

Corporate Social Responsibility and Sustainability Balance Scorecard: A Case Study

Aliffianti Safiria Ayu Ditta

Faculty of Economic and Business Universitas PGRI Madiun
Doctoral Student Faculty of Economic and Business Universitas Sebelas Maret
aliffiantiditta@student.uns.ac.id

ABSTRACT

The covid-19 pandemic that affects almost all business sectors also threatens the sustainability of several business sectors, one of which is shopping centers. This study looked at the performance assessment of companies that perform corporate social responsibility (CSR) using the concept of Sustainability Balance Scorecard. This study used a case study method at one of the shopping centers in Madiun City. The results of this study show CSR has become a corporate strategy even though the company is hit by strong financial pressures and the implementation of CSR is able to improve performance both from the perspective of customers, finance, internal business and learning and growth except during the covid-19 pandemic which did have an impact on the decline in overall company performance.

Keywords: *Corporate Social Responsibility, Sustainability Balanced Score Card, Corporate Performance*

ABSTRAK

Pandemi covid-19 yang berdampak pada hampir seluruh sektor bisnis turut mengancam keberlanjutan beberapa sektor usaha salah satunya adalah pusat perbelanjaan. Penelitian ini melihat penilaian kinerja perusahaan yang melakukan tanggung jawab sosial perusahaan (*corporate social responsibility/CSR*) menggunakan konsep *Sustainability Balance Scorecard*. Penelitian ini menggunakan metode studi kasus pada salah satu pusat perbelanjaan di Kota Madiun. Hasil penelitian ini menunjukkan CSR telah menjadi strategi perusahaan meskipun perusahaan dilanda tekanan keuangan yang kuat dan penerapan CSR mampu meningkatkan kinerja baik dari perspektif pelanggan, keuangan, bisnis internal serta pembelajaran dan pertumbuhan kecuali pada masa pandemi covid-19 yang memang berdampak pada penurunan kinerja perusahaan secara keseluruhan.

Kata Kunci: *Tanggung Jawab Sosial Perusahaan, Sustainability Balanced Scorecard, Kinerja Perusahaan*

INTRODUCTION

Pandemic covid-19 has hit the world in early 2020 has attacked all sectors, not only health but all the joints of the country's economy. The policy of restricting community activities causes serious

financial problems to various business sectors including retail businesses (Mao, et al, 2020). Pandemic is a situation where the disease outbreak occurs simultaneously which covers the geographical area that hits almost all regions of the world and has an impact on various aspects of life (Qiu et al., 2021) The most felt impact is the freefall of people's purchasing power due to the many numbers of job cuts which of course this directly affects outlets and shopping centers that contain many stands as happened in the retail sector of Shopping Center "X" in City of Madiun. Businesses both micro-scale and large scale are affected by the policy of limiting community activities to suppress *the* spread of covid-19 and protect stakeholders such as employees, customers and the community despite the company's very strong financial pressures (Wen, J, et al, 2020).

The concept of corporate social responsibility (CSR) is present to improve and maintain long-term financial and corporate performance (He & Harris, 2020). CSR activities involve investing to improve social harmony with or without direct benefits to a company's financial well-being. On the other hand, the benefits of CSR are considered to improve the company's image so that it can maintain relationships with stakeholders despite facing the impact of a pandemic that cannot be said to be mild, although when viewed from slack resources theory CSR activities can incur large additional costs that can interfere with financial performance especially in companies under very strong financial pressures (Lee, et al, 2013).

In the Covid-19 era, the safety and well-being of customers is very important. The CSR component becomes very important considering changes in people's daily routines, therefore, consumer protection such as hygiene, services that require contactless and the availability of health facilities are a concern of investors (Qiu et al., 2021). In short, CSR has a significant influence on a company's financial performance through customer perception. Maintaining the implementation of CSR during the pandemic can attract tremendous public attention to the company in hopes of improving the company's image and influencing investor decisions especially for retail companies such as the "X" Shopping Center in Madiun City (Okafor et al., 2021). Pandemic covid-19 increases people's expectations of CSR provided by the company, although the company is certainly experiencing very strong financial pressures, but this is where the company's CSR policy strategy is tested and companies that develop in the pandemic to post-pandemic period are companies that have commitment and effective CSR strategies (Jiang & Wen, 2020). CSR is a complex term defined as a company's active and voluntary contribution to environmental, social and economic improvement.

