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The Implementation of Corporate Social Responsibility (CSR): The Urgency of Creating Shared Value (CSV) Concept to Eradicate Poverty in Lampung Province

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ABSTRACT

This research was aimed at investigating the strategy of Creating Shared Value (CSV) in order to eradicate poverty. This research was conducted through socio-legal approach and descriptive-qualitative method. The results show that, CSV is the ideal business strategy approach to eradicate poverty by empowering community, CSV is a development of Corporate Social Responsibility (CSR). The program of CSR conducted by the company with the consideration to establish a harmonious relationship with the community for the common welfare. Over time, the implementation of CSR has developed into the concept of CSV, which emphasizes the importance of incorporating social problems and needs in the practice of business strategy. CSV transforms into a concept that requires the company to play a dual role, namely to create economic value and social value at the same time. Based on Local Government Rules, CSR Forum has been established in Lampung which aims to optimize the CSR program to be targeted and beneficial to the community. But in fact, CSR is still in the form of charity, philanthropy, or community development. In contrast to CSR, community empowerment in the CSV concept is carried out to optimize natural resources by providing training, coaching, and enact communities to become a business partners. Currently, business ethics is fundamental idea to gain profit and contribute to society as well. CSV concept will provide jobs for the community and it is a way to eradicate poverty.

Keywords: *Corporate Social Responsibility (CSR), Creating Shared Value (CSV), Eradicate Poverty*

I. Introduction

The implementation of Corporate Social Responsibility (CSR) in Lampung Province has a huge potential to be able to provide society welfare sustainably. If look into current condition, there are many companies that have been operating in Lampung so long. However, not all companies are able to implement a sustainable CSR program even to combat poverty in Lampung Province. In fact, Lampung Province is currently the province with the largest number of poor people in Sumatera, which is stand in the 3rd rank after the Province of Aceh and the Province of Bengkulu. Therefore, the Company should be able to understand and apply in a concrete manner that CSR is not a *fund-sharing program*, but an aspect that exists within the company that covers the economy, the social, and the environment, and closely linked to sustainable development.

CSR is a corporate or business world commitment to contribute to sustainable economic development by looking at corporate social responsibility and focusing on the balance between attention to economic, social and environmental aspects. Requiring CSR is one of the government's efforts in balancing economic growth and economic equity. In implementing CSR, companies will generally involve community participation, both as objects and as subjects of CSR programs. This is because the community is one of the parties who are quite influential in maintaining the existence of a company. The public is the party who most feel the impact of a company's production activities, both positive and negative impacts. The objectives of CSR are (1) To create corporate image and maintain, usually implicitly, the assumption that corporate behavior is fundamentally good; (2) To liberate the accountability of the organization on the basis of the assumption of a social contract between the organization and the community. The existence of this social contract demands to liberate the social accountability; (3) As an extension of traditional financial reporting and its purpose is to provide information to investors.

CSR is a program to help government to combat the complicated social problems in Indonesia, especially the problem of poverty. The company implements CSR as a business commitment by conducting its activities in an ethical manner and contributing to sustainable development through cooperation with stakeholders. In this way, volunteerism in the concept of CSR could not be understood as something that able to choose to run or not to be implemented, but rather how to carry out the social responsibilities beyond those that regulated in the regulation. The pattern of responsibility that is run is not elitist, but involves the full public as an active public. Poverty has become a global problem that needs to be addressed, especially in developing countries. The active role of the business world is needed in efforts to alleviate poverty and empower communities. Strategic CSR planning will enable the program to become a social investment to empower communities, to enable them to fully support sustainable economic and social life in a sustainable and gradual manner. CSR's contribution is an ongoing contribution, working closely with employees, their families, local communities, and the wider community to improve the quality of life in ways that are acceptable to the business as well as to the development itself.

Over time, the concept of CSR began to be modified with a concept that is more profitable, both for companies and society. The development of the CSR concept is Creating Shared Value (CSV). CSV is a business strategy that emphasizes the importance of incorporating issues and social needs in the design of corporate strategy. CSV is a concept that requires companies to play a double role of creating economic value and social value together, without any priority or disregard. Providing solutions to economic, social, and environmental issues is not a *part-time work*, but must be embedded within the business-core of corporate strategy. The existence of the company in the midst of the social and community environment concerned in the contract, where the company is obliged to carry out

the social contract obligations which are generally non-commercial transactions. The transaction is a very closely related transaction to the social environment in which the company is located. For the company, CSV implementation means fulfilling the legal and business rules, as well as maintaining sustainability for the company. CSV is forming a new opportunity for a sharing value with society. Where is it not merely under pressure from external factors as a certainty if a company is accepted in its environment, but as a sustainability between public relations with the company, the improvement of the company's economy and the welfare of society.

