

Does Board Diversity Matter on Corporate Social Disclosure? An Indonesian Evidence

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Abstract

The objective of this study to examine the effect of board diversity on corporate social disclosure, in which case the board diversity is proxied by board age, board gender, board independence, board size and board tenure. Testing were conducted at public firms listed on the Indonesia Stock Exchange that disclose corporate social responsibility in annual report or sustainability report during the period of 2010-2012 using multiple regression analysis. The results showed that board age and board size have significant positive effect on corporate social disclosure. Board gender and board tenure have significant negative effect on corporate social disclosure, while board independency doesn't affect on it. The research findings indicate the dominance of older boards group are able to respond to the interest of diverse stakeholders, and larger board represents the more experience, knowledge, skill and insight to better encourage ethical corporate behavior. Long tenure board and gender composition in board member need to be scrutinized in their role to lead the strategy and policies related to sustainability issues. The longer board tenure can reduce the effectiveness of the oversight functions to executive behaviors and have negative consequences on governance, in ensuring equality in the relationship between stakeholders. Meanwhile, the existence and the low number of female board in the corporate board without adequate expertise or experience are unable to encourage altruistic behavior and better perspective to ethical and environmental concerns.

Keywords : board diversity, board of commissioner, corporate social disclosure

1. Introduction

Corporate social responsibility (CSR) policies need to be considered as a crucial part of the corporate strategy. The growing complexity of the corporate operations policy, the social and environmental concern becomes a critical issue for the stakeholders and large society. Disclosure of corporate social responsibility as a corporate strategy has been carried out by many large companies (Lopez & Romero, 2012), so that the development of non financial reporting such as corporate social disclosure is a challenge that non financial information can be integrated into a part of corporate business strategy. In the adoption of CSR reporting, the board of directors have crucial role to decide CSR's strategy and policy (Fernandez-Feijoo *et al.*, 2012). Indonesian country adhere two-tier board system in corporate governance that separates the position and duties of the board of management as the manager of the company, and the board of commissioner as component to perform the oversight function of management. Therefore, board of director in this study refers to the role of board of commissioners in corporate social disclosure policies.

Board responsibility was to protect the corporate stakeholder interest, and this is the reason that boards should consist of members who represent their stakeholder interest (Huse & Rindova, 2001). The various interest between stakeholder require ethical obligations of the board of directors, which is embodied in the structure, board independence and board size (Howton *et al.*, 2008). Board activities can be directed to balance the financial incentives and incentives to support responsible behavior, because the more balance incentives will reduce conflict and allow a better focus on long-term value creation (MacKenzie, 2007). To be able to represent the needs and interest of diverse stakeholder, a crucial role of board of commissioner should have a diversity of perspectives that leads not only on short-term orientation with regard to financial performance, but also in the long-term corporate sustainability.

The diversity and composition of board of commissioners with skill, knowledge, background and expertise are necessary to improve the quality of decision-making, policy and CSR strategy in board level (Strandberg, 2005; Mackenzie, 2007). Lack of diversity and homogeneous boards tend to be an important factor leading to failure and weakness of governance in general. Instead, the board diversity showed an increased representation of moral and ethical views in the decision-making process, reduce myopic decision making, enhance new ideas and better problem solving, and also improve corporate strategic planning and accountability (Arfken *et al.*, 2004). Representation of board diversity could encourage ethical corporate culture and reduce fraud so as to decrease agency cost (Corkery & Taylor, 2012). Board diversity also leads to an increasing of better understanding of the company's market position, creativity and innovation as well as more effective problem

solving (Carter *et al.*, 2003). Furthermore, board diversity can revise global relationship more effectively and increase the independence of board, due to differences in gender, ethnicity or cultural background can provide insight and better perspective (Arfken *et al.*, 2004).

The objective of this study to explore the role of board diversity in improving the quality of decision-making, as well as policy formulation and corporate social responsibility strategy, particularly in public firms in Indonesia. Formulation of strategies and policies in the boardroom should not only orientate to profit achievement for shareholder, but ignore the interests of all the stakeholders. This study contributes to the importance of diversity to the widening role of board of commissioners in carrying out their duties not only focus on short-term financial performance and benefit the interest of a particular stakeholder group, but also must be able to ensure the equality relationship among all corporate's stakeholders in long-term sustainability. The practical implication of this study provides a valuable contribution on the need of enhancing board diversity in the structure, characteristic and qualifications in the boardroom for long-term corporate sustainability in corporate social responsibility implementation.

