

# Implementation of University Social Responsibility as a Corporate Social Responsibility Catalyst in SMEs

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**Abstract:** One of the Corporate Social Responsibility (CSR) models implemented by large companies is the development and assistance of micro, small and medium enterprises. The aim of CSR increase the economic potential of the community and supporting the sustainability of this earth through sustainable business practices. Universities should be partners of companies and community who can harmonize the needs of SMEs and CSR programs. Higher education institutions have competencies to examine the development needs of SMEs through detailed research and surveys of the needs of SMEs. The results of the research conducted can be use for companies that provide CSR so that the CSR program is on target. Therole of universities is referred as Universities Social Responsibility which will be able to become CSR catalysts for SMEs. This research was conducted using a sample of Indonesian Lasem batik craftsmen, CSR companies and university officials involved. Research will be conducted to find the right path in realizing the role of universities as catalysts for CSR in SMEs. Data analysis was conducted with qualitative methods with detailed descriptions of the role of the catalyst. The results showed that the role of higher education as a real catalyst is needed by CSR companies and SMEs communities to translate the real needs of business assistance in terms of marketing, production development, financial management, capital and business development.

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## I. INTRODUCTION

Today, companies are no longer evaluated solely on the basis of their profitability, but many modern concepts have emerged, aiming to create a conducive working environment that addresses the rapid developments in all their managerial, economic and technological aspects. Additionally, it drives far beyond 'philanthropy' -as it used to be- giving more

contribution of businesses in sustainable development, through their efforts in solving the society challenges (Vasilescu et al., 2010).

Yusoff et al. ( 2013,214) said "a major of publicly listed companies in the country have low CSR performance and disclosure practice". CSR is no longer limited to profitable companies and organizations, but rather the responsibility of non-profit organizations and educational institutions, especially higher education institutions

(HEI), both private and public sectors. Therefore some substitute CSR term by 'Organizational Social Responsibility' OSR (Vallaey, 2013).

HEI has undergone a number of reform processes aimed at addressing new challenges: globalization, sustainability, an increasingly knowledgeable society, innovation and information technology development. In addition, it also faces increasing market power pressure as part of important factors that affect the identity of universities and their organizations (Vasilescu et al., 2010)

Developments in the economic field, contributions made by SMEs vary greatly between countries and regions. Their SMEs play a key role especially in high-income countries, but it is also increasingly important for countries with low gross income by making a significant contribution to Gross Income and employment (Dalberg, 2011). They are also the main contributors to innovation in the economy carried out through collaboration with the large corporate sector and higher education institutions (HEI). When compared to large businesses, the contribution of SMEs in terms of rupiah value and output tends to be lower per company because they tend to be more labor intensive than large companies and are concentrated in the service sector. (Wymenga et al., 2011)

Universities and large companies that collaborate with SMEs need to look more critically at the services they provide to SMEs who want to internationalize. Developing more internal understanding and expertise, strengthening relationships with funding institutions, and building professional international networks and trusted business contacts can be a good starting point for action. Based on the above concept, this research develops USR and

CSR in developing the potential of SMEs in the central java of Indonesia.

