How Deep Is Your Care? Analysis of Corporations' "Caring Level" and Impact on Earnings Volatility from the Ethics of Care Perspective

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Abstract

Corporate failures and unethical conduct of business indicate the value of business ethics to protect stakeholders' interests. This research is aimed at assessing the level of caring principles exercised by companies in Indonesia and investigating the impact of caring behaviour on the earnings volatility. The caring principles emphasise building good relationships with stakeholders including in conflict resolutions. Assessment of the caring principles is conducted through analysis of disclosures using the matrix approach of content analysis for information provided in the Annual Report and Sustainability Report in the period 2012-2016. The ethics of care is the underlying theory of this research, from which the caring principles were developed. The results show that the caring level assessed from disclosures is still low, but there is an increasing trend of disclosures in the five-year period, representing ample room for improvement in the ethical practices and related disclosures. Furthermore, in line with the hypothesis, the caring practices measured in the disclosures are found to lower the earnings volatility. This study contributes to the literature of business ethics, especially the ethics of care, by offering the assessment of corporate caring level through disclosures. The practical implication of the study is expected to raise awareness of the importance to be more caring in conducting business as it can support companies in maintaining the level of stable earnings.[3]

***JEL classification**:* D22, G32, M40.

***Keywords**:* Caring, ethics of care, content analysis, earnings volatility.

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1. INTRODUCTION

Corporate scandals and the detrimental effect of business on society and environment have raised the demands for corporations to be more ethical in running their business. Business ethics is considered to be able to guide business behaviour and establish a moral structure for organizations (Rezaee 2009). Ethics in the workplace is expected to reduce fraud that has been in the past cause public outcry over the corporate ethical practices (such as the case of Enron in the United States (US) and Satyam Computer Services in India). The requirements for more ethical business practices are also driven by several environmental damages such as forest fire in Indonesia driven by land clearing for industry and Samarco mining dam disaster because of activities of BHP Billiton operations. These cases represent the lack of care towards ethical business practices as well as the lack of care in protecting stakeholders' interests.

Some ethics theories can be used as the theoretical perspective for business ethics practices. This research focuses on the ethics of care, which emphasizes the connections to others, primarily the responsibility of care-giver to the other to maintain that connection (Gilligan 1982). Beside its novelty in business literature, the decision to focus on the ethics of care is also based on the raising awareness of the importance to attend to the needs of stakeholders, including women in various stakeholder groups (such as employee, consumer, and community groups).

The concept of care ethics is often juxtaposed with the masculine ethics of justice which views the self as separate from others and uses rights to protect boundaries between the self and others. Feminine way of thinking is represented as a web of relationships and responsibilities, compared to masculine thinking, which is represented by the use of hierarchy (Liedtka 2009). The theory of ethics of care has sparked numerous publications in care-related topics within the politics field (see Tronto, 1993; Williams, 2001), health care (Schuchter and Heller, 2018; Vijayasingham, 2018) and social work (Parton, 2003; Collins, 2018). However, not much attention has been devoted to it within the business ethics' literature, while it contains relevance to business as a relationship-based ethic and has strong linkages with stakeholder theory (Wicks 1996).

The stakeholder theory views interdependence occurs between groups, while the ethics of care consider it as between and among the individuals in those groups. Both theories view business as a web of relationships and complement each other in dealing with competing claims and inadequate resources. The ethics of care theory also recognizes the importance of clear boundaries to avoid the feeling of overburden on the side of the corporation as the caregiver with caring responsibilities beyond the emotional, intellectual and physical capacity.

Several factors drive organizations to care; for instance, the focus on relationships and connectedness, which is is reflected in the willingness to care for customers and nurture employees and the environment. Since the ethics of care is relatively new, this study explores this type of ethics to fill in the gap in the literature. In this notion, considering the potential contributions that the theory may make to the business literature and practices, this study analyses the business ethics practices from the ethics of care point of view. In addition to the novelty, another motivation to choose this topic is inflicted by greater concern from various parties and stakeholders for corporations to conduct their business ethically. This will not only benefit stakeholders but also benefit the company itself as ethical business conduct will bring about business continuity (Smith 2016, Svensson et al. 2016).

Business continuity is related to companies' long-term goals to have stable and sustained financial performance and avoid high volatility on earnings. Earnings volatility can affect the accuracy of earnings prediction for users of financial statements. With higher earnings volatility, the accuracy of earnings prediction for users of financial statements will be lower (DeFond and Hung, 2003; Dichev and Tang, 2006). Edmonds et al. (2015) explain the higher level of earnings volatility of a company indicates the higher possibility of experiencing financial problems (financial distress). The company's financial problems will affect stakeholder appraisal of the company, such as decreasing the shareholder's confidence in the company over its ability to continue business in the long run, affecting the decreasing of customer confidence resulting in decreasing sales, as well as tightening credit terms from creditors.

