

Philanthropic Corporate Social Responsibility: A Case Study

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Abstract

CSR is a popular concept practiced by many companies in the world. The ambiguity of CSR concepts and philanthropy out of the CSR concept has resulted in different implementations for each company. Case studies were selected to accommodate in-depth and holistic examination about philanthropic practice. Data has been collected from Mayangkara Group Ltd., a company at Blitar Regency, East Java Indonesia between January-April 2017. Furthermore, certain companies implicated CSR from traditional and religious values, followed by philanthropic approaches and implemented to address socio-economic issues of society. This research provides further explanation that the action of philanthropy is an integral part of CSR. This research may not generalizable due to uniqueness that may not be encountered in other cases. The practical implications of this research are the sharing of corporate values and traditional and religious philanthropy action.

Keywords: corporate social responsibility, corporate philanthropy

Introduction

CSR is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis (Commission of The European Communities, 2002). Corporate Social Responsibility (CSR) is not a new concept anymore and has been implemented throughout the world. Nevertheless, quite numbers of definitions, theories, researches and practices of CSR bring ambiguous to the CSR framework itself (Ditlev-Simonsen (2010), Amin-Chaudhry (2016)). Corporate philanthropy still argued to be included in CSR framework (Schnurbein, Seele, & Lock, 2016). This debate is reasonable considering CSR framework takes more integrated form with various purposes, recently. International Standards and Guidelines of Social Responsibility

issued by several international organization, as many as 'half-hearted' regulation of CSR among countries. We used 'half-hearted' regulation term to picturing how Indonesian CSR regulation is lack of enforcement and biases on implementation especially in the punishment clause.

Meanwhile, in developing countries like Indonesia, CSR is most commonly associated with philanthropy or charity, i.e. through corporate social investment in education, health, sports development, the environment, and other community services (Visser, 2008). Whether it considered as CSR or not, charity, donation, compensation, disaster relief is the most common philanthropic action of Indonesian companies. Despite the fact philanthropic action is very popular especially for Indonesian small and medium enterprises, this approach believed as the obsolete one. This philanthropic action known in another term as corporate social stewardship and had been used formally in 1950s–1960s (Lawrence & Webber, 2014). Furthermore corporate social stewardship believed has been done to balance social pressure.

Question about right or wrong, good or bad, ideal or not, that following philanthropic CSR need to be explored even further, especially in developing countries. This paper aim to examine the implementation of philanthropic action taken by Mayangkara Group, Ltd. Whether it can be categorized as corporate social responsibility or not. Research focus will include interpretation of CSR, orientation, planning and budgeting, method and process and CSR reporting, to be examined further more.

Literature Review

Definition of corporate social responsibility takes a varied form. European Commission defines, "CSR is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis" (Commission of The European Communities, 2002). Collins (2012) defined CSR as "...the approach that an organization takes in balancing its responsibilities toward different stakeholders when making legal, economic, ethical, and social decisions". Then International Standard Organization define, "Responsibility of organization for the impacts of its decisions and activities on society and the environment, through transparent and ethical behavior that contributes to sustainable development, including health and the welfare of society; takes into account the expectations of stakeholders; is in compliance with applicable law and consistent with international norms of behavior; and is integrated throughout the organization and practiced in its relationship" (International Organization for Standardization, 2010).

Okuedo (2012) noted, "Measuring social responsibility, categorize it thus; 1. Community Projects: Those that the company played a significant role or provided substantial support for. These include civic and cultural programs, youth activities, student and social activities and local earth programs; 2. Contributions: These include those made to federated drives, education program, urban/civic affairs and cultural activities; 3. Equal employment opportunities: These should cover women and minority group; 4. Environmental concerns and energy conservation: This is defined as the existence of policies or procedures directed at energy conservation; 5. Voluntarism: This measure according to the number of hour contributed by persons loaned to or a given lease time for public service work, this is to encourage individual involvement; 6. Social Investment: These include those that would not otherwise have been made under the company's customary lending standards or those in which social consideration played in the investment decision organizations that are focused on corporate social responsibility would proactively promote the public interest by

encouraging community growth and development. By having and positive impact to the society, the organizations are also making a difference to themselves. It is not only when it comes to profits but also how the employees think and the economy (Boone et al, 1984).

