Businessmen's Awareness Level in the Implementation of Corporate Social Responsibility

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ABSTRACT

The lower level of people's awareness becomes an interesting topic to be discussed. This research studies how employees implement their social responsibility to their environment. The research took employees working in companies in Yogyakarta as a population and involved 40 middle/top managers as the samples. Questionnaire was used to collect the data about employees' perception on the significance of social responsibility implementation. We conducted a validity test and a reliability test to ensure that the research instrument is valid. The data dispersion about the level of employees' consciousness in implementing their social responsibility was described through a descriptive analysis. The result presented the six of sixteen statements showing that social responsibility to the environment has been done by the company where they work. The finding proves that the company's consciousness in implementing social responsibility is still in a low level. Eventually, the research suggests that environment consciousness should be exercised to our people as early as possible through continuing character education since elementary school to university (high level education) so that in the future, people will be a generation with good social responsibility.

Keywords: awareness, character education, employees, social responsibility

1. Introduction

Alhumami (2011) in Susanto (2011) states there is a close relation between education and economic building within a country. Education, in that case, becomes an essential base in the economic building. However, there is a fact stating that religion, character, and Pancasila education that has been implemented from elementary school to university level fails to lead Indonesian people to a better direction in forming a nation's character. Some examples are difficulties on *KKN* (corruption, collusion, and nepotism) eradication, allowances for human rights violation, a low level of social, and environment sensitivity covering some natural resources exploitation that seem to ignore their social and environmental effects.

Indonesian young generations receive their education that is not placed in a strategic investment context, so they grow to become a "robotic human being." It is implied when they become a businessman. Besides, such negative characteristics as greediness, an instant action, and an insensitive feeling towards an environment also frequently happen. In Indonesia, there are a number of cases concerning with a company responsibility to an environment. They include a case of Lapindo Limited Company *(PT Lapindo)* that has not been solved as well as a case of Indo Rayon Utama Limited Company *(PT Indo Rayon Utama)* that dumps any waste in a living environment and thus contaminates it. Another case happens in East Java. It is a case of water contamination that causes a new born baby having a physical defect and contaminates mothers' milk due to waste water and gas around waterworks contaminated by mercury.

Ideally, a company's prosperity will increase that of society. However, the fact is that it contributes to injustice and social discrepancy. In 2007, Indonesian's government, therefore, established Limited Company Laws *(Undang-Undang Perseroan Terbatas)* that govern a company's responsibility to implement *Corporate Social Responsibility*, henceforth called CSR. Those who break the laws will be given a sanction according to the prevailing laws. In a book written by David C. Kortens (Yadiati, 2007) entitled *"When Corporations Rules the World,"* it is stated that in the last fifty years, a business world has transformed into the most powerful institution on this planet. Any dominant institutions in society must take a responsibility for all people's interest, in which every decision to be made and every action to be taken should be seen within that responsibility framework. It implies that any actions done by a corporation will impact on a human-life quality, an individual, a society, and all life on this earth. Then, a company has some economical duty and laws not only for a shareholder but also for another party including a stakeholder.

Indonesian researchers have conducted some research on CSR. Nevertheless, there are many companies that have not yet concerned with the responsibility for a society. This research, therefore, aims to prove Businessmen's awareness level to an environment implied in CSR. Based on the elaborations stated in the previous paragraphs, this research aims to answer this research question *"How is Businessmen's Awareness Level in CSR implementation?"*

2. Literature Review

In a nation's character building, education means as a constructive way in living together with many people. According to Susanto (2011), a theory stating that a society's behavior is closely related to his education level does not exist in Indonesia.

Susanto (2011), in that case, suggests an essential role that education has in the nation's character building, which actually does not run well during fifty years after Indonesian's independence. Also, an educational budget is always below 10% from overall Indonesian national budget (APBN), so it negatively impacts on a slow values development in the character building.

UNESCO suggests that education should contain three essential elements. They are *learning to know, learning to do, and learning to live together*. The former two elements are more to form *having*, so Indonesian people could have quality knowledge and skills. Meanwhile, the last element is more to form *being*, which is to achieve the character building for raising a nationalism feeling, putting ethics of living together, and for developing social and environmental sensitivity.

