CSR and New Global Economy Challenge

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Abstract

In Indonesia, Corporate Social Responsibility (CSR) is relative a new concept. Its applications was starting just after economic crisis in 1997-1998. It is used as an answer to the searching of the concepts by companies to survive in fast changing economics, socials, laws, and politics condition in that era. The number of CSR implementation in Indonesia is not so much while the potential targets are very huge, such as environmental damage, unemployment, school drop-out, and poverty. One of its implementations that are common now is community development, which the emphases are on social and community capacity development.

Globalization is a set of economic, political and cultural processes of linkage and integration, both global and regional. Economic globalization, underlies the phenomena of rapidly rising cross border economic activity leading to an increased sharing of economic activity between people of different countries. This cross border activity can take various forms, including international trade, foreign direct investment and capital flows.

CSR has emerged as a global trend, presenting various social motives and economic gains for business to voluntarily establish and maintain relationships with society. Confusion remains, as to whether corporations' engagement in social issues is based on altruism or whether they act out of their own self-interest to increase profits.

The challenge of CSR in a globalizing world is to engage in a political deliberation process that aims at setting and resetting the standards of global business behavior. While stakeholder management deals with the idea of internalizing the demands, values and interests of those actors that affect or are affected by corporate decision-making, we argue that political CSR can be understood as a movement of the corporation into environmental and social challenges such as human rights, global warming, or deforestation.

As we know, in globalization era, Indonesia has many Multi National Companies (MNC). If MNC implement CSR correctly, many social problems that stated above can be resolved.

Keywords: *Corporate Social Responsibility, New Global Economy Challenge, Multi National Company*

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Introduction

Now in Indonesia, practice of Corporate Social Responsibility (CSR) has not yet become a general corporate behavior, but in information and technology century, with the existence of globalization pressure, enforce companies to implement CSR become greater than ever. Public increasingly become more critical and can do social control to business world. This situation enforces businessmen to implement their business more responsibly. Businessmen are not only to earn profits from doing their business but also demanded to give positive contribution to their social environment. This condition pushes corporations to execute CSR program to strengthen their business sustainability. If we compared Indonesia with others developing countries in Asia, CSR implementation in Indonesia is very low (Chappel & Moon, 2005), see table 1.

Table 1. Comparative of CSR Implementation in 7 Asian countries.

Country	Penetration of CSR Reporting in Companies per Country (%)	% Companies Reporting Community Involvement	% Companies Reporting Production Process	% Companies Reporting Employee Relation
India	72	67	58	31
South Korea	52	42	54	12
Thailand	42	71	19	10
Singapore	38	47	11	21
Malaysia	32	69	50	19
The Philippines	30	71	29	0
Indonesia	24	27	27	27
7 Country Mean	41	59	39	18

CSR movements grow very rapidly during the last 20 years. It was born as a result of civil organizations pressure and their network in global world. The main concern is the behavior of corporation that for the sake of maximizing profits, they do everything, include unfair and unethical ways that in some cases even can be categorized as corporation criminal like Enron case and others.

Starts from Rio de Jeneiro Earth Summit on the environment indium 1992, that affirms sustainability development concept, in the perspective of company, sustainability is a set of programs that has to be executed as impact of business activities, based on partnership concept from each stakeholders.

World Summit on Sustainable Development in Yohannesburg South Africa in the year 2002, which was attended by world leaders, has raised up social responsibility concept accompanying two concepts that has already exist before, i.e economic and environment sustainability. This three concept becomes basis for companies in executing their social responsibility. United Nations important meeting Global Compact in Jenewa Swiss in 7 July 2007 that was opened by United Nations general secretary get attention from people all over the world. This meeting aim was to enforce company to show their responsibility and behavior of healthy business recognized as CSR.

Take CSR as an idea, corporate shall no longer be faced on responsibility based on single bottom line, that is corporate value which is reflected in financial condition only, but now corporate responsibility must be based on triple bottom lines : financial, social and environment . Company cannot only depend on financial condition to guarantee corporate value sustainability growth. Company must pay attention to social and environment dimension in order to guarantee its sustainability growth. Applying CSR program in company will create a trust climate between stakeholders which will boost up motivation and commitment of employee. It has been proven that consumers, investors, suppliers and other stakeholder are more supportive to company which run CSR programs well. As a result running CSR program will increase market opportunity and company competitive value. With all the positive excesses, company applying CSR will show better performance, profit, and growth.