This "X" shopping center uses key performance indicators to measure employee performance. The company's employees are assessed for performance every three months. Key Performance Indicators in this company only measure employee performance, but do not measure from another perspective. The concept of Balance Score Card (BSC) is a measuring tool that is often used by management to measure their performance (Kaplan & Norton, 2001). To accommodate the interests of companies that begin to concentrate on CSR because it is considered able to include environmental and social elements as a sustainability strategy, the Sustainability Balance Score Card (SBSC) is proposed to accommodate it. Corporate sustainability in pandemic times indicates one of the company's ability to survive and maintain its business in difficult and stressful times. CSR will be included as an evaluation of the company's business performance and with SBSC the company is not only helped to detect environmental and social aspects but also improve the process of implementing the sustainability strategy of Madiun City Shopping Center "X" especially facing pandemic pressures as it is today.

THEORETICAL FRAMEWORK AND HYPOTHESES

1. Regulations on Social and Environmental Responsibility

1.1 Law No. 40 of 2007 concerning Limited Liability Companies

This law regulates the obligations for companies whose business activities are related to natural resources to carry out social and environmental responsibilities and if this provision is not implemented, there will be sanctions imposed in accordance with the laws and regulations (Republic of Indonesia, 2007).

1.2 Government Regulation No. 47 of 2012 on Social and Environmental Responsibility of Limited Liability Companies

Article 4 paragraph (1) of PP No. 47 of 2012 states, "Social and environmental responsibility is carried out by the Board of Directors based on the Company's annual work plan after obtaining the approval of the Board of Commissioners or GMS in accordance with the Company's articles of association, unless otherwise specified in the laws and regulations." (Republic of Indonesia, 2012).

1.3 Law No. 25 of 2007 on Investment

The Investment Law inserts a regulation regarding CSR implementation rules for companies given the importance of CSR implementation by companies. Article 15 letter b of Law No. 25/2007

on Investment reads, "every investor is obliged to carry out corporate social responsibility", which means that there is an inherent responsibility to the investor company to create a harmonious and balanced relationship with the environment and social community (Republic of Indonesia, 2007).

1.4 Madiun City Regional Regulation No. 42 of 2018 concerning Corporate Social Responsibility

The Madiun City Government requires all companies in the city of Madiun to carry out corporate social responsibility except micro and small businesses and are planned and developed to improve social welfare, increase the economic strength of the community, strengthen the sustainability of business actors and maintain environmental functions in a sustainable manner based on community empowerment (Republic of Indonesia, 2018).

2. CSR and Business Performance

Corporate social responsibility (CSR) is an action that encourages companies to carry out an activity in the form of environmental improvement and social care and the welfare of stakeholders (Allam & Diyanty, 2020). A business is otherwise sustainable when there is a balance between economic improvement, environmental quality and social justice (Okafor et al., 2021). CSR can improve a company's performance through the reputation earned by the company through CSR implementation strategies and investor confidence. The relationship between CSR and business performance can be seen that there is a significant relationship between the costs incurred for CSR activities and revenue growth. Good management theory states that the company can improve its company's performance by carrying out appropriate CSR implementation strategies (Lee et al, 2013).

3. Balance Score Card (BSC) and Sustainability Balance Score Card (SBSC)

Balance Score Card (BSC) was first introduced by Kaplan & Norton, (1992) and has become one of the most popular tools in the business world. The concept of BSC comes from many theories including shareholder value and relationship framework principle – agent, uncertainty concept and period multi optimization as well as stakeholder theory. BSC measures performance through 4 dimensions namely finance, customers, internal business as well as learning and growth to provide a more "balanced" view of an organization's performance (Kaplan & Norton, 2001). Kaplan states that all dimensions in BSC are causal, starting with growth and learning for employees to continue in business and customer processes to ultimately lead to better financial performance goals (Kaplan, 2010).

