

FIRM STRATEGY, CSR GOVERNANCE, AND FINANCIAL PERFORMANCE: EVIDENCE FROM COMPANIES LISTED ON INDONESIA STOCK EXCHANGE

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ABSTRACT

The purpose of this study is to empirically examine the effect of firm strategy on company financial performance by using CSR governance as a moderating variable. The variable measurement proxies used in this study to measure the firm strategy and financial performance are divided into short-term and long-term. The sample of this research consists of 36 all companies listed on the Indonesia Stock Exchange for 5 years of observation in 2015-2019, with total sample used were 360 data. Moderated Regression Analysis (MRA) is used to test the hypothesis with the results that short term-firm strategy having a positive effect on short term-company financial performance. CSR governance has been shown strengthen the relationship between short them-firm strategy and short term-company financial performance. In contrast, long term-firm strategy does not affect long term-company financial performance. CSR governance does not strengthen the relationship between long them-firm strategy and long term-company financial performance.

Keywords: Financial Performance, Firm Strategy, CSR Governance, Indonesia.

INTRODUCTION

Research on company performance is still an interesting issue and it deserves to be used as a research theme to date. From the stakeholder's point of view, discussions about company performance tend to focus on financial performance. The management of the company is required to be able to produce the best financial performance, especially in relation to company efficiency to support the company's operational activities in increasing the ability to compete for the sustainability of the company itself (Boesso et al., 2014).

The financial performance of a company is one of the elements of company performance that is observed, scrutinized and assessed by stakeholders in the business world. The company tries to show the best financial performance because the company's financial performance shows the company's ability to provide benefits that can be obtained through assets, debt and equity. The company's financial performance appraisal is one way that company management can do in an effort to fulfill the company's obligations to stakeholders. A company can be said to be successful if, the company can achieve the standards and goals set by the company (La Rosa et al., 2017). Company managers must play a direct and explicit role in considering the interests

and needs of stakeholders, so that stakeholder wishes can be implemented as one aspect of the company's strategy (Falck & Hebllich, 2007).

The strategic stakeholder management model assumes that a company's strategy is aimed at achieving financial success and, although stakeholder interests are considered part of the strategy, they do not always drive it. At the same time, stakeholders are part of the corporate environment and they need to be managed, because their actions can affect the company (Theodoulidis et al., 2017).

The interests of the stakeholders are considered essential to the success of any business, according to the managerial literature (Berman et al., 1999); (Falck & Hebllich, 2007a); (Freeman, 1984). In particular, it has been argued that managers must directly and explicitly consider stakeholder interests and needs, and aim to address them through various aspects of firm strategy (Falck & Hebllich, 2007).

The form of increased awareness of responsibility and business ethics, companies, as part of society, align themselves by integrating aspects of social responsibility into company business practices for the purpose of sustainable development and competition (Campbell, 2007). The company's involvement in environmental or green practices, which is better known as corporate environmental responsibility is considered one of the most important aspects, in this case Bansal, (2005) states that a company has increasingly been seen as a natural environmentalist (Przychodzen & Przychodzen, 2013).

Companies can engage in two types of CSR strategies (Kim et al., 2012). One strategy is to take serious and thorough action to implement CSR governance. Organizations can consume significant resources to implement CSR governance with a greater chance of producing significant CSR outcomes (Clarkson et al., 2011). Other CSR strategies involve engaging in CSR governance as symbolic and opportunistic to enhance the company's image or address problems that arise but do not include the allocation of resources needed to carry out CSR activities in depth or strategically.

This study aims to examine the effect of corporate financial strategies on corporate financial performance by using the CSR governance variable as a moderating variable. The proxies used for short-term company strategies are selling intensity (SI) and cost efficiency, while the proxies for measuring long-term company strategies are capital expenditure (CE) and capital intensity (CI). The variable of company financial performance for the short term is measured by ROA and uses Tobin's Q to measure the company's long-term financial performance. The moderating variable of CSR governance is measured using the CSR governance disclosure score obtained from Bloomberg data.