Genest (2005) noted, "Corporate philanthropy can be defined as: [...] a group of people authorized to act as an individual, especially in business, who share a concern for the good fortune, happiness, health and prosperity of mankind and demonstrate this concern through acts that are good, friendly, and helpful".

Furthermore, Schnurbein et. al. (2016) noted, "Corporate philanthropy generally takes on three different forms: corporate giving, corporate volunteering and corporate foundations. In addition, we use the framework of Anheier and Leat (2006) to further differentiate corporate philanthropy in a charity/service, scientific philanthropy and new scientific philanthropy approach. Corporate giving entails all kinds of contributions – money and in kind – that are donated by the corporation. Noble et. al. (2008) list four different motivational categories why enterprises give to charity: strategic profit maximization, altruistic motivation, political motivation and managerial utility motivation. In practice, decisions on giving are driven by a combination of the four categories and were found to be triggered by specific community claims. Corporate volunteering is defined as supporting and fostering employees' efforts to perform community service and activities during working hours. It aims at enhancing the companies' community and employee relations. Corporate foundations are charitable foundations that are established and predominantly funded by a for-profit company. They are usually designed as a separate legal entity, although they are bound by close ties to the company. Due to the close relationship to their founder, the reputational aspect of their existence, and the communicative benefit for the company, corporate foundations are considered distinct from other types of foundations (Schnurbein et. al., 2016).

Research Methodology

This study conducted in qualitative method, with a case study oriented. Researcher will act as observer-participant while taking primary data. The primary data has been collected with the help of interview guidelines and observation record sheet. In depth interview had been held to two managers and two officers as main informants. All of main informant has been selected by considering their role as actor in company's CSR action. Observation recorded by observation sheet as primary data alongside in depth interview result and primary documentation. Secondary data had been used to support primary data, such as annual CSR report. All of empiric data has taken directly from Mayangkara Group Ltd at Blitar Regency, East Java, Indonesia.

Triangulation has been done to reduce the research subjectivity. Triangulation has been done by triangulate the source and method. Sources and methods triangulation such as matching between depth interview result and observation result, matching primary data and secondary data, conducted before data to be processed later. Furthermore, researcher reduced the objectivity, by taking several expert and colleague opinion. Collected data had been classified, reduced and displayed, to make it fit and proper to analyze further.

Research Findings

CSR Interpretation

Corporate Social Responsibility had been interpreted different by Mayangkara Group Ltd. This different understanding may be due to the company being affected by the religious

and traditions values of society. As (Bekkers & Wiepking, 2007) noted, "Religion has received ample attention in philanthropic studies (Hodgkinson & Weitzman, 1996). While religious membership appears to generally affect giving, volunteering, service, and civic engagement, it is clear that some religious traditions exercise far more powerful influence than others (Hall, 1992). Mayangkara Group Ltd has interpret CSR as one of worship activities, as known as Zakat in Islam. The owner of the company, who doubles as the president director, assigns this religious value to the company's operations.

With such of interpretation can be concluded that the company actually do not understand the true meaning of CSR. This case occurs similarly in Poland. "It appears, that polish companies from SME sector, often act in accordance with the principles of CSR, but almost two-thirds of these companies do not even know the meaning of the CSR term...that the ignorance of the term, may result in the inability to recognize the benefits of CSR, together with concrete actions taken by the company" (Skibińska, Kott, Sukiennik, & Szczepanik, 2016).

This interpretation may caused by the characteristic of goodwill and philosophy of charity. Indonesian traditions and culture are the ones that form the basis of corporate action (Visser, 2008). There is one unique tradition value in Indonesia that not all good intentions and help must be known by others and recognized on the other side in order to improve the image. (Bekkers & Wiepking, 2007) noted, "There is ample evidence from studies on helping behaviour that helping others produces positive psychological consequences for the helper, sometimes labelled 'empathic joy'".

This CSR definition is not accompanied by the aim of expecting the impact of increasing corporate image, sales and corporate profits or other CSR rewards, but rather on social purposes. The most common form of action is to transfer money or gifts, for the purpose of social goals (Skibińska, Kott, Sukiennik, & Szczepanik, 2016).

