



The Impact of Corporate Social Responsibility to Internal Employee Motivation

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Abstract

The purpose of this research is to examine the impact of CSR on Employee Motivation internal. The existence of CSR in a company is very important both internal and external CSR because employees and the community is a part of the company which can give an affects or can be affected by an organization's actions (stakeholders, but most companies today think only of external CSR alone, and less attention to internal CSR which involves everything about employees as an important key to make company can be run well. The research for this investigation will include a survey of 100 employees as representative of state-owned water company and privately-owned water company in Indonesian who have implement CSR science for at least 2 years.

Keyword : Corporate social Responsibility, employee behaviour, motivation

BACKGROUND OF THE STUDY

Lately Science CSR has attracted the interest of many private companies and governments. Both private companies and the government has to pay more attention to the people and environment around the company. Either the public or the environment close to the company are employees of the company itself.

CSR is quite a new management idea. CSR is the obligation of businessman to pursue those policies, to make those decision or to follow those line of action which are desirable in term of the objectives and values of our society (Howard R. Bowen: 1953).

Employee as an important key of an organization need a good motivation, so that employee can work as well as possible. External motivation which is about compensation system such as competitive salary, benefits, and bonuses is not enough for maintaining and improving employee motivation. In the other hand, internal motivation which is about the interesting, excitement, and confidence of that employee to their job is more important to maintaining and improving employee motivation.



There is a positive association between CSR initiative undertaken by the company and its employee satisfaction, self-image, team work, loyalty, retention, trust, psychological need of belongingness, employee morale, and commitment (Aguilera, 2007; Strautmanis, 2008). To motivate people intrinsically is very difficult and that is a job for the management. The management have to know how they use the concept and how they define the concept.

Based on the statement above, this paper is important to discuss because this research want to prove does CSR positively impacts the employee motivation especially internal employee motivation. So, the title of this paper is The Impact of Corporate Social Responsibility to Internal Employee Motivation.

LITERATURE REVIEW

Corporate Social Responsibility

History of Corporate Social Responsibility

Corporate Social Responsibility has become the thinking of policy makers for a long time. Attention of policy makers on CSR shows that CSR have been an awareness for a long time that there is a potential for adverse impacts of a business activity.

In 1948, there was a term used in the UK to replace the term mass education (mass education), namely Community Development (Community Development). According to Hodge, the root of the emergence of community development model (Community Development) related to the disciplines of education (education). In the United States the development of society is also rooted in the discipline of education at a local level (rural extension program), while in urban they developed community organizations that comes from Social welfare science that began in 1873.

Community development is an alternative to the construction of a comprehensive and community-based which can involve both by the government, private, or by non-governmental agencies. In terms of the purpose it can be specific, not necessarily multi-purpose. Several alternative approaches have occurred in the United States associated with the development of these communities, among others: (1) approaches community, (2) problem-solving approach, (3) experimental approach, (4) the strength of conflict approach, (5) management of natural resources, and (6) environmental improvement of urban communities.

Community approach is the approach most commonly used in community development. This approach has three main features (1) a broad base of community participation, (2) focus on the needs of most members of the community, and (3) is holistic. This approach is concerned with the interests of most citizens. The advantages of this approach is the high participation of citizens and stakeholders in decision-making (planning) and implementation, as well as in the evaluation and enjoy the activities with community members.



Comdev increasingly become a necessity not only for society but also for the company. The company was no longer an independent entity and isolated, so managers are not only responsible to the owner but also to the wider interests that shape and support from the surrounding environment. In pursuit of economic objectives, the company raises many other social consequences, both benefits (safety, comfort, and prosperity for the community) and social costs (potential degradation of environmental resources, waste and pollution). Further development, this concept has Comdev significant contribution to CSR.

In 1950, the early literature that addresses the issue of CSR, CSR call the Social Responsibility (SR not CSR). No mention of the word in terms of the corporate is likely due to the influence and domination of the modern corporation has not occurred or have not been realized. According to Howard R. Bowen in his book: "Social Responsibility of the Businessman" can be considered a milestone for modern CSR. Although the title and the book Bowen gender bias (only mentioned without including businessman Businesswoman), since the publication of the book is the definition of CSR given Bowen a major impact on the CSR literature published thereafter. Given a great contribution in laying the foundation of CSR Bowen, making Bowen deserves to be called the Father of CSR..

