

Corporate Social Responsibility as a Competitive edge

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The changing world of industry

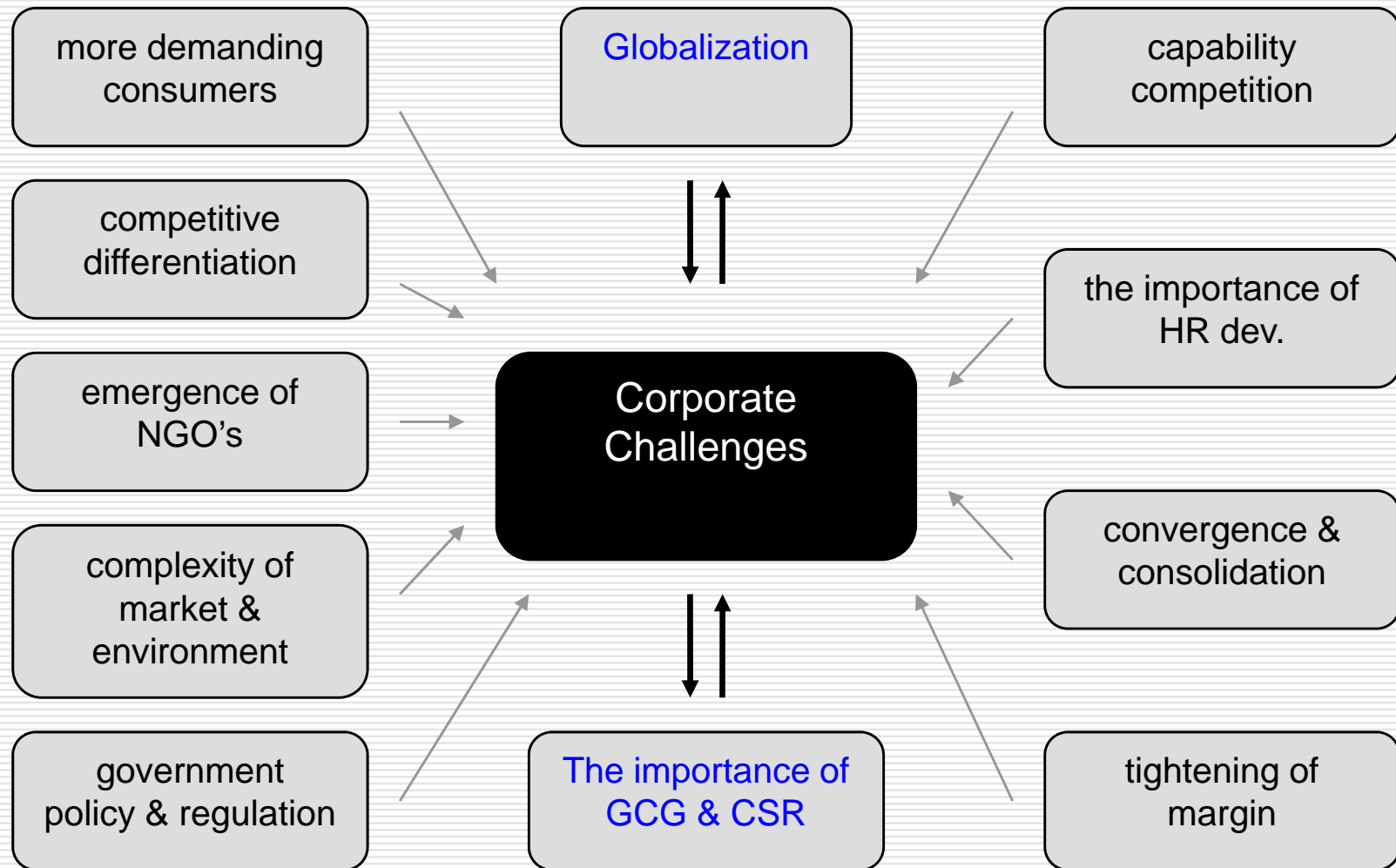
- The ongoing revolution on communication, technology and travel, underpinned by broader political, economical and social changes has made all Businesses in any country becoming part of a wider Global Market.
- Liberalization Of China, Vietnam and India has changed the industrial characteristic of the Region

Opportunity

Such development has opened an opportunity for businesses:

- To open new markets and manage their growth outside their home base.
- Take advantage of capabilities located in other parts of the world in establishing sourcing centers, global /regional innovation centers and other centers of excellence.
- To build competitive edge through doing smart and clever CSR.

