

Developing Social Innovation for Corporate Sustainability: Case Studies of Gold Proper Candidate in Indonesia

Sudharto P. Hadi¹, Bulan Prabawani², Ijai Pratama³, Muharyo Ihsanto⁴
{sudhartophadi@yahoo.co.id¹}

Universitas Diponegoro, Indonesia^{1, 2, 3, 4}

Abstract. Corporate Social Responsibility (CSR) has been practiced by corporates pursuing green and gold ranks of Proper (business performance rating on environmental management) promoted by the Ministry of Environment and Forestry. Aligned with a new concept of CSR called corporate social innovation (CSI) the corporates categorized as Gold Proper candidates are obliged to adopt CSI. CSI is essentially to integrate social problems encountered by a community into the program and activities of the corporate. Consequently, the program/project initiated to deal with community problems is related to the core of business or core of competency of the corporate. CSI creates shared value for the community and the corporates and contributes to the corporate's sustainability. This paper reviews CSI projects done by corporates participating Proper. The research method employed is desk study relies on secondary data provided by corporates, webinars, and an online interview with persons in charge of relevant corporates. The study found that it is not easy to relate corporates' core competence/ business with the problems faced by the community. The corporates modify their current community development as a form of CSR to meet the indicators of CSI. Detail and comprehensive social mapping are required to initiate proper CSI.

Keywords: CSR, CSI, Shared Value, Corporate Sustainability

1 Introduction

According to Lord and Home as quoted by Aggraval [1] CSR is a sustainability commitment of business to behave ethically and to contribute economic development and to improve the quality life of employee, local community and community at large. CSR is enabled companies to integrate social and environmental concerns in their business operations and their interaction with their stakeholders voluntarily [2]. Under Act 40 of 2007, in Indonesia, corporate social responsibility (CSR) is mandatory to be implemented by corporates conducting their activities on and related to natural resources. CSR has been widely implemented by corporates to create a good image, keeping good relations with stakeholders, and fulfilling the regulation.

CSR is mandatory for corporates in pursuing beyond compliance (green and gold) ranks of Proper (business performance rating on environmental management. Based on Proper, CSR consist of charity, infrastructure, capacity building, and community development. The benefit gained by corporate includes good image, good relation with stakeholder, good access to a financial institution, the improvement of their share at the stock market. However, CSR

orientation is short-term, focusing on risk reduction to obtain corporate reputation. It is not related to the core of business and competency, considered as a cost, to meet an administrative requirement to be labeled of socially responsible corporate, and characterized as top-down [3].

CSR is considered insufficient to encourage the solution of a variety of community social problems [4], meanwhile social problems are increasingly complex and require the involvement of various parties through innovative approaches. In addition, CSR actually grows the community's dependence on companies, while CSR should encourage people to be independent, especially socially and economically. Hence, the weaknesses of CSR encourage a new concept called corporate social innovation (CSI), that to obtain a Gold Rank status, companies must run social innovation. In the perspective of CSR, social funds are cost while CSI places it as an investment [5]. CSI can grow social or shared value [6] through co-creation [7].

In short, the differences between CSR and CSI are described as CSR is initiated from philanthropy intention, funded and managed based on the function of community and corporate relation while CSI is strategically intention of corporate, funded, and managed as an investment. CSR involves a contribution in the form of money and workforce while CSI involves Research and Development and other relevant units to deal with the crucial problems faced by community and corporate. CSR involves employees specifically deal with CSR while CSI involves all relevant employees from various units dealing with the program initiated. CSR may have a contract with NGOs or community groups providing service for the community but CSI involves partners of corporates, NGOs, government institutions dealing with programs initiated. CSR provides social and environmental service for those require help while CSI has partners (usually recipient) to create innovation and to provide a sustainable solution to deal with urgent need. CSR has funding to support social activities while CSI frequently places partners in business to create sustainable social change [5]. According to the Ministerial Decree of Environment and Forestry no 1 of 2021, the indicators of social innovation follow. (a) novelty interms of product, process and distribution, and also unique and original (b) address the community need: poverty, unemployment, slum, stunting etc. (c) improve the social competency. By having social innovation, people are competence in operationalizing the project and running the business. (d) the social innovation implemented has been scalling, replicating and showing sustainability. (e) the effectiveness of the program is measured by Social Return of Investment (SROI) meaning that the benefit gained by the stakeholders is larger that the investment allocated by the company.

This paper observes three companies categorized as beyond compliance implementing corporate social innovation (CSI), they are Pertamina, PLTGU, and Sido Muncul. These three companies in 2021 received the Gold Proper Award from the Ministry of Environment and Forestry. This means that the companies are considered to have successfully adopted the community development as CSI, not merely as a CSR. This study formulates lesson learned on the implementation of CSI of Gold Proper Companies because the recent and common social responsibility regulation in Indonesia are limited to regulate company's obligation to deliver CSR program. In addition, social innovation as an element of assessment in Gold Proper was just started to be implemented in 2021. In the long term, solution for social problems even could help contribute the company's profit. Therefore, CSI study is important to ensure social problems encountered by community could be dealt by company's contribution through their core business or competency. In additon, prior studies showed that there was no agreement on the application of social innovation, although CSR as embryo of CSI [4], the CSI is still developing [5] as the previous studies merely formulate element that

distinguish CSR from CSR [8], also CSI has not been widely implemented by companies, hence more revelations from various types of industries are needed [7].

