



**UNIVERSITAS NUSANTARA PGRI KEDIRI**  
**FAKULTAS EKONOMI**

**Program Studi: Akuntansi dan Manajemen**

Status "Terakreditasi"

S.K. Mendiknas R.I. No. 241/D/O/2006 Tanggal 12-10-2006

Kampus: Jalan K.H. Achmad Dahlan 76 Telepon (0354) 771576 Kediri

Web Site: [www.unpkediri.web.id](http://www.unpkediri.web.id) email: [unpkediri@unpkediri.web.id](mailto:unpkediri@unpkediri.web.id)

**SURAT TUGAS**

Nomor : 065/ST/A//FE-UNP/V/2014

Yang bertanda tangan di bawah ini Dekan Fakultas Ekonomi Universitas Nusantara PGRI Kediri, memberi tugas kepada:

N a m a : Dr. Subagyo, M.M.  
NIDN : 0717066601  
Jabatan Fungsional : Lektor Kepala  
Fakultas : Ekonomi  
PTS Tempat Kerja : Universitas Nusantara PGRI Kediri

Sebagai penyaji dalam "2nd International Conference on Corporate Social Responsibility & Sustainable Development" yang diselenggarakan oleh Universitas Gunadharma Jakarta, pada tanggal 2 - 5 Juni 2014.

Demikian untuk dilaksanakan dengan penuh tanggung jawab.

Dikeluarkan di : Kediri

Pada Tanggal : 30 Mei 2014

Dekan Fakultas Ekonomi,



*[Handwritten Signature]*  
Dr. Sri Aliami, M.M.





2<sup>nd</sup> International Conference on  
**Corporate Social Responsibility  
& Sustainable Development**

Jakarta - Indonesia, June 02-05, 2014

# Certificate

We have been honored to have :

**Subagyo**

of

**Universitas Nusantara PGRI Kediri**

for presenting his/her paper title :

**Corporate Social Responsibility: Hope & Reality**

in the technical programme of the conference



**Prof. Dr. Saurabh Mittal**  
Conference Chair (Technical)



**Prof. Dr. Ir. Euphrasia Susy Suhendra**  
Programme Committee

Jointly Organized By :





# Corporate Social Responsibility

## *Business & Societal Perspective*



**Edited by:**

Dr. Saurabh Mittal  
Dr. Emmy Indrayani

Published by



SERD, New Delhi, India

Hosted by



Universitas  
Gunadarma

In collaboration with



STIE  
Musi Rawas



STIE  
Nusa Megarkencana

**Corporate Social Responsibility:**  
*Business & Societal Perspective*

ISBN 978-163041604-1 Copyright: Society for Education & Research Development, India



# Corporate Social Responsibility: *Business & Societal Perspective*

Edited By:

*Dr. Saurabh Mittal*

Asia-Pacific Institute of Management  
3&4 Institutional Area, Jasola, Sarita Vihar  
New Delhi – 110025 India

*Dr. Emmy Indrayani*

Gunadarma University  
Jl. Margonda Raya 100, Depok  
West Java, Indonesia - 16424

ISBN 978-163041604-1

Copyright: Society for Education & Research Development, India

---



**Society for Education & Research Development**

V. Salempur Banger, Yamuna Nagar, Haryana - 135103 INDIA

E-Mail : [contact@serd.org.in](mailto:contact@serd.org.in) , Phone No. : +91-9136014181

[www.serd.org.in](http://www.serd.org.in)

Hosted by



Universitas  
Gunadarma

In collaboration with



STIE  
Musi Rawas



STIE  
Nusa Megarkencana



## Foreword

First of all, I am honored and pleased to present my foreword for The Second International Conference on Corporate Social Responsibility and Sustainable Development 2014 , held in Ancol, Jakarta, Indonesia. This international conference is initiated and based by the cooperation between Gunadarma University Jakarta, Indonesia and The Society for Education and Research Development (SERD).

An annual event, this conference serves and provides a forum for the presentation of current Corporate Social Responsibilities (CSR) models and practice as well as the next generation of issues that business leaders and society will face. The present day competitive environment, businesses must find new ways to address the social, economic, and environmental effects of doing business, while balancing the conflicting demands on their attention, time, and resources. Over the years, the number of companies worldwide which starts to promote their business through Corporate Social Responsibility strategies is increasing.

Furthermore, the scientific track of this conference is open to researchers from different disciplines along with business practices, conveyed the opportunity to create interdisciplinary networks and co-operations. It serves as an interdisciplinary platform to stimulate visions and research ideas in focusing on the link between local and regional development. I hope this conference will bring together leading researchers, as well as the people from business/industries, governments and communities to share their ideas in various dimensions.

The Conference has been designed to understand and deal with the unprecedented impacts of CSR on the working population, society and environment and therefore to elaborate the various frameworks for it with a view to develop evolutionary CSR practices. The combination of keynote address, invited speakers, and research studies presented makes a significant contribution to the development of knowledge in this interested area.

It is hoped that this proceeding will serve as an important resources for the practitioners, researchers as well as academicians in a wide range of interested area related to economical to give and present the contributions to the local and regional development toward their role for promoting the economic development and nation character building to meet the global change.

This great event happens for works of several parties and people and in this special occasion I would like to take this opportunity to express my gratitude to all of the peoples who has made this conference as successful as it was.

Firstly, please allow me to express my special thanks and appreciation to Dr. Vikas Kumar as Organizing Chair, Dr. Saurabh Mittal and Dr. Suzy Suhendra as Technical Chair who has put a huge effort to ensure that this conference will run smoothly.

I would also like to express my gratitude and my appreciation to all of the invited speakers for their contribution to this conference, it is really a very valuable moment to have the opportunity to share their



knowledge on their interested area. I am very grateful for all of the sponsorship that have played an important role in order to make the conference successful. It is an honour for us to have all of you in this conference . Last but not least, please allow me to express my highest gratitude and sincere appreciation as the closing remarks to all of the organizing team including scientific committee from various countries, program chairs, session chairs, and others, for their commitment, effort and dedication in undertaking their own task to bring the success of this conference.