World Business Council for Sustainable Development (WBCSD) stated in an United Nations side event meeting in New York that CSR implementation is a form of business world commitment to assist United Nations in realizing Millennium Development Goals (MDGS) :

- Goal 1 : Abolish poverty and hunger
- Goal 2 : Basic education for all
- Goal 3 : Support equivalence of gender and woman enableness
- Goal 4 : Lessens children death rate
- Goal 5 : Improve mother health
- Goal 6 : Fights HIV/AIDS, malaria and other disease
- Goal 7 : Assure environment sustainability
- Goal 8 : Forms global partnership for development

CSR Theoretical Model

Even until 1975, Preston (1975) (in Lee, Min-Dong P. 2008), argued that the field of business and society still lacked a generally accepted theoretical paradigm, and called for more tangible progress in conceptualization, research and policy development in CSR. The first fruit of such effort was produced by Carroll in his 1979 *Academy of Management Review (AMR)* article. Carroll (1979) in Naoumova (2006), he suggested four types of CSR : economic, legal, ethical , and discretionary. Economic responsibility suggests that firms are responsible for their financial performance. Legal responsibility is based on country' laws and system of regulations and varies a lot from country to country. The major difference is expected between the group of well-developed and transitioning countries, although there should be some differences between transitioning and less developed economies, and amongst transitioning as well. Ethical responsibility is based on societal moral norms.

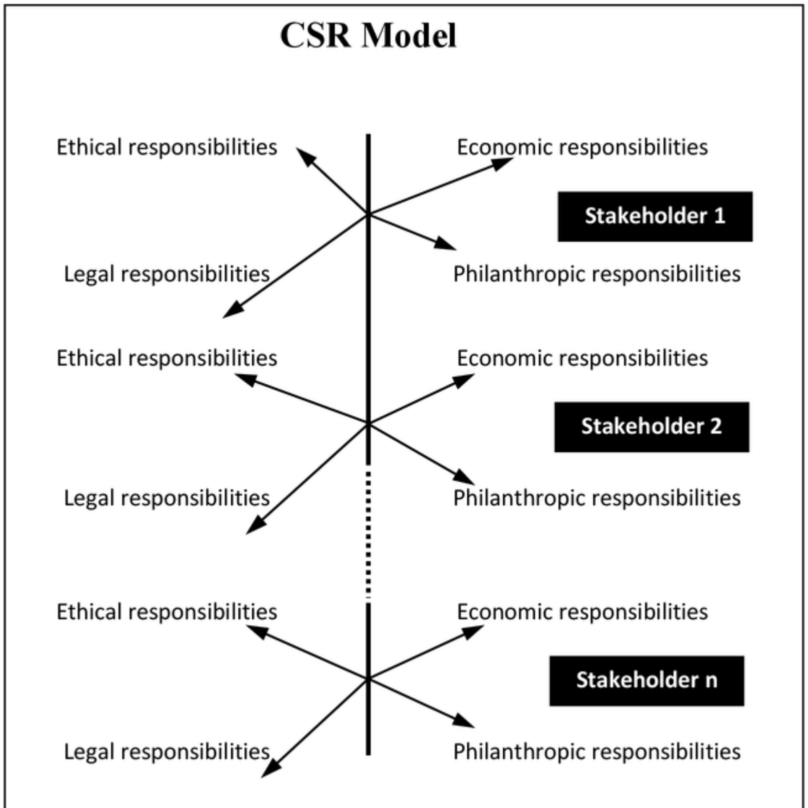
And finally, discretionary responsibility relates to voluntary sponsorship and involvement in various activities needed for healthy society. His three-dimensional conceptual model of corporate social performance (CSP) immediately gained acceptance and was further developed by others (Miles 1987; Ullmann 1985; Wartick and Cochran 1985; Wood 1991 etc).

Carroll improved his Social Responsibility Categories model in 1991 (Syaiful & Jan, 2006) when he proposed the Pyramid of CSR (see Figure 1). Both the Social Responsibility Categories and the Pyramid of CSR emphasize that economic aims are indeed a major part of CSR. Firms should not pursue the discretionary (called 'philanthropic' in the pyramid mode!) element of CSR if the other three elements are not fulfilled. In other words, according to Carroll, a holistic understanding of CSR will encourage firms to devise a strategy to enhance overall business performance, with discretionary or altruistic CSR being an option to be considered only once the economic, legal and ethical responsibilities
have been fulfilled.

Source : Syaiful & Jan, 2006
Figure 1 Carroll's pyramid of Corporate Social Responsibility

Lantos (2001) divided CSR into ethical CSR, altruistic CSR and strategic CSR. Ethical CSR is the demand for firms to be morally responsible to prevent injuries and harm that could result from their activities. This type of CSR is expected of all firms and must be fulfilled as the very minimum. Altruistic CSR is genuine *optional* caring, even at possible personal or organizational sacrifice' (p 608). In another article, Lantos (2002, p 207) stated that strategic CSR is when a firm undertakes certain caring corporate community service activities that accomplish strategic business goals. Lantos's ideas were developed from Carroll's (1979) Social Responsibility Categories, or sometimes labelled Carroll's 'Four Faces' of Social

Responsibility (Syaiful & Jan, 2006). In this model, Carroll stated that 'for a definition of social responsibility to fully address the entire range of obligations business has to society, it must embody the *economic, legal, ethical and discretionary* categories of business performance.



