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Research thesis

The relationship between CSR and competitiveness:

the Indonesian case.

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List of Acronyms and Abbreviation

ADB	Asian Development Bank
AMDAL	Environmental Impact Analysis
ANOVA	Analysis of Variance
BL	Community Development Program
BNI	Bank Negara Indonesia
CBI	Centre for the Promotion of Imports from developing countries
CEA	Country Environmental Analysis
CEO	Chief Executive Officer
CSD	Corporate Social Disclosure
CSR	Corporate Social Responsibility
FDI	Foreign Direct Investment
GRI	Global Reporting Initiative
IBL	Indonesia Business Link
IDV	Individualism versus Collectivism
IDX	Indonesia Stock Exchange
ILO	Indonesian Labour Organisation
INA	International Netherlands Association
ISO	International Organization for Standardization
ISRA	Indonesia Sustainability Reporting Award
LTO	Long-term versus short-term orientation
MAS	Masculinity versus Femininity
MNC	Multinational Company
NCSR	National Center for Sustainability Reporting
NGO	Non-governmental Organization
OCQ	Organizational Commitment Questionnaire
OPEC	Organization of the Petroleum Exporting Countries

PDI   Power distance

PK   Partnership Program

PROPER   Program for Pollution Control Evaluation and Rating

RQ   Reputation Quotient

SOE   State Owned Enterprises

SPSS   Statistical Package for the Social Sciences

TBL   Triple Bottom Line

UAI   Uncertainty Avoidance

UNDP   United Nations Development Program

WCED   World Commission on Environment and Development

Abstract

The growing worldwide recognition of the need for companies to become sustainable and to optimize economic contribution, environmental performance and social responsibility, has become more important in Indonesia. Alongside the economic growth, environmental and social issues are also growing, but the Indonesian culture does not support sustainable behaviour. Therefore, Indonesia is the first country in the world to make Corporate Social Responsibility mandatory by Law instead of practices being voluntarily and not obliged. In the growth path towards becoming a developed country, the government has obliged Indonesian companies to limit their environmental and social impacts by implementing sustainable practices. To permit the synergy of policy intervention and effective implementation, it is generally expected that this must not affect the competitiveness of these companies in a negative way. This is the basis of this study, which examines if mandatory CSR policies have a positive effect on the competitive advantage of Indonesian companies. It is anticipated that effectiveness of policy implementation may be achieved where there is a positive relationship between CSR practices and competitiveness, which makes the investment in CSR practice more interesting for Indonesian companies.

By making use of primary data sources (interviews and surveys) the understanding of CSR in Indonesia and the relation between competitive advantage and CSR was analysed. First the concepts of CSR and competitive advantage had to be analysed by doing a literature study. Then experts on the field of CSR were interviewed to obtain more information on CSR in Indonesia. Finally, CSR managers of Indonesian companies were interviewed by using a survey to find out their perception on the effect of CSR on competitive advantage. In one company also other employees were asked about their perception of CSR and the effect it had on their motivation and commitment.

By analysing the information it became clear that CSR is perceived to have a positive influence on the indicators of competitive advantage and this effect also trickles down to the employees in the company by improving their employee commitment. The most important driver for companies to implement CSR is 'strategic reasons', and then the 'demand from stakeholders'. Although Indonesia is the first country with a law about CSR, the understanding and implementation of CSR is still weak and the focus is on social issues rather than on environmental issues.

1. Introduction

Who has not heard about climate change, pollution, and the threat of breaking down entire ecosystems? The effects of climate change, persistent toxins and emerging pollutants, invasive species, peaking fossil fuel supplies and water availability are at the top of our list of concerns (Hitchcock & Willard, 2006). Our society is confronted with many social and environmental problems, which are partly caused by the industrial sector. By exploiting the natural resources, the industrial sector and large corporations frequently caused severe environmental degradation and had detrimental social impacts (Achda, 2006). The industry sector is responsible for appreciable material flows within human society as well as the exchange of material and energy with the environment (Hussen *et. al.*, 2001). Companies have an enormous impact on the environment because of the continuous use of resources, performance of processes, and the generation of pollution and waste (Saha & Darnton, 2005). Provided that no laws are broken in pursuit of profitable-seeking ventures, there are no incentives for a company to include investment in sustainability and in becoming more environmental friendly. Against this backdrop, therefore, individuals, companies, government, and non-governmental organizations will need to take active roles if sustainable development practices are to be implemented (Hussen *et. al.*, 2001).

The impact that a company has on the environment can be determined from their ecological footprint. In regards to CSR practices of a company, this can be narrowed down to optimizing the three aspects of sustainability, which are environmental performance, social responsibility, and economic contribution (Krajnc & Glavic, 2005) known as the 'triple bottom line' (TBL). This means that companies must take responsibility in decreasing the impact of their ecological footprint and report on their optimization of the TBL (Nikolaeva & Bicho, 2010). Sustainable business is becoming more and more important and Corporate Social Responsibility (CSR) and CSR reporting are becoming 'hot topics'.

CSR is the moral responsibility that a company has to its strategic stakeholders and particularly the community around its workplace and operational areas. It is the commitment of a company to account for the impact of its operation in social, economic, and environmental dimensions (Achda, 2006). For most institutions, the economic contribution is fundamental, if they are not profitable they will not survive, but contributing to environmental development and social development is less usual, though at least as important.

Economic, environmental and social considerations of CSR practices are intertwined. Take for instance the case of China. Over the past decade they have been reporting fast and steep economic growth, but now they begin to recognize that the environmental costs of that growth (e.g. flooding, pollution, health problems and resource depletion) wipe out most of those gains (Hitchcock & Willard, 2006). And if we look at Indonesia, also an emerging economy with significant economic growth over the past few years (World bank, 2011), critical economic, social and environmental development challenges remain. Their current economic growth is fuelled to a large extent by liquidating non-renewable resources. This has been pursued with very little investment in human capital, while inflicting sizable environmental costs (CEA, 2009). In 2009, Indonesia consumed 1.1% of the world's total

energy consumption. This energy demand is supplied largely by fossil fuels such as oil, gas, and coal (British Petroleum, 2010) while renewable energy sources supply less than 10% of the energy demand (ADB, 2006).

There is no doubt that there is a need for CSR in Indonesia. Although Indonesia is an emerging economy that is growing rapidly with 6.4% in 2011 and an expected 6.7% in 2012, almost 50% of the people live around the poverty line of $22 a month (Worldbank, 2011). There are many more problems that Indonesia struggles with, for instance: poverty and unemployment, inadequate infrastructure, corruption, a complex regulatory environment, and unequal resource distribution among regions. Furthermore, lack of access to basic infrastructure is a chronic problem throughout Indonesia and improving the quality of Indonesia's infrastructure is an essential aspect of raising living standards and strengthening the nation's overall competitiveness to attract investment (Worldbank, 2011). According to the latest UNDP Human Development Report for the Asia-Pacific region (2010) gender equality remains a critical question. In many instances women across the region continue to be held back and disadvantaged, they continue to face barriers to the same opportunities available to men. Social responsibility is an area that receives less focus even though there is awareness that business has a responsibility to the community (Saha & Darnton, 2005).

Current environmental issues for Indonesia are deforestation, water pollution from industrial wastes and sewerage, air pollution in urban areas, and smoke and haze from forest fires (World Factbook, 2011). The industrialization and increasing population have worsened environmental pollution, particularly in urban and peri-urban areas. Pollution of surface water, contamination and depletion of groundwater, air pollution, and improper and illegal disposal of solid and hazardous wastes from residential and industrial sources are serious (ADB, 2006). Indonesia is a major emitter of greenhouse gases; it is among the three largest emitters of greenhouse gasses in the world. According to the research of Bradshaw *et. al.*(2010) Indonesia ranked 13th out of 228 countries in the index of proportional environmental impact and 4th in the index of absolute environmental impact. Deforestation, peat land degradation, and forest fires largely cause this, but the relatively small emissions from energy and industrial sectors are growing very rapidly (World bank, 2011). These practices contribute to global warming and threaten livelihoods, biodiversity, peace and stability (UNDP, 2010). The total cost of environmental degradation, including climate change, is over 5 percent of GDP per year and likely to increase (CEA, 2009). According to the CEA (2009) the two environmental challenges of the highest-priority would be climate change and water, sanitation and hygiene problems because they have the highest impact on health and economy.

Economic considerations are integral to CSR practices in that competitive advantage is important to companies. CSR cannot be practiced without considering competitiveness. Companies not only seek to be competitive, but will have to be competitive in order to survive in markets. Competitive advantage can be defined in many different ways, but it always comes down to the strategic advantage of a business over its rivals within its competitive industry. It is about being able to produce goods or offer services that are priced competitively and that are better than those produced by their competitors (OECD, 2003). Achieving competitive advantage strengthens a business and it enables the firm to create

superior value for its customers and superior profits for itself. 'It is therefore synonymous of a firm's long-run profit performance and its ability to compensate its employees and provide superior returns to its owners' (Jenkins, 1998).

Implementing CSR and reporting about CSR has been voluntary practice all over the world until 2007, when Indonesia made CSR mandatory by law. In most countries there are laws and regulations covering parts of CSR such as workplace health and safety, child labour, minimum wage, and environmental legislation, but no laws on investment in CSR or minimizing environmental or societal impact. To help companies in doing CSR there are voluntary national standards and guidelines that frame CSR and define what to include when reporting on it. ISO 26000 provide business, government, and society with practical tools for all three dimensions of sustainable development: economic, environmental, and social dimensions. Implementing ISO 26000 is a way to achieve the benefits of operating in a socially responsible manner. The ISO 26000 sustainability management standard draws upon the Global Reporting Initiative (GRI) guidelines (Levy, Brown, and de Jong 2010). The Global Reporting Initiative (GRI) is currently the most widely accepted and best-known framework for voluntary corporate reporting of economic, environmental and social performance (Brown, de Jong and Levy 2009; Levy, Brown, de Jong 2010; Hussey, Kirsop and Meissen 2001). It is very comprehensive for businesses because it contains all three elements of the triple bottom line. The GRI Guidelines consist of principles for defining report content and ensuring quality of the reported information and standard disclosures made up of performance indicators and other disclosure items, the sector supplements and technical protocols which include sector specific performance indicators and give guidance on specific technical topics in reporting (G3.1 Guidelines 2011).

Indonesia is a unique case when it comes to CSR practice. The social and environmental issues and the economic considerations, have forced the Indonesian government to take action by creating awareness for CSR, which can help the adoption of social and environmentally sustainable practices. Therefore, Indonesia has included the implementation of CSR in article 74 from the 2007 Law on Limited Liability Companies. There is only one more country that has implemented a law on CSR, which is Denmark. The Danish law is from 2009 and states that investors and state-owned companies need to include information on CSR in their annual financial reports. This means that it is not mandatory to implement CSR, but they need to provide information on their policy for CSR. The Indonesian law requires that firms must allocate budgets for CSR programs and the programs must be run according to the government regulations (Lyon, 2009). This means that for Indonesian companies, since 2007, it is mandatory to implement and invest in CSR. Opponents of this law say that it is damaging for business (Lyon, 2009), because it can place a financial burden on a company and interfere with the competitive advantage. Off course, this is not what the government wants to achieve with this law. They want to increase awareness of the need for CSR in Indonesia and in the same time stimulate competitive advantage. The question this raises is: does making CSR practices mandatory by law as opposed to voluntary create a difference in the implementation of CSR and do companies perceive that they can retain their competitiveness under this situation?

The law can help Indonesian companies attract foreign and domestic investment, create jobs and create opportunities for people to develop sustainable livelihood (UNDP, 2010a; World bank, 2006). Though, there is still only a small amount of Indonesian companies that have adopted sustainable business practices and implemented CSR (Kemp, 2001). The government can make the law, but they want to be seen as a partner of the companies and not really a superior, they do not want the law to affect the companies in a negative way. Therefore, they could use institutions that help a company to implement the law.

The Indonesian Netherlands Association (INA) is the official Benelux Chamber of Commerce in Indonesia (since 1978) and is such an institution. They aim to facilitate, encourage and support business cooperation between Indonesia and the Benelux. The INA serves a wide range of needs from Indonesian and Netherlands companies and persons in the various stages of business development. Besides giving information and advice the INA implements a number of support programmes aimed at supporting the competitiveness of Indonesian exports and the attractiveness of Indonesia as a country for investment. The National Center for Sustainability Reporting (NCSR) is one of these support programs. They inform, disseminate and educate Indonesian companies on sustainability reporting based upon the GRI guidelines and the broad meaning of sustainable development (INA, 2011). By helping companies implement CSR, they not only make Indonesian companies better, but in the end, enhance cooperation and sustainable trade, which makes Dutch companies better as well.

INA, and especially the NCSR, can play a role in the adoption of the CSR law within the Indonesian companies. The law makes uniform rules for all companies at international standards. When all Indonesian companies have to adapt to the same international CSR standards, the barriers for European companies to enter Indonesia could be lowered which leads to a so-called 'soft-landing', the regulatory scheme is similar to what they are costumed to. Through there network and support programs, INA can lobby for widespread adoption and implementation of the law. With the training session for sustainable reporting from the NCSR, they can support implementation and understanding of the law.

1.1 Problem definition

Indonesia relies so much on natural resources that they now struggle with the effects this had on the environment and the society. Companies need to adapt to a sustainable growth strategy and implement CSR in their way of doing business, before it is too late. This has forced the government to make a law to regulate the investment in CSR. This means that all companies in Indonesia working with natural resources have to invest in CSR. But companies are afraid that implementing CSR will be a financial burden and that it will make them weaker and less competitive (Lyon, 2009)**.** The benefits for the environment are clear, but there is still a lack of clarity on the benefits for the company (Nikolaeva & Bicho 2010). Investing in sustainable business practices is costly in terms of time and money, and the benefits of sustainability must outweigh the investment that the company must make. Companies need to be assured of a positive correlation between the implementation of sustainable practice and its enhanced value (reputational and financially) by the international and domestic communities. It must not be considered as a cost, but as a long-term investment for the company (Achda, 2006). This leads to the problem: can companies stay competitive if they adopt CSR?

