

# Corporate Social Responsibility During Gas Exploration Phase In Remote Areas of Papua: a Competitive Stakeholder Theory

Arry Pongtiku  
Djumilah Zain  
Armanu Thoyib  
Mintarti Rahayu  
University of Brawijaya

*Abstract: This study used mixed methods: Grounded Theory of Mode 2 which focused on application for management science and supported by Experimental Design. It is resulted " A Competitive Stakeholder Theory" with Theoretical Propositions are 1) CSR (Triple Bottom Line philosophy) and Stakeholder Theory are competing theories considered as strategic management to achieve objectives through value maximizing. The goal of Stakeholder Theory is pro all stakeholders involved. Every stakeholder including shareholder shares and creates values together which are useful for themselves. 2) Stakeholder Theory is a dynamic process that contributed by Power and Control of Stakeholders embedded in ethics/philosophy; Existing Issues; Cost Effective Strategies; Moral and Trust; PDCA (Plan-Do-Check-Act); Recognition and Creating Values. They are a continuous process and have an interrelated relationship. In addition, pre and post interventions in society showed dramatically in reducing communicable diseases. Workplace performed high productivity among workers. Good overall score of Malcolm Baldrige Score Card indicated the quality management of this CSR was in place. It is suggested this Stakeholder Theory would be applied at stable situation and at unstable situation such as uncertainty, turbulence, limited resources, remote areas, minimizing risk and issues of social responsibility. Although the CSR implemented in exploration phase or has not produced yet, there would be value creation for all stakeholders involved particularly community.*

*Keywords: CSR, Stakeholder Theory, Competitive, Value Maximizing*

Globalization offers many opportunities to companies, but also poses challenges for sources of uncertainty and risk. Business practices, even those conducted a very long way from their home markets, can be subject to intense scrutiny and comment by customers, employees, suppliers, shareholders and governments as well as other groups upon whose support the business relies. NGOs become more and more powerful in recent years calling business to account for policies in the areas of fair trades, human right, workers' right, environmental impact, financial probity

and corporate governance (Knox and Maklan, 2004). Some global companies have suffered the serious consequences of not acting responsibly, for examples: Nike's share price and brand sales were damaged severely when the news broke regarding the poor production conditions of its factories in Asia and Enron's unethical practices led to the company's dissolution and criminal indictment of former executives (Lee, accessed 09/26/2008).

*Roper Search Worldwide Research* showed that about 75% respondents prefers goods and services produced or marketed companies that give real contribution to their community through development program. About 66% respondents indicated that they prefer to switch to other brands with good corporate social image (Susanto, 2007).

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## Alamat Korespondensi:

ArryPongtiku, Faculty Economy University of Brawijaya Email  
Contact: arrypongтику@yahoo.com

The modern discussion of social responsibility got a major impetus with the book *Social Responsibilities the Businessman* (1953) by Howard R. Bowen, who suggested that businesses should take into account the social implications of their decisions (Wehrich and Koontz, 2005; Lee, accessed 09/26/2008). There are several definitions of Corporate Social Responsibility (CSR) in literatures; one of them is from World Business Council for Sustainable Development: "*Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workplace and their families as well as of the local community and society or larger*" (cited in Wibisono, 2007). "Triple Bottom Line" theory is currently adopted and become a heart of Corporate Social Responsibility practices. The three lines represent society, the economy and the environment. Society depends on the economy and the economy depends on the global ecosystem, whose health represents the ultimate bottom line. Triple Bottom Line reporting, a term coined by John Elkington (1997), involves measuring and reporting economic, environmental and social performance objectives that are practiced simultaneously. In other words, there is *balance among profit, planet and people* (Elkington accessed on 3/17/2008; Chapman, 2003; and Wibisono, 2007). In my point of view, Corporate Social Responsibility is an effort by corporate and its stakeholders working together increases the quality of life of the work place and local communities or society in general, and share responsibilities, risk and respects. Social aspects such as improving health and education, environmental care and community development are basically responsible for all.

Many writers believe CSR is a strategic business (Asongu, 2007). Pioneers /business leaders, such as Robert Owen and Francis Cabot Lowell and his Waltham Associates for instances, provided a view of the obligations of firms as the Industrial Revolution made an impact on society (Wren, 2005). Carnigie (1835–1919) in iron and steel industry, John Rockefeller (1839-1937) and his son, John Rockefeller Jr. (1874-1960) in oil business and Henry Ford (1873-1974) in car industry, were not only successful business men but also popular philanthropists. Carnigie in

