

# How Social Am I: Self-Perception of Senior Managers in Indonesia on Their Companies' Social Actions<sup>1</sup>

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*This research gathered perception of 89 senior managers from national and multinational companies in Indonesia on vision, strategy, delivery, and performance of their companies' CSR activities. This research finds that there is a gap between the perception of the senior managers related to the development of strategy and vision (the domain of senior managers) with the delivery and performance (the domain of middle managers). Based on the findings, this research suspects that there might be limited tools to help middle managers to deliver social actions and therefore.*

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## 1. Introduction

The issues of Corporate Social Responsibility (CSR) in Indonesia have received significant attention in the last few years. This is partly due to the fact that Indonesian government has passed a bill that obliges companies to conduct CSR programs (Waagstein, 2010). Article 74 of the 2007 Limited Liability Corporation Law No. 40 requires companies to implement corporate social and environmental responsibility. Despite the increasingly divisive for-and-against positions towards the law, especially between the business and the government sectors, practitioners are starting to discuss about CSR and the most appropriate way to develop and implement it. Many companies, national and multinational, in Indonesia have started implementing various CSR programs and started to embed the program into their strategies. Corporate social actions in Indonesia can vary from ad-hoc programs of visiting orphanage house, corporate employees volunteering to teach schoolchildren in remote areas, to complex community development programs

Despite the widespread of corporate social actions, little is known on the perception of the senior managers regarding their social programs. A recent survey on the published CSR literatures indicated that most CSR researches have put emphasis on the institutional and organizational levels of analysis. Yet, researches on the individual level of analysis are still limited (Aguinis and Glavas, 2012).

This is unfortunate since the perception of senior managers is believed to play significant roles in deciding the vision and the strategy, as well as, the implementation of a company's actions (Godos-Diez et al, 2011). CEOs are often believed to always imprint their companies with their value. Senior manager values also play an important role in determining the stakeholder salience that will in turn determine the outcomes of a corporate social performance (Agle et.al, 1999).

This research's objective is to provide a preliminary snapshot of the self-perception of senior managers in Indonesia on the vision, strategy, delivery and performance of their corporate social responsibility program.

This paper will begin with a discussion of the literature on CSR and its development. We propose to encompass various definition and perspective on business and society engagement with the new term of "corporate social action". We find this term useful for the purpose of this paper. We will further discuss the methodology of this paper. In this part, we present a model borrowed and adopted from the work of FSG's – a Creating Shared Value consultancy – "How To Guide for the New Corporate (R)evolution". The next section outlines the findings of the survey and it is followed by the summary and conclusion. We feel that study on this area should be followed up at the middle management level, for example, through another survey that attempts to find their perception on delivery and performance of corporate social actions. For us, the devil of corporate social action lies in the details.

## 2. Literature Review

Many scholars have argued recently that there are various definitions on CSR. Some of them are conceptual differences and others are differences based on the context and geographical location of the activities.

"CSR is a broad topic that covers a multitude of concepts and ideas encompassed in as many definitions, all depending upon the country-of-origin and the originating organization or author" (Freeman and Hasnaoui, 2011).

In the academic world CSR starts to gain solid ground as a widely accepted topic for research and discussion. From 1920s to 2009, there are growing numbers of academic articles starting to define the concept. To capture different definitions of CSR, Freeman and Hasnaoui (2011) usefully identify major components within the definitions of CSR.

Taking a further look into the different aspects of the definitions, many of the components outlined in the appendix 2 imply two different understandings on the relationship between the company and the society. Following Porter and Kramer (2006) observation, at least there are two perspectives in relations with the ways in which companies understand their position in the society. First, those who tend to view relationships between company and society as diametrically opposing. These definitions of CSR imply that company is always on a vis-à-vis position with the society. Companies, according to those who hold this view, have to "correcting the social problems the organization created in whole or in part" (for example, Fitch, 1976). They also need to enforce CSR as "a tool to manage stakeholders' impressions and perceptions of the company" (see Hooghiemstra, 2000). Or, companies should not be obliged to conduct social engagement because, it is "voluntary and has a broad range of stakeholders" (see Jones, 1980).

