CSR in Indonesia

A qualitative study from a managerial perspective regarding views and other important aspects of CSR in Indonesia

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Abstract

This paper will from a managerial perspective investigate the function of CSR (Corporate Social Responsibility) as a strategic tool for companies operating in Indonesia. Another aspect this paper will discuss is different views on CSR and what positive as well as negative aspects CSR brings. The country was first in the world to state a law regarding CSR performance in 2007, which makes CSR mandatory for all companies using natural resources in some way. This issue complicates CSR matters in Indonesia since the law is vague regarding what is considered as a natural resource. Furthermore, this paper will display how companies using CSR relate themselves to their stakeholders and in what way they operate in order to fulfil and satisfy different stakeholders’ needs and demands. It will also discuss which stakeholder is considered to be the most important and influential regarding a company’s CSR activities. Findings in this thesis show that CSR among companies is used as a strategy in order to gain legitimacy from the society to be able to do business and operate in these areas. Further, using CSR will create competitive advantages towards non-users and a company will increase its reputation as well as image.

Keywords: company, CSR, Indonesia, strategy, stakeholders
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1 Introduction

This thesis will focus on Corporate Social Responsibility (CSR) regarding companies located in Indonesia. For many years companies (foreign as well as domestic) have abused their power in rural and remote areas where they have extracted natural resources. This by emptying these areas of resources and leaving with all the profit with nothing left for the local inhabitants in these areas. Until 1998 these companies where protected by the government (army and police), but when the new president was appointed in 1998 the companies no longer received protection from the government and companies who had neglected the local communities faced major difficulties from locals claiming their “land” back. CSR have since then played a major role for some companies in Indonesia in order to become accepted and secured from its surrounding society. CSR is a relatively new and well known concept among companies in Indonesia, but difficulties lie within interpreting what the term CSR really means. CSR is a widely interpreted term with almost as many meanings as interpreters. Furthermore, this thesis will look into CSR from a managerial perspective, how it functions as a strategic tool for companies to use in order to satisfy its stakeholders as well as create a healthier environment for the surrounding society.

1.1 Background

Recent year’s globalization has been a well-debated topic in international economics (Worldbank 2009). Proponents claim that globalization contributes to improve affluences and decrease poverty, while opponents believe it to increase global injustice (Borglund et al 2009). Companies willing to expand and improve their access to natural resources as well as cheap labor force are often located in areas where poverty and other social dysfunctions are appreciable. Corruption and unofficial local regulations can force companies into situations where otherwise international laws and regulations would have abjured (Grafström et al, 2008). With increased pressure from its stakeholders including Non Governmental Organizations (NGO’s) (Werther & Chandler 2006), companies face a higher responsibility for their actions and influences that a company will have towards the surrounding world (Porter & Kramer 2006). Environmental issues, such as global warming are together with human rights a widely discussed topic in scientific papers and other recognized journals circulating the world (Economist 2008).

To increase their economical performance and maintain its reputation, many companies look for new management strategies to differentiate and gain competitive advantages against other competing companies (Porter & Kramer 2006). Corporate Social Responsibility (CSR) (Borglund et al 2009) is referred to in various literature as corporate responsibility, business responsibility, corporate citizenship, corporate responsibility and corporate sustainability etc. (Werther & Chandler 2006) and refers to a field regarding companies’ responsibility to interact with its society and improve the overall welfare (Borglund et al 2009; Grafström et al 2008).

Over the last decade CSR has become one of the most important issues for Trans National Organizations (TNO) (Kemp 2001) due to stakeholders’ interest as well as NGO’s input. NGO’s have made it a mission to pursue companies that ignore certain rules, such as using child labor and violating environmental laws. This by using these
companies names on different websites and other forums to highlight their violations for others to see (Grafström et al, 2008).

The discussion regarding CSR came to surface in 1953 when Howard Botton in his book ”The social responsibilities of a businessman” explains what kind of social responsibility one can expect from a company (Garriga & Melé 2004). Some say that CSR should be compulsory for each company, while critics claim that it is up to each company to decide if they are to comply with CSR or not. An early critic to CSR was Milton Friedman who stated that the only responsibility a company has to its stakeholders is to yield profit maximization (Grafström et al 2008). Still there are many contradictions regarding CSR and financial performance (Pedersen 2006), though many proponents amongst others believes CSR to be a crucial factor for long term survival and an important management strategy to satisfy its stakeholders (Grafström et al 2008; Porter & Kramer 2006; Borglund et al 2009 etc).

Literature and studies regarding CSR in Indonesia are still few and mainly focus on larger companies (Crane et al 2008; Ciliberti et al 2008). Recent studies show that 90 per cent of businesses worldwide are classified as small- and medium-sized enterprises (SME’s) and counts for 50-60 per cent of the overall employment (Raynard & Forstater 2002). Due to this fact SME’s achievements must be considered to have major effects worldwide. SME’s that use CSR as one of their strategies will be able to create more business opportunities and thereby get competitive advantages towards other SME’s (Jenkins 2009).

In July 2007 Indonesia was the first country to announce a mandatory law regarding CSR, which applies to companies using natural resources (CSR Asia 2007). Due to the law, the public debate in Indonesia regarding CSR has increased and the Indonesian business community promotes the concept of CSR to the local SME’s as a way to reach the US and European markets (Rosser et al 2008).

1.2 Problem Discussion

During the past three decades the expression CSR has been widely discussed by companies as well as in academic communities worldwide, with one mutual goal: to find an explanation of CSR that everyone involved can agree upon (Grafström et al, 2008). Votaw and Cethi (1973, p.57) describe this global disagreement in the following terms: “It’s a brilliant term: it means something but not always the same thing to everybody”. Since there still is confusion regarding the expression, some companies hesitate to expose what they actually are doing in terms of CSR activities. The hesitation is due to companies being afraid that media and NGO’s will pursue them if they are to make mistakes while performing their CSR activities (Kemp 2001).

Among a company’s stakeholders, NGO’s seem to have a major impact on a company’s decision-making and performance regarding their CSR activities. However, NGO’s seem to have a different view on CSR and consider it more important to perform in a useful way than most companies do. Performing CSR activities in Indonesia is very complex due to various aspects and circumstances, such as political issues, cultural differences, religion and lack of financial means (Kemp 2001).
1.3 Thesis questions
The problem discussion leads to the following thesis questions:

*How is CSR looked upon as a strategy from a managerial perspective in Indonesia?*

*Who is considered to be the most important stakeholder for companies in Indonesia performing CSR and in what way do companies meet its stakeholders' demands?*

*What are the different views (companies and NGO’s) of CSR?*

*What are the positive as well as negative aspects of using CSR?*

1.4 Purpose
The purpose of this thesis is to create a deeper understanding regarding CSR in Indonesia. Furthermore this research will investigate the importance of using CSR for companies in Indonesia from a managerial perspective, if and in what way CSR functions as a strategy. Finally the research will explore differences, if there are any, between companies and NGO’s views on CSR.
2 Methodology & Approach

This chapter contains an account of descriptions, explanations and used approaches that the authors of this thesis have used to be able to answer the thesis questions. The purpose of this section is to guide readers through the process of the work regarding this thesis. How data have been collected, samples been chosen and difficulties that have been encountered from the creation of the thesis problem until final conclusions have been reached.

2.1 Methodology

When deciding what method to use for collecting and analyzing data there are basically two different methods to choose from (Crouch & Housden 2003; Thomas 2003). Quantitative method is based on a larger amount of collected data for further analysis through numbers and statistics, the data is usually collected through surveys (e-based, by telephone or personally by filling out a questionnaire) containing pre-given answer alternatives (Thomas 2003). Qualitative method focuses on a deeper understanding and interpretation of words through interviews and/or participating observations (Bryman & Bell 2005).

Since the aim of this thesis is to create a deeper understanding about a certain phenomenon (see chapter 1.4), a qualitative method and approach have been chosen. CSR performance in companies’ can many times differ regarding its performance, this depending on their managements own believes and opinions (Borglund et al 2009; Werther & Chandler 2006).

Empirical data will be collected through interviews built on “open answer” questions, which creates room for the respondent to speak his/her own mind concerning the discussed subject inside this research. According to Bryman & Bell (2005) this approach can be described as a semi-structured interview that is useful when a researcher has a set focus on what are to be investigated.

The research in this thesis has been performed only with Indonesian participants. Taking this in consideration and that none of the authors speak Indonesian; a qualitative method would be more appropriate for several reasons:

- Cultural differences between Sweden and Indonesia are enormous (Karlsson, interview, 2009-04-21; Olsson, interview, 2009-04-29) and designing questions in order to achieve a relevant as well as functional questionnaire to prevent misunderstandings would have been difficult without external help and input.

- Performing a quantitative research by sending out surveys to Indonesian companies can be very time consuming because of complex administration procedures in Indonesia (Olsson, interview, 2009-04-29). It can also be very difficult and complicated to get enough Indonesian companies willing to participate in a survey sent out by E-mail (Dewi, interview, 2009-02-06).

- A qualitative method gives more flexibility to attend and reformulate questions that can have different meaning amongst respondents. This can give a deeper understanding of what is being researched (Bryman & Bell 2005; Crouch & Housden 2003).
This research also contains quantitative features whereas in the final stage of collecting the empirical data answers were received from one of the large companies participating through E-mail. This was due to a cancelled interview and these answers were accepted since the authors at this stage could see clear patterns from earlier collected empirical data. According to Glesne and Peshkin amongst others (Thomas 2003) using the two methods as complementary to each other will help a researcher to be more effective in order to collect data.

2.1.1 Methodology structure

There are generally two different types of scientific assault approaches, inductive and deductive approach. Inductive approach means that theories and conclusions are reached through empirical collected data. In deductive approach the theory directly affects the data collection and conclusions (Bryman & Bell 2005; Thurén 1991; Stadler 2004).

When performing a deductive research, the researcher generally states a few hypotheses based on the theoretical framework that one has used (Chalmers 1996). Further the researcher accepts or rejects the hypotheses that will be used in the empirical examination. In this thesis a deductive structure is to be used, but since the view upon CSR is still seen as a broad concept, hard to grasp at times and based on personal opinions (Werther & Chandler 2006) the authors felt it irrelevant to state any hypotheses. Lerner (2001) describes this as an explanatory approach, whereas a researcher can reach hypotheses as an outcome of the research instead of rejecting hypothesis stated from used theories. Bryman & Bell (2005) argue that deductive and inductive strategies shall only be seen as tendencies and not as distinctions that always apply.

2.2 Approach

To make this research more relevant the authors traveled to Indonesia and made in depth interviews with representatives for companies using CSR. To achieve a deeper understanding regarding CSR the authors felt it necessary to experience and observe the Indonesian culture from a business as well as societal perspective. This approach can be resembled to what Bryman & Bell (2005) and Thomas (2003) describe as interpretive and naturalistic approach to the subject matter. Whereas a researcher studies its objects in its natural surroundings and to get a clearer view of a concept, in this case CSR. The authors have therefore not only chosen to interview companies using CSR but also actors in Indonesia who is affected by, or affect and cooperate with companies performing CSR activities (see table 2).

Before arriving at location in Indonesia the authors had in mind only to focus on SMEs in their research, but when arriving in Jakarta they found out that mainly larger companies use CSR and that SMEs generally perform only certain CSR activities. Discovering this dilemma, they decided to interview small, medium and large sized companies (see Table 1). By doing this, the authors were able to cover a wider perspective regarding the concept of CSR among companies located in Indonesia and thereby improve the chances to answer the questions brought into this research.

They also discovered that the definition regarding SMEs in Indonesia (Republic Indonesian Law No.20, 2008, provided by Choirul 2009-04-01) and Europe (European Commission 2005) differs (see Appendix A). Further in this thesis companies will therefore be defined as small, medium and large companies. The Indonesian defini-
tion of SMEs will be used and referred to as small companies and the European definition of SMEs will be referred to as medium companies within this research. All companies larger than the mentioned definitions are thereby referred to as large companies throughout this thesis (see table 1).

<table>
<thead>
<tr>
<th>Thesis definition</th>
<th>European definition</th>
<th>Indonesian definition</th>
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<tbody>
<tr>
<td>Small</td>
<td>Micro</td>
<td>SMEs</td>
</tr>
<tr>
<td>Medium</td>
<td>SMEs</td>
<td>Large</td>
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<tr>
<td>Large</td>
<td>Large</td>
<td>Large</td>
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</tbody>
</table>

Table 1 Definition of company size

Ministry of SMEs, Chamber of commerce and two business associations (see table 2) was first interviewed to gain pre-understanding about CSR in Indonesia and after meeting with one of the larger companies (see table 2, no. 5) it was discovered that Indonesian NGOs have an important role for companies performing CSR activities. To cover this perspective of CSR interviews with two Indonesian NGOs were performed. To get an even wider and clearer view of CSR in Indonesia Ali Darwin, executive director at NCSR was contacted. He works with CSR reporting as well as setting CSR standards in Indonesia and thereby has knowledge about domestic as well as international CSR performance. Beneath a table is presented that summarizes and describes how the research was carried out and due to a constantly changed schedule and new discoveries affecting the outcome of this research, the authors found it important to clarify their approach.

<table>
<thead>
<tr>
<th>Appointment</th>
<th>Reason and outcome affecting the approach</th>
</tr>
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</table>
| 1. Interview with Deputy Ministry of SMEs. | ➢ To achieve knowledge regarding SMEs in Indonesia as well as information regarding CSR performance among companies located in Indonesia.  
   ➢ The definition of SMEs in Indonesia is different compared to the definition set by the European Commission (see table 1). |
| 2. Interview with the Indonesian Textile Association. | ➢ Find out about CSR related to this field of industry.  
   ➢ Only large sized companies in this field of industry perform CSR. |
| 3. Interview with Indonesian Chamber of Commerce. | ➢ To achieve knowledge regarding larger companies in Indonesia as well as information regarding CSR performance among companies located in Indonesia.  
   ➢ Larger companies are the ones who perform CSR in a broader perspective and small companies only perform certain parts of CSR. The authors hereby decided to interview different sized companies to be able to cover CSR in a wider perspective. |
| 4. Informal meeting with the Indonesian Handicraft Association. | - In order to introduce the authors and find out about CSR among small companies in their field of industry.  
- A list of small companies was handed out for the authors to investigate CSR in small companies. |
| 5. Introduction meeting with Large company Elnusa. | - Meeting to set a date for a complete interview.  
- Acknowledge that some companies performing CSR cooperate with NGOs. The authors decide to contact NGOs regarding their relation with CSR and companies performing CSR. |
| 6. Interview with small company Indo Jati Furniture. | ✓ Complete |
| 7. Interview with small company PT Dika Renacipta. | ✓ Complete |
| 8. Interview with Indonesian Handicraft Association. | - Find out about NGOs.  
- The authors find out about NGO Nurani Dunia. |
| 9. Interview with NGO Nurani Dunia | ✓ Complete, the authors also received contact information regarding the NGO ACT Foundation. |
| 10. Interview with NGO ACT Foundation. | ✓ Complete |
- The impact reporting CSR have on companies located in Indonesia. |
| 12. Meeting with Indonesian Chamber of Commerce. | - Find out about medium and large sized Indonesian companies that perform CSR.  
- Finding medium sized companies performing CSR are complicated and difficult. |
| 13. Interview with Large company; PT Rekayasa Industri Engineering & Construction. | ✓ Complete |
| 14. Meeting with Large company; Elnusa. | ✓ Complete  
- See some of their CSR activities located close to their headquarters. |
| 15. Interview with Elnusa. | ✓ Complete |
| 16. Interview with Medium sized company Molindo. | ✓ Complete |

Table 2 Summary and schedule for Interviews and meetings affecting the research approach as well as sample selection (Authors own version 2009).
In the opening of all interviews the respondents were asked to describe their field of business and this further led into the question scheme, that have been used for each interview. According to Bryman & Bell (2005) using a question scheme makes it possible to have some kind of structure and guideline throughout the interview. Questions that have been formulated by have not necessary been answered in a specific order, although in the end of each interview the authors went through the questions again to secure that all questions had been answered properly. Due to the fact that some of the respondents could not talk or understand English in a proper way, nor did they feel comfortable enough using English during the interviews. External help from Ms. Chandra Dewi was received in order to interpret parts of, or entire interviews. This was mainly done throughout the interviews with associations (Indonesian textile & Indonesian Handicraft), Chamber of Commerce, Ministry of SMEs and the small companies. All interviews with the medium and large companies the respondents spoke English.

During the ongoing research, a deeper insight and understanding for CSR in Indonesia was received. Due to this, the questionnaires were restrcutured and improved along the way in order to suit the respondents as well as the research (see Appendix B).

2.3 Sample selection

By adapting and changing the approach throughout the research (as explained in previous chapter 2.2) further sample selections had to be evaluated and added. This type of approach has similarities to what Strauss and Corbin (Bryman & Bell 2005) describes as theoretical samples, whereas data collection is affected by the events throughout the research.