This research is aimed at analysing the caring level of companies in Indonesia by developing a "caring checklist" based on the ethics of care. The analysis is conducted through content analysis of annual report and sustainability report[4] of listed companies in Indonesia. After analysing the caring level, this research also investigates the impact of the ethics of care implementation on the earnings volatility to provide empirical evidence on the impact of being ethical on one important financial aspect related to earnings.

The research questions to be answered in this research are: "What are the caring level of Indonesian companies based on the ethics of care perspective?" and "Can the caring behaviour lower the earnings volatility?". Both questions reflect the importance of this research, that is, given the uproar of unethical business conduct around the world, the implementation of care ethics in a company is expected to reduce the magnitude of such cases; hence ensuring a more caring approach towards stakeholders' interest as promoted by the ethics of care. The use of the ethics of care as the lens in this study is preferred due to its attribute to pay more attention and care to stakeholders, which is different with its counterpart in the other continuum—the ethics of justice—that emphasises rules and regulation approach as the ethical perspective. The use of the ethics of care is expected to complement the use of justice ethics in a business setting, providing a greater chance for companies to be sustainable and providing more channels or approaches in conducting their corporate responsibilities.

The contributions of this research are twofold. First, it has academic contributions to the research gap in literature as the ethics of care has not been extensively used in business, corporate governance, and business ethics literature. Second, the practical contributions are expected for regulator and corporations. For regulator in Indonesia, the results of this research can be a source to develop the regulation on business ethics, especially to increase ethical awareness among corporations in Indonesia. For companies, the research results are expected to enhance ethical conduct to achieve legitimacy and good performance in the short run and continuity in the long run.

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[4] A sustainability report contains "qualitative and quantitative information on the extent to which the company has managed to improve its economic, environmental and social effectiveness and efficiency in the reporting period and integrate these aspects in a sustainability management system." Daub (2007, pp. 76). Historically, sustainability reports were preceded by three different types of report: annual reports, environmental reports, and social reports. The importance of this type of report can be explained from various factors, including companies' perceptions on the moral and ethical obligation, the competitive advantage that may result from reporting, and the pressure from competitors and the industry (Reverte, 2009).

The next section will present the theoretical perspective. The research method is then discussed in section 3, followed by the discussion of the findings. The last section presents the conclusion, research limitations, and implications.

2. LITERATURE REVIEW

2.1 Theoretical perspective: the ethics of care theory as the state of the art

Ethics of care emerge from the caring attitude based on our earliest experiences of caring and being cared-for. A caring perspective prioritizes the relationship with others and broader society (Gilligan, 1982; Held, 2006; Noddings, 2013). Various meanings have been constructed for the ethics of care. One of the most frequently accepted definition is that of Tronto (1993, p. 103) who define it as ‘a set of moral sensibilities, issues, and practices … a central part of human existence … that includes everything that we do to maintain and repair our world so that we can live … as well as possible’. Collins (2018) identifies three key features of the ethics of care. First, people are seen as connected, mutually interdependent, and being involved in various emotional condition, interpersonal relationships (Williams 2001; Held 2006). A second key feature is that there is an ‘umbrella’ that covers both the ethics of care and ethics of justice. The ethics of justice emphasizes rationality and universality, fairness, consistency, rights, rules, and autonomy (Held, 2006); which can lead to an ignorance of care as an ethical framework. Justice-based approaches tended to dominate the arena of policy-making and may cause a lack of attention to an individual’s interpersonal, practical and emotional needs (Lloyd 2010; Holland 2010). Ethics of care can act as a ‘correction’ to an excessive emphasis on justice ethics by encouraging more focus on the genuine, desirable, personal emotions, based on care.

The last feature is that ethics of care support the idea of ‘phronesis’ (Collins, 2018) which emphasize existence as moral guidance to do the good and right thing in specific situations. This means that ethics of care involves care as practice in particular contexts instead of a formal, general ethical principle to guide action in all circumstances (Barnes, 2007). Phronesis involves judgment and practical wisdom rather than a technical, rational approach; and hence, emphasizing ethics of care on the process.

Reiter (2017) explored the implication of the conflict resolution methods and assumptions about ideal human development as suggested by the ethics of care for accounting practice, including in the auditor independence and financial reporting aspect. This research takes the focus on financial reporting, especially on the voluntary disclosure from the ethics of care perspective. The concerns of ethics or care are presented in the following table.