Second are those who view relationship between company and societies as integrated and inclusive. For example, defining CSR as "obligation to the wellbeing of society" (Clark, 1926), or "the consideration of the effects of decisions and actions made on the larger social system" (Davis and Blomstrom, 1966) place the company within the society and does not consider the latter as separate and different entity.

Porter and Kramer (2011) further argue that there are significant differences between the first type of understanding of CSR and the second type that they call Creating Shared Values (CSV). Among the differences between conventional CSR and their concept of

CSV are: the value of doing CSR is to do good, while the CSV aims to create both economic and social values; CSR common programs are citizenship, philanthropy, and sustainability, while the CSV focuses on the joint company and community value creation; CSR is often a response to external pressure, while CSV is integral to competing; CSR is considered as costs and therefore it is separated from profit maximization, while CSV is integral to profit maximization; CSR's agenda is determined by external reporting and personal preferences, while CSV's agenda is generated internally and company specific; and most importantly, CSR's impact is limited by corporate footprint and CSR budget, while CSV realigns the entire company budget.

For the purpose of discussion in this paper, we propose to use the term "corporate social actions" to broadly encompass both the CSR (those who understand the relationship between company and society as diametrically-opposing) and CSV (those who understand that the relationship between companies and society as reinforcing) types of social activities conducted by companies.

We take meaning of corporate social action simply as a company's social activities regardless of whether it is embedded or separated from a company's strategy and/or vision. Thus, a corporate social action may be driven by various reasons and may take different forms. For example, it may take form of corporate philanthropy, employee voluntarism, or community development programs.

Among many ways to categorize corporate social actions, we propose to take a look at the drivers of these companies to engage in the social worlds. We attempt to categorize at least four different reasons for companies to take part in any social activities. We find two of Hanke and Stark (2009) drivers useful to categorize the first two major engagement drivers. Based on a survey conducted by German Forsa institute, Hank and Stark indicate that reputation is the first key driver for a company to take part in social actions. They furthermore argue that personal interests of the owner or senior managers – in the case of large companies – are also relevant to drive a company's social activities. Aiming to do social program for reputation reasons can also be strategic for some companies.

The second driver for social actions is the ethical reasons. Fifty-eight percent of the respondents in a survey conducted by European SMEs (ENSR) – quoted in Hanke and Stark – ranked ethical reasons of doing social activities on the top.

Other literatures highlight sustainability as another reason to conduct social action. Sustainability is usually emphasizing on environmental and community stewardship. A definition of sustainability is excellently provided as "meeting the needs of the present without compromising the ability of future generations to meet their own needs".

The fourth driver of a corporate social action – which is the drive to create social values – is distinctive especially from the ways in which companies understand its relationships with the social worlds. The other four drivers (reputation, ethical/moral obligation, strategic, and sustainability) assume that the relationships between two worlds are diametrically opposed (Porter and Kramer, 2006). This limitation confines the ways in which a CSR program is developed. In many cases, it is not surprising that CSR is reduced to community-relations management and the officers who are responsible to conduct the activities belong to corporate communications department of a company. Coining the concept of Creating Shared Values (CSV), Porter and Kramer (2011) argue that companies should change the ways they see societies. Companies should be more inclusive and position themselves within the society. Companies should consider their relationships with society in three

ways: first, company should play an important role as a lever to empower the market at the bottom of the pyramid through reconceiving their products and services. Second, they should also ensure positive social impact from their value chain. Third, companies should start aiming to build industry clusters in the area they operate. Industry clusters are believed to help enlarging the wealth-cake of the society.

Other scholars also developed similar line of arguments. Filipe Santos (2008), for example, argues that social entrepreneurship is a unique way for companies to create values for society instead of appropriating values. In a corporate social entrepreneurship, unlike commercial entrepreneurship, values are not seized for shareholders, but instead created for the society. Santos furthermore highlights that a specific characteristic of social entrepreneurship is in fact the ability of the institutions to capture neglected positive externalities.

