

# **CORPORATE SOCIAL RESPONSIBILITY AS PART OF STRATEGIC MANAGEMENT ON IMPLEMENTING ETHICS AS BUSINESS PRACTICE**

Wijayaningsih, Rini <sup>1</sup> , Steelyana, Evi <sup>2\*</sup>

<sup>1</sup>Faculty Member of Management Department, Faculty of Economics, Bhayangkara University, Bekasi, West Java, Indonesia

<sup>2</sup>Faculty Member of Accounting Department, Faculty of Economic and Communication, BINUS (Bina Nusantara) University, Jakarta, Indonesia

\*Corresponding Author

Evi.steelyana@binus.ac.id

## **ABSTRACT**

In the current business competition, companies are trying to optimise their profit, this aim could lead to less ethical practice, profits can indeed achieved in the short run, but in the long term the less ethical behavior could destroy the business itself and this will reduce the value of sales or the value of the company. This paper aims to analyse and describe Ethics and Corporate Social Responsibility as a model development of management strategy, by considering many factors which are strengthening aspects of the core business, core competence, stakeholders analysis, and mission organization. A corporate's approach on corporate social responsibility (Corporate Social Responsibility/CSR) as social investment become social capital, spirit of ethics and responsibility for business sustainability.

Keywords: *Corporate Social Responsibility, Ethics, Core Competence, Social Capital, Business Sustainability.*

## **BACKGROUND OF STUDY**

Recently, in the global era where business competition increases and all companies are keeping up with the pace, it is impacted to less concern about environment and social factors (Lasserre, 2003:398) which will caused to destruction natural resources and environment balanced. Companies should take priority on business with sustainability concern, the long term of business is leading to comprehensive development and raise company value. Business ethics could be bias to be implemented, in the other hand companies with sustainability concern could lead ethics as part of their business operation and strategy.

This paper aims to describe and analyse the important of social concern through Corporate Social Responsibility strategies and implementation which include business ethics as part of business development.

## **LITERATURES REVIEW**

As a set of decisions and action, Strategic Management determines managerial long term performance of organisation [Hunger and to Wheelen, 2002]. Integrated approach is significantly important to reach company's goals. Strategic Management should comprehensively integrate all the organisational functions which are management, marketing, finance/accounting, production/operations, research and development, as well as computer information systems. In the other hand, commitments, decisions, and actions that it takes a company to achieve competitive advantage and company value raise up[Hitt, Ireland, Hoskisson, 2012].

Studies on management strategy mentions *monitoring* and evaluation process on strength and weaknesses of the business itself would affect business policy and corporate governance. Company's core competence is one of significant factor on fulfilling customer satisfaction as well as part of management strategy. An integrated approach on business operation and all the organisation functions such as: marketing, operation, production, finance, accounting and information system is a comprehensive approach on implementing strategy for value creation and business sustainability (Bryson, 2004)

Social Responsibility is part of business ethics implementation and it is considered as important factor on company's value creation process. Supported by strategic planning and

transparancies, business ethics will be more efficient and consistently to be implemented (Santosa, 2007:2 ) Business ethics implementation should give significant impact to stakeholders especially relate to enviroment, culture and social policy which in the end should raise economic growth and public welfare nation. The underline of Corporate social responsibility or Corporate Social Responsibility (CSR) is on how a company manages the business process and give positive impact to the society and community surround.CSR is closely connected with the sustainable development.

Many large companies in Indonesia implements CSR as their strategic decision to implement social investment. CSR should be counted as social investment (Parsudi Suparlan, 2005). CSR activities could be found in many form of social activities including culture related events such as Mudik Lebaran, Scholarship, Sport Activities for employees, communities and young generation. CSR will give positive impact on company's reputation, integrity, accountability and value creation.

According to Law of the Republic of Indonesia Number 40 of the year 2007 about limited company liability, business and private companies has responsibility on business process which will give positive impact to enviroment and social concern. It is an obligatory to manage company's budget which put allocation on enviroment,economics and social concern especially to the surrounded community. Ethics and social responsibility in management strategy is associated strengthening the core business, core competence, stakeholders relationship and , mandate and public awareness.

## **RESEARCH OBJECTIVES**

This paper aims to describe Corporates Social Responsibility as part of management strategy, as a model of Business Ethics implemantation which concern to Economics, Enviroment and Social Concern, it shows that CSR programme will improve corporate governance implementation and in the end, it will impact the company's value and profit.

## **METHODOLOGY**

This paper is using Qualitative Method with Literature Study and Descriptive Analysis, based on secondary data from Indonesia Ministry of Trade, Indonesia Ministry of State Owned, Indonesia Ministry of Justice with simple average calculation to explain Secondary data from The Global CSR Forum.

