

Ujan, Andre Ata

Article

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Cogent Business & Management

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Suggested Citation: Ujan, Andre Ata (2019) : CSR symbolic potential and business sustainability, Cogent Business & Management, ISSN 2331-1975, Taylor & Francis, Abingdon, Vol. 6, pp. 1-12, <https://doi.org/10.1080/23311975.2019.1699299>

This Version is available at:

<https://hdl.handle.net/10419/244767>

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To cite this article: Andre Ata Ujan | (2019) CSR symbolic potential and business sustainability, Cogent Business & Management, 6:1, 1699299, DOI: [10.1080/23311975.2019.1699299](https://doi.org/10.1080/23311975.2019.1699299)

To link to this article: <https://doi.org/10.1080/23311975.2019.1699299>



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Received: 11 November 2019
Accepted: 22 November 2019
First Published : 30 November 2019

*Corresponding author: Andre Ata Ujan, Fakultas Ekonomi dan Bisnis, Universitas Katolik Indonesia ATMA JAYA, Jakarta, Indonesia
E-mail: andreujan@yahoo.com

Reviewing editor:
Collins G. Ntim, Accounting,
University of Southampton,
Southampton, UK

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ACCOUNTING, CORPORATE GOVERNANCE & BUSINESS ETHICS | REVIEW ARTICLE

CSR symbolic potential and business sustainability

Andre Ata Ujan^{1*}

Abstract: This essay is an ethical reflection on the idea of corporate social responsibility (CSR) focusing on emphasizing its strategic position as the symbolic potential of business. As such, CSR is the reflection of business moral commitment to providing meaningful social activities, on the one hand, and, at the same time, intensifying ethical climate and ensuring long-lasting sustainability of the company. Three conditions are required to get realized such commitment: (i) the necessity of ensuring the quality of CSR programs; this can be satisfied by the Subject-Subject approach in the process of designing and performing CSR programs. (ii) Putting special concern on the long-lasting impacts of CSR programs on the community welfare. Blending community empowerment in every CSR programs would help realize better the concern. And, (iii) the necessity of the presence of ethical leadership in business. This would help institutionalize ethical values and hence preserve the sustainability of CSR as the symbolic potential of business. This will in turn help support further business sustainability.

Subjects: Economics; Political Economy; Business, Management and Accounting; Philosophy

Keywords: symbolic potential; ethical climate; the subject-subject approach; communicative action; long-lasting impacts; ethical leadership



Andre Ata Ujan

ABOUT THE AUTHOR

Andre Ata Ujan is a full-time lecturer at Faculty of Economics and Business, Universitas Katolik Indonesia ATMA JAYA, Jakarta—Indonesia. He delivers business ethics course for undergraduate and graduate students of the university. He holds Bachelor degree from Universitas Indonesia, Jakarta, Indonesia and M.A. & Ph.D. degree in Philosophy from Ateneo de Manila University, Manila, Philippines.

His research and publications focus on philosophical issues in economy and business ethics. He has published books and articles in the field of philosophy and ethics, including popular opinions appeared in prominent national News Papers and Magazines. He also quite frequently participates in national and international academic fora discussing philosophical and ethical issues in modern societies.

PUBLIC INTEREST STATEMENT

Business failures due to unethical behavior have been so shocking and even provoking global economic crisis. Endeavors to restate the importance of moral values in business is therefore valuable to do.

This paper is an ethical reflection on CSR symbolic potential and its contribution to business sustainability. It aims at emphasizing the power of CSR to benefit not only the society at large but also the business as the policy maker of CSR. To be more specific, all the arguments are developed to support the thesis stating that the better the quality and impacts of CSR on human well-being, the more meaningful it is for both the society and the business. In this sense, CSR must be seen first of all as a moral duty rather than a legal one. It must, therefore, be performed voluntarily and responsibly in order to preserve the mutual benefit it could carry out for the respective parties involved.

1. Introduction

Enron scandal might be one of the most appealing business scandals. Manipulative financial report committed to hide company's bad performance, on the one hand, and attracted new investment, on the other, had per force led the company to bankruptcy. Thousands of employees lost their jobs; pension holders lost their right to enjoy a better life and investors suffered too for billions of dollars of share value were suddenly disappeared (McPhail & Walters, 2009, p. 19). Lehman Brothers' failure to manage internal issue of inter-unit relationship within the company and to encourage proper implementation of financial risk management particularly regarding subprime mortgage policy, eventually throw the company in collapse in 15 September 2008. The company's name was then erased and eliminated from the list of New York Stock Exchange. The collapse of Lehman Brothers had caused global monetary crisis and increased the number of jobless.