The results of this study are presented in the following order. Section 2 describes the research and methods. Section 3 present result and discussion. Finally, section 4 presents conclusions.

RESEARCH AND METHODS

Research Design

This study is an empirical study conducted by testing hypotheses to obtain empirical evidence about the effect of firm strategy on corporate financial performance with CSR governance as a moderating variable. The company's strategy is divided into two proxies, namely the short-term and long-term firm strategy. Likewise, the company's financial performance is

also measured by two proxies, namely short-term and long-term financial performance. To test the hypothesis in this study, the research approach used is a quantitative approach.

Data and Sample

This study uses data from all companies listed on the Indonesia Stock Exchange (IDX), during the 2015-2019 period. This study uses all company sectors as research objects to generalize the research results.

The sample used in the study has several predetermined criteria. First, this study uses all companies consistently listed on the Indonesia Stock Exchange (IDX) as of January 1, 2015 to December 31, 2019. Second, the company publishes financial reports for the 2015-2019 period which are available in the Indonesian Capital Market. Directory (ICMD), www.idx.co.id or company website. Third, research variable data is fully available in a company.

Based on the above criteria, this study resulted in 36 companies with 5 years of sample observation, the research sample used in this study was 180 samples in the year of observation. Companies sampled in this study are companies categorized into 9 corporate sectors by the Indonesia Stock Exchange (IDX), which can be seen in Table 1 below. Table 1 below describes the contribution of each sector in the company used in this study. In Table 1, it can be seen that the largest contribution was made by companies in the property, real estate and building construction sector (22%) and the smallest contribution was made by companies in the agriculture sector (3%).

No	Company Sector	Company Total	Percentage
1	Agriculture	1	3%
2	Basic Industry and Chemicals	5	14%
3	Consumer Good Industry	5	14%
4	Finance	4	11%
5	Infrastructure, Utilities and Transportation	3	8%
6	Mining	2	6%
7	Miscellaneous Industry	3	8%
8	Property, Real Estate and Building Construction	8	22%
9	Trade, Service, and Investment	5	14%
	Total	36	100%

Variable Measurement

Dependent Variable

The dependent variable used in this study is the company's financial performance as proxied by short-term financial performance and long-term financial performance. Based on the results of research conducted by (Theodoulidis et al., 2017); to evaluate the company's financial performance, two different measures are used, namely ROA to measure short-term financial performance and Tobin's Q to measure long-term financial performance. To calculate ROA, the following formula is used:

$$\text{ROA} = (\text{oibdp} - \text{dp} - \text{xint}) / \text{at} \quad (1)$$

where ROA is return on asset, oibdp is the operating income before depreciation, dp is the depreciation and amortization, xint is the total interest and related expense and at is the total assets.

Long-term financial performance measurement uses the Tobin's Q proxy, which is calculated using the following formula:

$$\text{Tobin's Q} = (\text{mkvalt} + \text{pstkl} + \text{dlc}) / \text{at} \quad (2)$$

where mkvalt is the market value, calculated as shares outstanding*price of the stock, pstkl is the value of preferred stock, dlc is the current debt and at is the total assets.

Independent Variable

The independent variable used in this study is company strategy. Refer to research results (Theodoulidis et al., 2017), so in this study the company strategy is divided using two measurements, namely the short term strategy and the long term. Based on the research results produced by (Berman et al., 1999), then the measurement is used to measure the company's strategy based on the concept of the research (Hambrick, 1983), which divides the company's strategy into four proxies, namely selling intensity (SI) and cost efficiency (EF), to measure short-term company strategy, as well as capital expenditure (CE) and capital intensity (CI) to measure long-term company strategy.