addition said that the rich is responsible to help the poor, because the wealth is only a *trust fund* (Bertens, 2000). Peter Drucker (1974, 2008), the father of modern management, says there are three tasks, equally important but essentially different in the dimension of management: *First*, establishing the specific purpose and mission of the institution whether business enterprise, hospital or university; *Second*, making work productive and the worker effective; *Third*, managing social impacts and social responsibilities. Erna Witoelar cited in Warta Pertamina (2007) CSR goes beyond Public Relations. Bateman and Snell (2008) in their book *Management Leading and Collaborating in a Competitive World* include ethics and CSR are part of strategic values. They comment in the past time, profit maximization and CSR are considered as antagonistic things, however since to day business world is more ethical, those perspectives can be met. In the past time, attention of CSR is just focused on right or wrong doings, but now the perspectives go to competitive advantage. The Caux Roundtable which were participated by businessmen from Japan, Europe and America declared "*Caux Principles*" namely *kyosei* and respect human beings. *Kyosei* means stay and live together to produce general benefits, collaborations and mutual prosperities based on fair and supportive competition. Kotler and Pfoertsch (2008) say future trend emphasizes Corporate Social Responsibility and Design as important developments to change and redefinition of management brand. Blumenthal and Bergstrom cited in Guzmán accessed on 5/4/2009 argue both branding and CSR have become crucially important that organizations have recognized how these strategies can add from their value. There are four key reasons for integrating CSR under the umbrella of the brand which are; recognizing the magnitude of the brand promise; maintaining customer loyalty; maximizing investment that would be placed in CSR regardless of the brand; and avoiding conflict with shareholders. Lönnqvist (2002) value of brand is a financial phenomenon. However, the brand itself is intangible and immaterial asset. Pambudi (2005), Wibisono (2007) CSR has been monitoring in internationally economic market such as New York Stock Exchange through *Dow Jones Sustainability Index (DJSI)*, London Stock Exchange, Hangseng Stock exchange and Singapore



Stock Exchange. On consequences, global investors will more likely select to invest to those firms which are listed in the indexes.

CSR enhances a social capital. Halperen (2005) notes social cohesion is critical for societies to prosper economically and for development to be sustainable. Social capital is not just the sum of the institutions that strengthen a society. It is the glue that holds them together. In addition, there is relationship between social capital and economic growth. Social capital plays in improving the flow of information through an economy and generally lowering transaction costs. Social capital may have indirect positive effects on the economy, such as by encouraging the development of a legal and public policy environment that further reinforces trust and is conducive to long-term human and physical investment. Jaya Suprana (2005) the groups are generally supporters of a corporation's principal purpose is to *maximize returns* to its shareholders should not be worried because CSR is a source of *long-run profit*. Corporations which are responsible for its environment may have a good image and encourage society sympathy. The feeling of sympathy is a good foundation for relationship between producer and consumers. Bateman and Snell (2008) say Adam Smith wrote *A Theory of Moral Sentiments* where "sympathy" means respect to others is a great foundation of responsibly modern culture. Similarly, Pambudi (2005) SWA's survey among 45 corporations found as reasons to implement CSR: maintain and increase image of corporate were mostly selected by respondents (37.38%); make better relationship with communities (16.82%); and support for company's operations (10.28%). However whatever reasons are, Phil Watts, Group Managing Director Royal Dutch/Shell Group bravely says "CSR is not a cosmetic; it must be rooted in our values. It must make difference to the way we do our business". Bactiar Chamsah, former of Social Minister of Indonesia, comments due to complexity of social problems facing by government, we encourage to corporations to support communities. Social investment will be useful for corporations it self and will be gained it in the future so CSR is a must. By law of Indonesia of the Republic of Indonesia Number 40 of 2007, *Article 74* concerning Limited Liability of Companies, ratified in Jakarta on 16<sup>th</sup> August 2007

mentioned that: Companies doing business in the field of and/or in relation to natural resources must put into practice Environmental and Social Responsibility.

CSR is still new global phenomenon which was primarily a phenomenon found in the United States and the United Kingdom. Many companies in these countries have gone high commitment for CSR (Tunggal, 2008), on the other hand significant number of companies practiced CSR to just fulfill regulation while avoiding extra cost and do not see CSR issues as new opportunities such as in Korea (Lee, accessed on 09/26/2008), continental Europe had not expressed much interest in the concept (Falck and Heblich, 2007). There remains a lack of consensus regarding the definition of corporate social responsibility and no framework or model for a systematic accounting for examples suggesting economic and legal obligations as well as certain responsibilities to society in corporations's activities as cited in Lee, accessed on 09/26/2008. Some studies mentioned that companies which practiced CSR have problems dealing with their stakeholders (Knox and Maklan, 2004; Kolk and Pinkse, 2005; Warhurst, 1998). Clarkson strongly concludes after 10-year study of CSR that researcher should concentrate on how companies actually manage their stakeholders rather than upon empirically validating inherently untestable frameworks of social responsiveness (Knox and Maklan, 2004). Freeman in 1984 originally defines *Stakeholders* as "any group or individual that can be affected by the realization of a company's objectives". Post, in theory of *Stakeholder view*, "The stakeholders in a corporation are the individuals and constituencies that contribute, either voluntarily or involuntarily, to its wealth-creating capacity and activities, and that are therefore its potential beneficiaries and/or risk bearers". Stakeholders theory consists of fairness principle (John Rawls) and moral foundation (Robert Philips) cited in Wikipedia, accessed on 2/12/2008). In some extent, stakeholders have different perception and motives and CSR considered not cost-effective, responding to criticism (Munila and Milles, 2005; Koestar, 2007) and even corruption and lip services (Petrominer, 2008; Pane, 2008; Norman and MacDonald, 2003; Lee, accessed 09/26/2008; Arena, 2008). The benefits of CSR are still hard to measure as cited in Tsoutsoura, 2004.