2. Literature Review and Hypothesis Development

2.1. Resource Dependence Theory

Resource dependence theory provides a perspective that the organization seeks to control external environment by choosing the resources needed to keep survive (Pfeffer & Salancik (1978) quoted from Osemeke, 2012). In line with this argument, Lynall *et al.* (2003) stated that company is open system that is influenced by external environment to be able survive, and boards have important role in establishing the relationship between the company and its environment. The selection of resources has important implications in the role and structure of the board, because boards can be used as a mechanism to establish the corporate relationship with external environment (Duztas, 2008), and also provide more resources information and legitimacy for corporate (Johnson *et al.*, 1996). Corporate boards are part of set resources that can bring knowledge, experience, ideas and professional relationship (Carpenter *et al.*, 2004), which provide resources for corporate diversity (Hilman & Dalziel, 2003) and is able to take resources from external environmental in managing external stakeholders (Pfeffer, 1972). Another argument reveals that a set of experiences boards is able to bridge the connection between corporate relationships with external parties and large society (Selsky & Parker, 2005; Conner & Prahalad, 1996) as well as strengthening company relationship with its stakeholders and other external environment in maintaining corporate sustainability.

2.2. Board Diversity

Board diversity has significant implications for the dynamics of board (Kruger, 2007). Diversity will produce cognitive conflict (such as the conflict in opinion, knowledge and perspectives) that can improve the quality of decisions related to interpretations, alternatives and consequences in broader perspectives (Miliken & Martins, 1996). Board diversity leads to competence in processes and increase the value in the board discussions (Carter *et al.*, 2003), and will enrich the quality of decision-making and oversight functions by providing higher quality analysis (Fairfax, 2005). Diversity in corporate boardroom, such as the characteristics, qualifications and board affiliations, leads to increase the complexity interaction of board membership need to be explored for the fruitfulness of board management (Ruigrok *et al.*, 2007).

Dimension or attribute of diversity can be classified in task-related and relations-oriented (Jackson *et al.*, 2003). Relations-oriented dimensions include age, gender and nationality differences; while educational and functional background and tenure related to diversity in task-related dimension. Miliken & Martins (1996) and Williams & O'Reilly (1998) describes the task-related diversity positively connected to cognitive aspect and consequences of signaling (such as creativity, innovation and better image), while relations-orientation leads to a form of negative communication and affective consequences (such as poor decision-making, misunderstandings and conflicts). Diversity in the composition of the board can be measured using demographic aspect such as gender, age, ethnicity, nationality, educational background, industry experience and organizational membership (Campbell & Miguez-Vera, 2008). Meanwhile, another argument (Kang *et al.*, 2007; Erhardt *et al.*, 2003) revealed the diversity of corporate board representing the demographics as well as cognitive elements such as industry experience, professional qualifications and educations. The need to consider multiple diversity dimensions should be applied in the context of corporate boards (Jackson *et al.*, 2003), because the board responsibility is to protect the stakeholder interest so that boards should be able to reflect the diversity among corporate stakeholders.

2.2. Hypothesis Development

2.2.1. Board Age

Board age is an important consideration in determining the composition of the boards, particularly in formulating policies and strategies to ensure the diversity interest of corporate stakeholders. Board's generation gap dominantly influence on the breadth of experience (Herrmann & Data, 2005), differences in strategy, decision-making, such as risk aversion and openness to technologies adaptation (Nyirenda, 2010). Older board of

commissioner shows richer experience and more practice, as a form of accumulation of skill-based competencies. Group of senior board or older age board can provide the experience and better policies relating to the use of economic resources, while the middle age group of boards has better orientation related to responsibility within organization and society (Houle, 1990). On the other side, the younger age of board group have a lot more energy in driving the company successes and future planning. The prior study found board by the age of 56 years (age of board of directors is the most widely in the European context) tend to implement governance structures and processes relating to environmental (Post *et al.*, 2011). Different of age groups are expected to not only have orientation and perspectives of short term performance, but also to represent a wider long term perspectives of the diverse interest of corporate stakeholders. The dominance of older commissioners will be able to encourage the implementation of policies and strategies for corporate social responsibility.