The measurement of firm strategy used in this study is as follows:

$$\text{SI} = \text{xsga} / \text{at} \quad (3)$$

$$\text{CE} = \text{capx} / \text{sale} \quad (4)$$

$$\text{EF} = \text{cogs} / \text{sale} \quad (5)$$

$$\text{CI} = \text{at} / \text{emp} \quad (6)$$

where xsga is selling, general and administrative expenses, at is the total assets, capx is the net capital expenditure, sale are the sales, cogs is the cost of services and goods sold and emp is the number of employees.

Moderating Variable

This study uses CSR governance as a moderating variable. CSR governance is a measurement to measure CSR and governance which is displayed by disclosure. Based on research results (Tan et al., 2017), CSR governance variable is measured using a governance disclosure score, which is obtained from Bloomberg Data, as shown in Figure 1 below.

CSR Governance Disclosure Score	
<p>CSR/Sustainability Committee</p>	<p>Audit Committee Size of Audit Committee # Independent Dir on Audit Cmte % Independent Dir on Audit Cmte Independent Audit Committee Chairperson # Non Exec Dir on Audit Cmte Audit Committee Meetings Audit Committee Meeting Attendance Percentage</p>
<p>Board Structure Size of the Board Unitary or Two Tier Board System # Employee Representatives on Board Classified Board System</p>	<p>Compensation Committee Size of Compensation Committee # Independent Dir on Comp Cmte % Independent Dir on Comp Cmte Independent Compensation Committee Chairperson # Non Exec Dir on Comp Cmte # Comp Committee Meetings Compensation Committee Meeting Attendance % Outside Compensation Advisors Appointed</p>
<p>Board Independence # Non Exec Dir on Board % Non Exec Dir on Board # Independent Directors % Independent Directors CEO Duality Independent Chairperson Independent Lead Director Presiding Director Former CEO or its Equivalent on Board</p>	<p>Nomination Committee Size of Nomination Committee # Independent Dir on Nom Cmte % of Ind Directors on Nomination Committee Independent Nomination Committee Chairperson # Non Exec Dir on Nom Cmte # Nom Cmte Meetings Nomination Committee Meeting Attendance Percentage</p>
<p>Board & Exec Diversity # Women on Board % Women on Board Female Chief Executive Officer or Equivalent Female Chairperson or Equivalent # Executives / Company Mgrs CEO or Equivalent Appointed from Within # Female Executives % Female Executives</p>	<p>Board & Exec Activities Non-Executive Director with Responsibility for CSR Executive Director with Responsibility for CSR Executive Compensation Linked to ESG ESG Linked Compensation for Board Clawback Provision for Executive Compensation Chg of Ctrl Benefits/Golden Parachute Agreements</p>
<p>Board Duration (Years)</p>	<p>Shareholder Rights Dual Class Unequal Voting Rights - Common Shares</p>
<p>Board Meetings # Board Meetings Board Meeting Attendance % Independent Directors Board Meeting Attendance % # Dir Attending Less than 75% of Mtgs</p>	<p>AGM Voting Results Auditor Ratification</p>
	<p>Director Compensation</p>

**FIGURE 1
 CSR GOVERNANCE DISCLOSURE SCORE**

Control Variable

Financial Leverage: Financial leverage (leverage ratio) is a comparison between funds used to finance a company or a comparison between funds obtained from external companies with funds provided by the company owner. Leverage is formulated with long-term debt plus current debt divided by total assets/ratio leverage (Habbash & Alghamdi, 2017).

Firm Size: Firm size is the size of firm assets. Firm size is proxied by the natural logarithm of total assets (Habbash & Alghamdi, 2017).

Type of Industry: Type of Industry in this study was measured using dummy variables. Based on data from the Indonesia Stock Exchange (IDX), there are 9 types of company sectors contained in it. If the company is categorized into the sector, then a score = 1 is given, but if not, then a score = 0 is given.

