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Management of Sharia-Based Corporate Social Responsibility (CSR) in Cooperation with Companies and Stakeholders

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Abstract: This study aims to identify the implementation of CSR in Gresik and introduce alternative model in management of Sharia-Based CSR. The research has focused on implementation of CSR program in Gresik. It used a combination both of qualitative and quantitative method. The finding shows that CSR management has been there being still managed independently by the company, even if with other parties then it is only charity and temporary based on certain organization events. Forms of corporate relations with the community, in this case, is an educational institution, and the District Government (*Badan Amil Zakat Gresik*), this cooperation is still temporary. Efforts continue to be developed to realize Sharia-based CSR as an alternative form of CSR management. The form of corporate social responsibility in Gresik is classified into public relations, defensive strategies, and sincere wishes of the company.

Keywords: Corporate Social Responsibility (CSR), Sharia-based CSR, Company Responsibility, Local Economic Development

JEL Classification: M14, O18

INTRODUCTION

The enactment of Law No. 40 of 2007 of Limited Liability Company makes a lot of debates among business circles, especially in section 74, still multi-interpretative by the community so that cause many polemics. As a result, many companies such as BUMN (state-owned companies) and multinational companies engaged in natural resources finally filed a judicial review that requires all companies must implement Corporate Social Responsibility (CSR) from business profits without exception even rejected by the Constitutional Court. Seeing this phenomenon suggest that such a condition does not really happen if the stakeholder such as legislative, executive and business actors in Indonesia are willing to understand the principles of CSR.

The implementation of Law No. 40 of 2007 is still a lot of opposing. Many companies are already running programs or activities relevant to CSR. In the practice, it is often found that CSR programs in

companies showed that in the form of charity and social generosity alone. The development of the CSR concepts has shifted from charity, corporate philanthropy, corporate social development to corporate social investment driven by a spectrum of motives spanning from charity to empowerment (Rudito & Femiola, 2007).

The phenomenon that happening and still running in Indonesia until now is the activity of various companies in doing the activity still holding the concept of donating or organizing social activities or in other words that the company in its CSR fund distribution activities still oriented to the activity of charity. Whereas in fact in its activities to the community should not only donate activities but which builds the soul of community independence for example by coaching and providing business capital for both small and medium businesses.

In order that the implementation of CSR will be able to run well and on target then it is necessary to establish cooperation with other parties. This means that the company cannot work alone plunge into the community to distribute and simultaneously determine the detailed program to be implemented. Therefore, partnerships with other agencies or other entities such as *zakah, infaq, and shodaqoh* (ZIS) as zakat institution/organization are required, as well as zakat, and CSR also has the same benefits as zakat, especially to realize the economic and social balance. It is the duty of the ZIS Organizations to take part in this issue and together with the company and government as regulators.

THEORETICAL FRAMEWORK

Definition and Concept of Corporate Social Responsibility (CSR)

According to Wineberg & Rudolph (2004) defined that Corporate Social Responsibility (CSR) as the contribution that a company makes to society through its core business activities, its social investment and philanthropy programs, and its engagement in public policy. Kotler and Lee (2005) defined as a commitment to improving community well-being through discretionary business practices and contributions of corporate resources.

The World Business Council for Sustainable Development (WBCSD) explained the focus of CSR as a business commitment to contribute to sustainable economic development, working together with employee company and the local community in order to improve the quality of life (Jamali, 2006). There are three basics strategic in the implementation of CSR (Hardisyah & Iqbal, 2005): 1) Capacity building; 2) Collaboration; and 3) Innovation. In other hand based on the scope of CSR classified by three activities, 1) social activity; 2) Social Economic; 3) social environment. Each of the above has content activity specification as the table 1.

Scope of corporate social responsibility advocated by Keraf (1998) covering four issues: 1) gain a profit to keep the business and the company and all of the people involved in it; 2) comply with all the rules of law in society both related to business activities and social life in general, for the creation of social orderly; 3) respect the rights and interests of stakeholders that are those who have a direct or indirect in the business activities of the company (consumers, investor workers, creditors, suppliers, distributors, government and local communities around the company's premises); 4) be caring and should engage in various social activities that benefit the interests of the wider community.

Table 1
Corporate Social Responsibility activity

No	Aspects	Content
1	Social	Education, workshop, health, housing, institutional strengthening, Employees welfare, social welfare, sports, youth, women, religion, culture.
2	Economics	Entrepreneurship, joint venture, Small and Medium Enterprises, agribusiness, employment opening, economics infrastructure and other productive enterprises.
3	Environment	Go green, land reclamation, water management, nature conservation, eco-tourism, environmental pollution, and efficient use of production and energy.