Many managers, says HBS Professor Michael C. Jensen (2000), are caught in a dilemma: between a desire to maximize the value of their companies and the demands of stakeholder theory to take into account the interests of all the stakeholders in a firm.

This study helps and strengthens corporate and managers, how to collaborate with other stakeholders in dealing with CSR (*Corporate Social Responsibility*) issue and at the same time, the stakeholders understand how to deal with the corporate. CSR is beneficial both community and workplace even in unproductive phase of companies. This study can be useful for company and its stakeholders particularly in Health and Safety Management, Community Development, Risk Management as well as reaching MDG issues. This research encourages a health initiative how to reach remote areas includes effort to achieve millennium development goals. Remote areas maybe places of future exploration of oil and gas in Indonesia, so this developed theory might be relevant. It opens the mystery of remote areas issues and describes about Papua situation including as an advocacy for neglected diseases and an integrated approach. The study proves that health intervention with low cost strategies intervention as recommended WHO and Depkes RI can work even difficult and very remote areas with limited infrastructures. In addition, this study describes up to date issues about CSR particularly in Indonesia including regulation, cost recovery. The developed theory enhances more transparent, efficient, effective and innovative approaches for CSR or partnership.

This research contributes and enriches about stakeholder theories/partnership management. The developed theory enriches the knowledge of strategic and operational management of Corporate Social Responsibility (CSR). This study also demonstrates the interactions of social concepts, psychology, epidemiology, ethics, law and economics together applied for a CSR theory. This study enriches multi-level theories of social change in organization and may contribute for a risk management approach.

## METHODS

*"In doing Grounded Theory, I endeavored to emphasize the complexity of the world and therefore the freedom, autonomy, and license*

*required to write generated theory that explains what is going on in this world, starting with substantive areas"*(Glaser,2002).

This research mainly used a qualitative method (*Grounded theory design*); however some supporting data from surveys and interventions (*experimental design*) would be analyzed quantitatively as Creswell and Plano Clark (2007). This research selected a grounded approach because it seemed the grounded research would be more flexible to understand how complex phenomena occur, to explore stakeholder interactions and eventually to generate a new theory. This grounded theory was developed strongly by observation, interviews/discussion and continuously monitored its progress and coordination among stakeholders. On the other hand, a quantitative method measured pre and post interventions of communicable diseases/integrated health programs that carried out by mobile health team.

Grounded theory methodology was firstly introduced by Glaser and Strauss in 1967 with their phenomenal book *"The Discovery of Grounded Theory"*. As cited in Mehmetoglu and Altinay (2004), the analytic strategy of grounded theory had been used in several studies in various related fields such as management (Pandit, 1995), marketing (Goulding, 1997) and tourism (Decrop, 2000). According to Partington (2000), the approach to discovering theory from data known as grounded theory method is much cited but little understood. The grounded theory has also seen relatively little productive discussion in management literature. Bryman (1988) observes <sup>11</sup> *"In spite of the frequency which Glaser and Strauss and the ideas of grounded theory are cited in the literature, there are comparatively few instances of its application..."* (cited in Partington, 2000). Partington (2000) comments that the difficulty of applying universal grounded theory prescriptions is borne out by experience with doctoral students working the field of organization and management who attempted to follow the Strauss and Corbin approach (Mode 1) but have abandoned it because of its bewildering complexity.

The Mode 2 was initially introduced in 1994 by six authors :Michael Gibbons, Camille Limoges, Helga Nowotny, Simon Schwartzman, Peter Scott, and Martin Trow through their book of *The New*



*Production of Knowledge: The Dynamics of Science and Research in Contemporary Societies* (Nowotny, et al., 2003). Partington (2000) and Crompton, accessed on 3/25/2009 note in the field of management, the mode 2 knowledge-production system brings together the 'supply side' of knowledge, including universities, with the 'demand side', including business. Two features of Mode 2 are: First, transdisciplinary research is less likely to be based on the existing, highly developed theoretical frameworks from bounded disciplinary traditions, which tend to characterize Mode 1. Second, Mode 2 emphasizes tacit knowledge, which has not yet been codified, written down and stored. Academics and managers attempt to learn, working together from one another in virtuous cycle of understanding, explication and action in a mutually transdisciplinary frame (Partington :2000). Raimond (1998) includes The Stimulus-Response Model by Rosch (1992) in his paper "Where Do Strategic Ideas Come From?"

This study has limited time according to the first exploration and drilling operation of the Nation Petroleum project in Rombebai-Mamberamo in 2006 to 2008. Baseline data had been collected and serial health surveys had been done during the period as well as continuous observation. *Primary data* were collected through daily notes, interviews, questioners, progress reports/ 11 health surveys and interventions, emails (more than 350 correspondences), field data, other visual documentations and film transcription. *Secondary data* were previous reports from other examiners and references.