Measures of Hypothesis Development

Based on the measurement of the variables mentioned above, the hypothesis in this study is as follows:

- H₁: Short-term firm strategy has a positive effect on short-term financial performance.*
- H₂: Long-term firm strategy has a positive effect on long-term financial performance.*
- H₃: CSR governance strengthens the effect of short-term firm strategy on long-term financial performance.*
- H₄: CSR governance strengthens the long-term firm strategy for long-term financial performance.*

Specifications of Research Models Used

In accordance with the theoretical framework and the submission of hypotheses in this research, the following regression model was developed to investigate the hypothesis. The regression model is as follows:

Model I (Short Term Measurement)

$$ROA = \alpha_0 + \alpha_1 SI + \alpha_2 EF + \alpha_3 CSRGOV + \alpha_4 SI * CSRGOV + \alpha_5 EF * CSRGOV + \alpha_6 LEV + \alpha_7 LNSIZ + \alpha_8 TYPE1 + \alpha_9 TYPE2 + \alpha_{10} TYPE3 + \alpha_{11} TYPE4 + \alpha_{12} TYPE5 + \alpha_{13} TYPE6 + \alpha_{14} TYPE7 + \alpha_{15} TYPE8 + \alpha_{16} TYPE9 + e \tag{7}$$

Model II (Long Term Measurement)

$$ROA = \alpha_0 + \alpha_1 CE + \alpha_2 CI + \alpha_3 CSRGOV + \alpha_4 CE * CSRGOV + \alpha_5 CI * CSRGOV + \alpha_6 LEV + \alpha_7 LNSIZ + \alpha_8 TYPE1 + \alpha_9 TYPE2 + \alpha_{10} TYPE3 + \alpha_{11} TYPE4 + \alpha_{12} TYPE5 + \alpha_{13} TYPE6 + \alpha_{14} TYPE7 + \alpha_{15} TYPE8 + \alpha_{16} TYPE9 + e \tag{8}$$

The full operational definition of variable measurement is presented in Table 2 below.

Table 2 VARIABLE MEASUREMENT AND OPERATIONAL DEFINITION		
Symbol	Variable	Operational definition
Dependent variable		
ROA	Return on Asset (Short-Term Financial Performance)	ROA = (oibdp – dp -xint) / at oibdp: the operating income before depreciation. dp: the depreciation and amortization. xint: the total interest and related expense. at: total assets.
TOBIN’S Q	Tobin’s Q (Long-Term Financial Performance)	Tobin’s Q = (mkvalt + pstkl + dlc) / at mkvalt: the market value, calculated as shares outstanding*price of the stock. pstkl: the value of preferred stock. dlc: the current debt. at: the total assets.
Independent variable		
SI	Selling Intensity (Short-Term Firm)	SI = xsga / at xsga: selling, general and administrative expenses.

	Strategy)	at: the total assets.
EF	Cost Efficiency Short-Term Firm Strategy	EF = cogs / sale cogs: the cost of services and goods sold. sale: the sales.
CE	Capital Expenditure (Long-Term Firm Strategy)	CE = capx / sale capx: the net capital expenditure. sale: the sales.
CI	Capital Intensity (Long-Term Firm Strategy)	CI = at / emp at: the total assets. emp: the number of employees.
Moderating variable		
CSRGOV	CSR Governance	CSR governance score from Bloomberg Data.
Control variable		
LEV	Finance Leverage	Total (Long-term debt plus current debt) divided by total assets.
LNSIZE	Firm Size	The natural logarithm on total assets.
TYPE	Type of Industry	Type of Industry in this study was measured using dummy variables.
TYPE1	Type of Industry 1	Agriculture.
TYPE2	Type of Industry 2	Basic Industry and Chemicals.
TYPE3	Type of Industry 3	Consumer Goods Industry.
TYPE4	Type of Industry 4	Finance.
TYPE5	Type of Industry 5	Infrastructure, Utilities and Transportation.
TYPE6	Type of Industry 6	Mining.
TYPE7	Type of Industry 7	Miscellaneous Industry.
TYPE8	Type of Industry 8	Property, Real Estate and Building Construction.
TYPE9	Type of Industry 9	Trade, Service, and Investment.