The Sustainability Balance Score Card (SBSC) makes it possible to connect non-financial dimensions of a company relating to a company's long-term non-monetary strategy that can directly affect the success of business performance. Research conducted by Figge, et al, (2002, 2001) states that there are three steps in formulating SBSC, namely: (i) choosing a strategic business unit; (ii) identify environmental and social exposures; (iii) determine strategic relevance relating to environmental and social aspects. This approach then reveals that the company's CSR policies, strategies and implementation can be included as dimensions to improve the company's performance through SBSC considering the CSR concept is to build sustainability for the company's business.

4. Sustainability Balance Score Card (SBSC) and Corporate Sustainability

Sustainability Balance Score Card (SBSC) is formulated by aligning between business unit strategies into objectives and indicators so that performance assessments can be carried out relevantly. Mapping of corporate strategies includes economic, environmental and social indicators that then translate into a series of targets and steps taken by companies to control and direct the company's performance towards sustainability and going concern (Figge et al, 2002). SBSC can be implemented by synergizing environmental and social aspects in a company's sustainability strategy. Economic, social and environmental indicators are very closely related to information systems and management control in the form of corporate eco-control on economic, environmental and social aspects (Figge et al, 2021).

RESEARCH METHOD

This research uses a qualitative descriptive approach with a case study model to analyze CSR issues and the application of Sustainability Balance Score Card (SBSC) in the retail sector of Shopping Center "X" in Madiun City. This study uses primary data in the form of interviews with the head of finance and human resources of Shopping Center "X" in Madiun and secondary data in the form of financial statements containing the amount of CSR costs incurred by the Shopping Center "X" in Madiun City as well as employee performance data. Secondary data in the form of financial statements and employee performance reports are taken in the period 2018-2019 so that the difference in circumstances can be known at the time before and when the company allocates costs for social responsibility. Interviews are conducted in a semi-structured manner so that the questions asked can develop according to the researcher's information needs. Secondary data is needed to strengthen interview results related to CSR implementation and Sustainability Balance Score Card

(SBSC). This study looked at data during the period 2018 to 2020 to find out the difference in company performance assessed through the implementation of balanced scorecard in the period of not required corporate social responsibility (in 2008), transition period (2019) to the year in which the government, especially the Madiun City Government, requires companies to conduct and report CSR (in 2020).

DATA ANALYSIS AND DISCUSSION

1. CSR Implementation at Shopping Center "X" in Madiun City

Shopping Center "X" is one of the largest shopping centers in Madiun of course has a social responsibility obligation. The company has made a cost allocation of 3% of the company's total revenue for CSR costs and routinely conducts CSR reporting to the Madiun government. In 2019, the company did not report due to the transition of regulations from the old rules to the new rules and has not been passed and socialized the new regulations. Corporate giving is the majority form of CSR conducted by Suncity Mall. The Madiun City Government through Madiun City Regional Regulation No. 42 of 2018 on Corporate Social Responsibility requires all companies operating in the city of Madiun to carry out social responsibility in the community except micro and small businesses.

2. Implementation of Sustainability Balance Score Card (SBSC)

Corporate management implementing sustainability management by implementing SBSC can be helped in addressing the shortcomings of conventional approaches to environmental and social management systems by integrated the three pillars of sustainability (economic, social and environmental) into one and used as a "tool" of a sustainable management strategy. The study attempts to implement SBSC in performance indicators with four perspectives (finance, customer, internal business as well as growth and learning) associated with CSR implementation.

Performance measurement using the Sustainability Balanced Scorecard which has four perspectives, namely financial perspectives, customers, internal business, learning and growth and non-economic perspectives are the first to be tried to apply to companies that previously used key performance indicators that only measure employee performance. The financial perspective in this study is projected with profitability ratios including Net Profit Margin, Return on Asset, Return on Equity and Net Worth. Customer perspective is projected by customer retention, customer acquisition and customer satisfaction. The internal business perspective is projected by innovations carried

out by the company and improving business operational standards. The growth and learning perspective is projected by employee competence and fluctuations while the non-economic perspective is projected by the form of corporate responsibility to the environment and surrounding communities as measured by the large cost of CSR.

