Abstract

The purpose of this paper is to offer a preliminary study exploration of the corporate Social Responsibility issues being implemented by small business in Bandung. This paper begins with a discussion of the characteristics and origins of Corporate Social Responsibility and followed by the development of small business in Indonesia.

Despite an unclear definition of Corporate Social Responsibility, small business seems to be engaged in socially responsible activities in various ways: involve in social issues, donation, human resource management practice which promote equality, diversity and respecting human right. However the implementation of Corporate Social Responsibility in small business needs to be increased by focusing in low cost Corporate Social Responsibility initiatives.

Introduction

Business has come under increasing pressure to demonstrably engage in activities which are described as corporate social responsibility (CSR) (Kotler, 2005). Whilst many such activities come under legal compliance, such as environmental legislation, business is encourage to go beyond this and assume a role previously occupied by public sector, providing public services such as supporting education and becoming involved in the governance of communities (Bertens, 2000). Previously, CSR activities tend to be conducted primarily in large scale corporate but recognition of the growing significance of the small and medium enterprises sector (Soejiwan, 2006) has led to an emphasis on their social and environment impact.

The tendency for corporate social responsibility agenda conducted primarily in large scale business ignores the fact that more than 90% of Indonesian work force is employed by companies with fewer than 50 employees (Firdausy, 2000). Consequently, when researchers examine corporate social responsibility in large corporations their findings may not be generalized to the most prevalent firms where most of the Indonesian population works.
This article aims to expand understanding of how small and medium sized family business interprets their corporate social responsibility in relation to a wide range of constituencies. Because specific works on the topic of small business and corporate social responsibility is limited (CBR, 2003) the research is exploratory in nature, drawing upon the broader literature on corporate social responsibility.

Corporate Social Responsibility

Various definition have been given which consider that the company must responds to a series of demands that go beyond legal requirements (Keraff, 1998). Corporate social responsibility, corporate governance, corporate citizenship becomes more or less synonyms for the emerging effort to determine the meaning of ethical business (Lunhaim, 2003). Corporate social responsibility is rooted in the recognition that businesses are an integral part of society and that as such they have the potential to make a positive contribution to social goals and aspirations (Soejiwan, 2006).

The World Business Council for Sustainable Development (1999) proposed a definition: Corporate social responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their family as well as of the local community and society at large. Mallenbaker (2003) asserts that corporate social responsibility is about how companies manage the business process to produce an overall positive impact on society. Based on these definitions, it can be stated generally speaking that CSR is about business-stakeholders interface.

In order to promote the idea of corporate citizenship and socially responsible behavior, the European Commission (2001) proposes a framework; according to this approach, CSR has two dimensions which are:

- The internal dimension- within the company socially responsible practices primarily involve employees and relate to issues such as investing in human capital, health and safety, and managing change, while environmentally responsible practices relate mainly to the management of natural resources used in the production;
- The external dimension- CSR extends beyond the doors of the company into the local community and involves a wide range of stakeholders in addition to employees and shareholders such as...
business partners and suppliers, customers, public authorities and NGOs representing local communities, as well as the environment, protection of the human rights along the whole supply chain and global environmental concerns.

The former concerns socially responsible practices within the company while the latter extends beyond the company into the local community and beyond and involves in a wide range of external stakeholders. The internal dimension is seen to embrace the management of human resources, for example would include encouraging diversity within the work force; responsible recruitment practice, equal pay, and career prospects for women and providing environment that encourage lifelong learning. In similar way, the environment management impacts and natural resources has focused on reducing the consumption of resources, polluting emissions and waste. The external dimensions focused on the efforts of the company to provide products which customers want in efficient, ethical and environmentally responsible manner. Corporate social responsible is also seen to have a strong interest in human rights.

Similar with European Commission, Canadian Business for Social Responsibility (2003) argued that corporate social responsibility issues is crucial for business and provide practical corporate social responsibility initiatives for small business. The initiatives are likely to be of interest to personnel in larger firms as well: improving the environment, improving human resources management practices, promoting diversity and human rights, and helping community (CBCR, 2003).

Therefore, in order to respond in an adequate way to the pressures coming from the society of which companies form integral part, firms should pursue economic, social and environmental goals on the basis of a coordinated approach (Bertens, 2000). Companies should integrate social and environmental concerns into their business strategies, their management tools and their activities (Keralf, 1998). That means going beyond compliance and investing more into human, social and environmental capital.

