

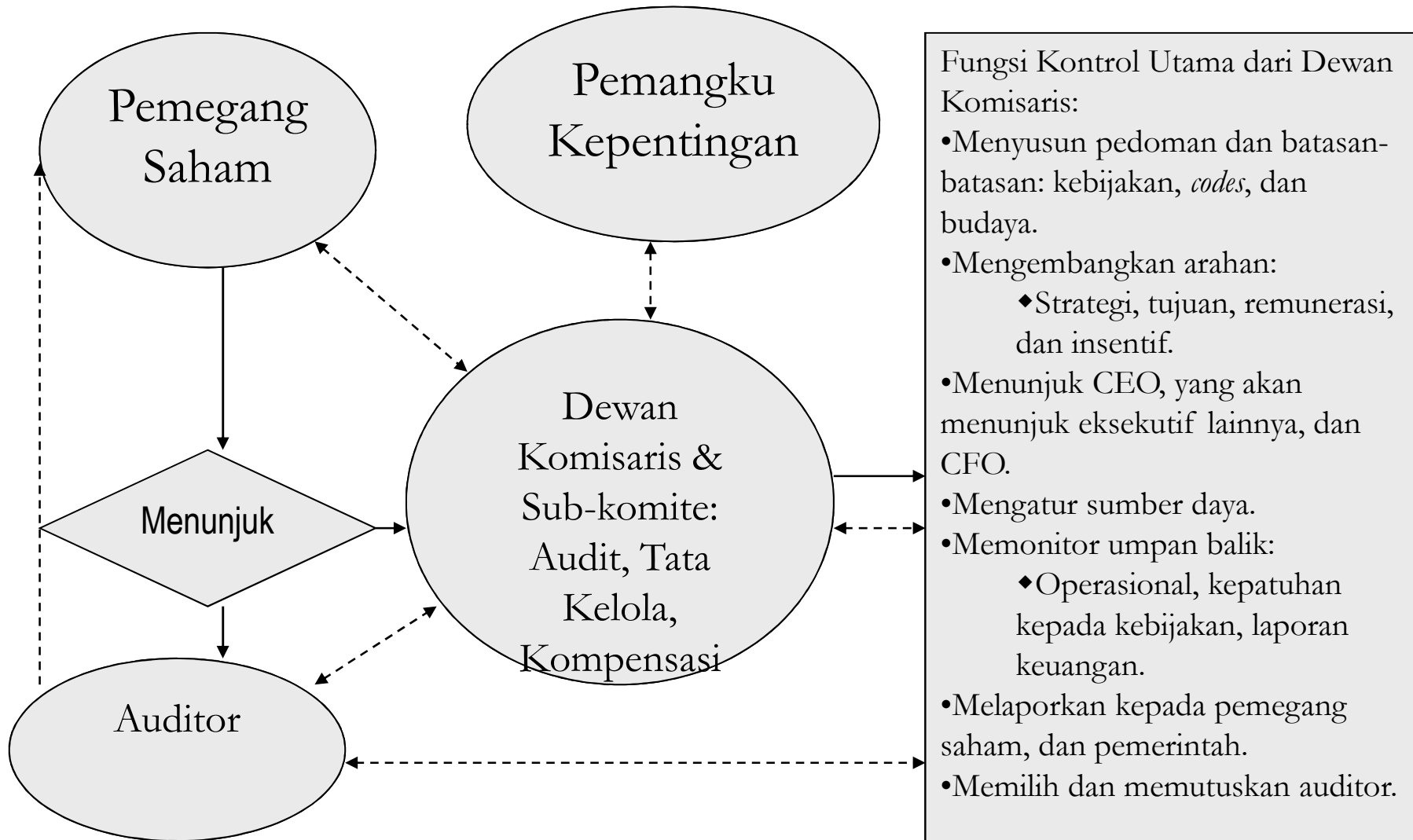
CORPORATE GOVERNANCE

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Keterangan: Arus informasi Tindakan

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PRINSIP GOOD CORPORATE GOVERNANCE

- **T**RANSPARENCY
- **A**CCOUNTABILITY
- **R**ESPONSIBILITY
- **I**NDEPENDENCY
- **F**AIRNESS



TRANSPARENCY

- Disclosure



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ACCOUNTABILITY

- The design of reporting should be improved
- Committee audit is the core
- Internal auditors are the good device for the accountability
- Ethical internal auditors are the must



INDEPENDENCY

- Balance to make fairness
- independen,/ tidak berpihak, bebas dari konflik kepentingan, bebas dari tekanan
- Auditor may supervise the balance
- No vested of interest auditors
- Need sertification of all accountants fields
- Fairness is the qualification



