

The Role of Universities in the Implementation of Corporate Social Responsibility (CSR) to Develop Entrepreneurship in Indonesia

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Abstract

The Central Bureau of Statistics stated that the unemployment rate in Indonesia reached 6.32% or 7.61 million people. The largest number of the unemployed is dominated by college graduates or about 12.78 percents. On the other hand, 4.76 million entrepreneurs are highly needed by Indonesia. That is why companies and universities in Indonesia have an important and strategic role in the development of entrepreneurship through CSR. To optimize the implementation of the CSR programs effectively and efficiently and to reach the targets, the synergy among companies, universities, societies and government is highly required. Act No. 40 of 2007 was issued by the government to govern the obligations of Corporate Social Responsibility (CSR). Politically the participation of universities are relatively acceptable to all related parties; they are considered as an agent of change with abundant resources, and also serve as an initiator, mediator, motivator and evaluator in developing entrepreneurship through CSR. It is expected that through CSR financial support universities are able to increase the participation and contribution of the related parties in accordance with their potential to develop entrepreneurial synergy.

Keywords: university, entrepreneurship, CSR

1. Introduction

The enactment of the Government Regulation No. (PP) 47 of 2012 on Corporate Social Responsibility and the year-end funds of companies for CSR around Rp 10 trillion (US \$ 4 billion owned by state enterprises and Rp 6 trillion owned by private companies) leads to the high potential of CSR in Indonesia. It also results in a synergy to speed up some cooperation projects of public welfare in the form of new business development among the stakeholders: companies, government, societies and universities. ([Http://swa.co.id/corporate/csr](http://swa.co.id/corporate/csr)) Two percent or 4.8 million self-employment of the population of Indonesia are highly required to build an advanced economy of a nation. In comparison, Singapore has the entrepreneurial 7.2%, Malaysia 2.1%, Thailand 4.1%, South Korea 4.0%, and the United States (US) 11.5% and Indonesia around 0.24%. The number of entrepreneurs in Indonesia is the least and still far behind other countries (Herman, <http://gagasanherman.wordpress.com/2013>) Ideally, Indonesia is supported by 4.76 million, or about two percent of entrepreneurs or employers.

The Rule of Regional Government No. 4 of 2011 on Corporate Social Responsibility also regulates the coordination of the implementation of CSR involving the stakeholders: companies, societies, government including the local government of Sidoarjo. The financial support of CSR is so big that it is potential for a source of funds to develop entrepreneurship. When the atmosphere of entrepreneurship is well established, it can reduce unemployment, empower the people to run businesses, give a positive impact on the economy, and solve the social and political problems. Unfortunately, the CSR funds have not been used optimally because the improper paradigm is implemented and the programs are not well integrated and synergized.

The implementation of CSR programs must be learned and designed comprehensively and holistically by all the related stakeholders. It is supposed to be well understood because the development of entrepreneurship needs a great support both in terms of finance, expertise and a wider, sustainable network. In this case, universities have their large, strategic capacities to actively support and participate in the appropriate implementation of CSR so that the expected targets can be achieved optimally. Their involvement is expected to provide both strategic and technical insights for the achievement of the objectives so that solutions to various problems are easily answered.

They play the roles as the initiator, implemetator and motivator for various parties. Therefore, they should be useful for any efforts to establish some kinds of economic cooperation through the development of the networking and the synergic implementation so that a lot of new entrepreneurs are born as a triggering factor for the economic growth.

2. Review

The study of Chairil N. Siregar (2007) concluded that a sustainable CSR program would have positive impacts and greater benefits if it was implemented holistically (Chairil N. Siregar 2007 page: 288). Research (www.csrindonesia.com, CSR Lingkar Study 2007: 6) indicated that the involvement of various parties in the community was highly necessary to make the implementation of CSR valid. The research done by Ketut Budiarta (2008: 214) concluded that there were still some companies that would not fully implement CSR due to their financial condition or limited profit or some loss. On the other hand, the research (Dessy Ariyati S, et al, 2008) concluded that the implementation of CSR was considered as an obligation to be encouraged as a social awareness of the environment. Finally, the of research Adlin Hafidza and N Norist (2011: 604) suggested that more emphasis on solid cooperation and synergy with the other parties be carried out in the implementation of CSR, particularly, for the community development activities.