## RESEARCH FINDINGS

In Indonesia, there are several Law and Regulation that support CSR Programme, there are:

**Table 1:**  
**Law and Regulation for supporting CSR Programme in Indonesia**

No.	Name	Description
1	Undang-Undang No. 40 tahun 2007  Law No. 40/ 2007	Undang-Undang tentang Perseroan Terbatas  Law on Limited Company
2	PP No. 47 Tahun 2012  President Regulation No.47/2012	Tanggung Jawab Sosial dan Lingkungan Perseroan Terbatas  Social Responsibility and Enviroment Limited Company
3	Undang-Undang Nomor 25 Tahun 2007  Law No 25 / 2007	tentang Penanaman Modal  Investment
4	Undang-Undang Nomor 22 Tahun 2001  Law No 22 / 2001	tentang Minyak dan Gas Bumi  Oil and Gas
5	Undang-Undang Nomor 4 Tahun 2009  Law No 4 / 2009	tentang Pertambangan Mineral dan Batubara  Mineral and Coal Mining
6	Peraturan Pemerintah Nomor 23 Tahun 2010  Government Regulation No 23/2010	Pelaksanaan Kegiatan Usaha Pertambangan Mineral dan Batubara  Mineral and Coal Mining

Source: Indonesia Ministry of Justice website

**Table 2:**  
**Sample of Private Companies in Indonesia with CSR Program**

No.	Name	Core Business	CSR Programme	Target	Description
1	BCA	Banking	Education Healthcare Enviroment Community Development	Local Community and Unprivelegde family	
2	PT. Riau Andalan Pulp and Paper	Pulp and Paper Industry	Education Healthcare Enviroment Community Development	Local Community and Unprivelegde family	Website: <a href="http://www.pertamina.com/en/social-responsibility/csr-program/">http://www.pertamina.com/en/social-responsibility/csr-program/</a>

3	PT AMMAN Mineral (d/h PT. Newmont Nusa Tenggara)	Copper Mines Gold, Silver	Environment Education Healthcare	Local Community and Unprivileged family	Website: <a href="http://www.newmont.com/sustainability/">http://www.newmont.com/sustainability/</a>
4	PT. Berau Coal	Coal mine	Education Healthcare and Nutrition Social and Culture	Local Community and Unprivileged family	Website: <a href="https://www.beraualenergy.co.id/corporate-social-responsibility/">https://www.beraualenergy.co.id/corporate-social-responsibility/</a>
5	PT. Freeport Indonesia	Copper/Gold Mine	Pemberdayaan Perempuan Reklamasi & Revegetasi Tenaga Kerja Keselamatan Kerja	Local Community and Unprivileged Family	Website: <a href="https://ptfi.co.id/id/csr">https://ptfi.co.id/id/csr</a>
6	XL	Telecommunication	Education Community Development	Community and Unprivileged Family	Website: <a href="https://www.xl.co.id/aboutus/en/responsibility.html">https://www.xl.co.id/aboutus/en/responsibility.html</a>
7	Sari Ayu	Herbal and Cosmetic	Women Empowerment Environment Education	Community and Unprivileged Family	Website: <a href="http://www.marthatilaargroup.com/id/corporate-social-responsibility/csr-terkini.html">http://www.marthatilaargroup.com/id/corporate-social-responsibility/csr-terkini.html</a>
8	Mustika Ratu	Herbal and Cosmetic	Community Development Education Environment	Community and Unprivileged Family	Website: <a href="http://mustika-ratu.co.id/id_ID/mustika-ratu-help-flood-victims-in-garut/">http://mustika-ratu.co.id/id_ID/mustika-ratu-help-flood-victims-in-garut/</a>
9	Sido Muncul	Herbal	Education Environment Social and Community Concern	Community and Unprivileged Family	Website: <a href="https://sidomuncul.com/csr.php">https://sidomuncul.com/csr.php</a>
10	Djarum	Cigarette	Education Environment Social and Community Concern Sport	Community and Unprivileged Family	Website: <a href="http://www.djarumfoundation.org/program/">http://www.djarumfoundation.org/program/</a>