Comparing ISO 26000, which define social responsibility as, responsibility of an organization for the impacts of its decisions and activities on society and the environment, through transparent and ethical behavior (International Organization for Standardization, 2010), this interpretation is not far off. Furthermore, ISO 26000 describes a special understanding of the environment, namely the natural environment in which the company operates, including air, water, land, natural resources, flora, fauna, humans, outer space, and connectivity. From that definition, there is a repetition of the human aspect, the first of which is in the term society (society with all its aspects) and the second is in the term environment (human as an individual living in the ecosystem). The difference of this term is in man himself. Humans in society pay attention to other aspects of social, economic, cultural, religious and other values, while humans as part of the ecosystem will pay attention to health and life worthiness

CSR Approach

This CSR interpretation certainly has implications on the approach. CSR of Mayangkara Group Ltd. is done with a fairly simple approach. This simple approach is related to corporate thinking that CSR is charity (philanthropy). So that all CSR activities recorded both in the report, and recorded in people's mind is social activities. There are some reasons that cannot be justified whether it is right and wrong in this philanthropy approach.

Philanthropic approach was taken, because the owner of the company feels that there is a critical problem in society which cannot be solved by the government, especially the socio-economic problems. Poor welfare and poverty has become concern for the company's owners. ISO 26000 describe, "An organization should: 1) consider itself as part of, and not

separate from, the community in approaching community involvement and development; 2) recognize and have due regard for the rights of community members to make decisions in relation to their community and thereby pursue, in the manner they choose, ways of maximizing their resources and opportunities; 3) recognize and have due regard for the characteristics, for example, cultures, religions, traditions and history, of the community while interacting with it; and 4) recognize the value of working in partnership, supporting the exchange of experiences, resources and efforts” (International Organization for Standardization, 2010).

Mayangkara Group Ltd believes that they are an integral part of society. However, companies must establish priorities to determine which worthy projects will be funded or supported with the company’s in-kind or volunteer contributions and which ones will not. These are often difficult choices, both because businesses may want to support more charities than they can afford, and because saying no often produces dissatisfaction among those who do not get as much help as they want (Lawrence & Webber, 2014).

Furthermore, philanthropic approach becomes an only choice because of priorities set by the company. An important aspect of the business–community relationship is corporate philanthropy, or corporate giving. Every year, businesses around the world give generously to their communities through various kinds of philanthropic contributions to nonprofit organizations. Typically, gifts by corporations and their foundations take one of three forms: charitable donations (gifts of money), in-kind contributions (gifts of products or services), and volunteer employee service (gifts of time). Many companies give in all three categories (Lawrence & Webber, 2014). The second thing that becomes a priority is the uniqueness of social aspects in the area around the company. These areas have strong religious atmosphere (especially Islam) as social uniqueness which raises the need for religious events. Compared to other big cities, the frequency of regular religious events such as recitation and *shalawat* in these cities is very high. These religious events are certainly costly. Communities have social needs requiring far more resources than are normally available, and businesses often face more demands than they can realistically meet (Lawrence & Webber, 2014).

However, the company recognizes that a community development model might be possible if societies are least capable of sustaining their own daily lives. The fact is not all people in Indonesia can do it, especially those from the elderly (elderly), widows, orphans and disabled people.

CSR Planning and Budgeting

Mayangkara Group Ltd. has been planned for its CSR implementation. At the beginning of CSR activities, the company does it accidentally. This means the company is currently in the stage of analyzing the needs and problems of social activities, both the needs of the company and the needs of potential beneficiaries. These accidental activities take many forms which later became the forerunner of the CSR model. With the existing experience, then the company executes issue management. Once a company has identified a public issue and detects a gap between society’s expectations and its own practices, what are its next steps? Proactive companies do not wait for something to happen; they actively manage issues as they arise. The process of doing so is called issue management (Lawrence & Webber, 2014).

In a year, the company allocates at least 2.5% of the company's profit after tax. This allocation can be said to be in accordance with applicable legislation. CSR budget allocation considered to have paid attention to the propriety and fairness. This CSR activity model is flexible, not rigid like other management plans. This model is said to be flexible, on the basis

of an ability to increase the budget inside of a yearly period, if the planned budget at the beginning of the year is up or changing. There is request by company owner for company management to always provide up to date information about the availability of CSR funds. This information will be followed-up by giving additional fund.

The absence of CSR framework which currently popular in companies may be replaced by a fairly traditional model. This model will still be used and progressed following the development of the company capacity, the increasing social needs and saturation of social activities.

