

# Manager's Perspective on Corporate Social Responsibility: A Case in Indonesia

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*The purpose of this paper is to conceptualize manager's perspective on the implementation of Corporate Social Responsibility in Indonesia. The study basically is an assessment of the state of CSR in Indonesia, practice and scope of CSR as proxies of manager's perceptions. The findings which are based on qualitative approach indicate that managers in Indonesia consider economic responsibility as the most important and effective way to make a social impact, i.e. through investment, job creation, taxes, and technology transfer, while philanthropy has become second highest priority, followed by legal and ethical responsibilities. The findings showed that perception of shareholders are more important than stakeholders is still predominant. In this relationship, business motives are thus seen as a strong driver which influences managers in taking CSR activities. They treat the CSR activities as a marketing tool to build companies' image or to provide a social license to operate. But some encouraging signs can be seen in the growing awareness among Indonesian companies, particularly those that operate in the global market. Various pressures concerning global standards are behind this CSR development.*

**Field of Research:** Corporate Social Responsibility

## 1. Introduction

Traditionally, the role of corporations has been understood primarily in economic terms. Companies provide products and services to society at a profit within the regulation framework (Friedman, 1970) and as a result, they are able to create jobs and wealth. However, this traditional role of corporations have been undergoing fundamental changes following the collapse of a number of corporations, such as WorldCom and Enron, increasing trends in the globalization of the economy as well as pressure of some global issues, such as climate changes, escalating poverty, and HIV/AIDS problems. These emerging issues reshape how people view the role of corporations in society.

Today, society has greater expectation from corporations than before because corporations are considered as an integral part of society. Society has provided corporations with enormous power in political and financial terms and therefore society can legitimately expect corporations to reciprocate. The decisions and the actions of the management in corporations have an impact on individuals, other organizations and the community. Therefore, when striving to achieve its objectives the organization cannot act in isolation from the environment that surrounds it. They have to take a broader perspective of corporate responsibility that incorporates not only economic performance,

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but also social and environmental performance factors. This means that companies must take responsibility in decreasing the impact of its operation in social, economic, and environmental dimensions (Achda, 2006). These are the sorts of areas that stakeholders evaluate to determine whether a company is moving toward sustainable business practices or whether a company is conducting its business in an ethical and socially responsible manner.

According to Sedyono (2007), the current practice of Corporate Social Responsibility (CSR) principles in Indonesia is still far from ideal, though development has indicated encouraging signs. Obviously, the application is clearly cosmetic in nature (Kemp, 2001). Nuances of "cosmetic" according to Wibowo (2006) reflected from various aspects since the determination of policy formulation and program orientation, organization, funding, execution of the program, to evaluation and reporting. Nuances of "cosmetics" are also revealed in the results of a survey conducted by Suprpto (cited by Sukarmi, 2007) against 375 companies in Jakarta. The findings revealed that only 55.75% of companies in Jakarta perform CSR activities which, in the study are classified into 4 categories: family ties activities (116 companies), donations to religious institutions (50 companies), donations to charity's agencies (39 companies) and community development (4 companies). This is in line with the Chapple and Moon (2005) findings which indicated that CSR practices in Indonesia still put a great emphasis on philanthropic modes rather than the more systematic ones.

The results of a survey on Corporate Giving among 226 corporations in 10 major cities in Indonesia showed that 57% of the corporations aware that they do have social responsibility (Sedyono, 2007). Multi National Companies (MNCs) and State Owned Companies have higher level of awareness as compared to local companies or private owned companies. The study also indicated that majority of the corporations perceived CSR as 'giving for social activities' (86%), 'improving welfare of the employees' (77%), 'paying tax to the government' (70%), and 'making profit' (55%).

Using Simon Zadek's model "The Five Stages of Organizational Learning", most of the CSR-conscious Indonesian companies are in the 'compliance' stage of the organizational learning curve, where they adopt policy-based compliance as a cost of doing business (Sedyono, 2007). However, some have reached the 'managerial' stage where they embed the societal issue in their core management process, and a few companies have reached the 'strategic' stage, where they integrate societal issues into their core business strategies.

Various studies looked at the driving forces of companies to implement CSR and problems they are facing, very few discussed on perception and scope of CSR practices in Indonesia context. The study basically is an assessment of the state of CSR in Indonesia, practice and scope of CSR as proxies of manager's perceptions. Prior to discussion, this paper takes up on the current status of CSR in Indonesia to provide an overview of CSR activities in Indonesia. Having had a general view on the condition of CSR practices in Indonesia, this paper then examines manager's perspective on the implementation of CSR in Indonesian business to better understand the perceptions, approaches and scope as they attempt to advance the implementation of CSR.

