

Corporate Social Responsibility:

A framework for analysing CSR heterogeneity
through the case of Indonesian Palm Oil

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Jimmy Tanaya

Manchester Business School

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Abstract

The abstract of the thesis submitted to The University of Manchester by Jimmy Tanaya for the Degree of Doctor of Philosophy and entitled “Corporate Social Responsibility: a framework for analysing CSR heterogeneity through the case of Indonesian Palm Oil” November 2012

Corporate Social Responsibility (CSR) represents a recent manifestation of the shifting of Role of Business in Society (RBiS). This thesis aims to study the development of and negotiation of various RBiS among various governance actors as manifested in CSR practices. In so doing, it reveals the heterogeneity of CSR practices over time as a contrast to the rigid and simplistic delineation of CSR practices; the institutionalisation of CSR into business strategy that so far has been perceived as a black box in the CSR literatures; and the co-constructed dynamic exchanges between perspectives of RBiS and their respective supporters, which I have called a relational perspective on governance and RBiS.

This research employs a single case study research strategy with a qualitative multi-methods design as the synthesis of multiple instruments each pertain to particular level of analysis i.e. institutional, organisational, and individual. The research methodology is intentionally designed to operationalise a multilevel analysis of CSR and longitudinal insights on CSR. As such, the research methodology is offered as one of contributions in this research.

The thesis finds that longitudinal insights matter, in order to understand various CSR practices as responses to external crises and situations, which at the same time, serve as an arena for negotiating interests between related parties in particular political-economic-social-environmental contexts. The thesis reveals processes of incorporating CSR into business strategy. Particularly, it demonstrates how businesses mobilise external resources and internal resources to meet shifting domains of responsibility through various investment inputs, to achieve a range of CSR outcomes. CSR practices, as situated within changing understandings of RBiS, reflect the negotiation between various interests, in relational perspective, linked to the perceived effectiveness of government as the guardian of wider public interests. The thesis argues that a simplistic view of CSR and RBiS as suggested by much of the available literature is partial and provides inadequate accounts and explanations of the burgeoning of CSR practices; in particular in appreciating the various competing interests and perspectives which are brought to bear during processes which continually shape and (re-) shape CSR practices; as well as the variety of mechanisms and practices through which CSR is incorporated into business strategy.

I conclude the research by offering a proposition to examine and understand CSR. I propose to see CSR as a dynamic heterogeneous temporal and contextual tool incorporated by businesses through multi-avenues into corporate strategy as a result of negotiation of interests of various alliances of governance actors.

Declaration

No portion of the work referred to in the thesis has been submitted in support of an application for another degree or qualification of this or any other university or other institute of learning.

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To

Alina and Yin-yin, my daughters;

Yuan-yuan, my wife;

Mami and Mama, my mothers;

for your endless love.

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About the Author

Jimmy Tanaya (Indonesian, born 1978) earned an MSc in International Development Studies from Wageningen University and Research Centre-the Netherlands with a major in Economics of Rural Development, focusing on Environmental Economics and Natural Resources and a minor in Financial Management.

Prior to his Master study, he was a Research Associate with a research-based Indonesian NGO “The Business Watch Indonesia”. During 2003-2005 He conducted some researches into corporate social responsibility (CSR) practices and conceptualisations in Indonesia, one of which was to establish general implementation guidelines and standards of good business practices for companies. In 2008, He worked with Office of the United Nations Recovery Coordinator for Aceh and Nias (UNORC). His main deliverables were municipality’s recovery strategic plan and municipality’s profile. He is a founding member of the International Society of Sustainability Professionals – Indonesian Chapter.

Jimmy holds scholarships from Sustainable Consumption Institute-Doctoral Training Centre (SCI-DTC) and Manchester Business School Bursary during his PhD at the Manchester Institute of Innovation Research (MioIR), Manchester Business School, University of Manchester, UK (2008-2012). During his doctoral study, he has presented parts of the thesis in conferences most recent at the 11th Annual EABIS Colloquium (2-4 July 2012). He co-author a chapter contribution in “The World Guide to CSR: A country-by-country analysis of corporate social responsibility” Ed. Visser, W. and Tolhurst, N. (2010).

Chapter 1 Introduction

1.1. Research Rationale

At the midst of 2010, Greenpeace led a campaign to boycott one of the big palm oil producers in Indonesia, Sinar Mas. Thereafter at least four big businesses namely Unilever, Nestle, Burger King, and Tesco responded to the campaign by ceasing purchases of palm oil from Sinar Mas (Reuters, 2010, Financial Times, 2010, Forbes, 2011). Certainly, this boycott campaign is neither the only one nor the last one. There are many instances of this kind of boycott such as the boycott against Nike (based on its maltreatment toward workers), Coca-Cola (due to numerous issues e.g. environment and workers), and British Petroleum (due to the environmental issue i.e. the deepwater horizon oil spill) (Albion Monitor, 1996, Guardian, 2003, The Telegraph, 2010).

The boycott campaigns to some extent signal the need to adjust some business practices that may be deemed unfavourable by a range of influential stakeholders and actors including the media and end-consumers. Nowadays, businesses are increasingly motivated to take into account not only economic interest but social and environmental interests as well. The various business-to-society referents such as corporate philanthropy, corporate citizenship, business ethics, Good Corporate Governance, Corporate Social Responsibility (CSR), labelling schemes and certification standards that aspire to address social and environmental interests, to some extent, reflect these motivations.

Indeed, in Indonesia an obligation upon business corporations to undertake CSR was made mandatory by the enactment of Law 40/2007 and Law 25/2007 in 2007. At the same time, the laws attempt to define CSR in the Indonesian context.¹ Although in general, the definition of CSR in these laws is unclear; however, this is an indication of a movement to provide business with guidelines on CSR.

¹ A detailed discussion about the laws is reported in the Chapter 4.

Whilst, the various business-to-society referents are conceptually distinct; however, in practice it is problematic to draw a clear line between each referent. For instance, cash donations may be considered both part of corporate philanthropy and CSR. In the Indonesian context, since the enactment of Law 40/2007 and Law 25/2007, most of these referents are called CSR. Moreover, some commentators reported that the referents mentioned above share similarities with CSR (Schwartz and Carroll, 2008, Crane et al., 2008). Carroll and Shabana go as far to assert that "... CSR remains a dominant, if not exclusive, term in the academic literature and in business practice." (2010: 86). Therefore, this research takes CSR as the umbrella notion for various business-to-society referents.

However, despite of the decades of academic and non-academic discourses alike on CSR definitions, there is no agreed definition and understanding about CSR (Garriga and Melé, 2004). Instead, the proliferation of CSR definitions may have caused a 'definitional confusion' that is "not so much a confusion of how CSR is defined, as it is about what constitutes the social responsibility of business" (Dahlsrud, 2008, p. 6). Furthermore, Dahlsrud claims that of 37 CSR definitions analysed "none of the definitions actually defines the social responsibility of business ... but rather describe CSR as a phenomenon" (2008: 6). This research shares the same impression with that of Dahlsrud (2008) and Blowfield and Frynas (2005) that CSR as a phenomenon, which reflects the debates about Roles of Business in Society (RBiS). Indeed the empirical analysis of this research finds that the understandings of CSR in Indonesia are shaped by various views on RBiS.² Having arrived at this point, it is necessary to clarify the theoretical standpoints used in this research. The detailed account of these theoretical standpoints is discussed in Chapter 2. In brief, the theoretical standpoints of this research follow in the next two paragraphs.

The Roles of Business in Society are defined in the increasingly wider contexts (Warhurst, 2005). Various social and environmental problems such as poverty, human rights violations, and environmental damages have contributed to the growing expectation that business should cooperate with others to combat aforementioned

² The empirical analysis is reported in Chapter 4, 5, and 6.

problems (Sagawa and Segal, 2000a). However, the contemporary debates about RBiS have existed as early as the late 18th century through the publication of Adam Smith's *The Wealth of Nations*. According to Smith (1776), the role of business in society is to mobilise scarce resources into the most effective and efficient production of goods and services. Furthermore, Smith argues that business serves social interests best through the pursuit of an effective and efficient production. To some extent, this view is echoed by a seemingly mainstream perspective that the business' role is business i.e. to maximise its profit (e.g. Freeman and Liedtka, 1991, Levitt, 1958, Friedman, 1970, Jensen, 2002). This notion is contested by other scholars such as Dahl (1972), Carroll (1999), Hopkins (2007), and Blowfield and Murray (2008) to name but a few that business should take into account wider social and environmental interests. Up to the moment, there are a number of attempts to synthesize the debates around RBiS (Lantos, 2001, Warhurst, 2005, Sastry, 2011). This research does not advocate a particular perspective of RBiS. Rather, it explores the various perspectives of RBiS as understood by governance actors in Indonesia.

The notion of Corporate Social Responsibility has been under development since the 1950s (Carroll, 1999). Since then, there have been a number of endeavours to scrutinise CSR definitions across academic and non-academic literatures alike most prominently that of Carroll (1999), Garriga and Melé (2004), McWilliams et al. (2006), Dahlsrud (2008), Carroll and Shabana (2010), and Aguinis and Glavas (2012). However, the concept is still vague and confusing at best (Garriga and Melé, 2004, Dahlsrud, 2008) and therefore, no common agreed definition of CSR (McWilliams et al., 2006). Moreover, it has been reported by some commentators that CSR is socially and culturally constructed (Maignan, 2001, Maignan and Ralston, 2002, Banerjee, 2003, Brammer et al., 2012). This research confirms, and goes beyond the earlier commentators mentioned above by arguing that the diversity in CSR definitions is caused by social, political, economic, environmental, cultural, and historical contexts underlying the conception of CSR over time. Therefore, it does not subscribe to a particular CSR definition. Rather, it discusses various CSR understanding as perceived by governance actors in Indonesia. Moreover, there are at least two terminologies for various outcomes, actions, policies, and perspectives surrounding CSR such as CSR initiatives (e.g. Aguinis and Glavas, 2012) and CSR practices (e.g. Banerjee, 2008,

Carroll and Shabana, 2010, Brammer et al., 2012). Most of the times, these terminologies are used interchangeably. Hence, my research uses CSR practices as a terminology for various outcomes, actions, policies, and perspectives surrounding CSR.

This research examines the dynamic of heterogeneous aspects of CSR within business practices which reflects a shift in the understanding of RBiS. Conceptually, it has been argued that business may take the role of pure profit making, constrained profit making, socially aware, community service, ‘do good’, and creating social value (Lantos, 2001: 602, Sastry, 2011: 248). In practice, I found the more diverse roles of business as perceived by governance actors in Indonesia.

In the case of Indonesia, the existence of business in Indonesia has gained a mixed reception over time. For example, business may have been positioned as the locomotive of (economic) development by the government. This is evident in the commercialisation of forests through the establishment of estate businesses, privatisation and liberalisation of some sectors e.g. telecommunication and banking. Meanwhile, there are numerous media reports expressing concern about alleged business malpractices. It is obvious that the establishment of business becomes a problematic issue. On the one hand, business has the potential to improve the economic condition of societies through income to workers, provision of skills and training, housing families of workers, and to inducing various informal economic activities such as food caterers. On the other, business may harm environmental and social conditions by causing environmental degradation, operating poor working conditions, and conflicts between workers and the surrounding community. It is in this light that CSR gains its importance for business, state, communities and shareholders alike. CSR arguably provides an arena to negotiate economic, environmental, and social interests from business, state, and communities. At the same time, CSR reflects a particular umbrella concept, between which a range of discourses and activities are undertaken by business.

This research chooses a case study of an increasingly problematic commodity i.e. the oil palm (*Elaeis guineensis*) that produces palm oil and palm kernel oil. By choosing this, I expect that the subtle dynamic which often difficult to notice in CSR practices is more salient to be observed, analysed and understood. I argue that a thorough study into CSR practices in the palm oil industry provides an empirically grounded lens to critically

examine the current discourse on RBiS and CSR. At the same time, the understanding of RBiS and CSR clarifies social and environmental issues interplaying at the local, national, and global level that influence business strategy and practices.

Palm oil has become a significant commodity due to at least three factors. First, palm oil is currently the largest contributor to world consumption on vegetable oil. In 2010, palm oil constituted 33% of world vegetable oil consumption followed by soybean oil at 29% of world vegetable oil consumption (Soystats, 2011). Second, the increasing demand for renewable energy has made palm oil, as a potential source for biodiesel, an important product in the future. Third, oil palm plantations in Indonesia are mostly located in ecology hot spots (e.g. tropical rain forest and peatland in Riau and Kalimantan). As such, the palm oil industry is the object of criticism and controversies voiced by a range of governance actors most notably international NGOs for its negative impacts on the environment and community in locations where palm oil industries are active. Indonesia is chosen because Indonesia is the biggest producer of palm oil in the world since 2006. Indonesia produces 44.4% of total world production in 2007, combined with Malaysia, both countries production accounted for 85.5% of world production in 2007 (Palm Oil Statistics, 2008). This indicates that Indonesia is an important player in the palm oil market.

1.2. Research Objectives and Research Questions

This research aims to study the development of and negotiation of various roles of business in society among various governance actors. These roles are examined through their manifestations in CSR. This objective is operationalised in the following research questions:

1. How does CSR emerge over time?
2. How does CSR shape and reshape over time?
3. How does CSR transform and co-evolve with business strategy?
4. How is CSR and RBiS negotiation through relations between actors constructed?

5. What are the understandings of CSR and RBiS?

The operationalisation of the research questions is discussed in detail in Chapter 3.

1.3. Contribution to Knowledge

This research contributes to the existing knowledge through its research design and findings. Recently, Aguinis and Glavas (2012) challenge current methodological approaches used in majority of CSR researches. Although they offer some recommendations with regard to research methodology, however, they did not operationalise it. Moreover, Aguinis and Glavas (2012) put forward the need to study underlying mechanisms of CSR that so far resembles a black box in CSR research. Coincidentally, the research addressed the challenges put forward by Aguinis and Glavas (2012). In brief, the contributions are as follow:

Research Method

The research operationalises a research design that is aimed to study CSR from multilevel analysis as suggested by Aguinis and Glavas (2012). This research is designed to capture both the breadth of and the depth of CSR and RBiS in Indonesia. It employs a qualitative multi methods as the synthesis of multiple instruments each pertain to particular level of analysis. Specifically, it uses media content analysis as the institutional level of analysis to gain longitudinal insights that uncover macro-level issues of CSR; it uses annual report analysis as the organisational level of analysis to reveal underlying mechanisms of CSR; and it uses elite interviews, FGD, and colloquiums as the individual level of analysis to examine alignment and negotiation of interests and perspectives on CSR as situated within the discourse of RBiS.

Research Findings

There are three major blocks of findings each corresponding to the empirical chapters 4, 5, and 6 of this thesis. The findings are as follow:

First, I found that longitudinal insights matter to explain the onset of and heterogeneity of CSR practices in the Indonesian context. It is evident that longitudinal insights provide explanations about particular CSR practices in that specific time. For example, the tsunami disaster in 2004 set out the disaster relief as a part of CSR practice in Indonesia.

Second, I found that CSR is shaped and reshaped by various social, political, economic, environmental contexts and contingents. As such, CSR resembles an arena for businesses to respond to external crises and situations. The evidence is found in the enactment of Law 40/2007 and Law 25/2007 that made CSR mandatory in Indonesia. These laws have pushed businesses in Indonesia to take CSR into their business practices. To some extent, business labels all its engagement with society as CSR. These laws themselves were influenced by anecdotal evidences of business malpractices in Indonesia. The first and second findings are discussed in detail in Chapter 4.

Third, I found that CSR has (gradually) been adopted as a significant element of business practices incorporated into business strategy. Businesses adopt CSR in order to respond to external crises and at the same time to secure the long term existence. CSR is institutionalised into business strategy through three complementing processes that are the identification of domains of responsibility, the instituting of CSR by internal mechanism and external cooperation, and various CSR outcomes. A detailed discussion of this finding is presented in Chapter 5.

Fourth, I found that the heterogeneity of CSR reflects the competing interests among governance actors, which are stemmed from different views on RBiS. I identified nine plausible RBiS as perceived by various governance actors in Indonesia. I found that the plausible RBiS reflect the negotiation of views of governance actors formed by historical business conducts and relationship between business, community, and government.

Fifth, I argue that a simplistic view on CSR and RBiS as suggested by available literatures seems to unable to provide adequate explanations of the burgeoning of CSR practices; various competing interests that (re-) shape CSR practices; and the mechanism of appropriation of CSR into business strategy. The reviewed literature and

perspectives on CSR is dominated by models which fail to take into account longitudinal insights on various contexts (i.e. social, political, economic, environmental, and historical) and negotiation of interests between governance actors. It is also weak in appreciating how CSR are incorporated into; and are institutionalised into corporate strategy. Therefore, I found it is necessary to come up with a more comprehensive conceptualisation concerning CSR and RBiS. This research conceptualises CSR as dynamic heterogeneous temporal and contextual tool incorporated by businesses through multi-avenues into corporate strategy as a result of negotiation of interests of various alliances of governance actors. The fourth and fifth findings are presented in Chapter 6.

1.4. Organisation of the Thesis

The thesis is organised into chapters as depicted in Figure 1-1 below. The empirical chapters i.e. Chapter 4, 5, 6, and 7 are focused on a topic that draws on data from related research method. The organisation of the thesis is illustrated in Figure 1-1. In summary, Chapter 1 provides an overview of the thesis. Chapter 2 provides a critical literature review driving to a theoretical framework and five research questions. Chapter 3 provides the methodological overview and research design. Each of the empirical chapters picks up particular research question and uses a different methodology to interrogate and shed lights on the research question through the case of Indonesian palm oil. Chapter 7 provides connection between chapters and concludes the thesis.

Chapter 1 provides a concise summary of the research and summarises the contributions to the knowledge about CSR and RBiS. It starts with a short discussion about the context of the research on RBiS and CSR for the context of plantation economy, especially the palm oil industry in Indonesia. Moreover, in the chapter, I briefly summarise the findings in this research and related contributions to the existing body of knowledge about CSR and RBiS. Chapter 1 also introduces the research methodology employed to interrogate the emergence and dynamics of CSR as situated in RBiS. Chapter 1 ends with an outline of the roadmap of the research and linkages between each chapter.

Chapter 2 presents the literature review. It critically reviews perspectives about RBiS and CSR and opens some directions for theoretical and conceptual development vis-à-vis the literature reviewed. In so doing, the chapter demonstrates some limitations in the available related literatures and proposes additional explanations to improve the current understanding about RBiS and CSR. This conceptual framework is used to analyse the data and to discuss the findings in this research. I argue that the available literatures on CSR mostly portray CSR in a simplistic model such as the three domains model i.e. economic, legal, and environmental. I argue that CSR, as an arena to negotiate interests between relevant governance actors, encompasses various practices along with related political, economic, environmental, social, and historical contexts. Therefore, the simplistic models as offered by various commentators are not sufficient to explain the current CSR practices as illustrated in the case of Indonesian palm oil.

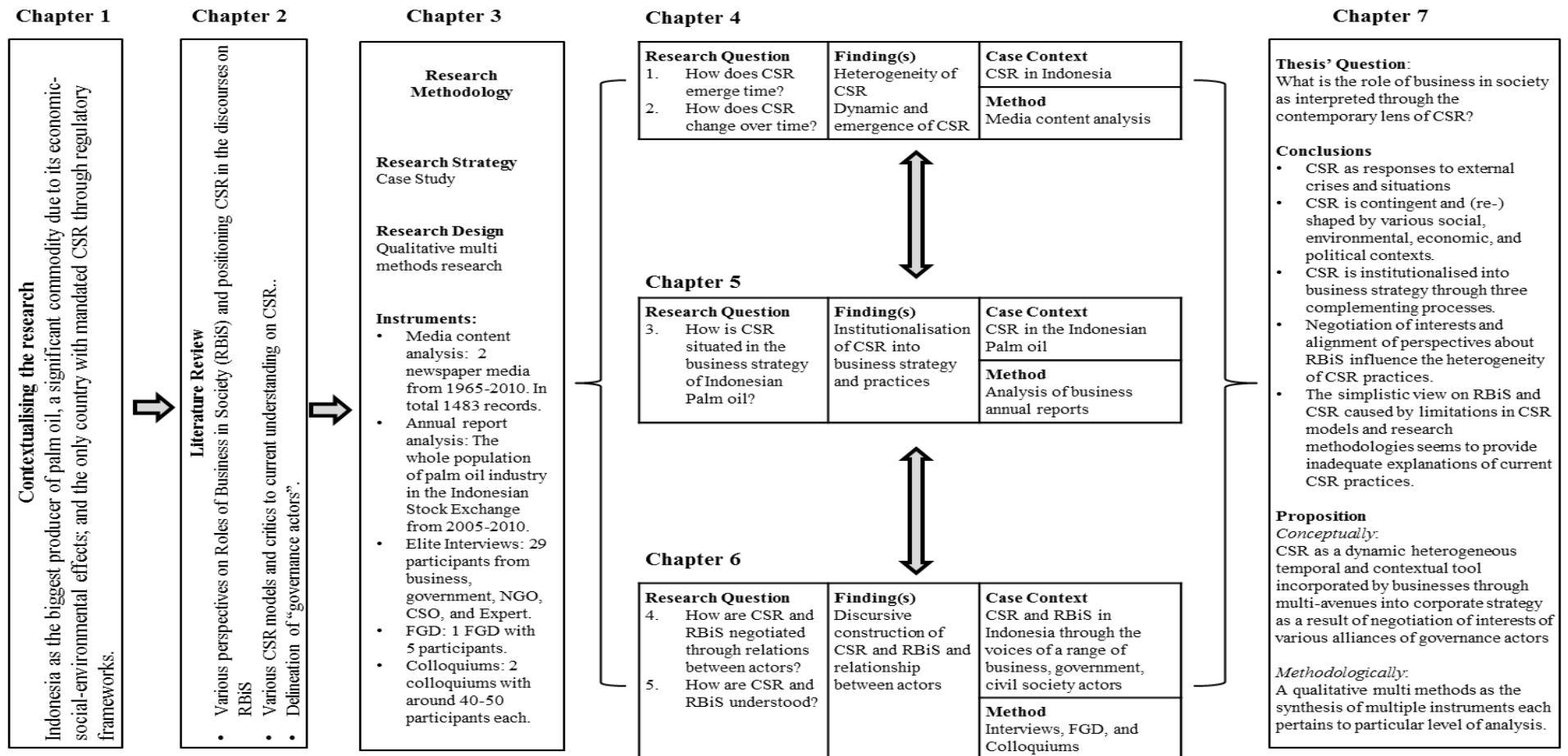


Figure 1-1 The Structure of Thesis
Source: Author

Chapter 3 describes the methodology employed in this research. The chapter presents detailed account of research design and methodologies used to collect, analyse, and present the data in the thesis. A qualitative multi methods research design is deployed. It follows the research strategy of case study with multiple instruments; they are media content analysis of 45 years from 1965 to 2010, business' annual reports analysis of the whole Indonesian palm oil industry from 2005 to 2010. Elite interviews of 29 participants from government officials, business champions, leaders of NGOs and CSOs and experts. A Focus Group Discussion (FGD), and two Colloquiums. Furthermore, data were collected in two stages of fieldwork in March to June 2010 and in December 2010 to January 2011. All data were coded systematically and were analysed thematically. The primary data i.e. elite interviews were transcribed verbatim and anonymised. Relevant transcript segments quoted in the chapters have been translated into English by the author.

Recently, some commentators have criticised the current research methodology approaches employed in various CSR researches (Aguinis and Glavas, 2012). They argue that these methodological approaches, which are, unidimensional, cross-sectional, and mostly quantitative seem to be unable to explain CSR practices that unfold over time. As such, they recommend some research designs to take into account the multilevel analysis of CSR and longitudinal insights on CSR. However, they do not operationalise their recommendation. This research coincidentally shares Aguinis and Glavas' view about the need of research design(s) that examine the multilevel analysis of CSR and longitudinal insights on CSR. Hence, the methodology employed in the research may serve as the first attempt to operationalise Aguinis and Glavas' recommendation.

Chapter 4 reports the dynamic of CSR practices in Indonesia across time as depicted in the media from 1965 up to 2010. The chapter shows that there is a pattern of an increasing number of news articles about CSR in the observed media with the exception of 1996-2000 when there were economic crisis and political turmoil in Indonesia that resulted in the significant decrease of news articles about CSR. It is reported that the number of article during the observed period peaked in 2007 when the Law 40/2007 that made CSR mandatory was enacted. The chapter suggests that factors such as the

enactment of related regulations, national-scale disaster e.g. tsunami and earthquake, and crises e.g. political and economic crises have influenced the visibility of CSR in the media. This analysis depicts CSR as being responsive to external crises. At the same time, these factors shape the perspectives about CSR in the media. Hence, I argue that CSR practices, to some extent, are shaped by various political, economic, social, and environmental interests.

Furthermore, Chapter 4 also reveals the heterogeneity of CSR practices in Indonesia across time and industry. As such, the chapter discusses the origin and development of CSR discourse in Indonesia. A number of issues and activities related to CSR practices in Indonesia are identified in this chapter. These issues range from classical issues associated with CSR such as environment and worker to a unique issue namely the Small Medium Enterprises (SMEs) empowerment. The chapter categorises six issues of CSR as depicted by the media in Indonesia that are environment, education, health, worker, product, and SMEs empowerment. These six issues are enacted through a number of activities i.e. disaster relief, law compliance, internal management, business conducts, philanthropy, and community development. The combination of the six issues and six activities provides a matrix of various CSR outcomes as depicted by media in Indonesia.

The revelation about the heterogeneity of CSR practices in Indonesia indicates the multiple domains of responsibility as perceived by businesses and various perspectives about plausible Roles of Business in Society (RBiS). The former is further reported in the chapter five, while, the latter in the chapter six. Moreover, this finding criticises available literatures about CSR that tend to portray CSR in simplistic models such as the CSR pyramid (Carroll, 1991) and the three domains of CSR (Schwartz and Carroll, 2003) and narrow categorisations such as the five dimension of CSR (Dahlsrud, 2008). The simplistic models may have been intended to provide a helicopter view of CSR activities; however, this chapter argues that the simplicity in previous models may not adequately capture various motivations and factors interplaying in CSR practices in Indonesia nowadays.

Chapter 5 reports the development of palm oil economy in Indonesia and the adoption of CSR into business strategy among palm oil businesses in Indonesia. In so doing, the

chapter reveals the mechanism underlying the adoption of CSR practices into business strategies. Some commentators have indicated that studies to explain this mechanism is at best limited (Aguinis and Glavas, 2012, Aguilera et al., 2007). Therefore, the revelation of this mechanism in Chapter 5 contributes to this particular strand of CSR researches.

The chapter describes the development of plantation economy in Indonesia as following a particular structure i.e. the *outgrowers* or smallholder scheme, which was highly influenced by the World Bank in 1970s. This scheme is known in Indonesia as the *Nucleus-Plasma* scheme. Chapter 5 briefly discussed both favourable and unfavourable views from various commentators about the *outgrowers* scheme. The chapter extends the discussion and, at the same time, focuses on the issue of dependencies caused by the structure of plantation economy, particularly, the Indonesian oil palm plantation economy. I argue that these dependencies play a role in shaping CSR practices among Indonesian palm oil businesses. The chapter identifies three types of dependencies namely access to resources, plantation's know-how, and marketing. These dependencies along with the evolution of plantation economy in Indonesia serve as the background of appropriation of CSR into business strategy in the contemporary plantation economy. The chapter uncovers the mechanism to adopt CSR into business strategy namely the clarification of domains of responsibility, the process of institutionalisation of CSR, and the various outcomes of CSR.

The various CSR practices identified as well in Chapter 5 further confirms findings in Chapter 4. It shows that CSR practices are dynamically (re-) shaped by numerous aspects. In particular, the business' perception on its responsibilities motivates the practices of CSR. At the same time, multiple methods of CSR institutionalisations shape the CSR practices. As such, this research argues that the heterogeneity of CSR practices – as depicted in Chapter 4 – that shows the dynamic (re-) shaping of CSR practices is influenced by the business' perception on its responsibilities and various CSR institutionalisation methods.

Chapter 5 demonstrates a number of methods of CSR institutionalisations as captured from various annual reports of palm oil businesses in Indonesia. There are six methods identified in this chapter that are managerial support, standardisations, community

relation and involvement, employee volunteering, partnerships, and corporate foundation. This chapter reports four domains of responsibility as perceived by businesses that are shareholders, state, consumers, and society (surrounding communities and workers). These four domains of responsibility together simultaneously influence the inception of CSR practices. The understanding of domains of responsibility is influenced by business' interests as well as governance actors'. This research argues that sustainability issues seemingly have given new nuances to the perceptions about these four domains of responsibility among businesses. Further, this chapter argues that the four domains of responsibility shows business' endeavour to secure its legality, profitability and marketability, and to foster its mutual relationship with society.

This research offers a perspective to understand CSR from the perceived domains of responsibility rather than its manifestations such as philanthropic, legal, economic, and ethical as suggested by some commentators (Carroll, 1991, Schwartz and Carroll, 2003). This research argues that existing models do not give a clear picture of the dynamics within CSR practices. This chapter ultimately proposes an analytical framework to understand CSR practices and the process of adopting CSR into business strategies as depicted in Figure 6 in Chapter 5.

The analytical framework above demonstrates how CSR influences business' long term strategic survival. The framework indicates the prevalent practice of open governance. The open governance is practiced through partnerships, internalisation of standards, and the creation of corporate foundation. It is evident that business, to some extent, is able to mobilise external resources through the practice of open governance. Moreover, this research argues that the proposed framework provides a holistic view of CSR practices. The view attempts to not only understand CSR from the outcomes i.e. CSR projects, but also, the working mechanism underlying the CSR practices. The framework above suggests that understandings about business' domains of responsibility will ultimately shape CSR practices.

Chapter 6 presents the account of various perspectives on Roles of Business in Society (RBiS) among governance actors in Indonesia and the relation between perspectives. This chapter mobilises data from the elite interviews, FGD, and colloquiums. This

research finds in total nine plausible RBiS. This finding criticises and extends the views on RBiS from some commentators as discussed by Lantos (2001). This research argues that earlier analyses on RBiS have been to some extent simplistic and do not capture the relational perspectives of the discourse about RBiS among governance actors. In contrast, Chapter 6 reveals a multidimensional analysis of RBiS and the relation between RBiS perspectives and their respective supporters.

The relations between perspectives and their respective supporters are influenced by factors such as business conducts in the past, government's ability to provide public services, relationship between business and government, and current social and environmental issues plaguing Indonesia. This chapter to some extent confirms the classical dichotomy that business aligns with government while alienating NGO-CSO (Sastry, 2011). This research argues that the classical dichotomy may affect various competing understandings of CSR in Indonesia among governance actors. It is suggested that government and business may see CSR in a more idealistic and positive way. Meanwhile, some NGOs and CSOs may see CSR in a critical way if not cynical. In turn, these various understandings of CSR may explain the heterogeneity of CSR practices as reported in Chapter 4 and 5. Chapter 6 also demonstrates that the shared perspectives between governance actors provide opportunities for partnerships between related actors. At the same time, different perspectives may trigger criticism and tension between governance actors.

Chapter 7 discusses the conclusions, implications, insider account, and author's reflection of this research. In so doing, Chapter 7 shows the linkage between analyses in the Chapter 4, 5, and 6 and proposes some suggestions to the current understanding about CSR as situated in the discourse of RBiS. Chapter 7 provides some suggestions for future research direction as well.

To ultimately summarise finding, this research argues that a simplistic view on CSR and RBiS as suggested by available literatures seems to be incapable of providing adequate explanations of the burgeoning of CSR practices; various competing interests that (re-) shape CSR practices; and the mechanism of appropriation of CSR into business long term survival strategy. Therefore, this research argues for a multi-dimensional reading on CSR. The heterogeneity of CSR practices demonstrates that there are various

interests influencing CSR practices (see Chapter 4), understandings about CSR and RBiS among governance actors (see Chapter 6), numerous ways to respond social-economic-environmental concerns as depicted in the CSR practices (see Chapter 5), and motivations to carry on CSR practices (see Chapter 5). As such, this research suggests that a simplistic view on CSR could no longer be entertained. Rather, CSR is dynamically (re-) shaped by various aspects mentioned above. Hence, this research finds it necessary to come up with a more comprehensive conceptualisation concerning CSR and RBiS. Hence, this research conceptualises CSR as a dynamic heterogeneous temporal and contextual tool incorporated by businesses through multi-avenues into corporate strategy as a result of negotiation of interests of various alliances of governance actors.

Chapter 2 Theoretical Framework

2.1. Introduction

Despite of the conceptual development of Corporate Social Responsibility (CSR) since 1950s (Carroll, 1999, p. 30-31), the concept is unclear and confusing (Garriga and Melé, 2004, Dahlsrud, 2008). Perhaps, this confusion indicates that CSR is not an established and well defined notion; rather CSR is a manifestation of the classical debates on the Role of Business in Society (RBiS). Indeed, some commentators argue that CSR is a phenomenon that reflects the discussions surrounding the RBiS (Blowfield and Frynas, 2005). In this light, it is imperative to critically review the notion of CSR as situated within the discourse on RBiS.

The chapter aims to critically review available key literatures about CSR. Section 1 introduces the objective of this chapter and sets up the context of literature review for this research. Section 2 looks at the debates on various plausible RBiS as depicted in key literatures about RBiS across time. Accordingly Section 2 discusses key literatures about RBiS across time from classical literatures such as that of Smith (1776) and up to the more recent ones such as that of Dahl (1972). In this way, the chapter situate CSR that can be considered as a contemporary phenomenon within a long history on the shifting understanding of the role of business in society. Subsequently, Section 3 explores the key perspectives about CSR. It also discusses mainstream CSR models. Section 4 elaborates the context of CSR in developing countries. Meanwhile, Section 5 elaborates the understanding of CSR within business ethics. Section 6 describes the concept of governance actors used in the research. The chapter is ended with Section 7 that offers some conclusions of and critiques to the current understanding of CSR.

2.2. Roles of Business in Society

The roles of business in society have been discussed during the course of history (Warhurst, 2005). Warhurst (2005) argues that these debates are fuelled by the stakeholder demand for businesses to contribute to social and environmental goals.

Indeed, as shown by some commentators, businesses have long participated in the provision of public goods (Braithwaite and Drahos, 2000, Vogel, 2008, Sagawa and Segal, 2000b). The discussion about whether business should contribute to the realisation of societal interests is not a new topic. It is evident that the topic is found in the work of Adam Smith, the father of modern economics, as well. Ever since the work of Smith, there have been numerous publications about business roles in society. This particular section explores these various perspectives about RBiS as depicted by a number of key literatures.

2.2.1. Profit Maximisation

Perhaps the most well-known perspective about RBiS is that of profit maximisation role. This perspective is championed by Friedman (1970) and found numbers of supporters such as Freeman and Liedtka (1991), Henderson (2005), Jensen (2002), Sundarman and Inkpen (2004). This particular perspective argues that the business role in society is to maximise profit in order to increase shareholder's wealth. To some extent, this perspective is rooted in the classic work of Adam Smith, particularly that of "the Wealth of Nations".

Adam Smith's (1723-1790) view on businesses, business roles in society, and government roles in economic and social policies was well written in his *magnum opus*, "An Inquiry into the Nature and Causes of the Wealth of Nations" (often shortened as "the Wealth of Nations"). In "the Wealth of Nations", Smith argues that businesses through competition in free market tend to set prices at proper level (1776: Book I). Thus, government ought not to interfere in competition in the market since intervention disturbs the market mechanism which sets proper prices (1776: Book III and IV). However, the market mechanism does not cover every aspect of social life, and therefore, there is room for government intervention such as provision of justice, security and defence, and maintaining other public works and institutions e.g. education (1776: Book V).

According to Smith, in the free market, individuals (and businesses) steer capital into the most beneficial uses for society (1776: Book II, p. 335). This may not be the

intended action of those businesses and individuals, but more of an unintended consequence of the so-called “self-love”:

“But man has almost constant occasion for the help of his brethren, and it is in vain for him to expect it from their benevolence only. He will be more likely to prevail if he can interest their self-love in his favour, and show them that it is for their own advantage to do for him what he requires of them. ... It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities but of their advantages.” (1776: Book I, p. 13)

Competition and self-love may as well foster frugal practices among individual and businesses (1776: Book II, 243-250). Moreover, competition also hinders society from detrimental effects of the failure of any business:

“By dividing the whole circulation into a greater number of parts, the failure of any one company, an accident which, in the course of things, must sometimes happen, becomes of less consequence to the public. ... In general, if any branch of trade, or any division of labour, be advantageous to the public, the freer and more general the competition, it will always be the more so.” (1776: Book II, p. 294)

To Smith (1776), business entities are needed in order to increase the production of the land (i.e. output) and to foster market competition. The increase in production improves the wealth of society since there are more goods available and more revenue to be gained from. Production increases due to the scale of businesses (e.g. more machines and labours to process raw materials into goods) and accumulation of skills. This view still resonates with recent studies, which argue that businesses are endowed with better abilities to produce efficient outcomes (Engel and López, 2006, Pejovich, 1990) and social interests may be achieved through partnership between businesses and communities (Engel and López, 2006, Wunder, 2001). The view that efficient outcomes will automatically benefit societies should be treated with caution. This issue is further elaborated in the section discussing Robert Dahl’s view on businesses as social enterprises.

Market competition tends to lower price level of goods so that prices are more affordable and scarce resources (i.e. raw materials, land, capital and labour) can be

allocated more efficiently (Smith, 1776). And through competition, businesses promote societies' interests. Market competition also favours prudent businesses – although this frugal practice may stem more from self-love than individual benevolence – rather than the imprudent ones. Thus, the existence of businesses is justified through their output and prudent practice. By prudent practice, what Smith means is to reinvest businesses' profit with the intention to increase businesses' outputs (1776: Book II).

Thus, according to Smith, the role of business in society is to mobilise scarce resources into the most effective and efficient production of goods and services. In so doing, Smith argues that business will attain societal interests. The fundamental assumptions of Smith's argument are these: firstly, any business will endeavour to produce goods and services that are marketable; and in order to become marketable, secondly, the production of goods and services will take into account concerns of society as its consumers; presuming that, thirdly, consumer purchases will be influenced by societal interests be it of economic interests e.g. price or environmental interests e.g. pollution, and social interests e.g. human rights.

As mentioned above, Smith is not alone in this view. This perspective is shared by the like of Freeman and Liedtka (1991), Levitt (1958), Friedman (1970), Jensen (2002), and Henderson (2005). For instance, Henderson proposes:

“The principal direct impulse to economic progress comes from profit-related activities and initiatives on the part of business enterprises. ... The business contribution to economic progress and the general welfare results from twin stimuli which only a market economy provides: wide-ranging entrepreneurial opportunities and pervasive competitive pressures. ... In a competitive market economy, enterprise profits are performance-related: they can only be earned by providing customers of all kinds with products and services that they wish to buy, and doing so in a resourceful and innovative way.” (Henderson, 2005)

These actors share a similar view that in the free market mechanism, business will address societal interests; and therefore, business does not need any kind of intervention such as regulations. However, this view of free market mechanism was not left unchallenged. There are at least two main challenges. First, the critique concerning the need for government interventions to support the free market mechanism (Keynes,

1936). Second, the critique that consumer purchases are influenced largely by three factors that are price, quality and convenience (Vogel, 2006).

John Maynard Keynes (1883-1946) wrote extensively on macroeconomic theories also justifies that businesses in a free market mechanism will provide betterment for society:

“If we suppose the volume of output to be given, *i.e.* to be determined by forces outside the classical scheme of thought, then there is no objection to be raised against the classical analysis of the manner in which private self-interest will determine what in particular is produced, in what proportions the factors of production will be combined to produce it, and how the value of the final product will be distributed between them. ... There is no objection to be raised against the modern classical theory as to the degree of consilience between private and public advantage in conditions of perfect and imperfect competition respectively.” (1936: 347)

However, this betterment cannot be achieved before *adjustments* i.e. government intervention were made by *central control* i.e. the government (Keynes, 1936: 347-348). This is one of arguments that clearly sets Keynes apart from Smith. In addition, Keynes critically challenges the underlying assumption of Smith’s view. Keynes argues that the tacit assumption of Smith’s view e.g. the balance between production and consumption of goods is seldom satisfied (1936: 346). Over production may happen due to decrease in aggregate demand. The aggregate demand (in another word, the “effective demand”), following on Keynes argument, falls due to unemployment condition. Thus, Keynes concludes, in the presence of failure of effective demand, government interventions such as government spending, regulations, and infrastructure construction are needed (1936). The invisible hand of free market mechanism, therefore, needs time and government intervention to heal itself.

Moreover, Keynes mostly discussed possible government interventions in the scope of macroeconomics. He did not address the roles of government interventions in the context of business activities. Nevertheless, his tenet that markets need government intervention is useful for this research. In particular of interests is the idea that “intervention”, which in business-and-society discourses can come from state or other governance actors such as Non-Governmental Organisations (NGOs). In the context of roles of business in society, consequently, the invisible hand is, at best, an imperfect concept. In order to work, the invisible hand concept requires preconditions (Keynes,

1936: 347). Government, thus, bears a responsibility to set out the required conditions for the free market mechanism. Only then, businesses – as agent of the market – in the free market mechanism will bring forward betterment for society.

(Vogel, 2006) argues that the consumer decision to purchase goods and services is influenced primarily by price, quality, and convenience. Although, he also noted that the market for responsibly produced products – products that are produced in accordance to societal interests – is growing (Vogel, 2006). This implies that business may now take into account larger societal interests in order to produce competitive goods or services in term of price, quality, and convenience. Therefore, there is an incentive to create a sizeable market for responsibly produced products.

Perhaps, it is due to the limitations in this particular perspective that some commentators come up with another contrasting perspective on RBiS i.e. the Social Enterprise. This perspective is discussed in the following sub section.

2.2.2. Social Enterprise

Several authors (see for example Dahl, 1972, McKie, 1975, Matten and Crane, 2003, Blowfield and Murray, 2008) assert that businesses nowadays are having immense influence on society because of “their size alone they play a role of exceptional importance” (Dahl, 1972, p. 17). Due to businesses’ size, businesses play a great role in the public policy (Matten and Crane, 2003, Scherer and Palazzo, 2007, Blowfield and Murray, 2008). Indeed as expressed by some commentators, the rise of large businesses along with questionable business practices raises questions about business roles in society and as a result, businesses are requested to contribute to the attainment of societal interests (Whetten et al., 2002, Warhurst, 2005). Due to this influence, Dahl further argues, businesses should be thought of as a *political system* as well since “[businesses’] leaders exercise great power, influence and control over other human beings” (1972: 18). Therefore, he argues, businesses’ decision making process should be made accountable.

The businesses’ influence on society leads Dahl to identify another perspective about business role in society that is different from that of the profit maximisation perspective.

In contrary to the proponent of profit maximisation perspective, Dahl argues that every business is a *social enterprise* where:

“[its] existence and decisions can be justified only insofar as they serve public or social purposes. ... Today, as then, it is absurd to regard the corporation simply as an enterprise established for the sole purpose of allowing profit-making. ... Corporations exist because we allow them to do so. Why should we allow them to exist? Surely only insofar as they benefit us in some sense.” (1972: 17).

The profit maximisation perspective as the main business’ objective is no longer appropriate according to Dahl (1972). Instead of putting social interests as an unintended consequence, Dahl urges to take social interests as the main business’ objective. Moreover, Dahl strongly emphasises that social interests are the businesses’ *raison d’être* (1972: 17-18). Hence, according to Dahl, businesses’ existence is only justified through their effort in promoting social interests in their business practices. This view of businesses as social enterprises, to some extent, is echoed by several authors such as (Carroll, 1999, Hopkins, 2007, Blowfield and Murray, 2008, Carroll and Shabana, 2010, and Sastry, 2011).

Moreover, building on his arguments about businesses’ characteristics i.e. as a *political system* and a *social enterprise*, Dahl further suggests that businesses’ governance is of a public matter (1972: 18). Subsequently, he asserts that “We not only have a right but an obligation to examine it [businesses’ governance] critically” (1972: 18). Dahl was convinced that social interests would neither be fulfilled through free market mechanism nor the willingness of businesses “to rely solely on the willingness and capacity of management to fulfil public purposes requires a degree of blind faith in leadership that we would surely reject for the government of states.” (1972: 18)

The attainment of social interests, thus, requires “intervention” to business activities (Dahl, 1972). However, there is a competing view. Carroll (1999), for example, argues for a voluntary-based approach to fulfil social interests. However, according to Ashby *et al.* (2004), even the voluntary-based approach requires a prerequisite condition that is set up by government. Government would have to send a signal to businesses that (a) businesses have to be self-regulated; or otherwise, (b) government will impose a

stringent regulation. Only with this precondition, will the businesses voluntarily take into account the social interests (Ashby et al., 2004).

The argument of Ashby *et al.* has perfectly demonstrated the factor that Dahl and Smith have long doubted on. That factor is the willingness of businesses to fulfil social interests (Dahl, 1972), or in Smith's (1776) word, "the benevolence". Smith has partly posited it correctly, that businesses, driven by their self-love, will seek to maximise the profit. However, Ashby *et al.* demonstrates that businesses with profit maximisation motive will not automatically take into account social interests. Smith in this case is proven to be wrong. It is not surprising then if Dahl strongly advocated for the need of intervention to business activities in order to achieve the social interests.

2.2.3. Multiple Plausible RBiS

Having arrived at this point, it is evident that there are at least two opposing perspectives concerning the role of business in society in the literature. On one hand, there is the perspective that argues for businesses as profit maximising enterprises. On the other, there is the perspective that sees businesses as social enterprises. Despite the differences between these opposing perspectives, however, both perspectives share one commonality that they advocate a sole RBiS be it profit maximising or social enterprises. As such, these perspectives are increasingly limited to accommodate the broadening interests of various governance actors. It is evident that growing social and environmental problems such as poverty, environmental damage, and diseases have driven society to request businesses to contribute positively toward the solving of these problems (Sagawa and Segal, 2000b). Indeed some attempts have been made through extensive literature reviews to see RBiS as plausible multiple business roles in society by related authors (Lantos, 2001, Warhurst, 2005, Sastry, 2011). This particular sub section elaborates these attempts.

The perspective about multiple plausible RBiS may be started by (Lantos, 2001). Through a review of popular opinions about the business' role in society, Lantos proposes a spectrum of viewpoints on RBiS as depicted in Table 2-1.

Table 2-1 Spectrum of viewpoints on RBiS

Author	Position on business' role in society
Albert Carr	Pure profit-making view – economic CSR: business has lower standards of ethics than society and no social responsibility other than obedience to the law.
Milton Friedman	Constrained profit-making view – economic CSR: business should maximize shareholder wealth, obey the law, and be ethical.
R. Edward Freeman	Socially aware view – ethical CSR: business should be sensitive to potential harms of their actions on various stakeholder groups.
Archie Carroll	Community service view perspective – altruistic CSR: business must use their vast resources for social good.

Source: Lantos (2001: 602)

(Lantos, 2001) sees RBiS as a spectrum of plausible business' role in society ranging from one extreme i.e. pure profit-making view to another extreme view i.e. community service view with some moderate views in between i.e. constrained profit-making view and socially aware view. The pure profit-making view is based on the work of (Carr, 1968) that argues “the sole purpose of business is to turn out a product at a profit” (Lantos, 2001, p. 602). In so doing, businesses may be operated in questionable ethical (sic) conducts than that of society. Law is the only factor regulating business social responsibility. Lantos criticises this perspective on the ground that “the dichotomy between one’s business life and personal life is nonexistent” (2001: 603). Hence, according to Lantos (2001), business may be still conducted in line with ethical (sic) obligations. The constrained profit-making view is rooted in the work of (Friedman, 1970). Accordingly, the business' role in society is to increase its profits without deception and fraud (Friedman, 1970). This particular view is different from that of Carr by means of inclusion of a range of moral duties to stakeholders (Lantos, 2001).

Lantos criticises Friedman’s view and argues that “what Friedman ignored was that a businessperson’s decisions in the ethical and social responsibility realms can affect many different people, groups, and institutions, which, in turn, can influence the organization’s wellbeing” (Lantos, 2001, p. 604). Lantos, basing his argument on the social contract theory, further argues that since business conducts affect various stakeholders; therefore, business should take into account various stakeholders’ interests. Lantos shares Freeman’s (2001) delineation about stakeholders that is “any individuals or groups affected by the organization’s actions, policies, and decisions (they have a stake in outcome of the company’s decisions), as well as any individual or group who is

vital to the survival and success of the enterprise” (Lantos, 2001, p. 604). Lantos labelled this perspective on RBiS as the socially aware view. Moreover, the community service view mobilises the work of (Carroll, 2001) that sees RBiS is to alleviate “public welfare deficiencies”(Lantos, 2001, p. 605). This particular perspective argues that business has economic, legal, ethical, and philanthropic responsibilities. As such, business must use its resources for social good (Lantos, 2001).

Meanwhile, (Warhurst, 2005) proposes two kinds of RBiS they are profit maximisation and wider societal interests. In line with earlier authors on RBiS, the profit maximisation perspective is rooted in the work of Milton Friedman. Warhurst (2005: 152) argues that the wider social interests perspective is based on the ground of ‘moral imperative’ (after Goodpaster, 1991, Donaldson and Dunfee, 1999, Jones and Wicks, 1999) and ‘social legitimacy’ (after Wood, 1991, Post et al., 2002). Moreover, the wider social interests perspective resembles that business should contribute to the endeavour to solve social and environmental problems. As such, the wider social interests perspective resemblances the social enterprise perspective discussed in previous sub section.

The most recent publication in the review of RBiS comes from (Sastry, 2011). According to Sastry, there are five positions regarding RBiS as presented in Table 2-2.

Table 2-2 Role of business in society - an overview of main positions

Role of business	Main arguments
Earn profits	Economic and political ideology; managers as agents of shareholders need to be honest to their main task; do what you are best at – this automatically leads to social good
Corporate social responsibility	Need to address environmental and ethical concerns – response to situation
Active involvement in society	Need to act in harmony with society; recapture moral high ground; account for use of natural resources; match growing influence with growing responsibility –response to situation
Do good (philanthropy, individual or corporate)	Consumers respond positively to such companies
Create social value	Win-win for business and society by creating greater value

Source: Sastry (2011: 248)

I argue that Sastry, to a large extent, shares Lantos' review of RBiS. The earn profits perspective, for instance, is similar with the pure profit-making perspective and the constrained profit-making perspective. These three perspectives argue for the importance of improving shareholders' wealth. Meanwhile, the corporate social responsibility perspective is similar with the socially aware perspective. Both of these perspectives urge business to respond to stakeholder interests. Furthermore, the active involvement in society perspective is similar with the community service view perspective as both perspectives require business to support societal interests. The difference between Sastry and Lantos lies in the identification of consumer and society positive response to business as depicted in the do good perspective and the create social value perspective.

Having arrived at this point, it is evident that the multiple plausible RBiS adopt the two opposing perspectives of RBiS i.e. the profit maximising perspective and the social enterprise perspective and extend it into a set of plausible roles. By matching similarities between perspectives and mobilising reviews from (Lantos, 2001, Warhurst, 2005, and Sastry, 2011); the plausible RBiS are summarised in Table 2-3 as follow:

Table 2-3 Synthesis of Roles of business in society

Sastry	Lantos	Warhurst
Earn profits	Pure profit-making view	Profit maximisation
	Constrained profit-making view	
Corporate social responsibility	Socially aware view	Wider social interests
Active involvement in society	Community service view	
Do good	n.a.	n.a.
Create social value	n.a.	n.a.

Source: Author combining (Lantos, 2001, Warhurst, 2005, and Sastry, 2011)

This summary is helpful as it gives general view on the conceptualisation of RBiS. However, at the same time, it may have over simplified various perspectives from governance actors. For instance, Lantos' summary portrays only a one dimensional RBiS that seems to be based on multiple factors such as the distribution of profit i.e. pure profit-making view, constrained profit-making view, and community service view perspective; ethics (sic) i.e. pure profit-making view and constrained profit-making view; and business impact to society i.e. socially aware view. Although the summary provides a good overview about the variety of RBiS, however, it is problematic to use

multiple factors to categorise various RBiS into one dimensional spectrum at the same time. Hence, this chapter argues, it is imperative to analyse and to categorise RBiS based on one factor at a time in order to arrive at a consistent comparison of RBiS. Consequently, the chapter proposes a multi-dimensional analysis of RBiS. This multi-dimensional analysis of RBiS is further discussed and illustrated in Chapter 6.

2.3. Key Perspectives on CSR

The review on RBiS in the previous section, to some extent, concludes that CSR lies more on the social enterprise perspective. There are several referents regarding business practices that support the social enterprise perspective such as Corporate Social Performance, Corporate Citizenship, Corporate Social Responsiveness, and CSR. However, CSR has been taken as the umbrella term since these referents are similar (Carroll, 1999, Schwartz and Carroll, 2008, Crane et al., 2008, Carroll and Shabana, 2010). Hence, a business approach to fulfil societies' interests may be practised widely under the banner of CSR.

However, despite of decades of debates on CSR definitions, there is no agreed definition and understanding about CSR (Garriga and Melé, 2004). Instead, there is a 'definitional confusion' i.e. the confusion about what constitutes as social responsibilities of business (Dahlsrud, 2008). Furthermore, Dahlsrud (2008: 6) asserts that the confusion arises as a result of attempts to describe CSR as a phenomenon. This research shares the same impression with that of Dahlsrud (2008) and Blowfield and Frynas (2005) that CSR as a phenomenon, which reflects the debates about RBiS. This particular section explores the notion of CSR as situated within the discourse on RBiS. As such, this section discusses main critics and support of CSR.

2.3.1. Types of Business Roles that CSR Reflects Upon

There is a growing concern that businesses should take CSR deeper into their business activities (to name a few, for example Hopkins, 2007, Elkington, 1998, Hart, 1997, Schmidheiny, 1992, Cramer, 2002). Meanwhile, CSR, according to Carroll (1979),

deals with four businesses' responsibilities i.e. economic responsibility to generate profit, the legal responsibility to comply the laws, the ethical responsibility (beyond law compliance), and the discretionary responsibility or voluntariness of CSR practices. Carroll's view is not the only view concerning CSR. In practice, for the time being, there is no common agreed concept or definition about CSR (Garriga and Melé, 2004). However, there are five widely-known dimensions of CSR i.e. environmental, social, economic, stakeholders involvement, and voluntariness dimensions (Dahlsrud, 2008). Environmental dimension covers businesses' impacts on the environment as a result of their business activities, such as pollution. Social dimension deals with issues for instance education, human rights, community development, health and safety of workplace. Economic dimension represents the financial performance of the business. Meanwhile, stakeholders involvement, and voluntariness dimensions correspond to businesses' governance and CSR's implementations respectively.