1.2 Research objectives

Due to the new CSR law in Indonesia, all companies working with natural resources need to invest in CSR practices. But most of the companies do not see it as being beneficial. They see it as a cost and a threat to their competitiveness, and not as a long-term investment with benefits for the company, the environment and the society. When the companies can be convinced of the positive effects that implementing CSR have on competitive advantage, they might become less reluctant towards CSR.

Reduce reluctance towards CSR implementation is one of the attention points of INA, whose support to carry out this research project was very important. As mentioned in the introduction, INA aims to facilitate the implementation of the law on CSR in order to enhance trade and lower barriers between Dutch and Indonesian companies. In other words INA serves as a mediator for 'soft-landing' between the two countries' entrepreneurs. Their main objective is to encourage companies in Indonesia to implement and invest in CSR by showing them that investing in CSR has benefits for the company, as well as for the environment and the society. The objective of INA is very similar to the objective of the researcher, which is to find out the relationship between CSR practices and competitiveness.

By assuming that disclosing the benefits of CSR on competitive advantage encourages investment in CSR, it is important to identify whether those benefits might be the driver to invest in CSR, or if shareholders' philanthropic ideas or stakeholder's demand will drive the investment. It is also interesting to explore if the management decision to invest in CSR trickles down to the employees and whether it influences the commitment of the employees to the company.

1.3 Research question & sub-questions

In order to achieve the objective stated above, the research question can be formulated as follows:

'How does CSR practices influence the competitiveness of Indonesian companies?'

Given that CSR practice can arise either from companies' initiative, pressure from the law or from the organizations (INA's) encouragement, some complementary sub-questions were formulated about the drivers.

1. What is the perception of CSR practices in Indonesia?
2. What are the drivers for Indonesian companies to invest in CSR?
3. How can business competitiveness for Indonesian companies be defined?
4. What is the perception of Indonesian employees of CSR practices in their company?

Having a law and the support of institutions as INA does not mean that employees will adopt CSR practices. First it is important to find out how Indonesians perceive CSR, what do they see as sustainable business practices, what practices are especially important for Indonesia. Then it is investigated why Indonesians would invest in CSR, will they invest because of the strategic benefit of creating a better competitive advantage, or is it the influence of the government that drives them to invest in CSR. It is necessary to explore, with all the different definitions of competitive advantage, how competitiveness can be approached for

Indonesian companies. And in the end, it is interesting to see if the implementation of CSR from the managers' point of view might cause any positive impact to the company's employees.

2. Theoretical framework

Because of the worldwide attention for sustainable ways of producing and due to its broad coverage and wide interpretation, for many companies CSR has been the means to operationalize the concept of sustainability within companies. As explained in the introduction section, Indonesian context presents itself with major environmental and social issues therefore Indonesian companies might look at CSR implementation as the opportunity to overcome those problems while improving their reputation towards sustainability. Though, the focus of the Indonesian culture on the 'here and now' might play an important role for companies as a reason to 'resist' to the implementation of CSR. The short-term orientation counterpoises to the long term planning required for CSR as for the sustainability principles operationalization. In consequence, making CSR compulsory for some productive sectors by making a law on CSR was the Indonesian governmental response. The upcoming question then is: do Indonesian companies have enough incentives and support –as the one offered by INA- to comply with the CSR law which allow them to remain competitive?

In this section, the researcher has identified relevant literature that has framed this research work, i.e. the concept of CSR; Indonesia's cultural values and concepts are described; the link between culture and CSR is explained. Because the understanding of CSR differs between people and among countries, the section continues with a summary of the most pressing environmental and social problems for Indonesia which, together with the unsupportive culture, have leaded to the law on CSR in Indonesia. To be able to enforce the law, sustainable business practice for Indonesian companies are defined in the sub-section number 2.6. From INA's perspective, whose aim is to convince companies to invest in CSR, and also for the purpose of this research, the main drivers of investing on CSR have been extracted from literature, which might suit the Indonesian context. Additionally, several works are cited about the CSR benefits on the interest of Indonesian companies. Finally, in subsection 2.9, the researcher made the integration of those works showing the interaction among the concept of business competitiveness and its relation with drivers and benefits of sustainable investment, such as CSR.

2.1 What is CSR?

CSR has been extensively described and conceptualized by many authors, some of the most relevant and applicable for this research took the researcher attention. Under the European context, the European commission (2011) defines CSR as: 'CSR is the responsibility of enterprises for their impacts on society, wherefore they should have a process in place to integrate social, environmental, ethical, human rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders, with the aim of maximising the creation of shared value and mitigating the possible adverse impacts'.

Possibly the most known concept of CSR comes from Caroll (1979). He states that 'The social responsibility of business encompasses the economical, legal, ethical, and discretionary expectations that society has of organizations at a given point in time'. As complementary contribution from Caroll (1991) he presented the famous pyramid of CSR, where the four elements are suggested to constitute CSR. On the base of the pyramid are the more basic

responsibilities: the 'economic' (the foundation on which all other rest, the production of goods and services demanded by the market and being profitable) and the 'legal' (play by the rules of the game, compliance with various legal requirements including workers safety, environmental standards, and tax law). At the pinnacle are the more advanced responsibilities, the 'ethical' (obligation to do what is right, just and fair, and to avoid harm to nature and people), and the 'philanthropic' (contribute resources to the community and improve quality of life). Another well-known theory of CSR is that from Freeman (1984) the "Stakeholder theory". The theory states that businesses have a responsibility to various groups of protagonists within the society, their stakeholders– e.g. financiers, customers, supplier's communities, and employees –. The different interests of these stakeholders need to be kept in harmony (Freeman, 1984).

Both theories' are in sharp contrast to the idea of Friedman (1970), who stated that managers' responsibility is only to increase shareholders wealth. This means that their unique responsibility is to conduct the business in accordance with the owner's desires to make as much money as possible conforming to the basic rules of society. This shows that the movement of CSR has brought a shift from the classic shareholder view to a focus on stakeholders, and from a focus on only profit-making to a need to contribute on a voluntary basis to both the environment and society and at the same time being ethical and profitable.

Many authors also refer to sustainability when talking about CSR. At that regard, there are many different definitions of sustainability, but the best known definition of sustainable development is defined by the World Commission on Environment and Development, also acknowledged as the Brundtland Commission in 1987 (Hussey *et. al.*, 2001). They define sustainability as 'meeting the needs of the present, without compromising the ability of future generations to meet their own needs' (WCED, 1987). Regardless of the definition, those working in the field of sustainability generally envision sustainability as having three pillars: the economic, social, and environmental pillar, which is also called the 'triple bottom line'. Instead of trading these realms off against one another, sustainability aims to harmonize all the three realms (Hitchcock & Willard, 2006). Therefore, in some extent the CSR concept and sustainability overlap in their long-term scope and components and both have gained an important place in the business strategies in the last years, especially for those large Multinational companies. In consequence, international companies have taken seriously the CSR and sustainability principles and translate them into practical guidelines for reporting, as the one carried out by the "Global Reporting Initiative (GRI)" (G3.1 guidelines, 2011) and more recently the one published by ISO (ISO 26000).

Reporting about sustainability and CSR brings principles to life by ensuring that companies measure impacts, set goals, make progress, engage all stakeholders in their commitments and actions, and make these efforts transparent (Andrews, 2002). Despite the efforts of the Global Compact, GRI, and ISO 26000, there is no consensus on what exactly should be included in the social responsibility of a company (Griffin, 2000).

In the case of Indonesia there are several social, economic and environmental issues that are very prominent to change. To define what might be included in the social responsibility of companies in Indonesia, these issues are explored in sub-sections 2.3 and 2.4. They are the

basis for defining what kind of sustainable business practices might need to be implemented in Indonesia. But before describing the Indonesian issues on terms of sustainability, some more general aspects of the Indonesian case need to be reported in connection with the Indonesian culture and CSR principles. The reason to describe cultural aspects is because they might represent some of the barriers for CSR implementation hence its inclusion in this analysis.

2.2 Indonesian culture

As introduced previously, cultural aspects in terms of how to set up the priorities within a long-term timing frame for Indonesian companies, has been observed as part of the contextual limitations for adopting CSR. Some relevant works done about National culture and its dimensions is the one done by Hofstede (1983) Professor Geert Hofstede conducted one of the most comprehensive studies of how values in the workplace are influenced by culture. According to his model –tested empirically- the dimensions that distinguish one country from another are: Power distance (PDI), Individualism versus Collectivism (IDV), Masculinity versus Femininity (MAS), Uncertainty Avoidance (UAI) and Long-term versus short-term orientation (LTO) (Hofstede, 2012). By exploring the Indonesian culture through these dimensions some of the deep drivers of Indonesian culture relative to other world cultures can be distinguished.

Under the Hofstede model, Indonesia scored high (78) on the PDI dimension. Characteristics that go with this score are: being dependent on hierarchy, unequal rights between power holders and non power holders, superiors inaccessible, leaders are directive, management controls and delegates, communication is indirect, and there is an unequal disparity between the rich and the poor. On support to that "assessment" Jones reported in 2007 that in Indonesia you find a formal hierarchy with each tier wielding more power than the rank below, management will be centralised, and subordinates are unlikely to be consulted or expected to participate in decision-making. Decisions and ideas are generated at the top and status is very important in Indonesian society. Although more Indonesian women are entering to the workforce, it's still difficult for them to do business without a man by their side (Communicaid, 2009).

Additionally, Indonesia scored only with 14 on IDV, which means that Indonesia is a collectivistic society. There is a high preference for a strongly defined social framework in which individuals are expected to conform to the ideals of the society and the in-groups to which they belong, and family is very important (Hofstede, 2012). Indonesians will always place family and community concerns over that of business or individuals (Communicaid, 2009). Employees will be team-oriented and group motivated (Jones, 2007).

MAS dimension in Indonesia reached the value of 46. Its interpretation was that Indonesia might be considered low Masculine. In Indonesia status and visible symbols of success are important but it is not always material gain that brings motivation. Often it is the position that a person holds which is more important to him because of an Indonesian concept called "gengsi" – loosely translated to be "outward appearances". It is important that the "gengsi" be strongly maintained thereby projecting a different outward appearance aimed at impressing and creating the aura of status (Hofstede, 2012). Indonesia will show a slightly

more affectionate and compassionate workforce than a task-oriented and result-focussed workforce whereby belonging to the group is more important than pleasing the boss and workers will tend to socialise at work quite often (Jones, 2007)

On the dimension of UAV Indonesia scores 48, which means that Indonesians have a medium low preference for avoiding uncertainty. There is a strong preference in Indonesia toward the Javanese culture of separation of internal self from external self. People will not show negative emotion or anger externally, they will keep on smiling and be polite (Hofstede, 2012). In their communication they are subtle and do not always say exactly what they mean. They rather tell people what they want to hear to avoid a confrontation, than deal with immediate issues (Communicaid, 2009). Work place and relationship harmony is very important and no one wishes to be the transmitter of bad or negative news or feedback (Hofstede, 2012). With regard to uncertainty avoidance, Indonesians tend to plan for future events without much fear of making decisions or fear of the unknown (Jones, 2007).

Hofstede have not measured the LTO dimension for Indonesia, but Kotelnikov (2012) has made a country comparison on cultural dimension scores in which he measured LTO for Indonesia, and this shows that Indonesia scores low (25) (Kotelnikov, 2012). The reading of that value is that Indonesians are short term oriented which generally means having a strong concern with establishing the absolute truth. They are normative in their thinking, they exhibit great respect for traditions, have a relatively small propensity to save for the future, and have a focus on achieving quick results (Hofstede, 2012). Indonesians want to protect their 'image'. Efforts should produce quick results and it is important to maintain personal stability and happiness in the present.

Furthermore, Indonesians have a very flexible attitude towards time. Indonesians will not hurry and are not that punctual. They do not rush through business negotiations but take time to build on relationships first. Relationships, personal contacts and networks are very important in making business deals in Indonesia (Communicaid, 2009). Over 90% of the Indonesians are muslim (World factbook, 2011). They pray five times a day and fast for an entire month during the Ramadan, this can influence Indonesian business culture in varying degrees (Communicaid, 2009).

For the interest of this research, the summarized question is: in what extend those cultural dimensions and characteristics can influence CSR implementation in the Indonesian business sector? As a first trial to give an answer to that, previous research done by Katz, Swanson & Nelson (2001) showed that culture-based tendencies shape a nation's expectation of corporate social conduct. According to Ringov & Zollo (2007), the power distance and masculinity dimensions from Hofstede can negatively affect corporate social and environmental performance. Other researchers also have tried to link the dimensions from Hofstede to the perceptions and behaviour towards CSR, and the outcome is that there is a relationship, but the nature of this relationship need to be further researched (Ramasamy & Yeung, 2009). According to Sethi (1975), culture can influence the adoption of corporate behaviour to social needs. There are three stages of corporate behaviour that Sethi (1975) distinguished: social obligation, social responsibility, and social responsiveness. Social obligation is corporate behaviour "in response to market forces or legal constraint". The

criteria here are economic and legal only. Social responsibility, by contrast, goes beyond social obligation. He stated, "Thus, social responsibility implies bringing corporate behaviour up to a level where it is congruent with the prevailing social norms, values, and expectations of performance". Sethi (1975) regarded social responsiveness as the adaptation of corporate behaviour to social needs.