Table 1. Concerns of the ethics of care

Ethics of care
1. The caring practice is achieved through the perception of relationships to others
2. The dilemma of moral are deemed as contextual
3. Dilemmas are solved using inductive thinking
4. Moral development is conducted through sequential and hierarchical stages
5. The principle of moral responsibility is reflected in the voices of women
6. It is distinguished by an emphasis on attachments, issues of self-sacrifice and consideration of relationships as primary.

Source: modified from Reiter (1997).

Adhariani et al. (2017) added two more principles based on the interpretation of the illumination of the ethics of care to business practices, as follows:

7. Voluntary or discretionary is the dominant nature of corporate social responsibility activities.
   This principle is added based on the ethics of care principle to maintain connections and good relationships with stakeholders genuinely, that is, it goes beyond rules and regulations. As Carroll (1979) put it: the nature of CSR activities should not only mandatory but, more importantly, voluntary or discretionary responsibilities.

8. Women’s interests in various stakeholder groups are valued and acknowledged.
   This principle is added because the root of the ethics of care is based on feminine traits and hence can be translated into “women-friendly” policies, such as work-life balance policies for employees (either male or female employees), providing child-care facilities, supporting women employees in reaching top management positions and empowerment of women in the community.

2.2 Earnings Volatility

The view of earnings volatility suggests that the overall performance of a firm within a given period described in earnings is closely related to its volatility level. According to Francis et al. (2004), earnings volatility is one of the indicators to measure the performance of the company through the achievement of profit gained in more than one period. Earnings are said to be stable or have low volatility if current year earnings can be a good indicator for predicting future corporate earnings (Penman and Zhang, 2002), or financial performance said to be good if current earnings can provide a high level of accuracy of the firm's earnings predictions (Beneish and Vargus, 2002). Another view is that earnings are said to be stable if current earnings are strongly associated with future operating cash flows (Dechow et al., 2010).

Ronen and Yaari (2008) demonstrate the importance of earnings by stating that the company provides financial statements to various stakeholders, with the aim of providing relevant and timely information to be used in investment decision making, monitoring, performance awards, and contracting. In order to provide reliable information to stakeholders, earnings should be stable and persistent, or in other words, have low volatility.

The implementation of ethical business conduct from the ethics of care perspective is expected to make managers more prudent in running the business, including in maintaining earnings volatility, in order to preserve relationships with stakeholders and ensure the companies going concern. Previous studies have provided evidence on the role of ethics on companies’ earnings (see, for example, Chen et al., 2018 and Lin et al., 2017) but none of the previous studies have investigated this issue from the ethics of care perspective. The following hypothesis is developed based on the theory of the ethics of care and previous research on ethics and earnings:

Hypothesis: the higher caring level of a company, the lower the earnings volatility.

3. RESEARCH METHOD

This research employs quantitative data analysis using secondary data. Analysis of caring principles exercised by companies is assessed using content analysis of the disclosure in the annual report and sustainability/CSR report. The two types of reports are chosen to recognize the possibility that the ethics disclosures are provided in those reports as not all companies publish a sustainability report.

The 8 principles of ethics of care explained in the previous section are further breakdown into 35 disclosure items to generate a score for the ethics of care application in sample companies. The derivation of those principles is taken from Adhariani et al. (2017) who derived it based on previous studies which can be seen in the following table.

Table 2. Derivation of the ethics of care principles into disclosure checklist

Category Notation (1)	Principles/ Theory of Ethics of Care (2)	Disclosure Checklist for Content Analysis (3)	Sources (4)
	1. The caring practice is achieved through the perception of connections to others.		Gilligan 1982
CARWEB	1.a. Corporations are webs of relationships among stakeholders.	1. Company's vision and mission are in line with the ethics of care view. 2. Stakeholder is explicitly stated. 3. Detail of the company's responsibilities to shareholders is presented. 4. Specifications of the company's responsibilities to stakeholders other than shareholders. 5. Description of the company's approach to the community 6. Outline of employment practices is disclosed. 7. The company's organizational structure supports the commitment to maintaining relationships.	Wicks et al., 1994
CARCHG	1.b. Corporations should thrive on change.	8. Sustainability/CSR is explicitly stated. 9. Description of sustainability challenges is presented. 10. The benefits of implementing sustainability principles are mentioned. 11. The explanation of social and environmental risk is disclosed. 12. The steps to mitigate the social and environmental risk are described.	Wicks et al., 1994
CARCOM	1.c. Replace conflict and competition with communication and collective action.	13. Statement of the methods the company follows to promote active compliance with legislation affecting its operations. 14. Specification of the method applied to handle actual or potential conflicts of interest is disclosed. 15. The practices to consider the legal obligations and reasonable expectations of stakeholders are presented.	Wicks et al., 1994

