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by Raja Oloan Tumanggor

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**CORPORATE SOCIAL RESPONSIBILITY (CSR) IN BUSINESS ETHICS
PERSPECTIVES**

Raja Oloan Tumanggor

Tarumanagara University Jakarta, Indonesia

lusoloania@gmail.com

Abstract

This study reviews the extent to which the position, goal, and the role of Corporate Social Responsibility (CSR) in business activities as well as their implementation is ethical. Business ethics clearly should be applied in any business activities even though often experience challenges in its implementation. It is called challenges because it is not yet well established in the legal system, or even already has a set of laws, but has not been elaborated by the business. Using the method of literature research and theoretical analysis the authors highlight that business is not only profit oriented for survival, but also the norm / values of business ethics which is clearly manifested in the implementation of CSR. Thus CSR is not only complementary or decorator in business activity, but completely internalized and applied earnestly and responsibly, so that eventually create a profitable business and human at the same time.

Keywords: CSR, Business ethics, ethical norms, business activities.

Introduction

Ethical demands that businesses should already have, could not be negotiable, if you want to continue to grow its businesses and advanced (Keraf, 1998). A good and ethical business habit is a must for any companies to keep lasting. Therefore, one of the manifestations of the ethical action is to organize the so-called corporate social responsibility (CSR). However, the issue is whether CSR is really implemented based on ethical, or just as accessories that complement the company appears to be a social nature and care for the surrounding community. A challenge is therefore for any companies with a long vision to implement ethical CSR. This study will give an insight into how a company wants to realize the CSR is able to develop strategies, policies and identify ethical choices in their business. This study will also develop the concept of business ethics theories in relation to corporate social responsibility, especially the application of business ethics in CSR.

In Indonesia, the implementation of CSR is required by law, for example Act No. 40 of 2007 on Limited Liability Companies and Law No. 25 of 2007 on the Capital Embedding. This law mandates a company to build a harmonious relationship with the local community, or people who are in the area of operation as a form of moral responsibility, which is manifested in the form of CSR implementation. This study analyzes the extent to which businesses truly realize the business ethics in the implementation of CSR.

Business is ambivalent. On the one hand, business has become a means of social life development. But on the other hand it can be a battering business to human life, by taking advantage as the only goal, regardless the negative impacts it brings (Sihotang, 2012). How is CSR viewed from the perspective of business ethics? Perhaps a more concrete question is how to link CSR with business ethics? Should be a CSR in a business? And, if necessary, what is the reason? First of all I want to review what is meant by CSR; second, the meaning of business ethics. In the third section looked at the relationship between CSR and business ethics. In other words, why CSR is becoming an issue of business ethics? How do we understand the CSR from the perspective of business ethics? What is the moral argument implement CSR?

What is corporate social responsibility (CSR)?

To understand the meaning of responsibility we need to refer to the two words: 'response', and 'ability'. So responsibility is inherent ability to give an answer or response to what he did. Responsibility has internal and external dimensions. *Internal* dimension means that the person has capable characteristics of performing all the tasks entrusted freely. He sees himself as an autonomous subject. In his freedom he shows himself as a responsible person (Sihotang 2012). While the *external* dimensions refers to the people who are responsible to face the risk of acts they have done. If there are errors and mistakes causing negative impact for others, it is a form of responsibility that he is willing to bear the consequences of such errors. He dares to bear the consequences of his actions.

From the previous description, responsibilities are associated with personal behavior. Can responsibilities be associated with an institution or institutions engaged in areas of business? Social responsibility can be attributed to the institution. Therefore there is a term corporate social responsibility (CSR). Definition of CSR is developing variably, making it difficult to use only one definition. Definition of CSR is not just related to what should be done by the company, but also with regard to its normative dimensions: in terms of whether the company should be responsible or not. In addition to the definition that emphasizes the importance of responsibility that should be done by a business, there is also a definition that emphasizes CSR objectives. For example, the definition formulated by the World Business Council for Sustainable Development (WBCSD) which see CSR as a "sustained commitment of business to act ethically and contribute to economic development. While, at the same time it also improves the quality of life of the local community and society at large "(Holme & Watts, 2000 in Wuisan 2014).