In practice, commentators report that efforts tend to favour the economic dimension over the environmental and social ones (see for instance Friedman, 1970, Levitt, 1958, Jensen, 2002, Henderson, 2005). This is due to the (allegedly) inverse correlation between businesses' financial performance and CSR (Friedman, 1962, Levitt, 1958) and the lack of skills and knowledge within businesses to deal with societal problems (Freeman and Liedtka, 1991). Nevertheless, scholars (for example Cramer, 2002, Elkington, 1998, Hopkins, 2007, Schmidheiny, 1992) are still increasingly calling upon businesses to embrace the social and environmental dimensions in addition to economic ones. Businesses may use platforms such as UN Global Compact, ISO 26000 concerning Social Responsibility, and OECD Guidelines for Multinational Enterprises to embrace the social and environmental dimensions. This section now turns to assess whether or not these two concerns (i.e. financial performance and lack of skills and knowledge) hold at current literature discourses.

2.3.2. CSR and Financial Performance: Inconclusive Results

Those who favour economic dimension argue that the responsibility of the businesses is to maximise shareholders' profits (Friedman, 1970, Levitt, 1958, Jensen, 2002, Henderson, 2005). They conclude that to finance social responsibility projects may

harm businesses' financial performance. In their perspective, to finance social responsibility projects is merely a cost to businesses. They argue that shareholders require the highest direct return possible on their investment. They posit that shareholders will tend to move their investment to other businesses if they are not satisfied by the return of their investment in a particular business. Thus, company Directors reporting to shareholders have a duty to put shareholders' interests as the primary objective of businesses' strategies. Simply, Directors are expected to increase businesses' revenue or reduce businesses' costs in order to improve businesses' profitability. Since social responsibility projects are taken as a cost to businesses, financing such projects is not compatible with profit maximisation.

However, studies on the financial performance of CSR businesses are inconclusive at this point. On the one hand, there are studies that show no correlation between financial performance and CSR (Aupperle et al., 1985, Teoh et al., 1999, McWilliams and Siegel, 2000). On the other hand, there are some studies that find a negative correlation (Wright and Ferris, 1997) and others find a positive relationship (Waddock and Graves, 1997, Pava and Krausz, 1996, Orlitzky et al., 2003, Cochran and Wood, 1984, McGuire et al., 1988b). These inconsistent findings indicate inconclusive results on the link between financial performance and CSR. There may be several explanations for this. This may stem from first, "flawed in empirical analysis", and second, "misspecified models" (McWilliams and Siegel, 2000: 608). It may also however, simply highlight the ambiguity on the umbrella term, i.e. CSR.

Considering these findings, a view that CSR is always inversely related to financial performance (e.g. Levitt, 1958) cannot hold. Instead, we should take it as a caveat that businesses should be frugal in dealing with various choices of CSR activities (Porter and Kramer, 2002). Moreover, this frugality is practiced through careful assessment on the benefits of projects dealing with sustainability issues to businesses' long-term prospects (Porter and Kramer, 2002). Hence, Porter and Kramer (2002: 58) suggests that "a context-focused approach" improves businesses' long-term prospects. Thus, frugality also means a contextualised socially and environmentally responsible project. The frugality, however, requires adequate skills and knowledge. This subject then leads

us to the second concern about businesses' skills and knowledge to handle social and environmental problems.

This sub section concludes that a direct (inverse) relationship between CSR and businesses' financial performance does not appear to universally hold. This is because of inconclusive findings regarding the correlation between financial performance and CSR.

2.3.3. Open Governance: Compensating Limitations

This sub section sets out to assess the issue of lack of capacity within businesses to handle societal problems. By using the open innovation paradigm, this section refutes the argument of Freeman and Liedtka (1991). According Freeman and Liedtka (1991), businesses should not implement CSR as they do not possess the knowledge and skills to deal with societal problems. It seems that this view suggests for businesses' self-reliance in dealing with the societal problems. This view is similar with that of the closed innovation paradigm where skills and knowledge are isolated (and are produced) within the businesses:

“One could therefore regard the knowledge landscape in the early twentieth century as a series of fortified castles located in an otherwise impoverished landscape. Within the castle walls of each company's central R&D organization were deep repositories of understanding based on thorough, detailed investigations of a wide range of phenomena. Each castle was relatively self-sufficient, receiving occasional visits from outsiders, and its inhabitants ventured out occasionally into the surrounding landscape to visit universities or scientific expositions. But most of the action occurred within the castle walls, and those outside the castle wall could only marvel at the wonders produce within.”
(Chesbrough, 2003: 24)

However, the relationship between businesses and their surrounding environment (e.g. universities) is becoming more open nowadays (Chesbrough, 2003). Thus, Chesbrough argues that it enables “innovation to move easily between the two [businesses and their surrounding environment]” (2003: 37).

Furthermore, Chesbrough posits that in the open innovation paradigm:

“Firms can and should use external ideas as well as internal ideas, and internal and external paths to market, as the firms look to advance their technology. Open Innovation combines internal and external ideas into architectures and systems whose requirements are defined by a business model. The business model utilizes both external and internal ideas to create value, while defining internal mechanisms to claim some portion of that value.” (2003: xxiv)

Hence, businesses can compensate for its lack of capacity through partnership with their surrounding environment as suggested by the open innovation paradigm. In the context of CSR, this lack of capacity can be compensated through stakeholders engagements (Kanter, 1999) and may even become beneficial for businesses and stakeholders as well (Argenti, 2004, Austin, 2000). Needless to say, fruitful engagements depend on “first, the willingness of the organization to experiment; second, the innovation orientation of its managers; and third, its communicative capacity” (Holmes and Moir, 2007: 417). Considering that businesses need not to become self-sufficient in order to deal with societal problems, therefore, the view of Freeman and Liedtka (1991) does not universally hold.

2.3.4. CSR Model

Perhaps, the prevalent models of CSR can be found in the work of Carroll (1979, , 1991, , 1998) and (Schwartz and Carroll, 2003). This model suggests to view CSR from its manifestations e.g. ethical, philanthropic, economic, and legal activities (see for example Carroll, 1991, Carroll, 1998, Schwartz and Carroll, 2003). The existing model lacks clarity to explain company’s motivations to adopt CSR into their corporate strategies. As such, it might not take into account the long-term effect of CSR to corporate strategies. This classical model is drawn into a Venn diagram as follow:

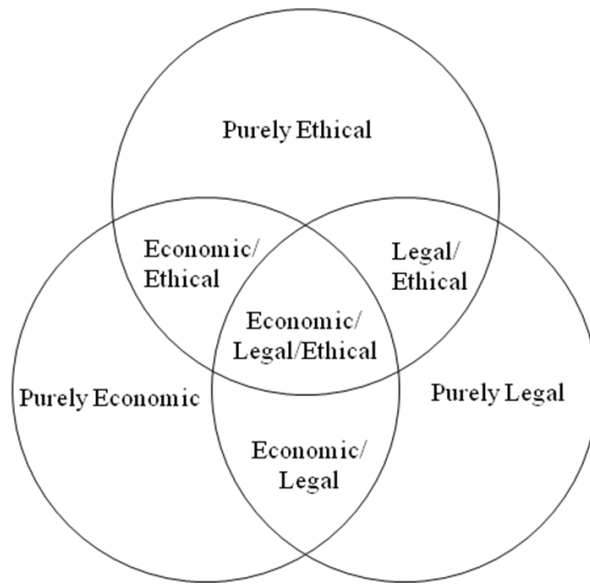


Figure 2-1 The Schwartz and Carroll's Three-Domain Model of CSR

Source: Schwartz and Carroll (2003)

The three domain model of CSR as proposed by Schwartz and Carroll (2003) suggests that there are three overlapping areas of responsibility namely economic, legal, and ethical. It categorises CSR activities as economic as long as the activities have possible economic consequences, while CSR activities are grouped as legal if the activities were responses to regulations (Schwartz and Carroll, 2003: 508-511). Moreover, the ethical domain refers to CSR activities that answer to “both domestic and global ethical imperatives” (Schwartz and Carroll, 2003: 511-513).

Furthermore, this existing model does not clearly capture the dynamics within CSR practices for a number of reasons. First, it does not clarify the underlying motivation to adopt CSR into corporate strategies. The classical model may explain the normative motivation such as to reduce cost or to strengthen corporate image, however, it lacks of the ability to explain the underlying motivation to adopt CSR. This leads to the second reason i.e. the effect of CSR activities in the long run. CSR practices that are categorised as ethical in the short run e.g. employee welfare or cash donations may play different roles in the long run e.g. employee satisfaction that may improve productivity. Hence, CSR practices that are of ethical domain may be located in the economic domain in the long run. Third, it is impractical to apply this model empirically. As acknowledged by Schwartz and Carroll (2003: 521), it is empirically difficult to find

CSR practices that solely devoted to “purely economic” or “purely legal” or “purely ethical”. Indeed, we could not confirm the existence of purely economic or legal or ethical CSR practices in our data set (see Chapter 5). Finally, the model does not offer any explanation about the process of institutionalisation of CSR in corporate strategy. On one hand, the classical model like other models (see for example Chapple and Moon (2005a)) to some extent seems to provide a tool to group various CSR activities in several clusters such as economic-ethical-legal (Schwartz and Carroll, 2003), community involvement-socially responsible products-employee relations (Chapple and Moon, 2005a), people-planet-profit, and environment-social-economy. However, on the other hand, the previous models did not explain the process of incorporating CSR in corporate strategies.

Indeed, recent commentators show that CSR is a complex phenomenon that involves various interests of stakeholders (Aguinis and Glavas, 2012). As such, the available CSR models that explain CSR in a simplistic way does not provide adequate explanation about factors, interests, and mechanisms that influence various CSR practices. Therefore, I argue that it is imperative to find a framework of analysis that is able to capture the various competing interests interplaying CSR practices.

Moreover, (Aguinis and Glavas, 2012) is a particularly significant recent contribution which is highly consistent with my own thesis and methodological approach. (Aguinis and Glavas, 2012) undertook from a content analysis of 588 journal articles and 102 books and book chapters to offer a multilevel and multidisciplinary theoretical framework to examine mechanisms that direct CSR outcomes. They categorised these mechanisms as predictors, outcomes, mediators, and moderators (Aguinis and Glavas, 2012).

Furthermore, (Aguinis and Glavas, 2012) identify knowledge gaps: underlying mechanism and microfoundations of CSR and subsequently suggest future research on these gaps. To a large extent, I argue that their suggestion is answered in the research. My research on the instituting of CSR into business strategy sheds lights on institutional, organisational, and individual mechanisms and microfoundations of CSR. At the institutional level of analysis, my research demonstrates social, political, economic, environmental, and historical contexts interplay the construction of CSR discourse and

practices (see Chapter 4). At the organisational level of analysis, it uncovers the processes of instituting CSR into business strategy (see Chapter 5). Moreover, at the individual level of analysis, it reveals the negotiation of various governance actors' interests that shape and reshape the emergence, understanding, and practices of CSR (see Chapter 6). As such, to further Aguinis and Glavas' findings, the research suggests an analytical framework to examine the underlying mechanism and microfoundations of CSR. In so doing, the research proposes a new perspective to understand CSR (Chapter 7).

2.4. CSR in Developing Countries

This section discusses CSR practices in developing countries. First, it presents current debates on the contribution of CSR practices to developing countries. Second, it elaborates motivations that drive the undertaking of CSR practices in developing countries. Last, it provides a concise summary of key literatures of CSR in developing countries.

There have been a number of studies on the undertaking of CSR in developing countries. A recent summary is provided in the Oxford Handbook of Corporate Social Responsibility. CSR in the context of developing countries has been suggested by scholars as a mean of development in developing countries ((Fox, 2004, Visser, 2008)). To some extent, this suggestion reflects the politicisation of CSR that sees business assuming social and political responsibilities (Scherer and Palazzo, 2011). However, studies report inconsistent results about the role of CSR in developing countries. On one hand, some studies suggest that CSR contributes to the development (E Ite, 2004, Fox, 2004, Baskin, 2006). On the other, it does not automatically contribute to the development (Blowfield, 2005, Blowfield and Frynas, 2005, Dobers and Halme, 2009, Frynas, 2005, Khan and Lund-Thomsen, 2011). These claims are explored further in following paragraphs.

Through a case study on Shell's CSR in the Niger Delta, Nigeria, (E Ite, 2004) demonstrates that business is able to contribute to poverty alleviation. Furthermore, as

illustrated in E Ite (2004), this contribution is achieved through a series of transformations in Shell's CSR practices. These transformations are as follow:

“First, Shell has departed from the community assistance (CA) mode to the community development (CD) approach. ... Second, Shell has assumed more responsibility for major socio-economic development initiatives within the Niger Delta since 1995, and has done a better job than many Nigerian government development agencies. ... Third, Shell now places significant emphasis on transparency and social accountability in its operations in the Niger Delta.” (E Ite, 2004, p. 6-7).

This case confirms that in order to play a constructive role in development, CSR would need a “more holistic and development-oriented approach” (Fox, 2004, p. 29). In so doing, CSR agenda should be aligned with development issues such as labour standards, human rights, poverty alleviation, health, education, and child labour (Fox, 2004). As such, some scholars argue that CSR concepts need to be contextualised with and operationalised in the developing countries settings (Blowfield, 2004, Khan and Lund-Thomsen, 2011).

Some scholars take a critical view on the role of CSR in developing countries. They argue that CSR does not automatically contribute to development (Barkemeyer, 2007, Blowfield, 2005, Blowfield and Frynas, 2005, Dobers and Halme, 2009, Frynas, 2005). Furthermore, they argue that failures of CSR projects in developing countries are not uncommon (Frynas, 2005). These failures, to some extent, are caused by a number of constraints. First, country and context specific issues for example conflict and corruption that make it difficult to implement CSR practices among businesses (Frynas, 2005, p. 588). Second, the failure to involve CSR beneficiaries in the planning of CSR practices (Frynas, 2005, p. 589). Third, the lack of human resources to implement developmental schemes (Frynas, 2005, p. 591). This constraint is further worsened by, fourth, social attitudes and values of staffs (Frynas, 2005, p. 591). Last, the failure to integrate CSR practices into a larger development plan (Frynas, 2005, p. 592). As such, Frynas argues that “the current CSR agenda may be inappropriate for addressing social problems in developing countries and may divert attention from broader political, economic and social solutions for such problems” (2005: 583).

However, these failures may be caused by particular views of CSR practices. Blowfield argues that CSR practices take “capitalist assumptions and values ... as universal norms even when these might run counter to the well-being or experience of workers and local communities. It also reproduces capitalist constructions of social relations that are either unchallenged or at least held up as norms against which other social constructs are tested for true or false value (e.g. private as opposed to communal property, the corporation as a moral entity, the individual rather than the community as the subject of benefit)” (2005: 522). Meanwhile, (Barkemeyer, 2007) identifies four issues that may explain the failures of CSR practices in developing countries as follow. Firstly, “the predominance of the ‘CSR business case’ leading to an overemphasis on corporate reputation and a detraction from the actual problems that should be addressed by CSR” (Barkemeyer, 2007, p. 6). Secondly, “the pivotal role of the stakeholder concept, leading to a bias towards a company’s primary stakeholders” (Barkemeyer, 2007, p. 6). Thirdly, “the inadequacy of the CSR agenda, reflecting a ‘Northern’ understanding of CSR while at the same time neglecting developmental issues” (Barkemeyer, 2007, p. 6). Lastly, “the governance dimension of CSR, pointing to an enabling environment which would be essential for effective self-regulation, and the crowding out of alternative (regulatory) policy instruments” (Barkemeyer, 2007, p. 6).

It seems that both views highlight the importance of the particular view on CSR practices in order to attain CSR’s contribution in the development of developing countries. On one hand, supporters of CSR’s contribution in the development emphasise the contextualised, holistic, and development-oriented CSR practices. On the other, critics indicate the dominance of upholding corporate reputation through CSR practices may hinder CSR’s contribution to the development in developing countries. In this light, both views propose the undertaking of a critical view on CSR practices in developing countries (Blowfield and Frynas, 2005, Dobers and Halme, 2009). The critical view suggests that CSR practices in developing countries should invite cooperation among governance actors (Jamali and Mirshak, 2007), take into consideration contextualised-localised issues such as poverty and corruption (Blowfield and Frynas, 2005, Dobers and Halme, 2009), and be integrated with company’s core business (Jamali, 2007). Furthermore, a robust regulatory framework along with its enforcement is required for effective CSR practices (Hilson, 2012).

Up to this point, we have discussed CSR practices in the context of developing countries. In particular, we discussed contradicting views on CSR's contribution to the development in developing countries. We now turn to examine the motivations underlying CSR practices in developing countries. Accordingly, this research reviews the work of Visser (2008) and Frynas (2005).

Visser (2008) identifies ten drivers for CSR in developing countries divided into two categories, internal drivers and external drivers. Internal drivers reflect pressure from within the country namely cultural tradition, political reform, socio-economic priorities, governance gaps, crisis response, and market access (Visser, 2008, p. 480-485). Cultural traditions rooted in religions and indigenous traditions particularly philanthropy, community embeddedness, and business ethics have the potential to influence CSR practices in developing countries. So too does political reform; democratisation may persuade business to take into account social and environmental issues. Socio-economic priorities and challenges such as poverty, tax fraud, education, infrastructure development, and health can also care steer CSR practices in developing countries. Governance gaps may also lead business to assume wider social responsibilities e.g. provision of health care and education in the presence of "weak, corrupt, or under-resourced governments" (Visser, 2008, p. 483) as might also be the case when catastrophic events occur. CSR practices may also be seen as a vehicle to access wider markets both domestic market and regional and international markets.

External drivers capture the pressure from the global level such as international standardisation, investment incentives, stakeholder activism, and supply chain on CSR activities (Visser, 2008, p. 485-488). International standardisation for example describes CSR codes and standards that play a significant role to promote CSR practices in developing countries. Investment incentives may influence CSR practices. Firms may adopt CSR practices to qualify for socially responsible investment status in the stock exchange. Stakeholder activism is another factor that may drive CSR practices. Activism from strong stakeholder groups i.e. development agencies, business associations, trade unions, and international NGOs have the potential exert influence on firms. Finally firms in supply chains may adopt CSR practices in compliance with requirements imposed by multinational business partners.

Taking a slightly different approach, Frynas identifies just four motivations for the implementation of CSR practices in developing countries namely “obtaining competitive advantage, maintaining a stable working environment, managing external perceptions, and keeping employees happy” (2005: 583). Adopting a CSR agenda may be a way of obtaining competitive advantage. Firms might perceive such a strategy should place them in a favourable position with the government and hence become potentially more competitive compared to other businesses. CSR practices may be helpful in maintaining a stable working environment. Firms may see CSR as a mechanism to prevent local communities from disrupting business’ commercial operations or managing external perceptions through the use of CSR practices as a public relation strategy. Firm may also use CSR to keeping employees happy, to “making staff feel much more positively about the company” (Frynas, 2005, p. 586).

This research sees both motivations identified by Frynas and Visser complementing each other. Although Frynas did not explicitly categorise the motivations to adopt CSR practices into externally-led motivation and internally-led motivation, this research argues that we could read Frynas’s identification of CSR motivation in developing countries into two aforementioned categories i.e. externally-led and internally-led motivations. It argues that “obtaining competitive advantage”, “maintaining a stable working environment”, and “managing external perceptions” are of externally-led motivations. Meanwhile, “keeping employees happy” is of internally-led motivation. In this light, this research argues that the adoption of CSR practices in developing countries is driven by various motivations that reflect business’ responses to external and internal pressures.

Furthermore, this research argues that external and internal pressures discussed above reflect various expectations and perspectives about CSR practices among governance actors as illustrated in the debate about CSR contribution to developing countries. In turn, related business’ responses to various perspectives are manifested in CSR practices. Therefore, this research finds it important to identify and examine various perspectives about CSR practices in order to better understand numerous manifestations of CSR practices.

A summary of key articles about CSR in developing countries is presented in the **Table 2-4** below.

Table 2-4 Summary of key articles about CSR in developing countries

Writers	View about CSR in developing countries
Blowfield (2004)	CSR needs to take into account local values and priorities in order to contribute to its beneficiaries.
E Ite (2004)	Good governance is important for CSR to achieve its desired outcomes in the long run.
Fox (2004)	CSR agenda needs to be shifted toward the South (i.e. sustainable and equitable development-oriented approach) to fulfil its potential contribution to development.
Blowfield (2005)	CSR practice has taken capitalist assumptions and values as universal norms. Therefore, there is a need to take a critical approach to reform CSR understandings in order to promote CSR's contribution to development.
Blowfield and Frynas (2005)	CSR does not automatically contribute to development. It needs alternative approaches that go beyond 'the business case'.
Frynas (2005)	<p>"CSR agenda may be inappropriate for addressing social problems in developing countries and may divert attention from broader political, economic and social solutions for such problems."</p> <p>Four motivations for CSR engagement i.e. obtaining competitive advantage, maintaining a stable working environment, managing external perceptions, and keeping employees happy.</p> <p>'The business case' may leads to failures of CSR projects.</p>
Baskin (2006)	CSR practices are able to contribute constructively to development.
Barkemeyer (2007)	Four issues that may explain the failures of CSR practices in developing countries i.e. the predominance of the 'CSR business case', the pivotal role of the stakeholder concept, the inadequacy of the CSR agenda, and the governance dimension of CSR.
Jamali (2007)	Strategic CSR practices to promote CSR's contribution to development. "Strategic CSR involves a conscious attempt at establishing a connection between the company's business and its social contributions".
Jamali and Mirshak (2007)	CSR practices (in Lebanon) are rooted in the philanthropic approach.
Visser (2008)	<p>CSR practices in developing countries often emphasise on the philanthropic approach and community development.</p> <p>Drivers of CSR are grouped into two categories that are internal drivers and external drivers. Internal drivers consist of cultural tradition, political reform, socio-economic priorities, governance gaps, crisis response, and market access. Meanwhile, external drivers consist of international standardisation, investment incentives, stakeholder activism, and supply chain.</p>

Dobers and Halme (2009)	CSR practices needs to take into account contextualised issues to further its contribution for development.
Khan and Lund-Thomsen (2011)	‘Western’ CSR concepts need to be contextualised in order to better contribute to its intended beneficiaries in developing countries.
Hilson (2012)	Robust regulations along with enforcement are needed for effective CSR practices

Source: Author

2.5. CSR and Business Ethics

This section examines the understanding of business ethics, particularly, with regards to CSR. It is important to mention that ethics as a subject relates to numerous studies such as law, psychology, philosophy, and management. While it may be relevant to this research, however, it is not the *problématique* of this research. Rather, this chapter focuses on examining business ethics – as an application of ethics – in conjunction with the understanding of CSR practices. Therefore, this section starts with a discussion about what constitute business ethics followed by a discussion about the relationship between CSR and business ethics.

To begin with, the subject of business ethics has been examined by numerous literatures. As such, the subject invites critical and intense discussions among business ethics scholars. Collins (1994: 7) refers to business ethics as an oxymoron. He argues that in “the traditional description of the manager’s role, business ethics is an oxymoron because there is a conflict between the pursuit of self-interest and consideration of others” (1994: 7). Collins’ view derives from an understanding that business (management) favours autonomy and the pursuit of self-interest. According to this particular view, the pursuit of self-interest may harm others’ interest and, as such, it is deemed unethical. Therefore, he suggests that in order to reconcile this contradiction, a new role description for managers is needed. Furthermore, the new role should emphasise the interest of others rather than self-interest (Collins, 1994, p. 7). This new role in turn requires a rethinking about roles of business in society.

Crane and Matten in contrast to Collins argues that “the subject of business ethics primarily exists in order to provide us with some answers as to why certain decisions

should be valuated as ethical or unethical, or right or wrong” (2007: 4). Crane and Matten further defines business ethics as “the study of business situations, activities, and decisions where issues of right and wrong are addressed” (2007: 5). This research follows the argument of Crane and Matten and hence, sees business ethics as a guidance to examine business activities and decisions taken in the related settings.

There are two dimensions of business ethics that are normative (i.e. normative ethical theories) and descriptive (i.e. descriptive ethical theories) (Crane and Matten, 2007, Carroll, 2003). Normative ethics concerns “supplying and justifying a coherent moral system” and it attempts to address the topic “what should be done?” (Carroll, 2003, p. 4). Moreover, normative ethical theories are grouped into two camp i.e. traditional ethical theories that consist of consequentialist and non-consequentialist theories and contemporary ethical theories such as virtue ethics and discourse ethics to name but a few (Crane and Matten, 2007). Meanwhile, descriptive ethics is “concerned with describing or characterizing the morality or behavior of people or organizations (what managers, organizations, or industries are doing). It may involve the comparing and contrasting of different moral codes, systems, practices and beliefs” (Carroll, 2003, p. 4). We will briefly define the normative ethical theories in the following paragraph.

Consequentialist ethics refers to the view that examines business activities and decisions based on consequences such activities and decisions have (Sinnott-Armstrong, 2009). One representation of consequentialist ethics is Utilitarianism. Utilitarianism as reflected in its ‘Greatest Happiness Principle’ argues that “actions are right in proportion as they tend to promote happiness, wrong as they tend to produce the reverse of happiness. By happiness is intended pleasures, and the absence of pain; by unhappiness, pain and the privatisation of pleasures” (Mill, 2007, p. 6). Meanwhile, the non-consequentialist ethics refers to the view that examines business activities and decisions based on ‘universal principles of right or wrong’ rather than on the consequences of the said activities and decisions (Crane and Matten, 2007, p. 97). This view is known as well as the Deontology ethics with Immanuel Kant as the main contributor (Crane and Matten, 2007). Furthermore, virtue ethics refers to the view that examines business activities and decisions based on motives, characters of moral agents (e.g. honesty and courage), and contexts (Hursthouse, 2000, Solomon, 1992). The main

contributors to virtue ethics are Aristotle and Plato (Hursthouse, 2000, Solomon, 1992). Whilst, discourse ethics emphasises fair communications between related actors (Beschoner, 2006). The main contributors to discourse ethics are Peter Ulrich, Nuremberg School in German, and Frederick Bird (Beschoner, 2006).

An extreme example to distinguish each ethical approach is neatly put forward by Hursthouse (2000). Hursthouse takes an imaginary case of 'to help someone in need'. His explanation goes as follow "a utilitarian will emphasize the fact that the consequences of doing so will maximize well-being, a deontologist will emphasize the fact that, in doing so, I will be acting in accordance with a moral rule such as 'Do unto others as you would be done by', and a virtue ethicist will emphasize the fact that helping the person would be charitable or benevolent" (Hursthouse, 2000, p. 1). Meanwhile, a discourse ethicist will look at dialogs between the helper and the beneficiaries. Another commonly well-known example to distinguish these ethical approaches is the imaginary case of 'white lie'. A utilitarian may justify the need for a 'white lie' in the presence of greater positive outcome. Meanwhile, a deontologist will never consent to 'white lie' since the act of lying is always wrong. A virtue ethicist, however, will look into the context of 'white lie' and draws a conclusion on a case by case basis.

These ethical approaches have been debated for many years. Without further reviving those extensive debates here, it is suffice to acknowledge that each approach has its own controversies and contributions. Moreover, there are numerous attempts to combine some or all of these ethical approaches to provide a better guidance of business ethics (Brady and Dunn, 1995, Donaldson and Dunfee, 1994). This research, however, neither subscribes to any particular ethical theory nor attempts to associate CSR practices with particular ethical theory. Rather, it argues that heterogeneous CSR practices identified in this research may reflect various manifestations of ethical theories in CSR practices (see chapter 4, 5, and 6). It maintains that an attempt to generally associate CSR practices with particular ethical theory is precarious. It is important to mention that this research shares the view that CSR practices is one of manifestations of business ethics.

2.6. Governance Actors

Dahl identifies two ways of intervention to business activities i.e. through external controls and internal government (Dahl, 1972). Moreover, external controls can be exercised by means of regulatory commissions, direct government operation of industry, or markets. However, Dahl himself was unsure with the effectiveness of the external controls due to their drawbacks. For example, regulatory commissions are often becoming industries' captives. Meanwhile, experience from the Soviet Union shows the ineffectiveness of direct government operation. Dahl, however, did not explain how external controls are exercised through markets. Nowadays, product labelling and certifications, to some extent, can also be seen as a form of external control (Scherer and Palazzo, 2007).

With regards to internal controls, in contrary to stockholder control, Dahl promotes three alternative methods of internal government i.e. employee control, interest group representation, or joint government (Dahl, 1972). Stockholder control means that business is only controlled by its stockholders. However, since it is society that gives businesses the right to operate, control should be exercised not only by stockholders but by stakeholders as well (Dahl, 1972, Post, 2006). Employee control means that business is controlled by labours or their representatives. Whilst, the interest group representation means control from various interests affected by business' decisions such as consumers, dealers, investors, and labours. Joint government reflects governance of business by workers and stockholders.

Although Dahl identifies several possible methods to control business activities, he did not conclude it clearly. In order to clarify methods for controlling business activities, this literature review then draws on Habermas' works.

Regarding business activities control, Habermas (1984) offers the concept of "ideal discourse". In the "ideal discourse", all stakeholders and experts are invited to take part in businesses' control. Consequently, businesses are required to take into account the interests of their stakeholders and inputs from experts when developing their business strategies (Habermas, 1984, Ulrich, 1996). As such, stakeholders and experts need to find a reasonable consensus among them (Habermas, 1984). However, this consensus requires preconditions such as, among others, equal participation, freedom of access,

and absence of coercion (Habermas, 1993: 56). The more stakeholders and experts are involved, the better the decisions that businesses make (Scherer and Palazzo, 2007).

Habermas later sees that the “ideal discourse” is “too idealistic” (Habermas, 1998). Hence, he refines the “ideal discourse” concept into the “deliberative democracy” concept (Habermas, 1996). According to Habermas (1998), it is difficult or almost impossible to have participations (as a form of business control) from all experts and stakeholders. Thus, instead of inviting participations from all experts and stakeholders, Habermas suggests to invite participations from Civil Society Organisations (CSOs), Non-Governmental Organisations (NGOs), and other organisations representing public interests (Habermas, 1996). It seems that Dahl and Habermas share one thing in common that is the importance of stakeholders’ participations in businesses’ governance. They may, however, be different in the breadth of stakeholders’ participations. Dahl’s internal government invites participation from selected stakeholders (Dahl, 1972). By contrast, Habermas’ deliberative democracy broadens the participations to related CSOs and NGOs as well (Habermas, 1996). These broadened participations will increase societies’ acceptability of businesses’ decisions, will expand the perspectives of decision makers, and will promote mutual respect (Fung, 2005, Habermas, 1996). Meanwhile, in the context of CSR, stakeholder involvement is also an important practice (Carroll, 1999, Dahlsrud, 2008).

Recall that stakeholders as defined by (Freeman, 2001) consists of individuals or groups that are affected by business practices and individuals or groups that influence the survival and success of the business. By combining Habermas’ view about participations and Freeman’s view about stakeholders; therefore, this research uses the notion of governance actors as a substitute of stakeholders. This research defines governance actors as parties that are either affected by or influence business practices. As such, governance actors may comprise of government officials (or state), business corporations, experts, CSOs, and NGOs. The research follows the definition of CSO as “an autonomous, democratic societal entity, as expressed in organisations independent of the state and corporate structure” (Nugroho, 2011, p. 762). Meanwhile, NGO is defined as “bodies that are dedicated to raising awareness and lobbying for specific policy changes” (Watts et al., 2003, p. 561). Furthermore, experts are individuals,

academician, and/or consultants that possess an extensive knowledge about observed phenomenon(s), in this case, CSR practices and RBiS.

2.7. Conclusion

This chapter reviews key literatures about CSR as situated within the discourse on RBiS. It discusses various RBiS as depicted by the literatures. On one hand, some scholars such as (Dahl, 1972, Friedman, 1970, Keynes, 1936, and Smith, 1776) suggest RBiS as a single business role to society. The business role in society as depicted by these scholars is either to maximise profit (Friedman, 1970, Smith, 1776) or, on the contrary, to become a social enterprise (Dahl, 1972). On the other, some scholars argue for multiple plausible business roles to society (Sastry, 2011, Warhurst, 2005, and Lantos, 2001). (Lantos, 2001) undertook a review on some commentators to provide four plausible RBiS that are pure profit-making, constrained profit-making, socially aware, and community service. Meanwhile, (Warhurst, 2005) suggests two plausible RBiS i.e. profit maximisation and wider societal interests. Recently, (Sastry, 2011) proposes six plausible RBiS: earn profits, corporate social responsibility, active involvement in society, do good, and create social value. I argue that the view of multiple plausible RBiS accommodates two contradicting perspectives of RBiS and extends those perspectives into a set of plausible roles. By mobilising reviews from (Lantos, 2001, Warhurst, 2005, and Sastry, 2011), I provide a synthesis of plausible RBiS as depicted in available literatures (see Table 2-3).

Moreover, I argue that (Lantos, 2001, Warhurst, 2005, and Sastry, 2011) categorise various RBiS into one dimensional summary of plausible RBiS that seems to be based on multiple factors such as the distribution of profit, ethics (sic), and business impact to society. Thus, I argue for a multi-dimensional analysis of RBiS. Empirical research reported in Chapter 6 is mobilised to interrogate this proposition.

The chapter also examines the positioning of CSR in discourses on RBiS. In so doing, it reviews business roles that are reflected in CSR. Discourse on CSR seems to portray two business roles i.e. profit maximisation (economic dimension) and social enterprise (social and environmental dimensions). The view on profit maximisation is based on

two propositions. First, it argues that CSR may negatively affect business financial performance. Second, it argues that business does not possess the capacity to deal with various environmental and social issues.

My review shows that results of studies about the relation between CSR and financial performance are inconclusive. Some studies found a positive relationship (Waddock and Graves, 1997, Pava and Krausz, 1996, Orlitzky et al., 2003, Cochran and Wood, 1984, McGuire et al., 1988b), while others found a negative relationship (Wright and Ferris, 1997). Some studies even found no correlation between CSR and financial performance (Aupperle et al., 1985, Teoh et al., 1999, McWilliams and Siegel, 2000). Moreover, I argue that businesses are able to compensate for its lack of capacity through mobilisation of external resources.

Moreover, the chapter discusses some prevalent models of CSR such as that of Carroll (1979, , 1991, , 1998) and (Schwartz and Carroll, 2003). I identify a number of limitations in these models such as they do not offer any explanation about the process of institutionalisation of CSR in corporate strategy. Indeed, as recent commentators suggest that there are knowledge gaps in CSR literatures i.e. the underlying mechanism and microfoundations of CSR (Aguinis and Glavas, 2012). In this light, I argue that the revelation of the process of institutionalisation of CSR in corporate strategy sheds lights to the understanding of underlying mechanism and microfoundations of CSR (see Chapter 5).

The simplistic view on CSR and RBiS seems to me unable to provide adequate explanations of current CSR practices as illustrated in the Indonesian palm oil contexts. The reviewed literature and perspectives on CSR is dominated by models which fail to take into account longitudinal insights on various contexts i.e. social, political, economic, environmental, and historical (see Chapter 4) and negotiation of interests between governance actors (see Chapter 6). It is also weak in appreciating how CSR are incorporated into; and are institutionalised into corporate strategy (see Chapter 5). I share the analysis of (Aguinis and Glavas, 2012) that reframing the problem of CSR in those terms i.e. institutional, organisational, and individual analysis has methodological implications. Moreover in my research, I attempt to methodologically operationalise

these concerns (see Chapter 3). In addition I take a broad conceptualisation then (Aguinis and Glavas, 2012) by linking CSR and RBiS (see in particular Chapter 7).

Chapter 3 Methodology

3.1. Introduction

This research studies Corporate Social Responsibility (CSR) as a phenomenon of situated practices and discourse and as an illustration of the shifting Role of Business in Society (RBiS). The research is substantively situated within the Indonesian Palm Oil context. It aims to capture the understanding of CSR and RBiS from the point of view of various governance actors. It uses a qualitative multi methods approach in order to reveal the breadth and depth of CSR practices and RBiS discourse in the Indonesia context. It utilises the multi methods to investigate CSR practices and discourses. Recently, (Aguinis and Glavas, 2012: 953-954) have criticised the current methodological approach of CSR researches that focus on cross-sectional, unidimensional aspect of CSR, and one level analysis at a time is lacking of congruence to CSR constructs that unfold over time and level of analysis. I argue that the qualitative multi methods employed in this research answers to the Aguinis and Glavas' critic.

This research attempts to deeply investigate a phenomenon called CSR and as such it employs *case study* as the research strategy. The case study, as advocated by Yin (2009: 4), "allow investigators to retain the holistic and meaningful characteristics of real-life events". The ability of case study to retain the richness of data and to present an in-depth analysis of the phenomenon suits the aim of this research; hence, the choosing of case study. Furthermore, this research uses a qualitative multi methods approach. The approach is used to capture the various governance actors' perspectives on RBiS and CSR, to examine types of CSR practices amongst businesses, and to identify historical development of CSR practices and its concepts. In brief, the methods employed in the research are media content analysis and business annual report analysis, where the qualitative research uses elite interviews, Focus Group Discussion (FGD), and colloquiums.

The chapter reports the research design, the data collection processes and method of data analyses. The structure of the chapter is as follow. Section 1 introduces briefly the research strategy, design, and methods. Section 2 recalls research objectives and

research questions from Chapter 1. Section 3 describes the design of this research. Section 4 describes each data collection method along with the protocols developed to collect, analyse, and present data in related chapters. Section 5 provides a conclusion to the chapter.

3.2. Research Objectives and Research Questions

Recall from Chapter 1, the general objective of this research is to study the development of and negotiation of various roles of business in society among various governance actors as manifested in CSR practices. This general objective is achieved through five sub-objectives. First, this research seeks to uncover the emergence of CSR in Indonesia. Second, it seeks to uncover the heterogeneity of CSR as a rich landscape of themes and components. Third, it reveals the processes of adopting CSR into business strategy. Fourth, it identifies relational perspectives and negotiation of interests among a range of governance actors. Last, it uncovers the understandings of CSR and RBiS as perceived by various governance actors in Indonesia.

The research questions are derived from specific research objectives as mentioned in the previous sub section. These objectives are operationalised in the following research questions:

1. How does CSR emerge over time?
2. How does CSR shape and reshape over time?
3. How does CSR transform and co-evolve with business strategy?
4. How is CSR and RBiS negotiation through relations between actors constructed?
5. What are the understandings of CSR and RBiS?

These research questions correspond accordingly to the research objectives discussed above. Furthermore, the *research subjects* are of governance actors i.e. government officials, business owners or senior managers, CSO director, NGO director, consultants, and academicians. Meanwhile, the *research object* is CSR in developing countries. In

so doing, this research uses the lens of roles of business in society in order to give a longer historical view and to contextualise CSR as a contemporary phenomenon.

3.3. Research Design

The five research objectives are paired to five research questions in Table 3-1 below. Column 1 recalls the research objectives, Column 2 recalls the research questions, Column 3 is areas to be investigated, Column 4 depicts the relevant research instruments, and Column 5 shows the location of the report of related analysis in this thesis.

The media content analysis focuses on the general Indonesian context. Therefore, it aims to demonstrate the breadth of this research. The depth of this research manifests in two aspects i.e. the specific palm oil context with regard to CSR, and the discourse of RBiS among governance actors. The specific CSR in the palm oil context is investigated through the analysis of business annual reports. It seems that the CSR section has been an integral part of business annual reports since the enactment of the Law 40/2007. These annual reports to some extent serve as a channel of business' public relation. Therefore, I argue that the content of CSR section in the annual reports is sufficient to provide information about business' perceptions about CSR. In addition, these reports reveal the process of adopting CSR into business strategy. This revelation is relatively new to the understanding of CSR.

Meanwhile, the discourse of CSR as situated in RBiS among governance actors was portrayed through the elite interviews, FGD, and colloquium. FGD and colloquium were used to collect feedbacks, reflections, and confirmations. Table 1 provides a concise summary of research methodology employed in this research. The following section discusses in detail instruments for data collection and related protocols taken to execute data collection methods.

Table 3-1 Summary of Research Methodology

Research Objective	Research Question	Areas of Investigation	Instruments	Chapter
To uncover the emergence of CSR and the dynamic of CSR practices over time	How does CSR emerge over time	Historical analysis of CSR	Media Content Analysis	Four
To identify the characterisation of CSR practices	How does CSR change over time?	Characterisation and heterogeneity of CSR		Four
To reveal the process of adopting CSR into business strategy	How is CSR situated in the business strategy of Indonesian Palm Oil business?	Institutionalisation of plantation economy: historical and dependency analyses	Business annual report analysis	Five
		Institutionalisation of CSR into business strategy		Five
To show the negotiation of interests among governance actors.	How are CSR and RBiS negotiated through relations between actors?	Relational perspectives of RBiS	Elite interview	Six
		Negotiation of interests among governance actors	FGD Colloquium	Six
To explain the understanding of CSR and RBiS as perceived by governance actors	How are CSR and RBiS understood?	Understandings of CSR as situated in RBiS		Six and Seven

Source: Author

3.4. Data Collection Methods

Recently, Aguinis and Glavas criticises the current methodological approach of CSR researches as “primarily cross-sectional, to focus on unidimensional aspects of CSR, and to occur at one level of analysis at a time ... Yet, CSR actions and policies permeate levels of analysis and, moreover, usually involve processes that unfold over time” (2012: 953). Moreover, they challenge the pervasive appetite for quantitative research approach to majority of CSR researches. They argue that limitations of research methodologies employed in previous researches cause inadequate explanations to understand CSR practices which unfold over time (Aguinis and Glavas, 2012). As such, (Aguinis and Glavas, 2012) argue that the previous methodological approaches contribute to some knowledge gaps in CSR literatures, in particular, the underlying mechanism and microfoundations of CSR. Hence, they identify the need for multilevel, longitudinal, and qualitative research methodologies. However, they have not operationalised their recommendation yet.

Coincidentally, one of my research objectives is to reveal the process of adopting CSR into business strategy. In so doing, it reveals the underlying mechanism and microfoundations of CSR. So, the research was designed to meet the research objectives. As mentioned earlier above, the research employs a relatively new approach to researching into RBiS and CSR in a number of ways. At the same time, it addresses the issues raised by (Aguinis and Glavas, 2012). First, it explores the understanding of CSR as expressed by various governance actors. As such, it is a method that uses the individual level of analysis to understand CSR i.e. CSR as defined by CSR practitioners. Thus, it looks at perspectives of individuals that play an influential role to the discourse on RBiS and CSR in Indonesia. Second, the research finds it necessary to reveal longitudinal insights on contexts that shape and reshape the emergence of CSR practices. By this means, it uses the institutional level of analysis to examine factors that influence CSR practices. Third, my research reveals the mechanism among businesses to adopt CSR practices into business strategy. In so doing, it sheds lights to the limitations of earlier CSR researches as indicated by (Aguinis and Glavas, 2012). Fourth, it examines the relations between RBiS and CSR perspectives and their respective supporters. In line with this, I position CSR as a strategic tool for negotiations of interests between various governance actors. To summarise, my research combines five methods that

examine CSR practices over time using the multilevel analysis i.e. institutional, organisational, and individual.

The data were collected in two stages of fieldwork in Indonesia. The first was in March to June 2010 and the second December 2010 to January 2011. Two fieldwork stages were undertaken in order to strengthen the reliability of data – in particular, of the primary data collected in elite interviews – by follow-up interviews. The first fieldwork was dedicated for the collection of primary data i.e. elite interviews. The second fieldwork was used for follow-up elite interviews and the rest of data collection methods.

Considering the objectives of the research, five data collection methods i.e. media content analysis, business annual report analysis, elite interview, Focus Group Discussion (FGD), and colloquium were used in this research. Each of these methods is specifically aimed to meet a particular objective. The assignment of the methods to a particular objective along with detail protocols developed to perform the primary research is presented as follow.

3.4.1. CSR Indicators

There are numerous studies that offer indicators to categorise CSR practices. Some offer general indicators (see for example, Carroll, 1991) while others offer a more specific indicators (e.g. Chapple and Moon, 2005b, Welford, 2005). This research identifies a number of categories and issues of CSR practices that correspond to previous indicators. Therefore, this section provides relevant studies where those indicators are to be found.

In hindsight, this research reveals six categories i.e. philanthropy, community development, ethics, law compliance, disaster relief and internal management process, and six issues i.e. environment, education, health, labour, product, and SMEs empowerment. The summary of these relevant studies is presented in the Table 3-2 below.

Table 3-2 CSR Indicators and Issues along with Its Relevant Studies

Category / Issue	Relevant studies	Related Content
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Philanthropy	Carroll (1991)	“Corporate actions that are in response to society’s expectation that businesses be good corporate citizens. This includes actively engaging in acts or programs to promote human welfare or goodwill.” (1991: 42)
Community development	Eweje (2006b)	Various initiatives such as education initiatives (e.g. scholarship), social welfare initiatives (e.g. health service), and infrastructure and small business development initiatives (e.g. roads and small business training centres) that are aimed to improve the community welfare.
Ethics	Carroll (1991)	“Standards, norms, or expectations that reflect a concern for what consumers, employees, shareholders, and the community regard as fair, just, or in keeping with the respect or protection of stakeholders’ moral rights.” (1991: 41)
Law compliance	Carroll (1991)	“Business is expected to comply with the laws and regulations promulgated by federal, state, and local governments as the ground rules under which business must operate.” (1991: 41)
Disaster relief	Johnson et al. (2011)	Disaster relief is intended for instrumental and ethical reasons. Most related activities are “reactive and episodic-based”.
	Muller and Kräussl (2011)	Highly visible donations are made by businesses that are known for irresponsible behaviour. Hence, disaster relief is also used as a tool for reputation management.
Internal management process	Kemp (2010)	Organisational change in order to improve business’ social performance.
	Jonker et al. (2004)	The process of embedding CSR into business practices is a “messy affair, with a strong incremental nature” (2004: 6). The study proposes a four-phases model of the embedding process as follow: (1) Sensitising: becoming receptive to CSR leading to a certain level of awareness; (2) Discovering: experimenting through small initiatives and concrete projects; (3) Embedding: linking in with structural and system aspects of the organisation and; (4) Routinising: linking CSR to the company’s core-competencies.
ISSUE		
Environment	Chapple and Moon (2005b)	Environment and conservation
Education	Chapple and	Scholarship and training

	Moon (2005b)	
Health	Chapple and Moon (2005b)	Health care and sanitation
Labour	Welford (2005)	Provision of equal opportunities, vocational education, fair wages and non-discrimination.
Product	Sen and Bhattacharya (2001a)	CSR issues (e.g. product quality) may influence consumer decision to buy a product.
SME empowerment	Rosilawati and Nurjanah (2012)	Business provides capital assistance and capacity building training.

Source: author

3.4.2. Media Content Analysis

The media content analysis is employed in this research to investigate contexts that shape and reshape CSR practices in Indonesia external and internal to businesses and to provide the data which enabled a rich and detailed characterisation of CSR themes and activities to be generated through the data. In so doing, the method reveals the historical account of CSR development in Indonesia. This was done by analysing related news about CSR as depicted in the selected media. Content analysis, in brief, depicts a research method that draws on reliable and replicable inferences from text as data to their contexts (Weber, 1990, Krippendorff, 2012). This method has been used either in a quantitative approach (see for example Berelson, 1952, Neuendorf, 2001) or qualitative approach (see for example Miles and Huberman, 1984, Hsieh and Shannon, 2005, Elo and Kyngäs, 2008, Schreier, 2012). The research employs the qualitative approach due to the particular objective of this method to the overall research i.e. to reveal contexts and historical account of CSR practices. As such, it looks at the richness of data analysis.

Furthermore, mobilising media-based data for research may be affected by three limitations i.e. researcher bias, selection bias, and description bias (Ortiz et al., 2005, McCarthy et al., 1996, Franzosi, 1987). Researcher bias happens because of coding i.e. erroneous interpretation and data entry errors (Franzosi, 1987). Selection bias refers to the tendency of newspapers to selectively report events (McCarthy et al., 1996). Meanwhile, the description bias refers to the representation of events in the media (Ortiz et al., 2005). This research deals with these possible limitations through the selection of media, the sampling strategy and rigorous data coding. As such, to some extent, this

research follows the suggestion made by (Earl et al., 2004). These issues are revisited in related sub section of this method.

The protocol taken to employ this method follows three phases as suggested by (Elo and Kyngäs, 2008) i.e. preparation, organising, and reporting.

First phase, the preparation. This phase involved a number of processes respectively, the selection of time frame of targeted data and selection of the media. The time frame of targeted data was selected on the basis of the conceptual development of CSR at the global level and the accessibility of targeted data. The conceptual development of CSR has started since 1950s according to (Carroll, 1999), especially after the publication of Bowen's (1953) seminal work titled *Social Responsibilities of the Businessman* in 1953. So, the historical account study of CSR development in Indonesia should analyse the period of 1953 until the most recent year. However, targeted data earlier than 1965 in Indonesia are practically inaccessible. It is inaccessible because either the archive is not consistent e.g. missing date; or is not digitalised. Meanwhile, this research selects 31st December 2010 as the cut off point for data collection. Therefore, the time frame of targeted data is from 1965 to 2010.

Moreover, the media examined in this research is of printed media. The media were selected based on the following criteria:

- a. The scope of media. As an archipelagic state with around 1.9 million square kilometres, Indonesia has numerous media that are specialised either to local-scope media e.g. regencies, cities; provincial-scope media; and national-scope media. This method aims to reveal the contexts of CSR practices in Indonesia. Accordingly, the national-scope media is selected to meet the objective of this particular method.
- b. The issues covered in the media. Similar to the previous reason i.e. the objective of this method, the selected media should cover wide ranging issues in order to reflect various plausible contexts of CSR practices.
- c. The accessibility of media. The selected media should be accessible i.e. consistent and digitalised archive. The consistent and digitalised archive is necessary in order to maintain the trustworthiness of the data.

Only two media i.e. *Harian Kompas* (a daily newspaper) – hereafter is referred by *Kompas* – and *Majalah Tempo* (a weekly magazine) – hereafter is referred by *Tempo* – satisfied the required criteria above and subsequently were selected in this research. These media have different angles of report of an event with *Tempo* being critical to the government and *Kompas* being neither critical nor submissive to the government in particular during the administration of Soeharto (1965-1998). In so doing, the selection of two media is intended to limit the description bias. The short profile of both media is presented as follow.

Kompas is the biggest daily newspaper in Indonesia in term of readership. The idea for *Kompas* first came from Minister/Chief of the Army Lieutenant General Ahmad Yani and Franciscus Xaverius Seda – the leader of Catholic Party – and subsequently *Kompas* was founded in 1965 by PK Ojong and Jakob Oetama who befriended Seda. Seda served as a minister to both Soekarno and Soeharto. Hence, *Kompas* was closely affiliated to the government especially during its early days. Inevitably, *Kompas*, like most media, publishes articles in neither critical nor submissive tones in accordance with the strict control from the government then. *Kompas*' readers consist of middle-class and educated i.e. schooled in tertiary education (Kompas, 2012).

Tempo is the biggest weekly magazine in Indonesia. It was first appeared in publication on 6th March 1971. In the early days, *Tempo* aligned with the government that later on turned into a critical stance toward the government (Steele, 2005). As a result, *Tempo* was banned shortly in 1982 and from June 1994 to October 1998. *Tempo* was modelled after *Time* and is well-known for its independent and critical stance in Indonesia (Steele, 2005). Similar to *Kompas*, *Tempo*'s readers consist of middle-class and educated (Steele, 2005).

Second phase, the organising. This phase consists of two processes i.e. pilot exercise and data collection – including sampling and data storage. The pilot exercise was conducted in order to maintain the consistency of data gathered through this method. The pilot exercise was done as follow:

- a. Several keywords were tested in order to select the most appropriate keyword that collect required data. This keyword test is needed due to multiple possible

translations of the word “corporate” in Indonesian language. Through several iterations of enquiry, the keyword “*tanggung jawab sosial*” (English: social responsibility) were selected. This keyword prevents any error of translation.

- b. Random periods i.e. random day for *Kompas* and random week for *Tempo* were chosen to test the ability of keyword above to locate all articles that contain the keyword. Two tests were performed that were database enquiry and manual enquiry i.e. checking all published articles in the particular selected period. Results of the two tests were compared to show the accuracy of database enquiry. The pilot exercise shows the same results from both tests, and hence, the database enquiry is accurate.
- c. Collected news were analysed to verify the reliability of news to depict the discussion about subjects of this research. This pilot exercise shows that all the collected news depict discussions about CSR practices in Indonesia. Therefore, I argue that the database enquiry is reliable.

Upon the completion of a pilot exercise, this research started to systematically collect articles about CSR practices in the selected media. Subsequently, the collected articles were stored in the form of Adobe pdf file. The details about processes taken to enquire into electronic databases of *Kompas* and *Tempo* are reported in Appendix 4.

Third phase, the reporting. The reporting phase includes data analysis i.e. indexing and coding, and presentation in the related chapter respectively. Both data collected from *Kompas* and *Tempo* were indexed as follow:

- The index follows this particular structure: “XYYYMMDDZ”
- “X” refers to the first letter of media i.e. *Kompas* as “K” or *Tempo* as “T” to denote the origin of the article.
- “YYYY” refers to the year of article e.g. “2005”.
- “MM” refers to the month of article e.g. “07” for July.
- “DD” refers to the date of publication e.g. “02”.

- “Z” refers to an alphabet letter to differentiate multiple articles from the same media and date of publication. The letter was assigned based on the order of appearance of related articles in our data repository.
- For example an article from *Kompas* dated on 19th June 1998 would be indexed as K19980619.
- Another example of multiple articles of the same media is this: suppose there are two articles from *Tempo* dated on 2nd July 2005. These articles are indexed as “T20050702a” and “T20050702b”.

Once the whole data set were indexed, the coding of data was started. There are three distinct approaches to interpret meaning from text data namely, conventional, directed, and summative (Hsieh and Shannon, 2005). Conventional approach refers to the practice of deriving categories from text data i.e. inductive categorisation. Directed approach refers to deductive categorisation i.e. the coding starts with some categories derived from theories and relevant research findings. Meanwhile, summative approach refers to counting and comparisons of keywords.