Source : Naoumova (2006)

Figure 2 Corporate Social Responsibility Model

Bringing stakeholders approach in CSR model, (Figure 2) Caroll actually focus on society (even the state) in general instead of relating CSR, "sliced" in smaller pieces to each stakeholder. Thus, his model is not adequate and leads to misunderstanding of layers relationships (Naoumova, 2006). Figure 2 shows that CSR vectors have different magnitudes for each stakeholder. It would be unreasonable simplification to say that gradual increase of economic responsibility would then lead to the development of legal responsibility; later to ethical, and finally to discretionary responsibilities as it is proposed in the "pyramid" conception. To our understanding CSR model for the country would look like a "Christmas Tree" with the branches around, thicker or thinner growing.

The researchers are often mixing characteristics of transition and less developed economies since some of them have close statistics of their GNP values. From the CSR context, less developed countries do not have "social memory" of higher standards of moral values in comparison with transitioning countries, and would need longer way for the balanced CSR development (that includes all elements : economic, legal, ethical and discretionary types in correspondence with stakeholder interests), and are more consistent with destructive behavior for example (Naoumova,2006).

Looking deeper at institutional pressures Levy and Rothenberg (2002) state that they could encourage heterogeneity in organizational field. Institutions create and then have to diffuse a common set of values, norms, and rules somehow standardizing organizational behavior and forcing them to choose among expected strategies, what leads to heterogeneity in strategies. For the countries in transition it did not happen yet, and the most active driver of CSR activities is still strategy. Hence, we expect that transitioning countries would target first economic and legal types in CSR development.

Globalization process and national culture are considered to be other significant factors in the countries' CSR development. Maignan and Ferrell (2003) proved that different societies place different priorities on each of CSR types. In addition to his four types of CSR, Carroll focused on environment as one of the issues that were of concern to managers and owners. We predict environmental responsibilities are scores higher than the rest transitioning countries.

Globalization results (almost all of transitioning countries have high rates in GDP and FDI growth for last several years) based on the use of new technologies lead to predicting the evolutionary creation of a common global business culture. The expectations were rather promising for CSR as well but there were strong limitation in place, such as cultural specificity and level of country's institutional development. Social values are viewed differently by people from different countries and the priorities given to each of four types of CSR are seen differently as well. Culture would either speed up or slow the process of CSR development down. In addition to that we expect that the larger the country is the longer time for CSR development is needed.

CSR Perspectives

The different CSR perspectives found in the literature (Sundstrom, 2009), there are :

1. **The Legitimacy of CSR**

   European Commission (COM, 2001, 366) defines 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.' According to Sundstrom (2009), the legitimacy of CSR derives from the ideal that business and society are interwoven entities, which is why society places expectations on corporations to behave ethically. It is well understood that to legitimate business, businesses need society's acceptance of their overall contributions to different stakeholders. The legitimacy of business in society has its roots in Carroll's (1979) classical four-part typology of economic, legal, ethical and discretionary (also called 'philanthropic' or 'altruistic') responsibilities. In short, Carroll's definition states that: 1) corporations are economic institutions and their prime role in relation to society is economic, 2) as such conducted within the framework of legal requirements, but that 3) since society has expectations over and above the law, corporations need to define ethical norms for how to behave, and 4) due to individual judgments and choices, business leaders experience discretionary responsibilities (also referred to as 'philanthropy' or 'altruism'). While economic and legal responsibilities relate to businesses' imperative role, ethics (if not specifically legislated) and philanthropy relate to their voluntary role and responsibilities in society.

2. The Profit-Only Shareholder Perspective

The legitimacy of business in society is commonly illustrated by the expression 'from Friedman to Freeman' , with a discussion spanning from a profit-only shareholder view (Friedman, 1990) to the inclusion of a wide range of stakeholder considerations into the debate (Harrison and Freeman, 1999). The discussion of CSR escalated after Milton Friedman's (1990) claim that the sole 'social responsibility of business is to increase its profits' . According to Friedman, corporate executives are employees, hired to act in response to the owners for one purpose – to achieve as fair a return as possible on their investments. Building on economic and legal imperatives, Friedman argued that social wealth is provided through job opportunities, offering products consumers want, taxes paid to society, upholding legal requirements, and following business ethics founded on fair practices and free competition . Although Friedman (1990) acknowledges that corporate executives have a moral obligation to act in a socially responsible manner, he also maintains that this is performed 'only at their own expense'.