Bryman & Bell (2005) describe that qualitative research sometimes get accused of being transparent. Transparence occurs when a researcher has failed to give a clear explanation regarding the research approach as well as an accurate description regarding its sample size and selection. To clarify the sample size and selection in this thesis, one can overview the descriptive chart (see table 3) as well as the summary of the interviews (see table 2). Together they show how the authors received access to the different sources as well as respondents and how they are linked to each other.

Through Dr.Per Lind the authors got in contact with Indonesian local Ms. Dewi and due to her local knowledge as well as wide network it was possible to reach the desired amount of respondents. The majority of the companies participating in this research was contacted and approached by Ms. Dewi. She was given instructions from the authors regarding different sources needed to fulfill their research purpose. Out of thirteen interviews, one was carried out and answered through E-mail (PT JAPFA Comfeed Indonesia Tbk). Some of the questions was sent back and refined by the respondent on request by the authors, this in order to achieve more extensive answers comparable to the other interviews where further discussions regarding the questionnaire occurred. E-mail was also used to get in contact with Mr. Fritz at BICG (Bali International Consulting Group) that was found when browsing the web for CSR in Indonesia. This resulted in further contacts with NCSR (National Center of Sustainability Report) and PT JAPFA Comfeed Indonesia Tbk (see table 3).
Table 3 Scheme for connection of sources, authors own creation (2009)

BISC – Bali International Consulting Group
NCSR – National Center for Sustainability Reporting
Large Company 1 – PT JAPFA
Large Company 2 – PT Elnusa
Large Company 3 – PT Rekayasa
Medium Company 1 – PT Molindo
Small Company 1 – Indo Jati Furniture
Small Company 2 – PT Dika Renacipta
NGO 1 - Nurani Dunia
NGO 2 - ACT Foundation
Maxwell (2004) and Locke et al (2001) argue that a qualitative research design rarely or never use probability samples. Generally samples in qualitative research are based on a purposeful selection whereas the individuals in the research have been chosen since they are considered as the most relevant provider of information in order to answer the research question. Respondents were selected since they all are considered to have some kind of relation to the thesis subject and that they all were situated in Jakarta. The respondents can be divided in to three groups whereby they have been selected:

1. Insight in Indonesian business culture and CSR
   - Chamber of commerce
   - Ministry of SMEs
   - NCSR
   - Handicraft Association
   - Textile Association

2. Companies performing CSR activities
   - PT Elnusa
   - PT JAPFA Comfeed Indonesia Tbk
   - PT Molindo
   - PT Rekayasa
   - PT Dika Renacipta
   - Indo Jati Furniture

3. NGOs involved in CSR activities
   - ACT Foundation
   - Nurani Dunia

Group 1 was selected in order to get an overview regarding Indonesian business culture and the function of CSR in the country. Group 2 and 3 were selected due to their involvement in CSR activities. Individuals at managerial level or advocates designated by the management were accurately interviewed. Doing a restricted sample selection as well as setting geographical boundaries can according to Bryman & Bell (2005) be described as an opportunistic, or so called convenience sample.

2.4 Data collection

Collected data is based on primary as well as secondary data. Secondary can be described as data already available through earlier researches in the same or other fields of science, done by other researchers in order to answer their research questions and problems (Thurén 1991). Secondary data used in this thesis is collected from books and scientific articles as well as Internet sources, which have been selected in order to reach a better understanding for CSR as well as support theories and methodology used in this research. Primary data can be seen as evidence that have been collected and produced during the research period by the researcher (Belk 2006; Sumner & Tribe 2008). Sumner and Tribe (2008) argue that primary data can be resource intensive in order to find available research resources. Primary data has been gained from
interviews performed by the authors in Indonesia and even though several interviews were organized as well as confirmed before the authors arrived at location Jakarta, Indonesia only one of these was performed due to misunderstandings and late cancellations.

During the interviews both authors asked questions and took notes and when interviewing medium and large companies a tape recorder was used, though notes were also taken. When performing the other interviews a tape recorder was not used due to:

- The respondent did not approve being recorded
- The authors felt it inappropriate to use a tape recorder in order to reach relevant answers (i.e. because of location, occasion and character)
- To make the respondent feel more secure and comfortable

Not more than three hours after each interview a transcription was performed by the authors, this in order to summarize the interviews into primary data. To structure collected and transcript primary data, the question scheme has been used as a model whereby the answers have been summarized. Doing this will facilitate discovering empirical patterns (Bryman & Bell 2005) useful during analysis and further discussion in this thesis.

2.5 Criticism of the sources

A critical approach has been used when judging relevance and credibility when selecting different sources. Which means that all material is evaluated in order to fit the chosen topic of this research, something that Davies and Fry (2005) argue is highly relevant in order to conduct a proper research.

According to Bryman and Bell (2005) it is difficult for an interviewer to assure that the information received throughout the interviews can be considered valid and that the respondent is answering the questions in a truthful way. All interviews have been conducted with respondents working (or representing) on a managerial level and also have knowledge regarding the thesis subject. To strengthen the reliability and validity of the interviews the transcript material was sent back to the respondents for confirmation and assured by signature to approve the material. The majority of the information that has been collected from Internet regards information about the interviewed companies, associations, organizations and institutions in order to receive additional information. The authors are fully aware that information collected from these websites might be partial since they are constructed by the companies themselves.

2.6 Validity & Reliability

Kirk and Miller (1986) amongst others claim that reliability as well as validity shall be separated into internal and external concepts. The amount of internal reliability can be considered to be high when two or more researches have agreed on in what way to interpret their empirical findings (Bryman & Bell 2005; Kirk & Miller 1986). Partiality is less like to appear in this research since there is more than one author and that all decision regarding methodology, theory and interviews have been discussed between the authors before performing each task. Furthermore, the same authors (Bryman & Bell 2005; Kirk & Miller 1986) and Thyer (2001) argue that external reliability is about to what degree two similar researches with the same type of
collected data roughly can gain same transcript material to generate similar results. The topic CSR in Indonesia is a relatively new concept and thereby it is hard to find similar researches for the authors to make comparisons. All steps in this particular research have been accurately described in this chapter to increase the possibilities of performing a comparable study for another researcher to gain similar results.

Bryman and Bell (2005) describe reliability as the certainty of measuring if a certain concept as stable and/or valid. Reliability is together with validity and replication is considered to be the three most important criteria’s when performing a research. According to Kirk and Miller (1986) validity is considered as a measurement of how accurate the results of a research are compared to the questions and/or phenomenon intended to be researched. The authors have answered the thesis questions supported by their theoretical framework and collected empirical data.

Validity in qualitative researches are known to be criticized due the fact that validity many times is based on positivistic assumptions whereas knowledge needs to be approved and not based on a researchers own interpretations (Huberman & Miles 2002; Kirk & Miller 1986; Maxwell 2004). As mentioned earlier, this research has been performed in Jakarta, Indonesia with several participants who perform, affect or is affected by CSR in Indonesia. Achieving different views upon CSR increased the authors understanding for the concept and decreased the possibilities of using their own interpretations.

2.7 Criticism against qualitative research

Most critics feel that qualitative researches are based on a researchers own perceptions of findings, which makes the results less valid and relevant. This due to the researchers’ perception of what he or she considers to be important within the research (Bryman & Bell 2005). Another aspect for criticism is the closeness between a researcher and respondents that a qualitative research requires when performing in-depth interviews, this can make a researcher biased and thereby create a less critical approach towards the research and its findings (Huberman & Miles 2002; Jones 1998). To prevent this all decisions have been discussed between the two authors. Furthermore, the interviews were formal and none of the authors had any connections or knew any of the respondents before conducting the interviews.

Qualitative researchers are considered to be quite vague in their description of why a certain area, theme or concept was chosen as the aim for the research (Bryman & Bell 2005). The authors of this thesis have explained why they chose their research area as well as subject and approach to be able to perform this research, this is explained in a previous chapter (1.2) as well as through tables (2 and 3).
3 Theoretical framework

Theories used in this chapter are presented in order to identify, clarify and determine the relationship between a company and its CSR activities. Following theories have also been chosen by the authors of this thesis to be able to recognize and describe collected empirical data. Further, the theories and empirical data will be merged in Chapter 6 in order to answer the thesis questions.

3.1 Overview of theories

To remind the reader of the subject within this thesis a short discussion regarding CSR and strategy will be presented (chapter 3.2), this to provide guidance through the theories. The authors will have an in depth approach towards strategy by using The Strategic circle (chapter 3.3), wherein the process of strategy will be described in three steps. This theory shall provide a deeper understanding when identifying a company’s view upon CSR as a strategy.

Carroll’s CSR Pyramid (chapter 3.4) covers the whole perspective of what the society can expect from a company, economically as well as socially. This theory will be used to identify a company’s CSR activities and how they use CSR as a strategy. Further this theory will explain and recognize the connection between a company’s CSR activities and its stakeholders. Carroll’s CSR Pyramid can be used as a tool to clarify different kind of responsibilities a company has to fulfill in order to achieve legitimacy from its surrounding society and stakeholders.

To be able to explain and identify who has a stake in a company’s performance and activities, the Stakeholder Theory (chapter 3.5) is to be used. Supported by literature used in this thesis, the authors have divided a company’s stakeholders into two separate groups, internal and external. Together with the empirical data it will be possible to locate and clarify who has a stake in an Indonesian company using CSR.

The Stakeholder Theory provides a solid foundation regarding a company and its stakeholders. This management strategy has due to managerial development become quite inadequate and has therefore been reinforced by the Theory of Stakeholder Identification (chapter 3.6). This theory explains the level of impact as well as what expectations the surrounding society and the different stakeholders have on a company.

3.2 CSR and Strategy

Strategy can be defined as a long-term plan of actions designed to achieve a particular goal (Chandler 2003; Johnson et al 2006; Spulber 2004). Porter (1996) suggests that a strategy shall create advantages for a company in order to locate its resources against competing companies and its surrounding environment. A strategy shall also increase a company’s prerequisite to meet and fulfill expectations from its stakeholders. Competitive advantages and strategy is about acting different from its competitors, though regarding CSR a major theme is to achieve legitimacy from its stakeholders as well as the surrounding society (Grafström et al 2008).

Strategic CSR generally involves a proactive approach in order to protect a company and its activities from being condemned by its surrounding society as well as its
stakeholders (Brammer & Pavelin 2006; Grafström et al 2008). This approach also involves long-term behavior in order to create sustainability (Porter & Kramer 2006).

Strategic CSR shall be designed after a company’s core-business and Porter (1996) describes strategy as finding the right “fit” between a company’s different goals, activities and operations. Another aspect a company has to acknowledge regarding strategy and CSR is the importance of “trade-offs”. A trade-off is when a company selects a certain path for their operations and by doing this the company will have to neglect certain activities in order to reach their desired goals.

3.3 The Strategic Circle

The Strategic circle summarizes and focuses on three important stages found in literature regarding management strategy (Alkhafaji 2003; Campell et al 2002; Spulber 2004; Thompson & Martin 2005 etc) and is founded by the authors of this thesis. The Circle has been designed to increase the understanding of a company’s strategic performance. The authors particularly want to point out that similar models already might exist and can be found in literature regarding strategy.

The three stages include; strategic analysis, strategic choice and strategy implementation, which will be described in detail below. Each one of the characteristics has a vital function in itself, but all characteristics are dependent on each other (thereby the two way arrows are placed between each circle). This must be taken in consideration by a company in order to be able to carry out a successful strategy (Grant 2005; Spulber 2004). To create a successful strategy, a company has to perform more than one activity well and at the same time integrate among these activities (Porter & Kramer 2006).
3.3.1 Strategic analysis

A company’s strategic analysis shall answer the questions; what does a company want to achieve, what are its needs, who are their competitors and what are their responsibilities? Strategy generally involves internal as well as external analysis whereas the internal shall identify and describe a company’s strengths and weaknesses as well as determining its characteristics. External analysis on the other hand shall describe its surroundings and identify opportunities and threats (Campell et al 2002; Spulber 2004; Williamson et al 2004).

There are many tools a company can use and several ways in which a company can perform analysis of its strategy (i.e. PEST analysis, Stakeholder theory, SWOT analysis, Value chain analysis etc.). The strategic analysis can be seen as a part of managers’ decision-making process and its function can be seen as a guideline for a company’s future (Grant 2005; Spulber 2004).

According to Spulber (2004) strategic analysis will help a company to process and organize important information that can be vital for future success and long term survival. Strategic analysis can serve as guidance to identify different sources and opportunities that can be turned into competitive advantages towards other competing companies (Grant 2005).

3.3.2 Strategic choice

A well-recognized approach regarding strategic choice (Poole & Van de Ven 2004) states that a company always has the option of changing their environment rather than accepting being useless receivers of environmental powers. According to Bratton and Gold (2001) strategic choice is about who makes decisions in a company and what different kind of factors that has an impact when decisions are to be made.

Strategic choice can be seen as a process where a company; to identify its strategic options need to clarify certain demands from stakeholders as well as other internal and external factors. Internal factors that prepossess a company’s choices and decisions can appear in shape of confusion, uncertainties and inconsistency (Kimball & Hickling 1997), whereas external factors can be explained by culture, economic conditions, religion etc. (Bratton & Gold 2001).

No matter how successful a product/service might be, or if a company has been able to create competitive advantage that intimidates the competitors, the most critical and important issue for a company is to keep these factors sustainable, by executing their strategy in a proper way. What it all comes down to in the end is making the best choices suited for a company and its strategy (Kimball & Hickling 1997).

In order to make selective decisions and strategic choices, Kimball & Hickling (1997) among others states that a company needs to map out and identify its primary priorities. A company needs to collect necessary information to make arrangements such as making CSR decisions, set CSR policies as well as corporate and financial plans.

3.3.3 Strategy Implementation

Implementation is generally the most complex and hardest part in the Strategic Circle. This is where a company translates and clarifies its analyzed and selected strate-
gy into the organization (Alkhafaji 2003; Thompson & Martin 2005). It is important that a company’s activities are closely connected to the chosen strategy and that there is a fit between its culture, structure as well as the activities regarding all steps throughout the implementation. “No matter how great the strategic plan appears to be, it is useless unless all levels of the organization are committed to its implementation (Alkhafaji 2003, p.54)” It is also of great importance that each individual affected by a company’s strategic decision knows how to perform the required activity.

For a company to be able to perform a successful implementation Owen (Thompson & Martin 2005) suggest that a company shall consider that; new skills might be needed, strategic implementation can be very time consuming, change can be a risky procedure and progress measurement shall be established in order to create a clearer view of the company’s strategic goals.

Effective implementation is highly dependent upon the correctness, feasibility and desirability of the strategy. A company shall implement new strategies in order to seek higher benefits and decrease the level of risk (Thompson & Martin 2005).

3.4 Carroll’s CSR Pyramid

To be able to make distinctions regarding a company and its different kind of responsibilities towards its stakeholders, Carroll’s CSR pyramid can be seen as one of the leading models that can be applicable in a global context (Carroll 2004; Huniche & Pedersen 2006). According to Carroll (1991) the pyramid covers the whole perspective of what society can expect from a company, both economically as well as socially.

The idea behind Carroll’s pyramid was first introduced in 1979 when the author amongst other scientists tried to create a functional theory that could explain in what way a company could reach social legitimacy (Garriga & Melé 2004). Carroll reached a conclusion that the economic, legal, ethical, and discretionary (today seen as philanthropic) categories of responsibilities had to be encountered for, in a company’s CSR performance to reach society’s demand as well as acceptance amongst conscientious business people. Further these four responsibilities were formed into a pyramid of CSR (Carroll 1991).

As mentioned earlier in this thesis, the definition of CSR can differ depending on the source. Carroll’s (1979 p.500) own definition of CSR is; “The social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point of time”

Over the years Carroll has been revisiting his pyramid and figure 2 is a refined version that was constructed in 2004 and is according to the author suitable in a global context (Carroll 2004).
3.4.1 Economic Responsibility
The economic responsibility shall be looked upon as the core responsibility and are therefore placed in the bottom of the pyramid symbolizing the bedrock foundation (Carroll 2004). Profit making and maximizing a company’s earnings can be looked upon as one of the major responsibilities. This to be able to give a strong return to investors as well as other stakeholders, create jobs, produce goods and services demanded in order to make a profit (Carroll 1979; 1991; 1998; 2004; Grafström et al 2008).

3.4.2 Legal Responsibility
A company needs to and is expected to perform its economical performance by following certain laws and regulations stated by federal, state and local government (Carroll 1979; 1991). If a company operates in more than one country foreign laws and regulations also has to be followed. Operating under certain laws and regulations can help a company to increase its relationship towards its stakeholders. Carroll further describes that companies sometimes see regulations in the opposite way, whereas laws and regulations often hinder rather than help their economical performance (Carroll 1998).