The use of independent variables and control variables is also based on previous research conducted by (Klein, 2002); Xie et al. (2003); and Lin et al. (2006). Control variables used in this research to control the characteristics of companies that can affect the level of company financial performance (Habbash & Alghamdi, 2017).

RESULT AND DISCUSSION

Descriptive Statistics Analysis

This part describes descriptive statistics for all observations containing the value of minimum, maximum, mean, and standard deviation. Descriptive statistics analysis results are presented in Table 3 below.

Variables	Minimum	Maximum	Mean	Std. Deviation
ROA	-0.0579	0.2031	0.0538011111	0.05068719273
TOBIN'S Q	0.5516	6.42374217	1.5447732631	0.97165316383
SI	0.00005323	0.53515065	0.0878601608	0.11809916372
EF	0.00058768	0.91972789	0.6103917156	0.24477002669
CE	0.0001	18.23120000	0.1878511111	1.36134280494
CI	288156503.348608	2320873786407.77	23732765406.2264	172728939532.741
CSR GOV	9.09	55.37	26.4117222222	10.65736925154

SI*CSR GOV	0.00142077	12.03553802	1.9973896446	2.39179246598
EF*CSR GOV	0.0077892	80.75799127	16.4454845680	11.01515238908
CE*CSR GOV	0.002355	271.280256	3.9051770389	20.51593003482
CI*CSR GOV	3446351780.04935	25900951456310.7	487155802573.368	1979717734651.02
FL	1.23	12.97	3.2332777778	2.29448618426
LFS	27.07601718	34.81508149	31.285762879	1.45579193976
TI-1	0	1	0.03	0.165
TI-2	0	1	0.15	0.358
TI-3	0	1	0.14	0.353
TI-4	0	1	0.11	0.315
TI-5	0	1	0.08	0.277
TI-6	0	1	0.06	0.230
TI-7	0	1	0.08	0.277
TI-8	0	1	0.22	0.417
TI-9	0	1	0.14	0.347

Hypothesis Testing Results

The results of hypothesis testing are shown in Tables 4 and 5 below. Table 4 is the result of hypothesis testing for Model I (firm strategy and short-term financial performance). While Table 5 is the result of hypothesis testing for Model II (company strategy and long-term financial performance).

Based on Table 4, it can be seen that hypothesis 1 states that short-term financial strategies have a positive and significant effect on short-term financial performance (ROA), in this case the proxy used to measure the company's short-term strategy is selling intensity (SI) which indicates the level of significance 0.001 and cost efficiency (EF) which shows a significance level of 0.023.

The results of testing hypothesis 3 which states that CSR governance (CSRGOV) strengthens the effect of short-term firm strategy on short-term financial performance (ROA) shows significant results. This is shown in Table 4, that the interaction between selling intensity (SI) and CSR governance (CSRGOV) has been shown to be a moderating variable with a significance level of 0.000. Furthermore, the interaction between cost efficiency (EF) and CSR governance (CSRGOV) also shows significant results with a significance level of 0.000. So that the role of the CSR governance variable (CSRGOV) as a moderating variable can strengthen the effect of short-term firm strategy on short-term financial performance, with proxies of selling intensity (SI) and cost efficiency (EF).

Based on Table 4 it can also be read that the financial leverage control variable (FL) has a negative and significant effect on short-term financial performance (ROA), with a significance level of 0.000.

The coefficient of determination indicated by the value of Adjusted R2 can be seen in Table 4, indicating that the coefficient of determination shows that the value of Adjusted R2 is 55.4%. This means that 55.4% of the variation in short-term financial performance (ROA) can be explained by the independent variation of short-term firm strategy which is proxied by selling intensity (SI) and cost efficiency (EF), and the moderating variable, namely CSR governance (CSRGOV), and financial control variables. Leverage (LEV), company size (LNSIZE), and industry type (TYPE1 to TYPE9). Meanwhile, the remaining 44.6% is explained by other causes outside the model.