H₁ : The higher the proportion of older age board, the higher the extent of corporate social disclosure

2.2.2. Board Gender

The existence and increasing the board gender was positively correlated with increased attention to ethical issue and the environment (Larkin *et al.*, 2012; Bernardi & Threadgill, 2010; Bear *et al.*, 2010; Bernardi *et al.*, 2009). The role of gender board can improve the effectiveness of corporate governance through the using of capital resources and better role of institution, a better fair business and reflect the existence of stakeholders (Tejersen *et al.*, 2009). The higher number of women on corporate boards tend to altruism attitude that leads to better social behavior (Kruger, 2010), such as donations, involvement with environmental and labor relations (Bernardi & Threadgill, 2010). Companies that have at least three women in board members donate CSR funds more than 28% compared to companies without female board members (Mullen, 2011), because gender diversity can improve the quality of decision-making process and provide more attention to ethical issues and environmental issues (Bernardi & Threadgill, 2010). Gender composition of the board of commissioner can encourage more attention to ethical and environmental concerns, so it can have a positive impact on the improvement of corporate social performance.

H₂ : The higher the number of female board, the higher the extent of corporate social disclosure

2.2.3. Board Independence

The existence of outside directors and independent board of directors may affect the corporate voluntary disclosure (Rao *et al.*, 2012; Lim *et al.*, 2007; Haniffa & Cooke, 2002), because outside directors play an important role in establish and oversee the corporate policy on voluntary disclosure (Ajinkya *et al.*, 2005). Increasing the proportion of outside directors on board member is associated with improved quality of information and acquisition of information proactively (Rutherford & Buchholtz, 2007). The composition of board of directors is positively related to voluntary disclosure (mainly related to social and environmental issues) in the corporate annual report, and independent boards provide more voluntary disclosure about progressive and strategic information (Lim *et al.*, 2007). Increasing the proportion of outside directors will lead to better environmental performance (Uwuigbe *et al.*, 2011) and better philanthropy consciousness than insiders (Dunn & Sainty, 2009). Increasing the number of independent board will be effective in monitoring and ensuring management actions in carrying out social activities that are consistent with corporate stakeholder interest.

H₃ : The higher the proportion of board independence, the higher the extent of corporate social disclosure

2.2.4. Board Size

Board size is the number of the board of commissioner who worked on corporate boards. Large numbers of boards (larger board) are less effective than smaller boards (Hermalin & Weisbach, 2003). When the numbers of board are too large will increase agency problem, because some boards can be free riders (Uwuigbe *et al.*, 2011). Smaller boards will be able to be managed well and more often play a role in controlling than larger boards that are not able to function effectively (Chaganti *et al.*, 1985). However, that number is too small boards have less advantage in providing expert advice and opinion in the boardroom discussion boards than in larger board numbers. A different view reveals that a larger board members are expected to provide experienced boards are able to represent the richer values and diverse in boards (Halme & Huse, 1997). Larger boards tend to correlate with improvement of board diversity associated with the experience, skills, gender and nationality (Dalton & Dalton, 2005). This indicates the presence of larger boards bring more experience and knowledge, and can provide better recommendation for corporate. The larger board member will represent a broad diversity, rich experience, skills and knowledge so as to make decisions may reflect diversity among the corporate stakeholders. The equality of relationship among corporate stakeholders leads to long-term corporate sustainability.

