

CHAPTER I

INTRODUCTION

1.1 Background

Over the past few years, a significant global shift in consciousness about environmental issues has been spurred by increasing concerns over climate change, deforestation, biodiversity loss and pollution.

As for the evidence of environmental issues, Greenpeace refers to biodiversity as a complicated web of life collapsing. They warn that biodiversity loss endangers nature's essential functions, such as food, water, and rich soil. Human activities such as climate change, deforestation, and pollution from fossil fuels are the primary causes of this catastrophe or disaster. According to Greenpeace's most recent data, animal populations have declined by an average of 69% over the last 50 years, with almost two million species now facing extinction. That number is twice the UN's prior anticipation for 2022. In 2019, we lost 21 million areas of tropical rainforest each minute.¹ According to the United Nations, up to one million species face extinction within the next few decades. Deforestation causes irreplaceable ecosystems. 85% of wetlands, including salt marshes and mangrove swamps, are gone, destroying crucial carbon-absorbing ecosystems. Human actions have affected more than 70% of all ice-free land, and rising

¹ "Biodiversity Loss: A Beginner's Guide." Greenpeace UK.
<https://www.greenpeace.org.uk/challenges/wildlife-and-biodiversity/biodiversity-loss/>.

temperatures are driving animals and plants to migrate to higher altitudes and latitudes, often with negative consequences for ecosystems.²

As more people have come to realise that what we do has far-reaching consequences on the health of our planet, these issues are now front and centre in public consciousness. The Globalisation of Environmental Issues Media coverage, activism, and agreements (e.g., the Paris Agreement) have pushed environmental issues to popular attention. This increased awareness led to a greater public demand for accountability and action from governments as well as foreign companies on these urgent environmental issues.

Furthermore, public opinion is pressuring corporations to reconsider and implement sustainable operations as good practice. With the climate crisis taking centre stage globally and stakeholders now hurled into conversations about sustainability, it is increasingly expected for organisations to be held accountable for how they conduct their operations when it comes to environmental impact. Large multinationals (MNCs) are especially subject to this pressure due to their enormous size and visibility across the globe. Previous research shows that companies with good environmental records are more likely to disclose information about their environment than those with poor performance —enhancing the reputation amongst stakeholders. Increasing public pressure has driven corporations

² United Nations. 2022. “Biodiversity - Our Strongest Natural Defense against Climate Change.” United Nations. 2022. <https://www.un.org/en/climatechange/science/climate-issues/biodiversity>.

and firms to adjust their operations and strategies for more environmentally sustainable practices.³

A crucial aspect of such changes is how they affect company strategy, which has now included environmental issues in the firm's core activities. The role has resulted in several sustainability and long-term environmental responsibilities through the Corporate Social Responsibility initiative. Sees sustainability as an essential agenda item for protecting natural resources and, even more significantly, as an emerging problem affecting profitability and corporate sustainability. MNCs such as Honda have responded to such public concerns by implementing environmental CSR standards that promote the accomplishment of environmental sustainability.⁴ Honda's attempt to protect the environment is part of a larger trend of companies aligning with global goals. Organisations that shift their strategy to focus on practices for sustainability maintain stakeholder trust in an environment where environmental concerns are increasing while avoiding changing regulatory requirements. In the process, they ensure that their firm continues to grow.

Honda Motor Co., Ltd. Is one of the actors included in large multinationals (MNCs). Honda is a worldwide famous automobile company established in 1948, which originates from Japan.⁵ A manufacturer of automobiles, aircraft, motorcycles,

³ Dien Noviany Rahmatika. 2021. "EXPLORING the RELATION of ENVIRONMENTAL DISCLOSURE, ENVIRONMENTAL PERFORMANCE and COMPANY CHARACTERISTICS in INDONESIA; an EMPIRICAL ANALYSIS." *International Journal of Economics, Business and Accounting Research (IJEBA)* 5, no. 4. <https://doi.org/10.29040/ijebar.v5i4.3806>.

⁴ Orlitzky, Marc, Donald S. Siegel, and David A. Waldman. 2011. "Strategic Corporate Social Responsibility and Environmental Sustainability." *Business & Society* 50, no. 1 (February): 6–27. <https://doi.org/10.1177/0007650310394323>.

⁵ Honda. "Company Overview | Corporate Profile | Honda Global Corporate Website." Honda Global. <https://global.honda/en/about/overview.html>.

and power equipment. Honda is known as the world's largest manufacturer of internal combustion engines by volume, producing nearly 14 million engines each year. By 2001, Honda had grown to become Japan's second-largest automobile manufacturer. In 2011, Honda was the world's eighth largest vehicle manufacturer, after General Motors, Volkswagen Group, Toyota, Hyundai Motor Group, Ford, Nissan, and PSA Peugeot Citroën. Honda created history in 1986 by launching Acura, Japan's first dedicated luxury brand. Honda's vast product line includes garden equipment, marine engines, personal watercraft, and power generators. Honda also entered the aerospace sector with GE Honda Aero Engines in 2004 and began producing the Honda HA-420 HondaJet in 2012. In 2013, Honda became the first Japanese vehicle manufacturer to be a net exporter to the United States, selling 108,705 automobiles while importing just 88,357.⁶ This huge automobile company is also involved in helping the world through CSR in every aspect possible.