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The rest of this paper is divided into four sections as follows: section literature review provides a critical literature that serves as the basis for developing a new model which gives an illustration on how CSR has been implemented in Indonesia. The next section outlines and explains the data and method used in this study followed by discussions on manager's perspective on CSR implementation in section four. Finally, section 'conclusion' at the end concludes the paper and presents some thoughts for future research.

### **2. Literature Review and Theoretical Framework**

CSR has been emerging as an important phenomenon globally, especially after the Global Financial Crisis started to show its effect in the middle of 2007 to 2008. Stock markets all over the world crashed, large financial institutions have collapsed and government even the wealthiest nations have had to come up with a rescue package to bail out their financial system. Global financial meltdown affected almost everyone's life. People, companies and government suffered from this situation. It was a result of a bad system, bad statistics, misunderstanding of probability and ultimately, greed. It was also a result of perception that the social responsibility of business is to make as much money as possible to their shareholders (Friedman,1970), in other words, their shareholders are more important than their stakeholders.

In the classical view, as stated in Quazi and O'Brien (2000), integrating CSR activities into business would create additional burden (i.e. "costs"). Once a company has decided to implement CSR, it would realize that there would be an additional work, or even additional number of staffs and person in charge (Rahendrawan, 2006). Cost is an important component to be considered by the company to carry on in the market, especially for small and marginal companies (Ahmed et al., 1998). In this argument, CSR activities will be seen as creating additional "expenditures" for the company, and it will affect the company's profitability which leads to decrease shareholder's value creation.

However, many argued that the implementation of CSR consistently in the long term will develop relations with communities, which in turn provide economic and business benefits to the company (Achda, 2006). Being socially responsible can help business to build business sales, quality and reliable workforce, as well as build trust in the company as a whole (Hansen 2004 as cited by Weber 2008, p. 3). It will also reduce risk, waste, improve relations with regulators, generate brand equity, improves human relations and employee's productivity, and lower cost of capital (Heal, 2005). Engaging in CSR activities will also give benefits to the companies ranging from positive image/ reputation, employee's motivation/ retention/ recruitment, cost saving, increase sales and risk reduction (Weber, 2008). Therefore, it is clear why the application of CSR should not merely be considered as a cost, but also as a long term investment for the company concerned (Achda, 2006).

Conversely, Porter and Kramer (2006) states that the most common CSR practices tend to be a 'cosmetic', which are related to public relation and media campaign or to gain support in implementing their business operations (Walker, 1996; Koestoer, 2007). Others may use CSR to manipulate their relationships with communities or they may use corporate philanthropy to buy-off or silence communities that disagree on their activities (Calvano,

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2005). There are also some cases where CSR is seen as tools for avoiding external pressures or public relation gimmicks (BWI, 2006 as cited by Koestoer, 2007). This is reasonable due to the fact that “Today, politicians, activists, celebrities, consultants, business school professors, anthropologists, and NGOs are all involved in promoting, measuring, and managing the social responsibilities of corporations” (Welker, 2009: p. 145). It seems all people, nowadays, pay more attention to the issue of CSR and ethical business conduct of those companies than ever before. They act as a societal issue observer in the sense that these external parties take a role in evaluating the good and the bad doings of companies. If they reveal that a company has operations in an unethical way, they are likely to take an action and publish it. A damaged reputation can impact on the company’s sales and profits, especially if the company fails to respond properly to the crisis (Vanhamme and Grobbsen, 2008).

It was evident that the external public pressure have a strong power to steer companies to operate their businesses in a more ethical practices, and this could force companies to act in line with CSR. Nike, for example, faced a widespread consumer boycott after the New York Times published abusive labor practices in its Indonesia suppliers in the early 1990s (Porter and Kramer, 2006). Their report indicated Nike’s profit rose to over \$US 180 million per annum and their marketing campaign for Michael Jordan alone was \$US 20 million. Ironically, it was reported that Nike Indonesia only paid less than \$US .90 cents per day - \$US 270 per year for the workers (Suziane, 1993 as cited by Kemp, 2001:11). It was also reported that they employed children on their shoes productions. Due to public protests and, thus, a fear that its image might be damaged, Nike accepted the society’s expectations and set working standards (Zadek, 2004). This pressure clearly demonstrates the power of external environment toward companies whose conduct is considered ethically unacceptable.