In 1960, one of the famous scholars in the CSR it is Keith Davis. Davis is known for successfully delivering insights on the relationship between CSR with business strength. At the time of the end the word "corporate" start included. This could happen due to the contribution that Davis has shown a strong correlation between corporate social responsibility.

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In 1963, Joseph W. McGuire (1963:144) introduced the term Corporate Citizenship, which means it is a corporation must act in "good," as where citizens (citizen) is good.

In the 1970's, characterized by the development of definitions of CSR. In an article titled "Dimensions of Corporate Social Performance", S. Prakash Sethi provide an explanation for corporate behavior known as social obligation, social responsibility, and social responsiveness.

In 1971, the Committee for Economic Development (CED) published Social Responsibilities of Business Corporations. Publishing can be considered as a code of conduct that business fueled the notion that the business has a basic purpose to provide a constructive way to meet the needs and satisfaction of the public.

In 1980, was marked by efforts more directly to more precisely articulate what exactly is corporate responsibility. Although it has raised the question of CSR in 1954, professor of management theory Peter F. Drucker just started seriously discussing CSR in



1984. Drucker has gone further by providing a new idea that corporations can manage CSR activities are done in such a way that it will still be a lucrative business opportunity.

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History of Corporate Social Responsibility in Indonesia

Among the countries in Asia, CSR activities in Indonesia is still relatively low. In 2005 alone there were 27 new companies to report on the implementation of CSR activities. Indonesian Institute of Accountants Compartment Management Accountant since 2005 holding Indonesia Sustainability Reporting Award (ISRA). In general ISRA aims to promote voluntary reporting of CSR to companies in Indonesia by giving the award to the company that makes the best reporting on CSR activities. Award given category is Best Social and Environmental Report Award, Best Social Reporting Award, Best Environmental Reporting Award, and Best Website.

In the Year 2006 category awards plus a Sustainability Reports Best Award, Best Social and Environmental Report Award, Best Social Reporting Award, Best Website,



Impressive Sustainability Report Award, Progressive Social Responsibility Award, and Impressive Website Award.

In the year 2007 the category changed to eliminate the category of progressive and impressive and adds a special award in the form of Commendation for Sustainability Reporting: First Time Sustainability Report. Until 2007 the company ISRA mining, automotive and SOEs dominate participation in ISRA.

The development of CSR programs in Indonesia starting from the historical development of CSR. Development of small businesses conducted by the state since issuance of Government Regulation No. 3 Year 1983 on procedures for the development and supervision of Bureau Company (Testament), Public Corporation (Housing) and a Limited Liability Company (Limited). At that time, the cost of building a small business be expensed. With the publication of the decision of the Minister of Finance No.: 1232/KMK.013/1989 dated 11 November 1989 regarding Guidelines Weak Economy Entrepreneur Development and Cooperatives through State-Owned Enterprises, the funds are provided from the development of the allowance of the profits of 1% -5% of the profit after tax . Name of the current program known as Pegelkop Program.

In 1994, the program name was changed to the Small Business and Cooperative Development (Program PUKK) by Minister of Finance Decree.: 316/KMK.016/1994 dated June 27, 1994 on Guidelines for Business Development and Cooperatives Keciln through Utilization of Funds Profit Entity State Property. Noting perkembangann economic and community needs, small business coaching guidelines several times experiencing adjustment, through the Minister of State Owned Enterprises / Chairman Board of Trustees of State-.: Kep-216/MPBUMN/1999 dated 28 September 1999 concerning the Partnership and Community Development Enterprises , Decree of Minister of State.: Kep-236/MBU/2003 dated June 17, 2003 on state Partnership Program with the Small Business and Community Development Program, and last through the Minister of State Owned Enterprises No.: Per-05/MBU/2007 dated 27 April 2007 on SOE Partnership Program with the Small Business and Community Development Program.