2.1 Financial Perspective

The first perspective on SBSC is the financial perspective. The financial perspective is projected by profitability ratios such as Return On Asset, Net Profit Margin and Return on Net Worth. Profitability ratios measure the extent to which a company is able to make a profit from its resources (Brigham, E.F., & Davis, 2010). The profitability ratio is then compared to the CSR costs the company has incurred in the same year period. Figure 1 shows how this financial performance measurement is when associated with CSR cost allocation.

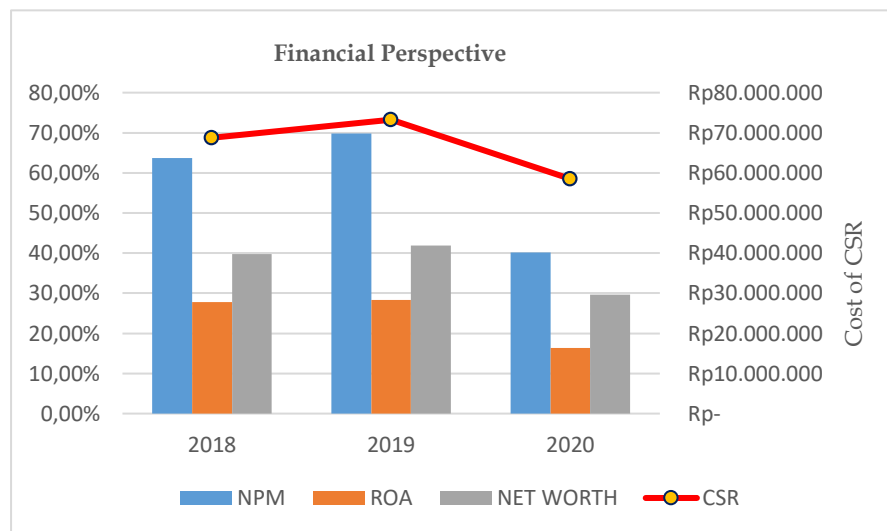


Figure 1. Financial Perspective and CSR

Figure 1 shows the company's performance is experiencing fluctuations from year to year. Based on the results of interviews with the finance department, the company has allocated costs for corporate social responsibility since the company's operation. In 2020, the three profitability ratios decreased simultaneously due to the covid-19 pandemic and the enactment of restrictions on community activities so that shopping centers including one of the affected sectors because the company had not operated for some time and only certain tenants could operate such as food tenants and also sell basic necessities. CSR costs incurred by the company even at the time of the pandemic were not able to lift the company's ability to increase its profitability. The company still incurs CSR costs even though the company is also hit by strong financial pressures. Corporate social responsibility as

measured by CSR cost allocation does not necessarily improve the company's financial performance. The increase in corporate profitability can be influenced by many factors, although the allocation of CSR costs is considered to reduce the company's profit, but the company's policy to keep doing CSR because CSR has become part of the company's business strategy.

2.2 Customer Perspective

Customer perspective is one of the components of performance assessment in SBSC. The study used customer retention proxies, customer acquisition and customer satisfaction. The results of interviews conducted with the finance and human resources development department stated that the three indicators of customer perspective measure experienced a significant decrease due to pandemics and government policies that followed even though the company had conducted CSR and one of the company's goals to do CSR is as a means of promotion and creating a positive brand image as an environmentally concerned company. The drastic decline in people's purchasing power also hit the company's ability to acquire and retain its customers.