If it is properly handled and managed, actually the educated unemployment have a huge potential and a high probability of becoming entrepreneurs. Individual scholars have had their own independence as their capital to be independent entrepreneurs. Some of the self-owned capitals of a scholar are: knowledge, skills, and a private network that can be developed into a high competency to become self-employed. (H Moko P Astamoen, 2005.395) Regardless of any efforts, or someone wants to be more productive with his entrepreneurship (Adeline, 2011: 8).

Indonesia has issued Act No. 40 of 2007 regulating the obligation and implementation of CSR as an effort to create an equitable development involving the private companies designed in fully integrated activities. CSR as a public policy should be implemented effectively and efficiently so that such kind of an intense cooperation to develop entrepreneurship involving all parties, including universities and local governments, cannot be avoided. (Rissalwan Lubis, 2011: 614) The success or failure of the CSR program to develop the economy of the society is strongly dependent on the participation of the society and the universities playing an important role in the planning, implementation and development of the programs. (Suwatin, 2011) Any activities to foster entrepreneurship cannot be separated from some efforts to cultivate the ability, toughness and overall national security. (Jawa Pos, July 16, 2001) In order to develop the entrepreneurial skills, the involvement of universities is needed. Some skills can be developed to support entrepreneurship. Robbins (2000: 494-495) stated that such skills were categorized into four, namely: (1). basic literacy skills (2). technical skills (3). interpersonal skills (4) Troubleshooting.

A proper approach and a precise concept, associated with the implementation of CSR, are strongly required by companies to develop entrepreneurship emphasizing on the social development and community capacity building so that the potential of local communities is well, wisely explored resulting in social capital for social enterprises and eventually give a strong confidence and sense of belonging. (Anis Ulfiyatin) Furthermore, the practitioners of Community Development is actively involved in various things such as organizations and associations. They should learn the behavior of the people living in the communities, identify the issues, ownership, and sources of the problem, analyze the local power structure, the basic needs of local communities, and other various matters relating to the characters of the communities, provide motivation and increase participation (Anis Ulfiyatin) so that the role of the universities will be increasingly important to take a strategic position as a counselor and motivator.

Community Development is intended to increase the participation of all parties. It is set up for people and used as a forum for anyone who wants to participate and extend some assistances through the CSR program. ([Http://www.Komunitas CSR](http://www.KomunitasCSR)) Within the community of CSR, universities together with their experts can optimize their important roles as an agent of change. In addition, some studies to assess the feasibility, stages of programming, implementation, monitoring, and reporting all activities within the implementation of CSR programs (Rusdin Alaudin, 2012: 335-336) are highly required so that the involvement of higher education (universities) becomes increasingly important and cannot be avoided. Universities with their capacity in terms of the availabiltiy of qualified Human Resources and facilities are obliged to be actively involved in CSR programs as it is their liability (Alfi Baroro Bariedm, 2012). Every effort made must be based on the necessity to reduce the poverty significantly, in line with the target, and conducted well by maintaining the transparency and accountability. With such determination, universities can play their imporatant role in the planning, implementation and development of CSR through precise method or mechanism to succeed the programs. (Suwatin, 2011)

The results of the previous studies indicated that the implementation of CSR had not been effective for several reasons, among others: CSR was interpreted in different ways by each company so that there was no synergy in the

implementation; the evaluation of CSR programs was conducted by each company so that its validity was less trustworthy; the concerns of the vendors relating to the tax incentives was still disappointing, and the need for shared responsibility and synergic actions in the implementation and the management of CSR were still far from the expectation. Considering the results of the previous studies, this research focuses on the role of universities in the implementation of CSR to develop entrepreneurship. There are two possibilities that can be considered as the causes of failure of CSR: first, the implementation of CSR programs was not in accordance with the needs of society, and second, some weaknesses, such as conflict / tension between companies and citizens around the company, became the inhibitors in the implementation of CSR programs. To overcome these constraints, the local governments can create some breakthroughs to carry out CSR programs for the development of entrepreneurship in the region.