### **3. The Methodology and Model**

A recent publication on how CSV principles are implemented – sponsored by Hewlett Packard – exemplifies the ways in which we could focus on comprehensive building block of a corporate social action. The building block consists of strategy, vision, delivery and performance of the company (Bockstette and Stamp, 2012). The vision block highlights the ways in which social engagement is integral to strategy and acknowledged by board and senior leaders. The strategy block refers to a scrutiny of whether companies have identified key issues and goals to creating shared values. The delivery block deals with identification of whether companies have leveraged array of assets, including cash, good, expertise, and influence to deliver social action. This particular block also scrutinizes the ways in which efforts are managed throughout the company holistically. Furthermore, this block also examines whether companies involve partners and engage in partnership to deliver social actions. Last but not least, the performance block focuses on measurement and learning generated from social actions. This block also highlights the ways in which companies scale up their high-performing social activities. Not only that, the ways in which companies communicate their social action is also a concern of this particular block (see appendix 1).

We find this building block useful as a model to provide preliminary snapshot on the ways in which senior managers perceive their social actions for several reasons. First, although this building block is designed as a tool to implement CSV initiatives, the properties of the blocks are useful to provide a yardstick to capture the processes in all types of social actions from different companies – ones that are based on reputation, ethics/moral obligation, sustainability, strategy, and creating social values. Second, each block outlines essential indicators that we have to ask to senior managers, for example: identification of array of assets, whether efforts are managed throughout the company holistically, whether companies scale up their high-performing social activities, etc.

Data for the study was collected through survey as the main research strategy. The survey was administered over a three-week period through an on-line questionnaire system. The questionnaire consisted of two main parts that assessed different types of questions. The first part of questionnaire gathers basic information, such as profile of the respondents, reasons to do CSR, and industry background. These questions were in a form of category type questions, where each respondent could fit their answer only in one category provided (Saunders, 2009). On the second part of the survey, we asked respondents' perception on their companies' social vision, strategy, delivery, and performance. A set of statements were developed for each block and respondents were required to express their

position towards the statements which captured in a Likert-style rating scale (Saunders, 2009), where number “1” represents “strongly disagree” and number “4” represent “strongly agree” position towards the provided statements.

Respondents for the study were selected based on non-probability sampling technique, which afford more subjective selection of sample (Saunders, 2009) in order to fulfil the main objective of the research. Authors are specifically sought responses from senior manager levels. We define the senior manager levels as the following main roles within a company: C-level officers, directors, board of directors and managers. Moreover, purposive or judgmental sampling as one of the well-known sampling method within the non-probability technique, is applied in order to further enables authors in selecting the best cases in order to help answer the research question (Saunders, 2009).

We received a total of 93 responses from senior managers whom represented a total of 31 national and multinational companies in Indonesia. After removing 4 incomplete responses from the responses received, we had 89 effective responses for the study. Among the respondents, 30% sits in the C-level officers (CEO, CFO, COO, etc), 28% are those who have senior management positions (director, etc), 13% are vice presidents of companies, 12% are board of directors, and 16% are others (managers, etc). The distribution of respondents from listed and non-listed companies is almost equal. 54% of the respondents are high officials at listed companies and 46% of the total respondents is senior managers at private companies.

Purpose of the study is a descriptive study, where we aim to provide comprehensive definition of the variable of interest (Sekaran and Bougie, 2008). Therefore, although there is a possibility of bias in answering the questions, we took liberty to discount this since the survey captures the self-perception of the senior managers on their own companies. We are interested in the gaps between the perception of vision, strategy, delivery, and performance. Thus, in this paper, we do not pretend to provide an accurate and objective assessment of the respondent companies’ social vision, strategy, delivery, and performance.