3.4.3 Ethical Responsibility
Ethical responsibility has a major impact on a company and its reputation, such as following unwritten norms, standards and expectations from its stakeholders (Carroll 1979; 1991; 2004). Ethical responsibility can, according to Carroll (2004) be hard to define, especially in developing countries where ethical standards and norms are hard to identify. A company has to operate in such manner that the company follows its moral as well as ethical believes and be aware that ethical behavior can affect the company as much or even more than legal responsibility. Sometimes ethical norms and values can be the underlying force behind new upcoming laws and regulations (Carroll 1991).
3.4.4 Philanthropic Responsibility

According to Carroll (1991; 2004) the difference between ethical responsibility and philanthropic responsibility is that philanthropic responsibility is not expected in an ethical nor legal point of view. It is more considered as desired from its stakeholders. Philanthropic expectations can differ regarding in what region or country a company is located and performing its activities (Carroll 2004). Philanthropic responsibility can include providing daycare centers for employees, voluntary programs to promote human welfare, charity and building schools.

Carroll (1991 p.42) compare philanthropic behavior with acting like a good corporate citizen and that “some firms feel they are being socially responsible if they are just good citizens in the community”. The author point out that philanthropic responsibility is important for a company though less important than the other steps in the pyramid and that a company shall focus on the whole pyramid, especially if a company aims to satisfy several stakeholders which can be of essence for its well being. “The CSR firm should strive to make profit, obey the law, be ethical and be a good corporate citizen”. (Carroll 1991 p.43)

Earlier research performed by Carroll and Hatfield (Carroll 2004; Garriga & Melé 2004) showed that managers in corporations when ranking their responsibility toward stakeholders had prioritized economic responsibility first, secondly legal followed by ethical and finally philanthropic.

According to Carroll (1991) there is a natural connection between CSR and a company’s stakeholders. A company will develop its CSR performance depending on the stakeholder and different stakeholders have different claims towards the company. To be able to identify the importance of a stakeholder, Carroll has chosen to use two criteria’s; the stakeholders’ legitimacy and its power. This thesis will use the “Theory of stakeholder identification” (Mitchell et al 1997) who also includes the characteristic “urgency” as well as “legitimacy” and “power”. The stakeholder perspective on CSR can facilitate for a company in a strategically point of view, due to a more personalized approach.

Critics toward the CSR pyramid question the possibilities for a company to be able to satisfy all four groups at the same time. The focus should mainly be towards the economical responsibility without any of the other three groups stealing attention and resources. The use and implementation of the different responsibilities will also vary depending of the size of the firm, field of industry and economical conditions (Garriga & Melé 2004).

3.5 Stakeholder Theory

“A stakeholder in an organization (by definition) or any group or individual who can affect or is affected by the achievement of the organization’s objectives (Freeman 1984 p. 46).”

The stakeholder theory was revealed in Edward Freeman’s book Strategic Management: A Stakeholders approach (1984). Over the years the theory has had a major impact on management literature and is amongst many recognized as a management instrument (Borglund et al 2009; Clarkson 1998; Donaldson &Preston 1995; Freeman 1994; Nygaard & Bengtsson 2002; Garriga & Melé; Carroll 1995). According to
Donaldson & Preston (1995) numerous of managers look upon their company from a stakeholder theory perspective and the theory is until today one of the most important references in areas regarding CSR (Borglund et al 2009). “Stakeholder management has become an important tool to transfer ethics to management practice and strategy” (Fassin 2008 p.113).

To explain the background of the stakeholder theory Freeman (1984) started out to see a company from a firm’s perspective, whereas firms (often owner-manager-employee) general aim was to satisfy the supplier and the customer. When further larger firms began to grow and ownership got separated from controlling the firm, investors and employees started to dominate the firms. This resulted in a managerial perspective of the firm whereas the management in order to survive had to satisfy suppliers, customers, employees as well as owners. This group Freeman refers to as internal changes or relations that a company generally dealing with on daily basis and can be seen as necessary for a corporation’s survival (Freeman 1994). The surrounding environment Freeman (1984) describe as external changes or relations, such as; governments, competitors, consumer advocates, environmentalists, media and special interest groups. External stakeholders can be seen as an emergency of new groups and are generally not a part of a company’s daily routines.

Further Freeman (1984) reached the conclusion that both internal as well as external relationships can affect or are affected by a company. External stakeholders can suddenly have a major impact on a company depending on its activities (Freeman 1984; Borglund et al 2009; Grafstöm et al 2008; Fassin 2008; Donaldson &Preston 1995) Freeman defined the model seen from a stakeholder’s perspective of the “firm” or and added several stakeholder groups, which was linked to the centered company (firm) in a two way pointing relationship (Figure 3, p. 20).

Over the years Freeman’s theory (1984) has been well discussed and refined by several management researchers (Fassin 2008; Nygaard & Bengtsson 2002; Donaldson &Preston 1995), though these new and refined theories still generally contain the core philosophy of Freeman’s theory.
According to Freeman (1984) the aim of the stakeholder theory is to improve the understanding and relationship between a company and its stakeholders. If a company is successful with satisfying their closest stakeholders, the company can gain long-term economical benefit as well as competitive advantages.

3.5.1 Refined Stakeholder Theory
Stakeholders making increasing demands on a company, and companies have different kind of responsibilities towards its stakeholders and its action affects the surrounding environment. The theory is a useful guide when a company is to identify valuable stakeholders who might be of importance for a company’s CSR performance (Grafström et al 2008). It is central that each stakeholder is treated with respect from its own expectations and demands (Borglund et al 2009). Some stakeholders influence the corporation more than others and Freeman (1994) claims that customers, employees, local community, management (seen as agent), owners and supplier can be seen as stakeholders with direct relation to a company.

Freeman (Fassin 2008) refined his model in 2003 (Figure 4, p. 21) whereby he established five different internal (primary) stakeholders; suppliers, financiers, customers, communities and employees. Further Freeman designed a framework to divide them from six stakeholder groups that he recognized as external (secondary) stakeholders; NGOs, Environmentalists, Governments, Media, Critics and Others. The outer circle
has been drawn according to Freeman to show that there are no possible linkages by arrows between external stakeholders and a “firm” (Fassin 2008).

Carroll (Nygaard & Bengtsson 2002) among others (Grafström et al 2008) divide a company’s stakeholders into primary and secondary groups, whereas the primary stakeholder can be seen as vital for a company’s survival, usually customers, employees, owners and suppliers. According to Carroll (Nygaard & Bengtsson 2002) categorizing stakeholders into primary and secondary groups will make it possible for a company to aim its strategic actions towards the stakeholder and be able to fulfill that particular stakeholder’s demand. If a company fails to satisfy these demands, Grafström et al (2008) argue that the company will not survive.

Media, interest groups and authorities can be looked upon as secondary stakeholders. This group is not important for a company’s survival and will mainly influence the company through opinions. Freeman and Reed (Freeman 1994) have also made a similar division, though primary stakeholder is seen as “narrow” and secondary stakeholders “wide”.

According to Mitchell et al (1997 p.857) a narrow view of stakeholders is generally looked upon as a group that has “direct relevance to the firm’s core economic interest”. Mitchell et al also separate stakeholders into primary as well as secondary divisions, though the authors have a more dynamic and describing approach whereas the two groups different characteristics are balanced toward each other, i.e. voluntary or
involuntary, actors or those acted on, risk takers or influencers, capital strong or less tangible assets, owners or non owners and provider to or dependent of.

It is shown that secondary as well as primary stakeholders can have major impact on a company and that influential stakeholders can change over time (Grafström et al 2008; Borglund et al 2009). The division between stakeholders is only useful as guidance, though different stakeholders can be of importance at various times. Another important matter is for a company is to locate and understand the relationship between different stakeholders. Interest groups i.e. can, according to Teegen et al (2004) and Grafström et al (2008) through networks have a major affect on a company’s position.

3.5.2 CSR-company and Stakeholders Model
Despite the wide discussion regarding primary and secondary stakeholders, literature and scientific articles states its existence. A refined version of Freeman’s original Stakeholder Theory (Figure 4, p. 21, which includes primary as well as secondary stakeholders) have been used in order to create an own version that centre a company using CSR instead of a “Firm” (Figure 5, p. 23).

Unlike Freeman’s theory (Figure 3, p.20) the outer circle represents a boundary between company’s primary and secondary stakeholders and as displayed in the CSR-company and Stakeholder Model (Figure 5) arrows are drawn in order to show that it exists a linkage between secondary stakeholders and a company using CSR.

The Corporate CSR and Stakeholder Model (Figure 5) combined with empirical data in this thesis, will give an opportunity to establish another version that will illustrate and map stakeholders’ impact on a company using CSR in Indonesia.
3.5.3 Primary stakeholders

**Communities**
Communities can be described as the surrounding society wherein a company performs its CSR activities. The community often expects something in return from the company in order to accept and give them legitimacy. Generally in developing countries companies give something back by employing local people in remote and rural areas (Carroll 1998; Garriga & Melé 2004; Porter & Kramer 2006).

**Customers**
Customers are considered as a highly valuable source for a company, without any customers there is hardly any business to be done. If customers are unsatisfied with a company’s products or a certain behavior (i.e. using non-environmental friendly products) they can stop buying their products or pressure the company by an organized consumer boycott (Grafström et al 2008).

**Employees**
Are one of the most important resources for a company, their competence is needed for a company to carry out its strategies and are thereby a major part of a company’s core business. A company many times struggles to keep their employees satisfied, this could i.e. include fair salaries and provided health care (Grafström et al 2008).
Employees can affect a company’s performances if they are not satisfied with their current situation. Companies must consider and understand the consequences of their CSR responsibilities towards their employees. Different employees can affect a company in different ways, due to their position and hierarchical status (Friedman & Miles 2006; Prieto-Carron et al 2006).

**Financiers**
Financiers can be defined as shareholders and other groups with economical interests in a company. They generally have a common interest of improving the company’s financial situation whereby this group expects high share dividend in return (Borglund et al 2009). The well-known and respected economic scientist Milton Friedman stated that a company’s only responsibility is to maximize its economical benefits towards its shareholders (Garriga & Melé 2004)

**Suppliers**
Suppliers can be considered as the most important link of a company’s distribution chain and is generally a part of their core business. Suppliers provide the company with desired products and materials so the company can meet its customer’s demands. In return the supplier will receive orders and services from the company. Regarding CSR it is of great importance that the suppliers follow standards that are needed for the company in order to pass and achieve certain certificates to conduct business (Crane & Matten 2007).

**3.5.4 Secondary Stakeholders**

**Critics**
A critic can be described as anyone who delivers criticism against a company and its activities using CSR. A critic generally expresses their thoughts and believes by using media as their distribution channel (Fassin 2008; Grafström et al 2008).

**Environmentalists**
The environmentalists’ role for companies using CSR has grown in the same pace as CSR has grown as a global concept (Melewar 2008). Companies need to fight for respect and acceptance from environmentalists since environmental issues is one of the most important parts of the CSR concept. The environmentalists are together with other groups (NGOs, communities, governments etc.) pressuring companies in order to make them consider being responsible for all their CSR practices (Garriga & Melé 2004).

**Governments**
Government represents laws and regulations that each separate country provides. Indonesia was the first country in the world to state (in 2007) a law that withholds regulations regarding CSR activities for companies (CSR Asia Weekly 2007).

**Media**
Media can be described as newspapers, magazines and other electronically aired media. According to Chandler & Werther (2006) and Grafström et al (2008) media conveys messages from other stakeholders, influence and create polls against a company in positive as well as negative ways. A company can also use media in order to market themselves as well as deliver messages to the surrounding society and stakeholders. Borglund et al (2009) argues that media also creates interest and knowledge about CSR for the surrounding society.
NGOs
United Nations describes NGO as:

“any non-profit, voluntary citizens’ group which is organized on a local, national or international level. [...] that aim to serve particular societal interests by focusing advocacy and/or operational efforts on social, political and economic goals, including equity, education, health, environmental protection and human rights.” (Teegen et al 2004, p. 466).

NGOs often affect companies by using the “naming and shaming” strategy, which means that NGOs name companies that have made infringements in medial context for the whole world to see. By using this strategy companies becomes more careful and selective with their CSR as well as other activities (Pedersen 2006; Teegen et al 2004; Vogel 2005). NGOs can also be seen as company’s cooperator helping them to perform their CSR activities by creating funds, provide training, educate employees and building their CSR programs (Borglund et al 2009).

Others
TNOs (Trans National Organizations), associations, MNC (Multi National Corporation) can be looked upon and defined as others. This could also include consulting groups and academic experts, who can provide help and advices regarding a company’s CSR activities (Porter & Kramer 2006).

3.6 Theory of stakeholder identification
A company cannot satisfy everyone that have a stake in the company, it is important to identify which stakeholders that can be seen as more important than others and Jensen (Garriga & Melé 2004) points out that it is central for a company to make stakeholder tradeoffs. To analyze and optimize a company’s actions toward its stakeholders to understand what expectations that exists towards the company, Mitchell et al (1997 p. 854) have made an in-depth version of the stakeholder theory, presented as a Venn- model based on three attributes where “entities to whom managers should pay attention”.

- the stakeholders power to influence the firm;
- the legitimacy of the stakeholder’s relationship with the firm;
- the urgency of the stakeholder’s claim on the firm;

Power
Distinguish what power stands for is well discussed amongst scholars (Mitchell et al 1997; Grafström et al 2008). To explain the meaning of power in this context Etzioni (Mitchell et al 1997) divide the expression in to three divisions, “coercive”, “utilitarian” and “normative” power. Coercive power can be explained as a physical action, such as i.e. violence. Utilitarian power is more related to material as well as financial means, such as money. Normative power is based on symbolic features, which are neither physical nor material, i.e. prestige or status. Pheffer, Dahl (Mitchell et al 1997) and Grafström et al (2008) all establish that power occurs when one actor can affect or force another actor. Grafström et al also describe that power can vary in strength and is something that a stakeholder can gain or lose.
**Legitimacy**
Legitimacy can be recognized as a social system whereas moral, reputation, values and norms amongst others are all included and i.e. are analyzed as individual, societal or organizational. Legitimacy is normally connected with power and according to Weber (Mitchell et al 1997) these two combined creates authority. Though, Mitchell points out that legitimacy not necessary need to be linked to power.

**Urgency**
“the degree to which stakeholder claim call for immediate attention” (Mitchell et al s.867). Urgency can be divided into “criticality” and “time sensitivity”, whereas criticality signify the importance of the claim toward a stakeholder and time sensitivity to what extent a stakeholder is anxious to get its demands satisfied.

If a stakeholder cannot be identified by any of these three attributes, it can be classified as a non-stakeholder or a potential stakeholder. As shown in figure 6 various attributes interact with each other and if a stakeholder can be identified from any of the three attributes.

![Figure 6 Qualitative Classes of Stakeholder (Mitchell et al 1997 p.872)](image)

A company shall recognize these as “latent” stakeholders (1, 2 and 3) with low “salience” recognition from its managers. This group will not likely affect the company and do not need further engagement. In the areas 4, 5, and 6 a stakeholder is identified with two of the attributes and seen as “expectant” stakeholders with “moderate” salience expecting something from the company. Compared to the latent division, expectant stakeholders need more attention and increased responsiveness. When all attributes are to be identified in one stakeholder (7), a company shall acknowledge the stakeholder as definitive with highly salience.

**3.6.1 Latent stakeholders**
Dormant stakeholders can practice power towards a company, though without the other attributes this particular group cannot use its power. According to Mitchell et al (1997) this group has insignificant contact with the company, though the company
shall be conscious about this group since a latent stakeholder quickly can become an expectant stakeholder, due to its ability to acquire other attributes.

Discretionary stakeholders can only be identified through legitimacy and are firmly recognized as minor interest groups and have no power to or urgent claims against a company. A company shall not put too much effort in satisfying this division of stakeholder, though some companies choose to do this on their own behalf since they believe that this group deserves attention, such as philanthropic CSR (chapter 3.4.4) (Carroll 2004).

The demanding stakeholder group is according to Mitchell et al (1997) not seen as dangerous and is identified only through urgency, whereas the stakeholder demand immediate attention (i.e. a single citizen not possessing any power or legitimacy which demand that the company shall change one of its functions, founded on this citizens own beliefs).

3.6.2 Expectant stakeholder
Further Mitchell et al (1997) describe the dominant stakeholder to be identified by the two attributes power and legitimacy. This group influences the company since they can act on their claims and shall therefore be considered as important. Dominant stakeholders are generally aware of their ability to affect the company. To maintain its reputation and increase its legitimacy toward powerful stakeholders, companies carry out reports such as i.e. annual, environmental and social responsibility reports.

Dependent stakeholders are according to Mitchell et al dependent on other stakeholders that possess the attribute of power. Dependent stakeholders have a great urge and legitimacy to act upon a company, though without power this group has difficulties to carry out its will. It is therefore important that a company understands and is aware of different stakeholders’ relations to each other (Grafström et al 2008).

Dangerous stakeholders can be identified by the two attributes urgency and power. Mitchell et al (1997) describe this group as unpredictable, coercive and violent. Dangerous stakeholders can often hold an illegitimate position and their actions can occasionally include strikes or in worst case sabotage as well as terrorism.