3. The Stakeholder Perspective

The stakeholder theory discussion has largely concerned the problem of definitions (Mitchell et al., 1997, Freeman, as cited in Mitchell et al, 1997) and the problem of different research approaches (Donaldson and Preston, 1995). While definition problems relate to what stakeholder really counts, the problems of approaches concern different descriptive (as a model), instrumental (as a relationship), normative (legitimacy and interests) and managerial (as a priority) approaches in how to investigate stakeholders in research. Because of the broadness in stakeholder discussions, the research ambition has been to move toward a stakeholder theory that is more salient (Mitchell et al, 1997) and mutually supportive (Donaldson and Preston, 1995) than earlier theories. Particularly stakeholder theory in relation to CSR has been a difficult issue to define. Freeman's broad definition of a stakeholder as 'any group or individual who can affect or is affected by the achievements of an organization's objectives' (Freeman, 1984, as cited in Mitchell et al., 1997, p. 856), rests on strategic management arguments. Harrison's and Freeman's (1999) commonly accepted stakeholder theory builds on the instrumental premise that 'if organizations want to be effective, they will pay attention to all and only those relationships that can affect or be affected by the achievement of the organization's purposes' (p.234). Because stakeholder demands are often exclusive, the stakeholder perspective involves a discretionary dilemma (Sethi, 2003, cited in Galbreath, 2006) as it is impossible to treat all stakeholders as being of equal importance – especially in a global and corporate perspective, where stakeholders are often ranked as of primary or secondary importance (Clarkson, 1995, cited in Galreath, 2006). Business leaders need to determine which stakeholder or stakeholder group to prioritize. To find out who (or what) is a stakeholder and what really accounts, Mitchell et al. (1997) identifies seven typologies based on power, legitimacy and urgency attributes: *dormant stakeholders* are based on power but lack legitimacy and urgency; *discretionary stakeholders* are based on legitimacy but lack power and urgency; *demanding stakeholders* are based on urgency but lack power and legitimacy; *dominant stakeholders* have both power and legitimacy but lack urgency; *dangerous stakeholders* have both power and urgency but lack legitimacy; *dependent stakeholders* have both legitimacy and urgency but lack power; and, finally, *definitive stakeholders* have all three attributes – power, legitimacy and urgency. The authors claimed that only one can fulfill definitive stakeholder salience. By definition, stakeholders are those with legitimate claims on the business as definitive stakeholders (p. 878) and owners of all three attributes. According to Mitchell et al.'s findings, managers only take into consideration the claims of those stakeholders who possess all three attributes (ibid., p. 853-857). How businesses adapt to normative, ethical motives in prioritizing a stakeholder has been a difficult question to answer (Harrison and Friedman, 1999). Although CSR research addresses local community as a key stakeholder, to whom businesses have social, moral and reciprocal obligations (Lantos, 2001), most ethical concerns have concentrated on local community as a stakeholder from a host country perspective.

4. Corporate Philanthropy

Corporate philanthropy has been connected to corporation's voluntary role in society that builds on the premise that, as members of the community, corporations want to do good. Philanthropy has been seen as a moral obligation rather than an expectation to get something in return, which derives from the ideal of doing, what is expected because it is the right thing to do. Through managers' participation in sponsorships, donations and charity, philanthropy has also been seen as a way to improve corporate goodwill. The voluntary nature of philanthropy is criticized as generating contributions that are too short-term , or as being too poorly defined . The philanthropic approach is also criticized for strengthening the attitude of a caretaker mentality , increasing the power imbalance between the 'giver' and the 'taker'. Philanthropy has received the least interest in research and is the most difficult responsibility to ascertain and evaluate. More recently, it has been claimed that philanthropy as a strategy, especially when grantees are contextual selected , or based on forceful collaborative actions , can achieve successful long-term effects. It is argued that companies in local partnership agreements become better qualified to select critical grantees, than when acting on their own in isolation.

5. Corporate Citizenship

A somewhat different approach is offered by scholars of Corporate Citizenship (CC), who apply a holistic perspective and put the interests of community first. The ideology of CC is that corporations should act as citizens in *each* community in which they operate. Business leaders should voluntarily rectify harms and establish sustainable, reciprocal community relations by proactively collaborating in programs and infrastructure building that goes beyond easy-going philanthropy efforts . Scholars who adopt this approach propose a broad partnership program referred to as 'an architecture of excellence' covering a five-phase cycle beginning with identification of community threats and ending in formalized strategies inherent in both corporate and community procedures. Forward-thinking managers who form partnerships, build local infrastructure (schools, education and training) and engage in students' learning activities are seen as a way to provide sustainable communities and create new business opportunities . But, as CC research confirms, the ideology of the citizenship strategy is still a work in progress, as strive towards an ideal citizenship agenda in which 'local communities' are seen as a vital and integral part of the global economy. In CC research, the benefits of collaboration and reciprocity are especially prominent and even more so if social concerns evolve as an integral, indispensable part of corporate economic performance. Reciprocity creates win-win situations built, for instance, on partnerships, community activities and public relations provide value returns for society at the same time as providing economic returns for business . Even though reciprocity assumes mutual benefits, empirical evidence shows how corporate leaders commonly see such efforts as marginal, while the benefits are more salient for community leaders .