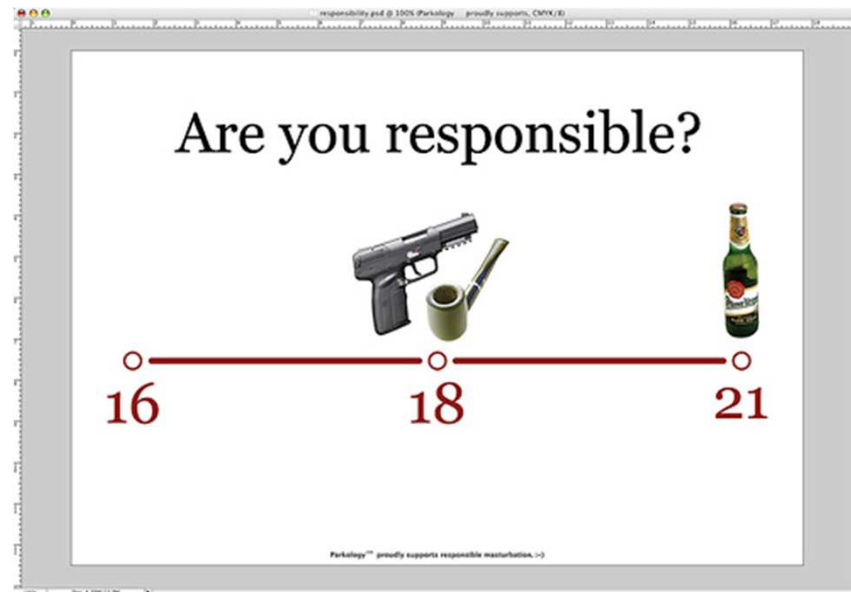
FAIRNESS

- No information asymmetry
- No Moral hazard
- Equal treatment to all parties



RESPONSIBILITY

- Stake holders paradigm replace stock holders paradigm



Social Responsibility...

- an organization's obligation to maximize its positive impact on stakeholders and to minimize its negative impact
- includes legal, ethical, economic, and philanthropic (discretionary) dimensions

Legal Dimension...

- refers to obeying governmental laws and regulations
- civil law: rights & duties of individuals and organizations
- criminal law: prohibits specific actions and imposes fines and/or imprisonment as punishment for breaking the law

Ethical Dimension...

- behaviors and activities that are expected or prohibited by organizational members, the community, and society (not codified into law)
- standards, norms, or expectations that reflect the concern of major stakeholders

Economic Responsibilities...

- how resources for the production of goods and services are distributed within the social system
- Do you think consumers favor socially responsible companies or are they most enamored with companies that maximize profits?

Philanthropic Dimension...

- business's contributions to society

The pros and cons of corporate social responsibility

Arguments for corporate social responsibility	Arguments against corporate social responsibility
Balances corporate power with responsibility.	Lowers economic efficiency and profit.
Discourages government regulation.	Imposes unequal costs among competitors.
Promotes long-term profits for business.	Imposes hidden costs passed on to stakeholders.
Responds to changing stakeholders' demands.	Requires social skills business may lack.
Corrects social problems caused by business.	Places responsibility on business rather than individuals.

The multiple responsibilities of business



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Philanthropic Dimension...

- business's contributions to society
- strategic philanthropy
 - Home Depot
 - Microsoft, Hewlett Packard, IBM
 - Avon

Foundation principles of corporate social responsibility

	Charity Principle	Stewardship Principle
Definition	<ul style="list-style-type: none"> • Business should give voluntary aid to society's needy persons and groups 	<ul style="list-style-type: none"> • Business, acting as a public trustee, should consider the interests of all who are affected by business decisions and policies
Type of activity	<ul style="list-style-type: none"> • Corporate philanthropy • Voluntary actions to promote the social good 	<ul style="list-style-type: none"> • Acknowledging business and society interdependence • Balancing the interests and needs of many diverse groups in society
Examples	<ul style="list-style-type: none"> • Corporate philanthropic foundations • Private initiatives to solve social problems • Social partnerships with needy groups 	<ul style="list-style-type: none"> • Enlightened self-interest • Meeting legal requirements • Stakeholder approach to corporate strategic planning

The pros and cons of corporate social responsibility

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The multiple responsibilities of business



Two views of corporate social responsibility

The shareholder view

- The only social responsibility of business is to create shareholder wealth.
- Corporate management cannot decide what is in the social interest.
- The costs of social responsibility which do not increase the value of stock, will be passed on to consumers.

