

EXPLANATORY ANALYSIS ON CORPORATE SOCIAL RESPONSIBILITY IN AUTOMOTIVE BUSINESS AND BRAND STRATEGIES

Yenni Martok

Universitas Pelita Harapan

yenni.martok@uph.edu

First received: 19-03-2021 Final Proof received: 28-06-2021

ABSTRACT

The purpose of this research is to understand the implementation of Corporate Social Responsibility (CSR) in the corporate growth and social development. It is obliged to promote social welfare to be put in the maximum economic benefits, including stakeholders in the companies. Some of the enterprises have increased the needs of CSR into the development of brand strategies and corporate governance in the responsibility of the mandatory environmental. It is also increased the needs of sustainability growth for the company. Automotive Business is characterized by numerous production processes and complex of diverse supply chain system. Automotive companies give full play to the internal and cross industrial strengths. In this stage, CSR will become a way to contribute to society, laying the foundation for sustainable brand development and give more attention to social resources. It will lead to brand strategies and its relationship with CSR in automotive business.

Keyword: Corporate Social Responsibility, Automotive Business, Brand Strategies

INTRODUCTION

In the era of globalization, there are needs for the society to expect demands upon business. Business needs to have respond towards these developments regarding environmental and social for the sustainability. There are issues on the business and society. Sometimes there are not clear line on the roles,

functions, and responsibilities of how the corporate vision should go beyond the business perspective. There are lots of way on how the development of the Corporate Social Responsibilities (CSR) concept takes places. For people who work in the corporations, will be familiar with the word of CSR. This program can give benefit to the organizations itself and society for the sustainability of the

company. It will also provide the idea that business will give positive impact and reduce the negative sides towards the environmental. CSR will have strong relationship among customers and stakeholders. Organizations will not aim for the profit or gain as the main purpose but need to consider short term and long term decision making. Corporate Social Responsibility is one of the concept for corporation in the purpose of long run planning for sustainability. It is responsible for organization towards consumers, employees, community, shareholders, and society in corporation operational matters in the effect of pollution, waste, security of society and employee, donation for nature disasters, and others related matters. It can also cover the wide range of issues on the human rights, health, child labor, and eco-efficiency.

LITERATURE REVIEW

CSR is the good things that company can do for surroundings. Usually, there are so many definition of CSR by authors, organization, and others. But however, it means to drive

organization's initiatives on the action towards the environment, society, and stakeholders. According to Philip Kotler, 'Corporate social responsibility is a commitment to improve community well-being through discretionary business practices and contributions of corporate resources.' (Philip Kotler and Nancy Lee, 2008). In the European Commission, CSR is defined as "the responsibility of enterprises for their impacts on society." (Comission, 2018). The wide definition of corporate social responsibility discussed the relationship of global corporations, governments of countries and individual citizens. Some of the activities will influence external environment and it will affect the business performance of organization. CSR is a concept that reflects the social expectations of each decade and be able to explore if it will remain relevant in the near future (Agudelo, 2019).

The modern of business environment in the changes of incoherence in which the changes occur on a continuous basis. Sometimes

business firms can forecast the future performance with precision. The changes of the business performance can be minor or significant. It is important to evaluate the firm results in uncertainties of performance is the big contests. (Selvam, M, Vasant, LIngaraja K & Marchiaoli, S, 2016). The cost of the maintaining the environment will be costly sometimes in increasing the company's performance. Firms need to be aware that it is their responsibility to eliminate social costs created by their negative externalities caused by their economic activities in which it can harm to society. With the CSR, organization can maintain good relationship with primary stakeholders, such as customer and creditors. It can both be sources taken advantage of environment and society to improve their reputation as a responsible corporate citizens (Valjakka, 2013). Understanding CSR initiatives can help to increase organizational performance through innovation. .