H₄ : The greater the number of board size, the higher the extent of corporate social disclosure

2.2.5. Board Tenure

Studies on board tenure still limited and provide contradictory evidence regarding to the impact of tenure on corporate boards. Expertise hypothesis and management friendliness hypothesis (Vafeas, 2003) explains that long-term board will provide better knowledge about the company and its business environment changes. On the other hand, close relationships with management would make the board less effective in monitoring management behavior. Berberich & Niu (2011) found long tenure board has negative consequences for governance, because

of the lack of effective oversight of executives. Long-term relationship between the boards of directors and executives will increase agency problem and lower the board's oversight function on executives (Byrd *et al.*, 2010). Different argumentation found in several studies that long tenure would make board tend to be more critical than shorter board tenure (Bebchuk *et al.*, 2005), due to the high board tenure reflects better experience, skills and expertise (Kruger, 2010). Long tenure board will be increasing the frequency of board interaction and higher frequency of board information exchange (Rutherford & Buchholtz, 2007). Companies with a substantial high tenure indicate the lower social negative impact, because board is more interested in corporate long-term success and establish good relationship with the workers (Kruger, 2010). The longer board tenure will provide better experience and understanding to corporate business environment, so as to lead to the better long-term strategy and policy for corporate sustainability.

H₅ : The longer board tenure, the higher the extent of corporate social disclosure

3. Research Methodology

Testing of analysis was held on public firms in Indonesia Stock Exchange that disclose CSR on annual report or sustainability report for the year of 2010-2012. Total sample of 152 companies obtained through purposive sampling by removing financial and insurance sector, and so there are 456 observations. Board diversity as an independent variable is proxied by board age, board gender, board independency, board size and board tenure. Board age is measured by the proportion of older board of commissioner to the total number of board member (Post *et al.*, 2011; Darmadi, 2010; Kang *et al.*, 2007), whereas board gender was measured by the number of women in corporate board (Bear *et al.*, 2010; Ruigrok *et al.*, 2007). Board independence was measured by the proportion of independent directors on board member (Dunn & Sainty, 2009; Lim *et al.*, 2007; Haniffa & Cooke, 2002), while board size was measured by the number of board member (Marlin & Geiger, 2011), whereas board tenure is measured by an average terms (years) board working in the company (Kruger, 2010; Marlin & Geiger, 2011).

Corporate social disclosure is a dependent variable measured using CSR index based on indicators of Global Reporting Initiatives (GRI). CSR disclosures items refer to the Global Reporting Initiatives (GRI G3.1) consist of 82 items consist of indicators performance of economic (9 items), environmental (30 items), labor practices and decent work (15 items), human right (11 items), society (8 items) and product responsibility (9 items). CSR disclosure index (CSRDI) is calculated by dividing the number of CSR items disclosed by company to expected disclosure of CSR number, refers to Haniffa and Cooke (2002). Analysis were performed by empirical model as follows :

$$CSRDI_{it} = \beta_0 + \beta_1 Board_Age_{it} + \beta_2 Board_Gender_{it} + \beta_3 Board_Indep_{it} + \beta_4 Board_Size_{it} + \beta_5 Board_Tenure_{it} + \epsilon_i$$

The research model presented in figure 1 below :

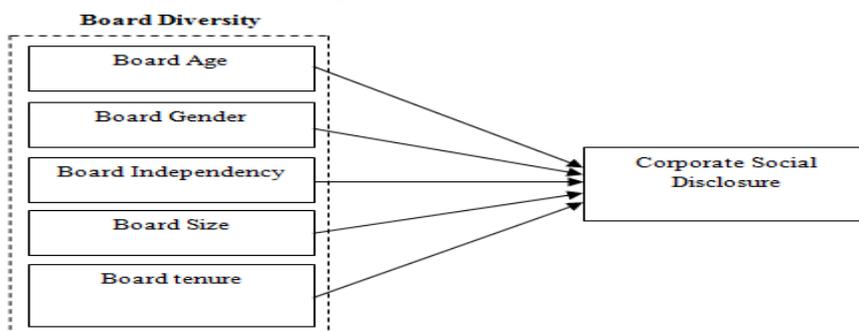


Figure 1 : Research Model

4. Result and Discussion

The results of descriptive statistics are presented in table 1 below. Based on descriptive statistics can be seen that the average value of corporate social disclosure (CSRDI) is 0.2925. It means that corporate social disclosure index is relatively low in the public firms in Indonesia. Board size has an average of 4.71 or almost 5 persons in the corporate board for each company that indicates the amount is not too large. Meanwhile, the board gender has an average value of 0.411 which indicates the number of women in a number of board members is relatively low or less than 1 person. Board age have an average value of 0.676 which indicates the proportion of older commissioner in board members relatively high in board members, while the average board tenure is 6.27 which indicates long tenure of entanglement board of commissioners in corporate board, exceeds the tenure of board commissioners of Indonesian public companies are generally between 3 to 5 years. The proportion of independent board commissioners showed an average of 0.4008 or 40 % of board of commissioners in board member are independent board, which meets the Indonesia capital market requirements which requires at least