In its efforts to achieve sustainable welfare, the company runs the CSR program by developing and maintaining the welfare of the community and by driving their own initiative to make some improvements. Some technical supports or assistances are also provided. They are all arranged to encourage the people toward spontaneous self help, work together and take some advantages of all the available potential. CSR programs are implemented with the participation of the community as a subject and a center of all activities by adhering to the following principles: (a) Need not want basis. (b) Special attention to the problems, aspirations, capabilities and potential of local communities. (c) Some directions or guidance towards self-reliance through the programs in accordance with the capability of the community and company. (d) Active participation of the community. Community participation is the key to successful implementation of CSR programs. The willingness of people to participate is determined by the relevance of the program to be executed with the real needs of society. Finally, a better standard of living with a higher level of welfare is truly achieved due the hard work and perseverance of their own learning. At the moment CSR programs run are considered as an additional supplement to help the people improve the social life. ([Http:// poe3indriasari. wordpress.com/2013/01/11](http://poe3indriasari.wordpress.com/2013/01/11)).

3. Method

The research was related to the implementation of CSR in order to achieve goals optimally. A qualitative approach with multidisciplinary backgrounds of Study Programs of Social Political Science, Economics, especially Human Resources, and business law was applied. It was conducted in the local government district of Sidoarjo in East Java. It was chosen since Sidoarjo is an industrial city and thus the results of the research are highly expected to be used as a model for other cities in Indonesia. The goal of finding the role of universities associated with the implementation of CSR to empower people to become entrepreneurs was carefully explored and observed. The involvement of universities in the implementation of CSR can be optimized and help improve the communities and the local governments significantly. The main sources of the research were the companies implementing CSR programs, the local governments, and the community leaders. Information sources was determined by Snow Bolling with entry points of the companies with their CSR policy. Participatory observation and Focus Group Discussion (FGD) involving all stakeholders - local governments, companies, community leaders, people who did not work, non-governmental organizations and universities - were applied to get some data which were obtained continuously and cumulatively from various sources involved in CSR programs, and then were extracted completely, accurately, holistically and comprehensively. Through the method, some input from various parties were expected and the results could be implemented optimally.

4. Results and Discussion

In the era of autonomy, the creativity of the local officials is highly needed to develop the regions. It is used to optimize existing resources for the development and the progress of the region; the key to success in building the local territory is how to maximize the resources of both in the government and in the society. One of the prospective opportunities is CSR program offered by a company. It has not been maximally used by the government and the communities for self-employment. CSR policy was developed to address the socio-economic gap that often occurs as a result of the business activities in an enterprise environment. By empowering the unemployment, the company can find the solution to boost the economy in the area and support them through CSR funds for the development of entrepreneurship. Here is an important thing to consider to optimize the implementation of CSR to develop entrepreneurship for the unemployed. It is the direct involvement of universities resulting in the effectiveness and efficiency of CSR implementation.

The main obstacle in the implementation of CSR programs includes good communicate. Companies still keep a distance with the communities and vice versa the people do not understand how to utilize the CSR for their own community empowerment and benefit. The implementation phases consist of three steps, and the first one is socialization of implementation. Socialization is necessary to introduce the components of the companies with the

various aspects related to the implementation of CSR, especially regarding with the guidelines of CSR implementation. The main objective of it is that the CSR program that will be implemented is fully supported by all components of the company, the local officials and the communities. It is expected that communities around the company make use of it optimally to improve their social-economic condition. In this phase, the attendance of the university is indispensable.