Those failures demonstrate how powerful the "iron rule of responsibility" is. Failure to take due care of being responsible for all stakeholders' interests would lead companies to serious difficulties. It reminds companies to leave behind brute capitalist mindset and be open-minded to take seriously the interests of all parties for their interests potentially affect companies' performance.

Corporate governance has then become the crucial issue in business. It is considered "an important step in building market confidence and to encourage long-term investment flows". Its implementation in modern business is recognized as "a way to improve economic dynamism, thereby improving overall economic performance" (Pientea, 2015, p. 92). Hence, commitment and consistency in implementing good corporate governance will increase shareholders value. Learning from the aforementioned bad practices in doing business, it is quite reasonable to assert that rule-based corporate governance is no longer sufficient to support good and long-lasting business. It is good corporate governance that keeps business sustaining in the long run. Good corporate governance as a system in essence expands beyond rule-based governance to embrace and fulfill moral demands in doing business. It requires not only legal but also moral justification. Enron and Lehman Brothers scandals demonstrate that it is not the lack of managerial skill and expertise but rather moral deficiency of the leaders that had led them to bankruptcy. The question then is what is the most viable way to develop and nurture ethical behavior in business? Or, what is the condition needed to encourage ethical sensitivity to flourish in business?

To address the questions, CSR and its symbolic potential can be considered the viable way to inculcate ethical behavior and to develop ethical climate in business. The core thesis to defend in this essay is that in order to be meaningful for both the society and the company, CSR must be excellent in quality and long-lasting in sustainability. Therefore, endeavor to amplify the significance of CSR is indispensable in order to pave the way for both the society and the company to, respectively, harvest as much benefit as possible from CSR.

To explore deeper the significance of CSR, all the discussion in this essay will begin with a short elaboration that helps highlight the basic concept of CSR. This will be the starting point from which the essence of CSR as the symbolic potential of business is lifted up to the surface. Realizing the significance of CSR as the symbolic potential of business, the challenge of how to maintain the significance of CSR is unavoidable to response to in a way that reliable enough to enhance long-lasting contribution of CSR to both the community and the company. In the same line of argument, strengthening and increasing CSR symbolic potential in business is necessary to do. At this point, the presence of ethical leadership in shaping and building up ethical behavior in business is too important to be neglected.

2. Corporate governance and corporate social responsibility

Taking corporate governance simply as a mechanistic managerial means by which shareholders ensure their own interest is no longer relevant to maintain (see Shleifer & Vishny, 1986, p. 461–488). Obedience and compliance with the rules is plausible but not sufficient to build up a viable corporate culture, particularly, corporate ethical climate. Rules by nature are external forces and as such their effectiveness depends very much on continuous and consistent law enforcement carried

out by the authority. It even must be recognized that there are no perfect and fully anticipative rules; so is the rule of law. Meanwhile, business and all the complexities it has to face up are continuously growing up even so rapidly that no rule, both company's internal rules and the rule of law, can effectively response to. In such condition, there must be a gap in corporate governance mechanism that systemically allows the possibility of stepping beyond economic and legal fences to embrace moral imperatives.

Business' failures due to the ethical scandals in doing business are the undeniable evidence of how powerful or even authoritative the "iron rule of responsibility" is in dealing with business. Taking it positively, that rule in essence reminds business people of how important the moral values are in doing business. Such reminder becomes so important to note because driven by *homo economicus* mindset and guided only by economic rationality, a businessman might be "concerned only with his own needs, and is interested in the maximization of his self-interest" (Grochmal & Nisar, 2015, p. 2). To put it stronger, a business man can be so colonized by economic value, and hence presumptuously comes to the decision to take profit maximization to be the only goal of his or her business life. This decision however would be too risky, even costly to take. It can drive business to slip and get caught up in unethical behavior with the corollary that business will be forced to submit to penalties, including bankruptcy.