Again, together we have made another significant step forward. I am sure in the future, there will be more steps and activities which bring cooperated and developed together, that will be bring more benefits and fruitfull on many aspects for all of us .

Thank you for joining this conference and visiting Indonesia.

**Prof. Dr. E.S. Margianti, SE., MM**

## Preface

*“Corporate Social Responsibility is a hard-edged business decision. Not because it is a nice thing to do or because people are forcing us to do it because it is good for our business”*

– Niall Fitzgerald, Former CEO, Unilever

CSR (Corporate Social Responsibility) is being re-defined now as Corporate Sustainability and Responsibility as the Social Responsibility needs to be sustainable in the long run. The very theme of CSR is being built upon the three pillars of People, Planet and Profit. Organizations around the world have been designing their strategy having a focus on Profit only for the hundreds of years and the Social Good (philanthropy) has taken a back seat or been an after-thought. The objective of philanthropy in many cases has been to minimize the local protest and earn a good will in society. Even today, the corporate keep these things in their mind when they talk about Strategic CSR! Several organizations have come up with their set of guidelines for regulating the CSR spends and activities.

India is one of the proud countries to have formal guidelines and directives in the form of Companies Act 2013. Every company meeting either of the thresholds of net-worth (Rupees 5 billion or more), turnover (Rupees 10 billion or more) or net profit (Rupees 50 million or more) during any financial year falling after April 1, 2014 is required to constitute a Corporate Social Responsibility (‘CSR’) Committee. These provisions are also applicable to every foreign company or body incorporated outside India, which meets any one of the thresholds and has India as a place of business (by itself or through an agent, physically or through electronic mode). Similar to the private players in the business world, public sector enterprises in India are being urged to embrace sustainability reporting under newly revised guidelines issued by the Indian government. The Indian Department of Public Enterprise’s (DPE) new Corporate Social Responsibility (CSR) guidelines have a special focus on employee rights and welfare. The latest iteration of the Indian CSR guidelines, launched on 1 April 2013, are aimed at all Central Public Sector Enterprises (CPSEs) and include a dedicated section on sustainability reporting and disclosure. The Indian guidelines urge public sector companies to internalize the practice of sustainability reporting, noting that by reporting transparently, they can gain and reinforce the trust of stakeholders.

The Global Reporting Initiatives (GRI) has also launched the GRI 4 Sustainability Reporting Guidelines (the Guidelines) offering Reporting Principles, Standard Disclosures and an Implementation Manual for the preparation of sustainability reports by organizations, regardless of their size, sector or location. The Guidelines are useful in the preparation of any type of document, which requires such disclosure. World over, thousand of organizations are regularly publishing their reports and sharing them on the websites.

At one hand, the government mandates, guidelines and policies are guiding the corporate for CSR initiatives and reporting, on the other hand, business value as perceived by the managers is compelling the strategy makers to think fresh on CSR activities and compliance. To assume that the business environment has fundamentally changed and that we are entering a new world in which CSR has become critical to the success of the firms is not correct. The corporate has many virtues, but reconciling corporate goals and public purposes is unfortunately not among them. Decision makers and strategists need to act more responsibly in the respective areas. While doing so, the corporate should not expect any big rewards or recognitions from the market or any edge comparing to their competitors. The responsible

business practices are the need of the hour. If we want to save the earth, the natural resources and the mankind, we need to start thinking fresh and incorporate the social good in high priority.

This edited volume has contributions from the authors from varied background such as academicians, researchers, practitioners, business managers and strategists from NGOs and Government departments. The book has been divided on to seven sections, which comprise of research models and case studies from different parts of the world. Hence the book is a compilation of best CSR practices from business and societal perspectives.

The first section on “*Business Value of CSR*” has papers on Strategic CSR and Emotional Intelligence, Consumer Attention in Indonesia, study of CSR to the value of the company in Indonesia, equity capital in manufacturing industries, performance rating by Government to investor decisions, and study of effect of corporate governance as company liability on the performance. This section hence highlights the importance of the Corporate Social Responsibility and Corporate Governance to the organizations across the world. Both regional and Global aspects are taken care in the section.

The second section on “*Global Practices in CSR & Sustainable Development*” has the papers on Corporate Social Responsibility strategy initiatives by multinational companies and the government in countries like Vietnam, India, Indonesia, Ethiopia and other countries. This section also presents the comparative analysis of CSR activities in different parts of the world giving a closer practitioner perspective.

The third section on “*Responsible Business Practices*” had submissions on the topics related to different companies in India and Indonesia. The submissions on the Oil Sector Companies, Banking sector, small and medium enterprises and Multinational companies present the 360 degree view of responsible practices by the businesses.

The fourth section on “*Integrating CSR in Culture and Religion*” discusses the role of social practices and learning from religions for the ethical business and social good. Submission on CSR as element of Indian Culture, Islamic work ethics, Gandhian economics, disaster resilient community, responsible societal business and disaster resilient community present a good mix of religious and cultural perspective of CSR.

The fifth section on “*Human Values and Social Construction*” discusses the issues related to unemployment, conflict management, social responsibility and emotional stability among the students community, the impact of ethical business practices and work place environment on stakeholders and society at large.

The sixth section on “*Environmental Issues and Sustainable Development*” comprises of case studies from various organizations and countries. Submissions on batik craft in Malaysia, coal mining sustainability issues in India and electronic waste management related issues present challenges to the corporate. Submissions on water quality, no plastic bags, open defecation free village discuss the real world cases with significant impact on the environment and the solutions opted by the authorities and local people.

The seventh section on "*CSR Standards, Reporting and Assessment*" has submissions on the corporate environmental & social disclosure practices in Indian power companies, impact of CSR reporting on trust and mutual funds, accounting conservatism and corporate governance, ISO 26000 guidelines for mining companies in Indonesian stock exchange.