Of a growing number of definitions of CSR there are currently four types of CSR theories, namely instrumental theory, political theory, integrative theory, and ethical theory. *Instrumental* theory discusses the role of corporations as instruments (tools) to create well-being. This theory discusses CSR in relation to corporate profits. CSR is done primarily to increase stakeholder value. Milton Friedman said that the only social responsibility is a for-profit company that can improve the welfare of stakeholders. Other social activities carried out by the company could only be justified as far as long-term benefits to the welfare of stakeholders (Jensen, 2002 in Wuisan, 2014). *Political* theory sees CSR as a power company that also contribute to improve quality of life. The company is viewed as a citizen who has the same role as other residents. Therefore CSR programs are implemented as a form of responsibility as citizens who have the same responsibilities as other citizens (Jeurissen 2004 in Wuisan 2014). The program can be in the form of charity and voluntary involvement. View CSR as an *integrative* theory of business enterprise integrates social demands into business operations. This theory states that management should consider the stakeholders or parties who affect and are affected by the policy of the company. Integration of corporate social performance principles of social responsibility, processes of social sensitivity, and the results can be observed from the relationship between the company and communities (Post et. Al., 2002 in Wuisan, 2014). *CSR ethical* theory focuses on ethics (do what is right for the good of society). In theory there is ethical concept based on the universal human rights. That is, the implementation of CSR is not only oriented to the outside companies, but also into such attention to the rights of employees.

In addition to the four types of CSR theories that are outlined above, we should bear in our mind the thought of Archie B. Carroll, about the four aspects of CSR that must be implemented if the company wants to have positive social performance. The aspects are economic responsibility, legal responsibility, ethical responsibility and voluntarist responsibility (Jamali and Mirshak 2007 in Wuisan 2014). *Economic* responsibility means business activities as an economic entity has responsibility for getting profit on investment, creating jobs, and providing fair wages to workers. Profit is justified, so that the business can continue to function. *Legal* responsibilities include compliance with applicable laws and regulations. Profit should not be achieved by breaking the rules of doing business. Laws and regulations provide a framework of what should and should not be done by businesses to take profit. *Ethical* responsibilities include business activities that are not mentioned in the laws and regulations, but the event is expected by society. The coverage of *ethical* responsibility includes respect for humanity, avoid things that harm society and prevent negative impacts to society. *Voluntarist* responsibility is implemented in the form of positive activities outside profit considerations of the company to help people improve their quality of life.

These four types of CSR theory and four aspects of CSR will not complete if they do not express an idea pioneered by John Elkington, linking CSR implementation to the triple bottom line (TBL), which consists of social equity, economics and environmental factors. Sustainability of the enterprise can be realized when implementing CSR-oriented *people*, *profit* and *planet* (Zwetsloot 2003 in Wuisan, 2014). This means that corporate social responsibility should be seen as an activity that aims to balance three important dimensions in

the business : empowering the community, make a profit, and maintain environmental sustainability. *First*, empowerment in both the company and outside the company. Concretely, the company refused to exploit workers and the surrounding community. Into, companies hire employees with fairness, and create a comfortable and healthy working environment and enforce humane working hours. While outside, the company improve the welfare of the community in health, education and economics. Thus the company gave a positive social impact for the community (Wuisan, 2014). *Second*, the reach advantage for the company that runs the CSR should be understood in a broader economic perspective, the profit that includes all the social benefits gained both inside and outside the company. *Third*, in addition to the community and profits, other factors are of concern to the company environment. Business will continue as if help preserve the environment. Study proves social impacts of environmental conservation makes business can enjoy the benefits in the long run.