Development of state-owned small businesses do not be separated from some other legislation, namely:

- Government Regulation No. 32 of 1998 on Building and Small Business Development.
 - Explanation of Article 16; financial institutions provide capital support for the establishment and development of small businesses include initial capital schemes, revolving capital, small business loans, credit programs and small business working capital loans, credit partnerships, venture capital, funds from the profit Entity State Property, factoring and other credit



- Law No. 19 Year 2003 on SOEs.
 - Article 2: One of the founding objectives is to actively join SOE provide guidance and assistance to the economically weak entrepreneurs, cooperatives, and community. Article 88 paragraph (1): SOEs to set aside part of its net income for the purposes of fostering small businesses / cooperatives and community development around the state.
- Law No. 20 Year 2008 on Micro, Small and Medium Enterprises

Definition of Corporate Social Responsibility

According to Howard R. Bowen in his book: "Social Responsibility of the Businessman" (1953) gives the initial definition of CSR as "the obligation of businessmen to pursue those policies, to the make those decision or to follow those wich line of action are desirable in terms of the objectives and values of our society. "

In 2004, Darwin gave the definition of corporate social resposibility As with a mechanism for a company to voluntarily integrate social environmental concerns into its operations and interactions with stakeholders, social responsibility beyond the law.

A year later, another definition appear on Corporate Social Responsibility (CSR) is a company's commitment to improve the welfare of the community through good business practices and contributes most of company resources (Kotler and Nancy, 2005).

In 2007, Wibisono defines Corporate Social Responsibility (CSR) as a business conducted in a transparent and open and based on moral values and uphold respect for employees, communities and the environment.

Opinions in the Suharto Friedman (2008) states that the primary goal is to gain profit corporation simply being abandoned. Instead the concept of the triple bottom line (profit, planet, people) that was initiated by John Elkington increasingly enter into mainstream business ethics (Suharto, 2008)

According to Pearce and Robinson (2007) there are ten parties have different interests and different perspectives to the company. Ten parties are referred to stockholders, creditors, employees, customers, suppliers, goverments, unions, competitors, local comunities and general public. Interests in question could claim economic and non-economic claims. Pearce and Robinson (2007) classifies social responsibility into four groups as follows

- Economist Responsibility corporate responsibility is to produce goods and services to the public at reasonable prices and provide benefits for the company.
- Legal Resposnsibility wherever the company operates will certainly not be separated from the rules and laws - laws applicable at the site, especially the



rules governing business activities. The Regulation 29 primarily related to environmental regulation and consumer protection

- Ethical Responsibility established company not only comply with and obey the laws, but also should have ethics
- Discretionary responsibility, voluntary responsibilities such as dealing with people, being good citizens, etc.

Until now there is no universal definition of CSR that is acceptable to all agencies.

There are different versions of the definitions of CSR are as follows:

- World Business Council for Sustainable Development: continuous commitment of the conduct of business to behave ethically and contribute to economic development while improving the quality of life of employees and their families and local communities and the general public.
- International Finance Corporation: Commitment world of business to contribute to sustainable economic development by working with employees, their families, local communities and society at large to improve their lives in a way - a good way for business and development
- Institute of Chartered Accountants, England and Wales: Assurance that organization-business management organization capable of providing a positive impact on society and the environment, thereby maximize value for shareholders (shareholder) they
- Canadian Government: Business activities that integrate economic activity, environmental and social into the values, culture, decision-making, strategy and operations performed secara transparent and the responsibility to create a healthy and growing community.
- European Commission: A concept whereby companies integrate social and environmental attention to their business operations and in their interaction with stakeholders (stakeholders) berdasarkan principle of volunteerism
- CSR Asia: The company's commitment to operate in a sustainable manner based on economic principles, social and economic interests while menyeimbangkan diverse stakeholder.
- Study Circle CSR Indonesia: earnest efforts of the business entities to minimize negative impacts and maximize the positive impact of its operations on all stakeholders in the economic, social, and environment in order to achieve the goal of sustainable development.