The cultural analyse of Indonesia and possible influence on CSR implementation were used to explain some of the findings and were discussed afterwards in the corresponding section of this document. With the intention to draw a general understanding on the environmental and social situation in Indonesia, the following two sub-sections gather relevant secondary data about those CSR/sustainability dimensions.

2.3 Environmental issues for Indonesia

Indonesia's economic growth has been led by industrial expansion and has taken place without suitable attention to the environment. This made the Indonesian economy increasingly carbon-intensive (CEA, 2009; Rozali *et. al.*, 1993) and in consequence that has led to serious environmental degradation and pollution (World bank, 2003). As the economy grew, energy intensity also grew but carbon emission grew even faster, which points to a lack of investment in cleaner technologies in the energy sector (CEA, 2009). The largest source of carbon emission is the industry sector. It is not only the large-scale industry that is contributing to local pollution and other environmental problems, the inefficient energy use of small and medium scale industries is also adding to the problem (Priambodo & Kumar, 2000). The energy demand in Indonesia accounts for 1.1% of the world's total energy consumption (British Petroluem, 2010) and less than 10% is supplied by renewable energy sources (ADB, 2006). However there is great potential for renewable energy in Indonesia, such as geothermal, hydro and solar power (Jayed *et. al.*, 2011; CEA, 2009), and the traditional energy sources are not sufficient anymore to serve the growing energy demand (Soentono & Aziz, 2008). Rapid climate change and environmental protection are vital issues that need to be addressed in recent energy policies (Jayed *et. al.*, 2011). In the past the government stimulated the inefficient use of energy with subsidies on fuel and electricity, but since 2007 they tried to change direction and have implemented a renewed energy policy that should help to achieve the development objectives (CEA, 2009).

Jakarta has experienced serious air pollution problems associated with the increasing use of energy (Wirahadikusumah, 2002) and air quality in Indonesia is under threat (World bank, 2003). The industry and motorized vehicles are the main contributors to air pollution (Wirahadikusumah, 2002). The main pollutants of interest are lead, fine particulates, carbon monoxide, nitrogen oxides, hydrocarbons, sulphur dioxide, and carbon dioxide (World bank 2003). All this pollution has a negative impact on people's health, property, and productivity, with air pollution related illnesses reaching to epidemic proportions in certain villages in Indonesia (CEA, 2009; World bank 2003). The best way to decrease the emissions and air pollution problems is making more use of renewable energy sources (CEA, 2009). Companies might focus on reducing total emissions by using more renewable energy.

The growth in development and energy use also brings risks for water management. The demand for water is increasing, the availability of water is decreasing, and the water quality

declines (CEA, 2009; Bappenas, 2007). Groundwater resources are limited and used for domestic, municipal, and industrial purposes, and water quality is decreasing (World bank, 2003).

Another important aspect of the population growth is that the solid waste generation has increased significantly over the past years in Indonesia. The disposal is uncontrolled and large informal dumps arise (World bank, 2003). Industrial waste, 80% of its content corresponds to hazardous wastes, and sanitary land filling produce highly contaminated leach ate, which, together with the 'normal' waste, is discarded into groundwater and rivers (Bijaksana & Huliselan, 2009; Kido *et. al.,* 2009; ADB, 2006a). Solid urban and industrial wastes are not only contaminating ground and surface water, but they are also a threat to the air and land quality, and they have an effect on the spread of communicable diseases (World bank, 2003).

Looking closer to the environmental problematic coming from the industrial sector, Garcia in 2009 reported that in the year of 1994 the industrial pollution contributed between 25% and 50% of the total pollution to the Javanese rivers. This pointed out the need to have drainage disposal facilities at the factories in order to purify their drainage (Kido *et. al.*, 2009) and that they require to adopt production techniques that use less water per unit (Hoekstra & Chapagain, 2007). In addition, what was reported in 2003 by the World bank was that little sewage was treated in the Jakarta metropolitan area and there was a lack of sewerage and sanitation overall in Indonesia. It is well known that contaminated water from the factories, the industrial effluents, agricultural runoff, and mismanaged solid waste cause widespread contamination of surface and groundwater (Kido *et. al.*, 2009). The outcome is that levels of pollution rise, the access to clean water decrease, and water-related health problems, of which diarrhoea is most common, have strong chances to increase (World bank, 2003). Water pollution, together with over-fishing, is also threatening the coral reef diversity of Indonesia, which results in a loss of biodiversity (Garcia *et. al*., 2009). Because of these issues, companies need to decrease the amount of (hazardous) waste and improve the quality of their effluents, and they need to limit the use of natural resources such as traditional energy sources and water.

To sum up, the economic growth, which led to a high level of energy consumption, water consumption, water contamination and a significant increase in solid and hazardous waste, leads to several environmental problems. But it also leads to problems for the society, which will be described as followed.

2.4 Social issues for Indonesia

Companies have been building on a growth theory that provided unlimited opportunity to exploit natural wealth sources for their own gain without returning anything to the communities form which this wealth was acquired (Achda, 2006). Because Indonesian ministries gave away permits for land conversion for forestry, mining, and fishing to the private sector in Jakarta, local communities lost authority over their land and fishing grounds (Persoon & van Weerd, 2006). Major companies that were settled in local areas did not use local labour but employed skilled labour from outside local community because of the high technology base demand. This resulted in community members having low skills and low

levels of education, becoming increasingly marginalized, and becoming impoverished (Achda, 2006). Companies are now expected to play a role in the development of the communities that they have been neglecting. Enhancing the availability of adequate basic infrastructure is part of this development. In 2009, the Economist reported that roads, airports and seaports were inadequate, electricity generation lags behind demand, only 18% of the population had piped water and only 2.5% were connected to a sewer system. The lack of basic infrastructure causes hygiene and health problems, and it has been a top obstacle for doing business in Indonesia. This situation in the long range hinders economic growth in the rural areas.

Because of stark income disparities, education is very unevenly distributed in terms of both geography and gender (Welch, 2007). In the less developed and rural areas in Indonesia, there are still problems relating to inefficient systems and low quality of education. An estimated 2 million children between 7-12 year old were out of school. The challenges faced at the basic educational level was stressed by Unicef (2011) with main focus on quality of education including teacher qualifications, effective teaching methods, school management and community involvement. At higher education level, the scenario looks even less positive in terms of quality. In Indonesia, the private education, with expensive fees, might cover the quality standards though that is just for rich families (Welch, 2007).

The health sector has many challenges for improvement, especially for the people living in remote areas or small island locations. In responds to that, it results important to enhance the access to health care through social mobilization and community empowerment. The combination of factors, being poor or lack of health facilities, and the environmental pollution has become a major cause of morbidity and mortality in Indonesia (WHO, 2010). Because of these issues, community programmes are detected for increasing community welfare by employment opportunities improving education and community health (Achda, 2006).

Another important social issue is the corruption level, at that regard, it was reported in 2005 that the new government's reform efforts have focused almost entirely on the objective of detecting and punishing corruption (McLeod, 2005). More recently in in 2011, 24 members of the Indonesian parliament have been arrested for corruption. It has become commonplace to mention Indonesia's poor performance in countless corruption and governance surveys and indices. Rarely a day passes by without an article uncovering a corruption scandal in the media (Lipsey & Sjöholm, 2011; Davidson, 2007) and on a household level the proportion of people who have paid bribes is increasing instead of decreasing (Lipsey & Sjöholm, 2011; Setiyono & McLeod, 2010).

The business sector is not excluded of this situation, it also has to deal with corruption (World bank, 2003). Local ministries elicit bribe payments from the firms in exchange for licences and levies and less harassment from the inspectors (Henderson &d Kuncoro, 2011; World bank, 2003). Corruption weakens the ability of the state to deliver basic public goods, essential services and the rules to allow the society to function effectively (World bank, 2003). Because of globalization and trade liberalization competition in all markets is increasing and the Indonesian private sector cannot survive anymore on the strength of

networks and cosy crony relationships. They need to accept their responsibility to change the corrupt way of doing business (World bank, 2003). In order to overcome this situation, companies therefore need to consider rewarding schemes of good performance and penalizes corrupt behaviour at all levels in the company.

Another relevant social component in Indonesia is diversity. The country counts over 200 different dialects and ethnic groups. This diversity can be found in the labour market as well, but it becomes more complex due to the ethnic, religious, and gender inequalities, without considering people with physical disabilities because of the absence of jobs for them (UNDP, 2010; Bennington & Habir, 2003). The constitution does not explicitly forbid discrimination based on gender, race, disability, language, or social status, but it does, stipulates equal rights and obligations for all citizens, both native and naturalized (Bennington & Habir, 2003). From regulations, in principle companies that employ over 100 persons are required to provide 1% of their jobs to the disabled, but most disabled people are dependent upon family or forced to begging for a living (Bennington & Habir, 2003). Across the Asia Pacific region, women are chronically under-represented in economic, political and legal institutions. They still are less educated and have weaker health conditions, even when women are well educated they often end up in jobs that do not use their training to the fullest potential (UNDP, 2010). Outside the agriculture sector, Indonesian women only represent 30% of salaried employees (Gender index, 2011). When a 70% participation of women in the labour market would be reached, the GDP would grow with 1.4%. Women also still fall short of men if one looks at pay rates and job opportunities, on average women earn 76% of male earnings in Indonesia (UNDP, 2010; World bank, 2006). Companies might consider programmes to implement non-discrimination policy to avoid inequalities.

The Indonesian context -culturally, environmentally, socially, and economically- were taken into account by the government and resulted in the elaboration of the CSR law, further details about it are included in the upcoming section.

2.5 Indonesian law on CSR

All CSR definitions have in common that it is the voluntary responsibility of a company to account for its impacts. In general, it is not meant to be mandatory, but companies need to do this out of their own conviction to 'compensate' their negative social and environmental impacts. For companies in developed countries, like Europe, this works because of the incentives they receive from the society and the advantage CSR gives with respect to competitiveness factors. But this is different for companies in developing countries, like Indonesia. The consumers in developing countries, where average income is low, undervalue their role in the market and think that they can not influence the companies CSR policy as opposed to the consumers in developed countries (Ramasamy & Yeung, 2009). The lack of a social welfare system in Indonesia makes the workers dependent on their salary, leading them to accept substandard working environments and environmental degradation as 'fate' (Kemp, 2001). Consequently, in developing countries, there is a tendency to rely on government to exert pressures on businesses for being socially responsible (Ramasamy & Yeung, 2009). This together with the urgency for change towards sustainable development in Indonesia described in sections 2.3 and 2.4, prompted the government to take active

steps. This made Indonesia the first country to mandate CSR by law, its most relevant aspects are include in the article 74 of the 2007 Law on Limited Liability Companies (Nugroho, Sintia & Widyana, 2011)

and it states that:

1. The companies that run their business activities in the field and / or related to natural resources are required to implement the Social and Environmental Responsibility.
2. The Social and Environmental Responsibility, as referred to in clause 1, are the obligations of the company that are budgeted and accounted as cost of the company. The implementation of the Social and Environmental responsibility is performed with due regard to propriety and fairness.
3. Unresponsive companies, that do not perform their obligation as referred to in clause 1, are sanctioned in accordance with the provisions of the legislation.

Opponents of the law have stated that it is nothing more than philanthropy tax and that it is damaging for business. The law says that companies must allocate their own budget for CSR programs, which have to be applied according to the governmental regulations. The CSR law has been controversial and some reactions from opponents have been published. They said that it was unnecessary to regulate CSR as a whole, because some sectors have already put in place rules for corporate responsibilities, such as: environmental law, the labour law, and other relevant regulations. Taking for instance the law on energy (no. 30/2007), this creates a body to oversee energy policies and contribute to achieving development objectives (CEA, 2009). Another example is the President decree no. 5/2006, this law states that by 2025, 10% of total fossil fuel consumption should be replaced by biofuels (Jayed *et. al.*, 2011). Furthermore, the "opponents" argued that compliance of article 74 is very difficult because it is unclear what the government expects from business and it does not provide a practical definition of CSR (Lyon, 2009). Though, the Government Law No. 40/2007 about the Public-listed Company tried to explain social and environmental responsibility. It is the company's commitment to participate in sustainable economic development in order to improve the quality of life and environment quality to meet companies, local communities, and societal expectations (Cahyandito, 2011).

For state-owned enterprises (SOEs) there is a different law that describes the frame of CSR activities, ministerial Decrees: BUMN No. Kep-236/MBU/2003 and Per-05/MBU/2007 (Gfrerer & Silvyani, 2010). This law states that SOEs need to participate into two programs, namely Partnership Program (PK), which has a focus on business development based on partnerships between the corporate (mainly SOEs) with Micro Small and Medium Enterprises, and Community Development Program (BL), which is the empowerment program of social conditions of the society. Both programs need to be funded with a maximum of 2% of the net income from the company (Cahyandito, 2011).

Since 2009 there is also a new law on Environmental Protection and Management. The new law is intended to provide better protection for the environment, impose new requirements and restrictions on industries whose activities are considered to be of a high environmental

risk. The industrial subsectors include manufacturing, construction, mining, oil & gas and pulp & paper industries; and impose harsher penalties on polluters and violators (Kandar & Sidharta, 2010). Those subsectors are the subject of a compulsory environmental impact analysis (AMDAL) in order to obtain a license to conduct their business (EcoLex, 2009). Environmentalists say that this could lead to more effective enforcement of the law (Creagh, 2009).

There are also several laws regulating labour standards in Indonesia, the Trade Union Act No. 21/2000, the Manpower Act No. 13/2003 and the Settlement of Industrial Relations Disputes Act. No. 2/2004. With these laws the government has achieved the goal of establishing the basic legal framework governing labour and employment relations in line with national aspirations and interests. Furthermore they are also in line with international labour standards and practices, particularly the fundamental principles and rights at work. It has succeeded in putting in place a body of labour laws designed mainly to promote sound and harmonious industrial relations while respecting workers' rights and to ensure efficiency, stability, and equity at the workplace (ILO, 2005).

