

# Corporate Social Responsibility: Grasping Legitimacy, Reaching Sustainability

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## ABSTRACT

Corporate social responsibility is an action that can be done by the company to prevent and reduce social and environmental impacts that occur due to the company's production activities. The social and environmental impacts resulting from the company's production activities certainly become things that must be considered more by the company in order to achieve a company's sustainability. This research is a qualitative interpretive study using the approach method used to express meaning, which is to describe and explain how actors understand the implementation of corporate social responsibility in the context of grasping legitimacy and achieving sustainability. The site of this research is PR Bintang Sayap Insan, selected informants are individuals who are directly involved, understand, and can provide information about the implementation of Corporate Social Responsibility at PR Bintang Wings Insan Malang. The research data collection was obtained through the results of documentation, interviews and observations. The results of this study indicate that by implementing corporate social responsibility programs that have been run by the company, the company can maintain its sustainability. This is evidenced from the complaints of the people who used to be high, after the implementation of corporate social responsibility programs, these complaints decreased from time to time. The decreasing complaints from the public and the people's acceptance of the existence of the company means that the company has gained legitimacy from the community. The company can operate without being preoccupied with complaints from stakeholders so as to achieve an increase in profits from year to year. This increase in profits from year to year proves that the company can maintain its sustainability.

**Keywords:** *Corporate Social Responsibility, Legitimacy, Sustainability*

## 1. INTRODUCTION

Corporate Social Responsibility or social responsibility is important for companies because corporate social responsibility plays a role that can prevent and minimize social and environmental impacts around the company. In addition, corporate social responsibility activities carried out by the company are an act of the company as a sense of responsibility for the surrounding environment. Corporate social responsibility activities are also carried out by the company to prevent complaints from the public so that the company can continue to operate around them. It is closely related to corporate social responsibility activities and company sustainability, namely corporate social responsibility as a tool for companies to achieve sustainability.

Corporate social responsibility is an action taken by a company as a sense of corporate responsibility towards

the surrounding environment, such as improving the welfare of the surrounding community, protecting the surrounding environment, building public facilities for the general public and for the community around the company in particular [1]. Corporate social responsibility is also about the good relationship between the company and the community, the company's participation in community activities, and vice versa, namely the community's participation in company activities. Soerjono Soekanto states that corporate social responsibility in Indonesia can be said as mutual cooperation because generally in corporate social responsibility activities companies tend to involve the community, where the company and the community work together to protect the environment around the company [2].

Corporate Social Responsibility should be more than just philanthropy or corporate donations. If in conducting

philanthropic activities a certain amount of money is donated, then a social activity carried out by the company has no more responsibility, while CSR must have a commitment and responsibility as evidenced by direct involvement in the continuity of each activity carried out, the results will have a good long-term impact for the company's sustainability [3].

There are three main reasons for different perceptions for business actors why they have the perception of refusing to implement this CSR [4]. First, CSR practices in the world are generally voluntary in nature, so it would be very strange if they were enforced in Indonesia as stated in the law. Second, the view that CSR is an obligation that will burden the company in terms of reducing the company's profit for shareholders. Third, it can disrupt the investment climate in the country, which can result in foreign investors leaving to other countries. In general, everyone has a different view of CSR, which means that the understanding that is built by someone depends on the meaning of CSR. Each person's perception can have a positive or negative impact. The government gives an obligation to its implementation, but there are still many business actors who do not understand the concept of long-term economic sustainability.

Legitimacy theory has a very close relationship with corporate social responsibility, because this theory explains the social contract that occurs between the community and the company. If the community feels that a company is violating its contract, it can be said that the survival of the company will be threatened. And if the community is dissatisfied with the organization's operations, the community can revoke the social contract in the company's operations [5]. Legitimacy theory is also defined as something that companies want and seek from the community [6]. Along with corporate social responsibility and legitimacy theory, stakeholder theory is a theory that says that a company does not always become an institution that is racing on its own interests, but to benefit parties who are influential and influenced by the company.