Source: company's website

**Table 3:**  
**Sample of State Owned Companies in Indonesia with CSR Program**

No.	Name	Core Business	CSR Programme	Target	Description
1	Bank Mandiri	Banking	Kemandirian Komunitas  Kemandirian Edukasi dan Kewirausahaan  Fasilitas Ramah Lingkungan	Community: Nationwide	Website: <a href="http://csr.bankmandiri.co.id/tentang/">http://csr.bankmandiri.co.id/tentang/</a>
2.	Bank BNI	Banking	BNI Berbagi  BNI Go Green  Kampung BNI  KAMI Bersaman	Community: Nationwide	Website: <a href="https://www.telkomsel.com/en/about-us/csr">https://www.telkomsel.com/en/about-us/csr</a>
3	Bank BRI	Banking	BRI Peduli:  Indonesia Sehat Indonesua Sejahtera Indonesia Takwa Indonesia Cerdas Indonesia Membangun Indonesia Bermitra	Community: Nationwide	Website: <a href="http://banggaberindonesia.com/kategori-2.html">http://banggaberindonesia.com/kategori-2.html</a>
4	PT. Pertamina	Oil and Gas	Pertamina dan Pendidikan  Pertamina dan Masyarakat  Pertamina dan Lingkungan  Pertamina dan Kesehatan	Local Community and Unprivelegde family	Website: <a href="http://www.pertamina.com/en/social-responsibility/csr-program/">http://www.pertamina.com/en/social-responsibility/csr-program/</a>
5	PT. Telekomunikasi Indonesia Tbk (Telkom)	Telecommunications	Indonesia Digital Learning & My Teacher My Hero  Pustaka Digital  Socio Digi Leaders  BUMN Hadir Untuk Negeri  Telkom Craft  Widyawisata& Real Experience VR Satelite Telkom 3S	1. Digital Enviroment 2. Digital Community 3. Digital Economy	Website: <a href="https://www.telkom.co.id/servlet/tk/about/id_ID/stockdetail/tentang-csr.html">https://www.telkom.co.id/servlet/tk/about/id_ID/stockdetail/tentang-csr.html</a>
6	Indosat	Telecommunications	Women Empowerment Education and Innovation Healthcare	Women Migrant Workers  Community: Nationwide	Website: <a href="https://indosatooredoo.com/en/about-indosat/corporate-responsibility/">https://indosatooredoo.com/en/about-indosat/corporate-responsibility/</a>
7	Telkomsel	Telecommunications	Education Digital Citizenship Community Empowerment Philantrophy	Community: Nationwide	Website: <a href="https://www.telkomsel.com/en/about-us/csr">https://www.telkomsel.com/en/about-us/csr</a>

Source: Indonesia Ministry of State Owned Company

CSR and Good Governance are relating to each other, as part as compliance in government regulation, CSR programme in companies is one of priority to implement. In the global era, integrated relation between industry and community development is significantly change the face of economy development of a country. Many organisation have intention to develop economy comprehensively. In this paper, we took one example on CSR Global Forum from Pinnacles organisation.

Pinnacles is an international organisation that provides recognition for an organisation that has achieved outstanding results in Corporate Social Responsibility Excellence through key initiatives that demonstrate leadership and commitment to excellence in corporate social responsibility.

This Award is open to all organisations across the corporate, government, community and not-for-profit sectors. The Global CSR Awards is Asia’s Most Prestigious Recognition Awards programme for Corporate Social Responsibility, it recognizes and honors companies for outstanding, innovative and world-class products, services, projects and programmes implemented in the past or present. These projects should demonstrate the company’s leadership, sincerity and on-going commitment in incorporating ethical values, compliance with legal requirements, and respect for individuals, communities and the environment in the way they do business.

In preparing entries, organisations should include details of one or more major corporate social responsibility initiatives, for example:

Projects that have a direct, positive impact on a minority or disadvantaged group in the community. Positive whole of community events, fund raising or projects to support the not-for-profit sector. Cross-sector partnerships that benefit all stakeholders.

In determining the winner of this Award, judges will consider the extent to which initiatives described:

Represent leadership excellence in corporate social responsibility,

Have positively impacted on the organisation and its stakeholders, and

Demonstrate business leadership for the industry in which the organisation is situated.

In 2016 and 2017 there are several Indonesian Companies won the award and the data could be seen below:

**Table 4:**  
**The Global CSR Award 2016 – List of Winners**

No.	Programme	Category	Platinum Winner	Gold Winner	Silver Winner	Bronze Winner
1	Best Community Programme Award	Less than US1 Billion in Market Capitalization	PTTEP Malunda Limited (Platinum)	Maynilad Water Services, Inc (Gold) PT Jawa Power (Gold) (Bronze)	PT Reckitt Benckiser (Silver)	PT Samsung Electronics Indonesia

