

Reconstructing the Corporate Ethic to Realize Corporate Social and Environmental Responsibility (CSER) in Indonesia

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The degradation of environmental quality caused by the activities of big corporations often occurs in Indonesia. Take for example the cases of PT Inti Indorayon Utama in North Sumatra, PT Freeport Indonesia in Papua, and the current hot mud floods caused by PT Lapindo Brantas's drilling activities in Sidoarjo, East Java.

If we look to those cases above, the degradation of environmental quality is actually caused by humans themselves who have not seen themselves as a part of both an economic subject and an ecosystem. The business activities that pay the most attention to profit-making frequently cause the environmental problems.

It is commonly known that a corporation is not a social entity because it is oriented to profit-making activities. Therefore, all of its strengths are used to make the biggest profit. However, the corporation should take social corporate responsibility for its surroundings because corporations can not be separated from the series of rules for social interactions, which include moral rules. As a consequence, the corporation should not only rely on economic, legal, and political points of view but also on humanistic and ethical points of view.¹

According to Dr. Sonny Keraf,² the environmental crisis nowadays can only be addressed by changing fundamental human attitudes towards nature because the source of the present environmental crisis is man's wrong paradigm for understanding the coexistence of humans and nature.

Corporate Ethics as the Basis of Corporate Activity

According to Richard George, if a corporation wants to be successful, it requires three basic things: a qualified product, good management, and ethics (footnote 1). If a corporation has a qualified product and is managed well but lacks of ethics, this lack will lead to the collapse of that corporation. Dalimunthe³ says the essence of corporate existence is to serve people's needs. Therefore, there must be an interaction between the corporation as producer and people as consumer. People are bounded by certain norms or ethics. As a consequence, the interaction between people and corporations will be successful if it is based on those norms and ethics.

There are six basic corporate ethics which should be noticed by businesses: autonomy, honesty, justice, mutualism, moral integrity, and no harm.⁴ Corporations need to apply these corporate ethics in order to conduct their activities more transparently and to avoid any deviation. Corporate ethics are a basic part of business activities in modern business practice.

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¹ Endro, Gunardi. 1999. *Business Redefinition, an Exploration of the Virtue Ethic of Aristotle*. Jakarta: PT Pustaka Binaman Pressindo.

² Keraf, Sonny A. 2002. *Environmental Ethic*. Jakarta: Kompas Publisher.

³ Dalimunthe, Ritha F. 2004. *Corporate Ethic*. Available: <http://library.usu.ac.id/download/fe/manajemen-ritha8.pdf>

⁴ Bertens, Hans 2002. *The Introduction of Corporate Ethic*. Jakarta: Kanisius.

The Concept of Corporate Social and Environmental Responsibility (CSER) For Business

A big corporation should have a responsibility toward its surroundings. This responsibility is called Corporate Social Responsibility and is defined as the moral responsibility of corporations toward their employees and the society that surrounds it.⁵

These responsibilities consist of economic and legal responsibility (footnote 5). However, a corporation should also take on responsibility for its biological environment. This is well known as Corporate Social and Environmental Responsibility (CSER). CSER was initiated by the World Business Council for Sustainable Development (WBCSD) in 1995. It is comprised of five basic issues: human rights, employment rights, environmental protection, community development, and supplier relations.⁶

CSER is the concept of a corporation's social responsibility toward the environment around it. In conducting economic activities that exploit natural resources, a corporation should be expected to pay attention to the continuity of the ecosystem.

The source of CSER is corporate ethics.⁷ Therefore, in order to realize CSER, Indonesian corporations must have corporate ethics that are in line with environmental ethics.

The Theory and Principle of Environmental Ethics in Realizing Corporate Social and Environmental Responsibility (CSER)

Moral philosophers suggest that environmental ethics is the branch of philosophy science that discusses both the moral relationship between humans and their environment and how humans should behave toward the environment (footnote 2). So, environmental ethics is a discipline that discusses the norm and moral principles that regulate and underlie human behavior in relation to their environment.

Environmental ethics can provide the basic guidance for how human activities relate to the environment. According to the development of the thought underlying environmental ethics, there are several levels of ethics that describe human behavior in relation to their environment. The three models of environmental ethics are "shallow environmental ethics," "intermediate environmental ethics," and "deep environmental ethics," also known as anthropocentrism, biocentrism, and ecology centrism, respectively (footnote 2).

Shallow environmental ethics or anthropocentrism perceives humans as the center of universe. Therefore, humans have a higher value than other species. Intermediate environmental ethics or biocentrism perceives that all forms of life in the universe have the same position, so moral concerns should be distributed equally to all creatures. Deep environmental ethics or ecology centrism widens the perception of intermediate environmental ethics to include respect for all communities in the world whether they are made up of living beings or not (footnote 2).

⁵ Tjager, I. Nyoman, Antonius Alijoyo, Humphrey R. Djemat and Bambang Soembodo. 2003. *Corporate Governance. Challenge and Chance for Indonesian Corporate Community*. Jakarta: PT Prenhallindo.