30 % of board of commissioners should be an independent commissioner. Meanwhile, the average level of corporate social disclosure is 0.2925 which relatively indicates the low disclosure index of CSR.

Table 1 : Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Board_Size	456	2.00	13.00	4.7105	1.93055
Board_Gender	455	.00	3.00	.4110	.66727
Board_Age	456	.00	1.00	.0676	.05904
Board_Tenure	456	.17	22.33	6.2769	4.28938
Board_Indep	456	.15	1.00	.4008	.11065
CSRD	456	.00	1.00	.2925	.21020
Valid N (listwise)	456				

Before conducting regression analysis, first tested the model assumption for the result obtained are not biased; consists of normality test, multicollinearity, heteroscedasticity and autocorrelation test. The test result showed that all independent variable have Variance Inflation Factor (VIF) value below 10, so that all of independent variable are non multicollinearity. Testing normality of Anderson Darling test showed that value $0.2497 > 0.05$ indicates normality assumption fulfilled. Testing of Durbin Watson (DW) showed the value of DW is 1.81 which lies between the value of dU (1.78) and 4-dU (2.22) so that it can be concluded that the assumption of non autocorrelation fulfilled. However, the homoscedasticity assumption using Breush Pagan Godfrey test indicates the occurrence of heteroscedastic, since the value of Prob Obs *R Square $(0.000) < 0.05$ which indicates heteroscedastic problems due to the correlation between the magnitude of the residual data.

The existence of heteroscedasticity in the empirical model will lead estimator obtained from the result of the regression analysis are no longer efficient so that the conclusion drawn will be biased and misleading. Therefore, measure of treatment (remedial measure) is needed to solve the problem by correcting heteroscedasticity standard error obtained from OLS regression analysis model. Standard error have been corrected is referred to as White's heteroscedasticity consistent standards errors or also known as robust standard errors. Therefore, the fifth hypothesis proposed in this study was tested through regression analysis by the method of OLS with White's procedure to obtain heteroscedasticity consistent standards errors. The result of goodness of fit model and hypothesis testing are presented in table 2 below.

Table 2 : Result of Multiple Linear Regression

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.011695	0.127421	0.091784	0.9269
BOARD_AGE	1.943213	1.144536	1.697817	0.0902 *
BOARD_GENDER	-0.020072	0.009391	-2.137417	0.0331 **
BOARD_INDEP	-0.025894	0.045347	-0.571011	0.5683
BOARD_SIZE	0.045884	0.006873	6.676300	0.0000 **
BOARD_TENURE	-0.007657	0.003519	-2.175972	0.0301 **
R-squared	0.488835	Mean dependent var		0.292456
Adjusted R-squared	0.483155	S.D. dependent var		0.210195
S.E. of regression	0.151114	Akaike info criterion		-0.928500
Sum squared resid	10.27588	Schwarz criterion		-0.874257
Log likelihood	217.6981	Hannan-Quinn criter.		-0.907133
F-statistic	86.06825	Durbin-Watson stat		1.805999
Prob(F-statistic)	0.000000			

*, ** = statistically significant at 0,1 and 0,05

Based on the result of regression analysis can be seen in table 2, goodness of fit model is indicated by Adjusted R-Squared value of 0.4832 or 48.32%; which means that the variance of corporate social disclosure (CSRD) is affected by board independent variable (board age, board gender, board independence, board size and board tenure) of 48,32%. Result of hypothesis testing showed the board age and board size significantly positive effect on corporate social disclosure, while the board gender and board tenure significantly negative effect on it. However, board independence has no significant effect on corporate social disclosure. This findings indicate that only hypothesis 3 is not supported, while hypothesis 1,2,4 and 5 are supported. The following is a discussion of research findings.

