

CHAPTER I

INTRODUCTION

A. BACKGROUND

Corporate Social Responsibility (CSR) can be interpreted as a corporate mechanism to consciously integrate the concern for social environment into operations and its interaction with stakeholders, which transcends social responsibility in the legal field. Basically CSR is a form of corporate responsibility towards stakeholders, in which general CSR has 3 definitions, namely:

- Business commitment to participate in sustainable economic development and to work with company employees, local communities, employee families, and the general public as a whole in order to improve the quality of life together.
- Business commitments that are carried out ethically, operate legally, and contribute to improving the economy accompanied by improving the quality of life of employees including their families, communities or local communities.
- Business commitment carry out social actions, including the concern for the environment which is more than the boundaries that are required or required in the legislation.

CSR (Corporate Social Responsibility) is very closely related to Sustainable development in which a company in carrying out its activities must be based on a decision that is not solely oriented to the economic aspects (profit) but must also consider the social and

environmental impacts that may arise from the decision. (Mari Kita Belajar, 2017)¹

In Indonesia, the term CSR was known in the 1980s. However, it has been increasingly popular since the 1990s. Just like the history of the emergence of CSR in the world where the term CSR arises when CSR activities have actually occurred. For example, natural disaster assistance, distribution of holiday allowances/THR², scholarships etc. Through the concept of a corporate social investment "seat belt", which was built in the 2000s. Since 2003 the Ministry of Social Affairs has been recorded as a government institution that has always been active in developing the concept of CSR and advocating various national companies. In this case the social department is the initial actor of CSR activities in Indonesia. After 2007, the Law 40 of 2007 concerning the obligations of Limited Liability Companies came out, almost all Indonesian companies had carried out CSR programs, although the activities were still ongoing at the stage of seeking popularity and attachment to government regulations. For example, there are still many companies that will provide assistance if a company poster is attached to the recipient of the aid as a sign that the recipient of assistance has received assistance from the company. (Hardi, 2016)³

¹(2017, December 19). *Mari Kita Belajar*. Retrieved December 19, 2018, from Pengertian CSR Menurut Ahli, Serta Manfaat, Fungsi dan Contoh CSR Perusahaan: <http://www.markijar.com/2017/12/pengertian-csr-menurut-ahli-serta.html?m=1>

²Tunjangan Hari Raya

³Jhon Hardi. (2016, October 23). *Ringkasan Sejarah CSR Dunia ke Indonesia*. Retrieved December 19, 2018, from Ringkasan Sejarah CSR Dunia ke Indonesia: <http://jhonhardi.com/ringkasan-sejarah-csr-dunia-ke-indonesia/>

Sogo Shosha is a term for Japanese multinational companies that are engaged in general trading. Japan has around 1,100 companies, but only 17 companies can be classified as *Sogo Shosha*. Of the 17 *Sogo Shosha* there are only 9 *Sogo Shosha* companies that are significantly big and influential. *Sogo Shosha* has a large branch or factory in various countries in Asia, including in Indonesia. Japanese *Sogo Shosha* in Indonesia has various fields. Japan is Indonesia's largest business partner. In 2006 there were 783 *Sogo Shosha* in Indonesia. Which experienced a significant increase in 2014.

Every *Sogo Shosha* is not only from Japan but throughout the world has an obligation to cultivate or build a village economy in the *Sogo Shosha* region. According to Wibisono in his book entitled "Dissecting the Concept and Application of CSR (Corporate Social Responsibility)", We explained that Corporate Social Responsibility (CSR) is a continuing commitment by the business world to act ethically and contribute to the economic development of the local community or society at large, together with an increase in the standard of living of workers and their families. (Wibisono, 2007)⁴

In Indonesia, every *Sogo Sosha* has the Law on Corporate Social Responsibility (CSR), namely Law No. 40 of 2007 concerning limited liability companies. To further strengthen how CSR is regulated, the government established Government Regulation Number 47 of 2012 CSR Limited Liability Company which essentially states that every company must have Corporate Social Responsibility (CSR).