The company's real concern for its environment can be demonstrated by its corporate social responsibility program. Currently, the company's corporate social responsibility programs are increasingly diverse, such as health, environment, education, economy, and socio-culture. More and more companies are competing to win the hearts of the public with more innovative corporate social responsibility programs, this is of course encouraging, especially if this corporate social responsibility activity is interpreted as an environmental and corporate sustainability [5]. Sustainability or it is called going *corncen* in this conceptual framework is

something that companies must pay attention to, because going *corncen* is an assumption that a company was founded not for a short time but for the long term. Thus, the assumption of going *corncen* also has a close relationship with corporate social responsibility, namely going *corncen* is the goal of doing corporate social responsibility. Previous research on interpreting corporate social responsibility, conducted by Sulis Rochayatun, resulted in research that the process of understanding and implementing corporate social responsibility at PT. Tirta Investama continues to grow and currently the direction is towards sustainability [6].

Bintang Sayap Insan Cigarette Company is a company engaged in the cigarette industry that has been established since 1976 and has carried out a small-scale corporate social responsibility program at the beginning of the year. These programs continue to be carried out routinely by the company to this day. The corporate social responsibility program that continues to be consistently implemented and can minimize community complication from time to time so that PR Bintang Sayap Intan can maintain its existence in the business world is an interesting matter to be studied more deeply. This is what makes researchers interested in conducting research on how the implementation of corporate social responsibility in PR Bintang Sayap to gain legitimacy from the community so that it can realize the company's sustainability.

## **2. THEORETICAL FRAMEWORK**

### ***2.1. Corporate Social Responsibility***

The World Business Council on Sustainable Development defines corporate social responsibility as a company commitment to behave ethically and participate in sustainable economic development, by advancing the quality of life of employees and their families, local groups, and the wider community. Chambers defines corporate social responsibility as a corporate social activity which includes the environment, which is more than what the government has required [7]. Meanwhile, Hendrik Budi defines corporate social responsibility as an action taken by a company as a sense of corporate responsibility towards the surrounding environment [1].

Corporate social responsibility in Indonesia can also be said to be mutual cooperation, because generally, in corporate social responsibility activities companies tend to involve the community, where the company and the community work together to protect the environment around the company. Corporate social responsibility can also be used as a tool to prevent and reduce conflicts that may occur due to community complaints [2]. According to Wibisono, there are three important reasons why

companies must be accountable, namely: (1) Companies are part of society, so companies should pay attention to the wishes of the community. (2) Companies and communities need to have mutually beneficial interactions. (3) Corporate social responsibility is a tool to resolve or avoid social conflicts.

## **2.2. Legitimacy, Stakeholders Theory, and Conceptual Framework of Accounting**

Legitimacy theory is a theory that explains an organization's social contract with the community, the survival of a company will be threatened if the community feels the company has violated its social contract [8]. The theory of legitimacy is based on a social contract that exists between the company and the community around the company that is active and uses economic resources. Legitimacy theory is also defined as something that companies want and seek from the community [6]. In the theory of legitimacy, it is explained that in order to get legitimacy from the surrounding community, companies must disclose their social responsibilities. Undesirable things can be prevented by legitimacy, besides that legitimacy can also increase company value. This theory suggests that companies are involved in sustainability reporting to seek legitimacy and are of strategic importance to the company [9]. Dowling and Pfeffer state that legitimacy theory is very useful in analyzing organizational behavior, because legitimacy is an important thing for organizations, the boundaries that are emphasized by social norms and values and reactions to these boundaries. encouraging the importance of analyzing organizational behavior with environmental considerations.

According to stakeholder theory, the application of companies in society is directly related to stakeholder thinking which suggests that management concerns should be extended to a much wider spectrum to all their constituents [10], [11]. . This theory suggests that CS disclosure can be interpreted as a mechanism to ensure commitment to social contracts [12], [13]. The resource-based view emphasizes that an effective corporate strategy is able to build resources and capabilities that generate commitment and loyalty, thus the resource base can be well applied for the sustainable development of the company [14]. Chariri Anis explains the concept of a social contract that is to ensure the survival and needs of the community, social contracts are based on two things, namely: the final result (output) that can be socially provided to the wider community and the distribution of economic, social or economic benefits. politics to the group according to the power they have. Social responsibility is the company's social responsibility

towards society and the environment, as a direct or indirect result of the company's existence [15]

In accounting, to present financial reports, a standard is needed as a guide for preparing financial reports. IASB (International Accounting standard board) has established a conceptual framework adapted from IFRS (International Financial Reporting Standard). The conceptual framework is a system that contains the objectives and basic concepts that underlie financial reporting. IFRS has defined the nature, functions and limits in which financial accounting and financial reporting operates. This conceptual framework determines the concepts that underlie financial reporting [16]. In the accounting conceptual framework, there are two assumptions that underlie the preparation and reporting of financial statements, namely: (1) Accrual Basis, which is an assumption that explains that all transactions that occur and result in changes in financial statements must be recorded at the time the transactions occur. (2) Going concern or survival is the assumption that the company is not established for a short time, but for a long time.