In an effort to gain acceptance and legitimacy to perform their business activities in wanted regions, it is, therefore, very important for companies to start thinking about implementing CSR activities in their businesses. That is due to the fact that in the current situation, companies are regarded as socially responsible if they can create not only good to the shareholder values, but also affect their external environments positively (William et al, 2006). In most cases, however, the challenges face by companies are often complicated or dilemmatic to respond due to various aspects and circumstances, such as political issues, cultural differences, religion and lack of financial means (Kemp, 2001). Carroll (2004) points out that the implementation of CSR depends on the company’s size, its field of industry and economic conditions. Furthermore, CSR or ‘being socially responsible’ can mean different things to different people in different countries (Frynas, 2009).

This paper will be discussed based on two theories, such as the Pyramid of Global Corporate Social Responsibility framework (1991) developed by Carroll and the Two Dimensional Model of Corporate Social Responsibility developed by Quazi and O’Brien (2000).

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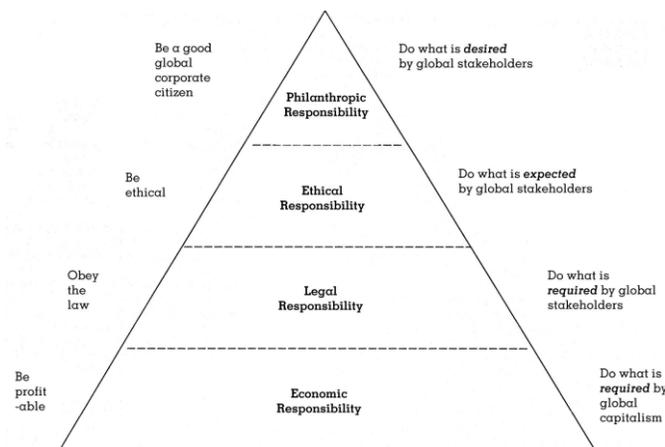
## 2.1 The Pyramid of Global Corporate Social Responsibility

Although the concept of CSR is widely discussed in theory and practice, there is no general agreement about its definition (Weber, 2008). One widely accepted guideline in relation to CSR was presented by Carroll (2000). He argues that in order to perform the good corporate citizen role, companies should fulfill a number of responsibilities which include: economic responsibilities, legal responsibilities, ethical responsibilities, and philanthropic responsibilities. The idea behind Carroll's pyramid was first introduced in 1979 when the author tried to create a functional theory that could explain in what way a company could reach social legitimacy (Garriga & Mele, 2004). Carroll came to a conclusion that those four categories of responsibilities had to meet society's demand. These four responsibilities, then, were formed in to a pyramid of CSR (Carroll, 1991).

For years, Carroll has been revisiting his pyramid Figure 1 below is a refined version that was constructed in 2004 and according to the author it is suitable in the global context, thus namely a Pyramid of Global Corporate Social Responsibility (Carroll, 2004). In the Pyramid, Carroll suggests that the MNC should strive to:

- a. Make a profit consistent with expectations for international businesses.
- b. Obey the law of host countries as well as international law.
- c. Be ethical in its practices, taking host-country and global standards into consideration.
- d. Be a good corporate citizen, especially as defined by the host country's expectations.

**Figure 1: the Pyramid of Global Corporate Social Responsibility & Performance (Carroll 2004, p. 116)**



## 2.2 The Two Dimensional Model of Corporate Social Responsibility

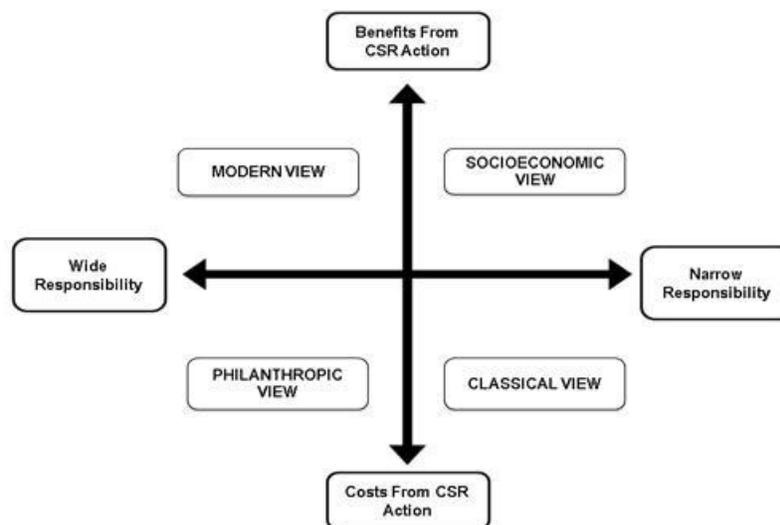
To which extent CSR should be taken is decided according to the perception of CSR within a company. One model to help discover the perception of CSR is "The two-dimensional model of Corporate Social Responsibility" developed by Quazi and O'Brien (2000). The model has two axes. The horizontal axis is used to locate the position of the