Category Notation (1)	**Principles/ Theory of Ethics of Care (2)**	**Disclosure Checklist for Content Analysis (3)**	**Sources (4)**
CARSOL	1.d. Strategy as solidarity.	16. Company's responsibilities to stakeholders are disclosed. 17. Strategies applied based on the responsibilities and relationships with specific stakeholders are mentioned.	Wicks et al., 1994
CARDEC	1.e. Replace hierarchy with radical decentralization and empowerment.	18. Description of decentralization and staff empowerment program.	Wicks et al., 1994
MORDIL	2. Moral dilemmas are contextual.	19. The practices to maintain confidence in the company's integrity. 20. A strong commitment by the board and senior executives to the code of conduct. 21. Description of methods to monitor and ensure compliance with the company's code. 22. Description of how companies approach any moral dilemmas.	Gilligan 1982
DILIND	3. Moral dilemmas are solved through inductive thinking	23. Identification of the method to encourage the reporting of unlawful or unethical behaviour. 24. The responsibility and accountability of individuals to report and investigate unethical practices.	Gilligan 1982
DEVSEQ	4. Moral development is conducted through sequential and hierarchical stages.	25. Identification of any sequential and hierarchical moral judgment, from an initial concern to self-survival and not to hurt others to the responsive act towards self and others, and finally to sustain connection and relationships with other parties.	Gilligan 1982
MORWOM	5. The principle of moral responsibility is reflected in the voices of women	26. The number of women executives. 27. The number of women staffs.	Gilligan 1982
ATTREL	6. Distinguished by an emphasis on attachments, issues of self-sacrifice and consideration of relationships.	28. The term "caring" and similar terms, which are related to the ethics of care principles are stated.	Gilligan 1982
VOLCSR	7. The dominant nature of the CSR activities should not only be mandatory or compulsory but also, more importantly, **voluntary, or discretionary.**	29. Genuine CSR (beyond the obligatory one) is stated to be applied. 30. Legitimacy (license to operate) or similar is mentioned (*represents the justice and care approaches that work together).*	Carroll 1979
	8. Women's interests in the stakeholder groups are acknowledged.	31. Family matters policy. 32. Gender diversity policy. 33. Gender equality. 34. Pictures of female manager and staff. 35. Company's policies to remove the glass-ceiling phenomenon.	Adhariani et al., 2017

Source: modified from Adhariani et al. (2017)

Content analysis in this study is performed using the CONI approach (consolidated narrative interrogation) developed by Beck et al. (2010). This method enables the investigation of disclosure content for diversity and depth by assigning different coding from 0-5 for the content diversity. The different levels of disclosure content represent the breadth of the disclosure: the higher the score, the more complete the overall disclosed narrative. The code types are explained in table 3.

Table 3. Types of disclosures codes

Disclosure codes	Definition
0	No disclosures
1	Pure narrative disclosure (qualitative)
2	Pure narrative but provide more details (qualitative)
3	Numerical disclosure (quantitative)
4	Numerical and narrative disclosure (quantitative and qualitative)
5	Numerical and narrative disclosure (quantitative and qualitative) but comparable (contains year comparisons)

Source: modified from Beck et.al (2010)

Since the ethics of care is relatively new and little have been known about the disclosure behaviour in this area, we limited the sample to manufacturing companies listed in Indonesia Stock Exchange from 2012 to 2016. This period is chosen to reflect the latest state of disclosures, hence enabling comparison with previous studies. Indonesia was selected as a research context for several grounds. First, previous studies show the underreporting of ethical disclosure in emerging markets, including in Indonesia, such as for the aspect of corporate sustainability/CSR (Laskar and Maji, 2018), anti-corruption (Hanifa and Cahaya, 2016; Joseph et.al., 2016), and labour issues (Cahaya, 2012). The low level of disclosures signified the importance to continue giving voice on this matter to enhance several aspects of ethical practices conducted by companies and disclosed them in the published reports. The second reason was attributed to the business culture of a country, with Indonesia classified as a stakeholder orientated state proxied by the application of the code law (Ball et al., 2000). In the stakeholder orientated or communitarian culture, stakeholders possess a legitimate interest in corporate activities hence motivating management to perform ethical activities and disclose them adequately to manage relationships with various groups of stakeholders (Simnett et al., 2009). Given the current low level of disclosures in Indonesia, it is essential to encourage increasing disclosure practices to satisfy stakeholder interests. The focus on manufacturing companies was chosen because of the exploratory nature of this study and not much have been known about the care ethics disclosure among industries. To avoid the bias of different disclosure behaviour in different sectors, we decided to focus on manufacturing companies and let the exploration of the other industries for future studies.

