

## Building the Concept of Corporate Social Responsibility Concept Based on Shari'ate Enterprise Theory

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### Abstract

Corporate Social Responsibility (CSR) is an acknowledgment of the company that their business activities have an impact on society and the environment, and the impact is used as a reference by management in business decision making (Hughes and Kapoor, 1985). This research will be aimed to reconstruct CSR concept using shari'ate enterprise theory (SET) perspective. The CSR conceptions criticized in this study are the principles of CSR. This principle will be focused on the principles that developed by International Organization for Standardization with the concept made by the institution on CSR, namely ISO 26000. The methodology used in this research is qualitative methodology based on critical paradigm, so this research try to critically examine the concept when viewed from Shari'ate enterprise theory (SET). By using Shari'ate enterprise theory, this study is expected to be able to liberate, change the principles of CSR based on ISO 26000 and seek other alternatives, namely the principles of CSR in shariah construction. Thus, it can be used to reduce the limitations of previous CSR based on ISO 26000 principles and to be able to find solutions to the social problems that are occurring within the principles of CSR base on ISO 26000. These values, including: the value of justice, the value of trust (amanah) and the value of responsibility. The result of reconstruction as the final result in this research is the principles of CSR based on ISO 26000 into CSR in shariah construction.

**Keywords:** corporate social responsibility, iso 26000, and shari'ate enterprise theory

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### INTRODUCTION\*

Corporate social responsibility in its implementation has not been able to reach all levels of society because CSR (Corporate Social Responsibility) is only intended for the purpose of certain parties only. [1] states that the company's financial statements have formally presented the form of social and environmental concerns, but in reality the financial statements have no impact on the level of sustainability and ecology empirically in the field. The destruction of the environment, the destruction of the social system as well as the alienation of individuals continues to increase with increasing reporting of companies that "he said" social and environmental concerns.

In principle ISO 26000 has provided a principle that can be used as a reference, but the principles are built not based on the aspect of Godhead where aspects of Godhead put God as the main giver and human beings as the recipient mandate that must run it based on

predetermined aspects of Godhead. So often the principle that is not built from the aspect of divinity, according to [2] in practice will be run as is. There is no sense in the execution of such social responsibility as a form of human responsibility as the recipient of trust and accountability of the trust to the main giver, namely God.

This research, researchers will examine ISO 26000 based on SET (Shari'ate Enterprise Theory). The use of SET as an analytical tool in this research because the theory is built on the rules of Islam and emphasize on the values of tauhid in Islam. The concept of Shari'ate Enterprise Theory puts Allah Subhanahu wa Ta'ala as the source of the main mandate, while the human resource is a mandate of Allah Subhanahu wa Ta'ala in which attached the rights and obligations that must be fulfilled by the human being the holder of the mandate.

Shari'ate enterprise theory is a theory developed from enterprise theory. From some discussions it is known that enterprise theory is more laden with the values of capitalism [3], [4]. However, enterprise theory needs to be developed again in order to have a form closer to the shari'ah. Development carried out this

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ultimately acquired the form of theory known as Shari'ate Enterprise Theory [4].

The spirit of shari'ate enterprise theory developed based on the metaphor of zakat, according to researchers has a spirit similar to ISO 26000. This zakat metaphor basically has a balance character. In general, the value of balance in question is a balance between masculine values and feminine values [4]. Shari'ate enterprise theory balances the egoistic (masculine) value with altruistic value (feminine), material value (masculine) with spiritual value (feminine). In Islamic Shariah, the form of balance is concretely embodied in one form of worship, namely zakat. Zakat (which is then metaphorized as "zakat metaphor") implicitly contains egoistic-altruistic, spiritual-material, and individual-jama'ah values. The consequence of this equilibrium value causes the shari'ate enterprise theory to be concerned not only with the interests of the individual (this is shareholders), but also other parties. Therefore, shari'ate enterprise theory has a great concern on broad stakeholders. According to shari'ate enterprise theory, stakeholders include God, human, and nature. God is the ultimate party and becomes the sole purpose of human life. By placing God as the ultimate stakeholder, the connecting line for shari'ah accounting is still aimed at "awakening the awareness of God" for its users to be assured. The consequence of establishing God as the highest stakeholder is the use of sunnatullah as the basis for shari'ah accounting construction. The point is that with this sunnatullah, shari'ah accounting is only built on the rules or laws of God.