The nation character's building could be implied in someone's behavior especially in that of businessmen. Then, a company is an organization which, in its daily activities, exploit human and natural resources in order to make a big profit both for inside and outside *stakeholders* management, which eventually could become a main cause for environmental damage (Lindrianasari, 2007). CSR becomes a mechanism for an organization to integrate attention voluntarily towards environment and society into its operation and interaction with *stakeholders*, which is said to exceed law responsibility that a company has (Darwin in Anggraini, 2006). CSR is stated in a report called as *Sustainability Reporting*. It is a report concerning with an economic, environment, and society policy, impact and working performance that an organization and its product have in a context of continuous building (ACCA in Anggraini, 2006).

Some parties state that performing CSR will impact on an achievement of financial development and ensure continuous success for a company. Nevertheless, there are not any proof explaining a direct relation between CSR and a company's profit. In fact, there are still a number of companies viewing that an environmental fund does not mean anything for a company. This view exists from unavailability of the environmental fund in a company's budget.

However, considering this condition, Indonesian society may still hope for the best result due to a Memorandum of Understanding (MoU) between the State Minister for the Environment (KLH) and Indonesian Bank (BI). It is stated on the Memorandum that an assessment for the working performance is closely related to life environment that becomes the State Minister annual program (Gultom, 2005). Essentially, Gultom (2005) adds that the assessment could impact on a company's credit quality.

The agreement is a follow up to the Indonesian Bank Regulation number 7/2/PBI/2005 concerning with the decree of quality asset level for a public bank. The aspect of life environment becomes a factor in a credit assessment. In a classification of

credit quality, there are five categories used by a bank. In that case, a decline in one category will indeed impact on a company. A decline in credit quality could also impact on the company image in a market. The State Minister also cooperates with Indonesian Accountant Association (IAI) to deal with a regulation in the Declaration of Finance Accountancy Standard (PSAK) that involves a report on environmental accountancy.

A company's involvement with its social environment demands the fulfillment of CSR. Importantly, CSR is a company's commitment to act ethically, to contribute towards continuous economic building, and to improve life quality of employees and their families, local communities, and society (World *Business Council on Sustainable Development* in Yadiati, 2007). Through CSR, a company is expected to increase attention towards working place environment, a relation between a company and society, and a company's social investment. Besides, it is also expected to improve the company image in public, its financial performance, as well as its capital access.

Indonesian companies have implemented CSR. For instance, ISM Bogasari Flour Mills Limited Company (*PT ISM Bogasari Flour Mills*)　that has built a training centre for cake baking (Bogasari *Baking Centre*); Unilever Limited Company (*PT Unilever Limited Company*) through its Unilever Berdiri Foundation in corporation with Gajah Mada University Yogyakarta that provides guidance on how to plant black soybeans for farmers in East and Central Java. Therefore, in the CSR implementation process, a company should report and explain all business activities and impact of economic activities to environment. In presenting the report, a company should not only explain its financial performance but also make corporate social responsibility disclosure.

Darwin in Anggraini (2006) asserts that Corporate Sustainability Reporting is divided into three categories, namely economic performance, environment performance, and social performance. Meanwhile, Zhegal and Ahmed (1990) identify essential things that are related to a company's social report. The first thing is environment. It deals with pollution control, prevention, and betterment for environment damage, nature conservation, and other reports on environment. The second thing concerns with energy that covers energy conservation and efficiency. The third thing is about common business practice. It covers minorities and women empowerment, support to minorities' business, and social responsibility. The next thing deals with human resources. It concerns with activities within a community in relation to health, education, and art service. The last thing is product covering security and reduction of environmental pollution.

The history of rapid accountancy development subsequent to industrial revolution causes an accountancy report to be used more as a responsibility tool for a

capitalist, so it makes a company tend to be in favor of the capitalist (Anggraini, 2006). As a result, a company exploits natural resources and society uncontrollably. This condition damages natural environment and eventually disturbs human life. According to Galtung and Ikeda (1995); Rich (1996) in Chwastiak (1999), capitalism that merely orientates to a material profit has disturbed life balance. It is done by excessively stimulating human beings' economic potential development that does not contribute to prosperity improvement; yet, it causes a decrease in social condition.

2.1. Previous Related Research

Some researchers have conducted a number of research on the social responsibility. Finch (2005) reveals that a company's motivation to do a social investigation is often affected by an effort to communicate with *stakeholder* discussing management performance in achieving long-term profits for a company.

