

Corporate social responsibility practices in Indonesia – Evidence from Japanese manufacturing multinational enterprises

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Corporate Social Responsibility (CSR)

- **Social responsibility according to ISO26000:2010**
- **Responsibility of an organization for the impacts of its decisions and activities on society and the environment, through transparent and ethical behaviour that:**
 - **contributes to sustainable development, including 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 behaviour; and**
 - **is integrated throughout the organization and practiced in its relationships**
- **Ref: International Organization for Standardization (2014)**

Indonesia

Over 255.5 million people
Highly urbanized

**Indonesia is host to almost 1,700 Japanese
MNEs**

- Ref: ASEAN (2016); Japan External Trade Organization (2017)

Literature Review



- **Japanese CSR**

- **Development and differences to Western concepts of CSR (Eweje & Sakaki, 2015; Fukukawa & Teramoto, 2008; Kato & Kodama, 2018; Moon, 2018)**
- **CSR practice in Japan (Kobayashi et al., 2018)**
- **CSR and financial performance – debtors indifferent to CSR, equity market investors positively influenced (Suto & Takehara, 2017)**
- **Japanese SME and CSR (Y. Park et al., 2017)**

- **CSR in Subsidiaries**

- **US MNEs (Marano & Kostova, 2016)**
- **MNE subsidiaries in Africa (Reddy & Hamann, 2016), Mexico (Husted et al., 2016), and South Korea (B. I. Park & Ghauri, 2015), ASEAN (Arena et al., 2018)**
- **Japanese MNEs in Indonesia – noticeable paucity except Famiola & Adiwoso (2016) and Y.-R. Park et al. (2015) - Case studies only 2 MNEs each.**

Theoretical Framework

- Porter and Kramer (2006): “strategic CSR” and “responsive CSR”.
- Y.-R. Park et al. (2015) posits “MNEs strongly favour strategic CSR over responsive CSR”.

Methodology – Data collection

- Approach Japanese affiliated companies in Indonesia
- Semi-structured Interviews obtained for 4 Japanese MNE Subsidiaries
- Each interview 30~60 minutes
 - Firm A: Automotive ~4,000 people two locations
 - Firm B: Electrical ~4,000 people two locations
 - Firm C: Automotive ~2,000-3,000 people single location
 - Firm D: Electrical <200 people single location

Key Findings

- CSR Organisation and relation to Headquarters

Firm	A	B	C	D
CSR personnel	General Affairs, under Human Resources	Administrative	General Affairs, under Human Resources	Nil.
Corporate mission and vision play an important part in CSR	Yes	No	Yes.	No.
Level of headquarter direction and control for CSR programs	Nil	Nil.	Nil.	Not Applicable
CSR reporting to headquarters	Yes	No	Yes	No

Key Findingscont.

- Sample firms' views of local laws and regulations

Firm	A	B	C	D
Company Law 40/2007	Aware and takes into consideration.	Not mentioned in the interview	Aware and takes into consideration.	Not mentioned in the interview
Other legal matters	Aiming for top environmental management ranking	Meets all laws and regulations. However, surrounding community may still complain of emissions	No other issues noted.	Laws change often making it difficult to plan.

Key Findingscont.

- Host nation CSR activities

Firm	A	B	C	D
Local Activities	Educational needs, health, philanthropic, and other needs as requested by local communities. Bulk of CSR budget is focussed on this area.	Clean Water provision, Local neighbourhood association, other needs as requested by local communities	Educational needs Other needs as requested by local communities. Approximately 50% of CSR budget	Nil
Regional Activities	Educational needs, health, philanthropic, and other needs as requested by local communities	Currently nil. Expected to be requested as business grows.	Educational needs, health, philanthropic and other needs as requested by local communities. Approximately 30% of CSR budget to the regency operations are located in, 15% to other surrounding regencies.	Nil
National Activities	Educational needs, disaster recovery	Nil	Approximately 5% of CSR budget to needs as required across the nation.	Nil

Key Findingscont.