II. Method and Materials

This research uses primary data in the form of direct interviews to the related parties and stakeholders. In addition to primary data, the authors also utilize secondary data and literature study by looking for supporting literature related to this research.

III. Results and Discussion

The classic problem that both central and local governments have to face is the low of labor absorption that results in high unemployment. Lampung Province is one of the provinces that has high unemployment rate which means has the greater poverty rate. Lampung's poverty rate from the result of the National Socio-Economic Survey (SUSENAS) September 2016 reached 13.86 percent. Compared to the previous semester conditions (March 2016) Lampung poverty rate decreased 0.43 points, from 14.29 percent. In line with the declining percentage, the number of poor people in Lampung in September 2016 also decreased by 29.82 thousand people to 1.140 million people compared to the poor population in March 2016 which amounted to 1.170 million people. Rural areas become concentrations of poverty where 15.24 percent of the population is categorized as poor. This figure is equivalent to 912.34 thousand inhabitants. While in the urban area, the poor population are 10.15 percent or 227.44 thousand inhabitants. During the period of March 2016 - September 2016, both urban and rural areas experienced a decrease in the percentage and number of poor people. In urban areas decreased around 5.95 thousand people (3.55%), while in rural areas decreased about 23.87 thousand people (2.88%).

Poverty is when society is in a very limited condition, whether it is in the accessibility of factors of production, opportunities / business opportunities, education, other living facilities, so that in every activity and effort becomes very limited. World Bank defines poverty is that, concerning the absolute standard of living of the society of the poor in equality refers to the relative living standard across the whole society. Poverty can be measured by comparison between the income level and the minimum survival value of a person over a period of time. Poverty in general has led to the mobilization of people to move from village to city. Where urbanization is decided as a step to improve the standard of living. In addition, the inequality of development in rural areas has always been a major pretext for encouraging villagers to leave their hometowns.

By the data already described above, Lampung Province has a high poverty rate and cannot be solved evenly from year to year. The phenomenon of poverty that occurs in urban and rural areas requires an intervention of empowerment, both from the government and from the private sector. Empowerment process should be poured in the form of a clear program along with the steps of empowerment. AmbarTeguh S. (2004) states that the purpose of this is to improve the life of society, welfare and continuity in many aspects of life both physically and socially.

A. The Implementation Corporate Social Responsibility (CSR)

The government today has tried to improve the welfare of the community, for example by providing rice to the poor through *poor rice* assistance programs, not yet able to solve the problem of poverty thoroughly. This step is only an operational form of government to realize the fulfillment of some basic needs of the poor and only temporary. In addition, according to AmbarTeguh S. (2004) programs that strived by government such as Takesra, Kukesra, PDMDKE, P2KP etc, have not been able to provide significant impact to the community. This is because these programs are not accompanied by appropriate and sustainable program management. Because basically, to create community empowerment and independence, not enough with the stimulant of funds only, but the stimulant of the fund is accompanied by the ability of management and good organizing.

The community empowerment interventions in the effort to improve the welfare are not only done by the government, either the Central Government or the Local Government, but the private sector, especially the company, also have an important role in poverty eradication. The company can undertake community empowerment programs through a corporate social responsibility. But it must be realized, that there are many companies in Lampung only realize CSR program is only a charity. A charity activity does not require an ongoing commitment from the company. The most common form of CSR is allotment toward local organizations and the poor. Sunaryo (2015) stated that the CSR approach based on caricature and humanitarian motivation is generally done by an *ad-hoc* program, partially and unorganized. CSR at this level just *do good and to look good*.

In the Local Regulation of Lampung Province, Number 20 Year 2012 on Corporate Social Responsibility states that the scope of Corporate Social Responsibility includes corporate assistance, social welfare provision, a compensation for recovery and/or improvement of environmental functions and spur economic growth based on community-based quality Local Government Programs. Actually the sustainable development that is achieved by CSR programs can be divided into three parts, namely social, economic, and environment. The three things cannot be separated from each other, a CSR program can not only focus on economic development activities, but does not restore the environment, and vice versa, there is no aspect left behind in implementing a good CSR program (no one left behind). The regional regulation also discussed a partnership program aimed at maintaining environmental functions, providing direct assistance to target communities, and fostering, improving and fostering community self-sufficiency in the targeted areas.

