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Implementation of CSR in Developing Countries: Do We Need New Paradigms?

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***Abstract*— Following globalization, Corporate Social Responsibility (CSR) initially emerged in developed countries. Since developing countries have lower wage rates compared to northern countries, this encourages multinational enterprises (MNEs) to outsource from developed countries to developing ones. MNEs are based on a neo-classical paradigm to maximize profits. Yet, the economic systems in developing countries are not always based on profit motives, socially or politically. However, some rules issued in southern countries should adjust to the regulations outlined by MNEs from the north to attract MNEs. Therefore, this paper reviews several CSR applications in some emerging markets and the development of a CSR model that is suitable for local conditions. The study shows that the private aspect and the development of Small and Medium Enterprises (SMEs) in implementing CSR have not been fully directed toward economic empowerment. Clustering SMEs and implementing concentric CSR are expected to improve the effectiveness of CSR, especially for economic and social empowerment.**

***Index Terms*— Globalization, Concentric CSR, Clustering SMEs.**

I. INTRODUCTION

At the beginning of globalization, privatization was prominent. Multinational enterprises (MNEs) gained momentum to expand their business in several developing countries to be involved in globalization. For developing countries, Foreign Direct Investments (FDI) drive economic growth, and developing countries can leap forward without going through many stages of development. This differs from the experiences of some developed countries before, in which their development was carried out through several stages and they had to prepare a comprehensive economic system along with its infrastructure. This development takes a long time to materialize. Globalization encourages the formation of a global supply chain and outsourcing to developing countries, due to cheap labor wages. Globalization is also an expansion of capitalism that prioritizes profit among others. As capitalism evolved, concerns arose about its potential negative impact on society and the environment. Globalization can cause externalities and spillover. On the positive side, spillover can occur, such as the opening of new jobs in various sectors, technology transfer, and inflow of funds. However, negative spillovers also occur from globalization, such as the exploitation of natural resources and labor. Globalization occurs on a global scale: Geographic globalization refers to economic boundaries that exceed geographic or political boundaries, resulting in transnational development strategies. Activity-based globalization refers to the mixing of sectors and the broad diversification of interconnected activities. This affects many aspects of human life, not just trade. However, our current global governance, which is largely based on relationships between sovereign countries, struggles to navigate the complexities of the modern world and lacks adequate legitimacy

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(Chiraz & Frioui, 2012).

Capitalism is the driver of globalization, especially for MNEs. They operate in various countries, creating international production networks and supply chains. The principle of capitalism is free markets, deregulation, and privatization as drivers for the flow of goods, capital, and cross-border investment. On the other hand, consumers want various products at affordable prices. The demand from consumers encourages companies to seek input or carry out production processes by outsourcing from developing countries with low labor costs or abundant natural resources. Since the 1950s, there has been an extraordinary expansion in terms of the size, scope, and influence of multinational enterprises (MNEs), even some MNEs have resources and revenues that exceed several countries. This growth drives the increase in the power of these companies. Their increasing role demands responsibility and accountability for their long-term activities beyond profit-seeking motives (Wong, 2009). On the contrary, globalization is an enabler for capitalism because its presence will encourage market expansion, reduce trade barriers, and increase production efficiency. Globalization will create a larger and interconnected market, for goods, services, and capital. This allows capital owners (capitalists) to expand their market reach and acquire new consumers and resources, potentially increasing profits. Globalization will also reduce barriers through trade agreements, deregulation, and advances in communication and transportation that make it easier for companies to move goods and make cross-border investments. These conditions will encourage the integration of the global capitalist system and international competition. Production efficiency can be obtained by looking for locations with cheaper production costs and looser regulations. In addition, large MNEs can wield significant power, potentially influencing government policies and regulations to suit their interests.

Neo-liberalism believes that private management is better than the government in terms of efficiency. Therefore, the state should retreat from social and material responsibilities (Chiraz & Frioui, 2012). Traditional economic models suggest that businesses work to maximize profits, but this view may be outdated in the modern era. It's now evident that without incentives like tax breaks or regulations, businesses might engage in socially or environmentally detrimental practices. The advent of globalization, accompanied by a better understanding of risk management and sustainability, drives the demand for business actors to adopt environmental and social responsibilities through increased accountability, transparency, inclusivity, equity, sustainability, and ethics in business (Tanimoto, 2004; Welford, 2004; Wong, 2009). Responsible global capitalism relies on a network of interrelated components. To function effectively, all stakeholders need to collaborate closely. Key participants in this system include MNEs, non-governmental organizations (NGOs), governments, along supra-national bodies like the World Bank and the International Monetary Fund (IMF) (Gugler & Shi, 2009).

