

# **Corporate Social Responsibility Program Evaluation: The Importance of Public Relations Support in the Case of Indonesia**

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## **ABSTRACT**

This paper discussed the current issues on the development of corporate social responsibility in Indonesia, particularly the prevailing assumptions about the benefits of corporate social responsibility (CSR) and public relations (PR) practices. Many negative connotations on CSR persist within the society including the perceived role of CSR as a PR exercise and a free promotion tool. This paper addresses how the PR theory and practice direct and support CSR practices. Furthermore, PR needs to engage its role as a management strategy toward strategic planning and rapid information accumulation through CSR. The result of this observational study shows the necessity of a clear PR job description.

Keywords: Indonesia, corporate social responsibility, public relation

## **I. INTRODUCTION**

Corporate social responsibility (CSR) is a common practice of companies in Indonesia. Companies have numerous approaches and resources to accomplish CSR. They range from training to the utilization of community expertise. This paper aims to gain information about CSR and the role of public relation (PR) in companies. The study involves a comprehensive review of the CSR literature along with the theory that supports it. A number of CSR practices from some global companies and local companies are provided as examples.

A few studies have explained the function of corporate PR and explored the processes by which PR or related corporate functions contribute to social performance (Black, 2002). This paper aims to study the concept of CSR and to determine the role of PR in communicating company profile toward CSR.

## II. LITERATURE REVIEW

### 2.1 The History of Corporate Social Responsibility

The history of CSR should be given focus before its definition. Corporate social responsibility developed from its definition a long time ago. The term CSR may be relatively new to the business world, however, the concept itself has been observed over several decades. The CSR concept began in 1920s; however, it only became a serious topic among business leaders in the 1950s owing to the Great Depression and World War II (Smith, 2011).

Thus, CSR focused on social marketing. Social marketers believed that highly profitable organizations can easily perform good things for the environment. Organizations have to be accountable to the environment according to business ethics. Furthermore, people desired transparency from organizations.

The public pressure toward organizations prompted some organizations to refuse through the following:

1. Avoiding the demand by not admitting internal problems;
2. Resisting the demands of the people and the environment;
3. Misleading people's opinion by brain washing;
4. Complying with the demands by significantly changing a number of social performances, as well as the environment;
5. Adjusting company performance.

Public pressure will increase the movement of CSR. The organization will undergo some modifications to accomplish the people's demands.

### 2.2 The Definition of Corporate Social Responsibility

The Harvard Kennedy School defines CSR as:

*“Corporate social responsibility encompasses not only what companies do with their profits, but also how they make them. It goes beyond philanthropy and compliance and addresses how companies manage their economic, social, and environmental impacts, as well as their relationships in all key spheres of influence: the workplace, the marketplace, the supply chain, the community, and the public policy realm”* ([http://www.hks.harvard.edu/mcbg/csri/init\\_define.html](http://www.hks.harvard.edu/mcbg/csri/init_define.html)).

This definition highlights the following points. First, a company profits to achieve something else. Second, the company has to return the profit to the environment by accomplishing something meaningful. The manner in which a company profits is important.

With the above definition, CSR is often used interchangeably with corporate

responsibility, citizenship, ethics, and governance, as well as social enterprise, sustainability, sustainable development, and triple-bottom line.

Different organizations may have different CSR definitions. The World Business Council for Sustainable Development defines CSR as the “business commitment to contribute to sustainable economic development, working with employees, their families, the local community, and society at large to improve their quality of life.” The Canadian Center for Philanthropy refers to CSR as a set of management practices that ensure the company by minimizing the negative impacts of its social operations as its positive impacts are maximized (Valli, 2014).

Kotler and Nance defines CSR as a corporate commitment to improve the welfare of the surrounding community through business practice policies and by contributing corporate resources (Kotler & Nance, 2005). The CSR scope combines a number of elements, such as organization, stakeholder, and governance (Figure 1).



Figure 1. The Scope of CSR

Source: [www.csrindonesia.com](http://www.csrindonesia.com))

“Responsibility of an organization for the impacts of its decisions and activities on society and the environment, through transparent and ethical behavior that contributes to sustainable development, health, and the welfare of society; takes into account the expectations of stakeholders; is in compliance with applicable law and consistent with international norms of behavior; and is integrated throughout the organization and practiced in its relationships.”

The evolution of CSR as a concept continued when academics and businesses started to focus their CSR initiatives toward building business strategies (Smith, 2011). The conceptual evolution of CSR in management theory occurred in multiple aspects; this can be broadly termed as the rationalization of CSR, in which the level of

analysis moved from the macro-societal level to the organizational level, and the ethical orientation became more implicit than explicit (Leeora, 2002).

### **2.3 The Role of PR**

Nowadays, PR is performed professionally. Furthermore, it is a tool that has become a management strategy to communicate with community members and stakeholders. Currently, PR plays an important role in companies.