The concept of corporate governance, therefore, must be redefined. A more appropriate definition is provided by Cadbury Committee (1992), stating that corporate governance is in essence "the control and direction of company". By such definition, the Committee broadens the essential goal of business. Corporate governance serves not only as a tool of control but rather, and this is the most essential goal of corporate governance, as a compass of business. It directs business to an ideal to be reached. Steen Thomsen agreed with Cadbury Committee as he integrated CSR in corporate governances and stated: "... corporate social responsibility is a way to characterize corporate values and/or corporate behavior, while corporate governance is concerned with the institutional conditions for these values" (Steen Thomsen (2006: 40)). Good corporate governance therefore is not simply a mechanistic managerial system. It is but a moral-laden managerial system which is designed to ensure the interest of all concerned parties. Good corporate governance is therefore characterized by the harmonious integration of ethics in all the business process.

Tuan (2012, p. 549) reemphasized the same idea as he stated: "... the principles of good corporate governance focus on the demands of relationships of all stakeholders from a stance of absolute regard of ethics of care". Two points are worth noting: first, the idea of good corporate governance in essence incorporates company's social responsibility to *all the stakeholders*; and, second, corporate governance is good corporate governance only if it is built up and grounded on *absolute regard of ethics of care*. Such emphasis is worth noting since conventional business, by and large, has been so colonized by the culture of the "tyranny of Or"; it is a business mindset that gives priority to economic value in such a way that likely to overlooks the centrality of ethics in business. Ethics tends to be seen as the stumbling block to business. Hence, it must be eliminated for business is one thing, ethics another (Stephen Young, 2003, p. 5–8).

It must be honestly acknowledged that the *tyranny of OR* mindset is still prevalent in business practices. Stimulated by endless motive of profit maximization and strictly challenged by global economic competition, unethical behaviors seem hard to be avoided in doing business. However, it must be acknowledged as well that there is a growing concern on ethics among businessmen. Being challenged by business complexity and learning from bad practices that had expelled even big businesses to bankruptcy, modern business people nowadays have become more aware of the pivotal position of moral values in business. Applying moral values in business process, particularly in the form of CSR, is even believed to bring with it positive impacts not only on the society but also on the business itself. Referring to several previous researches, Mahjoub emphasized: "... organizations that are not concerned with the requirements and prospects of their stakeholders will be less competitive in relation to those who are concerned". This requires "organizations to include

social, environmental, corporate governance, and stakeholders' concerns in their policies in order to remain competitive. In general, the current operating environment is different from the old one, which is why it is referred to as the new economy" (Mhajoub, 2019, p. 3).

Philanthropic policies taken by many big and successful businesses to help eradicate social inequality in developing countries indicate the rise of such awareness. Philanthropic activities performed by Gate Foundation, USA, in collaboration with Tahir Foundation, Indonesia, for instance, are worth mentioned as the good evidence of business ethical behavior. Both Gate Foundation and Tahir Foundation agreed to invest \$150 million in the Global Fund to fight AIDS, tuberculosis and malaria and to expand access to Family Planning in Indonesia. Press Conference released by Media Center of Gate Foundation (Jakarta, October 2013) confirmed the agreement. Thus instead of the *tyranny of OR*, modern businesses nowadays have voluntarily embraced the *genius of AND* in doing business. Only in harmony between *business AND ethics* can the long-term business success be sustained. A paradigmatic shift from self-interest to enlightened self-interest is therefore necessary to strive for (Amartya Sen, 2001).

Shareholder management approach is therefore no longer relevant to maintain for it overlooks the importance of CSR in doing business. CSR must be seen as an integral part of good corporate governance. Lima Crisóstomo, de Souza Freire, and de Vasconcellos (2011), emphasized that relationship as he stated that CSR is actually associated to various relations between the corporation and its various stakeholders such as investors, managers, employees, customers, society at large, government, and even the environment. The Commission of the European Communities (CEC), take the idea of CSR as "A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis" (Dahlsrud, 2008, p. 7).

The elaboration about CSR and its relationship with good corporate governance so far signals and even encourages a need for a more comprehensive understanding of CSR. Taking CSR simply as social activities as it is usually understood is not adequate enough to represent the value-laden nature of CSR. It does not really unmask all the potentials embodied by CSR. At this point, taking CSR as the business symbolic potential can help to understand better the complex messages and values embodied by CSR.

3. CSR as the symbolic potential of business

The previous discussion beckons to see CSR not simply as a label that encapsulates various forms of business social activities but rather as a strategic policy that essentially presents the symbolic potential of business. A symbol in nature is the presentation of what is symbolized. So is CSR. It conveys meaningful messages about the company including the professionals who dedicate their competencies and capacities to control and to direct the business. Through CSR the company opens its door for multi-perceptions and interpretations about itself.

