PEOPLE IN *GOOD CORPORATE GOVERNANCE*: POSITION, RELATION, AND CIVILITY SCHEME

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Abstract

The relationship between state executor, business actor, and people or social order that enter Good Corporate Governance and Corporate Social Responsibility on an agenda is not necessarily in a mutual accord. This paper offers three schemes in strengthening the position and relationship of the people or social order among other stakeholders. First is the attitude toward neo-liberalism, which is the scheme to prepare the people or the social order using future research in managing the future. Second is the scheme of democracy choice that has been a must in the reason economic-politic conditions. And thirdly, the attitude toward "memetic engineering," which is the scheme to develop populist values parallel with nation plurality that they are accepted and are not constantly put in a contradiction

الخلاصة

السلطة التنفيذية، القطاع الخاص، والنظام المجتمعي أو الجماهير هي أطراف ثلاثة تلعب دورًا حيويًا في وضع قضية الحكم الجيد والمسؤولية المجتمعية للشركات على أجندة الإصلاح السياسي. إن العلاقة بين تلك الأطراف الثلاثة لا تبدو متناغمة بالضرورة. تطرح الورقة الحالية ثلاثة نماذج يمكن من خلالها دعم مكانة الجماهير في علاقتها من المكونين الآخرين. الأنموذج الأول يقوم على فكرة النيوليبرالية عبر وسيلة الدراسات المستقبلية نحو رفع جهازية الجماهير لإدارة مستقبلها. الأنموذج الثاني يقوم على فكرة الديمقراطية التي صارت اختيارًا ضروريًا في ضوء الظروف الاقتصادية والسياسية الحالية. على حين يقوم الأنموذج الثالث على "هندسة التقاليد"، حيث يتم تنمية القيم الشعبية، التي تحظى بقبول عام ولا تستدعي الجدال، في تماش مع التعددية المجتمعية.

Keyword: GCG, CSR, neo-liberalism, people, civility

A. Introduction

Currently, Indonesia has witnessed the significance of the policy on good corporate governance (henceforth: GCG) which necessitates an adequate capability

and knowledge of development. State and national governance is anticipatorily understood and taken from the day-to-day life of the people which is then inferentially incorporated into neo-liberal culture. This is intimately related to the national capacity to learn and govern new information. The concept was first formulated by Soedjatmoko, and then developed by Mochtar Buchori as a power of national education, that is the capability to solve recent educational problems.[1]

This article deals with the system of GCG and its relation to *Corporate Social Responsibility* (henceforth: CSR). The relation between GCG and CSR will be seen from the perspective of neo-liberal culture so as to map out the position and the connection of people with related stakeholders.

B. The Relation and Principles of GCG and CSR

GCG a technical term used in economy and has become a government language. The other terms for GCG are *good public governance*, *good government governance*, *good nation governance*, and *good civil governance*.[2] This term became popular when in the 1997s big corporations collapsed, marking monetary crisis, for the existing corporate managements did not follow the principles of GCG.[3] The policy of GCG was made as a result of the division between ownership and governance of corporations. In this division managers as well as directors are given the authority to run corporations such as monetary management and taking decisions on the name of the owners. Mas Achmad Daniri defines GCG as:

> "… Corporate governance which guarantees the operation of systems and process of taking decisions of a corporate organ based on the principles of justice, transparency, responsibility and accountability. In the process of taking decisions, this corporate organ is also related to the stakeholders of the corporation such as creditors, suppliers, societies, consumers, the government, mass media and non-Government organisations."[4]

For the government, GCG is considered as the commitment and consistency of state officials in maintaining the public trust through responsible transparency and accountability. For business actors, GCG is a set of criteria by which corporations

with global standards can be established through integrity and capability and process of taking decisions based on transparency and accountability.

The GCG can be successfully implemented only if the synergic relation between state officials (legislative, executive and judicative), business communities (public corporations and state-owned corporations), NGOs, civil society organisations,[5] and mass media. Synergy here means convergence. For this, creative attempts should be made so that those elements become integrated and more focused.[6] FA Alijoyo states that governance in the perspective of the government (good government governance, good governance) is the implementation of political, economic and administrative authorities, including mechanisms, processes and the inter-relation between people and other groups.