## RESULTS

"What is the greatest challenge in implementing CSR? ...

*The challenge is dealing with stakeholders"* (Arry Pongtiku)

This chapter consists of three topics namely first, Qualitative Analysis, which generate a theory of CSR/ stakeholders ; second Quantitative Analysis, which provides a supportive role for the other dataset presented and third, is discussion.

### Qualitative Results

Using Grounded Theory of Mode 2 (Partington's recommendation), process of data analysis firstly

started with *open coding* "stimulus and action" as categories from transcription. The stimulus and Actions were signified by management attention. To make it simple I prepared headings and key words for categories. I then secondly came into the phase of *axial coding*. In this phase, I used combination of excel program in the computer and manual. In this axial coding, I especially put those data back firstly by grouping the similar categories (*step one*) with copy and paste technique and then made connection its relationship among categories and subcategories manually (*step two*). I prefer to use the term of categories and subcategories than stimulus and action in the axial phase to keep the terminology as usual as Grounded Theory and avoided confusion. Using key words during axial coding may be helpful, the relationship between categories and its subcategories become simple and short. We can save our words because the summary will appear again in *Memo. As Selective Coding*, I selected core categories and its categories to describe the theoretical model. When doing this assignment, I selected core categories and its categories/sub categories which link each other as we can see in the large of paper, the connections among categories were lined by pencil. Core categories and its categories are found as follows:

- Role of Stakeholders (donating, regulating, implementing, mediating and sustaining)
- Issues (risk condition/ environment; poverty; human right & social justice; lack of infrastructure; lack of accessibility; facts; acceleration; special autonomy; responsibility; interest of stakeholders; politics; MDGs )
- Cost effective Strategies (Combined program, low cost effective treatment, communication, direct involvement, interest stakeholders; technology ; win-win solution; alliances, poverty alleviation; pilot project; special actions; team work; integrated approach; empowerment; mutual supports; MoU /contract)
- Trust and Morale: Trust (transparency; commitment; Satisfaction; perception; quality) & Morale (responsibility; attitude; culture-vision & mission; respect)
- PDCA :preparation, coordination/implementing, arrangement, learning process; quality; monitoring/evaluation; communication)



- Recognition : Appreciation (using logo, acknowledgment, rewards); respects; values of differentiation : satisfaction; pride (award, responsibility, different experience); quality of services
- Creating Values : direct benefits ( company, community, government, NGO); cost reduction; differentiation; good image; social capital; learning/ lesson learnt-new initiative; community participation; empowerment of local resources, solid team; spirit; politics; awareness of government; exit strategies: taking over by government)

In time core category and the categories related have saturated. By the time this happens, we will have accumulated a large number of memos. I then described its relationships in narrative /a story. The core categories which have been developed must be the sun, standing in orderly systematic relationship to its planets ( Strauss and Corbin cited in Pandit, 1996). Memo continues in parallel with data collection and coding. A memo is a note contains hypothesis/ propositions, and particularly about relationships between categories. Memo which consisted of comments or thoughts on incidents and linkages were recorded initially as sentences and as the analysis moved on they were updated and formulated as long as the research still carried out. Experts of Grounded

Theory such as Glaser, Strauss and Corbin as well Bob Dick placed that memoing are very important. I think original theory comes from memo.

### Theoretical Memo

"To implement Corporate Social Responsibility (CSR), any party or stakeholder should understand the ethical philosophy of Triple Bottom Line: there is a balance among Profit, Planet and People. The philosophy should be a foundation for stakeholders' actions or roles. Working with stakeholders has objective for Value Maximizing. This CSR started with addressing *issues* such as high communicable disease (health), remote areas, environment, human rights , and interests of stakeholders and later we realized about special autonomy regulation. It took time to deal with stakeholders until we found the stakeholders agreed with *cost effective strategies* such as using low cost effective strategies interventions, integrated approach, and principles of win-win solution. Cost effective strategies also ensures sustainability. We then *arranged clear roles of every stakeholder* such as donating, implementing, regulating, mediating, and sustaining. One NGO at the time acted as a mediator to bridge between company and other

### Corporate Social Responsibility in Uncertainty, remote area (MEMO)



Figure 1. Memo of CSR and Stakeholder relationship



stakeholder (government). We encouraged *trust* and *morale* by transparency; commitment; satisfaction; quality; and improving responsibility; attitude; culture- vision & mission; respect. All these works were challenging and needed perseverance because some actors had different perceptions. With system *PDCA* (Planning, DO, Check and Action) which I prefer to say "check and recheck mechanism" we tried to make the CSR in place. It was clear that all parties/ stakeholders involved using this system such as for coordination: preparation, doing learning process; quality; monitoring; evaluating; communication. We learned very much for company side for PDCA cycle. However the results were not fully achieved yet until we learned about *recognition* such as appreciation (using logo, acknowledgment, rewards); respects; values of differentiation; satisfaction; pride(award, responsibility, different experience); quality of services. "We put all flags raising and flapping so any party can be felt appreciated". Finally, we gained *Creating Values* such as direct benefits (to company, community, government, NGO); cost reduction; differentiation; good image; social capital; learning/lesson learnt-new initiative; community participation; empowerment of local resources, solid team; spirit; politics; awareness of government (other stakeholders); exit strategies: taking over by government). This theoretical Memo is cycling and dynamic process. They link and strengthen each other and have reciprocal relationship".