Basically, all sustainable CSR programs are well proclaimed by the Local Government, but in its implementation, the company still chooses a simple way, for example providing only grants, social assistance or donations without coaching and follow-up on long term targets, it looks like temporary and mere formality.

In the study of BusoriSunaryo, Feri SN, and Agus M. Irkham (2015), CSR is the result of dialectics between companies and society. Since both are living and developing entities, the results of the dialectics are also evolving. Initially, the company considers the problems that occur in the community surrounding the company is not a matter of company. However, over time, there is a strong position from the community so that CSR activity is more charity or cash assistance. In the short term, charity is very effective because the company can carry out activities without any disturbance from the community. However, in the long run, the relationship becomes unhealthy, there is dependence from the community. Then, CSR raises the concept of community development, where in that concept, people are facilitated to conduct productive economy and solve problems in their environment. BusoriSunaryo, Feri SN, and Agus M. Irkham (2015) stated that the measure of success is not limited to product (output) and increase of income but also change of way of thinking (impact). Community development activities received a lot of praise and appreciation from various parties, but there is one criticism of the activity, that is, there is no relationship between programs that run with the core activities of the company. Thus, the progress of the company cannot be a parameter as the progress of society as well and vice versa.

In order to create Good CSR, we must integrate the four principles of good corporate governance, namely fairness, transparency, accountability and responsibility in harmony. In addition, the interests of shareholders and stakeholders must also be considered. In the study of University of Catholic Parahyangan about Corporate Social Responsibility: Concepts, Regulations and Implementation (2010), Here are Some Steps You Can Do To Formulate CSR, namely:

1. Engagement, the initial approach to the community to establish good communication and relationships. This stage can also be a socialization of CSR program development plan. The main objective of this step is the awakening of community understanding, acceptance and trust that will be targeted by CSR. Social capital can be the basis for building "social contracts" between the community and the companies and parties involved.
2. Assessment, is an identification of problems and needs of the community that will be the basis in formulating the program. This stage can be done not only based on needs-based approach, but also based on rights-based approach (international convention or normative standard of social rights of society).
3. Plan of action, is a formulate action plan. The program to be implemented should look into aspirations of the community (stakeholders) on the one hand and the mission of the company including shareholders on the other.
4. Action and Facilitation, which is to implement the agreed program. Programs can be done independently by local communities or organizations. However, it

can also be facilitated by NGOs and companies. Monitoring, supervision and mentoring are the keys to successful program.

5. Evaluation and Termination or Reformation that assess the extent of successful implementation of CSR programs in the field. If based on the evaluation, the program will be terminated then there needs to be some sort of termination of the contract and the exit strategy between the parties involved. For example, implement CSR through capacity building to the community (stakeholders) who will continue the CSR program independently. If the CSR program is to be reformed, it is necessary to formulate lessons learned for the development of the next CSR program. New deals can be formulated as long as necessary.

In practice, GinanjarKartasmita (1996) stated that in CSR practice, efforts are made referring to three sides:

1. Enabling

Creating an atmosphere or climate that allows the potential of the developing community. Here the starting point is the recognition that every human being, every society, has the potential to be developed. That is, there is no society at all without power, because, then it will easily become extinct. Empowerment is an effort to build that power, by encouraging motivation and awakening awareness of the potential it has and working to develop it.

2. Empowering

Strengthen the potential or power of the community. In this framework required more positive steps, apart from just creating a climate and atmosphere. This reinforcement includes concrete steps, and involves the provision of inputs, and opening access to a range of opportunities that will make people more empowered. For that, there needs to be a special program for people who are less empowered, because the general programs that apply to all, can not always touch this layer of society.

3. Protecting

Empowering also means protecting. In the process of empowerment, it must be prevented that the weak become weakened, because of the lack of empowerment in the face of the strong. Therefore, the protection and protection of the weak is very basic in nature in the concept of community empowerment. Protecting does not mean isolating or masking of interactions. Protecting should be seen as an attempt to prevent uneven competition, and strong exploitation of the weak.

The things above cannot stand separately, but must be a concept that prioritizes an integrated development. In addition, the most important is the sustainability nature of the CSR, where every CSR program is not only implemented for a short time. But it can be applied in a certain period of time by making a series of activities, with regard to other factors such as environment, social and also religion.

