Proceeding International Conference on Economic Business Management, and Accounting (ICOEMA)-2023
Economics Doctoral Study Program
University of 17 August 1945 Surabaya-2023

ICOEMA
2023

LONG HISTORY OF CORPORATE SOCIAL RESPONSIBILITY (CSR)

Syamsul Bahri

Faculty of Economic and Business, Universitas 17 Agustus 1945 Surabaya, Indonesia
bahrikoe45@yahoo.co.id

Abstract

The concept of Corporate Social Responsibility (CSR) or Corporate Social Responsibility is a concept that positions companies as part of society. Companies do not only pursue economic benefits for owners, directors and employees, but must have an impact on the socio-economic community and environmental improvement. Before the concept of CSR existed, the practice of corporate social responsibility had been implemented by Andrew Carnegie (1835-1919) the founder of the Carnegie Steel Company in 1870. Andrew Carnegie built philanthropy by establishing a local library, helping create world peace, and funding research activities. In a global context, the term CSR has been used since the 1970s and has become increasingly popular, especially after the publication of the book Cannibals with Forks: The Triple Bottom Line in 21st Century Business (1998) by John Elkington. Developing 3 important components of sustainable development, namely economic growth, environmental protection, and social equity initiated by the World Commission on Environment and Development (WCED) in the Brundtland Report (1987), Elkington developed the concept of the CSR program into three: namely 3P (profit , planets, and people). Besides reaping success, CSR has also experienced failure. The basic concept of CSR was also developed into Corporate Social Leadership (CSL). Indonesia began to recognize the concept of CSR since the 1980s and has become increasingly popular since Law no. 40 of 2007 concerning Limited Liability Companies.

Keywords: *History, Corporate, Social, Responsibility*

INTRODUCTION

In the twenty-first century, business activities increasingly demonstrate ethical awareness, the importance of human rights and being economically, environmentally and socially responsible. At the same time, laws and other public policies were born that put a lot of pressure on the industry to improve ethical business practices, processes and conduct. The definition of CSR is very diverse. In essence, CSR is a business operation that is committed not only to increasing the company's profits financially, but to the socio-economic development of the region in a holistic, institutionalized and sustainable manner. Several other names that have similarities and are even often identified with CSR are corporate giving, corporate community relations, and community development. Judging from their motivation, the four names can be interpreted as dimensions or approaches to CSR. If corporate giving has a charity motive, corporate philanthropy has a humanitarian motive and corporate community relations breathes charm, community

development has a more empowering nuance.

It is important to note that the dimensions of CSR differ across cultures. What is considered CSR in one culture may not be CSR in another due to differences in political, cultural, and economic norms. For example, philanthropic giving is less important in Europe (Crane & Matten, 2004). CSR has received a lot of attention from researchers because of its positive influence on various marketing and financial results for companies (eg Chernev & Blair, 2015; Hoeffler & Keller, 2002; Sen & Bhattacharya, 2001; Yoon et al., 2006) For marketing results, McWilliams and Siegel (2001) suggest that prosocial marketing initiatives, such as CSR claims, can be a market differentiation strategy. It was found that CSR initiatives lead to brand equity (Hoeffler & Keller, 2002), customer loyalty (Sen & Bhattacharya, 2001), brand choice (Barone, Miyazaki, & Taylor, 2000), and positive product evaluation (Chernev & Blair, 2015). Financially, Saeidi, Sofian, and Saaeidi (2015) revealed that CSR has a positive effect on the company's financial performance through increasing reputation, competitive advantage, and customer satisfaction. Several studies reveal a positive relationship between CSR and firm value (Servaes & Tamayo, 2013). According to Kim (2000) corporate CSR practices can be identified for various purposes, namely legal, economic, moral, and philanthropic. However, these goals can still be developed in accordance with the actual conditions in society related to the pressures that occur in people's lives.