II. Corporate Social Responsibility

Corporate Social Responsibility (CSR) is understood as a tool to manage globalization. Meanwhile, Kurovs & Waecinski (2016) mentioned that CSR is a voluntary business approach where companies incorporate social issues, environmental, and stakeholder relations into their strategic plans. They work together with employees, families, local communities, and societies, to improve the quality of life in a mutually beneficial way. From a business perspective, CSR is seen as a company's effort to run the company in a way that meets or exceeds the ethical, legal, commercial, and public expectations of society (Wong, 2009). Society depends on business for economic development, and on the other hand, business needs a conducive and mutually beneficial environment. Therefore, companies must go beyond making profits and legal compliance by aligning with societal expectations and broader goals (Gugler & Shi, 2009). In this respect, the EU Commission's 2001 Green Paper encourages companies to consider social and environmental factors in their operations and stakeholder interactions in implementing CSR (European Commission, 2001). CSR encourages companies to reduce damage and contribute to society. CSR shows the company's dedication to social and environmental tasks, not just profits. Yet, Milton Friedman publicly discussed CSR, arguing in a New York Times Magazine article, that a company's CSR motive is to maximize profits. Whilst this view may be consistent with neoclassical economics, for others may be seen as a provocative and less nuanced view (Lundgren, 2011). Lantos (2001) suggested that there are two views on how the role of business in society will affect the attitudes of business actors towards CSR. The first view is based on the neoclassical theory approach, which views a business as an entity that will maximize profits for its shareholders. On the other hand, stakeholder theory states that corporations bear social responsibility because their activities affect every person in society, and they benefit from the support and infrastructure of the public sector. This debate is still ongoing and has not yet found a clear conclusion.

Yet, there is no agreement on what corporate social responsibility (CSR) involves. CSR can cover a wide range of goals, such as combating poverty, disease, or pollution, or more specific goals such as fostering strong local community relationships, conducting business with integrity and honesty, and combating corruption and bribery. CSR governance is very diverse, with many standards that can focus on sectors, products, and specific issues or more generally. Moreover, standards are set by various entities, including NGOs, governments, and international organizations. They guide multinational companies in doing the Global Value Chain towards responsible practices in social, environmental, and ethical issues, including improving human rights. These standards can address various parts of a company's operations, from promoting safe working conditions (internal aspects) to external aspects by considering the social impact of their activities (Fransen et al., 2019).

Because there are many initiatives involving various local, national, regional, and international parties, this condition may cause conflicts. Various stakeholders push for their interests. Governments may try to establish national governance bodies where non-government CSR standards have already existed. Similarly, multinational companies operating in various parts of the global value chain may compete to make their standards the main reference. Moreover, there is also competition between standards set by developed and developing countries, and complex relationships between government and non-government standard-setting efforts (Abbott et al., 2016). Initially, firm groups created these new standards to restrict other stakeholders' influence and mimic multi-stakeholder standards' comprehensive implementation. These are commonly known as business-driven standards, which mirror "older" standards established by business associations (Van Tulder and Kolk, 2001).

Empirical studies on CSR are still limited. Very few have produced testable hypotheses from strong business theoretical models, especially in determining the key processes from which socially responsible actions can turn into financial profit. Although there is an increasing number of literature on global governance in CSR, we have just begun to understand the complexity of CSR. CSR has the potential to influence output prices, wages, and capital costs. Therefore, company profitability may not only depend on the cost of implementing CSR but also on the benefits obtained (Lundgren, 2011). This happens because there are differences in the types of standards, participants, sectors, and product categories. Detailed exploration of these variations is very critical. It offers valuable insights into CSR governance and has significant implications for companies, especially in the management of global value chains (Overdevest, 2010).

A. Is CSR for the Sake of Betterment Society or Corporate?

CSR's meaning has changed significantly over time. It's no longer just about philanthropy, but now includes strategic CSR, where CSR is woven into the main business operations through innovation. This makes CSR an essential component of a company's competitive strategy. Although has yet been officially recognized in a global competitiveness index, the concept of CSR as a competitiveness factor is increasingly accepted in international bodies, academic circles, and business settings (Gugler & Shi, 2009). Even though CSR has already been adopted by many organizations, it's hard for the public to tell whether it is for the sake of society's good or self-interest. Public opinion can shift based on visible CSR actions.

By thinking about society, shareholders, customers, and the environment, organizations can improve their external social responsibility. This can enhance their reputation and image in the community. For example, companies engaged in CSR often receive consumer support, which can increase product sales (Alfakhri et al., 2018). Many companies involved in community activities are making a real positive impact and promoting social responsibility within their firms. This is similar to "greenwashing" in environmental performance, where companies use philanthropy to improve their status rather than make genuine change. This condition raises a question, what is the true meaning of legitimate social responsibility? This ambiguity can shift the social responsibility that should be carried out towards favoring the company by carrying out voluntary activities for the community and shying away from larger social commitments since these community projects can be carried out without significant changes to the company's operations. The company aims to avoid the obligation to make changes internally that can benefit the community more, such as avoiding making improvements to the working environment, unhealthy products, or irresponsible marketing practices (Hess & Warren, 2008).

Moreover, implementing CSR in global value chains presents various challenges. Suppliers can be from multiple companies and countries, and any violations of workers' rights or environmental damage can harm the company's reputation. If suppliers in developing countries cause issues, the reputation of the company in developed countries can also suffer, despite the supplier not being fully under the multinational company's control. Often, governments in developing countries are reluctant to enforce strict regulations. However, many developing countries have now established their standards to ensure their products are internationally accepted and attract more Foreign Direct Investment (FDI).

B. Impacts of CSR on Financial Performance

To prevent irresponsible marketing practices (Hess & Warren, 2008), CSR may implement the concept of corporate marketing proposed by Balmer (1998). It is about seeing the broader corporate issues, rather than just individual products and services. Further, Balmer (2001) states that marketing should extend beyond meeting customers' product and service needs. It includes exchanges and interactions with society as a whole. Abratt and Sacks (1988) and Podnar & Golob (2007) also have similar ideas. Corporate marketing should create value rather than just maximize profits for the company. This is important because it will affect the company's long-term sustainability and at the same time can meet the expectations of stakeholders and society (Balmer & Greyser, 2006). Therefore, in the context of CSR, implementing corporate marketing is critical (Balmer, 2001), because it must balance and consider the needs of various stakeholders, both for the present and the future while still paying attention to the social issues that arise during its application (Balmer & Greyser, 2006; Podnar & Jancic, 2006).