We have take due care in selection of the quality submissions, their review and aligning them to the central theme of the book. The subthemes have been selected in a way that the book would provide the topic specific information and knowledge to the readers. We sincerely hope that this edited book shall provide a 360 degree view of the various facets of corporate social responsibility & sustainability to the researchers, students, practitioners and the strategists from the corporate. The discussions from various countries, industries and researches shall serve as a reference to the readers having an interest in the area. This book shall prove to be a great reference for CSR practitioners and policy makers.

**Emmy Indrayani**

[\*emmyindra@gmail.com\*](mailto:emmyindra@gmail.com)

**Saurabh Mittal**

[\*sau275@gmail.com\*](mailto:sau275@gmail.com)





## **Acknowledgements**

The publication of this edited volume has become possible with the sincere and timely efforts and support of a number of intellectuals. We are indebted to all the authors and contributors for reposing their confidence in us, sending their original contributions and working as per the tight deadlines. We are thankful to the reviewers from industry and academia, who worked so hard to make this work a novel piece. Our special thanks goes to Prof. Dr. E.S. Margianti, SE., MM (Rector, Gunadarma University), without her inspiration and support, this book would have never been possible. Mr. A K Shrivastava (Chairman, Asia-Pacific Institute of Management, New Delhi) has always been a constant source of motivation; his blessings and support have proved vital in the success of this Endeavour.

Our sincere thanks to Dr. Vikas Kumar (Asia-Pacific Institute of Management, New Delhi), Ms. Irene Daskalakis (Close the Loop), Mr. Rusen Kumar (INDIACSR), Prof. Dr. Susy Suhendra (Gunadarma University), Dr. Maulana Ali (STIE, Musi Rawas), Dr. R K Garg (Coal India Ltd.), Mr. AK Dhir (APAC CXO Forum) and other CSR leaders who have motivated and helped us a lot in this project. We are thankful to the members and board of SERD (Society for Education Research and Development) for having confidence in us for this project and providing us such an opportunity to bring together the knowledge from all the corners of the world in the form of an Edited Book on CSR and Sustainable Development.

We appreciate the assistance provided by Mr. Bharat Bhushan in the editing of the book, designers, production experts and printing house, who worked with interest and devotion to ensure that the book is available for launch in the International Conference on CSR & Sustainable Development, Jakarta (Indonesia) on June 02, 2014.

Finally, an honorable mention goes to our parents, family members and friends for the time stolen out of their share, their understanding and support in completing this project.

**EMMY INDRAYANI**

**SAURABH MITTAL**



## **Editorial Board**

1. Dr. Anil Vohra, Kurukshetra University, Kurukshetra, India
2. Dr. Vishnu Srivastava, CEERI, Pilani, Rajasthan, India
3. Prof. Dr. Susy Suhendra, Gunadama University, Indonesia
4. Dr. Vikas Kumar, Asia-Pacific Institute of Management, New Delhi, India
5. Dr. Maulana Ali, STIE, Musi Rawas, Indonesia
6. Mr. Ajay K Dhir, APAC-CXO Forum, New Delhi, India
7. Dr. Jakob Svensson, Karlstad University, Karlstad, Sweden
8. Dr. Saurabh Gupta, University of South Dakota, USA
9. Prof. R Srinivasan, Indus Business Academy, Greater Noida, India
10. Dr. Ajit Kumar, Indira Gandhi National Open University, New Delhi
11. Dr. Amar Patnaik, Malaviya National Institute of Technology, Jaipur, India
12. Dr. Anil K Pundir, M L N College, Yamunanagar, Haryana, India
13. Dr. Anu Gupta, Seth Jai Prakash Mukand Lal Institute of Engineering & Technology, Radaur, Yamunanagar, India
14. Mr. Rusen Kumar, IndiaCSR, India
15. Ms. Irene Daskalakis, Close The Loop, Athens, Greece
16. Dr. R K Garg, Coal India Ltd., New Delhi, India
17. Mr. Subhash Bhaskar, MMTC Ltd., New Delhi, India





## LIST OF INSTITUTION

No.	INSTITUTION	COUNTRY
1	Department of Commerce, Dibrugarh University	India
2	Ansal University, Gurgaon	India
3	JRE Group of Institutions, Greater Noida	India
4	Sathyabama University, Chennai	India
5	Assam Institute of Management, Guwahati, Assam	India
6	University of Delhi	India
7	Sai Balaji International Institute of Management Sciences	India
8	Amity University	India
9	Sinhgad Institute of Business Management	India
10	Dr. T.D. Singh's Institute of Science and Religion	India
11	VES College of Arts Science and Commerce,	India
12	IIT Roorkee	India
13	University of Melbourne	Australia
14	Advisor (Environment & Forest), Coal India Limited	India
15	S.D College	India
16	Sulabh Sanitation Movement	India
17	Amitava Sarkar Indian Institute of Social Welfare and Business Management	India
18	Universitas Gunadarma	Indonesia
19	Insititusi Perbanas	Indonesia
20	Universitas Indonesia	Indonesia
21	Universitas Nusantara PGRI	Indonesia
22	Hochiminh City Open University	Vietnam
23	School of Management, RMIT University	Australia
24	Edith Cowan University	Australia
25	Wolkite University	Ethiopia
26	Universiti Malaysia Kelantan	Malaysia
27	Universitas Teknologi Malaysia	Malaysia
28	University Utara Malaysia	Malaysia
29	Tunghai University	Taiwan
30	University of Georgia	USA