CSR is therefore the "sign" or the "symbol" by which the company as the "signed" or the "symbolized" to a certain extent is unmasked and be open to the public. Being a sign or a symbol, CSR in itself embodies self-disclosure potential of the company. CSR serves as the messenger whose job is to send messages to the public about the company. CSR is but a "symbolically mediated interaction" between society and the company (Jurgen Habermas, 1989: 8). It can even be seen as the "purposive-rational action" by which the company attempts to put itself on display (Alan How, 1995, p. 14).

At the heart of CSR as the symbolic potential of the company are three main messages to notes. *First*, CSR serves to demonstrate company's financial performance and as such indirectly displays its special position within and even tacitly demonstrates its superiority over the society or the community it serves. CSR is not a profit-oriented activity; it is rather a cost-consumed activity. It even requires special budget allocation in order to be successfully realized. Hence, only companies

with good financial performance can take and integrate CSR in the company corporate governance. In short, only companies that consider CSR as the strategic instrument for the company are likely to bear the cost necessary to undertake CSR.

Second, being the symbolic potential of the company CSR also exhibits the company's commitment to infusing ethical behavior and developing ethical climate in doing business. Social activities, thus, to a certain extent, display the development of company's moral conscience. Preserving ethical behavior in business even becomes the justification of true professionalism in managing and directing business. Professional mellowness in doing business is now taking place in the form of pairing up business and ethics and as such eliminates the culture of the *tyranny of OR* in doing business. The culture of the *Genius of AND* then comes to replace the *tyranny of OR* and being the basic culture of all professional businesses.

Third, business as an organization is a legal subject. Just like humans, business bears legal status of citizenship (Carroll & Bucholtz, 2009). Its existence is made possible and protected by the rule of law of the country within which it exists and operates. So, just like all citizens of particular country, business is subject to legal obligations. Being the "citizen" of particular country, business' rights and properties are legally protected and ensured by the rule of law of the country. Even local government, through social capital it has developed—roads, high ways, electricity, airports, sea-ports, and many other social facilities—can help facilitate business success. So, it is legally and even morally justified that business has to assume legal and moral responsibilities to the society or the country. "Reporting on the social and environmental issues of firms", for example, "is so important to the survival of firms that they are now seen as de facto laws for business" (Mawuena Akosua Cudjoe, et al., 2019, p. 6). CSR to a certain extent, therefore, is but the manifestation of business' legal and moral obligation due to the citizenship position it has in society. Compensatory justice requires business to assume and meet its legal and moral obligations to the country in return for all the social capital it has enjoyed.

Whatever the silent motives behind business social activities, the fact that those activities are cost-consumed in nature seems unarguable. The company has to allocate special budget to finance all the social programs and hence in effect inevitably reduces the profit margin of the company. However, it must not be exaggerating to restate that economic superiority and ethical commitment exhibited by the company have the power on their own to attract and invite more potential investors and young talents to come in and join with the company. Such power can even drive local government to support and provide special incentives which are necessarily needed to boost up business performance and, hence, preserve its long-run success and sustainability.

The problem is that being the symbol of the company, CSR is open to be perceived differently by different observers. The plurality, in terms of society and social interests is at the background of the way the society responds to such message. Accordingly, the plurality of perceptions concerning the essence of CSR is hard to avoid. To some observers, it might be easy to see CSR as the symbol that articulates the company's ethical values. CSR therefore can be considered the true and effective way by which the company shares its good will and voluntary engagement to address social problems. Thus, ethical disclosure is, therefore, believed to have power on its own to share good news about the company and in turn will reward the company with good reputation.

However, on the contrary, CSR can be responded to with cynicism. CSR can be seen as a tricky policy by which the company attempts to hide the bad practices or to camouflage negative externalities it has carried out. CSR can even be scornfully considered a way which is intentionally designed to demonstrate the company's superiority over the society. No surprise to think to such a direction. One of many criticisms launched against business is that business tends to be abusive due to the powerful position it has over the society. Business is accused of taking advantage of its economic superiority to win its own interest at the expense of social interest. The problems of deforestation, air pollution, waste water, and biosphere destruction in general are some of the

negative impacts of business process the cost of which must be shouldered by the community. The question is then—Is it possible to put private interest in harmony with public interest? To be more specific: Could the gap of perceptions be bridged in a way that helps eliminate or, at least, minimize negative perceptions about CSR and the company it symbolizes?

