

## **A Critical Review on Concept Developments of Corporate Social Responsibility Implementation in Enterprises**

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### **ABSTRACT**

In the globalization era, most enterprises already have Corporate Social Responsibility (CSR) programs. They assume that CSR programs aim to help the surrounding communities and environment. However, some people believe that the main purpose of CSR is only as a means of promotion to obtain more profits. Therefore, this study aims to determine what the actual meaning of Corporate Social Responsibility (CSR) for the enterprises is. In addition, this study also aims to figure out how the concept developments of Social Corporate Responsibility in enterprises from time to time are. This study uses critical and comprehensive literature reviews of various sources, such as previous studies, books and other information sources ranging from 1953 - 2013. The results of this study show that CSR has a significant influence upon the enterprises in improving their profits. Furthermore, the implementation of Corporate Social Responsibility concept in enterprises experiences growth which is first based on the philanthropic concept, then is turned into the stakeholder concept, and is finally into the social capital concept. For further research, it is expected that other elements are incorporated while examining the concept developments of CSR implementation in enterprises.

Keywords: philanthropy, stakeholder, social capital

### **1. INTRODUCTION**

In recent developing era, many people have already started to realize the existence of Corporate Social Responsibility due to some established enterprises which influence their environment. One of them is a tobacco enterprise which products greatly influence many people's health condition. Furthermore, a chemical enterprise which waste provides bad impacts to the rivers. The presence of enterprises has given changes in the surrounding environment. Under these conditions, people start to think that enterprises should give their contributions to the environment, social, and community. The enterprises are encouraged to make some programs upon the Corporate Social Responsibility aiming to overcome a various kinds of impacts caused by enterprises.

Besides, enterprises also believe that CSR is an enterprises' strategy to obtain credibility and public trust that they are willing to buy their products to improve their

profits. According to Acquire et al. (2011), businessmen should be able to take actions based on social values that the conditions of surrounding communities are well maintained. In other words, CSR has a significant role upon the development of community's life. In facts, CSR program in many enterprises is likely to be their promotional events only. Thus, this study discusses upon the actual meaning of Corporate Social Responsibility for enterprises and the concept developments of CSR implementation through some literature reviews which lead to the conclusions.

## **2. METHODOLOGY**

This study uses literature review techniques. A literature review is a technique emphasizing on the existing sources which are then studied, understood, and further explored in order to obtain certain conclusions. This study uses a critical and a comprehensive literature review of various sources such as previous studies, books and other information sources ranging from 1953-2013.

## **3. THE IMPORTANCE OF CORPORATE SOCIAL RESPONSIBILITY FOR ENTERPRISES**

Based on the previous researches, there are various definitions of Corporate Social Responsibility. First, Bowen (1953) defines that CSR is an obligation of businessmen to improve policies and make decisions in order to achieve their goals and the social values. However, this definition is more likely to be used in big enterprises not in small-medium ones. Thus, the implementation of CSR fits only for big enterprises. Moreover, enterprises are recently obliged to report their CSR program in their annual reports.

Furthermore, CSR is defined as some information showing that enterprises care about social, environment, workers and citizens. Big enterprises believe that CSR is one way to obtain profits. This is in accordance with the research conducted by Friedman (1962) stating that the purpose of CSR is to make money. Therefore, in order to improve the enterprise performance, managers must implement CSR. McWilliams and Siegel (2001) also state that CSR is an action upon the society due the applicable laws. Bauman-Paulys *et al.* (2013) also state that CSR is an initiative performed by big enterprises with good financial conditions and adequate human resources. Thus, it can be concluded that without good sources, the enterprises may not be able to implement CSR.

In addition, Spence *et al* (2003), state that there are several reasons upon CSR implementation in enterprises. First, big enterprises have abundant resources. Second, CSR programs still have important roles for the enterprise promotions. Third, CSR is regarded as a win-win solution to overcome the social conditions without harming the enterprises. Thus, CSR has an important meaning to enterprises in increasing enterprises' reputations, providing a long-term strategy to obtain more profits. In addition, some managers consider CSR as an appropriate strategy to obtain public trust that managers may organize the enterprises well and improve their credibility. Thus, CSR may be considered as enterprises' long-term savior means.

## **4. CONCEPT DEVELOPMENTS OF CORPORATE SOCIAL RESPONSIBILITY (CSR) IMPLEMENTATION**

### **4.1 Philanthropy Concept**

Silberhorn and Warren (2007) state that philanthropy is CSR basic concept. It shows that enterprises perform CSR only for humanity and social activities without considering profits. Furthermore, Bruch and Walter (2005) states that philanthropy is a concept providing win-win solutions, increases profits and maintains long-term sustainability of enterprise performance. Thus, based on philanthropic concept, it can be concluded that in the past CSR serves as a means to attract public sympathy and as a form of corporate concerns upon the conditions of communities.

However, people are now beginning to understand and are critical upon those conditions. They began thinking that CSR is not merely a form of business/ enterprise goodness. There must be something behind the enterprises' CSR concept. Thus, the social paradigm changes, making the concept of CSR implementation begin to develop and have a wide range of perspectives. CSR which is initially based on the concept of philanthropic has now moved to be more focusing on the stakeholders or commonly known as the stakeholder concept.