This research uses the conventional approach to interpret meaning from data. As such, data were coded inductively based on hierarchical themes to arrive at categories such as “environment” as the parent and “pollution” as the child. The hierarchical themes and categories were discussed with my supervisor to address researcher bias and to maintain accuracy, stability, and reproducibility of the coding scheme. As such, the reliability of this method as suggested by (Milne and Adler, 1999, and Krippendorff, 2012) is maintained. These categories along with the contexts were used to discuss related research question(s). The coding was done with *Microsoft Excel*.

This research selects paragraph as the unit of analysis. It is suggested that paragraphs as unit of analysis provides higher accuracy than that of words and sentences (Unerman, 2000). The results of media content analysis are reported in Chapter 4. Relevant paragraphs of the article that were quoted in the chapter were translated verbatim into English from their original language, Indonesian language.

3.4.3. Business Annual Reports Analysis

Analysis of corporate annual reports was undertaken to understand how CSR is adopted into business strategy. At the same time, this method provides one source to investigate business' perceptions about its responsibilities as portrayed in the annual reports. There have been numerous studies that derived data from annual reports to analyse disclosure (Neu et al., 1998), relation between disclosure – and CSR – and corporate performance (Ullmann, 1985), and public relation strategy (Deegan and Rankin, 1996). Moreover, there are studies that evaluate this particular methodology in term of its reliability (Milne and Adler, 1999, Unerman, 2000, Nielsen and Thomsen, 2007).

There are advantages and disadvantages from the usage of this method. On one hand, the disadvantages are the tendency of business to utilise annual reports in its favour and problematic use of quantitative measurement of annual reports. Some commentators suggest that social and environmental disclosures in annual reports have been capitalised by business to present a good image about the business among investors and other relevant audiences alike (Deegan, 2002, Hines, 1989, Deegan and Rankin, 1996). Meanwhile, narrow quantitative measurement techniques e.g. word counting causes an incomplete representation of overall CSR practices (Unerman, 2000). On the other, the advantages are the provision of management's mindset and the credibility of annual reports among its relevant readers. The annual report is useful to provide a view of management's mindset as suggested by some commentators (Gray et al., 1995). Moreover, annual reports are a primary source for governance actors to make an impression about business (Hutchins, 1994, Epstein and Freedman, 1994, Patten, 1992, Neu et al., 1998).

The research neither uses annual reports to evaluate business performance nor to quantitatively measure CSR practices. As such, I argue, the research limits the description bias and selection bias and avoids the disadvantages of using annual reports. Moreover, I argue that the content in annual reports is sufficient to produce an analysis of CSR practices among business. In this light, I argue that the annual report is still a reliable source to examine a business discourse and strategy from the perspective of business itself. Hence, the justification of employing annual report analysis in this research is maintained.

This method uses content analysis to collect, analyse, and present data from annual reports. As such, similar to the media content analysis discussed above, this method follows the conventional approach of content analysis to derive interpretations of meaning of annual reports. To follow consistently the protocols taken in the media content analysis, this annual report analysis follows three phase of preparation, organising, and reporting.

First phase, the preparation. This phase involves two activities namely selection of industry and selection of time frame. This method collects data from texts within annual reports of observed industry i.e. the palm oil industry in Indonesia. The palm oil industry is chosen due to the competing interests of governance actors that resemblance similar contestation in CSR discourses (see Chapter 1 for further explanation). In the Indonesian context, since the enactment of Law 40/2007, all business in the Indonesian Stock Exchange (IDX) provides a CSR report section in its annual reports. Some businesses published dedicated standalone CSR reports too; as such, these dedicated standalone CSR reports are included in the data collection as well. Dedicated CSR reports may provide better understanding on CSR practices as suggested by (Unerman, 2000). All annual reports analysed in this research are published in two languages i.e. Indonesian language and English. Therefore, the research used the English version. These annual reports are available in two formats that are of electronic files (available at www.idx.co.id and business' official website) and of printed materials.

This research looks into all the publicly listed palm oil company in the IDX. As such, this research examines the population of palm oil industry in the IDX. There are 10 publicly listed palm oil businesses in IDX and all the businesses are included in the analysis. The period of analysis is six years from 2005 up to 2010. This period was selected due to the availability of electronic annual reports in IDX's online database as of 31st December 2011. The summary of available annual reports and sustainability reports are presented as follow.

Table 3-3 Available Annual Reports and Sustainability Reports

Business	Go public	Availability
PT Bakrie Sumatera Plantations Tbk.* ⁺	1990	2010; 2009; 2008; 2007; 2006; 2005

PT Sinar Mas Agro Resources and Technology Tbk.* ⁺	1992	2010; 2009; 2008; 2007; 2006
PT PP London Sumatra Tbk.* ⁺	1996	2010; 2009; 2008; 2007
PT Astra Agro Lestari Tbk.	1997	2010; 2009; 2008; 2007
PT Gozco Plantations Tbk.	2008	2010; 2009; 2008
PT Sampoerna Agro Tbk.* ⁺	2008	2010; 2009; 2008
PT BW Plantation Tbk.*	2009	2010; 2009
PT Jaya Agra Wattie Tbk.	2010	2010;
PT Tunas Baru Lampung Tbk.*	2010	2010;
PT Salim Ivomas Pratama Tbk.*	2011	n.a.

* Members of Roundtable on Sustainable Palm Oil

⁺ Partly certified by RSPO

Source: author

Second phase, the organising. This phase consists of a single process that is the data collection – including sampling and data storage. All of annual reports (in Adobe pdf format) was downloaded from IDX’s website at www.idx.co.id and business’ official website on 5th January 2012. The annual report contains auditors’ report; letter from board of commissioners; letter from board of directors; business profile; management analysis and discussions; financial statements i.e. balance sheet, cash flow statement, and profit and loss account; and notes to financial statements. Management discussions commonly consist of information about business structure, business governance, human resource management, and CSR report. The CSR report section within annual reports is called by sustainability report, community development report, or environmental responsibility.

Third phase, the reporting. This phase oversees indexing, coding, and presentation of data. The annual reports were indexed in the following steps:

- The index uses this structure: “XXXXAAYYYYPP”. This structure is explained below.
- “XXXX” refers to the four letter code assigned by the IDX as a call name for a listed business in IDX.
- “AA” refers to the type of report i.e. annual report (“AR”) and CSR report (“SR”).
- “YYYY” refers to the period of fiscal year audited in the annual report.

- “PP” refers to the page number of quoted paragraph.
- For instance a paragraph in page 65 of 2006 annual report of *PT Astra Agro Lestari Tbk* (codename “AALI” in the Indonesian stock exchange) is indexed as “AALIAR200665”.

In order to be consistent with media content analysis, the coding scheme in annual report analysis follows the conventional content analysis approach i.e. inductive categorisation with hierarchical themes. The unit of analysis is paragraph for the same reasoning discussed in the media content analysis that is to obtain higher accuracy. The reliability of coding and accuracy of analysis of text data is maintained through discussions with my supervisor. The coding was done with *Microsoft Excel*. The results of media content analysis are reported in Chapter 5.

3.4.4. Elite Interviews

It is evident that senior level managers, senior government officials, relevant experts and leaders of Civil Society Organisations (CSOs) and Non-Governmental Organisations (NGOs) in Indonesia play a significant role in the conception and implementation of RBiS and CSR practices in Indonesia. These persons are known as the elites be that institutional elite, business elite, or political and intellectual elites (Desmond, 2004). In this situation, elite interviews were selected as a methodology to capture the perspectives of key elites in Indonesia (Desmond, 2004, Aberbach and Rockman, 2002, Richards, 1996). As such, the elite interview is a bottom-up attempt to explore the understanding of CSR among governance actors.

There are, however, a number of potential drawbacks that may hamper the reliability of this method (Goldstein, 2002, Richards, 1996, Smith, 2006). With regard to this research, the potential drawbacks are accessibility and power relation between participants and interviewer. Gaining access to elites may be problematic due to the sensitive nature of researched phenomenon (Desmond, 2004). Indeed, the enactment of Law 40/2007 that makes CSR mandatory has increased the already sensitive issue of CSR in Indonesia. Furthermore, the campaign led by Greenpeace to boycott Sinar Mas has solidified palm oil as a sensitive issue in Indonesia.

This research employs a number of strategies to tackle these potential drawbacks. It offers anonymisation, flexible interview schedules and places, two fieldwork schedules, neutrality of researcher – that is I am not going to blame or to bashing interviewers in my thesis, friendly gesture, researcher’s academic credential, and makes use of the snowball sampling strategy to gain trust and access. Overall, only two potential participants declined to give interview sessions. One participant, a member of parliament, never responses to the request for interview; whilst, the other, head of a quasi-government committee demanded the detailed interview guideline along with printed Chapter 1 to 3. The design of this research aims to reveal the understanding of RBiS and CSR from the participants. As such, the provision of research materials e.g. interview guideline and parts of this thesis may lead potential participants to a particular perspective and weakened the reliability of this research. Hence, such demand was declined.

In order to provide consistency across research methods, the elite interview follows the same protocols with those of media content analysis and annual report analysis. These protocols are the three phases of preparation, organising, and reporting. These phases are elaborated in the following.

First phase, the preparation. This phase involves the preparation of interview guidelines and selection of some of the elites. This research took Roundtable of Sustainable Palm Oil’s identification of players in the sustainable palm oil supply chain as the initial guidance to identify elites in the CSR practices of palm oil industry in Indonesia. These players are palm oil growers and traders, NGOs, investors, consumer, and retailer. However, as the interview progressed, participants were categorised as follow:

- a. Business leaders or senior managers.
- b. CSOs e.g. business association, community groups and labour unions.
- c. NGOs, both NGOs that focus on environmental issues and social issues.
- d. Government officials e.g. department of social affairs, department of interior, department of trade, department of industry, department of forestry, and department of agriculture.

- e. Experts and/or consultants. This category contains participants that affiliate themselves to an academic institution or a consulting agency.

The participants were selected for three reasons namely their role in the shaping of Indonesian palm oil industry, their activities in CSR discourse, and their involvement in the policy making regarding CSR practices and the Indonesian palm oil industry.

Moreover, some of the elites were preselected based on my existing knowledge about CSR discourse in Indonesia as well as preliminary information from media content analysis, whilst, the rests, were identified by participants i.e. using a snowball sampling approach where a participant nominates other key elites to be interviewed. One participant in each category in Table 3-4 was of preselected participants. This pre-selection is necessary to start the snowballing sampling strategy. In total, I interviewed 29 participants from business community, NGOs, CSOs, government apparatus, and experts/academicians. The participants are listed in Table 3-4, while, their short-profiling are reported in Appendix 1.

Table 3-4 List of Participants of Elite Interview

Business	Government	NGO	CSO	Expert/Consultant
SMART	Dept. of Social affairs (DEPSOS)	Sawit watch	Indonesian Palm Oil Board (IPOB)	Dr. B. Herry Priyono (political economy expert)
Indonesia Centre for Sustainable Development (ICSD)	National Planning Agency (BAPENAS)	Business Watch Indonesia	Indonesian Palm Oil Community (MAKSI)	Maria Nindita (coordinator of postgraduate study on CSR, Trisakti University)
Bakrie Sumatra Plantation	Dept. of Interior (DEPDAGRI)	Greenpeace Indonesia	Alliance of Customary People (AMAN)	Noke Kiroyan (Business Ethics and CSR consultant)
Austindo Nusantara Jaya	Multistakeholder on Forestry Partnership	Indonesian Business Links (IBL)	Chamber of Commerce	Dr. Semerdanta Pusaka (CSR consultant)
Sinar Mas (holding)		WALHI (FoE Indonesia)	Indonesian Global Compact	Dr. Hariadi (consultant to the forestry department)
Astra Agro Lestari		Trade Union (TURC)	Telapak	Maria Dian (mirror committee ISO 26000)

			National Center for Sustainability Reporting (NCSR)	
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Source: Author

The interview guideline contains a generic brief introduction of interview purpose and relevant research objective and an interview questionnaire. The interview questionnaire is constructed based on the research questions. The generic introduction and interview questionnaire are provided in Appendix 2 and Appendix 3.

Second phase, the organising. This phase consists of two activities i.e. pilot exercise and data collection. The pilot exercise was conducted by interviewing one participant in each category with a total of five participants. The pilot exercise was conducted for two purposes that are to develop interviewing skills and to evaluate interview guideline. The state of interviewing skills of an interviewer e.g. ability to cope with difficult and sensitive interview, understanding of the topic, and self-confidence, may affect quality of interviews and data collected (Harvey, 2011, Holt, 2010). At the end of pilot interviews, every participant was asked to comment on and to suggest on the content of interview questions and the process of interviews. Subsequently, all comments and suggestions were carefully considered and necessary adjustment to the interview guideline was made to incorporate these comments and suggestions. Therefore, the pilot exercise supports the reliability of this method and quality of data collected (Kezar, 2000, Harvey, 2011, Holt, 2010).

The elite interviews were conducted in two stages of fieldwork to provide follow-up opportunities for the researcher. These follow-ups are needed to help clarify – if any – misunderstanding. Furthermore, the elite interviews were carried out as semi-structured interviews to enable the open exploration of question within a common framework. In that way, participants were able to respond for the particular contexts. Rich, contextualised qualitative data was generated through this method. The overall interviews were conducted in Indonesian language. A verbatim transcript of each interview was written in Indonesia language, while, the identified themes were translated and recorded in English.

The processes of elite interview are described in the following:

- An invitation to elite interview along with the generic introduction is e-mailed out to targeted participants. Alternatively, the invitation along with the short version of generic introduction is sent out through a Short Messaging Service platform.
- If the targeted participant agrees to participate in the elite interview, then, an interview schedule and place are arranged by both the participant and interviewer. Most of the time, the interview sessions were conducted in the participants' office. As such, this may signal participant's intention to co-opt the interviewer (Desmond, 2004).
- The interviewer arrived 15 to 30 minutes earlier than the interview schedule in order to familiarise with the environment in interview place, to check the interview voice recorders, and to prepare interview guideline. This step is important to reduce – if any – anxiety and to rehearse interview questions. In my reflection, to being calm and confident helped me to obtain trust and interest from participants.
- The interview session is started by a brief explanation of participant's rights (e.g. right to stop the interview at any point of time), the purpose of interview, anonymisation, and the length of interview session. Participant, then, is confirmed again about his/her willingness to participate in the interview.
- If the participant confirms his/her willingness, then, the interview session proceeds. Otherwise, the interview session is cancelled. In this research, all of the participants confirm their willingness to participate.
- The interview session usually lasts for 60-90 minutes with some sessions went for 120 minutes or 30 minutes.
- The interview session is ended with a request to the participant to nominate other key persons to participate in the elite interviews. In this research, some of participants did nominate several persons. Wherever possible, initial contact with these nominees was established by the nominator and followed-up by the interviewer.

All of the interviews was transcribed verbatim in the Indonesian language, the language used in the interview session. The template for transcript was constructed with *Microsoft Word* by the researcher and was applied to all interview transcripts. These transcriptions were done by the researcher and some professional transcribers. These transcribers were asked to maintain the secrecy of interview contents. The researcher randomly checked the accuracy of transcriptions done by the professional transcribers and by the researcher himself as well. In this research, there is no significant error in the transcription process. Both voice recording and transcripts are stored in the electronic formats and available upon request to the researcher.

Third phase, the reporting. This phase involves data indexing, coding, and presentation in relevant chapter. The content of interview is indexed as follow:

- The structure of index of interview transcript is “Interview/Cat-XX/LNNN-NNN/YYYY”.
- “Interview” refers to the method used to gather the particular qualitative data, in this case, from elite interview.
- “Cat-XX” refers to the identification of anonymised participants. “Cat” refers to the category of participants i.e. “Gov” for government officials, “Exp” for experts, NGO for Non-Governmental Organisations, “INGO” for International Non-Governmental Organisations, “CSO” for Civil Society Organisations, “PrivateCompany” and “PublicCompany” each for business participant. Meanwhile, “XX” refers to number or letter that is assigned to identify participants.
- “LNNN-NNN” refers to the line number of quoted text in the transcript.
- “YYYY” refers to the year of conducted interview.
- For example, a quote with the index of “Interview/PublicCompany-01/L472-476/2010” means that the quote comes an interview in 2010 with a public company codename “01” and the particular quote is located at line 472 to 476 of the transcript.

The coding scheme in the elite interviews follows the latent coding. Latent coding means “the characteristics of the response coded were not explicitly called for by the questions themselves” (Aberbach and Rockman, 2002, p. 675). Themes and categories were derived inductively from the transcript. In order to avoid researcher bias and coding error, these themes and categories were discussed with my supervisor. The results of analysis of elite interviews are reported in Chapter 6.

3.4.5. Focus Group Discussion (FGD)

The purpose of FGD was two folds i.e. (1) to obtain reflections on findings from related elite interviews that were presented to the group by the researcher; and (2) to appreciate and understand a range of governance actor’s views on CSR in Indonesia, in relational perspectives. The FGD consisted of four participants that had earlier participated in elite interviews. The selection of participants was based on participants’ responses in the elite interview for instance; participants that answered “the role of business in society is to make profit” were put in one group. As such, I expected to provide a comfortable environment for participants in the FGD session and no participant would feel alienated or being negatively judged by others. The arrangement of participants for FGD is shown in Table 3-5.

Table 3-5 Focus Group Discussion Arrangement

Category	Participant
Corporation	Sinar Mas
Civil Society Organisation	National Center for Sustainability Reporting (NCSR)
Government	--- (none is able to come)
Expert/CSR Consultant	ISO 26000 Mirror committee and AICON CSR Consulting Group

Source: Author

There were seven topics discussed in FGD that were derived from interview themes and related research questions. The topics are listed in Table 3-6 below.

Table 3-6 Topics Covered in FGD

No	Topic	Research Question
1	The role of business in society.	What are the understandings of CSR and RBiS?
2	The sources where knowledge about CSR was first acquired.	

3	What CSR means?	How does CSR emerge over time? How does CSR shape and reshape over time?
4	What is missing from CSR?	How does CSR transform and co-evolve with business strategy?
5	CSR practices in the future.	
6	The main actor for CSR governance in the future.	How is CSR and RBiS negotiation through relations between actors constructed?
7	Engagements between governance actors with regard to CSR.	

Source: Author

The results of analysis of FGD are reported in Chapter 6.

3.4.6. Colloquiums

This method was taken due to opportunities presented to the researcher during the second fieldwork to Indonesia. Subsequently, I took the opportunity to gather more feedback and reflections on the analysis of empirical materials. Two colloquiums in the form of half-day workshop were materialised in December 2010. Both colloquiums were well attended with around 40-50 participants in each colloquiums. The first opportunity was offered by the Business Watch Indonesia. The theme for the first colloquium was “*Promoting Critical Engagement among Government - Business and CSO/ NGO’s for Social Development*”. In the first colloquium, I gave a talk about the context of critical engagements between governance actors in Indonesia and the competing roles of business in society. The first colloquium invited participants from CSOs, government officials, and business.

The second opportunity was offered by Sinar Mas, owner of the largest palm oil plantations in Indonesia. The colloquium took place in the Sinar Mas’ annual CSR Forum. The participants for this workshop were representative of Sinar Mas’ business units e.g. forestry, palm oil, pulp and paper, and banking and finance. I gave a talk about the context of the boycott campaign against Sinar Mas’ palm oil products that was led by Greenpeace globally. Consequently, we discussed about the shifting of RBiS and the historical backgrounds that framed the development of palm oil industry in Indonesia. The results of colloquiums are reported in Chapter 6.

3.5. Conclusions

This chapter discusses the rationale and justification of selection of each research method employed in this research. Five data collection methods are discussed in detail including data collection protocols and data analysis. The advantages, disadvantages (e.g. limitations), and reliability of each method are discussed in related section. I argue that the combination of these methods compensates potential disadvantages of each method. As such, this combination strengthens the quality and reliability of the methodology. In addition, the reliability of each method is addressed and mitigated too such as how to avoid researcher bias in the media content analysis. The chapter argues that the methodology used in the research answers to the challenge put forward by (Aguinis and Glavas, 2012).

Coincidentally, my research is compatible with (Aguinis and Glavas, 2012) in a number of ways. First, the use of qualitative multi methods enables a thorough stepwise-single-level analysis to be synthesized in a multilevel analysis framework.³ Second, the use of multiple instruments each to focus on a particular level of analysis. These instruments are (i) media content analysis to embark on the institutional level of analysis of CSR emergence and dynamics over time (see Chapter 4); (ii) annual report analysis to take on organisational level of analysis of CSR adoption into business strategy (see Chapter 5); and (iii) elite interviews, FGD, and colloquiums to use individual level of analysis of negotiated interests in the understanding of CSR and RBiS (see Chapter 6). Last, findings from three level of analyses are triangulated and synthesized to propose a new perspective on CSR (see Chapter 7).

³ According to Aguinis and Glavas: ‘Institutional’ is about normative, cultural-cognitive, and regulative elements; in brief any external-to-the-business aspect. ‘Organisational’ is any internal aspect i.e. processes within business to arrive at CSR outcomes. ‘Individual’ is the influence of individuals such as CSR managers and employees on CSR outcomes.

Chapter 4 Heterogeneity and Dynamics of CSR in Indonesia

4.1. Introduction

This chapter is aimed to answer these research questions “*How does Corporate Social Responsibility (CSR) emerge over time?*” and “*how does CSR shape and reshape over time?*” In so doing, this chapter analyses the longitudinal insights of various social, political, economic, and environmental contexts of CSR practices as captured in the observed newspaper media. Indonesia has been a unique case for CSR practices since the enactment of Law 25/2007 and Law 40/2007 that have made CSR mandatory for businesses in Indonesia. It is evident as elaborated in the following sections that the laws brought more coverage of CSR in the media. Arguably, the coverage in the media has widened the discourse about CSR in Indonesia. However, this chapter reveals that CSR reporting in the media is not a new issue. Indeed, news reports about CSR go as far back as 1971 (see section 3 in this chapter). This chapter argues that the various CSR practices in Indonesia are shaped by political, social, economic, and environmental contexts and history matters to understand these contexts and their influence to CSR practices.

This chapter consists of six sections: Introduction, Brief Methodology, CSR in the Indonesian Context, the Various Notions of CSR, the Heterogeneity of CSR configurations in Indonesia, and Conclusion. Section 1 introduces the chapter’s structure and objective, and the particular research question addressed in this chapter. Section 2 provides a concise recap on the related methodology is reported in the Brief Methodology section. It is followed by a Section 3 which discusses how CSR is situated within the Indonesian context. Section 4 reveals the variety of CSR practices that unfold over time. The chapter aims to explain the richness of CSR practices in Indonesia. It scans the horizon of CSR practices more generally, while the next chapter will discuss CSR practices particularly in the palm oil industry in Indonesia.

4.2. Brief Methodology

This chapter maps the various practices of and discourse on CSR in Indonesia from 1965 to 2010 as captured by two Indonesian newspapers. It uses media content analysis to derive interpretations of text data (see Chapter 3). The timeframe was chosen for two following reasons. First, the notion of CSR at the global level has been developed since 1950s (Carroll, 1999, De Bakker et al., 2005). Second, the availability of data that is limited to the earliest publication of chosen media. Data presented in this chapter was mobilised from the media content analysis on two widely circulated printed media in Indonesia, i.e. KOMPAS daily newspaper and TEMPO weekly magazine. KOMPAS was first published at 28th June 1965, while TEMPO was in March 1971. The year 2010 was selected as the cut off point for data collection to provide enough time for data analysis and presentation in this thesis and the timeframe of overall author's doctoral studentship from 2008-2012. The media content analysis covers a period of 45 years spanning from 28th June 1965 i.e. the first publication of KOMPAS up to 31st December 2010.

The period of 45 years sees a number of regime changes i.e. Soeharto's 32 years of New Order (*Orde Baru*) era, the on-going Yudhoyono's administration and five presidency administrations. Moreover, the whole observed period of 1965-2010 is divided into four periods based on the economic regimes in Indonesia. Arguably, the role of business in society, and therefore, CSR as situated within it is influenced by the related economic regimes. Thee Kian Wie, a prominent scholar on the Indonesia's modern economic history, divides the Soeharto's administration (known as well as the New Order) into three periods namely 1966 to 1973, the stabilisation era; 1973 to 1982, the oil boom era; and 1983 to 1996, the liberalisation era (Wie, 2002). However, Wie's periodisation does not cover the period after 1996 and therefore, an adjustment is needed in order to use this periodisation in this research. There are two adjustments to Wie's periodisation in this research. First, two new periods are introduced namely 1997 to 2004 as the economic crisis era and 2005 to 2010 as the economic recovery era. Second, this research merges Wie's stabilisation era (1966-1973) and oil boom era (1973-1982) as one era due to the strong role of government in the economic development (Soesastro, 1989). Hence, this research analyses the data into four periods i.e. 1967 to 1982, the

economic stabilisation era; 1982 to 1997, the economic liberalisation era; 1998 to 2004, the economic crisis era; 2004 to 2010, the economic recovery era.

This chapter takes the inductive coding with some guidance from literatures as its primary way to investigate and categorise CSR discourse and activities. In categorising different types of CSR, it reveals variety of activities under the umbrella term of CSR. Themes that emerged from the media content analysis in the corresponding period (see Chapter 3 for the coding method) were collected and analysed. The themes were then grouped into several ‘CSR categories’ and ‘CSR issues’ by looking at clustering characteristics among the themes in addition to some classic CSR literatures. In this research, ‘CSR categories’ refer to types of activities that are taken to carry out CSR practices. Meanwhile, ‘CSR issues’ refer to a number of topics that are addressed by CSR practices.

Some classic CSR literatures identify a number of categories namely *Philanthropy*, *Community Development*, *Ethics*, *Law Compliance*, *Disaster Relief*, and *Internal Management Process* (after among others, Carroll (1991), Garriga and Melé (2004), Chapple and Moon (2005a), and Welford and Frost (2006)). Furthermore, some CSR categories, particularly, *Philanthropy* and *Community Development* may have similar themes e.g. sponsorship for vocational training, grants for revolving fund, donation. Therefore, a second iteration of thematic clustering was applied to the data to provide comprehensive categorisation. The second iteration further assesses the themes by looking at their beneficiaries. Hence, *Community Development* represents CSR practices that benefits local inhabitants i.e. business surroundings. Whilst *Philanthropy* represents non-local inhabitants beneficiaries of CSR practices.

4.3. CSR in the Indonesian Context

As noted in Chapter 2, the notion of CSR came into being as early as 1953 when Howard Bowen published his book “Social Responsibilities of the Businessman” (Carroll, 1999). Over the next half century, the notion of CSR had been developed by numerous authors. For instance, a study reports that up to 2004, there were 505 CSR papers written by 621 authors in 132 different journals (De Bakker et al., 2005, p. 298).

The increasingly plural and multifaceted nature of CSR is reflected at the level of practice as well. Currently, there are various guidelines on CSR for example the United Nations Global Compact, the OECD Guidelines for Multinational Enterprises, and ISO 26000 on Social Responsibility. Furthermore, there are numerous standards and certification schemes based on the type of industries for environmentally and socially responsible business e.g. UTZ, Fair Trade, Rain Forest Alliance, Ethical Tea Partnership, and Forest Stewardship Council; on issues such as SA8000 for working conditions; and on reporting i.e. the Global Reporting Initiative.

4.1.1. The Emergence of CSR Practices

This subsection discusses the emergence of CSR practices in Indonesia. In Indonesia, CSR gained an increasing exposure in public discourse in 2007 due to the enactment of laws that made CSR mandatory for businesses in Indonesia. Moreover, some commentators suggest that the discourse about CSR in Indonesia was started by the late 1990s (Kiroyan, 2008: 1).⁴ However, this research found that the notion of CSR has been discussed in Indonesia as early as 1975 as depicted in the media (see Figure 4-1). Therefore, CSR is not a new notion in Indonesia. It is evident that practices widely associated with CSR are not new too. The data from media content analysis shows that the news about practices of business giving a cash donation to religious institutions, orphanages, and other organisations predated the emergence of discourse labelling these activities as CSR in the 1990s. For example, the earliest news in TEMPO regarding business donation is dated at 23rd December 1972, while the first mention of the term “*Tanggung Jawab Sosial Perusahaan* (Corporate Social Responsibility)” dates to 1975. KOMPAS also published news about business donation as early as 10th January 1966, compared to the earliest news about CSR at 25th June 1985. Therefore, it is evident that business had implemented practices widely associated with CSR even before the notion of CSR emerged as a public discourse in Indonesia.

⁴ Kiroyan is a prominent figure in the discourse of CSR in Indonesia. He serves as the head of Indonesian CSR Consortium from 2008.

Furthermore, it seems that business donation was a widespread practice before CSR emerged as a discourse and label incorporating the practice of donating. In Indonesia, the drivers for donation making (or known as well as a type of business philanthropy) are religion, cosmological practices (sic), community sustainability, and political changes (Fernandez, 2009). Moreover, of the drivers, religion is the main one and as such, it influences greatly the pattern of giving in Indonesia. This finding confirms an earlier study conducted by the Public Interest Research and Advocacy Centre (PIRAC) in 2000 about Islamic philanthropy in Indonesia.⁵ The study indicates a high level of giving in Indonesia (Bamualim et al., 2006). A very recent study on philanthropy practices amongst Chinese Indonesian conglomerates by Hoon (2010) further backs up Fernandez's finding. According to Hoon, there are three reasons for Chinese Indonesian conglomerates with regard to philanthropy that are "*firstly, to increase their social status (i.e. to 'buy face');* *secondly, to fulfil certain religious convictions (i.e. to express one's faith); and thirdly, to remove some of their guilt from 'sins' previously committed in unethical business conducts (i.e. to seek forgiveness and moral pardoning)*" (Hoon, 2010: 52). Hoon refers to these motivations as the face, faith, and forgiveness.

Whilst these underlying motivations for philanthropic activities i.e. face-faith-forgiveness resonate with the common motives among businesses to conduct CSR practices, studies about CSR by some prominent figures suggest that three alternative common motives for businesses' CSR practices are firstly to strengthen corporate reputation, secondly to abide by corporate philosophy, and lastly to reduce potential conflicts between businesses and society (after Carroll (1991), Joyner and Payne (2002), Porter and Kramer (2006), and Welker (2009)). I argue that there are some similarities between motivations for philanthropy and motivations for CSR. Notably, the motivation to "buy face" is similar with the motivation to strengthen the corporate reputation (see for example Porter and Kramer (2006)); while, "faith" is similar to the corporate philosophy (see for example Joyner and Payne (2002)); and "forgiveness" is similar to the risk management (see for example Welker (2009)). These similar underlying

⁵ Although Indonesia is not an Islamic state, however, the majority of Indonesians are Muslims.

motives for philanthropic activities and CSR practices may explain the popularity of philanthropy (e.g. business donation) as one of dominant CSR practices in Indonesia.

CSR in Indonesia is made mandatory by the enactment of Law No. 40/2007 concerning Limited Liability Companies and Law 25/2007 concerning Investment. The enactment of these laws was opposed by business-related organisations. These organisations even went as far as to challenge the Law 40/2007 in the Constitutional Court (*Mahkamah Konstitusi*). On 15th April 2009, the Court denied this judicial review brought forward by among others, the Indonesian Chamber of Commerce (*Kamar Dagang Indonesia-KADIN*), the Indonesian Association of Young Entrepreneurs (*Himpunan Pengusaha Muda Indonesia-HIPMI*), the Association of Woman Entrepreneurs of Indonesia (*Ikatan Wanita Pengusaha Indonesia-IWAPI*).

This antagonism towards Law 40/2007 is rooted to some extent in the historical context of state-business relationship in Indonesia. The relationship between state and business as reflected in the notion of Patron-client ties (Crouch, 1979) has its root in the colonial period of Indonesia, then the Dutch East Indies, circa 1800s up to 1940s. The Patron-client relationship as denoted by Crouch reflects a symbiotic relationship between business as the money provider and state as the security provider:

“In contrast to traditional patrimonial states, which acquired funds largely through the exploitation of the peasantry and through whole-sale trade, the New Order has depended on a rapidly expanding modern economy financed by foreign aid, foreign investment, and rising oil prices. In the early stages, a patrimonial political structure need not be an obstacle to capitalist economic development. By placing themselves as clients under the protection and patronage of powerful members of the ruler's court, industrialists can acquire the security and predictability they need.” (Crouch, 1979: 579)

Meanwhile, business during the colonial period in Indonesia (then, the Dutch East Indies) was characterised by “*a complex mélange of patronage, monopolies (the so-called conglomerates) and the commensurate concentration of wealth and power*” (Kemp, 2001: 2). This pattern was endorsed by then President Soeharto and resulted in the concentration of capital among Soeharto's families and close associates alike (Cassing, 2000). This patronage along with rampant corruption has enabled business to conduct questionable practices and to disregard environment standards (Damania et al.,

2003). The resignation of Soeharto in 1998 brought about a change in the relationship between business, state, and Non-Governmental Organisations (NGOs). Businesses in Indonesia have been requested by NGOs to become environmentally and socially responsible business (Kemp, 2001). Considering the history of business' questionable practices in the past, therefore, the mandatory approach concerning CSR met with a mixed receptions in Indonesia (Rosser and Edwin, 2010).

4.1.2. Existing Laws and Legislations

There are two laws that regulate CSR practices in Indonesia, namely, the Law 25/2007 concerning Investment and Law 40/2007 concerning Limited Liability Companies. However, these laws are of normative nature, and the implementing regulations are yet to be introduced. Prior to these two laws, there were numerous regulatory frameworks concerning business' codes of conduct such as human rights, worker's rights, environment, consumer protection, and anti-corruption.

Law No. 25/2007 concerning Investment

Mandated CSR in Indonesia began with the enactment of Law No. 25/2007. In relation to CSR, Law (UU 25/2007, article 15) dictates that every investor is obligated to (a) apply principles of good corporate governance, (b) implement corporate social responsibility, (c) respect local cultures and traditions surrounding investments' area, and (d) comply with the laws. The responsibilities of investors with regard to CSR (UU 25/2007, article 16) are (a) to maintain environmental conservation, (b) to care for employee's safety, health, comfort, and wellbeing, and (c) to comply with the laws. Infringement of the Law is penalised with warning, moderation of business, cessation of business, and even withdrawal of business permit (UU 25/2007, article 34).

The Law is however ineffective due to the weak nature of the definition; the absence of implementation guidelines, principles, and standards; and that it does not require investors to report on their CSR programmes. The Law defines CSR as "*The responsibilities attached to every investment so as to maintain a harmonious and*

balanced relationship that concur with the environment, local's values, local's norms, and local's cultures" (UU 25/2007, article 15b). Whilst the absence of guidelines, principles, and standards may create ambiguity, it also perhaps creates an advantage for the investor, i.e. the flexibility to choose any CSR guidelines, principles, and standards that are best-fitted to the business.

Law No. 40/2007 concerning Limited Liability Companies

This Law supersedes Law No. 01/1995. In comparison with Law No. 25/2007, Law No. 40/2007 moves one step forward by introducing the business' liability to report CSR activities in addition the annual report (UU 40/2007, article 1:3). It defines CSR as follow:

“The corporate social and environmental responsibility is the commitment of the Limited Liability Company to take a role in developing a sustainable economy in order to improve quality of life and environment function either for the Limited Liability Company itself, or for local communities, or broader society” (UU 40/2007, article 1:3).

CSR however, is only compulsory for businesses involved in natural resource extraction and ‘other related industries’ i.e. any limited liability company whose business is not in the extraction industry, but affects natural resource functions (UU 40/2007, article 74).⁶ Moreover, businesses are allowed to treat CSR expenditures as expenses in their accounting subject to the fairness of such expenditures. There will be a sanction, which is as yet undefined, should businesses fail to implement CSR. Moreover, there are a number of regulations regulating some particular issues within business practices that are associated with CSR such as environment protection (Law No. 32/2009), human rights (Law No. 39/1999) and worker protection (Law No. 13/2003), consumer protection (Law No. 8/1999).

⁶ This definition creates an ambiguity. By referring to businesses' impacts to natural resources functions and considering that every business activities in production cycles consume and affect natural resources; it can be loosely understood that every business is a subject of the mandatory CSR approach.

4.4. The Heterogeneity of CSR: Response to External Crises and Situations

The media content analysis extracted a total of 1,483 records of news about CSR from two widely circulated newspapers in Indonesia i.e. KOMPAS daily newspaper and TEMPO weekly magazine (please see Figure 4-1). The media content analysis shows that CSR exposure in news started with a quiet period for around 25 years (1965-1990). During Soeharto's *New Order* era, the (political and economic) stabilisation was in his core policies (Amir, 2004, Booth, 2000). The stabilisation was seen as a foundation for economic development (Amir, 2004). Moreover, Soeharto also inherited the economic chaos from previous era i.e. Soekarno's *Old Order* era. Booth (2000: 74) suggested that at least around half of population in Java were poor. Java was and still is the most populated island in Indonesia (Koninck and Déry, 1997).

This quiet period in terms of CSR references in both newspapers was followed by a period of growth afterwards. The gradual openness in media industry may have contributed to the increase in CSR exposure in the published news since 1985. Furthermore, Soeharto's administration introduced deregulation policies starting from 1986 (Bresnan, 2005, Soesastro, 1989, Wie, 2002, Pangestu and Habir, 1989), which was carried over until early 1990s. Meanwhile, a close inspection of the media content analysis reveals that the private sector was expected to and was invited by the state to foster economic development since early 1990s:

“The private sector is given a bigger opportunity. Consequently, private sector bears a greater responsibility towards development and the fulfilment of people's welfare.” (K19910116)

The tendency for deregulation policies coupled with the expectation toward private sector's involvement in economic development may lend an explanation for the increase in CSR exposure in news since 1990s. The economic crisis period (1998-2004) sees an oscillating CSR exposure in news albeit the overall growth in articles referring to CSR between 1998 to 2004. The growing trend continues on during the recovery era. A sudden spike of CSR news in 2007 corresponds to the passing of Law 40/2007.

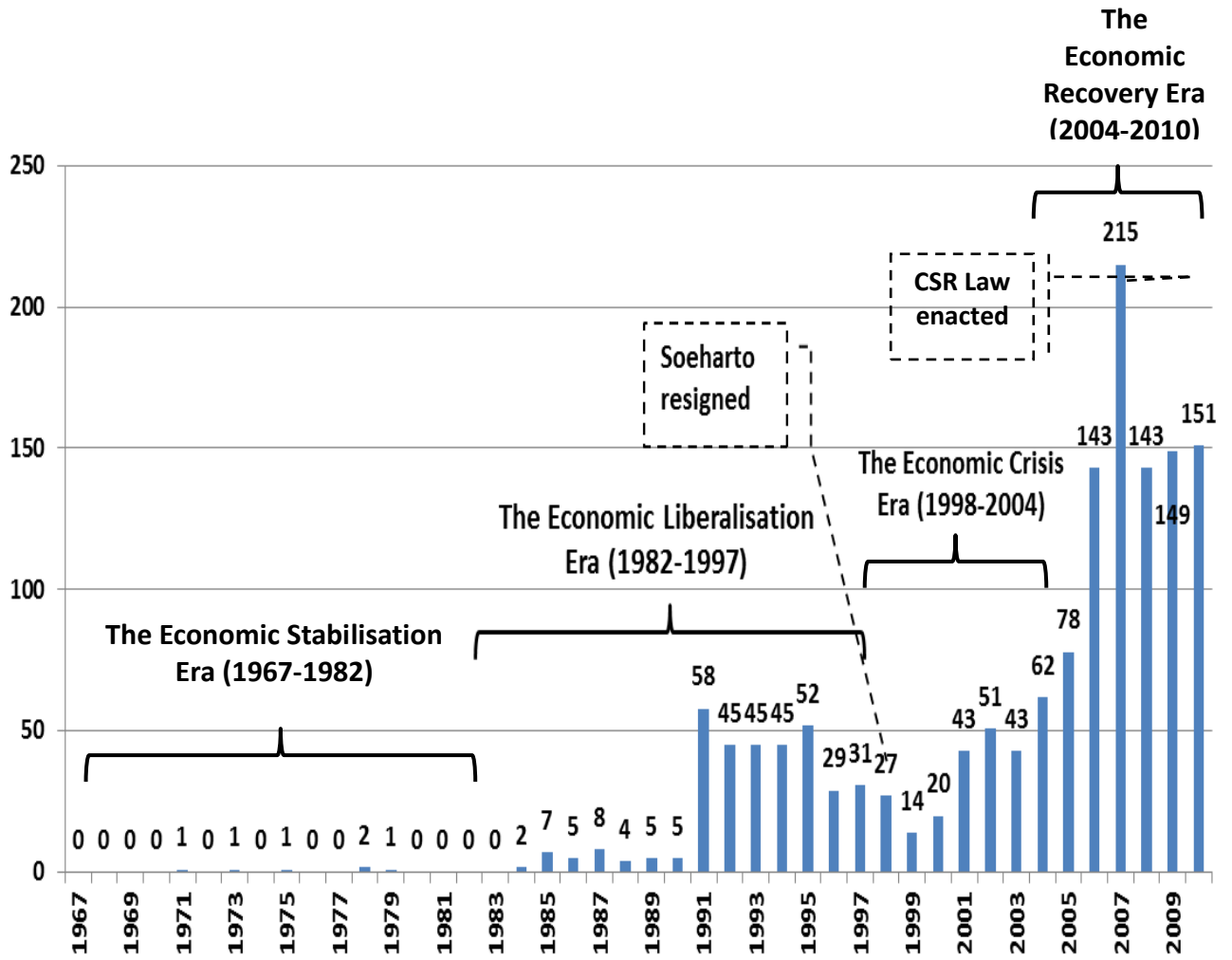


Figure 4-1 The number of records of CSR' news in KOMPAS and TEMPO

Source: Author

4.4.1. The Economic Stabilisation Era (1967-1982)

The economic stabilisation era is characterised by attempts to stabilise and rehabilitate the economic condition from a massive breakdown at the end of Soekarno's administration (Wie, 2002). With regard to CSR practices, the era was very quiet with a maximum of one item of news about CSR in any observed years. In total, CSR were referenced in three articles scattered in 1971, 1975, and 1978. In this era, two themes emerged with regard to CSR i.e. product quality, and the expectation from a minister that businesses are willing to ease state's burdens. The first theme in particular was

related to the film industry. There was a growing requirement for the film industry in Indonesia to produce high-quality movies that is movies that adhere to cultural values:

“A movie cannot be treated as a commodity per se. ... Because as long as the history of Indonesian movie concerned, there has never been a problem like the way movies are produced nowadays. That commercial drive becomes the only deciding factor for the entire business endeavour. It has never been like the Indonesian movies nowadays that are produced without any consideration for cultural and social responsibility.”
(T19711127)

In this light, a film serves two purposes. First, film is perceived as culture good i.e. as a tool for public education. In so doing, film resembles public good. Second, film resembles an economic commodity that is used for economic motives e.g. profit making. Therefore, in this line of interpretation, I argue that CSR, as depicted in the news report about the film industry, works as the ambiguous border between private and public good.

Moreover, the second theme only briefly mentioned that CSR is not only about profit seeking but also about to easing state's burdens:

“State Minister of Administrative Reform Sumarlin proposes 3 options for domestic contractors that still are having financial claims to PERTAMINA. Their social responsibility is not only about to gaining profit, but also our country's burdens.” (T19751004)

PERTAMINA (*Perusahaan Pertambangan Minyak dan Gas Bumi Negara*, literally State Oil and Natural Gas Mining Company) is one of the important State Owned Enterprises (SOEs) that controls the production and selling of fossil fuel. At the same time, PERTAMINA was plagued by corruption and was treated as the financial source for Soeharto's close associates that might have caused its subsequent financial problems in the early 1970s (Liddle, 1991). The second theme may have stemmed out of the economic situation then. It was the period of economic recovery from the chaos in Soekarno's era that saw widespread poverty in Indonesia (Booth, 2000).

Both themes are demonstrating the dominant message of the national interests as advocated by Soeharto's administration. As such, the state appropriate business by (1) setting parameters and modes for the private production of public goods; and (2) encouraging private sector investments in public provisions of the state. Moreover, the

interests of the country, under this message, should be placed as the first priority. These interests that are shaped by Soeharto and his inner circle are commonly focused on political stability and economic growth (Liddle, 1985).

This dominant message reflects the authoritative nature of Soeharto's administration that uses his political monopoly to control the country and importance economic enterprises therein (Vatikiotis, 1994, Cassing, 2000). As such, this demonstrates that the understanding of CSR in this era as captured by media is steered by the Soeharto's ideology i.e. political stability and economic growth. Therefore, the former text from media quoted above reflects the effort for political stability (and oppression) through the (re-) production of cultural values which aligned with Soeharto's administration (Liddle, 1991). Meanwhile, the latter text above corresponds to the economic motive that is to support the economic development, in this particular case, through support to PERTAMINA.

This subsection reveals three contexts that influence the emergence and dynamics of CSR during the Economic Stabilisation Era. They are political, economic, and social contexts. The political context in this era reflects a particular characteristic of Soeharto's administration that is the endeavour for political stability. As such, the perspective on CSR practices was directed to serve his political goals. The news about PERTAMINA signifies two contexts i.e. economic and social that influence CSR practices. The economic context in this era as reflected through the news concerns the lack of state's capacity to develop the country's economy. Meanwhile, the social context in this era concerns about the corruption.

4.4.2. The Economic Liberalisation Era (1982-1997)

The economic liberalisation era is characterised by oil booms, increasing government intervention, rapid economic growth, deregulation, and rapid export-led growth (Wie, 2002). With regard to CSR practices, it seems this era is divided into two contrast episodes in term of the number of news records about CSR. On one hand, there is a period of eight years (1982-1990) with an average of 4.5 articles of CSR news per year.

On the other, there is a period of six years (1991-1996) with an average of 45.67 articles of CSR news per year.

This period began with a similar situation from the previous period i.e. the economic stabilisation era. The first eight years saw no more than 10 records of news on CSR within the selected newspapers in each year. However, the last seven years of this period saw a significant increase with an average of 43 records per year. The significant increase in CSR articles provides rich information about various approaches to CSR practices, public perspectives about CSR, and public expectation toward CSR. A number of CSR categories that emerge from the media content analysis in the economic liberalisation era (1982-1997) are as follows.

Philanthropy

This category captures any news about corporate giving back to wider society such as cash and in kind donation. In this period, the media depicted CSR as sponsoring the construction of schools, hospitals, and worship places; and to provide funding for research about culture. Interestingly, most of news items in this category are of advertorial articles. There were four businesses in the four advertorials specifically *PT Usaha Sistim Informasi Jaya* (Indonesian based IBM Corporation; hereafter is called IBM Indonesia), *Gudang Garam*, *PT BASF Indonesia*, and *PT United Tractors*. Of the four businesses, three are multinational company subsidiaries in Indonesia and only one business originated from Indonesia i.e. *Gudang Garam*. *Gudang Garam* was the largest clove cigarette manufacturer in Indonesia then.

The advertorials portrayed various CSR practices of each business. *IBM Indonesia* for instance, portrayed projects such as charity e.g. the restoration of Borobudur ancient temple; environment protection e.g. sponsoring the *Dana Mitra Lingkungan*, an Indonesian environment NGO; and community development e.g. to found centres for computer science and information system in several public universities. IBM Indonesia concluded that “*society should be able to gain benefits from our existence in their community*” (T19870718). Meanwhile, *Gudang Garam*’s CSR practices consisted of sponsorships for education and sports, job creation, and building worship places among

others. *BASF Indonesia* ran projects such as donation, waste treatment, and provision of health and sanitary facilities for surrounding communities as their CSR practices. *United Tractors* provided opportunities for part-time workers to take internship training as its CSR practices.

The diversity of CSR practices depicted above indicates that businesses see CSR practices as a combination of various categories and issues. This finding adds further clarification to the classic concept on CSR proposed by Archie Carroll namely the pyramid of CSR (Carroll, 1991). What was missing from Carroll's CSR pyramid is the community development approach. Whilst, anecdotal evidence suggests that community development is a significant approach in CSR. IBM Indonesia, for example, suggested that CSR is more than charity and acknowledge the community development project as their highest CSR achievement:

“The social responsibility of a business according to IBM's concept is more than just philanthropic, but, it must be implemented in daily activity.” (T19870718)

This finding also confirms that the community development approach is more prevalent in developing countries such as Indonesia as a recent study by Eweje (2006a) suggested.

Ethics

This category captures any news article that was associated with corporate norms, values, and code of conducts. During this period, the media reported the expected benefits of implementing ethical business conducts and the need for ethical business conducts. The media reported that doing business ethically will reward businesses with increased corporate reputation as well as customer loyalty retention and workers' motivation:

””Business reputation is one of most important assets, although it is not included in the business' balance sheet. Society will rate based on business contribution to social values” said Leisinger.” (K19930810)

Indeed, the media later asserted the need for ethical business conducts due to several high-profile business malpractices e.g. the case of illegal foreign exchange at Bank Duta in 1990, the case of illegal loan to affiliated companies at Bank Summa in 1992, and the case of graft at the Golden Key Group in 1994:

“Observing business practices in the homeland that lately is full of very unsympathetic happenings such as in the banking (for example, Bank Duta, Bank Summa, Bapindo), and other businesses (for instance, veiled monopoly, bad credit); it seems that the ethical dimension is very thin or even neglected by businesses in the homeland. It does not mean that this matter is totally not receiving any attention from businesses. This matter was discussed by the Chamber of Commerce in the end of last year; however, real efforts for this matter are still far from the expectation and not serious.” (K19950601).

Hence, the malpractices in high profile banks had prompted public demand for a more prudent policy in banking industry for example to increase professionalism among bankers and prudent lending policy. Furthermore, the news went as far as questioning the underlying motivation of every businessperson:

“We never think of who is going to drink the liquors and its effects. We are only a businessman’ said Liong Chong Hoa. ... The statement raises a question, is it true that an adult such as Liong Chong Hoa knows not the effect of drinking? ... Or he does not want to know because to him, the most important thing is to earn money? To him, trading is trading and it does not need to be coupled with morality or the sense of social responsibility. A businessperson’s principle is ‘to seize every opportunity that generates profit’.” (K19940516b)

In this light, the understandings about CSR in media are the outcome of relations (sometimes in tension, sometimes synergetic) between different governance actors (See also Chapter 6). For example, in the presence of business malpractices, media sees ethics (sic) as a manifestation of CSR. Moreover, another news article even accused that businesses do not care with morality and business ethics:

“Up to the moment, there are plenty businesspersons that prefer to take shortcut in order to gain profit and [they] do not care with morality and business ethics. They still in favour of to rely on ‘special relationship’ with the government apparatus rather than to implement professional management principles.” (K19961028)

These records indicate how two observed media advocate a view that CSR practices as manifested in business ethics (sic) will drive businesses to comply with laws and to restrain from misconducts. This indication is but new in the CSR discourse see for example the writing of prominent CSR scholars such as Carroll (1991) or Raiborn and Payne (1990). Moreover, consider the Patron-Client relationship between government apparatuses and businesses in Indonesia discussed by (Crouch, 1979).

Law Compliance

This category captures any news about businesses' policy to comply with regulations. Although several studies promote the beyond compliance approach (see for example van Marrewijk, (2003), and Blowfield and Frynas, (2005)), however, law compliance is the foundation for the beyond compliance approach. In this period, the media content analysis reported only one activity i.e. businesses to comply with tax regulations. It was suggested that tax would help equalise the income distribution:

“If the taxation system runs accordingly, then the problem of fair redistribution is achieved through government programmes. The social responsibility of businessperson is implemented through the tax payment that will be used to finance government programmes.” (T19841117)

Community Development

This category reports any news about businesses' long-term involvement in the community. It has been mentioned earlier that community development approach is more prevalent in developing countries such as Indonesia. In this context, this subsection reports partnerships between businesses and farmers in the agriculture development projects. Moreover, the media content analysis suggested that state deliberate directs CSR practices to the development of rural and remote area:

“In order to accelerate future development, government opens wide opportunities for business to join in agricultural development. The important thing, business is able to improve quality of life of farmers and achieve social welfare. ... Opportunity is opened to business due to

government's inability to do it [development agenda] alone. Limited budget, whereas infrastructures are needed to support productive economic projects." (K19910116)

It seems that the deliberate focus was taken to compensate the inequality in economic and social development in Indonesia (see for example Hill (1998) and Booth (2000) for further discussion about the unequal development in Indonesia). It is noticed from the quote above that CSR practices, in this case community development, reflect government's limited capacity to provide adequate public goods e.g. ports, roads, electricity and telecommunication. This finding is further confirmed by participants of elite interviews and Focus Group Discussion (FGD) as reported in Chapter 6.

Internal Management Process

This category reports news about business policies and practices implemented internally within the business environment with regard to CSR practices. This category sees CSR as a medium to improve business management such as the use of quality control:

"The implementation of GKM (literally quality control group) that is proven to generate benefits such as cost saving and profit for business, is expected to assist in improving workers' quality of life." (K19911023)

So far, this section has discussed the CSR categories that emerged in this particular period. The section now turns to discuss a number of CSR issues as depicted in observed media.

Products, Products Quality, and Access to Products

This issue captures news about businesses' policy to improve their product quality and production process, as such; it includes news about businesses' environmental policy. Moreover, it captures news about businesses' policy to widened access for their respective goods and services as well. The association between environmental protection and product quality with CSR is evident in the media content analysis. This evidence confirms the findings in some recent studies see for example Dahlsrud (2008)

and Maignan and Ralston (2002). Furthermore, the media content analysis reveals issues such as waste treatment, pollution control, and reliable product quality depicted as CSR. Whilst news about businesses' environmental policy e.g. waste treatment and pollution control can be observed across industries, however, news about reliable product quality were uniquely observed only in the media industry.

The media industry was expected to produce reliable news and to be accountable for its published news:

“Therefore, personally, I think that a journalist should not see himself/herself only as a journalist, or as a reporter, but also as a part of a community leadership system. At the least, as a part of informal leadership’ Says the State Secretary. He sees that with this kind of awareness, a journalist will consider carefully about the advantage and disadvantage of a publication. He called this role as the embodiment of social responsibility of press.” (K19910522).

This expectation was expressed by a senior government minister on the 22nd May 1991. It was a reminder of similar expectation expressed by President Soeharto on the 10th February 1991:

“Therefore, President Soeharto invites media industry to really implement the Code of Ethic of Media Industry, Code of Ethic of Journalist and Code of ethic of advertisement that have been approved by community of journalist. ‘Thus national press will develop in the healthy way and to becoming a power for national development and to maintain ideal values of nation development’ said him.” (K19910210)

The backdrop of this expectation was the gradual openness in media industry that peaked in early 1990s. Soeharto who championed the political stability in Indonesia (Crouch, 1979) saw the openness in media industry as an unfavourable factor (Romano, 1996). It was not surprising that Soeharto's banned three vocal media in 1994.