	B	t	Sig	
(Constant)	0.008	0.086	0.932	
SI	0.259	3.357	0.001	***
EF	0.047	2.291	0.023	**
CSR GOV	0.000	-1.000	0.319	
SI*CSR GOV	0.014	3.555	0.000	***
EF*CSR GOV	0.002	5.327	0.000	***
FL	-0.010	-4.471	0.000	***
LFS	0.003	0.864	0.389	
TYPE1	-0.007	-0.255	0.799	
TYPE2	-0.005	-0.224	0.823	
TYPE3	0.030	1.343	0.181	
TYPE4	0.028	0.828	0.409	
TYPE5	-0.039	-1.478	0.141	
TYPE6	-0.003	-0.153	0.879	
TYPE7	-0.001	-0.032	0.975	
TYPE8	0.000	0.018	0.986	
TYPE9	0.015	0.661	0.510	
Adj R ² 55.4%				
F (14.875) 0.000***				
Significant: *p<0.10, **p<0.05, ***p<0.01				

To test the effect of long-term financial strategies on long-term financial performance, the results can be seen in Table 5. Based on the results of hypothesis testing in Table 5, it shows that hypothesis 2 states that long-term financial strategies have no effect on long-term financial performance (Tobin's Q). It can be shown that for long-term firm strategy, which is proxied by capital expenditure (CE), it shows a significance level of 0.245 and capital intensity (CI) produces a significance figure of 0.861.

The results of testing hypothesis 4 state that CSR governance does not strengthen the effect of long-term financial performance strategies on long-term corporate financial performance. This is indicated by the interaction between capital expenditure (CE) and CSR governance showing a significance level of 0.207. Meanwhile, the interaction between intensity capital (CI) and CSR governance shows a significance level of 0.955. So that CSR governance cannot act as a moderating variable.

	B	t	Sig	
(Constant)	-1.254	-0.571	0.569	
CE	0.593	1.166	0.245	
CI	0.000	-0.175	0.861	
CSR GOV	-0.010	-1.096	0.275	
CE*CSR GOV	-0.043	-1.266	0.207	
CI*CSR GOV	0.000	-0.057	0.955	
FL	-0.063	-1.139	0.257	
LFS	0.124	1.685	0.094	
TYPE1	-0.710	-1.088	0.278	

TYPE2	-0.408	-0.767	0.444	
TYPE3	0.479	0.885	0.377	
TYPE4	-0.782	-1.069	0.287	
TYPE5	-0.685	-1.113	0.267	
TYPE6	-1.188	-2.256	0.025	**
TYPE7	-0.988	-1.677	0.095	
TYPE8	-0.915	-1.647	0.102	
TYPE9	-0.094	-0.168	0.867	
Adj R ² 26.6%				
F (5.057) 0.000***				
Significant: *p<0.10, **p<0.05, ***p<0.01				

Based on Table 5, it can also be seen that the control variable type of industry 6 (TYPE6), which shows that companies engaged in the mining sector have a negative and significant effect on long-term financial performance (Tobin's Q), which shows a significance level of 0.025.

The coefficient of determination indicated by the value Adjusted R2 can be seen in Table 5, indicating that the coefficient of determination shows an Adjusted R2 value of 26.6%. This means that 26.6% of variations in long-term financial performance (TIBIN'S Q) can be explained by independent variations in long-term firm strategy which are proxied by capital expenditure (CE) and capital intensity (CI), and the moderating variable, namely CSR governance (CSRGOV), and control variables. financial leverage (LEV), company size (LNSIZE), and industry type (TYPE1 to TYPE9). Meanwhile, the remaining 73.4% is explained by other causes outside the model.

DISCUSSION

This research consists of four hypotheses. Based on the results of hypothesis testing, the results are, for the first hypothesis that short-term firm strategy has a positive effect on short-term corporate financial performance, the results are accepted. In this case the company has used the right short-term strategy in improving short-term financial performance.