### **4.2 Stakeholder Concept**

This concept recognizes that enterprises perform CSR to satisfy their stakeholders. As expressed by Moore and Richardson (1988) that the economic development is the key factor in the economic growth rate in the United Kingdom that finally impacts the concept of CSR in enterprises which begin to change. The enterprises in UK which initially use the philanthropic concept of CSR implementation then is turned into using the stakeholder concept. In 1990s, the new CSR concepts of stakeholder theory, corporate citizenship, and CSP begin to appear (Carroll, 1999). It makes CSR is highly recognized by the communities and results in higher public demands upon the contributions of CSR programs that should be performed by the enterprises.

Russo and Perrini (2009) state that enterprises are encouraged to implement CSR focusing on their stakeholders while maintaining the economic, environmental, and social visions. Thus, the key factor in achieving the enterprise performance is the stakeholders' satisfaction. According to Freeman (1984), stakeholders are defined as a group which may influence and be influenced by the entity decisions. Thus, it can be concluded that stakeholders are all elements related to the enterprises, such as lenders, investors, directors, suppliers, communities, and government. To improve profits, enterprises must implement stakeholder based-CSR. These implementations may be either in the form of good establishment of communication through dialogues. Dialogues may be considered as stakeholders' engagements in which enterprises filter the stakeholders' willing, aspirations, and expectations upon the enterprises. Stakeholders' hopes and expectations must be variously different that the enterprises are required to able to communicate well. Silberhorn and Warren (2007) state that the key issues for stakeholders upon the enterprises in Germany are about environmental protections while other people in different countries prioritize more on the employment issues.

Under these conditions, the enterprises are required to be able to understand the society conditions and try to create the best solutions. One of the best ways to realize them is through dialogues. Interactive dialogues are able to bridge different opinions. According to Unerman and Bennett (2004), stakeholders' dialogues are the main foundation upon the realization of Corporate Social Responsibility of the enterprises called as stakeholder engagements, in which enterprises try to map stakeholders and to identify their expectations. In addition, enterprises use internet to reach stakeholders as a whole. Unerman and Bennett (2004) state that the best way to attract customers is to use interactive dialogues through websites.

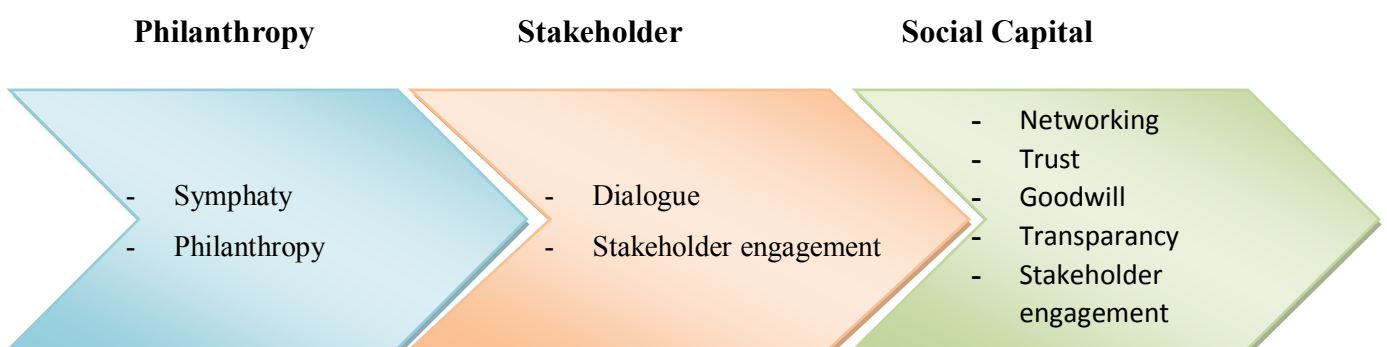
#### 4.3 Social Capital Concept

Meanwhile, there is another concept which understands CSR as a social capital. This concept views that CSR has a close relationship with several aspects, such as goodwill, transparency, and good citizenship (Spence *et al*, 2003). The social capital concept is a more complete concept and covers all elements, not only focuses on stakeholders but also concerns with goodwill, transparency, and good citizenship. Puttnam (1993) further states that CSR is a means of social capital within an organization to improve efficiency through trust, norms and networks. It can be concluded that CSR with the social capital concept may cover all aspects and is more comprehensive. This is in accordance with Meister and Lueth (2001) who state that social capital concept may be used to create a better enterprise strategy.

Furthermore, in order to implement CSR with the social capital concept as a whole, the enterprises should use networks. Burt (2002) states that networks are one main source upon the implementation of social capital concept. It shows that the enterprises trying to implement CSR with the social capital concept start to think about improving capacity and expertise in networking. Good skills in networking result in CSR within the comprehensive social capital domain which provides more profits for the enterprises (Burt, 2000; Sorheim, 2003; Spence, et al, 2003).

Enterprises should begin implementing Corporate Social Responsibility programs which are based on social capital concept to create continuities for the enterprises and the surrounding communities.

**Picture 1. The Concept Development of CSR Implementation**



## 5. CONCLUSION

Based on this research, it shows that there are theoretical concept developments in the implementation of Corporate Social Responsibility (CSR), which is initially based only on the philanthropic concept, is then turned into the stakeholder concept, and now focuses more on the social capital concept. Furthermore, this research finds that the stakeholder concept actually fits on the social capital concept. It can be concluded that the social capital concept is a combination of the stakeholder concept with the addition of networking. The limitation of this study is upon the narrow research coverage which focuses on big enterprises only that the implementation of CSR in small-medium enterprises (SMEs) has not been touched yet. Further researches are expected to incorporate other elements/perspectives in this research by involving small-medium enterprises (SMEs) as the objects of the research that further examines the developments related to the global conditions.

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