- **Employment conditions**

Firm	A	B	C	D
Workplace safety and Training	Yes	Yes	Yes	Not disclosed
Security of Tenure	Not disclosed	Large number of fixed term contract employees	Not disclosed	Large number of fixed term contract employees

Conclusions



- All firms practice responsive CSR
 - regardless of mission and vision statement acceptance.
- Subsidiary size may be a determinant

Implications, Limitations and Future Directions

- **Indonesia has introduced company law mandating CSR practices, but not prescriptive, and has no metrics (Unlike PROPER).**
- **Transferability to other MNEs, particularly non-Japanese affiliate organisations. More research on other MNEs needed.**

Thank You!!

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Party Discipline and Party Institutionalisation

Owen James

The relationship between the bad behavior of Politicians and the Organisations they live within.

Background: Political Parties

- Corruption convictions since 2004
 - 144 Parliamentarians
 - 18 Governors
 - 71 District heads/ Mayors
- Party identification rates dropped from 89% in 1999 to 14% in 2012
- Parties are the least trusted institution in national life
- 55.9 per cent of Indonesians see it as the most important issue facing their country (Lembaga Survei Nasional Oct 2013).



Is this a question of organisational failing?



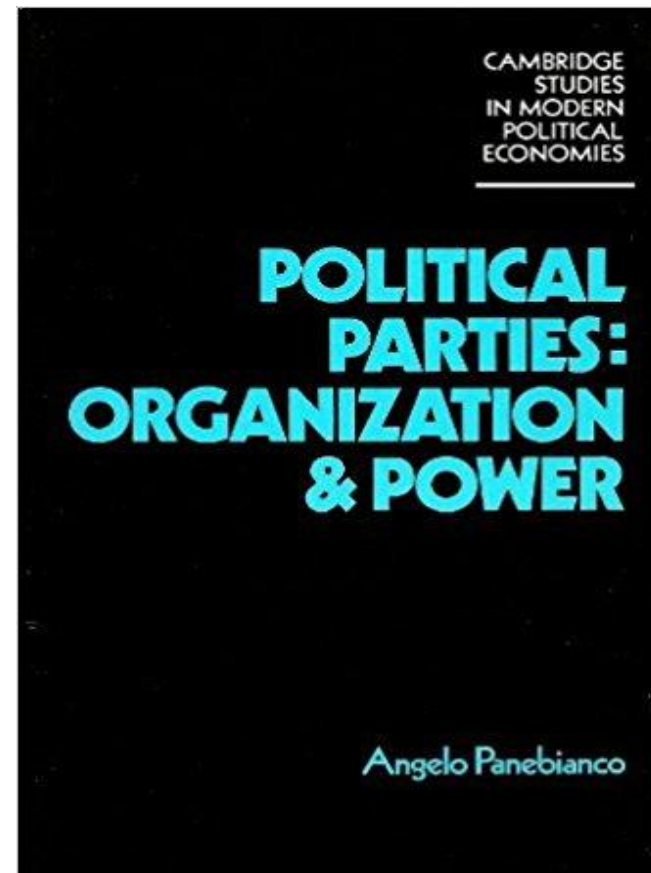
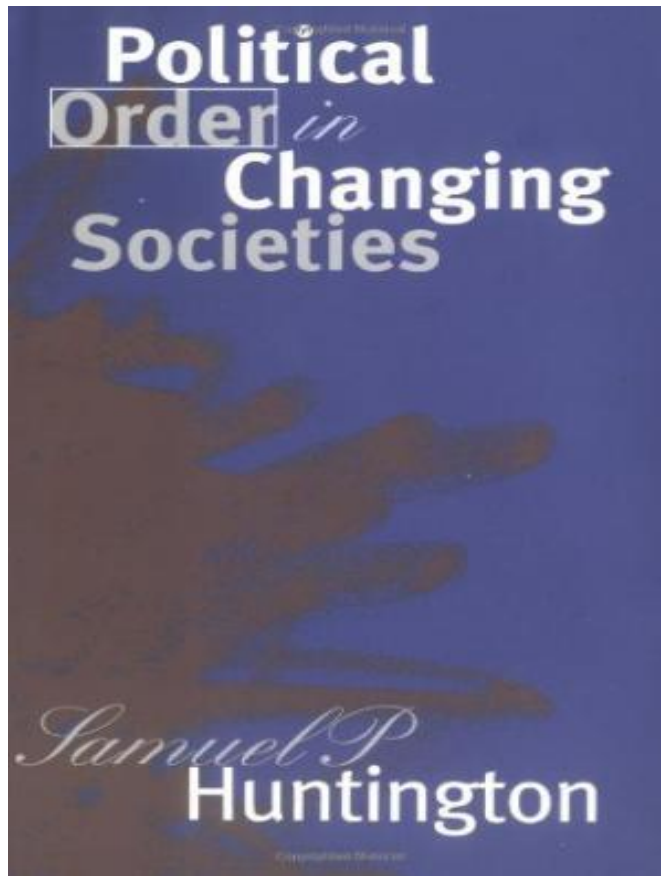
“ If it’s gonna be like this, how can we eradicate corruption?”