3.6.3 Definite stakeholders
Possessing all three attributes, power, legitimacy and urgency can identify this group of stakeholders. A company shall give definite stakeholders priority and act immediately to their demands. This group can be a dominant member in the company and can according to Mitchell et al (1997) often be comprised by central stakeholders.
4 Empirical framework

In this chapter the authors will present their empirical findings that have been collected through interviews. Empirical data has been divided into groups; associations, institutions & organizations (4.1), NGOs (4.2) and companies (4.3-4.5). In each group similarities and differences between group members have been summarized. A more detailed summary of empirical data can be found in Appendix C.

4.1 Associations, institutions & organizations

- Chamber of Commerce (Harmon & Utama, interview, 2009-04-06)
- Ministry of SMEs (Choirul, interview, 2009-04-01)
- National Center for Sustainable Reporting (NCSR) (Darwin & Sihotang, interview, 2009-04-18)
- Handicraft association (Widhiyanti, interview, 2009-04-13)
- Textile association (Ernovian, interview, 2009-04-01)

In order to get a clearer view, institutions and organizations have been separated into one group and associations into another.

Institutions and Organizations

Regarding companies using CSR, empirical data show that Chamber of Commerce is mainly involved and support medium and large sized companies, while Ministry of SMEs focus on small companies. According to Choirul (2009-04-01) state owned small companies are more involved then private small companies, though medium and large sized companies generally perform CSR (Choirul 2009-04-01; Harmon & Utama 2009-04-06).

All respondents within this group agree upon that CSR is important for companies as well as the society. According to Darwin (2009-04-18) and Harmon & Utama (2009-04-06) the law has a negative effect on companies, since it makes it hard for companies to compete in the domestic market and creates unhealthy business environment. CSR shall be voluntary and something that each company shall decide upon them self. Choirul (2009-04-01) opposes this by explaining that the law is more of a mutual agreement between government and companies. Despite of this, all respondents agree upon that CSR is a loose term and hard to define.

Darwin (2009-04-18) and Harmon & Utama (2009-04-06) argue that companies use CSR in order to gain acceptance, legitimacy, profit, sustainable growth and competitive advantages towards non-users. Choirul (2009-04-01) agrees that sustainability is one of the reasons why companies use CSR and he also argues that CSR increases a company’s image and improve the communication between government and companies.

Harmon & Utama (2009-04-06) describe that local people are the most important stakeholder. Darwin (2009-04-18) agrees with this and argues that it is vital for a company in Indonesia to have good communication with society. In order to survive and create validity a company shall try to involve as many stakeholders as possible in its CSR activities.
Associations
According to Ernovian (2009-04-01) only medium and large companies perform CSR from a wider context, small companies support society by employing local labor. He describes that the CSR law creates problem for companies and argue that CSR should be voluntary. Both associations agree upon that companies perform CSR to be able to export, which are the main reason why CSR creates competitive advantages toward non-users. According to Widhiyanti (2009-04-13) CSR will lead to higher quality, working standards and business sustainability. But she argues that CSR can be very costly and time consuming, especially for small companies. CSR will also increase the reputation and make the company attractive for employees (Ervnovian 2009-04-01). All stakeholders are connected and dependent on each other, though for small companies have the most impact and can be seen as their most important stakeholder (Widhiyanti 2009-04-13).

4.2 NGOs
- ACT Foundation (Utabarat, interview, 2009-04-18)
- Nurani Dunia (Chozin, interview, 2009-04-17)

According to empirical data NGOs function as an intermediary between companies using CSR and local people. Generally NGOs will help companies to set up their CSR programs and contribute with knowledge and skills.

Local people ----> NGO ----> Companies (CSR)

Chozin (2009-04-17) and Hutabarat (2009-04-18) state that it is vital for a company to have a good relationship to the local society in order to perform their business. Strategic CSR creates a “win-win” situation for everyone involved and result in a company gaining sustainability. A company can use CSR to prevail conflicts, gain legitimacy and acceptance. CSR is about giving something back to the society and Hutabarat (2009-04-18) argues that CSR shall be planned and not a last minute solution. If a company shall be able to have a strategic CSR they need to perform their CSR activates with deeper consideration regarding their core business and not just by giving charity. Some companies use CSR as marketing strategy with hidden messages and use NGOs to promote themselves through media (Chozin 2009-04-17; Hutabarat 2009-04-18). This creates mistrust among NGOs, companies and society. Companies would be better of using word of mouth to promote themselves instead of using media.

4.3 Small companies
- Indo Jati Furniture (Mahfuzi, interview, 2009-04-12)
- PT Dika Renacipta (Setiastuti, interview, 2009-04-13)

Common for the small companies are that they both use CSR in order to meet international demands and standards regarding export and thereby gain competitive advantages towards non-users. Mahfuzi (2009-04-12) and Setiastuti (2009-04-13) describe that their CSR activities focus on satisfying and employing local workers, using environmental and recycled material, which also leads to sustainability and profit. CSR functions as a marketing strategy for these companies by showing that they use recycled and environmentally friendly materials. Performing CSR creates higher prices that make it difficult to compete in the domestic market. Mahfuzi (2009-04-
12) describes that CSR is a part of the company’s internal strategy satisfying their employees and that CSR results in increased creativity as well as productivity. Indo Jati Furniture mainly satisfies their employees through economical care and healthy working conditions. Setiastuti (2009-04-13) describes that following CSR standards has led to higher quality products and she further explains that PT Dika Renacipta perform their internal CSR by increasing the life standards for employees as well as their families. Except employees and companies importing the small companies’ products, government, associations and other institutions are considered the most important stakeholders, though all stakeholders are important since they grow and support each other and Setiastuti (2009-04-13) describes this as a spider net.

4.4 Medium companies

- PT Molindo (Winarno, interview, 2009-04-24)

CSR is contributing to the community and be responsible for the cause and harm a company’s business might bring (Winarno 2009-04-24). CSR needs to be planned from what is produced and cannot be generalized, PT Molindo focus on waste management as one of their main CSR issues. Winarno argues that the law creates awareness of social and environmental issues. But due to the law, some companies perform CSR without caring.

The company use internal and external CSR, whereas internal can be described as caring for their employees while external refers to helping society and the companies nearby surroundings. Environment and community development is prioritized to create business sustainability as well as legitimacy so the company can gain access to new areas. CSR make locals willing to work for the company and also create a safe and secure environment. Competitive advantages and business opportunities can come from CSR and it helps the company to introduce themselves and their products to stakeholders (Winarno 2009-04-24). The company argues that many stakeholders contribute regarding CSR though top of management, owners, suppliers and especially society is considered their most important stakeholders.

4.5 Large companies

- PT Elnusa (Soemarno, interview, 2009-04-08; Wahab, interview, 2009-04-21 & 2009-04-23)
- PT JAPFA (Artsanti, E-mail interview, received 2009-04-24)
- PT Rekayasa (Reza, interview, 2009-04-20)

Empirical data show that all large companies involved in this research believe that CSR can be seen as a strategy, since it creates competitive advantages towards non-users. CSR is a need for a sustainable future, both for the company itself, the Indonesian community and the environment. The main reason why these companies choose to use CSR is to communicate with local communities in order to gain acceptance and legitimacy to perform their business activities in wanted regions. To be able to operate in rural and remote areas (Artsanti 2009-04-24; Reza 2009-04-20; Wahab 2009-04-23), a company must have a good relationship to the surrounding community and CSR also creates harmony among a company’s internal as well as external stakeholders. CSR helps a company to introduce themselves (Wahab 2009-04-23) and also protect needs and interests (Reza 2009-04-20).
Rekayasa stands out with their “Corporate Strategic Unit”, which main task is to create and perform a well functioning strategic CSR that is linked to the company’s core business (Reza 2009-04-20). JAPFA believes that ethical standards are essential as core competencies and Artsanti (2009-04-24) argue that there is a fine line between businesses related activities and social related activities. Elnusa use internal and external NGOs supervising their CSR activities and according to Wahab (2009-04-23) the company’s CSR is forced by demand from client and the law. Their CSR activities have been implemented by benchmarking MNCs.

JAPFA as well as Elnusa prioritize community development (Artsanti 2009-04-24; Wahab 2009-04-23), something that Rekayasa opposes. The company promotes a non-addictive CSR and Reza (2009-04-20) further argues that CSR programs shall be performed on a participatory basis. To carry out a successful CSR program they combine internal and external factors together with the company identity. Sustainability from CSR shall come from the impact of the programs instead of the programs it selves. All companies agree on that CSR give positive media exposure and somehow are connected with higher profit and a company’s sustainable growth.

Reza (2009-04-20) argues that the law has decreased the creativity among companies using CSR and together with Wahab (2009-04-23) agree that the law has a negative impact and force companies to perform CSR in certain and careless ways. This leads to misperceptions whereas local communities expect companies to increase their living standards, which is a governmental obligation.

When discussing stakeholders local community stands out as most important and seen as a foundation for a company’s CSR performance as well as long-term survival. All companies are familiar with and describe their stakeholders in terms of internal and external. Artsanti (2009-04-24) claims that both stakeholder groups are of equal importance and that JAPFA initiate CSR activities to benefit all stakeholders. Reza (2009-04-20) points out the importance of mapping out all stakeholders in order to determine key stakeholders in every area were they perform CSR programs, though it is important to consider all stakeholders thoughts.
5 Analysis of Results

In this chapter an analysis of results will be presented, by using the theoretical framework from chapter 3 and connect this with the empirical data from chapter 4 as well as Appendix C.

5.1 Strategic CSR

Empirical data shows that the companies within this research use CSR as a strategic framework in one way or another regardless of company size. When discussing CSR strategy they all agree that CSR is useful and important as a strategy for companies located in Indonesia in order to create a sustainable future. Chandler (2003), Johnson et al (2006) and Spulber (2004) support this and argue that a strategy can be defined as a long term plan used to reach particular goals. Porter (1996) suggests that a strategy shall create advantages for a company in order to locate its resources against competing companies and its surrounding environment and that a strategy also shall increase a company’s prerequisite to meet and fulfill expectations of its stakeholders. According to Kimball & Hickling (1997) a strategic choice can be seen as a process where a company identifies its strategic options and clarify demands from stakeholders. Strategic CSR generally involves a proactive approach in order to protect a company and its activities from being condemned by its surrounding society as well as its stakeholders (Brammer & Pavelin 2006; Grafström et al 2008). This approach also involves long-term behavior in order to create sustainability (Porter & Kramer 2006).

Indo Jati Furniture (Mahfuzi, interview, 2009-04-12) describes that CSR is about long-term thinking, which creates sustainability in a way of long-term access of raw material. CSR is a part of their marketing strategy, especially regarding export activities that require certified and environmentally friendly materials as well as chemicals. Fulfilling these international demands creates a major competitive advantage towards other furniture manufacturers, not using CSR. The company’s strategic aim using CSR is to satisfy their employees and get equal profit from the recycled materials that they earlier got from pure raw material. Further. Mahfuzi believes that it is possible to be even more profitable using recycled wood in the future. According to PT Dika Renacipta (Setiastuti, interview, 2009-04-13) the most important aspect using CSR is to be able to export to foreign countries and maintain certain standards like quality as well also follow environmental laws and regulations. Setiastuti describes that the company by using recycled products achieves cheaper raw materials, which also creates long-term thinking and sustainability. Another important issue is that CSR creates legitimacy among local workers as well as others living in the rural area, and thereby acts as the companies “security guards”. Similar to Indo Jati Furniture, PT Dika Renacipta uses CSR as a marketing strategy to market their products as environmentally safe and promote recycled materials. CSR is good for the company image and reputation. Setiastuti also believes that CSR is connected with higher profit.

Choirul (Ministry of SMEs, interview, 2009-04-01) supports these findings and argues that a major reason why small companies use CSR is to satisfy foreign companies’ demands regarding export activities. He further adds that CSR reflects upon a company’s image and that CSR is a reliable factor for a company to gain sustainable growth. Widhiyanti (Handicraft association, interview, 2009-04-18) and Ernovian
(Textile association, interview, 2009-04-01) also support these arguments and point out that CSR is of vital importance for exporting companies since it creates higher quality products and increases other standards such as employees’ health and environmental issues. Chozin (Nurani Dunia, interview, 2009-04-17) claims that all companies using a well-planned and proper strategic CSR increase their chances to reduce the amount of conflicts that can occur when a company enters a new region. What it all comes down to is gaining trust from the surrounding society as well as a company’s stakeholders and CSR help companies to reach out to the community, become accepted, gain legitimacy and thereby become safer and be taken care of(Utabarat, ACT Foundation interview, 2009-04-18). CSR is good for companies using natural resources, since CSR creates sustainability

Strategic CSR is according to empirical data received from Molindo (Winarno, interview, 2009-04-24), PT Elnusa (Soemarno, interview, 2009-04-08; Wahab, interview, 2009-04-23), PT JAPFA (Artsanti, interview, 2009-04-24) and PT Rekayasa (Reza, interview, 2009-04-20) mainly about introducing themselves to local communities surrounding the companies’ worksites in order to create a sustainable relationship and thereby achieve legitimacy to run their business. This strategic move leads to protection and competitive advantages since it facilitates for these companies to extract natural resources where ethical norms are of high importance for local inhabitants. Harmon & Utama (Chamber of Commerce, interview, 2009-04-06) and Darwin & Sihotang (NCSR, Interview, 2009-04-18) support these facts as one of the most important issues for companies operating in Indonesia.

Further the medium and large companies in this research state that different locations have different needs and demands and thereby require different approaches and designs regarding a company’s CSR programs. According to Kimball & Hickling (1997) a strategic choice can be seen as a process where a company identifies its strategic options and clarify demands from stakeholders. Bratton & Gold (2001) describe that a company’s strategic choice needs to reflect on culture, religion and economic conditions. This is supported by all companies and described as the most important factor for a company to consider when conducting business in Indonesia. According to Carroll (1991) there is a natural connection between CSR and a company’s stakeholders. A company shall develop its CSR performance depending on the stakeholder and their different claims towards the company.

According to Molindo (Winarno, interview, 2009-04-24) CSR leads to competitive advantages and business opportunities whereby their company through CSR is able to enter new areas and connect with new partners. Winarno explains that CSR makes it possible for the company to conduct business in remote areas that is less developed. By satisfying farmers nearby their worksites, they become willing to work for the company. CSR also help Molindo to introduce their production, gain access into society and thereby be able to keep raw material close and make sure that local inhabitants in agricultural areas have trust in and stay loyal to the company.

Kimball & Hickling (1997) argue that it does not matter how successful a product/service might be, or if a company has been able to create competitive advantages. The most critical and important issue for a company is to keep these factors sustainable, this by executing their strategy in a proper way. What it all comes down to in the end is making the best choices suited for a company and its strategy. PT Molindo (Winarno, interview, 2009-04-24) prioritizes their CSR programs based on what they
produce (ethanol) and thereby focus on waste management. The company recycles their waste into fertilizer for their own plantations as well as putting it in other bi-products like cosmetics, pharmaceutical products and beverages which the sell on to other companies.

Strategy generally involves internal as well as external analysis (Campell et al 2002; Spulber 2004; Williamson et al 2004) and further Porter (1996) argues that strategic CSR shall be designed after a company’s core-business and Grafström et al (2008) states that competitive advantages and strategy is about acting different from its competitors.

Rekayasa (Reza, interview, 2009-04-20) have their own CSR unit as a part of their core-business, which focuses in structuring CSR programs that differentiate from other companies CSR activities. According to Reza this gives the company an increased reputation through positive media exposure. Rekayasa and Molindo describe that their companies combine internal and external factors when performing their strategic CSR. Rekayasa points out that these factors is connected with the company’s identity in order to create and carry out successful CSR programs that will reward the company in the best possible way. JAPFA argues that ethical standards are important as core competence and that there is a fine line between business related activities and social related activities.

Owen (Thompson & Martin 2005) argues that new skills might be needed for a company in order to perform a successful strategic implementation and Elnusa (Soemarno, interview, 2009-04-08) explain that they mainly uses external help (NGOs) to implement and perform their strategic CSR. This seems to be a common strategy among companies located in Indonesia and Chozin (Nurani Dunia, interview, 2009-04-17) and Utabarat (ACT Foundation, interview, 2009-04-18) support this by claiming that NGOs work as an intermediary between local inhabitants and companies.

5.2 CSR in Indonesia

Carroll (1979; 1991; 2004) argues that four responsibilities (economic, legal, ethical and philanthropic) can be distinguished to cover the whole CSR perspective of what society can expect from a company, economically as well as socially. The use and implementation of different responsibilities depends on a company’s size, its field of industry and economical conditions. Carroll (2004) further points out that ethical responsibility have a major impact on a company and that ethical standard and norms, especially in developing countries, can be very hard to identify. A company has to operate in such manner that they follow its moral as well as ethical believes and consider that ethical behavior can affect the company as much or even more then legal responsibility.

In 2007 Indonesia instated a CSR law that makes it an obligation for companies using natural resources to pay 3-5 percent of their profit to the government. The law is according to empirical data, in great need of improvement due to misperceptions and lack of a clear definition. Carroll (1998) describes that companies sometimes see regulations in the opposite way, whereas laws and regulations often hinder rather than help their economical performance. Enovian (Textile association, interview, 2009-04-01) explains that CSR guidelines in Indonesia are hard to follow, since local and central government look upon the law differently, “the law is not a law; it is
more of a mutual agreement between government and enterprises” (Choirul, Ministry of SME, interview, 2009-04-01). All respondents involved agree that CSR in Indonesia would function better if it became voluntary for all companies, though they believe that the law has created a higher awareness of social and environmental issues in Indonesia.

