

# CORPORATE SOCIAL RESPONSIBILITY: HOPE AND REALITY

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## 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 defined 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 operational 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 Carroll 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 biskuit* beracun 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 adage 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 enactment 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. Monsen 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 decision 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.

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