For company itself, CSR program can give benefit on the brand image when organization is doing the campaign

for social welfare. Positive respond will give effect on the brand judgments of the products.. The needs of corporate social responsibility has been on the increase and it a must for companies to have corporate social responsibility activities in order to sustain their business (Welford, R & Frost, 2006) . There will be alignment between customer and company's perception. The other cause related benefit will bring the CSR the profits to companies. At the same time, it will do good things to the society. Of course in this situation, there is cause - related efforts in the projects by creating long term relationship in the term of customer loyalty, brand equity and trust from customers (Piercy N F ; Lane N, 2009). CSR help firms to build long term relationship with trust, commitment and bonds that will contribute as an asset in the future and success in the market. It is well known for economic growth in the firm (Jo H, Harjoto M , 2011). CSR is bonded to morality values, and supporters of CSR efforts today rely on four arguments to make judgments on these efforts in terms of

resources needed to support these CSR activities. The four arguments are moral obligation, sustainability, license to operate and operations of the firm (Porter, Kramer , 2006).

DISCUSSION

Automotive industry involved in the manufacture of motor vehicle, including most components, such as engines and bodies, tires, batteries, and fuel. The industry's principal products are passengers' automobiles and light trucks, including picks ups, vans, and sport utility vehicle. Commercial vehicles includes delivery trucks and large transport trucks, (semis) through important to the industry, are secondary (Binder, 2021)

Globally, the automotive industry has recovered from the economic crisis. Industry profits in 2012 (EUR 54 billion) were much higher than in 2007 (EUR 41 billion), the last year, and the prognosis for future growth is even better. By 2020, global prof-it could increase by another EUR 25 billion, to EUR 79 billion. That is good news, but the benefits will not

be distributed equally across all geographies or all types of cars (McKinsey, 2021)

Automotive industry is committed to contributing to an integrated approach, with other stakeholders, to a cleaner environment and reduced carbon emissions. Automakers are constantly developing more efficient engines and drive-trains to reduce fuel consumption, and a wide range of sophisticated emissions-control technology is putting cleaner automobiles on the road everywhere. With more and more new vehicles with modern exhaust emissions performance on the road, clear improvements in air quality can be seen. This trend will continue, even without further improvements to new vehicles, as older, more (OICA, 2017)

The automotive industry of Indonesia has become an important pillar of the country's manufacturing sector as many of the world's well-known car corporations have (re)opened manufacturing plants or expanded production capacity in Southeast Asia's largest economy. Moreover, Indonesia experienced a remarkable

transition as it evolved from being a merely export oriented car production center (especially for the Southeast Asian region) into a major (domestic) car sales market due to rising per capita GDP (Automotive Manufacturing Industry Indonesia, 2021). Indonesia is the second-largest car manufacturing nation in Southeast Asia and the ASEAN region (trailing rather far behind Thailand that controls about half of total car production in the ASEAN region). However, due to robust growth in recent years, Indonesia is expected to somewhat limit the gap with Thailand's dominant position over the next decade. To overtake Thailand as the biggest car manufacturer in the ASEAN region will, however, require major efforts and breakthroughs. Currently, Indonesia is primarily dependent on foreign direct investment, particularly from Japan, for the establishment of onshore car manufacturing facilities. The country also needs to develop car component industries that support the car manufacturing industry.

CSR IN HONDA AUTOMOTIVE INDUSTRY

Founded in 1948 in Hamamatsu, Japan, Honda opened its first U.S. storefront in Los Angeles, CA, in 1959. What began as a nimble operation with eight industrious associates would quickly grow to astounding heights. For nearly four decades Honda has challenged to exceed government requirements – as the first automaker to meet the Clean Air Act standards in the 1970s, then demonstrating low-emissions vehicle technology that led the state of California to adopt new, more stringent emissions regulations. Through it all, our goal never changed: create a safer, smarter world in which people experience the joy of mobility (Honda, 2021). Honda believes in The Power of Dream. As Sochiro Honda said: “Action without philosophy is a lethal weapon; philosophy without action is worthless’ See how we are bringing this idea to life.