Professor Michael Porter is among the experts who first conveyed how companies can enhance their long-term prospects by balancing financial and social objectives (Pressman, 1991). Porter and Kramer (2003) further explain how a strategic approach through corporate philanthropy can balance economic and social objectives. However, it's quite difficult to find a direct link between corporate social performance (CSP) and corporate financial performance (CFP) due to data inconsistency and research outcomes obtained. There's no concrete evidence of a relationship between reputation and competitiveness (Wong, 2009). The same is also shown by a survey conducted by Juholin (2004) from various business entities in Finland. Conversely, Roberts and Dowling (2002) say there's increasing evidence of a positive link between reputation and the company's financial performance. They state that mistakes in CSR implementation can destroy a company's image and will affect the company's revenue, including intangible assets such as corporate brands, identities, and reputations. Therefore, consumer issues must also be considered in maintaining the reputation of the company (Alfakhri et al., 2018).

However, maintaining a reputation is not an easy task. At present day, any mistakes made by companies can spread quickly through social media and encourage consumers to boycott which in turn will destroy a company's reputation instantly. Global events can also affect the company. For the company to withstand various shocks, CSR requires full commitment from the stakeholders which will help the company to anticipate and adapt to ever-changing social conditions. Solid synergy can drive the creation of new markets and stimulate company growth. At the macro level, CSR can contribute to achieving sustainable development. CSR encourages a coherent societal value system to shift to a sustainable economy (Mihalache, 2013). Companies can adopt social responsibility through various activities such as sponsorships, employee volunteering, partnerships with nonprofits, and supporting community projects. They should consider both direct customer concerns like product safety and ethical sales practices, as well as indirect issues like child labor and equal opportunities. CSR includes commitments to both internal and external stakeholders. It allows companies to adapt to societal changes and new operating conditions. Responsible businesses play a crucial role in delivering public services. In essence, CSR offers a value framework for a cohesive society aiming for a sustainable economic system.

III. MODELS OF CSR

According to Geva (2008), there are three main Corporate Social Responsibility (CSR) models. These are the pyramid model, the Intersecting Circles model which uses a Venn diagram to demonstrate overlapping responsibilities, and the Concentric Circle model which looks like a holon. For a definition of social responsibility to be all-encompassing, it needs to take into account the economic, legal, ethical, and discretionary aspects of how a business performs. All businesses should aim to incorporate these responsibilities. Businesses have economic responsibilities; they must create products or services that people want and sell them for profit. They also have legal responsibilities, meaning they're expected to abide by laws and regulations in return for societal permission to operate. Ethical responsibilities are expectations society has for businesses, though these aren't always explicitly stated in laws. Finally, discretionary responsibilities are optional actions businesses can take, such as philanthropic contributions, which aren't required by law or typically expected from an ethical standpoint (Carroll, 1979). In this paper, one CSR model is added, ie. i-CSR.

A. Pyramid

The pyramid model, proposed by Carroll in 1979, outlines four components of social responsibilities: economic (profit-making), ethical (ethical conduct), legal (law-abiding), and philanthropic (good corporate citizenship). Together, these form a total CSR. The model ranks economic responsibility as the most crucial. Other responsibilities stem from this economic foundation, with legal responsibilities ensuring law compliance,

followed by ethical responsibilities, which entail actions not prohibited by society. The final layer is philanthropic activities.
The pyramid model emphasizes that the main goal of a company is to make a profit. Hence, the economic aspect serves as the basis for all other elements and as the primary driver of social responsibility. The company's profitability can reflect its CSR reputation. On the other hand, based on the pyramid theory, CSR can positively influence corporate financial performance (CFP) and provide a positive reputation, while CSR failure can negatively affect CFP. From a legal standpoint, the company should comply with the law appropriately. Anything beyond the legal aspect is seen as an ethical issue. The implication is, that the company's philanthropic responsibility refers to optional social contributions as long as they are not determined or prohibited by the company's role in economic, legal, and ethical aspects. The rigid separation in the pyramid model does not consider how these responsibilities are interconnected (Geva, 2008). In this model, CSR can be seen as a byproduct of economic activity.

B. Intersecting Circles (IC)

Unlike the pyramid model, which stresses the economic aspect, the Intersecting Circles (IC) allow for overlap between CSR areas without prioritizing one over the other. This is due to the nature of a Venn diagram, which requires a clear separation of what's included and excluded. In the IC model, economic profit isn't always the paramount objective since the company is also considered a social entity intertwined with the community. The IC model is primarily descriptive rather than normative, using a Venn diagram to address the challenges within the pyramid model. Its main strength lies in its flexibility, permitting various domain relationships without prioritizing one, unlike the pyramid model that accentuates profit (Geva, 2008). Philanthropy in IC typically falls within the overlap of the three-circle Venn diagram, in line with Carroll's four-part model. The difference is philanthropy is categorized under either ethical or economic domains. Some may see this as reducing philanthropy from virtue to self-interest. This indicates that CSR is a mix of various responsibilities, contrasting the Venn model which presents CSR as separate categories.

