondent needed is defined and found. However, the ethnography screener should put somewhat more emphasis on articulateness and willingness to participate in the research. You are going to partner with each respondent for hours, if not days. You want their words and their behavior to be productive. And neither the recruiter nor the screener should reveal the focus of the research to a potential respondent.

An interview guide . The interview guide exists primarily for the ethnographer to organize the areas of observation and inquiry and to highlight key issues. It should not be a laundry list of questions. It should be a blueprint for exploration. And it should include triggers designed to unleash a respondent's feelings about themselves, their families, and the product or service at issue.

The guide should not be considered as fixed. There are times when it should be ignored. In the best of all possible worlds, the consumer should lead the observation and whatever discussion ensues. Some of the most surprising and productive insights come to the surface when a respondent takes off on a tangent, departing from the subject at hand. Or when an ethnographer makes an aha! connection between a respondent's behavior and his or her cultural context. The ethnographer should be prepared to be led into uncharted waters, where an unexpected insight may be waiting.

However, part of a guide's reason for being is to answer the concerns and soothe the anxieties of clients and others involved in the project. The issues of interested parties should be honed and distilled by the ethnographer.

It should be noted here that some ethnographers believe in performing fieldwork without any interview guide. They feel that the ethnographer's mind should be a blank slate, open to whatever they see and hear during the interview.

Recruitment:

Who recruits? Recruiting is often done by focus group facilities that have had experience finding respondents for ethnography. There are also firms solely dedicated to recruitment. Visit their websites to see if ethnography is included. And then ask them how many ethnography recruitment assignments they have had over the course of the past year. Establishing a trusting, professional relationship with the person or persons responsible for recruitment and scheduling your respondents is vital.

However, the ethnographer should be personally involved in recruitment. Be in touch with the recruiter at all times and let the recruiter know how everything is going. If at the beginning of the project there are some unfortunate events (e.g., wrong scheduled time, bad address), it may prompt the recruiter to confirm the rest of the information is accurate. If you are using a national recruiter, insist on a local contact.

Be prepared to deal with last minute cancellations. The floater approach (recruiting standbys) used when conducting IDIs in facilities should be also used during ethnographic research.

Costs: How much you need to pay for recruitment and how much for incentives depends on how difficult it is to find respondents, and how long you need to be with them. Will you spend a couple of hours with a respondent? Obviously, independent accountants who are being interviewed about internal controls in companies are going to be easier and less costly to find than middle to top management of a company. And once you find midlle to top management respondents, you may want to stay with them a whole day, or even a weekend. In that case, be prepared for heftier recruitment costs and incentives.

Recruitment and incentive costs will also vary regionally. More in large areas like greater Jakarta and Surabaya, and less in smaller areas (although other factors such as an area's level of affluence can also influence the cost.)

Contact recruited respondents: It is a good idea for the ethnographer to vet the accountants personally by phone after they have been recruited. Not only do you want to feel comfortable with their level of responsiveness, but you will also want them to feel comfortable with you. The phone call will also give you an opportunity to explain any homework assignments you may want them to complete before the actual interview. Some ethnographers believe in establishing familiarity by visiting them before the actual interview.

Respondent homework: Respondent homework prepared before the interview may often – but not always -- be appropriate. It might include a collage pasted together from magazine clippings to suggest an accountant's feelings about an issue. Some practitioners ask accountants to complete various questionnaires before the interview. Or you could ask accountants to photograph or videotape a family activity, or the inside of their home activities. In certain circumstances, you might want a family, a couple, or kids to perform their own interview on videotape and send in the raw footage when they are done.

In the field:

Number of Respondents: While you can develop insight from fewer respondents, it is a good idea to recruit no less than fifteen for almost any project. You will probably want a range of incomes, ages and genders. And no matter how careful your recruitment has been, and no matter how thoroughly you have vetted your respondents, you will come across a couple of duds in the field. Fifteen respondents give you an opportunity to see a pattern, if there is one.

We suggest the upper limit should be no more than forty respondents – except when you're conducting short in-store interviews in conjunction with longer interviews. When you're dealing with more than 40 long interviews, it becomes cumbersome to analyze thematerial in the kind of depth required for ethnography. Additionally, some people may tend to look at a greater number of interviews quantitatively – a dangerous practice.