Governance is a guarantee of the implementation of people's rights and obligations. It also mediates different interests. State government has three pillars: *economic governance*, *political governance*, and *administrative governance*. *Economic governance* is related to processes of making decisions which will influence state economy directly as well as indirectly. *Political governance* refers to processes of making decisions and the implementation of state policies in the legislative, executive and judicative levels. A*dministrative governance* is the implementation systems of policies which make public sectors go efficient, fair and accountable.

In the eyes of business actors, governance exerts direct influence on social, political and economic sectors. There are of course a number of regulations which force business actors to obey traditional geographic and national boundaries. Each of corporations is responsible for making profits for stakeholders and other related parties. It is in this particular regard that business actors pay much attention to GCG.[7] For them, GCG is a structure, system, and process of making added values of corporation continuously and in the long term for stakeholders. As a structure, GCG administers the relation between commissaries, directors, stakeholders and others. As a system, it becomes a basis of check and balances for controlling the corporations

and preventing them from mismanagement as well as abuse of assets. As a process, GCG ensures the transparent process of deciding corporate goals, achievements and synergic measurement.

In the social context, governance is called *societal governance* or *society*. That is a group or a person who makes a social political and economic interaction with formal or informal norms. *Society* includes NGOs, CSOs (civil society organisations), professional organisation, and others. According to Bob S Hadiwinata, *society* is "the third sector", a public sector which is concerned with social and personal interests.[8] This third sector operates outside state government and business actors, through their access to grass root organisations and commitment to the struggle for undermined groups.

Thus, state government, business actors and society co-exist. All of them have their own positions, roles and functions and cannot be independent of each other. Their synergic relation becomes checks and balances for the implementation of GCG. The success and failure of the implementation of GCG depends on the constructive participation of state government and CSOs through the moral support and control over business actors. This necessitates the participation and function of business actors and CSOs in establishing transparent and accountable procedures and methods of making decisions. For CSOs, the ideal role is to create participation in controlling and balancing.

From the above explanation, it can be said that there are a number of principles of GCG including fairness, transparency, accountability, and responsibility. According to Sita Supomo, the first three principles (fairness, transparency, and accountability) are more related to the shareholders and they represent a share holders-driven concept.[9] Responsibility is more related to the interest of the stakeholders to create added values of goods and personal services and to maintain their continuity—a stake holders-driven concept.

The GCG's principle of responsibility implies the importance of CSR for business actors in establishing social responsibility. This is because financial

responsibility does not guarantee the sustainability of a corporation. Boycott against goods and personal services, struggle against corporations, and others will happen when corporations do not pay attention to consumers. This means that corporations should not only pay attention to the principles of GCG but also those of CSR. They also should take care of social and economic environments. Thus, as the implementation of GCG, CSR is the responsibility of business actors which empowers the business. The significance of CSR lies in the empowerment of society to be their consumers as well as targets.[10] This is the main idea of neo-liberal culture.

C. Neo-liberalism as the Basis for GCG and CSR

The policy of GCG and CSR implies the basic problems underlying the development and growth of business activities. Current studies on identities, changes and crises of business are aimed at understanding the strength of business. They tend to be based on neo-liberal movements. Neo-liberalism or neo-liberal economy refers to an economy and political ideology which lessens or even rejects the intervention of the government in domestic economy. This ideology is based on free market methods, minimizing the limitation of business actors and prioritizing properties.

In foreign policies, neo-liberalism is the opening of foreign market through political ways, by using economic pressure, diplomacy and military intervention.[11] Instead of fulfilling people's interest, neo-liberalism makes it impossible to open public space. The narrowing of the state space results in the widening of spaces for business actors as the capital owners. Neo-liberalism is a vision on human and society characterised by its economic way of thinking. This way of thinking considers human as economic being.[12] Such thinking becomes the basis for organising all society. It places its priorities hierarchically in that financial sector is the highest. Economic processes are conducted by prioritising money transaction over goods. The revolution of financial goods in the 1980s tended to widen the gap between virtual sectors and real sectors.

