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### Responsible and sustainable business

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# Responsible and sustainable business

28 Jun 2019

*The Tanoto Foundation builds on the United Nations Sustainable Development Goals for a win-win solution*

On the website of Asia Pacific Resources International Holdings Ltd. (APRIL), part of Indonesia resource-based manufacturing group Royal Golden Eagle (RGE), is the company founder Sukanto Tanoto's statement of being an advocate for responsible corporate citizenship: to operate in a manner that is good for Community, good for Country, good for Climate, good for Customer and [only then is it] good for Company.

It would be easy for skeptics to dismiss what the company calls "The 5Cs" by pointing to the nature of the business (paper-making). **Janice Bellace**, Director of the Tanoto Initiative and Professor of Legal Studies and Business Ethics at the Wharton School, shed light on what the 5Cs meant in 1998 during the unrest of the Asian Financial Crisis.

"On a particular day, people...were marching on the company towards the company's premises with the intent, I suppose, to do damage," Bellace related, referring to APRIL's pulp and paper mill at Pangkalan Kerinci in Riau Province. "Sukanto Tanoto [was] immensely struck by the fact that it was the people from the town who came out to stop them, saying, 'Don't do this. This is our jobs. It's created our town. It's given us electricity.'

"That crystallised in his mind the realisation that the company has to be connected to the community, and also that the community affects the country."

## SUSTAINABLE DEVELOPMENT, SUSTAINABLE BUSINESS

Bellace recounted that episode while moderating the fireside chat "*Responsible Business – What Does That Mean?*" at the recent Wharton-SMU Global Modular Course Welcome Dinner. Sitting on the panel was APRIL Group Chairman **Bey Soo Kiang**, who said the United Nations adoption of the Sustainable Development Goals (SDGs) in 2015 was a "hallelujah moment".

"During the years before SDG came up, when we mentioned the 5Cs it was totally alien to my friends [and] even academics," Bey elaborated. "The SDGs provide a framework for us now to firstly align the business doing good for a community. When an SDG is taken from the national level down to the ground, that's where the rubber hits the road, that's where the needle is going to shift in terms of impact on the indicators and the targets.

"You see the needs of the community in terms of development plan. This is where the business can look at it, align and make sure that we are spending the money in the areas that a community needs."

**Anderson Tanoto**, who sits on the Board of Trustees of the Tanoto Foundation, expressed an adapted version of his father's 3P Triple Bottom Line ("Business should be good for People, Planet, and Profit") with his own 3P: People, Public, and private.

"We call this a PPP partnership but the reality is once you run the business of a certain size, the impact will be regulated and will have impact on people," explained the younger Tanoto, who graduated from Wharton in 2013. "Pulp cellulose is used for paper, for tissue, for packaging board. It's also used for viscose rayon for textile. You start realising that it is absolutely important for us to align ourselves to goals that support the greater good.

“Why? Not because we're driven to sound good or this is a PR exercise. It's because it makes business sense. If you are talking about sustainable business [and] you look at a three, five-year horizon, yes, it does make sense to be part of the community.”

He added: “Our approach is to champion the SDGs [and] align a lot of our business actions to the sustainable development goals, to the point where some of our management KPIs...actually have components of the SDGs. In the end, we're trying to drive actions and behaviours of individuals that support business outcomes, but also impact the environment, economic aspect, and the social aspects positively.”

## RESPONSIBLE BUSINESS IN ACTION

Together with PwC and the UN Development Programme (UNDP), RGE and the Tanoto Foundation are working to localise and prioritise the SDGs to invest on. **Fang Eu-Lin**, Partner at PwC Singapore told the story of her visit to the Kerinci facility to illustrate how the RGE Group was practising responsible business and sustainability.

“It's a very high-tech mill in the middle of a beautiful forest area and Mr. Bey was sharing with us, ‘Oh, this section is fully automated with robotics, etc.’” she recounted. “And then Mr. Bey said, ‘This is the last room.’ There was a room of female workers.

“They were manually folding the boxes. I paused for a while and I looked at Mr. Bey, and I said, ‘Why have you done this?’ One of the issues as I've observed is that it's around women and employment, women and education. It is a tradeoff [between higher or lower profits] for APRIL to do so, but the positive impact is how it would impact the lower wage, unemployed women in Kerinci.”

Tanoto brought up another example of how responsible business can be practised: addressing the haze threat posed by forest fires in Indonesia.

“When you go down to the ground and speak to the people who start the fires in the first place, they're talking about putting food on the table,” he explained. “They're talking about getting \$200 a month, trying to make a decent living so that their children can go to school.

“We can have the most fancy Chinook helicopters that were deployed as assistance by Singapore, and a lot of helicopters being deployed trying to put out the fire, but I was on the ground and I was asking them, ‘What if we incentivise you not to burn your land?’

“If it costs about \$10,000 per hour to operate a helicopter of that size, why don't we take the money from suppression and actually invest it back in prevention and ask them, ‘What would it take to stop you from starting the fire in the first place? We could perhaps provide mechanisation or assistance on agricultural sustenance, or solutions to improve your productivity in existing land.’” He concluded:

*“The conversation started and people start realising, ‘Actually, we only need \$200 per hectare to do this.’ We start realising if we take the money from the suppression side, which is much more costly, to prevention, it actually can create a win-win situation where poverty alleviation can be achieved. [We can achieve] decent wages and education while the impacts on life and land and climate can be mitigated.*

*“I think that's a very literal example of tradeoffs within the goals...but the most important thing is for people to speak the same language. At times, a lot of problems [arise] when the language [for solutions] is not spoken on the same level.”*

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