Scheduling: Your recruiter will have scheduled respondents so that you have plenty of time to drive from one respondent to another and conduct an informal debrief with a client in between. If your interviews are going to be 2-3 hours long, plan on seeing no more than 3 accountants each day you are in the field. Some interviews will require an entire day or longer. In either case, your recruiter should give you a complete, printed set of directions showing you how to get from one respondent to another, and how long each drive will take. It is also a good idea to have GPS along – just in case.

Interview length: Much depends on the product or service involved, and what your objectives might be. For example, your objective might be how an accountant family's culture or way of life affects their packaged food purchases. In this case, you may want to be with them when they shop and then spend a day or two observing the place of the products they bought in their lives: preparing and eating breakfast, lunch and dinner, snack times and munching on the go. You will want to explore the pantry, the refrigerator, the freezer in the basement and any other food storage areas. You will want to probe their values, their feelings about each meal, the products they used to prepare it, and how they enhance or impede their everyday lives.

The importance of context: Whether your interviews are a matter of days or hours, the context in which you find the respondent can be a vital piece of information. For example, what are the family's goals in life? How do they see themselves in relation to their community? How do their beliefs impact their purchase habits?

Look for the telling clues. The kind of bathroom, contemporary or old-fashioned – does it say something about the respondent life prefers and why? An accountant's room, electronically up to the minute, from her computer to his/ heriphone, to her personal home theater – what is her next birthday present likely to be? Note the things and activities that help to define who they are, such as photos, collectibles, books, magazines, décor, prominent symbols or signs of accomplishment, the music they play, watching TV, using their computers, kids playing, and more.

<u>Who Comes To The Interview?</u> Ethnography is an intimate experience. Ideally, try to confine the number of people visiting with aaccountant to no more than three: an interviewer, a cameraperson, if you use one, and a client. Any more, and the respondent can feel on stage. It is important to have a client present at the interviews. The client will know more about the product or service than you do, and will have a different perspective than yours. If more than one client wants to be present at the interviews, apportion a number of interviews for each client.

<u>Ethnographer's Style</u> How do ethnographers relate to their respondents? What is their personality posture? There are two schools of thought on the subject. Some believe ethnographers should present themselves as non-reactive, pure, dispassionate observers – presenting an entirely neutral manner and letting the respondent fill in the many moments when the ethnographer is silent.

The other posture some ethnographers have adopted is engagement, or participant observation. The ethnographer enters into the lives of their respondents and participates with them whatever they may be doing -- at the table, in front of the medicine chest, in the car, or elsewhere. The interview becomes a dialogue, and the interviewer – in so far as possible – observes and probes as part of the family.

Both personal postures can be productive. Both can open respondents and elicit in-depth responses and authentic actions. Which one the ethnographer adopts will depend on his or her own personality and comfort level with either approach. Some use a combination of both.

No matter which stance you adopt, the tone and path of the interview will be determined in large part by the consumer you are interviewing.

You and your client should wear neat clothing that does nothing to call attention to yourselves.

Client stance: If a client has had ethnographic experience, he or she may know not to intrude into the intimate relationship established between the ethnographer and the respondent. The client will observe unobtrusively, listening, taking notes, and waiting for the ethnographer to offer an opportunity to ask if he or she has any questions.

However, you may encounter a client who has never been part of an ethnography project before. The uninformed client may break into an important conversation between the ethnographer and the respondent. The client may even correct a respondent's "mistaken" idea about the company's product or service!

Ethnography training: In any case, it's a good idea to offer ethnography training to any of the client's personnel who expect to be part of the fieldwork. A day at the client's premises explaining and illustrating the do's and don'ts of ethnography is a day well spent.

Options for recording interviews: Today, more people are using a small camcorder, operated by a cameraperson, to record their observations and interviews. The advantage of video recording is that nothing is missed. Everything is available to go over again and again, to show to others who weren't there, and to extract clips for your final report and presentation.

In fact, some ethnographers prefer to go over the video together with each respondent, so that the respondents observe their own behavior and comment on actions they might not have been aware of while they occurred.

However, there are others who feel the camera is an intrusion, and that makes the interview less than natural. They prefer still photos and note-taking, or an audio recorder at most. The issue is a matter of personal interview style and preference. There is much to be said for both methods.

However you record the interview, Create backup files every night you are in the field. Upload the files to your website every night or send a copy of backup files to the office.