Furthermore, According to Nor Hadi (2011) CSR can be defined as a form of action that departs from company's ethical consideration which aimed to improving the economy,



which is accompanied by improving the quality of life for employees following their families, and simultaneously improved quality of life for local communities and the wider society.

From the various understanding of CSR as diverse can be concluded that CSR is an act of the company's business that are not only aimed at improving the company's financial benefit, but also for socio-economic development of the region as a whole, institutionalized and sustained.

The Benefit of Corporate Social Responsibility

According to Lako (2011:95) companies's commitments implementing CSR continuously can brings many benefits, among others :

- As a social investment that is the source of competitive advantage for company.
- Strengthen the company's financial performance.
- Increased accountability and positive appreciation of the community and investors, creditors, suppliers, consumers, governments and society.
- Increased commitment, work ethic, efficiency and productivity of employees.
- Reduced vulnerability of social unrest and resistance from the surrounding communities because it has been noticed and appreciated by the company.
- Enhanced reputation, goodwill and the value of the company in the long terms.

The Steps of Corporate Social Responsibility

There are steps that must be done when the company will undertake CSR programs, (Wibisono, 2007), there are at least four stages, including:

1).The planning stage

There are three main steps to carry out the planning stage, ie awareness building, CSR Assessment and CSR manual building. Awareness building is the first step to building awareness of the importance of CSR and management commitment, effort could be done through seminars, workshops, discussion groups, and others. CSR Assessment is an attempt to map the company and identify aspects that need priority attention and appropriate steps to build a corporate structure that is conducive to effective implementation of CSR. The next step is to make CSR manual. The results of the assessment is the basis of preparing a manual or guide the implementation of CSR. Efforts must be made by benchmarking, digging of reference or use experts. CSR Manual is at the core of planning, due to the implementation of CSR guidelines or instructions for its components. Preparation of CSR is created as a reference manual, guides and guidelines in the management of social activities undertaken by the company. These guidelines are expected to provide clarity and uniformity patterns of



thinking and follow all elements of the company to implement the program for an integrated, effective and efficient.

2). Implementation Phase

Planning as good as anything would be meaningless and will not have any impact if not implemented properly. As a result, the overall CSR objectives will not be achieved, and the public will not feel the benefits of optimal. Though the budget has been disbursed not exactly small. Therefore it is necessary to devise a plan that has been designed to run. In starting the implementation, basically there are three aspects that must be prepared, namely, who is going to run, what to do, and how mealakukan impelementation along with what tools are needed. In istlah popular management, aspects are translated into:

- Organising, or resources required
- Preparation (staffing) to place people according to the type of task or work to be done.
- Direction (directing) associated with how to act
- Supervision or control of the execution
- Execution of work according to the plan
- Assessment (Evaluating) to determine the level of achievement of objectives

This impelementation stage terdidri of three main steps, namely socialization, implementation and internalization. Socialization is necessary to introduce the component companies on various aspects related with the implementation of the guidelines khsusnya CSR CSR implementation. To be effective, these efforts need to be done by a team or a special division set up to manage the CSR program, directly under the supervision of a director or CEO. The main purpose of socialization is to be implemented CSR program had the full support of all components of the company, so in no way a serious constraint that can be experienced by the unit operator.

Implementation of the activities carried out essentially to be in line with existing CSR guidelines, based on the roadmap that has been compiled. While internalization is the long-term phase. Internalization include efforts to introduce CSR in all aspects of the company's business, such as through performance management systems, procurement procedures, production processes, marketing and other business processes. With this effort can be stated that the implementation of CSR is not just cosmetic, but has become the company's strategy, no longer an attempt to compliance but are beyond compliance.

3). Evaluation Phase

Once the program is implemented next step is an evaluation program. Evaluation stage is the stage that needs to be done consistently over time to measure the extent of the effectiveness of the implementation of CSR. Sometimes there is an impression, the



evaluation may be done if there is a failed program. Meanwhile, if the program is successful, it is not evaluated. In fact, the evaluation must still be done, both at the event succeeded or failed. Even the failure or success can only be known after the program was evaluated.

Evaluation is also not an act to find fault. The evaluation is done as a means for decision making. For example, the decision to suspend, resume, improve or develop certain aspects of the program that has been implemented.