## II. LITERATURE REVIEW

### Corporate Social Responsibility

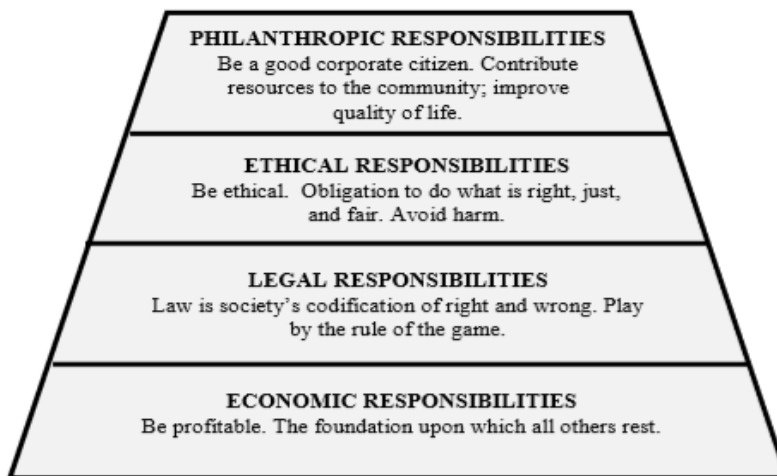
Conceptually, there are many notions about corporate social responsibility (CSR). From time to time, the nature and definition of CSR continues to undergo a process of metamorphosis. Social-environmental crisis and financial crisis factors, as well as the dynamics of the business environment and stakeholder pressure are the main triggers for the metamorphosis. The nature of CSR continues to metamorphose from responsibility that is voluntary.

(World Business Council for Sustainable Development, 2004) states that CSR is a commitment of a business to contribute to sustainable economic development, working with workers and their families, with local communities and the general community to improve the quality of their lives. In this definition, CSR includes broad elements such as concern for local communities and the general public, the environment and human rights, as well as proper treatment of workers.

A more comprehensive and standard definition of CSR is given by the International Standards for Organization (ISO-26000, 2010). In the Guidance on Social Responsibility, ISO 26000 defines CSR as the responsibility of an organization for the impacts of the decisions and activities of the organization on society and the environment, through transparency and ethical behavior. Based on these definitions, CSR can be interpreted as a continuing commitment of a business and nonbusiness organization to respond or be economically responsible for its decisions and activities towards society and the environment with

the aim of contributing to sustainable development and overcoming the social-environmental crisis. In responding to and responsible for this, an organization must be transparent and behave ethically, take into account community expectations, comply with applicable norms and regulatory rules, and be integrated in its business systems and activities.

Carroll (1991, 4) has earlier solved the problem of interference and confusion between the different Social Responsibility concepts through what is called Carroll Pyramid of Social Responsibilities, which includes four elements (levels): economic, legal, Ethical, and philanthropic Responsibilities. These elements start from the base of the pyramid and end on the top, as it is represented by the figure 1.



Source:carrol (1991)

**Fig 1: The Pyramid of Social Responsibility**

### University Social Responsibility (USR)

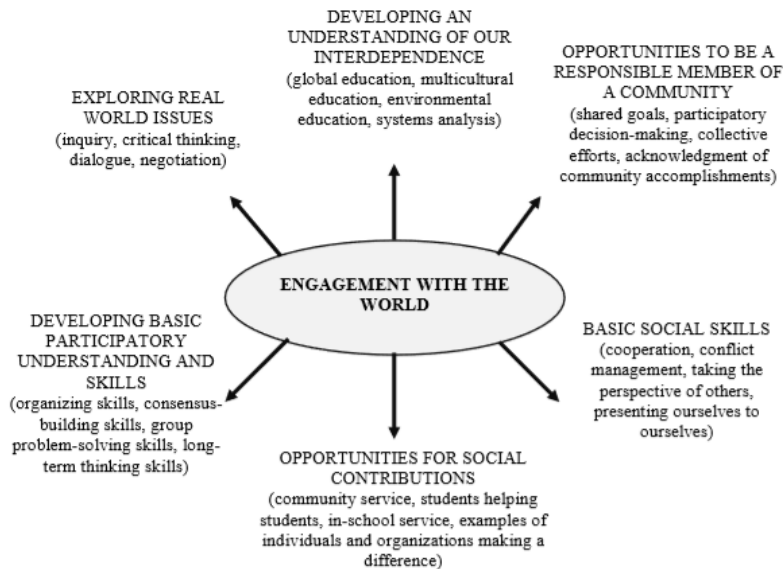
Vasilescu et al.(2010, 3) defines USR from the perspective of citizenship, as "the need to strengthen commitment to citizenship and active citizenship; it is about volunteering, about an ethical approach, developing a sense of civic citizenship by encouraging students, academic staff to provide social services to their local communities or to promote ecological, environmental commitment to local and global sustainable development. (Reiser,2008) and (Lo et al., 2017) define USR by focusing on its impact on university management. Revealing that the college's ethical policy is the performance of the university community (students, faculty, and administrative

employees) in an interactive dialogue with the community to promote sustainable human development.