This paper addresses the following research questions. How the companies integrate their core business/ competency with problems encountered by communities. How creating shared value obtained by companies and by communities? What problems encountered by companies in adopting social innovation? By utilizing these questions, it will be shown that practicing social innovation has more beneficial for companies than adopting conventional CSR.

2 Method

This is a descriptive analysis research taking three beyond compliance corporates as case studies. The data was gathered through secondary data provided by the Secretariat of Proper, webinar on proper, and informal interviews with relevant persons of corporates, also the Corporates's Sustainability Reports. The webinars are organized by PLN (electricity state-owned company) on March 18 and August 24, 2021, and webinars on Proper and SDGs organized by SDGs Centre Diponegoro University on March 4, 2021.

3 Finding and Discussion

The following is a description of the corporate social innovation carried out by Pertamina (Oil and gas state-owned company) TBBM (Fuel Oil Terminal) at West Bandung, PLTGU (Steam and Gas power plant), unit of Indonesia Power in Pesanggaran, Denpasar, Bali and Herbal Company Sidomuncul, Semarang Regency, Central Java.

Based on the social mapping, Pertamina West Bandung found that many young people surrounding Pertamina site, Babakan Village are unemployed and they involve in motorcycle gang frequently make trouble to community. Pertamina then collaborate with Karang Taruna (Young Development Group) and Training Centre of the City of Bandung Regency (BLK) to conduct automotive training for 40 young people. After finishing training, they were facilitated by Pertamina to build and operate automotive workshop for repair and shop of motorcycle. Pertamina place its product such as spare part and lubricant. Pertamina also obtain a good image and consumer loyalty. Young people benefit having jobs and income above the minimum wage of West Java Province. They take aside part of their income to support greening program at their village. Automotive skill is a competency of Pertamina employee. In addition, selling lubricant and spare part is core business of Pertamina. So automotive training to empower young people is considered an investment of Pertamina, not a cost.

PT Sido Muncul has had a Desa Rempah (Spice Village) Program and Mitra Tani (Farmers as the partners) as CSI activities in 6 villages in Ungaran Regency since 2014. This program has even been expanded to outside areas of the Regency, they are Boyolali, Wonogiri, and Banyumas. This program provides an opportunity for the community to fill their vacant land to plant various spice plants such as ginger, curcumin, and cardamom as herbs material for Sido Muncul producing variety of herbal products. In this program, Sido Muncul provides seeds as well as training in processing harvests into herbal raw materials (simplicia). Even in its development, the Spice Village has also become a Spice and Fruit Edutourism Village as one of the community's additional income. Sido Muncul's CSI has provided benefits to farmers to produce good quality spice and to supply the spice to PT Sido

Muncul. Farmers have a permanent market which is Sido Muncul buying their products with good price. Sido Muncul also benefits from having a good quality spice as the raw material of herbs. As an example, Sambirata Village in Cilongok, which is a 4-hour drive from Sido Muncul, was able to produce a total of 18,378 kg of wet and dry cardamom worth IDR775 million in 2020 [8].

Steam and Gas Power Plant (PLTGU) in Pesanggrahan, Denpasar Bali facilitates local people in Klungkung Bali to overcome waste overload in the area since Indonesia is second top contributors of waste [9]. The facility processes solid waste to be briquettes through TOSS (Tempat Olah Sampah Setempat or a Place for Processing solid waste) as a research and development resulted from STT PLN (PLN College of Technology). TOSS which is also called Listrik Kerakyatan (People's Electricity) is affordable, easy and flexible to utilize, suitable for rural areas with high waste generation, small-scale plants, and self-sufficient that the TOSS management is the local community to meet the local electrification needs also [10]. The success of TOSS Klungkung is a form of ABG partnership, namely Academic, Business, and Government [9] that in addition to the role of STT PLN, the local community uses village funding for its management, PLTGU act as a provider of tools and facilitation as well as users and distribution of electricity for the community, and the Government as the regulator guarantees the participation of all villages in the program. TOSS has connecting research and innovation with economic and social benefits. Local people collect their domestic waste and delivered it to TOSS. As compensation, they are given briquettes for their energy household. The briquettes also are sold to the company (PLTGU) for co-firing reducing the volume of coal as raw material.

The community development activities of the three companies show the existence of social innovation, that companies are directly involved in solving community problems such as unemployment, low income, and poverty, and even waste generation [4]. In addition, there is an integration of community economic and business activities with the core business of the Proper company so that the company is no longer assumed to be the society as a social burden but becomes long-term business partner [5]. The three companies that implement CSI have proven to be able to create co-creation [7] through the acquisition of tacit knowledge from the community as a result of the company's interactions with local communities [5].