Strategy of corporate social responsibility (CSR)

In implementing corporate social responsibility (CSR) a variety of strategies is used. From a number of studies it can be argued that at least four underlying implementation of CSR strategies, namely: obstructionist, defensive, accomodative, and proactive (Carroll and Buchholtz, 2000; Fischer, 2004; Sausser, 2005 in Wuisan, 2014). *Obstructionist* strategy rejects any form of social responsibility that is not related to economic interests. Companies that use this strategy often overlook the social demands that companies demonstrate greater responsibility. This strategy is executed only when the CSR program has economic impact for the company. *Defensive* strategy rejects the ethical responsibilities of the company wide. This strategy could have CSR programs for the protection of the interests of the company. CSR program carried passively in order to comply with legal requirements alone. While companies using *accomodative* strategy approved ethical responsibility, particularly toward the company's stakeholders. Companies comply with the legal demands and seek to give attention to the feedback given by stakeholders. In spite of this, they only meet the expectations of stakeholders in a minimum. The fourth strategy is different from the previous, *proactive* strategy, fully recognizes the demands of corporate social responsibility. The company is actively involved in the community to minimize the negative impact of business activities and improve the welfare of the community and their stakeholders.

Corporate social responsibility (CSR): Why is it important?

From a review of the above strategy can be seen that not all businesses agree with the corporate social responsibility. There are various reasons put forward, among other objectives of the company that wants to seek a profit, cost overruns and lack of human resource capacity owned. Sonny Kerat A. (1998) describes four basic rejection businesses do CSR. *First*, from the aspect of corporate goals. The company's sole purpose want to achieve maximum profit. If the company has demanded social responsibility, meaning the company would have to spend. This is contrary to the objectives of the company, because the company is not a social institution, but an institution that had a profit orientation. *Secondly*, social responsibility can interfere with focus management company for profit. The attention of the company to be broken because of the demands of implementation of CSR and of course interfere with the

performance of the company. So CSR should be rejected. *Third*, if CSR is met then the social cost to consumers will increase. The addition of this fee will be charged on the sales price increases. Social responsibility is indirectly a burden on society. *Fourth*, the lack of a professional field of CSR. Not all companies have professionals for implementing CSR. Finally fulfill corporate social responsibility requires companies to recruit executive CSR and the company itself becomes a burden.

Despite the counter arguments put forward by those who reject the CSR makes sense, but not entirely are justified. Internal demands companies to achieve maximum profit does not conflict with the external demands to give attention to people's lives. Responsibility is always going in two directions: *internal* and *external*. Both cannot be separated. Both of these aspects is not only true for individuals, but also for corporate institutions. To achieve internal objectives for profit companies, companies should not ignore the parties involved in achieving the goal. Similarly, the external dimension of embodiment become an integral part of the internal dimensions. There are various reasons why companies need to pay attention to the external dimensions. *First*, the company cannot be separated from society. Activities taking place in the midst of society. Community involvement can be a variety of shapes, such as stakeholders, shareholders, or consumers. Thus, the company is not only the economic dimension, but also a social dimension. The company cannot deny his presence in the community. Company's life depends on public acceptance. *Secondly*, the implementation of social responsibility actually benefits the company itself. Positive actions to society is an effective promotion, despite the fact it is called moral ethical utilitarian. The responsibility actually should not be wrapped up by any interests, it should remain a positive spirit. Referring to deontological view, realizing social responsibility is a fundamental obligation of the company, regardless of the company's goals (Desjardins, 2014). Companies that put greater emphasis on social responsibility cannot be said suffering loss, because they will benefit in the long run. Indeed, in the short term gains that have not been seen, will appear in the long run. In addition, the company also has a more harmonious relationship with the environment because of their commitment to help the community and its natural environment. *Third*, the company is the humanitarian aspect of the employer, the personal aspect and the social aspect. Personal aspect means that business requires involvement of the personal dimension. Business needs the owner's self-esteem, creativity, freedom and innovation. In addition to these personal aspects, business becomes a tool in which social aspects are involved. The presence of the personal and social aspects of social responsibility into corporate ethics then is demanded for company's survival.

What does corporate social responsibility cover? William J Bryon (2010) revealed generally three main areas of corporate social responsibility, the *economic* responsibility, *legal* responsibility and *ethical* responsibility. *Economic* responsibility is associated with the company's strategy for survival. *Economic* responsibility, as confirmed by Milton Frieman, is the heart of business activities. The company will not survive if they do not make a profit. The principle is that no company is socially responsible if it cannot survive economically. *Legal* responsibility is manifested to obedience to the rules and laws. The company respects the law for the sake of social existence. Obeying the law for the company shows its legal

existence. Wherever the companies are they must obey the law in order to run their activities. **Ethical** responsibilities involve human values of all stakeholders such as employees, customers, suppliers, co-workers and ecological values. For example, company must support employee's career development. So the ethical responsibilities of the company associated with the company's efforts to improve employee skills. From the employees to develop themselves through training is an obligation. In ethical responsibility a voluntary is important. Ethical responsibility and legal responsibility to overcome economic responsibility.