The second hypothesis which states that the long-term firm strategy has a positive effect on long-term financial performance, the result is not accepted. The long-term strategy used by the company to improve the company's long-term financial performance has not used the right measurement, so it is hoped that the company will explore the existing capabilities of the company to find the right strategy to improve the company's long-term financial performance.

The third hypothesis which states that CSR governance strengthens short-term corporate strategies on short-term corporate financial performance, the results are accepted. This shows that the existence of CSR governance within the company will strengthen the short-term firm strategy so that it will improve the company's short-term financial performance.

The fourth hypothesis which states that CSR governance strengthens long-term firm strategy towards long-term corporate financial performance, the result is not accepted. In this case, CSR governance, which is expected to strengthen long-term firm strategy, has not been implemented properly so that it cannot improve the company's long-term financial performance.

CONCLUSION

The purpose of this study was to examine the effect of company strategy on corporate financial performance with CSR governance as a moderating variable. The proxies used for

short-term company strategies are selling intensity (SI) and cost efficiency, while the proxies for measuring long-term corporate strategies are capital expenditure (CE) and capital intensity (CI). The short-term variable company financial performance is measured by ROA and uses Tobin's Q to measure the company's long-term financial performance. The moderating variable of CSR governance is measured using the CSR governance disclosure score obtained from Bloomberg data.

The sample used in this study were all companies listed on the Indonesia Stock Exchange in 2015-2019. Based on the sample criteria that have been determined, the resulting sample is 180 company samples, which come from 36 registered companies and meet the research requirements.

This study proposes four research hypotheses. Of the four hypotheses, the accepted hypothesis is the first hypothesis which states that short-term firm strategy has a positive effect on the company's financial performance and the third hypothesis which states that CSR governance strengthens the effect of short-term firm strategy on short-term corporate financial performance. The second hypothesis which states that long-term firm strategy has a positive effect on long-term corporate financial performance and the fourth hypothesis which states that CSR governance strengthens the effect of long-term firm strategy on long-term corporate financial performance is not supported.

The results of the study thus state that the proxies for long-term firm strategy, namely capital expenditure (CE) and capital intensity (CI), cannot be used as indicators to measure the company's long-term financial performance. Likewise, the CSR governance variable is not appropriate to use as a moderating variable to strengthen the effect of long-term firm strategy on long-term corporate financial performance. However, with the existence of CSR governance that is implemented within the company, at least it can be used to strengthen the company's short-term strategy, thereby increasing the company's short-term financial performance.

The contribution of this study is first, dividing the company's strategy into two measurements, namely the short term and the long term, and using two proxies for short-term strategies, namely selling intensity (SI) and cost efficiency. In addition, for the long-term strategy, the company also uses two proxies, namely capital expenditure (CE) and capital intensity (CI). The second contribution is using the CSR governance variable as a moderating variable. The third, the company's financial performance is measured by two proxies, namely the short term using ROA, and the long term using Tobin's Q. From the research results it is stated that firm strategy has a positive effect on short-term corporate financial performance and also CSR governance as a moderating variable strengthens the relationship between strategies. short-term company and short-term financial performance. However, long-term firm strategy has no effect on long-term financial performance. Likewise, the CSR governance variable proved unable to be used as a moderating variable to measure the effect of long-term firm strategy on the company's long-term financial performance.

Like most similar studies, this study is subject to inevitable limitations. Although this study has tried to use different proxies to measure the company's strategy and financial performance, long-term measurement has not yet produced a significant effect, both the dependent variable and the moderating variable.

These findings have implications for research in the field of firm strategy and corporate financial performance. In addition, it is time for companies listed on the Indonesia Stock Exchange to implement the use of CSR governance to improve financial performance.

Finally, the lack of evidence about this potential relationship suggests that simply using stakeholder theory does not solve the problem. Therefore, further research is expected to dig deeper into the research question by using a more appropriate alternative theory.

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