Furthermore, these expectations indicate government's effort to warn media – to say the least – from publishing unfavourable news. At the same time, media were expected to impose a self-censorship mechanism in order to uphold social interests. In this Economic Liberalisation Era, social interests were defined in line with state's agenda such as 'nation building' in the quote “K19910210” above. I argue that the issue of

public quality is directed at the media industry as the state's soft approach to control media. As such, I argue that it illustrates how CSR practices were influenced by political interests of the ruling administration.

The connection between CSR and politic has been suggested by Garriga and Melé (2004) in their study of CSR theories. They suggest that businesses are endowed with political power, and therefore, businesses have to exercise their power in the political arena in a responsible way (Garriga and Melé, 2004). However, they did not observe that CSR itself has become a political arena as suggested by (Rosser and Edwin, 2010). This finding further clarifies conclusions from a recent study about the politicising of "CSR Law" in Indonesia (Rosser and Edwin, 2010).

Another aspect of this issue is about access to business' products and services. The media content analysis reported projects such as the provision of air transport in remote area of Indonesia, cheap housings for the poor, and a cheaper long distance course offered by an education institution as instances of CSR practices. These CSR practices were observed across different industries, namely, education, transportation and housing.

Three reasons are offered here to understand the contexts of these projects. First, there was a low participation rate in the secondary education both in the junior high school level (46.6%) and in the senior high school level (19.1%) during this period (USAID, 1986). Arguably, the participation rate for the higher education level would have been lower than that of the secondary education level. Second, there was the lack of infrastructure development especially in the eastern part of Indonesia during Soeharto's New Order era. The infrastructure development was focussed on mainly in Java and Bali then (Hill, 1998). Third, there was anecdotal evidence for unequal distribution of available housings. Therefore, CSR in this context is understood as the provision of adequate housing through to building low-cost simple houses (*rumah sederhana*):

“Therefore, every housing project should set aside a location and funds to build housing for low income society" says the head of Indonesian Real Estate.” (K19890308)

These three reasons suggest that there were expectations for businesses to link their CSR practices with public needs.

Labour

This issue contains news about CSR practices that benefit workers in a number of ways e.g. working conditions and salary among others. In brief, the media content analysis reported news about businesses' policy to improve labour standards e.g. working conditions and wage; facilities provided to worker; and worker empowerment e.g. entrepreneurship trainings for preretirement workers.

“From the private sector, we remind again about social responsibility. That the founding of a factory is not only about the factory itself . The factory should mean profit for businessperson, prosperity for all workers, welfare for the whole citizens. To forget those things, perhaps, will become a boomerang for business sustainability” (K19931229)

As depicted in the quotes above, CSR practices in this particular issue of labour welfare benefit both workers and business. Whilst the former quote describes the impact of CSR practices to business internally; the later quote positions CSR in a broader context i.e. social welfare. It has been suggested that worker is an important issue for CSR practices in Asia (Chapple and Moon, 2005a, Welford and Frost, 2006). Hence, the findings in this category tend to support the pervasiveness of worker issues in CSR practices.

Small-Medium Enterprises (SMEs) Empowerment

This issue reports news about CSR practices that were aimed for SMEs in Indonesia. The media content analysis reported projects such as the provision of training on management topics, and grants for revolving funds as CSR practices. Two reasons are offered to understand CSR practices with regard to this issue. First, there was a mandatory requirement (i.e. Government Regulation 3/1983) among State-Owned Enterprises (SOEs) to put aside 2%-5% of their net profit for SMEs empowerment since 1983:

“Gradually, agricultural SOEs have to put aside 2% in 1992 to 5% in 1995 of their net profit for social responsibility programmes that assist small businesses. In 1992, those funds are used among others for vocational training of Sriwijaya students, expansion of cattle business, shrimp head meal business, ornamental fish farming, and motorisation of fishing.”
(K19920828)

Second, there was a need to strengthen the social tie or social solidarity between businesses and local community. In so doing, big businesses are expected to share their expertise with SMEs:

“Perhaps, for this purpose, there is a need for a clinic for small business maintained by experts and practitioners. Big business should be involved, so that s/he has social responsibility to share his/her experience to small business.” (K19950920)

Environment

This issue depicts news about business policies and conducts that affect the natural world. The media content analysis reported news about environmental preservation and business malpractices too. Media reported projects among others replanting, pollution control, and waste treatment as CSR practices:

“In line with Emil Salim’s suggestion [Minister of Environment], Sukamdani [chamber of commerce delegate] stated that Indonesian business persons as government’s potential partners, should not stop at achieving maximum production target; but also to put attention to industrial wastes so that they do not pollute the environment”
(K19871030)

Interestingly, the first publication of news article in the observed media that depict environmental issues as CSR practices was found five years after the enactment of the environment management law i.e. Law No 4/1982. Therefore, I argue that regulatory frameworks influence the emergence of particular CSR practices as illustrated in the environment issue.

Moreover, the media recognised and reported pressures from various governance actors with regard to social and environmental issues. These pressures will become significant factors to businesses in Indonesia, especially to export-oriented businesses:

“Indeed, the existence of movement and demand from labour union, consumer and NGO (Non-Governmental Organization) seems to become an agenda worth of consideration of Indonesian exporters. This kind of demand seems to keep coming due to the development of environmental issues, human rights, labour union for particular commodity, and other political things.” (T19910914)

Health

This issue reports projects such as the provision of cheap healthcare by private hospital, cheap medicine, and healthcare service in the remote area as CSR practices. The media reported that despite business’ profit motive, business should take into account wider social interest.

“In the inauguration ceremony of Graha Medika hospital, the Minister of Health stressed that to develop hospital requires expensive investment. However, hospital should not forgot its social responsibilities. For example, hospital should provide 25% of its capacity for the poor or to build a clinic outside of the hospital for the surrounding communities.” (K19910812)

The quote above also demonstrates that one news article may contain multiple issues. There are two issues represented in the quote they are access to product and health.

Education

This issue reports projects such as scholarship and vocational trainings as CSR practices:

“Meanwhile, Soetoro Mangunswargo said, dual education system at PT Krakatau Steel is backed by corporate social responsibility to join in preparing skilful workforce. ‘This is supported by experiences and knowledge of PT Krakatau Steel on the management of dual system in German, and the availability of education centre facilities’ said Soetoro.”
(K19960905)

Education as well as health issue has been reported by numerous as some manifestations of CSR practices (e.g. Chapple and Moon, 2005a, Carroll, 1999, Sen and Bhattacharya, 2001a).

Having arrived at this point, this chapter demonstrates the diversity of CSR practices as seen in various CSR categories and CSR issues reported in two printed media in Indonesia. CSR categories and CSR issues together with their corresponding example of practices during this era is summarised in Table 4-1. The table serves as a quick reference for various CSR practices that are reported by the observed media in this era.

Table 4-1 CSR Categories, Issues and Example of Practices in Indonesia during 1982-1997

CSR Category	Example of Practice
Philanthropy	Donation to religious events and disabled communities; building worship places;
Ethics	Creation of Code of conducts; banks to strengthen their prudent policy e.g. careful lending, professionalism, and morality of bankers
Law compliance	Tax obedience
Community development	Partnership with farmers; scholarship; jobs creation; internships and vocational trainings
Internal management process	Policy for quality control; working condition policy
CSR Issue	
Products, products	Self-censorship in media industry; cheap long

quality, and access to product	distance course; discounted housing for the poor; air transport in the remote area
Labour welfare	Improving worker wage and working conditions; cheap housing for workers
SMEs empowerment	Management trainings; grants; knowledge sharing
Environment	Pollution control; replanting; waste treatment
Health	Cheap health service; cheap medicine
Education	Scholarship; vocational training

Source: *Author*

It is mentioned earlier that the research argues that the emergence of CSR practices as depicted in numerous news articles about CSR categories and CSR issues is influenced by various contexts. This subsection now turns to discuss each context that influences the emergence and dynamic of CSR during the Economic Liberalisation Era.

There are four contexts found in this era: social, political, environmental, and economic. The political context in this era shares a similarity with the previous era that is the endeavour of government to steer CSR practices in the direction which meet the interests of ruling administrations. For example, business ethics as a manifestation of CSR practices (sic) was used as the state's soft approach to control the media industry.

The economic context in this era shares the similar characteristic of economic context in the previous era i.e. the lack of capacity of government to develop the country's economy. However, the economic context in this era expands to the issue of corporate reputation and business malpractices. A number of news articles about business malpractices were reported in the observed media, most notably, the banking fraud in the early 1990s (see *Ethic* in this subsection). It is depicted in the media that business malpractices signify the importance of ethics (sic) in CSR practices. Furthermore, corporate reputation was referred as an underlying factor for business to practice CSR.

The social contexts in this era are unequal economic development, poverty, and unemployment. As such, the social contexts relate to the notion of "license to operate" that is "companies need a license to operate. They need to be responsive to those who grant them that license" (Moore and Khagram, 2004: 23). In this context, CSR practices are mobilised by businesses to maintain their "social legitimacy" (Moore and Khagram, 2004) or to earn "forgiveness" (Hoon, 2010) from their surrounding communities.

The environmental contexts in this era are the growing pressure from various governance actors. I argue that the pressure influences the emergence of environmental-related CSR practices such as waste treatment and replanting. Moreover, I argue that the enactment of environmental law influences the emergence of these CSR practices.

4.4.3. The Economic Crisis Era (1998-2004)

The economic crisis era is characterised by a deep financial crisis and a violent regime change. Soeharto was forced to step down resigned on 21st May 1998 and marked the end of the *New Order* era and the beginning of the transition period toward Yudhoyono's administration. Prior to Soeharto's resignation, there were massive rallies staged across the country. The unrest culminated in the shooting of four university students that led to the Indonesian May 1998 riot.

Similar to the previous era, with regard to CSR practices, this era reports five CSR categories and six CSR issues. The CSR categories reported in the media are *Philanthropy*, *Ethics*, *Community Development*, *Law Compliance*, and *Internal Management Process*. Meanwhile, the six CSR issues identified in the media are products, labour, SMEs empowerment, environment, health, and education. The variety of CSR practices in term of CSR categories and CSR issues reported in this era is similar to that of the previous era. Therefore, in order to avoid replication, this section does not repeat the same information and explanations provided in the previous era.

It is observed in Figure 4-1 above that there was a significant decrease of news articles about CSR during the onset of financial crisis. Furthermore, five CSR categories that are reported in the media are as follows.

Philanthropy

There is no significant difference between CSR practices reported in this period and in the previous period with regard to *Philanthropy* for example donation and scholarship:

“This kind of social programme has been our corporate philosophy’ said Dina Sutadi, Corporate Affair Bank Niaga Tbk. With regard to books, for instance, so far Niaga Bank has launched two programmes, they are one million book programme that collect book from our client and worker, and mobile library and scholarship programme in cooperation with YKAI [the Indonesian child welfare foundation].” (K20041023)

Ethics

In this category, CSR practices are manifested in the form of good business conducts, commitment to social interests, and to maintaining professionalism. In essence this category shares similarities with the same category in previous period. Both period raised concerns such as business conducts and business motivations.

“Ethically, every business has social responsibility that is business awareness and moral commitment toward societal interests, aside from calculation of business’ profit and loss.” (K20031115)

“Doing business with conscience is manifested in continuously maintaining good relationship with suppliers, give appropriate salary to workers, and develop networking.” (K20041004)

The former quote describes that business should goes beyond profit consideration in order to promote social interests. While the later exhibits a range of good and responsible business conducts as CSR practices.

Moreover, there is a new aspect i.e. professionalism that is associated with CSR practices and, thus, add more nuances to CSR practices with regard to *Ethics* in this era. In particular, the new aspect of professionalism was addressed to the media industry:

“[The Honorary Council of Indonesian Journalist Association] *DK PWI* feels that it is necessary to invite national journalists and media to improve professionalism due to the development of social political and economic contexts, and also to improve social responsibility of all media

in responding to conflict by upholding freedom of press and adhering to journalist's ethics." (K20000118)

It is mentioned earlier that the era saw a deep financial crisis and violent political transition. There were riots, clashes, and racial and sectarian tensions. In this light, media play a significant role either to prevent an increase in tensions or, in contrary, to encourage tensions. Therefore, journalists were asked by the Honorary Council of Indonesian Journalist Association (*DK PWI*) to uphold their professionalism and observe journalist ethics.

Law Compliance

The media content analysis in this category does not observe any fundamental difference in this period from the previous period. The media content analysis in both periods reported the tax payment and law compliance as one of business' CSR policies.

Community Development

The media content analysis report that community development should be aimed at improving social welfare in the business surrounding:

“Every medium and big business is obliged to put aside social funds that are used in community development program. They can work with NGO or local higher education to jointly improve community welfare in business surroundings” (K20030313)

Furthermore, the quote above also suggests that business should maintain partnership with NGOs and academic in order to achieve social welfare. The topic of partnership is further discussed in Chapter 5.

Internal Management Process

The media reports that businesses are persuaded to prioritise social interests, in this case, the domestic demand for cooking oil:

“Without the help from business, domestic cooking oil will be disturbed. Because the production capacity of CPO (crude palm oil) of State Owned Enterprise ... will not be able to fulfil domestic demands. Therefore, CPO business persons are expected to have a sense of social responsibility toward the distribution of cooking oil in the country.” (K19980615)

During the financial crisis, there was a shortage of cooking oil in the Indonesian market. The cooking oil manufacturers were accused of selling the majority of their product to the export market. Subsequently, the price of cooking oil inflated. It is in this situation that businesses are persuaded to satisfy the domestic demand for cooking oil.

CSR issues identified in this era are reported as follows.

Products, Product Quality, and Access to Products

The news articles reported by media content analysis in this issue are largely similar to that of the same issue in previous era. In addition to findings in previous era, CSR practices in this era include the concern on product safety:

“For Honda, for example, the focused attention on pedestrian safety is a part of campaign known as ‘safety for everyone’. The objective is obviously to reduce death or injury in every car accident. This is all because of Honda’s social responsibility”(K20040227)

Moreover, the media content analysis also depict CSR practices in term of access to product such as the provision of internet connection and phone network in the remote area by a telecom company, the provision of public service advertisement by the media industry, cheaper product prices, and provision of service to the poor:

“However, hospital that is regarded as a service industry in doing its activity should maintain social responsibility, which is to provide service for poor patients” (K19980113)

Labour

CSR practices in this era are similar to that of previous era for example, the concern about working condition.

SMEs Empowerment

CSR practices in this issue concern about knowledge sharing e.g. (business) assistance:

“In concrete, banks should channel loans to many debtors, not only to a limited number of businesspersons ... Banks should give attention to small business. To give non-financial assistance and et cetera.”
(K20011117)

Health

In addition to instances of CSR practices reported in the previous era, CSR practices in this era see a joint commitment and effort to combat HIV/AIDS.

“In that event, there are 19 business leaders from various sectors and countries such as Indonesia, Malaysia, Philippines, Thailand, Japan, Vietnam, Laos, India, and Bangladesh to sign a declaration concerning HIV/AIDS as a manifestation of their social responsibility” (K19991111)

Some commentators argue that business is able to build its corporate image by engaging in CSR (Du et al., 2010). In this light, a high profile issue such as HIV/AIDS may generate greater support for CSR practices.

Environment

The media content analysis reports several cases of business malpractices in term of environmental degradation:

“As a native Irian inhabitants (known as well as Papua), said Feld, ‘Amungme has suffered from brutal oppression of Indonesian invader and does not have rights on land, cannot refuse ‘economic development’ in their land for the interest of mining, cannot resist evictions and resettlements that have made them disconnected from their root, for the sake of profit of Freeport Indonesia’ ... Some of the diseases are caused by the massive deployment of toxic chemical compounds. Their impacts to the environment and health of Amungme are never monitored and studied.” (K20030223)

The news article also suggests a link between environmental degradation, health issue, and poverty.

Education

Similar to the depiction of CSR practices in the previous era, CSR practices in this era concern about scholarship and human resource development.

CSR categories and CSR issues discussed in this sub section are summarised in Table 4-2 below. The table provides a quick reference to the heterogeneity of CSR practices in this Era.

Table 4-2 CSR Categories, Issues and Example of Practices in Indonesia during 1998-2004

CSR Category	Example of Practice
Philanthropy	In-kind and cash donation; donation
Ethics	Beyond profit; appropriate salary; business conducts; professionalism
Law compliance	To obey regulations; to pay tax.
Community development	Improving social welfare
Internal management process	Smooth distribution of cooking oil
CSR Issue	
Products, Product quality, Access to product	Product safety; provision of product or service.
Labour	Improving working condition and salary.
SMEs empowerment	knowledge sharing
Environment	Pollution control; waste treatment
Health	Healthcare; campaign
Education	Scholarship; book donation;

Source: *Author*

This chapter found that social, political, environmental and economic contexts influence significantly to the understanding about CSR. These contexts are of course related to each other.

The political context in this era is the resignation of Soeharto. The resignation that is followed by several racial and sectarian tensions in some area opens a question about the security of business assets and business operations. As such, it seems that businesses need to find another way to secure its assets and operations. Therefore, I argue that it is in this context that businesses in Indonesia see CSR practices as medium to obtain ‘license to operate’ from its governance actors.

The social context in this era is the racial and sectarian tensions. The influence of this context to CSR practices is noticed especially in the media industry. Media and journalists are persuaded to prevent escalation of conflict and as such, both media and journalists are expected to adhere to their code of conducts.

The Economic context in this era is the economic crisis that causes a regime change and economic contraction among others. The crisis causes the shortage of particular

commodity i.e. cooking oil. As such, this context influences particular CSR practices i.e. access to product.

The Environmental context in this era is rooted in business conducts prior to the resignation of Soeharto. Environmental degradation and detrimental business conducts in the past as depicted in the media have strained the relationship between business and its surrounding communities. Therefore, CSR practices in this context include the payment of compensation.

4.4.4. The Economic Recovery Era (2004-2010)

There was a spike in the number of recorded news about CSR in 2007 due to the enactment of *Undang-Undang* (UU) 40/2007 concerning the limited liability company. The UU 40/2007, particularly, the article 74 concerning the mandatory CSR had invited intense discussions in the media, seminars and workshops among governance actors (for example, please see (Rosser and Edwin, 2010)).

In addition to the enactment of UU 40/2007, the main difference between this era and previous eras is the identification of *Disaster Relief* in news articles about CSR practices. The addition of *Disaster Relief* illustrates businesses' direct response to the aftermath of 2004 Indian ocean Tsunami disaster. This addition also marks the beginning of reports about businesses' involvement in disaster relief in the years afterward. In order to avoid replication, this section refrains from repeating the same information provided in the previous eras.

Philanthropy

The media content analysis in this period reported the same types of CSR practices found in the previous periods that is business donation. In addition, the media content analysis reported following CSR practices: sponsorship for charity events e.g. celebration religious events, river basin rehabilitation, replanting, and facilitating interfaith dialogues.

Ethics

The media content analysis in this period returned with the same result found in the previous period i.e. anti-corruption and the change of lending policy in several banks. The change was to limit loan for environmental unfriendly businesses and to make environmental friendliness as one of conditions to obtain loan.

Law Compliance

The media content analysis reported the same CSR policies found as well in previous periods i.e. to obey regulations and to pay tax.

Community Development

The media content analysis reported projects such as revolving fund and economic empowerment for women. Although this category also took place in the previous periods, however, the types of projects reported in this period are different. This difference may stem out of the growing public discussions about community development and CSR.

Disaster Relief

This is a new category that is not reported by the media content analysis in previous eras. This category captures news about businesses' response to the various disasters in Indonesia. The media content analysis reported emergency responses such as in-kind donations for basic needs e.g. food, cloth, and medicine (see quote below). It seems that CSR projects in this category are temporary projects.

“Several businesses from pharmaceutical industry in Jakarta distribute free medicine for flood victims. ... He added, the funds that were used to finance the free medicine were partly come from corporate social responsibility funds”. (K20070208a)

Internal Management Process

In this issue, the media content analysis did not find significant difference between CSR practices in this era and previous eras.

Product Quality

The media content analysis also reported the same result found in the previous eras i.e. the waste treatment, the provision of product or service in the remote area, and cheaper product price. In addition, this era reported the free fumigation project from a business in the insecticide industry.

Labour

In addition to the improvement in labour wage reported in the previous periods, the media content analysis reported a new project to improve labour welfare i.e. to provide housing facility for labours.

SMEs Empowerment

The media content analysis in this period reported the same practices found as in the previous eras. The projects reported are provisions of training for SMEs, grants, and soft loans.

Environment

The news articles depicted in the media content analysis do not differ significantly from that of previous era. One addition to the discussion in previous eras is the emergence of PROPER in the media news articles, a government's initiative to rank businesses based on its environmental conducts.

Health

There is no significant difference between the health issues in this era compare to previous eras. In this era, the news reported HIV/AIDS prevention, tuberculosis prevention, reducing the risk of dengue fever as examples of CSR practices.

Education

In this issue, the news reported scholarships, book donation, and school renovation among others as CSR practices. As such, there is no significant change from the previous eras.

The various CSR categories and their corresponding example of practice discussed in this section are summarised in the table below:

Table 4-3 CSR Category, Issues and Example of Practice in Indonesia during 2005-2010

CSR Category	Example of Practice
Philanthropy	In-kind and cash donation; charity events e.g. celebrating religious event; river basin rehabilitation; replanting; facilitating interfaith dialogues, and by so doing, to prevent any sectarian clash.
Ethics	anti-corruption; bank to limit loan for environmental unfriendly businesses; bank to make environmental friendliness as one of conditions to obtain loan;

Law compliance	To obey law
Disaster relief	In-kind and cash donation; emergency response (e.g. food, clothing, medicine)
Community development	Revolving funds; economic empowerment; economic empowerment for women; Building schools and library
Internal management process	Working condition; worker welfare; ethic (sic)
CSR Issues	
Labour	Provide house for workers; improving salary;
Products, Product quality , Access to product	Real estate to provide social housing; insecticide business to facilitate free fumigation; car manufacture to give free courses on safe driving; providing product or service for people in the remote area; cheaper product price;
SMEs empowerment	Trainings; soft loans; grants.
Environment	Pollution control; PROPER; environment management
Health	free temporary clinic; fumigation; HIV; contagious diseases (tuberculosis); dengue fever
Education	Scholarships; book donation; school renovation

Source: *Author*

The political context of this era is the enactment of Law 25/2007 and Law 40/2007 that has made CSR mandatory in Indonesia. The enactment of these regulations increases the number of news articles about CSR in 2007. Arguably, it also increases the variety of CSR practices. However, this is not yet observed since the law has not been implemented too.

The environmental context of this era is the series of natural disasters that hit Indonesia such as tsunami in the end of 2004, several volcanic eruptions, floods, and landslides. This context has introduced and promoted a new CSR category in Indonesia that is disaster relief as CSR practices.

The social context of this era is various instances of business malpractices such as the Lapindo mud flow in East Java. These business malpractices were cited as the underlying reasons to the mandatory CSR in Indonesia (Rosser and Edwin, 2010).

The economic context of this era is the government's lack of ability to finance the development in Indonesia. As such, the government invites participation from business.

In this sense, the economic context influences the adoption of infrastructure development (e.g. road, bridges, and worship places) as CSR practices.

4.5. Conclusions

The news in Indonesia about CSR has been published since as early as 1971. However, it experienced a very slow growth up to 1990. The news started to pick up from 1991 up to today with the exception of the crisis era (1998-2008). Based on the media content analysis, we find that projects associated with CSR (e.g. business donation) had been started earlier before the CSR discourse had. This earlier start indicates that the notion of CSR in Indonesian context is “imported” from foreign sources. The empirical findings in the chapter indicate that multinational company’s subsidiary in Indonesia might had played a role in CSR discourse as well. This is supported by the fact that three out of four advertorials about CSR came from multinational’s subsidiaries.

The chapter found a very diverse CSR practices in Indonesia. On one hand, the diversity signals CSR practices has been taken by business as a public relation outlet. As such, CSR practices are directed to strengthen corporate reputation through a number of projects that may generate substantial coverage in the newspaper and other mass media. Therefore, short-term issues that captivate society attention such as large-scale natural disaster is taken by businesses as their CSR practices. Some commentators report that the common types of CSR practices in Indonesia are that of charity and philanthropy (Chapple and Moon, 2005a). My finding confirms this report and goes beyond by providing an explanation about the pervasiveness of charity and philanthropy as CSR practices in Indonesia.

On the other hand, the diversity reflects competing interests from various governance actors. These competing interests act as pressures to business. Each governance actor persuades business to support their interest through CSR practices. For example, a local governance official may ask business to put more CSR funds into local infrastructure development. Meanwhile, a governance actor from NGO may insist that business should spend more resources in environmental protection projects.

Moreover, the findings in the chapter reveal that CSR practices are influenced by social, political, environmental, and economic contexts that pertain to a particular period. Some commentators suggest that the enactment of CSR law shows the politicising of CSR in Indonesia (Rosser and Edwin, 2010). However, my research found that CSR practices have long been politicised and engineered to serve the interests of ruling administration. In this line, it demonstrates how governance officials persuaded mass media to take on self-censorship under the guise of ethics (sic) or professionalism as their social responsibility.

The social contexts varied over time. In the beginning (1967-1982), the social context was corruption as exemplified in the case of PERTAMINA bankruptcy. In the subsequent era, the social contexts were unequal economic development, poverty, and unemployment. During the economic crisis era, the social contexts were largely on racial and sectarian tensions. In the economic recovery era (2004-2010) the CSR practices were shaped by some instances of business malpractices.

The environmental context started in the early 1980s. It began with the enactment of environmental law in 1982. Subsequently environmental protection, pollution control, replanting, and waste treatment among others were taken as CSR practices. Recently, with regard to the environmental context, CSR practices are shaped by growing pressures from various governance actors. The economic context over time periods is the government's lack of ability to provide adequate public goods. As such, government invites business to participate in the country development. In this line, infrastructure development e.g. building bridges, roads, and worship places are taken as CSR practices.

Moreover, evidences from the media content analysis support the diversity of CSR practices in Indonesia. This diversity indicates that businesses have the flexibility to select and to adjust CSR practices according to their needs and contexts. I argue that the diversity of CSR practices also serves as responses to external crises and situations. A concise summary of CSR categories, issues, and some example of particular practice is located in Table 4-4

Table 4-4 Matrix of CSR Categories, Issues, and Example of Practices in Indonesia

Category\ Issue	Disaster Relief	Law Compliance	Internal management Process	Ethics	Philanthropy	Community Development
Environment	Replanting	Environment Impact Assessment	Waste treatment	Conserving Energy, 3-Rs	Replanting	River basin rehabilitation
Education	School renovation; scholarships	Equal opportunity for further education	Internship training	<i>(no data)</i>	Scholarships, school renovation.	Vocational training
Health	Sanitary facility; medicine donation	Health and safety of workplace	Working conditions	<i>(no data)</i>	Donation (fumigation, or medicine).	Free clinic
Labour	Vocational trainings	Labour law and standards	Increase labour wages	Solidarity with labour (treat them like family)	Scholarships for workers' families	Entrepreneurship training for nearly retired worker.
Product	In kind donation (e.g. food)	Obey regulations; pay tax	Quality assurance	Anti-corruption; Responsible production	Discount on basic needs e.g. cooking oil.	Access to product (e.g. internet in remote area)
SMEs Empowerment	Capacity building; grants	Allocate 1%-5% of net profit for SMEs related projects	<i>(no data)</i>	Pay a good price for locally sourced raw material.	Vocational training	Revolving fund, capacity building

Source: *Author*

The table above demonstrates that some projects could be used in several CSR categories for example the capacity building project was used in the *Community Development* category and the *Disaster Relief* category. Moreover, the vocational training project was used to address education, labour, and SMEs empowerment issues.

Chapter 5 The Instituting of Palm Oil Economy and CSR in Indonesia

5.1. Introduction

This chapter aims to understand what the notion of Corporate Social Responsibility (CSR) means to the Indonesian palm oil businesses. In particular, it discusses the adoption of CSR into business strategy. In this endeavour, the chapter discusses the evolution of businesses' perspectives toward their various responsibilities to the shareholders, consumers, suppliers, adjacent community, and wider society. This was done by scrutinising businesses' claims in their annual reports from 2005 up to 2010. As such, clearly, the findings reflect the messages that business wish to communicate to various audiences in order to protect and maintain further corporate reputations. However, alongside this discursive dimension, the reports also reveal investments activities; as such, they are an interesting source of data on the business own attempts to incorporate CSR into business strategy and their motivation to link CSR and business strategy.

This chapter is specifically focused to answer the third research question, "*How does CSR transform and co-evolve with business strategy?*" The structure of this chapter is divided into four sections. Section 1 introduces the chapter and situates the chapter in the overall thesis. Section 2 recalls briefly the specific methodology i.e. annual report analysis that was employed to mobilise data used in this particular chapter. Section 3 elaborates the profile of plantation economy and its historical account in Indonesia. In so doing, Section 3 is tasked with setting up the context of the model of development of plantation economy in Indonesia along with its structure and the dependencies that resulted from the particular development model.

Section 4 discusses the identification of "Domain of Responsibility". As such, it identifies relevant governance actors and their influences in the inception of CSR practices within the publicly listed palm oil businesses. Section 5 reveals the process of instituting CSR. It discusses the processes in which CSR becomes institutionalised by moving from motivations to act, to activities which businesses choose to invest in.

Section 6 looks at the various outcomes of the processes. Together, Section 4, 5, and 6, reveals the adoption of CSR into corporate strategies. This chapter is concluded with Section 7. Section 7 explains the evolution of perspectives of corporate responsibilities and roles of CSR in the corporate strategies. In particular, it uncovers businesses' never-ending endeavour to secure its legality, to secure its marketability, to foster its mutual relationships with communities and workers, and to secure its profitability.

5.2. Brief Methodology

The research reported in this chapter uses corporate annual reports and if available corporate sustainability reports from 2005 up to 2010. The availability of annual reports and sustainability reports varies for each business (please see Table 3-3). These reports were acquired through the Indonesian Stock Exchange (IDX) and the respective businesses' website. Data were coded using the conventional content analysis approach that is the inductive categorisation. Content analysis was used to derive interpretation of meaning of text in annual reports. The unit of analysis is paragraph to obtain better accuracy of analysis. The reliability of coding and accuracy of analysis of text data is maintained through discussions with my supervisor. The coding was done with the help of *Microsoft Excel*.

Although most of the businesses provided figures for their CSR programmes (e.g. number of scholarships granted), however, there are only three businesses that disclosed their overall CSR expenses namely *PT Astra Agro Lestari Tbk*, *PT Sinar Mas Agro Resources and Technology Tbk.*, and *PT Bakrie Sumatera Plantations Tbk.* Furthermore, *PT Astra Agro Lestari Tbk.* is the only business that acknowledged CSR expenses under the General and Administrative expenses in the Cost of Goods Sold breakdown.

5.3. The Historical Development and the Instituting of (Oil Palm) Plantation Economy

I argue that some of social and environmental issues addressed in the CSR practices at the present day have been caused by the way oil palm plantation economy was

introduced in Indonesia. Therefore, a historical account of the oil palm plantation economy provides some explanations of the various CSR practices observed today as rooted in political-economy, social and environmental circumstances and events of the past. Accordingly, this chapter argues that the particular manifestation of CSR in the context of Indonesian palm oil owes much to the conditions, organisation, and relation of oil palm plantations. Hence, this section is tasked to clarify the historical development of the instituting of Indonesian oil palm plantation economy.

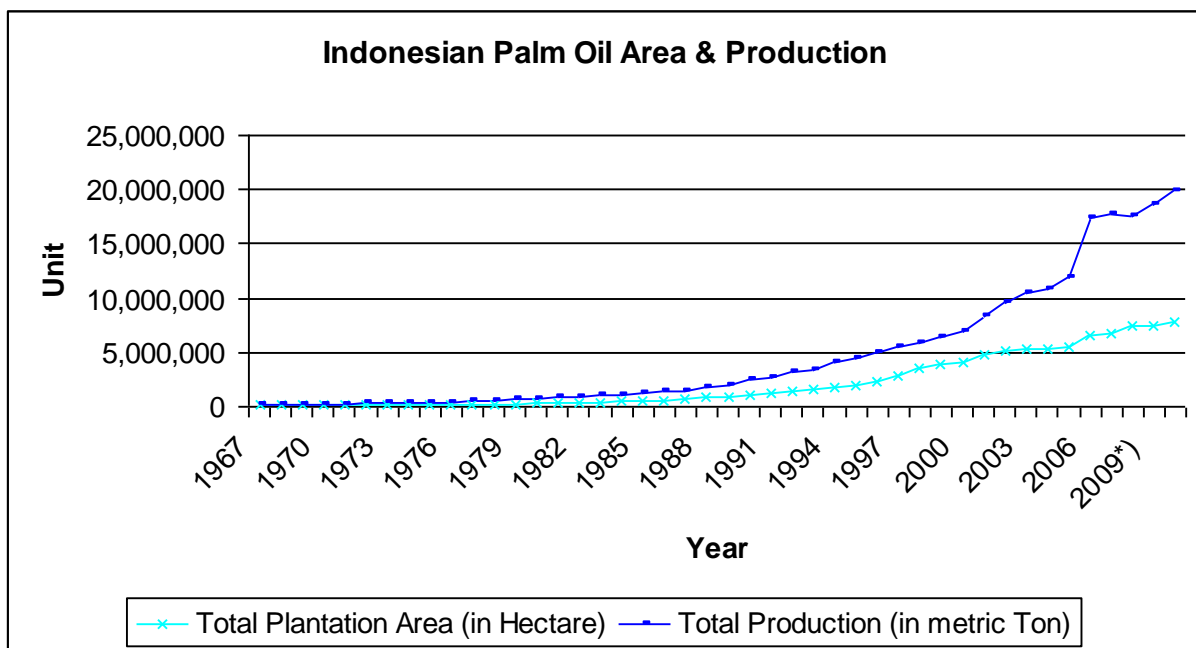
The plantation economy in Indonesia dated as early as the colonial period in late 19th and early 20th centuries (then, the Netherland Indies) (Marti, 2008). The colonial period saw a change in the land ownership from the customary law-based system into the Dutch-law based system. Up to the Dutch-law system, the customary law gave the customary right to cultivate fallow lands to the first person that cleared the land (Colchester et al., 2006). However, the 1870 Agrarian Law enacted by the colonial government did not recognise the customary right (Afrizal, 2007). As the result, on one hand, farmers became landless and workers (Laudjeng and Arimbi, 1997). On the other, a size of 2,5 million hectares (ha) were controlled by 2,400 plantation companies in 1938 (Colchester et al., 2006). This legal framework and the practice of land grabbing were inherited by the government of the Republic of Indonesia and even practiced into the recent era as reported by some commentators (Marti, 2008). Land grabbing commonly refers to the coercive eviction of local inhabitants from their customary land without a proper compensation (Marti, 2008). It was in this backdrop that the development of oil palm plantations was situated. This issue is elaborated in the following sub-sections.

5.3.1. The Historical Development of Contemporary Oil palm Plantation Economy

The first commercial Oil palm plantation in Indonesia was established in 1911 in Sumatra by Adrien Hallet and K. Schadt (Hartley, 1988). The size of area cultivated for oil palm was about 110,000 ha by 1940 (Corley and Tinker, 2003, p. 15). However, many of the plantations were damaged during the World War II and the Indonesian Independence war. Moreover, these plantations (of Dutch businesses and of private

Indonesian businesses) were nationalised during 1945-1967 (Larson, 1996). By 1967, the total area cultivated for oil palm plantation was only 105,808 ha. In 1968, the government of Indonesia issued a policy whereby “all nationalized former-Dutch estates were reorganized into 28 independent management units: *Perseroan Terbatas Perkebunan* (PTPs) and *Perusahann Negara Perkebunan* (PNPs) and other nationalized estates were returned to their previous owners” (Larson, 1996: 5).⁷

The Oil palm plantations started to grow rapidly particularly from the 1980s up to the present. The size of Oil palm plantations area doubled every five years during 1980-1998 (Figure 5-1). It was 294,560 ha by 1980; 597,362 by 1985; 1,126,677 ha by 1990; 2,024,986 ha by 1995; and 3,560,196 ha by 1998. The rapid growth was triggered by the government’s ban on the log export and the production of synthetic rubber (Erwinskyah, 2008, p. 11). The ban had slowed down the timber industry, while, the production of synthetic rubber had made the natural rubber industry a less profitable one. Hence, the oil palm was seen as a more promising commodity in term of economic return. As the result, the area cultivated for oil palm was growing rapidly.



⁷ The correct spelling for PNPs in Indonesian language is *Perusahaan Negara Perkebunan* (literally, state-owned plantation enterprise). *Perseroan Terbatas Perkebunan* literally means limited liability plantation enterprise.

* 2009 is of estimated number

Figure 5-1 Oil palm Plantations Area and Production of Palm Oil in Indonesia

Source: adapted from *Direktorat Jenderal Perkebunan* (Directorate General of Estate)

<http://ditjenbun.deptan.go.id/cigraph/index.php/viewstat/komoditiutama/8->

[Kelapa%20Sawit](#)

The economic crisis that started in 1998 did not halt the expansion of oil palm plantation. The oil palm plantation again managed to double its size of cultivated area by 2008 with 7,363,847 ha. It has been suggested that the massively weakened Indonesian currency – Indonesian *Rupiah* – to foreign currency e.g. United States dollar during the crisis contributed to the growth of oil palm plantation in 1998-2008 (Collins, 2001, Jelsma et al., 2009). During the crisis, The Indonesian *Rupiah* lost 75% of its value to United States dollar, from US\$ 1 = 2,500 *rupiah* to US\$ 1 = 10,000 *rupiah*. As such, the export market of palm oil promised even higher economic return. Accordingly, the prospect of economic return of palm oil export fuelled the expansion of oil palm plantation. Considering the rapid growth, it is not surprising that Indonesia became the biggest palm oil producer in the world by 2006. By 2007, it produced 44.4% of world palm oil (Palm Oil Statistics, 2008).

According to several literature sources (Larson, 1996, Marti, 2008, McCarthy, 2010), the development history of oil palm plantation in Indonesia passes through four stages. Stage 1, the direct investment of state-owned plantations describes the expansion of Oil palm plantation through the government's direct investments during 1968 to 1988 (Larson, 1996). Stage 2, the *PIR-trans* (literally, estate transmigration programme) describes the expansion of oil palm plantation through the *PIR-trans*, a joint government and private sector development scheme that took place from 1988 to 1994 (Larson, 1996). The *PIR-trans* scheme introduced the state supported conglomerate's plantations investments under the NES-transmigration (Nucleus Estate and Smallholders) scheme (Larson, 1996, McCarthy, 2010). Moreover, the *PIR-trans* was also supported by loans from the World Bank (Fearnside, 1997). Stage 3, the *Koperasi Kredit Primer Anggota/KKPA* (literally, Primary Cooperative Credit for Members) describes the withdrawal of the state from investments in oil palm plantations and instead, the government promoted partnerships between private businesses and

smallholders during 1995 to 1998 (McCarthy, 2010). Last, Stage 4, the private businesses' NES scheme describes the undertake of NES scheme by private businesses in the last decade (Marti, 2008).

These four stages explain the pattern of growth of plantation ownerships (Figure 5-2 below). Figure 5-2 further analyses the growth disaggregation by type of business ownership i.e. smallholders, state-owned, and palm oil business. It is evident that the state-owned plantations command the largest oil palm plantation area during the first stage of oil palm plantation development in Indonesia. Indeed, smallholders had not existed up to 1978. By the end of the first stage of development in 1988, the state-owned plantations owned the largest area at 43.28% (373,409 ha) compare to that of smallholders' and palm oil businesses' at 22.75% (196,279 ha) and 33.98% (293,171 ha) accordingly. The second stage saw a change in the structure of ownership in which palm oil businesses overtook the state-owned plantations as the owner of largest plantation area. In 1994, palm oil businesses were accounted for 46.85% (845,296 ha) of total plantation area; whilst, the government and smallholders each owned 21.41% (386,309 ha) and 31.73% (572,544 ha).

This pattern did not change much during the third and fourth stage of oil palm plantation development in Indonesia. At the end of the third stage in 1998, palm oil businesses held 59.35% (2,113,050 ha) of oil palm plantation area compare to 15.64% (556,640 ha) and 25.01% (890,506 ha) for state-owned plantations and smallholders. A decade afterward, the size of smallholders' plantation grew tremendously from 890,506 (25.01%) ha in 1998 to 3,314,663 ha (42.36%) in 2010. At the same time, the size of state-owned plantations was relatively the same at 616,575 ha (7.88%) compare to 556.640 ha (15.64%) in 1998. Palm oil businesses still held the majority of oil palm plantation with 3,893,385 ha (49.76%).

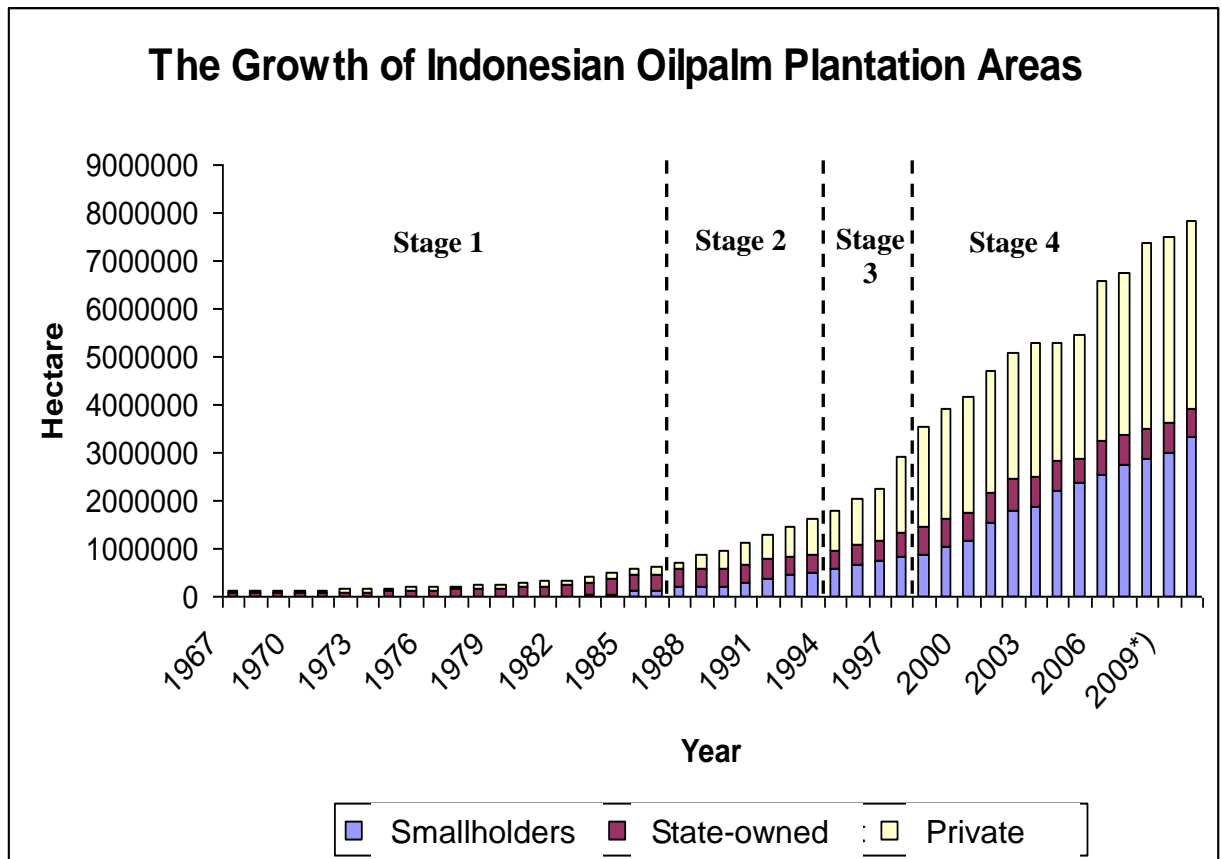


Figure 5-2. The Growth of Indonesian Oil palm Plantation Areas

Source: adapted from *Direktorat Jenderal Perkebunan* (Directorate General of Estate) <http://ditjenbun.deptan.go.id/cigraph/index.php/viewstat/komoditiutama/8-Kelapa%20Sawit>

The development of plantation economy in Indonesia, in particular the oil palm plantation did not occur randomly and instead it followed a certain structure. It is evident that the structure of oil palm plantation economy has been developed by the government of Indonesia under the influence of the World Bank. As demonstrated above, the four stages of development of Indonesian oil palm plantation economy signals the shift of plantation ownership from state owned to palm oil business and smallholders. Moreover, most of smallholders are dependent on palm oil businesses.⁸ Hence, the shift signifies the increasing influence of palm oil business to social, environmental, and economic issues surrounding the palm oil industry.

⁸ See Section 3.3 on dependencies for the discussion on this subject.

Furthermore, the shift of plantation ownership influences how the oil palm plantation economy in Indonesia is currently operated. In brief, the shift has created some dependencies between palm oil business and smallholders. As such, the present day structure of Indonesian oil palm plantation economy along with dependencies it created sets up the understanding of CSR and the adoption of CSR practices in business strategy nowadays. The following sub-sections take on this subject.

5.3.2. The Present Day Structure of Oil palm Plantation Economy

As indicated earlier in the previous sub-section, there are three types of plantation in Indonesia based on the plantation ownerships namely state-owned plantations, palm oil businesses, and the smallholders' plantations. The state-owned plantations and palm oil businesses are known as the *nucleus*, whilst, the smallholders' plantations are known as the *plasma* in Indonesia (McCarthy, 2010, Rist et al., 2010). Generally, the Indonesian plantation operates in a network of *nucleus*, *plasma*, other plantations, conglomerates, and state-owned plantations. This network is illustrated in Figure 5-3.

The *nucleus* refers to the plantation area owned by a palm oil business and state-owned plantations (McCarthy, 2010, Rist et al., 2010, World Bank, 1975). The *nucleus* also operates as a small business unit within the palm oil business. Meanwhile, the *plasma* refers to the plantation area that is *not* owned by the palm oil business and instead, the *plasma* is owned by smallholders (Rist et al., 2010, World Bank, 1975, McCarthy, 2010). The size of *plasma* may vary from one smallholder to the others; however, smallholders commonly are allocated with around two hectares of plantation plot (McCarthy, 2010, Barlow et al., 2003, Rist et al., 2010). Moreover, there are two types of smallholders in the oil palm sector i.e. the independent smallholders that constitute 22% of total smallholders and the estate smallholders that constitute 78% of total smallholders (Marti, 2008). This research uses 'smallholders' to refer to both independent smallholders and estate smallholders as well.

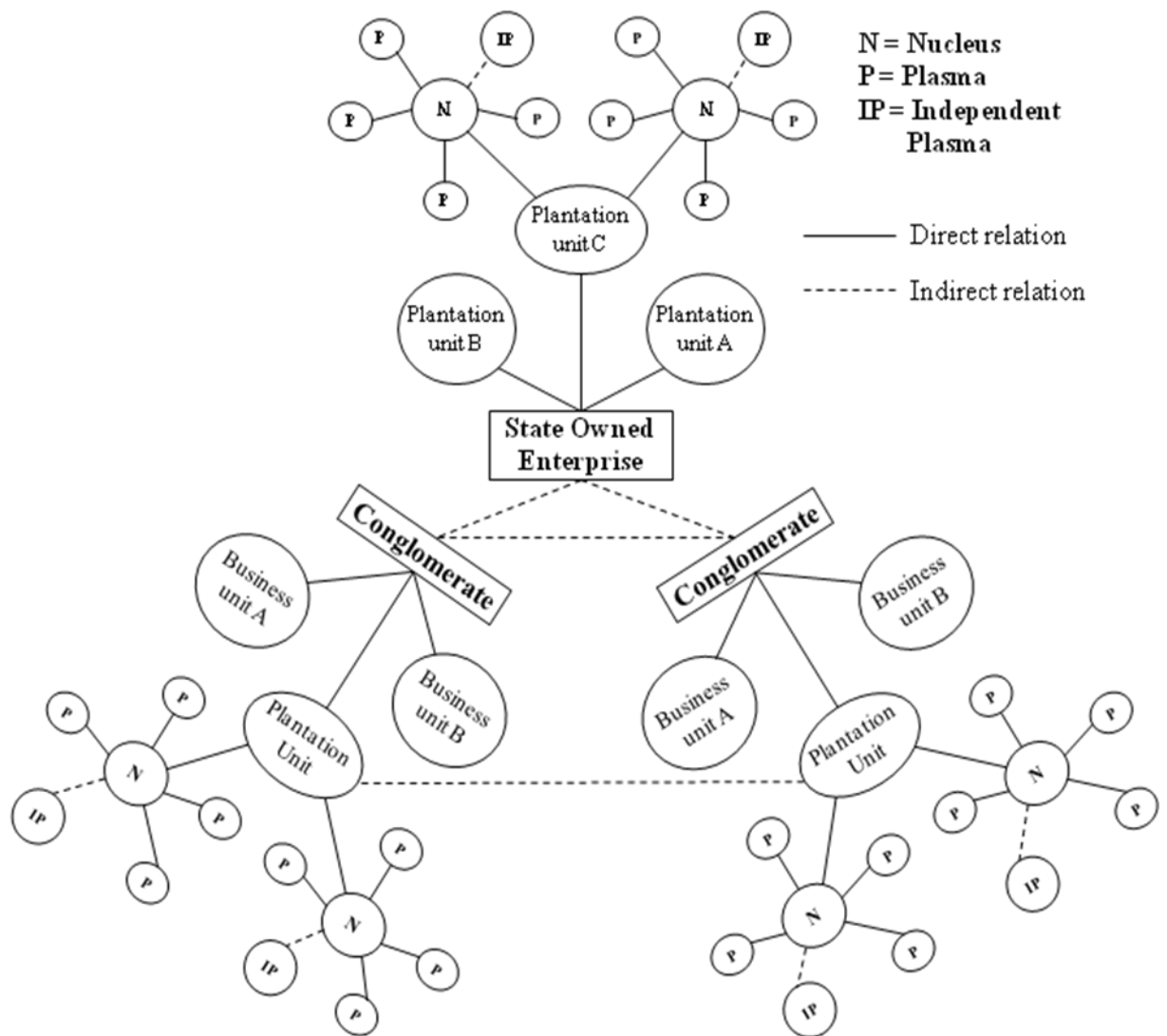


Figure 5-3. The Network of Plantations in Indonesia

Source: *Author* (adapted from the annual reports)

As illustrated in Figure 5-3 above, generally in the plantation economy, a palm oil business is (fully or jointly) owned by a big business group called the conglomerate or by a state owned enterprise. The palm oil business commonly possesses more than one *nucleus*. This practice was prompted by the limitation of land ownership in the Decree of Minister of Forestry and Plantation Number 107/Kpts-II/1999 that was superseded by the Decree of Minister of Agriculture Number 357/Kpts/HK.350/5/2002. The decree issued in 2002 capped the land ownership at 20,000 hectares per province per business or 100,000 hectares per business for the total plantation area in Indonesia (SK Mentan, 2002: 7 (1)). This decree was superseded by the Decree of Minister of Agriculture

Number 26/Permentan/OT.140/2/2007 issued in 2007. The decree relaxed the land ownership cap to 100,000 hectares per business (Permentan, 2007: annex 3). Although the cap is still put at 100,000 hectares per business, however, it does not clearly regulate whether the cap is applied to the provincial level or national level or even municipal level. It is suggested that this ambiguity may lead to greater land ownership by a business. Hence, the current regulation is more lenient in term of the business' land ownership.

Figure 5-3 also shows the relationship between the *nucleus* and the *plasma*. The *nucleus* is connected to several *plasma* (estate smallholders) and independent *plasma* (independent smallholders) as well. The independent *plasma* is indirectly linked to the *nucleus* since the independent smallholders are not bound to the plantation business by any contract or other obligations (Marti, 2008). By contrast, the estate smallholders are bound to the *nucleus* and in exchange for “the nucleus estate was responsible for extension services, for collecting and processing the fruit bunches” (Larson, 1996: 6). Hence, the estate smallholders are directly related to the *nucleus*. This relation is revisited in the following section with reference to the dependencies identified between private plantations and smallholders and the significance of these dependencies to CSR. Furthermore, it is significant that smallholders are one of the main beneficiaries of plantation businesses' CSR practices. This is further discussed in the Section 6 on CSR outcomes.

The *Inti-Plasma* scheme (*nucleus*-smallholders scheme) in Indonesia reflect a particular model of plantation economy so-called the *outgrowers* scheme introduced by the World Bank (Payer, 1979, Collins, 2001, Rist et al., 2010). Some reports suggest that up to the early 1970s, the oil palm plantations were dominated by large-scale plantations (Bangun, 2006) and these large-scale plantations were owned by private businesses and the state (Corley and Tinker, 2003). The structure of oil palm plantation started to change from 1974 when the Government of Indonesia introduced the *outgrowers* scheme known as Nucleus Estates and Smallholders (NES) scheme (*Perkebunan Inti Rakyat*/PIR) (Bangun, 2006). The *outgrowers* scheme were endorsed by the World Bank in the 1970s as a way of land reform and to promote economic growth in the developing countries (World Bank, 1975). It was reported by some commentators that the World

Bank also supported the *outgrowers* scheme elsewhere in the world (McCarthy, 2010, Payer, 1979, World Bank, 1975). The scheme worked as follow:

“These schemes involve the production of tree crops on smallholdings rather than on large-scale plantations. The smallholdings are established around the nucleus of either a processing plant or a plantation. The central unit provides technical assistance, inputs and marketing services for the outgrowers who, in turn, sell their products through the central organization. ... In the main, the size of holdings for outgrowers is small, although large enough, under labor-intensive cropping systems, to employ a family and produce enough of a high unit value commodity to yield an income well in excess of that earned by producers of staple commodities who have holdings of a similar size. While this system has made a valuable contribution toward establishing viable smallholders, it is only effective when there is a commodity that can be handled through a central processing system.” (World Bank, 1975: 44)

Over time, the *outgrowers* scheme had earned both favourable and unfavourable views as reported by White (1997). For instance, on one hand the favourable view argued that farmers would prosper (Williams and Karen, 1985); whilst on the other, the unfavourable view saw the practice of *outgrowers* as the marginalisation of farmers into merely a mode of production (Payer, 1979). Both of these issues are further discussed in the following sub-section about “Dependencies”. As suggested by the empirical finding, it seems that the adoption of *outgrowers* scheme in the plantation economy in Indonesia has created dependencies between palm oil businesses and smallholders.