# INDEX

Sr. No.	Topic	Page No.
<b>Section 1 : Business Value of CSR</b>		
1	Strategic Corporate Social Responsibility: Is it a function of Emotional Intelligence? <i>Pranjal Bezborah, Nidhi Garodia</i>	1
2	The influence of Corporate Social Responsibility to the Value of the Company in Indonesia <i>Henny Medyawati, Muhammad Yunanto</i>	7
3	Effect of Firm size, Book Value of Equity, Corporate Social Responsibility Index, and Interaction between Corporate Social Responsibility index and Book Value of Equity on Cost of Equity Capital in Manufacturing Industries <i>Mega Amelia, Toto Sugiharto</i>	15
4	The Influence Among Company's Performance Rating by Indonesian Government (PROPER) to Investor Decision <i>Eka Agustianingsih, Masodah</i>	25
5	The Effect of Corporate Governance as Liability Company on the Performance (Studies On Companies Listed In The Corporate Governance Perception Index) <i>Meiza Fitriana, Peni Sawitri</i>	37
<b>Section 2: Global Practices in CSR &amp; Sustainable Development</b>		
6	CSR in Vietnam: Trends and Drivers <i>Truong My Diem, Nguyen Van Phuc</i>	43
7	CSR and Multinational Corporations: An Indian Perspective <i>Jitender Bhandari, Pratika Mishra</i>	52
8	Comparative Analysis of Top Companies' CSR Practices: India vs. Indonesia <i>Sachin Batra, Nidhi Singh</i>	58
9	The Implementation of CSR Law in Indonesia <i>Rabin Ibnu Zainal</i>	68
10	Sustainability and Competitive Advantage Creation Through Corporate Social Responsibility for Private University in Indonesia (A Conceptual Framework: Perbanas Institute Setting) <i>Ovalia Rukmana, Adele B.L Mailangkay</i>	80
11	Corporate Social Responsibility in Ethiopia – Possibilities, Prospects and Learning from India <i>Krishna Shekhar Lal Das, Admasu Shiburu</i>	88
12	Corporate Social Responsibility (CSR) in India: An Explorative Study on CSR Implementation <i>Ajay Pandey, Deependra Sharma, Ashutosh Kumar</i>	94



### **Section 3: Responsible Business Practices**

13	Corporate Social Responsibilities in Banking Sector in India <i>S. L. Sobiya, N Thangavel</i>	100
14	CSR Impact and Managerial Issues- Findings from Case Studies in Oil Sector Enterprises in North East India <i>Nripendra Narayan Sarma, Mreeshi Agarwala</i>	108
15	“CSR Initiatives of Selected Indian Companies” <i>Arvind Kumar, Rajender Kumar</i>	117
16	PepsiCo: They Call It Performance With A Purpose: A Case Study <i>Tripti Sahu, Ashutosh Kumar</i>	126
17	Corporate Social Responsibility Implementation in Business Strategy of Multinational Companies in Indonesia (Case Studies : PT. Nestle, PT. Toyota, PT. Unilever, and PT. Cola Cola Amatil) <i>Nur Syaima Annisa, Emmylia Rozaliny</i>	132
18	CSR is Business Ethic for Small and Medium Enterprises <i>Aris Budi Setyawan, Masodah Wibisono</i>	141
19	Corporate Social Responsibility (CSR) Practices in Major Commercial Banks in Indonesia <i>Asteria Elanda Kusumaningrum</i>	145
20	Corporate Social Responsibility: Hope and Reality <i>Subagyo Subagyo, Amat Pintu Batu Silalahi</i>	155

### **Section 4: Integrating CSR in Culture and Religion**

21	CSR-An Intrinsic Element of Indian Culture <i>Indu Rampal</i>	162
22	CSR engagement with International Community: A Stakeholder Perspective. <i>Siti Amaliya Mohd Radyi, Mohd Rafi Yaacob</i>	167
23	CSR: A Responsible Societal Business <i>Suhas Chavan, Jayanti Chavan</i>	175
24	Gandhian Economics through the Lens of Triple Bottom Line and CSR <i>Suniti Nagpurkar</i>	188
25	Corporate Social Responsibility: A Step Towards Building Disaster Resilient Community <i>Repaul Kanji, Rajat Agarwal</i>	200

### **Section 5: Human Values and Social Constructions**

26	Attracting Socially Responsible Private Sector Investment to the Conflict Affected Region of Sri Lanka: Key Challenges after five years of peace <i>Danura Miriyagalla</i>	208
----	---	-----

27	Social Constructions of Social Responsibility <i>Gemma Broderick</i>	220
28	Towards Improving Emotional Stability among Student Community through Socio-Spiritual Efforts <i>Jayanti Chavan, Suhas Chavan</i>	225

## **Section 6: Environmental Issues and Sustainable Development**

29	Coal Mining-Sustainability-Inclusive Growth in India: Issues and Challenges <i>Rajiv Kumar Garg</i>	243
30	Green Model in Batik Industry – A Strategy for Sustainability in Craft Industry in Malaysia <i>Nur Faizah Mat Zain, Mohd Rafi Yaacob</i>	248
31	An Eco-Innovative Design Approach for Sustainable Product <i>Yao-Tsung Ko, Chi-Hung Lo</i>	256
32	Regulating Water Quality and Rights of Downstream Water Resource Users <i>Terence Centner</i>	267
33	The Malaysian ‘no plastic bags’ campaign: The related Social Learning Challenges of Changing Consumer Behavior with Deep rather than Surface Corporate Social Responsibility <i>Cameron Richards</i>	277
34	Electronic Waste Management: Need for the CSR Initiatives <i>Rajinder Singh</i>	287
35	CSR Partnership for Developing Open Defecation Free (ODF) Village- Case Study <i>Bindeshwar Pathak</i>	295

## **Section 7: CSR Standards, Reporting and Assessment**

36	Corporate Environmental & Social Disclosure Practices: An Analysis on the Indian Listed Power Companies <i>Krishna Agrawal, Sarbani Mitra, Amitava Sarkar</i>	304
37	The Impact of CSR Reporting on the Ownership of Unit Trust and Mutual Funds: Some Malaysian Evidence <i>Hafizah Abd-Mutalib, Wan Nordin Wan-Hussin, Che Zuriana Muhammad-Jamil</i>	316
38	The Effect of ISO 26000 (Standard Guidance on Social Responsibility) to Profitability Difference of Mining Companies Listed on The Indonesian Stock Exchange <i>Agustya Lisdayanti, Raycard Daniel, Wanda Anindita</i>	330