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company with regards to the degree of CSR. The right hand extreme represents a narrow view of social responsibility where the main responsibility of business is understood to provide goods and services that lead to a maximum profit in a short-term within a legal requirement framework. The left extreme represents corporate social responsibility in a broader context where meeting a wider spectrum of expectations becomes their primary concern. These include in areas such as helping people to protect the environment, developing the community, conserving resources and charitable means.

The vertical axis of the model represents two extremes of managers' perception in terms of the costs and benefits of social contribution. At one low end of this axis the main consideration is on the social cost of implementing social responsibility in a short term. The other upper end of the axis looks at the benefits in a long run when managers decide to exercise the social activity. Here, manager considers that, in a long run, the benefits for the business will offset the costs of doing it.

**Figure 2: The two-dimensional model of Corporate Social Responsibility (Quazi & O'Brien, May 2000)**



### 2.2.1 Classical View

The first quadrant (classical view) represents the conventional view which believes that the sole responsibility of the corporation has been understood primarily in economic terms which supplies goods and services to society at a profit (Friedman, 1970; Gaski, 1985; Bhide and Stevenson, 1990). The classical view of social responsibility is limited to a narrow perspective where the cost of doing social activity outweighs the real benefit from its activity. This classical model disregards the fact that business is part of a greater society. While, Lantos (2001), proponent for this view stated altruistic CSR is considered immoral as it spends money on general welfare at the price of others who deserve firms' priority attention, e.g. employees and customers.

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### 2.2.2 Socioeconomic View

In this socio-economic view, managers hold a narrow perspective. They accept the fact that business is part of a larger society. Therefore, they believe that the implementation of social actions, to certain extent, will do goods for the company (Quazi and O'Brien, 1996; Abratt and Sacks, 1988; Carroll, 1979). These include, for example, improving good relation to customers as well as suppliers, building good relationship with regulators and also environmental groups. In this context, business concurrently carries out social activities while at the same time make the most of its profit.

### 2.2.3 Modern View

Managers in the modern view hold a perspective that business is part of a larger society. Therefore, the relationship with the society should be sustained through social actions. This modern view believes that engaging in social actions will give benefits to the business, both in the short time and in the future. In this perspective, enterprises treat CSR not as a cost, but more as an investment (a long term strategy). Proponents of this view assume that, in order to survive, any organization has to operate ethically (Sen, 1997), contribute to the solution of such environmental problems (Sethi, 2001) and build sustainable relationships with stakeholders at large: customers, suppliers, employees, shareholders, community (Freeman and Reed, 1983). Exercising of social responsibility can be the source of competitive advantage in the marketplace in terms of differentiation (Russo and Fauts, 1997).

### 2.2.4 Philanthropic View

The last quadrant includes a broader view of social responsibility in which businesses perceive that contributing certain portion of fund will be good for the business as well as for society even though it will incur a cost for the business. This action may be triggered by religious or moral beliefs to share better society. However, philanthropy, in many cases is used as a form of public relation or advertising, promoting a company's image or brand through cause-related marketing (Sargeant and Crissman, 2006; Porter and Kramer, 2002). Corporation can use their charitable efforts to improve their competitive advantages by integrating philanthropy into their overall corporate strategies (Smith, 1994; Porter and Kramer, 2002).

Regardless of which quadrant the company belongs to, the effects of implementing CSR are difficult to predict and can also be two fold, causing both good to some people and harm to others. In order to avoid such situations, the company has to internalize the concept and perception of CSR by adopting socially ethical objectives and strategies which become a way of doing business in the organization and that all employees are well aware of. Therefore, a company's commitment to CSR must start from the managerial level and be viewed as a strategic issue. However, according to Friedman (1979), a corporate manager is an employee of the owners of the business. He has a direct responsibility to his employers. This implies that manager, in his capacity to conduct the business, can spend corporate funds only in ways that have been authorized by the shareholders (the owners). As Milton Friedman wrote, "There is one and only one social

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responsibility of business — to use its resources and engage in activities designed to increase its profits so long as it ... engages in open and free competition, without deception or fraud."-