C. Concentric (CON)

Both the pyramid and IC models illustrate the dichotomy between business and society, the CON model shows their interrelationship. The CON model offers two perspectives on the business-society relationship: an outside-in view, reflecting society's need for businesses to adhere to behavioral standards for social progress, and an inside-out view, representing businesses' internalization of these norms. In the CON model, these two aspects are interconnected. CSR in the pyramid and the IC model have narrow sights, revolving around businesses' need to make a profit. The CON model, however, broadens this understanding of economic responsibility, aiming to directly benefit society (Geva, 2008).
In Corporate Social Responsibility (CSR), all circles share a core. The CON model recognizes that while business is primarily economic, decisions always involve interconnected economic and moral aspects. The overlap of responsibility circles can blur the differences between responsibilities, but it helps managers understand the dynamic relationship between various obligations. It also allows them to consider each responsibility individually when making decisions. Here, each of the inner circles becomes part of the wider outer circle, not vice versa. This is a resemblance to the holonic view.
When expanding on the concept of Corporate Social Responsibility (CSR) within the framework of the CON model, it's important to note that all economic responsibilities encompass more than just financial performance. These responsibilities, in fact, also extend to include legal obligations - ensuring that the company operates within the bounds of the law at all times, and ethical aspects - which involve adhering to moral standards and making decisions that promote the welfare of all stakeholders. Thus, the CON model of CSR views economic responsibilities as multi-faceted and interconnected with broader societal expectations. The CON model is a common approach to CSR, aligning with its recent trends, asserting that businesses have an ongoing responsibility to help society improve. This responsibility spans all aspects of a company's operations, both core and peripheral (internal and external). In essence, CSR encourages businesses to self-regulate for societal and private interests' benefit (Geva, 2008).
The CON model considers corporate philanthropy as part of CSR, which implies a company's responsibility toward societal good. Unlike the pyramid model that separates societal activities from operations, the CON model includes societal aspects in daily business activities at all levels. It suggests that corporate philanthropy isn't only about financial support to causes, but also applying corporate abilities to address significant societal issues. In this model, Total CSR is seen as a single concept where all components share a central value: a promise to operate beneficially for society. While some may find the idea of societal "good" too broad for

effective CSR measurement, many large corporations today define their mission codes in terms of this societal commitment. Often, they translate this abstract commitment into a set of more specific goals (Geva, 2008).

D. CSR Tree (i-CSR)

The i-CSR (Islamic CSR model, common in the Middle East) is symbolized by a tree, consisting of roots, a trunk, and a crown. The hidden roots symbolize the vital aspects of CSR, while the visible trunk and crown vividly depict the more noticeable aspects of CSR. The roots represent private social responsibility. The trunk represents internal social responsibility, functioning as the vital link between the crown and roots. The crown represents external social responsibility and reflects the organization's public image. The health of a tree is reflected in the vitality of its crown, therefore organizations should also uphold a robust external image. The i-CSR Tree model delineates four distinct types of CSR Trees, each symbolizing varying levels of corporate engagement in CSR and the motivations driving it. Organizations should achieve this, by striking a balance between private, internal, and external social responsibility. The crux of the matter lies in private social responsibility, the tree's roots, as it forms the foundation of i-CSR. Organizations must cast aside ostentation, placing divine approval ahead of human judgment, in harmony. From an Islamic perspective, the purpose of CSR is to benefit society, not to reap personal gains. Shirk (idolatry), the polar opposite of Tawhid, can emerge from a CSR methodology driven solely by profit. As such, private social responsibility must unequivocally outshine external social responsibility (Alfakhri et al., 2018).

IV. CSR IN DEVELOPING COUNTRIES

Corporate Social Responsibility (CSR) discussions have primarily focused on the actions of MNEs from developed countries operating in developing ones. Their approach to CSR could significantly shape the future of the global CSR agenda (Jamali, 2007). Large corporations often set rigorous CSR standards for supply chains, but may not support developing country suppliers either financially or technically. These suppliers recognize the importance of CSR for business with MNEs, as non-compliance, risks, boycotts, or contract terminations. Balancing global CSR demands with local responses is key, however, the high costs of adherence are a concern for suppliers. Local collective action could reduce these costs and boost local CSR initiatives (Gugler & Shi, 2009). CSR initiatives, mainly from the North, impact developing countries without much input from them. Introduced through MNEs or buyer-enforced Codes of Conduct, Southern suppliers should comply with contract security.

The South's competitive edge largely stems from its low cost, with reduced social and environmental standards contributing to cost minimization. Many MNEs favor countries with the lowest standards to enhance their short-term competitiveness, leading to the establishment of global supply chains in developing countries. However, due to pressures from stakeholders and criticisms of irresponsible sourcing from the South, Northern MNEs have responded by implementing a private supplier mandatory Code of Conduct which is higher than those of the host country and is used as a criterion for supplier selection (Gugler & Shi, 2009). A 'CSR-friendly' Northern company must protect its supply chain from criticism from its customers.

Studies highlight disparities in ethical principles and their business and social effects, with differing views on topics like bribery and child labor among financial managers from Australia, Chile, Ecuador, and the US (Robertson et al., 2002). Northern and Southern producers have different views on Corporate Social Responsibility (CSR). Southern producers often focus on traditional product qualities like good technical quality, timely delivery, and yearly local authority certifications. Meanwhile, many Northern companies use globally competitive standards that include CSR in their production, marketing, and management. In developing countries, the understanding of CSR is often limited. Many businesses think that just meeting the basic labor and environmental standards set by their national regulations is enough. So, when multinational companies they work with suddenly impose CSR standards, these suppliers can feel threatened (Gugler & Shi, 2009).