The second stakeholder of shari'ate enterprise theory is human. Here it is divided into two groups, namely direct-stakeholders and indirect-stakeholders. Direct-stakeholders are those who directly contribute to the company, both in the form of financial contributions and non-financial contributions. Because they have contributed to the company, they have the right to get the welfare of the company. Meanwhile, indirect-stakeholders are parties that do not contribute to the company (financially or non-finance), but by Shariah they have the right to obtain the welfare of the company.

The last stakeholder category of shari'ate enterprise theory is natural. Nature is the party that contributes to the death-life of the company as God and human party. The company exists physically as it is founded on the earth, uses energy scattered in nature, produces by using

raw materials from nature, providing services to others by using available energy in nature, and others. However, nature does not want the welfare distribution of the company in the form of money as human beings want. The form of distribution of welfare in the form of company concern to the conservation of nature, prevention of pollution, and others.

## **MATERIAL AND METHOD**

In this study that will criticize ISO 26000 in terms of shari'ate enterprise theory, researchers see if using research in the frame of positivism then can not solve the existing problems, or may even lead to new problems [2]. So in this research the researcher will research by using qualitative research methodology. According to [5] qualitative research is a research that will later generate descriptive data in the form of written or oral word of the observed object, and supported by literature study and literature study based on deep study so that reality can be understood well. According to Muhadjir (2004) we are free to choose which method we will use in research, after seeing the tendency of the object characteristics, the value of philosophy, as well as the expected goals in the study.

With the qualitative approach chosen in this research, the researcher hopes will give more space for the researcher in describing shari'ate enterprise theory as another point of view in ISO 26000 concept. After that, by choosing the critical paradigm, the researcher will analyze by: first, explores the principles in ISO 26000 that serve as research objects. Second, explore the characteristics and values that are in shari'ate enterprise theory which is an analytical tool in this research. Third, find the characteristics and values in the shari'ate enterprise theory which is also contained in the principles of ISO 26000. Fourth, look for weaknesses of ISO 26000 principles. Fifth, incorporate the characteristics and values that exist in shari'ate enterprise theory into the weaknesses of ISO 26000 principles. Sixth, reconstructing the principles of ISO 26000 to create new ISO 26000 principles laden with Shari'ah values.

## **Data Collection**

[5] states that in the process of collecting data on qualitative research can be done by way of documentation. Documentation will be done in the literature in the form of: theories about ISO 26000, and shari'ate enterprise theory, both

written in newspapers, magazines, journal articles, and previous research relevant to the focus of this research.

Data analysis techniques in this study, the researchers describe in a scheme below:

- a) Explore, the principles of ISO-26000-based CSR by means of documentary studies on: books, magazines, newspapers, journals, articles, and previous research. Exploring SET's meanings, values and characters by means of documentary studies in: earlier books, magazines, newspapers, journals, articles and research
- b) Finding SET values and characters in an ISO 26000 based CSR
- c) Looking for the weaknesses of the principles of ISO-26000-based CSR
- d) Incorporating the values and characters owned by SET into the weaknesses of ISO-26000-based CSR principles
- e) Reconstruct the principles of CSR by framing the principles of CSR with the values and characters of the SET
- f) Conclusions The principles of CSR in Shariah construction

#### **Shari'ate Enterprise Theory As A Data Analysis Tool**

In this study, researchers will conduct a critical review of ISO 26000 viewed from the shari'ate enterprise theory. Then, the researchers reconstructed ISO 26000 by: first, incorporating the monotheism into ISO 26000 principles; second, to frame ISO 26000 principles with values and characters that exist in the concept of shari'ate enterprise theory.