Empirical data show that CSR in Indonesia has its foundation in cultural and ethical norms. One cannot create CSR standards that can be applied in different regions, though to the high psychic distance dilemmas that exists inside Indonesia. Harmon & Utama (Chamber of Commerce, interview, 2009-04-06) explain that Indonesia has a genius culture and CSR is a really complex and diffuse agenda especially in Indonesia where cultural and religious differences are of great importance.

In opposite to Carroll (2004), who describes that economic responsibility shall be looked upon as the major and core responsibility, all companies within this research argue that ethical responsibility is vital for a company to conduct business in remote and rural areas. Without this in consideration one will not be able to reach economic values. Winarno (PT Molindo, interview, 2009-04-24) explains that in Indonesia there is a thin line between what is ethical and not. Expectations from local inhabitants are sometimes very high regarding what kind of ethical responsibility that shall be performed.

Harmon & Utama (Chamber of Commerce, interview, 2009-04-06) explain and argue that CSR from a company’s perspective is the best way to be profitable and generally accepted. Through CSR a company can increase its relationship with the society to avoid disturbance that could be very costly for the company. If the surrounding society feel that they receive something from a company, it is less likely that further conflicts occur.

CSR in Indonesia has its core in giving something back to the local community and PT Rekayasa (Reza, interview, 2009-04-20) performs all their CSR programs on a participatory basis whereas they involve local inhabitants. PT Molindo (Winarno, interview, 2009-04-24), PT Elnusa (Soemarno, interview, 2009-04-08) and PT JAPFA (Artsanti, interview, 2009-04-24) have their main focus on community development, which in the empirical data appears as “building infrastructure, contributions to local school healthcare, economical support”. According to Carroll’s CSR pyramid (Figure 2, p. 17) this can be described as philanthropic responsibility. Philanthropic responsibility is not expected in an ethical nor legal point of view. It is more considered as desired from its stakeholders. Philanthropic expectations can differ regarding what region or country a company is located and performing its activities (Carroll 2004). Indo Jati Furniture (Mahfuzi, interview, 2009-04-12) and PT Dika Renacipta (Setiastuti, interview, 2009-04-13) are referred to as small companies and both give something back to the community through employing local people and caring for their employees.

Philanthropic responsibility in Indonesia is not equal to developed countries, due to the social and cultural circumstances. Reza (PT Rekayasa, interview, 2009-04-20) argue that there are major differences when comparing Indonesia to developed countries. Developed countries base their CSR on taxes and individual commitment. While Indonesia base their CSR on ad hoc and are not entirely ready to be a national program and this also derives from mass poverty.
Carroll and Hatfield (Garriga & Melé 2004) argue that managers in companies, when ranking their responsibilities toward stakeholders prioritize economic responsibility first, secondly legal followed by ethical and finally philanthropic (see Figure 2, p. 17). The empirical data rejects this and beneath a refined version of the pyramid has been designed in order to describe the ranking of responsibilities in Indonesia.

![Figure 7 Indonesian CSR Pyramid, authors own version (2009) of Carroll’s CSR Pyramid of Corporate Social Responsibility and Performance (Carroll 2004, p.116)](image)

Ethical responsibility has been placed in the bottom of the pyramid to represent the foundation for CSR performance in Indonesia, this due to the importance of cultural values, ethical norms as well as religious beliefs that can be seen as one of the most complex issues for a company performing CSR in Indonesia. Without taking ethics in consideration a company will most probably face difficulties when conducting business and performing CSR. In the middle of the pyramid legal and economical responsibilities are placed. Under other circumstances economical responsibility would have been considered as more important, but due to the fact that companies must obey the law, they are placed next to each other. The last responsibility, philanthropic is in the top of the pyramid, since it can be seen as least important of the responsibilities. Philanthropic responsibility is still an important part of the pyramid, but is mainly, according to the empirical data, conducted by larger companies.

5.3 Stakeholders and CSR

Jensen (Garriga & Melé 2004) describes that a company cannot satisfy everyone that have a stake in a company and Mitchell et al (1997) argue that a company’s most important stakeholders can be identified through power, legitimacy and urgency. One shall give stakeholders who posses all these attributes immediate attention and act on their demands as soon as possible and Mitchell et al identify these as definitive
stakeholders. Empirical finding show that exporters, employees, suppliers, govern-
mental institutions and associations for the small companies participating in this re-
search follow these characteristic patterns and thereby can be seen as more important
than others.

Exporters can give small companies possibilities to reach new markets which can be
seen as a major competitive advantage for these companies. If the exporter’s de-
mands are not satisfied, they possess the power to reject orders from the small com-
panies. Employees create and produce the company’s products and without them
Mahfuizi (Indo Jati Furniture, interview, 2009-04-12) describes that their company
would not be able to stay in business. To be able to manufacture their products he
further states that the company must work close together with their suppliers. With-
out the governmental institutions and associations the small companies would not be
able to satisfy exporters’ demands and Setiastuti (PT Dika Renacipta, interview,
2009-04-13) states that Indonesian exporters, government, handicraft and furniture
associations have a great impact since they are the ones granting certificates and set-
ing regulations for the companies to follow. Further she also point out that local in-
habitants in rural areas are very important for the company because they give them
acceptance and legitimacy. Carroll 1998, Crane & Matten 2007, Friedman & Miles
2006, Graffström et al 2008 and Porter & Kramer 2006 support these findings and
classify them as primary stakeholders. Both companies also explain that all stake-
holders are connected in one-way or another and Setiastuti (PT Dika Renacipta, in-
terview, 2009-04-13) describes this connection as similar to a spider net, which is
also supported by Widhiyanti (handicraft association, interview, 2009-04-24).

According to Graffström et al (2008) and Borglund et al (2009), it is shown that sec-
ondary as well as primary stakeholders can have major impact on a company and that
influential stakeholders can change over time. Winarno (PT Molindo, interview,
2009-04-24) explains that it is hard to identify important stakeholders regarding CSR
since there are so many actors’ that contribute. He further argues that society, suppli-
ers and top of management is considered as the most important stakeholders. Without
their involvement and support the company would not be able to run its business.
Local community gives the company acceptance and legitimacy to exist, top man-
agement run the business and suppliers make it possible to operate. These stakehold-
ers can be recognized as definitive stakeholders as well as primary stakeholders. Mol-
lindo is the only company within this research that have mentioned top as manage-
ment as one of their most important stakeholders and this can be due to the company
being a family business.

PT JAPFA (Artsanti, interview, 2009-04-24) agrees with Molindo that all stakehold-
ers, whether it is internal or external, generate equal importance of impact for the
company’s existence and that stakeholders continuously create balance and overall
contribute equally. Further Artsanti also states that the company must focus on build-
ing a good relationship with the local community, but since the company has limited
resources they concentrate on their primary stakeholders, especially customers,
communities surrounding the worksite, media, and the government. Except media the
other stakeholders is supported by Garriga & Melé (2004), Graffström et al (2008)
and Prieto-Carron et al (2006) to be primary as well as definitive stakeholders (Mit-
chell et al 1997). Due to the high importance for a company to be accepted by Indo-
nesian society, negative exposure in media can be fatal for a company’s sustainabili-
ty. Considering this, media can be seen as a primary stakeholder in Indonesia, which
is also supported by Wahab (PT Elnusa, interview, 2009-04-23) who states that they try to keep a close relationship with media, since they promotes the company to society and make reports for their shareholders to read.

Elnusa also consider customers, shareholders, employees and local community to have most impact as well as being most important for the company and its CSR activities. Customers’ importance is due to their financial strength purchasing the company’s services and customers expect and demand that they use CSR. Shareholders provide funds for further CSR activities and also make sure that the company has a decent stock value. If employees are not satisfied the company cannot maintain the quality of its services. Further Wahab explains that without acceptance from the local community, Elnusa cannot achieve legitimacy to operate. In Indonesia it is very important to reach out to local communities surrounding the company’s worksites. To do this Wahab describe that they use NGOs because they have nearby contact with the local community and know which people that can approve the company’s presence in order to conduct business in the area. When conducting CSR programs Elnusa use internal as well as external NGOs, which work as an intermediary between the company and the local people.

According to Carroll (Nygaard & Bengtsson 2002) categorizing stakeholders into primary and secondary groups will make it possible for a company to aim its strategic actions towards the stakeholder and to fulfill that particular stakeholder’s demand. Grafström et al (2008) argue that if a company fails to satisfy these demands, they will face difficulties in order to survive. PT Rekayasa (Reza, interview, 2009-04-20) argues that their company thinks of stakeholders in internal and external terms. The company map out which stakeholders that can be seen as more important than others whenever they are to perform a CSR program in a new area. It is very important not to mix them up, since they are very different in nature, have different characteristics, resources and how they convey in their mind.

Reza states that local communities can be seen as the foundation for every company conducting business and CSR activities in remote and rural areas in Indonesia. Local community can thereby be considered as one of the most important and definitive stakeholder. He further describes that the company divides their stakeholders into key stakeholders and stakeholders. Whereas key stakeholders affects the company’s CSR activities and stakeholders are the ones affected by the company’s CSR. Taking the CSR-company and Stakeholders Model in consideration (Figure 4, p. 20) primary stakeholders can be seen as customers, shareholders, employees, suppliers and secondary stakeholders as media, government, NGOs and others.
Beneath is a model that summarises stakeholders’ importance for companies using CSR in Indonesia, by refining their own CSR-company and Stakeholders Model (Figure 4, p. 20).

The shaded and colored field inside the circles represents the local community, that empirical data support, works as a foundation in Indonesian business culture and CSR performance. Stakeholders connected to the inner circle can be described as primary stakeholders and stakeholders connected to the outer circle as secondary stakeholders. The colored field also symbolizes that a company has a linkage to all its stakeholders and that different stakeholders through the community can be linked to each other and thereby affect and have a stake in a company.

Small companies participating in this research are mainly involved with the stakeholders in the inner circle, whereas customers can be equal to exporters and financiers equal to owners. All stakeholders within this model affect or are affected by the medium and large companies in this research. The stakeholders are also connected with each other in some way, though they all have different expectations and demands. Due to the CSR law, government will as in the Indonesian CSR pyramid (Figure 7, p. 36) play a vital role for a company performing CSR in Indonesia and thereby placed as a primary stakeholder. Primary stakeholders can be seen as definative and the secondary stakeholders as expectant, which Mitchell et al (1997) describe as stakeholders with moderate involvement but still expects something from a company.
6 Conclusions & Discussion

In this chapter the authors are to answer the thesis questions presented in chapter 1.4 (p. 6) and also provide a brief discussion about their findings and give suggestions for further researches.

6.1 How is CSR looked upon as a strategy from a managerial perspective in Indonesia?

Local community plays a vital role and has a major impact on companies conducting business in Indonesia, especially in remote and rural areas. Any company conducting business in these areas needs to achieve acceptance and legitimacy in order to carry out their business activities. When entering new areas a company uses CSR to introduce themselves to local inhabitants and other stakeholders. By giving something back to the community, a company can gain acceptance to perform their business. Using CSR as a strategy companies receive protection from locals in the nearby surroundings and thereby reduce the risk for conflicts that otherwise could have occurred. CSR functions as a marketing strategy, since it can create improved image and also increase its reputation. This can result in added stock value or in one way or another contributes to higher profit. CSR is also used in order to meet foreign companies’ demands and expectations, this in order to export. Companies use strategic CSR to gain a sustainable future in order to grow.

6.2 Who is considered to be the most important stakeholder for companies in Indonesia performing CSR and in what way do companies meet its stakeholders’ demands?

From the empirical data there are many stakeholders that can be looked upon as very important and influential, though after further considerations local community stands out.

Local community is thereby considered the most important stakeholder regarding CSR in Indonesia. They are either affected by, participating in or affects a company’s CSR performance and activities. Without clarification from local community it can be difficult or even impossible for a company to operate in remote and rural areas in Indonesia. This is where most companies extracting natural resources in Indonesia operates. Companies satisfy local communities by developing their surroundings in one way or another. This can be done by community development, which includes providing healthcare, education, infrastructure, social activities etc. Some companies also contribute by giving charity to organizations like NGOs who passes the funds on to the local community. One of the major issues can be to employ and use local workforce, which is the main focus among smaller companies.

6.3 What are the different views (companies and NGOs) of CSR?

Both companies and NGOs share the general opinion that CSR is necessary for a company as well as for societal development all over Indonesia. They also agree upon that CSR creates a “win-win” situation for everyone involved and thereby is beneficial as a strategy in the long run. NGOs in Indonesia work as an intermediary between companies and the local community, since they have a large amount of skill and knowledge about the local communities. Companies see CSR as a way of devel-
oping and gaining sustainability, while NGOs mainly focus on the human perspective of CSR. NGOs believe that companies misuse CSR to increase their image and reputation. Companies use media as a tool to market themselves as well as their CSR activities, while NGOs claim that this creates mistrust and state that companies shall concentrate marketing themselves through “word of mouth”.

NGOs feel that it is very important that companies perform their CSR activities in a proper way and argue that CSR shall be something that is planned. Some companies on the other hand, believe that it is enough to help out when natural disaster strikes and then argue that they use CSR.

6.4 What are the positive as well as negative aspects of using CSR?

CSR generates something positive for everyone involved, if performed with consideration. CSR has created a higher awareness in Indonesia regarding environmental as well as social issues. Companies can communicate with the local surroundings and gain a good reputation and legitimacy to perform their business. Through CSR companies gain security, become more attractive as an employer as well as on the global market. What can be seen as negative is the law, which forces companies to perform CSR. Because of this, some companies perform CSR by giving careless charity and other activities that creates an unhealthy business environment as well as local communities becoming dependent of a company. Since there still is no clear definition regarding the concept of CSR, misperceptions and misunderstandings easily appear. Due to this some local communities expect companies to increase their living standards, which can be seen as a governmental obligation.

6.5 Discussion

CSR is a well-known concept for companies all over Indonesia, assumable because of the CSR law. Empirical findings show that the perception of CSR is widely interpreted and very unclear. Even central and local government have different views upon CSR, Ministry of SMEs even states that the law is not a law and instead claims that it is a mutual agreement between the government and companies. The authors of this thesis argue that further researches need to be conducted in order to identify how these misperceptions can be so wide and inconsistent. Even if the genuine Indonesian culture advocate caring without reporting, there need to be a change in the way of thinking if CSR in Indonesia shall grow and develop in desired pace. The law is a fact and the authors are of the opinion that NCSR is heading in the right direction by setting CSR standards (mainly regarding CSR reporting). If the Indonesian government manages to improve the law and succeed to transfer information regarding CSR, the chances of mistrust between companies and government can, according to the authors decrease. Though, the question still remains if CSR shall be mandatory or voluntary for companies in Indonesia?

Critics argue that companies use CSR only to extract natural resources, gain profit or increase their stock value. They neglect the message behind CSR, which according to empirical finding is described in words such as, care, give something back, ethics, concern, protect the environment, sustainable future etc. The authors question if it is ever possible to change this fact and due to mistrust in the Indonesia business environment, companies still keep a low profile when discussing the connection between CSR and profit. If reporting CSR as mentioned earlier grows strong and that compa-
nies can justify making profit out of CSR, the outcome might result in a changing trend, whereby companies will realize the advantages that a strategic and a well-performed CSR can bring and start to perform CSR in proper way.

It can be hard for an outsider to understand the great amount of impact Indonesian culture has on the business environment and that the culture has such a great variety, whereby religious beliefs and ethical norms can differ from one island to another. The authors believe that CSR facilitate for companies operating in Indonesia, especially if one’s aim is to grow within the country. CSR are according to the empirical data possible to perform in various ways and it seems like many companies in Indonesia focus on community development in one way or another. The authors believe that CSR in the future needs to be even more strategic based on a company’s core business and what is produced. Further they can only assume that companies who advocate and design their CSR activities in order to create a sustainable impact (i.e. teach something instead of giving scholarship) do this strategic move for a reason.

The research support that companies can use CSR as marketing strategy in order to creates a better image and increases their reputation. Designing long-lasting and sustainable CSR programs therefore also indirect results in long-lasting marketing for a company. What also appeared in the research was that some companies develop their CSR through pressure and outside demands. Consequences from this decision have further shown to be a successful strategic move, whereby i.e. a company can recycle their waste and make it into byproducts possible to sell.

As a result from this research, the authors have created a theoretical tool designed for Indonesia that can help companies perform a strategic CSR (Figure 9, p. 43). The model includes several steps whereby a company needs to consider and analyze internal as well as external features.