A variety factors are cited as being important in building the current momentum behind corporate social responsibility. Earnest & Young (2002) suggests that five key drivers have influenced the increasing business focus on corporate social responsibility, namely greater stakeholder awareness of
corporate ethical, social end environmental behavior; direct stakeholder pressure; investor pressure; peer pressure and an increase sense of social responsibility.

The Green Paper identifies four factors, which lie behind the growing success of corporate social responsibility:

1. The new concerns and expectations of citizens, consumers, public authorities and investors in the context of globalization and large scale industrial change.
2. Social criteria, which are increasingly influencing the investment decisions of individuals and institutions both as consumers and as investors.
3. Increased concern about the damage caused by economic activity to the environment.
4. Transparency of business activities brought about by media and modern information and communication technologies.

Benefits of social responsibility commitment

The company social responsibility commitment has long term benefit. The company invests in developing environment-friendly products, society will reward it with positive benefit (Kotler, 2005). Research shows that consumers prefer to buy products from, and invest in shares of companies that look after the environment and behave like good corporate citizens (Kotler, 2005). Anderson (1999) maintains that the social responsibility of companies increases their visibility and places them in a more favorable position in the eyes of society in general, and keeps old customers and gains new ones, thus improving the viability of the trading system. Further more Soejiwan (2006) states that companies can establish a unique corporate image by contributing to the solution of social problems. That corporate image will be considered a rare, non substitutable and inimitable resource that will form the basis of competitive advantage in the market in terms of cost saving and differentiation (Kotler, 2005).

Pierce and Doh (2005) argued that there are five principles that are central to successful corporate social responsibility initiatives. The principles are:

1. Pursue a long term durable mission. Companies make the greatest social contribution when they can identify an important, long
standing policy challenge and participate in its solution over the long term.

2. Leverage core capabilities: Contribute “What We Do”. Companies maximize the benefits of their corporate contributions when they leverage core capabilities and contribute products and services that are based on expertise used in, or generated by, their normal operations. Such contributions create a mutually beneficial relationship between the partners; the social purpose initiatives receive the maximum gains, while the company minimizes cost and diversions.

3. Contribute specialized services to a large scale undertaking. Companies have the greatest social impact when they make specialized contributions to large scale cooperative efforts. Those that contribute to initiatives in which other private, public or nonprofit organizations are also active have an impact that goes beyond their limited contributions.

4. Obtain government support or minimize interference. Government support for corporate participation in corporate social responsibility or at least its willingness to remove barriers can have an important positive influence. Tax incentives, liability protection, and other forms of direct and indirect support for business help to foster business participation and contribute to success of corporate social responsibility.

5. Assemble and value the total package of benefits. Companies gain the greatest benefits from their social contributions when they put a price on the total benefit package. The valuation should include both the social contributions delivered and the reputations effects that solidify or enhance the company’s position among its constituencies. As Alsop (2004) states that positive reputation—by consumers, suppliers, employees, regulators, interest group and other stakeholders is driven by genuine commitment rather that episodic or sporadic interest.

When corporate social responsibility initiatives include most or all these elements, companies can indeed maximize the impact of their social contribution while advancing broader strategic goals (Pierce & Doh, 2005)

Small Business in and Corporate Social Responsibility in Indonesia
Indonesia values small business for several reasons. Viewed in statistic terms, the main argument is that small and medium scale sector, on average,
achieve decent levels of productivity especially of capital and all factors taken together (that is, total productivity) while also generating relatively large amounts of employment (Firdausy, 2000). Based on the survey conducted by BPS (2000) in 1999 small business sector employed 88.7% of Indonesian workforce, while medium scale business employed 10.7%. It means that small and medium scale firms employed 99.4% of Indonesian workforce.

<table>
<thead>
<tr>
<th></th>
<th>Small scale home industry</th>
<th>Small scale sector</th>
<th>Home industry and small scale sector</th>
<th>Medium and Large scale sector</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount of companies</td>
<td>2.610.69</td>
<td>241.169</td>
<td>2.851.86</td>
<td>22.386</td>
<td>2.874.248</td>
</tr>
<tr>
<td></td>
<td>90.8%</td>
<td>8.4%</td>
<td>99.2%</td>
<td>0.8%</td>
<td>100%</td>
</tr>
<tr>
<td>Employment</td>
<td>4.275.42</td>
<td>2.077.29</td>
<td>6.353.72</td>
<td>4.170.09</td>
<td>10.522.81</td>
</tr>
<tr>
<td></td>
<td>40.6%</td>
<td>19.7%</td>
<td>60.4%</td>
<td>39.6%</td>
<td>100%</td>
</tr>
<tr>
<td>Contribution to manufacturing value added</td>
<td>4.293</td>
<td>4.802</td>
<td>9.095</td>
<td>100.909</td>
<td>110.004</td>
</tr>
<tr>
<td></td>
<td>3.9%</td>
<td>4.4%</td>
<td>8.3%</td>
<td>91.7%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Sources: BPS 1999.

