CORPORATE SOCIAL RESPONSIBILITY IN DEVELOPING COUNTRIES

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What is Corporate Social Responsibility?

CSR, or corporate social responsibility, is the way the business sector would see [an engagement in the community] as a strategy that has long-term benefits for the business. It is not solely driven by profits, but it has to go along with the social welfare as well as environmental protection. Surely CSR is important as an element of development because companies need to look after their communities, particularly those that are operating in rural areas. But CSR also has an environmental aspect that the business might influence based on their operation. From what we gather in Indonesia, corporate social responsibility or CSR is a new paradigm. While many of the companies do charitable activities, Indonesians do not necessarily integrate that into their business strategy. Certainly CSR is not just charitable activities or donations because the companies have to look at that as part of their integrated strategy in doing business.

The motivation for engaging in CSR

Many companies might have motivations for doing CSR such as the genuine care of their environment and society that would eventually become their source of human capital as well as raw materials that they need to sustain. Also, some companies will see it as an important element of gaining societal acceptance for their operations. It is really true for the companies that are operating in remote areas, like mining and oil and gas companies. They are often encountered by many communities that indigenously live there, and the companies have to live with these communities. Another aspect on CSR is that companies should see it as a voluntary action rather than something that is highly regulated. Because it is something that is good for the company to do, it's not something that the company has to do because of law or anything else. On the other hand, companies should not be really forced to do CSR as mandatory action, because again, the development players are not just companies. They include also government as well as civil society and the community itself.

Common misperceptions about CSR

So this is very important for understanding CSR. In the case of Indonesia, it is a very new paradigm that has been only becoming popular or known by general business community in the last five years or so. And many confusions and mixed perceptions still happen between companies as well as among governments, civil societies, and the NGO sector. Therefore, we need to do more educational efforts to make sure this definition is adopted

correctly. One of the experiences that we see in Indonesia is that when companies make donations, there seems to be a problem of dependency in the community whom they're working with. [Communities] think that companies are the source of cash as well as other capacities that the community can depend on, but this is not true. Companies are also an entity that has a limit to what they can contribute, while they still need to actually generate profits to be able to perform their sustainable responsibilities in community. And the second one is from the other side of the coin, I would say. When the government sees that companies are willing to do this kind of contributions, there are still some perceptions that companies can take over the government's roles. And it is not true of what CSR is meant to be. Once again, this kind of misperceptions need to be corrected, and companies also need to know to what extent they can perform the CSR, as their contributions are good for them rather than something that will backfire on them.

Does CSR apply to all companies?

My opinion would be that CSR is applicable to all companies, all sectors, regardless of size, because CSR is not limited to the amount of money the companies can afford to contribute. Because CSR, once again, is something that the companies can contribute in the form of other capacities, including knowledge, materials, even resources that they have through voluntarism, for example. But on the other hand, we can see another aspect of CSR that is related to products, the way that they treat their labor, the way they are being part of the community that will prevent conflict, and other things. Basically, that can be done by anybody. It doesn't have to be big, and the companies don't need to wait until they become big.

CSR vs. Corporate Citizenship (CC)

Actually, we knew the other term, Corporate Citizenship, earlier than corporate social responsibility. When our organization was established about 10 years ago, the term corporate social responsibility was new. But somehow the incoming information that influenced the public in Indonesia has been stronger in the part of CSR rather than CC. As you know, up till now, here in IBL, we're still adopting the term CC instead of corporate social responsibility. But CSR itself has become a posh word among the companies, among the general business society for some reason, which we cannot stop. So what we can do is to actually put together those two terms in the same notion that is about how the companies should position themselves in a market in a responsible way.

Basic tenets of good corporate citizenship

There are five areas in which we believe the companies should behave. Those include the way they manage their human capital, the way they manage their environment, the way they manage their accountability in terms of corporate governance and transparency. Yet, they need to also look after their local economies. Without being part of the local

economic development, it's certainly difficult for them to win the market because they have to secure their own clients and customers and prepare for future business. And last but not least is a look at how the community complexity takes place surrounding them, since companies need to be in the position to minimize any possible social conflict with their presence in the community.