We also plot our data into a simple Cartesian diagram. Combining the strategy and vision in the y-axis as the area or domain of where senior managers play more significant roles (Godos-diez et.al, 2011) and delivery and performance, in the x-axis, as the area or domain of where middle managers play significant roles (Mair, 2005), we developed a two-by-two matrix that consist of four distinctive quadrants (see appendix 3). First quadrant represents companies that have low strategy and vision and low delivery and performance. The second quadrant represents those that have low strategy and vision, but high in delivery and performance. The third quadrant shows companies that are high in strategy and vision, but low in delivery and performance. The fourth quadrant is those companies who score high in both strategy and vision and delivery and performance.

#### **4. The Findings**

In general, we find that senior managers feel that they have included social aspect into companies’ vision and strategy. However, they seem to be less confident on the delivery and performance aspect of the companies.

In relations to company’s vision, more than 90% of the respondents acknowledged that they have embedded social impact in the company values. Similarly, almost all respondents agreed that they are involved in the creation of social impact vision. Also true

to the long-term commitment that senior managers show, more than 85% of respondents scored agree and strongly agree. Asked on whether social vision creates distinctive and unique values to the company, most of the respondents answered agree (56%) and strongly agree (40%).

In general, the mean of the answers of the respondents on the vision-related questions range from 3.37-3.51 (3 = agree; 4 = strongly agree).

We could argue that most of senior managers have embedded social values into the vision, are involved in the creation of social impact vision, claim that they show long term commitment towards the creation of social impact, and believe that social impact have created unique and distinctive values for the company.

In relations to company's strategy, about 80% of the respondents acknowledged that they have comprehensive identification of the social impacts addressed by company's strategy. More than 60% of the respondents agreed that there is comprehensive integration of social impact initiatives into all functions within the company; however, almost 20% of the respondents disagreed. Almost 80% of the respondents acknowledged that there are clear goals for each social impact initiative in the company. Yet, about 15% of them disagreed with the statement. Similarly, operationalization of the strategy to create social impact also acknowledged by most of the respondents (around 60% said they agreed and 25% strongly agree) and about 15% of them disagreed that there is operationalization of the strategy. When we asked them about the availability of resources allocated for social impact initiatives, 60% said they agree, 23% said they strongly agree, and 15% felt that resources are not available in their company.

It looks like that some companies are not confident with their strategy development, however, we could argue that most respondents have good and strong social strategy embedded into their business.

In general, the mean of the answers of the respondents on the strategy-related questions range from 3.03-3.25 (3 = agree; 4 = strongly agree), slightly lower from the mean of the vision-related questions.

In relations to company's delivery of their social program, we asked whether company implements comprehensive approach to bring social impact. 20% of the respondents disagreed, yet around 80% of the respondents acknowledged. Similarly, around 80% of the respondents acknowledge that there is a specific role within the organization to take care of company's initiative and 20% of them disagreed with this. When we asked the senior managers whether they involve external parties to develop and to consult their social actions, almost 30% of them say they did not do this.

In general, the mean of answer of the respondents on the delivery-related questions range from 3.18-2.92 (2 = disagree, 3 = agree, 4 = strongly agree). The fact that almost one third of the respondents do not engage with external parties is a point of concern. A research has indicated that CSR activities can increase numbers of product and service launch in a company, and therefore promote innovation, because of their constant exchanges of knowledge and access to wide body of knowledge from different stakeholders (Luo and Du, 2012). When we further analyse the data, it reveals that listed companies do more engagement with external parties, compared to their private counterparts. More than 80% of listed company senior managers acknowledge that they

consult and collaborate with external parties. On the contrary, only 58% of private company respondents acknowledge that they consult with external partners.

In relations to the company's performance, more respondents (almost 35%) disagreed that they have measurement tools to indicate progress and result of social impact creation. Almost one third of the respondents also disagreed that they reflect and improve the strategy based on the result of the program. Similarly, 30% of the respondents felt that they are unable to identify high-performing social initiatives. It is not surprising to see that 29% of the respondents felt that they do not have the sufficient resources to scale up the social initiative.

