



INTERNATIONAL CONFERENCE ON CSR AND
COMBATING MALNUTRITION:
OBTAINING MILLENNIUM DEVELOPMENT GOALS (MDGs) IN INDONESIA

Session 2: Government and CSR

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International Conference on CSR

Corporate Social Responsibility in Indonesia

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Overview of the Presentation

- Introduction
- CSR in the Interest of Politics
- CSR in the (very own) Interest of Companies
- Definition Corporate Social Responsibility (CSR)
- Scientific Approach
- Management Approach
- Conclusion

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Introduction

- Stakeholder workshop on June 28, 2010 to learn about stakeholders understanding of the term “Corporate Social Responsibility”.
- Participants were representatives of
 - Communities
 - Consumer Groups
 - Multinational Companies
 - Small-and-medium-sized Enterprises
 - Non-Governmental Organisations



Stakeholders' Understanding of CSR:

Community	CSR is company's effort to maintain the balance of the environment (local / global) by sharing the profit to empower the community in maintaining the productivity of ecosystems.
Consumer Group	CSR is a form of corporate responsibility for social, environmental, health, education, etc. issues
Multinational Companies	CSR is companies' two-ways effort to create a balance between social and environmental aspects as well as the beneficial aspect between the company and the community.
Small- and medium-sized Enterprises	CSR is company's commitment and responsibility towards social, economic and environmental sustainability for each stakeholder in order to create sustainable relationships.
NGOs	CSR is companies' moral responsibility to contribute to a better life.



Promise

Community

CSR is company's effort to maintain the balance of the environment (local / global) by sharing the profit to empower the community in maintaining the productivity of ecosystems.

Law

Consumer Group

CSR is a form of corporate **responsibility** for social, environmental, health, education, etc. issues

Promise

Multinational
Companies

CSR is companies' two-ways effort to create a balance between social and environmental aspects as well as the beneficial aspect between the company and the community.

Law

Small- and
medium-sized
Enterprises

CSR is company's commitment and **responsibility** towards social, economic and environmental sustainability for each stakeholder in order to create sustainable relationships.

Law

NGOs

CSR is companies' moral **responsibility** to contribute to a better life.



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CSR in the Interest of Politics

The Government of Indonesia: The Limited Liability Company Law Number 40/2007 Article 74 (1): Companies doing business in the field of and/or in relation to natural resources must put into practice Environmental and Social Responsibility.

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CSR in the Interest of Politics

The article in question is Article 74, which foresees that:

- (1) Companies doing business in the field of and/or in relation to natural resources must put into practice Environmental and Social Responsibility.
- (2) The Environmental and Social Responsibility contemplated in paragraph (1) constitutes an obligation of the Company which shall be budgeted for and calculated as a cost of the Company performance of which shall be with due attention to decency and fairness.
- (3) Companies who do not put their obligation into practice as contemplated in paragraph (1) shall be liable to sanctions in accordance with the provisions of legislative regulations.
- (4) Further provisions regarding Environmental and Social Responsibility shall be stipulated by Government Regulations.



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CSR in the Interest of Politics

The Indonesian Ministry for State-Owned Enterprises: The Ministerial Decrees Kep-236/MBU/2003 and Per-05/MBU/2007 refer to community development and partnership programmes.

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CSR in the Interest of Politics

State-Owned Enterprise Ministry's CSR understanding:

“giving something back to the communities State-Owned Enterprises operating in”.

State-Owned Enterprises consider themselves as

- supporter and advisor for partnership development project as long as it is economically justifiable;
- sponsor vouches for the return of loans.



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CSR in the (very own) Interest of Companies

In the late 19th and early 20th century many European capitalist / traditional companies introduced company owned welfare systems.

In some of the traditional companies these welfare systems are still in place - complementary to the mandatory welfare systems.

Some Indonesia companies also have started doing CSR long before the Ministerial decree and the law have been issued.



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CSR Definition

"Corporate Social Responsibility starts where all existing laws and regulations end; it is an organic link between enterprising, profit-making and social development that is conducted as a win-win solution in areas where a company requires something from society that cannot be bought and requires investment through' business plans."
(PA CSR's Emerging CSR Definition)



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Scientific approach

The CSR-discussions in Europe and Asia are lacking of academic support. Practitioners manoeuver the CSR-discussion.

- There are no generally recognised benchmarks mainly because there is no agreed definition or yardstick for implementation;
- Some of the theoretical bases for CSR issues come from sustainable business and business ethics theories;
- No references to CSR-like activities, which were implemented in the first half of the 20th century could be found in economic literature;

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Scientific Approach

Is CSR equal to the discipline of business ethics?

The school of ethics in Western philosophy recognises three approaches:

- *Aristotle*: justice, charity and generosity are dispositions providing benefits for the giver and the society
- *Kant*: the concept of duty is central to morality.
- *Utilitarianism*: guiding principle of conduct should be the greatest benefit for the society.



Scientific Approach

Does the school of ethics accommodate CSR ideas?

- The CSR-Europe Platform recognises the implementation of Code of Conduct as a CSR-activity. It is not considered that CSR might come up besides the legal frame and the Code of Conduct (*Utilitarianism*).
- The traditional entrepreneurs have been focusing especially on justice towards all stakeholders (employees, customers, suppliers, the community, government and the society at large) and generosity (*Aristotle's approach*).



Management Approach

Criteria to define CSR as a management approach:

- *Decision making process as a holistic process:* the best for the company, the environment and the community through a sustained process including an *organic relationship* between the company's profitability and society's successful human and economic development;
- Taking financial and social responsibilities within the given frame; responsibility will not be transferred to supra- or subordinates;



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Conclusion

"Corporate Social Responsibility starts where all existing laws and regulations end; it is an organic link between enterprising, profit-making and social development that is conducted as a win-win solution in areas where a company requires something from society that cannot be bought and requires investment through a business plan for the company and a business plan for the society."



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