CSR in different types of companies

We have been working with more than 40 companies that we believe are the most committed and inspired companies that have been practicing CSR in Indonesia. We do believe that a lot more others are doing the same thing, but there are groups of companies that adopt CSR in slightly different ways. The first one is multinational companies that have acquired CSR beliefs and strategy from their home countries. There are also state-owned companies that have the obligation to contribute to the community and the environment as a mandatory requirement by the government. And finally there are pure Indonesian companies, as I call it, the local companies that are doing a mix of charitable activities and things that are regarded as CSR but they simply don't call it that way. So these three groups are doing what we believe is CSR or Corporate Citizenship.

Examples of CSR initiatives in Indonesia

There are plenty of examples where they are involved in the education and in the health sector by improving health infrastructure and providing various empowerments for the community in terms of the provision of health services. Many of them also provide environmental protection initiatives. So by the rank of the CSR aspects that the companies look at, the human capital aspects have been very high in the rank. So are education and health because those are the sectors that are badly needed by the population, the inhabitants, because we have about 200 million people in a country of large size, where we have more than 13,000 islands to cover. And we can imagine that the government, in a lot of cases, would need this kind of help from other sectors – in particular, the private sector – to be able to deliver on the basic needs of the community.

CSR in developing and developed countries

Well, certainly, the basic understanding of CSR would be the same everywhere, whether it's in developed or in developing countries. But particularly interesting in the developing countries would be the areas of interventions that are normally needed. In the case of Indonesia, again, the basic needs of the community, the livelihood, would be very much the challenge. Therefore, the ways the companies provide CSR are pretty much driven by the needs of the community. And the best way, or perhaps the most common way to do that, is undertaking collaborations with the government as well as with civil society organizations or NGOs. That's what we call the public-private partnership, which is a model applicable in a developing country. And we see that this model is becoming

important because a country like Indonesia is comprised of many provinces. We have more than 30 provinces and more than 600 local governments. Wherever they're located, companies need to enter into collaboration with the government to make sure they address the needs of the community. But also equally important is to work with the local nonprofit organizations, or NGOs, that have been the grassroots links for the companies, and to understand what are the issues and problems that need help.

The challenge of explaining the concept of CSR to businesses

It's a challenging job to explain in a clear way [what CSR is] to the companies that have been doing a lot of contributions to the community, even though they don't call it CSR. And when suddenly we introduce the term CSR and try to explain it to them, they would immediately respond by saying, "We have done so!" But at the same time, they are still challenged by the needs of the communities that keep coming back to them with a lot of wish lists and never-ending requirements that become very overwhelming for them to respond to. And that's where they always get back to us and ask, "What is the best strategy to respond to the needs of the community?" I think the best way to explain that is that companies should see CSR pretty much from their perspective and meet the basic community needs, rather than being overly driven by external circumstances. Because CSR is very much incorporating external and internal aspects of the business operation.

The challenge of applying CSR

Another thing that is also interesting in developing countries is the challenge that companies face when they're undertaking CSR. Again, they're operating in very diverse cultures, very diverse languages, and environments, so often they need to craft their CSR practices very carefully not to induce any over-expectation or – in the worst situation – any social conflict among the beneficiaries. Some companies can be very skeptical about it because they have been seeing CSR as a new paradigm that was induced to the country as part of the global competition. We encounter a number of questions that we need to carefully respond to in order to put CSR on the right definition and give it the right understanding among the business people. About 10 years ago, the word CSR wasn't quite well-known. The trend of the market had been driven by incidents related to practices of companies, such as the cases where companies impacted the environment badly or breached laws. That becomes a trigger or a wake-up call for the community that the companies need to undertake better responsibility in their business operation.

Cultivating the CSR momentum

But again, we see that the whole movement of CSR is picking up momentum, along with the government policy on corporate law, for example. Governments wish to enforce the importance of social and environmental responsibility among companies within the boundary of legal obligations. This is something that has recently become controversial

because we understand that CSR is a voluntary thing that companies want to do. On the other hand, the government wants to see companies undertake social responsibility in a manner that is driven by the existing laws. This kind of controversy shouldn't happen if both parties understand what CSR's actual meaning is, which is basically those actions and activities beyond compliance. And again, this is a long-term mission, and we're hoping that more and more companies would be more responsible in doing their business.