## CORPORATE SOCIAL RESPONSIBILITY: HOPE AND REALITY

Subagyo<sup>1</sup>, Amat Pintu Batu Silalahi<sup>2</sup>

<sup>1</sup>Universitas Nusantara PGRI, Mojoroto, Kediri, East Java 64127, Indonesia,  
<sup>1</sup>ybnbago@yahoo.co.id, <sup>2</sup>donsilalahi@yahoo.com

### Abstract

*The diversity in understanding Corporate Social Responsibility (CSR) always justify as a CSR on the right track. The purpose of this paper is the implementation of CSR, especially in Indonesia can be further improved by exploring the levels of CSR implementation in order to minimize misunderstandings about CSR. Implementation of CSR in Indonesia is improving, but it is evolutionary, because there is no definite direction. But with the presence of legislation has led to new hope to implement CSR.*

**Keywords:** CSR, Hope, Reality

### 1. Introduction

When the committee asked us to speak about “The Corporate Social Responsibility – CSR” the first question came to our mind is what should be the justification to make the topic worth and fit to be discussed. The availability of the justification is a must when one asks “could a corporation had a social responsibility?” Philosophically it has been said that no one but the mankind has the responsibility due to his/her existence in life. More question around the problem, if it has, is how deep and how wide the businessmen and their stakeholders have ever admitted that it has a responsibility and so practicing it accordingly. It is doubtless that historically the term *responsibility* was used solely to describe the moral action of mankind so that no one but he/she himself who have the responsibility. People act any action so that he himself is the recipient of the action : to be praised or to be blamed. From this idea, at least there are three central attributes available as the consequences of the action: the responsibility as the obligation, as the liability and as the incentive. The responsibility as the obligation has the notion that there are some actions which a person can and must perform. The responsibility as the liability has the notion that a person neglects his obligation and as the incentive has the notion that the fulfilling of a person’s obligation should lead to rewards. It is concerning to the mankind! How is about the corporation? According to Rowe and Mason (1992) a corporation truly has the responsibility! They furthermore state that the corporation has a responsibility since the invention of the corporation as a legal entity. With the advent of a corporation as a legal entity, it can authorize a group of people (members of the organization) to act as a single unit business both internally and externally.

The businessmen worldwide actually have so long time practiced the CSR but the progress of the implementation runs evolutionary (it seems no progress). The practice begun by Frederick Taylor and Elton Mayo with his behavioral science called : *Hawthorn Effect* and the last is the emergence of the quantitative science. Initially the three approaches focus on the benefit of the internal stakeholders as the prompt environment to the unit business (Stoner & Wankel, 1988) The prompt internal environment includes the working life of the employees, the worthy spans of control in order that each of the subordinate gets the optimum care and supervision. Meanwhile most of businessmen ignored the external environment without any criticism with the reason that it run and changed very slowly with no significant affect to the corporation. By the commencement of the 20th century there have been an extremely change outside of the corporation. Just to name a few: the movement made by natural activist worldwide in the 60s and was obviously continuing to the 70s. Criticism directed to the businessmen sounded that they have prioritized more and more profit from the corporation than the need for securing the mankind and nature from unbalancing. Meanwhile there has been impoverished to the traditional value that what might be so called *Caveat emptor* which implies the buyer must be careful to all kind of good and service offered. The statement is the businessmen’s apology for the absence of caring for nature and other environment.

The CSR started to get its real form in the commencement of the 80s initiated by a leading U.S. business groups, namely The Committee for Economic Development (CED), which published a pamphlet entitled *Social Responsibilities of Business Corporations*. The Committee urged the businessmen to actively

involve themselves in social activities, among others, aids to education, urban renewal, the job for unemployment, training for disabilities and the control of environmental pollution.

The environmental changes have opened up the awareness of the company's managers to pay attention and do something beneficial for the environment but there is no agreement about what should be prioritized and how it should be realized (Stoner and Wankel, 1988) .

The CSR became worth and fit even legitimated to be discussed since the what so called globalization has come to reality, which requires companies to interact with many parties. To name a few the parties are the societies outside the company who, due to the demand for transparency and freedom of expression, are very vocal in criticizing the business decisions that affect the social and natural environment, the NGOs with its explosive growth which are also very vocal, suppliers as a producers who are previously the king, now are no more the king, because it has been repalced with "the buyers are the kings" (Ulrich , 1997) Furthermore Amato, et al ( 2009) stated it is the time for all business leaders worldwide to be ready to understand the needs, demands, interests and values of the stakeholders which are previously ignored. To name a few of the stakeholders, they are employees, customers, suppliers, communities, shareholder, NGOs, environment and society at large. They are the silenced majority and if the condition is going on, to be silenced, they will greatly affect the sustainability of the business. Well, it has been stated that the company truly does have a responsibility to both the natural environment and the social environment (environment) and that all parties admit saying this is the time to take the environment problems into account for our sake (the sustainability of the nowadays) so the topic becomes worth and fit and even be legitimate to be discussed.

## 2. Results

### 2.1 The uncertainty to Apply

Kotler and Lee (2005) defines the corporate social responsibility as "a commitment of well-being through discretionary business practices and contribution of corporate resources", WBSD in Rudito&Famiola( 2013) interpret the CSR as "the continuing commitment of the businessmen to contribute to economic development while improving the quality of life of the workforce and their families as well as of the community and society at large". Although the definition has given the guidance to run the business in good manner, many businessmen are still applying the CSR in confusion, in doubt and in uncertainty, exactly as it was ever stated by Stoner. And although it is evident that the CSR give a positive impact but not yet significant on the financial, there are still doubts and cynicism to implement it (Amato, et al, 2007). The reason given is the lack of competent human resources to apply, attitudes of all employees that do not yet support, the overloaded tasks of the company in both operational and managerial ones, and the last but not the least is the failure of the company to move the CSR problems to a higher level, that is to the strategic level on the top management which have so long time been in the lowest level of management, that is in operasional level.