A top-down approach to Corporate Social Responsibility (CSR) can cause problems. It can make suppliers less competitive and risk sustainability. It might also lead to too many CSR standards, increasing costs. This could result in measures that don't make sense or contradict each other (Gugler & Shi, 2009). CSR standards are usually not as strict in developing countries. Even though there are many CSR projects in Western countries, the same interest isn't seen in developing countries (Jamali, 2007). There's a worry that governments in developing countries might ignore CSR to focus on economic growth. They often pay more attention to things they see as more immediate issues, like providing services, managing citizens, and reducing poverty. Current business practices only make this problem worse (Wong, 2009).

The growing expectation for companies to adhere to Corporate Social Responsibility (CSR) principles has the potential to create significant barriers to market access for exporters in the South. The increasing demand for companies to demonstrate their commitment to social and environmental policies by complying with buyers' codes of conduct or private certification schemes could exclude many Southern producers from market access. This is because meeting these high standards often involves significant costs and resource allocation, which many exporters in the South may struggle to fulfill. This, in turn, can affect their competitive position in the global market, potentially leading to reduced market share and growth opportunities. A UNIDO study observed that this hurts the export competitiveness of developing country SMEs. Small suppliers may be forced to streamline and centralize their supply base, cutting off smaller suppliers and denying them access to the export market (UNIDO, 2002).

Hence, CSR shows the difference in power between big companies from developed countries and small suppliers from developing countries. Many big companies are driven by the need to protect their reputation and often choose short-term strategies with their suppliers. They set standards but don't always provide financial or technical help. Small suppliers in developing countries don't have much power to negotiate with big companies. If they can't meet the standards, they risk losing the business. CSR can put companies from developing countries at a disadvantage in worldwide competition (Gugler & Shi, 2009).

A. Implementation of CSR in Developing Countries: Reducing the Gaps

Corporate social responsibility (CSR) initiatives across Asia are diverse, addressing areas such as education, charity, environmental conservation, and employee welfare. Companies are leveraging strategies such as volunteering, forming partnerships, and establishing organizations to operationalize these initiatives. Developing countries exhibit varying responses to CSR due to factors like size, income, and export interests, leading to an array of CSR-related challenges. It is common for many businesses in these countries to lack full comprehension or engagement with CSR (Gugler & Shi, 2009). The implementation of CSR in Asia often adopts a phased approach, beginning with community engagement, and then progressing towards fair production practices and employee relations (Wong, 2009).

Research shows that small businesses in developing countries are under pressure to meet international labor and social responsibility standards. This is necessary to trade in developed markets. Some people believe that meeting these standards can improve business operations, increase supply chain openness, and raise social and environmental standards in developing countries. However, these standards are often created in corporate offices in Europe or North America without input from the intended beneficiaries, suppliers, and workers in the Global South (De Neve, 2009). Different global brands have different conduct codes, making it hard for local producers who meet multiple, costly, and sometimes conflicting requirements (Lund-Thomsen, 2008). This has led to a push for more uniform standards across industries (Nadvi, 2008). Given this situation, it's no surprise that many producers in developing countries don't feel connected to these standards. This raises questions about the sustainability of social compliance if there's no ongoing pressure from international buyers (Barrientos, 2008, Lund-Thomsen & Nadvi, 2010). Corporate Social Responsibility (CSR) often involves a balance between global demands and local actions. Suppliers in less wealthy countries sometimes argue that CSR regulations increase costs. However, collective action in these countries, spurred by industry groups, could potentially reduce costs and strengthen local CSR initiatives. (Lund-Thomsen & Nadvi, 2010).

Demands for social responsibility compliance have prompted collective action in some export industries in developing countries (Lund-Thomsen & Nadvi, 2010). The reactions vary depending on how local export industries are integrated into global value chains. There's a difference between chains led by famous international brands and chains where social responsibility pressures come from various sources, including less prominent lead firms, international/national regulations, and national media. Other studies examine the motivations and investments in social responsibility at different production stages. A model was analyzed where independent suppliers' social responsibility efforts make the final product stand out for conscious consumers. The model predicts an increase in social responsibility for suppliers across the value chain. This prediction is supported by data from India (Herkenhoff et al., 2021). A common topic is how companies balance global and local needs when it comes to Corporate Social Responsibility (CSR).

Suppliers in developing countries often worry about the extra cost of following CSR rules. However, if industry groups work together, they might reduce these costs and help local businesses adopt CSR. The success of these groups could be influenced by how connected local industries are to global supply chains. Lund-Thomsen & Nadvi (2010) compare two types: 'highly visible' chains, led by famous international brands, and 'less visible' chains. In the latter, pressures for CSR come from various places like smaller firms, local and international laws, and the national media.

Business associations can help small and medium-sized businesses (SMEs) boost local economies (Doner & Schneider, 2000). Yet, not much research is done about these groups helping follow international rules for corporate social responsibility (CSR). A place to look for more information might be research on business clusters in developing countries. Since the 90s, many studies have shown that local business success often comes from SMEs working together in one region. These studies show how small businesses can join forces to reach global markets. Things like economies of scale and working together are crucial for success. Working together can help local businesses face challenges and be more competitive. Local business groups often lead this teamwork. However, few studies look at how the need for CSR might lead to teamwork responses from these groups in developing countries (Lund-Thomsen & Nadvi, 2010).