After assessing the caring level based on the disclosures, its impact on the earnings volatility is investigated. Panel data regression is used to analyse the association, with control variables commonly found in the previous research to have associations with earnings volatility, are added to the following regression model.

$$\mathbf{EV_{it} = \beta_0 + \beta_1\,(EoC)_{it} + \beta_2\,(Lev)_{it} + \beta_3\,(PBV)_{it} + \beta_4\,(Size)_{it} + \beta_5\,(ROA)_{it} + \beta_6\,(PER)_{it} + \varepsilon_{it}}$$

Definition of variables:

EV	Earnings volatility, measured by the standard deviation from net income before extraordinary items divided by total assets to avoid any bias caused by sample size, as explained by Hodder et al. (2006).
EoC	The caring level based on disclosures from the ethics of care perspective
Lev	Leverage ratio
PBV	Price to book value ratio
Size	Company size, measured by the natural logarithm of total assets
ROA	Return on asset
PER	Price-earnings ratio

4. DISCUSSION AND ANALYSIS

4.1 Disclosure score

We arrived at 113 manufacturing companies as samples (543 observations of unbalanced panel data) with annual report and sustainability report available for content analysis. After careful investigation of the disclosures of the ethics of care principles, we calculated the disclosure score using these two formulas:

1. Ethics disclosure = $\frac{\text{the score for each disclosure item}}{\text{the maximum score of the observation}}$
2. Ethics disclosure = $\frac{\text{the score of each disclosure item}}{\text{total applicable score x 5}}$

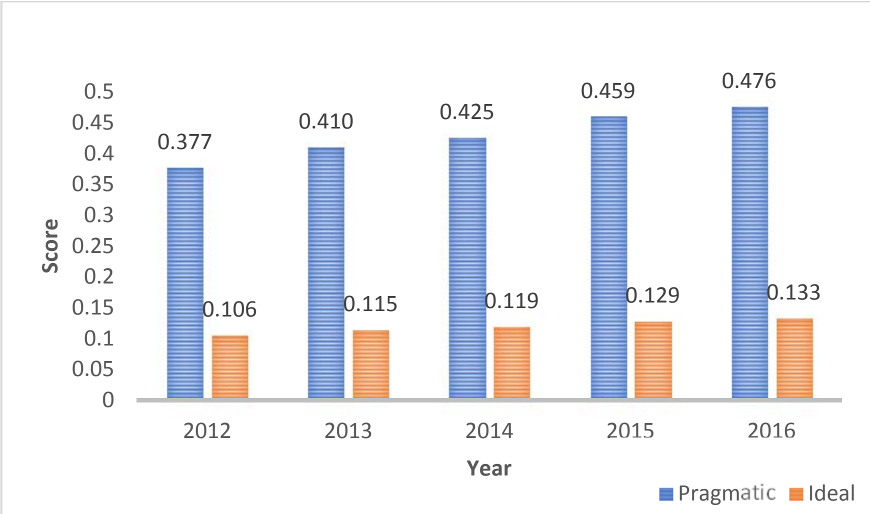
The first equation can be said as a "pragmatic" approach, that is, we compare each company's score to the "champion" in the observations. This approach is useful to know the position of the company relative to the company that has the highest score. The second equation is the "ideal" approach as we compare the score to total applicable score, multiplied by the highest score (5) assuming that the investors and other stakeholders did prefer the disclosure type representing by score 5 (presenting the quantitative as well as qualitative disclosures). The comparison between the two is presented in the following table.

Table 4. Scoring results

	Numerator score	Pragmatic (First equation)	Ideal (Second equation)
Minimum	2	0.041	0.011
Maximum	49	1	0.280
Standard Deviation	9.178	0.187	0.052
Average	21.07	0.430	0.120

From this table, it can be seen that the "ideal" score on average is only 0.12 which could be due to the less items disclosed compared to the one suggested by the ethics of care; or because the disclosure items are majorly disclosed in narrative (qualitatively, with the highest score code of 2). Using the "pragmatic" score, the average score is 0.43, still less than 0.5 compared to the highest achiever. The trend of average ethics disclosure for the 5-year period is depicted in the following figure. It shows that although the score is low, the trend shows an increasing pattern which might be attributed by the increasing awareness of ethical conduct of business, including by paying more attention to women's interests in various stakeholder groups. The results also suggest that there is ample room for improvement in the ethical conduct of companies as recommended by the ethics of care principles.