Source: Hardinsyah & Iqbal (2005)

Corporate Social Responsibility and Sustainable Development

According to Brundtland (1987) explained the sustainable development is a principled development process that meets present needs without compromising the fulfillment of the needs of the future generations. One of the factors that must be faced to achieve sustainable development is how to improve environmental destruction without sacrificing the need for economic development and social justice. Sustainable development does not only focuses on environment issues but also economy and social issues as known triple bottom line (Lesmana, 2007; Hidayati, 2011; Wibisono, 2007). Sustainable development related to economic growth and way to improve economic in the long run, without depleting natural resources.

Every development must be viewed by holistically so that three aspects that sustain the development are mutual synergistic. The achievement of these three aspects together is a prerequisite for the achievement of sustainable development, and ultimately can ensure the foundation of the sustainability of human life on this increasingly fragile planet. Where are the social aspects such as the responsibilities that firms take on people who are affected by the company and on society in general including stakeholders. So that sustainable development is seen as an ethical concept for institutional issues – a concept related to society, where the idea of sustainable development at the corporate level is seen as CSR.

Sustainable development in Indonesia faced with two challenges namely poverty eradication and a decrease of an environmental problem. These two challenges are complex, interrelated and inseparable from one another. Both of these are also embodied in the Millenium Development Goals, in which the international community has built a common commitment to overcome them. These goals include the elimination of extreme poverty and hunger while ensuring the sustainability of life.

Corporate Social Responsibility and Stakeholders

Corporate Social Responsibility (CSR) is a social issue and tends to focus on stakeholders. In another hand Corporate Social Responsibility is defined as a new stakeholder approach, referring to the evolution of stakeholder management. Stakeholders are all identifiable groups or identifiable individuals in which the organization relies on its survival, sometimes called the main stakeholder. At the broader level, stakeholders are an identifiable individuals who can influence by organizational performance in terms of their products, policies, and processes. Others do not mention CSR as a pure focus on stakeholders. They define CSR as a social issue that companies must pay attention to, it is clear that the main aspect is the corporate stakeholders (Ebner and Baumgartner, 2006).

According to Freeman (1984) defined stakeholders as a group or individual who can influence or influenced by a particular goal achievement. Grimble and Wellard (1996) defined a stakeholder is a person with an interest or attention to the problem. Stakeholders are often identified with a certain basis in terms of the relative strength and importance of stakeholders to the issue, in terms of their important position and influence (Freeman, 1984).

In conducting its business activities, the company interacts with several parties who have interests (stakes) at the company and wants the company to act in accordance with its expectations. Parties, commonly referred to as the stakeholders, can be grouped into two categories: internal and external. Brytting (1998) explained that the organization consists of a coalition of different stakeholders who contribute to organizational activities. The principle of responsibility of significant emphasis is given to the interests of corporate stakeholders (Supomo, 2004). Here the company is required to pay attention to the interests of the company's stakeholders, create value added of the products and services for the company's stakeholders, and maintain the added value that it creates. Therefore, the principle of responsibility here more reflects the stakeholders-driven concept. Where 'Stakeholders of the company' can be defined as the parties concerned about the existence of the company. These include employees, customers, consumers, suppliers, communities, and environment, as well as the government as regulators.

There are six steps to building corporate cooperation with stakeholders within the framework of CSR: (1) Understand and clarify the goals and values of the community and at the same time the corporation; (2) Establish good cooperation with potential and competitive partners; (3) Creating a dialogue with stakeholders; (4) Identify common objectives and communities as well as stakeholders; (5) Building trust in order to establish relationships with community and other stakeholders; (6) Bringing the project to good luck in cooperation (Budimanta *et al.*, 2008).

Method

This research used combine quantitative and qualitative aspect. Data collection method using survey instrument, in-depth interview, and data analysis by using triangulation method that is merging analysis of data source from method, data source, research subject, and theory. One of the other analytical tools using SWOT method by identifying the weaknesses of the opportunities and challenges of the pattern/form of CSR program management activities. Qualitative data was collected by survey, questionnaire, and in-depth interview with Participatory Action Research (PAR) approach. This study also conducted Focus Group Discussion (FGD) to multi-stakeholders with the purpose of identifying the basics of relationships that can be used as a foundation for developing a model of corporate relationships with stakeholders in the management of CSR.