The definition of sustainable development is difficult to give since it encompasses the essence of the term. However,

⁴ Page 152-153

the term can be defined as to maintain development over time (Elliott, 2006). According to Nyerere (Nyerere, 1962), sustainable development is the development for the people, and it is not a development of things other than man. Nyerere's concept of sustainable development draws from the Indonesian cultures that conceive development to be sustainable as long as it integrates man to nature (environment), fellow man (society) and supernatural beings (divine). This is to say that no way can one separate a human person from the three mentioned aspects (culture, nature and religion). The concepts that try to separate man from the three elements are likely to be unsustainable to development. The Indonesian sustainable development needs enculturation and liberalisation at the same time due to prevailing environment (Bagoza, 1998). The primary concern for sustainable development is concerned with ensuring the quality life for all now and the generation to come. It must be inclusive the society in which the economic prosperity is shared among the people of the society with less pollution and less wasteful resources.

1. Pillars of sustainable development

The pillars are the pivots of sustainable development without which no development is possible. There are three pillars of sustainable development: the economy, society (community) and environment (Baharin, 2012).

a. Economic pillar

Sustainable development considers the economy to be an important aspect. The economic pillar shows the purpose of the existence of the business enterprise. It deals with the contribution of the business enterprise as far as economic perspectives are concerned. It reveals the economic are as the business is productive, issues like job creation and employment. Not only that but also productivity depending on job

satisfaction, health status and investment in human resources. The economic pillar also shows the efforts of the business enterprise participate in poverty reduction and its ability to produce goods and services that meet the demand of the consumers (Elliott, 2006). This is to say that economic pillar supports the organisational efforts to win the competitive advantage.

b. Environmental pillar

The environment is the fundamental basis of all economic activities and life itself (Elliott, 2006). The environment pillars deal specifically with the environment in which the enterprise business operates. The legitimate company tries its best to minimise the harmful impact of business operations on the environment and to restore the environment from the harm already done (Baharin, 2012). The sustainable development requires integrating climate objectives, maintaining natural resources and human health that supports the current and future growth. The economic pillar when combined with the environment pillar the result is the eco-efficiency. The eco-efficiency emphasises on the use of the scarce natural resources economically hence increasing economic efficiency which uses less environmental resources for the desired outputs.

Hinterberger, (2000) presents three characteristics of eco-efficiency in 1. Eco-efficiency process, which deals with making resource savings and reducing risk or impact in processes allowing a company to diminish the cost of production and site operations within their fence line; 2. Revalorizing by-products, which emphasises on cooperation with neighbouring and partner companies to re-valorize waste and by-products by making materials valuable alternative resource;

and 3. Creation of new and better products, which stress on the making goods and services that follow environmental design rules with new and enhanced functionality.

c. Societal pillar

The social pillar is also referred to as socio-efficiency. It demands the company make business decisions by considering consumers' wants the company's requirements, consumers' long-term interests, and society's long-run interests. This concept argues that the organisation maintain a balance between the benefit of the corporation itself, interests of consumers and interests of society (Baharin, 2012). It requires the organisation to behave in a manner that is socially responsible, and the rewards for social responsibility will be obtained in the form of improved long-term profitability. The socio-efficiency is based on the well-being of the community, incorporating the corporate social responsibility of companies and non-profit organisations, legal issues and environmental protection issues, which altogether streamline the sustainable development of the economy and consumption patterns (Elliott, 2006).

B. RESEARCH QUESTION

Based on the above problems, the research question of the problem in this study is: "How is the implementation of CSR by Japanese *Sogo Shosha* in Indonesia for Indonesian Social Development?"

C. THEORETICAL FRAMEWORK

1. Theory of International Cooperation

Increasing relations between countries at this time, it is appropriate to use the Theory of International

Cooperation in this study, because all countries in the world cannot stand alone in meeting their needs especially in improving the development and progress of their country. Cooperation with other countries is needed because of the interdependence in accordance with the needs of each country. The development of the situation of international relations is characterized by a variety of international cooperation and the development of various aspects including economic rationalism in various regions that have brought the influence of the increasing socio-economic problems that have more attention to countries in the world through a series of international cooperation.

Likewise, countries in the world are increasingly strengthening the position of global interdependence which seems to strengthen the position of global interdependence which seems increasingly real and the emphasis is on efforts to improve the welfare of a nation based on the principle of mutual trust, respect and respect. Cooperation in the fields of economics, politics, education, culture and security can be established by a country with one or another country.