Business in the neo-liberal perspective has become a linguistic regime which is able to move, accommodate and punish its actors. Debates over neo-liberalism have created paradoxes in which the conflict of interpretations takes place. In this regard, each claims that business practices are not for themselves but for the shared profit. Doing business involves other people and uses a set of reasoning and ethical basis.

In Islam, business is part of God's order and becomes a religious behaviour. Muhammad and most of his companions were traders who had high entrepreneurship spirit. This is also the spirit of Muslim community (*ummah*). It is said that Islam is the religion of traders, was born in the trade city and spread by traders throughout the world, including Indonesia. Besides spreading Islam, Muslim proselytisers inherited trading spirit, ethos and expertise. In Indonesia, this spirit can be seen in Muslims in Banjar (South Kalimantan), Bugis (South Sulawesi), Gorontalo, Minang (West Sumatra), and Pidie (Aceh). Business practises among Muslims in Ceper (Klaten, Central Java), Kajen (Pati, Central Java), Kotagede (Yogyakarta), Laweyan (Solo, Central Java), Majalaya (Bandung, West Java) are also the proof.[13]

The position and relation of business actors and state government are very strategic so that it becomes seemingly entwined with people's interest. For instance is when the government revised Act (UU) No. 13 2003 about Labour, in April 2006. The revision shows that bureaucracy reformation did not run optimally.[14] Mass-people and business actors argued against the state's failure to cope with unemployment.

The establishment of macro-economy which is able to avoid inflation and stabilise the Rupiah and market exchange does not effect on new labourers and real business. BPS' data of 2006 shows that the rate of open unemployment in February decreased to 10,4%, lower than in November 2005 (11,2%). But in fact the rate tended to increase in a lower degree, from 10,3 % compared with February 2005.[15] Making job opportunities through economic growth became limited and took much more time than the problems of job and business themselves. Criticism was also posed to the government's attempt to reduce the income gap which effected political

and economic stability. In this regard, it was recommended that real sectors be remedied, infrastructures for small and middle entrepreneurship be established, policies empowering local actors be made.[16]

Conversely, business actors were recommended to create decent and people-oriented business practices. International Labour Organisation conference in Bussan, South Korea, 29 August-1 September 2006 recommended a decent work.[17] That is to create new jobs, business development and social workers protection, human environment, freedom of organisation, labour's rights before employers. Job is needed to enable people to work and solve poverty. This can be materialised only by increasing their income and salary.[18] In addition to that, religion based people empowerment can be conducted through economic strengthening.[19]

The relation between GCG and CSR in the neo-liberal culture suggests the position and relation of people or social institutions and others. The above explanation shows that in the first place the relation between people and business actors does not necessarily correspond with the government's policy. Secondly, the government's policy does not touch upon people's interest and this implies a suspicion on the vested-interest of business actors. This can be seen in such cases of avian flu, Lapindo Brantas, and others. The government issued GCG and CSR policies, while people wished other options. Minimum standard of service for the government or business ethic for business actors is often materialised through charity and philanthropy. It means that the government's policy to decrease poverty tends to make people poorer.

By understanding culture as a system of knowledge as put forward by Ignas Kleden,[20] the policies of GCG and CSR could not become social learning of people. If GCG and CSR are assumed as public interest, position and relation of people in the neo-liberal culture should be the main goal. People will suffer if they are not given the opportunity to grow and develop. Business actors will lose if people could not buy their goods and personal services. State's failure is in accord with public trust.

In the following paragraphs I will offer a schema of civility. It is a cultural strategy to face the impact of global corporations (MNCs or TNCs). First is our stance towards neo-liberalism. In this context, we should understand Allah's saying:

> O ye who believe! If an evil-liver bring you tidings, verify it, lest ye smite some folk in ignorance and afterward repent of what ye did. Q. 49: 6

In addition, people should consider the admonition of 'Ali b. Abi Talib that: "whoever feels save to face the time will be destroyed by the time. Whoever is arrogant in facing the time will be undermined by the time. Whoever takes signs of time into consideration will save." This knowing of signs of the neo-liberal time becomes a basis for our understanding of the policies of GCG and CSR.