5.3.3. Mutual Dependencies

There are three types of dependencies between smallholders and palm oil businesses found in this research. They are access to resources, plantation’s know-how, and marketing. The first dependency takes the form of reliance of smallholders to palm oil businesses to access financial resources e.g. working capital and initial investment, raw

materials such as seeds and fertilizers, and the means to process fresh fruit harvests. An example of business' claim about the smallholders' dependency is illustrated below:

“Our collaboration with smallholders (plasma) has been successful. In 2010, the CPO yield per hectare of our plasma was 4.3 tonnes, higher than the industry average. To reach out to smallholders who have not yet taken advantage of our expertise, largely because of limited financial means, we supply fertilisers together with the usual agricultural advice to these smallholders and allow them to pay in affordable installments. Together with TFT [*The Forest Trust*], we are developing a Yield Improvement Policy which aims to further enhance our collaboration with our 16,000 smallholders.” (SMARAR201046)

This particular dependency is caused by two factors that are the oil palm's productivity cycle and at the same time, the smallholders' limited financial capability. Oil palm takes around four years after the planting to produce a significant harvest. It reaches the peak productivity from the ninth year to 13th year, and declines afterward (Marti, 2008). Moreover, oil palm seedlings needs enough fertilizer to reach and maintain its productivity (Feintrenie et al., 2010). The plantation also requires a good clearing and land preparation prior to the initial planting (Basiron, 2007). All of these costs further adds burden to the already financially-stretched smallholders. These costs in turn result in smallholders being highly indebted to the palm oil business with the outcome that it took the smallholders at least 10 years to repay the debt (Feintrenie et al., 2010, Marti, 2008, Fearnside, 1997).

The second dependency lies within the asymmetrical knowledge and know-how of the plantation's best practices between palm oil businesses and smallholders. Smallholders by and large do not possess the knowledge of plantation's best practice in agricultural methods, technical knowledge, standards compliance and certification:

“Sampoerna Agro supports local smallholders to develop their capabilities and technical know-how on agricultural activities towards industry best-practice level. This is done through professional agronomy advisories and trainings in critical activities such as making home-made

compound fertilizers, the use of effective dosage and solution for pest control, as well as harvesting method et cetera.” (SGROAR201074)

“Throughout 2010, Sampoerna Agro continued with the Smallholders Training program called “Developing Sustainable Palm Oil Plantation Estates”, that had been initiated in 2009. The training aims to introduce and disseminate information on RSPO P&C to Sampoerna Agro’s Smallholders. In effect, Sampoerna Agro became an RSPO Smallholder Task Force Volunteer from Indonesia, and served as the training site for the development of sustainable oil palm in accordance with RSPO P&C for smallholders in South Sumatera.” (SGROAR201080)

This is by no means a surprising finding. This dependency rooted in two factors: first, the design of *outgrowers* scheme; and second, the smallholders’ background as rubber planters, farmers and transmigrants. The *nucleus* in the *outgrowers* scheme is by design the provider of plantation’s know-how (Payer, 1979, World Bank, 1975). Meanwhile, the smallholders are either local inhabitants or transmigrants (Marti, 2008). The local inhabitants are usually of rubber planters or other tree crops planters (e.g. coconut) and rice farmers, hence, Oil palm plantation is new for them (Feintrenie et al., 2010). The Oil palm plantation is also a new type of cultivation for transmigrants that mostly comes from Java, Madura and Bali, and therefore, the lack of adequate farming skills (Fearnside, 1997, Marti, 2008, Feintrenie et al., 2010).

The third dependency deals with the stakeholders’ ability to market the plantation’s harvest. The oil palm is a perishable product. The quality of Crude Palm Oil (CPO) depends highly on how fast the harvested oil palm’s Fresh Fruit Bunches (FFB) can be processed into CPO and thus, as a rule of thumb, the FFB should be processed within 48 hours after harvest (Feintrenie et al., 2010). Therefore, it is not uncommon that smallholders sold their FFB to their designated palm oil business especially during the low market price:

“Plasma farmers have their own economic morale. They are oriented towards practicality. If it is more practical to plant, maintain, and sell FFB to the company, they will do so. The parameter is a comparison between

selling prices and costs. Plasma farmers obtain their working capital from banks through plasma-nucleus schemes, where the company becomes the nucleus and provides guarantees to the bank. In this scheme, the company buys the FFB from the plasma farmers at market price levels. The money the plasma farmers will receive is the net sales deducted by instalments of the credit they have to repay. If the market price is high enough, the money received by the plasma farmers is also large enough to cover the farming costs and the livelihood of their families. At that time, the farmers will sell the produce of their estates to the nucleus company without bothering to find other buyers. Yet, if market prices are falling, a different story will emerge. Therefore, BSP is continuously striving to meet a fair price that considers the welfare of the farmers family as well as the sustainability of its relationship with the plasma farmers.” (UNSPAR200657)

Again, the dependency on product marketing also grounded on the design of NES that followed the World Bank’s *outgrowers* scheme. The World Bank intentionally designed the *nucleus* as the main marketing channel for the smallholders (World Bank, 1975). This design sometimes led to the palm oil businesses’ reluctance to buy independent smallholders’ FFB as reported by some commentators (Papenfus, 2002, McCarthy, 2010).

Although it seems that the estate smallholders have a greater access to sell their FFB to the *nucleus*, however, this privilege does not guarantee a more favourable situation for the estate smallholders compare to the independent smallholders. The *outgrowers* scheme has to some extent distorted the market price for FFB in the expense of the estate smallholders (Colchester and Jiwan, 2006, Maryadi et al., 2004). The configuration of one *nucleus* surrounded by and as a marketing channel of numerous smallholders had created “a monopsonistic marketing structure in the NES system, in which the farmers have to sell their Fresh Fruit Bunches (FFB) to the nucleus business, as stated in the agreement letter.” (Maryadi et al., 2004: 15). To add more, FFB prices are set by the government and plantation businesses through provincial commissions

(Colchester and Jiwan, 2006). Most of the times, smallholders are excluded from the provincial commissions (Colchester and Jiwan, 2006).

Interestingly, to some extent, palm oil businesses claimed to be dependent on smallholders too. The dependency of *nucleus* to *plasma* typically manifests in the flow of FFB to the plantation's mill:

“Lonsum always recognizes the strategic importance of fostering mutually beneficial partnerships with local communities by promoting stronger partnerships, including with the plasma farmers. Further relationship enhancement with the plasma farmers is one of the strategies to be carried out next year to improve the flow of FFB from plasma to our mills which will increase our mill utilization.” (LSIPAR201040)

Therefore, in terms of production and marketing of Oil palm harvest, this particular form of dependency may be understood better as a mutual dependence relationship between smallholders and businesses. Nevertheless, the smallholders appear to be at the weaker position than that of the businesses. Despite of this condition, Oil palm is still perceived by the smallholders as a profitable and attractive tree crop (Barlow et al., 2003, Feintrenie et al., 2010, McCarthy, 2010). This thesis found similarly that the plantations claimed smallholders benefited from the mutuality of the dependent relationship as exemplified below:

“The Smallholder/Nucleus Plantation (Perkebunan Inti Rakyat, PIR) Program has brought genuine benefits by improving the quality of life of the program's participants, both transmigrants and indigenous residents. This improvement in the quality of life is reflected in their greater prosperity now compared with before joining the PIR program.” (AALISR201027)

Having arrived at this point, this chapter has demonstrated the development of plantation economy in particular the oil palm plantation in Indonesia. It elaborates the four stages of the development along with several reasons underlying this rapid development (e.g. the ban on timber export and the weakening of Indonesian currency). The chapter also provides empirical evidence about the dependencies that characterise

the plantation economy, particularly, with regards to the *outgrowers* scheme introduced and sponsored by the World Bank. By so doing, the chapter presents the background of appropriation of CSR into business strategy in the contemporary plantation economy. Now, it turns to discuss the adoption of CSR into business strategy. However, the chapter first introduces the players of private Oil palm plantations in Indonesia in the following sub-section.

5.3.4. Players (Brief Company Profiles)

There are 10 publicly listed palm oil businesses in Indonesia that, along with their smallholders, manage a total of 984,195 ha (13.65%) of Oil palm plantations in Indonesia (see Table 5-1 below). Most of these palm oil businesses are subsidiaries of larger conglomerates in Indonesia. Of the Indonesia's 40 Richest list of individuals compiled by Forbes, eight of them own palm oil businesses. Moreover, seven out of eight are listed in the top ten richest Indonesians. This is a simple demonstration showing how lucrative and wealth-concentrated the palm oil business in Indonesia is.

Table 5-1. The Size of Plantation of Listed Palm Oil Businesses in Indonesia

Businesses	Size of Plantation in 2010 (in hectares)		
	<i>Nucleus</i>	<i>Plasma</i>	Total
PT Astra Agro Lestari Tbk.	206,042	57,239	263,281
PT BW Plantation Tbk.	48,197	3,863	52,060
PT Gozco Plantations Tbk.	26,174	6,144	32,318
PT Jaya Agra Wattie Tbk.	26,146	3,193	29,339
PT PP London Sumatra Tbk.	101,705	68,583	170,288
PT Sinar Mas Agro Resources and Technology Tbk.	108,589	29,505	138,094
PT Sampoerna Agro Tbk.	58,095	44,464	102,559
PT Tunas Baru Lampung Tbk.	51,180	29,250	80,430
PT Bakrie Sumatera Plantations Tbk.	100,964	14,862	115,826
PT Salim Ivomas Pratama Tbk.	n.a.	n.a.	n.a.
TOTAL	727,092	257,103	984,195
Total Plantation Area in Indonesia	3,893,385	3,314,663	7,208,048
Proportion to the whole Indonesia (in %)	18.68%	7.76%	13.65%

Source: Author, compiled from various annual reports

Brief profiles of ten businesses listed in Table 5-1 above are provided below with an exception of *PT Salim Ivomas Pratama Tbk.* because that business has not yet submitted any annual report to the Indonesian Stock Exchange.

AALI

AALI started its operations as an agricultural business in the 1980s. The first venture was about cassava plantation that was later converted into rubber plantation. It joined the palm oil business in 1984 by acquiring an oil palm plantation business that had around 15,000 ha plantation area in Riau. In late 1997, AALI made an Initial Public Offering (IPO) in the Jakarta Stock Exchange and Surabaya Stock Exchange⁹. In 2010, the business commands the largest oil palm plantation in Indonesia with the average age of oil palm of 14 years and employs 24,081 workers. AALI plantations are located in Sumatra, Kalimantan and Sulawesi (three out of four main islands outside of Java). This business provides an example of the concentration of ownership and control and industry dominance within the hands of a few plantation businesses in Indonesia.

BWPT

BWPT was incorporated as a parent company of five subsidiaries in 2007. Its venture in plantation business through the subsidiaries had started since 1988. The business launched an IPO by October 2009 and had been since listed in the IDX. Although it is listed in the IDX, the company is of a foreign investment company by its legal form. Its business has been focused on palm oil from managing seven oil palm plantations in Kalimantan, production of crude palm oil, and up to marketing of crude palm oil. In 2010, the business was awarded with the Zero Accident Award from the Kotawaringin Timur municipal in central Kalimantan for its occupational safety and health program in 2009-2010. It enjoys an average age of oil palm of 9.8 years in 2010.

⁹ Later, both stock exchanges were merged into the Indonesia Stock Exchange.

GZCO

GZCO was established in 2001 under a different name and subsequently, was renamed as GZCO in 2007. The business changed its status into a foreign investment company in 2008 and decided to list its shares in IDX through an IPO in the same year. Its plantations are located in Sumatra and Kalimantan. Around 44% of its total planted area was of immature oil palm plantation in 2010. The company employed 3,722 workers in 2010.

JAWA

The business was established in 1921 and offered an IPO in IDX by 2011. The business revolves around the management and development of plantations and the trading of rubber, oil palm, coffee, tea and cocoa. It started its oil palm plantation in South Kalimantan in 1997. The business owns 16 subsidiaries located in Kalimantan (mostly for palm oil business) and Java (mostly for rubber, coffee and tea businesses). Along with its subsidiaries, the business employed 10,256 workers by the end of 2010. The age profile of its oil palm plantation in 2010 was dominated by immature oil palm plants (76.66% below 3 years old).

LSIP

The origin of LSIP goes back to 1906 with a London-based business that ran plantation management services and general trading. In its early years, the business had focused its business in rubber, tea and cocoa. However, by the 1990s oil palm has replaced rubber as its primary commodity. The business manages 38 nucleus estates and 13 plasma estates located in Sumatra, Java, Kalimantan and Sulawesi by 2010. The business earned the Roundtable on Sustainable Palm Oil (RSPO) certification in 2009 and it has become the second largest producer of certified sustainable palm oil (CSPO) in Indonesia. It launched an IPO in 1996. Furthermore, Indofood Agri Resources Ltd

through its Indonesian subsidiary that was also an palm oil business, PT SIMP, became the business' majority shareholder (59.5%) in October 2007. The business employs more than 12,000 workers. The average age of its oil palm is 11 years and around 58% of its oil palm is of mature palms.

SMAR

SMAR was established in 1962 and went public in 1992. It focused its business in oil palm and sold its banana and tea plantations in 2002. It became a member of RSPO in 2005. However, it has not yet obtained RSPO's certification for its palm oil. The business has been presented with several awards e.g. "Indonesian Customer Loyalty Award" in 2005 and "Indonesian Most Admired Knowledge Enterprise" in 2010. It enjoys an average age of around 12 years for its oil palm estates. It provides employment for around 45,000 workers consist of 16,000 direct employees, 16,000 smallholders, and 13.000 casual workers. In 2010, the business faced a boycott campaign led by Greenpeace over its alleged deforestation of Indonesian rainforests.

SGRO

The business was established in 1976 and planted its first estate in 1989. It was in 2007 that the business was acquired by a conglomerate and subsequently renamed it into SGRO. In the same year, the business was registered as a member of RSPO and is currently seeking for RSPO certification for some of its estates. The business has earned several awards from local governments as well as the central government for its Research and Development and exemplary coaching of female workers. Its estates are located in Kalimantan and Sumatra. By the end of 2010, the business employed 11.820 workers with 5.612 permanent employees and 6.208 casual workers. The average age of the palms in its main estate i.e. in Sumatra is 11 years old. In addition to oil palm, the business also undertakes sago plantation business. The business pledges to allocate up to two percents of its annual consolidated profits to be donated to its corporate foundation.

TBLA

The business was established in 1973 as a business unit of a conglomerate, Sungai Budi Group. The conglomerate has long been running agricultural based consumer products such as coffee, cassava chips, and black pepper. In 2000, the business decided to launch an IPO in the IDX. The business had earned several awards as of 2010 for example a GCG Award presented by the *Business Review* magazine in Indonesia in 2009. The business employed 2,621 workers by the end of 2010. Its estates are mainly located in Sumatra.

UNSP

The business' origin goes back to 1911 as a rubber plantation business. Since that time, the ownership of the business has changed several times. It was first acquired by another business in 1957 that was later nationalised by the Indonesian Government up to 1967. In 1986, the business was acquired by its latest owner i.e. a conglomerate. The business conducted an IPO in 1990 and by 1992, it decided to commence palm oil business. It obtained RSPO certification for one of its estates in 2010. The business has also been presented with several awards from several ministries, local governments, and magazine in Indonesia. By the end of 2010, it employed 22,535 workers. Its estates are located in Sumatra and Kalimantan.

Using the information provided in annual reports of businesses above, an example of the network of plantation businesses in Indonesia is reproduced as Figure 5-4 below. Figure 5-4 overlays actual businesses onto the general plantation model depicted in Figure 5-3 in order to provide greater empirical contextualisation of the diagram.

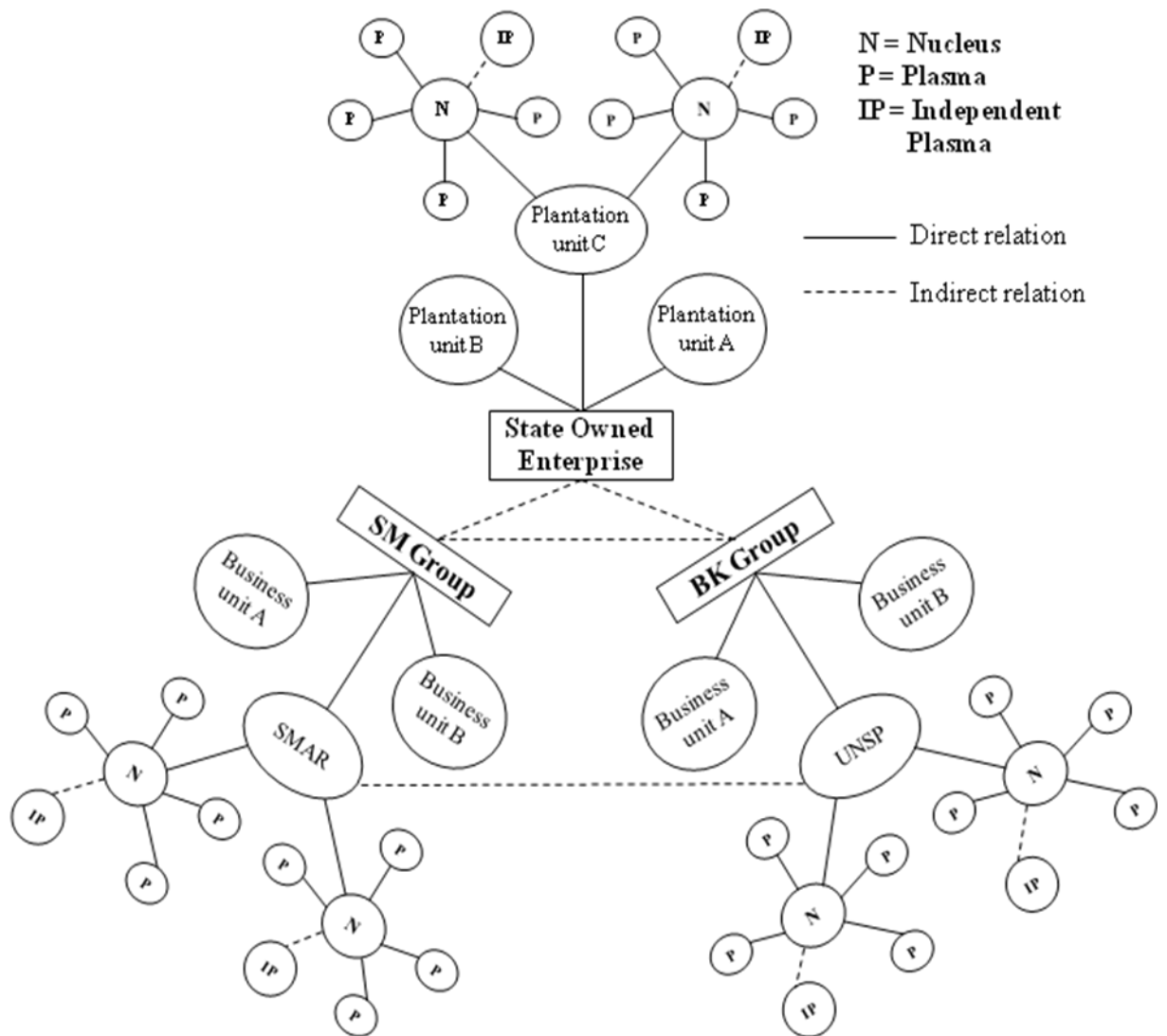


Figure 5-4. An Example of the Network of Plantations in Indonesia

Source: Author, compiled from annual reports.

5.4. The Domains of Responsibility

As depicted in the annual reports, businesses see their responsibilities in the four aspects. These aspects are responsibility to shareholders, responsibility to the communities and workers, responsibility to the state, and responsibility to consumers. However, there is no sole governance actor that influences the inception of CSR programmes in publicly listed palm oil businesses in Indonesia. Instead, CSR programmes have been influenced by several governance actors simultaneously.

5.4.1. Shareholders

The responsibility to shareholders is not a new thing. In fact for quite a while, to fulfil shareholders' interests is the main imperative for the businesses (see for example Friedman, 1970, Levitt, 1958). This view implies that businesses should dedicate their resources to the maximisation of shareholders' wealth. Nowadays, it seems that the Indonesian palm oil businesses have embraced a wider view on their businesses' responsibility as exemplified in businesses' claims as follow:

“This ensures the continuity of our business, empowering local economies in more ways than one and engaging communities in social development, bringing productivity to land resources while being mindful of environmental preservation, producing quality goods for our customers, and delivering profits for our shareholders.” (SGROAR2010i)

“Your Company aims to develop agro business in an integrated and sustainable way, for the welfare of shareholders as well as the stakeholders.” (UNSPAR201074)

“Our mission and values commit us to being the leader in sustainable palm oil production by adopting the best industry practices and standards, managing the environment responsibly, creating employment and empowering the communities where we operate, while maximising long-term shareholder value.” (SMARAR201044)

Interestingly, to some extent, Friedman's view still echoes through the claims above. For example, on one hand, Friedman argues that profit maximisation should conform to the law and ethical custom. On the other hand, businesses claim to “being mindful of environmental preservation” (SGROAR2010i) and to “adopting the best industry practices and standards” (SMARAR201044).

It is interesting to note that businesses associate the responsibility to shareholder with businesses' economic performance i.e. profitability. This finding reflects a particular view on shareholders as profit oriented investors. Meanwhile, there is another type of shareholders known as the green investor or socially responsible investor (Barnea et al., 2005). Despite the recent establishment of a socially responsible investment index

managed by KEHATI (a Non-Governmental Organisation/NGO that works on environmental issues), there is no evidence about the size of green investor in Indonesia.

It is also important to note that the primary audience of these annual reports is stock exchange investors. As mentioned earlier, this kind of investor may not give special consideration to businesses' environmental and social performances. The main audience for businesses' sustainability reports may come from government officials, NGOs, customers, and communities. Thus, the sustainability reports may serve as a branding strategy or to strengthening businesses' image. Again, this is nothing new as CSR programmes to some extent were designed and executed in order to improve businesses' reputation:

“In line with the development of the business world, CSR activities have become part of a company's strategy to maintain sustainability. Properly implementing CSR principles will help enhance the Company's reputation and instil a positive image.” (SGROAR201082)

“All these activities provided added value and good image for the Company in the local communities. In addition by establishing good relations, security issues and social issues which may arise can be minimized, and can create a conducive atmosphere in the plantation which can improve employee performance that may lead to increase in productivity.” (JAWAAR201074)

We will revisit the issue of CSR programmes as a way to improve businesses' reputation in Section 6 on CSR outcomes.

To conclude, the claim that businesses wanted to convey through their annual reports is clear i.e. the profitability is not the only imperative for businesses' goals. They claim to take into account wider responsibilities to customers, workers, communities, and environment. These responsibilities are then transformed into business' CSR practices. This transformation is discussed in Section 5 on Process of Institutionalisation.

5.4.2. Responsibility to the State: Tax and Legal Compliance

The second aspect of business' perceived responsibility is situated within its relationship with the state. This aspect is perhaps as old as the notion of CSR. Recall from Chapter 2 that the first publication concerning CSR – *Social Responsibilities of the Businessman* by Howard R. Bowen in 1953 –labelled this responsibility as “honesty and law observance” (Bowen, 1953: 207). Over the course of time, this view has been reiterated by prominent CSR scholars such as Carroll (1998, , 1991), Schwartz and Carroll (2003), van Marrewijk (2003), Buhmann (2006), and Windsor (2006) to name a few.

Now, this chapter turns to the Indonesian palm oil context. It is evident that the view of legal compliance is not alien to Indonesian palm oil businesses. In Indonesia, the businesses' view on responsibility to the state manifests in two ways i.e. the legal compliance and the tax compliance:

“Taxes constitute the Company’s primary and most basic responsibility to the community, the people and the nation. All its initiatives will achieve value when the Company pays its taxes in full compliance with the prevailing tax laws and regulations. Conversely, if this important obligation is neglected, or if compliance is weak, then all the Company’s initiatives will become meaningless. As well as fulfilling its tax obligations, the Company also demonstrates its legal responsibility by complying with all relevant national and local laws and regulations.” (AALISR201019)

“As a good corporate citizen of Indonesia, we will ensure that SMART continues to comply with all relevant laws and regulations and to be committed to the National Interpretation of the Roundtable on Sustainable Palm Oil Principles and Criteria, as well as adopts the best practices in its management.” (SMARAR201005)

“In other hand for the government, we also meet the compliance of environment rules and regulation.” (TBLAAR201033)

Whilst the legal compliance is a common issue in most CSR discourses, however, tax compliance is more a contextualised issue to the Indonesian environment. Tax compliance becomes a relevant issue in Indonesia due to the relatively persistent low tax collection and realisation (Ikhsan et al., 2005, Lerche, 1980). Tax evasion, fraud, and most importantly, corruption and bribery have contributed to the low tax collection (Lerche, 1980). Despite its relevant context, this research found only one out of ten publicly listed palm oil businesses that openly acknowledged its responsibility to the tax compliance. Furthermore, this acknowledgement was communicated in the 2010 annual report only.

Evidence shows that legal compliance is a pervasive issue with regards to CSR implementation in Indonesia. In the Indonesian context, the legal compliance has been linked with worker issues and environmental issues. Perhaps, this situation arises from the established regulations on worker protection e.g. Law 13/2003 and environmental issues e.g. Law 32/2009. With regards to legal compliance on worker issues, businesses claimed to adhere to requirements about employee's welfare (e.g. salary, benefits, and working conditions), rights to labour union, fair and equal treatment, and living amenities such as educational, health, and spiritual facilities:

“The Company is committed to consistently applying the principles of Good Corporate Governance and fully complying with all regulations prevailing in the territory of the Unitary State of the Republic of Indonesia. Labor regulations are the main reference for the Company and the Labor Union in formulating the Collective Labor Agreement (CLA) that serves as the basis for the Company's employment policies, from recruitment to termination of employees.” (AALISR201054)

“Throughout 2010, Sampoerna Agro continued to maintain excellent relations with employees and workers, comply with government regulations on wages as well as fair and equal treatment among employees and workers, and create open communication channels between the Company and its employees.” (SGROAR201065)

“Your Company implements a competitive range of salaries, in accordance to local manpower rules and regulations. Furthermore, Your Company and subsidiaries have 8 employee cooperatives, as well as educational, health, and spiritual facilities that can be used by all members of the employees' families.” (UNSPAR2010105)

The provision of living amenities is important since Oil palm plantations operate in remote areas that in most cases have no necessary facilities. Thus, this provision is also aimed to maintain the worker’s loyalty and satisfaction. Meanwhile, the legal compliance on environmental issues is ranging from environment conservation to waste management:

“The parameter used to monitor and evaluate the Company's environmental performance is concerned with its compliance with the prevailing environmental regulations, the efficiency of using resources, and its social responsibility to preserve the environment surrounding its plantation areas.” (AALIAR201060)

“PT BW Plantation Tbk environmental management will continue to be upgraded, especially in relation to compliance with regulations on the prevention and treatment of pollution (water, air), toxic and hazardous wastes, environmental impact assessment documents (EIA), environmental management systems and corporate social responsibility programs.” (BWPTAR2010121)

As depicted in the annual reports, the practice of legal compliance to environmental issues and worker issues may be a way of buttressing impact that the ongoing threat of negative campaign has on corporate reputation:

“In addition to environmental issues, such as deforestation and carbon footprint, environmental activists and non-governmental organizations often accuse oil palm plantations as an industry that exploits its workers, including the exploitation of women and underaged children for labor. To minimize the impact from such risks, the Company’s corporate governance practices are in accordance with prevailing environmental

procedures and regulations in Indonesia. As part of its concern towards the Environment, the Company became a member of the RSPO and secured ISO 14001:2004 certification.” (SGROAR201071)

In fact, there was a global campaign managed by Greenpeace to boycott Sinar Mas in 2009-2010. The campaign led to the temporary cancellation of Sinar Mas’ CPO sales to the major retailers in Europe such as Tesco and major consumer goods companies such as Unilever and Nestle. Several environmental campaigns are identified in this research for instance the forest burning and deforestation ca. 2006-2007, and the killing of orangutan ca. 2009-now.

The business’ policy to comply with tax and other regulations is materialised in business’ Code of Conduct and/or Good Corporate Governance’s (GCG) principles.

“The commitment towards existing regulations is formally endorsed through the Code of Conduct, which regulates the actions of all employees and the interactions between stakeholders.” (UNSPAR200957)

“The Good Corporate Governance policy adopted PT BW Plantation Tbk applies to shareholders, the Board of Commissioners and Board of Directors, the Audit Committee, Corporate Secretary, stakeholders, and is focused on openness, confidentiality, business ethics, and anti-corruption, donations, obedience to laws and regulations, concern for health, safety and environmental protection, equal employment opportunities, and membership of the Board of Commissioners and Board of Directors.” (BWPTAR201092)

“In the agenda to maintain the interest of all Stakeholders and in order to enhance the value for the Shareholders, the Company has applied the Good Corporate Governance in its operational activity. The Company has committed to act at all times by conforming to the business ethics and transparency in accordance with the prevailing rules and regulation.” (JAWAAR201067)

It is interesting to note that the publication of business' GCG policy in the annual reports is all but compliance to the decree of Capital Market and Financial Institutions Supervisory Agency (BAPEPAMLK/*Badan Pengawas Pasar Modal dan Lembaga Keuangan*). The decree – *Keputusan Ketua Badan Pengawas Pasar Modal dan Lembaga Keuangan Nomor: KEP-134/BL/2006* – issued on 2006 has made it mandatory to disclose business' policy on GCG and CSR (BAPEPAMLK, 2006, article 2.g):

“As a publicly listed company in the Indonesian Stock Exchange (IDX), we are committed to practicing the principles of the GCG.” (AALIAR201023)

“Starting from compliance with regulations established by Bapepam-LK, the practices and foundation of corporate governance in PT BW Plantation Tbk are an integral part of efforts to achieve the vision, mission and objectives of the Company and are set to become part of the everyday culture in the operation.” (BWPTAR201092)

The decree came into being at the same time with the issuance of the General Guidance on Good Corporate Governance Indonesia by the National Committee on Governance Policy (KNKG/*Komite Nasional Kebijakan Governance*). Although the KNKG's guidance was endorsed by the Indonesian Ministry of Economy and Industry, however, the adoption of KNKG's guidance is of voluntary basis.

Furthermore, the first version of the KNKG's guidance was introduced in 2001 and was renewed in 2006. As depicted in its rationale, one of the reasons to renew the guidance was motivated by the revision of the Organisation for Economic Co-operation and Development's (OECD) Principles of Corporate Governance following the case of WorldCom and Enron. This research finds that the evidences for this global influence on the inception and implementation of corporate responsibility are found in other issues as well, among others, the adoption of the Roundtable on Sustainable Palm Oil's Principles and Criteria, some of the ISO certifications, the Hazard Analysis and Critical Control Points (HACCP), and the Occupational Health and Safety Advisory Services (OHSAS) certifications.

It seems that some businesses' policy on GCG were of following the available prescription, in this case the KNKG's guidance; rather than inventing a new wheel. For example, KNKG's guideline suggests five GCG's principles i.e. transparency, accountability, responsibility, independency, and fairness (KNKG, 2006); and these principles were entirely copied into the annual report of one of the businesses:

“Lonsums strives to uphold the highest standard of corporate governance and is committed to reinforce good corporate governance (GCG) by strengthening transparency, accountability, responsibility, fairness and independence within the Company's entire operation. Lonsum's obvious starting point is to be compliant with all applicable laws and regulations in Indonesia.” (LSIPAR201055)

“PT Sampoerna Agro Tbk implements best-practice corporate governance policies throughout its operations, in line with the Company's values of professionalism, efficiency, innovation and caring. Good Corporate Governance (GCG) - which espouses the principles of transparency, accountability, responsibility, independency and fairness - is inherently imbedded in the Company's plantation operations which are mainly comprised of oil palm and several other commodities currently; including the mills and currently in development operations related to the managing plantation estates.” (SGROAR201048)

This practice may signal a deeper concern that is the pick low-hanging-fruit attitude towards the adoption of CSR in corporate strategy. This research also indicates that one of the underlying motivations to comply with existing regulations is to maintain business license:

“A number of policies or actions taken by either the central or regional government can affect the Company's business. This includes elections of regional leaders, regional area expansion, tax regulations, and foreign currency policy. In addition to this, legal disputes or lawsuits made against the Company are risks that the Company is also susceptible. To minimize the impact from such risks, the Company constantly tries to

avoid these risks through effective internal control as well as corporate compliance to all prevailing rules and regulations, Government policies as well as contracts made by the Company with other parties.” (SGROAR200965)

To conclude, this research finds that the tax and legal compliance results to business’ institutionalised responsibility to the state. Whilst the literatures discuss compliance in a more general sense, this research however, indicates more specific issues that are highly associated with compliance i.e. compliance to environmental regulations and worker regulations. It is evident that in the context of Indonesia the disclosure of business’ policy on GCG and CSR is of compliance to existing regulation as well.

5.4.3. Consumers

Again to recall chapter two, there has been a quite established field of research concerning possible consumers’ reactions to CSR (for example Sen and Bhattacharya (2001b), and Brown and Dacin (1997)), and possible corporate strategies to cope with perceived consumers’ demand (e.g. Maignan and Ferrell (2004)). Some researchers attempted to uncover how consumers’ demand is accounted in business’ CSR policy (for instance Epstein (1979) and Schwartz and Carroll (2003)). Although previous researches had identified consumers as one of CSR drivers (Haigh, 2006, Chapple and Moon, 2005a), however, it seems that the available body of literature is still lacking of the empirical evidence about how businesses perceive and frame their responsibility to consumers within the CSR practices. Therefore, this research sheds light on the perceived businesses’ responsibility to customers within CSR practices in the context of Indonesian palm oil industry.

The empirical findings of this research illustrate how business perceives its responsibility to consumers. It is evident that businesses claim to manifest their responsibility to consumers in the form of product safety, product quality, consumer’s rights, and product attributes:

“The Company manages these hazards, from the raw material to when products are received by consumers, through systematic, logical,

scientific and thoroughly documented methods, thereby enabling the Company to ensure that the products that are produced are safe to consume. The system the Company uses is known as Hazard Analysis and Critical Control Points (HACCP).” (AALISR201070)

“All of our refined products are processed according to the Hazard Analysis and Critical Control Point (“HACCP”) principles in order to ensure that products are safe at the time of human consumption.” (SMARAR201024)

“This ensures the continuity of our business, empowering local economies in more ways than one and engaging communities in social development, bringing productivity to land resources while being mindful of environmental preservation, producing quality goods for our customers, and delivering profits for our shareholders.” (SGROAR2010i)

It is interesting to note that business’ perceived responsibility to consumers was also demonstrated through a particular certification namely the HACCP. This certification was used to guarantee the safety to consume its product. Another form of manifestation of business perceived responsibility to consumer concerns consumer rights:

“Due to the characteristics of its industry, Your Company does not establish a Consumer Complaint Center. The rights and protection for customers is guaranteed in the sales contracts.” (UNSPAR2010103)

Moreover, this research also identifies businesses’ endeavour to frame their product attributes i.e. “sustainable” and “*Halal*” as a reflection of businesses’ responsibility to consumers. As indicated in Table 3-3 (Chapter 3) seven out of ten listed palm oil businesses are members of RSPO. Four of the seven businesses are partly certified by RSPO. On one hand, partly certified businesses by no doubt used the RSPO’s certification as a way of signalling responsibility to consumers:

“Certain issues, among them climate changes, have significantly impacted the palm oil industry, and driven the RSPO to make its certification compulsory to palm oil producers. The RSPO Certificate ensures

consumers that the palm oil they aim to buy originated from industries that have implemented the criteria and principles of the RSPO. In 2010, Your Company has obtained the RSPO Certificate for its estate in Kisaran. This achievement is a source of pride for us, and will be followed by the RSPO certification of other estates of Your Company.” (UNSPAR201033)

On the other hand, businesses may simply claim for “sustainable palm oil production”:

“We have a commitment to engage with all our key stakeholders to develop solutions for sustainable palm oil production. Processes are in place to listen and respond to our customers, the government, key players in the palm oil industry, non-government organisations (“NGOs”), local and indigenous communities, employees and the wider society.” (SMARAR201044)

One particular contextualised product attribute with Indonesian consumers is found in the *Halal* certification:

“[Title: Policy as consumer goods supplier of cooking oil to have “HALAL” certificate.] This is one of our responsibility to the society. Through this certification, consumer is confident that our cooking oil is secure and deserve to be consumed that show to the government that TBL is submissive to the prevailing rules (Consumer Protection Rules). For the company, this also provides opportunity of creating loyal consumers to support continuous business that will give maximum benefit to the stakeholder in the end.” (TBLAAR201033)

In essence, the *Halal* certification in Indonesia – as a country where around 80% of the population is Muslim – is of voluntary basis. However, it is a common practice to obtain the *Halal* certification for food and beverage products. It is obvious that all the cooking oil produced by the ten listed palm oil businesses has obtained the *Halal* certification.

This research concludes that business does take consumers as one of its domains of business’ responsibility. Empirically, in the Indonesian context, businesses’ articulation

of its perceived responsibility to consumers was manifested in the business' policy to assure product safety, product quality, product attributes, and consumer rights. This research also identifies the significance of certification schemes in the business' endeavour to meet its responsibility to consumers.

5.4.4. Workers and Communities

I argue that workers and communities have become a domain for business' perceived social responsibility since the first inception of the notion of CSR. For example, Bowen (1953) suggested that business should maintain a good relation with its community. In his suggestion, Bowen also identified several possible policies concerning community relations such as employee volunteerism, philanthropic activities, and provision of education. Furthermore, Bowen argued that the benefit of maintaining a good community relation comes in two forms i.e. boosting employee morale and improving corporate image.

It seems that Bowen's thesis has echoed in the academic discourse and businesses policies as well. It is evident that employee volunteerism is adopted by several palm oil businesses in Indonesia as one of its CSR practices:

“Until the end of 2010, Your Company has established and supported six educational foundations. Each foundation is developing schooling activities at several levels of schooling, managed directly by employees and providing jobs for teachers from the neighboring communities, with the status of either state officials or employee. With the best available facilities, enrolment in the related areas has increased.”
(UNSPAR2010106)

In addition to Bowen's identification of the employee volunteerism and corporate philanthropy as business' responsibility to society; this research identified several other issues i.e. local economic development, job provision, local environment conservation, and infrastructure development as depicted in businesses' claims:

“The Company's CSR program is not only focus in providing educational and health facilities but also support the community's economic development activities to improve the welfare of the local communities in line with our corporate aim to prosper with the nation.” (AALIAR201016)

“The Company also carried out many community welfare programs such as co-engaging in local environmental conservation projects, providing free health services to its workers and their families, as well as helping the local communities to develop basic necessities which include religious buildings, public sanitary and road facilities.” (SGROAR201084)

“We recognise that local communities are important stakeholders. SMART continues to fulfil its responsibilities towards them by providing employment, education and health care.” (SMARAR201005)

“For its own employees and communities in the vicinity, the Company provides safety equipment, health, and educational facilities to improve their quality of life and uplift their well being.” (BWPTAR201021)

Moreover, it seems that business' policy regarding its perceived responsibility to society was aimed to benefit its employees and their families at the same time. This is understandable considering that the majority of business' employees are of farmers that are assigned as plantation's workers. The employees may come from local inhabitants or transmigrants. Apparently, the lack of basic necessities such as education, healthcare, and transportation network may motivate businesses to provide such necessities.

It is interesting to note that while Bowen (1953: 63) suggested a relationship between corporate image and “good business”, the empirical findings identified a different motivation i.e. business sustainability. It is evident that businesses utilised their CSR practices to maintain a “harmonic relationship” and to improve security:

“This strategic step is aimed at, optimizing performance, adjusting to the needs and interests of the community, and boosting the community's potential and their self-reliance. The community is thus expected to have a sense of belonging and safeguard the existence of the Company so it

can continue its business operations in a harmonious standing within the community and natural surroundings.” (BWPTAR2010116)

“It is also imperative for us to observe our corporate social responsibility practices. We believe that business sustainability could only be achieved through harmonious relationship, based on mutual trust and respect, among all stakeholders. We continuously focus our community service activities through various programs in the areas of local economic development, education, and health-care for the surrounding communities.” (LSIPAR201022)

“Estate Security - Theft, looting, and riot may disturb operations. Mitigation: uphold good relations with the neighboring communities and the local governments.” (UNSPAR201099)

In conclusion, business’ perception on its responsibility to society echoes and at the same time expands Bowen’s thesis. It is evident that businesses claimed to fill the hole where the government failed to provide such as education, healthcare, and public sanitation among others. The research also identified that businesses have been utilising related CSR policy as a risk management policy at the same time.

To reiterate the discussion in this section, this research identifies, in the Indonesian context, four drivers of business’ responsibility based on the governance actors i.e. shareholders, the government, consumers, and society (community and employees). This section also discusses CSR policies that were driven by particular types of business’ perceived responsibility. This research finds that these responsibilities are adopted into corporate strategies simultaneously. The following section discusses how businesses translated these four drivers of business’ responsibility into corporate policies and strategies.

5.5. Process of Institutionalising of CSR

There are existing papers that explain various CSR practices (e.g. Chapple and Moon, (2005a)), however previous researchers did not offer contribution or insights into the process through which CSR is institutionalised (Aguinis and Glavas, 2012). This research, therefore, shares a light on the instituting of CSR in the Indonesian palm oil context. There are a number of corporate strategies identified by this research with regards to business' endeavour to meet a range of responsibilities. These strategies range from internal efforts to external cooperation. The internal efforts deal with securing managerial support and improving corporate policies through internalisation of various standards. Meanwhile, the external cooperation indicates the business' attempt to reach out to other governance actors. The internal efforts are demonstrated through the Managerial Support and Standardisations. Likewise, the external cooperation takes form in the Community Relation and Involvement, Employee Volunteering, Partnerships, and Corporate Foundation. It is important to note that these strategies are by no means mutually exclusive for example a partnership may be forged in order to obtain a particular certification.

This chapter identifies a number of motivations that drive up external cooperation in the Indonesian context. First, businesses want to achieve and to maintain a harmonious relationship with surrounding communities. Second, through mobilising external resources businesses may attempt to compensate its limited skills and capacity with regards to wider social and environmental issues. Third, businesses seek to obtain support and acceptance from communities and government agencies. Fourth, by involving academics in the project evaluation, business may hope to gain greater legitimacy for its CSR claims. Fifth, the creation of corporate foundation indicates that businesses may attempt to avoid direct loss of reputation, trust, and guarantees from the surrounding communities. These motivations are further elaborated in the subsections below.

5.5.1. Managerial Support

Previous studies have suggested that supports from owner and top management is an important factor that drive up business' initiatives that are related to social and

environmental problems (Menguc and Ozanne, 2005, Seidel et al., 2008). This study supports the previous authors' findings. It is evident that top management support is a common feature in the oil palm business in Indonesia. This support manifested in two forms precisely the top management approval for CSR practices and the formation of a specific department or division that deals with CSR practices. The type of managerial support obtained by oil palm businesses in Indonesia is summarised in Table 5-2 below. The column "Approval" shows that the top management e.g. senior managers and business owners approves to carry out CSR practices in business operation. However, this approval may not be followed with the creation of a department within business organisation to deal with CSR issues. In contrast, the column "Specific Department" shows that the particular business has created a specific department within its organisation to carry out CSR practices. I argue that the creation of a specific department demonstrates a greater business' commitment toward CSR practices. This is due to additional resources e.g. manpower and finance needed to run the specific department.

Table 5-2. Types of Managerial Support in Oil Palm Businesses in Indonesia

Businesses	Managerial Support		Total Assets as of end of 2010 ¹⁰ (in millions IDR)
	Approval	Specific Department	
PT Astra Agro Lestari Tbk.	X	X	8,791,799
PT BW Plantation Tbk.	X		2,654,678
PT Gozco Plantations Tbk.	X		2,095,796
PT Jaya Agra Wattie Tbk.	X		1,046,889
PT PP London Sumatra Tbk.	X	X	5,561,433
PT Sinar Mas Agro Resources and Technology Tbk.	X	X	12,475,642
PT Sampoerna Agro Tbk.	X		2,875,847
PT Tunas Baru Lampung Tbk.	X		3,651,105
PT Bakrie Sumatera Plantations Tbk.	X	X	18,502,257
PT Salim Ivomas Pratama Tbk.	n.a.	n.a.	n.a.

Source: Author, compiled from the annual reports

¹⁰ The value expressed in this table is rounded to the nearest million Indonesian *rupiah*.

The finding seems to suggest that the size of business' total assets may indicate the presence of a specific department for CSR practices. There are two explanations offered here. First, it appears that businesses which command more assets are able to mobilise its resources in order to create a specific department or division. Second, the size of business' total assets may indicate the size of its estate area and in turn the size of estate area may affect the complexity of CSR practices, division of expert labour, and internal division of corporate functions. As CSR becomes institutionalised and formalised, therefore, the emergence of expert know-how and functional division of labour are formalised into dedicated business unit. On one hand the size of business' total assets drives up the need of to manage CSR practices:

“In 2008, the Company's Environment and CSR (Corporate Social Responsibility) functions were integrated with the community development functions into the Environment and CSR Coordination Department in order to pursue CSR and Environment as a set of integrated objectives and ensure better coordination of these activities across the Company.” (LSIPAR200962)

On the other hand, the size of business' total assets enables business to mobilise necessary resources in order to create a specific department or division. Furthermore, it seems that in the absence of a specific department, CSR practices are coordinated by its corporate affairs department as in the case of SGRO:

“The Company's CSR activities are implemented by individual units and coordinated by its Corporate Affairs Department.” (SGROAR201082)

The chapter also finds that the creation of a specific department may be motivated by business' desire to be perceived as a committed business toward environmental and social issues:

“Your Company has a separate division to handle environmental, quality, as well as work safety and health issues, which in turn coordinates the activities of three related departments. This arrangement shows that environmental issues have become an integral part of Your Company's business.” (UNSPAR2010114)

“In 2009, we established an Environment & Social Responsibility Directorate, which is responsible for managing the social and natural environment in the plantation areas. This was done to improve the Company’s performance in social responsibility and environmental management.” (AALISR200915)

The first statement above demonstrates business’ effort to prove its commitment toward environmental and social issues as depicted in the related annual report. Meanwhile, the latter gives a nuance that the business proves its commitment through a continuous effort to improve its performance in social and environmental issues.

5.5.2. Standardisations

This research identifies three types of standardisation processes. First, the internalising internal standards describes a series of business policies to stabilise and internally embed internal standards. Second, the internalising external standards describes the governing internal practices in accordance with external standards. Third, the externalising internal standards describes the governing relations with external bodies. The internalising internal standards is manifested in business’ Code of Conduct, Standard Operating Procedures, ethics, or even as far as inventing its own standards:

“Astra Green Company standard for plantation covers environmental management system, safety and health working condition and compliance to prevailing law and regulations.” (AALIAR201059)

“PT BW Plantation Tbk is consistent in its implementation of good corporate governance (GCG), sanctioned by the Board of Commissioners aiming to sustain transparency and accountability in improving its performance. The establishment of The Code of Conduct, Standard Operating Procedures in all its operations, and the development of “BW Solutions” in 2010 are evidence of BW Plantations commitment.” (BWPTAR201021)

Meanwhile, the internalising external standards involves the adoption of principles and criteria from available standards and embedding these within the organisation. These standards may be derived from global certifications e.g. RSPO, ISO, OHSAS, and HACCP and the Indonesian standards as well for instance the Indonesian Sustainable Palm Oil (ISPO), PROPER, GCG guidelines and *Halal*:

“A company-wide awareness towards work safety and health issues does not end with the provision of infrastructure and facilities alone. The Company engages personnel and other stakeholders actively in cultivating a culture of responsible operations that mitigate the risks on work-related health and safety. For instance, the Company actively communicates and disseminates information on the implementation of work safety and health management system (OHSAS) to relevant stakeholders. This has led the Company to pursue OHSAS certification on most of its operations; the most recent of which was the certification obtained by PT Bina Sawit Makmur, the Company’s germinated seed producing subsidiary, in August 2010.” (SGROAR201081)

“Last year, there were six subsidiaries of the Company participated in Ministry of Environmental evaluation and monitoring on environmental compliance (PROPER - *Program Peringkat Kinerja Perusahaan*). Based on the PROPER standard, those six subsidiaries of the Company had complied with the prevailing environmental regulations and one subsidiary, PT Sari Aditya Loka in Jambi, had achieved green level, which was the only oil palm plantation in Indonesia achieving that level of compliance.” (AALIAR201060)

However, it is important to note that these three standardisation processes are not mutually exclusive. Business is able to adopt all three standardisation processes in its policies as exemplified by this claim:

“During the year we also targeted ongoing improvement in governance practices throughout Lonsum, particularly our compliance with internal and external standards. Since many of these standards are incorporated in

the RSPO's Principles and Criteria (P&C), Lonsum's certification earlier this year provides an independently verifiable assessment of our performance with regard to transparency, legal compliance, best practices and responsibility to our environment and community. Lonsum's governance processes are being increasingly aligned with those of IndoAgri, making oversight and control more efficient and effective.” (LSIPAR200928)

It seems that the adoption of these standardisations serves as business' risk management measure. Tax and legal compliance for example, is aimed to maintain business license. Certifications such as ISO, OHSAS, HACCP, and RSPO may be used to penetrate certain market and to deal with NGO's pressure and consumer's pressure as well. Meanwhile, business' GCG policy is the *sine qua non* of Indonesian stock exchange's requirement. The use of certifications to some extent confirms Schwartz and Carroll's (2003) thesis about the legal domain of CSR. Schwartz and Carroll argued that compliance may reflect “the desire to avoid possible current or future civil litigation for negligent conduct” (2003: 511). This argument found its empirical evidence in this particular business' claim:

“In addition to environmental issues, such as deforestation and carbon footprint, environmental activists and non-governmental organizations often accuse oil palm plantations as an industry that exploits its workers, including the exploitation of women and underaged children for labor. To minimize the impact from such risks, the Company's corporate governance practices are in accordance with prevailing environmental procedures and regulations in Indonesia. As part of its concern towards the Environment, the Company became a member of the RSPO and secured ISO 14001:2004 certification.” (SGROAR201071)

5.5.3. Community Relation and Involvement

It seems that one way of mobilising external resources is to involve the surrounding communities in CSR practices. After all, the surrounding communities are the potential

beneficiaries of CSR practices. Therefore, the community involvement is perceived by businesses as an essential requirement in CSR practices:

Community participation is the key to the success of Community Development. Communities' willingness to participate is determined by the relevance of the initiatives / programs undertaken to their actual needs. Therefore, a clear understanding of the community's actual needs is essential. To gain an understanding of their needs and problems, their aspirations, and the potential available, and to provide service consistently, we place personnel as Community Development Officers (CDO) to provide direct assistance to communities near the plantations and to foster intensive communication, solidarity, and good relations with these communities. In this way, we can expect that every program conducted involves the community through active participation and can accurately reach the jointly agreed targets. (AALISR200917)

As indicated above, the community involvement is also an important factor to improve CSR's outreach. In turn, this improvement may provide positive feedbacks from the surrounding communities to the business.

Furthermore, there are two reasons that motivate businesses to engage with the surrounding communities. First, businesses are motivated to foster a good relation with surrounding communities in the hope of to reduce operational risks ranging from petty crimes up to a significant problem i.e. the social conflict:

Theft, looting, and riot may disturb operations. Mitigation: uphold good relations with the neighboring communities and the local governments. (UNSPAR201099)

The reduced risk leads to the second motivation that is to maintain business' long term interests (e.g. supply of future workers) and its presence in the community:

“The people living in these communities are the primary source of labour and support for our plantations. Maintaining healthy relationships with our community stakeholders through regular, genuine consultation and by

facilitating community development is fundamental to the sustainability of our business.” (LSIPAR200962)

The business’ claim above also indicates the community consultation as a method for the community involvement. This consultation may take form in the range of activities such as programme management (e.g. planning, execution and monitoring), and community participation (see AALISR200917 above as well):

“The Company invited the local community to join in the planning, execution and monitoring of the programs that directly affect the empowerment of the socioeconomic life of the palm oil community.” (BWPTAR2010116)

These two motivations of community involvement indicate that CSR practices may serve more than just a public relation tool or a branding strategy. It suggests that CSR practices may play a role in the risk management. This evidence resonates with earlier suggestions that CSR benefits may come from reduced risk rather than improved financial performance (Godfrey et al., 2009, McGuire et al., 1988a).

In addition, the prevalence of community involvement in CSR practices of plantation businesses may be explained as follow. It is evident that in the context of plantation economy whereas estates are located remotely, most of the times businesses are deeply intertwined with the surrounding communities. This deep bond is a consequence of the labour intensive nature of plantation economy. Precisely, businesses’ workers are mostly of local inhabitants. Hence, it is imperative that businesses be concerned with its workers wellbeing and in so doing; businesses also maintain a good relationship with the surrounding communities:

Since most of the workers who are engaged in cultivating and harvesting its oil palm estates come from surrounding communities made up of plasma farmers as well as locally hired hands, much of the Company’s activities relating to human resources management also involve community relations and engagements. Hence, human resources management at Sampoerna Agro goes hand-in-hand with Corporate Social Responsibility programs, and is considered as a key factor to a

sustainable oil palm plantation business over the long term.
(SGROAR200956)

This finding provides an empirical grounding for conceptual suggestions about the community involvement as a part of CSR practices offered by earlier researches (e.g. Carroll, 1999, Chapple and Moon, 2005a). However, this research does not see the community involvement as merely an outcome of CSR practices. This research portrays the community involvement as a process and a method for businesses to mobilise external resources, in this case the surrounding communities. This is done to achieve three things. First, external resources may be used to compensate businesses' lack of necessary skills in social issues. Second, with a better resource and a stronger sense of belonging toward CSR practices gained from community participations and consultations, businesses may further improve the achievement of CSR practices and good relationship with surrounding communities. Last, through a better relationship with surrounding communities businesses are able to reduce short term risk e.g. theft and looting and long term risk such as social conflict or riot as well.