Now, I have a new theory that can explain its relationship in a model of specific context; we called it *Substantive /Emerging Theory*. However, if we improved the specific items and make it more general, lets we see, it might become *Formal Theory*. I might compare the emerged theory with extant literature and examine what is similar, what is different and why. Glaser and Strauss (accessed on 7/20/2009) say it is often best to begin with generating substantive theory from data and then let formal theory or revisions to existing formal theory emerge from substantive theory. More studies generating substantive theory will ultimately generate and improve formal theory.

Formulating *theoretical propositions*. I presented about model of *Substantive/emerging theory* which I called it: *CSR and stakeholder theory in*

*uncertainty, remote area*. I eventually generated in broader perspectives to be a *formal theory*, which I called it " *Competitive Stakeholder Theory*". I also provided statements of propositions (conceptual relationship).

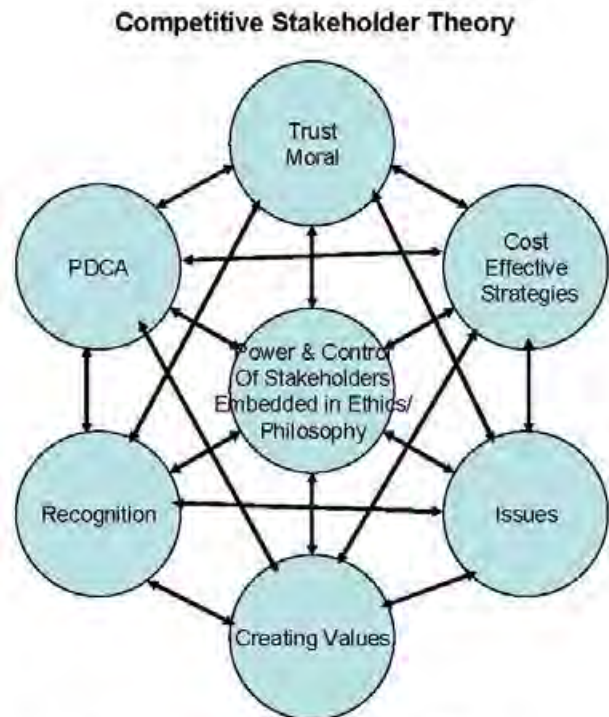


Figure 2. Competitive Stakeholder Theory

**Theoretical Propositions:**

- CSR (Triple Bottom Line Philosophy) and Stakeholder Theory are competing theories considered as strategic management to achieve objectives through value maximizing. The goal of Stakeholder Theory is pro all stakeholders involved. Every stakeholder including shareholder shares and creates values together which are useful for themselves.
- Competitive Stakeholder Theory is a dynamic process that contributed by Power and Control of Stakeholders embedded in ethics philosophy; existing issues; cost effective strategies; moral and trust; PDCA; recognition and creating values. They are continuous process and interrelated.



### Assumptions

Some basic assumptions of Competitive Stakeholder Theory are given as follows:

- Working with stakeholders enhancing capitals such as creating values through more resources and mutual supports (man, money, materials, knowledge, technology, opportunities, attitude, relationship, spirit, risk etc) to achieve the objectives.
- Stakeholders Theory primarily works with people/organizations that may have different perception, motivation and backgrounds so managing people, resources and interests as well as building mutual respect, human and personal relationship together are paramount. This Stakeholder Theory offers at least 7 dimensions to achieve objectives: power and control of stakeholders embedded in ethics philosophy; existing issues; cost effective strategies; moral and trust; PDCA; recognition; and creating values.
- Since this Stakeholder Theory can work in uncertainty, not more unlikely it will fit for the situation of certainty, turbulence and risk.

### Validation of the theory

Glaser and Strauss (1967, accessed on 7/20/2009) say a good practical ground theory should have some characteristics namely fit the substantive area it will be used in, understandable by laymen in that area, general enough to apply to many situations in the area and allow the user some control over the theory as the daily situation change over time. In addition, Glaser suggests validity in its traditional sense is consequently not an issue in GT, which instead should be judged by fit, relevance, workability and modifiability (Glaser, accessed on 7/20/2009). Albert Einstein (Wikipedia, accessed on 6/17/2009) puts "The supreme goal of all theory is to make the irreducible basic elements as simple and as few as possible without having to surrender the adequate representation of a single datum of experience". Partington (2000) suggests following mode 2 principles, one of the main features of the study was involvement of informants in the validation and application of its findings. These theory and assumptions have been a few times discussed with

key informants as well as my colleagues. I used S-O-R paradigm model by Partington to validate to informants whether theory of Competitive Stakeholder Theory is relevant to the real phenomena and is applicable to the world of management. In conclusion, informants (managers) in this study agreed with Competitive Stakeholder Theory that the theory considers reliable.