Corporate social responsibility (CSR) is a management concept in which businesses integrate social and environmental issues into their operations and relationships with stakeholders.⁷ Honda's Corporate Social Responsibility (CSR) aim is to help individuals reach their greatest potential in life. Honda does this by giving back to the communities in which it operates through financial contributions and volunteer initiatives by Honda employees. They are said to prioritise five critical areas for good change: education, the environment, mobility, traffic safety,

⁶ “About Honda.” [Wwww.bdhonda.com](http://www.bdhonda.com). <https://www.bdhonda.com/about-us/about-honda>.

⁷ UNIDO. 2024. “What Is CSR? | UNIDO.” [Wwww.unido.org](http://www.unido.org). 2024. <https://www.unido.org/our-focus-advancing-economic-competitiveness-competitive-trade-capacities-and-corporate-responsibility-corporate-social-responsibility-market-integration/what-csr>.

and community. Want to create a significant difference with these pillars. In education, they support programmes that support people in learning and developing new skills. The environment is concerned with environmentally friendly practices that minimise their influence on the world. Mobility involves making transportation more accessible and affordable. Honda puts traffic safety first by promoting better roads and educating the public. As for the Community, it strives to build an inclusive environment for all. Honda's CSR programmes address critical societal needs and contribute to a better future for all.⁸

Given this, the upward shift of global environmental awareness because of concerns over the environment has significantly influenced multinational corporations (MNCs) such as Honda. such as the public pressure and demands for accountability, which have forced these companies to weave environmental considerations into their core business operations. Corporate Social Responsibility (CSR) initiatives, thereby emphasising on environment due to their adverse consequences around the globe are undertaken by Honda in response as a leading multinational entity. The efforts may do more, they may help protect Honda's brand image, meet regulatory challenges and make it poised to prosper long-term in a market becoming ever-more environmentally aware. Thus, this forms the basis for "Honda's CSR initiative in Indonesia: Driving environmental efforts and motivation from 2014 - 2024."

⁸ "Helping People Reach Their Life's Potential." Honda Corporate Social Responsibility. <https://csr.honda.com/longform-content/csr/>.

1.2 Research Questions

1. How does Honda implement its Corporate Social Responsibility (CSR) programs to address environmental issues in Indonesia?
2. How do Honda's CSR programs benefit the company's overall well-being?

1.3 Research Objectives

1. To describe Honda's efforts in promoting environmental sustainability through its Corporate Social Responsibility (CSR) initiatives.
2. To explore the underlying motivations and key drivers behind Honda's emphasis on environmental sustainability in its CSR strategy.

1.4 Research Significance

This thesis provides useful findings for understanding how a leading Multinational Corporation (MNC), Honda Motor Co., Ltd. integrates its Corporate Social Responsibility (CSR) practices with the global CSR implementation towards environmental sustainability. This research, by focusing on Honda's targeted actions in the areas of environmental sustainability, will provide insight into how some of the world's largest corporations have responded to public pressure as well as global environmental challenges. This study may help the research findings of other scholars which may look at corporate actions concerning environmental aspects and how companies like Honda are including sustainability into their commercial strategy at present and in upcoming years. The aim of this study

investigate the underlying motives that contribute towards CSR initiatives and how these provisions can be leveraged for sustainable development.

1.5 Structure of Thesis

1.5.1 Chapter I: Introduction

The first chapter introduces the background of the study, emphasising the growing importance of CSR in addressing global environmental challenges. It highlights the role of multinational corporations (MNCs), such as Honda, in promoting sustainability through their operations. The chapter outlines the research objectives, questions, and significance of the study, establishing its relevance to both academic and practical discussions on CSR. It concludes with an overview of the thesis structure, guiding the reader through the key chapters.

1.5.2 Chapter II: Theoretical Framework

The second chapter presents the theoretical and conceptual foundations of the study. It explores the role of MNCs in CSR, particularly in the context of environmental sustainability, and examines the motivations that drive corporations to adopt CSR practices. Key theories and concepts, such as liberalism, orthodox liberalism, free market principles, and CSR disclosure theories, are introduced to provide a framework for analysing Honda's CSR strategies. These theories are used to understand how Honda balances its corporate interests with its social and environmental responsibilities.

1.5.3 Chapter III: Methodology

The third chapter explains the research methods used to conduct the study. A qualitative approach is adopted to explore Honda's CSR initiatives and their implications. The chapter details the explanatory research method, focusing on how it helps to analyse the causes and effects of Honda's CSR efforts. It also describes the data collection process, which relies on secondary sources such as sustainability reports, academic literature, and industry surveys. Thematic analysis is used as the primary method for examining and interpreting the data.

1.5.4 Chapter IV: Results and Discussions

The fourth chapter presents the core findings of the research, divided into two sections. The first section (4.1) examines Honda's implementation of CSR programs in Indonesia, focusing on initiatives such as eco-friendly transportation, educational CSR efforts, and the Green Factory program. It provides a detailed discussion of how these programs address environmental challenges and align with Indonesia's sustainability goals. The second section (4.2) analyses the implications of these initiatives for Honda's overall well-being. It explores how CSR contributes to Honda's brand image, economic performance, competitive advantage, and long-term sustainability, offering insights into the strategic value of CSR for MNCs.

1.5.5 Chapter V: Conclusion

The final chapter synthesises the findings and insights presented in the thesis. It restates the purpose of the study and summarises the key results, demonstrating how the research questions have been addressed. The chapter also discusses the importance of Honda's CSR initiatives in achieving both societal and corporate benefits. It concludes with recommendations for future research and practical applications, emphasising the potential of CSR as a tool for driving sustainable development and fostering corporate success.