Researchers such as of Blowfield and Frayness (2005) also said that there is no guarantee for the claims saying that the implementation of the CSR would contribute to reducing poverty, and also contribute to the achievement of the development goals. But the presence of the doubts and the cynicism towards the implementation of the CSR may not postpone the businessmen to apply the CSR. Blowfield and Googins (2006) said that research he conducted on 48 of the 27 CEOs of multinational companies indicate there are at least three trends facing businesses in the 21st century.

The three tendencies are changes in public perception on the role of the company, the opposition of the publics to the new company (a kind of barriers to entry) and business models that are very sensitive to environmental issues. Further it stated that the awareness of the emergence of these trends have made them agree with the importance of the CSR, but still hesitate to do more action due to the reaction of investors, business analysts and fellow CEO. The result is that the implementation remains unchanged and stagnant.

In the midst of the thick fog that covered the CSR there is a glimmer of hope showing that the fog will disappear. Regardless of the standing of the U.S. to implement the CSR in business case (considering they are

dominated by economic motives rather than by non economic motives), but the businessmen in the European Union turned out to have an enlightening concept and practice that CSR accordingly. They do the CSR as a moral commitment or moral motive. The latter, when referring to the concept of the pyramid Carroll about the CSR, has actually jumped far ahead and reached the level - 4 ( what Carrol so called as discretionary) bypassing the economic, legal and ethics.

## 2.2 The CSR in Indonesia

The uncertainty, doubts and confusions of Indonesian businessmen and its stakeholders towards CSR implementation are not much different from the businessmen who are operating outside Indonesia as just mentioned earlier. This can be easily understood because the echo (let's say *kick off* of the CSR) does come from outside Indonesia. We note that the uncertainty, doubts and confusions are still within the businessmen and are difficult to remove in spite of the many environmental issues being affecting them here in Indonesia. Instead they say "business runs as usual" which implies they are still prioritizing profits generation. Among some various social and environmental issues which have ever been the burning issues on the national level here in Indonesia are *the lemak babi and biskuitberacun* in the 90s (Suara Indonesia), following the social and environmental issues of PT Indorayon Inti Utama (IIU) in Porsea, North Sumatra. Ranked by time the IIU environmental issues is the longest issues (Year 1983-2003 ) and ranked by public resistance, it is also the biggest and the most massive. (<http://tobapulp.wordpress.com/masterpiece-tpl>). The uncertainty, doubts and confusion of the businessmen in Indonesia on how the CSR to be applied in a good manner could easily be detected. Let's see, that their PR officials in the 90's were already well trained in compiling the stated of the arts program relating to the internal but were very awkward and confused dealing with its external issues and stakeholders ( Media Indonesia, May 2, 1992).

The results of the uncertainty, doubts and confusions can be easily detected in fields. The majority of businesses in Indonesia before and until 2007 are reactive and defensive over the public rejection concerning to the new presence of the company. The data and informations and the like concerning with the relevant issues of CSR are documented but they are limited to and just for formality. It is easily proven by detecting where all these are operationally done. The answer is in the lowest level of management, i.e the section or functional level, they call it The Head of Public Relations! When issues emerge related to the environment, the PR personnels are ready to write a press release containing themselves apology, even up they don't hesitate to hire a lawyer in order to defend the company and to justify the decisions they have made regarding the stakeholders (Rudito and Famio: 2007). Another suitable example for the apology is the Auditing conducted by the Labat Anderson consultant domiciled in Mclean, Virginia USA, to PT IIU in Northern Sumatera. Due to the pressure from the management to the consultant, it cannot independently and objectively to audit.

The subjective interpretation of the businessman on the implementation of the CSR, has also made it more uncertain. They're slowly been trying to respond to the wishes of the stakeholders but it is just limited to the internal stakeholders. A sound example is the improvement of The Occupational Health and Safety (*K3 Keselamatan Kesehatan Kerja*), which is already regulated by Undang-undang No. 1 Tahun 1970, followed by the *Permenaker* Number: PER.05/MEN/1996 about SMK3 (The Management System to implement the K3) The implementation of the SMK3 have increasingly recognized the need for ongoing job and for comfort of the employees and also the ongoing or sustainable profit generation of the shareholders, both sides are as part of the internal stakeholders. Furthermore there have been a periodic audits for the implementation of the K3 in order to guide it to the true track. Regulations that also support the comfort of the employees just to say one is the implementation of the Industrial Relations (IR) mandated by Act No. 13 of 2003 on Labour. It is then deepened at Law No. 2 of 2004 on Industrial Relations on how to solve the dispute emerge among the employees and between the employees and the shareholders. These two Acts also have given the assurance and comfort for employees to work, especially since the reform era, where the law has allowed more than one Labor Union to exist within one company as a stabilizing force.

So far it is all about the internal stakeholders. How is about caring of the external stakeholders? Once again they (the businessmen) are very reactive facing them. It is similar to the results of research conducted by Blow field as mentioned previously, that despite Indonesia's corporate executives realized that it was time to do

something useful and beautiful for external stakeholders, they remain unchanged (are still hesitant to act) in this case fear to act due to the reaction of shareholders who may not support. None can deny that for instances, accepting and welcoming students for internships or receiving thousand of students for visits company is truly parts of caring the external stakeholders, but it would have been too simplified if that activity has been recorded as part of the implementation of the CSR. What was stated by Kotler and Lee (2005) that there are at least 5 models of applied CSR actually could be done, among which are the philanthropic and Community Volunteering. The two models is truly already running, but is still limited to the lip service because it was never planned so it is reactive deed. More examples are the scholarships donated to students, or greening the city and watering gardens around the city or other form of donation which is usually done at the Anniversary of the company. These beautiful deeds are in a short and specific time. It is not the essence of the CSR. The adagium sounds "What you say I don't hear but what you do I hear very loudly" is so appropriate to describe the implementation of the CSR in the last 20 years. Facing such *wishy – washy* situation, one may recommend to ask for advice to the government as the counterpart. It is "tweedledum and tweedledee to ask" It is in Vain! It is in vain to ask the government (local government) for help to reinforce the CSR, because there have not been the same understanding amongs the government on the CSR. In relation with the understanding the local governments even have made it fund source to get additional funds as non tax fund. Consequently the CSR budget are misused for political purposes and not for the beneficial of stakeholders (Rudito and Famiola, 2013)