## **2.3. Corporate Sustainability**

Sustainability was introduced in the context of sustainable development defined by United Nations 1987 as "sustainable development is a development that meets the needs of the present without compromising the abilities of future generation to meet their own needs" [17]. The Bruntland Report in Anitya Ardiyani states that the definition of sustainability can be understood from the definition of sustainable development, namely development that can ensure current needs without sacrificing the ability of future generations to meet their needs [18]. The most important thing in sustainable development is how we understand and make wise use of existing environmental resources so as not to exhaust the supply of environmental resources for future generations. The thing that must be considered in understanding sustainability is understanding the relationship between various aspects of the environment. Corporate Sustainability is currently believed to be a business and investment strategy that seeks to achieve best business practices in fulfilling and balancing the needs of stakeholders with the future.

Several studies related to corporate sustainability use theories such as institutional theory, agency, legitimacy, stakeholders, and social contracts [19][21]. Corporate sustainability (CS) researchers using institutional theory state that this theory is useful in explaining the institutional processes surrounding the emergence and growth of CS as well as the level and quality of CS and the practices associated with it [22]. According to agency theory, CS can be used as a maintenance strategy

by managers [23]. Managers provide sustainability disclosure to reduce agency costs, minimize tight internal monitoring, and are useful for providing sustainability disclosure in capital markets [24].

According to Haris in Anitya Ardiyani said that there are three aspects of understanding in the concept of sustainability, namely: (1) Economic sustainability. Economic sustainability is a development capability that produces goods and services in a sustainable manner to maintain government sustainability and prevent sectoral imbalances that can disrupt agricultural and industrial production. (2) Environmental sustainability. The sustainability in question is the sustainability of environmental preservation that is able to keep resources stable, prevent exploitation of natural resources and their absorption function. This aspect also includes maintaining biodiversity, air balance and other ecosystem functions that are not included in the share of economic resources. (3) Social sustainability. Social sustainability is the sustainability of a system that can meet equality, prepare social services as well as health, education, and so on.

### **3. RESEARCH METHOD**

This research is a type of qualitative research that describes a real picture of the phenomena that occur in the implementation of corporate social responsibility at PR Bintang Sayap Malang. Qualitative research is intended to understand the phenomenon of what research subjects experience such as behavior, perception, motivation, action, etc. holistically and by means of descriptions in the form of words and language in a special natural context by utilizing various scientific methods [25]. The paradigm used is the interpretive paradigm which aims to obtain a subjective understanding "as is" of an ongoing process. The approach method used to express meaning is phenomenology, namely to describe and explain how actors understand the implementation of corporate social responsibility in the context of achieving legitimacy and maintaining sustainability. Creswell defines phenomenology as a study that describes the object of a concept or a phenomenon [26].

This research site is PR Bintang Sayap Insan, Malang Regency. The object analyzed is the understanding of the parties involved regarding the implementation of corporate social responsibility in achieving legitimacy and maintaining the sustainability of the company. The selected informants are individuals who are directly involved, understand, and can provide information about the implementation of Corporate Social Responsibility at PR Bintang Sayap Insan Malang. The informants in this study were: financial managers, treasurers, heads of

production, community around PR. Bintang Sayap Insan. The data collection method used was interviews with subjects conducted for 4 months. Interviews were conducted in an unstructured and informal manner in a variety of situations. Documentation is used to reveal the social reality that occurs in a document.

The technique used by researchers for the quality or credibility of the data is triangulation. Triangulation to check the confidence of the research findings that the quality data obtained. In this study, ensure that the research subject is not with the approval or planning of any party, including other informants, so that the researcher will ask different questions about their respective responsibilities in the company and repeat important statements to the informants and then compare them with the theory, documentation of other evidence and previous research [26].