Challenges



The evolving Business Paradigm (1)

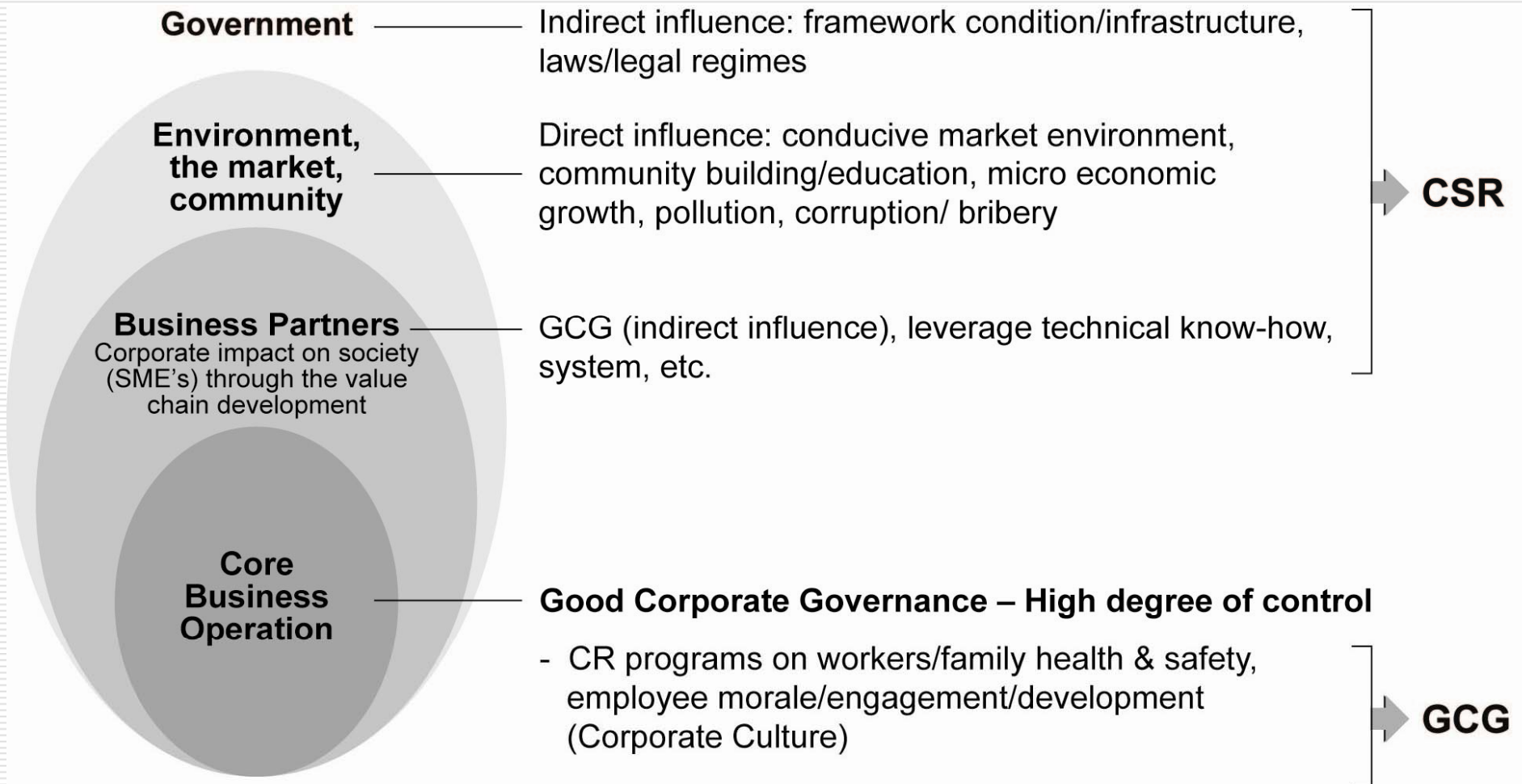
- Profit was previously the most important issue of being in Business.
- Entering the 21st century the new mantra of Business are: **People - Environment and Profit.**
 - People issues ranging from workers health and safety, employees morale / engagement & development (=Company Culture / Good Corporate Governance),
 - Social issues on community building & education (issues on entrenched poverty)
 - Environmental issues e.g. global warming, disturbance of ecosystems etc.are coming to the fore as core business issues.

All these activities are included in the Corporate Social Responsibility of the Company both *within and outside the core Business operation.*

The evolving Business Paradigm (2)

- Business globally has transformed their “Key Business Processes” into “Strategic Capabilities” to facilitate the change from “Product” to “Services Capabilities” competition.
- This has made People becoming the Corporations’ main asset to ensure sustainable growth and profit.
- Given the high complexity and challenges of the above , it is a must for a business to survive, to define the optimum balance between social, environmental and economic factors for short and long term performance / profit (meaning GCG / CSR activities should be embedded into the company’s culture and should be part of the short / long term strategy of the company)
- To ensure sustainability of Growth and Profit, Businesses should adopt sustainability related values, principles, strategies and practices.