Although these laws are good in their intent, they raise a number of questions regarding the interpretation and implementation. Some concepts are not well defined which makes interpretation subjective, and due to the high level of corruption in Indonesia the implementation of CSR becomes difficult (Creagh, 2009). The term 'social and environmental responsibility' can be made clearer by introducing sustainable business practices. These are concrete practices that companies can implement as their CSR policy. For Indonesian companies those practices have to be related to the most pressing Indonesian social and environmental issues as mentioned priory.

2.6 Sustainable business practice fitting the Indonesian context

Some authors as Svensson in 2010 have stated that it has not always been evident to classify what is sustainable and what is non-sustainable business practice. Even further, it is not clear criteria to assess the grade (level) of the sustainable business practice. And that is because the meaning of sustainable practice, or 'greening' differs greatly among businesses, marketplaces, and societies (Svensson *et. al.*, 2010; Saha & Darnton, 2005).

There are various national and international environmental standards and charters that a company may adopt to help define the kind of sustainable practices that suits it the best. Two of the main standards are the European standard Eco-Management and Audit Scheme (EMAS) and the international standard ISO 14000. Both standards have no specified levels (Saha & Darnton, 2005). An example of an environmental charter is the Coalition for Environmental Responsible Economies (CERES) principles. Companies can also report on their environmental and CSR initiatives. The main reporting initiatives are the Global Reporting Initiative (GRI) and the ISO 26000, which is a new sustainability management standard that draws upon the GRI guidelines (Levy *et. al.*, 2010). Those reporting guidelines do not include the type of improvements or plans to be carried out. Those guidelines give total hand-free to the company to decide what their main aspects are and how to tackle improvements within a work plan. Such situation can be read as that the companies are free to publish whatever they wish because the reporting standards are not compulsory and

again there are no specified levels to adhere to (Levy *et. al.*, 2010; Saha & Darnton, 2005). In particular, the GRI framework has received some negative feedback, e.g. Hess (2009) claimed that the GRI framework was a narrow, counterproductive and incomplete reporting frame. Milne (2008) agreed on that by saying that implementing the GRI framework can be confused with implementing sustainable business practice. In other words, the author aimed to explain that reporting about CSR can help in defining and guiding the focus for the companies' CSR policy, but does not help with the implementation of it.

Diverse authors proposed different ways of looking at sustainable business practice. Svensson *et. al.*(2010) concluded that truly sustainable business practice can only be implemented when focussing upon being ethical. According to Moser (2001) sustainable business practice can be defined as business behaviour that leads to a net overall increase in productive capital, human capital, social capital and natural capital. Both concepts are still vague in describing what actual business practice should be. Hitchcock and Willard (2006) recommend companies to examine its inputs, outputs, processes and effects on the larger system in which it operates. Companies need to examine the opportunities to use only materials from sustainable sources; use only climate neutral and renewable energy; produce only reusable, recyclable, biodegradable or compostable waste; make the core processes as efficient as possible; contribute to solving local problems; and make the product or service valued and benign. Additionally to that, Saha and Darnton (2005) suggested that the green value chain could serve as a useful tool in evaluating the actual sustainable practice of companies. According to Rao (2002), the concept of greening the supply chain means integrating green purchasing; total quality (environmental) management, in terms of empowerment of employees, customer focus, continuous improvement, and zero waste; life cycle analysis; and environmental marketing. In his article he suggested that to implement environmentally sustainable practice within the supply chain, the company should substitute environmentally questionable raw materials and use environmental friendly raw materials; take environmental criteria into considerations; and again to optimize processes to reduce solid waste, air emissions, and noise; recycle materials internal to the company; and use cleaner technology processes to make savings on energy, water, and wastes. The formulations of the sustainable business practices defined for this research, i.e. for the Indonesian case are enlisted in table 4.1.

2.7 Drivers of implementing CSR in Indonesia

As mentioned in the introduction section of this document INA's objective is to encourage companies to implement CSR practice. They try to do this by showing that CSR has a positive effect on the competitiveness of a company. Companies will only be encouraged by this outcome if a strategic benefit, being more competitive, is a driver for the implementation of CSR. There can be different types of drivers in undertaking CSR. They can be more reactive and regulatory or proactive and strategic. The reactive drivers most commonly involve stakeholders (Welford & Frost, 2006). For instance: consumers, NGOs, long term investors (Welford & Frost, 2006; Saha & Darnton, 2005), employees, government, interest/pressure groups, media, financial institutions, and the local community (Saha & Darnton, 2005; Simpson *et. al.*, 2004). Sprinkle and Maines (2010) name this reactive driver 'window dressing', which is all about pleasing various stakeholder groups and avoiding negative

publicity and action from NGOs. Strategic drivers involve for instance opportunity for cost savings and gaining more business opportunities (Saha & Darnton, 2005). Sprinkle and Maines (2010) divided the strategic driver as follow: potential contracting benefit, customer related motives, reductions in production costs, and risk management efforts. And third, altruistic ideas or 'doing the right thing' can be a driver for companies to invest in CSR (Saha & Darnton, 2005). These firms believe that their CSR efforts are part and parcel of being a good global citizen (Sprinkle & Maines, 2010).

Most researchers agree about the above-mentioned three drivers that could push the implementation of CSR, but differ in their opinion when they should declare any of those as the most important one. Saha and Darnton (2005) supported that strategic benefits are the most likely motivation driving the CSR investments. For Juholin (2004) the major and overwhelming motive for CSR is the long-term profitability, which is linked to the company's efficiency. Leadership, competitiveness and anticipation to the future somehow influenced this. There are some other authors, such as Panayiotou *et. al (*2008) who believe that CSR can be connected with the achievement of improved financial results. But there are others who identify that stakeholders play an important role and appointed them as main driver for becoming sustainable (Andrews, 2002). Du *et. al.*(2010) stated though that if the main driver comes from the stakeholders' pressure, it will require very effective communicating strategies about the sustainable practices. Hence, companies can not only generate favourable stakeholder attitudes and better support behaviours, but also build corporate image and enhance stakeholder-company relations and stakeholders' advocacy behaviours. Of course, one of the reported drivers for CSR implementation are charity and philanthropic ideas (Juholin, 2004) which corresponds to the Finnish approach to corporate responsibility.

Moreover, framing CSR in the Asian region, Tan (2008) distinguished differences between drivers for Asian companies and companies in industrialised countries. Within Asian companies, implementing environmental management systems comes from insistence of top management, rather than because of customer's demand or cost saving reasons. But the research of Eltayeb *et. al.*(2010) counterpanes such statement when it comes to the Malaysian companies, which drivers to implement green business are regulations, customer pressures, expected business benefits and social responsibility. In the case of Indonesia as being the first country where implementation of CSR is established by law, government could be seen as a key driver for CSR implementing, but not the only one driver because CSR benefits could also be a reason for engaging CSR (Sprinkle & Maines, 2010). At that regard, CSR benefits were reviewed on literature and reported the most relevant cites in sub-section 2.8.

2.8 Benefits of CSR for Indonesian companies

There has been a large amount of research done to discover the relations between sustainability and CSR, and their benefits for the firm and the environment. Most of this research is done in developed countries. The meta-analysis performed by Beurden and Gössling (2008) revealed that there is clear empirical evidence of a positive correlation between corporate social and financial performance, which underlined the results from the meta-analysis of Orlitzky *et. al.*(2003) and the meta-analysis of Margolis, Elfenbein & Walsh, 2007). The literature research from Epstein and Roy (2003) recognized that sustainability

principles are important for long-term corporate profitability. In a study about the impact of CSR on firm's performance in China, it can be concluded that CSR might also enhance firm's performance in Chinese companies (Qu, 2009).

Weber (2008) made an overview of CSR benefits discussed in current CSR and sustainability research and clustered those benefits together into five main areas of CSR business benefits, which can influence competitive advantage. Those are here as following:

- Positive effects on company's image and reputation; mostly influenced by communication and company's performance.
- Positive effects on employee's motivation, retention, and recruitment; influenced by improved reputation, a better working environment and participation in CSR activities.
- Cost savings; resulting from efficiency gains, improved contacts to certain stakeholders or improved access to capital.
- Revenue increases from higher sales and market share; achieved by improved brand image or CSR-driven product or market development.
- CSR-related risk reduction or management; such as avoidance of negative press or costumer/NGO's boycotts.

More specific benefits for business that result from pursuing sustainability are enumerated in table number 2.1.

Table 2.1 Benefits of implementing sustainable practices

Benefit	Article
Energy reduction	Hitchcock and Willard, 2006; Tan, 2005; Epstein and Roy, 2001
Waste minimization	Hitchcock and Willard, 2006; Tan, 2005; Epstein and Roy, 2001
Improved material utilization efficiency	Tan, 2005; Epstein and Roy, 2001
Cost savings	Hitchcock and Willard, 2006; Saha and Darnton, 2005; Epstein and Roy, 2001
Legal risk reduction	Hitchcock and Willard, 2006; Saha and Darnton, 2005; Epstein and Roy, 2001
Differentiation	Orlitzky *et. al.*, 2011; Hitchcock and Willard, 2006;
Innovation/new products	Hitchcock and Willard, 2006; Simpson *et. al.*, 2004; Burke and Logsdon, 1996
Market expansion	Hitchcock and Willard, 2006; Saha and Darnton, 2005; Tan, 2005; Simpson *et. al.*, 2004; Burke and Logsdon, 1996
Better competitive advantage	Orlitzky *et. al.*, 2011; Saha and Darnton, 2005; Tan, 2005;
Improved profitability	Saha and Darnton, 2005; Tan, 2005; Burke and Logsdon, 1996
Increase of market share	Saha and Darnton, 2005;
Attraction and retention of best employees	Hitchcock and Willard, 2006; Saha and Darnton, 2005;
Better employee commitment	Stites and Michael, 2011; Ali *et. al.,* 2010
Improvement of image	Hitchcock and Willard, 2006; Saha and Darnton, 2005; Tan, 2005;
Build customer loyalty and trust	Simpson *et. al.*, 2004; Epstein and Roy, 2001; Burke and Logsdon, 1996

These findings are comparable with findings from studies in China and Malaysia. Tan (2005) also emphasized this on his research about benefits of implementing ISO 14001. In general the benefits for Malaysian firms where rather similar to those documented for companies in industrialized countries. Benefits are mainly related to environmental aspects (waste reduction, less energy usage), cost reductions, economic benefits, improved company and brand image, improved reputation (Eltayeb *et. al.*, 2010; Tan, 2005). Additionally, Tan (2005) included positive impacts to competitiveness indicators such ass market expansion and improved management.

To sustain business, companies need to compete with rival companies in their competitive sector. The benefits that are obtained by doing CSR can strengthen the competitive position of a company; it can give them an advantage over their competitors. Competitive advantage is a well-known concept in business literature, but researchers differ in their definition of indicators for competitive advantage. For the sake of the research, the indicators of competitive advantage are further explored in section 2.9.

2.9 Integrating business competitiveness with CSR implications in Indonesia

Looking at the possible drivers for implementing sustainable business practice, and the benefits that can be derived from implementing sustainable business practice, they all contribute to a better competitive advantage. This can ultimately lead to improved firm performance (Rose *et. al.*, 2010; Ray *et. al.*, 2004; Rao, 2002; Fahy, 2000; Ma, 2000). The concept of competitive advantage has been described in many different ways, but the best-known traditional models are the Five Forces model from Porter (1980) and the Resource Based Approach from Barney (1991).

According to Porter (1980) competitive advantage is at the core of success or failure and has two fundamental determinants: industry attractiveness and relative competitive position. The industry attractiveness is determined by five forces: appearance of new rivals; the threat of homogeneous goods; customers' bargaining might; suppliers' bargaining might; and the intensity of competition in the branch. The relative competitive position can be obtained by combining three strategies: cost leadership, differentiation, and segmentation (Porter, 1980). The model assumes that the companies have the same resources, so the competitive might of the company depends on its capability of forecasting and reaction to possible changes in the market (Juscius & Snieska, 2008).

According to Barney (1991) organizational resources can differ and competitive advantage can be created when organizational resources and capabilities are valuable, rare, inimitable, and non-substitutable. Recourses and capabilities include all assets, organizational processes, firm's attributes, information, and knowledge that enable the firm to improve efficiency and effectiveness. In other words, a firm is said to have a competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential competitor, and when other firms are unable to duplicate the benefits of this strategy (Barney, 1991).

The Five Forces model stimulates following, assessing and conforming to the rapidly changing microenvironment and macro environment of the company (Juscius & Snieska, 2008). By implementing sustainable practices the company is acting on the demands of the stakeholders, the society and the environment. They can also save costs and differentiate their products, which will, according to Porter (1980), create competitive advantage. The Recourses Approach says that the company's internal resources can create competitive advantage. The most valuable resource are the competence, commitment and productivity of employees (Juscius & Snieska, 2008). By implementing sustainable business practice better employees can be attracted, and employees become more committed. The environmental and social attribute that is added by implementing sustainable business practice can make the company more valuable for consumers (Orlitzky *et. al.*, 2011).

The literature study of Simpson *et. al.*(2004) shows that the ability of firms to gain a competitive advantage are found to be related to issues of: market penetration via new uses of products, market expansion into new markets, market share, improved product quality, product innovation, process innovation, better environmental credentials, waste reduction, increased recycling, improved materials efficiency, improved energy efficiency, increased staff commitment, cheaper finance, greater customer satisfaction, and improved community relations. Furthermore, Rao (2002) sees product quality improvement, increased efficiency, productivity improvement, and cost savings as indicators for competitiveness.

In order to research the effects of CSR practices on competitive advantage, two frameworks were necessary: the first one for defining CSR practices (table 4.1) and secondly through the selection of those indicators for measuring competitive advantage. Those indicators were summarized in table 4.5. It is important to say that tables 4.1 and 4.5 were generated from the analysis done by the researcher and included as part of findings section. But before explaining more about them, the research methodology should be described on detail.