The reason of small scale sector growth according to Sumitro (2003) is that the firms has the ability to exploit market niches, to concentrate on activities not characterized by economies of scale, to serve particular markets not of commercial interest to larger firms and to produce goods not easily adopted to mass production technologies.

Regarding to corporate responsibility toward the stakeholders, the small business which usually managed by the family can be considered from two
perspectives. The first one associates the small business characteristics and behavior such as nepotism, putting the good of the family before that of company, lack of discipline about benefits and results, secretiveness, and difficulties in adapting to the market (Deniz & Suarez, 2005). All this may lead small business functioning badly in fulfilling the primary social responsibility (Mork & Young, 2003). The second perspective of small business social responsibility that associates with values like product quality, respect for, and protection of the employees, involvement with community, family sacrifice to support the companies financially, concern for reputation, respect for tradition and family values (Deniz & Suarez, 2005). These characteristics suggest that the small business behave according to a broad vision of corporate social responsibility in term of our discussion above.

Regarding corporate social responsibility, previously the research on corporate social responsibility focused on large scale sector only small number of research study in small and medium scale sector. The reasons underlying the limited research are; (1) small business are perceived by the public and the owner-managers to lack sufficient resources for implementing social responsibility agenda; (2) research methodologies are created for large scale corporations are not readily adaptable to small business; (3) information is more available and accessible on firm performance and social activities in publicly traded large scale corporations; and (4) large corporations have greater public visibility which generates more interest in theories and research about their corporate social responsibility (Kenner & Smith, 1991). But the recognition of the growing significance of the small business sector and their irreplaceable role in local communities (European Commission, 2001) has led to an emphasis on their social and environmental impact.

Methodology

The primary objective of the survey was to gather descriptive data and information on the Corporate Social Responsibility awareness and attitude to it shown by small business in Bandung (West Java). More specifically, the work aimed to focus the following topics:

1. the attention paid by companies to Corporate Social Responsibility issues;
2. the social activity promoted by companies within Corporate Social Responsibility;

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3. difficulties and obstacles in implementing Corporate Social Responsibility;
4. the factor which could lead to greater attention to the issue

The approach taken to investigate these aspects was to select a sample of what might be thought as small scale companies. The sample was chosen randomly.

To conduct a survey a structured questionnaire was formulated, based on the current literature (Canadian Business for Social Responsibility 2003, European Commission, 2001). This questionnaire was made up of two parts:

1. A group of four questions on company data (e.g. number of employees, sector, years of operation, generation of owner).
2. Twenty closed-ended questions regarding CSR activities.

Fifty questionnaires were sent to small business companies and 46 completed questionnaires were returned.

Key findings

Demographic characteristics of the sample
All of the respondents, the companies are solely owned forms. In relation to the age of the companies, 40% of the sample was less than 10 years old. In other words, the majorities of the companies have got through the early years and have managed to establish themselves in the corresponding market.

Corporate Social Responsibility Initiatives
Generally speaking, companies attention to corporate social responsibility issues and adoption of social responsible behavior seem quite high especially involved in increasing quality of life of local community. On the other hand, these companies are not heavily engaged in environmentally responsible business practice.

The result of the survey concerning the dimensions of corporate social responsibility is:
1. Respect for Business Ethics

Respect for business ethics is a significant indicator of company commitment toward corporate social responsibility. Most of the companies accepted that they should respect the business ethics and operate based on this ethics. However, they were not really agreed on transparency of the business (46%). This condition can be understood, because they are family business in and as mention before small business behavior frequently managed on closed management and nepotism.