From the substance regulation, it can be divided into two categories, Law making treaties, namely international agreements containing legal rules that can be universally applicable to members of the community of nations; thus it is categorized as international agreements that function as direct sources of international law.⁵ whereas international

⁵ Mieke Komar Kantaarmadja, et al. A Note on Indonesian Practices in Relations with the 1969 Vienna Convention on International Agreements. Banda Aceh, Symposium on the General Pattern of Law and Legislation Design, 1976, pg. 3 in Eman Suparman *Perjanjian Internasional sebagai Model Hukum Bagi Pengaturan Masyarakat Global* (Towards the ASEAN Convention as an Effort to Harmonize the Law), Bandung, 2000 pg. 20

agreements classified as treaty contracts contain provisions that regulate relations or special issues between the parties who hold them, so that they only apply specifically to the participants of the agreement.

International relations and cooperation arise because the conditions and needs of each country are different while the capabilities and potential they possess are not the same. This makes a country needs its capabilities and needs in other countries. International cooperation will be very important so that it is appropriate to maintain and organize a regulation so that it runs in an orderly manner and the benefits can be maximized so that a sense of friendship and mutual understanding grows between countries.

This international collaboration can be formed because of international needs which cover the fields of ideology, economy, politics, social, environment, culture, defense and security.⁶ According to Joseph Greico international cooperation only takes place if there is an objective interest and therefore cooperation will end if this objective interest changes. Collaboration can take place in a variety of different contexts, most relationships and interactions in the form of cooperation occur directly between two governments that have interests or face the same problem simultaneously, other forms of cooperation

⁶Anak Agung Banyu Perwita dan Yanyan Mochammad Yani , 2006, *Pengantar Hubungan Internasional*, Bandung : PT. Remaja Rosdakarya, hal 23.

undertaken by countries that take shelter in international organizations and institutions.⁷

In an international collaboration meet various kinds of national interests from various countries and nations that cannot be fulfilled by their own country. International cooperation is the other side of international conflict which is also one aspect of international relations. The main issue of international cooperation is based on the extent to which the mutual benefits gained through such cooperation can support the concept of the interests of unilateral and competitive actions. International cooperation is formed because international life encompasses various fields such as ideology, politics, economics, social culture, environment and defense security.

International cooperation cannot be avoided by the state or other international actors. This necessity is due to the interdependence between international actors and increasingly complex human life, coupled with the unequal resources needed by international actors. The nature of international cooperation usually varies, such as harmonization to integration. Such cooperation can occur if there are two interests to meet and there is no conflict in it. The discrepancy between the countries or parties involved in the collaboration will certainly be there but can be suppressed by the existence of such cooperation.

2. Corporate Social Responsibility (CSR) Concept

The concept of CSR is discussed in various forums in a very dynamic manner. The meaning,

⁷Joseph Greico, 1990, *Cooperation Among Nation , Europe, America & Nontariff Barriers to Trade*, Ithaca, New York: Cornell University Press.

approach and even terminology used are always debated. There are various terms that are used interchangeably to explain corporate social responsibility, namely: Corporate Citizenship, Sustainable Entrepreneurship, Triple Bottom Line, Business Ethics and Sustainability, Corporate Environmental Management, Business and Society, Business and Governance, Business and Globalization and Stakeholder Management (Panwar, Rajat, Tomie Rinne, Eric Hansen & Heikki Juslin, 2006).

There are various definitions of CSR, but there are no general fixed definitions acceptable. However, a definition can be considered which includes all elements in accordance with the current mainstream about CSR proposed by the World Bank Group (Kiyoran, Noke, 2006), "CSR is a business commitment to contribute to sustainable economic development, through collaboration with employees and their representatives, their families, the local community and the general public to improve the quality of life, in ways that benefit both the business and development".

According to Carroll (Maignan Isabelle & O C Ferrell, 2004) the topic of CSR has been written since the 1930s, among others, by Chester Barnard in 1938 entitled *The Functions of the Executive*, J.M. Clark in 1939 entitled "Social Control of Business and Theodore Krep in 1940 entitled *Measurement of the Social Performance of Business*". Fortune magazine made a poll on social responsibility in 1946.

Howard R. Bowen's book, published in 1953 entitled *Social Responsibilities of the Businessman*, is the beginning of the period of scientific writing on CSR (Carroll, 1999; Panwar et. Al, 2006; Ostas and Loeb, 2002; Harribey, 2006; Balabanis, 1998, Maignan and

Ferrell, 2004). The Bowen book was considered to have explained the doctrine of social responsibility which marked the beginning of a serious discussion about CSR in the modern era, which caused Bowen to be recognized as the "Father of Corporate Social Responsibility" (Maignan Isabelle & O C Ferrell, 2004).