Determination of industrial sample that is by snowball method, where every sub-district studied is Gresik sub-district, Kebomas, Manyar, Menganti, Driyorejo, and wringinom, conducted in the related sub-district which has interaction with industry due to the location of the industry due to industries location residing in the community live. The object of this research is the company. Meanwhile, the subject of this research is Corporate Social Responsibility (CSR) stakeholders from companies, local government, universities, journalists, environmental NGOs, BPD/LPMK, local government, community leaders, environmentalists. The method of selecting research subjects using the method of Purposive Sampling, the sample (subject) aims. For qualitative analysis Miles and Huberman (1992) emphasize that in the context

of data analysis stages that are done from data collection, data reduction, data presentation, and conclusions of data consisting then withdrawal conclusions and verification data.

RESULT AND DISCUSSION

Policy in Corporate Cooperation with community and BAZ of Gresik Regency

Company managers are aware of the existence of the company that not only determined by the single bottom line, the value of the company reflected through its financial condition, but is determined by triple bottom lines, namely economic, social, and environmental. This is the company's commitment to improving the welfare of stakeholders and improving the environment in the company's vision and mission.

Company policy in establishing relationships with stakeholders and corporate CSR policies can be divided into three patterns that include: 1) policy in relating to stakeholders, namely that the company executes this activity because of a situation that is temporary (Incidental) or because of the event or special events, such as disaster victims or public demands; 2) the policy in the company relationship with the stakeholders has been planned and programmed; 3) the policy is planned and programmed means that the company relationship with its stakeholders have been internalized in the company policy both in the vision and corporate mission as well as code of conduct. Based on the results of interviews and tracing secondary data from the company profile can be presented in the table below:

Table 2
Company Public Relations Policy

<i>No.</i>	<i>The Name of Company</i>	<i>Location</i>	<i>Company Public Relations Policy</i>
1	PT. Petrokimia Gresik	Manyar	Programmed; Internalized in company policy (ethics and code of conduct)

Source: PT Petrokimia Gresik

Opportunities and Constraints in Realizing Corporate, Community, and Local Government Relations

The Underlying Rules of Relationships

The Community Development activity is based on Local Regulation No. 05/2003 and Regent Regulation No. 20/2006 on guidelines for the implementation of the Company's Community Development activities in Gresik which regulates the concept, mechanism and accountability report of Community Development. One form of regulation is the existence of Community Empowerment Program including the community of Micro, Small, Medium Enterprises and Cooperatives not only become the duties and responsibilities of central and local government but also the duties and responsibilities of the business world, as described the Law of Micro, Small and Medium No. 20 of 2008.

From the above rules and corporation, regulations are expected to play a role in fostering a conducive business climate, namely in the aspects of funding, facilities and infrastructure, business information, partnerships, business licensing, business opportunities, trade promotion and institutional support. Limited government budget for development, community empowerment especially unemployment and poor society need to be jointly done between government, business world and higher education world in order to

motivate and encourage the poor and employment become self-employed entrepreneur, so that concerned in long term is expected to be a micro, small and medium enterprise that is independent and competitive.

This is actually also in BAZ (*Badan Amil Zakat*) Gresik program, which is Community Economic Empowerment, therefore some of the programs that we can access from BAZ Gresik website, as well as the diluted activity indicate the effort to towards the empowerment of the Community. These activities cannot be done continuously, this is due to limited funds *infaq, Zakah, and shodaqoh*. Therefore, it is necessary to cooperate with the company especially in the distribution of CSR funds through BAZ Gresik.

There are still constraints relating to the framework of the rules underlying the relationship of the Company, the community and local government is the absence of rules that really legally regulate for companies to contribute to society and the absence of sanctions for companies that do not carry out social responsibility activities or community development. The existing rules are only a recommendation from the government to the company to carry out corporate social responsibility activities to the community and the environment.

In general, in establishing relationships with the corporate community determine the target program that can be grouped into three categories as follows:

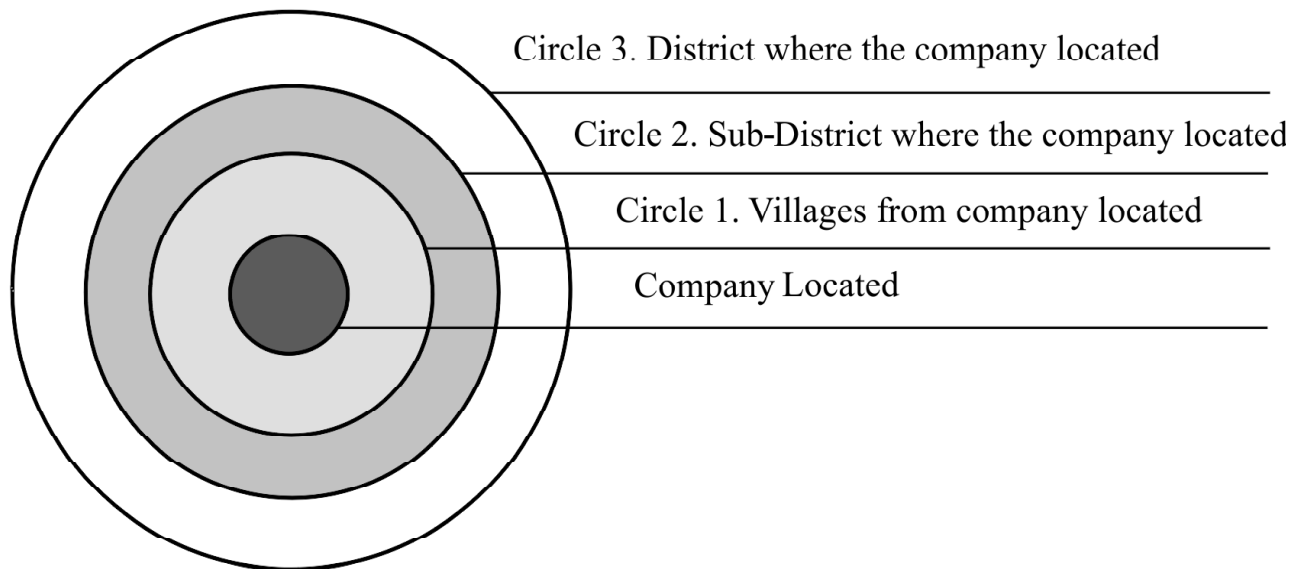


Figure 1: The division of company circle from location

Based on the beneficiary areas, direct or indirect from the operations of the company; and territories outside the above two categories but are subject to the program due to some special considerations, such as disaster victims. Corporate relationships with the community in the form of corporate contributions to the community or can be regarded as corporate social responsibility activities. Especially in Circle I in general only in the form of charity in accordance with the request of the community, usually by submitting a proposal and only given in the short term to solve the problem for a moment and not sustainable for improving the welfare of the community. The mechanism used by the company in providing assistance to the community, among others:

1. The community asks for help by submitting a proposal mediated by village administration or village government then submits the proposal to the companies then responds by providing assistance as requested by the community.
2. The company has a CSR program - the company provides assistance through the village government - then the village government distributes it to the wider community;
3. The company contacted the village government for assistance and requested a list of needy citizens - the village administrations listed the people in need-the company provided assistance according to the data through the village government - the village administration channeled to the company's needy and supervised citizens;
4. The community asks for assistance to companies assessing the needs of the communities and then determines whether the community's favored assistance is appropriate to the needs of the community or whether other programs/assistance are more beneficial to the community;
5. The company actively conducts a review to the community directly to find out the needs of the community - companies then provide assistance in accordance with the results of the review through the village government submitted (implementation of the program) with the direct involvement of the company.

The grant of most companies in the form of material assistance to village incidental activities, physical development, compensation or gift or grant at certain times. Positive things like this are what every company does, where they are not only concerned with the internal problems of the company but also the welfare of the surrounding community. Because if the company only thinks only the benefits and activities of social responsibility alone, then the company will only think how the demands of society can be met and the security and sustainability of its business are guaranteed. If the company really thinks for the welfare of the community it will be a very beneficial relationship both parties, and the public will assume that in providing assistance, companies not only seek profit and camouflage in the community but more on the form of attention and corporate responsibility on the environment.

CONCLUSION

CSR management that has been there being still managed independently by the company, even if with other parties then it is only charity that is temporary that is based on certain organization events. Forms of corporate relations with the community, in this case, is an educational institution, and the District Government (*Badan Amil Zakat Gresik*), this cooperation is still temporary. It can be seen that the company also does not want the value of the promotion was lost just so then in accordance with the relationship was established because of certain interest, and its nature is also incidental i.e PT. Petrokimia Gresik in cooperation with educational institutions in Gresik in terms of workshops and Financial Training and Business Development. Sharia-based CSR management model is still not seen yet but still in the level of concept, but still not. Efforts continue to be developed in an effort to realize Sharia-based CSR as an alternative form of CSR management. The form of corporate social responsibility in Gresik is classified into public relations, defensive strategies, and sincere wishes of the company.

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