4. Amplifying the symbolic potential of CSR

It must be recognized that differences in perception about CSR coming up to the surface between society and business are not impossible to occur. Such differences are reasonable to arise since society or the public in general and the company or business, to a certain extent, respectively, exists in different life-world. Generally, business in nature is developed primarily within transactional life-world, that is, a life-world that gives special priority to economic value. Meanwhile society in general is living in and shaped by social-oriented life-world in which cultural and moral values are considered pivotal in social relationship. Different life-world would lead different people to different perception of the same object (Jurgen Habermas, Volume Two,, 1989, p. 3–17). Thus, to some, CSR is nothing but tricky social activities designed to preserve and maintain the company's self-interest rather than intentionally organized to serve the society in the true sense. This is quite reasonable since “The ‘identity’ of a meaning cannot be the same as the identity of an object [author: CSR] that can be identified by different observers as the same object under different description” (Jurgen Habermas, Volume Two 1989, p. 17). In this context, Habermas’ idea of the so-called “purposive-rational action” and “communicative action” can help to understand the diversity of perceptions of CSR, on the one hand, and to develop genuine efforts aiming at reaching mutually-agreed meaning of CSR, on the other. *Purposive-rational action* operates under the guidance of the principle of effectiveness. It is a technical reason that focuses on the way of how to successfully achieve a goal. Hence, *subject-object* approach in addressing problems is preferable. Meanwhile *the communicative action* is *subject-subject* approach and as such presumes equality as the guiding principle in organizing and addressing problems. The problem is that under the demands of the modern (capitalist) social system, the important difference between *purposive-rational action* and *communicative action* is unidentified. These two forms of social action are unidentified due to the different life-worlds that each party, respectively, lives in (Alan How, 1995, p. 15).

This simply reveals that the meaning and hence the significance of CSR is not given or pre-determined. It is not the company as the designer of social activities but the society as the receiver of the message that determines the meaning and the significance of CSR. And since society by nature is pluralistic, so are the perceptions spread within the society, then the meaning embodied by CSR must be pluralistic as well. Borrowing from Habermas, we can say: “The ‘identity’ of a meaning cannot be the same as the identity of an object [author: CSR] that can be identified by different observers as the same object under different description” (Jurgen Habermas, Volume Two, 1989, p. 17). In other words, the plurality of life-world has made relatively impossible to come to mutually agreed meaning of the object. To be more accurate, objective knowledge and meaning of the same object, c.q. CSR, is hard to achieve chiefly due to the unavoidable fact that society by nature is pluralistic.

All the elaboration presented so far in essence challenges companies to address the problem of how to develop and perform their social activities in such a fashion that those activities may flourish and fructify in results the benefits of which are mutually recognized by all parties involved. Thus, modern business is now challenged with the question of how to come to a mutually-recognized acceptability of the meaning and the significance of CSR. This question leads to the necessity to amplify the power of CSR as the symbolic potential of business so that its meaning can be mutually identified and recognized by all parties concerned. Three possible approaches can be proposed to address the challenge: first, the importance of developing and applying *subject-subject* approach in designing and organizing CSR; and, second, the necessity of CSR's sustainable impacts on social welfare. Above all, the third approach, the centrality of ethical leadership in doing business is considerable to note due to its contribution to nurturing ethical behavior and as such expected to keep CSR sustainable and meaningful for both the company and the society as a whole.

4.1. The “subject-subject” approach

The acceptability of CSR or company’s social activities depends very much on how much such activities are in fact really effective to solve real social problems. In other words, social activities must be found meaningful not only for the company as the organizer but also, and first of all, for the society to whom such activities are dedicated. This emphasis is important to be considered since CSR is a policy which is in nature designed to demonstrate the company’s social involvement. However, how meaningful those activities are for the community or the society depends, first and foremost, on public independent perception of the activities. Communities are the ones who know better the needs and expectations they have. Hence, the significance of the activities depends on their effectiveness in addressing communities’ real problems.