Kotler and Lee (2005) state that CSR (Corporate Social Responsibility) is an important instrument to support corporate strategy, namely building corporate image while increasing long-term profits. CSR (Corporate Social Responsibility) that is implemented properly, both in the economic, social and environmental fields, will be able to provide many benefits for companies, one of which is being able to improve corporate image. Meanwhile, according to the Corporate Forum for Community Development (CFCD) in Ambadar (2007), CSR (Corporate Social Responsibility) is very important, not only in society but also in the company itself. CSR (Corporate Social Responsibility) can prevent worse social impacts, either directly or indirectly on business continuity, due to friction with the surrounding community.

The ups and downs of the development of CSR cannot be separated from the history that dynamics it. Since the empirical facts with the nuances of CSR to the emergence of the theoretical concept of CSR, it proves that CSR is an important part of company activities. Companies as business institutions cannot stand as separate entities, but must coexist with society as a social community, and also the environment.

METHODS

The method used in writing this article is the library method. The author uses scientific publications such as journals, articles, proceedings, books, and others as reference material. According to Villas et al. (2008), literature study is needed to develop a topic or field of study.

RESULT AND DISCUSSION

The beginning of the concept of Corporate social responsibility (CSR) appeared in the writings of Social Responsibility of the Businessman in 1953. The emergence of this thought answered the unrest in the business world at that time. However, the practice of CSR actually started a long time ago. History shows that the practice of CSR occurred when Andrew Carnegie (1835-1919) founded the Carnegie Steel Company in 1870. Andrew Carnagie built philanthropy by establishing a local library, helping create world peace, and funding research activities.

Carnegie's thoughts and activities inspired John D Rockefeller, founder of Standard Oil, a mining company that dominates the US oil market. He donates his wealth to charities, which are engaged in health and education, finance medical research to find a cure for yellow fever.

Until 1914 Frederick Goff, a well-known banker in Cleveland, founded the Cleveland Foundation. The foundation was formed with the aim of providing opportunities for communities to receive gifts from billionaire donors. The foundation is a community-based charitable organization. Until the 1940s, many industries, not just owners or shareholders, provided support for charities.

In a global context, the term CSR has been used since the 1970s and has become increasingly popular, especially after the publication of the book Cannibals with Forks: The Triple Bottom Line in 21st Century Business (1998) by John Elkington. Developing 3 important components of sustainable development, namely economic growth, environmental protection, and social equity initiated by the World Commission on Environment and Development (WCED) in the Brundtland Report (1987), Elkington developed the concept of the CSR program into three: namely 3P (profit , planets, and people). A good company does not only seek economic profit (profit), but has concern for environmental sustainability (planet) and social welfare (people).

CSR : The Phenomenon of Moral Responsibility (1930)

At this time, many protests emerged from the community as a result of the company's disregard for the surrounding community. Everything is known only by the company. Added to this was the fact that at that time there was a massive world recession which resulted in unemployment and many companies went bankrupt. At this time, the world faced a shortage of capital for its production inputs. Labor forced to stop working, unemployment is very widespread and hurt his job. At that time dissatisfaction arose with the company's irresponsible attitude towards its work because the company was silent and could not do anything.

People Development (1940s)

Starting with the term Comdev used in England 1948, to replace the term mass education. Community development is a comprehensive and community-based alternative development that can involve both the Government, the private

sector, and non-governmental organizations. Several alternative approaches that have occurred in the United States related to community development include: community approaches, problem solving approaches, experimental approaches, power conflict approaches, natural resource management, environmental improvement in urban communities. The community approach is the most frequently used approach in community development. This approach has three main characteristics: a broad base of community participation, a holistic focus on the needs of the majority of community members. The advantages of this approach are the high participation of residents and related parties in decision-making and implementation, as well as in evaluating and enjoying the results of activities with community members.

CSR Modern : 1950

According to Howard R. Bowen in his book: "Social Responsibility of The Businessman" is considered a milestone for modern CSR. In that book, Bowen (1953: 6) provides an initial definition of CSR as: "... the obligation of businessmen to pursue those policies, to make those decisions or to follow those lines of action which are desirable in terms of the objectives and values of our society." ." Since the publication of the book, the definition of CSR given by Bowen has had a major influence on the CSR literature that has been published since then. A big contribution to laying the foundation for CSR so that Bowen deserves to be called the father of CSR.