Giuffré & Ratto (2014, 233) said USR is "the University's ability to disseminate and implement a set of general principles and specific values, using 4 main processes: Management, Teaching, Research and Community Service, service and knowledge transfer following ethical principles, good governance, respect for the environment, social engagement and promotion of values ". HEI's social involvement has become one of the fundamental pillars of the university. Therefore, social service is considered a core mission, which is equivalent to teaching and research (Shek et al., 2017). Berman (1990,

79) in Figure 2 presents a diagram explaining the dimension of 'educating for social responsibility', and how to educate young people for the development of social awareness, understanding social / ecological interdependence, to become an important

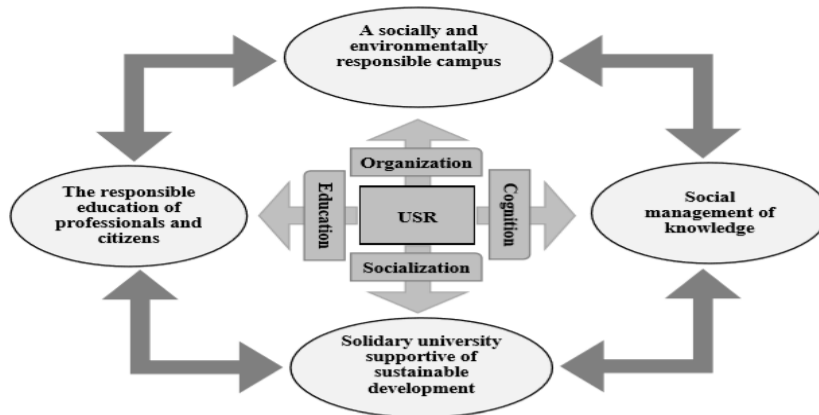
part of their society. There basic social skills and participatory understanding need to be developed; opportunities for social contributions need to be provided; and explore real-world issues that concert students need to encourage. Karene



**Fig 2: The Development of Social Consciousness**

Vallaey's (2014, 92) distinguishes the impact of tertiary institutions including (1) the impact of organizations that affect the environment and university community including students, staff and academics; (2) the impact of education relating to educating people and shaping ethics and values; (3) cognitive impacts related to building and producing knowledge, consolidating the relationship between the technological and social context of science and society; and (4) social impacts related to influencing society through encouraging progress, building social capital, and preparing students for the

real world. These four impacts allow Vallaey's to outline four areas of university social responsibility management, as shown in Figure 3. Through their primary functions (research, teaching and community service), HEI must increase their interdisciplinary focus and foster critical thinking and effective citizenship. Universities are important institutions in society that have a role in developing citizens who are able to contribute politically, socially, culturally and economically to a just and progressive society.



Source: Vallaeys (2014)

**Fig 3: Universities' Area Of Social Responsibility**

### III. RESEARCH METHOD

#### Type of Research

This research is a qualitative research that focuses on creating creative economic development models in the community associated with CSR and USR with the ultimate goal of meeting the needs of SMEs with CSR so that creative economic development can be optimized.

#### Method of collecting data

1. The interview method is conducted on (a). batik artisans in Lasem, Rembang, Central Java (b). CSR company leadership (c). Leaders of higher education especially research and community service institutions that develop higher education research strategy plans.

#### 2. Focus Group Discussion

Focus group discussions are conducted with batik lasem artisans, CSR providers, and universities involved in USR.