5.5.4. Employee Volunteering

The annual reports show that businesses attempt to integrate CSR into corporate strategies through to endorse its workers in the employee volunteering scheme. This scheme enables workers to get involved in short term projects such as disaster relief and blood donation, as well as in long term projects e.g. to maintain local school:

“Until the end of 2010, Your Company has established and supported six educational foundations. Each foundation is developing schooling activities at several levels of schooling, managed directly by employees and providing jobs for teachers from the neighboring communities, with the status of either state officials or employee. With the best available facilities, enrolment in the related areas has increased.”
(UNSPAR2010106)

“In addition to developing our people (see page 31 - “Our Human Capital”), we continue to engage and mobilise our staff to further our

sustainability efforts. For example, our employees are encouraged to make regular donations to the Buddhist Tzu Chi Foundation. A dedicated team sees to the distribution and responsible use of these donations. We also encourage all employees to identify needy persons or causes within their own communities. In 2009, we mobilised employees and tenants at our corporate headquarters to participate in regular blood donation exercises in conjunction with the Indonesian Red Cross. About 500 donors responded. When floods occurred in Situ Gintung, Tangerang, West Java, we organised teams of volunteers from among our employees to help victims clean up their homes.” (SMARAR200953)

Several reasons are offered here to explain this scheme. First, businesses may be motivated to encourage this scheme in order to improve job satisfaction among businesses’ workers. It is commonly perceived that community engagements may influence workers’ job satisfaction. Businesses may expect to gain stronger worker’s loyalty to their workplace. Second, the scheme enables businesses to make use of workers’ skills to tackle social and environmental issues. Last, through frequent community engagements, this scheme may reduce the possibility that conflict occurs between workers and local communities. The employment in business may cause jealousy between local communities that rely on casual works and farming and workers that earn more income through their placement in the business. It is not uncommon in the context of Indonesia that local communities demand businesses to provide jobs in exchange for the permission to operate in their area. Furthermore, higher skill workers are commonly recruited from outside of the communities that may not aware of local customs. Therefore, through various engagements in the scheme, it is expected that workers are able to connect with local communities and at the same time, they serve as business’ ambassador to the local communities.

5.5.5. Partnerships

In a classical refute to CSR practices, some commentators pointed out that businesses are lacking of necessary resources e.g. skills and knowledge to response to social and environmental issues (see for example, Freeman and Liedtka, 1991). This suggestion

perhaps only applies to businesses that rely solely on its internal human resources. However, this research finds that businesses mobilise external resources to compensate its limited internal resources. This particular endeavour of mobilising external resources is observed through various partnerships formed between businesses and governance actors.

These partnerships take form in multiple configurations. First, the partnership may be formed in a short term project-based manner such as building schools or longer term ones as well for example to run a school. Second, the partnerships are formed with various governance actors. Third, the partnerships are formed to deal with various issues e.g. education, health, livelihood, and environment. Last, the partnership may be established for some management tools of CSR practices e.g. planning, implementation, monitoring and evaluation. Amongst these multiple configurations, a numbers of similarities are identified as follow:

Partnership with Community: Community Consultation and Business Partners

The partnership between businesses and community takes place in the form of community consultation. It seems that, as one of the beneficiaries of business' CSR practices, there is a need for the business to communicate and discuss CSR practices with the surrounding community in order to improve efficacy and effectiveness of CSR practices as claimed below:

“To achieve the CSR vision, your company is conducting two missions at one time, namely: to develop activities in the fields of education, economy, social, infrastructure and environment in a sustainable manner, so that the economy and welfare of the communities' members will increase; and, to improve the effectiveness and efficiency of the CSR program management by involving communities.” (UNSPAR2010103)

Furthermore, community feedbacks may be gathered through various management phases likes planning and monitoring. This kind of partnership may be established to

maintain a harmonious relationship between the business and community and, at the same time, to strengthen the sense of belonging of community towards the business.

Meanwhile, the partnership with smallholders is materialised in the form of business partners, in particular, smallholders are regarded as suppliers of FFB. In addition, the business partnerships also were formed between businesses and communities for instance the provision of local transportation of FFB. Moreover, businesses positioned this kind of partnership as an evident of its beneficial presence amongst local communities:

“The Company always involves local communities as its trusted business partners. This policy helps the Company’s presence bring greater benefits to the communities and areas where it operates, by mobilizing local economies, stimulating business growth, and creating new jobs. As a result, many new businesses have started and prospered in the areas of the oil palm plantations managed by the Company. This is just one of the many forms of non-taxation responsibility carried out by the Company.”
(AALISR201024)

This positioning further confirms business’ endeavour for communities’ acceptance. Often, this kind of business partnerships coupled with business’ job creation is depicted by business as its positive contribution to the communities. Hence, this kind of contribution is repeatedly used as a justification for the existence of the palm oil industry.

Partnership with (International) NGO: Knowledge Transfer and Support

It is also empirically observed that businesses formed partnership with various Non-Governmental Organisations (NGOs). This kind of partnership is produced for two reasons. First, the partnership enables the business to compensate its limited resources and, at the same time, provides opportunities for the business to learn from its partners. Second, undoubtedly, the partnership was formed to further strengthen business’ claim regarding its existence. These reasons are illustrated below:

“Lonsum has also adopted the HCVF [High Conservation Value Forest] standards established at Round Table 3 in 2005, and since 2006 the Company has been working closely with the World Wide Fund for Nature (WWF), to identify areas of HCVF in the Company’s development areas in South Sumatra and East Kalimantan. WWF supervised a team of independent auditors who conducted HCV assessments of potentially high conservation value biodiversity in all these areas. Once identified as HCVF, these areas are left untouched. The original Memorandum of Understanding (MoU) signed with WWF in 2006 for this collaboration was renewed in 2007.” (LSIPAR200741)

“On 9 February 2011, we announced our Forest Conservation Policy (“FCP”), in collaboration with TFT [The Forest Fund]. The FCP seeks to conserve forests while creating long-term sustainable growth for the Company and the palm oil industry. The policy is an example of initiating and creating a platform for multi-stakeholders to find solutions for sustainable palm oil. The announcement received positive support from various stakeholders. TFT highlighted in its statement on 9 February 2011 that Greenpeace is “cautiously supportive”. Greenpeace was quoted as saying, “Protecting Indonesia’s forests is good for business, the environment and future generations of all Indonesians.” (SMARAR201046)

The former quote illustrates the role of this partnership to compensate business’ limited resources. Meanwhile, the latter provides additional explanation about business’ motivation in this partnership. The latter also indicates the impact of recent global campaign led by Greenpeace against one Indonesian palm oil company. It signifies the importance to maintaining a partnership with (international) NGOs as a demonstration of business’ willingness to take wider social and environmental interests into account. Interestingly, Greenpeace was portrayed to give an indirect support for the business’ environmental project. This portrayal suggests business’ endeavour to uphold its business through the recognition from its staunch commentators.

Partnership with Government: Infrastructure Development

It is reported as well in the annual reports that businesses formed partnership with various government agencies. As depicted in the annual reports, it seems that this partnership was formed by businesses with two objectives that echo similarly to two reasons of the partnership between businesses and NGOs. First, businesses also reached out to obtain required resources from relevant government agencies as reported below:

“On 11 September 2006, Your Company inaugurated its first conservation forest in the nucleus estate of Air Balam, West Pasaman, that is owned by the West Sumatra business unit. The 30Ha forest is named after the founder of the Bakrie Group of Companies, H. Achmad Bakrie. The forest functions as a conservation zone for rare flora and fauna, a water catchment area, and a place for nature education. Managed together with the forestry department, the forest is also guarded by members of the neighboring communities who participate in the sustainable forest campaign.” (UNSPAR2010116)

In some cases, businesses provided financial resources to run CSR projects, whilst, the related government agency were assigned with running the CSR projects as illustrated in the case of education project below:

“Building/developing and management of Public Primary School Suryabumi (SD Suryabumi). After 4 years in operation, with a total of 345 students, partly from the families of Suryabumi estate and partly from surrounding local people. Maintaining SD Suryabumi status as a favorite school, the company subsidizes the provision / maintenance facilities of school buildings, libraries and homes of teachers and the best teacher placement efforts. The program is running with the support from the local Education Agency.” (GZCOAR201037)

Second, as described in the annual reports, this kind of partnership is formed to gain endorsements from related government agencies:

“The Suku Anak Dalam (SAD) are a traditional community in Jambi who live apart from the mainstream of society. The Company, through its subsidiary in Jambi PT Sari Aditya Loka, has taken the initiative to

improve the quality of their lives, based on their own cultural values and needs. The activities, conducted in cooperation with SAD and other stakeholders (local governments and community) include midwife training, health information outreach and medical services, motorcycle mechanic training, establishment of meeting halls, and a communication forum. Through these initiatives, the Company and other stakeholders are trying to help the SAD better adapt to the changing times.” (AALISR200947)

“The implementation of these activities started with an approach to the target groups so that they would accept the program. The Sokola Halom activities are conducted in the middle of the community so they are easy for the SAD children to reach. Other preparations for these activities include preparing the teachers to be able to adapt to the special situation living among the Suku Anak Dalam. The teachers are responsible for determining strategies and needs so that they can conduct the teaching/learning process and overcome any obstacles or constraints that arise during the process. To gain support for the program’s sustainability, it is also coordinated with the local Education Service at the district and regency levels, the district government, and the village administration.” (AALISR200949)

This endorsement is needed, on the one hand, to avoid rejection from project’s potential benefactors as indicated in the former quote above. On the other, this endorsement at the same time secures support and approval from related government agencies. It is suggested that the acceptance from potential benefactors and related government agencies influences the sustainability of CSR projects, especially, projects that are particularly sensitive such as depicted in the later quote. Indeed, some CSR projects in the specific context of Indonesian palm oil industry are dealing with sensitive issue that arise from the inception of oil palm estates e.g. land grabbing (see section “Historical development and the instituting of oil palm economy in Indonesia” above).

Partnership with Universities: Social Mapping and Project Assessment

The annual reports reveal that businesses developed partnership with universities too. In this partnership, businesses drew on the expertise from academics to identify local needs and to assess the achievement of CSR projects:

“The CSR team has conducted a survey throughout the area of operations, together with researchers from UGM and IPB, to assess the real needs of the stakeholders around the estates. Results of the preliminary analysis show that increase in welfare through activities in the fields of economy and education are the main needs. When implemented in a proper manner, such activities will make a positive impact on the development of harmonious relationships with the stakeholders.” (UNSPAR2007111)

It is interesting to read that businesses make use of academics’ report to further validate its beneficial contribution to local communities. To some extent, the involvement of academics lends businesses with greater authority over its claims since academics are commonly regarded by the wider society as neutral, scientific, and trustworthy. Therefore, positive evaluations from academics may contribute favourably to businesses’ reputation and substantiate businesses’ business.

5.5.6. Corporate Foundation

It is reported in the annual reports that businesses also adopted CSR into corporate strategies through cooperation with its corporate foundation. These corporate foundations encapsulate foundations that are established both by the businesses’ owners and/or by the businesses themselves as reported below:

“Some of these programmes are carried out in collaboration with the Eka Tjipta Foundation (a non-profit social organisation founded by the family of Eka Tjipta Widjaja in 2006) and the Buddhist Tzu Chi Foundation in Indonesia (affiliated with the non-denominational global Tzu Chi organisation established in Taiwan).” (SMARAR201050)

“Through ‘Sinar Mas Cares’, an organisation established in May 2004, we have been working with various established foundations across

Indonesia to carry out our social developmental programmes. These foundations include the Indonesian Buddhist Tzu Chi Foundation, affiliated to the global Tzu Chi organization established in Taiwan. Our efforts are also channelled through the Eka Tjipta Foundation, a non-profit organisation, founded by the family of Eka Tjipta Widjaja in March 2006.” (SMARAR200765)

Moreover, the latter quotation indicates that the corporate foundation also served as the business’ proxy to deal with wider social and environmental engagements. This research identifies a number of reasons for the creation of corporate foundation. First, the creation of corporate foundation may be capitalised to proclaim business’ commitment to social and environmental issues and, in parallel, to promote business’ reputation as well. Second, the foundation may shield the business from mounting requests for sponsorship submitted by various groups (e.g. youth groups, neighbourhood association, and religious groups) and government agencies. As a proxy, the corporate foundation may keep the business away from any direct disappointment that may arise from rejected sponsorship requests. Third, to recap the three motivations underlying philanthropic projects i.e. the faith, face, and forgiveness (see chapter four), the creation of corporate foundation to some extent serves as the embodiment of those three reasons among businesses’ owners. Last, it is suggested that the foundation may enable business to access required skills and human resources to run its social and environmental projects.

5.6. Outcomes

There is a myriad of CSR practices as revealed in the annual reports. These numerous projects, at the one hand, reflect the negotiation between four perceived domains of responsibility. Moreover, as discussed in the previous section about the domains of responsibility (see Section 4 in this chapter) CSR practices may be produced to cater one or more than one domain. On the other, the multiple ways of instituting CSR may have also contributed to the diversity of projects. Hence, the combination of business’ motivation to fulfil its perceived responsibilities and multiple ways of instituting CSR

leads to the flexibility to choose various economic, social, and environmental projects as its CSR practices.

This diversity of projects may trigger intense discussions between businesses and other governance actors. For example, some CSOs may challenge the idea that the provision of scholarship constitutes the business' CSR. To some extent, this challenge reflects competing interests and, therefore, the understanding of CSR, between businesses and other governance actors. Furthermore, the ambiguity of CSR conception e.g. no common agreed definition about CSR may have fuelled this different understanding about CSR among the governance actors.

Therefore, this research analyses how businesses utilised various CSR practices as means to meet its perceived responsibilities rather than as the business' perspective about CSR. In so doing, this particular section finds similarity between CSR practices in the Indonesian oil palm industry and other industries in Indonesia (see Chapter 4). Furthermore, using data from the annual reports, the Table 4 about CSR projects and issues in chapter four is reproduced below to illustrate the diversity of projects in the particular context of Indonesian palm oil industry:

Table 5-3 Various CSR Projects in the Indonesian Palm Oil Industry

Category\ Issue	Disaster Relief	Compliance	Internal Management Process	Ethics	Philanthropy	Community Development
Environment	Greening	RSPO (4.2-6, & 5.1-6); ISO 14000; ISPO; PROPER	Integrated pest management, Zero burning	Forest conservation	Greening	Forest conservation
Education	School renovation; scholarship	RSPO (4.8)	Human resource development	<i>(no data)</i>	Scholarships, school renovation.	Vocational training for local communities; provision of school
Health	Sanitary facility; medicine donation	RSPO (4.7.); OHSAS	Working conditions	<i>(no data)</i>	Blood donation; ad-hoc free clinic	Free clinic
Labour	<i>(no data)</i>	RSPO (6.5-9), OHSAS	Salary; freedom of association	GCG	Scholarships for workers' families	Entrepreneurship training for workers' family
Product	Product donation (e.g. cheap oil)	HACCP; <i>Halal</i>	Quality assurance	Anti-corruption; GCG	Cheap cooking oil	<i>(no data)</i>
SMEs Empowerment	Capacity building; grants	<i>(no data)</i>	<i>(no data)</i>	Pay a good price for FFB & other services	<i>(no data)</i>	Revolving fund, capacity building

Source: Author (compiled from annual reports)

The main differences between CSR projects in the palm oil industry and other industries in Indonesia are found in the environment-related issue and compliance-related category. In the case of compliance-related category, for instance, the media survey on two mass media in Indonesia reports general compliance to existing regulations, whilst, the annual reports reveal compliance to specific certification standards (e.g. RSPO, ISO) in addition to existing regulation (e.g. *Halal*). Furthermore, the differences in CSR projects related to the environmental issue may have been caused by specific requirements based on the nature of palm oil industry such as zero burning and integrated pest management. Take for example the zero burning, in the late 1990s, oil palm estates were accused to use fire to open and prepare area for oil palm planting. This practice led to massive forest burning in Indonesia at that moment. In the end, this issue of forest burning was incorporated in one of eight RSPO principles. Some of Indonesian regional governments also have enacted regional regulation to ban forest burning. Hence, it is within expectation that forest burning is addressed in the annual reports. It is also indicated that the industry specific environmental issue may be driven by existing international standards (e.g. ISO 14000 and RSPO) as well as domestic standards (e.g. ISPO and PROPER). These industry specific standards also apply in other issues such as employee wellbeing (e.g. OHSAS) and product safety (e.g. HACCP and *halal*). To conclude, these differences suggest that while some CSR projects are shared across industries, however, industry specific projects are not to be neglected. In particular, these industry specific projects are usually linked to businesses' effort to obtain particular certifications.

5.7. Conclusions

This chapter identifies four domains of responsibility as perceived by businesses in the plantation economy namely shareholders, consumers, state, and community and workers. It is evident that these four domains of responsibility were addressed simultaneously in CSR practices. For example, the compliance to environment standards is related to at least three domains i.e. responsibility to state in terms of compliance to related environmental regulations, responsibility to shareholders in terms of cost saving (e.g. integrated pest management), and responsibility to community and workers in terms of

pollution control. These overlapping goals seem to happen in most of CSR practices. Whilst these responsibilities may not be of new domains, however, it seems that sustainability agendas have given a new dimension to these domains of responsibility. For instance, some may have focused on profit as the main interest of shareholders; however, the new business model focuses on value creation (e.g. to build reputation) and welfare for its shareholders, consumers, state, community and workers. These attributes bring forth new communication strategies to give a picture of responsible companies for example dedicated CSR reports, labels and certifications. These attributes also arguably bring forth new governance conduct and practices e.g. setting up grievance procedures, community engagement, and to avoid bribery.

Furthermore, this chapter suggests that the four domains of responsibility are in fact linked to business' long term sustainability factors i.e. legality, profitability, marketability, and mutual relationships with communities and workers. On the one hand the legality and mutual relationships with communities and workers provide assurances which encourage the state to both signals its approval and authority by renewing business license to operate and social acceptance accordingly. It is obvious that in order to maintain its operation a business needs to comply with prevailing regulations and local customs. Hence, socially accepted businesses would reduce the possibility of conflict between businesses, communities and workers. Certainly, business that continuously fails to meet customer demands would harm its market share and weakened its ability to generate adequate income. To further complicate the matter, weaker profitability may ignite severe shareholders' pressure and simultaneously reduce the company's ability to sustain its CSR practices. Therefore, the four domains of responsibility correspond with business' presence in the market (i.e. consumer and shareholder) and in the wider society (i.e. communities, workers, and state) as well.

This finding offers an alternative perspective to understand CSR that is new to the CSR literature. The offered perspective suggests to view CSR from the perceived domains of responsibility rather than to view CSR from its manifestations e.g. ethical, philanthropic, economic, and legal as suggested by some classical CSR models (see for example Carroll, 1991, Carroll, 1998, Schwartz and Carroll, 2003). The existing model lacks of clarity to explain business' motivations to adopt CSR into their corporate strategies. As

such, it might not take into account the long-term effect of CSR to corporate strategies (see Chapter 2).

Furthermore, (Schwartz and Carroll, 2003) do not clearly capture the dynamics within CSR practices for a number of reasons. First, it does not clarify the underlying motivation to adopt CSR into corporate strategies. This leads to the second reason i.e. the effect of CSR practices in the long run. CSR practices that are categorised as ethical in the short run e.g. employee welfare or cash donations may play different roles in the long run e.g. employee satisfaction that may improve productivity. Hence, CSR practices that are of ethical domain may be located in the economic domain in the long run. Third, it is impractical to apply this model empirically. As acknowledged by Schwartz and Carroll (2003: 521), it is empirically difficult to find CSR practices that solely devoted to “purely economic” or “purely legal” or “purely ethical”. Indeed, we could not confirm the existence of purely economic or legal or ethical CSR practices in our data set. Finally, the model does not offer any explanation about the process of institutionalisation of CSR in corporate practices. On one hand, the classical model like other models (see for example Chapple and Moon (2005a)) to some extent seems to provide a tool to group various CSR practices in several clusters such as economic-ethical-legal (Schwartz and Carroll, 2003), community involvement-socially responsible products-employee relations (Chapple and Moon, 2005a), people-planet-profit, and environment-social-economy. However, on the other hand, the previous models did not offer any insight on the process of incorporating CSR in corporate strategies.

This chapter aspires to contribute in revealing those processes by identifying at least six mechanisms to adopt CSR in corporate strategies ranging from internal efforts such as (i) securing the managerial support and (ii) internalisation of related standards and principles (e.g. sustainable palm oil standards by Roundtable on Sustainable Palm Oil Standards, Hazard Analysis and Critical Control Points principle), to external cooperation such as (iii) community relation and involvement, (iv) employee volunteering, (v) partnerships, and (vi) corporate foundation. It reports two common types of managerial support that is first, top management approval for CSR practices; and up to, second, the formation of dedicated CSR department. Furthermore, the chapter observed that companies with larger assets tend to implement a dedicated CSR

department. Obviously, the larger assets (meaning: more oil palm estates owned in several Indonesian islands) indicates higher complexity of CSR practices.

Businesses observed in this chapter also learn from related social and environmental standards and principles in order to improve its production process, even to the extent that a company invented its own corporate standardisation that encompasses materials from existing standards and principles. The research found three types of standardisation processes they are the internalising of internal standards, the internalising of external standards, and the externalising of internal standards.

The location of oil palm estates in remote areas of Indonesia drives an imperative to maintain estates security. In an era of voluntary CSR, this objective is furthered by maintaining harmonious relations. Whilst, during the authoritarian regime, this estates security was maintained through the patron-client approach (Crouch, 1979); however, the new setting of decentralised and arguably weaker government coupled with outspoken CSOs incentivise a very different approach by gaining a mutually beneficial community relation. This kind of relationship is nurtured through, for example, continuous consultation with the communities, better price for smallholders' fresh fruit bunches, infrastructures development (e.g. road, worship houses), and provision of health and education services.

As suggested by empirical evidence, it is possible to employ more than one mechanism at the same time, e.g. a partnership between companies, its corporate foundation, and CSOs, to establish micro finance unit(s) and provide soft loans to workers, smallholders, and surrounding communities. In such example, companies can reach out to mobilise external resources (e.g. skills and knowledge to maintain revolving fund schemes) in order to compensate its limited internal resources. This further justifies our earlier proposition which refutes Freeman and Liedtka's (1991) suggestion that companies should not venture into CSR since companies do not possess the required expertise.

Based on empirical finding, this chapter proposes an analytical framework to understand CSR practices and the process of adopting CSR in corporate strategies, depicted in Figure 5-5 below:

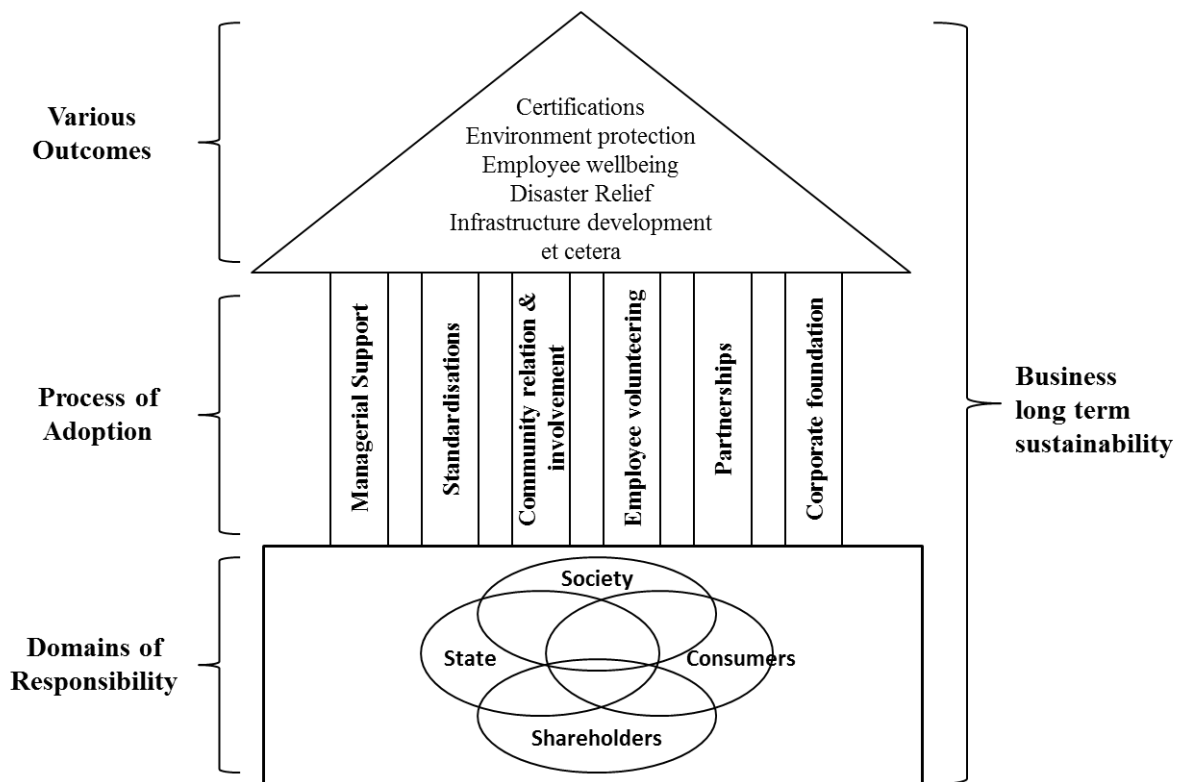


Figure 5-5. CSR and Business' Sustainability

Source: author

This CSR analytical framework portrays the working mechanism to formulate corporate strategies within the new business model. It clarifies the drivers for social innovation within the scope of sustainability agendas i.e. the four domain of perceived responsibility. It illustrates how the drivers strengthen corporate sustainability strategies incorporated into various heterogeneous CSR outcomes.

Moreover, the proposed framework shows the prevalent practice of open governance (e.g. community consultation). This practice of open governance demonstrates the possibility for businesses to mobilise external resources through partnership with various stakeholders (e.g. CSOs, expert/academicians, and government apparatus), internalisation of standards and principles, and creation of corporate foundation as to compensate business' limited expertise to deal with sustainability agendas. Whilst mobilising external resource, the model also confirm the necessity to secure managerial support and to endorse employee involvement in sustainability agendas. Moreover, the proposed framework clarifies the underlying intended motivation of company to secure

its long term sustainability. In so doing, companies co-create additional outcomes, some strategically intended, some not, such as improving worker conditions and upholding environment standards in order to strive for a “harmonious relationship” with multiple governance actors. Businesses choose suites of CSR projects such as environment protection (e.g. pollution control), disaster relief (e.g. cash donation), and infrastructure development as their CSR showcase.

The framework aspires to provide a holistic view of CSR practices i.e. not only the outcomes produced, but also the process behind the practices and the motivations underlying the practices. In contrast to (Schwartz and Carroll, 2003), my thesis depicts CSR as heterogeneous, institutionalised, and rooted in particular local contexts. As such, the framework identifies a number of avenues for innovation e.g. innovation on the CSR outcomes and innovation on the process.

Chapter 6 Actor Discourse on the Roles of Business in Society

6.1. Introduction

This thesis has discussed so far the emergence and dynamics of Corporate Social Responsibility (CSR) practices in Chapter 4. In Chapter 5, the thesis further analysed how these diverse CSR practices are reformed as a business strategy. It is indicated in Chapter 4 and 5 that CSR practices reflect negotiated interests between various governance actors. These numerous interests arguably influence the understanding of Role of Business in Society (RBiS) among governance actors. Therefore, this chapter specifically focuses on analysing CSR as situated within RBiS. It addresses these research questions: “*How is CSR and RBiS negotiation through relations between actors constructed?*” and “*What are the understanding of CSR and RBiS?*”. It contributes to an analysis of actor discourses on the RBiS and what constitutes and motivates CSR.

This chapter is structured as follow. Section 1 introduces how the chapter is situated in the overall thesis. Section 2 describes in brief the research method employed in the chapter. Section 3 discusses various perspectives and reveals contested actor discourses and disagreement on the RBiS among governance actors. Section 4 discusses the revelation about negotiation between interests and their respective supporters. Section 5 concludes the chapter by proposing a relational perspective on governance and RBiS as illustrated in the case of Indonesian palm oil.

6.2. Brief Methodology

This chapter aims to understand how RBiS is interpreted and discursively presented by governance actors in the Indonesian palm oil industry. Therefore, it uses three methods i.e. elite interviews, Focus Group Discussion (FGD), and Colloquiums. Elite interviews were conducted to collect various perspectives on RBiS and CSR according to accounts of related high-level key persons e.g. senior managers, business owners, Non-Governmental Organisations’ (NGOs) leaders, Civil Society Organisations’ (CSO)

leaders, government officials, and experts. The participants were partly preselected due to researcher's insider account of CSR discourse in Indonesia (see Chapter 7), while the rest were identified through the snowball strategy. Meanwhile, Chapter 7 reports some reflections on the implications of the insider position on the research. FGD was conducted to obtain reflections on findings from elite interviews and to appreciate and understand a range of governance actor's views on CSR in Indonesia, in relational perspectives. Colloquiums were taken to gather feedbacks and reflections on the analysis of empirical materials. The elaborated methodology is reported in Chapter 3.

Chapter 6 mobilises data from 29 elite interviews conducted in Jakarta-Indonesia from March to June 2010 and from December 2010 to January 2011, a FGD in January 2011, and two colloquiums in December 2010. Interviews were carried out mostly in participant's chosen venue. The interviews followed a series of semi-structured questions. The interview questions were prepared through iterations following a small number of pilot interviews

Quotations from elite interviews were indexed in the following structure "Interview/Cat-XX/LNNN-NNN/YYYY". "Cat-XX" refers to the identification of anonymised participants. There are six identifications namely "Gov" for government officials, "Exp" for experts, "NGO" for Non-Governmental Organisations, "INGO" for International Non-Governmental Organisations, "CSO" for Civil Society Organisations, "PrivateCompany" and "PublicCompany" each refers to business participants. Further delineation of the index is reported in Chapter 3. The Interviews were carried out in Indonesian language. So, interviews were transcribed verbatim and relevant passages quoted in the chapter were translated into English by the author. Furthermore, italic in quotations refers to the participant's use of English words during the interview. Meanwhile, square bracket in quotations refers to missing words that were added by the researcher. Coding was conducted inductively from the interviews.

6.3. Actors' Discourses on the Plausible Roles of Business in Society

There are various possible roles of business in society (RBiS) as perceived by various governance actors in the palm oil industry in Indonesia. This finding extends the views

on RBiS from previous scholars as discussed and summarised in (Lantos, 2001, Warhurst, 2005, and Sastry, 2011). Recall from Chapter 2 that earlier depictions of RBiS did not capture the relational perspectives of the discourse about RBiS amongst various governance actors. This chapter, therefore, contributes in two ways i.e. it identifies the multi-dimensional analysis of RBiS and it reveals a co-constructed dynamic exchanges between perspectives of RBiS and their respective supporters, which I have called a relational perspective on governance and RBiS. The research synthesizes various perspectives on RBiS into a matrix of plausible RBiS as seen in **Error! Reference source not found.** at the end of this section.

Our findings identify three dimensions of RBiS based on three factors i.e. the distribution of profit, the relation between business and society, and the reflection of government's public service. The first dimension of RBiS, the distribution of profit, portrays possible roles such as the profit oriented view and the social welfare view. The profit oriented view describes a perspective that regards business as a profit maximisation entity which contributes limitedly to social interests. Meanwhile, the social welfare view describes a perspective that business ought to contribute largely to social interests.

The second dimension of RBiS, the business' relationship with society, depicts possible roles from the zero engagement view to the harmony-centred one. The zero engagement view denotes business as an entity that focuses on its business interests and has no engagement with society. In contrast, the harmony-centred perspective sees business as an entity that is responsive to community needs which I characterise as proactive co-constructing engagements with society.

The third dimension RBiS emerges amidst the government's shortcoming to provide public services especially in the remote areas in Indonesia. It captures the discourse on who should bear the responsibility to provide public services such as education, health and sanitation, and infrastructure (e.g. roads, bridges). The dimension, I argue, explains the empirical findings in Chapter 5 and sets the scene for the contextualised concept of CSR in Chapter 5.

6.3.1. RBiS: the Dimension of Distribution of Profit

As briefly summarised above, the possible Roles of Business in Society with regard to the dimension of distribution of profit range from the profit oriented to the social welfare. This finding to some extent confirms the earlier article about possible RBiS as depicted by some commentators (Lantos, 2001, Sastry, 2011). This chapter, however, goes further to discuss the empirical context of each possible RBiS as perceived by various governance actors in the Indonesian palm oil industry.

Profit and RBiS

The discourse about the wealth distribution dimension of RBiS and in particular CSR cannot be detached from the discussion about the effect of CSR to net profit. CSR effects net profit in a number of ways. First, it affects net profit due to expenses spent to finance CSR practices. At the same time, second, CSR expenses may qualify as a tax deductible expense. Third, arguably, CSR practices may positively impact on reputation and operational risk. These effects are elaborated as follows.

Generally, net profit is the proceed of revenue deducted by all costs and expenses. The simple structure of net profit is presented in the table below.

Table 6-1 The simple calculation for net profit

Revenue
- Costs of goods sold
= Gross Profit
- Administrative expenses
- Other expenses
= Earnings before Interest, Taxes, Depreciation, and Amortisation (EBITDA)
- Depreciation
- Amortisation
= Earnings before Interest, Taxes (EBIT) or known as well as Operating Profit
- Interest
- Taxes
= Net profit or known as well as Net income

Source: Author

Moreover, for the sake of clarity and simplicity, let us assume two similar businesses that differ only in their policy regarding CSR with one business, “A”, implements CSR

practices and the other, “B”, does not. Reproducing the Table 6-1 above with regard to the case of business “A” and “B”:

Table 6-2 Example of two net profit calculations taking into account of CSR expenses

A	B
Revenue	Revenue
- Costs of goods sold	- Costs of goods sold
= Gross Profit	= Gross Profit
- Administrative expenses	- Administrative expenses
- Other expenses	- Other expenses
- CSR related expenses	
= EBITDA (- CSR expenses)	= EBITDA
- Depreciation	- Depreciation
- Amortisation	- Amortisation
= Operating Profit (- CSR expenses)	= Operating profit
- Interest	- Interest
- Taxes	- Taxes
= Net profit (- CSR expenses)	= Net profit

Source: Author

Table 6-2 illustrates the effect of business spending in CSR activities to net profit. Business “A” would have less profit compare to “B” due to the additional expenses it spent for CSR practices. It is not surprising that some governance actors may think that CSR affect business profit as we further elaborate this issue in the following sub sections. This illustration explains the suggestion that business, which subscribes to the profit oriented view, should not embrace CSR as expressed by some interview participants and early commentators such as Friedman (1970).

CSR expense also may affect net profit by providing a tax deduction. Generally, in Indonesia, any costs and expenses incurred to “obtain, collect, and maintain income” are qualified as tax deductible costs and expenses (UU 36/2008: 6 (1)). Although CSR expense is not mentioned in the respective law, however, some expenses associated with CSR practices such as donation for national disaster, donation for research and development, expenses for social infrastructure development, donation for education facilities including scholarships, and donation for sports development, are qualified as tax deductible expenses. As such it is commonly known practice in Indonesia that most

CSR related expenses are reported as environmental and social expenses in order to obtain the tax deduction. CSR expense is at last acknowledged as corporation expenses, hence, a tax deductible expense, in 2012 through the introduction of Government Regulation in Lieu of Law number 47 year 2012 (PP 47/2012) on Social and Environmental Responsibility of Limited Liability Company.

Expectedly, CSR practices may lower the occurrence of theft and other operational risks such as conflicts with surrounding community as further elaborated in the following sub sections. Arguably, with fewer incidents of theft and conflicts, CSR practices in the long run may positively affect business net profit. As such, the impact of CSR practices on business net profit in the short term may differ from the impact in the long term. Moreover, the literature review in Chapter 2 found that relations between CSR and business financial performance are inconclusive. In this light, it is not surprising that governance actors possess various views about the impact of CSR costs on business net profit.

The profit oriented view

This view acknowledges that it is in the business' nature to maximise its profit as perceived by some governance actors. It implies that business should not be expected to take into account social interests:

“However, *profit oriented* is actually, actually under the condition that they are *profit oriented*. We cannot force that private sector is *social oriented*.” (Interview/Gov-DF/L52-54/2010)

The view comes into being within the context that profit is needed in order to sustain the business' existence. Certainly, profit is of necessity to assure that business is able to meet its costs and to maintain its competitiveness. Therefore, it is not about whether the pursuit of profit is allowed. Rather, it is more about levels of profit retention versus distribution of profit for social causes.

This view also indicates that business strategy which pursues profit maximisation to the exclusion of social and environmental concerns might be construed as a strategy of greed. Albeit this is a model of RBiS which exists both in discourse and practice.

“Because everything in the business world is a world, because I have been in the business world for long, it is a world that actually cannot be said as, indeed, greedy. Because profit economy is to seek for returns. It is its [business world] right. And there is a law for that, [in the] law, business [is] to seek for profit. Indeed to seek for profit. If not, [they] cannot [sustain].” (Interview/PublicCompany-01/L472-476/2010)

This perspective confirms Carr’s (1968) view that (i) the fierce competition has led businesses to commit ethically questionable business practices and that (ii) as long as businesses do not violate the existing regulations, businesses have the right to pursuit profit. In another word, business’ role is to maximise profit within a set of regulations.

It is suggested by a participant that this view was supported by the patron-client relation between businesses and government officials. The changes in the political sphere to become a more democratic ones and coupled with the era of information openness have invited a rethinking on this view. As reflected by one participant, business may have other roles in addition to its pursuit of economic role:

“The role of business in society, I think, first is economic role. It is impossible to set up a business for other goals than of economic goals. So, I still think that business, in the first instance, is for economic goals in society. Therefore, its role is clearly to do business in its chosen field. Then, the question is, how to do the business? Is it *purely* only *just* for the sake of business, or are there other goals that the business would like to achieve?” (Interview/Exp-03/L08-14/2010)

Indeed, there are more than one business’ goals and consequently several possible roles of business in society. This is discussed in the following sub sections.

Social awareness

In this view, business' objectives are not narrowly limited to its profit. Instead, business attempts to show its interest in wider social and environmental issues. At the same time, business claims that the Role of Business in Society has shifted from meeting shareholders' interest into wider social and environmental interests:

“Here it is, a *sustain(able)* business cannot only prioritise *profit*. *Profit* is only the *shareholder's* interest, whereas we should talk about *stakeholder*. So, after *profit* is obtained, government's interest should be accommodated both local tax and et cetera. Then, the third one is community. And this is important. When business is not able to *satisfy community needs*, business will be in trouble. Because, when society feels that they don't gain any benefit from business' existence, society will create problem. *The worst case* is a protest rally et cetera. Therefore, the community's becomes important. Then, another business' responsibility is *employee*, beyond regulation about businesses. Because regulation about businesses are normative and *mandatory*. So, what I mean in here is, in our place we commonly called it internal CSR, that how their wives and children prosper in the business' environment. ... So, at least we have three, *government*, then *community*, *employees*. *That's the whole*. There is another one, *environment*.”
(Interview/PrivateCompany-01/L09-23/2010)

As mentioned in the previous sub section, these changes were influenced by the changes in the Indonesian political sphere as well as the information openness. The security for businesses that was provided by the *patron-client approach* (Crouch, 1979) was no longer adequate. As a result, business feels the need to maintain good relationship with its community in order to minimise conflict with the community and to provide security for the business. Meanwhile, demands from consumer that business should take into account social and environmental issues may have supported this view too. In this sense, this view indicates the growing importance of wider social and environmental interests to businesses' business strategy. However, the response above also indicates that the business' intended objective is to avoid costly conflicts with society. In this light, wider

social and environmental issues are of unintended consequence of business' intended objective. Hence, business may still prioritise its own interest over social and environmental ones. In contrast to previous view, *the profit oriented view*; business in this perspective is willing to use its profit for social and environmental causes.

Furthermore, it is suggested that the emergence of this viewpoint is influenced by ongoing social problems such as poverty, unemployment and environment degradation in Indonesia. Businesses are persuaded to have an awareness of social problems and subsequently take these problems into businesses' concerns as well:

“so for now, businesses have, already have an awareness. (Businesses) already have social awareness that they actually, beside doing business, they have to do social activities in order to reduce poverty in their surrounding.” (Interview/Gov-DSA/L12-15/2010)

The finding in this sub section differs from Lantos' summary depicted in the Figure 1 above. Lantos, mobilising view from Friedman (1970) and Levitt (1958), suggested that “business should maximize shareholder wealth, obey the law, and be ethical” (Lantos, 2001: 602). According to Lantos, the only contrasting factor between his “pure profit-making view” and “constrained profit-making view” is the existence of ethics (sic) in the latter (Lantos, 2001: 604). Our finding adds the inclusion of wider social and environmental interests into business' agenda as a contrasting factor:

“But of course business is not detached from society. If there is anyone who think that business can be detached (from society), I think, I disagree. Business has to become a part of that society. ... But business, but business ought to be ethical. Business cannot be disloyal. Business cannot be done through destroying others. ... In the end, in the purpose to run businesses, of course we need to care surrounding environment, both social and physical environment.” (Interview/Exp-03/L20-29/2010)

Therefore, this chapter suggests a new category i.e. the social awareness in this spectrum of possible RBiS. This category represents a viewpoint that business is aware of related wider social and environmental issues and is willing to mobilise its resources for social and environmental causes.

The empowerment view

In this view from an NGO participant, the business role in society is to empower society and to improve the quality of life of employees, families, and communities directly engaged with the business. It is obvious in this view that business does not only stop at taking wider social and environmental interests, rather, the business goes further in the attempt to influence the social conditions of its surrounding community. These social conditions may range from issues such as human rights to the whole quality of life.

“The state is not successful to obtain what has been the ideal aspiration of its citizens, its society. So, then, we see that state policy cannot protect that [human rights] too. And at one hand, the inability of the policy to protect, and at the other, the inability of state to enforce regulations that guarantee those things. This is exactly what business is expected to play its role. So, speaking about current context, we see that private sector has to be able to surpass from only implementing on-going policy, to guaranteeing the continuity of human rights enforcement.”
(Interview/NGO-02/L29-38/2010)

Human rights were referred by the participant due to a long history of human rights abuse in Indonesia during the administration of Soeharto. Meanwhile, due to government’s limited ability, according to this private company representative, businesses are expected to improve the quality of life of their surrounding communities:

“Actually, if we observe, actually, in the context of CSR, the business is a part of society, wider society. To a degree, business has a responsibility and obligation to eerr improve quality of society. So business does not only to gain profit, but also to have responsibility in how to improve life quality of society.” (Interview/PrivateCompany-02/L10-15/2010)

The social welfare view

This viewpoint ultimately perceives the role of business in society is to promote social welfare. According to Lantos' summary "business must use its vast resources for social good" (Lantos, 2001: 602). This viewpoint from a government official requires business to greatly shift its focus on profit oriented to social interests.

"If according to me, its (business') goal is always society welfare, isn't it? That's the key. I mean what business is requested to ehh to contribute to society is welfare. ... So, for me, the key is always society welfare. So, ... also how, at the corporate sphere, they (business) can no longer (aim for) profit oriented, only for themselves. But, how do they also have concern for society welfare. I think that's the key." (Interview/ Gov-DF/L101-109/2010)

There are several aspects that constitute social welfare according to the participants. First, social welfare requires empowered society, in our participant's word "sovereignty". Second, it suggests business to treat its surrounding community respectfully instead of artificially as expressed by a CSO participant.

"In our opinion, of course business is important for society. But, what we want is business that really can provide welfare, and most importantly, can provide sovereignty. Yes, sovereignty. So, according to me, it is not enough for example a business come and operate, then, it hires the community as workers, to become workers, security personnel and then claim that the business has changed. That is not." (Interview/CSO-TLP/L22-26/2010)

Third, it touches several issues that may be summarised into economic contribution, human capital, and environment quality. This variety of issues reflects on the holistic approach to social welfare.

Having arrived at this point, this viewpoint may have wrongly perceived as to neglect profit. Rather, this viewpoint sees profit as a part in the overall social welfare construction as expressed by the participant, an expert from the academic background:

“Now, I start from the most basic. I think over the time I become more minimalist in this thing. But if I must say what is the role of business in society. It is a, in economy, a kind of political economy like this, I think business is an institution that accumulates society wealth. So, in brief, *corporational company is a kind of agency which is charged with the task of wealth accumulation [...]. If it is about how wealth accumulates, of course, it assumed profit, isn't it? [...]. No, I'm not reducing wealth to profit. But in order for wealth to accumulate, there must be an element of profit. It does not mean that wealth is identical with profit. [...] Profit is only a tiny part of wealth accumulation.* Other infrastructures that enable profit, those are the factors. *Either environment or community or security, or public civility or culture or education; all of it.* So, however, *in order for profit to happen or to be, to be done, profit does not operate in a vacuum.* Then, it needs many things that I said earlier from ecology to all of it. Those are *things that will prop up the possibility of profit.* This is very minimalist, because *somehow I don't question any longer the present political economy system.* But, if I'm asked with what is the role of business in, actually in society, is *how company is an agency charged with a task of running wealth accumulation.* Of course, there is profit.”
(Interview/Exp-01/L15-39/2010)

Moreover, the response above also suggests an interpretation of wealth accumulation as growing human wealth, environmental wealth, and civil wealth in addition to profit. This particular expression stems from the perspective that, in contrary to general view, profit is not the subject of the business. Instead, profit is a subject of society's interests:

If you asked me, what is the status of profit then comes the problem. My argument is this. This is Latin expression that I coined some time ago. The difference I think is whether profit is only for those directly connected to business? Or for the whole society? Because, earlier, your starting point is the roles of business in society. I, myself, I'm not buying the idea that profit is narrowly conceived. I have a certain Latin expression that I coined long time ago, commodum toti populo. ... That

means what? Profit is for people. How that is being done will define what the role of business in society. That actually is.” (Interview/Exp-01/L15-50/2010)

This expression brings us back to the overall spectrum. In this context, the discussion about RBiS is not about whether businesses are allowed to pursue profit. Rather, it is about how business makes use of its profits. Whereas business uses the profit only for its own interest then, business is seen as taking a role of profit oriented. On the contrary, whenever business uses the profit to promote social interests, then, business is taking the role of social welfare. This dimension only discusses how business makes use of its profit; however, there is another factor that may define RBiS that is how business engages with society.

6.3.2. RBiS: Business Relationship with Society Dimension

As briefly mentioned before, our finding identifies the business’ relationship with society constitutes the second dimension of RBiS. The second dimension analyses possible RBiS based on business’ engagement with society.

This dimension distinguishes possible RBiS through the types of and the impacts of business engagement with society. The types of business engagement look at the existing business engagement (is there any engagement?) and how the engagement was initiated (whose initiative?). Meanwhile, the impacts of business engagement look at suggested benefits enjoyed by businesses and society. There are four categories identified with regard to this dimension namely zero engagement, no net harm, mutually enabling, and harmony centred.

Zero Engagement

This viewpoint portrays a strained relation between business and society. It sometimes may cause unfavourable impacts to society as perceived by one NGO participant below. Fundamentally, business cannot exist in harmony with society since. According to the view, business necessarily degrades and exploits society and natural environment.

“The role of business in society is impoverishment. So, it even endorse the impoverishment process and to add more pressure to surrounding community. For example, the existence of businesses in Riau. There are a lot of palm oil estates. We can see that almost all poor enclaves are located in the palm oil estates in Riau.” (Interview/NGO-03/L05-10/2010)

Recall the practice of patron-client in Indonesia (Crouch, 1979), business practices during Soeharto’s administration might have oppressed the local community. Our NGO participant supported this view and cited an example of land conflict (see quote below). Furthermore, new practices brought by business’ operations in the related community that requires – or even forces – community to adjust their daily activities and customs may have caused the extreme expression above as well.

“Before the introduction of oil palm [estate], the women did not, did not have the requirement to provide family needs. Because of they [the men] could hunt, *animal hunting*, harvest rattan, and fish. The woman only gathered, only gathered, becomes a gatherer. But today, with the existence of oil palm [estate], their land is occupied and they are jobless. In the end, they have to work as plantation workers. Unfortunately, it is not only the husband [has to work]. Because of the target at the estate is not that clear. So, if the target is not achieved, they won’t be paid in that day. What is the consequence? The worker has to involve his families, his wife and children. So, it is not surprising if in the oil palm [estate], at six o’clock in the morning, there are underage children that join the work to push fresh fruit bunches.” (Interview/NGO-03/L18-28/2010)

It is evident that the existence of new businesses amid local community has disrupted local community daily activities and customs both directly e.g. from a hunter-gatherer into a worker and indirectly e.g. land conflict. As such, businesses may have harmed society’s interests too. It is important to note that this viewpoint was observed from NGO participants. This particular aspect is further discussed in the following subsection.

No net harm

The no net harm view implies that businesses detrimental impacts to societal interests should not outweigh their beneficial impacts. In another word, the existence of business in society should ensure that related society is no worse off. This may be achieved through law compliance and business' code of conducts and standardisations as suggested by the INGO participant:

“The business' mission is that it *provides* something to society in accordance with its field and ... expertise, be it goods or services, that's it. ... and also, actually, business' most important role if we are talking about Indonesia is how its business operation does not create any losses to society. So, because ... regulations to make (business as) *good citizen* ought to exist in the business. So, ... beside of its role to *provide* something, business should not cause losses.” (Interview/INGO-01/L18-25/2010)

Similar to previous viewpoint i.e. the zero engagement, this view also may have its root in business practices during Soeharto's administration. Therefore, business along with government is perceived as being exploitative according to our CSO participant below. Subsequently, it is evident that this participant demanded for a no net harm business role in society too:

“Of course between customary people and private sector especially business eer there are actually two things expected by the customary people. In general, supposedly if possible, as soon as possible (businesses) to stop exploiting national resources within the customary area that has been so far the main role of government and business.” (Interview/CSO-MAN/L19-23/2010)

The demand for non-detrimental impact becomes the factor that differentiates between this viewpoint and the profit-centred view point. Furthermore, it is also evident that this viewpoint perceived societal issues as of government's responsibility and, therefore, business' responsibility is “to do their business”:

“For us, the roles of business in society, we are actually a bit conservative in this context. We observe that, in the development context, in the context of human rights protection, these are government’s responsibility. So, let the business eerr, business groups run their business. Eerr so, to do their business, and to guarantee that no (human) rights have been denied due to business practices.” (Interview/NGO-02/L09-14/2010)

This particular perception confirms Marsden’s ‘denial’ type of business engagement with societal issues that is “company denies responsibility for or the need to engage with any of the societal issues upon which its operations impact, beyond complying with the law and paying its taxes” (2000: 17). I argue that business has a little engagement with society in this category of RBiS.

Evidently, this perspective shares a similar finding with the zero engagement perspective that is this particular view of RBiS was expressed by some participants from NGOs and CSO. This aspect suggests on one hand an on-going scepticism from NGOs and CSO toward business engagement with society. On the other, some participants from business also see NGOs and CSOs as unconstructive actors that are unwilling to discuss with business.

Mutually Enabling

The mutually enabling perspective suggests that business engages with societal issues and, expectedly, the engagement is beneficial to both business and society as well. Two factors contribute to this view. First, the location of business’ production site in the community. As such, business needs to ensure its security and maintain its production. Recall our earlier discussion in this chapter about the changing of political sphere and its affect to business practices in Indonesia, consequently, it is then in the business’ interest to engage with society in order to create a good relationship with its community as expressed below.

”Business nowadays may be different from business in the past. If in the present and in the future, the role of business to society should become an important role. So, the mutual benefit must be really shown, but not to

mutually exploit or be exploited. This becomes important. So, mutually equal between business and society become important. Because, businesses are commonly located in the community. It is impossible that businesses is not located in the community, even though they are located in the industrial complex community can be represented by their labour, consumer, etc, or other supply chain. So, this becomes important, so businesses, actually businesses should have a new perspective nowadays that in the future businesses cannot become the one, too exclusive. So, I think everything is part of me (*the business*). It cannot be like that. Especially with the introduction of the new law on the limited liability company, it becomes clear that businesses cannot be abusive. So, there are rules to follow. [...] Yes, that law 40. It is clear there, very clear regulation, the roles of commissionaire, the roles of directors. So, it shows that businesses are no longer like they were in the past” (Interview/PublicCompany-01/L143-160/2010)

This engagement arguably reduces conflict between business and community. In order to achieve this, it is suggested by an NGO participant that business should embrace contextual factors that influence greatly the community life such as access to resources:

“I think, in the economic context, okay investment is important, but not in the sense to change the lifestyle or the livelihood of society into more ineffectively. Because, Indonesia with all of its natural resources, society has a *self determination* and *self identification*. Therefore, the roles of business in that area should be about to guarantee community’s access and control to those natural resources.” (Interview/NGO-03/L33-39/2010)

As such, the quote above signals the subtle aspiration of community to collude in degrading nature, albeit to improve community’s livelihood. The quote above also indicates the importance of the way business engagements are practiced. As suggested by the participant quoted above, business should avoid patronising engagements e.g. “to change the lifestyle or the livelihood of society”. Rather, business engagements with society should take a more balance form e.g. “self determination and self identification” above. This suggestion is in a way of a normative nature. However, it signals an

underpinning aspect that is the requirement for business to shift its mind-set from to perceiving society as an object to perceiving society as partners in exploitation of natural resources.

Second, the mutually enabling perspective seems to be influenced by the view that business sustainability is affected by business society engagements too. One government participant suggests that it is in the business interest to empower its community. Business reaps at least two types of benefits i.e. to obtain a “social fence (sic)” (or in another word, location security as discussed earlier) in the short term, and to gain potential customers in the long term. Meanwhile, society gains benefit from improved living conditions such as income.

“That is actually the business’ social fence and I think they [community] are able to *moving up* through that way [empowerment]. Because you don’t give them as a charity, but, they engage in the production process. *They are part in every segment of the company.* That is called, what I just coined, as the social fence. Its essence is actually the shared life. Because, *without them, you cannot [exist] also.*” (Interview/Gov-NPA/L272-283/2010)

Another interpretation of this perspective is that business apparently may not willingly commit itself into an engagement with society. Perhaps, this engagement is a product of societal pressure. In this sense, business engagement with society is a type of business reaction to social demands. According to Marsden, this is a type of ‘reactive engagement’ where “a company is persuaded often by threats to its reputation from NGO action to move out of denial, accept wider responsibility for its impacts on a societal issue, and begin to engage in seeking solutions” (2000: 17).