3. Methodology

In this section, the methods used to answer the research question are here described. Since no concrete work about the understanding of the practice of CSR in Indonesia was found, this research work started with an exploratory and descriptive study of the overall status of CSR practice in Indonesia. Traditional literature search was carried out and supported by expert interviews on the topic. As third research method, a survey was designed and applied to business managers in companies that are implementing CSR, in order to identify the causal relationship between CSR and competitive advantage. The questionnaire only measures the perception of the business managers. To create a bigger picture the perception of the people involved in the implementation phase also need to be taken into account. Therefore, the research also studies more in-depth the perception of employees of the CSR practices in their company with a second questionnaire. Figure 1.1. shows the research approach for this work.
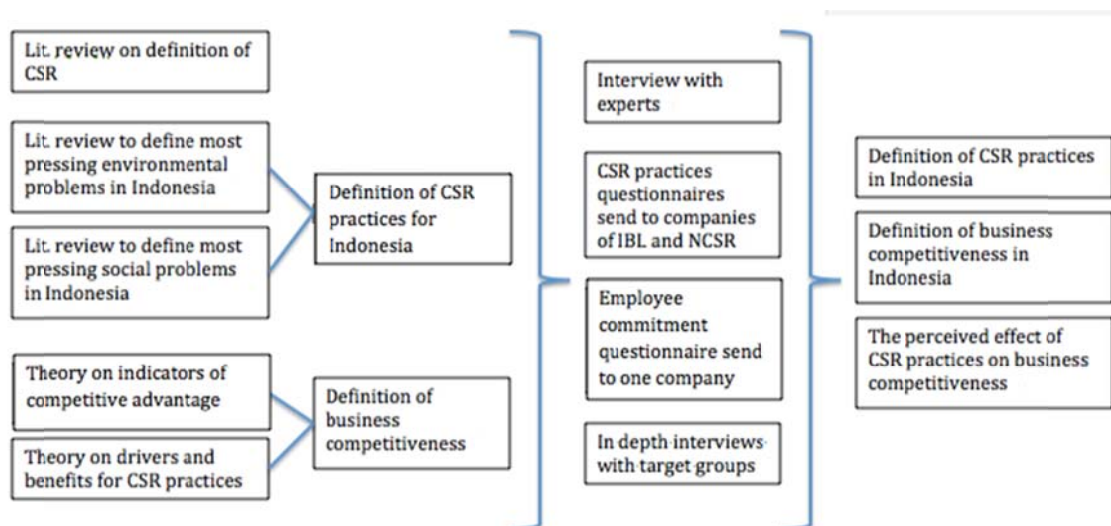
3.1 Research methods

This research consists of the mixed-method approach, whereby more than one data collection technique and analysis procedure were used to answer the research question (Saunders, Lewis & Thornhill, 2009). This approach is increasingly advocated within business and management research, and is recognized as the third major research approach (Leech & Onwuegbuzi, 2009; Johnson, Onwuegbuzie & Turner, 2007; Bryman, 2006; Curran & Blackburn, 2001). Both quantitative and qualitative data collection techniques and procedures are used, as well as primary and secondary data sources. Quantitative is a synonym for any technique that generates or uses numerical data, qualitative is synonym for any technique that generates or uses non-numerical data or narratives (Saunders, Lewis & Thornhill, 2009). Using mixed-methods (literature base and empirical data) has two advantages. Firstly, there are more opportunities to answer the research question because the data obtained can be crossed and compared. This can be seen as a way to verify the outcomes. In either case, the use of mixed methods might lead to an integrative view of the studied phenomenon (Tashakkori & Teddlie, 2003). Secondly, various methods can be used

that fit best with the purpose of the research. For this particular research work it means applying literature review and interviews with experts to collect exploratory data, and questionnaires (survey-type) to collect explanatory data.

The research main question and its sub-questions (see section 1.3 of this document) were associated to the research methods. The intention was to generate a system where some answers or a specific answer could be the input for any of the other sub-research question. That can be observed in table 3.1, where inputs (data and data sources used) and the research methods used in order to generate information (expected outputs) per each of the research sub-questions, were concentrated for having a general overview.

Table 3.1 Overview of data, sources, and method of collection used to answer the sub-questions and research question.

Data used	Sources used	Methods	Expected output from usage of data
Sub question 1: What is the perception of CSR in Indonesia?			
- Definition of CSR and sustainability from different authors - Data on history of CSR - Guidelines for GRI and ISO 26000 to define CSR according to sustainability reporting. - Indonesian law on environment and labor, and CSR - Information from GRI and NCSR to define status of CSR in Indonesia - Data on environmental issues for Indonesia - Data on social issues for Indonesia - Definition of different practices out of which sustainable business practice is composed - Information from experts in the area of CSR in Indonesia about the status and definition of CSR in Indonesia	Primary sources: - Experts Secondary sources: - Websites - Government publications - Reports - Journals - Magazines - Websites - Books	- Literature review - Expert interviews	A general description of CSR and its history. Information on sustainability reporting. Information on the definition and status of CSR in Indonesia. A description of the most important environmental and social problems in Indonesia and a description based on these problems of the different practices of CSR in Indonesia.
Sub question 2: What are the drivers for Indonesian companies to invest in CSR?			
- Data on different drivers for sustainability	Primary sources: - Experts	- Literature review	A depiction of what companies drives to invest in

- Data on benefits/outcomes of sustainability for companies - Information from Indonesian companies about drivers for investment in CSR - Information from experts in the area of CSR in Indonesia about drivers for investment in CSR	- Indonesian companies Secondary sources - Journals - Magazines - Books	- Expert interviews - Questionnaire (survey) for companies	CSR. Information about the goals of implementing CSR (for instance: better competitive advantage). A description of possible benefits from sustainability within companies.
Sub question 3: How can business competitiveness for Indonesian companies be defined?			
- Different models on competitive advantage (Porter, Barney, Weber) - Data on the different drivers for, and benefits of sustainability - Information from Indonesian companies about indicators of competitive advantage	Primary sources - Indonesian companies Secondary sources: - Journals - Magazines - Books	- Literature review - Questionnaire (survey) for companies	A description of what the concept of business competitiveness means and what the indicators for competitive advantage in Indonesia are, and how implementing CSR can influence these indicators for competitive advantage.
Sub question 4: What is the perception of Indonesian employees of CSR practices in their company?			
- Information from employees of an Indonesian company on their level of employee commitment	Primary source: - Employees	- Questionnaire for employees	An indication of the effect of CSR practice on the level of employee commitment within an Indonesian company
Research question: How does CSR practices influence the competitiveness of Indonesian companies?			
- Information from Indonesian companies on their perception of the effect that the different CSR practices has for their company on the indicators of competitive advantage - Information from experts in the area of CSR in Indonesia about the effect that CSR can have on competitive advantage in Indonesia	Primary source: - Indonesian companies - Experts	- Questionnaire (survey) for companies - Company interviews - Expert interviews	An indication of the effect of CSR practice on the indicators of competitive advantage in Indonesian companies. Examples of how CSR has an effect on competitive advantage within Indonesian companies.

3.1.1 Exploratory study

The main approach of this research is explanatory, though as mentioned above the research starts with an exploratory part. An exploratory study is particular useful when researchers want to clarify the understanding of a problem. A literature search and expert interviews are principal ways of conducting this kind of research (Saunders, Lewis & Tornhill, 2009). The literature search is part of the theoretical framework and is done by secondary data analysis. The data sources used were journals, magazines, books, government publications, websites and reports. The expert interview allows identifying key general issues on CSR in Indonesia. They were interviewed because experts are more likely to agree on being interviewed than on completing a questionnaire (Saunders, Lewis & Thornhill, 2009). The interviews were unstructured and informal; there is no predetermined list of questions only a clear idea about the aspects to be explored.

3.1.2 Explanatory study

An explanatory research is used to establish a causal relationship between the two variables 'practicing CSR' and 'competitive advantage'. To gather the data required to establish this relationship, two surveys in the form of a questionnaire were applied. A survey allows collecting quantitative data for statistical analysis. The first questionnaire (questionnaire on CSR) was conducted to find out whether practicing CSR has a positive effect on competitive advantage. The second questionnaire (questionnaire on employee commitment) was conducted to explore this effect more in depth on the indicator employee commitment. Additionally, 4 participants of the questionnaire on CSR were asked for examples of the effect of practicing CSR on indicators of competitive advantage. Both questionnaires were self-administered questionnaires, delivered and collected by hand or through internet. In this way, the respondents were unlikely to answer questions in socially desirable ways, or just to please the researcher (Dillman, 2007). The questionnaire on CSR was sent or given to the employees who had knowledge of CSR, usually the CSR manager.

3.1.3 The questionnaires

The questionnaire on CSR was designed by combining the information from the literature review, expert opinions and with an existing questionnaire from the priory research (Guo, 2011). Guo's research work had a similar purpose as this research but for the Chinese textile sector. The questionnaire on employee commitment is based on questions from the Organizational Commitment Questionnaire (OCQ), which was elaborated, by Mowday, Steers & Porter (1979); the Reputation Quotient (RQ) from Fombrun, Gardberg & Sever (2000); and the research on corporate reputation from Schwaiger (2004).

3.2 Sample

As mentioned previously different target groups participated in this research and for each of them, the selection criteria were different. Hence in this sub-section the sample's criteria selection is described in three: expert, company and employees' samples.

3.2.1 Expert sample

To gather more insights in the definition, drivers, and overall status of CSR in Indonesia, 5 experts working in the field of CSR in Indonesia were chosen for an interview. According to Meuser & Nagel (1991) an expert can be identified as a person who is responsible for the development, implementation or control of solutions, strategies, and policies. An expert is a person who has privileged access to information about groups of persons or decision processes. The experts were identified by INA's who has a long history dealing with Indonesian companies for CSR interests. Table 3.2 summarizes the profile and affiliation of each of the experts.

Table 3.2 Expert interview

Juniata Gunawan	Professor in CSR for Trisakti University (Jakarta)
Sri Urip	Former CEO of Unilever Indonesia and author of the book 'CSR Strategies: Corporate Social Responsibility for a Competitive Edge in Emerging Markets'.
Rezal Kusumaatmadja	Partner of Mazars Starling Resources, consultancy for sustainable business practice in Indonesia
Ariefin Makaminan	Manager of NCSR
Noke Kyroyan	President director of KIroyan Partners, consultancy for CSR in Indonesia

3.2.2 Company sample

The participants were asked about their perception on the effects of implementing CSR practice; therefore only Indonesian companies that have already implemented CSR were suitable for the research. To reach those companies, and the contact-person that was dealing with the implementation and reporting of CSR, the researcher could use the contacts of the National Centre for Sustainability Reporting (NCSR) and the Indonesia Business Links (IBL). The NCSR is a sub organization of INA. Their main objectives are to disseminate and inform Indonesian partners on Sustainability Reporting based upon the GRI guidelines and to educate them regarding the broad meaning of Sustainable Development. Since 2005 the NCSR conducts the Indonesia Sustainability Reporting Award (ISRA). The participating companies of the 2010 ISRA-award were asked to also participate in this research by filling up the questionnaire. The participants of NCSR's training on June 2011 and on November 2011 were asked to participate in this research. The sample size from those sources rose to 29 companies.

The IBL is one of the partners of INA whose main activity is to promote ethical business practices and good corporate citizenship/CSR. They have forty-six partner companies that participate regularly in their events. 12 of those companies were asked to participate in this research (most of them where overlapping with the companies from the NCSR and the ISRA).

The contact-person within each of the companies was always someone who dealt with CSR, SHE or sustainability policy and implementation, or the reporting of any of those. I call them

'CSR managers'. The name of the companies that responded and their industrial sector can be seen in table 3.3.

Pt Telekomunikasi Indonesia (Telkom)	Telecommunication
Pt Aneka Tambang (Antam)	Mining (Nickel, Gold, Silver, Bauxite)
Pt Unilever Indonesia	FMCG
Pt Komunikasi Kinerja (Kiroyan partners)	Consultancy
PT Oxindo Exploration	Mining (Copper, Lead, Gold, and Silver)
Minmetals resources limited LXML Sepon	Mining (Copper, Gold)
Pt Freeport Indonesia	Mining (Copper, Minerals, Gold)
Pt Kaltim Prima Coal (KPC)	Mining (Coal)
Pt new century development	Real estate
Pt Mazars Indonesia	Accountancy
Pt Swakarsa Sinarsentosa	Palm oil producer
Pt Holcim	Cement (Infrastructure)
Pt PLN	Electricity
Pt Bank Negara Indonesia (BNI)	Finance

Five of the participating companies from different sectors were asked about examples of the CSR projects and their effects; these were Kiroyan partners, Antam, Unilever, Telkom, and BNI.

3.2.3   Employee sample

The questionnaire on employee commitment was sent to 20 employees of Bank Negara Indonesia, one of the participating companies from the first questionnaire. 11 of the employees responded. The selection of the employees was randomly.

3.3 Data analysis

Mixed methods research uses both quantitative and qualitative worldviews at the research methods stage, qualitative data are analysed qualitatively and quantitative data are analysed quantitatively (Saunders, Lewis & Thornhill, 2009). The qualitative data, interviews and literature review, were added to related sections in the report. The quantitative data, the data from the questionnaires on CSR and employee commitment, were analysed statistically by making use of SPSS v16.0.

The research question focuses on the relationship between 2 categorical variables, 'CSR practice' and 'competitive advantage'. To measure this relationship a correlation analyses was conducted: the Chi-square test for independence. To measure a difference between groups the one way ANOVA test was used. All other information was gathered using frequency analysis.