However, what is interesting from the result on company's performance is that around 80% of the respondents feel that they can communicate the progress and the result of the social impact creation strategy to the public and to their internal stakeholders.

In general, the mean of answer of the respondents on the delivery-related questions range from 3.08-2.79 (2 = disagree, 3 = agree, 4 = strongly agree). There is a downward trend from vision, strategy, delivery, and performance. We take meaning of this as a slight gap between the perception of senior managers on vision and strategy (which scores around 3.03-3.51) with their perception on delivery and performance (which scores around 2.79-3.18).

To analyse the data further, we plot the data into the two-by-two matrix outlined earlier and we find that most of the companies fall into the third quadrant (see appendix 2). This indicates that most surveyed companies have high strategy and vision and low delivery and performance. Consistent with the identified gap above, we interpret this finding as strong senior managers' involvement and engagement in social action, but weak middle managements' involvement and engagement.

Moreover, this finding might lead to an interpretation that there are limited reliable and dependable tools which middle managers can implement to reconcile their business objectives with the social actions required in the strategy and vision of the company.

We further separate the data that captures the reasons of doing social action (creating social values, reputation, sustainability, and moral obligation) and we plotted them into the two-by-two matrix. Four individual patterns emerge from this exercise (see appendix 3). For senior managers who chose to conduct social programs because of their moral obligation, most of them occupy the third and fourth quadrants. Similarly, those who opt for sustainability, the companies are mostly on the third and fourth quadrants. This indicates that most of them have good vision and strategy, but varies in delivery and performance. Some companies might have good strategy and execution, but some others might be less able to implement their strategy and therefore have low performance and delivery.

Those who claim that they do social activities because of reputation tend to have low strategy and vision and low delivery and performance.

Yet, most interestingly, companies who believe that they are engaging into social actions because of their aspiration to create social values mostly score in between the first and the third quadrants. We feel that this particular finding is the most interesting because it indicates that those who want to create value find difficulties in delivering their social actions properly and they might not be able to find proper tools to measure their

performance. There is also a possibility that they undervalue themselves because of relatively higher standard that they have compared to other respondents.

When we separate the data based on their company's status – listed or non-listed – we find more interesting results. 32% of the listed companies respondents say that they do social action because of sustainability reason. While 28% of them do CSR because of reputation. If we plot the data into the matrix, most of listed companies fall in the first, third, and fourth quadrants. That is, most listed companies have relatively low delivery and performance (first and third quadrants), but high in vision and strategy (third and fourth quadrants). We understand this finding resonating what Tenbrunsel et.al (2000) has indicated that when CSR is regulated and obliged (for example, as one of the requirements for companies to get listed in the stock market), it tends to be less substantial and more symbolic, and therefore, it is considered as a formality and merely considered as a way to comply with the regulations.

Private companies also have interesting patterns. Most of the companies score the third and fourth quadrant, which indicates that they have strong strategy and vision, but have various delivery and performance. We take meaning of this finding as an indication that private company senior managers might be more hands-on into their strategy and vision as well as the company's day-to-day operation. This finding might be explained with what Agle et.al (1999) indicates earlier. They argue that CEO/owners tend to imprint their companies with their values, including their other-interest, as opposed to self-interest, values.

## 5. Summary and Conclusions

In general, we could argue that the survey has revealed that senior Managers seem more confident with the domain of senior managers (strategy and vision), but they are less confident with the area of middle managers (delivery and performance). Our survey has shown that most of the respondents score between agree (3) and strongly agree (4) on strategy and vision, but slightly lower on delivery and performance (varies between 2 – disagree – and 3 – agree).

We suspect that this might be because of unavailability of reliable measurement tools for social action that is required for the company, especially for middle managers, to perform. Middle managers might be caught in the middle between their business KPIs and the social initiatives driven by their senior managers.