To be able to come to agreed-meaningfulness of the programs, a shift from *purposive rationality* to *communicative action* approach in the process of designing and performing the programs is necessary to do (Jurge Habermas, Volume Two, 1989, p. 113). Through *communicative action* approach, inter-subjectivity and, hence, self-preservation of respective parties are maintained. Communicative action approach would be the most appropriate approach to apply in the process of negotiation between the company and the community for it presumes open mindedness and true respect for each other of all parties involved. Only within such condition, can fair discussions about the programs take place. Accordingly, only within such condition can agreed-meaningfulness of the programs be achieved. In other words, through a fair process of “take and give” or fair exchange of the ideas, both the company and the community can eventually find suitable programs and, hence, potentially meaningful for both parties.

4.2. Sustainable and long-lasting impacts

A lot of CSR programs have been planned and performed but their real impacts on communities’ welfare may be still questionable. Various factors can be pointed out to explain the problem. The quality of the programs and their suitability to social real needs and expectations may be the reason that contributes to the problem to emerge. If at the center of the problem is the issue of the quality and suitability of the programs, then the application of *communicative action* approach in the process of designing and defining the programs can help, at least, lessen the probability of the problem to take place. However, there might be neither the quality nor the suitability of the programs that drive and lead the programs to fail.

In many countries CSR is a legal policy. It is a legal duty to be done since it is legally mandated by the law of the country within which the company exists and operates. In Indonesia, for example, companies’ duty to perform CSR is mandated by Indonesian Law No. 40 of 2007, concerning Limited Liability Companies, Article 74 paragraph (4). It stipulates that companies of certain size as it is defined by the Law are legally duty bound to carry out CSR. Failing to satisfy such legal mandate will force the companies to be subject to legal sanctions.

Confining duties to legal framework of thinking, however, is morally problematic. It will encourage legalistic mindset; that is, a moral minimalism that potentially obstructs voluntary initiatives to grow. Even if initiatives are shown in reality it will remain limited by legal fences. CSR therefore must not be confined to and imprisoned within legal boundaries. The realization of CSR requires moral courage to go beyond legal fences in order to optimize the positive social impacts it could carry out on the society. The corollary, kick-and-run behavior or short-term impact orientation in performing CSR is morally inappropriate and hence must be avoided. Minimalistic and legalistic attitude in performing CSR is by essence contradictory to moral responsibility. Under the veil of moral minimalism, the quality and the meaningfulness of social activities can be easily left behind. The contribution of CSR to seriously overcoming social problems is then, at least, questionable.

To control the quality of CSR and hence intensify its meaningfulness for the society, the policy to conduct social activities must be focused on its long run impacts on social welfare. At this point, community empowerment approach is valuable to adopt. CSR programs can be designed to

directly address real social problems but at the same time applied to build up skills and instill self-help mindset of the community it serves. Instead of providing fish, it is much better to equip the community with hooks in terms of both material and non-material. Such approach would help enhance the quality and the long-lasting impacts of the programs. In other words, CSR programs must be defined and designed in a way that the positive impacts carried out by the programs on social welfare are sustainable and long-lasting. The more sustainable and long-lasting the impacts of CSR are on enhancing social welfare, the more meaningful it would be not only for the community it serves but also for the company. The quality and long-lasting impacts of CSR programs will in turn reward the company with good reputation, a social capital that potentially helps to maintain business log-run sustainability.

It would be clear now that the perceived service quality and the long-lasting impacts of company's social engagement, which is fully supported by community active involvement, are the primary indicators of the meaningfulness of CSR (Waseem Bahadur, et al., 2018, p. 3–11). Being aware of the strategic position of CSR for both the community and the company, the existence of CSR as the business moral movement must be intentionally maintained and nurtured. But, is there a road which is quite conducive to that goal?

5. Nurturing ethical climate: the necessity of ethical leadership

Since CSR is a moral movement, creating ethical climate in the company is necessary to do. For some, building up ethical climate in business might be a too ambitious goal to reach. They may argue that the tyranny of “OR” would work to prevent ethical climate from taking place in the company. That position however is not reasonable enough to support. That argument might be reasonable only if humans by nature have no capacity to adapt and to change. In his work *Political Liberalism*, John Rawls, American Philosopher, ascertained that humans by nature have the capacity for the conception of the good and the capacity for having a sense of justice. In other words, humans by nature are moral beings (Rawls, 1996, p. 30–35). Rawls took that position to defend freedom and equality in political context. That idea however is not exclusively true in political sphere. Since those capacities by character are natural, it must be relevant as well to apply in any dimension of human life, including economic dimension.