The following presents various conceptual points of view on CSR (Maignan Isabelle & O C Ferrell, 2004):

a. CSR as a social obligation

This perspective was first put forward by Bowen, who defined CSR as an obligation for entrepreneurs to carry out policies, make decisions or follow all rules that are in line with the goals and values desired by the community. According to Carroll (Maignan Isabelle & O C Ferrell, 2004) social obligations can be divided into: (a) economic obligations (to be productive and economically viable), (b) legal and ethical obligations (obedient to the law and against values applicable values and norms), and (c) philanthropic obligations (proactively contributing to the community).

b. CSR as an obligation to stakeholders

Since the mid-1990s, a number of experts have argued that the term "social obligation" is too broad. They are of the view that the business world is not responsible to the community as a whole but is responsible for parties who are directly or indirectly affected by the company's activities. These parties are called stakeholders, which can be grouped into four groups: (a) organizational groups (eg employees, customers, shareholders and suppliers), (b) communities (eg local residents, interest groups) , (c) groups related to regulations (eg local government, judicial power) and (d) mass media (Maignan Isabelle & O C Ferrell, 2004).

c. CSR as an ethics driven

The view that CSR as a form of social responsibility and responsibility towards stakeholders shows that CSR practices are motivated by personal interests so that the business world gets legitimacy among its constituents. Such an approach shows that they do not have positive and selfless commitments. By giving philanthropic contributions only, the company is considered to be only adjusting to social norms. Thus, can be seen as an attempt to show corporate power in a paternalistic manner. Therefore some experts propose an ethics-driven view of CSR that assesses the merits of company activities not based on social obligations or obligations towards stakeholders. For example in the process of decision making and procedures, companies must provide opportunities to all parties that have a relationship with the company based on the values of equality, freedom and justice.

d. CSR as a managerial process

These three perspectives explain the factors that drive the business world to implement CSR. On the other hand, a number of experts explain CSR by using concrete organizational processes and often given term as corporate social responsiveness. For example, Ackerman (Maignan Isabelle & O C Ferrell, 2004) describes three main activities in corporate social responsiveness: (a) monitor and assess environmental conditions, (b) understand stakeholder requests, and (c) design and policies to increase impact positive towards the company.

Maignan and Ferrell (2004) suggest that it is difficult to compare and combine multiple points of view because each expert considers social responsibility using a different perspective, which includes (a) the business

world in general, (b) the company individually, and (c) decision maker. Various studies on CSR use various perspectives such as normative perspectives (by paying attention to the obligations of the business community to society as a whole), managerial approaches (how can companies succeed in managing CSR?), or instrumental perspectives (how can CSR be beneficial to the company?).

However, Gardiner and Lacy (Gardiner, Louise , & Peter Lacy, 2005) argue that the attention of the business community to social and environmental responsibility is initially triggered by various scandals and various pressures from non-governmental organizations, policy makers, consumers and the media. Later the responsibility of the business community to the community has been seen as an opportunity for the business world not only to protect themselves from a variety of risks and to maintain reputation, but also to strengthen relationships with stakeholders, and to improve corporate strategy and internal management.

According to Hartman (Yeriko Putra Widenta, 2011), CSR is the responsibility of the company towards the community related to business operations. Hence, the company must identify stakeholder groups and combine their needs and interests in the process of making operational and strategic decisions. According to Hartman (Yeriko Putra Widenta, 2011) in general CSR is an approach where companies integrate social care in their business operations and in the interactions with stakeholders based on the principle of voluntary and partnership. How to give an influence on the economic, social and environmental fields. According to Hartman (Yeriko Putra Widenta, 2011) looking at some of these aspects in the economic field, CSR is expected to increase or influence a form of economy. If seen from the in the

legal aspect, the company is required to follow every applicable regulation concerning CSR, in the sense that every company has a good scale local and foreign companies must carry out corporate social responsibility in accordance with applicable legal regulations. viewed in terms of ethics and contribution to corporate social issues must play an important role in maintaining ethics in the activities of the company such as paying attention to the resulting impacts, and maintaining environmental conditions.