Belkaoui (1989) finds out that a social investigation has a positive relation to a company's social performance. It means that a company that does social activities will state the activities in a social report. Belkaoui (1989) also finds a positive relation between a social investigation and political visibility. A company, particularly, a big company will be controlled more in showing its social report compared to a small company.

Eipstein and Freedman (1994) prove that an individual investor is interested to social information presented in a financial report. The information presents a product's security and quality as well as environmental activities. Besides, the investor demands some information dealing with ethics and a relation among employees and society. Hackston and Milne (1996) present empirical proof concerning with practice of social and environmental investigation in some companies in New Zealand. In addition, they test some potential relations between a company characteristic and the social and environmental investigation.

3. Research Methodology
3.1. Sampling

This research was designed to observe and to analyze companies' perceptions towards accountancy implementation of environment management. A sampling technique used in this research was *nonprobabilistic sampling*, in which every element within population does not have the same probability to be chosen as a sample (Sekaran, 2000; Cooper dan Emory, 1995). Then, a technique to determine the sample of the research was *purposive sampling*.

The samples of the research were employees working in companies. In particular,

there were 45 respondents having a position as middle to top level manager (production manager and part of community development) of companies in Yogyakarta and its surrounding areas. Some of the data were gathered from *personally administered questionnaire* (Sekaran, 2000). It is a data gathering method done by directly distributing the questionnaire to a group of respondents. The research could obtain some benefits by using the method. First, it could motivate the respondents. Second, they could directly and easily classify questions in the questionnaire when they need to asnwer them. Third, it is cheaper compared to a *mail questionnaire*. Last, it has a high respond rate and ensures a respondent's anonymity.

3.2. Data Gathering Technique

This research used the questionnaire that consists of two parts. The initial part contains questions on the respondents' data. The subsequent part deals with questions about a company's attention towards the implementation of social responsibility. Then, the researchers distributed 100 questionnaires with 45 items (45%) of responsiveness, from which the researchers could not process 5 items due to incompleteness of data. Thus, there were only 40 items that could be processed.

The first step in analyzing the data covers implementing reliability size used in operation of research variables. Afterwards, the researchers conducted a reliability test to find out consistency in the measurement result if they did the measurement twice or more towards the same indication using the same measurement tool. The reliability test was done by counting *cronbach alpha* from each instrument within a variable. The used instrument was said to be reliable if it had *cronbach alpha* more than 0,6 (Ghozali, 2001). The researcher also conducted a validity test in order to measure whether or not a questionnaire was valid. A questionnaire was said to be valid if questions within the questionnaire could reveal something that it would measure. The validity test in this research used factor analysis. In that case, an instrument was said to be valid if *Kaiser-Meyer-Olkin Measure of Sampling Adequacy* (MSA) score was more than (>) 0,5 (Hair *et al.*, 1997).

4. Data Analysis

In this research, the data was analyzed using SPSS program (15th version) that covered 15 testing procedures:

1. To conduct reliability and validity test to every statement in the questionnaire
2. To conduct descriptive statistic to find out mean and frequency from every statement in the questionnaire
3. To analyze findings based on the respondents' answer

4. To conclude the research results.

4.1. Reliability and Validity Test

The reliability test was aimed to find out consistency in the measurement result if the researchers did the measurement twice or more towards the same indication using the same measurement tool.

The reliability test was done by counting *cronbach alpha* from each instrument within a variable. The instrument to measure each variable was said to be reliable if it had *cronbach alpha* more than (>) 0,5 (Ghozali, 2001). Table 1 presented results of the reliability test.

Table 1 Reliability Test Results

Statements	Cronbach Alpha Score
AML1	0,6617
AML2	0,7092
AML3	0,6843
AML4	0,6828
AML5	0,6874
AML6	0,6799
AML7	0,6806
AML8	0,6506
AML9	0,6496
AML10	0,6261
AML11	0,6179
AML12	0,6497
AML13	0,6391
AML14	0,6413
AML15	0,6369
AML16	0,6755
Total	**0,6766**

Source: Processed primary data

The reliability test showed that every as well as overall statement had *Cronbach's Alpha* coefficient score that was more than (>) 0,5. Thus, all statements were said to be valid. The validity test was aimed to ensure that every statement would be clarified in a determined variable. The validity test was done through factor analysis. Results of the validity test could be read in Table 2.