The implementation of CSR, however, very much depends on the financial return of the company. The slack resource theory suggests that organizations with superior financial returns tend to allocate the optional resources for social and environmental projects (Branco and Rodrigues, 2006). The influence of financial performance on social performance can be easily understood as investments in social activities require financial resources. However, social and financial performance should not be presented as trade-offs (Branco and Rodrigues, 2006). These investments are all designed to develop and enhance competitive advantage through reputation, image, segmentation and long-term cost. As suggested by Branco and Rodrigues (2006), companies with a competent and innovative management team should search for alternative sources of competitive advantage in order to better satisfy customers and other stakeholders, which ultimately will enhance shareholder value. However, resources are not productive on their own and can only be a source of competitive advantage if they were used by companies to perform their activities (Branco and Rodrigues, 2006).

### 3. Methodology

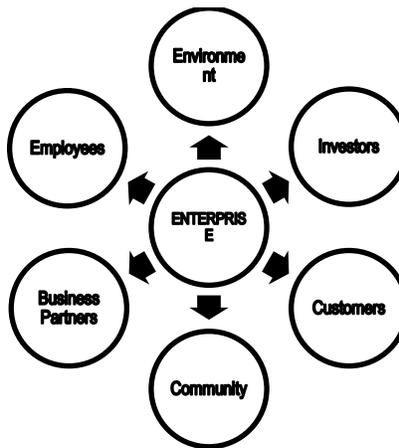
The research used descriptive qualitative method. Methodology used in the study is secondary research, drawing on previous studies and available materials on the subject. The data sources used were journals, magazines, books, government publications, websites and annual reports during the period of 2005 - 2012. All materials were evaluated in order to fit the chosen topic of this research. The data obtained, then, were crossed, compared and classified according to the scope and focus of CSR activities. This paper is intended to constitute a preliminary analysis on the relationship between corporate responsibility issues and manager's perception on CSR in Indonesia. The analysis of how these two aspects are interrelated and interacting helps generate an understanding of CSR current practices in Indonesia. The study is not comprehensive and the result is indicative in nature, but care is taken to ensure the indication resulted is representative.

### 4. Perspective of Manager and CSR

Social entrepreneurship depends on the ideals and characters of the managers who run the businesses that are concerned with the development of the communities in the surrounding area of their plant. They may behave as role models for their employees and society. CSR activities will increase when those in top management have strong social entrepreneurship, so that they can strike a balance between making a profit and social changes for increasing the prosperity of society. The implementation of CSR, however, is affected by various aspects that to a great extent directly influence business operation, ie. the primary stakeholders, such as consumers, suppliers, investors and creditors. The following figure describes the dimension and indicate how management give attention to these elements. CSR is really about how to manage these six responsibilities (Palazzi and Starcher, 2006:9).

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Figure 3: Six Responsibilities of Enterprise (Palazzi and Starcher, 2006:9)



## 4.1 Customers

Companies pay more attention to their consumers as their first priority. Many businesses make a considerable effort to learn about their consumers' preferences and opinions so they can create products and services that people want to buy. Another reason for focusing on customers is the increasing evidence that the ethical conduct and environmental and social consciousness of companies make a difference in purchasing decisions. Consumers become concerned with where and under what conditions products are manufactured. Therefore, every activity of the company must be aimed at serving customers better.

Most observers expect that “good companies” (that is, companies that have a reputation for being socially responsible) will attract consumers to their products, while “bad companies” (that is, companies that disregard their social obligations) will be punished by the consumers – for example, through boycotts (Castaldo et al, 2008). In this case, reputation has been considered as a fundamental intangible factor for generating competitive advantages for a company (Branco and Rodrigues, 2006). Therefore, reputation can become a key driver for consumers to provide a positive reaction toward a company vis-a-vis its competition, thus, positively impacting on company success.

## 4.2 Employees

As people spend a large portion of their waking hours on work so their work experience will strongly shape their identities, their sense of self-worth, and the extent to which they can contribute to community life. The quality of life in the workplace and on the job affects the whole life as well as that of the families. Socially responsible businesses do more to provide work which is meaningful and which helps employees develop and realize their potential. In fact, many companies seek to provide fair wages, a healthy and safe work environment, and a climate of respect at workplace. Management practices and human resource policies often include empowerment of middle management and employees;

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better information throughout the company; better balance between work, family, and leisure; greater work force diversity; continual education and training; and concern for employability as well as job security.