1960s

During this period, experts began to formalize the definition of CSR. One of the well-known CSR academics at that time was Keith Davis, a trait theorist.

1994 "Triple Bottom Line"

The popularity of the term CSR became even more popular when the book Cannibals With Forks: The Triple Bottom Line in 21st Century Business appeared on the market. This book is by John Elkington.

CSR in Indonesia

In Indonesia, the term CSR was known in the 1980s. However, it has become increasingly popular since the 1990s. Just like the history of the emergence of CSR in the world where the term CSR appears when CSR activities have actually occurred. For example, natural disaster relief, distribution of holiday allowances, scholarships etc. Through the corporate social investment concept of "seat belt", which was built in the 2000s. since 2003 the Ministry of Social Affairs has been listed as a government agency that has always been active in developing CSR concepts and conducting advocacy to various national companies. In this case the social department is the initial actor of CSR activities in Indonesia. After the issuance of Law Number 40 of 2007 in 2007 regarding the obligations of Limited Liability Companies, almost all Indonesian companies have carried out CSR programs, although again these activities are still ongoing at the stage of seeking popularity and being bound by government regulations.

CSR RESEARCH ACTIVITIES

Various studies have been conducted in various parts of the world. Research in Finland revealed that there are differences in views between employees and representatives of multinational companies (MNCs), especially the social aspects

of CSR. Companies view CSR from a business aspect in general, namely as a responsibility to create economic competitiveness and profits for owners, while workers do not agree to these demands. Through labor organizations in companies, employees call on corporations to show social responsibility. (Nasi, 2010).

In India, research was conducted on eighteen domestic companies and multinational corporations from various countries totaling 20 corporations. The results of his research are that these companies comply with CSR principles, namely responsibility and transparency. There is a common understanding of the company for commitment and compliance with the rules and regulations that exist in the country of India. (Singh, 2013). Facing changes in social and market conditions that continue to occur in developing countries, with the existence of multinational companies, Meng Zhao (2014)

Introduced social adaptation and conducted research on 180 multinational companies in China. MNCs are often accused of social crimes and public crises, while to maintain operations, they must be able to adapt to local social conditions. In Lebanon, the pattern of CSR is carried out by subsidiaries of multinational companies. The trend that occurs is that CSR is only a manifestation of recognition according to global demand. CSR is seen as a grant according to the characteristics of the host community (Jamali, 2010).

In the Niger Delta, Africa, the desire for CSR programs is more directed towards community development. All societies want social development programs that provide hope for a stable and prosperous future. From another point of view, the development activities carried out by multinational companies are mainly to show that they are socially responsible. This situation is in line with research conducted by Monsen (1974) on the role of multinational companies in society and concluded that companies have a duty to help solve problems of public concern. No matter how laudable a CSR initiative is, if the host community does not feel the project will create sustainable economic, social and environmental development, conflict and unrest in the Niger Delta will continue (Eweje, 2007).

The implementation of CSR in these countries shows that companies are increasingly aware that the company's survival also depends on the company's relationship with the community and the environment in which the company operates.

FAILURE OF CORPORATE SOCIAL RESPONSIBILITY

The successful record of CSR implementation is undeniable. However, there are also examples of failures in the implementation of corporate social responsibility that must be brought to the fore, resulting in huge costs for individuals and society in general. The Bhopal tragedy in 1984 shook the world: hundreds of thousands of local people died and were maimed as a result of the release of poison gas. General Electric is an example of a company that failed to clean up the Hudson River after polluting it with organic pollutants. In Indonesia, such as the Lapindo mudflow case, Freeport in Papua, all of which demand serious attention from all parties so that CSR can be implemented properly.