4). Reporting

Reporting is done in order to build information systems for the purpose or purposes of the refund decision and disclosure of relevant material information regarding the company. So in addition to working for both shareholders as well as to stakeholder needs.

Internal Corporate Social Responsibility

Internal CSR activities are related to all the internal operations of the company (Brammer *et al.*, 2007)

External Corporate Social Responsibility

External CSR activities involve responsible behavior related to the company external operations related with external stakeholders such as customers, local communities, and business partners.

Internal Employee Motivation

Work Motivation is a set of energetic forces that originate both within as well as beyond an individual's being, to initiate work-related behaviour and to determine its form, direction, intensity, and duration (Latham and Pinder: 2005). The work motivation shows that an employee is intrinsically motivated in the work when that employee seeks self-expression, enjoyment, interest, personal challenge, or satisfaction of curiosity (Amabile, 1993).

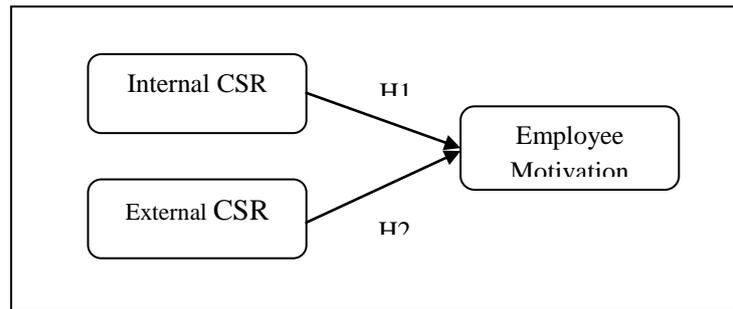
Internal motivation emphasizes that intrinsically motivated behaviors are a function of three basic psychological needs : autonomy, competence, and relatedness (Deci and Ryan, 2000)

The reasons why internal employee motivation is more important than external employee motivation, among others :

- First, internal motivation can make an employees more interest, excitement, and confidence which lead them to enhanced performance, persistence, self-esteem, and general well-being (Deci and Ryan, 2000).
- Second, internal motivation leads companies to a long-term success (James, 2004).



Conceptual Framework



Hypothesa :

Ho1 : There is no positive effect between internal CSR with internal employee motivation.

Ha1 : There is positive effect between internal CSR with internal employee motivation

Ho2 : There is no positive effect between external CSR with internal employee motivation.

Ha2 : There is positive effect between external CSR with internal employee motivation

Measurement

Variables	Indicator
Internal CSR (Employee)	• Providing equitable wage system.
	• Improving psychological climate at work.
	• Engaging in open, honest and flexible communication with employees.
	• Involving employees into decisions-making process.
	• Contributing to the personal and career development of the employees.
External CSR (Customers)	• Implementing a procedure to handle consumers' complaints.
	• Providing truthful and honest information to the consumers.
	• Avoiding false and misleading advertising or sales promotions that use deception or manipulation.
External CSR (Local Communities)	• Supporting local sport, cultural or other community activities and projects.
	• Donating money to local charities.
	• Investing in the community's development (i.e. investments in roads, schools or hospitals).
	• Involving into partnership with community-based organizations
External CSR (Business Partners)	• Engaging in fair trading transactions with suppliers.
	• Implementing complaints procedure for the suppliers.
	• Avoiding business partners that do not behave according to the law.
Internal Employee Motivation	• The more difficult the problem, the more I enjoy trying to solve it.
	• No matter what the outcome of a project, I am satisfied if my company provides truthful information to the society
	• In good psychological climate I enjoy doing work.
	• I want my work to provide me with opportunities to develop my career.
	• I am more comfortable when I am involved in decision-making process
	• I prefer to work for the company which is involved in community's development



Sample Method

The sampling method consist of state-owned water company dan privately-owned water company in Indonesian who have implement CSR science for at least 2 years.

Variable Analysis

In this study, the model hypotheses testing using multiple regression analysis. By using this analysis can be seen how a variable affects another variable.

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