<table>
<thead>
<tr>
<th>Item</th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base on code of ethic</td>
<td>24</td>
<td>48</td>
<td>15</td>
<td>43</td>
<td>0</td>
</tr>
<tr>
<td>Respect Business Ethic</td>
<td>57</td>
<td>13</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Transparency</td>
<td>15</td>
<td>41</td>
<td>17</td>
<td>26</td>
<td>0</td>
</tr>
<tr>
<td>Supplier Evaluation</td>
<td>20</td>
<td>28</td>
<td>52</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>
2. Human Resource Practice and Human Right

The 60% of the companies treat their employees well. They showed their commitment in a variety of ways such as remuneration, training, equality, safety in workplace. Having loyal and long term employees seems to be a requisite for any successful company. Most of the companies are committed to recruiting the local community as their employees or business partners so that they can improve their quality of life (78%). Majority of the companies 89% respect the human rights. On the other hand, only 44% of the companies show their commitment in compensation. This result shows inconsistency between what they claimed and the reality.

### Table:

<table>
<thead>
<tr>
<th>Item</th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provide continuous training</td>
<td>33</td>
<td>30</td>
<td>30</td>
<td>7</td>
<td>0</td>
</tr>
<tr>
<td>Equal opportunity</td>
<td>50</td>
<td>24</td>
<td>11</td>
<td>15</td>
<td>0</td>
</tr>
<tr>
<td>Work safety</td>
<td>52</td>
<td>33</td>
<td>15</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>No discrimination</td>
<td>37</td>
<td>35</td>
<td>28</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Wage rate as regulated</td>
<td>20</td>
<td>24</td>
<td>57</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Increase quality of life</td>
<td>33</td>
<td>35</td>
<td>24</td>
<td>9</td>
<td>0</td>
</tr>
<tr>
<td>Respect for Human Rights</td>
<td>43</td>
<td>46</td>
<td>9</td>
<td>2</td>
<td>0</td>
</tr>
</tbody>
</table>

3. Community Involvement

In terms of community involvement, it is found that the respondents mostly active in community initiative namely encouraging employees to
be involve in social activities and give donation (96%). The company provides an opportunity for the company and its employees to participate in and often facilitate a range of local activities. The company also engaged in social activity (85%) and charitable work with local community (78%). The companies seem to be aware that they are integral to the society.

<table>
<thead>
<tr>
<th>Item</th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community Involvement</td>
<td>65</td>
<td>13</td>
<td>9</td>
<td>13</td>
<td>0</td>
</tr>
<tr>
<td>Social activity</td>
<td>39</td>
<td>46</td>
<td>9</td>
<td>7</td>
<td>0</td>
</tr>
<tr>
<td>Donation</td>
<td>50</td>
<td>46</td>
<td>2</td>
<td>-2</td>
<td>0</td>
</tr>
<tr>
<td>Encouraging Employee involvement</td>
<td>50</td>
<td>46</td>
<td>2</td>
<td>2</td>
<td>0</td>
</tr>
</tbody>
</table>

4. Environment

Despite the importance of the environmental issues, small business were not put the issues on top priority though they try to behave environmentally friendly such as reducing the pollution, and recycling. 79% of the respondent claimed that they did some activities in pollution prevention as the regulation require. Only 25% of the companies provide training for the employee participation in sustainable development.
The findings of this study show that small business beginning to move toward corporate social activities. Majority of the companies believe that their involvement in corporate social responsibility will increase in the future due to the change in business environment (tougher government control, community and media pressure).

All the companies stated that they could not have implemented corporate social responsibility any sooner for a number of difference reasons including: the lack of financial resources, the time it took to learn about corporate social responsibility, and the lack of consumer interest. If consumers are not demanding that the company address its social and environmental impacts, there is little impetus for them to do so.

Conclusions

In conclusion, the survey has provided very interesting information. In general, small business showed a positive attitude toward corporate social responsibility. Despite an unclear definition of corporate social responsibility, companies seem to be engaged in socially responsible activities in various ways: involve in social issues, donation, and human resource management which promote equality, respecting human rights and increasing quality of life. How ever the implementation of corporate social responsibility in small business still inadequate. This suggests the need for government and other stakeholders to develop and implement policies that
encourage more involvement of the companies in corporate social responsibility activities.

Awareness of social responsibility initiative should be increased by focusing on low cost corporate social responsibility initiatives. One resounding theme among small business is the lack of resources available for corporate social responsible activities, most notably time and money. They need tools and resources that are quick to implement, easy to use and flexible in form and function (CBR, 2003).

References

Firdausy, 1999, Prospek Bisnis UKM dalam Era Perdagangan Bebas dan Otonomi Daerah, 1999
Pierce & Doh (2005), The High Impact of Collaborative Social Initiatives, MIT Sloan Management Review