Outline

1. What is institutionalisation theory and how has the scholarship applied the theory in the Indonesian case?
2. The parties, their comparative institutionalisation and their discipline systems
3. What is the relationship between party institutionalisation and disciplinary effectiveness/ineffectiveness

Section 1: Institutionalisation Theory and its Application in the Indonesian case

Institutionalisation and Assessing Political Organisations



Dimensions of Institutionalisation

	Structural	Attitudinal
Internal	Systemness	Value Infusion
External	Decisional Autonomy	Public Reification

Randall, Vicky, and Lars Svåsand. 'Party Institutionalization in New Democracies.' *Party Politics* 8, no. 1 (January 1, 2002): 5–29.

The Narrative of Institutionalisation in Indonesia



- Opposition parties suppressed between 1958-1998
- Minimal opportunity for organisation development
- Post-*Reformasi*, suddenly the parties had to expand to compete in the an enormous number of yearly elections
- Organisational Development was not focused on by party elites
- Organisations were left woefully incapable of handling their new found rules; including disciplining their members

(27 July 1996: Riots in Jakarta after the army stormed Opposition Party (PDI-P) headquarters and arrested their leadership)

Section 2: The Parties and their Discipline Systems

Case Studies: Partai Golongan Karya (Golkar)

- Golkar rose to power as the electoral vehicle of the New Order authoritarian regime in the late 1960s
- Secular Nationalist Party, focusing on themes of technocratic developmentalism and national unity
- Since 1999, Golkar has consistently ranked first or second in percentage of the vote received in national elections. In 2014, the party came in second, winning 14.75 per cent per cent of the vote (91 seats out of 560)
- The party continues to be especially popular in the outer island of Indonesia
- Highly factionalised



Comparative Institutionalisation: Golkar

- Most extensive networks of branches
- Strongest financial infrastructure
- Best name/symbol recognition
- Weak ideological attachments of cadres/members to the party
- Highly penetrated by external interests from the private sector



Case Studies: Partai Nasional Demokrat (NasDem)

- NasDem is Indonesia's youngest officially recognised party
- Secular Nationalist Party, campaigning on themes of reform and 'restoration'
- Established by former Golkar cadres
- The organisation's structure and internal procedures are largely modelled on Golkar
- NasDem received 6.72 per cent of the vote (35 seats) in the 2014 election.



Comparative Institutionalisation: NasDem

- Less developed internal systems/bureaucracy
- Comparatively small financial/ human resources
- Poor name/symbol recognition
- A slightly level of ideological commitment to the party
- Reasonable isolated from external interests, mainly reliant on funding from the party's central oligarch, Chairman Surya Paloh



What does the discipline system deal with ?