### 2.3 New Hope : Go ahead and never turned

Within some decades the businessmen were being in doubt and confusion to apply the CSR, now (since 2007) with the presence of the law No. 47 of 2007 on the Limited Liability Company, in particular the section (74) and the Government Regulation No. 47 of 2012 which regulates the section more detail. We discuss in brief about the regulation does not mean that we want to deflect our attention toward the regulations, but we merely indicate that there has been the direction and the right way for businesses to implement their CSR here in Indonesia.

Indeed Rudito and Famiola furthermore, (2013) said that the presence of the Act has made the understanding of the CSR more and more confused. The statement is indeed still tentative which needs further research. Rudito worried about the availability of obligations stated on the article 74 or it is precisely on section (2) which says "social responsibility and environment as stated in section (1) is company obligation" said Rudito, there would be the tendency to implement it based upon the liability. D'Amato, et al, (2009) in his CSR pyramid said that it begins with economic motive followed by the legal, the ethic and finally the discretionary. Basically Indonesian businessmen here in Indonesia during the last decades (before 2007) are still at the economic motive stage. Here in the stage they are doubted without any guidance. With the presence of the law, according to Carrol, they are now in the 2nd stage. Those who operate their business before 2007 and found that the cost rises from applying the CSR is equal to the benefits generated, can ignore the CSR, but since the enact of the law willy nilly they must abide by it.

In the general explanation of the law No. 40 of 2007, it is said that the social and environmental responsibility of the company must be the company's commitment to participate in sustainable economic development to improve the quality of life and in beneficial environment, both for the company itself, the local community and society at large. Article 3 section (2) of the Government Regulation No. 47 of 2012 also mentions that it must be implemented for the beneficial of the insiders (internal stakeholders) and outsiders (the external stakeholders) of the company. Thus, the field of the CSR is clear, ie: inside and outside of the company. Within the company there are shareholder, employees and trade unions/labor unions, while outside of the company there are suppliers, customers, communities residing around the company, community leaders and so on.

The spirit of the law No. 40 of 2007 is actually proactive, means that all CSR programs either for inside or outside have to be planned soundly and become part of the success to implement the company's strategy. The presence of the law (Article 74) should have made the management steadier for planning its programs concerning the CSR. Basically, it is easier to implement the CSR inside than on outside the company. We say so, because some instruments have been available to realize the comfort of the employees. To name a few, they

are K3/SMK3 which regulating the working comfortable, to guarantee the safety and health of employees in doing their jobs. The Act No. 13 of 2003 on Labourship which is then depending on the Law No. 2 of 2004 which set the certainty and ongoing work of the employees and the most essential is the settlement and solution of labor disputes. Thing that important to make this instrument runs on its true track is the presence or the establishment of a special department to handle all internal stakeholders and issues emerging among themselves. The most appropriate department for it is The Industrial Relations, which is part of the company's organizational structure. As the issues among the employees are varied, it is recommended that the management places personnels in to the department from different background such as Engineer, psychology, economic and legal scholars.

Implementation the CSR for external stakeholders, as it is not yet established, still needs to be reformulated in order to get a sound model (D' Amato , et al : 2009). Models that favorable to be applied depends on the company, but it must be placed on the top structure of the company and becomes the domain of the top management. Kotler gave some recommendations to be implemented, among which are cause promotion, cause related marketing, corporate social marketing and corporate philanthropy. Any strategy that would be implemented by the company to achieve its strategic objectives, the implementation of the CSR (whether successful or not) remains to be one of the criteria to evaluate the strategy. Theoretically when evaluating the success of management strategies being implemented, the most important question is "does the company consistently implementing its responsibilities towards the environment?", or "does the company consistently doing the Community Development?" All the experts in Management Strategic agree with that the strategy is not the CSR itself, rather it is as one of the criteria available to evaluate the strategies being implemented.

In connection with the option for models to be applied, there are several alternatives as part of the community development, both for the remote environment and the prompt. For the prompt environment (society residing nearby the company) the businessmen could build a traditional market around the company to fulfil their primary needs, such as rice, vegetables and fishes, also build parking area for employee but it is under the management of the society or may be the Karang Taruna if it has. The implementation have to be modified up to the size of the company. It means that the companies do it up to their capability. Those that have been going public or have listed their shares in stock exchange market could sell their shares to Cooperation Institutions with low price. They pay for it by yearly dividend and when the stock has been paid off, then the next dividend generation becomes "immortal fund" for the institution .

The presence of the Law on the CSR as stated earlier actually should have encouraged the company's CEO to improve their strengths for doing something useful for society and for the sustainable development. It may be changing the leadership style to another favourable one such as the transformative leadership to enable all levels of employees support the CSR, preparing competent human resources to assist top management to realize the CSR. If the CSR has to be placed in a strategic level which had been placed at the operational level, the competencies needed to assist the CEO would be the conceptual and managerial ones. Those talented staffs would do their jobs to analyse the interests and desires of stakeholders to obtain the appropriate program, organizing the resources required, directing or actuating all the resources in order to make the plan to be action and finally evaluating the success. Another job is determining the favourable model to manage the stakeholder (Stakeholder Management) and designing the model to evaluate the goal of the CSR. Operational job is also needed to manage the administration based IT.