### Quantitative Results

Lets we remember the words of Dr Gro Harlem Brundlant (WHO,1999) in the book of Removing Obstacles to Healthy Development " *Health is a minimum requirement for development... Good health is at the heart of poverty alleviation*".

In this quantitative analysis, I made an analysis based on the results of evaluation of Pre and Post Health Intervention in remote Mamberamo, Papua. I described findings in proportion and number of cases. CSR in the form of Mobile health team activities had proved to reduce significantly communicable diseases. *Parasite Rate of Malaria* in Warembori decreased from 4% to 0%, Tamakuri 0% to 0%; Anasi 14% to 3% and Geza 25% to 7%. *Microfilaria Rate* of Lymphatic filariasis in Warembori dropped off from 1.1% to 0%, and Tamakuri 1.8% to 0%. We treated dramatically for leprosy (67 cases); immunization for mother and child during two visits was about 508 people vaccinated. We have got valuable information about nutritional status, HIV status in community. Survey with PITC approach (*Provider Initiative Testing and Concealing*) was carried out. From 189 samples, we detected 4 positive reactive of HIV test and 11 indeterminate and 27 positive reactive of syphilis test. We successfully treated some cases of tuberculosis in adults and children. Health education had encouraged people's life styles. The integrated approaches were useful to give more comprehensively health supports for community. Infrastructure development, community participation, exit strategy to take over to government ensured sustainability of the program. Supports from health cadres, school teachers or missionaries were helpful in the field. Results of health data in workplace showed high Man Hours: 2,002,930 hrs, low Total Recordable incidents: 7 cases and Total Recordable Incident Rate: 0.69 was considered as a good achievement. Self Assessment



using Malcolm Baldrige tool was 718 (from total score 1000) achieving good overall score means quality of CSR management in place.

## DISCUSSION

An Ethiopian Proverbs is good to remember before we start in this discussion which says *"When Spider webs unite, they can tie up a lion"*

Stakeholders theory has been debating and receiving critiques in the last decades for instances: Lépineux, 2005; Antonacopoulou and Méric, 2005; Mahoney, 2005; Key, 1999; Jensen, 2000; Weiss accessed in Google on 8/16/2008. However in this discussion I focused on some comments only. Freeman in 1984 originally defines *Stakeholders* as *"any group or individual that can be affected by the realization of a company's objectives"*. Post, in his theory called *Stakeholder view*, *"The stakeholders in a corporation are the individuals and constituencies that contribute, either voluntarily or involuntarily, to its wealth-creating capacity and activities, and that are therefore its potential beneficiaries and/or risk bearers."* For Donaldson and Preston in 1995 as cited in Weiss accessed in Google.com on 8/16/2008, Stakeholder Theory conceives a model of the enterprise in which *"all persons or groups with legitimate interests participating in an enterprise do so to obtain benefits, and there is no prima facie priority of one set of interests and benefits over another"*. The model rejects the idea that enterprise exists to serve interest of its owners, be that maximizing their wealth or some other reasons for being business. Rather, the model is based on the idea that the enterprise exists to serve the many stakeholders who have an interesting it or who in some way may be harmed or benefited by it. This appears different arguments to other authors such as Freeman who said stakeholder theory is pro shareholders (Freedman et al, 2004) and my argument is pro all stakeholder involved. Jensen (2000) explains *"there is a dilemma: between a desire to maximize the value of their companies and the demands of stakeholder theory to take into account the interest of all the stakeholders in a firm. Value maximizing tells the participants in an organization how they will asses their success in achieving a vision or in implementing a strategy, but value*

*maximizing says nothing about how to create a superior vision or strategy and value maximizing also says nothing to employees or managers about how to find or establish initiatives or ventures that create value"*. Key (1999) says *"Stakeholder Theory as it is currently formulated for lacking sufficient theoretical content. She adds a theory without context and causal laws to explain process does not meet requirements of theory. These elements must be added as part of the next step towards the creations of stakeholder theory"*. Yes, by this grounded research of Mode 2, I eventually said I filled in these gaps through explaining how creating values/value maximizing worked and achieved in competitive situation.

Lépineux (2005) comments the stakeholder theory fails to appreciate the place of civil society as a stakeholder. However in this case of CSR, we put community not only as a target and but also a subject for change. We gave them as much as benefits. One key informant said *"Thank you very much for the owners of the company for their high and deep commitment to help human beings"*. Furthermore, the philosophy of CSR places *people /society* is very important, equally together with *profit /business* and *planet /environment*. *"NP's philosophy would not have barrier with local community. We will more involve local people than people from outside, because we see local people have capabilities and we will invest in Papua so local communities and surrounding areas will be developed..."*. Community development is important to the future. If society actively participates for their own development and use their own potentials and local resources, this will ensure sustainability. Prediction of involvement with local community from a small study in that area showed *Mean Score Agreement of Degree of Involvement with Local Community* was 3,28 (where 4: very much involved). There is an appropriate epitaph: *But of the best of leaders. When their task is accomplished, their work is done, the people all remark "We have done it ourselves"* (Morley and Love, 1986).