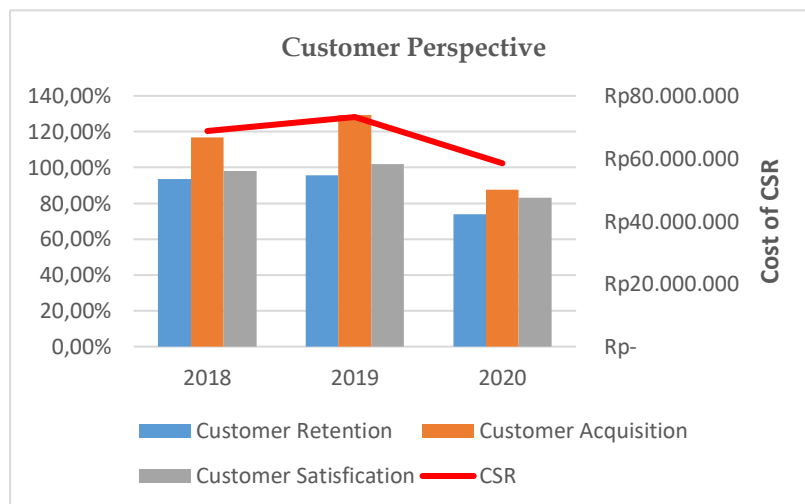


Figure 2. Customer Perspective and CSR

Figure 2 shows the consumer perspective indicator showing an improvement chart in 2019, where companies have implemented CSR. Consumer awareness of the importance of CSR for companies brings a good image to the company so that it can be a means of promotion and positive branding (He & Harris, 2020). All three indicators for customer perspective have decreased significantly in 2020. Not unlike the financial perspective, the decline in retention, acquisition and customer satisfaction is also caused by the covid-19 pandemic. The policy of limiting community activities taken by the government increases the number of job cuts by a number of business sectors

resulting in a decrease in people's purchasing power. The high positivity rate of covid-19 transmission in Indonesia in 2020 resulted in people reluctant to visit crowded places such as one example is shopping centers so that it has an impact on the decline of customers in 2020. Various promotional facilities have been used to increase the number of customers, but heavy economic pressures experienced by the community are a major factor in the decline in customer numbers, customer satisfaction numbers decrease because some tenants have to close so they cannot serve buyers, and the company must adjust the opening hours and close stores so that this affects customer satisfaction.

Not much different from the financial perspective affected by CSR allocation, from a customer perspective, the amount of CSR allocation does not necessarily encourage them to visit a company. Based on the results of interviews with management, they stated that customers are not so affected by any CSR costs, but through CSR activities, the public is expected to better know and acknowledge the existence of the company.

2.3 Internal Business Perspective

The internal business process perspective integrates how to achieve the goals set in a financial and customer perspective (Krstić et al., 2015). This research uses innovation and business operations to indicator internal business perspectives. Innovation is needed so that the company has the advantage of competing with competitors in the same field. Innovation is also needed to improve the quality of products and employees so as to improve the business operation of the company. The following is an overview of the relationship of internal business processes with corporate CSR:

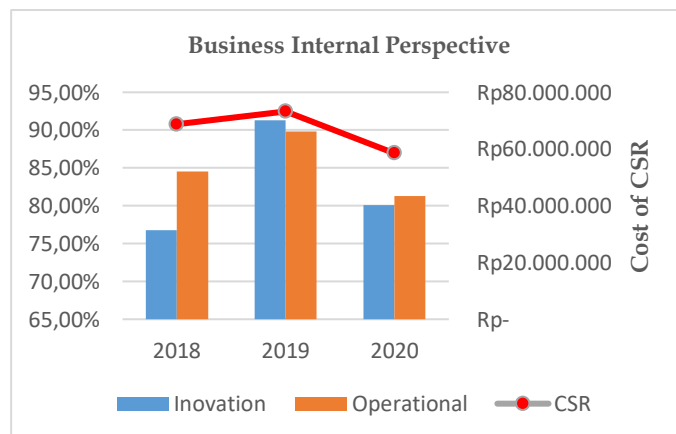


Figure 3. Business Internal Perspective And CSR

Figure 3 shows the CSR carried out by the company is able to increase innovation and operational activities run by the company. Consumer awareness of the importance of maintaining environmental survival and fostering good relations with the people around the company has changed

the old view that CSR is just giving something by the company (Figge, F., Hahn, T., Schaltegger, S., Wagner, 2021). The decline in innovation and business operations occurred in 2020 when the covid-19 pandemic hit and hit all sectors including the economic sector. Operational activities and innovation carried out by the company one of them is to encourage CSR activities that have been carried out so that it can continue so that it can become one of the means of branding and the existence of the company can be maintained.