⁶ Wiratno. 2004. Anthropocentrism Syndrome in Exploiting the Protected Forest. *Kompas Daily*. 24 July. Available: <http://www.kompas.com/kompascetak/0407/24/Fokus/1164171.htm>

⁷ Djailil, Sofyan. 2003. Theoretical and Practical Contexts of Corporate Social Responsibility. *Journal of Economic Reform* 4 (January).

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As stated earlier, the degradation of Indonesia's environmental quality as a result of the activities of big corporations shows that business practices in Indonesia are still far from the wise and ethical behavior of human beings. Business is still conducted based on the egoistic paradigm of satisfying economic need. Business philosophy is only profit oriented and avoids responsibility for the environment.

This indicates that business stakeholders still operate under the old paradigm of anthropocentrism. Anthropocentrism is the main cause of the current environmental crisis (footnote 2). It is because of the perspective of anthropocentrism that humans deplete resources for the sake of their own needs without paying attention to preserving nature. Humans are concerned with nature merely for the sake of their own needs rather than preserving nature for its own value. This attitude toward nature is an egoistic form of species chauvinism.

When referring to businesses, the unethical behavior of anthropocentrism is called the economic paradigm. The economic paradigm means that the business only has the responsibility to consider cost-benefit ratios.⁸ The economic paradigm is centered merely on the goal of gaining short-term profits and is not aware of and does not care about future effects. This analysis shows that the application of corporate ethics in Indonesia is far behind the wise and ethical behavior of humans.

The fact that the degradation of environmental quality caused by business activity is rooted in the wrong paradigm strengthens the opinion that the environmental problems are actually rooted in the unethical behavior of business stakeholders. This anthropocentric and economic perspective can actually ruin the pillars of corporate ethics.

The degradation of environmental quality would not have occurred if the business institutions had applied CSER. Unfortunately, many Indonesian companies did not apply this concept as a part of their business activity. Therefore, it is important that corporations improve themselves by reconstructing corporate ethics to include the environmental ethic. This reconstruction is important because if the corporation still has the wrong paradigm about the universe, there will potentially be more destruction of the environment.

Reconstructing ethics to synchronize the value of corporate ethics and environmental ethics will provide guidance for business stakeholders. The reconstruction can change the corporate ethic, which is currently a shallow ecological paradigm based on anthropocentrism and economic perspectives, into a corporate ethic that has a deep ecology paradigm based on biocentrism and ecology centrism perspectives.

The biocentrism perspective rejects anthropocentrism. Biocentrism perceives that not only do humans have value but also all species have the same moral value (footnote 2). Therefore, all life beings should be considered when humans make decisions that affect them. With a corporate ethic based on biocentrism, business stakeholders will become moral beings that take moral responsibility toward natural resources. Business stakeholders should consider the value of the moral subject in their activities, because there is a moral relationship between business stakeholders and moral subjects. The reconstruction of corporate ethics can also lead to a perspective of ecology centrism. The ecology centrism perspective is similar to biocentrism, but wider. It emphasizes the moral responsibility that all creatures in this world should be treated equally. Just like biocentrism, ecology centrism also

⁸ Nugroho, Alois A. 2001. *From Corporate Ethic to Eco-Corporate Ethic*. Jakarta: PTGamedia Widiasarana Indonesia.

rejects anthropocentrism. In the business world, an ecology centrist perspective does away with the economic tendencies that dominate business ethics.

The main aim of corporate ethics reconstruction is to change the paradigm of the interaction between humans and nature into a corporate ethic that involves environmental ethics. With this paradigm, the application of corporate ethics will provide an action platform from which corporations can respect nature.

The reconstruction of business ethics based on biocentrism and ecology centrist acknowledges that nonhuman entities that have intrinsic value instead of just instrumental value. If nonhuman entities are perceived to have intrinsic value, they will be respected by humans. In practice, it means that in conducting its activities, especially those that involve nature, business stakeholders will be aware of the need for the continuity of natural resources. Natural resources have value and a moral position, as well as the basic right that they should be respected and preserved by humans. Natural resources also have moral relations to humans as they are both elements part of an ecological system. If the relationship is broken, for example, by the depletion of resources, it will lead to a bad effect that could endanger human life.

In addition, corporate ethics should not be perceived as a short-term orientation. They should be considered long-term objectives that include the next generation as stakeholders in the business because they will also need to live comfortably by utilizing natural resources. The application of biocentrism and ecology centrist is appropriate for a long-term orientation.

However, corporate ethics are still problematic. Some people argue that corporate ethics are a contradiction of economic theory. Some economists even criticize the application of morality in business (footnote 1). They argue that corporate ethics impede human economic rights. That argument is not true. The perception of economic theory that emphasizes maximum profit with minimum cost is not relevant anymore (footnote 5) because in modern business, ethics and morality have become a basic need for a company. In modern business, the consumer's attitude tends to be green consumerism. The consumer tends to use products that respect the ecosystem. In addition, international businesses require import and export products to have eco labeling that disclose the standard of respect for the ecosystem used during production. This suggests that the new corporate ethics are not only beneficial for environmental preservation but also for the development of free trade.

Finally, the reconstruction of corporate ethics is not meant to change all previous theories. It is only intended to synchronize the relationship between a corporation and the environment. These new corporate ethics are expected to be the business code that helps corporations realize Corporate Social and Environmental Responsibility.