

# Social Responsibility in ISO 26000 and Social Innovation

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**Abstract**—This study aims to determine whether CSR and social innovation activities of Danamon already meet existing principles. The approach used in this research is qualitative. The methods of this research are literature study, analysis and evaluation, and interview methods. The results show that implementation of ISO 26000 and social innovation of Danamon has met the principles and the success criteria. However, Danamon is ranked 8th out of 9 companies in category of banking and services.

**Keywords:** *Corporate Social Responsibility (CSR), social innovation, ISO 26000*

## I. INTRODUCTION

Along with the many needs of the community, the businesses that profit oriented will certainly exploit natural resources in order to continue producing to meet the needs of the community. If the company can meet the needs of the community, then of course they will get benefit. However, the company cannot achieve other goals. Going concern cannot be achieved because there will be strong protests from environmental activists. The goal for the welfare of society cannot also be achieved due to the exploitation of natural resources which do damage livelihoods [1].

Porter and Kramer [2] mention two reasons in their writing "Strategy and Society: The Link Between Competitive Advantage and Corporate Social Responsibility" why the efforts of companies on CSR activities become unproductive. The first reason is their view that between companies and communities are opposite each other. Whereas between companies and communities are interrelated and interdependent. Another reason is the view that CSR can be executed by means of a standard for corporate strategy. Whereas the company should be able to see CSR as the most appropriate effort to be used as a corporate strategy.

Therefore, a performance evaluation is needed so that the company can take action on its mistakes and so that the same mistakes can be prevented in the future. According to Harazin and Kosi [3] there are several methods that can help organizations evaluate and follow up the performance of their organizations. Beside the traditional performance evaluation, there are new aspects that must be involved in the evaluation

process. These aspects are environmental aspects and social aspects. Both of these aspects can be a challenge and could affect the competitiveness of the organization. Their research concentrates on the answers to the social challenges and examine concept and relationship of social innovation and corporate social responsibility. To analyze it, they use the ISO 26000 standard. The conclusion of their analysis is that ISO 26000 is a tool of CSR that promotes social innovation because there is a relationship between the principles and core subjects of ISO 26000 with social innovation.

Social innovation by Phills Jr., Deiglmeier, and Miller [4] is a new solution to social problems in a more effective, efficient, sustainable, by creating value, especially for the society as a whole rather than the individuals/corporations. Harazin and Kosi [3] mentions that business organizations also have a role, interests and responsibilities in the social innovation, because social innovation can and must come from all sectors. It can be stated that the business organization can engage in social innovation through corporate social responsibility.

International Standardization Organization (ISO) published ISO 26000 at the end of November as the Guidelines on implementing social responsibility for any type of organization. Indonesia is one of the countries that ratified ISO 26000 from the total of 157 countries. ISO 26000 is a good strategic issue for Indonesia or other countries. Social Responsibility issue has actually long been developed and also been implemented by business organizations in Indonesia, but its implementation is still very varied and become less effective because there is no clear guidance or standards. Therefore, this paper concentrates on how the implementation of the ISO 26000 standard, published in 2010, and social innovation conducted by PT Bank Danamon Indonesia Tbk.

ISO 26000 used in this study because this guideline is the main reference in implementing globally recognized CSR and also according to Harazin and Kosi [3] have the same core principles and subjects as social innovation. While Bank Danamon used in this study because bank is an important support for the expansion of extractive industries in Indonesia. Environmental degradation, deforestation, and loss of people's rights to the area managed by extractive industry practices must be seen as an integral part of bank capital investment. Bank

Danamon ranks in the top five for the assessment of the environmental and social issues conducted by the Koalisi Responsibank Indonesia. In addition, related to CSR and social innovation, Bank Danamon was awarded the Social Business Innovation Award given by Warta Ekonomi Magazine in 2013 and 2014.

Although companies in the banking sector are considered as companies that do not have a large negative impact, lending and investment policies that facilitate industrial activities that cause environmental damage should be considered [5]. Also states that the bank operational activities rated waste of paper and energy. Therefore, research on the implementation of social responsibility in ISO 26000 in the banking sector is necessary.

## II. METHODOLOGY

The method used in this study are:

### A. Literature Study

Collecting secondary data in the form of the company's annual report and other data that are expected to be required in this study. The data collected is related to the research at PT Bank Danamon Indonesia Tbk.

In addition, it is intended to obtain a literature review to support the analysis during the study, which was conducted by studying the literature that are generally associated with the object of study such as textbooks, lecture notes, the results of similar research and other sources related to the theme.

### B. Analysis and Evaluation

Based on a literature review, analysis and evaluation of secondary data obtained from various sources.