4.1. The Effect of Board Age on Corporate Social Disclosure

The result of this study indicated that board age showed positive effect on corporate social disclosure. This

proves that age diversity is positively related to philanthropy organization (Siciliano, 1996). These findings indicate that domination of generation differences on board influence on differences in decision making strategies, such as risk aversion and openness to technology adaptation (Nyirenda, 2010). Older board showed extensive experience (Hermann & Data, 2005) and richer practices as a form of accumulation of skill based competencies (Darmadi, 2010). This study supports the findings of Kang *et al.* (2007) and Post *et al.* (2011) that the role of older board is important and more desirable than the dynamics of the companies and new ideas of younger group of board. Older group of boards tend to implement the board's structure and governance processes relating to environmental (Post *et al.*, 2011). Group of older age commissioner above 50 years old, an age of group that dominates the board of commissioner of public firms in Indonesia, tend to make better social policies and strategies. Older board of commissioner more interested in long term sustainability and building good relations with community and environment.

4.2. The Effect of Board Gender on Corporate Social Disclosure

The result of this study showed that the increasing number of women on the corporate board doesn't have positive impact on the improvement of corporate social disclosure. Therefore, this result don't support the finding of prior study (Larkin *et al.*, 2012; Bernardi & Threadgill, 2010; Bear *et al.*, 2010) which stated that the existence and the increasing number of women on corporate boards of commissioner strongly correlated with increased attention to ethical and environmental problems. The result of this study also did not support the study of Kruger (2010) that higher number of women in boards with regard to altruism attitude leads to better social behavior. This finding indicates that the low number of women on corporate boards (less than 1 person) is not able to give better attention to stakeholder welfare and encourage better corporate behavior on social and environmental issues. This argument is consistent with Mullen (2011) that the company has at least three women in board member have stronger CSR program and donate 28% more CSR funds. Condition in Indonesia shows a public firms is mainly controlled by the family (Claessens *et al.*, 2000), and the presence of more women in board member driven by family-ties to control the shareholder rather than for reason of their expertise or experience (Darmadi, 2010). The low number of gender composition on corporate boards in Indonesian public firms and lack of competence of female board was not able to encourage and to improve corporate ethical behavior, including in CSR strategy and corporate policy formulation so that it can have negative impact on corporate social performance.

4.3. The Effect of Board Independence on Corporate Social Disclosure.

The result of hypothesis testing showed that the presence of an independent board doesn't affect the corporate social disclosure. This finding didn't support the study of Lim *et al.* (2007) and Haniffa & Cooke (2002) that the proportion of non executive director significantly related to an area of voluntary disclosure in corporate annual reports. The proportion of independent board is expected to be effective in monitoring and ensuring management on disclosing social information consistent with stakeholder interest. Despite the fact that the higher composition of independent board on corporate board member do not always have a high commitment on corporate social responsibility implementation. These findings implicitly indicate that the oversight function of independent board of commissioner leads to more profit-oriented to meet the shareholder interest, rather than another stakeholders interest for corporate sustainability. Regulation on the provision of 30% of corporate commissioner should be an independent board set in the guidelines and regulation of Indonesia Stock Exchange Commission for listed corporation. In addition to the Act number 40 of 2007 on Limited (Ltd) Corporation is explicitly stated that the board of commissioner elected by shareholder through Annual General Meeting (AGM). Therefore, it implies boards in carrying out their duty would prefer shareholder than stakeholder interest. These conditions also indicate that the presence of independent board of commissioner in corporate governance of Indonesian public firms, more driven by regulatory pressures reason rather than accountability aspect in meeting the corporate stakeholder interest, and this condition can impact negatively on CSR implementation.