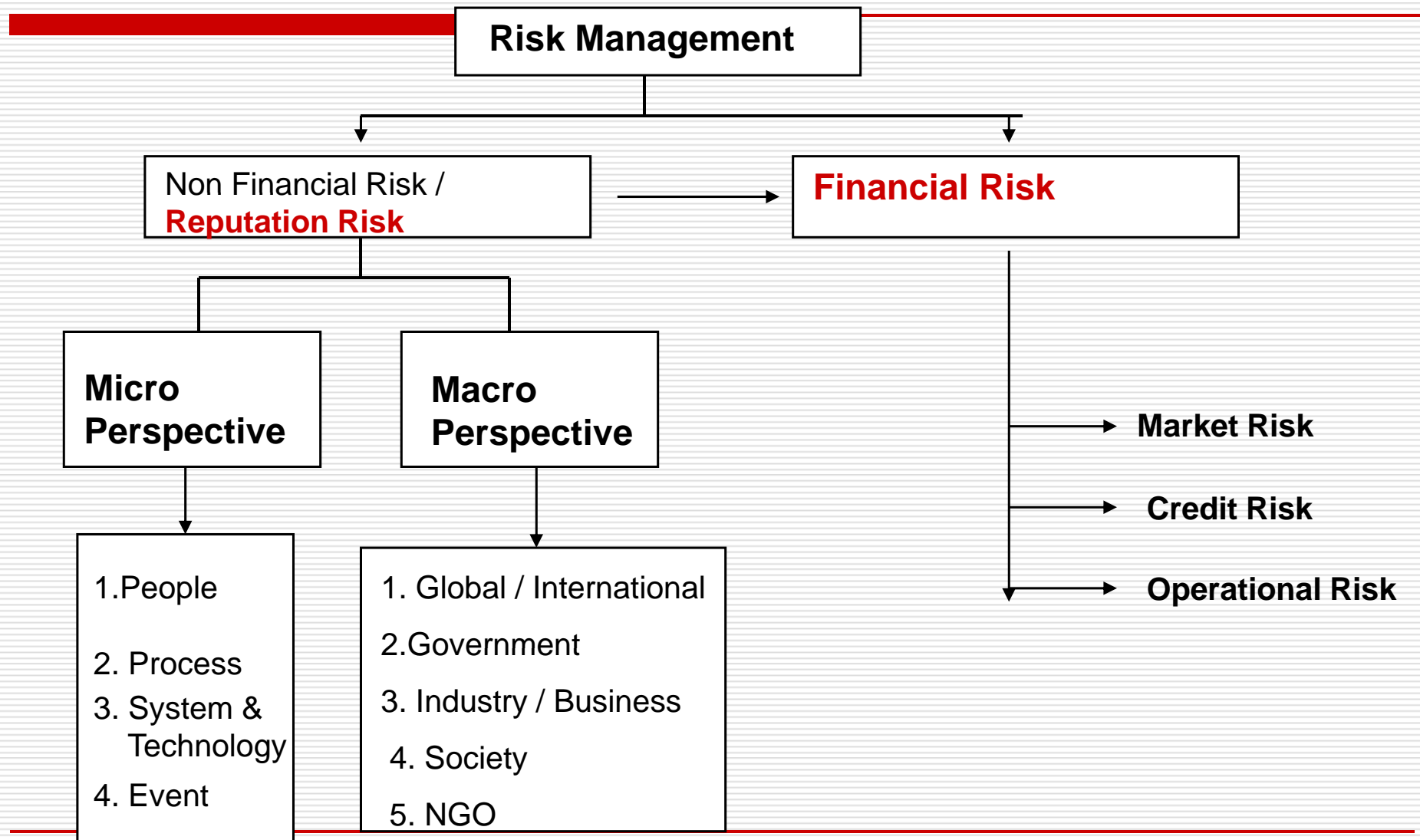
The boundaries of Good Corporate Governance & Corporate Social Responsibility



GCG and CSR (1)

- **GCG is the incorporation of high standards of corporate behavior as a culture within the core business operation**
- **CSR is the interaction of the Corporation and the external environment outside the core business operation**, which involves the interdependent relationship between its core operation, its business partners, the environment and the market including the wider community and the government.
- **Both GCG and CSR are now becoming an increasingly important part of the business strategy:** Good Corporate Culture and Human Resources Capability are major determinant of a company's success or failure and CSR activities are important tools to support the Company's Strategy and Image / Reputation

Corporate Risk management



GCG and CSR (2)