A SHIFT IN THE CONCEPT OF CORPORATE RESPONSIBILITY

Before CSR became known to the wider community, community outreach activities had been carried out by companies for a long time. The most primitive form of community outreach is corporate philanthropy (CP). CP is an attempt made by a company, or a person, to provide funds to individuals or community groups, for

Proceeding International Conference on Economic Business Management, and Accounting (ICOEMA)-2023
Economics Doctoral Study Program
University of 17 August 1945 Surabaya-2023

ICOEMA
2023

example in the form of scholarships. Over time, corporate philanthropy then developed into corporate social responsibility (CSR). CSR differs from CP from the dimensions of the donor's involvement in the activities it undertakes. CSR activities are often carried out by companies themselves, or by involving third parties (eg foundations or non-governmental organizations) as organizers of these activities. What is clear, through CSR, companies are far more involved and connected with beneficiaries in social activities compared to CP. The social activities carried out through CSR are much more diverse.

Understood in this way, CP and CSR actually have many shortcomings. Not infrequently people are treated only as objects of the company; after these community outreach programs ended, a culture of dependency was often created. Many free riders, proposal brokers, are diligent in sending requests for financial assistance to companies. This has not mentioned the forms of extortion such as mass mobilizations, and the threats companies often receive.

Hilton and Gibbons (2002) argue that companies must shift from understanding CP and CSR towards corporate social leadership (CSL), or corporate social leadership. CSL shelters a path towards a win-win solution between communities and companies in a form of partnership. CSL demands a change in the perspective of business people about their relationship with society. Business people were asked to look at business activities what they do as part of their existence in the midst of society.

CONCLUSION

Before the concept of CSR existed, the practice of corporate social responsibility had been implemented by Andrew Carnegie (1835-1919). Andrew Carnagie builds philanthropy by establishing a local library, contributing to world peace, and funding research activities. In a global context, the term CSR has been used since the 1970s and has become increasingly popular, especially after the publication of the book Cannibals with Forks: The Triple Bottom Line in 21st Century Business (1998) by John Elkington. Developing 3 important components of sustainable development, namely economic growth, environmental protection, and social equity initiated by the World Commission on Environment and Development (WCED) in the Brundtland Report (1987), Elkington developed the concept of the CSR program into three: namely 3P (profit , planets, and people).

CSR experienced development with the main concept of Community Development in the 1940s. Starting with the term Comdev used in England in 1948, to replace the term mass education. Modern CSR since 1950 since the publication of Howard R. Bowen's book entitled: "Social Responsibility of The Businessman" is considered a milestone for modern CSR. Since the publication of the book, the definition of CSR given by Bowen has had a major influence on the CSR literature that has been published since then. A big contribution to laying the foundation for CSR so that Bowen deserves to be called the father of CSR. In the 1960s experts began to formalize the definition of CSR. One of the well-known CSR academics at that time was Keith Davis, a trait theorist. The popularity of the term CSR was increasingly felt when the book Cannibals With Forks: The Triple Bottom Line in 21st Century Business appeared on the market in 1994. This book was written by John Elkington.

In Indonesia, the term CSR was known in the 1980s. However, it has become increasingly popular since the 1990s. Just like the history of the emergence of CSR in the world where the term CSR appears when CSR activities have actually

Proceeding International Conference on Economic Business Management, and Accounting (ICOEMA)-2023
Economics Doctoral Study Program
University of 17 August 1945 Surabaya-2023

ICOEMA 2023

occurred. For example, natural disaster relief, distribution of holiday allowances, scholarships etc. Since 2003 the Ministry of Social Affairs has been listed as a government agency that has always been active in developing CSR concepts and advocating for various national companies. In this case the social department is the initial actor of CSR activities in Indonesia. After the issuance of Law Number 40 of 2007 in 2007 concerning the obligations of Limited Liability Companies, almost all Indonesian companies have carried out CSR programs, although again these activities are still taking place at the stage of seeking popularity and being bound by government regulations.