Table 2 Validity Test Results

Statements	KMO	Information
AML1	0,822	Valid
AML2	0,898	Valid
AML3	0,845	Valid
AML4	0,907	Valid
AML5	0,836	Valid
AML6	0,875	Valid
AML7	0,861	Valid
AML8	0,723	Valid
AML9	0,727	Valid
AML10	0,718	Valid
AML11	0,690	Valid
AML12	0,868	Valid
AML13	0,769	Valid
AML14	0,537	Valid
AML15	0,552	Valid
AML16	0,851	Valid

The validity test showed that every statement had KMO score that was more than (>) 0.5. Thus, all statements in this research were said to be valid.

4.2.   Percentage Analysis

The percentage analysis was done to find out respondents' demography in this research. The researchers distributed 100 questionnaires with 45 items (45%) of responsiveness, from which the researchers could not process 5 items due to incompleteness of data. Thus, there were only 40 items that could be processed. Analysis results of respondents' demography characteristics were described in Table 3.

Table 3 Respondent Demography Data

Information	Category	Respondent	
		Total (person)	Percentage
Sex	Female	13	32,5
	Male	27	67,5
	Total	**40**	**100**
Age	22 – 25 years	5	12,5
	26 – 30 years	8	20,0
	31 – 35 years	5	12,5
	36 – 40 years	12	30,0
	>40 years	10	25,0
	Total	**40**	**100**
Position	Top level manager	14	35,0
	Middle manager	26	65,0

	Total	40	100
Education level	Diploma	8	20,0
	Bachelor degree	23	57,5
	Master degree	9	22,5
	Total	40	100

Source: Processed primary data

The percentage results showed that most of respondents were male (67,5%) and were around 36 to 40 years old (30 %). The results also showed that most of respondents were as a middle manager (65%) and obtained their bachelor degree (57,5%).

4.3. Descriptive Analysis

The descriptive analysis was aimed to find out the respondents' answer towards the statements in the questionnaire that contained sixteen statements with 1-3 scale. Scale 1 showed that the statement in the questionnaire has been done. Scale 2 showed that the statement in the questionnaire is rarely done. Meanwhile, scale 3 showed that the statement in the questionnaire is not done. This analysis also discussed mean and frequency of the respondents' answer. The analysis results were presented in Table 4.

Table 4
Descriptive Statistic

Point	Statement	Mean	Frequency					
			Answer			Percentage		
			1	2	3	1	2	3
AML1	Pollution control in operational activities	1.6000	18	20	2	45,0	50,0	5,0
AML2	Research and development to reduce pollution	1.6000	16	24	40	40,0	60,0	0
AML3	Prevention or improvement to environment damage caused by natural resources processing	1.0750*	38	1	1	95,0	2,5	2,5
AML4	The use of recycled materials	1.3500*	27	12	1	67,5	30,0	2,5
AML5	Designing an environment-harmonious facility	1.5500 *	26	6	8	65,0	15,0	20,0
AML6	Waste processing and life environment protection	2.200	7	18	15	17,5	45,0	37,5
AML7	Efficient use of energy in operational activities	2.0500	15	8	17	37,5	20,0	42,5
AML8	Revealing energy saving as a result of recycled products	1.9750	2	37	1	5,0	92,5	2,5
AML9	Discussing a company's efforts to reduce energy consumption	2.3500	2	22	16	5,0	55,0	40,0
AML10	Health and working safety	1.5500 *	19	20	1	47,5	50,0	2,5
AML11	Revealing information of company product development	1.4750*	22	17	1	55,0	42,5	2,5
AML12	Revealing that a product has fulfilled a safety standard	1.8000	19	10	11	47,5	25,0	27,5
AML13	Safe products for consumers	1.4750*	25	11	4	62,5	27,5	10,0

AML14	Revealing information to safety of company products	1.6750	18	17	5	45,0	42,5	12,5
AML15	Society involvement	1.7750	17	15	8	42,5	37,5	20,0
AML16	Revealing a company's purposes or policies that are generally related to its social responsibility for society	1.6500	19	16	5	47,5	40,0	12,5

Based on the answer, there were six (6) statements showing mean, which was from 0 to 1600. They also showed answer frequency in scale 1 which was above 50 %; statements AML 3, 4, 5, 10, 11 and 13. Most of respondents stated that their company did these following activities in order to show its care to environment as realization of social responsibility.