Figure 1. The trend of ethics disclosure

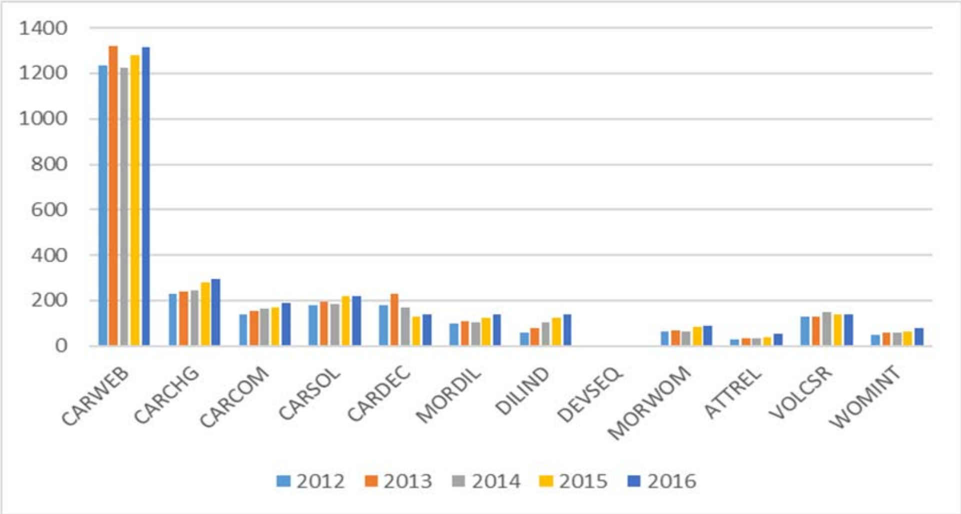


4.2 Disclosure content by the number of disclosures

We investigate further the disclosure content by presenting the number of disclosures (sum of the numerator score) per category and year. This is illustrated in Figure 2. Thematic analysis using CONI method showed that the most disclosed theme is the category that provides information on corporations as a web of relationships of stakeholders (CARWEB). This is not surprising since majority of companies these days have mention stakeholders and their interests in the vision and mission and provide the detail of their responsibility towards them. Majority of the companies disclosed their responsibility and relationships with a certain type of stakeholders; namely shareholders, employees, and local community where the companies operate. None of the companies disclosed the statement on the sequential and hierarchical moral judgement (DEVSEQ), which describes an initial concern to self-survival and not to hurt others which is then later developed to maintaining relationships with other parties.

Women's interest in various stakeholder groups is relatively little mentioned, suggesting that not many companies have paid much attention to this issue. The dominant theme disclosed in this area is gender diversity in the workforce. Another feature of the ethics of care, which is the inclination to replace conflict and competition with communication and collective action, has been mentioned in the disclosure as the complements of the legal approach taken towards any conflict.

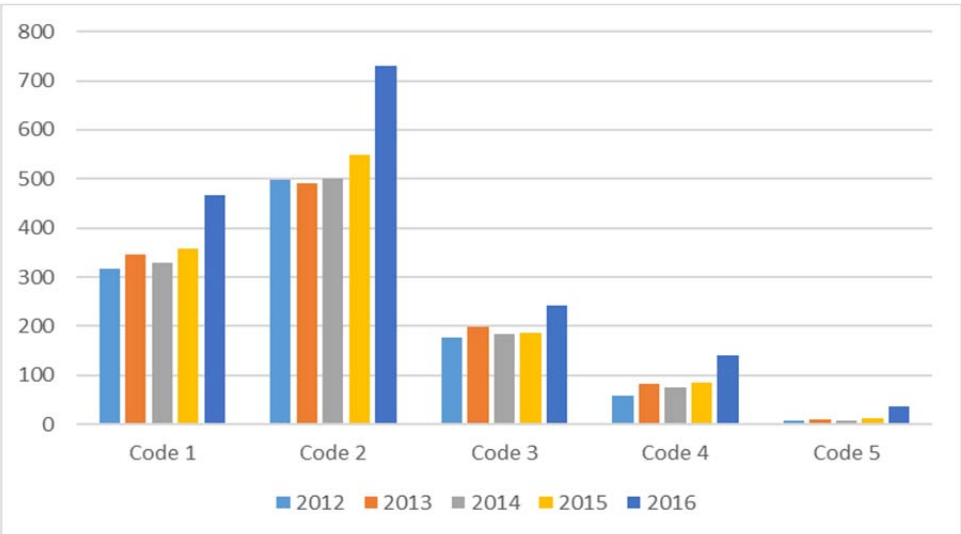
Figure 2. Number of disclosures per category per year



4.3 Disclosure content by the disclosure quality

We also analyse the disclosure volume per quality type. As can be seen from Figure 3, narrative disclosures from code type 1 and 2 dominate the disclosure quality in the five-year period. Very few companies presented information in type 4 (numerical and narrative) and type 5, which is deemed to be the highest quality of disclosures containing numerical, narrative, and comparison with the previous year(s).