6. Cross-Sector Partnership

Because CSR is emerging in organizations across all sectors and social issues concern a broader part of society, an interest has been sparked in research focusing on CSR as a cross-sectional phenomenon. Cross-sector partnership is seen as an apposite technique to build sustainable corporate and local community relationships . Partnerships incorporate three-sector collaborations, constituted by private business, governmental bodies and local communities/civil sector organizations. The sectors share an interest in working together on social issues , and infrastructure-building investments . Tri-sector partnerships are common in the extractive and natural resources industry . It is believed that if cross-sector partnerships rest on genuine motivation and all sectors having the legitimacy to achieve citizenship goals, then joint efforts will not only help to increase trust by reducing stakeholder conflicts, but also ensure sustainability in local community development . The motivations behind tri-sector partnership efforts are business benefits, social development, and good governance outcomes. Casey (2007) identifies shared goals, a common purpose, mutual respect, a willingness to negotiate and cooperate, and shared decision making as motives for partnership collaboration. Googins and Rochlin (2000) define partnership as a commitment by a corporation or a group of corporations to work with an organization from different economic sectors (public or non-profit). Partnerships involve a commitment of resources, time and effort by individuals from all partner organizations. These individuals work cooperatively to solve problems that affect them all. The problems can be defined in part as a social issue: the solutions to which will benefit all partners. Social partnership addresses issues that extend beyond organizational boundaries and traditional goals, and lie within the traditional realm of public policy, i.e. in the social arena. Social partnership requires active rather than passive involvement from all parties. Participants must make a resource commitment that is more than merely monetary (Googins and Rochling, 2000).

The main characteristics of CSR perspectives are summarized in Table below :

Table 1

Main characteristics of CSR motives, legitimacy, orientation and limitations.

CSR Perspective	Motives	Legitimacy	Orientation	Limitation
Shareholder	Economic	Business, legal, fairness in business	Profit only orientation	Ignores economic side of social benefits
Stakeholder	Economic and social	Affect and affected by business objectives	Putting the interests of business first	Priorities based on stakeholder power, legitimacy and urgency
Philanthropy	Alruistic	Sponsorships, donations, charity Good Image	Putting the voluntary aspect and altruism first	Short term effects Encourages giver-taker mentality
Citizenship	Business and local	Welfare gains from business's	Putting the interests of	Ideology

CSR Perspective	Motives	Legitimacy	Orientation	Limitation
	community development	proactive infrastructure building efforts, partnerships and reciprocity	society first	Need for long term engagements
Cross sector partnership	Business and society as collaborative, social partners	Tri-sector partnerships built on shared social responsibility	Putting the interests of business and society first	Need sector motives and business legitimacy to act

Source : Agneta Sundstrom (2009)

CSR Today

Awareness about the importance of CSR implementation becomes a global trend along with the increasing of global public concern to environmental friendly products which are produced by paying attention to social norms and human right principles. Banks in Europe applies policy in lending only to company which implement CSR well. For example, banks in Europe will only give loan at plantation companies in Asia if there is a guarantee from the company at the time of opening farm not by burning forest.

The other global trend in CSR implementation in stock market area is the creation of index that includes category company stocks which has implemented CSR. For example, New York Exchange has Dow Jones Sustainability Index (DJSI) for company stocks categorized has value corporate sustainability which one of the criteria is the CSR implementation. London Stock Exchange has Socially Responsible Investment (SRI) Index and Financial Times Stock Exchange (FTSE) has what called FTSE4Good since 2001. Those initiatives started to be followed by stock exchange authority in Asia. This thing indicates that development of CSR in countries all over the world is become more popular by making CSR as one of key performance indicator that appear in company financial statement.

In Indonesia context, actually unknown surely when CSR starts admission in Indonesia, but along with increasingly its (the advance is technological and development of business world, hence this CSR concept also so crowded discussed in Indonesia. CSR in Indonesia, now many getting attention from many public layers and also government (Jackie Ambadar, 2008). In Environmental Minister Proper, CSR is one of important aspect assessed. Exercise of CSR in some states must become reference for implementation CSR in Indonesia. In the existing context, more important how stakeholder : government, public and corporate world can make code of conduct agreed on together for the agenda of streamlining CSR program.