Reconstruction method has also been done by Rosulullah in laying the foundation of economic law (tasyri 'iqtishadi). According to [6], reconstruction in this case means to build new economic concepts and practices that have not previously existed through the Qur'anic arguments or economic practices undertaken by the prophet. For example: about kharaj (tax on crops), fa'i (tributes obtained from opponents without war), and ghanimah (spoils of war) as one source of state income.

The analytical tools used in this study are the values and characteristics contained in the shari'ate enterprise theory, which include: the value of justice, the value of trust and the value of accountability. While the characteristics of shari'ate enterprise theory is also used as an analytical tool, namely: humanist, emancipatory, transcendental and teleological values.

## **RESULT AND DISCUSSION**

### **a. Digging CSR Concepts Using Shari'ate Enterprise Theory.**

Researchers have explained that in shari'ate enterprise theory there are three values that include: the value of trust, where this value in shari'ate enterprise theory is based on the value of monotheism. With the value of tauhid, in the implementation of the value of trust according to shari'ate enterprise theory should be implemented as a form of our sense of obedience to Allah Subhanu wa Ta'ala as Creator and Owner of everything that is in the sky, and earth. As the representative of God on earth, man can take advantage of everything that exists in the earth for the welfare of God's creatures. The value of trust in ISO-26000-based CSR is not built in the legal foundation of Allah Subhanahu wa Ta'ala, so it is mandatory in the context of ISO-26000-based CSR only as a form of mandate carried out by humans to meet existing standards. [7] states that a concept already has its own trust value, so that it will have an opportunity to be reconstructed by using shari'ate enterprise theory. To reconstruct the ISO-26000 CSR-based concept, in order for the CSR to become a framed standard within the framework of the Shari'a, we must place Allah Subhanahu wa Ta'ala as the primary provider's source.

Then the value of justice, within the scope of the business of justice containing the value of Illahiyah can be represented in the form of division of grace to all stakeholders. Grace in this sense, is not only a matter of the material (profit), but more than that grace can be interpreted as a form of information disclosure, and compliance in giving rights and performing obligations. With a fair division of mercy, is expected to provide prosperity for all stakeholders either directly or indirectly involved. In the principles of CSR, it implicitly reflects the value of justice in it. In this case the principle of justice can be seen from the principle of accountability that is in CSR. In principle it emphasizes the organization doing its activities correctly. True in this case is to ask the organization to pay attention to all its stakeholders. Stakeholders in CSR are all parties affected by the organization, whether intentional or unintentional. In this case researchers see from the CSR has had the value of justice as required in shari'ate enterprise theory. But, there is one thing that is fundamental, the CSR as a

standard, is not formed from an ideology that is based on the principle of Islam, so in practice the value of justice contained in CSR will be very much different from the fair value according to Islam. The value of justice contained in CSR and shari'ate enterprise theory, the researcher sees that the concept of justice built both is not 'blind' justice, since it still considers division according to the portion of the stakeholders and the ISO 26000-based CSR also does not close the possibility for outsiders, in this case the public to obtain the mercy distribution of the organization.

While the value of accountability, brought about by the concept of ISO-26000 based CSR and its underlying principles, has an orientation similarity with the concept of accountability in the shari'ate enterprise theory. Similarity, that is both have a view, that the resource is a mandate that must be managed for the common good. In other words, resources are a mandate that must be used to create welfare for all stakeholders either directly or indirectly. This is in accordance with the purpose of the human caliphate on earth, which is to spread mercy for all creatures (rahmatal lil 'alamin). But what distinguishes between them is in terms of source amanahnya. The value of accountability brought by the ISO-26000 CSR concept is similar to the concept of accountability in the shari'ate enterprise theory, although not entirely the same. Noteworthy in this concept is the source of the main mandate underlying the process of giving the trust that takes place in it. The concept of accountability brought by ISO 26000 is sufficient to accept. But in reality the concept of accountability has not touched the most important substance in the shari'ate enterprise theory, which is the ultimate responsibility to God as "the giver of trust," to his fellow human beings and to the natural world. Therefore the main agenda in this chapter is to reconstruct the ISO 26000 concept to conform to the concept of accountability in the shari'ate enterprise theory.