As a starting point a company shall locate its future goals and aims. The next step is for the company to perform an internal as well as external analysis, which can include identifying important stakeholders, economical features, strengths, weaknesses, threats and possibilities. Before entering the Indonesian CSR pyramid (Figure 7, p. 36), it is important to consider the company’s identity and desired image. After following these steps one will thru the Indonesian CSR pyramid identify what is expected, demanded and desired from the area where the program is to be performed. When a company has gone through these steps they will have a solid foundation for a strategic CSR program.
Further a company will reach the implementation phase, whereby the company has to evaluate if any external help (i.e. NGO) is needed in order to implement and carry out their strategic CSR program. This process is as important as the earlier stages. If a company fails with the implementation phase it does not matter how well planned the strategic CSR program was, since it would be impossible to perform.
Finally it is important to evaluate and analyze the outcome of the performed program in order to improve the ongoing CSR program as well as develop as a company. This stage demand, or prefers external help that is needed in order to get an objective opinion. As shown in the model a company shall use acquired skills and experience when setting up for new CSR programs.

6.6 Critical review
The authors agree upon that this research have certain features that might have affected the outcome of the performed thesis.

- In some of the interviews an interpreter was used and due to that questions as well as answers might have been influenced by the interpreters own believes regarding CSR. Especially in those cases were the respondent had difficulties to understand and give a proper answer.

- Due to time limitation, the companies featured in this research were assigned without any pre knowledge and can therefore have been wrongly compared towards each other. Despite of this the general idea of this research was not to make a comparison between different companies but to investigate the concept of CSR among companies.

- One of the most important issues that would have facilitated this research for the authors would have been to study and achieve pre knowledge regarding the Indonesian culture and its business environment. It would have been time-saving and increased the validity of the research questions.

Finally worth mentioning, criticism towards CSR among companies in Indonesia has not been highlighted nor prioritized in this research. Companies participating in this research are all located in the same region (Jakarta), which can have affected the outcome of the results.

6.7 Suggestions for further research
Since CSR still is a quite new concept for companies in Indonesia there is still a large amount of questions regarding this subject that needs to be answered. The authors of this thesis feel that a similar research could be made with the same and/or similar companies in a few years when the concept of CSR will be better known and adapted further among a larger amount of companies. Another important and interesting issue that this research has stumbled upon is the lack of communication and misconceptions regarding the concept of CSR, which obstructs the performance of CSR. Would a standardization of CSR for companies in Indonesia make it easier to perform healthier and more sustainable CSR? And how can the government and the companies improve the communication between each other to prevent misconceptions and mistrust that seems to exist between the two parties? Would standardization be accepted among Indonesian companies?

There are still many issues regarding CSR in Indonesia that needs further research. This thesis has only skimmed the surface of a subject that many consider as very complex and controversial, which is something that the authors of this thesis also support.
References

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Huberman M. & Miles M. (2002). The Qualitative Researcher’s Companion, Thousand Oaks CA (US); SAGE Publications.


Thurén T. (1991), Vetenskapsteori för Nybörjare, Malmö; Liber AB.


Electronic sources and articles


Interviews


Utabarat D., ACT Foundation, 2009-04-18


Widhiyanti D., Handicraft association, 2009-04-13

Winarno D., Molindo, 2009-04-24

Interview via e-mail

Artsanti K., Japfa, received 2009-04-24

Conversations


Appendix A Definition of Company size

EU definition of enterprises that apply from 2005-01-01 (European commission 2005)

<table>
<thead>
<tr>
<th>Size of enterprise</th>
<th>Annual Turnover</th>
<th>Balance sheet</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro</td>
<td>≤ € 2 million</td>
<td>≤ € 2 million</td>
</tr>
<tr>
<td>Small</td>
<td>≤ € 10 million</td>
<td>≤ € 2 million</td>
</tr>
<tr>
<td>Medium</td>
<td>≤ € 50 million</td>
<td>≤ € 43 million</td>
</tr>
<tr>
<td>Large</td>
<td>≥ € 50 million</td>
<td>≥ € 43 million</td>
</tr>
</tbody>
</table>

Indonesian definition of enterprises (provided by Choirul, 2009-04-01). The currency used in Indonesia is Indonesian Rupiah (IDR) which in this table has been exchanged to Euro (€).

<table>
<thead>
<tr>
<th>Size of enterprise</th>
<th>Net profit (Excluding land &amp; buildings)</th>
<th>Annual sales revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro</td>
<td>≤ € 3 300 (50 million IDR)</td>
<td>≤ € 20 000 (300 million IDR)</td>
</tr>
<tr>
<td>Small</td>
<td>€ 3 300 ≥ € 33 000 (50 ≥ 500 million IDR)</td>
<td>€ 20 000 ≥ € 165 000 (300 ≥ 2 500 million IDR)</td>
</tr>
<tr>
<td>Medium</td>
<td>€ 33 000 ≥ € 660 000 (50 ≥ 10 000 million IDR)</td>
<td>€ 165 000 ≥ € 3,3 million (2 500 ≥ 50 000 million IDR)</td>
</tr>
<tr>
<td>Large</td>
<td>≥ € 660 000 (≥ 10 000 million IDR)</td>
<td>≥ € 3,3 million (≥ 50 000 million IDR)</td>
</tr>
</tbody>
</table>
Appendix B Interview questionnaires

Interview with

Name: Mr. Choirul Djamhari, Ph.D

Title: Deputy Minister for Business Development and Restructuring

Place: Ministry of Cooperatives, Small and Medium Enterprises, Republic of Indonesia

Date & Time: 2009-04-01, 14:00-15:00

What are your thoughts regarding development of CSR in SMEs?

Your further thoughts on CSR?

What about the CSR “law” that was instated 2007?

Negative aspects of CSR?

Biggest challenge for the future?
Interview with

Name: Mr. Ernovian G. Ismy

Title: Executive Secretary for Board of Directors Indonesia Textile Association

Place: Indonesia Textile Association, Adhi Graha Bld. 16th Floor, Jalan Gatot Subroto Kav.56, Jakarta Selatan

Date & Time: 2009-04-01, 17:00-18:00

Question: What is your definition CSR, and how it works in your field of business (textile)?

Question: Are there in your opinion any negative aspects regarding CSR?

Question: Your thoughts on the CSR regulations that was legally bound in 2007?

Question: How is CSR activities reported towards the companies’ different stakeholders?

Question: Do you cooperate with NGOs?

Question: Do you see CSR as a strategy?

Question: In what way?

Question: How do you look upon CSR performance and SMEs in the future?
Interview with

Name: Mr. Harmon B.T. & Mr. Utama Kajo

Title: Mr. Harmon, Director for enterprising services of Indonesian Chamber of Commerce. Mr. Utama K., Chairman of the Standing Committee of Public Policy

Place: Chamber of Commerce, Jakarta

Date & Time: 2009-04-06, 13:00-15:00

Question: How do you define/what is your definition of CSR?

Question: What are your views on CSR? And why in your opinion do you think companies use CSR?

Question: For whom do you find CSR to be important?

Question: Which are the most important stakeholders for Indonesian companies (using CSR)? Which stakeholder do you consider having the biggest impact on companies using CSR?

Question: What is your view on the CSR law/regulation that was instated in 2007? Effects?

Question: Definition of SMEs?

Question: From a strategical point of view, in what way do you believe that CSR creates competitive advantages and other business opportunities?

Question: Positive and negative aspects regarding CSR?

Question: Thoughts regarding the future of CSR and its development?

Question: If the social responsibility a company has towards society could be divided into four groups:
   Economic responsibility (Be profitable)
   Legal responsibility (Obey the law)
   Ethical responsibility (Be ethical)
   Philantropical responsibility (Be a good global corporate citizen)

How would you rank these responsibilities (1 being the most important and 4 being the least important)?
Interview with

Name: Mr. Mahfuzi H.

Title: Owner/Manager. Indo Jati Furniture

Place: Jl. Kapitan No. 24 Klender Jakarta Timur, Jakarta Indonesia

Date & Time: 2009-04-10, 14:00-15:00

Question: How come your company chooses to use CSR?

Question: How do you define/what is your definition of CSR?

Question: What are your views and thoughts about CSR?

Question: What kind of CSR activities does your company perform? And in what way (to whom)?

Question: Positive effects using CSR?

Question: Negative effects using CSR?

Question: The CSR law/regulation that was instated in Indonesia in 2007, what are your thoughts about it and what effects have the law brought?

Question: How did you implement CSR into your company?

Question: Did you receive any external help when implementing CSR into your company?

Question: In what way do you consider CSR to be a part of your companies’ strategy?

Question: From a strategically point of view, what is your company aim regarding the use of CSR?

Question: From a strategically point of view, in what way do you believe that CSR creates competitive advantages and other business opportunities?

Question: Are there any connections between CSR and profitability as you see it?

Question: Which are the most important stakeholders for your company? And why?

Question: Which stakeholder do you consider having the biggest impact on your company? And why?

Question: Which stakeholder do you consider having the biggest impact on company regarding your CSR activities? Why and in what way do you meet the stakeholder’s demands?
Question: Does it exist external/internal, primary/secondary stakeholders in your opinion?

Question: If the social responsibility a company has towards society could be divided into four groups:

- Economic responsibility (Be profitable)
- Legal responsibility (Obey the law)
- Ethical responsibility (Be ethical)
- Philanthropically responsibility (Be a good global corporate citizen)

How would you rank these responsibilities (1 being the most important and 4 being the least important)?
Interview with

Name: Ms. Yani Setiastuti

Title: Co-Owner of PT. Dika Renacipta

Place: Jl. Kemang Timur XVIII No. 5, Jakarta 12730, Indonesia

Date & Time: 2009-04-13, 10:30-12:00

Question: How is it that your company chose to use CSR?

Question: How do you define/what is your definition of CSR?

Question: What are your views and thoughts about CSR?

Question: What kind of CSR activities does your company perform? And in what way (to whom)?

Question: Positive effects using CSR?

Question: Negative effects using CSR?

Question: The CSR law/regulation that was instated in Indonesia in 2007, what are your thoughts about it and what effects have the law brought?

Question: How did you implement CSR into your company?

Question: Did you receive any external help when implementing CSR into your company?

Question: In what way do you consider CSR to be a part of your companies’ strategy?

Question: From a strategically point of view, what is your company aim regarding the use of CSR?

Question: From a strategically point of view, in what way do you believe that CSR creates competitive advantages and other business opportunities?

Question: Are there any connections between CSR and profitability as you see it?

Question: Which are the most important stakeholders for your company? And why?

Question: Which stakeholder do you consider having the biggest impact on your company? And why?

Question: Which stakeholder do you consider having the biggest impact on company regarding your CSR activities? And why?
Question: Does it exist external/internal, primary/secondary stakeholders in your opinion?

Question: If the social responsibility a company has towards society could be divided into four groups:

- Economic responsibility (Be profitable)
- Legal responsibility (Obey the law)
- Ethical responsibility (Be ethical)
- Philanthropically responsibility (Be a good global corporate citizen)

How would you rank these responsibilities (1 being the most important and 4 being the least important)?
Interview with

Name: Ms. Decy Widhiyanti

Title: Secretary and spokes person for Association of Indonesian Handicraft (ASEPHI)

Place: Jakarta City Centre Lt. 1blok A17 No.11 Beranda Nosantara Jln. Kepon Kasan Raya Thamrin Boulevard, Jakarta Indonesia

Date & Time: 2009-04-13, 15:00-16:00

Question: What is your definition CSR, and how it works in your field of business?

Question: Are there in your opinion any negative aspects regarding CSR?

Question: Do you see CSR as a strategy?

Question: If the social responsibility a company has towards society could be divided into four groups:
   - Economic responsibility (Be profitable)
   - Ethical responsibility (Be ethical, do what is expected)
   - Legal responsibility (Obey the law)
   - Philanthropically responsibility (Be a good global corporate citizen, do what is desired)

How would you rank these responsibilities (1 being the most important and 4 being the least important)?
Interview with

Name: Mr. Chozin M.

Title: Voluntary worker and CSR spokes person for Nurani Dunia

Place: Jl. Proklamasi 37, Jakarta Pusat 10320, Indonesia

Date & Time: 2009-04-17, 16:30-18:00

Question: Please tell us about your field of business, your organization and how you operate.

Question: From your organizations point of view, do companies create problems?

Question: In what way can companies make your work easier?

Question: What do you feel creates the conflicts that you are working on and solving?

Question: Can companies make it easier for themselves and avoid trouble by using CSR?

Question: During the past years CSR has been growing as a concept in Indonesia, is this something that you have noticed? What are your views on CSR?

Question: For whom do you find CSR to be important?

Question: Does NGOs, in your opinion affect companies? If so, in what way?

Question: Have you noticed any positive effects that CSR might have contributed within the Indonesian society?

Question: Have you noticed any negative effects that CSR might have contributed within the Indonesian society?

Question: What are your beliefs regarding cooperating with companies using CSR in the future?

Question: After making several interviews with companies, associations and governmental institutions in Indonesia we found so far that there seems to be a lot of different views and thoughts about CSR. To clearify the concept of CSR we have decided to use these four different types of responsibilities as a starting guideline, do you find this approach appropriate regarding CSR in Indonesia?

- Economic responsibility - Be profitable, to be sustainable and be able to hire more employees.
- Legal responsibility - Obey the law and follow regulations (i.e. the 2007 CSR law).
- Ethical responsibility - Be ethical, when there are no laws and regulations to follow, a company sometimes is expected to follow certain norms.

X
-Philantropical responsibility – This kind of responsibility is not expected, more desired from the society (i.e. charity)
Interview with

Name: Ms. Hutabarat Dewi

Title: Head of communications & overseas for Global Network ACT Foundation

Place: Jakarta, Indonesia

Date & Time: 2009-04-18, 16:30-18:00

Question: Please tell us about your field of business, your organization and how you operate.

Question: From your organizations point of view, do companies create problems?

Question: In what way can companies make your work easier?

Question: What do you feel creates the conflicts that you are working on and solving?

Question: Can companies make it easier for themselves and avoid trouble by using CSR?

Question: During the past years CSR has been growing as a concept in Indonesia, is this something that you have noticed? What are your views on CSR?

Question: For whom do you find CSR to be important?

Question: Does NGOs, in your opinion affect companies? If so, in what way?

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- Economic responsibility - Be profitable, to be sustainable and be able to hire more employees.
- Legal responsibility - Obey the law and follow regulations (i.e. the 2007 CSR law).
- Ethical responsibility - Be ethical, when there are no laws and regulations to follow, a company sometimes is expected to follow certain norms.
-Philantropical responsibility – This kind of responsibility is not expected, more desired from the society (i.e. charity)
Interview with

Name: Mr. Ali Darwin accompanied by Mr. Parulian Sihotang (Director of R&D division at NCSR)

Title: Executive Director at NCSR (National Center for Sustainability Reporting)

Place: Chitos Square, Jakarta, Indonesia

Date & Time: 2009-04-18, 11:00-13:00

Question: Tell us about your field of business, your organization and how you operate.

Question: Thoughts about reporting CSR activities varies your opinion?

Question: The CSR law/regulation that was instated in Indonesia in 2007, what are

Question: Why in your opinion do you think companies use CSR?

Question: Positive effects from CSR?

Question: Negative effects from CSR?

Question: From a strategical point of view, in what way do you believe that CSR

Question: Which are the most important stakeholders for Indonesian companies (using CSR)? And why?

Question: Which stakeholder do you consider having the biggest impact on companies performing CSR activities? And why?

Question: Are there any connections between CSR and profitability as you see it?

Question: Thoughts regarding the future of CSR and its development?

Question/Discussion: To clarify the concept of CSR we have decided to use these four different types of responsibilities as a starting guideline. What are your thoughts
Interview with

Name: Mr. Faizur Reza

Title: CSR senior officer at PT Rekayasa Industri

Place: Jl. Kalibata Timur I No. 36, Jakarta 12740, Indonesia

Date & Time: 2009-04-20, 15:30-17:30

Question: How do you define/what is your definition of CSR?

Question: How is it that your company chose to use CSR?

Question: What are your views and thoughts about CSR?

Question: What kind of CSR activities does your company perform? And in what way (to whom)?

Question: Positive effects using CSR?

Question: Negative effects using CSR?

Question: The CSR law/regulation that was instated in Indonesia in 2007, what are your thoughts about it and what effects has the law brought?

Question: How did you implement CSR into your company?

Question: Did you receive any external help when implementing CSR into your company?

Question: In what way do you consider CSR to be a part of your companies’ strategy?

Question: From a strategically point of view, what is your company aim regarding the use of CSR?

Question: From a strategically point of view, in what way do you believe that CSR creates competitive advantages and other business opportunities?

Question: Are there any connections between CSR and profitability as you see it?

Question: Which are the most important stakeholders for your company? And why?

Question: Which stakeholder do you consider having the biggest impact on your company? And why?

Question: Which stakeholder do you consider having the biggest impact on company regarding your CSR activities? And why?
Question: Does it exist external/internal, primary/secondary stakeholders in your opinion?