4.4. The Effect of Board Size on Corporate Social Disclosure

The result of this study showed that board size has positive effect on corporate social disclosure. This finding support the study of Halme & Huse (1997) and Dalton & Dalton (2005) that the board members who can provide a greater number of experienced boards are able to represent more richer and diverse values. Meanwhile, too small board numbers have less advantage in providing expert recommendation and opinion in the boardroom than discussion in larger quantities boards (Chaganti *et al.*, 1985). Nevertheless, the result of this study do not support the findings of Hermalin & Weisbach (2003) and Uwuigbe *et al.* (2011) who argues a large number of boards are less effective and can improve agency problem. Larger boards are considered less effective in corporate negative impact on society, as the result of the high cost of coordination and communication, and board less actives in social roles. Nevertheless, the presence of larger boards increasingly correlated with breadth of experience, skill and knowledge, and can provide better recommendation for the company, including in setting strategy and policy formulation as corporate social disclosure. These results indicate that the number of board members of public firms in Indonesia is ranged between 2-13 persons, or an average of 5 board members of each firms. The amount is still not too large boards size, so the interactions among them can still play an

effective role in providing expert advice and opinion in boardroom discussion, including the formulation of CSR policy.

4.5. The Effect of Board Tenure on Corporate Social Disclosure.

The result of this study indicated that corporations which have board with long tenure tend to perform lower corporate social disclosure. These results do not support the argument that high tenure director, related to lower negative social impact, and tend to build good relationship with workers. The length of commissioner tenure, however, are not always able to represent the ethical policies better, because longer tenure board of commissioner can't perform better function of oversight and control over the executives. This argument is supported by Byrd *et al.* (2010) that long-term relationship between the board of commissioner and executives will increase agency problem and decrease the effectiveness board's oversight function to management. In line argument reveals by Vafeas (2003) in management friendliness hypothesis which states that board of commissioner with long tenure (long tenure board) tend to have a close relationship with management that makes the board less effective in monitoring management behavior. Although the long tenure and experience is able to better understanding of corporate business environment, but it must be observed cautiously that long-term relationship will weaken the function of supervision and control over the executive. This condition causes the board can't serve optimally in directing the strategy and policy for long-term corporate sustainability.

5. Conclusions

Board of commissioners play an important role in setting strategy and policy formulation related to the corporate social responsibility implementation. Policies made by board of commissioners are expected not only focus on short-term for profit, but also oriented towards to long-term corporate sustainability. The diversity of board of commissioner is required to improve decision-making and to enhance the corporate image through the commitment of equality opportunity, and also to increase representation in moral view and ethical decision making process. Moreover, board diversity may be reducing narrow perspective and enhancing new ideas and better problem solving, including improving strategic planning and accountability of CSR implementation. Exploration of board diversity is able to play a strategic role of CSR in the formulation of company policy which not only priority the interest of particular stakeholder group, but is also able to maintain a certain equality in the relationship between stakeholders. Therefore setting the precise composition on the board diversity through the exploration and internalization of board age, board size, board gender and board tenure is crucial issue that is required for the successful of board management.

Corporate needs to maintain the proportion of older boards in the corporate board as more likely to implement governance structures and processes relating to the environment so as to ensure the corporate sustainability in long-term. Although larger board can provide a number of experienced boards that represent substantial diversity of experience, expertise, skills, values that represent diversity of boards, but it should be observed carefully that the higher coordination costs and larger boards are less active in overseeing negative impact of corporate on the community. Another improvement to be scrutinized is related to the board gender and board tenure on corporate board. The role of board gender needs an crucial attention, due to the low number of female board was not able to give better concern to the corporate stakeholder's welfare and realize the corporate behavior that provide better benefits for society and environmental. Meanwhile, the presence and proportion of board independence is more due to meet regulatory pressures from capital market than corporate social responsibility aspect towards the stakeholder, so that have not been able to encourage ethical corporate culture such as corporate social responsibility implementation. Therefore, an increasing the number of female board is expected to encourage ethical corporate behavior such as CSR. Furthermore, board tenure arrangements require critical consideration. On the one hand, long board tenure will increase the interaction of board member, provide experience and a better understanding of corporate business environment as well as commitment and better competence in managing corporation. However, on the other hand, the long tenure board will increase agency problems and weaken the oversight function on executive that potentially undermine governance, including in the stakeholder interests to ensure long-term corporate sustainability. In order to avoid the negative aspects of long tenure board, it is necessary to evaluate and review the tenure of board periodically.

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