CSR in business ethics

After reviewing CSR and its dimensions, how to look at CSR in business ethics perspective? Business ethics are the values and moral norms that should normally be shared by both individuals and businesses as a company. Thus business ethics is a specialized field of ethics in general (Bertens, 2003). Ethics in general is seen as the values and moral norms that are used by individuals or groups as a guidance for his behavior. Each individual and social level hold certain values and norms. Ethics also means the knowledge of what is good and what is bad, what must be done and what must not be done. Thus, as a science, ethics must be critical, methodological and systematic of values. Business ethics as the science of applied ethics is relatively new, but it is growing rapidly. Why is ethics imbedded for business? The purpose of business is the stakeholders' benefit, it looks for benefit of all interested parties. Stakeholders are not only the owner of the company, but also the managers, employees, suppliers, consumers, government, residents around the plant, or anyone who is experiencing the impact of the company's activities. Because the target in business is profit, then it is very easy moral norms. People are easily tempted taking shortcuts to gain advantage. Assumption saying that business ethics could harm business is not true since evidence shows that business ethics provides a profitable business, especially when considered in the long term (Bertens, 2003). Thus, acting ethically is the interest of the business itself. Business is run with transactions, contracts and agreements so that it needs ethics so that trustworthiness can be realized. If there is someone who ignores this principle, then he is outside of the moral community.

As moral agents, acting ethically is not just rules, but a moral imperative that must be carried out by the company. Post et. al. (2002) suggested several reasons why companies should act ethically. *First*, there is increasing public expectation that the company should run business ethically, and companies that do not successfully run their business ethically will be under scrutiny, criticism and punishment. *Second*, companies is limited by existing business ethics to prevent actions which harm the interests of other stakeholders. *Three*, application of business ethics in the company can improve its performance, which is realized through a reduction in the risk of corruption, manipulation, fraud, and some other unethical behaviors. *Four*, the application of business ethics such as honesty, keeping promises, and refusing bribes can improve the quality of the business relationship between two parties who do business. *Five*, in order to avoid the misuse of the company that made the employees and competitors who act unethically. *Six*, the application of good business ethics in a company

can avoid the occurrence of violations of workers' rights by the employer. *Seven*, prevent the company obtaining legal sanctions because of business ethics violations.

In the midst of global competition it is likely that the company justifies any means to gain an advantage that could harm others. In this case business ethics can control any deviation and prevent harm to others. Business ethics and CSR are closely related because a company which undertakes social responsibility embodies ethical action, as well as ethical company to be socially responsible. When the distance between the company's CSR program and the community is getting smaller, people can accept the existence of the company. The relationship between business ethics and CSR implementation is very close. In terms of CSR, it is the basic business ethics or spirit of the implementation of a business unit. While, CSR can be seen in its manifestation. Business ethics talks about the value: Is the value of the company good or bad? If it holds a good value in the business, then the company will definitely implement CSR. Hence the more business ethics be inherent in individuals who run the business, the more CSR will appear as a result of the company's policy.

Conclusion

Business cannot be separated from human life. This relationship requires a paradigm change in viewing the business and its activities. The nature of the business cannot only be seen from a mere economic standpoint, but also from the standpoint of values and society. Businesses need to be aware that the activities of the company are not only oriented on profit alone, but also about the welfare of society. Thus, social responsibility becomes an important part for the company.

Corporate social responsibility can no longer be placed in the final sequence in the work program of the company. CSR activities should be made as an integral part of business activity. The implementation of CSR is not only because the government requires it through society or through legislation, but must be considered by the company as fundamental obligation. Human consciousness at this time that the company should be oriented to human values cannot be avoided anymore. If the company has a strong concern on human values, then the company will be more valuable in the eyes of society and as a result it will precisely ensure the survival of the company in the future.

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