For future research, we suggest to explore the perceptions of middle manager on delivery and performance and also to further investigate the conflict that they face in reconciling the social and business KPIs.

## End Notes

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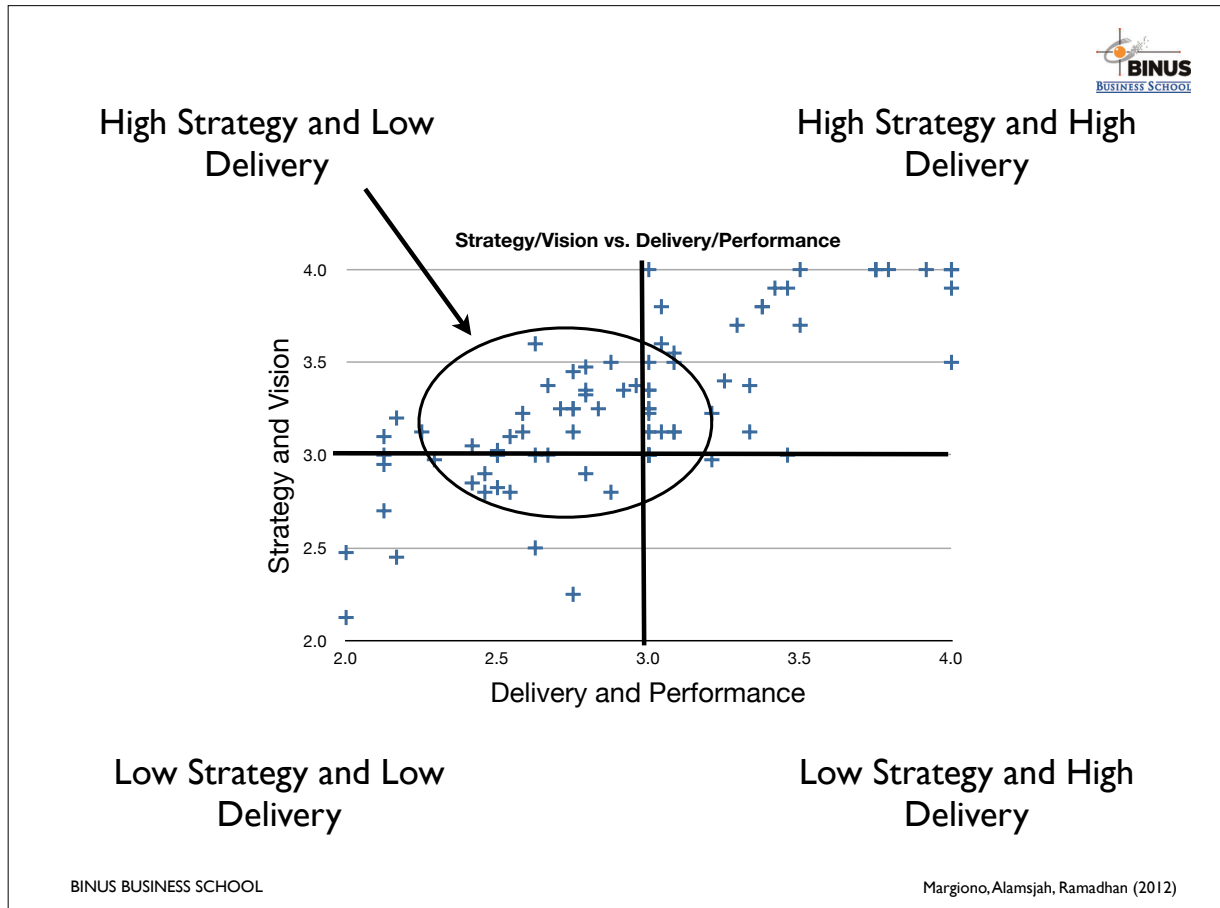
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# Appendix

## Appendix 1. Building Blocks of Creating Shared Values



Appendix 2. Overall Matrix



Appendix 3. Reason to do CSR Matrix