#### **b. Looking for Shari'ate Enterprise Theory Characteristics in ISO 26000**

Some characteristics of shari'ate enterprise theory, among others: humanist, emancipatory, transcendental and teleological [4], [7]. However, the researchers conclude that there are two character of the darishari'ate enterprise theory which is also owned by ISO 26000, that is humanist, and emensipatoris. While the other two characters of shari'ate enterprise theory, namely transcendental and teleological not

found, because of differences in main source of trust inherent in the concept of ISO 26000.

#### **c. Khalifatullah Fil'ardh Principle In Shari'ate Enterprise Theory**

As a step to cover the deficiencies in corporate social responsibility using ISO 26000 as the basis of its implementation, the researcher will build the corporate social responsibility concept based on ISO 26000 by using shari'ate enterprise theory. The birth of ISO 26000 as one of the standard guidelines in the implementation of corporate social responsibility, actually becomes "oasis in the desert" because its presence is expected to be the answer to the negative impact presented by the organization as a result of rampant capitalism. Capitalism is built on foundations (values) that are different from Islamic teachings. For that, by positioning itself as khalifatullah fil 'ardh, then humans are expected to make social change. Organizations originally minted with machinery and organisms need to be transformed into a metaphorically trustworthy enterprise. With the metaphor of trust is expected to build an organization full of divine values.

#### **Road to Corporate Social Responsibility in Shari'ah Construction**

##### **1. Expressing Shari'ate Enterprise Theory into ISO-26000-based CSR Principles**

The concept of shari'ate enterprise theory was born as an attempt to establish shari'ah accounting, by internalizing the values of monotheism into the concept of enterprise theory [7]. Thus it can be said that the shari'ate enterprise theory was born based on the creed of syahadatain (the value of tawheed) which acknowledged the existence of God and there is no god but Allah in it.

With the idea that humans as khalifatullah fil 'ardh, then humans have a mission to spread mercy for all beings, in this case not only humans but also nature and environment. The distribution of mercy to all beings must be carried out with full justice, trust and accountability. Thus, it is hoped that later it will bring benefits to management, owners, stakeholders, society (which does not contribute finance to the company or skill) and the natural environment without leaving Zakat as a manifestation of worship to Allah [7].

##### **2. Building ISO 26000 in Shari'ah Construction**

If we look at the principles of ISO-26000-based CSR as a whole, the researchers conclude that the seven principles have reflected the value

of justice, trust and accountability. Although with different substances. Because, these principles are built on a foundation different from Islamic values, or even completely different from Islamic values. so it can be said that the values of justice, trust and accountability in the principles of ISO-26000-based CSR have only humanist and emancipatory characteristics.

For the seven principles of ISO-26000-based CSR to have sharia character (more transcendental and teleological), the first thing to do is to incorporate the teachings of monotheism into ISO-26000 based CSR principles, by altering the main source of trust in it. Second, it frames the principles of ISO 26000-based CSR with justice, trust and accountability as embodied in the shari'ate enterprise theory. By incorporating Allah Subhanahu wa Ta'ala as the creator of the universe into the seven principles, the value of justice, trust and accountability it has will experience a shift. From the value of conventional justice to divine justice, from trust to divine trust and and partial (horizontal) accountability becomes holistic (horizontal and vertical) accountability. With this tool, management is no longer only responsible for all material acts (increasing the welfare of the principals and owners) only to fellow human beings (principals, shareholders), but also to the Creator and the environment [4].

#### **Corporate Social Responsibility In Shari'ah Construction**

Reconstruction of ISO-26000-based CSR into CSR in sharia construction is done by referring to reconstruction approach ever conducted by [3] in giving birth to Islamic accounting theory.