4. Description of findings

The findings from the different research methods used in this research are presented in this section per sub-question indicated in sub-section 1.3 and table 3.1. In order to make explicit the source of information used, the findings are broken down accordantly to those.

4.1 What is the perception of CSR in Indonesia

This question was answered by making use of the information gathered through the literature review and expert interviews. Also the data from the questionnaire on CSR from the question 'which of the following practices do you consider to be an important part of CSR in Indonesia' and 'which of the following practices does your company implement as CSR practice' is used.

Expert source

There was little information about the status of CSR in Indonesia that could be found in literature. The experts, however, could shed their light on this part of the question. Before the year 2000 there was a very low awareness of CSR in Indonesia. There was almost no enforcement to implement CSR and only sporadic compliance to ethical practices. From 2000 till 2006, CSR practice was more promoted and the implementation emerged. From 2007 onwards, corporate law regulates CSR and it has developed an increased sphere of influence. Still there is a varying degree of understanding on CSR definition among stakeholders. Stakeholders perceive companies as a source of 'cash' and under-estimate their ability to contribute to the environment and society with their in-kind resources. The companies themselves need to keep up with international standards but are often overwhelmed by these and have trouble with the implementation phase.

Companies spend their budget for CSR mostly on communication strategies, but they need to look to the inside, focus at best practices and become more sustainable as a company. Companies need to start looking at their corporate organizations and apply with international standards or principles. Good corporate governance is very important due to the corruption problems and unclear regulation. Most Indonesian companies implement CSR practices in the area of community development. Social problems are more important (especially poverty) for them than environmental problems. Multinationals mainly look after the environmental issues. SOE are required to spend 2.5% from their net profit for development of the social and physical environment, however the minister only checks out whether they spend 2.5% and do not check if it was spend effectively. 'Some companies even think that donating money to celebrations of Independence Day is CSR'. The awareness of problems is very low within companies and the Indonesian government says CSR is about community development. Most circles say CSR is about charity. The new law (article 74: All companies dealing with natural resources must set aside 5% of net profit for CSR) stressed more interest in CSR, but still companies see it as "helping the poor".

Some of the biggest challenges for Indonesia are the underdeveloped communities (water and sanitation, health care and nutrition, primary education facilities, and youth employment). Indonesian companies only look at social issues, multinationals also look at the environmental problems in Indonesia.

Literature source

There are many ways of interpreting CSR throughout the literature and world widely. There are also many different practices that can be included within CSR implementation. To define which practices should be included in CSR in Indonesia, the most pressing environmental and social issues in Indonesia were described in the theoretical framework. These issues lead to a list of efforts, which CSR practice can focus on:

- Efforts to use only environmental friendly raw materials from sustainable sources.
- Efforts to use only climate neutral and renewable energy, also for transportation.
- Efforts to limit total emissions, effluents, and (hazardous) waste production.
- Efforts to produce only reusable, recyclable, biodegradable or compostable waste.
- Efforts to make the core processes as clean and efficient as possible in order to make savings on energy, water, and wastes, to reduce solid waste, water pollution, air emissions, and noise.
- Efforts to limit the overall use of natural resources.
- Contribution to local problems and community development, with a focus on poverty reduction, education, investment in infrastructure, and investment in sewerage systems.
- No discrimination of employees and no inequality between male and female employees.

The list of efforts was reformulated for the questionnaire into the following practices, the first 5 aimed at environmental issues and the latter 4 at social issues, that can be implemented as part of CSR:

Table 4.1 CSR practices

Environmental protection
Renewable energy use
Reducing total emissions, effluents, and (hazardous) waste
Produce only reusable, recyclable, biodegradable or compostable waste
(Natural) resource saving
Community development programs aimed at poverty reduction
Community development programs aimed at healthy living
Community development programs aimed at education
Good workplace conditions without discrimination

If one compares the environmental and social issues for Indonesia found in literature with the insides of the experts on CSR in Indonesia, the researcher could see that according to the literature there were well identified environmental and social issues, but according to the experts the Indonesian companies and government mostly focus on social issues and neglect the environmental issues.

Company source

In the questionnaire for the CSR managers, their answers were ranked on a 4-point Likert scale, with options such as: very important (VI), important (I), less important (LI), or not

important (NI). Table 4.2 shows the answers given by the CSR managers on the question: 'Which of the following practices do you consider to be an important part of CSR in Indonesia?'. The environmental practices (number 1, 4, 7, 8, and 9) are in *italic letters*, the social practices (numbers 2, 3, 4, and 6). The number in each of the table-cells corresponds to the frequency of the responds.

Table 4.2 Importance of different practices as a part of CSR

Practices	NI	LI	I	VI	Mean
1. Environmental protection	*0*	*0*	*5*	*9*	*3,64*
2. Community development programs aimed at poverty reduction	**0**	**0**	**6**	**8**	**3,57**
3. Community development programs aimed at healthy living	**0**	**0**	**7**	**7**	**3,50**
4. Reducing total emissions, effluents, and (hazardous) waste	*0*	*1*	*6*	*7*	*3,43*
5. Community development programs aimed at education	**0**	**1**	**6**	**7**	**3,43**
6. Good workplace conditions without discrimination	**0**	**1**	**6**	**7**	**3,43**
7. (Natural) resource saving	*0*	*1*	*7*	*6*	*3,36*
8. Renewable energy use	*0*	*1*	*8*	*5*	*3,29*
9. Produce only reusable, recyclable, biodegradable or compostable waste	*0*	*3*	*6*	*5*	*3,14*

According to the CSR managers, the most important practices from CSR were environmental protection and community development programs aimed at poverty reduction. The environmental practices were found slightly less important than the social practices. The mean score for social practices was 3,48 (in the middle of very important and important), the mean score for environmental practices is a 3,37 (tends a bit more to important than to very important).

In the questionnaire the CSR managers were also asked about "which CSR practices they implemented in their company?". The following table shows the answers given by the CSR managers on the question: 'Which of the following practices does your company implement as CSR (tick the boxes, more answers are possible)?'Instructions were exactly the same as for the answers on table 4.2. None of the participants wrote additional practices in the open space for that. In order to identify the environmental from social practices at glance, the environmental are in *italic letters* and the social in **bold letters**.

Table 4.3 Implemented CSR practices

Number of companies	Implemented practices:
14	*Environmental protection*
13	**Community development programs aimed at education**
12	**Community development programs aimed at healthy living**
12	**Good workplace conditions without discrimination**
11	*Reducing total emissions, effluents, and (hazardous) waste*

9	**Community development programs aimed at poverty reduction**
8	*(Natural) resource saving*
6	*Renewable energy use*
3	*Produce only reusable, recyclable, biodegradable or compostable waste*

Environmental protection is the only practice implemented by all participants. The production of only reusable, recyclable, biodegradable, or compostable waste and the use of renewable energy are least implemented. Table 4.2 also shows that social practices are more often implemented than environmental practices, with a mean score of 11,5 for the social practices and an 8,4 for the environmental practices.

When looking at the differences between the type of company, type of driver, years of implementation or guidelines used, there is no significant difference between these groups. There is also no significant difference between these groups and the focus on environmental or social practices.

The findings from the survey were in accordance with the experts' opinion; companies in Indonesia associate more importance to the social practices than environmental practices while implementing CSR.

4.2 What are the drivers for Indonesian companies to invest in sustainability?

In order to answer this question, data from the literature review and the expert interviews was used. From the questionnaire for CSR managers the data came from the question: 'what was the main driver for implementing CSR?

From the literature review 3 drivers can be defined: Strategic aspect, stakeholders demand, and philanthropic ideas. In industrialised countries the drivers mostly involve strategic aspects, then demand from stakeholders and then philanthropic ideas (Saha & Darnton, 2005).

The experts do not agree on what drives Indonesian companies to implement CSR practices. One said that the most important driver for implementing CSR is the strategic aspect and mostly for reputational issues. Firms want to be known as good companies. For companies dealing with natural resources there is a demand from stakeholders (community and government). A second expert stated that the stakeholders always are the biggest driver, because companies need to follow the new regulations from government. They both agree that there is no demand from consumers for CSR. Consumers do not think about sustainability when buying a product and they do not know about the CSR programs at companies. Therefore, only stakeholders living in the companies' periphery can make pressure and of course the government through regulatory instruments.

The experts also point out that there can be a difference between Multinational Corporations, state-owned enterprises, and Indonesian companies when it comes to driving CSR implementation. The MNC has to keep up with international norms and sees CSR as strategy towards sustainability. The government regulates the SOE, and the Indonesian

companies mostly implement CSR because of philanthropic ideas and their practices are community development oriented.

In the questionnaire, CSR managers were asked whether it was strategic aspect, stakeholders demand, or philanthropic ideas behind the implementation of CSR. Participants could choose the driver that was the most essential for their company. The graph in figure 4.1 shows the answers given by the CSR managers on the question of: 'What was the main driver for implementing CSR?'. The CSR managers indicated that for them the most important driver is strategic aspect (57%), then stakeholders demand (29%) and then philanthropic ideas (14%).
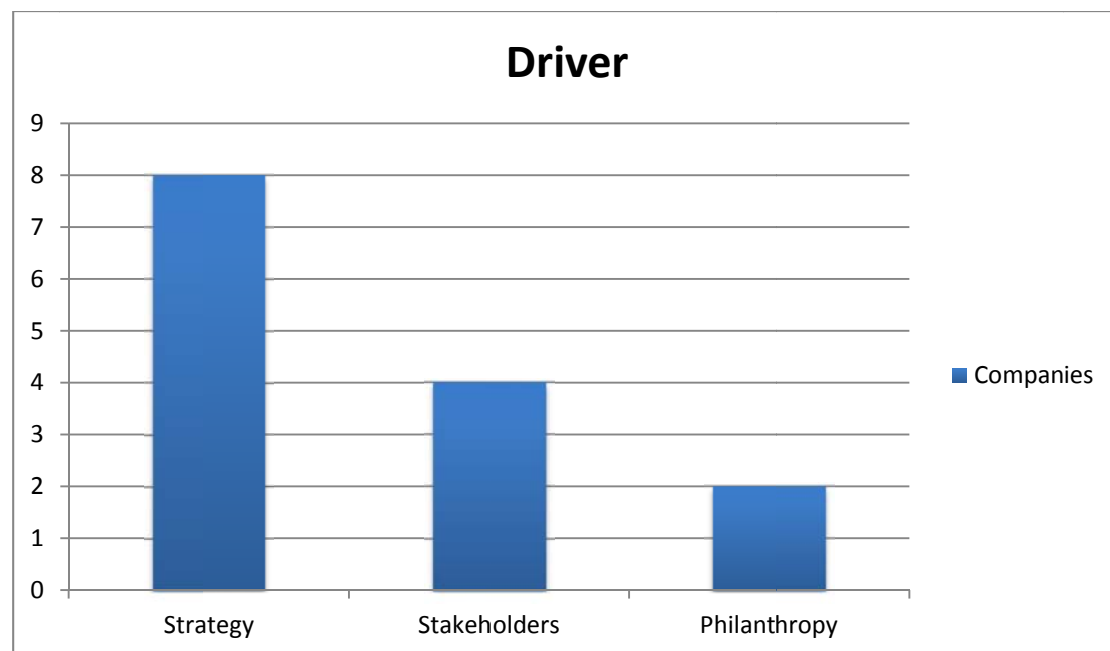
Figure 4.1 Drivers for implementing CSR in Indonesia

When the CSR managers were asked to explain why their company invests in CSR they mentioned the following:

- We are doing CSR because it is our way to do business; it is how the day to day business operates. CSR has to be done from the beginning to the end. It is a tool, but it is more the soul of how we do business. It is in our blood. CSR is not the same as philanthropy, this could be part of CSR, but for us it is more a strategy. It is intrinsic in the way we conduct our work.
- We are already doing CSR since '68, the start of our company. Because we are a state owned enterprise we have certain obligations. In 2007 the law arranged the program PKPL for SOEs, but we did not have to change a thing because we were already investing more than 2% in CSR. Though the law encourages us to do better and we try to be unique in our CSR policy.
- We started doing CSR because of the climate project of Al Gore and the climate change issues. We want to fulfil our mission and we take part in green business with a lower interest rate.

The opinions of the experts support these findings. They all agreed on philanthropic ideas being the least important driver. The drivers in Indonesia are the same as the drivers in Industrialized countries. But the experts also claimed that there could be a difference among the large diversity of companies in what drives them to invest in CSR. Their idea was that MNCs could be driven by strategic aspect, SOEs by stakeholders demand, and Indonesian companies by philanthropic ideas. Therefore the researcher compared the drivers for implementing CSR – strategic aspect, stakeholder demand, or philanthropic ideas – with the type of company – Multinational Company, State Owned Enterprise and Indonesian Company – but there was not any correlation between certain types of company and certain type of driver

4.3 How can business competitiveness for Indonesian companies be defined?

The answer to this sub-question was obtained by making use of the literature review and the data gathered from the question 'which of the following indicators do you consider as important indicators for competitive advantage' from the questionnaire for CSR managers.

The literature review showed that there are diverse ways of describing competitive advantage and hence that there are many indicators for business competitiveness. To define the indicators that could be used in this research, the theories on competitive advantage and benefits of CSR were combined. This leaded to the following ten indicators for competitiveness:

- Cost savings from less energy use, less material use and waste reduction.
- Increased efficiency of utilization of natural resources.
- Improvement of productivity because of Increased staff commitment.
- Improvement of product quality.
- Innovation of products and processes.
- Increased market share.
- Improved corporate image.
- Expansion into new markets.
- Risk minimization and maintaining license to operate.
- Increased employee commitment.