		More than US1 Billion in Market Capitalization	PT. Hero Supermarket Tbk (Platinum)	DHL Asia Pacific (Gold) Takeda Pharmaceutical Company Ltd (Gold) PT Pertamina (Persero) (Gold)	Maybank Foundation (Silver) PT Indosat Tbk (Indosat Ooredoo) (Silver)	PT Adaro (Bronze) PT Donggi Senoro LNG (Bronze)
2.	Best Environmental Excellence Award	Less than US1 Billion in Market Capitalization	Maynilad Water Services, Inc (Platinum)	PT Jawa Power (Gold)	Ricoh Asia Pacific Pte Ltd (Silver)	Djarum Foundation (Bronze)
		More than US1 Billion in Market Capitalization	Infosys Limited (Platinum)	Tenaga Nasional Berhad (Gold)	TNB Janamanjung Sdn Bhd (Silver)	Tetra Pak Asia (Bronze)
3.	Excellence in Provision of Literacy and Education Award	Less than US1 Billion in Market Capitalization	Djarum Foundation (Platinum)	Megaworld Foundation (Gold)	Sarawak Energy Berhad (Silver)	PT Sun Life Financial Indonesia (Bronze)
		More than US1 Billion in Market Capitalization	Samsung Electronics (SEA & Oceania)	Bank Indonesia (Gold) PT Pertamina (Persero) (Gold)	XL Axiata (Silver)	PT Bank CIMB Niaga (Bronze)
3.	Excellence in Provision of Literacy & Education Award	Companies with market capitalisation more than USD 1 Billion	Indosat Ooredoo (Platinum)	Bank Indonesia (Gold) XL Axiata (Gold) Megaworld Foundation (Gold)	PT Donggi Senoro LNG (Silver) Samsung Southeast Asia (Silver)	CIMB Niaga (Bronze)
		Companies with market capitalisation less than USD 1 Billion	YTL Corporation Berhad (Platinum)	Maynilad Water (Gold)	Samsung Indonesia (Silver)	PT Bank CIMB Niaga (Bronze)
4.	Empowerment of Women Award		Tata Consultancy Services (Platinum)	Bank Indonesia (Gold) Mastercard Asia Pacific (Gold)	Qualcomm Wireless Reach (Silver)	PT Omron Manufacturing of Indonesia (Bronze)
5.	Best Workplace Practices		Yes Bank Ltd (Platinum)	TNB Janamanjung Sdn Bhd (Gold) OceanaGold Philippines Inc (Gold)	PT Sarihusada Generasi Mahardhika (Silver)	Berhad (Bronze)
6..	CSR Leadership Award	Companies with market capitalisation more than USD 1 Billion	PT Hero Supermarket Tbk (Platinum)	PT Adaro Energy Tbk (Gold) Dubai Duty Free (Gold)	Friesland Campina (Silver) Indosat Ooredoo (Silver)	Kulim Malaysia Berhad (Bronze)
		Companies with market capitalisation less than USD 1 Billion	Tech Mahindra Foundation (Platinum)	Tata Consultancy Services (Gold)	Dubai Customs (Silver)	



7	Best Governed & Most Transparent Company Award			Yes Bank Ltd (Gold)	RHB Capital Berhad (Silver)	SM Investments Corporation (Bronze)
8	Product Excellent Award		Yes Bank Ltd (Platinum)	Tetra Pak Asia (Gold)	Toyota Motor Asia Pacific Pte Ltd (Silver)	Bank Indonesia (Bronze)
9	CSR Leadership Award	Less than US1 Billion in Market Capitalization	Ricoh Asia Pacific Pte Ltd (Platinum)	PT Chandra Asri Petrochemical Tbk (Gold)	Sansiri PLC (Silver)	PT Kirana Megatara (Bronze)
		More than US1 Billion in Market Capitalization	Tenaga Nasional Berhad (Platinum)	Yes Bank Ltd (Gold)	PT Holcim Indonesia Tbk (Silver)	Kulim (Malaysia) Berhad (Bronze)
10	Best CEO Award			PT HM Sampoerna Tbk (Gold)	Yes Bank Ltd (Silver)	Megaworld Corporation (Bronze)
11	Best CFO Award			PT HM Sampoerna Tbk (Gold)	XL Axiata (Silver)	
12	Merit Award	Atimonan One Energy, Inc. PT Pam Lyonnaise Jaya (PALYJA) YTL Hotels YTL Cement Citibank Indonesia CNOOC SES Ltd Dubai Customs Tower Bersama Infrastructure Tbk PT Pindo Deli Pulp and Paper Mills Friesland Campina Asia				

