

## CHAPTER I

### INTRODUCTION

#### 1.1 Study Background

Corporate Social Responsibility (CSR) is a broad term that is commonly associated as the ethical role of corporations in society (Jimenez, Pulos, 2016). The Business for Social Responsibility (BSR) and the World Business Council for Sustainable Development's (WBCSD) definitions of the term CSR both emphasizes that businesses have broad responsibility to society ethically, socially, economically and environmentally wise (Simpson, Taylor, 2013). The European Commission's definition of CSR is line with this as well, that companies are to take responsibility for their impacts on society, creating social; ecological; and economical value that is often referred to as the three P's of the triple bottom line: People; Planet and Profit.

Although the international context of CSR presents numerous guidelines and definitions such as ISO26000, Global Reporting Initiative and Sustainable Development Goals, implementation of CSR differs per country and cultural context according to MVO Nederland, an independent network organisation founded by the Dutch Ministry. For example, Indonesia, one of the fastest growing economies in the world, its national CSR agenda face challenges that differs from those of developed nations like Europe and the USA. MVO Nederland adds that, Visser, founder of CSR International, further explains this difference using the most popular CSR model that is Carroll's CSR pyramid. The order of CSR layers in

developing countries differs from Carroll's classic pyramid. While both prioritizes economic responsibilities first, their following second to fourth priorities are different. The classic pyramid model calls for legal responsibilities as the second highest priority after economic responsibilities, followed by ethical responsibilities and lastly philanthropic activities whilst the CSR pyramid for developing countries' second highest priority is philanthropy, and the third and fourth priority is the legal and ethical responsibilities. Different priorities calls for different ways of implementing CSR (MVO Nederland, 2016).

In Indonesia, despite charities and philanthropic activities by corporations being a common practice during the 1990s and the early 2000s, CSR was an alien concept until the year 1998, the year of reformation and decentralization of the Indonesian political system. The government aided the CSR movement in Indonesia allowing the public to partake in decision making as well as keeping an eye on whether companies are being irresponsible towards the environment and society. Throughout the years the society have been demanding companies to be more responsible by demanding companies' participation in tackling social and economic issues such as poverty, lack of educational access, and public health. Around this time too the government realized that it is not possible to solve the societal issues without support from both private sectors and civil society organizations they enacted a sustainability legislation (Lellahom, Rachman, 2017).

The legislation of CSR, Law (UU) no.40 of the year 2007 concerning Limited Liability Companies made Indonesia the first country in the world that mandated companies in the energy and extractive industries to disclose their CSR

activities. Article 74 of the Limited Liability Company Law, 'Environmental and Social Responsibility', stated that those companies in the business that has to do with natural resources must engage in practicing environmental and social responsibilities, obligating the allocation of funds towards CSR implementation, to which these funds are considered as corporate's operational expense. Though the intention of the law is good, the lack of implementing regulation regarding the mandate along with concepts such as 'environmental and social responsibility' not well-defined by the government left the law to subjective interpretations, blurring CSR implementation (Hofland, 2016).

Results of benchmarking Indonesian companies to ISO 26000 (guidance on social responsibility) to compare CSR practices in Indonesia with global standard showed that the implementation of CSR by top 200 listed companies in Indonesia is still relatively low in comparison to global CSR implementation standard. Author of the paper 'CSR Implementation in Indonesia' added that the result is an indication that stakeholders such as the government and the media needs to push and motivate industries to do CSR more like their peers in global context (Ridho,2018). These are further proof of blurry CSR implementation in Indonesia.

Blurred implementation of CSR is a cost developing countries such as Indonesia can't afford. Corporation's involvement in CSR activities in attempting to alleviate damage caused by societal problems through CSR activities is very much needed because if even the governments of the wealthiest nations alone are not able to address societal problems effectively what about developing countries such as Indonesia? Why not put the vast economic and organizational resources of

corporations to good use to tackle these social issues? (Jimenz, Pulos, 2016). Based on this fact, the importance of corporate social responsibility to emerging economies, writer wishes to look into one of Indonesia's manufacturing companies: PT Nipress Tbk, a public automotive battery manufacturing company for their CSR activities and analyze if the activities have satisfied the common definitions by various academics of the term Corporate Social Responsibility that businesses are responsible not just to its shareholders and profit maximization but towards the environment and society as well. Hence the topic of this paper is **“CORPORATE SOCIAL RESPONSIBILITY: A CASE STUDY OF PT NIPRESS TBK.”**

### **1.2 Research Problem**

Based on the background presented above, writer define research problems as follows:

1. What are the CSR programs of PT Nipress Tbk?
2. What is the scope of PT Nipress Tbk CSR in relation to the four-part definition of CSR?

### **1.3 Research Objective**

The objectives of the research are:

1. To analyze the CSR programs of PT Nipress Tbk.
2. To find out if PT Nipress CSR activities satisfies the four-part definition of CSR.

## **1.4 Significance of the Study**

### **1. To Writer**

May writer gain a deeper understanding of what CSR really means and its importance from this research that hopefully may be of use in the future career of writer.

### **2. To Next Researchers**

May the findings of this research be of use to future researchers that is doing a topic on CSR as well, more specifically on manufacturing companies that have an impact on their surrounding environment too.

### **3. To Company**

May this research help writer give company feedback on CSR activities they may lack and emphasize the importance of CSR to them in the case that CSR is assumed to be neglected by the company.

## **1.5 Systematic Discussion**

The research paper is structured into five chapters as follows:

### **CHAPTER I INTRODUCTION**

This is the introductory chapter of the paper that is divided into sub chapters that discusses the background of the case study, research problem, research objective, significance of the study and the systematic discussion that will break down what each chapter covers.

## **CHAPTER II THEORETICAL FRAMEWORK**

This chapter discusses the theories that is to do with the topic of the paper, starting off with Corporations, followed by Business Ethics, then Corporate Social Responsibility and lastly the Triple Bottom Line.

## **CHAPTER III METHODOLOGY**

This chapter states the methods used to gather necessary information such as the object of the case study, stages of the study, the data collection and case analysis technique.

## **CHAPTER IV RESULTS AND DISCUSSION**

This chapter presents the results of observations, findings of the research.

## **CHAPTER V CONCLUSION**

This is the closing chapter of the paper that consists of conclusion based on discussions made on previous chapters.