### 4.3 Business Partners

Developing long-term relationships and working closely with business partners (such as suppliers, joint venture and alliance partners, and in some cases even competitors), leaders are able to reduce complexity and costs and increase quality. Another issue in developing partnerships with suppliers is human rights. Due to the increasing pressure from consumer groups, some companies insist upon respect for human rights on the part of their suppliers and are taking action to monitor performance in this area.

### 4.4 The Environment

While the responses of business to the environmental challenge have been mixed, responsible business leaders provide clear evidence that sustainable environmental management makes good business sense. The first action that has been promoted and practiced are: 1) reducing the energy inputs, 2) reducing toxic dispersion; 3) enhancing material recyclability; 4) maximizing sustainable use of renewable resources; 5) extending product durability; and 6) enhancing the functionality of goods and services. These business practices highlight the positive connections between economic and ecological efficiency.

### 4.5 Community

Companies can make no more important contribution to these communities, and especially to local communities, than to provide meaningful jobs, fair wages and benefits, and tax revenues. However, many survey of business leaders in the United States confirmed that this is not enough (Palazzi and Starcher, 2006). The success of business is linked to the health, stability, and prosperity of the society and of the communities in which it operates. If education is neglected, or not relevant to the needs of business, companies cannot have a competitive work force. So the problems of education, health, crime, unemployment, and drugs dramatically affect business. While business has traditionally considered these to be the exclusive domain of government, today more and more business leaders accept part of the responsibility to improve the communities in which they do business. Companies are related to communities in various ways.

- **Charity:** Charitable contributions are only the tip of the iceberg, but are nevertheless important. These can be from the company itself or through facilitation or matching of employee contributions.
- **Social investment:** Companies support initiatives in the areas of education and social problems such as unemployment, exclusion, and homelessness, often in partnership with government authorities and non-governmental organizations.
- **Partnerships:** Corporations may contribute to communities through direct support to activities which enhance their commercial success, including cause-related marketing.
- **Business basics:** Finally, and most importantly, business contributes to communities through its fundamental mission of providing products and services which society

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needs and wants in an efficient and ethical manner and in a way that respects and balances the interests of all stakeholders.

### 4.6 Investors

In the current situation, investors begin to seek beyond the financial aspects of their investments to consider and to incorporate ecological and socio-economic criteria. They increasingly consider social and environmental factors when taking their investment decisions. They only invest in companies that they believe behave in a socially and environmentally responsible manner (Rosser et al, 2008). Such investors begin to emerge in Indonesia and will probably grow over time to promote greater social and environmental responsibility on the part of companies. They show more interest in supporting responsible business practices and demand more information on how companies are addressing risks and opportunities related to social and environmental issues (Susilowati, 2011).

Therefore, implementing CSR can help build share value, lower cost of capital, and ensure better responsiveness to markets (Hohnen, 2007). Organizations that perform well with regard to CSR can build their reputation, while those that perform poorly can damage brand and company value when exposed. In fact, market indexes and professional firms now provide information to investors about a wide range of corporate characteristics to supplement the traditional financial criteria used to make investment decisions, including governance, human resource management, health and safety, environmental protection and community development (Hohnen, 2007).

## 5. CSR Practice in Indonesia

Indonesia is a unique case when it comes to CSR practice. The social and environmental issues and the economic considerations, have forced the Indonesian government to take action by creating awareness for CSR, which can help the adoption of CSR faster and sustainable. The issuance of Law No. 40/2007 article 74 has explicitly made it mandatory for companies dealing with natural resources to perform their social and environmental responsibility. This means that for Indonesian companies, since 2007, it is mandatory to implement and invest in CSR. But, still there is a varying degree of understanding on CSR definition among stakeholders. Stakeholders perceive companies as a source of cash and some companies even think that donating money to celebrations of Independence Day is CSR (Hoffland, 2012). While the Indonesian government says CSR is about community development. Even so, a growing number of corporations in Indonesia have started to realize the importance of adopting CSR in their business operations (Achda, 2006).