CSR Methods and Process

Mayangkara Group Ltd. has been planned and executed their CSR directly. For some activities, the company cooperates with the local government. Ease of doing became a reason for the company in determining its CSR-based method. In practice, the activities which easy to execute has become options in the implementation of CSR. This easy execute activities is still related to the capacity and size of companies that are still constrained in developing the concept of community-based development activities.

Currently, the company already built a foundation to manage its CSR activities. The Mayangkara Foundation has been operating since 1997. Currently, the foundation operates with 11 personnel including Chief Executives. There are two major work conducted by the foundation of administration activities and program execution.

The first work group is fund collecting and administrative work. This work group is conducted by 3 people consisting of foundation leader and 2 administrative staff. Foundation leader take role to collect the funds. The foundation has been collecting the funds from three sources: CSR allocated funds taken from company's profit after tax; charitable funds the family of company's owner; and the fund of prosperous community. This set of funds then budgeted for CSR activities. The administrative staffs have a fairly complex task, such as activity reporting, registering the submission of assistance, and also helping the activities execution. These two admin officers are sometimes assisted by students who work internships. With a high volume of work, these two administrative staffs are perceived as lacking in number and additional staff is needed to reduce work intensity.

In the program execution group work, there are procedures that can be valued very well. Most CSR programs are conducted with a survey procedure. Once a program has been planned, a survey is conducted to ensure everything, from feasibility, validity, up to prospective beneficiaries. After the survey, the surveyor will report the result to the management for a follow-up. This mechanism has been done to avoid potential abuse of beneficiaries. Until now the company can ensure that 100% CSR program is guaranteed to be right on target.

CSR Reporting

In carrying out its CSR activities, PT. Mayangkara Group regularly reports its activities both financially and in execution. This report is aimed at the management of the company, the head of the company, the community who entrusted it to the foundation and the local government. Based on the research findings, activity reports are made weekly, monthly and yearly. The entire activity and finance report, transferred from the foundation to the head office for further compilation.

To have confidence in the effectiveness and efficiency with which social responsibility is being put into practice by all parts of an organization, it is important to monitor ongoing

performance on the activities related to core subjects and relevant issues. The extent of this effort will obviously vary with the scope of the core subjects covered, the size and nature of the organization and other factors. There are many different methods that can be used to monitor performance on social responsibility, including reviews at appropriate intervals, benchmarking and obtaining feedback from stakeholders (International Organization for Standardization, 2010).

Weekly reports are assessed as controlling tools for CSR activities execution which have been planned. With a weekly report, the management of the foundation can immediately anticipate and overcome the obstacles that arise between the implementation. Monthly report is made as evaluation reference and checking tool of CSR fund availability. This monthly report is also given to the community who entrusted their funds to the foundation.

While the last one is the annual report which have many uses. In addition to the functions represented by weekly and monthly reports, annual reports also serve as an evaluation tool for activities within a year. This evaluation reference is useful for next year CSR activities preparation. This annual report is also requested by local governments and other parties/stakeholders. With these activities and financial reports, the company may achieve excellent feedback to develop its CSR program.

One unique matter in this reporting is the inclusion of CSR from annual financial report. This inclusion means that CSR activities which done by the company is not tax deductible. This becomes a difference of Mayangkara Group Ltd. action with the other. Companies that implement CSR can have the advantage of tax incentives. Indonesian Directorate General of Taxes affirms that funds disbursed for CSR activities - in the form of donations or construction of social infrastructure - are recognized as costs that may reduce gross income in the determination of tax deductibles. Funds to finance CSR activities may be deducted from gross income with certain percentages and conditions (Siswoyo, 2012).

Philanthropic Action and Its Comparison with ISO 26000's Core Subjects

Corporate philanthropy is one form of CSR mostly done by small and medium enterprises (Skibińska, Kott, Sukiennik, & Szczepanik, 2016). Mayangkara Group Ltd. can be valued to have been socially responsible. However, corporate social responsibility by the company has been done unconsciously. There is still a widespread belief, that the concept of CSR in practice, is used mainly by large companies, this is caused by the fact, that large companies, every year present reports on their activities in this area. In contrast, micro, small and medium-sized enterprises, apply CSR, mostly in "unconscious" way (Skibińska, Kott, Sukiennik, & Szczepanik, 2016).