Thus, since every human, naturally, has some capacity for acting ethically, integrating ethics in the whole process of business decision-making and in business behavior in general is not absolutely hard to be realized. Adam Smith (1937), as cited by Young, must be right as he argued that “... humans are distinct species due to a capacity for moral awareness”. Tao Zhu Gong, well known for his contribution to introducing the “twelve axioms for success in business”, restated the same idea as he believed that “living by principles can make difference in your life” (Stephen Young, 2003, p. 10). That is to say that people can't live a meaningful life without moral sensitivity. That is also to emphasize that moral quality, including moral quality in business, first of all is not a matter of cognitive mastery but rather the true commitment to living good life. At this point, the presence of ethical leadership in business is indispensable.

To preserve CSR as the company's symbolic potential, particularly, in terms of business ethical commitment, ethical leadership in business is necessary to be nurtured. It is widely recognized that the power of the leader to make decisions regarding the structure, strategies, and policies is effective to shape the organization (Suck Bong Choi, et al., 2015). Although not absolutely supported, it is extensively agreeable that “... leader's contribution, although not always tangible, is often significant in providing a vision and direction for followers ...” Hence, it is reasonable to believe that leader and leadership is an important matter in organization (Afsaneh Nahavandi, 1997, p. 15–16). Realizing the determinant role that a leader can play in organization, good leadership necessitates not only managerial knowledge and skill but also ethical capacity to be met by every leader.

Ethical leadership reflects a leader's behavior who leads primarily not by words but rather by example. It is the type of a leader who has consciously instilled and internalized moral principles in him/her daily live and in his/her relationship with others. Lawrence Kohlberg's idea of moral development can help to understand better the relationship between ethical leadership and ethical climate in business.

Kohlberg identified three levels of moral development: (I) Pre-Conventional level; (II) Conventional level; and, (III), the highest, is Post-Conventional level (Lawrence Kohlberg, 1984; O.C. Ferrell & Gareth Gardiner, 1991: 99-110) . To make it simple, the first level, the *Pre-conventional level*, presents self-centered morality with punishment and rewards as the motive of making decisions and taking actions. A person of pre-conventional morality takes his or her self-interest, in the narrow sense, to be the standard for his or her decisions and actions. Avoiding punishment and seeking for rewards is the basic moral behavior that characterizes his or her daily relationship with others.

The second level is *Conventional level*. This level of moral development is characterized by moral conformism. A person of this type of morality endeavors to be a good person in his or her daily social relationship. It is the morality of the person whose way of behaving is predominantly determined by deep passion for social recognition and acceptance. At this level, subject starts being aware of paying attention to others. Compliance with the rule of law and all the social norms is the strategy he or she takes to get recognized and accepted by society. He or she starts taking into account the interest of others but it is done simply for the sake of getting socially recognized and accepted. Legalistic morality is the major ethical behavior displayed by the persons of the conventional moral development.

The third level, *Post-Conventional level*, is the highest level of moral development. A person of this level of morality is the one who consistently lives and acts by principles. A person of this type of moral development believes that, following Tao Zu Gong, living by principles can make a difference in his or her life. He or she is open to listening to others but at the same realizes that he or she remains autonomous in making decisions and taking actions. This kind of person can never follow or obey what is even mandated by society or community within which he or she is living unless he or she by him/herself finds good and sufficient reason(s) for acting accordingly. Being a rational person, he or she knows that he or she is morally responsible for whatever the consequences of the decision he or she has independently taken.

Applying Kohlberg's idea of moral development in business, Ferrell and Gardiner identified three types of management: (1) *Nice Guy-Management*; (2) *Tough-Guy Management*; and (3) *Tough-Minded Management* (Ferrell & Gardiner, 1991, p. 99-114). First, *Nice-Guy Management* is the type of management of the *Level II* of moral development. It is adopted by managers who prefer to appear pleasant in front of employees. The manager of this type of moral development always attempts to be *nice boy-nice girl* in front of employees. All he or she does simply because he or she is afraid of conflict and the possibility of being disliked by employees. Avoidance and aversion is the strategy implemented in dealing with problems. Employees, however, find this type of management and manager as totally ineffective and resulting in lack of respect from them. It leads to chaos and even encourages everyone to take advantage of this situation for each own interest.

Second, *Tough-Guy Management* is the type of management wherein authority is taken to be the most effective approach in dealing with problems. This type of management is adopted and developed by managers of the *level I* of moral development. Punishment or threat is the powerful managerial instrument taken by managers of this type of management to secure and preserve their own position and interest. Driven primarily by the power of fear, this type of management can be effective in the short run but highly ineffective in the long run. Applying punishment and threats in dealing with problems and employees even potentially turn out to result in chaos because under such condition employees are likely to feel uncomfortable and, therefore, choose to quit.