Competitive Stakeholder Theory describes clear relationship between theory and methodology/philosophy used in this research, in the matter of important *ontological issues* (what counts for reality) and *epistemological issues* (how knowledge of that



reality may be established). I could state that CSR, Stakeholder Theory and Competitive Advantage are competing theories particularly linked with how companies / stakeholders manage their environments in order to be competitive. Partington (2000) says Grounded S-O-R theories are concerned with *how people's understanding of their environment leads to actions*. Raimond (1998) explains that studies from a cognitive perspective have shown us cases where a strategist's understanding of market is outcome of an interaction between market and strategist observing it. Durand (1998) in his paper of *The Alchemy of Competence* puts the tacit/articulated distinction has frequently been recognized as important. This distinction can only be transmitted, recognized and thus evaluated through interaction. The cognitive limits of both the speaker and the listener (the enunciation, the languaging, the attention paid, the message received and understood given the existing knowledge base of the listener, etc) will unavoidably lead to a distorted recognition of knowledge. In that sense, knowledge is thus necessarily tacit, at least to a certain extent. Mode 2 emphasizes tacit knowledge, which has not yet been codified, written down and stored (Partington, 2000). Takeuchi (1998) explains that tacit knowledge, creating new knowledge, and having everyone in the organization be involved made Japanese companies have advanced their position in international competition. Tacit knowledge is highly personal and hard to formalize and share with others. Subjective insights, intuitions and hunches fall into category of knowledge. Tacit knowledge is deeply rooted in an individual's action and experience, as well as in the ideals, values or emotions he or she embraces. Furthermore, tacit knowledge contains an important cognitive dimension. Yet they cannot be articulated very easily, this dimension of tacit knowledge shapes the way we perceive the world around us. Skill and expertise at organizational knowledge creation is the key to the distinctive way that Japanese companies innovate. I could say these sorts of phenomena only can be understood if researcher is deeply involved, part of the team as Mode 2. The researcher pays more attentions for how the managers' attitudes, actions and reasons towards their environments including the strength and weakness, threat and opportunity; how they find

appropriate stakeholders and solve the problems. Tacit knowledge is a dynamic process and of course more difficult to imitate with others or rivals.

*Axiological issues* refer to what is quality or value in a theory?. It is often to include ethics and aesthetics. Ethics tends to be focused on moral goods rather than natural goods, while economics tends to be interested in the opposite. However both moral & natural goods are equally relevant to goodness and value theory, which is more general in scope (Wikipedia, accessed on 1/19/2010). What values or ethics are concerned with Competitive Stakeholder Theory and what different with the former theories? I started with the statement of Freeman (1994, 2004) who firstly introduced this theory, he says Stakeholder theory begins with that values are necessarily and explicitly a part of doing business and reject the separation thesis. The objective of this theory is value maximizing. Furthermore, Freeman et al (2004) also explains first the goal of creating value for stakeholders is decidedly pro-shareholder. Second, stakeholders theory claims that whatever the ultimate aim of the corporation or other form of business activity, managers and entrepreneurs must take into account the legitimate interests of those groups and individuals who can affect (or be affected by) their activities (Donalson and Preston, 1995; Freeman, 1994). I think these two different statements become difficult choices. Many current CSR practices with former stakeholder theories showed some conflict of interests. Now in Competitive Stakeholder Theory, I clearly state that *Power and Control of Stakeholders* embedded in ethics/philosophy. For example: CSR with Triple Bottom Line philosophy needs harmonization of three elements: profit, planet and people. If a company and its stakeholders do not well understand and self interest where one or two items only in Triple Bottom Line willing to apply, this collaboration may fail.

The Competitive Stakeholder theory is rich for values where *recognition* of all stakeholders is the most values. Value maximizing in this new Stakeholder theory is clearly depend on actors' roles and behavior. Favorable relationship is made by willingness/voluntary, creativeness, pride, trust, value chain, team work, mutual benefits and respects, as well as win-win approach. Freeman, et al. (2004) had



mentioned the important relationship among stakeholders for creating values. Stakeholders theory consists of fairness principle (John Rawls) and moral foundation (Robert Philips) cited in Wikipedia, accessed on 2/12/2008). Stakeholder theory and capitalism could not be separated, Adam Smith, a Scottish moral philosopher and as the Father of Modern Economics, in his theory of Moral Sentiments (1759) says relationship between agent and spectator or the individual and other members of society based on sympathy "He bases his explanation not a special" moral sense" as the third Lord Shaftesbury and Hutcheson had done, nor on utility as Hume did, but on sympathy" (Wikipedia, accessed on 1/19/2010). Sympathy means respect to others is a great foundation of responsibly modern culture (Bateman and Snell, 2008). I sum the differences of former stakeholder theories and new stakeholder theory as below:

**CONCLUSION AND RECOMMENDATIONS**

*"Let us agree clearly what I am to do... Give me a real chance to do it... Give me knowledge of*

*my progress... Give me help when I need it... Give me recognition when I have done it"* (David Morley and Hermione Lovel, 1986)

**Conclusions**

Corporate Social Responsibility (CSR) is still to day controversial issues and many business companies are still reluctant to practice because they consider CSR is a cost. Furthermore, some business companies practiced CSR using Stakeholder Theory, however were caught in a dilemma: between a desire to maximize the value of their companies and the demands of stakeholder theory to take into account the interests of all the stakeholders in a firm. This study argues that CSR is a strategic management and as a weapon of business firms to become more competitive. CSR is an ethical business practice which in my point of view is an effort by corporate and its stakeholders working together increases the quality of life of the work place and local communities or society in general, and share responsibilities, risk and respects. Social aspects such as improving health and education, environmental care and community development are basically responsible for all.

**Table 1. The differences of former and new stakeholder theory**

	<b>Former Stakeholder Theories</b>	<b>New Stakeholder Theory</b>
Objective	Value Maximization	Value Maximization
Leadership	Hierarchy	Participatory
Basic Foundation	Not clearly mentioned	Moral/Ethics
Center Benefit	Shareholder/company	All stakeholders
Addressing Interest of Stakeholders	Yes, respect of interests of stakeholders	Yes, respect of interests of stakeholders based on win-win solution and philosophy/ethics
Relationship	Not clearly mentioned	Mutual respect and benefits
Structure of application to its stakeholders	Only a company to its stakeholders	Company to its stakeholders; Government to its stakeholders; Non profit organization/NGO/society to its stakeholders
Probability areas of application	Not clearly mentioned	Certainty, Uncertainty, Turbulence,
Benefits target	In long run	Risk Reduction, Social Responsibility,
Process of Values Maximizing	Not clearly mentioned	In long run and short run
Challenges	Not clearly mentioned	Clearly mentioned (7 steps) Innovation, creativeness, transparency, relationship, stability, lesson learned, research



Using Mode 2 of Grounded Theory, a new theory which is called "Competitive Stakeholder Theory", has been generated. The theory in broad perspectives states that:

(1) CSR (Triple Bottom Line Philosophy) and Stakeholder Theory are competing theories considered as strategic management to achieve objectives through value maximizing. The goal of Stakeholder Theory is pro all stakeholders involved. Every stakeholder including shareholder shares and creates values together which are useful for themselves. (2) Competitive Stakeholder Theory is a dynamic process that contributed by Power and Control of stakeholders embedded in ethics/philosophy; existing issues; cost effective strategies; moral and trust; PDCA; recognition and creating values. They are continuous process and interrelated.

Values creations through this competitive stakeholder theory do not only gain more resources (man, money, materials, knowledge, skill, spirit, and attitude) but also more relationship, quality, transparency, cost effectiveness, risk reduction, new initiative, better image and political meanings for all stakeholders. Specifically, such as The land of Papua which has large areas would be future target for exploration and exploitation for natural resources, this theory could strengthen mutual understanding between company and society, respect law and culture and make better relationship to other stakeholders as well especially if it is done in early stage. In Papua and West Papua provinces where many donors and NGOs are available, this theory will help and encourage working together for acceleration of development. Quantitative results have been used to support the qualitative analysis of this theory. Pre and post intervention showed drastically reduced of communicable diseases control. Health and Safety in workplace proved high Man Hours or high productivity among workers. *Malcolm Baldrige Self Assessment Score Card* indicated good overall score, means the quality of management was in place. This study has given a significant contribution to day to raise awareness of government and NGO/Donor(s) to reach remote areas of Papua through "Save Papua Program". Integrated Health Approaches, which bring many programs together in this study, achieved economics of scale.

## Recommendations

Although this study was carried out in CSR and uncertainty contexts, "Competitive Stakeholder Theory" could be applied in more developing contexts such as at stable situation and at unstable situation; turbulence, limited resources, remote areas, minimizing risk and other social issues. Business companies should not hesitate to implement CSR in both unproductive and productive phase with the stakeholder approach. CSR should become a proactive effort. The integrated health approaches were suggested particularly in remote areas and low resources areas. As limitations of this study and space for future research, it needs more comprehensively investigation of simultaneous CSR progress including health, economics, environment and education during exploration phase. It should be proposed a CSR study particularly stakeholder theory which applied both exploration and production phases. Study of impacts of CSR in remote areas towards communities, company, government and non government organization in the long run and particularly emphasis of communities' perspectives and culture changes as impact of investment may be much interesting. Studies of this Competitive Stakeholder Theory application in different contexts and how to measure CSR and Stakeholder Theory through value maximizing in systematic and simple way should be more proposed.

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