2.4 Perspectives Of Learning And Growth

This perspective describes the process required to achieve a goal from three other business perspectives. Important indicators in this perspective are employee qualifications and employee fluctuations that reflect the level of employee satisfaction with the existing work environment. As is the case in other perspectives, the indicators used in this perspective have relationships capable of contributing to the other three perspectives (Krstić et al., 2015).

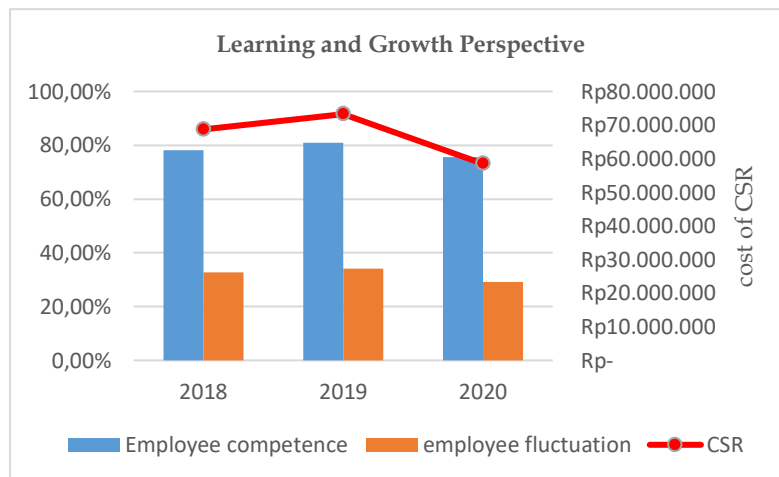


Figure 4. Learning And Growth Perspective And CSR

The implementation of the strategy implemented in this company is to ensure employees have a certain level of satisfaction so as to improve the performance of those employees. Involving employees in CSR activities is one of the strategies owned by the company to create employee engagement and increase employee satisfaction. Low employee fluctuations reveal low employee turnover can be affected by high employee satisfaction. CSR conducted by the company is able to provide a sense of employee belonging to the company so that employees can improve their performance so that the company where they work can still provide CSR which one form is corporate

giving for the surrounding community. Company employees are involved in one of the CSR decision-making processes, one of which is the company collecting ideas and input from employees about what CSR activities the company will do. Thus employees feel recognized and appreciated in the company, so as to encourage improvement in employee performance.

CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS

The amount of CSR costs and activities carried out by the company does not significantly affect the four perspectives of performance measurement in SBSC, but it is expected that the company will consider using SBSC as one of the performance measurement alternatives in addition to the Key Performance Indicator that has been used by companies in conducting performance measurements. Combining one of the components of sustainable development in the Balanced Scorecard concept as a process within an organization to manage performance and generate value, makes business activities imperative in the modern era.

Overall, the Sustainability Balanced Scorecard provides a suite of tools for management to assess the sustainability of integrated companies that help management address social and environmental approach issues. Sustainability Balanced Scorecard includes a non-economic perspective of CSR costs incurred by the company. The four perspectives in the Balanced Scorecard show that the percentage exceeds even the company's strategic targets. CSR carried out by the company can "help" the company to realize the strategy set by the company. CSR can improve the company's brand image so that it is able to provide a positive image that is able to increase retention and consumer satisfaction, encourage companies to improve internal business processes, increase employee satisfaction so that it will increase the profitability of the company, so that the Sustainability Balanced Scorecard can be used as one of the comprehensive improvements in the measurement of company performance by including one of the elements of sustainable development. Indicator of corporate social responsibility. The company is time to implement the Sustainability Balanced Scorecard to be able to measure the performance, not only of employee performance, but also from all four perspectives that are no less important.