ISO 26000 explaining there are seven core subjects of social responsibility: organizational governance, human rights, labor practices, the environment, fair operating practices, Consumer issues and also community involvement and development. It further explains how the economic aspects as well as aspects related to health, safety and value chain are addressed through these seven subjects, appropriately. Each core subject includes a range of social responsibility issues (International Organization for Standardization, 2010).

The first is unconscious corporate social responsibility associated with corporate governance issues, environmental issues, fair corporate operating practices and consumer issues. These four issues cannot be separated each other in this case study. Mayangkara Group Ltd is a retail partner of Pertamina Inc. Pertamina which is one of the largest state-owned enterprises as known to have the best operating standards and CSR framework in Indonesia. Automatically, the company is adopting Pertamina's operating standards. Then,

the procedures and standards that must be met is what can be said unconsciously corporate social responsibility. The issues of corporate governance, the environment, fair operating practices and consumers are managed by adopting these standard procedures. This is almost certainly consequences that must be borne by the company if they do not meet Pertamina's operating standards.

Furthermore, Pertamina—which has a well known with their CSR—indirectly brings their business partners such as Mayangkara Group Ltd. Although, it cannot be ascertained its direct relationship, it can be judged that without such partners, Pertamina will not be operationally able to perform their CSR framework. This can mean that the contribution of Pertamina's business partners is a small form of CSR.

Other issues such as human rights and community involvement and development are issues that are consciously and directly managed by Mayangkara Group Ltd. Despite taking the simplest form, the implementation of CSR has fulfilled the principles set forth in the ISO 26000 guidelines. Although, in the future, the company has not been interested to certify its CSR action, this company can be said to have the potential to continue to develop their CSR model. At last, these philanthropic actions can be considered in accordance with existing regulations, especially by look at the fact that Indonesian CSR regulation has not been detailed.

Conclusion, Research Limitation and Recommendation

Corporate social responsibility which based on traditional and religious values and has been took philanthropic approach, is not worthy of being said to be inappropriate or too old-fashioned. Poverty problem that never ends, encouraging companies to give priority to help the community, in addition to job creation. The socio-economic problems in developing countries are likely to improve only with the philanthropic activities of small and medium enterprises.

The most basic reason for doing CSR seems to have shifted from sincerity to expected returns. Philanthropic action which purely done in order to solve socio-economic problem, without expecting any return such as raised corporate image and tax incentive should emulated by another company. These unconscious CSR activities may deviate from international CSR guidelines. However, it is important to underline that CSR is based on priorities and needs, more than following guidelines or complying with existing regulations. To keep in mind that CSR guides are tailored to suit the needs, there is no need to do what is not possible. Csr regulation in Indonesia made without strict sanctions, can be regarded as a good appeal to the company to remember that they are part of the community

Furthermore, it is inappropriate to value philanthropic action has been excluded from the CSR. The first reason is this philanthropic action historically recorded as the basic of current CSR framework. Second reason is CSR ideal forms can not be done by particular companies, because of its capacity and capability. The third reason is that measured from CSR, is beneficial to the beneficiaries, not company profit because basically the company has benefited from its operation. It should also be noted that not all companies use natural resources and their operations harms their environment. As long as the company does not harm the resources, especially the natural resources, the concept of philanthropy is quite ideal to do.

The limitations in this study are how the case study has not adequate to explain broad concept of CSR. Designed to explore in depth, the uniqueness found in this study may not be generalizable in other cases. A short period of research is also another limitation of research.

Also, CSR research using a qualitative approach is very rare to find because another difficulties to explain the phenomenon encountered in this research.

Based on this research, company especially in Indonesia is expected to study the CSR reference, selecting one of many international CSR guidelines such as ISO 26000 Social Responsibility as the basis for interpreting and implementing CSR. Also, Mayangkara Group Ltd is expected to be able to develop its current CSR model to modern, comprehensive direction and trying community development based CSR. Moreover, the government is expected to arrange in more detail about CSR because current CSR act is less accommodative for companies. The government is expected to conduct guidance on the company especially related to what and how is actual corporate social responsibility, because not all companies understand and implement CSR.

Subsequent researchers who want to examine CSR in the future is expected to eliminate the limitations that exist in this study, to be able to connect the CSR variable with other managerial variables and also expected to take a qualitative or mixed approach, since this approach has been rarely done.

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