### IV. ANALYSIS AND RESULT

#### Application of Corporate Social Responsibility in SMEs

The application of USR as a catalyst for CSR in SMEs is carried out by universities with stages as explained by (Berman,1990) and (Vallaeys, 2014). This study applies the Berman method.

1. Exploring the real word issue, which is done by observation and focus group

discussion (FGD) on the Lasem batik community.

2. Developing and understanding the interdependency of batik craftsmen with CSR programs and the need for USR. This process is carried out with mentoring and situational analysis. CSR programs provided by private and public companies are carried out in collaboration with the local Regency Tourism Office, in this case the Rembang Regency. In order to accelerate the SMEs economic development process, CSR is carried out by forming joint business groups. CSR programs for the community are one of the obligations that must be carried out by the company as a form of responsibility towards the economic alleviation of the community. Initially the CSR program carried out only provided loan capital to develop a batik business with mild interest. They feel that the interest charged is proportional to the potential for development to be carried out. This loan can be increased in number along with the development of its business. Based on responses from focus group discussions between private and public companies and SMEs, the loans with mild interest developed into several programs that are relevant to the needs of SMEs such as a. training to improve SMEs competence b. opportunities to take part in exhibitions held by private and public company partner SMEs and their networks c. give a showroom to sell SMEs product and train the entrepreneurship of SMEs. d. get the opportunity to exchange experience and knowledge with other SMEs fostered by partner companies.

3. As explained by Vallaey (2014, 95) that social responsibility of tertiary institutions is implemented by contributing to the community, the FGD process can be evaluated for the Effectiveness of CSR Program Implementation and the placement of the role of USR

The FGD mapped the gap between the needs of SMEs and the CSR programs provided, the following gaps:

1. The interest of funded given by CSR is cheap and tiered in accordance with the ability of SMEs to pay, but its ts has not yet fully touched the needs of SMEs in terms of the number and target of SMEs provided.
2. the training provided by CSR does not always answer the problems faced by SMEs and has not been sufficiently intensive the assistance provided. SMEs need more complex assistance and more time to analyze a model that suits their needs and in line with the SME business cycle
3. The opportunity to take part in the exhibition given is very helpful for SMEs in forming a network of cooperation and selling of their products. SMEs need to prepare funds, knowledge about their products, knowledge of how to market and confidence in the quality of their products.
4. business management capabilities in terms of marketing, product processing and financial management are needed even more so when the SMEs are given donations in the form of a showroom. This is very important to maintain business continuity and effectiveness in the use of showrooms. The management of this business requires continuous

assistance, and this cannot be done by CSR

### The role of University Social Responsibility

Higher education as a catalyst between CSR providers and SMEs makes efforts to assist SMEs in the form of mapping the potential of batik craftsmen and developing batik businesses in Lasem so as to form an effective CSR model for batik batik SMEs and provide intensive training needed to develop the SME business. This study found a model of university mentoring as a catalyst for CSR in UKM Jawa Tengah Java as follows:

1. USR mapped the potential business from the lasem batik craftsmen wich could be developed as a target to be accompanied continuously. This research found data on the condition of SMEs with various business problems faced from the ability to produce, market and manage finances. based on the FGD and direct observation in the field can be mapped the condition of SMEs in 3 groups (table 1)
2. Assistance is carried out in various ways including providing training in accordance with the needs of the target community (table 2)

Based on table 1, entrepreneurial potential can be seen from the intention of

entrepreneurship and the ability to make and colouring batik ( internal factor). While the potential for a supportive environment can be identified from the location of the batik residence and the whereabouts of the dervishes and the support of the service and the private sector (external factor).