Release or waiver: Be sure you have a carefully-worded form for the respondent to sign, releasing the material of the interview for research use and absolving you from certain responsibilities. Best to develop the form with your lawyer.

Cameraperson's posture: If video recording is your method of recording the interview, the cameraperson should be like a fly on the wall: silent and unobtrusive. Inside of five minutes, the respondent will ordinarily be able to ignore the camera. You can see it happen when the respondent looks directly at the interviewer instead of at the lens -- easy to achieve with today's cameras, which are small, light, make no noise, and use natural light.

The debrief : What insights have you gotten out of the visit to a consumer's home? What insights has the client arrived at? The ethnographer and the client should exchange observations and insights directly after each interview. In addition, on the basis of what you learned during the last interview, how should the next interview be changed or adjusted? Remember to allow enough time in between interviews for a thorough debrief.

Respondent-performed ethnography. There are times when it's better to have a respondent video themselves without an ethnographer or cameraperson. For example, if you want to understand the way kids play, an adult presence could be very inhibiting. Give them a camera and ask them to videotape their favorite playtime activities. Want to know how people decide where to stop on a road trip? Ask one of the passengers to video record the trip and elicit the comments of the other travelers as they go. The material you get back may be unexpected, even surprising to the client.

In-store ethnography: There are a number of ways to perform in-store ethnography. If you're lucky enough to get permission to set up a hidden camera opposite the aisle you're interested in, you can video the spontaneous actions of random customers as they pass by, pause, or put a product into their shopping carts. And for a small incentive, you can interview the customers you spot for up to fifteen minutes right there in front of an open camera (making sure not to block store traffic.) Although this is not technically ethnography, it should give you very specific insight into consumer behavior at the shelf. If you plan to spend say a weekend doing this, you might get significant numbers of respondents. This is the only time that ethnography approaches quantitative research. The permission required is usually accomplished through the client's sales department, twisting the arm of the store's national or regional office.

However, if permission is not forthcoming, consider the shop-along – in conjunction with ethnography involving other aspects of the consumer's life. You follow pre-recruited consumers as they shop, noting their actions and comments as you interview them. You might want to use an audio recorder to take down what you see and hear, and a small still camera.

<u>Role of focus groups in ethnography</u>: You may want to bring some or all of your respondents together after the fieldwork for a focus group. Particularly if the fieldwork has centered on a specific product or service. Respondents who had been interviewed in their homes will have been encouraged to think about their attitudes towards the product more deeply and in detail. Exchanging their attitudes and product experiences can lead to provocative new ideas and insights for the ethnographer and the client.

Analyzing Ethnography Materials

The way for an ethnographer to become most familiar with the interviews is to go through the videoed interviews, one by one, and log every relevant action, and every relevant verbatim into your computer. Admittedly, an arduous exercise. But as you log, you will begin to detect insights, threads and connections you might not have seen before. And you'll find your final report will begin to spring directly out of the material.

There are analytic shortcuts. For one thing, you can have the raw footage transcribed by one of the many transcriptions services around. They'll put time codes opposite the verbatims so you can go right to the portions of the videos you want and highlight the verbatims that are useful. Much easier. But one disadvantage of transcriptions is that transcribers are not usually trained to look for and record relevant non-verbal actions, or to perform cultural analysis – a vital part of ethnography.

Interpretation:

The way to interpret ethnographic fieldwork will evolve right out of your background, your experience, the point of view you bring to your respondents, and the objectives of the research. There is no set framework and no guidelines to follow. Yet many believe that interpretation is the most important part of ethnography. So how to start?

Applying an anthropological discipline to ethnography is how some ethnographers interpret the fieldwork, always bearing in mind that the research should lead to or suggest actionable results, Anthropologists are interested in individuals and the social milieu within which their behavior and identity is supported, organized and constrained. And they will couch their inquiry concerning brand purchase and preference into a larger framework involving a consumer's values, assumptions, and social context.