1. Breach of the by-laws (*Anggaran Dasar dan Anggaran Rumah Tangga, AD/ART*)
2. Disputes (Vertical and Horizontal)
3. Legal Violations
4. Ethical Dilemmas

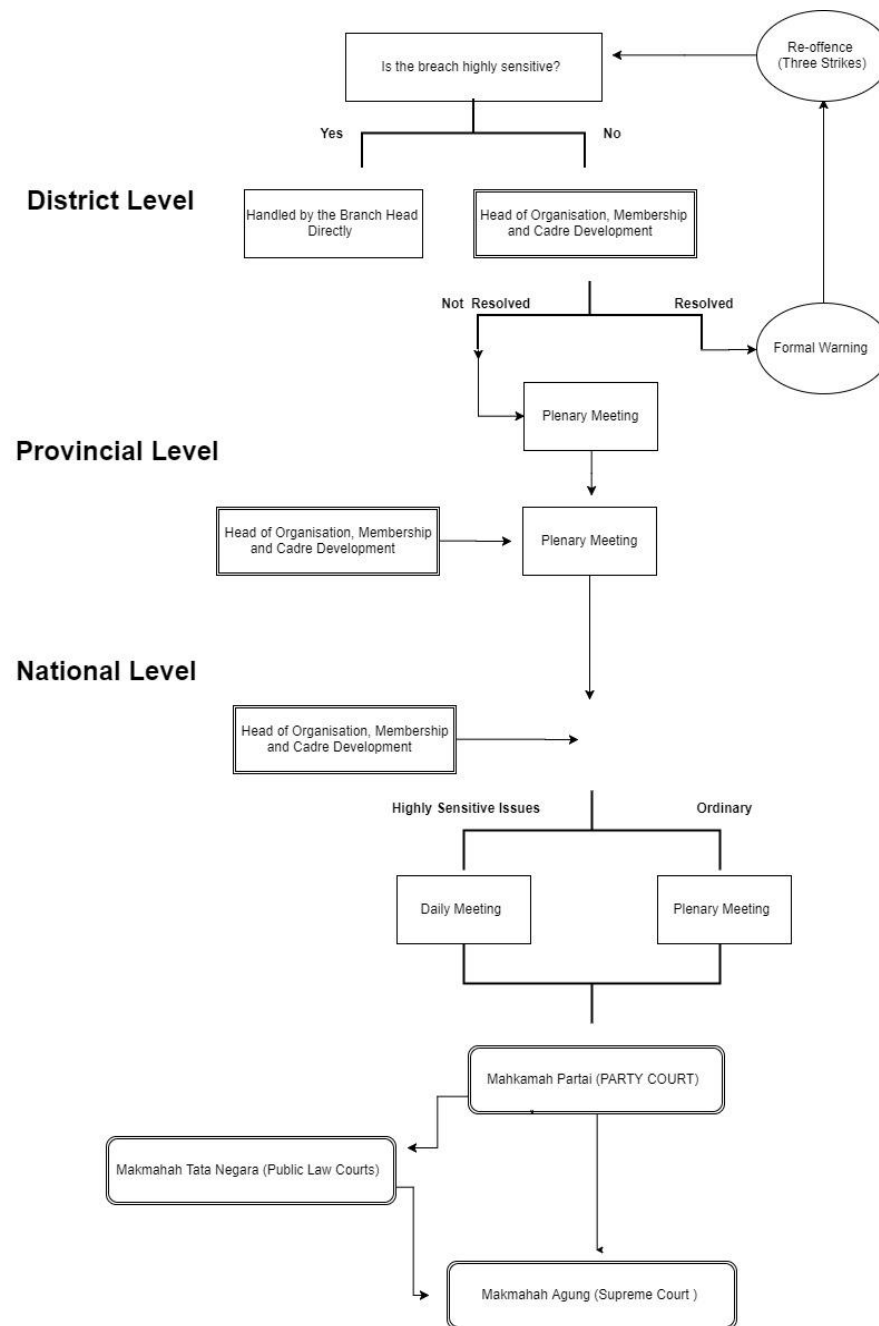


Image: Agung Laksono and Aburizal Bakrie, two Golkar elites shake hands after the end of a bitter dispute over the parties leadership renewal process, heard in the parties internal court.