Third, *Tough-Minded Management* lies between the two extremes, between *Nice-Guy Management* and *Tough-Guy Management*. It indicates the type of managers of the *Level III* of moral development. This is the type of the manager who is, borrowing from Stephen Young, “first and foremost an honest realist: He or she realizes that, with a few exceptions, problems will not go away, and indeed normally get worse if they are not dealt with quickly and effectively” (Young, 1995, p. 104). This type of manager really cares about his/her employees and the problems they are facing up and tries his/her best in turn to solve the problems as quickly as possible. He or she believes that keeping the problems unsolved would be destructive for both employees and the company. Contract-based approach in dealing with problems and employees is very much appreciated; but, the manager of this type is primarily driven by ethical principles in dealing with problems. He or she gives strong priority to moral values over any other values in decision-making, including business decision-making. His/her leadership is therefore piercingly characterized by ethical approach.

A *tough-minded manager* is, therefore, a manager who consistently practices ethical leadership. It presents the moral capacity that enables the leader to go beyond his/her self-interest to embrace the beauty of enlightened self-interest. Ethical leadership presented by leaders of this level of moral development is, therefore, altruistic-oriented leadership. Instead of being imprisoned within his/her narrow self-interest, he or she freely chooses to take advantage of the position he or she has to lead and transform others to a better life quality. Just like school leaders who “guide the talents and energies of teachers, students, and parents toward achieving common educational aims” (Sung Joong Kim, 2019, p. 5), so does a tough-minded leader. A tough-minded leader is transformational leader. He or she believes that providing equal opportunities for employees’ self-development in terms of skill and ethical behavior is the best way to lead the team toward company’s accomplishment. Bass and Steidlemeier, as quoted by Terry L. Price, expressed it promptly as they stated: “An authentic transformational leadership provides a more reasonable and realistic concept of self—a self that is connected with friends, family, and community whose welfare may be more important to oneself than one’s own” (Price, 2006, p. 129). So is an ethical leadership. Thus, the moral quality of leadership is shining out not primarily through the words the leader preaches but rather via the way he or she behaves, the values he or she pursues, and through the way and process he or she engages with followers. In short, ethical leadership is identifiable chiefly due to the capacity of the leader to be the living example of moral values in leading and directing business.

6. Conclusion

It would be clear that CSR as the symbolic potential of business plays a very central role in business. It is the business’ strategic policy that in itself has the power to pave the way for business long-run success. Its effectiveness, however, depends very much on the quality and the sustainability of the meaningful impacts it carries out primarily for the stakeholders it serves. CSR programs therefore must be altruistic. It must be designed to address real social challenges faced up by society or community. Only then can business have the opportunity to maintain and preserve its long-run profitability and sustainability.

The sustainability of CSR as a strategic and ethical policy, however, requires a shared-ethical climate in the company. At this point, it might be too naïve to put aside ethical training programs as the way for moral cultivation. However, it must be kept in mind that ethics first and foremost is a matter of practice. It requires commitment and consistency of all parties to get it realized in their daily relationship. Ethical management is therefore important to develop. But, ethical management can take place only if it is consistently supervised and encouraged by an ethical leader. Hence, ethical leadership is necessary to take care of.

Ethical leadership is reflected through the leaders who preach only what they *did* and say what they *knew*. “Deeds speak louder than words!” is the wise adage they hold dear. They are, therefore, worth mentioning the *tough-minded leaders* who—instead of appearing nice or authoritarian—prefer to give priority to rational and moral approach in dealing with problems and employees.

Adopting and applying ethical leadership, therefore, can help leaders to gain respect, loyalty, and cooperation from the employees. It is upon this type of leadership that the effectiveness of moral power in shaping ethical climate and hence preserving business profitability and sustainability in the long run must be anchored.

Funding

The author received no direct funding for this research.

Author details

Andre Ata Ujan¹

E-mail: andreujan@yahoo.com

¹ Universitas Katolik Indonesia ATAMA JAYA Jln, Jakarta, Indonesia.

Citation information

Cite this article as: CSR symbolic potential and business sustainability, Andre Ata Ujan, *Cogent Business & Management* (2019), 6: 1699299.

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