The role of universities as a mediator between the company and the community is very important to eliminate some constraints of communication between them. Through their involvement, it is expected that all parties, including the government, companies and communities around the company, can have smooth communication leading to a better understanding and a mutually beneficial relationship among the parties involved. It is not such an easy step to take for the company to implement its CSR programs if communication does not run well.

The role of universities is needed mainly to encourage the companies to gladly participate in CSR, a program initiated by the government in tackling the educated unemployment. They are supported to establish some new entrepreneurs through CSR. Likewise, the committed and consistent companies are also important to carry out the mandate of the law stating that the company is required to contribute to the society in the form of CSR programs. Through its commitment, a company implements its policy of CSR to hold its social responsibility to improve the society and the environment. CSR is a social responsibility of the company to the environment, at least at the place where they perform their business activities. It is also the mission of the company to conduct its business activities on an ongoing basis. That is why the company must be willing to carry out CSR programs. Thus, the concept of CSR should be designed for the responsibility and benefits of the stakeholders and for the running of the business in which a company also has a moral responsibility.

Universities in Indonesia are now interested in participating in the CSR program, although the paradigm and the concept of CSR are not well understood. They still identify their role as a company providing CSR to the community; They do not consider themselves as an agent of change. They run some activities in the area around the campus like providing some assistances to UKM, and training activities for some communities. These kinds of participation is less relevant. The involvement of universities will be optimized when the activities are precisely designed to empower the society through the CSR programs to develop entrepreneurship. Awareness of the importance of entrepreneurship has become the new paradigm for the development of entrepreneurship so that it has already been included in the curriculum of almost every department in universities. A private university in Surabaya established by a famous entrepreneur in Indonesia has its vision to create qualified the businessman. The college is really aware that entrepreneurship has a high leverage for the advancement of a country.

The role of universities in the implementation of CSR is in accordance with one of their functions - as an agent of change in development. They have an important and strategic role to use Community Development approach in implementing CSR programs; because it can involve various stakeholders in the community so that all can participate and the potential can be optimized. The field data indicates that the "CSR Forum" has been established within the CSR community and is led by one of the companies that have CSR programs. All the key elements of the community around the companies are involved. Unfortunately, the role of "CSR Forum" is not optimal because it is very formal. The involvement of the universities with their human resources of the various disciplines is required to carry out some programs aimed to the development of entrepreneurship in society.

Universities in the CSR Forum have the role to assist the companies in implementing CSR in fostering the society. It will lead to the reduction of the companies' burden. They can act as a trustworthy mediator for all parties to build good relationships with the local governments and the community. They are expected to be able to accommodate all interests of all parties. For the local government, universities will assist them in the development of society based on the scientific studies with more holistic approaches so that they can enhance the role as an institution and the function as an agent of change. The society will also be pleased with it because community empowerment through the university role in CSR program really gives them some benefits and Charity programs are avoided.

The involvement of universities in the CSR program would be more appropriate if the program is oriented to the development of entrepreneurship as it has a high multiplier effect for the economy of a country. This concept will synergize the various elements of the local government, business organizations, universities and community members. Thus universities can directly act as a mediator, facilitator and motivator to bridge the various interests involved including the universities' interest to develop the capacity as an institution of higher education. Thus there will be a mutual symbiosis to boost the development of entrepreneurship through CSR programs. If the pattern is implemented continuously, there will be a great multiplier due to the enormous potential of CSR which is carefully and properly used and implemented, and also reaches the expected target. The involvement of universities will also optimize the potential of higher education with the abundant human resources to find some solutions to the

problems faced by the community. It is very helpful for people who are interested in entrepreneurship and for the potential of the company with the CSR program.