Neo-liberal culture which affirms market power is a powerful energy for permanent fast and uncontrollable changes. As a consequence, people or social institutions can adapt to frustration and hopelessness. To survive, people must defend themselves and adapt to comparative and competitive superiority. Adaptation is an adjustment process to adapt to certain environments. To adapt, we need a map and scenario as well as anatomy of the future with myriad possible responses. The structure of adaptation refers to people's preparation to face the future by conducting a research on the future. The research is to make a map and scenario which are expected to decrease mistakes in social process of learning.

The second scheme is that democracy is the necessary for recent economic-political conditions.[21] People become the buyers of sovereignty. This is in accordance with Muhammad's saying:

> "the seller and the buyer share the same choice as far as both have not separated. If they are honest and give clear explanation, they will be blessed in their transaction. And if they lie and hide [the truth], blessing will be erased from their transaction." (Bukhari and Muslim).

Without this position, business actors and the government will lose, the blessing will be erased, and the ideals of GCG and CSR to make public interest become useless. If people's income can only meet day-to-day needs, they could not be buyers

of goods and personal services. For business actors, consumption is power which engenders real sectors. Conversely, the absence or consuming incapability will deteriorate market and the government. In the long term, this is a kind of the struggle against market.[22]

The third scheme is the attitude towards "mimetic engineering," a culture strategy in which "mime" (idea) becomes a basic principle of neo-liberalism. There is an idea of the uniform reason which enables business actors to create the same goods and personal services for the same markets. By the principle that market is never mistaken, business actors state that consumers have their own reason, education background and free choice. Knowledge of producers and consumers everywhere in the world is equal.[23] This culture strategy is to provide alternative images of neo-liberalism through various advertisements. The neo-liberal reason accommodates local wisdoms, for instance, through local cultures. To negate the mimetic engineering, popular values which are in accordance with national plurality should be established.

In the context of neo-liberalism, the establishment of popular values is to rethink about the consequences of worldly desire (*hubb al-dunya*). The worldly desire is a practice of accumulating capitals and interests by neglecting people. On this regard, the Qur'an reads:

> Hast thou observed him who belieth religion?
> That is he who repelleth the orphan,
> And urgeth not the feeding of the needy.[24]

Those three schemes of civility accommodate the conventional models, prepare transitional models, and give a social process of learning for ideal models. What is important is to prioritise people's interest.

D. *Conclusion*

GCG's principle of responsibility must be realised by business actors in establishing social responsibility. In fact, the significance of CSR lies in the

empowerment of people as consumers and targets. The shared interest of GCG and CSR in the neo-liberal culture indicates the relation of people or social institutions with others.

Based on the above discussion, it can be said that the interest relation between people and business actors does not necessarily coincides with the government's policies. In addition, the government's policies often do not touch upon public interest so that there is a suspicion that they are only concerned with the interest of business actors. Taking this into consideration, we need a scheme of civility to protect people. This scheme is a culture strategy in the neo-liberal context to face the influence of global corporations (MNCs or TNCs). The scheme includes: our attitude towards neo-liberalism, democratic choices, our attitude towards a 'mimetic engineering', a culture strategy in which 'meme' (idea) becomes a basic principle of neo-liberal culture.

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[1] Mochtar Buchori (1994), *Pendidikan dalam Pembangunan*, Yogyakarta: Tiara Wacana and IKIP Muhammadiyah Press, pp. 2-3,8.

[2] FA Alijoyo (2004a), "Trilogy of Governance (I) Corporate Governance" *Republika,* 10 March.

[3] Agus Subagyo and Imam Samroni (eds) (2005), *Hasanuddin Yusuf: Meretas Jalan Menuju Pengabdian Bagi Pemuda*, Yogyakarta: LSKPD, pp. 22-26.