## **4. RESULT**

### ***4.1. Corporate Social Responsibility at PR. Bintang Sayap Insan (PR BSI)***

PR BSI has carried out corporate social responsibility, since its establishment in 1976. Although the social responsibility carried out is still on a small scale, the social responsibility carried out by the company at that time was in the form of donations for orphans and the underprivileged surrounding community. The company interprets corporate social responsibility as a sense of corporate responsibility towards the surrounding communities affected by their operations. PR BSI always strives to minimize the impact they have caused by looking for the origin of the causes and then finding a solution. Minimizing the impact and finding the causes of problems and then providing solutions is a process of gaining legitimacy or recognition from the community.

PR BSI is aware that it is not only financial performance that is used as a reference for the success of a company, but also that the establishment of a good relationship with the community is also important. Mr. Didik as the financial manager considers corporate social responsibility as the company's responsibility. Meanwhile, Mr. Basori as the head of production defines corporate social responsibility as the company's gratitude to the surrounding community because the company has been allowed to continue operating around them. The company continues to try to make people feel benefited by the establishment of PR. BSI is around them, so it is not only the company that benefits because

it continues to grow, but the community also feels that it benefits.

This is in line with the legitimacy theory which explains that in order to get legitimacy from the surrounding community, companies must disclose their social responsibilities. Undesirable things can be prevented by legitimacy, besides that legitimacy can also increase company value. In the theory of legitimacy, it is explained that the organization does not only burden the rights of investors but also focuses on public rights. Currently, there are 5 (five) programs routinely carried out by PR. BSI, namely: waste management program, community empowerment program, road maintenance program, construction of public facilities, and donation programs.

#### *4.1.1. Waste Management Program*

##### *4.1.1.1. Air Waste Treatment Program*

The smell of tobacco caused by each cigarette company is the biggest impact that occurs due to the existence of cigarette companies. Currently, what tobacco companies can do with the smell of tobacco is to try to reduce the smell of tobacco and sterilize the smell of tobacco so that it is safe when inhaled by the surrounding community. What BSI has done to deal with the smell of tobacco is by installing an air purifier, which is the type of Air Purifier they have been using since early 2000. People nowadays no longer have to worry about the smell of cigarettes because the company has guaranteed that the smell is sterile and clean. On the other hand, the surrounding community and BSI employees themselves are accustomed to the smell of tobacco and are not bothered by the smell of tobacco. The public's annoyance with the smell of tobacco has disappeared from time to time, this is evidenced by the absence of complaints from the public such as from previous years when the company had not used tobacco odor sterilizers.

This acceptance and trust from the community is what the company wants from the surrounding community, this is as explained in the legitimacy theory that between the company and the community there is a social contract, where to get recognition from the community, the company must disclose its social responsibility so that the company can continue to operate around it. society and can maintain the going concern. One of the aspects of sustainability is environmental sustainability, environmental sustainability that is meant here is the sustainability of the company to continue to protect and maintain the surrounding environment so that it remains stable and balanced. Reducing and minimizing the impact of the smell of tobacco caused by production activities is also an effort that the company continues to

make for a sustainable environment around the company so that the air and other functions are not disturbed.

##### *4.1.1.2. Noise Waste Management Program*

The noise that occurs due to the engine sound that is too loud is enough to disturb the public. But that hasn't been since 2004 as the company has invented machines that sound less loud. Currently, the engine sound can only be heard at least about 10 meters. So that the sound of the engine in the residents' village is no longer heard. This noise management program is considered important by the company because the loud noise caused by the engine disturbs the public. By procuring a new machine whose voice was not loud enough to be heard in residential areas, it is the responsibility of the company to reduce noise. This is in line with the legitimacy theory that companies must also pay attention to public rights and not only burden the rights of investors. This responsibility is carried out by the company so that the community remains peaceful and at ease, so that the company can continue to carry out its production activities.

##### *4.1.1.3. Cardboard Waste Management Program*

Cardboard waste obtained from goods (etiquette) is quite a lot every day. BSI does not recycle the paper, it just sells it to recyclers so that even this paper waste has also been resolved. Selling leftover cartons from production is a good practice when the company itself cannot recycle the cartons. This routine sale is carried out by the company once a week and usually on Fridays. The proper handling of cardboard waste has made people no longer have to worry about the pile of cartons that is mounting every week, because on Friday afternoon it will be picked up by the carton contractor. Making the community not disturbed is the most concern for the company so that the company can continue to maintain its sustainability.