### C. Interview

Conducting interviews with members of the Warta Ekonomi editorial team that evaluates the Social Business Innovation Awards in order to support the results of analysis and evaluation.

## III. ISO 26000 - GUIDANCE ON SOCIAL RESPONSIBILITY

ISO 26000 was developed to provide guidance on social responsibility based on the agreement of the global stakeholders. ISO 26000 has some core subjects that will allow the company to reduce the issues on each core subject becomes a tool to measure the progress of CSR so that aspect of the social environment can be evaluated. While initially focusing on the adoption by businesses, ISO 26000 is intended for all types of organizations, both in the public and private sectors, both in developed countries and developing countries. ISO 26000 contains guidance, not requirements, and therefore not suitable for use as a certification.

Jalal [6] mentions the principles contained in ISO 26000, as follows:

- Accountability

- Transparency
- Ethical behavior
- Respect for stakeholder interests
- Respect for the rule of law
- Respect for international norms of behavior
- Respect for human rights

Core subjects and associated issues relating to social responsibility in the ISO 26000 is mentioned as follows:

### A. Organizational Governance

The scope of organizational governance composed of some of the following:

- Legal Compliance
- Ethical Conduct
- Transparency
- Accountability
- Consideration of Stakeholders' Interests

### B. Human Rights

Issues that need to be considered in the core subject of human rights is as follows:

- Due diligence
- Human Rights Risk Situations
- Avoidance of complicity
- Resolving grievances
- Discrimination and Vulnerable Groups
- Civil and Political Rights
- Economic, Social, and Cultural Rights
- Fundamental Rights at Work

### C. Labor Practices

Labor practices of this organization including all policies and practices relating to the work of the organization or on its behalf, such as employment, working conditions and social protection, social dialogue, health and safety of workers, and human resource development [7].

### D. The Environment

Issues related to the environment are as follows:

- Prevention of pollution
- Sustainable resource use
- Climate change mitigation and adoption
- Protection the environment

#### E. Fair Operating Practices

Issues related to fair operating practices are as follows:

- Anti-corruption
- Responsible political involvement
- Fair competition
- Promoting social responsibility in the value chain
- Respect for property rights

#### F. Consumer Issues

Issues related to the consumer are as follows:

- Fair marketing and Unbiased information and fair contractual practices
- Protecting consumer's health and safety
- Sustainable consumption
- Consumer service, support, complaint and dispute resolution
- Consumer of data protection and privacy
- Access to essential services
- Education and awareness

#### G. Community Involvement and Development

Issues related to community involvement and development are as follows:

- Community involvement
- Education and culture
- Employment creation and skills development
- Technology development and access
- Wealth and income creation
- Health
- Social investment

### IV. SOCIAL INNOVATION

Social innovation is defined by various actors in the field as well as the inclusion of a social process of social outcomes: social innovation is innovation that are social both in their objectives and in their way. New ideas (products, services and models) that simultaneously meet social needs (more effectively than alternatives) and create new social relationships or collaborations. In other words, they are a good innovation for the community and increase the capacity of the community to act [8].

While social innovation by Phills Jr., Deiglmeier and Miller [4] is a new solution to social problems in a more effective, efficient, sustainable, by creating value, especially for the society as a whole rather than the individual/corporation.

According Huddart [9] the principles of social innovation are as follows:

- Work at scale requires long time lines and strategic intent.
- Strategy is phase and scale dependent.
- "Listen to the system".
- Reflect.
- Trust is essential and is founded on a shared commitment to the public good, transparency, and accountability.
- Learn to work across sectors.
- Commit to social inclusion.
- The minimum set of specifications when working at multiple sites and multiple levels of scale, allowing partners freedom to adapt.
- Share information.
- Work with diverse professionals.
- Effective use of the media helps to set the public agenda, creates a shared sense of identity across different jurisdictions, and aids in the formulation of new mindsets and narratives
- Acknowledge the personal dimension.

These principles are guidelines to achieve effective work in the field of social innovation. Huddart [9] uses a case study on social innovation different in Canada to establish these principles. The relationship between the principles of social innovation and the principles of ISO 26000 are summarized in Table I.

TABLE I. RELATION BETWEEN THE PRINCIPLES OF SOCIAL INNOVATION AND ISO 26000

No	12 Principles of Social Innovation	Aspects of the ISO 26000 Principles Relating to Social Innovation
1	Principle: 'Work at scale requires long time lines and strategic intent.'	Strategy definition and planning, competency building and awareness rising (Chapter No. 7.4.1. And 7.4.2.).
2	Principle: 'Strategy is phase and scale dependent.'	Step by step logic during integration social responsibility throughout organization (Chapter 7).
3	Principle: 'Listen to the system.'	There is an information-box in the standard about the benefits of social responsibility for an organization, and the answers which are prepared by the standard for innovation deficits, gaps, are also confirm the achievement of this principle.
4	Principle: 'Reflect.'	Chapter No 7.7. deals with the reviewing and developing activities during the integration process.