The economic crisis and reforms are also two factors that triggering transparency, democracy, and social awareness (Koestoer, 2007). It indicates that a broad spectrum of society, including business and NGOs, now expect more openness atmosphere, including that related to how various natural resources and economic activities in general are managed (Achda, 2006). Society wants to better inform what the companies do -- how they improve or damage lives and the environment -- what they are doing to ensure resource use and business operations are set-up for the long run (Koestoer, 2007). They started to seriously consider the issues concerning responsibility and sustainability;

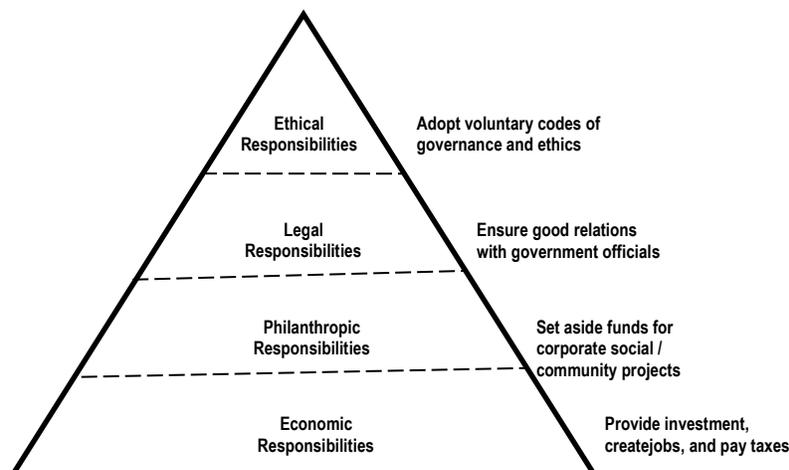
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therefore, it is very crucial for government as well as companies to respond to this (Achda, 2006).

Triggered by a number of cases in Indonesia, such as the incident of Lapindo Brantas, a gas mining company which caused a massive hot mud flow in Sidoarjo, in which thousands of people lost their shelters and destroyed large tracts of agricultural land (Susilowati, 2011), CSR in Indonesia has been stated as an obligation for companies whose primary activities are related to natural resources in Article 74 of Law No. 40 Year 2007 concerning Limited Liability Company. Even though it creates a controversy among businesses operators (whether CSR is voluntary or mandatory), it has to be admitted that there are a huge environmental degradation, threats of natural disaster, and potential conflicts with the community (Rahendrawan, 2006) which are caused by their businesses existences as mentioned in Lapindo's case above.

Carroll's four-part pyramid construct can be useful to show how CSR is manifested in an Indonesia context. However, the order of the CSR layers in Indonesia differs from Carroll's classic pyramid. In Indonesia, economic responsibility still gets the most emphasis. It is understandable because Indonesia - as many other developing countries - still suffer from a shortage of foreign direct investment, high unemployment and widespread poverty. Unsurprisingly, therefore, that the economic contribution of companies in Indonesia is highly valued by governments and communities alike. Making an economic contribution is often seen as the most important and effective way for business to make a social impact, i.e. through investment, job creation, taxes, and technology transfers (Suharto, 2008 & Susilowati, 2011). In addition, CSR in Indonesia is most commonly associated with philanthropy or charity, i.e. through corporate social investment in education, health, sports development, the environment, and other community services (Koestoer, 2007 & Susilowati, 2011). Therefore, philanthropy is given second highest priority, followed by legal and ethical responsibilities. Hence, using Carroll's pyramid, the current status of CSR in Indonesia can be seen in the following figure.

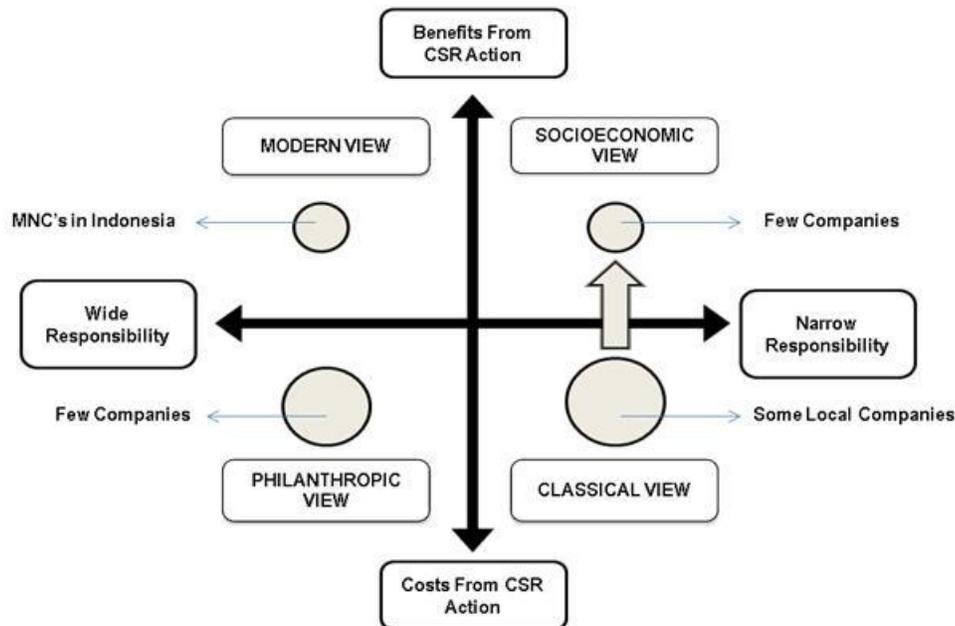
**Figure 4: CSR pyramid in Indonesia context**