#### *4.1.2 Community Empowerment Program*

The Community Empowerment Program carried out by PR BSI is to recruit company employees from the community around the company itself. Recruitment of employees from the surrounding community is one way to reduce or prevent conflicts between the company and the community. The program for empowering the surrounding community or employment is also one of the most important programs in PR BSI where the main objective of this program is to improve the economy in the community around the factory. Meanwhile, the area of employment that takes precedence is the people of

Penarukan village and its surroundings, such as Bangri, Legok, and Kedung Pedaringan villages.

The program that has been carried out by the company since its inception is a form of the company's responsibility to continue to empower the surrounding community, the purpose of this program is to increase the economy of the residents around the company. People who feel happy with the recruitment of employees around the factory make the community pay more attention to the responsibilities that the company has carried out, so that the company's production activities and employment for the surrounding community can go hand in hand. In this program, the company benefits from getting employees and support from the community, and the community benefits from the employment opportunities. This is in line with the stakeholder theory which states that the company's survival is determined by the support of its stakeholders. One of the stakeholders who is no less important than the company's investors and suppliers is the community around which the company operates.

#### *4.1.3. Road Maintenance Program*

One of the corporate social responsibility programs routinely carried out every year by PR. Bintang Sayap Insan is a road maintenance program. This road maintenance is carried out by the company because the company understands very well that large vehicles and carrying very heavy goods make roads quickly damaged. Good road conditions will also make product distribution smoother. Conversely, if the road is not in good condition, it will hinder the distribution of goods. Apart from hindering the distribution of goods, road damage can also cause complaints from the surrounding community. So that the purpose of this road maintenance program is not only to facilitate the distribution of goods but also to prevent conflicts between the community and the company.

Road maintenance program around PR. Bintang Wing Insan is also one of the company's efforts to achieve sustainability. With the maintenance of this road, apart from facilitating the distribution of its products, it is also a program used by the company to keep going corncen because this program also functions to reduce and avoid conflicts with local residents. This is also in line with stakeholder theory where the company continues to carry out a corporate social responsibility program that benefits the surrounding community.

#### *4.1.4 Public Facility Development Program*

In addition to handling waste by the company, the company also constructs public facilities that benefit the communities around the company. These facilities

include: construction of 6 musholla (a praying room for Muslims) since its inception year, construction of Madrasah Diniyah (madin) in. Jl. Probolinggo Penarukan, Kec. Kepanjen District. Malang, Karangtaruna financing. This public facility development program is not a corporate social responsibility program that is routinely carried out every year by companies due to construction and implementation of a conditional nature, as needed. As with other corporate social responsibility programs, the construction program for public facilities around the company is an effort by the company to protect the needs of the surrounding community. The company's attention to public facilities is a corporate social responsibility program that is in line with the theory of legitimacy where the company must also pay attention to public rights and not only for its own interests.

#### *4.1.5 Donation Program*

This donation is a program carried out by the company but is not routine but conditional. Categorized as conditional because the nature of this donation is not fixed or has been budgeted beforehand, depending on the needs. This donation program is not only given to BSI employees or residents around the factory, but also to other parties or external parties such as victims of natural disasters, health assistance, and others. The programs in this donation include: natural disaster management, health assistance, donations for orphans and basic needs assistance for the less fortunate people around the company as well as for employees during company birthdays and during the month of Ramadan.

Although the nature of this donation program is incidental and it is not budgeted annually, the company still allocates funds when this is needed. It is hoped that with this donation program the company can win the hearts of the community to be accepted and allowed or a social contract to continue operating around them. This objective is in line with the theory of legitimacy, namely that there is a social contract between the company and the community where the survival of a company will be threatened if there are complaints from the community. So, in addition to the main objective of this donation program is to help those who are in need, the company's goal of achieving sustainability is also tucked into this donation program.

One of the sustainability aspects of the three aspects according to Haris in Anitya Ardiyani (2014) is the social sustainability aspect, social sustainability here is the company's ability to sustainably maintain and fulfill equality, prepare social services as well as health and education. With the existence of donation programs carried out by the company as part of the company's efforts to maintain and meet the needs of the

surrounding community and the general public, the company also strives to continue to provide social services in terms of social, health and education.