Mapping internal and external entrepreneurial potential is done through the process of focus group discussion is deepened into (a). a solution to the potential of starting / starting a business, (b). the medium or developing potential of the business and (c). the mature potential of the business.

process of produce batik starts from making patterns, sticking, slamming, blocking, coloring, (if more than one color process is repeated walled and stained again, then sagged, folded (batik already made), packaging and marketing. The synergy of SME business development occurs in the form of: (a). female craftsmen performs the process of making patterns and making designs while male crafts performs coloring and finishing. (b).The location of the business has a lot of influence on the development of the business itself. (c). Support from the city government to the village, CSR companies and other agencies is needed for good craftsmen and influences the development of the business itself

**Table 1: Mapping Entrepreneurial Ability of Lasem Batik Craftsmen**

Entrepreneurial aspect	Characteristics			Maintain traditions and cultural heritage	
	Production management	Marketing and financial skill	intention to develop batik business		
SMEs has just started a	SMEs Has the ability to	Business management	financial is still	batik craftsmen are not sure the	batik craftsmen

business, they are producing a number of batik under 20 pieces /month. Become a batik worker in other entrepreneurs	make batik but the ability to paint batik is not yet fully mastered	integrated with household finance, marketing capabilities do not yet exist	batik business that was pioneered will be able to meet family life	only focused on improving living standards
SMEs produce batik between 21 and 99 pieces/month . The desire to get success in batik business is high and has optimism, this is supported by the ability to make batik better.	SMEs have the ability to produce and paint batik. and they have a small number of employees	The Financial management of the batik craftsmen has been done simply in accordance with the knowledge they have but often it is still mixed with household financial management. The goal of marketing is to take part in exhibitions facilitated by CSR companies, there are consumers who come to showrooms and taken by wholesalers. Marketing is also done through Facebook.	the desire of batik craftsmen to build and develop a business is huge, They are very open to the development of various things from the production process, financial management and business marketing.	They do not have a clear cultural mission as well as for the development of nature conservation, they still focus on developing the business
SMEs produce batik above 100 pieces / month. Generally the craftsmen in this group already have their own business at home, already have employees and will step	SMEs Have the ability to produce and paint the batik. They have quite a lot of employees and have begun to diversify the product	Financial management has been done simply with the cash register, but complete financial records are not yet possessed. The marketing goal is to take part in exhibitions facilitated by companies providing CSR, there are consumers who come to the showroom, taken by wholesalers. Marketing is also done through Facebook	The business has become the main livelihood and become an entrepreneur who is ready to expand his business to expand beyond the region, even abroad	They have begun to be oriented towards raising the environmental economy, protecting the environment and supporting the welfare of the



on business development				community
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Source: Primary data processed (2019)

Table 2 describe solidarity of universities for sustainable development of SME business activities and increasing the effectiveness of

corporate CSR is carried out with various training and mentoring for SMEs as follows:

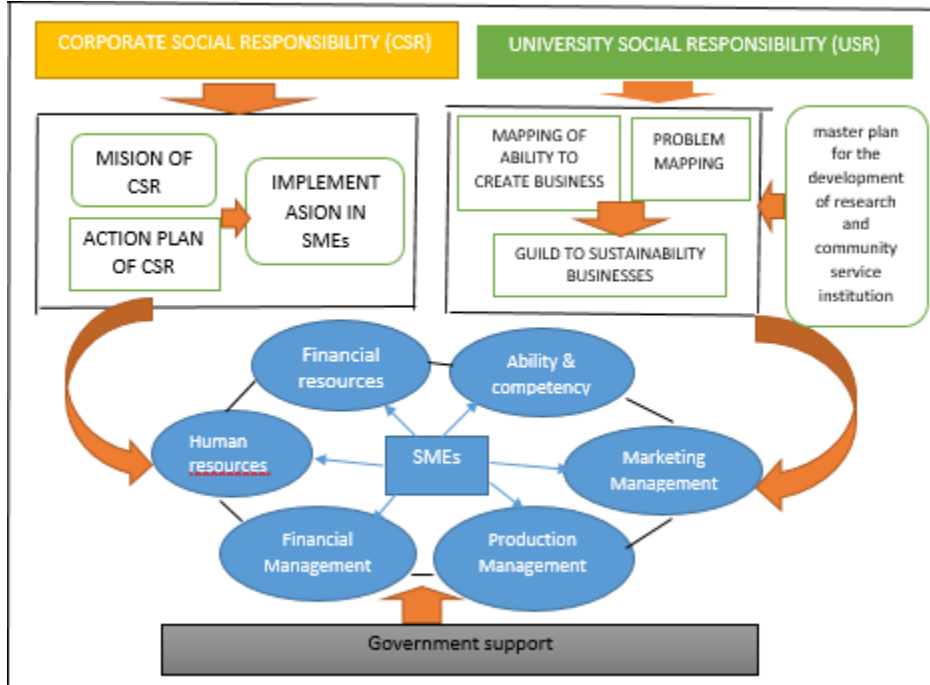
**Table 2: Solidarity of universities for sustainable development of SME business activities**

