

Rico Rustombi: CSR an inherent part of the corporate strategy

Burhanuddin Abe, Contributor, Jakarta | Management | Sat, October 16 2010, 4:22 PM

“These days it is not enough for companies to merely pay attention to their financial records. They must also implement activities that benefit their environment and the surrounding communities,” said Rico Rustombi, senior vice president of corporate affairs at PT Indika Energy.

Rico, who was born in Jambi in 1968, was referring to corporate social responsibility (CSR), which has become a trend both internationally and domestically. This is simply in line with the increased concern of companies regarding economic, social, cultural and environmental issues based on human rights principles.

“Such activities can simultaneously be used to achieve sustainable development goals in line with the Millennium Development Goals,” he explained.

In Indonesia, limited liability companies of a certain size are obliged to implement CSR programs. However, the regulations for implementation are not clearly defined or detailed. Nor do they mention incentives for companies running such programs.

Rico fully realizes that CSR must be promptly implemented otherwise it will be delayed indefinitely. At least the company he works for has introduced CSR programs and a separate department has been formed, which Rico leads.

“CSR is not merely philanthropy but has to be continuous and sustainable,” said Rico, who was formerly a director at the Mahaka Group coal mining company before he became the number one person at Indika Energy in 2007.

Indika Energy is Indonesia's leading integrated energy company, providing customers with integrated energy solutions through its diversified investments in the areas of energy resources, energy services and energy infrastructure through strategic investments in the areas of coal production (PT Kideco Jaya Agung); engineering, procurement and construction services (Tripatra); engineering, mining and construction contractor and

services (PT Petrosea Tbk) and power generation (PT Cirebon Electric Power).

Recognition and awards are nothing new to Indika Energy. The company has received a number of foreign and domestic awards for its performance, such as the “Best High-Yield Bond” from Finance Asia magazine in 2007 followed by the “Best Indonesia Deal” in 2008 from the same magazine and Country Awards from Asiamoney. At the end of 2009, Indika Energy again received the Best High-Yield Bond.

The company’s latest achievement is indicated in its net profit for the first semester of this year amounting to Rp 467.160 billion, an increase of 28.88 percent from the same semester last year when its net profit was Rp 364.614 billion.

However, the company’s management is not totally satisfied with all the firm’s achievements and feels that Indika Energy should not only become the champion in its home base but also should have world-class status.

To achieve this, Indika Energy is striving to transform itself so that it can conform to international standards. One of its efforts is to apply the business transformation concept. But it is not easy for Indika Energy because it has many assets and what is required is integrated cooperation among the numerous business units of Indika.

The imperative transformation provides creative energy for innovations. One of the transformations implemented is to enhance the work ethos and the capacity of its human resources toward its goal of becoming an integrated world-class company.

“Indika’s business transformation is in the form of changing what currently exists and turning it into something better by synergizing all its business units,” Rico said.

First is to make use of the abundant natural resources in Indonesia and take advantage of the increased demand for energy, including identifying and making lucrative investments. Second is to integrate the wide ranging energy platforms and operational efficiency.

Third is to boost partnerships and the skills available in the energy sector. For example, Indika Energy in collaboration with Kodeco has international clients that are leading energy companies in 15 countries in Asia and Europe.

Fourth is to maximize production and operational efficiency using current assets. Fifth is to maintain the various sources of income and balancing specific cash flow.

“Next to developing the company’s business by integrating various achievements, the company’s latest approach is to make CSR an inherent part of the strategy to make it

successful,” said Rico.

Indika is serious about CSR, as can be seen by it winning a gold Best Indonesia Green CSR award in the Green Awards 2010 in August.

The company also won the Best Community Program Award at the Global CSR Summit, held by Pinnacle Group International (PGI) in Singapore at the end of June 2010.

Indeed, Rico is fully aware that financial, environmental, social and political issues faced by the business world today are becoming more complex and globalized. Nowadays, companies cannot conduct their activities in the old, conventional way based on the “business as usual” principle but are required to implement CSR programs responsibly as part of their values and strategy.

Based on these principles, Indika has implemented CSR programs that are oriented toward its targeted communities and cover education, health and environmental aspects. For education, Indika has created programs called “Sekolah Kami” (Our School) and “Sekolah Dinamika” (Dynamic School) for children living at the TPA Bantar Gebang garbage dump in Bekasi. Indika also provides scholarships for university students with bachelor degrees, Master’s degrees and active members of NGOs as well as scholarships in gender studies for women.

According to Rico, giving sustainable educational aid is meant to produce future leaders. In line with this concept, the company is collaborating with the All-Indonesia Workers Union to pioneer a project called “Indonesia Mengajar” (Indonesia teaches), which includes sending graduates with bachelor degrees to teach at primary schools in remote villages in Indonesia.

“We want to grow together in a community that is smart, healthy and educated. This is our commitment,” added Rico, who has a bachelor’s degree in economics from the Jakarta Institute of Economics, Finance and Banking and a Master’s degree from Gadjah Mada University in Yogyakarta.

University graduates get a one-year contract and receive good salaries. Initially, Indika sent 50 students to villages in five regencies, namely Bengkalis (Riau), Tulang Bawang (Lampung), Paser (East Kalimantan), Majene (West Sulawesi) and Halmahera (North Maluku).

“Our target for next year is to send 200,” he said.

Rico realizes that the programs and activities are probably a small contribution in a huge

country like Indonesia, which has a large population with various problems. But Rico, the director of a number of companies, feels that the company has at least done something for the nation.

"I appreciate the fact that I am working for a company that has a viewpoint that is in line with my conscience," said Rico, who is the fourth of six children in a modest family.

Indika allocates 2 to 2.5 percent of its net annual profit for its CSR programs. In 2009, the company's net profit was Rp 725.67 billion while its total revenue was Rp 2.48 trillion. This means Indika allocated about Rp 18 billion for CSR.

"During the first six operational months we spent between 1 and 1.5 percent of the CSR funds," explained Rico, who is an active member of various organizations, including the Indonesian Chamber of Commerce and Industry (Kadin) and the Association of Young Indonesian Entrepreneurs (HIPMI).

"CSR is not merely an activity that spreads the company's charm but is meant to boost the company's positive image while at the same time give added value to the public and the nation. In the context of Indonesia, where social disparity is still a serious issue, CSR is a must," concluded Rico, who is a fan of basketball.

Source: <http://www.thejakartapost.com/news/2010/10/16/rico-rustombi-csr-inherent-part-corporate-strategy.html>