B. The Concept of Creating Shared Value (CSV), Business Ethic, and Poverty Eradication

In its development, now the concept of CSR has turned into a more profitable concept for the community where society is involved in a business development of a company. Progressive companies see how CSR can be seen as a

concept that brings great opportunities for improving the company's economic performance as well as the opportunity to improve the quality of corporate relationships with its social communities through mutual value creation, this concept known as Creating Shared Value (CSV). In Harvard Journal Review by Porter & Kramer (2006), explains that CSV is an operational technical policy and process that enhances the company's competitive values and simultaneously promotes social and economic conditions.

Porter & Kramer (2006) describes an example in the application of the CSV concept to a company engaged in food and nutrition, CSV is in three main components: (1) agriculture and sustainable development, (2) the manufacturing environment and its human resources), and (3) products and consumers. Through this concept, both companies and communities will benefit synergistically. In the first chain, agriculture and farmers are the main focus in promoting mutual benefits. Farmers and companies are interconnected as producers and consumers. The entrepreneur (in this case acts as the consumer) wants to buy high quality agricultural products from the farmer (producer), therefore the consumer needs to improve the knowledge of farmers by providing training and means to achieve the required product quality. Educate farmers and their families while enhancing farmers' empowerment and awareness of sustainable development. On the other hand, the entrepreneur as a consumer must provide a price that matches the quality of the goods produced by the farmer and appreciates the efforts made by the farmer in producing the goods if it has included elements of sustainable development. In the second chain, manufacturing or industry creates mutual benefits for the human resources working in that industry sector. The company has responsibility for improving employee welfare, educating skilled and motivated and responsible employees, is also an important factor in creating mutual benefits.

In the third chain, through its products, the company not only profits but also has the obligation to educate buyers (end-consumers) either directly through products or indirectly through intelligent advertising impressions. For example, for the food industry, presenting the nutritional or nutritional facts contained in the product is of paramount importance. In addition, the company is challenged to create innovative products rich in nutrients but low in fat and calories. The consumer should be critical in examining the product to be purchased, whether expiration date, nutritional content, advice and producer service to the consumer.

According to Muslich (1998) business ethics is the knowledge of the ideal way of regulating and managing a business that takes into applicable norms universally of morality and economics/social, and the application of norms and morality is supporting the purpose and purpose of business activities. According to BambangRudito and Melia (2007) as quoted from Sunaryo (2015) that the business ethics undertaken by the company refers to several different levels and this is very dependent on the company's position with the communication around it. The lowest level of ethics is sympathy, a feeling that another community needs to be pitied, needs help, support but the company does not see what the community really needs and only provides the simple help. At the next level is empathy, a feeling that acknowledges the existence of other communities outside

the company and at the same time acknowledges the differences and feels the difference or the circumstances. In this sense of empathy comes the soul to help and give a place to the other side to go along side by side.

At the highest level is a commitment, a feeling in which the company is part of a wider community and willing to work with the community. The company is aware that without the cooperation of other parties (other communities), it is impossible that the activity will run properly and correctly, this commitment encourages the emergence the needs of other parties. Those things show that the high level of a business ethics conducted by a company cannot be separated from its role to the community and environment as an effort to implement business ethics. According to the National Committee on Governance Policy (KNKG, 2010) there are general principles of business ethics:

1. Corporate business responsibility in creating prosperity, not limited to shareholders but also to the stakeholders and the environment in which the company operates.
2. The impact of business activities is not limited to the economic and social sectors only, but the company should also contribute to creating justice, human rights, education, innovation and utilization of natural resources efficiently and effectively, and maintain its liveliness.
3. Business actors should not only comply with applicable legal and regulatory sentences, but should also fulfill the spirit of the rules and maintain the principle of mutual trust and ethics of business people.
4. Respect the environment through activities that protect, preserve and improve the quality of the environment in a sustainable way. In addition, companies must prevent wasteful use of natural resources and dispose of waste that causes environmental damage.
5. Business actors should commit unlawful acts, such as bribery, money laundering, and other corrupt acts.