Public relation serves a wide variety of social institutions, such as businesses, trade unions, government agencies, voluntary associations, foundations, hospitals, schools, colleges, and religious institutions (Horton, 2007). Given that this field of knowledge has been increasingly studied, PR has a hundred definitions. The Public Relations Society of America defines PR as, “a means for the public to have its desire and interest felt by the institutions in our society. It interprets and speaks for the public to otherwise unresponsive organizations, as well as and speaks for those organizations in public” (L’Etang, 1994). Thus, PR is a vital term used in company practices.

Most experts still argue about the correlation between CSR and public relation; thus, the items are individually evaluated. However, L’Etang mentioned that CSR is often managed by PR practitioners for PR ends and is seen as a part of PR portfolio and techniques to establish relations with particular communities.

## **III. METHODOLOGY**

The present study uses literature review techniques. A literature review is a technique that highlights existing sources that are then studied, understood, and further exposed to obtain certain conclusions. This study uses a critical and comprehensive literature review of various sources, such as previous studies, books, and news.

### **3.1 CSR in Indonesia**

The CSR in Indonesia came much later than in developed countries. CSR probably began in Indonesia in the late 1990s. Jalal from Lingkar Studi CSR reported some important conditions that initiated the CSR in Indonesia, the first of which is social movement (i.e., human rights, labor, and environment) and then, company awareness, especially foreign, in which security approaches are not appropriate to use and should be replaced through welfare approach.

The public failed to understand CSR implementation when CSR practices began. This led to the CSR implementation barriers, such as:

1. Compulsory CSR without knowing the substance;

2. Collection of “CSR fund,” which raised negative impact;
3. Tendency of the majority of the civil society to level up companies;
4. Social reliance on companies

In Indonesia, CSR is set firmly through the Law No. 40 of the 2007 Limited Liability Companies Act No. 25 on Investment, as well as by the Minister of State-Owned Enterprises No. Per-5 / MBU / 2007 on Programs of State-Owned Enterprise Partnership Program with Small Business and Community Development Programs, especially for state-owned companies. The law is listed again in Act No. 40 of 2007 on the Limited Liability Company. Chapter of 74 paragraph (1) of the Act states that the company runs its business activities in the field and/or related to the natural resources required to implement its social and environmental responsibility. Paragraph (2) of this article indicates the obligation calculated as the company cost carried out based on decency and fairness. Moreover, paragraph (3) states that companies who do not carry out their obligations as specified in paragraph (1) are sanctioned according to the legislation concerned. Paragraph (4) states further provisions regarding government-regulated social and environmental responsibilities.

The concept of CSR has two types, namely an extensive and a narrow term. The CSR in the extensive term is closely related to the goal of achieving sustainable economic activities. The sustainability of economic activity is for the social responsibility and accountability of the company toward the society and the world (Marnelly, 2012).

Many industrial corporations in Indonesia have been practically running CSR principles by linking decision-making with ethical values, as well as the rule of law and respect for human life, society, and the environment (Tanudjaja, 2009).

### **3.2 Standardization of CSRISO 26000: 2010**

The ISO 26000 primarily serves to protect the consumer and the stakeholder. ISO 26000 covered seven points when it was first launched on November 1, 2010. Approximately 93% of the members signed the ISO 26000 proposal, including Indonesia. ISO 26000 is a standardization guideline vital to management standardization for the next decade. Having an ISO CSR standard does not mean that the end-delivered goods or services are themselves high quality; ISO deals with the environment for producing goods and services (Charles, 2004). Companies can bring quality to CSR through “Plan, Do, Check, Act Cycles” (PDCA) (Charles, 2004). The PDCA cycles encourage measurable accountability.

## **IV. DISCUSSION**

## 4.1 CSR Practices

The practices of CSR have been conducted locally or globally by public and private companies. As a tool for companies to enhance public awareness of their company, CSR can also exert a good impact for stakeholders and society members. The following are examples of CSR practices.

### 4.1.1 Citibank

Indonesia, through Citi Peka (*Peduli dan berKarya*), signed seven collaborations with non-profit organizations (NGOs) in the field of entrepreneurship, women empowerment, youth, and financial education. The CSR collaboration is an initiative of Citibank to expand their coverage of community development program activities in Indonesia.

Citi Peka (Care and Work) is a unit within Citibank Indonesia, which aims to manage the CSR activities in Indonesia. Citi Peka obtains global financial support from Citi Foundation, New York and Citibank Indonesia. Citi Peka autonomously manages social programs including: 1) education and youth welfare, 2) financial capability and asset ownership, 3) micro finance, and 4) development effort.

### 4.1.2 Samsung Indonesia

Samsung Electronics Co., Ltd. is a global leader in semiconductor, telecommunication, digital media, and digital convergence technologies with US\$143.1 billion consolidated sales in 2011. The company employs approximately 206,000 people in 197 offices across 72 countries, and operates two separate organizations to coordinate its nine independent business units, such as Digital Media and Communications, which comprise Visual Display and Mobile Communications.