The list of indicators was reformulated for the questionnaire into the indicators included in table 4.4 for business competitiveness:

Table 4.4 Indicators for business competitiveness

Indicators
Corporate reputation
Employee commitment
Risk minimization (license to operate)
New market opportunities
Efficiency
Market share
Product quality

Productivity
Cost savings
Innovation

The CSR managers were asked which of those indicators they considered an important indicator for competitive advantage. Their answers were ranked in a 4-point Likert scale. The answer options were very important, important, less important, or not important. The graph in figure 4.2 shows the answers on the question 'which of the following indicators do you consider as important indicators for competitive advantage?'. 4 Stands for very important and 1 stands for not important.

Indicators for business competitiveness
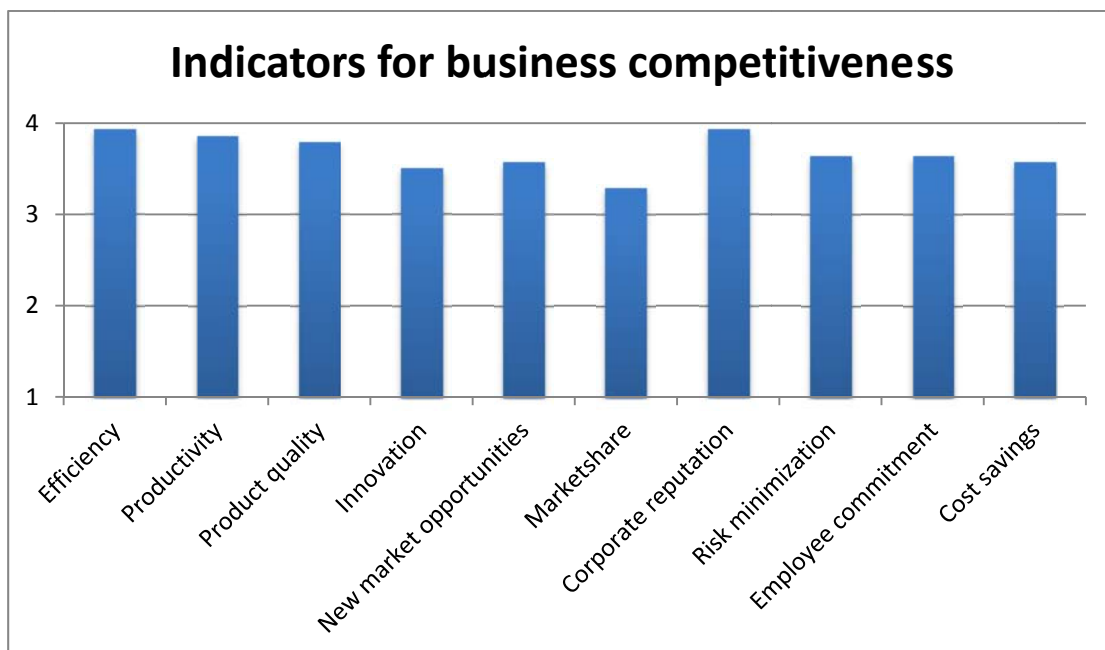
Figure 4.2 Importance of indicators for business competitiveness

According to those average values from 14 respondents, all the indicators had a mean score between 3 and 4, which means that the CSR managers considered all indicators defined by literature important for business competitiveness in Indonesia.

4.4 How does CSR practices influence the competitiveness of Indonesian companies?'

This corresponds to the main research question and it was answered by making use of the expert interviews and the data gathered through two questions from the questionnaire for CSR managers. The questions were 'which of the following practices does your company implement as CSR' and 'have you experienced a positive effect on your company's competitiveness from the implemented CSR practices'. Also, to gain more insights on the relation between CSR and competitiveness, 5 companies were asked for examples on how the CSR practises have an effect on the different indicators for competitive advantage.

Experts and CSR managers

According to the experts, the effect of implementing CSR was mostly visible on reputation gained among different groups of interest, which were business-to-business, business to loyal customers and business to employees. Furthermore, CSR practice is very important when it comes to maintaining the license to operate in collaboration with the community. This is because CSR can improve the circumstances of the community, which makes their attitude more positive.

In the survey for CSR managers, they were asked to indicate the effect of CSR on competitiveness with answers ranked on a 4-point Likert scale. In this case, the options were: Substantial positive effect (4), moderate positive effect (3), minor positive effect (2), and no effect (1). Figure 4.3 shows the answers they gave on the question 'have you experienced a positive effect on your company's competitiveness from the implemented CSR practices?'. The answers showed that the participants perceived that CSR has a moderate to substantial positive effect (between 3 and 4) for the different indicators of competitive advantage.
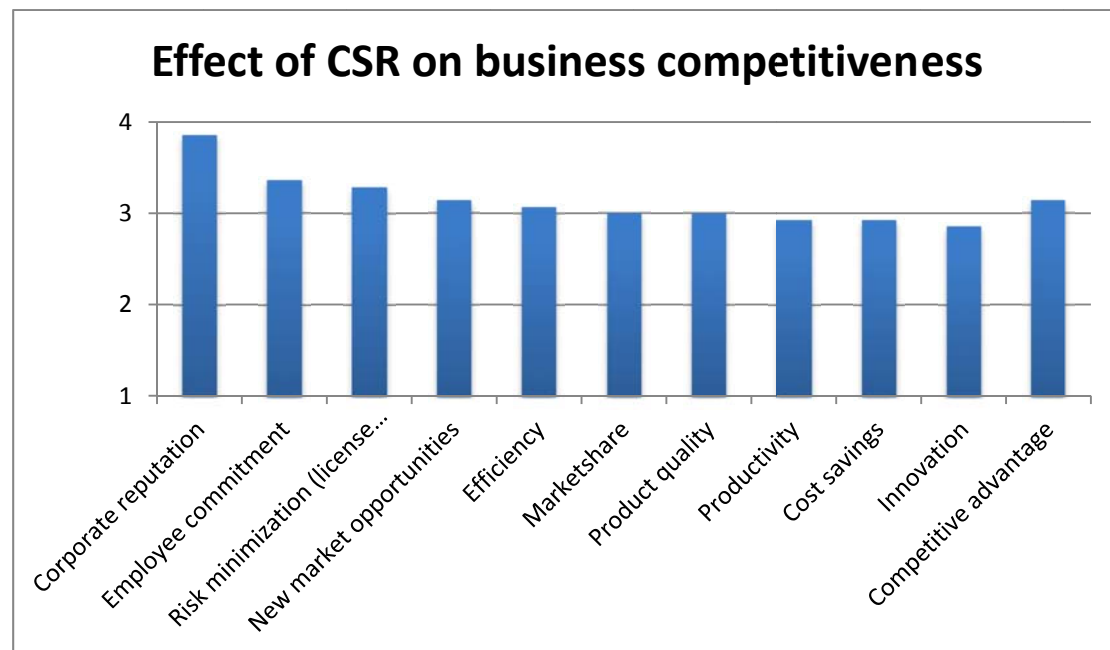
Figure 4.3 Effect of CSR on business competitiveness

The participants were also asked how they experienced overall the effect of CSR on competitive advantage; this achieved a mean score of 3,14, which means that CSR has a slightly more than moderate positive effect on competitive advantage over all.

Table 4.6 gives a more detailed overview of the answers given to the question 'have you experienced a positive effect on your company's competitiveness from the implemented CSR practices'. NE stands for no effect, ME for minor positive effect, MoE for moderate positive effect, and SE for substantial positive effect.

Indicators	NE	ME	MoE	SE	Mean	Sum
Corporate reputation			2	12	3,86	54
Employee commitment	1	1	4	8	3,36	47
Risk minimization (license to operate)	1	1	5	7	3,29	46
New market opportunities	1	2	5	6	3,14	44
Efficiency	2	1	5	6	3,07	43
Market share	2	3	2	7	3,00	42
Product quality	2	2	4	6	3,00	42
Productivity	2	2	5	5	2,93	41
Cost savings	1	2	8	3	2,93	41
Innovation	3	1	5	5	2,86	40
Competitive advantage	**1**	**1**	**7**	**5**	**3,14**	**44**

The different indicators of competitive advantage showed that corporate reputation is the indicator that is the most selected (mean = 3,86) and employee commitment (mean = 3,36) corresponded to the second most impacted indicator. The least relevant indicators were innovation (mean = 2,86) and cost savings and productivity (for both mean = 2,93).

By combining the question about implemented CSR practice with the question about the effects on competitive advantage the researcher could execute a correlation analyses in order to see if certain practices (see table 4.1) positively influenced certain indicators (see table 4.5). But there were no significant results of a correlation between these two variables (see appendix 7.5). This means that from this sample it can not be shown that a certain practice had impacted certain indicators of competitive advantage more than other indicators. All CSR practices influenced all indicators of competitive advantage.

Examples of companies

BNI, Antam, Kiroyan Partners, Telkom, and Unilever gave some examples of CSR practices and their effect on different indicators of competitive advantage.

At BNI, a bank, they have implemented a paperless office. They have limited their paper use by using an intranet for publications, using less paper in the office, and using e-billing statements instead of hardcopy one's. Now 40.000 customers use these e-billing statements. The paperless office saves them 10.000 US Dollar per month. And because of their new financing projects from the UN, KFW, and Indonesian government they have earned a better reputation, which can be seen from the awards they have received. This, together with their new green credit card with an annual fee, green mortgage, and green loans (new green projects can lend money for lower interest rates) will give them more (new) customers and bigger market share.

Antam, a mining cooperation, interacts with the minister of forestry to build on biodiversity. When the mining is finished they immediately start with replantation of the area. This avoids flooding's and is part of environmental protection. For Antam this means a better corporate reputation and a license to operate from the ministry. Furthermore, they have a good waste management system, they monitor the waste and do the treatment. Some of their waste

(slack) is reused for the stones of houses or the build roads. This saves money and gives them a better reputation because of the PROPER awards they received. For Antam, keeping the community happy is very important because they need a license to operate and it can save them a lot of cost. They have solar panels for energy but they only use a small part for the factory, most of it is provided to the community without costs. They also offer soft loans and training to the community, so they can improve their business. They offer scholarships to the children of their local employees to give them a better education and they build health facilities that are used by employees and the community. All of this keeps the community happy and holds them back from demonstrations, and it keeps the employees committed.

Kiroyan partners is a consultancy firm in the area of CSR. They are quite a new company (founded in 2006) and because of their expertise in CSR they wanted to set up the company legally correct, without making use of corruption, which saved them from fines. They also did not install any piracy software. This was good for their reputation; multinationals (80% of Kiroyan's clients) only want to work with companies that share the same values and therefore choose them. At Kiroyan partners they do not discriminate and have diverse employees with various backgrounds. This has a positive effect on innovation. And because of their CSR efforts and their mentoring program and internships they attract better educated employees and increase the employee commitment.

At Telkom, a telecommunication provider, they have also implemented a paperless office, which means less use of paper and more use of technology. This did not only created less waste and cost savings (for one department they cut back on paper use with 80%), but also improved efficiency and productivity, because the flow of information is going up and the information has a wider coverage area. Innovation is positively influenced by CSR, for instance the efforts to use less copper in their broadband services has initiated XDSL technology. They even initiated a broadband learning centre to educate people in the community about broadband. This created new market opportunities in these communities and had a positive effect on their market share. For Telkom, it is also important to keep the community around the production facilities happy to reduce the risk of sabotage by, for instance, cutting copper wires. The company does this by building proper roads, mosques, and schools. They take good care for their employees with providing training, rewards, health service and even a fund for pilgrimage, which has a positive effect on employee commitment.

Unilever, an international fast moving consumer goods producer, wants to create more with less resources. On a global scale they have the sustainable living plan, a guideline in doing business. The idea is to implement CSR throughout the whole value chain and by doing that, by 2020, the waste production should be halved and the carbon footprint should be reduced. Several programs and actions are there to achieve this. Within the company and between offices there are competitions in reducing waste, using less energy, water, and paper to maximize efficiency and effectiveness and gain cost savings. For instance, the heat of a boiler is captured to use in other operations, some of the raw materials and waste is used again in other productions, and they use only LG instead of coal because it is more efficient. To encourage employee commitment, there is a special employee engagement

program; they created the world food day, global hand-washing day, replanting programs, and HIV/AIDS socialization. Employees are proud to work for Unilever. This has a good effect on business and receiving awards. Because of the strict safety policy there is zero accident in the factories, which makes them very productive. Product quality and product innovation improves because the aim of R&D to make products more environmental friendly and more healthy.

They can save costs and at the same time alleviate poverty by making partnerships with 400 small businessmen who distribute their products all over the country. It would be more costly to do it themselves. Now they support the small businessmen in making a living. They also create jobs for the community and a good example of this is the black soybean production for the soy sauce. Farmers could plant specially selected black soybeans from Unilever as a special crop between the rice-growing seasons. Unilever obtained their high quality beans and the farmers increase their income in between rice-growing season. Furthermore, Unilever educated the farmers about sustainability, and then they can become a partner for Unilever. To find the best employees for their business, they put in various programs such as internship programs, future leaders program and work practices for students. The interns increase their skills and knowledge by working for the business and in the end, interns might have a job offer at Unilever. They want many students to join in which makes part of their strategy to groom Indonesian talent.

Another interesting initiative where Unilever at the same time increases market share, eradicates malnutrition, and creates healthy living for Indonesians in the NTT Island is the project "Laser Beam". They educate people about health; brushing ones teeth with toothpaste, washing ones hands with running water and soap, keeping the market clean, and they educate about nutrition; always have breakfast with varied food and they support the manufacture and distribution of a highly nutrient food, such as Wawa Mun. Unilever first provides the products for free, such as soap, toothpaste and special food, but when the program is over and the people have become less poor, they can buy those products from Unilever themselves creating a new market for Unilever.

4.5 What is the perception of CSR practices from Indonesian employees?

To answer this question the information from the questionnaire on employee commitment was used. This questionnaire was designed to measure the effect of CSR activity of a company on the level of commitment from the employees. This is one of the three indicators of competitive advantage that can be influenced the most by CSR practice according to the answers given by the CSR managers.