Source: The Global CSR Award Website

**Table 5:**  
**The Global CSR Award 2017 – List of Winners**

No.	Programme	Category	Platinum Winner	Gold Winner	Silver Winner	Bronze Winner
1	Best Community Programme Award	Less than US1 Billion in Market Capitalization	Indosat Ooredoo (Platinum)	Bangchak Petroleum (Gold) Sarawak Energy (Gold) Tenaga Nasional (Gold)	Bank Indonesia (Silver) Manila Water (Silver) PT Donggi Senoro LNG (Silver)	Maybank Foundation (Bronze) Oceana Gold (Bronze) Bank BTPN (Bronze)

		More than US1 Billion in Market Capitalization	PTTEP Malunda Limited (Platinum)	DHL Vietnam (Gold)	Ajinomoto Malaysia (Silver)	PT Bank Maybank Indonesia (Bronze)
2.	Best Environmental Excellence Award	Less than US1 Billion in Market Capitalization	Infosys India (Platinum)	PT Adaro (Gold) Bank Indonesia (Gold)	Oceana Gold (Silver) PT Pertamina (Silver)	Dubai Duty Free (Bronze)
		More than US1 Billion in Market Capitalization	YTL Corporation Berhad (Platinum)	PT Jawa Power (Gold)		
3.	Excellence in Provision of Literacy and Education Award	Less than US1 Billion in Market Capitalization	Indosat Ooredoo (Platinum)	Bank Indonesia (Gold) XL Axiata (Gold) Megaworld Foundation (Gold)	PT Donggi Senoro LNG (Silver) Samsung Southeast Asia (Silver)	CIMB Niaga (Bronze)
		More than US1 Billion in Market Capitalization	YTL Corporation Berhad (Platinum)	Maynilad Water (Gold)	Samsung Indonesia (Silver)	
4.	Empowerment of Women Award		Bank Indonesia (Platinum)	PT Donggi Senoro LNG (Gold) Kulim Malaysia Berhad (Gold)	AXA Indonesia (Silver)	Indosat Ooredoo (Bronze)
5.	Best Workplace Practices		DHL Express Philippines Corporation (Platinum)	Tenaga Nasional (Gold) Oceana Gold (Gold)	) Tower Bersama (Silver) Indosat Ooredoo (Silver)	Kulim Malaysia Berhad (Bronze)
6..	CSR Leadership Award	Companies with market capitalisation more than USD 1 Billion	PT Hero Supermarket Tbk (Platinum)	PT Adaro Energy Tbk (Gold) Dubai Duty Free (Gold)	Friesland Campina (Silver) Indosat Ooredoo (Silver)	Kulim Malaysia Berhad (Bronze)
7	Best Country Award for Indonesia for Overall CSR Excellence		PT Hero Supermarket Tbk (Platinum)			

Source: The Global CSR Award Website

## DISCUSSIONS

From the past two years (2016-2017) numbers of Indonesian companies who won the CSR award is more than 15 companies. It means increasing in awareness of CSR as part of management strategy and good governance. Based on government regulation and law of Indonesia, CSR implementation programme in Indonesia is currently become priority for most of companies as part of compliance regulations.

In 2016-2017, Bank Indonesia won the award on women empowerment category, it also proves that in Indonesia women are encouraged to reach the senior level in workplace.

In 2017, Indosat won the best place to work, it is also explain that in Indonesia there is a company which concern about life balanced and taking priority on achievement.

## **CONCLUSIONS**

Corporate Social Responsibility (Corporate Social Responsibility/CSR) is becoming one of strategy for corporate on implementing corporate governance and become one of the ultimate goals for sustainability reports. There are some factors that could be taken as consideration:

-Customers satisfaction depends on core business development, on companies strategy on meeting the customers needs and the ability to fullfil the needs.

-Comprehensive strategy will significantly impact the organisation development. Core competences and companies goals should put integrated strategy and management process in-line with the vision and mission. It will resulted continuity development process which well integrated and aim for sustainability.

- In order to formulate strategic planning which can be a viable strategic plan, it is significant to put Corporates Social Responsibility implementation as part of business plan and development. For achieving sustainability development of companies integrate strategy which put concern on Enviroment, Social Policy and Culture will develop business in long term periodof time.

-As Corporate Social Responbility implementation and activities will contribute to the value of companies this also consider as Social Investment that many factors will be raised and significantly improved. Some factors that could be mentioned are

- Corporate Relation with stakeholders will be positively improved since the strategy will impact and beneficial for all stakeholders in the long term period of time.
- Good Corporate Governance Implementation will raise Value of company will raised since the strategy include Integrity, Transparency, Accountability, Responsibility
- Corporate Social Responsibility as Social Investment (Social investment) which put concern on Enviroment, Culture and Social Policy are aiming to improve business sustainability and in the end, raising the value of business itself.

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