Honda produces automobiles and motorcycles production. According to the analysis of engine manufacturer, Honda company had become the world's largest motorcycle

manufacturer in 1959 and together with the production of internal combustion engines for every year. (Grant, 2003) Honda Company is also one of the eight largest automobile manufacturer in the world among the General Motors company, Volkswagen Group company, Toyota company, Hyundai Motor Group company, Ford company, Nissan company and PSA company. Honda had become one of the favorable production especially in purchasing a car or motorbike. Honda company or Honda Motor Company, Ltd. is found by Mr, Soichiro Honda, a Japanese man who was born in Hamamatsu, Japan in the year of 1906 (Honda, 2021)

Customer Service Operation in Honda Company deal, collect data and analysis customer demand, favor, and satisfaction on the company product. Planning, R&D, production, sales, and after-sales service is an operation that required customer to give their answer towards the product. Moreover, with involvement of CSR concept, Honda's 2020 vision, —Provide good products to our customers with speed, affordability

and low CO² emission, is a process need the customer feedback, in-return to repair the weaknesses in the production. In the case that company wants to dominate the worldwide marketing, they need to sell the product that fulfill the demand, favor, appropriate, and requirement to the customer.

CONCLUSION

Local or International Organization in Corporate Social Responsibility is being practiced by most businesses of small or medium enterprises. Corporate Social Responsibility is implemented in society and environment, however, it will be more beneficial to all parties if these efforts are used to help the world, rather than to generate more profits. CSR efforts is going to help in building a stronger image and improving their reputation in terms of having a strong competitive market position. This is important for maintaining their sustainability, which is a very important factor in determining the success or failure of a firm. CSR build a strong relationship

with their customers in that they judge a firm not only in terms of the quality of goods and services offered. Firms should continuously contribute towards CSR to build a positive image with their customers because from a marketing point of view, customers are the main assets of the firms (Yee, 2014) .

REFERENCES

- Agudelo, L. (2019). International Journal of Corporate social Responsibility. *A literature reviews of the history and evolution of corporate social responsibility*, 1.
- Automotive Manufacturing Industry Indonesia. (2021, May 23). Retrieved from Indonesia Investments: <https://www.indonesia-investments.com>
- Binder, A. K. (2021, May 20). *Automotive Industry* . Retrieved from Britannica: <https://www.britannica.com/technology/automotive-industry>
- Comission, E. (2018). *European Competitiveness Report*. Uk, England: EC.
- Grant, R. (2003). *Cases in Contemporary Strategy Analysis, 3rd edition*. Blackwell Publishers in Business & Economics.
- Honda. (2021, May 18). *Honda : Power of Dream*. Retrieved from Honda: <https://www.honda.com/about>
- Jo H, Harjoto M . (2011). Corporate Governance and Firm Value : The Impact of Corporate Social Responsibility. *Journal of Business Ethics* 103(3), 351-383.
- McKinsey. (2021, January). *Whats driving to Global automotive industry?* Retrieved from MCKInsey: <https://www.mckinsey.com>
- OICA. (2017, JUNE). *World Automotive Industry*. Retrieved from OICA: <http://oica.net>
- Philip Kotler and Nancy Lee. (2008). *Corporate Social Responsibility , Doing the Most Good for your Company and Cause*. Canada: John Wiley & Sons.
- Piercy N F ; Lane N. (2009). Corporate Social Responsibility : Impacts on Strategic Marketing and Customer Value. *Marketing Review* 9(4), 335-360.
- Porter, Kramer . (2006). The Competitive Advantage of Corporate Philantropy. *Harvard Business Review* 80(12), 57-68.
- Selvam, M, Vasant, LIngaraja K & Marchiaoli, S. (2016). Determinants of firm performance : A Subjective Model. *International Journal of Social Science studies* 4(7), 7.
- Valjakka, M. (2013). CSR and Company Reputation, Case Study of Nike. *PhD thesis*,

*University of
Wolverhampton.*

Welford, R & Frost. (2006).
Corporate Social
Responsibility in Asian
Supply Chains. *Corporate
Social Responsibility and*

*Environmental management
13(3), 166-176.*

Yee, N. W. (2014). Corporate Social
Responsibility : Importance,
Benefits, Consequences,
Approached to Managing
Corporate Social
Responsibility. 2-8.