REFERENSI

Ambadar, Jackie, 2007. Mengelola Merek. Yayasan Bina Karsa Mandiri, Jakarta

Ambadar, Jackie. 2008. CSR dalam Praktik di Indonesia. PT Elex Media Komputindo: Jakarta

Barone, M.J., Miyazaki, A.D. and Taylor, K.A. (2000) The Influence of Cause Related Marketing on Consumer Choice: Dose One Good Turn Deserve Another? Journal of the Academy of Marketing, 28, 248-262.

Bhattacharya, C.B. and Sen, S. (2004), "Doing better at doing good: when, why, and how consumers respond to corporate social initiatives", California Management Review, Vol. 47 No. 1, pp. 9-24.

Chernev, A. and Blair, S. (2015) Doing Well by Doing Good: The Benevolent Halo of Corporate Social Responsibility. Journal of Consumer Research, 41, 1412-1423.

Crane, A., & Matten, D. (2004). Business ethics: A European perspective: managing corporate citizenship and sustainability in the age of globalization. Oxford: Oxford University Press.

Wang, C.C, 2018. Corporate social responsibility on customer behaviour: The mediating role of corporate image and customer satisfaction, Total Quality Management & Business Excellence, DOI: 10.1080/14783363.2018.1444985

Djalil, Sofyan. (2003). Kontek Teoritis dan Praktis Corporate Social Responsibility . Jurnal Reformasi Ekonomi, Vol. 4 No. 1.

Ginting, Jamin, "Tinjauan Yuridis Terhadap Corporate Social Responsibility (CSR) Dalam Good Corporate Governance (GCG)." Lex Jurnalica 5, No. 1 (2007):38-6.https://ejurnal.esaunggul.ac.id/index.php/Lex/article/view/273

Hea Y., Laib K. K. , 2014 The effect of corporate social responsibility on brand loyalty: the mediating role of brand image, Journal Total Quality Management, Vol. 25, No. 3, 249–263,

Hoeffler, S. and Keller, K.L. (2002), "Building brand equity through corporate societal marketing", Journal of Public Policy & Marketing, Vol. 21 No. 2, pp. 78-89.

Kim, K.S. 2000. Corporate Social Responsibility And Strategic Management: An Empirical Study of Korean MNCs in The United States. Unpublished Dissertation. West Heaven, Connecticut: The University Of Heaven

Kotler, Philip & Lee, N. 2005. Corporate Social Responsibility: Doing The Most Good For Your Company And Your Cause. New Jersey: John Wiley & Son, Inc.

Kottler, P. and Nancy, L. 2005. Corporate Social Responsibility: Doing The Most Good For Your Company and Your Cause. Best Practices From Hewlett Packard, Ben & Jerry's, and Other Leading Companies. Jhon Wiley & Sons, Inc. United States of America.

Kim H. Youn S., Lee D., 2017 The effect of corporate social responsibility reputation on consumer support for cause-related marketing, Total Quality Management & Business Excellence, DOI: 10.1080/14783363.2017.1332482

McWilliams, A., & Siegel, D. (2001). Corporate social responsibility: A theory of the firm perspective. Academy of Management Review, 26(1), 117–127.

Yoon, Y., Gürhan-Canli, Z., and Schwarz, N. (2006). The effect of corporate social responsibility (CSR) activities on companies with bad reputations. Journal of Consumer Psychology, 16, 377–390.

Hea Y., Laib K. K. , 2014 The effect of corporate social responsibility on brand loyalty: the mediating role of brand image, Journal Total Quality Management, Vol. 25, No. 3, 249–263.

Sen, S. and Bhattacharya, C.B. (2001) Does Doing Good Always Lead to Doing Better? Consumer Reactions to Corporate Social Responsibility. Journal of Marketing Research, 38, 225-243.

Singal, M. (2014). Corporate social responsibility in the hospitality and tourism industry: Do family control and financial condition matter? International Journal of Hospitality Management, 36, 81–89. https://doi.org/10.1016/j.ijhm.2013.08.002

Proceeding International Conference on Economic Business Management, and Accounting (ICOEMA)-2023
Economics Doctoral Study Program
University of 17 August 1945 Surabaya-2023

465