Implementation of CSR in Indonesia is regulated by Law of Republic Indonesia Number 40 of 2007 concerning liability limited companies. Then as ISO 26000 released that give practical guidance about everything related to CSR operation, it can be made as a reference or guidance in forming CSR implementation in Indonesia. In ISO 26000, to implement CSR hopefully integrated in all organization activities including 7 principal issue that is :

1. Public expansion
2. Consumer
3. Practice of activity of healthy institution
4. Environment
5. Labor
6. Human Rights
7. Organizational governance

ISO 26000 translating CSR as a responsibility of an organization upon the impact of company decision and its activities to public and the environment through an ethical and transparent behavior, which are :

- Consistent with sustainable development and public prosperity
- Pays attention to stakeholders' interest
- Comply with law and consistent with international norms
- Integrated with all activities within the organization.

Applying of CSR in a company requires synergy from government and public. The Government as regulator is expected can stand to develop CSR in fatherland without encumbering company excessively. The role of public also is required in order to give security and comfortability in doing company activities.

The definition of CSR according to The World Bank Group 2008 is : Commitment of corporate world to ethically behave and gives contribution to sustainability economic development through cooperation with all stakeholders to increase their prosperity by the way of which useful to business, sustainable development agenda and public. While the definition of CSR according to ISO 26000 is : Responsibility of an organization as a consequence of its decision and activities to public and the environment and it is reflected transparently through ethical behavior that give contribution to sustainable development, including health and public prosperity; considers stakeholders' interest ; obeys to applicable law and consistent with international behavior norm and implemented in all its interaction. Definition of CSR according to Chapter 1 Article 1.3 by Law of Republic Indonesia Number 40 of 2007 is : "Environmental and Social Responsibility" means a Company's commitment to taking part in sustainable economic development in order to improve the quality of life and environment, which will be beneficial for the Company itself, the local community and society in general. From the three definitions of CSR above, it can be taken a conclusion that CSR is organization commitment for ethical behavior and gives contribution to sustainable economic development to increase level of prosperity and environment that beneficial for all stakeholders including corporate, local community, and all people in general.

There is a different emphasis in implementing of CSR in advanced industry countries and in developing countries. In advanced industry countries the emphasis is at :

- Business ethic behavior
- Human Rights
- Anti corruption
- Environment awareness

While applying of CSR in Developing countries as in Indonesia, the most often CSR that has been applied is community development that emphasize in social development and public capacity development so that can raise up local community potency and this become a social capital for company to go forward and grows. Besides can create social and economic opportunity for community, absorb labor resource, this way also can build an image as a company that care and environmental friendly.

Economy Globalization

Globalization is the modes of connection between different social contexts or regions become networked across the earth's surface as a whole. Today, many social and economic phenomena such as peace, crime, migration, production, employment, technological developments, environmental risks, distribution of income and welfare, and social cohesion and identity are considered to be affected by process of globalization. We define globalization as the process of intensification of cross area and cross border social relations between actors from very distant locations, and of growing transnational interdependence of economic and social activities.

On the macro level, the liberalization of trade, investments and financial transactions has led
to a huge increase both in foreign direct investments and in cross-border trade . Though some authors suggest that with regard to certain macroeconomic measures the situation today is not much different than it was one hundred years ago, we hold that we are confronted with a new situation without precedent in history. First, economic measures show that for several decades the growth rate in the volume of world merchandise exports has been much higher than the growth rate of world GDP and that the intra-firm trade has expanded dramatically. Second, the unprecedented interconnectedness of the destiny of people from different social settings and distinct locations has created new challenges.

Also, on the firm level, one can observe an entirely new situation. Business firms are able to split up their value chain and to source where the production of goods and services is most efficient. By means of technology they are able to collect information about sources, qualities and prices, and to coordinate the various value chain processes inside and outside the boundaries of the firm. Today, large multinational corporations have become very powerful economic and social agents.

The world's biggest corporations have revenues that equal or even exceed the gross domestic product of some developed states. The power of MNCs is not just based on the enormous amount of resources they control. Their power is further enhanced by their mobility and their capacity to shift resources to locations where they can be used most profitably and to choose among suppliers applying criteria of efficiency. In effect this gives multinational firms the latitude to choose locations and the legal systems under which they will operate (Scherer, Palazzo, and Baumann 2006).

However, the power of the MNCs and their leaders is not unlimited. Rather, top managers more and more feel the pressure of the global financial markets when they have to respond to the profitability demands of investors and have to protect their firms from hostile takeovers. Institutional investors direct their attention and money to profitable firms and investments. Corporations that do not earn a high enough profit are sanctioned with disinvestment. Managers who do not focus on a high stock price may become the targets of takeovers. All in all the global financial market pressures business firms to stress profit and to engage only in such projects that will lead to a satisfactory return. Altruistic managers with pro-social attitudes may therefore be suspect in the emerging shareholder society and may be forced to adapt their behavior to the expectations of profit seeking investors.

