

CSR AS A BUSINESS ETHIC FOR SMALL AND MEDIUM ENTERPRISES

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Abstract

Generally CSR is a sharing of company's benefits to the public or stakeholders, which means being part of a business ethics. For big companies CSR activities will be easily done, but for small and medium enterprises, who have limited in resources and knowledge, they will have difficulties in implementing CSR.

This study aims to provide an overview of the various CSR activities or actions that can be performed by small and medium enterprises (SMEs). This research is a conceptual study with a descriptive analysis of the phenomenon from business done by small and medium enterprises in Indonesia.

The analysis shows that there are six alternative CSR activities for small and medium enterprises, namely : the provision of useful products, making transaction easier for customers, if it is possible, by doing social activity involved in community activities, obeying the rules of the government, good attention for the employees, and giving benefits for owners

Keywords :

Corporate Social Responsibility (CSR), Business Ethics, Small and Medium Enterprises

A. Background

Generally, each business unit aims at getting benefit, and for that purposes, all efforts will be made. Many companies have realized that the benefit comes not only from their own efforts, but also from the consumers. The companies realized that without the public as consumers, they will have nothing; therefore, the companies need to share the benefits with the consumers (Benabou and Tirole, 2009), there is interdependence between the companies and the society (Quinn, 2008).

The companies also realized that it is not only the consumers being an important part of the success of the companies, but also the environment in their activities. That's why companies need to do good on the environment, both by keeping the environment and by utilizing it wisely .

Furthermore, the companies are also aware that the economic activity can be smooth, because the government provides many facilities and infrastructures that support the company's

activities, such as roads , bridges, and other facilities. Therefore, the companies realize that they should obey the government as well as, to comply with the government policies and regulations.

In other words, companies have to be aware the role of the stakeholders such as consumers, environment, and government, so the positive payoff has to be done by the company. In a simple term, this payoff can be said as a CSR activity. This payoff must be believed as a good thing for companies especially in the future, because there are correlations between the financial performance and the performance of companies with CSR activities undertaken, (Russo and Fouts , 1997) and also (Waddock and Graves , 1997)

Basically, CSR is the good deeds done by the companies as a benefit sharing to society and the their environment, and that reflects their business ethics that must be done by the companies (Bertens , 2000). Practically, companies doing the business ethics by implementing CSR will get a better positive response from the consumers, compared to the companies that don't do it.

The thing to remember that CSR activities as a part of business ethics is not only an obligation of the big companies, but also all the other types of companies types, including small and medium enterprises.

This paper aims at providing a conceptual basis affirmation of the need to undertake CSR activities as part of business ethics, especially for small and medium enterprises that have limited resources and knowledge of CSR (Hernaez at all, 2012).

B. Theory

UNIDO as one of the world industrial development board defines that Corporate Social Responsibility is a concept whereby companies integrate the management of social and environmental concerns in their business operations and interactions with their stakeholders. Generally CSR is understood as being the way through which a company Achieves a balance of economic, environmental and social imperatives.

UNIDO also confirmed that Key CSR contains issues, namely: environmental management, eco-efficiency, responsible sourcing, stakeholder engagement, labor standards and working conditions, employee and community relations, social equity, gender balance, human rights, good governance, and anti-corruption measures.

More broadly, the CSR activities of the company will have a lot to do with things like in the picture below.

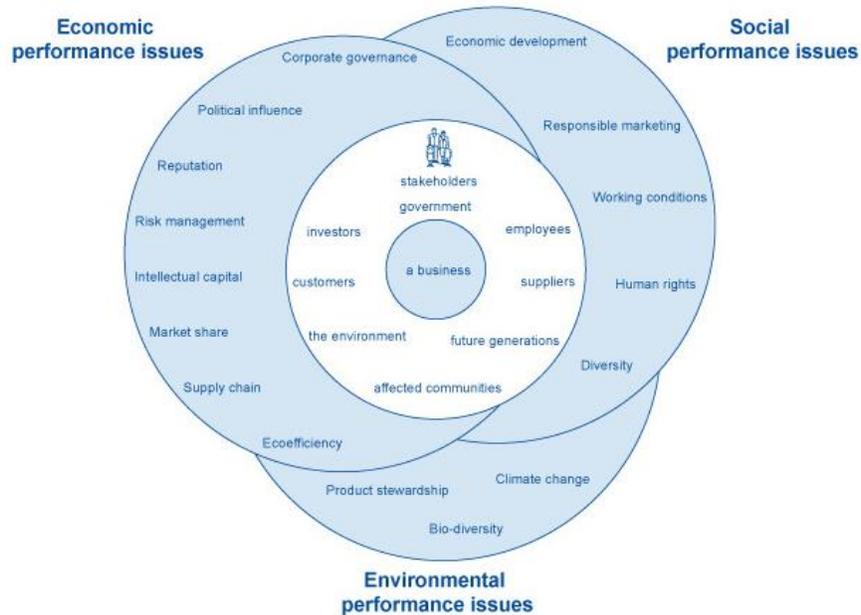


Figure 1. Scope of CSR Activities

Meanwhile, business ethics is defined as an act of good deeds (virtues) that are conducted in a business activity.

C. Metodology

Research conducted by analyzing a variety of conceptual and behavioral phenomena and business activities undertaken by small and medium enterprises relating to CSR and business ethics. Examples taken from most business activities of small and medium enterprises doing business in Indonesia. Samples take from many kinds of small and medium enterprises around Jakarta, Depok, Tangerang, and Bekasi, Indonesia.

D. Discussion

For big companies, technically and financially, CSR is not difficult because they have adequate resources. But for small and medium businesses, with limited resources and existing knowledgement, especially the financial aspects, CSR activities are not easy.

The following figures are examples of some small and medium enterprise’s activities in Indonesia which give a negative effect to people:



Saling Product on sidewalk



Taking electricity illegally

Throwing garbage into a river



Using dangerous material

By selling products on the side of the road, chances are that the sellers get the buyers faster, however if it is done like this, the profit obtained by depriving and disturbing pedestrians. Next, throwing garbage into the river is the most rapid and inexpensive step, but it will worsen the condition of the river and heightens the potential for flooding .

However, as a part of business ethics, CSR has to be done by all types of businesses, including SMSs, and the small businesses can do some good deeds selected below :

- First, to do business or to provide products that give benefit to consumers, for example by providing healthy products, using packaging made from paper, taking a reasonable profit, preferring to sell vegetables compare to selling cigarettes, etc.
- Second , to do the business activities that enable the customers to shop easily such as opening earlier and closing late, to give options in purchasing, and to provide after sale services, etc.
- Third, if it is possible, small and medium enterprises can be involved in various social activities that are good and beneficial for consumers and communities. Some examples of these activities are: to provide sponsorship at community events around the place of business, to contribute when there are events that need help (blood donors, floods, earthquakes)
- Fourth, to comply with government regulations, to pay taxes and retributions, to take care and have a business license, do not sell in places that are prohibited, and not to install electricity illegally, etc.
- Fifth, to pay more attention to employees, to be kind to employees, to give reasonable salaries, to provide a conducive workplace, etc.
- Sixth, to give the good benefit to the owner

E. Conclusion

CSR activity is a form of business ethics that must be done by any kinds of businesses. For small and medium enterprises that have limited resources and knowledge, CSR activities can be done in a variety options, namely: provide useful products and provide convenience to consumers, to comply with government regulations, to be kind to employees, and to give the benefit to the owners. Finally, the CSR activity is believed to have positive impacts on the company performance.

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