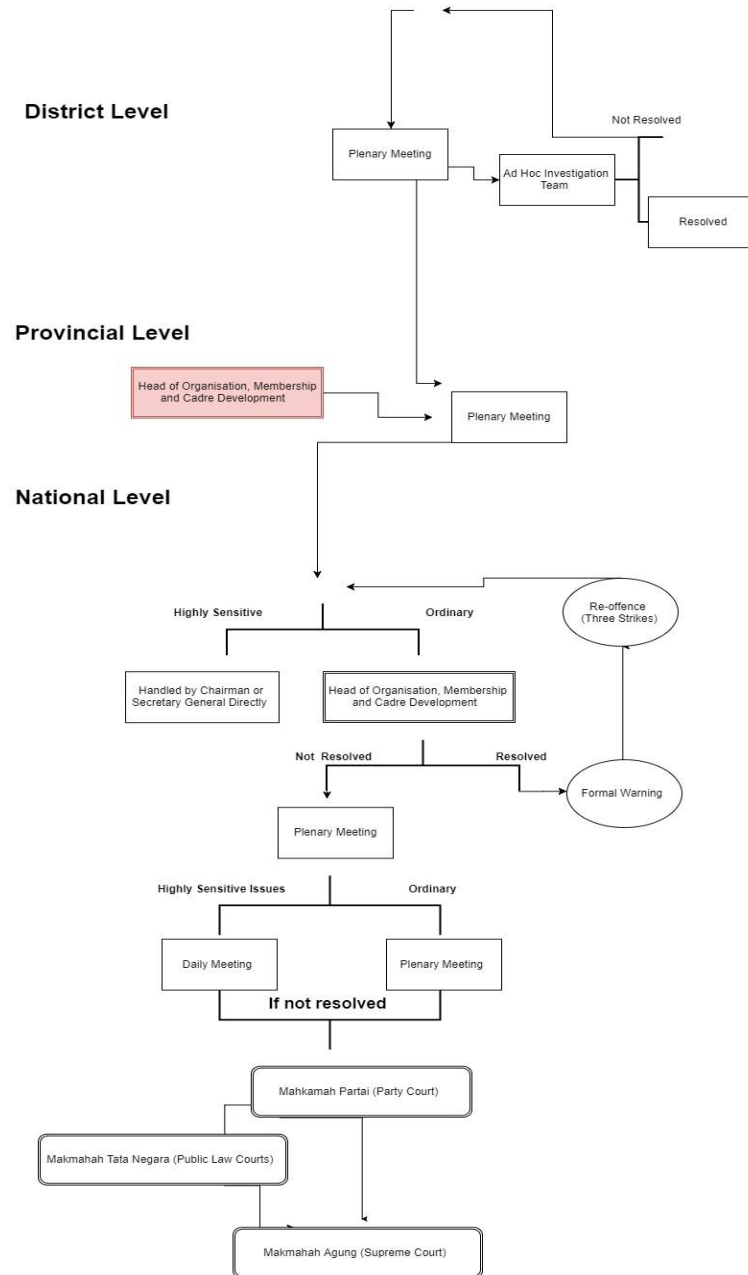
How does the discipline system work?



Golkar



NasDem



Section 3: What is the relationship between institutionalisation and disciplinary effectiveness?

	Structural	Attitudinal
Internal	Systemness	Value Infusion
External	Decisional Autonomy	Public Reification

Theoretical Implications

1. Some dimensions of institutionalisation do not necessarily support better discipline systems.
2. Some dimensions of institutionalisation are significantly more important than others.
3. The various dimensions of the analytical framework inherently influence each other.

Conclusion

The party's overall level of institutionalisation is less important than the specific way in which the party is institutionalised for the purpose of disciplinary effectiveness.

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