Harmony-centred

The harmony-centred view contrasts the zero engagement view in the way that the harmony-centred view portrays a good relationship between business and society. Business, in this view, creates an (inter-) dependence relationship with its community. In so doing, business attempts to accentuate its positive contributions to the community.

For this purpose, business finances activities that it deems beneficial for the community such as community development (sic), charity, and economic empowerment as exemplified below.

“But, if the business feels that, in our opinion, our existence is felt by society. This perception can be 2 ways, positive and negative. That’s it. That’s why, therefore, we feel that *geographically* we are in the same region with them (society); and then, by distance, eventually (they are) actually surrounding us. And then, by social condition, they actually need assistance. It means that XYZ has a commitment as to how XYZ as a company, XYZ’s existence is perceived as a good one. [...] XYZ has several activities. First, there is an activity called *community development*. Because it is called as community development, then it means community. We, we have *engagements* with the community in such way that our existence is perceived as beneficial. Our engagement with the community is actually vary. Various. From charity, we have charity, and also then economic (empowerment).” (Interview/PublicCompany-02/L56-75/2010)

One reason to motivate this type of RBiS as perceived by a government participant is the need for business to engage with social issues. The participant argues that business has had ‘advantage’ (sic) from doing business in society and it follows that it is only fair that business maintain a harmonious relationship with society.

“I think, I don’t need to mention the name ... just the regulation. However, clearly, it has been included in the regulation, perhaps Jimmy know more. I mean, refer to existing regulation either regulation on state-owned enterprises or limited liability company. It means there is a social responsibility. Whatever the terminology, whatever the name, the important thing for us is its essence that they (businesses) have *advantage* from their activity, and the main thing how in the environment can, eh, exist harmony. In the essence, (we) aim there. That is all. I think that is all, but the point about the regulation may need further elaboration during its field implementation. Sometime it is necessary to have further arrangement. [...] I think, as long as society, business, and government

can be *hand-in-hand, automatically* they it (harmonise). Only that, *happy* to where? Business runs business for, business runs businesses for what? Good ones, of course will run properly, however, bad ones would be also (thinking of) how do they avoid from that.” (Interview/Gov-DHA/L25-32/2010)

Indicatively, this harmonious relationship is achieved through a number of ways. First, business needs to adhere to existing regulations. Second, business should maintain good relationship with society and government. Inherently, this would require the same reciprocity from government as well as society. Third, business should be aware of social issues in its related community. Fourth, the engagement takes place in a long term relationship between business and society as expressed by a CSO participant below.

“And it turns out that the model works well *eer business is growing* and at the same time, *err* it created a *partnership* between the business and what I called as *the poor*. And *eer* later on, this poor people can be empowered. To secure job, okay. *Eer* so, the business indirectly improves the quality of life of this group of people okay. *Eer* not from philanthropic, giving something; but working together. And it is possible at the end, interdependence. That is in the global compact world, we called as *growing inclusive market*. ... because in this way, we actually give the *rod instead of the fish*.” (Interview/CSO-GC/L86-97/2010)

As suggested above, this type of RBiS in particular requires a continuous engagement between business and society. Furthermore, the engagement materialises in the form of community development (sic) activities instead of philanthropic (sic) activities (see the quote from “Interview/PublicCompany-02/L56-75/2010” and “Interview/CSO-GC/L86-97/2010” above and also the detailed discussion about these activities in chapter 4). Marsden classifies this kind of engagement as the ‘proactive engagement’: “a company takes autonomous action by getting involved with one or more societal issues on which its business has impact and the power to influence” (2000: 17).

6.3.3. RBiS as a reflection of Government's Provision of Public Service

Having arrived at this point, one fundamental question arose, why business embraces these various possible RBiS especially social welfare one or the harmony-centred one. A number of reasons were offered by commentators that are business' influence to public policy (too name but a few, Matten and Crane, 2003, Scherer and Palazzo, 2007, Blowfield and Murray, 2008) and business as a social enterprise (see for instance, Blowfield and Murray, 2008, Carroll, 1999, Hopkins, 2007, Dahl, 1972). A detailed discussion about these reasons is presented in Chapter 2.

However, perhaps these various possible RBiS are a reflection of local government's inability to provide public services and basic needs. In this case, business may operate as a quasi-public body oriented to guardianship of the commons. In so doing, business to some extent acts in a substitution for inefficient or ineffective public body i.e. the local government that is considered as a poor guardian of public or social welfare role as reflected in this response:

“Therefore, there is a question, what really constitutes the role of business for society? Very big. Because, actually, businesses act as public bodies. ... Hmmm not only as a kind of private sector, profit oriented, but also things it does such as rural infrastructure development. Because, indeed in those locations, government never get in there.”
(Interview/Exp-03/L59-65/2010)

This inability may be caused by, on one hand, government's limited budget and on the other, the vast underdeveloped areas that the government has to deal with. To further complicate the matter, the rampant corruption in Indonesia may further weakened government's ability to provide adequate financing for development. It is not surprising that in this context businesses are persuaded to bear a role as a quasi-public body in order to take into account wider social and environmental interests.

Therefore, this suggests that government's limited ability may have widened perspectives about RBiS and at the same time strengthen the expectation that business should take a role in community empowerment. It is in this context that business is

perceived by a government official as a catalyst for favourable improvements and provider of public goods:

“There is an improvement. If in the past people thought, ... NGOs always think (that) society is able to *speak up*. But now, (with regard to) improvement, private sector is the actor, the main actor. So, we cannot to *ignoring*. Therefore, for whatever improvement, private sector is *part of the process*.” (Interview/Gov-DF/L26-32/2010)

To summarise the discussion in this section, so far, we have discussed about the variety of possible RBiS according to various governance actors. In total, there are nine possible RBiS identified in this research divided into three dimensions namely distribution of profit (i.e. profit oriented, social awareness, empowerment, and social welfare), business relationship with society (i.e. zero engagement, no net harm, mutually enabling, and harmony-centred), and business as a quasi-public body. Despite the variety of possible RBiS, there are relational aspects surrounding the possible RBiS. We further discuss this in the following section.

6.4. Relational Perspectives

As mentioned earlier, one particular limitation of previous commentators on plausible RBiS is the absence of explanation about the relation between perspectives. This explanation helps to clarify underlying motivations of and the context of particular perspective. Furthermore, this analysis of relations between perspectives may explain related business conducts, government policies, and NGO-CSO policies.

This analysis is done first, by looking at each particular view i.e. who share the view, why do they share it, what are if any the relation between particular views? Second, by looking at each governance actors i.e. what are the views it shares, why does it share that particular view? This section is situated to clarify factors that may have influenced the emergence of particular view. These factors are business conducts in the past, government’s ability to provide effectively public services and goods, relationship

between business and government, and current social issues impacting Indonesia (e.g. poverty, lack of infrastructure in remote area).

6.4.1. Relational Perspectives in the Distribution of Profit Dimension

The previous section identifies four views about RBiS i.e. the profit oriented, social awareness, empowerment, and social welfare. Each view is shared by various governance actors. The relational perspectives with regard to distribution of profit dimension are illustrated in Figure 6-1 below:

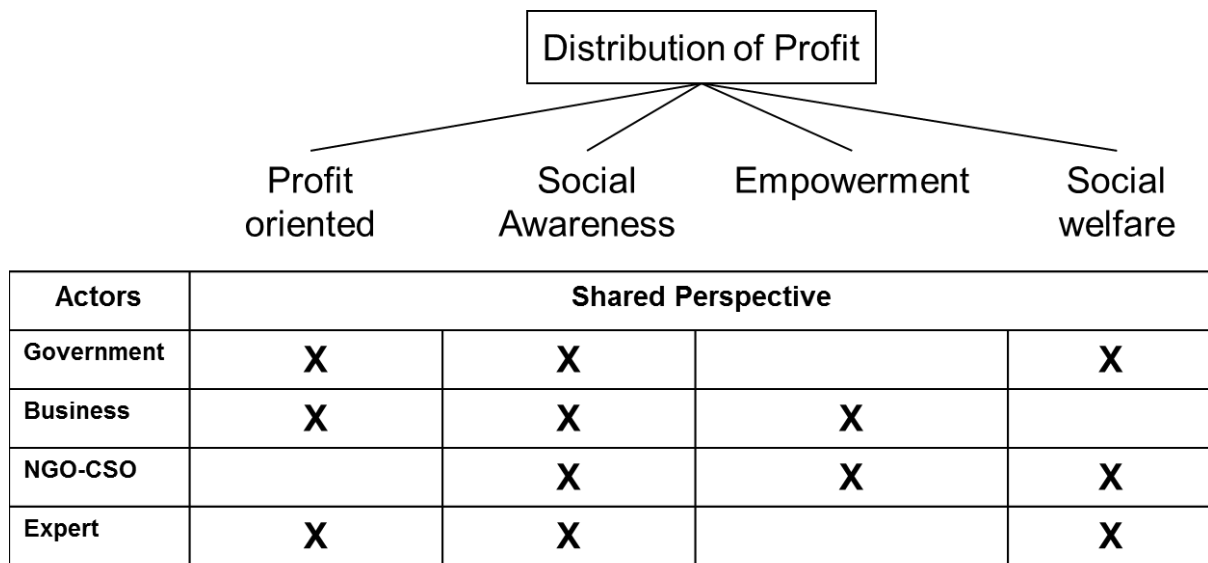


Figure 6-1 Relational Perspectives in the Distribution of Profit Dimension

Source: Author

Figure 6-1 above shows that only two of four governance actors i.e. Government and Expert that shared the same variety of perspectives that are profit oriented, social awareness, and social welfare. Meanwhile perspectives shared by Business and NGO-CSO relatively mirror each other. To some extent, this may reflect the contestation between some businesses and some NGOs-CSOs:

“The problem in Indonesia, they never want to sit down together. ... Especially NGO. NGOs. Not all NGO. NGOs that already have a platform, okay I am only about advocacy, I am just a campaigner for an issue. That is it. ... They do not want. They reject it. Ooh, (we) cannot sit

down together with people from business and the likes. The education in their heads and ours are different. ... This is a problem. This actually is a problem in the future. ... Even we want to change people, if they already have a perspective and the perspective becomes as if their religion, then, cannot do anything.“ (Interview/PublicCompany-01/L432-435/2010)

Figure 6-1 also shows that each particular perspective has a different composition of governance actors. This indicates that there is no commonly shared view about RBiS even within each governance actor. Consequently, this explains the diversity of reactions shown by each governance actor regarding corporate conducts as exemplified by the response from two government participants to the case of boycott campaign led by Greenpeace in 2010:

“Why do they, eh what is it called (*got boycotted*), because eh it does not fulfill the need of local community. ... There is a lag there. ... That is why I say, a company that big still see whether there is fire (conflict). It still uses the fire brigade approach” (Interview/ Gov-DSA/L883-888/2010)

“This problem refers back to no communication between directorate generals in forestry department. ... Apparently, it has been processed in the department, as an Industrial Plantation Forest Concession for XXX [a company name]. Meanwhile, (the same land) is also under the process to become customary forest. While (the former) is processed in directorate general PPK, the customary forest is processed in RLPS. (Deep breath) ... two directorates did not communicate.” (Interview/Gov-DF/L184-185/2010)

According to the former, the boycott was caused by business irresponsiveness to local need, whilst the latter sees the boycott as a result of miscommunication. In another word, the former puts the blame on the business itself, while, the latter puts the blame on particular government ministry.

This multiple perspective within each governance actors also explains the heterogeneity of CSR practices in Indonesia. This research found that business has to deal with various expectations regarding CSR and RBiS from different governance actors. Recall

previous discussion in Chapter 5 that a palm oil company may have oil palm estates, which are located in different provinces and/or islands. Accordingly, business is faced with various expectations not only from different governance actors in one province or island but also in another area.

As depicted in Figure 6-1, the profit oriented view is shared by three governance actors namely government, business and expert. One governance actor that does not share this particular view is NGO-CSO. The NGO-CSO argues that the existence of business in society should be useful for society and therefore, this particular view, which suggests business to focus on its own interests is rejected by NGO-CSO:

“Because the main corporate responsibility is to empower, not to victimise, to empower surrounding community either economically, socially, and culturally. (Business) has to maintain existing yes existing condition, which then guarantee that there is no environmental degradation, which happens significantly and endanger the sustainability.” (Interview/NGO-03/L45-50/2010)

The response from NGO-CSO echoes a particular view offered by Dahl (1972) that is the ‘social enterprise’. Recall discussion in Chapter 2, Dahl (1972) suggests that business existence in society can only be accepted as long as business provides benefits for society. Perhaps, this rejection is caused by previous business conducts that are deemed detrimental to society. Recall the discussion in Chapter 5 about dependencies created by the palm oil economy in Indonesia and also the patron-client approach in Indonesia (Crouch, 1979) that illustrates abusive business conducts in Indonesia especially during the Soeharto administration (1966-1998). NGO-CSO may consider that a profit oriented business may engage in abusive business conducts and neglect wider social and environmental interests.

Interestingly, the social awareness view as depicted in the Figure 6-1 is shared by all of the governance actors. A number of reasons offered here to explain this acceptance. First, situated in the pacific’s ring of fire and degraded water catchment area, Indonesia is prone to natural disaster such as earthquake, flood, landslide, tsunami, and volcanic eruption. Recall the discussion in Chapter 4, disaster relief has become one type of CSR

programmes in Indonesia. The magnitude of such disaster often is bigger than government's available social assistance fund. Therefore, most of the times, the disaster triggers massive collections of emergency reliefs such as instant food, clothing, temporary shelter, and money from society and business through various channels such as media, corporate foundations, non-profit foundations, religious institutions, and even political parties. Hence, it is evident that the practice of giving back is very common in Indonesia and to some extent, may have influenced the mind-set of business to be aware of social conditions in Indonesia.

Moreover, the practice of cash or in-kind donation may be influenced by, to some extent, religious teachings (Bamualim et al., 2006, Fernandez, 2009, Hoon, 2010). This thesis finds that, sometime, CSR is also associated with religious belief such as reported below:

“If for example the number of poor people surround me is decreased, then we also live more comfortably. ... Because, for example CSR as *zakat*, this money can be used for, and I can contribute in it. Indeed my money should be used for it. If I say, my fortune is indeed partly of those people's fortune. It (the money) can be used to ease the burden.”
(Interview/Gov-NPA/L318-325/2010)

The response above is undoubtedly influenced by Islamic teaching about *Zakat*, a kind of giving of a certain percentage (usually 2.5%) of one's income to the less fortunate ones. This particular response echoes our earlier discussion about three types of motivation of business to embrace philanthropic (sic) activities that are 'faith, face, and forgiveness' as reported by (Hoon, 2010) in Chapter 4.

It is indicated that the social awareness view is influenced by the need for public relation too. In Indonesia, it is not uncommon to find coverage in media about business' donation be it in the form of advertorial article or news article. This coverage serves in at least two ways. First, it serves as a boost to business owners' self-esteem or the 'face' factor (Hoon, 2010). Second, it is aimed to present a good image of business to society. It is understood that business finds the good image important to maintain its existence in society:

“No more than what is done is *well*, we have to appear charitable. That is it. *Are we charitable? That’s a wrong question. ... At least, if we could make a logical distinction, there’s a possibility two things are different. The appearance of charitable and being charitable are quite different things. However, the ideology behind all the CEO is just very simple for me; we must appear charitable! otherwise, they will kick us.*”
(Interview/Exp-01/L389-395/2002)

The empowerment view is shared by two governance actors namely business and NGO-CSO. This shared view may justify the emergence of various partnerships between NGO-CSO and business. Recall findings in chapter five, these partnerships are materialised in several managerial functions e.g. planning and evaluation – where NGO-CSO acts as consultants –, and implementation – where NGO-CSO acts as service providers. Although, business and NGO-CSO shared this view, it is evident that partnerships between the two are not easily formed due to prejudices to each other:

“That is why, they, sorry I may be wrong, but business is too *negative thinking* with fellow NGOs. Of course I understand why it is like that. Because the bad experiences so far, there are so many NGOs that only (work on) unclear advocacy and then to extort business and destroy business’ image. Okay, but it is a story of the past. Nowadays, there are many NGO that can actually cooperate well with business according to me.” (Interview/CSO-TLP/L210-221/2010)

This cooperation is further complicated by their principles and understanding about being a partner that in the same time may be not well accepted by other governance actors:

“But, the understanding about partnership for business or government is different. If, NGO XYZ gives input that against their wants, it is branded as enemy. ... If say, eh NGO XYZ let’s make a partnership. We had been offered one billion rupiah (ca. US\$ 100,000), that is a net fee. But with pulp and paper industry, three billions rupiah for comdev (community development). It just sits down three of us, sign, and (the

money) will be transferred the same day. They (business) offer that kind of partnership, but then please help us to socialise with society. We think this is not a partnership. Partnership is when we say you cannot accept illegal log. For instance in palm oil, you cannot convert peat soil. This should be seen as a partnership. But they understand it differently.” (Interview/NGO-03/L556-572/2002)

Although both governance actors share the same expectation and idea that business could play a role to empower society, however, in practice, it involves a process of negotiating interests and understandings between actors. NGOs-CSOs are concerned with community quality of life, whilst, business is concerned with avoiding conflict and business security:

“... But, because the spirit is for social, then, it is part of our responsibility so that they (society) have a job. *Instead of*, otherwise, they are unemployed. So, they, they, our interest is that they have a job, they can afford food. Precisely, they are not going to make a noise if they have it (job). If they are jobless, instead, they will make a noise ... make a noise to business.” (Interview/PublicCompany-02/L125-135/2010)

Ultimately, the partnership between business and NGOs-CSOs implies a series of discussions about expectations, goals, and the way projects are to be implemented:

“Because internally, to convince shareholder is not that easy. ... Shareholders actually think *simple*. Okay we help, but is there any benefit. Much simpler than of talking to NGO. NGO not only about benefit, they think about image as well. We do not think, most importantly, we engage with NGO. Could they give a contribution to our change or not? If not, then don't. If yes, okay, how to. Much simpler actually. If NGO is much more difficult. Wow, because company XYZ has a bad image, (NGOs) logo should not be put side to side.” (Interview/PublicCompany-01/L585-593/2010)

This explains why some NGOs-CSOs are willing to cooperate with business, while other NGOs-CSOs are not. It is evident that this shared view about community empowerment provides a ground for partnerships between business and NGO-CSO.

It is evident that business does not share the social welfare view as depicted in the Figure 6-1 above. The social welfare view is shared by the rest of governance actors i.e. government, NGO-CSO, and expert. This finding has two implications. First, most of governance actors agree that business existence should be beneficial to society as discussed earlier. This is motivated by the perception that business, just like the state, plays a great influence to social, economic, and environmental aspects and, therefore, business should be made responsible to wider social, economic, and environmental interests as well:

“State, because it affects all, must be accountable to all. Company because it, or the extent of which it effects more people, it should be accountable to more people.” (Interview/Exp-01/L176-179/2010)

In particular, this response confirms earlier suggestion about business influence to public policy (Matten and Crane, 2003, Scherer and Palazzo, 2007, Blowfield and Murray, 2008).

Second, this shared view implies that the Indonesian government is unable to sufficiently provide public services and basic needs especially to citizens living in remote area in Indonesia. In this light, it is not uncommon that local government turns to business for additional resources:

“Local governments, eh, they always want to collect (additional money). To collect it. To collect with their way for example they communicate with business, eh I have a programme that is not funded by national budget and local budget. How then? Please finance it by you. Although that infrastructure development has no relation to business ... but business has to contribute.” (Interview/Gov-DSA/L141-147/2010)

Sometime this kind of request is genuinely made for public interest; however, this request may become an invitation for gratification or bribery amidst the rampant corruption in Indonesia as reported by the government participant below:

“We want to cooperate with government. What is government programme, where is the shortcoming, we can complement there. Or, if the programme is there, but there is no available funding, then we can get involved. The problem is, if government is involved, this is annoying, the official comes and asks for a honorarium. It is better to give the honorarium to society.” (Interview/PrivateCompany-01/L310-314/2010)

Business does not share this view, evidently, since it perceives social welfare as the government’s responsibility as regulated in the Indonesian constitution and related regulations:

“We see in the constitution, article 36 if I’m not wrong ‘impoverished people and abandoned children shall be taken care of by the state’. That is constitution. Then, in Law 34/2004 concerning regional autonomy, article 11 D, E, and F, that the authority and responsibility of local government are first, poverty, education, then social problems. Therefore, there is no reason for local government to release (the responsibility) to business. ... Then, what is the role of government? So it is impossible. It will be protested totally in the sense that business rejects it.” (Interview/PublicCompany-03/L308-324/2010)

Nonetheless, business is aware of this shifting of responsibility from government to business. Considering this shift, business may be willing to share this responsibility in the future as expressed below:

“Nowadays I observe that, mostly, and this is a perspective from fellow business and I think it has a point. They take the role of development from local government. Especially in the new municipal government, then the role of business is even much more.” (Interview/PrivateCompany-02/L471-480/2010)

Figure 6-1 shows that government and expert both share the same variety of perspectives about plausible RBiS with regards to wealth distribution. Both governance actors share three perspectives namely, profit oriented view, social awareness view, and social welfare view. This finding indicates that, on one hand, expert and government acknowledge the ineffectiveness of government to provide social welfare. On the other, it seems that government in particular attempts to shift some of its responsibility as public body to business as discussed earlier. Therefore, it is not surprising that government shares almost all the perspectives about plausible RBiS.

These three perspectives, to some extent, summarise views regarding how business makes use of its profit from business to use profit for itself (i.e. profit oriented view) up to business to use profit for wider social and environmental interests (i.e. social awareness view and social welfare view). Perhaps, this also indicates that government perceives its' role as a facilitator for development:

“We already made win-win solution concept with them (business). How do they do it is up to them. The requirement from government is that if possible, report it or give a copy to us. Report how successful it is, how many poor people are alleviated. What are they working at, in the sense, how many people are sick, what kind of programmes that they implement?” (Interview/Gov-DSA/L15-21/2010)

This request for business to report its CSR activities may seem genuine; however, there is a probability that these reports may also be claimed as government's achievement:

“... Most importantly, that the bridge is built by business A, B, C, D; not from regional budget. The worst, when the bridge is built by fellow business and it appears in regional budget too; and they (government) claim it. ... We can build bride, shared by several business. But it should be purely from business, do not claim it from local government. It is okay.” (Interview/PublicCompany-03/L330-336/2010)

These claims may further decrease the already tarnished government's credibility in Indonesia due to the on-going problem of rampant corruption. Moreover, as a facilitator,

government claims that it does not want to intervene with business policies nor strategies.

The approach of no intervention suggests that government may be more interested to the result rather than the process. Moreover, the volatile political situation in Indonesia is claimed as one of the reasons that government puts more leverage to results than to processes:

“... policy is *unpredictable*, so that business’ *myopic* will get even shorter. Unfortunately, with the higher political influence, the *myopic* view will flourish. ‘The now transaction’ ... because they don’t live beyond 5 years. Who knows recalled today? ... but now, people in the house of parliament don’t know whether tomorrow got recalled.” (Interview/Gov-NPA/L574-581/2010)

Indeed, CSR is a highly politicised topic in Indonesia as reported by Rosser and Edwin (2010).

As depicted in Figure 6-1, government and expert also share the profit oriented view. This may explain why government sided with business during the boycott campaign led by Greenpeace. It is not surprising that government defended business from the boycott campaign citing reasons such as boycott endangers national interest (e.g. palm oil industry provides jobs for society) and boycott is a trade barrier strategy from substituting product e.g. soybean as reported in many media channels in Indonesia (for example, Antaranews, 2012). Government even goes further by claiming that government is willing to relay good news about business:

“If you do not really have profit and are forced (to fund CSR activities), that does not *make sense*. But, if you have profit and then have CSR programmes, it will be good for your own sympathetic program. For their own advertisement. Yes, government needs to advertise if they really have good programme and really implement it. However, on the contrary, if you don’t, then I will remind.” (Interview/Gov-DHA/L178-183/2010)

The finding above justifies NGO-CSO's scepticism toward government's willingness to enforce regulations and at the same time to control business conducts:

“So that, okay, ... but also, supposedly, state to enforce, minimally whatever (regulation) state has. Don't just let it go fully ... to society and business. And then government just observe around. This cannot be. This is state's regulation that is breached. Are they not offended? ”
(Interview/INGO-01/L662-666/2010)

The only perspective that business does not share with is the social welfare view as depicted in the Figure 6-1 above. Meanwhile, NGO-CSO does not share the profit oriented view. We have discussed earlier about why business does not share the social welfare view and, on the contrary, why NGO-CSO does not share the profit oriented view.

Having arrived at this point, the findings above suggest that various RBiS are shaped by elements such as social, political, environmental, and economic contexts in Indonesia; governance actors' interests; and the quality of public services and basic needs provided by the Indonesian government. It is also suggested that shared perspectives between governance actors may provide a platform for related governance actors to form partnerships. Meanwhile, different perspective about RBiS arguably drives criticism and, to some extent, tension between governance actors.

6.4.2. Relational Perspectives in the Business Relationship with Society Dimension

Recall the findings in Section 3 in this chapter, there are four plausible RBiS regarding business relationship with society namely zero engagement view, no net harm view, mutually enabling view, and harmony-centred view. Each perspective is shared by one or more governance actors. The relational perspectives with regard to business relationship with society dimension are illustrated in Figure 6-2 below:

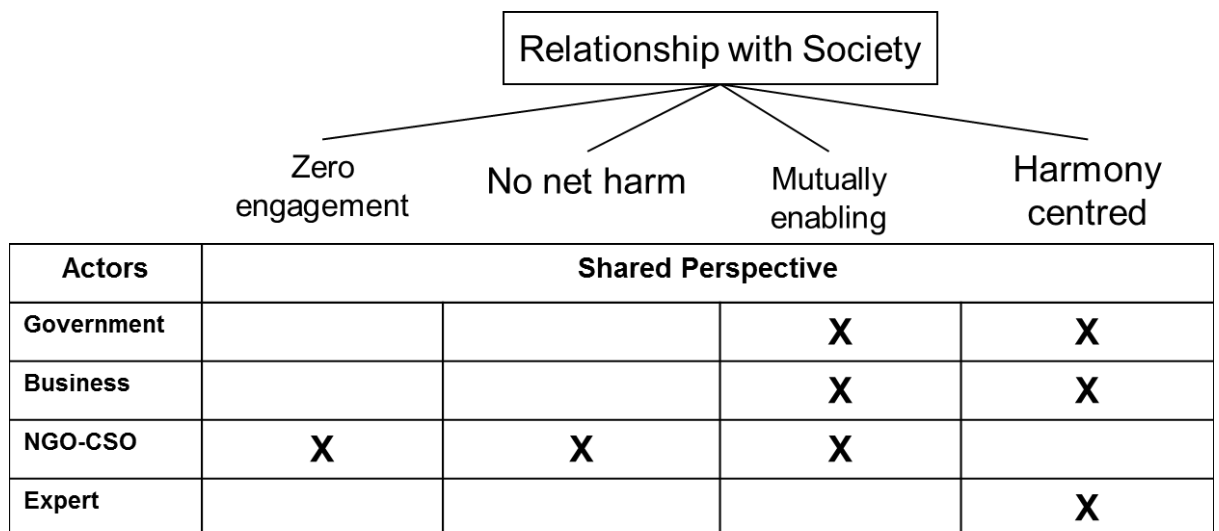


Figure 6-2 Relational Perspectives in the Business Relationship with Society Dimension

Source: Author

Figure 6-2 indicates two clusters of shared perspectives. First, there is a cluster of perspectives that consists of two perspectives namely the zero engagement view and no net harm view. On one hand, these perspectives are of critical and perhaps cynical reflections of business conducts during the Soeharto’s administration. On the other, these perspectives may indicate a low expectation about business relationship with society. Second, the other cluster of perspectives comprises of mutually enabling view and harmony centred view. This cluster reflects a more idealistic expectation about business relationship with society among governance actors.

Both zero engagement view and no net harm view are shared by only one governance actor that is NGO-CSO. As discussed before, questionable business conducts in the past may have influenced these particular perspectives. The instituting of palm oil economy that created dependencies and a patron-client relationship between business and government may have driven down NGO-CSO’s expectation that at the minimum level, business should not cause more harm to society:

“So, why it has to stop? Because, the fact is, customary people up to now; they are mostly evicted from their ancestor land, then their agrarian resources, their food resources. Furthermore, at least, the majority of the (eviction) process can be categorised as human rights violation,

customary right violation. So, it has become the problem that most customary people ask business to stop its activities. Second, my own experience. Even in the government, there is who actually request business, private sector, to really do things according to agreements made with customary people. But in reality, for example, in east Borneo, or some agreements made with and signed with all parties, between customary people with business and government; however, the fact is it almost cannot be done. ... So those are the facts that are experienced by customary people. That is why, business, if possible, please stop exploiting the customary land.” (Interview/CSO-MAN/L23-39/2010)

To a large extent, these questionable business conducts in the past have led to an extreme cynicism toward business role in society among NGO-CSO. Business has been perceived as insensitive to wider social and environmental issues.

“... when business entered (the area) and gave compensation, did it help? No, it didn't. Because the compensation was given actually when their livelihood had been gone. River was polluted. Is this fair? Supposedly, it is beneficial, when they (society) still are able to catch fish in the river, river is not polluted, and then business still want to contribute by for instance to give compensation. That is my understanding about compensation. But, compensation nowadays is about to replace something spoiled. Instead, occupation. The compensation is to justify land occupation done by palm oil businesses. There are plenty of conflicts and what is the answer of it? Compensation. Even compensation up to 25 years won't settle it. ... very very not enough.” (Interview/NGO-03/L74-86/2010)

Moreover, the introduction of systematic business that disrupts local culture and daily lives as discussed earlier in section 3, and on the top of that, the on-going alleged detrimental business conducts quoted above have contributed to this cynical perspective regarding RBiS.

Accordingly, CSR is seen as a rather artificial business policy to silence community from voicing their concerns. In turn, the CSR makes it harder for NGO-CSO to rally support from community and to advocate wider social and environmental interests as expressed below:

“... It is better actually for society if (business standpoint) is clear. Its line is clear, it is a profit business. And from there, we actually could ask its responsibility in accordance with its conduct. ... Compare to its double face like now. This is more difficult for civil society to ask for its responsibility. It is better, then, to split it. If they really want to make good things, they make foundation and the foundation is totally out of business’ control. ... They have more power to influence the public widely, through mass media, with advertisement and the rest. ... That they do good and et cetera. Whereas, civil society organisations have limited resources, manpower, and et cetera to show a different face of business that conducts badly. Not many of our society that understands about, especially when they operate in remote area far from the majority of its consumers, they (society) do not understand that business is polluting there. And, the directly affected community does not have access to voice their *grievance* and et cetera. And then, they (business) easily, we already made this, made that. And it makes us more difficult.” (Interview/INGO-01/L370-392/2010)

Considering these responses, it is expected that NGO-CSO offers a strong criticism to CSR programmes. This makes it dilemmatic for NGO-CSO to join a partnership with business regarding CSR practices. Two direct and indirect implications arise from this situation. First, there is a tendency for business to hire former NGO-CSO employees to work in the business. Second, there is an increase of new NGOs-CSOs that are willing to cooperate with business as expressed below:

“... Because they (business) are not clear with (CSR), and rather than making their own foundation; their CSR fund, they give to those new NGOs. Plenty of them emerge nowadays. With the new law, there are many NGO emerged that carry out those community development

projects and et cetera. And in turn, then, in the end, these new NGOs will become eehm what does it call, they (new NGOs) can be (business') henchman in that community. It will limit access from affected community to complain to the business. They (society) become more untouched (alienated). ... It can be that they (new NGOs) are only contractors, contractors to carry out CSR project." (Interview/INGO-01/L395-405/2010)

Business does not share the zero engagement view and the no net harm view for a number of reasons. First, apparently the transition from an authoritarian centralised government during Soeharto's administration into a more democratic decentralised government afterward has influenced business practices:

"This makes business nowadays different. In the past, to found a business could be done as one wishes. Yes the era has changed. ... In the past, these constraints were not existed. Because society, in term of (society) interest; the government regime would take role to influence. Whether you like it or not, in the past, if we found a business the most important thing was the central government was very firm. Perhaps, socially, they (government) don't care. Most important (they/government) force. Now, it is different. Democracy is so open. ... For society? (business) looks like a government's accomplice. Perhaps not as an accomplice, but as a group that got higher priority than community. If we consider about the past, yes, we cannot say it was negative or positive. Because, the government then needed taxes from businesses. There was a certainty that they (government) can develop. Got money from those taxes. It just that this kind of greed should had been regulated. ... Okay, let's close it, close it. The wronged, should be fixed. ... But, fix it, straight. We start to walk in the correct way." (Interview/PublicCompany-01/L293-364/2010)

As the result, the patron-client relation between business and government may have weakened to the extent that business finds it important to cultivate and maintain good relationship with society.

Second, expectedly, a good relationship with society may provide business with a sense of security:

“Because of what? Because they (society) already, for example, ooh don’t ruin this, this belongs to XYZ (respondent’s company name), they give good reaction. ... Oh don’t steal please. It does not mean that (CSR) always prevent theft. No, it just an automatic effect. Then, ... at least they (society) also protect, so that, because, in all activities, that this business is good. The business profits largely, then, CSR programmes for surrounding community also increased.” (Interview/PublicCompany-03/164-170/2010)

Therefore, a good relationship with society, to some extent, may reduce the risk of doing business. Third, this good relationship is also needed to answer the pressure from consumers and NGO-CSO alike for a more responsible business conducts:

“But it is not like that. Private sector nowadays, talk about sustainability, has to talk about social first. If you don’t have social, don’t have social expert, they (business) will always have problem with society. That, eehhh particular markets don’t want to accept products that are produced by tormenting the community. The European people are stern. Number two, environment. Business activities that damage environment, their products won’t sell. In *timber*, happens long time ago, *forest sustainable* ehh *management*. In palm oil, through RSPO. It becomes insane.” (Interview/PrivateCompany-01/L118-125/2010)

Consequently, based on these three reasons discussed above, business chooses to embrace more idealistic perspectives i.e. mutually enabling view and harmony-centred view.

It is evident that government does not support these two views as well. On one hand, arguably, this is due to government’s expectation to maintain an image as a good guardian of social and environmental interests. On the other, government sees the possibility to use business to drive up the economic, social, and environmental development in Indonesia as discussed earlier.

It is evident that business and government share exactly two perspectives that are mutually enabling view and harmony-centred view. The reasons underlying both actors to share these views have been elaborated above. It is interesting to note that business' perspectives align with government. In contrast, NGO-CSO shares perspectives that are quite different compare to business and government. Hence, this confirms a close relationship between government and business while alienating NGO-CSO as discussed earlier. This situation persists in the discourse level as well as in the practical level. For instance, government went hand in hand with business to criticise NGOs-CSOs during the boycott campaign in 2010.

It is indicated in the Figure 6-2 that expert only share one perspective that is the harmony centred view. Perhaps, this suggests that expert expects business to have an ideal relationship with society. This standpoint is taken by expert based on the belief that business has a crucial role in the national development:

“So, for me, private sector is very important. We do not mean only the big scale private sector, but also the small scale. The big scale is important for social welfare and national advancement. The role of private sector. ... they (business) have to have responsibility. To have accountability to society, and its nation and country.” (Interview/Exp-02/L15-19/2010)

In this sub section, I found that longitudinal insights play a great influence to the perspectives about plausible RBiS. They also influence governance actors' expectation about business roles in society. Moreover, this sub section identifies a close relationship between business and government and, at the same time, to some extent, alienated NGO-CSO. Consequently, this position affects the emergence and the understanding of CSR in Indonesia. Government and business see CSR in a more idealistic and positive view, whilst, some NGO-CSO see CSR in a critical way if not cynical.

6.5. Conclusions

This chapter specifically aims to address this research question “*How is CSR and RBiS negotiation through relations between actors constructed?*” It is evident that there are numerous possible RBiS as perceived by various governance actors in the Indonesian palm oil industry. This chapter identifies at least nine perspectives about RBiS. These nine perspectives reflect three dimensions of RBiS i.e. the dimension of distribution of profit that is reflected by perspectives such as profit oriented, social awareness, empowerment, and social welfare; the dimension of business relationship with society reflected by the like of zero engagement, no net harm, mutually enabling, and harmony-centred; and the dimension of business as a quasi-public body. Subsequently, the chapter provides a matrix of plausible RBiS.

Furthermore, this chapter finds a number of factors that contribute to the conception of RBiS amongst governance actors in the Indonesian palm oil industry. Two factors have been mentioned above that is business relationship and wealth distribution. The third factor is the ineffectiveness of government to provide adequate public services. The last factor may be influenced by previous unfavourable interactions between business, government, and community as perceived by society. The third factor also indicates the inability of government to some extent to take the role of guardian of social welfare.

This chapter also reveals the relation between perspectives and their respective supporters. In so doing it also identifies a number of factors i.e. business conducts in the past, government’s ability to provide effectively public services and goods, relationship between business and government, and current social issues plaguing Indonesia that influence each perspective. Furthermore, on one hand, the shared perspectives between governance actors may enable partnerships between related actors. On the other, different perspectives about RBiS may incur criticism and tension between governance actors.

The chapter indicates that previous business conducts influence governance actors’ expectation about RBiS. The close relationship between business and government official – known as well as the patron-client approach (Crouch, 1979) – may cause tensions between government, business, and NGO-CSO in Indonesia. I argue that

longitudinal insights about business conducts affect the various understandings of CSR in Indonesia among governance actors. In particular, government and business see CSR in a more idealistic and positive view, whilst, some NGOs-CSOs see CSR in a critical way if not cynical.

Chapter 7 Conclusions, Implications, and Reflection

7.1. Introduction

In August 2007, Indonesia enacted a law, Law 40/2007, regulating limited liability companies in Indonesia. Earlier in 2007, a law regulating foreign investment by multinational corporations and foreign individuals, Law 25/2007, was also enacted. Both laws contain an article about the obligation of investors and companies in Indonesia to carry out Corporate Social Responsibility (CSR) practices. The enactment of these laws has made Indonesia a unique case for the mandatory CSR among businesses operating in Indonesia. The laws, especially Law 40/2007, gained mixed receptions from various governance actors in Indonesia. A judicial review request to remove the particular article about mandatory CSR in Law 40/2007 was logged in 2009. In the same year, the supreme constitutional court ruled in favour of the article and rejected the request. This phenomenon reflects that there were, are, and will be, diverse perspectives about CSR among various governance actors and these perspectives were, are, and will be, negotiated between these governance actors through many mediums e.g. newspapers, business' annual reports, CSR reports, standards, and regulations.

My research was carried out to understand this phenomenon. In so doing, the research aimed to clarify the development of and negotiation of various roles of business in society among various governance actors as manifested in CSR practices. As such, it achieved five objectives. First, it uncovered the emergence of CSR in Indonesia. Second, it revealed the heterogeneity of CSR as a rich landscape of themes and components. Third, it revealed the processes of adopting CSR into business strategy. Fourth, it uncovered relational perspectives and negotiation of interests among a range of governance actors. Fifth, it revealed the understandings of CSR and RBiS as perceived by various governance actors in Indonesia. Accordingly, the results of related empirical data analysis have been reported in Chapter 4 (the emergence and heterogeneity of CSR), Chapter 5 (the instituting of palm oil and the adoption of CSR into business strategy), and Chapter 6 (the Roles of Business in Society, RBiS).

This chapter serves as the general conclusion of the research. Section 1 introduces the aim of the chapter. Section 2 summarises and links empirical findings of the research and offers several propositions. It indicates some weaknesses in current understandings about CSR and RBiS and offers a conceptual proposition that is: an analytical framework of CSR practices to improve the way CSR and RBiS is understood. Furthermore, I propose a methodological approach to study dynamic of CSR practices that unfold over time. Section 3 discusses the implications of my research findings and the contribution of this thesis. Section 4 acknowledges some issues of this study. It is followed by Section 5 that identifies possible avenues for research in the future. As the researcher himself was involved with the discourse of CSR in Indonesia, this chapter includes a note about researcher's insider accounts in Section 6. Section 7 contains my reflection on the research and my overall doctoral training at Manchester Business School and Sustainable Consumption Institute, University of Manchester. This reflection serves as the final concluding remarks to this thesis.

7.2. What is this thesis about

7.2.1. Responding to External Crises and Situations

This research finds that the inception and evolution of CSR perspectives and practices, taking evidences from Indonesia, are influenced by many factors over time. Therefore, I argue that history matters to understanding the context of diverse CSR perspectives and practices. Take for example the tsunami that hit Indonesia in 26th December 2004, which triggered onward a particular type of CSR practice i.e. disaster relief. As a country prone to natural disaster such as earthquake, volcanic eruption, land slide, and flood, the disaster relief quickly provided an object onto which a number of businesses in Indonesia alighted in order to fulfil the legal CSR obligations. This demonstrates that to some extent business uses CSR practices to respond quickly to wide-spread issue(s) in that particular period of time.

I argue that the diversity of CSR, on one hand, shows that CSR has become a public relation outlet for businesses. CSR becomes one of business' public relation outlets through either direct or indirect advertisements regarding its CSR practices. For

example, a business gives out scholarships for poor students to continue their study. A direct advertisement takes a form of advertisements in the media such as newspaper, television, and radio. An indirect advertisement takes a form of the news coverage about the scholarships. In this light, business advertises its taking on CSR as a sign of its engagement in wider social, environment and economic issues. Business may expect that the advertisements would improve its reputation among media readers. In order to gain more positive news coverage as an indirect advertisement, business finds it necessary to frame its CSR practices as publishable news in the media. Therefore, widespread and timely issues such as scholarships and disaster relief that may give more publicity in the media are widely embraced and practiced by businesses. This explains findings from previous researches about CSR in Indonesia that charity and philanthropy are the common type of CSR practices in Indonesia (Chapple and Moon, 2005a).

On the other hand, the diversity of CSR shows various competing interests from local-level governance actors e.g. infrastructure development, national-level governance actors e.g. small medium enterprises development, and global-level governance actors e.g. environment protection. Furthermore, I argue that there are various interests even within the same group of governance actors for example CSOs. This is clearly demonstrated in the various positions taken by CSOs with regard to partnership with business. In brief, there are CSOs that take a sympathetic stand by joining the partnership e.g. consultation, planning, and evaluation. Meanwhile, there are CSOs that take a critical stand toward businesses such as to being a watchdog.

A historical analysis will show CSOs that take a critical stand are mostly established CSOs with a strong financial support for instance the Friends of the Earth and Greenpeace, while, CSOs that take a sympathetic stand are founded quite recent. Historically, these established CSOs have been known for their critical view toward business and government. Certainly, it is problematic for these established CSOs to change their position due to their reputation, and – arguably – their financial support. The newer CSOs, however, have more room for a sympathetic view since they are not burdened to maintain a particular reputation. Also, there are anecdotal evidences that some of these newer CSOs are opportunistically founded to tap into business' CSR funds.

This research finds that CSR-related practices such as cash donation and scholarship have been supported by business even before the existence of CSR laws and its associated build-up of collective and discursive attention to CSR. In this light, CSR plays a role to make these practices more visible in various media and business annual reports. This also shows that CSR practices are not new. These practices are labelled as CSR due to a number of reasons. First, the enactment of Law 40/2007 has pushed businesses to carry out practices that are associated with CSR. Second, the enactment of this law to some extent has made CSR a widely discussed issue. As mentioned above, businesses are interested to use widely known issue for its public relation agenda; therefore, CSR as a widely discussed issue, is used as a general terminology for business' social and environmentally related practices. Third, this generalisation is made possible due to ambiguous understanding about CSR; in particular, the abundance concepts about CSR (see for example, the report from Garriga and Melé (2004)).

I argue that CSR is continuously (re-)shaped by various socio-political, environmental, and economic contingent phenomenon. One example discussed above is the context of grand-scale natural disasters that triggered particular CSR practices. Another example is the context of political atmosphere. The changing of political situation from an authoritarian-centralised government into a more democratic-decentralised government in 1998 has provided a greater access to information and at the same time has changed the relationship between business, government and community. This greater access to information makes it relatively fast and easy to expose wide-ranging issues surrounding particular industries or businesses. Take for instance the case of boycott against Sinar Mas led by Greenpeace. This case demonstrates that news at the producer's side (e.g. alleged business malpractice) is able to reach customers that live far away from the production side through reports written by some local NGOs. Meanwhile, information about customers' concerns (e.g. child labour, orangutan) reaches producers too.

The case also signals the change in the relationship between business, government, and CSOs-NGOs. Some commentators reported a close relationship between business and government i.e. the patron-client relationship while alienating CSOs-NGOs during Soeharto's administration (Crouch, 1979). It seems that this kind of relationship is shifting in the direction that CSOs-NGOs now play a bigger role to influence – or to

give pressures to – business practices. In the case of Sinar Mas-Greenpeace, this research finds that Greenpeace indirectly managed to push Sinar Mas to give a clarification for allegations made in the Greenpeace's report. In the global level, this research sees that consumer groups, NGOs, and CSOs play a role in the creation of various certification regimes for example the Certified Sustainable Palm Oil from Roundtable on Sustainable Palm Oil (RSPO). In turn, these certification regimes to a degree persuade business to take into account wider social and environmental issues. Furthermore, the change of relationship between business, government and CSOs-NGOs has enabled business to form partnerships with CSOs and NGOs.

This research posits that the greater access to information and the change in the relationship between business, government and CSOs-NGOs have generated the heterogeneous CSR practices as seen in Indonesia. In essence, this reflects the competition of various interests from multi-levelled governance actors over time in the related industry or business. Hence, I argue that the understanding of historical contexts is of necessity to provide adequate explanation to various CSR practices. In so doing, this research exposes and suggests some improvements to the weaknesses in the mainstream understanding of CSR.

Mainstream CSR concepts often describe CSR in a generalist way such as the three domain approach (Schwartz and Carroll, 2003), and the CSR pyramid (Carroll, 1991). These generalist views are sufficient to provide a broad view on CSR practices that CSR practices deal with wide ranging issues grouped into several loosely define categories such as environment, economic, and social. However, these generalist views do not provide a clear explanation about factors that cause the existence of various CSR practices. These views see CSR as a way for business to embrace interests from its governance actors. Yet, the views may not see that these interests are built on past events as well as future expectations. For instance, one type of CSR practices in Indonesia is to pay tax accordingly. This activity is not simply a business approach to comply with legal requirements. Rather, it embodies the awareness that some businesses in the past might not fully adhere to existing legal requirements, particularly in this case, the taxation regulations. This explanation clarifies the confusion surrounding the legal compliance as one type of CSR practices in Indonesia, whilst, many CSR concepts see

CSR as a 'beyond compliance' activity (see e.g. Garriga and Melé (2004)). In this example, it is evident that history provides adequate clarification about the existence of heterogeneous CSR practices.

Another weakness of these CSR concepts is that it takes the voluntariness of CSR practices for granted (see for example, Dahlsrud (2008)). As exemplified in the case of Indonesia, it is possible to make CSR mandatory through regulations albeit the ambiguous CSR concept in the laws. Therefore, CSR is not inherently voluntary in nature. The history of business (mal-) practices in Indonesia has pushed to some extent the mandatory CSR in Indonesia. In the Indonesian context, historically, business is perceived to be negligent toward social and environmental issues. This negligence couples with the perception among some governance actors that business is interested solely on profit seeking provides a justification for the mandatory CSR.

It is evident that history matters in order to have a better understanding on CSR practices. It is difficult to properly examine CSR practices without an appropriate comprehension of the history surrounding the contexts of CSR practices. These contexts such as political regime and business practices are continuously changing from time to time taking into account past events, current situations, and future expectations. I argue that in the absence of the understanding on history circumstances, CSR conceptualisation may become too prescriptive in nature and may fail to adjust itself to the particular contexts in that time. Hence, this research suggests to see CSR as an evolving concept of negotiated interests between various governance actors over time. Inherently, the heterogeneous CSR practices reflect business' attempts to respond to various interests of governance actors in that particular time and contexts.

Moreover, the revelation about the heterogeneity of CSR practices in Indonesia indicates the multiple domains of responsibility as perceived by businesses and various views about plausible Roles of Business in Society (RBiS). As such, this research criticises available literatures about CSR that tend to portray CSR in simplistic models discussed above. The simplistic models may have been intended to provide a helicopter view of CSR practices; however, I argue that the simplicity in previous models may not adequately capture various motivations and factors interplaying in CSR practices in Indonesia nowadays.

These various CSR practices bridge the seemingly dichotomised views of CSR that on one hand, CSR is seen in a pessimistic impact; while, on the other, a sympathetic view about CSR where business plays the vital role for development. The heterogeneity of CSR practices makes it difficult to justify that CSR practices are either merely used as the business public relation or overwhelmingly aimed for societal interests. Rather, it shows the flexibility of CSR practices that is able to serve both business interest and societal interest at the same time. I argue for a multi-dimensional reading on CSR. The heterogeneity of CSR practices demonstrates that there are various interests influencing CSR practices, understandings about CSR and RBiS among governance actors, numerous ways to respond social-economic-environmental concerns as depicted in the CSR practices, and motivations to carry on CSR practices. Hence, this research asserts that a simplistic view on CSR should no longer be entertained. Rather, CSR is dynamically (re-) shaped by various aspects mentioned above.

7.2.2. The instituting of CSR into business strategy

As mentioned above, Indonesia is a unique case that it has made CSR mandatory for all businesses dealing with natural resources in Indonesia since 2007. The laws to some extent push businesses in Indonesia to instigate CSR practices as a part of their business practices. However, this research finds that practices commonly associated with CSR have been practiced by business decades before the enactment of the laws. This shows that CSR is not a recent issue in Indonesia. Its coverage in the Indonesian media goes as far as 1970. Moreover, the increasing number of articles regarding CSR published in the media from 1966-2010 indicates an increased interest from governance actors about CSR. Therefore, I argue that CSR is gradually adopted into business strategy.

This finding challenges the view from some commentators that business should not practice CSR (Friedman, 1962, Levitt, 1958, Freeman and Liedtka, 1991). Two major reasons were referred to support that suggestion i.e. business should focus on shareholder's interest, and business does not possess the skill and resources needed for CSR. As demonstrated in this research, the empiric data do not support these reasons. First, it is evident that business takes shareholder's interest as one of its perceived

domain of responsibilities. This research finds that business perceives itself to be responsible to shareholder, consumer, state, and community and worker. In this light, I argue that business is shifting its perceived responsibility from a sole responsibility to shareholder toward multiple responsibilities. This also means that governance actors such as consumer and community and worker are gaining more influence and importance in business operation.

Second, this research shows business mobilises external resources to compensate its limited skill and resources to implement CSR practices. This mobilisation of external resources takes form in partnership and corporate foundation to name but a few. This mobilisation implies a change in the relationship between business and the rest of governance actors. Consequently, it reflects a new perspective into the roles of business in society. The mobilisation of external resources indicates an additional layer to business' management that is the involvement of various governance actors in business operation. As such, the way goods and services are produced no longer remains as businesses' privileged decision. Rather, the production of goods and services takes in various interests of governance actors. Take for example the certification from RSPO. The principles in the said certification were prepared and agreed between various governance actors e.g. retailer, producer, and CSOs and NGOs. In order to meet the requirement of the said certification, business needs to address concerns and interests from governance actors as reflected in the certification principles and standards. I argue that these changes ultimately lead to some adjustments in business management in particular CSR is becoming an integral part of business strategic management.

The finding above reveals the absence of sufficient discussion about the way business institutes CSR into its business strategy in the available literatures. The majority of available literatures discuss extensively about types of CSR practices (Schwartz and Carroll, 2003, Carroll, 1991), relation between CSR and business' financial performance (Aupperle et al., 1985, Teoh et al., 1999, McWilliams and Siegel, 2000, Wright and Ferris, 1997, Waddock and Graves, 1997, Pava and Krausz, 1996, Orlitzky et al., 2003, Cochran and Wood, 1984, McGuire et al., 1988b), and concepts (Garriga and Melé, 2004, Dahlsrud, 2008). Meanwhile the processes of instituting CSR into business strategy is by large not yet existed. This gap is made clear in the recent

publication by (Aguinis and Glavas, 2012). Furthermore, Aguinis and Glavas argue that the processes of instituting CSR into business strategy resemble a 'black box' that need to be addressed in CSR research (2012: 940). My research, therefore, contributes to the CSR literatures by exploring the institutionalisation of CSR in business strategy. In so doing, this research criticises the existing literatures for its simplistic models to understand CSR from its outcomes while neglecting the process behind those practices.

My research finds that the instituting of CSR into business strategy consists of three complementing parts that are (i) domains of responsibility, (ii) process of institutionalisation, and (iii) CSR outcomes. This finding adds to the existing knowledge about CSR in a number of ways. First, it reveals the change in the perceived responsibility among businesses from a sole responsibility to stakeholders into multiple responsibilities to stakeholders, government, consumer, and community and workers. These four domains of responsibility simultaneously influence the inception of CSR practices. The understanding of domains of responsibility is influenced by business' interests as well as governance actors'. The four domains are addressed concurrently in CSR practices among businesses. I argue that sustainability agendas seemingly have given new nuances to these four domains of responsibility.

Moreover, the expansion of responsibilities from a sole responsibility to stakeholders to multiple responsibilities enables business to finance projects geared toward respective responsibilities. As such, business effort to maximise profit will be coupled with its effort to maintain the rest of responsibilities. The evidence is found in the business endeavour to obtain related certifications for its products. On one hand, to some extent, the certification regimes serve as catalysts for various interests of consumers, community, workers, and the rest of governance actors to be included in the business operation. On the other, business uses the obtained certification(s) to improve its marketing strategy such as to accessing niche market, to securing consumer loyalty, and to strengthen its brands and business reputation.

Second, the process of institutionalisation involves a number of ways that fall into two broad types of channel that are the internally-related channel and the externally-related channel. The internally-related channel oversees methods the like of to obtaining support from business' owners and top level management, the internalisation of

certification regimes and standardisations, and employee volunteering. The internally-related channel demonstrates business' attempts to meet its responsibilities by resorting to its own resources. For example, the internalisation of certification regimes shows how business uses available standards and certification regimes to adjust its production process. The externally-related channel oversees methods such as community relation and involvement, partnerships, and corporate foundation. The externally-related channel proves that business is able to mobilise external resources to compensate its limited ability to deal with wider social and environmental issues. In the partnership, for instance, business is able to access its partners' resources e.g. manpower and skill to plan, implement, monitor, and evaluate its CSR practices.