The implementation of CSV that exist in Lampung is PT. Nestle Indonesia Panjang Factory. The factory that was established in 1978 is specialized in producing instant coffee Nescafe with a variety of taste. CSV serves as a policy and operating practice that enhances the competitiveness of enterprises as well as promoting economic and social conditions of society economically, socially and environmentally for the wider community and helping solve the economic problems that faced by the community. Nestle has been cooperating with coffee farmers in Tanggamus District, Lampung Province since early 1994. Nestle has been developing farmers in the area to grow and develop, and able to compete with other regions. Coffee has become a superior commodity in Tanggamus Regency is Robusta Coffee, with the production of 32,000 tons/year. The ongoing coaching program is conducted to improve the productivity and yield of coffee production, able to produce high quality coffee, provide jobs, increase income and also improve the welfare of farmers in the district. The partnership is proof that the company is able to provide a sustainable positive impact where both parties benefit.

Nestle cooperates with a group of coffee farmers to teach them how to cultivate good coffee. In improving the quantity and quality of coffee crops,

farmers are given a learning facility called *SekolahLapang*, which provides an understanding to the coffee farmers how to grow quality coffee. Whereas before, coffee farmers only pass coffee cultivation according to ability and knowledge inherited by their ancestors only. Over time, the productivity of coffee farmers is usually only 500-700 kilograms per hectare, now it has increased 1.2-1.5 tons per hectare in one growing season. This has demonstrated Nestle's commitment in implementing the CSV concept as well as possible. However, regarding Nestle's sales did not force the farmers to sell to Nestle's company, coffee farmers could sell wherever they deemed more profitable. The interesting thing in this partnership process is that the coffee farmers sold their crops to the local market or the market around Lampung province, but now the coffee beans from the Tanggamus residents can be absorbed by the international market, this is a pride for Nestle and the coffee farmers itself.

The progress towards coffee production from Lampung not only occurred in price, quantity or quality of coffee, but now has popularize Lampung to the national and international scene. This is because the Government of Lampung Province has established cooperation with PT. Nestle Indonesia to include a typical logo of Lampung, that is Siger crown on Nescafe Classic coffee packaging. This thing has done in order to introduce Lampung Province, so that Lampung coffee "Robusta" increasingly well-known by society and worldwide by displaying Siger Lampung logo on the packaging of Nescafe Classic coffee products. The inclusion of the logo in Nescafe states the commitment of both parties to provide information to consumers about the origin of coffee they consume. The inclusion of the logo boasts of Lampung and is also a means to promote the culture and natural wealth in Lampung. Until now Nescafe Classic coffee has penetrated the developed countries such as England, Germany, Russia, and Australia. The Ministry of Trade Republic of Indonesia recorded that the realization of coffee product exports until September 2016 reached 650.2 million US dollars and placed Indonesia as the fourth largest coffee producer in the world. From the data of PT Nestle Indonesia, the number of Nestle Indonesia partnerships has now reached approximately 20,000 coffee farmers, and more than 18,000 of them have received a 4C (Common Code for the Coffee Community) validation, a standard that covers various aspects of sustainable coffee farming.

The benefits of CSV implementation at Nestle in Lampung, can be seen from two actors, namely the company itself and the related parties. On Nestle's side ensures the availability of high quality supply of raw materials; Improve community relations and product quality; Lower manufacturing and distribution costs; Achieve a competitive advantage for shareholders. While from the community, the coffee farming community is able to improve the yield and increase revenue; Reduce the use of natural resources; Create jobs for local communities; Improve access to get nutritious and quality products of consumer choice; Generate investment and economic growth.

IV. Conclusion

Lampung Province is a province that has a great nature potential, but at the same moment also has a high level of poverty or social inequality. Many large

companies operating in Lampung, but have not been able to provide the impact of welfare for the people of Lampung, especially in the economic field. This is due to the widespread understanding of the concept of corporate social responsibility in the effort to eradicate poverty. Despite this, PT. Nestle Panjang Factory has been able to change the society's negative paradigm towards the company. Nestle is able to provide changes to the mindset of the community, especially in the effort to develop coffee cultivation. Through the CSV approach, Nestle has not only managed to overcome social problems such as the difficulty of getting people to work and maximizing natural resources, but at the same time being able to promote the image of the company and Lampung Province to the international scene.

The partnership between companies and communities in an effort to increase the quantity and quality of coffee farmers in Tanggamus by Nestle, will be a role model of other companies in doing business among society and involving the community in the process of business development is an important thing beside earn profit as much as possible. The quantity and quality of coffee will affect the level of opinion of coffee farmers and even provide jobs for local communities. This will indirectly affect progress in other areas as well, such as access to good education for future generations.

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