As mentioned earlier that the CSR starts from its basic stage i.e: the economic case, then stepping to the legal, ethics and finally the discretionary. Mosen said that it begins with the legal stage means that the businessmen should abide by the law, and progressively it is followed by serving the community expectations, anticipating the expectations and the most stated of the arts is creating the public expectation (Stoner, 1988). Stoner is contradictory with Friedman. According to Friedman, who is the most prominent person to disagree with the CSR concept, the company has nothing responsibility but is using the resources and energy efficiently, increasing profits, obeying the rules, competing openly and freely without any deception and fraud (Hunger and Wheelen, 2003)

Referring to Carroll concept of the pyramid, it is doubtless that businesses today are being on the second stage, means they do abide by the law, or being on the first stage of four of Monsen means they do abide by the law. Both are going to the next stage. What can we do within the such condition? We are part of academic members have to do something to make the future better. We have to advocate the business schools to take part to move the CSR from the present stage to another higher one by increasing the knowledge, skills and attitudes of students in CSR field. It is not a dream! We can do it by teaching them with the special subject which might be called "Corporate Social Responsibility Subject" If we do agree that the implementation must be the domain of the top managers and if we do agree that the success of the strategy being implemented can not be separated from the implementation of the CSR, then the problem now is the leadership of the leaders who undertake the CSR.

Adequate understanding of the graduates in CSR surely could increase their bargaining power against the owners when they join the the middle or top management. The bargaining power is used to place the present condition to the next favourable condition. Serving the expectation of the stakeholders has to be left behind for creating the expectations of stakeholders. Once again, to make it comes true is not a dream! It is not a secret anymore for us that due to one or another reason the directors are overly cautious to make decisions because they may be not be favorable to the owners. Well, sharpening the competence is a good tool to succeed the CSR.

### 3. Conclusion

Conclusions which might be drawn from the above four topics of discussion, as follows:

- a. The implementation of the CSR has actually been run for a long time among the businessmen, though in a very simple form.
- b. The implementation of the CSR actually has the progress, though it run evolutionary.
- c. Within the simple implementation there has been the uncertainty, confusions, doubt and even the "wishi-washi" manner of the businessmen to do due to one and another reasons, to say one is due to the lack of guidances.
- d. Since the 70s, there has been the awareness among the businessmen on the essential to handle the CSR on track regardless of the impact of their desicion on stakeholders.
- e. The presence or the enactment of laws and legislation (in Indonesia) on CSR as the guidance has been perceived as a new hope to implement it more assertive and more planned.
- f. The enactment of the laws and legislation on CSR absolutely is not the end of the successful implementation, but is only as a stepping stone to reach a higher success.
- g. The Business schools are called for giving their contributions to realize the legal case as the stepping stone to the next step.

### 4. References

- Alessia D' Amato, Sybil Henderson, Sue Florence.(2009). *Corporate Social Responsibility and Sustainable Business : A Guide to Leadership Task and Functions*. North Caroline.CCL.
- Blowfield, M &Googins BK.(2006).*Set Up : A Call for Business Leadership in Society*.Boston College Center for Corporate Citizenship.
- Blowfield, M &Freyne, J.g, (2005).Seting New Agendas: Critical Perspective on Corporate Social Responsibility in the Developing World.*International Affairs*.Vol. 81.
- Hunger J, Davis danWhwwlwn Thomas L. (2003).*ManajemenStrategis.EdisiBahasa Indonesia*. Jakarta.Andi .
- Indonesian Act. No: 40 of 2007. about *Incorporated Company*
- Indonesian Government Regulation.No. 47 of 2012. about Limitet Company *Corporate Sosial Responsibilities*.



- Kotler P and Lee,(2005).*Corporate Social and Responsibility : Doing The most good for your company and your cause*. NY: John Wiley & Son.
- Rowe Alan J, Richard Omason. Karl E Dickel, Richard B Mann dan Robert J. Mockler.(1992). *Strategic Management: A Methodological Approach*. USA. Addison Wesley Publishing Company.
- Rudito B. & Melia Famiola.(2007). *Etika Bisnis dan Tanggung Jawab Sosial Perusahaan di Indonesia*. Bandung. Rekayasa Sains.
- Rudito B. & Melia Famiola.(2013). *CSR (Corporate Social Responsibility)*. Bandung. Rekayasa Sains.
- Silalahi Amat Pintu Batu. (1992, May 2) : Simpul Studi Public Relations. *Harian Media Indonesia*.
- Stoner James AF. Wankel Charles. (1988). *Manajemen*. Jakarta, Intermedia.
- Ulrich Dave. (1997) *Human Resources Champion: The Next Agenda for Adding value and Delivering Results*, USA. Harvard Business Press Boston. Massachusetts.
- Anonim (1983, April 26) Kronologi Kemelut PT Toba Pulp Lestari. Retrieved March 10, 2014, from. <http://tobapulp.wordpress.com/adikarya-tpl>

#### **Author's Profile**



**Dr. Subagyo** is one of senior lecturer in Economic Faculty of Universitas Nusantara PGRI Kediri. Besides teaching, also have other activities like active in giving business consultation, technical assistance, training and mentoring Mikro, Small and Medium Enterprises (MSMeS), especially in East Java-Indonesia. Dr. Subagyo is a Director of Business Development Services, an institution that provides business consulting services and research in the field of MSMeS development.



**Amat Pintu Batu Silalahi** is one of lecture in Economic Faculty – Universitas Nusantara PGRI Kediri, teach in Human Resources. He achieved his Master degree in Management since 2000. Before teach in Universitas Nusantara PGRI he hold as The External Relation Head – PT Gudang Garam Tbk and became The Assistance of Industrial Relation Manager in the same company. Amat Pintu Batu Silalahi active in the area of Corporate Social Responsibility both in attending seminars and writing articles in newspaper. When he hold as the external Relation Head, he extend his knowledge concern in external stakeholder of companies and when he changed his position from assistant to the HR manager he extend his knowledge concern in the internal stakeholder.