1. Prevention or improvement to environment damage caused by natural resources processing. Thirty-eight respondents stated that the activity has been done in their company; one respondent stated that it was rarely done; while one respondent stated that it was not done.

2. The use of recycled materials. Twenty seven respondents stated that the activity has been done; twelve respondents stated that it was rarely done and one respondent stated that it was not done in his/her working place.

3. Designing an environment-harmonious facility. Most of respondents (twenty six respondents) stated that the activity has been done; six respondents stated that it was rarely done; and eight respondents stated that it was not done.

4. Revealing information of company product development. Based on the answer, there were twenty respondents stating that the activity has been done; seventeen respondents stated that it was rarely done; and one respondent stated that it was not done.

5. Health and working safety. Nineteen respondents stated that the activity has been done; twenty respondents stated that it was rarely done; and one respondent stated that it was not done.

6. Safe products for consumers. Most of respondents (twenty five respondents) stated that the activity has been done in their company, eleven respondents stated that it was rarely done; and four respondents stated that it was not done in their company.

Meanwhile, there were ten statements showing mean, which was above 1.600. The statements were AML 1, 2, 6, 7, 8, 9, 12, 14, 15 and 16. Based on the respondents' answer, it was proved that their company was rarely or did not do these following activities:

1. Pollution control in operational activities
2. Research and development to reduce pollution

3. Waste processing and life environment protection
4. Efficient use of energy in operational activities
5. Revealing energy saving as a result of recycled products
6. Discussing a company's efforts to reduce energy consumption
7. Revealing that a product has fulfilled a safety standard
8. Revealing information to safety of company products
9. Society involvement
10. Revealing a company's purposes or policies that are generally related to its social responsibility for society

Based on the findings, it was proved that businessmen's care and sensitivity towards their environment were still low. Actually, it was not difficult to start to implement "loving-environment" education as early as what has been done by some schools and foundations. Al-Hikmah foundations Surabaya, for instance, has taken a part in the loving-environment education with *go green* that has been done through four main programs. They are school environment reforestation, energy-saving, water-saving, and reducing wet garbage. "Loving-environment" education is implemented not only in a school curriculum but also in some daily actions, such as turning off lamps and rooms' air conditioner in a break time or when the rooms are not used; turning off such electronic devices as computer, CD, fan, when they were not used; and using energy-saving lamps (Daulay, 2010).

According to Kisyani in Daulay (2010), *go green* could become a choice for a policy taker in education in order to actualize care and awareness to environment. In *go green,* there is values investment of faithful, intelligent, tough, and caring. **Faithful** is related to planning, implementation, activities, and reporting. **Intelligent** concerns with empowerment of cheap electronic tools so it could save energy. **Tough** is mental toughness and responsibility because it always attempts to be independent with its strong foundation by empowering one's own strength maximally. **Caring** is related to care with environment, electricity, water, telephone, and water saving, all of which were as efforts realization to preserve and to develop environment maximally.

5. Conclusions and Suggestions

This research concludes that Businessmen's Awareness Level in CSR has not been well implemented. The research results proved that only six of sixteen items that generally have been done in a company. The results are unfortunate since the respondents have obtained long-term education and got a good intellectual level. Therefore, the researchers propose some recommendations that could be possibly used by a policy taker:

1. Implementing early education in familiarizing Indonesian young generations to become individuals who care with their environment. This can be done by equipping character education for students of Kindergarten School Teacher Education (PGTK), Elementary School Teacher Education (PGSD) as teachers' candidate for kindergarten and elementary students.

2. Managing a curriculum equipped with integrated and continuous education of social responsibility starting from elementary school level to university level. This can be done by forming a formulating team that represents each education level to conduct a dialogue and discussion on the related issues intensively.

3. Assessing students' competency both from their hard and soft skills. This can be done by familiarizing and behaving daily acts that care for their school environment.

4. Empowering universities as the last door for someone before s/he goes to a business world. Universities' empowerment to implement the social responsibility can be actualized through various roles:

    a. To do a public service that involves faculty members. It does not only become a routine activity but also answers society's needs. The service could be in a form of students working unit (UKM), business incubator creation, field work (KKN), seminar and discussion on various problems in society.

    b. To become a mediator between society's needs and a company's ability. This can be done by socializing a method or a skill provided by some companies.

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