[4] Mas Achmad Daniri (2004), "Membudayakan "Good Corporate Governance", *Kompas*, 15 April.

[5] This differentiation between NGOs and CSOs is from Agus Subagyo, activist at Lembaga Studi Kebijakan dan Pemberdayaan Daerah. Personal interview with Agus Subagyo, 20 May 2006. According to him, NGO is an institution which receives CSR donation from foreign corporations, while CSO is independent and refutes CSR donation.

[6] FA Alijoyo (2004b), "Trilogy of Governance (II)" *Republika,* 5 Mei.

[7] FA Alijoyo (2004a), *Op. Cit.*

[8] Bonnie Setiawan (2004), "LSM sebagai Kekuatan Sosial Baru" *Kompas*, 17 April. The first sector is the government, while the second is business actors.

[9] Sita Supomo (2004), "*Corporate Social Responsibility* (CSR) dalam Prinsip *GCG*", *Republika,* 20 October.

[10] B. Herry-Priyono (2006), "Ekonomi dalam Lumpur" *Kompas*, 4 October; Jalal (2006), "Menimbang CSR secara Rasional" *Kompas*, 16 September.

[11] "Liberalisme" http://id.wikipedia.org/wiki/Neoliberalisme, accessed on 25 September 2006.

[12] B. Herry-Priyono (2005), "Neoliberalisme", *Kompas*, 15 December.

[13] See Hajriyanto Y. Thohari (2006), "Robohnya Enterpreneur Santri Kita" *Gatra*, special edition October, pp. 24-25.

[14] The government argues that the revision is a logical consequence of the issuance of Inpres (Presidential Instruction) No. 3 2006 on *Paket Kebijakan Perbaikan Iklim Investasi* March 2006. See *Kompas* (2006), "Revisi UU Ketenagakerjaan, Siapa Diuntungkan?" 8 April.

[15] Bambang Heru (2006), *"*Struktur Spasial-Sektoral dan Ekonomi Indonesia" dalam *Kompas*, 9 Maret.

[16] Faisal Basri (2006), "Daya Saing dan Peran Negara" *Kompas*, 3 July.

[17] Kompas (2006), *Konferensi ILO, Asia Memerlukan Pekerjaan Layak*, 31 August; *Kompas* (2006), *Berikan Rakyat Pekerjaan*, 2 September.

[18] See Kompas (2004), *Dua Tahun WSSD, Tak Ada Waktu untuk Nostalgia*, 29 Agustus; Willy Aditya, "WTO: Perlawanan Antara Victoria Park dan Istana Merdeka" dalam *http://www.vhrmedia.net/index.php?id=view&aid=187*, accessed on 25 September 2006.

[19] See Kompas (2006), *Peran pemuka Agama, Kerukunan Umat Beragama Lewat Kerja Sama Ekonomi*, 23 November.

[20] Ignas Kleden (1985), "Kritik Teori sebagai Masalah Ilmu Sosial" in A.E. Priyono and Asmar Oemar Saleh, *Krisis Ilmu-Ilmu Sosial dalam Pembangunan di Dunia Ketiga*, Yogyakarta: PLD2M, p. 82.

[21] Adopted from "*economic base of democracy imperative*" as put forward by Daniel Dhakidae (1991), Dasar Ekonomi Bagi Keharusan Demokrasi, a keynote speech delivered at Yayasan Perpustakaan Hatta, Yogyakarta, 12 August.

[22] See Jawa Pos (2007), *Kelompok Pencinta Lingkungan "*The Compact*" Sukses Stop Konsumtif*, 4 January.

[23] Hira Jhamtani (2005), "Kuasa Korporasi: Penjajahan Pikiran dan Ruang Hidup," in *Wacana* Edisi 19 Tahun VI, p. 6.

[24] QS al-Ma'un: 1-3. Translation is from Marmaduke Pickthall's *The Meaning of the Glorious Koran: An Explanatory Translation* (New York: Alfred A Knoff, 1930).

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