Many developing Asian countries, such as China, have comprehensive labor and environmental laws. Sometimes, these standards exceed international ones. China, Cambodia, Indonesia, and Thailand all have specific laws on maximum working hours, overtime, and minimum wages. However, these national laws are not adequately enforced at the local level, leading to issues. There's also a cultural and value divide. Many Southern firms and governments view CSR as primarily based on Anglo-American philosophies and values. They see its requirements as a burden imposed by business partners, leading to mock compliance, as seen in many Chinese factories (Chan & Ross, 2003).

Standards can only be valid and enforceable when both Northern and Southern countries actively participate in the standards-making process. For governments in developing countries, Corporate Social Responsibility (CSR) presents a challenge to their national policies. It can be a tool to enhance competitiveness or it can undermine it. If CSR codes set by MNEs result in the exclusion of domestic suppliers, especially Small and Medium Enterprises (SMEs) from international supply chains, then government intervention is justified in various forms (Gugler & Shi, 2009).

i. China: Multinational companies in China are requiring suppliers to adhere to international standards, pushed by worker rights groups. This is due to the increasing emphasis on CSR in developed nations, influencing developing countries. The Chinese Academy of Social Sciences advocates for local standards that are globally acceptable but tailored to China's specific needs. China is developing a system to spot potential export risks, including international standards. The government is noticing these practices, focusing on trade and worker conditions. The key concerns are CSR as a trade barrier and the costs of implementing it. As the leading foreign investment recipient, China is often referred to as the 'world's factory', making it a hub for heavily polluting industries. The profits often return to the investor's home country. The government acknowledges the health and environmental costs of relentless economic growth. It recognizes that companies from developed countries benefit from inexpensive Chinese labor, often through weak labor contracts (Wong, 2009).

While some may suggest that China's Corporate Social Responsibility (CSR) model borrows heavily from foreign concepts (Gerson, 2007), this viewpoint neglects the unique historical and current context of China. In China, the government, led by the Chinese Communist Party (CCP), plays an indomitable role, making it inconceivable to institute CSR without their engagement. Historically, numerous Chinese businesses, particularly State-Owned Enterprises (SOEs), have stepped up to support their employees, a reflection of China's socialist roots. These corporations have shouldered societal responsibilities, encompassing employee housing, pensions, and healthcare (Goodall and Warner, 1997; Lu, 1997). Further, the CCP has established robust systems for worker welfare, trade unions, and work units, all aimed at enhancing employee well-being (Wong, 2009). Today, Chinese companies are ambitiously pursuing the creation of a CSR framework that draws inspiration from foreign models yet is crafted to fit China's distinctive situation. This framework is guided by Chinese laws that protect worker rights and address societal problems arising from business activities. Chinese businesses have consistently conformed to international standards like ISO 9001 that emphasize technical requirements. Remarkably, out of the 500,000 ISO 9001-certified companies worldwide, 130,000 are located in China. Now, these businesses are challenged to meet new standards such as the CSR-focused ISO 26000. The primary hurdle is convincing Chinese companies, who generally prioritize short-term profits, to embed CSR into their long-term strategy (Gugler & Shi, 2009).

In 2004, the Chinese Communist Party (CCP), under the strong leadership of Hu Jintao, boldly introduced "Hexie Shehui" (和谐社会). This strategic objective was a decisive move to address the burgeoning social discontent stemming from two decades of economic and social development and the effects of increased globalization. Despite acknowledging the impressive economic growth that ensued from these decades of reform and opening-up, the CCP held an unwavering internal concern about the potential backlash of escalating inequality, environmental degradation, and other issues on societal health and regime legitimacy. This concept, officially unveiled at the Fourth Plenary Session of the Sixteenth Central Committee of the CCP on September

19, 2004, imagined a society where all groups and classes collaborate to untangle the underlying "contradictions". The full phrase was "socialist harmonious society", confidently stated in the Party's "Decision" and the Harmonious Society.
The situation of corporate social responsibility (CSR) in China highlights the necessity for a nuanced understanding, not merely a simplistic black-and-white viewpoint. This understanding is crucial for international stakeholders who aim to bridge the North-South CSR divide. It also aids in establishing a shared language and policy framework to maximize the positive societal impact of business, as suggested by Gugler & Shi in 2009.