What is new about the current globalization? It is a new phenomenon that our everyday life and activities expand over national borders, that new social networks with mutual dependences are created which lead to emerging new responsibilities. Community, work, and capital are losing their home and locus and we are confronted with different cultures and life styles, while society is pluralized and common traditions, cultural values, and social certainties emerge into a melting pot of various values and life styles. At the same time, we find ourselves in a world society without a world state and without a world government (Beck, 2000).In this new situation the traditional division of labor between nation state politics and private business may not be sufficient to guarantee the efficient and peaceful integration of society. We hold that with globalization business firms become political actors that have social responsibilities beyond their economic role, and the mere compliance to the law and rules of common decency is not the appropriate response to the new challenges.

From the situation described above, it can be seen that globalization affects positively and negatively. Positive impacts of economic globalization are:

1. Global production can be improved
2. Increases prosperity of public in a country
3. Spreads out market for product in country
4. Can obtain more capitals and better technology
5. Provides additional fund for economic development

Besides positive impact, economic globalization also affects negatively, those are:

1. Pursues growth of sector industry
2. Makes worse balance of payment
3. Financial sector increasingly unstable
4. Makes worse long term economic growth prospect

The digression and negative impact of economic globalization and some bad corporations in the world generate extreme reaction from social-economic thinkers and activists. Critics, pressures and demonstration are frequently decorates global dynamics especially since year 1970s. Under the pressure of changing societal expectations, some global corporations have started to intensify their CSR engagement. Many corporate initiatives intrude into domains that traditionally belonged to the sphere of political responsibilities of state actors (Walsh,Weber, and Margolis 2003). Corporations start human rights initiatives (Matten and Crane ,2005) such as the *Business Leaders Initiative on Human Rights* of British Petroleum, ABB and other companies. They engage in public health, addressing issues such as AIDS or malnutrition (Margolis and Walsh 2003). Furthermore, they have begun to engage in initiatives of self-regulation in order to fill the described vacuum of global governance (Scherer, Palazzo,and Baumann 2006). These activities go beyond the mainstream CSR discussion with its intact division of labor between state actors and economic actors (see, critically, Scherer and Palazzo forthcoming). While the traditional understanding of CSR still builds upon the isomorphic approach that demands compliance with society's moral and legal standards, some corporations have started to set or redefine those standards, thereby assuming a politically enlarged responsibility (Scherer, Palazzo, and Baumann 2006). The economic expert, management expert and business perpetrator starts arranges themselves and adopts CSR as rationalization from new strategic their management.

CSR and New Economy Global Challege

Current theorizing in CSR is still dominated by an economic view of the firm and an instrumental view of CSR projects . The stakeholder management approach as well as the widely accepted attempt to justify CSR with an empirical argument that social performance contributes to financial performance are common expressions of the underlying economic rationality in contemporary CSR research. Seen from this perspective, a "business case" for CSR is made, i.e., the engagement of business firms in social responsibility is considered similar to an investment in any other product attributes such as quality, service, or reputation that contribute to the profit-making of the firm.

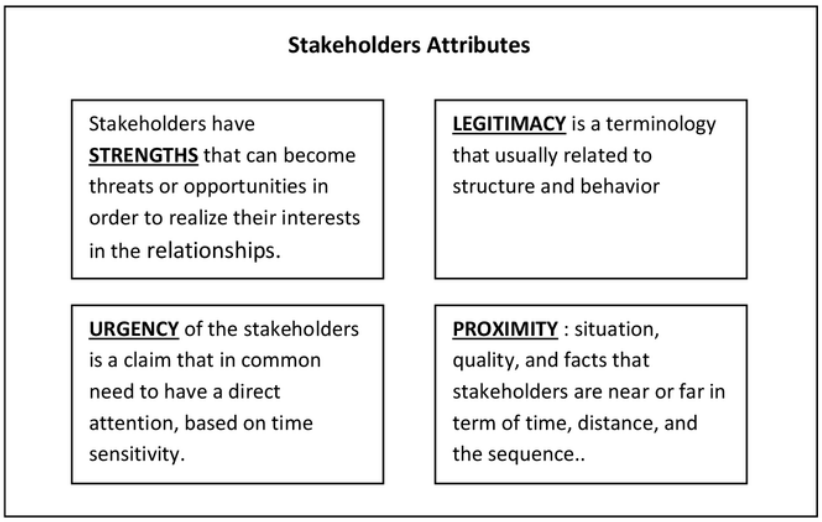
The behavior of the business firm is directed towards profit-making and this is justified as long as the firm complies with the rules of the game set by the state and defined by the morality of the circumscribing social community. It is assumed that it is finally the "invisible hand" of the well functioning and well defined market that directs economic behavior towards the common good. However, as we have seen, in a globalized world the capacity of the state to regulate economic behavior and to set the conditions for market exchange is in decline. We observe failures of the state apparatus of all sorts (e.g., public goods in short supply, gaps in regulation, lack of enforcement, externalities of market exchange without provisions from the state, etc.). In addition, due to the individualization and pluralism of values in social communities the moral standards for business behavior get fuzzy and lose their restrictive power.