Table 1. Cont.

5	Principle: 'Trust is essential.'	Transparency and accountability are principles in the standard. Chapter No. 7.6 is about enhancing credibility
6	Principle: "Learn to work across sectors."	Education and competency building is emphasised in chapter 7.4.
7	Principle: 'Commit to social inclusion.' (Inclusion of vulnerable population)	Responsibility and respect for organizations' stakeholders. Chapter No. 5.3. is about stakeholder identification and engagement.
8	Principle: 'Set minimum specification' (when working at multiple places, and levels, allowing partners to adopt.)	Respect for rule of law, international norms of behaviour are principles in the standard.
9	Principle: 'Share information.' (Being opened for new information and relationships: academic and practical co-operation.	Communication in chapter No. 7.5.
10	Principle: 'Work with diverse professionals.'	Integrating social responsibility throughout an organization, into all organizational levels and functions.
11	Principle: 'Effective use of the media' (Helps communicating and formulating.)	Communication in chapter No. 7.5.
12	Principle: 'Acknowledge the personal dimension.'	In the achievement of the principles, core subjects and the integration, the organization is named like a subject. But organization is composed by people, individuals.

Source: Harazin and Kosi [3].

As seen from the table that the principles and core subjects have a relationship with the main characteristics of social innovation, so that the implementation of ISO 26000 can inspire or promote social innovation company. But according to Harazin and Kosi [3], what should be emphasized is not the appreciation of the interests of stakeholders, but it is the employees who should be emphasized to integrate social responsibility, in the same words to achieve social innovation.

The Europe 2020 Strategy and its flagship initiative provides a framework for evaluating social policy interventions that can help orient and evaluate social innovation. To be considered as a social innovation, Social Services Europe [8] stressed that the interventions need to be based on evidence and to meet the following criteria:

1) *Novelty*: Though innovation does not need something completely new, yet to be innovative with regard to the user, context or application. Innovation may involve applying existing ideas in new contexts, overcoming sectoral boundaries or combining existing ideas in new ways.

2) *Improved*: Social innovation must meet social needs more effectively than existing alternatives.

3) *Sustainability*: Social Innovation must be sustainable both environmentally, economically and organization.

This means it must provide long-term solutions and do not generate negative externalities.

## V. CONCLUSIONS AND DISCUSSION

From the results of the analysis it can be concluded that the CSR activities undertaken by Bank Danamon are in accordance with the CSR principles contained in ISO 26000, namely the principles of accountability, transparency, ethical behavior, respect for stakeholder interests, respect for the rule of law, respect for the international norms of behavior and respect for human rights. In addition, Bank Danamon has met seven core subjects namely organizational governance, human rights, labor practices, the environment, fair operating practices, consumer issues, Community Involvement and Development and related issues in accordance with the guidelines of ISO 26000. Overall implementation of ISO 26000 in Bank Danamon has been classified as good. However, if we compare with several companies in the banking and services category, Bank Danamon ranks 8th out of 9 companies.

Danamon has met nine of the twelve principles of social innovation developed by Huddart [9]. The principles that have been met by Bank Danamon, namely the principle of work at scale requires long time lines and strategic intent, done gradually, listen to the system running, the importance of trust, learn to work across sectors, commit to social inclusion, share information, work with diverse professionals, and effective use of the media.

Social Innovation in PT Bank Danamon Indonesia Tbk has been classified as good because it has met the criteria for success, namely novelty, enhancement, and sustainability.

Based on the analysis and the conclusions that have been made, it is suggested to PT Bank Danamon Indonesia to mention the value of the budget allocated to financing the CSR program along with the trend to see the increase or decrease of the amount in the budget. Thus, stakeholders can determine whether the distribution of Danamon's CSR funds has clear allocations and uses.

In addition, it is recommended to Danamon to implement CSR activities based on the globally accepted standard, by implementing ISO 26000 in accordance with existing principles and conduct training for its employees related to CSR Implementation (ISO 26000) and Reporting. Thus, CSR activities can be evaluated its effectiveness compared with other companies and simultaneously can also promote economic and social conditions of the community. In addition, by implementing ISO 26000, Danamon will gain some benefit of which is to improve the positive relationship with stakeholders; increase competitive advantage to attract and retain employees, customers, or clients; decision-making, knowledge about risk, and better risk management; as well as the savings from increased efficiency of resource allocation, reduction and management of waste paper generated from operations.

Other suggestions to Bank Danamon is to report on energy use, directly or indirectly in detail to be more visible commitment to energy reduction efforts.

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