Question: If the social responsibility a company has towards society could be divided into four groups:
- Economic responsibility (Be profitable)
- Legal responsibility (Obey the law)
- Ethical responsibility (Be ethical)
- Philanthropically responsibility (Be a good global corporate citizen)

How would you rank these responsibilities (1 being the most important and 4 being the least important)?
Interview with
Name: Ms. Hanny Soemarno Corporate communications manager and Mr. Reka Wahab, CSR Supervisor.
Title: Corporate communications manager at PT. Elnusa Tbk. – Integrated Oil and Gas Services
Place: Jl. T.B. Simatupang Kav. 1 B, Jakarta 125 60, Indonesia
Dates: 2009-04-08, 2009-04-21 and 2009-04-23

Question: How do you define/what is your definition of CSR?

Question: How is it that your company chose to use CSR?

Question: What are your views and thoughts about CSR?

Question: What kind of CSR activities does your company perform? And in what way (to whom)?

Question: Positive effects using CSR?

Question: Negative effects using CSR?

Question: The CSR law/regulation that was instated in Indonesia in 2007, what are your thoughts about it and what effects has the law brought?

Question: How did you implement CSR into your company?

Question: Did you receive any external help when implementing CSR into your company?

Question: In what way do you consider CSR to be a part of your companies’ strategy?

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Question: From a strategically point of view, in what way do you believe that CSR creates competitive advantages and other business opportunities?

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Question: Which are the most important stakeholders for your company? And why?

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Question: If the social responsibility a company has towards society could be divided into four groups:

- Economic responsibility (Be profitable)
- Legal responsibility (Obey the law)
- Ethical responsibility (Be ethical)
- Philanthropically responsibility (Be a good global corporate citizen)

How would you rank these responsibilities (1 being the most important and 4 being the least important)?
Interview with

Name: Mr. Donny Winarno, PT Molindo

Title: Vice President

Place: BBD Plaza Jln. Imam Bonjol 61, Jakarta Pusat 10310, Indonesia

Date & Time: 2009-04-24, 14:30-15:30

Question: How do you define/what is your definition of CSR?

Question: How is it that your company chose to use CSR?

Question: What are your views and thoughts about CSR?

Question: What kind of CSR activities does your company perform? And in what way (to whom)?

Question: Positive effects using CSR?

Question: Negative effects using CSR?

Question: The CSR law/regulation that was instated in Indonesia in 2007, what are your thoughts about it and what effects has the law brought?

Question: How did you implement CSR into your company?

Question: Did you receive any external help when implementing CSR into your company?

Question: In what way do you consider CSR to be a part of your companies’ strategy?

Question: From a strategically point of view, what is your company aim regarding the use of CSR?

Question: From a strategically point of view, in what way do you believe that CSR creates competitive advantages and other business opportunities?

Question: Are there any connections between CSR and profitability as you see it?

Question: Which are the most important stakeholders for your company? And why?

Question: Which stakeholder do you consider having the biggest impact on your company? And why?

Question: Which stakeholder do you consider having the biggest impact on company regarding your CSR activities? Why? And how do you satisfy your stakeholder’s demands?
Question: Does it exist external/internal, primary/secondary stakeholders in your opinion?

Question: If the social responsibility a company has towards society could be divided into four groups:
   - Economic responsibility (Be profitable)
   - Legal responsibility (Obey the law)
   - Ethical responsibility (Be ethical)
   - Philanthropically responsibility (Be a good global corporate citizen)

How would you rank these responsibilities (1 being the most important and 4 being the least important)?
Interview made by e-mail with

Name: Ms. Artsanti K.

Title: at Japfa Comfeed Indonesia Tbk.

Place: None, since answers where provided by e-mail

Date for received answers: 2009-04-24

Question: How is it that your company choose to use CSR?

Question: How do you define/what is your definition of CSR?

Question: What are your views and thoughts about CSR?

Question: Positive effects using CSR?

Question: Negative effects using CSR?

Question: The CSR law/regulation that was instated in Indonesia in 2007, what are your thoughts about it and what effects has the law brought?

Question: What kind of CSR activities does your company perform? How come you choose these particular activities and for whom are they provided?

Question: How did you implement CSR into your company?

Question: Did you receive any external help when implementing CSR into your company?

Question: In what way do you consider CSR to be a part of your companies’ strategy?

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How would you rank these responsibilities (1 being the most important and 4 being the least important)?
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Name: Ms. Artsanti K.
Title: at Japfa Comfeed Indonesia Tbk.
Place: None, since answers where provided by e-mail
Date for received answers: 2009-04-24

Question: How is it that your company choose to use CSR?
Question: How do you define/what is your definition of CSR?
Question: What are your views and thoughts about CSR?
Question: Positive effects using CSR?
Question: Negative effects using CSR?

Question: The CSR law/regulation that was instated in Indonesia in 2007, what are your thoughts about it and what effects has the law brought?

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Question: From a strategical point of view, what is your company aim regarding the use of CSR?

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Question: If the social responsibility a company has towards society could be divided into four groups:

- Economic responsibility (Be profitable)
- Legal responsibility (Obey the law)
- Ethical responsibility (Be ethical)
- Philantropical responsibility (Be a good global corporate citizen)

How would you rank these responsibilities (1 being the most important and 4 being the least important)?
Appendix C Summary of empirical data

Institutions & Organizations

<table>
<thead>
<tr>
<th>Views on CSR</th>
<th>Chamber of Commerce</th>
<th>Ministry of SMEs</th>
<th>NCSR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Important for all companies</td>
<td>Important for all companies</td>
<td>Important for exporting companies</td>
<td>Important for all companies</td>
</tr>
<tr>
<td>Complex and diffuse agenda, community development is not CSR</td>
<td>CSR loose term</td>
<td>Law should function as foundation of CSR movement</td>
<td></td>
</tr>
<tr>
<td>CSR shall be voluntary not mandatory</td>
<td>Not a law, mutual agreement between companies and government</td>
<td>CSR shall be voluntary not mandatory</td>
<td></td>
</tr>
<tr>
<td>Cannot be standardized</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>In Indonesia, religion and culture is very important</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Why do companies use CSR?

<table>
<thead>
<tr>
<th>Chamber of Commerce</th>
<th>Ministry of SMEs</th>
<th>NCSR</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSR is the best way to gain profit, be accepted by society and reduce conflicts</td>
<td>State owned companies focus on economical content, developing business partnerships and promoting environmental issues</td>
<td>Because of the law</td>
</tr>
<tr>
<td>To be acknowledged companies recruit local workers. Very important aspect of CSR in Indonesia</td>
<td>Exporting companies due to global standards</td>
<td></td>
</tr>
<tr>
<td>To get loyal employees</td>
<td>CSR creates profit</td>
<td>Concerning about environment</td>
</tr>
</tbody>
</table>

CSR as strategy

<table>
<thead>
<tr>
<th>Chamber of Commerce</th>
<th>Ministry of SMEs</th>
<th>NCSR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Creates advantages towards non-users.</td>
<td>CSR increase the company image</td>
<td>Creates advantages towards non-users</td>
</tr>
<tr>
<td>Gives companies sustainability and profit</td>
<td>CSR increase a company’s sustainable growth</td>
<td>Gives companies sustainability and profit</td>
</tr>
<tr>
<td>Satisfied employees results in effectiveness and productiveness</td>
<td>For export, by following international standards and demands</td>
<td></td>
</tr>
<tr>
<td>For acceptance and legitimacy</td>
<td>For acceptance and legitimacy</td>
<td></td>
</tr>
</tbody>
</table>

Positive and negative aspects of CSR

<table>
<thead>
<tr>
<th>Chamber of Commerce</th>
<th>Ministry of SMEs</th>
<th>NCSR</th>
</tr>
</thead>
<tbody>
<tr>
<td>+ Companies, society and the environment benefit from CSR</td>
<td>+ Improves communication</td>
<td>+ Attractive in foreign markets where higher standards apply</td>
</tr>
<tr>
<td>- Law creates an unhealthy business environment</td>
<td>- Negative attitude and suspiciousness towards spending funds on CSR since government is involved.</td>
<td>- Law creates different interpretations, lead to discrimination and creates distrust among companies</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Hard to compete in domestic market, increased costs and higher prices</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Companies misuse CSR</td>
</tr>
</tbody>
</table>
### Stakeholders

<table>
<thead>
<tr>
<th>Chamber of Commerce</th>
<th>Ministry of SMEs</th>
<th>NCSR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local people most important, have most impact. If not treated right they cause most trouble.</td>
<td>Important to have good communication with all stakeholders and surrounding society.</td>
<td>Involve all stakeholders to create validity for the company.</td>
</tr>
<tr>
<td>Employees</td>
<td>Government</td>
<td>Foreign companies</td>
</tr>
</tbody>
</table>

### Associations

#### Views on CSR

<table>
<thead>
<tr>
<th>Handicraft association</th>
<th>Textile association</th>
</tr>
</thead>
<tbody>
<tr>
<td>Important for Indonesian society and companies in our field of industry</td>
<td>Hard to follow CSR guidelines, local and central government have different views. CSR should be performed in a societal context (supporting local needs)</td>
</tr>
<tr>
<td>Vital for export overseas, higher standards apply. Some companies believe that CSR not important</td>
<td>Larger companies stand for all export and they perform CSR in a wider context</td>
</tr>
<tr>
<td>Small companies support society by employing local labor</td>
<td></td>
</tr>
</tbody>
</table>

#### Why do companies use CSR? 

<table>
<thead>
<tr>
<th>Handicraft association</th>
<th>Textile association</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opportunity to develop company, increase quality, and be more caring about environment</td>
<td>Be attractive as employer and gain good reputation</td>
</tr>
<tr>
<td>Help companies to be strong against non-CSR users, especially in exporting</td>
<td></td>
</tr>
</tbody>
</table>

#### CSR as strategy

<table>
<thead>
<tr>
<th>Handicraft association</th>
<th>Textile association</th>
</tr>
</thead>
<tbody>
<tr>
<td>For export reason, thereby gain competitive advantages toward companies not using CSR standards</td>
<td>Companies using CSR will benefit and create competitive advantages towards companies not using CSR</td>
</tr>
<tr>
<td>Higher standards mean competitive advantages</td>
<td>To attract employees, increase reputation</td>
</tr>
</tbody>
</table>

#### Positive and negative aspects regarding CSR

<table>
<thead>
<tr>
<th>Handicraft association</th>
<th>Textile association</th>
</tr>
</thead>
<tbody>
<tr>
<td>+ Increase standards for workers, which leads to productivity creativity and company sustainability</td>
<td>+ Company becomes attractive as employer, bonding between employer and employee</td>
</tr>
<tr>
<td>- Time consuming process and costly</td>
<td>- No standard definition and guidelines regarding CSR</td>
</tr>
<tr>
<td>- CSR Shall be companies own choice and not compulsory by law, it makes companies not care where their money end up</td>
<td></td>
</tr>
</tbody>
</table>

### Stakeholders

<table>
<thead>
<tr>
<th>Handicraft association</th>
<th>Textile association</th>
</tr>
</thead>
<tbody>
<tr>
<td>All stakeholders connected and depend on each other</td>
<td>Foreign companies most important for textile industry</td>
</tr>
<tr>
<td>Employees most important with biggest impact</td>
<td></td>
</tr>
</tbody>
</table>
Views on CSR

<table>
<thead>
<tr>
<th>ACT Foundation</th>
<th>Nurani Dunia</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSR is good as long as companies perform CSR in a proper way and care for the causes that CSR brings to the society</td>
<td>All companies must use CSR</td>
</tr>
<tr>
<td>CSR shall be something that a company has planned to do and not a last minute solution</td>
<td>CSR can prevent tensions and reduce the amount of conflicts between company, government and local people</td>
</tr>
<tr>
<td>CSR is all about giving back to the society</td>
<td>CSR is all about giving back to the society</td>
</tr>
<tr>
<td>CSR shall be implemented in four steps</td>
<td>CSR shall be implemented in four steps</td>
</tr>
<tr>
<td>Proper CSR creates a “win-win” situation for everyone involved and thereby benefits all in the long run</td>
<td>CSR from a strategic point of view means that the company can achieve and win something from their CSR performance in the future</td>
</tr>
<tr>
<td>CSR is about sustainability</td>
<td></td>
</tr>
</tbody>
</table>

Why companies use CSR

<table>
<thead>
<tr>
<th>ACT Foundation</th>
<th>Nurani Dunia</th>
</tr>
</thead>
<tbody>
<tr>
<td>To become accepted from the surrounding society, stakeholders, trust, gain legitimacy, security and be taken care of</td>
<td>CSR prevail conflicts and gains legitimacy and acceptance</td>
</tr>
<tr>
<td>If a company would provide the local people with training and education, companies located in rural areas in the long run would benefit skilled workforce.</td>
<td>By involving the local people in CSR activities, the company can provide a better environment for them</td>
</tr>
<tr>
<td>CSR is communicating with local people</td>
<td>CSR is communicating with local people</td>
</tr>
<tr>
<td></td>
<td>Companies use CSR for marketing and create a good image of the company</td>
</tr>
</tbody>
</table>

NGOs impact on CSR

<table>
<thead>
<tr>
<th>ACT Foundation</th>
<th>Nurani Dunia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Design CSR programs related to the companies involved</td>
<td>Design CSR programs related to the companies involved</td>
</tr>
<tr>
<td>NGOs function as an intermediary between local people and companies willing to use CSR</td>
<td>NGOs function as an intermediary between local people and companies willing to use CSR</td>
</tr>
<tr>
<td>NGOs assist companies with resources through knowledge and education in order for them to reach their aims</td>
<td>NGOs are needed in the CSR process since they interact and have necessary knowledge about local people’s desires and demands</td>
</tr>
<tr>
<td></td>
<td>If companies by themselves want to divide their charities they need to have a special CSR department</td>
</tr>
</tbody>
</table>

Positive and negative aspects regarding CSR

<table>
<thead>
<tr>
<th>ACT Foundation</th>
<th>Nurani Dunia</th>
</tr>
</thead>
<tbody>
<tr>
<td>+ CSR benefits everyone as long as everyone uses CSR in a good manner.</td>
<td>+ Companies can create public relations and acceptance by using CSR. Local people benefit through CSR (funding, charity and job opportunities)</td>
</tr>
<tr>
<td>- Companies use CSR as a marketing strategy and sometimes they try to involve us in press conferences and other media attention in order to gain a good outer image</td>
<td>- Some companies use CSR as a marketing strategy with hidden messages</td>
</tr>
<tr>
<td>- Some companies only use CSR because they have to and others feel that philanthropic responsibility is enough to be able to say they perform CSR</td>
<td></td>
</tr>
</tbody>
</table>
### Small companies

#### Views on CSR

<table>
<thead>
<tr>
<th>Indo Jati Furniture</th>
<th>PT Dika Renacipta</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSR is about being environmentally friendly, satisfy employees and create a safe working environment. CSR is to train and employ local people</td>
<td>CSR mainly regards environmental issues. CSR satisfy workers by creating a better environment for them as well as the surrounding society</td>
</tr>
<tr>
<td>CSR is important for all furniture companies, recognizes environmental and health issues</td>
<td>CSR is really hard to define since the information regarding CSR is not clear enough. I believe that CSR is mainly meant for larger companies</td>
</tr>
<tr>
<td>Started CSR along with the law in 2007, no problem following the requirements and regulations</td>
<td>The law have created a higher level of awareness</td>
</tr>
</tbody>
</table>

#### CSR as a strategy

<table>
<thead>
<tr>
<th>Indo Jati Furniture</th>
<th>PT Dika Renacipta</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSR is a part of the company’s marketing strategy</td>
<td>CSR function as a marketing strategy</td>
</tr>
<tr>
<td>Export activities require certified and environmentally friendly raw materials as well as chemicals and this creates a major competitive advantage towards other furniture manufacturers not certified</td>
<td>To export to foreign countries and maintain certain standards, quality and also follows environmental rules and regulations</td>
</tr>
<tr>
<td>CSR part of the internal strategy satisfying our employees.</td>
<td>CSR improve the company’s values, creates legitimacy and security in rural areas</td>
</tr>
<tr>
<td>CSR is about long-term thinking, creates sustainability, long-term access of raw material</td>
<td>By recycled products we achieve cheaper raw materials, long-term thinking and sustainability</td>
</tr>
<tr>
<td>Consumers are aware of environmental issues and therefore it is a connection between using CSR and being profitable</td>
<td>CSR create a good image, reputation and is connected with profit</td>
</tr>
</tbody>
</table>

#### Positive and negative aspects regarding CSR

<table>
<thead>
<tr>
<th>Indo Jati Furniture</th>
<th>PT Dika Renacipta</th>
</tr>
</thead>
<tbody>
<tr>
<td>+ CSR keeps environment safe and ensure that employees work under good and healthy conditions</td>
<td>+ CSR satisfy workers by creating a better environment for them as well as the surrounding society</td>
</tr>
<tr>
<td>+ CSR results in increased creativity and productivity</td>
<td>+ More orders from customers then before CSR was implemented into the company</td>
</tr>
<tr>
<td>- CSR has led to increased costs for the company in production as well as for raw material</td>
<td>+ CSR standards led to higher quality products</td>
</tr>
<tr>
<td>- Hard to compete on domestic market</td>
<td>- Using CSR makes the prices go up</td>
</tr>
</tbody>
</table>