Third, I argue that the heterogeneous CSR practices reflect diverse business understandings of its responsibilities and various methods of institutionalisation of CSR into business strategy. For example, a business that perceived the majority of its responsibility to the state and shareholders may take legal compliance as its CSR practice. Meanwhile, a business that see consumer as a significant part of its responsibility may implement certification regimes as its CSR practice. I, therefore, argue that these CSR practices are not random projects taken by chance. Rather, business chooses these CSR practices based on the domains of responsibility it wants to serve and the methods to carry out these practices. Certainly, business perspectives on its responsibility and the methods it chooses to internalise CSR into business strategy are influenced by competing interests of various governance actors as discussed in previous sub section.

This research offers a perspective to understand CSR from the overall process of instituting CSR rather than simplify CSR manifestations such as philanthropic, legal, economic, and ethical as suggested by some commentators (Carroll, 1991). I argue that existing models do not give a clear picture of the dynamics within CSR practices. A number of reasons are offered by this research to justify this suggestion. First, earlier models do not capture the underlying motivation to adopt CSR among businesses. Second, in the long run, CSR practices may play different roles. Third, it is impractical to apply the models empirically. Last, earlier models are lacking of clarification of the institutionalisation of CSR in business strategies.

The research proposes an analytical framework to understand how CSR influences business' long term strategic management. The framework indicates the prevalent practice of open governance. The open governance is practiced through partnerships, internalisation of standards, and the creation of corporate foundation. It is evident that business, to some extent, is able to mobilise external resources through the practice of open governance. Moreover, I argue that the proposed framework provides a holistic view of CSR practices. The view attempts to not only understand CSR from the outcomes i.e. CSR practices, but also, the working mechanism underlying those CSR practices.

This research comes to an understanding that CSR is becoming a strategic tool for business long term survivability. It is discussed in the previous sub section that CSR is influenced by competing interests of various governance actors. The globalisation of production and consumption of goods and services further adds another layer to these competing interests. Therefore, a palm oil producer in Indonesia may find it necessary to meet the consumer expectations in different countries. This is evident in the case of Sinar Mas-Greenpeace. In this light, CSR is becoming a strategic tool because it is able to provide the arena to negotiate the various competing interests and in so doing CSR may further sustain the business existence in the long run.

7.2.3. Relational Perspectives of and Negotiation of Interests on RBiS

It has been discussed so far about the heterogeneity of CSR practices is the outcome of business' perspective of its responsibilities and the various methods taken to answer these responsibilities. It is elaborated earlier that history matters to understand the contexts that influence this heterogeneity. Also, it is demonstrated in previous sub section that business perspectives of its responsibilities are influenced by competing interests of various governance actors. This sub section discusses these competing interests.

I argue that these competing interests stemmed from different views on roles of business in society. The research identifies nine plausible RBiS as perceived by governance actors in Indonesia. These plausible RBiS are shaped by governance actors' normative

view on business practices and their respective expectations about business contributions to society. For instance, some NGOs-CSOs view that business should take a role in the provision of social welfare. Meanwhile, some businesses see profit oriented as its RBiS. This research finds that various business practices in the past play a role to form these normative views and expectations. Take for example the repression to the customary people in the form of force eviction and pollution. This kind of repression and other business malpractices formed the foundation for the view that the RBiS is to cause no net harm to the community. Hence, I argue that these plausible RBiS reflect the negotiation of normative views of governance actors formed by historical business conducts and relationship between business, community, and government.

The nine plausible RBiS found in this research are grouped in three categories that are the dimension of distribution of wealth, business relationship with society, and the reflection of government's provision of public service. The finding of these nine plausible RBiS along with the three categories above criticises and extends the view of RBiS from commentators in the existing literatures (see for example Lantos, 2001, Warhurst, 2005, Sastry, 2011). To a large extent, the available literatures see the RBiS in a single dimension lens. I argue that earlier analyses on RBiS have been to some extent simplistic and do not capture the relational perspectives of the discourse about RBiS among governance actors. Therefore, this research proposes to view RBiS in a multi-dimensional lens taking into account the historical contexts and relational perspectives of the discourse.

This research finds that the relations between perspectives and their respective supporters are influenced by factors such as business conducts in the past, government's ability to provide public services, relationship between business and government, and current social and environmental issues plaguing Indonesia. This finding to some extent confirms the classical dichotomy that business aligns with government while alienating NGOs-CSOs. In light of this finding, I argue that the classical dichotomy may affect various understandings of CSR in Indonesia among governance actors. It is suggested that government and business may see CSR in a more idealistic and positive way. Meanwhile, some NGOs and CSOs may see CSR in a sceptical way if not cynical. In turn, these various understandings of CSR may explain the heterogeneity of CSR

practices. Furthermore, I argue that the shared perspectives between governance actors provide opportunities for partnerships between related actors. At the same time, different perspectives may trigger criticisms and tensions between governance actors.

It is evident that views on plausible RBiS reflect the effectiveness of government as the guardian of public interest. I argue that in the presence of an effective government, concerns such as child labour, sweat shop, and environment degradation would not become major issues in the discourse of RBiS and CSR. In contrast, in the absence of an effective government, those concerns would become major issues.

Finally, I argue that a simplistic view on CSR and RBiS as suggested by available literatures seems me unable to provide adequate explanations of the burgeoning of CSR practices; various competing interests that (re-) shape CSR practices; and the mechanism of appropriation of CSR into business strategy. The reviewed literature and perspectives on CSR is dominated by models which fail to take into account longitudinal insights on various contexts (i.e. social, political, economic, environmental, and historical) and negotiation of interests between governance actors. It is also weak in appreciating how CSR are incorporated into; and are institutionalised into corporate strategy. This research finds it necessary to come up with a more comprehensive conceptualisation concerning CSR and RBiS. In this light, I take a broad conceptualisation of CSR by linking CSR and RBiS. Hence, I propose to see CSR as a dynamic heterogeneous temporal and contextual tool incorporated by businesses through multi-avenues into corporate strategy as a result of negotiation of interests of various alliances of governance actors. This is illustrated in Figure 7-1 below:

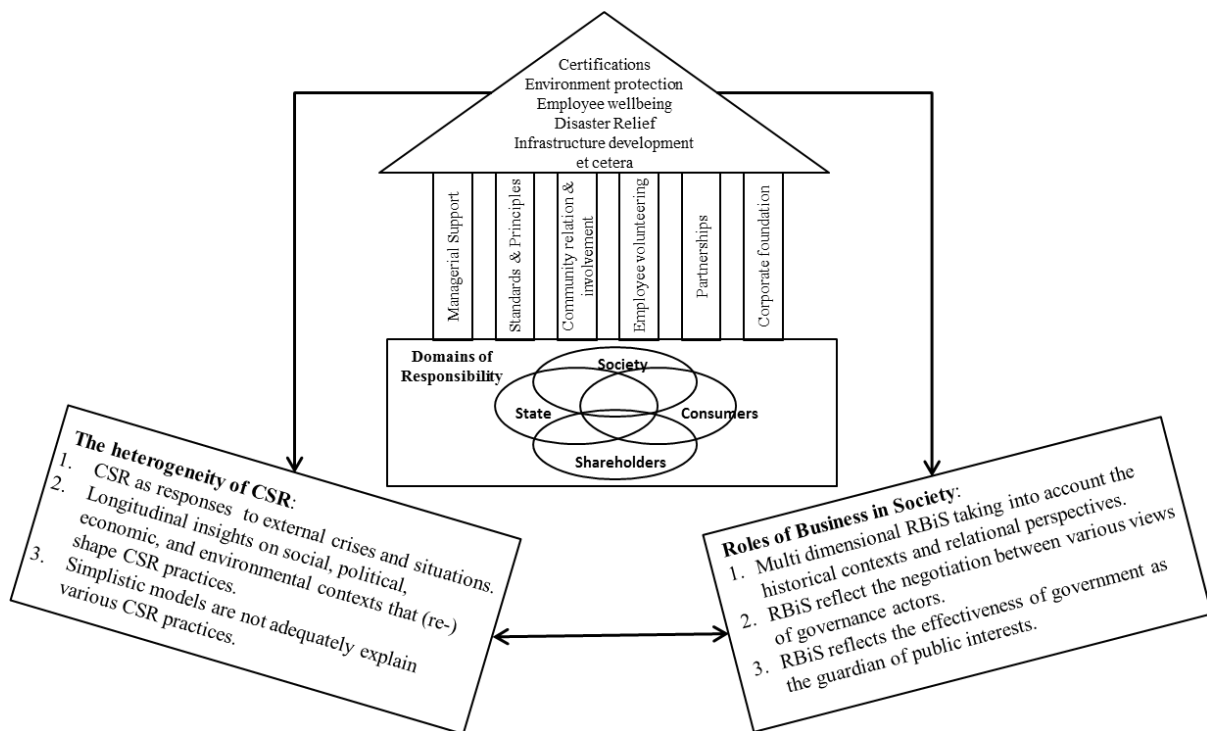


Figure 7-1 The Analytical Framework on CSR

Source: Author

7.3. Implications

There are a number of implications as the result of the findings in this research:

First, my findings demonstrate the importance of longitudinal insights to understand various contexts and competing interests that influence the heterogeneity of CSR practices. It implies that in order to better understand the various CSR practices; a research should look at the historical development of these practices. Hence, the research into CSR practices may need a comprehensive methodology such as employed in this research to reveal factors, interests, and mechanisms that shape the emergence and reshape the development of CSR practices.

Second, the finding shows that CSR has become a part of business strategy. At the same time, CSR has been used to address various interests from governance actors. This implies that CSR should be seen as a long-term engagement between business and related governance actors. As such, the management of CSR practices e.g. planning, implementation, control, and evaluation should invite participation from related

governance actors. Consequently, CSR should not be arranged in a top-down approach. This participation may further strengthen CSR contributions to the overall business strategy.

Third, the findings reveal that CSR has become an arena of negotiation of interests between various governance actors as reflected in the various CSR practices. As such, the available CSR models that explain CSR through its wide-ranging practices does not provide adequate explanation about factors, interests, and mechanisms that influence various CSR practices. The implication is this: in order to better understand the emergence and development of CSR practices, any model or framework should examine CSR from its underlying motivations, its process, and its outcomes. In line with this implication, this research also proposes a framework to examine CSR practices.

Fourth, my findings reveal that actors even in the same category such as NGOs, CSOs, and government officials, may have various perspectives about a phenomenon such as CSR and RBiS. This implies that we can no longer assign a particular view from an actor as the unitary view of that particular group of actor. For instance, the perspective that any given NGO would have an antagonistic position toward business finds it difficult to explain the existence of partnerships between NGOs and business. It does not mean that future researches should abandon this classification of actors since the categorisation of actors is useful to explain specific features of particular actors e.g. NGO is of not for profit organisation. However, it is of necessity of future researches to acknowledge various views within the same category of actors.

7.4. Issues of the Research: Generalisability, Specificity, Transferability, and Practicality

This section first discusses the issue of generalisation as applied to single case study research. This equally raises questions concerning the transferability of findings and conclusions to contexts and cases outside of that studied empirically in the single case. First, in terms of generalisation, I consider issue of single case methodology. The selection of single case study on CSR practise in the context of Indonesian palm oil was an intentional strategy for the thesis in order to achieve multilevel depth and empirical

richness in the context of one particular case utilising multiple methods. This strategy enabled the study to address weaknesses identified in the literature: being oversimplification and absent of consideration of historical and political context in most existing studies of CSR.

Furthermore, my single case study research represents an initial exploratory study about CSR practices as situated in RBiS and the institution of CSR into business strategy. As such, I argue that data collected through the single case study were appropriate to meet my research objectives and to answer the research questions. Whilst, the single case study is perceived to provide in-depth, rich, and nuanced analysis of the phenomenon, it is recognised that multiple case studies may provide stronger analytical generalisation (Yin, 2008, p. 61). Hence, it is acknowledged that future researches may benefit from the application of multiple case studies to their research method.

Second, in terms of generalisation, I consider issue of qualitative methods. Qualitative research often raises the issue of generalisability of research findings. It has long been discussed whether findings of qualitative research are able to be generalised, and if so, to what extent the findings can be generalised. It is felt that the rich, contextual, and detailed analysis of researched phenomenon may arrive at empirical findings that are specific and subjective. However, some commentators argue that qualitative research maintains a different kind of generalisation i.e. analytic generalisation than that of statistical generalisation in quantitative research (Yin, 2008, Stenbacka, 2001). Analytic generalisation refers to the ability of qualitative research to expand and generalise theories (Yin, 2008, p. 15). Perhaps, qualitative research is more concerned with the transferability – that is the application of findings beyond the context of research (Flyvbjerg, 2006, p. 484) and practicality – that is concrete and context-dependent knowledge (Malterud, 2001, p. 224) of research findings compare to the generalisability of findings.

I recognise that my qualitative research design is not able to produce statistical generalisation. Moreover, some empirical findings may be unique to the Indonesian setting to name a few various instances of CSR projects e.g. disaster relief, types of partnerships, and particular certification e.g. the *Halal* certification. It means that CSR projects in another country may be different from that of Indonesia. However, I argue

that conceptual analyses in my research e.g. the institutionalisation of CSR into business strategy are able to produce analytic generalisations, and thus, are practical and transferable. Furthermore, I argue that conceptual analyses offered in the research that aspire to provide some ‘explanatory powers’ (Strauss and Corbin, 1990) due to ‘thick descriptions’ (Geertz, 1973) of contexts may be generalised to studies with similar contexts (Larsson, 2009). The use of multi methods may further support the transferability of conceptual contributions in this thesis.

7.5. Future Research Directions

The previous section has discussed issues of generalisability and transferability with reference to my thesis method. Considering these issues, this section proposes avenues for future research which extends the number and nature of cases investigated in order to test the degree of generalisability and transferability of the research findings. The main proposition and proposal that I offer to future research is to apply the method and analytical framework designed in this study in order to research CSR practices in other national contexts. This strategy for future research will enable the ‘model’ derived from this study (Figure 7-1) to be ‘tested’ and refined through investigations of CSR as it is encountered in practice in a range of historical, spatial, and socio-political settings, in particular as applied to alternative developing countries.

As mentioned earlier in Chapter 3, coincidentally, the research design employed in this research is compatible with Aguinis and Glavas’ (2012) recommendation. It would be useful to examine the replicability of the research design employed in this research in similar settings elsewhere in order to gain insights into the reliability, practicality, and robustness of the design to achieve similar research objective(s). It is necessary to note that, at the time of writing this thesis, a colleague at the Manchester Business School is applying a similar research design in the context of African settings.

Secondly, whilst my research on the Indonesian palm oil has yielded some insights into CSR practices as situated within RBiS, it would be of interest to gather more insights through similar studies on different industries such as manufacturing, extractive, and

service. These industries along with their particular features and practices may enrich the insights gained in this research.

Thirdly, my research found that CSR practices that unfold over time are shaped by various social, political, economic, and environmental contexts. These may be unique to the research site and particular commodity i.e. Indonesian palm oil and, thus, it would be interesting to examine the influence of these various contexts to CSR practices in different countries with the same commodity. For example a study on CSR practices in the Malaysian palm oil may provide interesting comparisons to my research.

Lastly, considering that CSR practices in the Indonesian setting hold a unique regulatory feature i.e. mandatory CSR by law, therefore, it would be insightful to interrogate similar research topics on CSR practices in different regulatory contexts. Moreover, future research on CSR practices under different social, political, economic, and environmental settings in different countries e.g. Brazil, Russia, India, and China may provide further insights to understand CSR practices.

7.6. Insider Account

Prior to this research, I was already involved in the discourse of CSR in Indonesia through my publications and talks in various related seminars. During the research, I was invited to establish a consulting company that mainly focuses on CSR and sustainability issues. It is because of these involvements in the discourse of CSR and in the practical implementation of CSR that I am aware of some issues regarding CSR practices, which are not discussed in this thesis due to the unavailability of data e.g. “off the record”, or too sensitive a topic to be discussed with the interview participants.

First, it is of a common knowledge that Indonesia is plagued with rampant corruptions. It is not uncommon to read news about some businesses bribed some government officials in order to obtain anything from a forest concession, business license, and security. It is hardly surprising – although, it is ironic – that CSR funds are used in the bribery as well.

Second, as a CSR consultant in Indonesia, various businesses approached the company I founded with some colleagues to hire our service. In the initial meeting between the company and potential clients, we started by clarifying the purpose of their CSR undertaking. Some clients wanted to carry out CSR practices to build their corporate reputation, while others wanted to carry out CSR practices in order to improve their businesses conducts. Both requests would require different time frame to evaluate the performance of CSR practices. Most of the times, clients who took CSR to build their corporate reputation were more interested with short-term objectives and achievements. Meanwhile, clients who took CSR to improve their business conducts were interested with long-term objectives and achievements.

7.7. Reflection

I have long been interested with the notion of Corporate Social Responsibility. My interest on CSR came from the very question of ‘is business good for the overall society?’ This question arose due to two factors i.e. my bachelor training in corporate finance management and my job at a university-owned NGO. As a keen student of corporate finance management, I was taught to abide in the maxim of the business’ goal is to maximise the shareholders’ wealth that was preached in the majority of corporate finance handbooks. I was trained to be good at evaluating corporate performance based on financial indicators such as the Net Present Value, Internal Rate of Return, and Return on Investment to name a few. These indicators that rely heavily on mathematic equations are invented to evaluate the performance of a business with regard to its shareholders wealth. Furthermore, being a university student during the height of Soeharto’s administration, an authoritarian regime, has made it practically impossible to learn different views on business’ goal. The Soeharto’s administration favouritism toward investment and private sector and his antagonism toward communism and socialism have made different views on business’ goal disappear from the curriculum of business management.

My dogmatic view of business’ goal was greatly challenged when I joined the social analysis training that would eventually lead to my job at a university-owned NGO. Then, I learned about various views on the business’ goal as reflected in various political

economy schools of thought. To learn that the maxim of shareholders' wealth is not 'the truth', rather, it is a view deeply rooted in a particular strand of political economy thought had disturbed me. I started to think about is there another goal that business should embrace? Could business do good while maintaining the shareholders' wealth? A number of news about business malpractices in Indonesia that were easily found in media kept reminding me of those questions.

Eventually, I got the opportunity to put those questions in a test during my bachelor's dissertation. The university-owned NGO that I worked at had a partnership with another NGO that happened to have a business unit. It was a handcraft business made by disabled people. I found that the business unit was able to perform financially while serving its socially oriented goals such as to provide jobs for disabled people. In another word, it seemed that the mission to maximise profit is not adversely affected by these socially oriented goals. I was excited with this result. Soon afterward, I came to know about the notion of CSR through some discussions in the NGO network. I was hoping that CSR would bridge the profit maximisation motive and the social oriented motive.

I further study CSR academically during my master dissertation. I was researching the possibility to use CSR to combat illegal logging in Indonesia. Although this research employed a mixed method, however, a greater weight was given to the quantitative method. The dissertation was carried out in the environmental economic research group that naturally prioritise the quantitative method. In the dissertation, I found that CSR is able to combat illegal logging in Indonesia. It was the final question at the oral examination that made me rethink about my understanding of CSR, particularly in the Indonesian context. The question was what do I think about using CSR to combat illegal logging (or any other business malpractices) in Indonesia? I answered 'theoretically sound, but practically questionable'.

It made me think about what do governance actors understand about CSR? How do they position CSR in business practices? And what does CSR reflect upon? It was these burning questions that motivated me to embark on my PhD training.

I faced a big challenge in my PhD training and research. I was schooled in a single disciplinary approach and positivistic research paradigm up to my master degree. My

PhD completely overturned this by advocating a multidisciplinary approach on my doctoral research. It goes without saying that I faced a number of problems in particular during my writing-up phase. Whilst the focus of my bachelor and master dissertations were on the quantitative analysis and writing, however, my PhD thesis used the qualitative analysis and writing. My doctoral research has widened and at the same time has deepened my understanding about CSR. I am able to appreciate qualitative research for unpacking richness, complexity, and tangled relations of researched phenomenon. Furthermore, qualitative research enables me to study practical aspects of research findings. If I were to address the same question about the applicability of my research findings, I may be able to discuss the question in a more comprehensive outlook than that of my experience in my master's oral examination.

Reflecting my overall PhD training and research, I am under the impression that my doctoral thesis is but a catalyst to equip me with necessary skills and knowledge to be a competent researcher. To some extent, the doctoral thesis is the evidence of me acquiring the skills set of a competent researcher; able to mobilise compatible qualitative and quantitative methods. In the introduction chapter I learnt to transform phenomenon(s) into research topic(s) and how it will add to related existing body of knowledge. The methodology chapter trained me to choose suitable research methods and to devise a rigour research design. The theoretical framework and literature review chapter developed my ability to critically review available related literatures and to connect these literatures with the researched phenomenon. The empirical chapters developed my ability to analyse data and to write it robustly. The conclusion chapter developed my ability to draw together research findings to challenge available understandings on the researched phenomenon and to offer alternatives to these understandings.

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Appendix 1: Short Profile of Interviewees

List of Interviewees

Business	Government	NGO	CSO	Expert/Consultant
SMART	Dept. of Social affairs (DEPSOS)	Sawit watch	Indonesian Palm Oil Board (IPOB)	Dr. B. Herry Priyono (political economy expert)
Indonesia Centre for Sustainable Development (ICSD)	National Planning Agency (BAPENAS)	Business Watch Indonesia	Indonesian Palm Oil Community (MAKSI)	Maria Nindita (coordinator of postgraduate study on CSR, Trisakti University)
Bakrie Sumatra Plantation	Dept. of Interior (DEPDAGRI)	Greenpeace Indonesia	Alliance of Customary People (AMAN)	Noke Kiroyan (Business Ethics and CSR consultant)
Austindo Nusantara Jaya	Multistakeholder on Forestry Partnership	Indonesian Business Links (IBL)	Chamber of Commerce	Dr. Semerdanta Pusaka (CSR consultant)
Sinarmas (holding)		WALHI (FoE Indonesia)	Indonesian Global Compact	Dr. Hariadi (consultant to the forestry department)
Astra Agro Lestari		Trade Union (TURC)	Telapak National Center for Sustainability Reporting (NCSR)	Ms. Maria Dian Nurani (mirror committee ISO 26000)

Short profiles as follow:

Interviewee	Profile
Firms	
Sinar Mas Agro Resources and Technology (SMART)	PT SMART Tbk ("SMART") is one of the largest, publicly-listed, integrated palm-based consumer companies in Indonesia. SMART's primary activities are cultivating and harvesting of palm trees, processing of fresh fruit bunches into crude palm oil (CPO) and palm kernel (PK), and refining CPO into value-added products such as cooking oil, margarine and shortening. Founded in 1962, SMART currently has palm plantation with total coverage area of approximately 134,000 hectares (including plasma). SMART also operates 15 mills, 4 kernel crushing plants and 3 refineries.
Indonesia Centre for Sustainable Development (ICSD)	ICSD is a consultancy provider on issues such as CSR, community development, Public-Private Partnership, environmental leadership, and social justice. Their services are consultancy, research, and training.
Astra Agro Lestari	The entity which eventually became known as PT Astra Agro Lestari Tbk was first established as an Agribusiness Division of PT Astra International. On 9th December 1997, PT Astra Agro Lestari

	<p>Tbk (AALI) became a public company, listing its shares on both the Jakarta and Surabaya stock exchanges, which were later merged to become what is known today as the Indonesian Stock Exchange. At the public offering, 125,800,000 shares were made available to the public at a price of Rp 1,550 per share. As of the end of 2009, AALI traded at Rp 22,750 per share.</p> <p>Astra Agro Lestari Tbk managed plantation estates in Indonesia covering 264,036 hectares, including both nucleus and plasma (small holder) plantations in Sumatera, Kalimantan and Sulawesi. The average age of the oil palms on the Company's plantations is 14 years. The Company employs 25,027 permanent employees.</p>
Bakrie Sumatera Plantation	<p>PT Bakrie Sumatera Plantations Tbk is one of Indonesia's oldest plantations companies, with a history dating back to 1911 when NV Hollandsch Amerikaanse Plantage Maatschappij opened its first rubber plantation in Kisaran, North Sumatra. In 1986, the company was acquired by Bakrie and Brothers and was subsequently renamed as PT Bakrie Sumatera Plantations. The year 1990 marked another important milestone for the company when it was successfully listed on both the Jakarta Stock Exchange (JSX) and Surabaya Stock Exchange (SSX).</p> <p>Since its beginnings as a rubber plantation company, the company has grown and diversified to become one of the leading producers of both natural rubber and CPO in Indonesia. As at Dec 07, the company has under its management around 100,000 ha of oil palm and rubber plantations. The majority of its estates are currently located in Sumatra Island. The company has started to expand into the province of Central Kalimantan since early 2007 and is currently developing greenfield estates there.</p>
Austindo Nusantara Jaya (ANJ)	<p>PT ANJ Agri engages in the oil palm plantation business. By year-end 2009 its total planted area will reach 32,000 ha. It has 5 subsidiaries, i.e. PT Sahabat Mewah dan Makmur (SMM) in Belitung, PT Ondop Perkasa Makmur (OPM) in North Sumatera, PT ANJ Agri Papua (ANJ Papua) in Papua, PT Kayung Agro Lestari (KAL) in West Kalimantan, and PT Austindo Aufwind New Energy (AANE).</p> <p>ANJ Agri has surpassed the productivity of other estates with yield per hectare exceeding 28mt. Whilst SMM was awarded the Empowering Female Employees Awards from the President for 3rd consecutive years and Zero Accident too. OPM has a planted area of 9,100 ha, of which 3,100 ha have matured and has a Forest Conservation Area of 1,639 ha. ANJ Papua has obtained a license to operate Non-Timber Forest Products (NTFPs) for a total area of 40,000 ha. KAL has obtained the regional Forestry Release Principle Approval from Department of Forestry for plantation development of 18,000 ha.</p>
Sinarmas (holding)	<p>Sinarmas is the holding company of SMART. It is among largest conglomerates in Indonesia. Sinarmas has four main business areas i.e. Pulp and Paper, Agribusiness, Property and Financial Services.</p>

Government Departments	
Dept. of Social affairs (DEPSOS)	A state department entrusted with tackling social affairs such as poverty, social welfare, and Public-Private Partnership. It is considered as a pioneer amongst other departments in CSR discourse in Indonesia.
National Planning Agency (BAPENAS)	The state department that deals with short, medium and long-term planning. They provide papers on public policy and development plan. In the context of CSR, they are responsible to analyse CSR as part of non-budget development fund.
Dept. of Interior (DEPDAGRI)	The department responsible for coordinating governors, regents, and mayors. They are also responsible for regional development. As such, they seek to use CSR as additional development fund.
Non-Governmental Organisations	
Sawit watch (Palm Oil Watch)	Sawit Watch is an Indonesian Non-Government Organisation, group of individuals concern with adverse negative social and environmental impacts of oil palm plantation development in Indonesia. Sawit Watch's (Oil Palm Watch) individual members work in 17 provinces where oil palm plantations are being developed. Sawit Watch seeks to promote social justice through rights based approaches.
Business Watch Indonesia (BWI)	The Business Watch Indonesia is a NGO based in Solo, Central Java and established in September 2002. Driven by the understanding that the societal power has shifted from the state apparatus authority to the economic groups and business communities in local and global level, The BWI is established and aimed at mainly cultivating possibilities of steps to democratise the exercise of economic power and governance. The BWI focuses on creating and promoting efforts towards democratic economic governance.
Greenpeace Southeast Asia	Greenpeace Southeast Asia was formally established on March 1, 2000. Their work in the region has included stopping hazardous waste imports, opposing radioactive shipments, campaigning against forest destruction, lobbying governments on sustainable energy issues and drawing attention to the dangers of waste incinerations.
WALHI (FoE Indonesia)	Wahana Lingkungan Hidup Indonesia (WALHI) is arguably the largest environmental NGO in Indonesia. It is founded in 1980. WALHI is also a member of Friends of the Earth International (FOE). Their focuses among others are on water and food, forest and large scale plantation, mining, energy and climate, and on coastal and marine.
Indonesian Business Links	The organisation is an offshoot of a multi-stakeholder discussion held during the Annual World bank Conference in October 1998 in Washington DC. This meeting led to a consensus on the need to establish a private organization with the aim to help improve the state of corporate governance in Indonesia. The discussion was facilitated by representatives from the World Bank, ADB, UNDP and PW-IBLF as well as non-government agencies and

	<p>organisations. Subsequent discussions held in Indonesia, initiated by PW-IBLF and participated by multinational companies, multilateral agencies and local non-government agencies, gave rise to the establishment of IBL. Its first programme was inaugurated at a reception hosted by the British Ambassador on 9th December 1999 in Jakarta.</p> <p>Since 1999, IBL has been actively promoting ethical business practices in Indonesia through its two major types of activities, namely, workshops on business ethics and capacity building of small and medium enterprises (SMEs). Initial funding for its activities was provided by its founding member companies as well as UNDP and DfID. Funding from the latter was arranged through PW-IBLF which is the international partner of IBL.</p> <p>In response to the growing support from its members and international donors as well as increasing awareness and the felt need within the local business community for good corporate governance, IBL plans to expand its programme to include good corporate citizenship or known also as corporate social responsibility (CSR) issues. New programmes recently undertaken by IBL such as the youth entrepreneur development (YES) programme and Partnership for Sustainable Development initiatives are examples of this transformation.</p>
Trade Union Rights Centre (TURC)	TURC focuses on law, politic, and economic empowerment for labour and trade unions in Indonesia. It wishes to be an information centre for labour rights and advocacy. It had involved in some oilpalm plantations' labour conflicts.
Telapak	Telapak is an association of NGO activists, business practitioners, academics, media affiliates and leaders of indigenous groups working together to promote ecological justice, cultural integrity and economic empowerment. Telapak is not anti-development; however, it does promote sustainable logging and sustainable marine coral farming.
Civil Society Organisations	
Indonesian Palm Oil Board (IPOB)	IPOB members come from various palm oil-related business associations and individuals. It aims to provide information about and to advocate for Indonesian palm oil.
Indonesian Palm Oil Community (MAKSI)	MAKSI is founded by several research centres in Bogor Agricultural University. It aims to provide scientific research and consultation on innovation, technology engineering, and social-environmental issues.
Alliance of Customary People (AMAN)	AMAN membership consists of customary communities from various areas in Indonesia. AMAN serves as a platform to advocate customary people's economic, social, and political rights.
Multistakeholder on Forestry Programme	The Multi-stakeholder Forestry Programme (MFP) was a six-year forest governance reform programme in Indonesia (2001-2006), funded by DIFID. It provided a comprehensive programme of support to civil society and government organizations, through small grants for community development, training, advocacy,

	<p>networking, multi-stakeholder dialogue, policy research, grant making and communications work. The MFP has influenced many local forest policy processes and is making a real impact on the lives of forest-based communities, who make up over 10 million of the 38 million poorest people in Indonesia.</p> <p>The MFP has helped provide a bridge between civil society and government, facilitating more effective participation by poor marginalized people in local government planning and policy making. This has resulted in numerous pro-poor local government regulations and policy task forces, and changes in attitudes and skills amongst government officials and local community leaders.</p>
Indonesian Chamber of Commerce (KADIN)	<p>Officially established in 1968, the Indonesian Chamber of Commerce and Industry or Kadin Indonesia, is an association of Indonesian entrepreneurs.</p> <p>KADIN provides direct services to 32 provincial chambers and more than 422 regency branches, Kadin Indonesia serves as a strategic forum and facilitator in elevating the pivotal role of entrepreneurs in Indonesia, intensifying business interaction and promoting regional economic growth. Kadin Indonesia also functions as the communication medium between Indonesian entrepreneurs and the government, with the aim of enhancing national economic planning and development.</p>
Indonesian Global Compact Network (IGCN)	<p>IGCN acts as a focal point of the United Nation's Global Compact Network. Its mission to promote, facilitate and implement the UN Global Compact principles in Indonesia. Its vision is to be a respectable agent of change in accelerating country transformation towards the achievement of human rights, competitive labour, sustainable environment, and ethical business practices.</p>
National Center for Sustainability Reporting (NCSR)	<p>NCSR was founded on 23rd June 2005 by five major independent organisations which are the Indonesian Management Accountants Institute, the Indonesian-Netherlands Association, National Committee on Governance, Forum for Corporate Governance in Indonesia and the Public Listed Companies Association. NCSR comprises of individuals, corporations, and organisations that share the vision and commitment in implementing and developing Sustainable Development in Indonesia. NCSR mission is to assist, develop, measure and report the implementation of CSR / Corporate Sustainability (CS).</p>
Experts and Consultants	
Dr. B. Herry Priyono (columnist)	<p>Herry is a productive writers on business accountability issues. His writings are published in well-known and widely circulated newspaper such as <i>Kompas</i> and <i>the Jakarta Post</i>. He read his PhD at London School of Economics. Currently he is the Dean of Driyarkara School of Philosophy.</p>
Maria R. Nindita Radyati (Trisakti University)	<p>Maria is a PhD candidate at the University of Technology Sydney. She is also the Programme Director of Center for Entrepreneurship, Change and Third Sector –Trisakti University (CECT-USAKTI). The centre oversees a postgraduate study programme on CSR.</p>

Noke Kiroyan (consultant)	Noke Kiroyan was the President Director of Rio Tinto Indonesia in 1997. In 2005 he accepted the offer to become President Director of PT Newmont Pacific Nusantara. Currently he owns and acts as the managing partner of consultancy firm (i.e. Kiroyan Partners) that provides services on social and communication issues.
Dr. Hariadi Kartodiharjo (Bogor Agricultural University)	Hariadi is an expert in the field of Economic of Forestry Institution. He holds a PhD from Bogor Agricultural University. He is also an expert consultant to Department of Forestry in Indonesia. Hariadi also serves as a board member of Biodiversity Foundation Indonesia (<i>Yayasan KEHATI</i>).
Ms. Maria Dian Nuraini (Indonesian mirror committee on ISO 26000)	Director of PT Jentera Adika Manyari (JAM's Consulting), a consultancy firm that focuses on CSR, sustainability report, life cycle assessment, environmental management, and community development. She also works with PT Tirta Investama (Danone AQUA) as a Sustainable Development and CSR Advisor. Ms. Nurani is one of three Indonesian who sits in the National Mirror Committee of ISO 26000.
Dr. Semerdanta Pusaka (CSR consultant)	Managing Partner of AICON Strategic Sustainability Management, Semerdanta Pusaka holds a DBA (Doctor of Business Administration) from De La Salle University, Manila, Philippines. His DBA thesis studies the implementation of ISO 26000 in the Indonesian medium-sized company. He has five years experience working both in a corporate communication consulting firm.

Appendix 2: Example email asking for an interview session and subsequent response

ENGLISH TRANSLATION

From: Jimmy Tanaya <jtanaya@gmail.com>
Subject: Request for an interview about Corporate Social Responsibility (CSR)
3 messages
Jimmy Tanaya <jtanaya@gmail.com> 24 May 2010 12:36
To: XXX.XXX@XXX.org
Bcc: Jimmy Tanaya <tanaya.geo@yahoo.com>

Dear Ms XXX,

I, Jimmy Tanaya, am a researcher (research associate) from the Business Watch Indonesia (BWI-Solo) that currently is enrolling in a doctoral training (PhD) at the Manchester Institute of Innovation Research, Manchester Business School, the University of Manchester from 2008-2012. My doctoral research focuses on Corporate Social Responsibility (CSR) in the Indonesian palm oil industry. The research uses primary data (interview, observation, and focus group discussion) and secondary data (regulations and other literatures). The research employs a mixed of qualitative and quantitative methods. The doctoral research is supervised by Dr. Sally Randles (Sustainable Consumption Institute, Manchester University) and Dr. Yanuar Nugroho (MIOIR).

In accordance with the doctoral research, I would like to enquire for the possibility of an interview session. XXX is chosen because of its active participation in CSR discourses in Indonesia and XXX's critical approach to business practices in Indonesia. The interview aims on capturing the stakeholders' perspective toward CSR and the various ways of implementing CSR in Indonesia.

The in-depth interview will take around 60-90 minutes. Should you would like to appoint another Greenpeace's staff for this purpose, ideally, the staff would be of Greenpeace's senior member. The staff would also actively involve in shaping the institution's policy toward CSR. The place and schedule for interview are arranged to suit the interviewee (I sincerely hope that the interview could be conducted in the rest of May or in the first week of June 2010). The interview could be conducted in either Indonesian language or English subject to the interviewee's preference.

The interviewee's profile will be protected forever. The interviewee's profile and his/her institution will be anonymised. The interviewee will be given the related interview transcript. I sincerely hope that you would grant this interview request.

Thank you and regards,

Jimmy Tanaya
Mobile (Indonesia): +62 882 1048 1400
Mobile (UK): +44 7598 941 664

From: XXX XXX <XXX.XXX@XXX.XXX> 25 May 2010 09:03
Subject: Request for an interview about Corporate Social Responsibility (CSR)
To: Jimmy Tanaya <jtanaya@gmail.com>

Dear Jimmy,

Thank you for your attention to XXX and our works. I wholeheartedly would like to share our concern about CSR, and in particular, with regard to crop estate companies in Indonesia.

If you do not mind, the interview can be conducted in Friday 4th June 2010 at 10.00 Indonesian Western Time in XXX office, Jl. <EDITED>.

Please be noted.

Regards,
XXX.

From: Jimmy Tanaya <jtanaya@gmail.com> 25 May 2010 12:18
To: XXX <XXX.XXX@XXX.XXX>

Dear Ms XXX,

Thank you for your prompt reply. Ok, the 4th June is noted for the said interview schedule. Thank you very much for giving me an opportunity to interview you. I believe the result of the interview will be beneficial for us and perhaps for others as well.

Regards,
Jimmy

Appendix 3: Interview Questionnaire

RQ	Community	Government	CSO/NGO	Business
<p>RQ5: What are the understandings of CSR and RBiS?</p>	<p>1. What do you think is the role of this plantation business to the society? What do you think of this particular plantation? Why? Do you know anybody else who share the same view? In your opinion, what brought you all share the same view?</p>	<p>1. What do you think is the role of this plantation business to the society? Do you know any particular plantation? What do you think of that particular plantation? Why? Do you know anybody else who share the same view? In your opinion, what brought you all share the same view?</p>	<p>1. What do you think is the role of this plantation business to the society? Do you know any particular plantation? What do you think of that particular plantation? Why? Do you know anybody else who share the same view? In your opinion, what brought you all share the same view?</p>	<p>1. What do you think is the role of this plantation business to the society? What do you think of your plantation? Why? Do you know anybody else who share the same view? In your opinion, what brought you all share the same view?</p>
	<p>2. Have you ever heard about CSR? If so, could you inform me, when and where did you hear about CSR for the first time? If you still remember it, what was it all about? What <i>did</i> you think of it then?</p>	<p>2. Have you ever heard about CSR? If so, could you inform me, when and where did you hear about CSR for the first time? If you still remember it, what was it all about? What <i>did</i> you think of it then?</p>	<p>2. Have you ever heard about CSR? If so, could you inform me, when and where did you hear about CSR for the first time? If you still remember it, what was it all about? What <i>did</i> you think of it then?</p>	<p>2. Have you ever heard about CSR? If so, could you inform me, when and where did you hear about CSR for the first time? If you still remember it, what was it all about? What <i>did</i> you think of it then?</p>
	<p>3. Does CSR mean anything to you? If it means something, What does CSR mean to you <i>now</i>? Why do you think it like that? 3.i. [if interview give similar</p>	<p>3. Does CSR mean anything to you? If it means something, What does CSR mean to you <i>now</i>? Why do you think it like that? 3.i. [if interview give similar</p>	<p>3. Does CSR mean anything to you? If it means something, What does CSR mean to you <i>now</i>? Why do you think it like that? 3.i. [if interview give similar</p>	<p>3. Does CSR mean anything to <u>your company</u>? If it means something, What does CSR mean to you <i>now</i>? Why do you think it like that? 3.i. [if interview give similar</p>

	<p>view] I reckon that you do not change your way of seeing CSR between now and the first time you heard it, may I ask why?</p> <p>3.ii. [if interview give different view] Do you think that your current view is different from previous one? Would you like to tell me about the difference and why do you change your view? Who/what influence you to change your view?</p>	<p>view] I reckon that you do not change your way of seeing CSR between now and the first time you heard it, may I ask why?</p> <p>3.ii. [if interview give different view] Do you think that your current view is different from previous one? Would you like to tell me about the difference and why do you change your view? Who/what influence you to change your view?</p>	<p>view] I reckon that you do not change your way of seeing CSR between now and the first time you heard it, may I ask why?</p> <p>3.ii. [if interview give different view] Do you think that your current view is different from previous one? Would you like to tell me about the difference and why do you change your view? Who/what influence you to change your view?</p>	<p>view] I reckon that you do not change your way of seeing CSR between now and the first time you heard it, may I ask why?</p> <p>3.ii. [if interview give different view] Do you think that your current view is different from previous one? Would you like to tell me about the difference and why do you change your view? Who/what influence you to change your view?</p>
	<p>4. Do you know anything about plantation XYZ's CSR projects in this area? Is there any connection between those CSR projects and you?</p> <p>4.i. If there is, could you tell me more about the connection? In the beginning of the contact, who came first to offer any kind of cooperation? How did you/they react to it?</p>	<p>4. Do you know anything about plantation XYZ's CSR projects in this area? Is there any connection between those CSR projects and you?</p> <p>4.i. If there is, could you tell me more about the connection? In the beginning of the contact, who came first to offer any kind of cooperation? How did you/they react to</p>	<p>4. Do you know anything about plantation XYZ's CSR projects in this area? Is there any connection between those CSR projects and you?</p> <p>4.i. If there is, could you tell me more about the connection? In the beginning of the contact, who came first to offer any kind of cooperation? How did you/they react to</p>	<p>4. Would you like to share about your CSR initiative in this area? Why do you want to do it? What does it take to implement CSR initiative? If you were to prioritise issues in CSR, what would it look like? Why?</p>

	<p>What is your role in the cooperation? Are you satisfied with this role? Why?</p> <p>4.ii. If there is not, have you ever tried to make any kind of cooperation with them? In your opinion, why did it not come into being? Why does the plantation forge cooperation with other particular governance actors? Would you like to get involved in CSR projects? Why? What kind of role do you want to take in CSR projects? Why?</p>	<p>it? What is your role in the cooperation? Are you satisfied with this role? Why?</p> <p>4.ii. If there is not, have you ever tried to make any kind of cooperation with them? In your opinion, why did it not come into being? Why does the plantation forge cooperation with other particular governance actors? Would you like to get involved in CSR projects? Why? What kind of role do you want to take in CSR projects? Why?</p>	<p>it? What is your role in the cooperation? Are you satisfied with this role? Why?</p> <p>4.ii. If there is not, have you ever tried to make any kind of cooperation with them? In your opinion, why did it not come into being? Why does the plantation forge cooperation with other particular governance actors? Would you like to get involved in CSR projects? Why? What kind of role do you want to take in CSR projects? Why?</p>	
	<p>5. The company says that they do this [example of CSR projects]? What do you think of those projects? Do you think it is (in-)sufficient? Why?</p>	<p>5. The company says that they do this [example of CSR projects]? What do you think of those projects? Do you think it is (in-)sufficient? Why?</p>	<p>5. The company says that they do this [example of CSR projects]? What do you think of those projects? Do you think it is (in-)sufficient? Why?</p>	<p>5. You mentioned about these [example of CSR projects]? What do you think of those projects? Do you think it is (in-)sufficient? Why?</p> <p><i>Ab1.[SEE NOTES BELOW]</i></p>
	<p>6. What do you think they should be doing BUT they are not?</p>	<p>6. What do you think they should be doing BUT they are not?</p>	<p>6. What do you think they should be doing BUT they are not?</p>	<p>6. What do you think is/are missing from your current</p>

	Why do they have to do it? In your opinion, why don't they do it?	Why do they have to do it? In your opinion, why don't they do it?	Why do they have to do it? In your opinion, why don't they do it?	CSR initiative? Why? If you were able to re-do it, would you do it? How would you ensure that you could do it this time?
RQ4: How is CSR and RBiS negotiation through relations between actors constructed?	7. Have anyone asked your opinion about those CSR projects? Who are they? Is there any change being made to accommodate your opinion?	7. Have anyone asked your opinion about those CSR projects? Who are they? Is there any change being made to accommodate your opinion?	7. Have anyone asked your opinion about those CSR projects? Who are they? Is there any change being made to accommodate your opinion?	Ab2.[SEE NOTES BELOW]
	7. Have anyone asked your opinion about any CSR initiative? Who are they? Is there any change being made to accommodate your opinion?			
	8. Have you ever discussed your concerns about environment, social, economic with other government actors? Who are they? Why did you choose to discuss with them? Was there any result out of the discussion?	8. Have you ever discussed your concerns about environment, social, economic with other government actors? Who are they? Why did you choose to discuss with them? Was there any result out of the discussion?	8. Have you ever discussed your concerns about environment, social, economic with other government actors? Who are they? Why did you choose to discuss with them? Was there any result out of the discussion?	8. Have you ever discussed your concerns about environment, social, economic with other government actors? Who are they? Why did you choose to discuss with them? Was there any result out of the discussion?
9. Have you ever discussed your concerns about those CSR projects with other government actors? Who are they? Why did you choose to discuss with them? Was there any result out of the discussion?	9. Have you ever discussed your concerns about those CSR projects with other government actors? Who are they? Why did you choose to discuss with them? Was there any result out of the discussion?	9. Have you ever discussed your concerns about those CSR projects with other government actors? Who are they? Why did you choose to discuss with them? Was there any result out of the discussion?	9. Have you ever discussed your concerns about those CSR projects with other government actors? Who are they? Why did you choose to discuss with them? Was there any result out of the discussion?	9. Have you ever discussed your concerns about CSR initiative with other government actors? Who are they? Why did you choose to discuss with them? Was there any result out of the discussion?

		discussion?		
10. Who do you think is (are) able to influence the way CSR is implemented in this area? Why? Would they do it? Why?	10. Who do you think is (are) able to influence the way CSR is implemented in this area? Why? Would they do it? Why?	10. Who do you think is (are) able to influence the way CSR is implemented in this area? Why? Would they do it? Why?	10. Who do you think is (are) able to influence the way CSR is implemented in this area? Why? Would they do it? Why?	10. Who do you think is (are) able to influence the way CSR is implemented in this area? Why? Would they do it? Why?
11. What do you think of “CSR” law (Law 40/2007)? why? Is there a better way? Why is it better?	11. What do you think of “CSR” law (Law 40/2007)? why? Is there a better way? Why is it better?	11. What do you think of “CSR” law (Law 40/2007)? why? Is there a better way? Why is it better?	11. What do you think of “CSR” law (Law 40/2007)? why? Is there a better way? Why is it better?	11. What do you think of “CSR” law (Law 40/2007)? why? Is there a better way? Why is it better?
12. Do you think CSR will be practiced differently in the future? Why? If different, what will be the main differences? Why?	12. Do you think CSR will be practiced differently in the future? Why? If different, what will be the main differences? Why?	12. Do you think CSR will be practiced differently in the future? Why? If different, what will be the main differences? Why?	12. Do you think CSR will be practiced differently in the future? Why? If different, what will be the main differences? Why?	12. Do you think CSR will be practiced differently in the future? Why? If different, what will be the main differences? Why?
13. What would governance actors do to achieve (or to avoid) that future?	13. What would governance actors do to achieve (or to avoid) that future?	13. What would governance actors do to achieve (or to avoid) that future?	13. What would governance actors do to achieve (or to avoid) that future?	13. What would governance actors do to achieve (or to avoid) that future?
14. Will you change your view about CSR in the future? If you are to change your view, what do you think the most significant factors underlying the change?	14. Will you change your view about CSR in the future? If you are to change your view, what do you think the most significant factors underlying the change?	14. Will you change your view about CSR in the future? If you are to change your view, what do you think the most significant factors underlying the change?	14. Will you change your view about CSR in the future? If you are to change your view, what do you think the most significant factors underlying the change?	14. Will you change your view about CSR in the future? If you are to change your view, what do you think the most significant factors underlying the change?
15. Ideally, what the plantation is supposed to do in the CSR? How should they ideally do it? If they do it, would it affect	15. Ideally, what the plantation is supposed to do in the CSR? How should they ideally do it? If they do it, would it affect	15. Ideally, what the plantation is supposed to do in the CSR? How should they ideally do it? If they do it, would it affect	15. Ideally, what the plantation is supposed to do in the CSR? How should they ideally do it? If they do it, would it affect	15. Ideally, what the plantation is supposed to do in the CSR? How should they ideally do it? If they do it, would it affect

	your view on the plantation? How would it affect it?	your view on the plantation? How would it affect it?	your view on the plantation? How would it affect it?	your view on the plantation? How would it affect it?
	16. Apart from your connection to CSR nowadays, in the future, do you think that you need to have cooperation? Why? What kind of cooperation? What kind of role would you like to take? Why?	16. Apart from your connection to CSR nowadays, in the future, do you think that you need to have cooperation? Why? What kind of cooperation? What kind of role would you like to take? Why?	16. Apart from your connection to CSR nowadays, in the future, do you think that you need to have cooperation? Why? What kind of cooperation? What kind of role would you like to take? Why?	16. Apart from your connection to CSR nowadays, in the future, what kind of cooperation would you expect or look for? Whom would you like to have it with? Why? How would you evaluate it? What kinds of benefit are you expecting of it?

Ab1. Did you receive any feedbacks? Why?

Ab1.i. [If Yes] What feedbacks did you receive? Did you do any follow up? How did you react/follow up to it?

Ab1.ii. [If No] Does it mean anything for you to receive no feedback? Why? If you were to receive feedbacks, what feedbacks do you expect? From whom would you like to receive it? Would you like to receive feedbacks in the future? What feedbacks and from whom? How would you ensure that you would have feedbacks this time?

Ab2. Is it possible to run CSR initiative by yourself? Why?

Ab2.i. [If possible] Do you think you need to cooperate? What kind of cooperation would you expect or look for? and with whom would you like to have it? Why? How would you like the cooperation to begin with? How would you evaluate it? What kinds of benefit are you expecting of it?

Ab2.ii. [If impossible] Have you ever had any cooperation about CSR?

Ab2.ii.1. [If yes] When did you have your first cooperation in CSR? With whom and who started it first? In particular, why did you participate in it? Do you have any ongoing cooperation currently? With whom and who started it first? How would you like the cooperation to begin with?

Ab2.ii.2. [If no] Have you ever tried to make any kind of cooperation? When and with whom? In your opinion, why did it not come into being? If you have the chance, would you re-do it? How would you ensure that you would have the cooperation in this time?

Appendix 4: Enquiry Protocols of Electronic Database

There are two different media sources, and accordingly, two different databases. Fortunately, both media provide electronic database of their entire publication records.

- *Majalah Tempo*

Tempo's database can be accessed in two ways that are through Tempo's website <http://majalah.tempointeraktif.com> and Google's search engine. The drawback of using Tempo's website is the absence of keyword search. It means that any attempt to find related records would require careful reading to every single of Tempo publication. Meanwhile, Google's search engine provides specific keyword search. Hence, I used Google's search engine to run my query to Tempo's open access database.

In order to run Google's search engine effectively, I need to understand two things i.e. Google's search structure and Tempo's Unified Resource Locator structure (URL or known as well as "web address"). Google's search structure is as follow:

[keywords] [Boolean Operators] [Google Syntaxes]

Keywords are simply specific word(s) that I want to find, which in this case are either *sawit* (oilpalm) or *minyak kelapa sawit* (palm oil). Boolean operators are logical connective between keywords for example "AND" (to return any result that contains *both* keywords), "OR" (to return result that contains *any* of keywords used). Google syntaxes are special operators in Google to filter the search result. Related syntaxes that is used in this research are "**inurl:**" (to restrict the results to documents containing that word in the URL) and "**site:**" (to restrict the results to documents hosted in that URL).

Meanwhile, Tempo's URL structure is as follow:

**[domain name]/[language]/[type]/[year]/[month]/[date]/[section]/[result's
identification]**

For example,

<http://majalah.tempointeraktif.com/id/arsip/1971/05/22/EB/mbm.19710522.EB57276.id.html>

Therefore, my Google's search query is:

sawit OR "minyak kelapa sawit" site:majalah.tempointeraktif.com inurl:[year]

That means:

- Return results containing any (or combination) of these words: "sawit" (oilpalm) and "minyak kelapa sawit" (palm oil).
- Return results only from <http://majalah.tempointeraktif.com> (Tempo's database).
- Filter the results only from particular year. This syntax is used to prevent unmanageable results i.e. hundreds of links. It also helps me to organise the data.

- **Harian Kompas**

Similar to Tempo, Kompas also provides online database. However, Kompas' database is not indexed by Google's search engine, and therefore, it is necessary to run the query through Kompas' database interface seen below.

The screenshot shows the 'Pusat Informasi Kompas' website. At the top left is the PIKNet logo. The main header reads 'Pusat Informasi Kompas'. Below the header, there is a navigation link 'Awal Informasi'. The central part of the page features a large heading 'Pencarian Berita' with a 'FREE TRIAL' badge. A red banner below the heading states 'Free Trial berlaku untuk kliping KOMPAS edisi 1 minggu terakhir.' To the left of the search form is a small image of a child reading a newspaper, with the caption 'Lukisani: Cynthia Handoyo; Foto: JS' and a welcome message 'Selamat datang di PIKNET'. Below this is a list of bullet points describing the service. The search form itself is titled 'Form Pencarian' and includes fields for 'Periode' (set to 2011 - 2011), 'Media' (Seluruh KOMPAS), 'Hasil' (25 baris/hlm.), 'Kata Kunci', and 'Penulis'. There are 'Cari' and 'Reset' buttons. To the right of the form is a section titled 'Cara Mencari' with a list of instructions. At the bottom right, there is a 'Contoh' section with examples of search queries. The footer contains the copyright notice '© 2001, Teknologi Informasi Kompas.'

Kompas' Database Interface

The search query is inputted in the green box. I put the time-period of the records in “*Periode*” and I chose Kompas in “*Media*”. Next, I put the search keywords i.e. *sawit* (oilpalm) and *minyak kelapa sawit* (palm oil) in the box “*Kata Kunci*” that literally means keywords. The last box i.e. “*Penulis*” (EN: writers) is not related to my research query, thus, it was ignored. The last step is simple that is to click “*Cari*” (EN: search) button to run the query. The results are shown as a news index with the first 20 words of each entry.

The last step in collecting data from Kompas and Tempo is to check whether the results are relevant to my research. This is done through reading every single news. If the news is relevant to the research, then, the news is stored in two forms i.e. printed documents and pdf files.