Figure 3. Disclosure quality per year



4.4 Descriptive Statistics

The descriptive statistics of the data is presented in table 5. We use the "pragmatic" disclosure score to measure the implementation of the ethics of care.

Table 5. Descriptive statistics

Variable	Mean	Std. Deviation	Min.	Max.
EV	0.048	0.116	-1.279	0.657
EoC	0.430	0.187	0.041	1
LEV	0.469	0.278	0.000	0.988
PBV	2.781	7.431	0.002	80.845
SIZE (Rp 000)	8,712,876,624	24,837,249,123	92,041,274	261,855,000,000
LNSIZE	0.489	1.310	-3.097	3.311
ROA	0.051	0.122	-1.279	0.657
PER	0.006	0.482	-7.284	2.880

Definition:

EV	Earnings volatility, measured by the standard deviation from net income before extraordinary items divided by total assets to avoid any bias caused by sample size, as explained by Hodder et al. (2006).
EoC	The caring level based on disclosures from the ethics of care perspective
Lev	Leverage ratio
PBV	Price to book value ratio
Size	Company size, measured by the natural logarithm of total assets
ROA	Return on asset
PER	Price-earnings ratio

The main variables used in this study are EV (earnings volatility) and EoC (the ethics of care practices measured by the disclosures). The variable of EV has an average of 0.048, with the minimum value -1.297, and the maximum value 0.657 which means that on average the volatility level of corporate earnings in Indonesia in 2012-2016 was 4.8%, and the highest level of profit volatility was 6.57%. The minimum value of EV (-1,279) means that during the periods there are manufacturing companies that experienced losses. The standard deviation of EV is greater than the mean, indicating that the data is highly varied or scattered.

The ethics disclosures using the pragmatic measure show an average of 0.43 with a standard deviation of 0.187. This means that compared to the highest score of disclosures achieved by a company in the sample, on average the sample companies disclose 43% which is still less than 50%. The control variables used in this study are LEV, PBV, SIZE, ROA, and PER. The value of LEV is measured by the ratio of total debt to total asset. The minimum value for LEV in this study is 0, which indicates that there is no debt, or the company does not use outside financing to finance its assets. The maximum LEV value is 0.988 which is a very high amount of external debt, indicating 98.8% financing from debt. The average PBV value is 2,781 which indicates that on average, manufacturing companies in Indonesia in 2012-2016 have a higher price value compared to book value. This indicates that the companies in this study have good growth opportunities with greater than 1 PBV value . SIZE is described in two types of calculations, namely the original company size (SIZE) and the natural logarithm value of SIZE (LNSIZE). ROA has an average value amounting to 0.051 which means that on average, companies still utilize a low level of assets to generate net income. The average PER is 0.006 which means that the average earnings level of manufacturing companies in 2012-2016 is still relatively low.

4.5 Pearson Correlation

The Pearson correlations for all variables in this study are presented in Table 6. The correlation between the ethics of care and earnings volatility is positively significant, which is not in line with the hypothesis. To further know the impact of the caring practices on the earnings volatility, a regression test is conducted, and the results are presented in section 4.6.

Table 6. Pearson Correlation

	EV	EoC	Lev	PBV	Size	ROA	PER
EV	1						
EoC	0.1398***	1					
Lev	-0.0201	-0.0121	1				
PBV	0.4981***	0.0691	-0.0198	1			
Size	0.3987***	0.1876***	-0.0532	0.1274***	1		
ROA	0.4607***	0.106**	-0.0472	0.346***	0.0886**	1	
PER	0.1084***	0.0484	-0.0212	0.0182	-0.0249	0.5966***	1

4.6 Impact on Earnings Volatility

The results from panel data regression are presented in the following table. The main variable, the caring level from the ethics of care perspective has a significant, negative association with the earnings volatility which supports the hypothesis that the caring practices can lower the earnings volatility. Since the main model uses the pragmatic score as the measurement, a robustness test is conducted using the ideal score, and the results are consistent with the main model.

Table 7. Regression test result (Main Model)

Fixed-effects (within) regression					
	Sign Exp.	**Coeff.**	**Std.error**	**p-value**	**Sign.level**
EoC	-	-0.5238	0.1896	0.003	***
Lev	+	0.0202	0.0622	0.373	
PBV	-	0.0169	0.0042	0.000	***
Size	-	0.4664	0.0409	0.000	***
RoA	-	1.8237	0.2972	0.000	***
PER	-	0.0454	0.0707	0.261	
cons		0.077	0.0918	0.398	
R-sq:	0.3422			Prob > F	0.0000

We also conducted additional analysis by conducting the regression test for each component of the ethics of care against the earnings volatility in order to find out what component that contributes most to the lower earnings volatility. The results are presented in Table 8.