PT Samsung Electronics Indonesia (SEIN) announced and inaugurated the Rumah Belajar (study home) project, which aims to build a center for the CSR skill-oriented education of the company. The event was inaugurated by the Minister of National Education of the Republic of Indonesia.

Samsung supports the development of the younger generation and continues to bring innovation in products and activities that promote creativity to improve the quality of the youth. Rumah Belajar Samsung is one of Samsung's corporate commitments to support the improvement of the youth's quality of life ([www.samsung.com](http://www.samsung.com)).

### 4.1.3 PT PLN Persero

PLN has been “committed to making electric power as a medium to improve the

quality of people's lives, to seek power to drive economic activity, and to run environmentally sound operations." Furthermore, PLN was determined to align the three aspects of development in providing electricity that is economical, social, and environmental. To this end, PLN develops a CSR program as a real form of CSR.

The CSR program covers the following:

1. Community relation. PLN conducted a number of activities, such as the dissemination of electrical installations [e.g., giving information to high school students in West Java about SUTET (high voltage)], as well as the dissemination of danger kites in Sumenep, Madura Island, East Java;
2. Community service. PLN carried out assistance programs related to community service or public interest (e.g., disaster relief, free cataract operations in Aceh, Maluku, West Java, and other cities in Indonesia, and clean water programs);
3. Development of the Micro Hydro Power;
4. Establishment of the biogas power plant;
5. Community development (e.g., program for trained partners).

#### 4.1.6 SONY Indonesia

The philosophy of Sony is reflected in its CSR business practices including the innovation to realize products, services, and content that inspire and excite; the assistance to communities of operations; and the contribution to shape a better, more sustainable society.



Figure 2. The philosophy of SONY

Source: <http://www.sony.net/SonyInfo/>

Sony's annual report on CSR mentioned seven focus areas: Corporate Governance/Compliance/Human Resources/Responsible Sourcing/Quality and Services/Environment/Community.

1. Corporate governance: Sony builds and maintains a corporate governance system that facilitates swift decision-making and efficient management of the Sony Group.
2. Compliance: Sony performs honest and ethical business activities.
3. Human resources: Sony employs people from around the world with different backgrounds. Sony provides opportunities that enable its employees to continue developing their talents and to create work environments that bring their full capabilities into play.
4. Responsible sourcing: Sony launched a traceability program to determine the source of certain raw materials used in products and to help assure that the minerals used originated from ethical sources.
5. Quality and services: Sony highly prioritizes the provision of high-quality customer-oriented products and services since its founding. Sony continually works to make its products and services easier for many people to use, as well as views usability and accessibility as essential aspects of product quality.
6. Environment: Sony reduces CO<sub>2</sub> emissions in its business activities and products throughout their life cycle to zero. Furthermore, it promotes the conservation and restoration of biodiversity and the sustained use of biodiversity-friendly products.
7. Community: Sony initiates contributions to communities in fields where Sony is best able to do so. The company provides emergency relief and collaborates with NGOs and NPOs to resolve pertinent social issues.

#### **4.1.7 Relationship between CSR and PR**

Both CSR and PR are important to companies, stakeholders, and communities. Public relation informs the company's uniqueness and delivers news to the community. Godwin et al. (2008) shows that opportunities for social responsibility can be incorporated into PR through a process approach, which fosters strong links among organizations, stakeholders, and society.

Frankental (2001) found that CSR is a PR invention that will remain as such until the paradoxes that he outlined are addressed. Furthermore, CSR can be substantiated if rewarded by financial markets and vertically and horizontally embedded across the organization, as well as if its implementation is benchmarked and audited.

The correlation of CSR and PR with leadership is found in Australia. Benn et al. (2010) determined that many leaders see PR professionals only as a source of positive publicity even if PR theory has evolved. They also concluded that the PR profession

requires a more comprehensive understanding of senior management approaches for the development and dissemination of CSR activities that support organizational leadership because it currently operates with respect to CSR.

## V. CONCLUSION

Corporate social responsibility has become a vital practice for companies as they increasingly realize the importance of doing good for the stakeholders and the community. Furthermore, PR is essential for companies.

Considering that every program offers an opportunity to build good will by promoting the company profile, CSR has become important to PR. Public relations provides the society or community with the information necessary to enhance publicity.

The CSR programs include those for the fields of education, environment, and technology. A number of ethical problems may appear upon program delivery, which PR should address using correct and truthful information.

This study holds that PR should be clearly described. Moreover, PR should deliver company good will through CSR programs and facilitate valuable company missions. Good publicity will follow later. Thus, future research needs to investigate the collaboration between company and others in society relative to CSR practices.

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