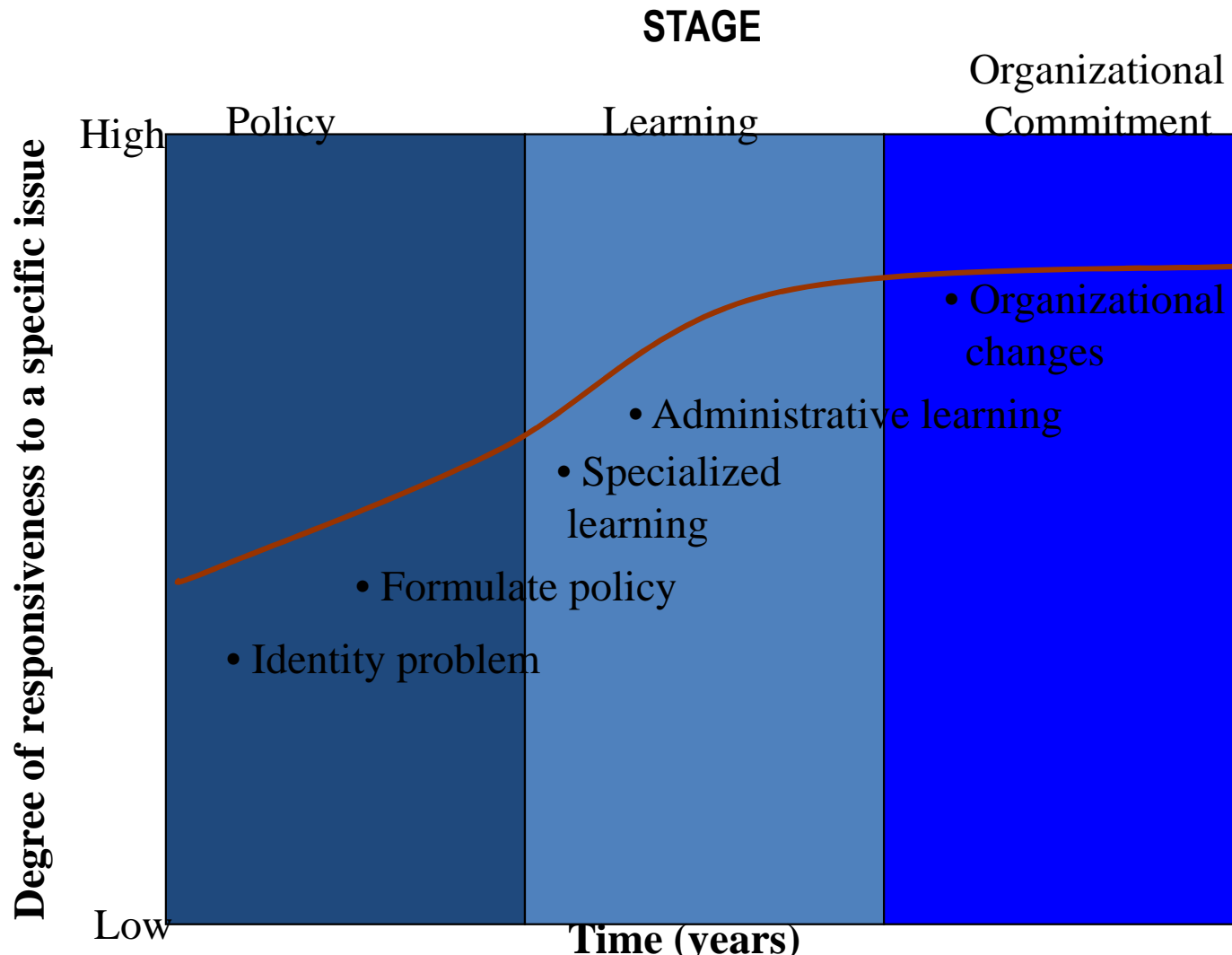
The multiple stakeholders view

- All customers and employees are treated with dignity.
- Relationships with suppliers must be based on mutual trust.
- Belief in fair economic competition.
- Business can contribute to social reform and honor human rights.

Contrast between corporate social responsibility, corporate social responsiveness, and corporate citizenship

	Corporate social responsibility	Corporate social responsiveness	Corporate citizenship
Origin	1920s	1960s	1990s
Basis	Principles of charity and stewardship	Demands made by numerous social stakeholder groups	Building collaborative partnerships with stakeholder groups
Focus	Moral obligations to society at large	Practical responses by businesses to corporate stakeholders	Discovering business opportunities through partnerships
Action	Philanthropy, trustee of the public's interests	Social programs	Managing corporate social and financial performance

A three-stage model of corporate social responsiveness



Principles of corporate citizenship

Good corporate citizens strive to conduct all business dealings in an ethical manner, make a concerned effort to balance the needs of all stakeholders, while working to protect the environment.

- 1) Engages in fair and honest business practices in its relationship with stakeholders.
- 2) Sets high standards of behavior for all employees.
- 3) Exercises ethical oversight of the executive and board levels.
- 4) Strives to manage the company for the benefit of all stakeholders.
- 5) Initiates and engages in genuine dialogue with stakeholders.
- 6) Values and implements dialogue.
- 7) Fosters a reciprocal relationship between the corporation and community.
- 8) Invests in the communities in which corporation operates.
- 9) Respects the rights of consumers.

Principles of corporate citizenship

- 10) Offers quality products and services.
- 11) Provides information that is truthful and useful.
- 12) Provides a family-friendly work environment.
- 13) Engages in responsible human-resource management.
- 14) Provides an equitable reward and wage system for employees.
- 15) Engages in open and flexible communication with employees.
- 16) Invests in employee development.
- 17) Strives for a competitive return on investment.
- 18) Engages in fair trading practices with suppliers.
- 19) Demonstrates a commitment to the environment.
- 20) Demonstrates a commitment to sustainable development.

What?

- *the governance role is not concerned with the running of the business of the company per se, but with giving overall direction to the enterprise, with overseeing and controlling the executive actions of management and with satisfying legitimate expectations of accountability and regulation by interests beyond the corporate boundaries.”*