#### **4.2. Corporate Social Responsibility, Legitimacy and PR. BSI Sustainability**

Based on the results of field visits and interviews conducted by researchers that currently the existence of PR. BSI has been well received by the surrounding community, one of which is shown by the fewer complaints from the community from year to year. The company's profit also continues to increase from year to year, this was conveyed by BSI PR Treasurer, Mrs. Sri Sariyati. This identifies that the company continues to grow from time to time. From these indications, it proves that the company can maintain going concern and the profits it earns every year. This proves that the company's sustainability can be maintained by implementing corporate social responsibility programs that have been carried out by the company so far.

Economic sustainability is one aspect of sustainability, this economic sustainability is that companies can maintain development capabilities that produce goods and services in a sustainable manner to maintain government sustainability and prevent sectoral imbalances that can disrupt agricultural and industrial production. The company's profits are increasing every year as well as the company's ability to maintain its sustainability, are the company's efforts to maintain economic sustainability so that inequality does not occur and disrupts the company's production activities.

Aware of its production activities that disturb the surrounding community, PR BSI likens corporate social responsibility to a tool, a tool that is very important for companies to do. Where this tool serves to reduce and prevent conflicts between companies and communities. The company also considers corporate social responsibility as a way for them to survive in the midst of society. Mr Didik likens sustainability to a company's way of survival, namely by holding activities that are beneficial to the community. This is none other than so that the community continues to allow the company to continue operating around them. Next Mr. Didik also explained that it is true that they do this corporate social responsibility to achieve a company sustainability.

PR BSI continues to work until now to achieve sustainability by protecting and preserving the environment, having good relations with the surrounding community, and followed by an increase in profits every year. This is summarized in the corporate social responsibility programs that have been carried out by the company so far. The corporate social responsibility programs that have been carried out by PR BSI are in line with two theories related to corporate social

responsibility, namely the theory of legitimacy and stakeholder theory, where the company continues to strive to maintain its sustainability by maintaining social contracts with the community and paying attention to public rights.

## **5. CONCLUSION, SUGGESTIONS AND LIMITATION**

### **5.1. Conclusion**

Based on the results of the research and discussion described in the previous chapter, it can be concluded that PR. Bintang Sayap Insan has been carrying out social responsibility activities since its inception in 1976, in the form of a community empowerment program and a donation program. At present, along with the advancement of company development, the corporate responsibility programs are also more varied. There are currently 5 corporate responsibility programs, namely: waste handling program, community empowerment program, road maintenance program, public facility development program, and donation program. The company continues to focus on how to handle the waste that has been caused by the company from its production activities, and always maintains good relations with the surrounding community to avoid conflicts. In this case the company continues to foster recognition from the community so that legitimacy is in the hands of the company as the key to achieving sustainability.

From the implementation of the corporate social responsibility program that has been carried out by the company, it is proven that the company can maintain the company's going concern. This can be seen from the profit that continues to grow from year to year, so this indicates that the implementation of the corporate social responsibility program carried out by the company can maintain the company's going concern or the company's sustainability.

### **5.2. Suggestions**

The implementation of corporate social responsibility in the concept of gaining legitimacy and maintaining the company's sustainability is an important thing to continue to be studied. For this reason, researchers suggest that further research is carried out on the achievement of sustainability by grasping legitimacy through Corporate Social Responsibility. And based on the results of the interpretive analysis of this study, broadly speaking, this research is not final or final, but it still opens up opportunities for review. Here are some suggestions regarding this research:

1. This research is just a small portrait that the researcher tries to put forward, about understanding the concept of the protagonist of corporate social responsibility in the concept of legitimacy to achieve sustainability.

2. This research is only able to reach deep into some informants, and does not include all related informants, so it would be nice if in the next research it is studied more deeply into all stakeholder aspects related to the implementation of corporate social responsibility, legitimacy and sustainability.

### 5.3. Limitation

This research resulted from a certain methodology where it is correct (scientifically) according to the methodological point of view concerned (methodological truth or relative truth), of course this research has limitations. This study uses an interpretive paradigm in which the author is faced with considerations of ethical values and pragmatic benefits. There are data limitations due to limited time and access to informants. This study uses informants from both internal and external companies. Extracting information in this study has not covered all relevant stakeholders.

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