The transformation of the company's CSR program into the CSI program of the three companies above reveals that the program integration process has taken place as formulated by Herrera [7], where the community development program carried out by the companies begins with social problems that exist in the community, namely unemployment which then caused unrest and social disturbances, suboptimal land use, as well as increasingly significant piles of waste that were not handled properly. This is called an assessment stage that the social problems were identified through social mapping. These problems were then identified in greater depth in order to find solutions by involving community leaders, non-government organizations, and local government. Here, the company played an active role by involving its R&D center. This brainstorming process was directed to formulate the initial design for social innovation. The involvement of various parties was intended to obtain a comprehensive perspective in formulating various alternative solutions while at the same time ensuring the suitability between alternative solutions and the core competencies of the company, as well as its internal and external resources. The next stage was a development that the company built a prototype for a social solution. In the three companies, the prototypes were in the form of a motorcycle workshop unit, a waste processing unit into briquettes and a village for the farmer partner program.

The final stage of the CSI program was systematization in corporates' business operations as well as scaling-up or expansion of social coverage. In this stage, Pertamina has provided a number of workshops and motorcycle shops as well as supplies of parts and lubricants. The communities that originally depended on the company had become a consumer partner for Pertamina's products and this has significantly reduced unemployment. Sido Muncul has collaborated with farming partners not only locally, but even across districts so that there were more domestic suppliers that match the qualifications of Sido Muncul materials. This has made the farmer has higher land utility and finally provides optimal results. These shared-value practices are also a form of sharing economy that Sido Muncul gets guaranteed quality materials from farmers without investing in high assets. PLTGU has made the waste processing community a partner in providing briquettes for co-firing in the company's energy supply process while creating non-fuel alternative energy.

The three lessons learned above show that there are similarities between innovation and CSI in which both the innovation process comes from corporate research and development [11], but at the same time, this also reveals that CSI is able to improve the traditional innovation concept that merely places innovation as a process that starts from the company's internal capabilities or a backward corporate chain process to create a value and merely focus on increasing competitiveness [7][12]. If innovation was previously never a part of CSR [11], then in CSI, innovation is created through a forward potential chain, namely the communities that were previously affected by the company's business operations. This study also shows that corporate investment in the form of tangible facilities such as equipment assistance (such as workshops and waste processing), materials (such as lubricants and seeds), and even soft skills (in the form of various training) have provided a social return on investment (SROI). This enriches the evidence that the triple bottom line balance is evident not only in the form of a corporate image but also in economical benefits. CSI has created win-win benefits for corporates and the communities.

In the business context, CSI at the Gold Proper company is not in an effort to reduce the footprint by making changes to internal business operations. However, the company has repositioned the community, which was previously one of the parties to whom the company is socially responsible, into partners with whom the company generates economic benefits and this has become the company's strategic intent. Organizationally, the Gold Proper companies have introduced a culture of innovation to the community as well as strengthened the internal innovation culture.

The findings also align with Phillips et al. [13] concept that if manager of organizations (companies) are to deliver more value from CSR, they need to understand how they can better incorporate social innovations into their CSR agenda. Both Phillips et al concept and our findings encourage the business policy to integrate social problems such as poverty, flood, slum, stunting etc to the program and activity of the company so that helping people is not considered a cost but an investment. In addition, community development in the form of social innovation is more sustained.

The observation from the three companies says that they started from the projects they have (TOSS, authomotive training, herb village) and to be implemented to the community rather than starting from social mapping (waste, unemployment, waste) to be connected to core business or core competency. Consequently not all indicators of social innovation meet with th social innovation initiated.

4 Conclusion

Lesson learned from three companies adopted corporate social innovation show that both sides: company and community share their value meaning that both side benefit simultaneously. Social innovation has been internalized on the policy, strategy and operation of the company. It ensures the sustainability of the program because the companies do not consider the community development in the form of social innovation as a cost but as an investment. The more developed the social innovation the more benefit obtained by the companies. In addition, the benefit gained by the companies also help them achieving corporate sustainability. Another lessons taken from these three cases are the involvement of stakeholder and many units at the company involved at CSI. The involvement of stakeholders ensure the sustainability of CSI. There are many parties take care of CSI based on their scope of works from management, training, production, marketing. The involvement of other relevant unit in the company, beyond CSR's unit create sense of ownership among employee regarding their CSI. The three companies are naturally easy to relate their core business and core competence to the need of community. Many other companies categorized as Gold Proper candidate such as Pertamina upstream, refinery, manufacture industries are more complicated to relate their core business and competence with community problem. What they have done are to frame the existing community developments submitted through green document with the indicators of social innovation. Given this experiences, detail and comprehensive social mapping and assessing the LCA (life cycle assessment) are required to initiate comprehensive corporate social innovation done by corporate and community. LCA is to assess life cycle of product from raw material, production, distribution, utilization, and waste. From each line of production is assessed whether any action can be taken to help people solving their problems.

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