Reflexivity

It is important to do final research report using ethnography with reflexivity. Reflexivity requires the researcher to undertake personal reflections and construct texts of them. An accounting ethnographer who uses reflexivity writes personal accounts of the research process that are necessarily autobiographical in form. Reflexivity requires the accounting researcher to reflect upon their presence and impact on the research site and processes. Reflexivity organically binds ethnographic authority, personal experience and originality of expression (Pratt 1986, pp. 29-30). Woolgar(1988, p. 16) describes reflexivity as "the willingness to probe beyond the level of straightforward interpretation". It is a way for the researcher to expose underlying assumptions. It also allows a researcher to declare beliefs and interests and practices, thus providing a form ofinvestigative transparency and honesty. Reflexivity is intrinsic to ethnographic method, as it acknowledges the constitutive role of the researcher, as well asinherent values of the researcher. Knights (1992, p5I5) as cited by Chia (1996) argued:

> [i]nsofar as they fail to acknowledge their own participation in the constitution of social reality, qualitative researchers, who claim a distance from positivist beliefs, also have a tendency to be unreflexive about the representations they produce. Whether quantitative or qualitative methods are used, representational approaches to knowledge rest on a privileging of the consciousness of the researcher who is deemed capable of discovering the 'truth' about the world or management and organization through a series of representations.

When writing a description and experiences of a research site, the ethnographer helps create the organisation and systems with which he or she is involved. The researcher's findings are personal linguistic constructions (Chia 1996, p. 45). Research becomes their narrative. Reflexivity has the capacity to raise awareness of silence and absence in a research site because as a method of inquiry it has a "social subjective" (Usher 1993, p. 105). The reflexive researcher, in the questions asked and conclusions made, also signifies a gender, sexuality, ethnicity, class etc.

Ethnoaccounting Research in Nature

Based on the above ethnography in the accounting research steps, below are the ethnoaccounting that have been explored intensively to uncover accounting in the hidden research phenomena. Putra and Sukoharsono (2013) reveal that Nestle, a multinational company, concerns with creative shared value to their business partners, Jabung Agro Niaga Cooperative and Pujon SAE Cooperative, to improve their quality of life Dairy Farmers products. Using an interpretive ethnography method, the study found that Nestle has implemented the rural Development program to improve the quality of life of dairy farmers. The success of the Nestle CSV can be used as guidelines for creating another CSR program based on Social Entrepreneurship. JabungAgro Niaga Cooperative and Pujon SAE Cooperative could benefit with the social entrepreneurship conducted by theNestlé.

Similar to the Putra and Sukoharsono (2013), Budiasih and Sukoharsono (2012) conducted a research using the combination between ethnography and archaeology, named ethnoarchaeology. The study is historical. It explores and constructs the existence of accounting practices and the use of money in the reign of King Udayana (the period 989-1011). The period was considered important since it was the golden age of Singhamandawa Kingdom in Bali where King Udayana successfully integrated Bali and Nusa Tenggara, and its influence reached East Java. The King Udayana was a prominent role in the development of economic, social, political and religious values in the people of Bali. It is concluded that using the ethnoarcheological approach, In the era of the King Udayana, some clear pictures of the existence of accounting practices could be traced. Accounting has been understood in the era in the forms of various forms, including from the economic transaction in the traditional markets and the use of currency in many social occasions, to simple models of record keeping. It is also believed that the King Udayana used religious values to the basis of people social and economic transactions. It is also found that in the reign of King Udayana, coins as money were used intensively. Coins were printed in gold and silver plates as the local currency used strongly reflected the spiritual contexts which highly respected by local community. Symbols' coins of two similar patterns which were the same between the left and right side on the gold coins depicted the life of the balance between outward and inward or material and spiritual concepts. Similarly, four petals sandalwood flower patterns printed on silver currency as a sacred tree described the four cardinal directions were believed by Balinese that God and Goddess as the guardian of the people who believed in their greatness. Belief in this spiritual foundation was a very important concept to put into practice in order to obtain a balance between material and spiritual life. It is also believed that the accounting practices performed at the era of King Udayana also used the practice of balance. Transactions related to the use of currency trading was done between the kingdom and the villagers as expressed in the inscription showed how the empire really understand the meaning of well-being and balance life.

Conclusions

It can be concluded that ethnography in the form of interpretive paradigm could provide a mode of social and cultural interpretations hidden in the accounting fields. Ethnography takes more time than other forms of qualitative research. It requires a willingness on the part of the ethnographer to spend hours, days and weeks to understand an accounting particular culture, to explore the ways accountant or company lives with products or services, to probe the levels of emotional involvement, to understand the context. It provides a unique opportunity for perception, insight and in-depth analysis that often leads to advances in social and organizational context.

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