ii. BRICs: The BRICS nations - Brazil, Russia, India, China, and South Africa - offer promising growth prospects for their local economies. These economies have the chance to promote their products or services both domestically and in non-Western markets. If local businesses find the trade terms set by Western multinationals less than satisfactory, they might discover more opportunities to sell to domestic, regional, or global customers who might not put CSR as a top priority. However, as BRICS nations start to adopt more public and private regulatory initiatives, they might encounter challenges due to the differences between global CSR norms and their practical application in these countries. Studies in India have been conducted to pinpoint the key economic, social, and environmental factors relevant to local entrepreneurs (UNIDO, 2008). Still, it's not yet clear whether the enforcement of CSR in these nations will follow international or local guidelines. If there are significant disparities, grasping these differences is key. It's also important to investigate how these varying CSR approaches might be reconciled within the local economies of BRICS nations (Lund-Thomsen & Wad, 2014).
The rise of BRICS multinationals in mass consumer markets could reshape the face of Corporate Social Responsibility (CSR) in global value chains. These companies, operating within unique socio-cultural and socio-economic contexts compared to their European and North American counterparts, bring new forms of capitalism and CSR to the table. As BRICS multinationals become leading firms, the question arises whether the CSR adoption in local economic regions of BRICS countries will follow international (Western) or local CSR approaches. If these approaches do differ significantly, it's crucial to grasp these distinctions and explore the possibility of reconciling potentially different CSR approaches within the local economic regions of BRICS countries (Lund-Thomsen & Wad, 2014).
While none of the IBSA (India, Brazil, South Africa) nations have a background in state-socialist planned economies, India has made use of centralized economic planning and administration. However, its political structure is notably decentralized with power vested in state and local entities. The nation's economic growth is driven by private businesses, often large corporations, and there's a significant informal economy (Lund-Thomsen & Wad, 2014). As the number of regulatory initiatives, both public and private, increases in the BRICS countries, there could be potential friction between the acceptance of global CSR norms and their relevance in these countries (Lund-Thomsen & Nadvi, 2010). In India, certain studies have attempted to identify the most relevant economic, social, and environmental factors for production according to local entrepreneurs (UNIDO, 2008).
CSR's integration into the global value chains and local economies is influenced by various initiatives across the BRICS nations. Take India, for instance, which has recently embraced the National Voluntary Guidelines for Business Responsibilities put forth by the Ministry of Corporate Affairs. In South Africa, black economic empowerment laws significantly contribute to the integration of CSR. The labor contract law of 2008 in China also plays a part in how CSR is intertwined with global value chains and local economies. Over in Brazil, a range of initiatives are focused on eradicating forced labor and improving work conditions, particularly in sectors like sugarcane and construction. (Lund-Thomsen & Wad, 2014).

iii. Indonesia: Indonesia stands at the forefront as the first country to legally enforce Corporate Social Responsibility (CSR) through Law 40/2007 on Limited Liability Companies. As a result, multinational organizations are continuously adapting their CSR policies to meet the requirements of laws like Ordinance No. 40 and No. 25 of 2007. Especially companies involved in natural resources are mandated to engage in CSR activities, mainly focusing on education, health, natural disasters, infrastructure, and economic independence. Some choose to align their CSR goals with the Millennium Development Goals (MDGs) and the Global Goals for Sustainable Development (SDGs) set forth at the 2015 United Nations Convention on Sustainable Development Summit. By law, companies in Indonesia are required to reveal their social and environmental responsibilities in their annual financial reports (Article 66, Paragraph 2, item C of the Limited Company Statute No. 40 of 2007). This has led to an upswing in the publication of Sustainability Reports. Despite this, CSR in Indonesia encounters roadblocks due to ambiguous and inconsistent regulations. There's a clear demand for more definitive rules that outline CSR criteria and ensure adherence. The establishment of a national regulatory body to oversee and enforce CSR, along with penalties for non-compliance, has been proposed. Article 74 has the potential to improve corporate practices in Indonesia, but its effectiveness is questionable for four key reasons: the language used is overly broad, lacks depth, and is ambiguous; the absence of a clear implementation mechanism or monitoring process; limited research into potential negative effects, like unfair treatment of corporations; and the lack of a clear goal from those who drafted the law or the government regarding the purpose of the article, the future of CSR, and how to reach these goals. To put it succinctly, Article 74 lacks a clear vision (Waagstein, 2011).

Many businesses dive into Corporate Social Responsibility (CSR), yet a common concern is the clarity of disclosing environmental information. This is especially true for industries such as mining and energy which are often under the spotlight due to environmental risks. The challenge is not just gathering environmental data, but also the fear of possible backlash from NGOs upon disclosure. In Indonesia, the environment plays a significant role in shaping business operations, particularly for mining companies. They are held responsible for the economic, environmental, and social impacts of their operations. Mining companies that fall short of disclosing their environmental responsibility as per accepted norms are likely to face backlash. For instance, the study examines the environmental disclosure of PT. Vale is Indonesia's leading Nickel mining company and the second-largest nickel producer globally. The research suggests that PT. Vale's environmental disclosures have not fully addressed community concerns. Issues range from inadequate hospital capacity to community grievances about agricultural matters. Therefore, the environmental disclosure program needs further improvements to be effective and appropriate (Murdifin et al., 2019).

In their paper, Selin et. al. (2023) share some interesting findings about how different kinds of political connections can affect CSR commitments. They focus particularly on connections between board members and individuals specialized in their industry, and those with military affiliations. They outline a two-way relationship between the government and relevant companies, suggesting that this is the key external driver for implementing CSR in Indonesia. Knowing the political reasons behind CSR performance can be useful for investors, creditors, and policymakers when valuing businesses and crafting effective CSR strategies in developing countries. Yet, the study isn't without its limitations. It doesn't look at the effect of different regimes and types of power, and it doesn't delve into the qualitative side of the relationship between political affiliation and CSR.

CSR in Indonesia is legally required and understood within businesses, but its implementation's depth and reach are still evolving. The government supports CSR with policies like tax deductions to encourage corporations to engage in CSR activities. However, the effectiveness of these measures and the extent to which companies embrace CSR beyond compliance is an area of ongoing development.

iv. Middle East: While most research on Corporate Social Responsibility (CSR) has traditionally focused on companies in the UK, USA, and Canada, there's been less emphasis on its application in the Middle East. Considering that the Muslim market comprises about 20% of the global population and is the majority in over 50 countries (Alserhan, 2010), it's important to delve into CSR from an Islamic viewpoint. This will not only expand our understanding of Islamic marketing but also help businesses effectively cater to this significant market segment. In Islamic countries, CSR isn't just a secular ethical concept that can evolve like it is in Western countries. Instead, it's deeply rooted in divine teachings and is used for the long-term benefit of society, rather than just short-term gains. A sustainable approach to CSR is essential and should be woven into every layer of an organization, shaping its values and decision-making processes. Companies should focus on the societal impact of their actions, without expecting anything in return, and seek rewards from God alone. Therefore, the concept of Tawhid, or oneness with God, should be central to CSR strategies in Islamic contexts, since Islamic CSR is fundamentally based on it (Alfakhri et al., 2018).