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The scope of CSR practices in Indonesia has mainly focused on education (61%), environment (48%), enterprise and economic empowerment (38%), and human resource issues (24%). Referring to the Quazi and O'Brien's CSR model, current status of CSR in Indonesia presents a diverse picture. Hence, it is placed in the various quadrants of the following figure.

**Figure 5: CSR practice in Indonesia context**



As CSR activities of most firms in Indonesia tend to confine to the traditional realm of maximizing profit through supplying goods and services to society, most Indonesian firms fall into the category of the classical domain of CSR. However, a small number of firms are only look beyond the traditional path and are involved in some sorts of CSR activities going beyond the classical doctrine. Social problems are more important (especially poverty) for them than environmental problems. These firms are placed in the socio-economic quadrant. It is noted that these companies are still within the narrow perspective of CSR as the practice undertaken are more often used to gain legitimacy that can influence public opinion about the company's existence. It appears that many companies take the CSR for granted or treat it as a marketing tool to provide a social license to operate.

It is interesting to note that a very small number of firms mainly state owned companies and MNCs seem to break the cycle and are involved in a variety of CSR activities. They mainly look after the environmental issues (Sedyono, 2007). State owned companies (SOE) are required to spend 2.5% from their net profit for development of the social and physical environment. These include social activities, such as poverty alleviation, helping poor farmers with seeds and agriculture implements, providing financial assistance, and access to market. The MNCs and SOE have to keep up with international norms and see

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CSR as strategy toward sustainability. CSR of this nature thus operate in a wider perspective and can be placed in the modern view of CSR.

It must be noted that few other companies undergo philanthropic activities, including donation to religious institution. Therefore this can be placed in the four quadrant of CSR of philanthropic view. Philanthropy seems to be an important way in which companies contribute to communities and broader society. Even though the amounts given are very small for the companies, they are significant for poor communities to fulfill their immediate basic needs. Nevertheless, as stated by Achda (2006), motives for donating are not frequently based on fundamentals of moral responsibility, instead, they do it based on charity, image building, tax minimization, security and prosperity or even -regrettably- money laundering.

The philanthropic initiatives are typically described in terms of amount of money or times spent rather than in terms of impact or explicit performance target (Porter and Kramer, 2006). It seems that success is when a company can fully disburse the allocated fund to its target, and to other charitable activities as planned in its annual plan (Rahendrawan, 2006) without any evaluation in terms of the effectiveness and impact for the target (Achda, 2006).

## 6. Conclusion

Indonesia has a low level of CSR penetration compared to other countries, economic responsibility still gets the most emphasis. It is understandable because the economic contribution of companies is highly valued, by governments and communities and is often seen as the most important and effective way for business to make a social impact. Using Carroll's four-part pyramid model, the order of the CSR layers in Indonesia differs from its classic pyramid. In addition, CSR in Indonesia is most commonly associated with philanthropy or charity, i.e. through corporate social investment in education, health, sports development, the environment, and other community services. Therefore, philanthropy is given second highest priority, followed by legal and ethical responsibilities.

There was little information about the status of CSR in Indonesia that could be found in the published papers. However, this paper gives an illustration on how CSR has been implemented in Indonesia. Even though changes have been made, in most cases, perception that shareholders are more important than stakeholders is still predominant. But some encouraging signs can be seen in the growing awareness among Indonesian companies, particularly those that operate in the global market. They start looking at their corporate organizations and apply with international standards to become more sustainable as a company.

The major limitation of this study lies to the fact that the analysis presented in this paper is mainly based on published works (journals, magazines, books, government publications and annual reports). It could be objected that those reports and published works are not an appropriate tools for this sort of analysis as those published works are not all based on deep researches. Therefore, the findings will be unrepresentative of national business patterns. Accordingly, the most significant contribution of this analysis on manager's

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perspective on CSR is arguably to encourage researchers to draw their research inspiration from a collective source and methods.

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