Table 8. Regression test result (Ethics of Care Components)

$EV_{it} = \beta_0 + \beta_1$ (CARWEB/CARCHG/CARCOM/CARSOL/CARDEC/MORDIL/DILIND/DEVSEQ/MORWOM/ATTREL/VOLCSR/WOMINT)$_{it} + \beta_2 (Lev)_{it} + \beta_3 (PBV)_{it} + \beta_4 (Size)_{it} + \beta_5 (ROA)_{it} + \beta_6 (PER)_{it} + \varepsilon_{it}$						
Fixed-effects (within) regression						
	Sign Exp.	**Coeff.**	**Std.error**	**p-value**	**Sign.level**	**R-sq**
CARWEB	-	-0.0290	0.1345	0.414		0.3531
CARCHG	-	-0.3095	0.1391	0.013	***	0.3466
CARCOM	-	-0.2582	0.1137	0.012	***	0.3433
CARSOL	-	0.0521	0.0972	0.296		0.3567
CARDEC	-	-0.2691	0.2684	0.158		0.2610
MORDIL	-	-0.1963	0.1553	0.103		0.2579
DILIND	-	-0.1036	0.0841	0.109		0.3500
DEVSEQ	-	0.2999	0.2551	0.120		0.3523
MORWOM	-	-0.3314	0.1340	0.007	***	0.3458
ATTREL	-	-0.0814	0.1460	0.288		0.3503
VOLCSR	-	0.4139	0.4144	0.159		0.3681
WOMINT	-	-0.1794	0.1778	0.157		0.3477

The results of the regression of the ethics of care components reveal that the caring practices in three aspects are found to be able to give an impact in lowering the earnings volatility. First, the ethical practices to thrive on change indicates that embracing change and challenges in it can result in relatively stable earnings for companies. This means that in order to sustain, a business should accommodate changes, including the sustainability changes, inside and outside the organization, such as changes in the cultures, visions, technologies, and competitive moves. The second aspect is related to maintaining good relationships with stakeholders by replacing conflict and competition with communication and collective action. This does not mean that companies should avoid conflict and competition, but rather, make a priority on communication and collective action to maintain the going concern in the future. The third aspect is quite interesting as it is suggested that the principle of moral responsibility can be more reflected in the voices of women. This represents the importance to provide an equal chance for women to participate in the workplace and have their voice of moral responsibility to be accommodated in the company's decision-making process.

5. CONCLUSIONS

How companies maintain a good relationship with stakeholders has been investigated in prior studies. However, the analysis using the ethics of care perspective is still relatively scant. The use of this perspective is essential to enhance companies' attention on stakeholders' interests, as promoted by the ethics of care, by always considering the impact of any business decisions on stakeholders. The implementation of the ethics of care is also important to complement the rules and regulation approach suggested by the ethics of justice; hence providing a better relationship with stakeholders that can support business sustainability.

This study tried to characterize caring companies based on the ethics of care principles and then analyse whether a more caring company can lower the earnings volatility. The results show that the implementation of caring principles in Indonesian companies is still low. The dominant theme disclosed is companies' responsibility and relationships with stakeholders, and majority of the disclosures are presented in a narrative way. The results of the impact of the caring practices on the earnings volatility show the consistent direction with the hypothesis, suggesting that ethical practices can lower the earnings volatility. Additional analysis shows that three components of the ethics of care contribute significantly towards the lower earnings volatility: embracing changes, prioritizing communication and collective action, as well as providing equal chances for women in the workplace to deliver the moral responsibility.

The results bring about implications for Indonesian companies on the importance to be more care towards stakeholders, including women in various stakeholder groups. Support is needed from policy makers and stakeholder watch such as media, consumer protection agencies, labour union, and other organizations to encourage the caring practices to be implemented by companies.

This study has the main limitation on the measurement of the ethics of care implementation. The operationalization is only based on Adhariani et.al. (2017) which is relatively new and still need improvement to provide evidence on its validity to measure the caring level through disclosures. The other limitation is that the disclosures provided by companies in other channels (such as in websites and mass media) have not been taken into account in this study. We only observe disclosures in the annual report and sustainability report; while the voluntary nature of the sustainability report was not addressed further in this research. It might give advantages for companies decided to publish this report as it offers a greater chance for transparency compared to companies issuing only annual report. The differential effect is worth to be studied in further research.

We also only use the linear regression form to test the hypothesis, which might bring the inherent weaknesses in presenting the dynamic issues of inter-dependency in which the ethics of care rests. The dynamic regression model might be more appropriate, or there is a possibility that the relationship is non-linear in nature. A simultaneous model might also be considered to better capture the endogeneity nature of caring values arising from volatile earnings conditions. These limitations provide a great space for future studies to explore.

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