Under these conditions, economic forces are set free without appropriate restrictions in legal or moral terms. As a consequence, the sole emphasis on economic rationality will not contribute to public welfare, but rather may worsen the situation. Therefore, we have to consider new forms of political regulation above and beyond the nation-state in order to re-establish the political order and circumscribe economic rationality by new means of democratic institutions and procedures And in fact with the intensified engagement of social movements and the growing activities of international institutions a new form of trans-national regulation is emerging: global governance, the definition and implementation of standards of behavior with global reach.

There are not only public actors such as national governments and international governmental institutions (e.g., the UN, ILO, OECD, etc.) that contribute to this new world order, but also private actors such as NGOs, civil society groups, and even business firms who play a key role (Scherer, Palazzo, and Baumann 2006). Corporations become politicized in two ways: They operate with an enlarged understanding of responsibility and help to solve political problems in cooperation with state actors and civil society actors. Furthermore, they submit their growing power and political engagement to democratic processes of control and legitimacy.

The challenge of CSR in a globalizing world is to engage in a political deliberation process that aims at setting and resetting the standards of global business behavior. While stakeholder management deals with the idea of internalizing the demands, values and interests of those actors that affect or are affected by corporate decision-making, we argue that political CSR can be understood as a movement of the corporation into environmental and social challenges such as human rights, global warming, or deforestation. So if Multi National Corporate applies CSR carefully many social and economic problems can be resolved.

How to implement CSR correctly? The core of CSR is the interaction management between stakeholders. The Purpose of applying of CSR is sustainability. Sustainable company is a company which succeed financially, environment friendly, and responsible for social issue. One of the most important elements to achieve corporate sustainability is to execute stakeholder management. Stakeholder theory applies to all culture circles. The difference between one culture and another is who become the stakeholder and the stakeholder management technique. Stakeholder management elements start from identification of stakeholders and then what are their roles, what are the company opportunities and threats come from those stakeholders. After those things can be identified, then the company interaction with stakeholder : what is the company social responsibility to the stakeholders and what strategic step or decision to be taken to handle the responsibility, see figure 2.



Source : Kiroyan (2009)

Figure 2 Stakeholders attributes

At the end, company must make sustainability report. From the angle of comprehensiveness of coverage and guidance influence in building report, Global of Reporting Initiative (GRI) now becomes standard de facto for Sustainability Reporting and its principles show outstanding orientation to stakeholders:

Inclusivity: pushes organization to identify the stakeholder and show how the organization response their requirements.

Relevance: obliges reporting about problems and indicators which will influence the decision of the stakeholders substantively.

Completeness : obliges to give complete information so that the stakeholder can evaluate economic, social and environment performance in certain period of reporting.

Conclusion.

1. From strategic aspect, companies must care about social responsibility in the community and environmental where business running well. Historically, business and community have evident when they ignored it, especially to stakeholders, community lean on government to restrict its autonomy in activities. Business organisation must aware with all of its' social accountability if they want to have autonomy which is effect significantly to efficiency and electivity their organisation. But a corporation has a large number of stakeholders, who have an interest in the entity's affairs. In the legal context, the responsibilities of the management corporate are set out in the corporation act, together with the constitution of an entity, generally the owners as primary focus. It is the owners who vote at the annual meeting and the shareholders who choose the directors. In fact, it is commonly accepted that a central part of corporate governance is to ensure the maximisation shareholder value. Critics from supporters of stakeholder theory, many stakeholders invest in entities.

2. With globalization, business' need for traditional societal legitimacy has changed, which has made the social consequences of business actions more obvious. Corporate social responsibility (CSR) has emerged as a global trend, presenting various social motives and economic gains for business to voluntarily establish and maintain relationships with society. Confusion remains, as to whether corporations' engagement in social issues is based on altruism or whether they act out of their own self-interest to increase profits.

1. The negative impact of globalization can be eliminated by applying CSR programs, so that if MNC apply CSR well, many problems of social and economy can be solved.
2. A good CSR implementation can be done well through stakeholder management so that sustainability company can be achieved.

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