Problems faced by SMEs.	Solidarity university supportive of sustainable development			Target
	Situational analysis	Training given	Continues improvement	
Production management	the quality of production needs to be improved	Training on methods for making batik, developing innovation in creating batik and utilizing the potential of the region	transfer knowledge between SMEs and between regions	The quality of production is recognized by consumers and they made product diversification
Financial management	financial management is still incorporated into business finance and personal finance	provide financial management training, make software that facilitates the preparation of financial reporting	USR provides assistance for SME financial management assistance using software continuously	Financial independence and decision making based on financial data
Marketing management	Marketing is still traditional	technology based marketing training	USR provides assistance continuously to manage the marketing process and provide an evaluation of the implementation of marketing with various media	Consumers expand in various segments

Source: Primary data processed (2019)

Based on the application of the concept of CSR and USR to Lasem batik craftsmen and field search described in tables 1 and 2

above, this study can develop the model (Berman, 1990) and (Vallaeyes, 2014) in Figure 4 below:



Sources: Primary data processed

Fig 4: CSR and USR models for community development of SMEs

CSR and USR models in this study are a summary of research for 3 years. The first year of mapping the implementation of CSR in Lasem batik craftsmen and mapping the needs of business assistance as well as local government support for the development of the Lasem batik business. the second year of research focused on the process of applying the USR to Lasem batik craftsmen and continuous evaluation after mentoring .In the third year, the CSR and USR joint model was applied to the pilot project so that the effectiveness of the first and second year programs could be evaluated and an effective joint CSR and UCR model could be developed.

## **V. CONCLUSION AND RECOMMENDATION**

### **Conclusion**

Based on studies on batik craftsmen in Lasem, Central Java, it can be concluded that University social responsibility is the right catalyst for CSR in SMEs. The function of tertiary institutions (USR) in its 4 roles as explained by (Vallaey, 2014) can be applied very well in its role as a catalyst for USR in SMEs. USR have an impact on: (1) the environment and university community. Reset involves students in the process of observation in the field so students can understand directly the process of production, financial management and marketing that is carried out by MSMEs. (2) the impact of education relating to educating people and shaping ethics and values is applied through providing training to craftsmen in terms of processing environmentally, friendly batik businesses, natural batik colouring and processing of by-products by using patchwork into recycled products that can be sold 3). cognitive impact related to building and producing

knowledge, consolidating the relationship between the technological and social context of science and society. This impact occurs through workshops held to understand the products sold, craftsmen are given an understanding of marketing which is currently becoming a trend, such as marketing using social media and cashless payment models and (4) social impacts related to influencing

Society through encouraging progress, building social capital, and preparing students for the real world. The social impact of USR was greatly felt by batik craftsmen with a mentoring model in a joint business group that helped each other, both in terms of completing production, sales, marketing and sharing knowledge related to their business.

### **Recommendation**

CSR and USR models for community development of SMEs in this research are expected to be implemented for other SMEs in other regions and for companies that provide CSR can adopt this model to strengthen CSR programs that have been run and development CSR program in the future.

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