- **CSR and GCG can be seen as intangible elements** that contribute to **Corporate Reputation** - hence Corporate Success.
It has equal importance but different perspective from that of the financial measures
 - **People, process, system / technology and event are basically component of the core business operations** which are within the close control of the company which **GCG takes a major part of building the Company Reputation.**
 - From the macro perspective **business** has little or **no control over the government, industry, society, especially now with the globalization** and the **International community**, but **well defined and strategic CSR activities will ensure the optimum balance between social, environmental and economic factors for short and long term profit sustainability.**
 - **Well managed GCG and CSR is equal to good “Risk Management”**
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Characteristics of successful CSR programs (1)

- A Company can expect to **successfully practice sustainable CSR**, only when the Company is able to exert a high degree of control required to ensure **GCG** within **its core business operations**
- **A business can not do CSR activities without sustainable profit**
- **The principles of CSR are the same globally**, but each location calls for **different emphasis** in the implementation, depending on **the needs of the society** in which the business is operating.
Involve and empower the local community and form **alliances** with NGOs, central/regional government, expert / educational institutions and media.
- Unlike in **developed countries** , in which **most states assume** primary **responsibility for social welfare of the community**, **CSR in developing countries** has to **focus on the creation of sustainable wealth** for the **community** as well, particularly for the lower income groups.

Characteristics of successful CSR programs (2)

- Provide a win - win solution
Generates **sustainable benefit for all stakeholders**
- A win - win situation can only be sustainable if continuous community “**capacity development, involvement and empowerment**” are being done, **supported by the necessary infrastructure.**
- **CSR activities is a necessary part** of doing business, especially in **developing economies that lack basic infrastructure and the capacity to build social capital.**
- Ensure **continuous monitoring and assessing** the CSR implementation **and issue sustainable reporting**, following the GRI standard.

CSR in the different stages of community / country development.

I. Entering an emerging market.

- CSR linked with market conditioning /expansion through community development/ education and other efforts to improve lifestyle.
- CSR linked with the extended supply chain (= Social impact of the value chain development)

The reward for the corporation is - community acceptance, hence an expanded market supported by an effective and reliable value chain (from suppliers to customers), which ensure a competitive edge.

The SMEs benefit from the help to establish cost effective businesses and the potential to share long term sustainable growth as the indirect result of the ongoing efforts of the business 's ongoing efforts to promote sales and further expand the market

Society benefits from- improved life style and higher living standards from the availability of affordable good quality products, the provision of more efficient services, the employment opportunities and a range of ethical, social and environmental standards through the acceptance of Codes of Business Principles.

CSR in the different stages of community / country development.

II. Operating in a developing country in which infrastructure of extended supply chain is available.

- **The choice of CSR activities depend on the needs of the community / society** in which the corporation is operating, which will give direct benefit to the society and indirect benefit to the corporation such as **community acceptance and ensure conducive market /operation environment, image building, reputation risk mitigation etc.**
- **Care for environment** eg waste management, green and clean environment etc.
- **Community involvement, development and empowerment**
- **Cooperation with all stakeholders** (local community, local government, NGO, educational institution, expert association etc.)

CSR in the different stages of community / country development.

III. CSR of the future

- CSR is based on facts and direct customer input.
- Informs overwhelm but not (transparent, but unobtrusive)
Provide relevant information such as codes on packaging that give customers to look up details on sourcing information, potential environmental impact and recycling instructions.
- Starts with green
CSR involving environmental initiatives and how to collaborate effectively eg waste management, energy efficiency – reduce carbon emission etc,
- Involve NGOs as part of the solution.
- Makes work part of making the world a better place
Actively involved workers in solving CSR issues.
Prospective and existing employees want to work for ethical, socially responsible organizations.

(source: The Enterprise of the Future, IBM Global CEO Study 2004,2006,2008)

Principles of Corporate Social Responsibility

Joint CSR activities could **contribute to the micro economic development** of a developing country through **sustainable benefit to all stakeholders.**

At the same time, ensuring optimum national impact, cooperation and communication should be encouraged and socialized.

Joint CSR activities could contribute to the micro economic development through **sustainable benefit to all stakeholders.**

▪ **Government**

- contribute in developing and accelerating the micro economic sustainable growth through leveraging “Good Corporate Governance /Value Change” and “Best Practices”.
- help accelerate the development of a conducive market environment for investors and will accelerate the economic growth of a developing country (with the availability of good infrastructure, good education and health facilities, well trained human resources/labor, and well-cared-for environment).
- could be considered for tax incentives
- could represent an additional source of Public Revenue (employment /wealth creation/reduce poverty)

• **Local community and society**

- Change habit, improved quality of life
- Capacity building, create employment and wealth

• **Corporations**

- Growth, profit, image and competitive edge
- Community acceptance /goodwill
- Pride and spiritual value to employees and their families
- Genuine dialogue with stakeholders

• **The world and environment**

- Waste management
- Balanced ecosystem
- Green and clean environment

Thank you

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