#### Stakeholders

<table>
<thead>
<tr>
<th>Indo Jati Furniture</th>
<th>PT Dika Renacipta</th>
</tr>
</thead>
<tbody>
<tr>
<td>All stakeholders are important since they grow together</td>
<td>Stakeholders support each other and are all in some way connected, it can be described as a spider net</td>
</tr>
<tr>
<td>Co-workers and suppliers are more important than others</td>
<td>Workers (artists and designers at most) are very important, local people in rural areas very important for legitimacy</td>
</tr>
<tr>
<td>Satisfy employees by healthy working conditions and giving workers a higher salary then the market level of payment</td>
<td>Keep workers satisfied by caring about their life, welfare and pay the workers enough wages</td>
</tr>
<tr>
<td>Received help implementing CSR from government, associations and other institutions</td>
<td>Receive help regarding CSR from association as well as other experts that works under the government and NGOs</td>
</tr>
</tbody>
</table>

Indonesian exporters, handicraft and furniture associations have the biggest impact, since they are granting CSR certificates and regulations.
Medium companies
Views on CSR

<table>
<thead>
<tr>
<th>PT Molindo</th>
</tr>
</thead>
<tbody>
<tr>
<td>Activities that a company contributes to the community in order to create a sustainable relationship.</td>
</tr>
<tr>
<td>Obligated to perform CSR, waste management one of the most important issues. The company recycles their waste into fertilizer for their own plantations as well as putting it in other bi-products like cosmetics, pharmaceutical products and beverages which the sell on to other companies.</td>
</tr>
<tr>
<td>Needs to be planned well to avoid dependency of the company</td>
</tr>
<tr>
<td>Not possible to generalize</td>
</tr>
<tr>
<td>In Indonesia there is a thin line between what is ethical and not, crucial to set rules regarding CSR performance.</td>
</tr>
<tr>
<td>Perform community development and give local people a opportunity to work for us</td>
</tr>
</tbody>
</table>

CSR as a strategy

<table>
<thead>
<tr>
<th>PT Molindo</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prioritize CSR programs from what is needed from the nearby society and based on what is produced</td>
</tr>
<tr>
<td>Internal and external CSR. Internal caring for employees. External helping society and the surroundings nearby</td>
</tr>
<tr>
<td>CSR make locals willing to work for us</td>
</tr>
<tr>
<td>Competitive advantages and business opportunities can come from CSR. Possible to enter new areas and connect with new partners</td>
</tr>
<tr>
<td>CSR gives loyalty, acceptance and legitimacy from the local people, creates safety and security</td>
</tr>
</tbody>
</table>

Positive and negative aspects regarding CSR

<table>
<thead>
<tr>
<th>PT Molindo</th>
</tr>
</thead>
<tbody>
<tr>
<td>+ Help introducing our production, to be known, gain access into society</td>
</tr>
<tr>
<td>+ Increase reputation, trust and image in the areas where we are located</td>
</tr>
<tr>
<td>+ Some connections between profit and CSR</td>
</tr>
<tr>
<td>+ Law gives a message that we need to treat our environment well</td>
</tr>
<tr>
<td>- Because of law companies do not care what CSR activities they perform</td>
</tr>
</tbody>
</table>

Stakeholders

| Many stakeholders contribute regarding CSR |
| Top management owner most important stakeholders |
| Suppliers |
| Society, local people give acceptance and legitimacy to perform business properly. Wants, needs and demands differs depending on activity and location |

Large companies
View on CSR

<table>
<thead>
<tr>
<th>PT Elanusa</th>
<th>PT JAPFA</th>
<th>PT Rekayasa</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSR is the content of business to contribute sustainable economic development working with employee, their families, local community and society</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CSR is about having sustainable business activities, a company must operate responsible to stakeholders, as well as the environment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CSR is about protecting our needs, interest, create sustainability for the next generation and conduct operations dealing with the surrounding community and environment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CSR demanded from clients, the CSR law and by inspiration from MNC (Multinational companies)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CSR is building good relationship to the community around the company operations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CSR part of core-business, have a unit called “corporate strategic unit”</td>
<td></td>
<td></td>
</tr>
<tr>
<td>To introduce ourselves to the local communities at our work-sites.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prioritize community development (education and health) and aid for natural disaster victims.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Promote non-addict CSR on a participatory basis involving locals. Sustainability lays in the impact and not in the program</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CSR is gives something back to</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CSR is all about timing and</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
society, this by community development (healthcare, economical support and education) | location
Voluntary group within the company called EER help when disaster strikes | Differences comparing developed countries and Indonesia. Developed countries base CSR on taxes and individual commitment. Indonesia bases CSR on ad hoc and is not entirely ready to be a national program and this also derives from mass poverty.

### CSR as strategy

<table>
<thead>
<tr>
<th>PT Elnusa</th>
<th>PT JAPFA</th>
<th>PT Rekayasa</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSR activities selected to assure and create business sustainability</td>
<td>Ethical standards are essential as core competencies. Fine line between businesses related activities and social related activities</td>
<td>Combine internal and external factors with company identity in order to perform successful CSR programs</td>
</tr>
<tr>
<td>CSR to increase company reputation increases stock value</td>
<td>Initiates CSR activities to benefit all stakeholders</td>
<td>Perform CSR activities that differentiate from other CSR companies, being first always helps</td>
</tr>
<tr>
<td>Create competitive advantages and reach areas closely related to our stakeholders</td>
<td>CSR to create sustainability and competitive advantages</td>
<td>Must understand the relationship between company and the area whereas the construction site is located. Important to blend in with the locals and adapt to their culture</td>
</tr>
<tr>
<td>Gives acceptance and legitimacy from local people</td>
<td>CSR shows responsibility to stakeholders, especially local community</td>
<td>CSR creates harmony within surrounding society, increased reputation, positive media exposure, recognition and protection from local society</td>
</tr>
<tr>
<td></td>
<td>CSR to improves relationship with local community, local bureaucrats and pressure groups</td>
<td></td>
</tr>
</tbody>
</table>

### Positive and negative aspects regarding CSR

<table>
<thead>
<tr>
<th>PT Elnusa</th>
<th>PT JAPFA</th>
<th>PT Rekayasa</th>
</tr>
</thead>
<tbody>
<tr>
<td>+ Acceptance and legitimacy from people surrounding our factory and stakeholders.</td>
<td>+ Strengthen relationship within the community around company worksites</td>
<td>+ Increase reputation, competitiveness and support from the local governments</td>
</tr>
<tr>
<td>+ Increases image and introduction for local people</td>
<td>+ CSR activities bring synergy between all the SBU’s (Strategic Business Unit) in the company, among primary stakeholders</td>
<td>+ Creates legitimacy to perform activities in remote and rural areas</td>
</tr>
<tr>
<td>+ Increases stock value</td>
<td>+ Opportunity to develop quality public relations activities</td>
<td>+ Contributes to a better society and sustainable future</td>
</tr>
<tr>
<td>- Companies only use CSR in order to look good for increased stock value</td>
<td>- Companies manipulate CSR for their own benefit</td>
<td>- The law decrease the creativity of CSR and force Indonesian companies to perform their CSR in a certain way</td>
</tr>
<tr>
<td>- Creates dependency of the company</td>
<td></td>
<td>- Misperceptions make communities believe that they can claim something from our com-</td>
</tr>
</tbody>
</table>
- Law force companies to do CSR, leads to careless philanthropy

### Stakeholders

<table>
<thead>
<tr>
<th>PT Elnusa</th>
<th>PT JAPFA</th>
<th>PT Rekayasa</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stakeholders who have most impact and are most important:</td>
<td>Entire stakeholders, internal or external stakeholders have equal importance.</td>
<td>Key stakeholders affect the company and stakeholders is affected by the company:</td>
</tr>
<tr>
<td>Local community</td>
<td>Concentrates on primary stakeholders i.e. customers, local communities surrounding the worksite, media and government</td>
<td>Key stakeholders:</td>
</tr>
<tr>
<td>Clients</td>
<td></td>
<td>Internal:</td>
</tr>
<tr>
<td>Employees</td>
<td></td>
<td>Shareholders</td>
</tr>
<tr>
<td>Media</td>
<td></td>
<td>Clients and partners</td>
</tr>
<tr>
<td>Shareholders</td>
<td></td>
<td>External:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Government</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Local government</td>
</tr>
<tr>
<td></td>
<td></td>
<td>NGOs</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Community leaders</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Media</td>
</tr>
<tr>
<td>Stakeholders:</td>
<td>Stakeholders:</td>
<td>Stakeholders:</td>
</tr>
<tr>
<td>Internal:</td>
<td>Internal:</td>
<td>Internal:</td>
</tr>
<tr>
<td></td>
<td>Employees</td>
<td>Employees</td>
</tr>
<tr>
<td></td>
<td>Environment</td>
<td>Environment</td>
</tr>
<tr>
<td></td>
<td>Suppliers</td>
<td>Suppliers</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Important in Indonesia to reach out to the local communities</td>
<td>Important in Indonesia to have a good relation with community surrounding working sites</td>
<td>In Indonesia the local community is very important</td>
</tr>
<tr>
<td>Internal as well as external NGOs have contact with local community and they know important people that can approve our presence. The NGOs implement programs and the company supervises</td>
<td>Map out stakeholders and determine key stakeholders in every area where we perform programs. Key stakeholders depend on the project. Important to consider all stakeholders thoughts</td>
<td></td>
</tr>
<tr>
<td>NGOs many times work as an intermediary between the company and local people</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Appendix D Presentation of respondents

Associations
Association of Indonesian Handicraft (ASEPHI)
The Indonesian Handicraft association works to support for good conditions for all its members. The association withholds members that craft everything from ancient spears to furniture to weaving old fashioned Indonesian batik. In many rural and remote areas the handicraft business is a way of living and every tribe has their different patterns and ways of producing their crafts. To promote all their members’ different crafts the association arranges and organizes exclusive handicraft exhibitions every year to display their members products (Widhiyanti, interview, 2009-04-13; ).

Indonesian Textile Association (API)
The association work as an intermediary to promote ambitions and be a driving force for the national textile society. Today the association have more than 1100 member from various field of industries within the branch of textile i.e. fiber, yarn, spinning and garment. About 80 per cent of the members within the association do have some kind of export operations (Ernovian, interview, 2009-04-01; www.textile.web.id).

Companies
Small size companies
Indo Jati Furniture
Indo Jati Furniture is a company that designs and manufactures interior as well as exterior wooden furniture in Jakarta and Chapaira (central Java) since 1990s. The furniture is designed by either one of the managers (there are two) or designed from customers’ requirements and desires. The company has 40 employees and is owned by Mr. Mahfuzi. All furniture’s are made by certified raw material (wood) mixed with other environmentally friendly materials like recycled wood, metals and water based chemicals. The company is active on the local markets in Jakarta, Java and Sumatra that stands for 70 per cent of the sales. The other 30 per cent is sales through exporting to countries on several continents (Asia, Europe and the Middle East) (Mahfuzi, interview, 2009-04-12).

PT. Dika Renacipta
Dika Renacipta is located in Jakarta and design interiors and handicrafts out of recycled materials such as wood, coconut shells and bamboo. The company has six employees working on a regular basis, when receiving large orders the company outsource some of their production. Furthermore, the company is active on the domestic market as well as exporting to international markets in the Middle East and Europe (Setiastuti, interview, 2009-04-13).

Medium size companies
PT. Molindo Raya Industrial – Ethanol Distillery
PT Molindo was established in the early 1980’s; it is a family owned company with its core business in distilling ethanol. The company has put enormous resources, both economically as well as time and scientifically to have a “zero tolerance waste management” policy. The recycled waste is mainly made into fertilizer to use for their own plantations, but the bi-products from the waste is also added into products like
cosmetics, beverages (alcoholic and non-alcoholic) and pharmaceutical products
(Winarno, interview, 2009-04-24; www.molindo.co.id).

Large size companies
PT. Elnusa Tbk. – Integrated Upstream Oil & Gas Services
The company was established 1969 in Jakarta under the name PT Electronica Nusantara and was in the starting phase only supporting its parent company Pertamina by providing services on electronic communication devices, navigation devices and radar systems.

Today Elnusa is a company which has its main activities in upstream services in fields of business like geosciences, integrated drilling services and integrated oilfield production services with supporting businesses which are upstream supporting services, downstream services, asset based and information technology and communication services. The company also has eleven subsidiaries in different field of business to support the parent company.

According to the company’s annual report from 2007 the company’s vision is to “become a world class company and a nation’s pride in total solution upstream oil and gas services, to provide optimum added value for the stakeholders” (Soemarno interview, 2009-04-08; Reka, interview, 2009-04-21 & 2009-04-23; 2007 Elnusa annual report).

PT. Japfa Comfeed Indonesia Tbk.
The company has its foundation in copra pellet production, and was founded as a joint venture between Indonesian company PT Perusahaan Dagang & Industri Ometraco and the Dutch company International Graanhandel Thegra NV. Through a string of acquisitions of similar companies, Japfa has grown and developed into one of the largest producers of agro-feed in Indonesia. The company has 74 different farms and other facilities for production situated all over Indonesia and seven different divisions within the company including human resource development (Artsanti, Email interview, received 2009-04-24; www.japfacomfeed.co.id).

PT. Rekayasa Industri – Engineering & Construction
The company was established as a state owned company in 1981, the mission was to develop the capability regarding the competence in procurement, engineering and construction services for industrial plants within Indonesia and its inhabitants. Rekayasa has expanded their business and to widen the business to other fields such as trading and power plant industry. PT. Rekayasa is seen as a respectable company in the domestic market as well as in the Malaysian market where the company also operates. Furthermore, the company also has seven affiliates to support their operations and provide more quality (Reza, interview, 2009-04-20; www.rekayasa.com).

Institutions
Chamber of commerce
Indonesian chamber of commerce and industries, also called Kadin Indonesia, was instated in 1968 and represents a group of Indonesian entrepreneurs as well as business enterprises and associations. The institution has 32 provincial chambers and approximately 450 regency branches to which they provide services. Such services include being somewhat of a forum for entrepreneurs and other businessmen in In-
Ministry of small and medium enterprises
Ministry of SMEs was founded in order to assist and guide small and medium sized enterprises regarding all kind off issues (i.e. CSR) within their different fields of business. After the CSR law was instated in 2007 the institution have experienced a closer and a more intense connection with the private owned companies, wanting guidance of how to use CSR in an effective way. The institution see themselves as an intermediary between the private owned companies and the government since, according to Mr. Choirul (interview 2009-04-01), “A major problem is that private companies are suspicious when government is involvec in projects. The companies assume that the money will be used for other causes then CSR activities” (Choirul, interview, 2009-04-01).

NCSR – National Center for Sustainability Reporting
The organization was founded in 2005 and has its main focus on accounting for CSR reporting. Since CSR is legally stated in Indonesia since 2007 there is still a lack of knowledge on how reporting CSR activities and operations shall be performed by companies and organizations and main mission is to promote Global Reporting Initiative (GRI) and set reporting standards.

The organizations provide training and educate teachers, representatives from larger companies, different branches and ministries of the government, stock exchange and capital market. To encourage companies to further use CSR reporting the organization has created an award event which every year awards best practice in CSR reporting, this is named ISRA = Indonesian Sustainability Reporting Awards (Darwin & Sihotang, interview, 2009-04-18; www.ncsr-id.org).

Mr. Ali Darwin
Mr. Darwin is one of the co-founders as well as the Executive Director in NCSR and is further also Chairman of the Indonesian Institute of Management Accountants. He is also involved in Indonesian CSR as one of nine board members who decides about governmental regulations regarding CSR and is a member of the jury for the Asian CSR awards an annual event hosted by CSR Asia (Darwin, interview 2009-04-18; www.asianforumcsr.com).

Organizations
NGOs
ACT Foundation
The organization was founded in 2004 and their core-business is disaster aid and reconstructions in disaster struck areas. Other main issues that the organization deals with are economic and market recovery. All members in the organization work on a voluntary basis, and mainly shares their skills and knowledge instead of material objects. ACT train and educate the local people so they can put them to use in the local programs and design CSR programs for companies. Companies usually provide
material objects and logistics and the organization contribute with their knowledge and skills. ACT cooperates with companies such as Unilever, Exxon mobile and Guarda food etc. (Utabarat, interview, 2009-04-18; www.actforhumanity.or.id).

**Nurani Dunia**

The organization was founded in 1999 by a group of journalists, academics and development experts with the aim of assisting victims of conflicts and to promote the return of trust, peace and community cohesion. Nurani Dunia focus their work on natural disaster victims and conduct emergency humanitarian aid programs and help communities to reconstruct disaster struck villages to recover mutual trust, togetherness and peace in areas where conflicts and tension appears. Nurani Dunia only cooperate and accept funds from Indonesian companies, because they feel the need for Indonesian companies as well as individuals to acknowledge what the organization is doing for the society and encourage more people to join them

All the people working for Nurani Dunia are doing it voluntarily, and most of these volunteers do not get paid from the organization. The organization only hires staff that has any personal or national connection to Indonesia (Chozin, interview, 2009-04-17; www.nuranidunia.or.id).