The CSR Tree model (i-CSR) comprises hidden roots, a visible trunk, and a crown. The roots represent private social responsibility (Sadaqa), a central part of the CSR strategy in Islam. This symbolizes the interplay between internal, external, and private social responsibilities. A stronger private social responsibility leads to an increased external social responsibility. Organizations should avoid Riya (showing off) as it contradicts Tawhid. These insights improve our understanding of i-CSR and offer a unique perspective to the CSR literature. Therefore, organizations practicing i-CSR should balance internal and external responsibilities, see private responsibility as a driving force, and use CSR for societal advantage. From an Islamic perspective, organizations are encouraged to participate in Corporate Social Responsibility (CSR) out of a sense of duty or the intrinsic belief in doing what is right (Siwar and Hossain, 2009). The commitment to CSR should stem from a desire to contribute to society, rather than to boost corporate reputation or shareholder values. The principles of Tawhid and the Islamic reward system should ideally be the primary drivers for CSR engagement (Alfakhri et al., 2018).

External Social Responsibility refers to CSR practices that extend beyond the boundaries of the company. It impacts the local community and involves a broad range of stakeholders. On the other hand, Internal Social

Responsibility relates to actions that have a substantial influence on the employees' physical and psychological work environments. Two key themes emerge in this category. Within the framework of Islam, organizations are expected to uphold social responsibilities. Consequently, Muslim businesspeople should consider societal interests alongside their own, steering clear of greed and selfishness (Alfakhri et al., 2018). A study by Graafland et al. (2006) on 50 Islamic entrepreneurs in the Netherlands found a high commitment to CSR. Yet, other studies reveal that Muslims involved in CSR tend to avoid publicity (Dunfee et al., 1999; Neiman, 2013). This preference for low-key CSR, as discussed in the current study, might explain why Muslims engage in CSR.

V. Empowering SMEs through CSR

The concentric CSR model proposes that all economic responsibilities have legal and ethical dimensions, tied together by a common core value: to operate in ways that benefit society. This model suggests a system of inclusion relations, akin to the interconnected nature of the CSR tree model. Here, the roots, trunk, and crown symbolize private, internal, and external social responsibility, respectively, emphasizing their interconnectedness.

Internally, CSR focuses on enhancing the conditions within companies in developing countries, such as providing good working environments and managing the impact on the environment externally. These two aspects are often seen as mutually exclusive in developing countries, due to the influence of CSR perspectives from developed nations, with private responsibility often overlooked. The growth of SMEs in these countries could potentially be facilitated by a hybrid model of Concentric CSR and Tree CSR. This model views development holistically, even accommodating private aspects. The focus isn't solely on economic factors, but primarily on empowering communities and enhancing SME capabilities.

Research by Indarti & Efni (2018) found that CSR funding significantly influences entrepreneurial attitudes, which in turn, impacts the income of SMEs. In essence, CSR funding directly affects SMEs' income, with an entrepreneurial attitude serving as a mediator. SMEs often form business associations to enhance local economic development. Research indicates that proximity between SMEs can bolster local industry competitiveness, underscoring the value of collaboration in confronting international market challenges. The mutual advantages of these business clusters and the potential for collective action are essential. This united approach can aid local providers in managing external challenges and boosting competitiveness. Local industrial associations typically foster this collaboration. Additionally, business clusters can optimize the supply chain. However, research is lacking on how demands for Corporate Social Responsibility (CSR) compliance could prompt collective responses from industry associations in developing countries.

VI. Conclusion

Developing countries often adopt Corporate Social Responsibility (CSR) to maintain trade with developed nations. They recognize that environmental harm and worker exploitation can disrupt these relationships. However, CSR implementation in these countries is sometimes ineffective. With the introduction of various CSR models, the approach to CSR is evolving. In the future, MNEs will consider not only profits and compliance with laws and ethics but also community empowerment. CSR is shifting from being a residual part of profits for philanthropic activities to an integral component of the business system, encompassing both internal and external aspects of a company. The rise of the middle class in developing countries will also influence the CSR paradigm, as their demands differ from those in developed countries. The integration of CSR with Small and Medium Enterprises (SMEs) will continue in these countries. Hence, an integrative approach using a concentric CSR model may be more widely adopted than a pyramid approach. Furthermore, CSR can be leveraged to aid SMEs in developing their businesses by integrating them into supply chains.

However, the line defining the distinction between Corporate Social Responsibility (CSR) and social entrepreneurship is becoming increasingly blurred. This has resulted in a complex intermingling of the two concepts, which poses a challenging question for business scholars and practitioners alike. The ambiguity surrounding the distinction between these two concepts, while confusing, actually presents numerous opportunities for new research. Scholars can delve deeper into this grey area and uncover new insights about the interplay between CSR and social entrepreneurship, potentially paving the way for innovative approaches to sustainable business practices in the future.

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