If the pattern is well integrated and involves various stakeholders, it will lead to the success of CSR implementation. CSR is not only the main source of funding, but also a source of ideas and solutions to the problems of entrepreneurship in Indonesia. At micro level the involvement of universities in the CSR program will be able to prevent any failures that is likely to happen in the entrepreneurship. At macro level it will be able to produce an excellent economic development, as it will reduce the unemployment in almost all over the world. Universities supported by the human resources from various fields have a strategic role in the development of entrepreneurship and the synergy of all stakeholders. They can also be a mediator, counselor and motivator for everyone who wants to participate in the implementation of CSR programs. They have a fairly neutral position and are able to relate all parties directly without any complex bureaucracy. In short, it can be said that universities have their flexibilities and a high potential to synergize CSR programs.

The role of a mediator is necessary to initiate a constructive and productive program so that CSR policies are implemented optimally. The mediators may come from various backgrounds e.g. local leaders, university lecturers or local government officials. The mediator's role is becoming important because it can reduce the constraints of communication between the company and the community, find good solutions to the problems integratively and comprehensively, and think of new ideas. Thus it is expected that synergy can occur since it can be mutually beneficial for companies, communities, government and universities. Synergy can occur because the company has high resources both in terms of finance, management, or market, whereas the college has Human Resources from a variety of disciplines.

The community and government will be motivated and enthusiastic to open new businesses in the productive sectors due to the integration of implementing the CSR policies optimally. In the modern, reform era, and the age of information, universities have an important role as a mediator of all parties involved to increase the participation of the communities in the entrepreneurial development through CSR programs. To combat the educated unemployment, CSR community is needed to hold a closer relationship for all stakeholders. Communities can come from various backgrounds: companies, intellectuals/experts/scientists, workers, the unemployed and the government officials so on.

There are many positive things to do and to synergize with the the optimal implementation of CSR such as combatting educated unemployment and leading them to be entrepreneurs. To carry out these things, the presence of mediators is required. They are expected to bridge and deliver a variety of information about companies involved in the CSR programs with the achievements, companies planning to be involved, companies that do not want to get involved, and the communities and the unemployed who are willing to follow the program. Complete and clear information about funds and implementation of CSR is crucial for all parties involved. Universities have the role to motivate and guide the CSR participants and the government can monitor their activities. All kinds of information related to CSR and the development of entrepreneurship are compiled and arranged by mediators through an information system.

5. Conclusion

Universities have a strategic role to improve the effectiveness and efficiency of the implementation of CSR for the development of entrepreneurship. They can be the initiator, mediator, motivator and evaluator. Their involvement will be able to encourage the participation of all parties. The companies providing the funds for the CSR program will be satisfied when their financial supports are optimally utilized by the communities. The condition will result in both a positive image and a harmony. The communities are supposed be able to utilize the funds of CSR if they have a good, clear concept and purpose of their programs. They should not be afraid of failures. Through CSR the local governments have their pattern of policy implementation to develop the economy of the communities which will have a high multiplier for the economic, social, legal, and political development.

Universities should be more willing to take more initiative to enhance the role, to encourage all parties involed in the development of entrepreneurship and to find proper solutions faced by all parties in the implementation of CSR programs so that the participation of all parties is improved and the contribution of the potential is significantly increased leading to the creation of synergy.

The involvement of universities can be started from the planning to the implementation of the program. Assistance and guidance to new entrepreneurs to expand themselves and to be independent must be carried out regularly. If up to the present moment their position is still outside "ring", their role has not been maximally optimized. Besides the establishment of a center of information system of CSR for the entrepreneurship database management is truly urgent to map the potential, constraints and solutions. If the system has been available and easily accessed, finding

the constructive, comprehensive and holistic solutions for some problems in the implementation of entrepreneurship development is not complicated. Through the database management system of CSR, a two-way communication and access among the companies, communities, and governments is getting better and is expected to increase and better the participation in the development of entrepreneurship through the CSR program.

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