This approach is called the reconstruction approach. The reconstruction conducted by [3] is done in several ways, namely: first, using a concept or theory that is not contradictory to Islamic Shari'a. Second, discard, reject and eliminate any concepts of capitalist accounting or norms that are contrary to Islamic norms. Third, analyze and redefine the concepts that are categorized as still vague between the theory of capitalist accounting or Islamic accounting theory. Fourth, formulate a new concept that is incorporated into Islamic accounting theory if it does not exist.

The reconstruction of ISO-26000-based CSR into CSR in sharia construction is done by referring to the reconstruction approach done by [3] in giving birth to Islamic accounting theory. In doing the reconstruction, the first thing we must

do is to internalize the teachings of monotheism into the principles of CSR ISO 26000 version, by changing the basic source of trust in it. Second, it frames the principles of ISO-26000-based CSR with justice, trust and accountability in the shari'ate enterprise theory.

Here are the results of CSR principles in sharia construction: first, the principle of accountability. Second, the principle of transparency. Third, the principle of ethical behavior. Fourth, the principle of respecting the interests of stakeholders. Fifth, compliance with the law. Keenam, respect for the norms of international behavior. Seventh, respect for human rights.

#### **CONCLUSION**

After analyzing the principles of ISO 26000-based CSR, it can be concluded that the principles of ISO-26000-based CSR as a whole reflect the values of justice, trust and accountability. In addition, it has also reflected humanist and emancipatory character. The value of justice, trust and accountability in the five principles of ISO-26000-based CSR are already in much touch with justice, trust and accountability, as amended in the shari'ate enterprise theory. Of course with a different substance. Because, these principles are built upon values that are different from Islamic values or even totally different from Islamic values.

For the seven principles to be more Shari'ah, the first thing we must do is to incorporate the teachings of monotheism into these principles by changing the foundation of the main source of trust in it. By entering the main source of trust is Allah as the creator of the universe in the seven principles, then the value of justice, trust and accountability in the seven principles above will experience a shift. From the value of conventional justice to divine justice, from trust to divine trust and and partial (horizontal) accountability becomes holistic (horizontal and vertical) accountability. Thus, management is no longer only responsible for all material actions (in order to improve the welfare of the principals and shareholders) only to fellow human beings (principals, shareholders) but also to the creator and the natural environment.

CSR is the impact of its decisions and activities in the environment and society, through transparent and ethical behavior that contribute to sustainable development, health and welfare. In accordance with its function, namely as khalifatullah fil 'ardh duty to spread

the mercy for the whole of nature, then in running the company, management is expected to use existing resources to benefit together fairly in accordance with its internal potential. In addition, it is expected to be able to run the organization with full mandate in accordance with the desired by the creator.

With this research, it is expected that the company no longer centralize the distribution of sustenance only to the owners and stakeholders who have contributed directly (wealth and skill) and not directly to the company, but also to focus the distribution of the sustenance to the surrounding community, such as the poor , orphans, ibn sabil and others (see QS An-Nuur verse 56, Al-Baqarah verse 215 and Al-Baqarah verse 273). So that the welfare mandated by God can be achieved.

In order for this research to be worthy of reference for the development of further Islamic accounting research, the results of this study need to be tested and further criticized by others, either in the level of their basic assumptions or within the framework of the argument that is built for in an accurate conclusion.

In addition, researchers are still very aware, that with the limited ability and understanding of the author, sources of literature and time, the principles of CSR that bersyari'ah formulated in this study still can not be said as the final result. Still need a multi dimensional assessment and a review of the sources of Islamic Shari'ah more deeply. The journey is still long to really come to the concept form of the principles of CSR with the actual shari'a character. Therefore, in this work is expected to provide new discourse for similar research to develop theoretical concepts of CSR which is really in accordance with the Shari'ah both in theoretical level and in practical level.

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