This research only uses one component of the concept of sustainable development so that further research is expected to add other components of the concept of sustainable development so that the results can be used in other business sectors.

REFERENCES

- Allam, G. A., & Diyanty, V. (2020). *Determinants Of Carbon Emission Disclosure*. Journal of Economics, Business, & Accountancy Ventura, 22(3), 333–346. <https://doi.org/10.14414/jebav.v22i3.1207>
- Brigham, E.F., & Davis, P. (2010). *Intermediate Financial Management*. Figge, F., Hahn, T., Schaltegger, S., Wagner, M. (2002). The sustainability balanced scorecard management to business strategy. *Business Strategic Environment*, 11, 269–284.
- Figge, F., Hahn, T., Schaltegger, S., Wagner, M. (2021). *The Sustainability Balanced Scorecard – A Tool For Value-Oriented Sustainability Management In Strategy-Focused Organisations*. The 2001 Eco-Management and Auditing Conference, ERP Environment: Shipley, 83–90.
- He, H., Harris, L. (2020). *The Impact Of Covid-19 Pandemic On Corporate Social Responsibility And Marketing Philosophy*. J. Bus. Res, 116, 176–182.
- Undang – Undang Nomor 40 Tahun 2007 tentang Perseroan Terbatas, (2007).
- Peraturan Daerah Kota Madiun Nomor 42 Tahun 2018 tentang Tanggung Jawab Sosial Perusahaan, (2018).
- Jiang, Y., Wen, J. (2020). *Effects Of COVID-19 On Hotel Marketing And Management: A Perspective Article*. Int. J. Contemp. Hosp. Manage, 32(8), 2563–2573.
- Kaplan, R.S., Norton, D.P. (2001). *The Strategy-focused Organization: How Balanced Scorecard Companies Thrive in the New Competitive Environment*. HBS Press.
- Kaplan, R.S., Norton, D. . (1992). *The Balanced Scorecard – Measures That Drive Performance The Balanced Scorecard – Measures*. Harvard Bus. Rev, 71–79.
- Kaplan, R. . (2010). *Conceptual Foundations Of The Balanced Scorecard*. Harvard Bus. Rev.
- Krstić, B., Sekulić, V., & Ivanović, V. (2015). *How to Apply the Sustainability Balanced Scorecard Concept*. Economic Themes, 52(1), 65–80. <https://doi.org/10.1515/ethemes-2014-0005>
- Lee, S., Singal, M., Kang, K. H. (2013). *The Corporate Social Responsibility – Financial Performance Link In The US Restaurant Industry: Do Economic Conditions Matter?* Int. J. Hosp. Manag., 32(1), 2–10.
- Mao, Y., He, J., Morrison, A.M., Andres Coca-Stefaniak, J. (2020). *Effects Of Tourism CSR On Employee Psychological Capital In The COVID-19 Crisis: From The Perspective Of Conservation Of Resources Theory*. Curr. Issues Tour.
- Okafor, A., Adusei, M., & Adeleye, B. N. (2021). *Corporate Social Responsibility And Financial Performance: Evidence From U.S Tech Firms*. Journal of Cleaner Production, 292. <https://doi.org/10.1016/j.jclepro.2021.12607>.
- Qiu, S. (Charles), Jiang, J., Liu, X., Chen, M. H., & Yuan, X. (2021). *Can Corporate Social Responsibility Protect Firm Value During The COVID-19 Pandemic?* International Journal of Hospitality Management, 93(June 2020), 102759. <https://doi.org/10.1016/j.ijhm.2020.102759>
- Undang-Undang Nomor 25 tahun 2007 tentang Penanaman Modal, (2007).
- Peraturan Pemerintah Nomor 47 Tahun 2012 tentang Tanggung Jawab Sosial dan Lingkungan Perseroan Terbatas, (2012).
- Wen, J., Kozak, M., Yang, S., Liu, F. (2020). *COVID-19: Potential Effects On Chinese Citizens' Lifestyle And Travel*. Tour. Rev.