The term CSR began to be used since the 1970s after John Elkington developed three important components of sustainable development, namely economic growth, environmental protection, and social equity, which was also initiated by The World Commission on Environment and Development (WCED) in Brundtland Report (1987). Elkington emphasized that CSR is packaged in three focus, abbreviated as 3P, which stands for profit, planet, and people. The description, a good company does not only merely pursue economic profit (profit). It also concerns on the environmental sustainability (planet) and people's welfare (people).

Triple Bottom Line :

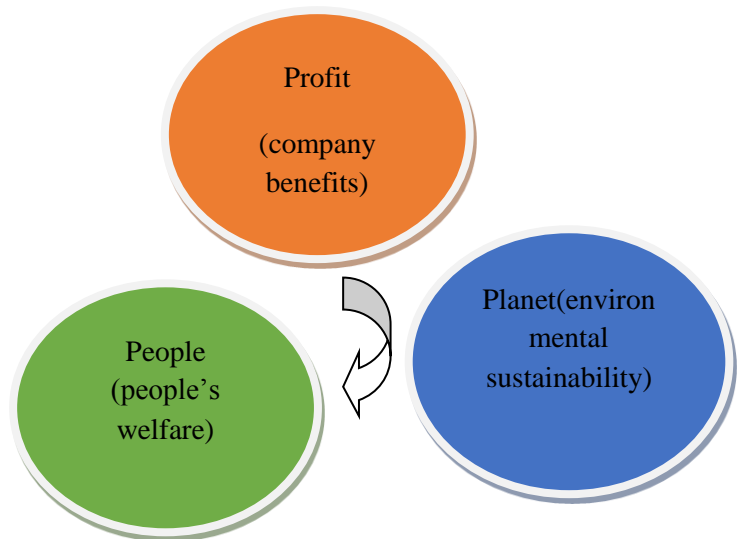


Figure 1: Triple Bottom Line

From figure1 above, it can be understood if profit is an orientation that must be pursued by companies to obtain economic benefits so that their businesses can continue to operate and develop. Then, people interpreted the company to put a concern on the welfare of the people around their operational regions. Various models have been implemented by the company in providing CSR funds, such as providing scholarships for students around the company, establishing education and health facilities, strengthening the capacity of the local economy and so on. Meanwhile, a concern on the planet is the company to the environment.

Sustainable development is expected to be a view for every corporation so that in its business activities, it does not adversely affect the environment. The various CSR activities are commonly carried out in relation to this are reforestation, provision of clean water facilities, improvement of settlements.

D. HYPOTHESIS

Based on the problem formulation and theoretical framework, the hypothesis used in this study to answer how is the implementation of CSR by Japanese Sogo Shosha in Indonesia for Indonesian Social Development is the implementation of CSR mechanisms implemented by Sogo Shosha in the region by collaborating with the Government Regional (*Pemda*) level I / II.

E. RESEARCH METHODOLOGY

In this study the method used was collecting data from related companies:

1. Collecting data on CSR activities conducted by *Sogo Shosha* by sending a fax / e-mail or directly

call the company to obtain information on CSR activities carried out by *Sogo Shosha*.

Insetted :

- Completing database of Japanese companies in Indonesia
 - Filling in the letter that will be sent to *Sogo Shosa* to conduct research at the related *Sogo Shosha*
2. Visit some *Sogo Shosha* directly.
 3. The results of the study will be categorized based on the type of *Sogo Shosha* at least 10 (ten) *Sogo Shosha*, classifying the form of CSR implementation of *Sogo Shosha* and the year the problem occurred.

F. ORGANIZATION OF WRITING

To facilitate the discussion in writing this paper, it is divided into several chapters arranged systematically with the following descriptions:

CHAPTER I	Elaborating an introduction consisting of background problems, problem formulation, theoretical foundation, theory implementation, hypotheses, research methods, boundaries of research, and systematics of writing.
CHAPTER II	Explaining the previous research, theoretical basis, frame of mind, and research hypothesis.
CHAPTER III	Describing research design, research boundaries, variable

identification, operational definition, and measurement of variables, population, sample, and sampling techniques, data and methods of data collection, and data analysis techniques.

CHAPTER IV

Explaining the description of research subjects and analysis of data in broad outline from the results of descriptive analysis research, hypothesis testing, and discussion.

CHAPTER V

Discussing conclusions, limitations of research, and suggestions that are the final part after the analysis is carried out.