Questionnaire on employee commitment

First, the internal consistency (reliability) of the questionnaire of employee commitment was measured with Cronbach's alpha measure from SPSS. The table below shows Cronbach's alpha for this questionnaire. The questionnaire consisted of 20 questions measuring the latent variable 'effect of CSR practices on employee commitment'.

Table 4.6 Internal consistency analyses for the second questionnaire

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
,851	,883	20

The table displays that the value of Cronbach's alpha is 0.851, which means a high level of internal consistency. According to the rules of thumb from George and Mallery (2003), this alpha falls between good and excellent scale.

Employee source

The graph in figure 4.4 illustrates the mean score for the answers of the 11 employees that responded the questionnaire. The questions were answered on a 5-point Likert scale and the answer options were: (5) strongly agree, (4) moderately agree, (3) neutral, (2) moderately disagree, and (1) strongly disagree. Figure 4.4 shows the mean score of the 20 questions per participant.

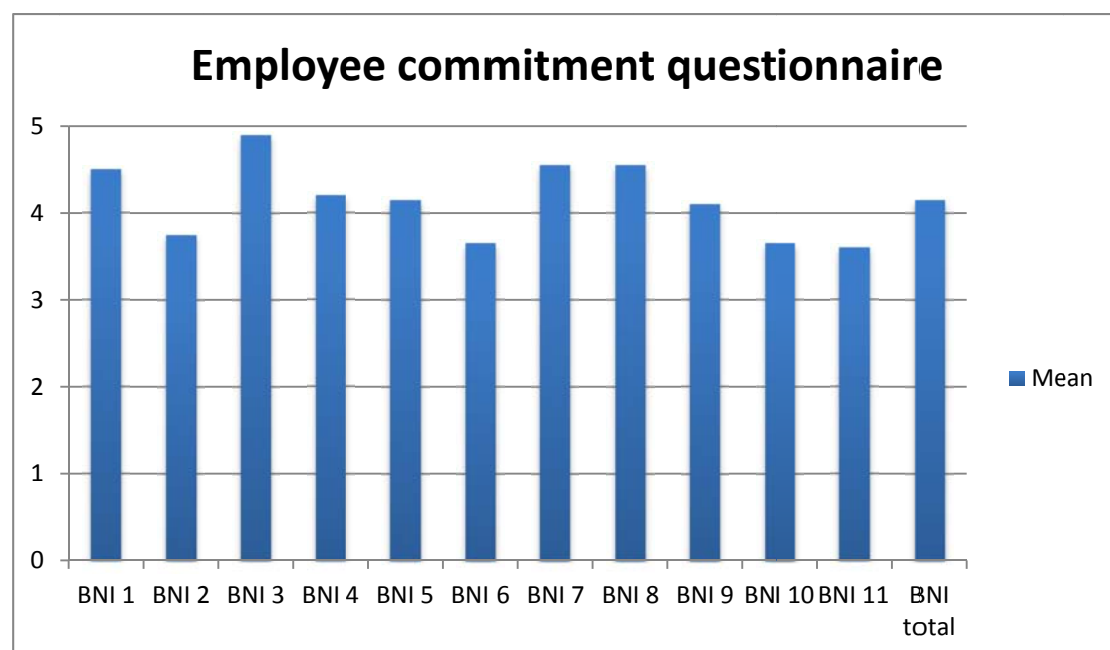Figure 4.4 Effect of CSR practice on employee commitment

7 out of the 11 employees had a mean score above moderately agree, and the other 4 employees had a mean score between neutral and moderately agree. As a mean all respondents ranked the category of moderately agree (mean = 4,15). The meaning of that value is that CSR practices of the company increase the level of commitment among the employee on this research.

5. Discussion of findings

After analysing all the findings, the researcher would like to describe 4 main points: the methods that were used to execute the research, the perception and drivers of CSR in Indonesia, the effect of CSR on business competitiveness and the effect of CSR on employee commitment.

5.1 Analysing the research approach applied to this study

Initially, the idea for the research was to measure the different indicators of competitive advantage with quantitative measures. But after the interviews with the experts and one interview with a company, the researcher decided that under the Indonesian situation where there is little access to information and where 'the majority of companies tend to disclose positive and descriptive information rather than negative and quantitative information' (Gunawan, 2010) it was not possible to quantify the CSR benefits in terms of competitive advantage. Measuring the perception of the CSR managers on the effect of CSR on competitive advantage was the alternative.

The research was executed by questioning only companies and employees from companies that had already implemented CSR. The research was based on the perception of the influence of CSR on several indicators for competitive advantage. When a company has not implemented CSR, it is difficult to say how this influenced these indicators. Though, when also companies were asked that had not implemented CSR, the two different company-groups could have been compared with a correlation analyses to see if there was a significant difference in their perception of competitive advantage over the last year. But then the question should not have focused on how they perceived the influence of CSR but just on their perception of the level of the different indicators for competitive advantage. Using a control group can strengthen the internal validity, but it can also do the opposite. In this case, the problem with using a control group is that it is difficult to make it plausible that the difference between the groups was caused by the implementation of CSR and not because of other variables. Therefore, only companies that had implemented CSR were researched. In this way the researcher could ask about the perception of the influence of CSR on competitive advantage, which made it likely that CSR was the variable of influence on competitive advantage, and not some other variable.

The Indonesian culture had an effect on the execution of this research. Indonesians are dependent on hierarchy and management is very controlling (Hofstede, 2012). Therefore both the CSR managers and some employees were questioned (to see if the effect trickles down from the managers to the employees). Status is very important and women are still not completely accepted in the workforce (Communicaid, 2009). This could have made it more difficult for a female researcher who was still a student to obtain an appointment with the companies. Also, relationships, personal contacts, and networks are very important in doing business in Indonesia (Communicaid, 2009). Therefore the researcher really needed the two organisations INA and IBL, with their network and their status, to help in making the appointments with the companies. Indonesians have a strong urge to maintain an impressive 'outward appearance'; they will not show any negative emotions and do not always say exactly what they mean (Hofstede, 2012). They rather tell people what they want to hear than risk a confrontation (Communicaid, 2009). But although personal contact is

important in doing business, the researcher tried to keep the interaction between her and the respondents as minimal as possible to avoid that they would give only 'desired' answers. Furthermore, the respondents always had the chance to stay anonymous if they preferred to.

Self-assessment of validity and reliability of findings

The research design caused some threats to the credibility of the research findings. The biggest issue was the external validity or generalizability, the extent to which the research results are generalizable (Saunders, Lewis & Thornhill, 2009). The research has been executed with a small number of organisations and experts. Therefore the conclusions cannot be generalised to the whole of Indonesia. A reason for the small number of participants was the small amount of companies in Indonesia that had already implemented CSR and the low response rate (14 out of 41). The response rate could be influenced by the hierarchical business style, the status consciousness, (Hofstede, 2012, 2011) and the importance of personal contacts and networks in doing business (Communicaid, 2009).

Internal validity is concerned with whether the findings are really what they appear to be about (Saunders, Lewis & Thornhill, 2009). Can the findings be attributed to the independent variable, in this case CSR, or to flaws in the research design? One possible threat to internal validity in this research was a testing effect. This can occur when the participants think that the results of the research may disadvantage them in some way (Saunders, Lewis & Thornhill, 2009). In order to prevent such effect, the participants were kept anonymous.

Reliability refers to the extent to which the data collection techniques or analysis procedures can yield consistent findings (Saunders, Lewis & Thornhill, 2009). The threats to reliability that could possibly influence this research are subject or participant error and subject or participant bias for the employee commitment questionnaire. A questionnaire about employee commitment that is completed at different times of the week may generate different results because of the degree of enthusiasm of the employees (Saunders, Lewis & Thornhill, 2009). To minimize this effect the questionnaire was send to the participants on a Tuesday afternoon. The subject or participant bias is a particular problem in organisations that are characterised by an authoritarian management style (Saunders, Lewis & Tornhill, 2009), which is the case in Indonesia (Hofstede, 2012). To decrease this effect the participants were kept anonymous as well.

Research tools and sample choice

For the research, first experts were interviewed in an informal and unstructured way. It is difficult to define who is an expert because this can be more a personal perception than something documented. Therefore the researcher has chosen the experts on the advice of INA's. Another problem with expert interviews was that the expert's knowledge is not neutral but subjective, they have their own opinion on the topic (Levitt, 2003) therefore the researcher tried to track that information which was based on documentations or good argumentations. The interviewer kept in mind that interviews can have an interaction effect between interviewer and interviewee (Saunders, Lewis & Tornhill, 2009). With doing an unstructured interview there were some downsides that had to be taken into account. It is

difficult to replicate the outcome, which is a threat to reliability, and analysing the answers is more complex than when a structured interview is used. But for the goal of exploring the situation and gathering in-depth information, unstructured interviews were the best option (Saunders, Lewis & Thornhill, 2009). In consequence, they were applied systematically in this study.

Secondly, self-administered questionnaires were delivered and collected by hand or through the internet to selected companies. There was little personal contact with the respondents to make them answer the questions honestly and not socially desirable. The downside of this is that people may perceive that it was not appropriate to provide sensitive and confidential information to someone that they have not met. They might be reluctant to spend time providing answers, especially if the meaning of any question is not entirely clear (Saunders, Lewis & Thornhill, 2009). But the chance of an uninformed response was small because the topics of interest were explained in the introduction and the questionnaires were sent or given to those people who had knowledge of the topics.

Explanation on sample characteristics

Being critical on the characteristics of the sample used for this study, the sample cannot be considered a representation of the business sector in Indonesia. As according to the WorldFactbook (2011) the most important industries for Indonesia are: petroleum and natural gas, textiles, apparel, footwear, mining, cement, chemical fertilizers, plywood, rubber, food, and tourism. The Indonesian stock exchange (2011) consists of 10 sectors: mining, agriculture, consumer goods, miscellaneous industry, manufacture, infrastructure, trade, finance, basic-industry, and property. Not all sectors of the IDX are included, and not all the important sectors were represented.

The type of industry has been identified as a factor that potentially affects the quantity and quality of CSD level. In Indonesia, industrial types have characteristics particular to their operations. For example chemical, mining, and logging industries are differentiated from those that provide services, such as banking and consultancy. The first ones are considered to be more responsive in disclosing activities that relate to social and environmental practices due to their business type than the latter one (Gunawan, 2011). The first ones are called sensitive and the latter non-sensitive industries. From this analysis, one can add that the suitable way to tackle the industry sector in Indonesia would be to include companies from all 10 sectors from the IDX, and differentiate between sensitive and non-sensitive industries, with a possibility to differentiate between sectors as well. The major problem is that CSR implementation is not yet widespread in Indonesian companies, which could make it difficult to find companies in every sector that implement CSR.

What is interesting about the sample is that from the 14 companies that responded, 5 are from the mining sector. This shows that the mining sector is active in implementing CSR. According to Jenkins and Yakovleva (2006) there are several reasons why mining companies find CSR important. The public opinion of the sector as a whole is poor and pressure groups consistently challenge the industry's legitimacy. This was supported by one of the experts who explained to me about the attacks on mining companies after the crisis of '97/'98. Furthermore, mining companies need to gain acceptance from the community living in the

companies peripheries (Jenkins & Yakovleva, 2006). And because mining companies are clearly working with natural resources, law 74 applies to them.

5.2 Understanding CSR approach in Indonesia

Overall, Indonesian's pay more attention to the past and the present than to the future. They only make plans for a short length of time (Kotelnikov, 2012). They do not tend to think about 'saving for the future' and they focus on quick results (Hofstede, 2012). These could be reasons why there is only a small amount of companies that implement CSR in Indonesia. In order to think about CSR and sustainability peoples mind need to be set on thinking in front about the future. Though, given that Indonesia has a more collectivistic and feminine society, which means that they want to conform to ideals of the society, that family is very important and that material gains do not always bring motivation (Hofstede, 2012), the Indonesian culture could also stimulate the implementation of CSR.

Difference between social and environmental issues

The findings showed that Indonesians invest more on social issues than on environmental ones while reporting CSR practices. This outcome is supported by the research of Gunawan (2010) who found that environmental information in CSR reports of Indonesian listed companies was perceived as less important by stakeholders and companies than other information. The experts claim that social problems are more important than environmental problems and that poverty reduction is one of the biggest challenges for Indonesia. The government also has a focus on social issues when it comes to CSR, and they define CSR as a form of charity. The companies that were interviewed say that 'in Indonesia the focus is more on social problems and community problems, because they operate in remote areas where you have to move forward together with people living near by the fabrics'.

But, according to the literature review, there are also very pressing environmental issues. While being in Indonesia, the researcher experienced some of those issues herself. When walking around in Jakarta one can perceive and smell the pollution in the air, there is garbage everywhere, and when one goes to more remote areas it is possible to see smouldering grounds where the forest has been burned down. Social issues are also visible, there is a large amount of beggars in the streets and there is a huge difference in prosperity between people. In the more remote areas the healthcare facilities are bad and the level of education is low. Furthermore, corruption is sensed everywhere. For the researcher it seems that Indonesians pay too little attention to environmental problems, and sometimes they even ignore them.

Gunawan (2010) stated that 'this situation occurs in Indonesia because the awareness of the importance of disclosing environmental activities may not be realized by the companies and there may not be any public pressure'. According to this research, the most important drivers for implementing CSR are strategic reasons and then demand of government and consumers. This is supported by earlier research of Gunawan (2007), 'Community was the most targeted activity when applying CSR for Indonesian companies. Most CSR practices were designed to serve the communities around the companies'. So companies implemented CSR because of the strategic benefits it could give them, or because of the

demand from government and communities. The two most mentioned benefits were obtaining a license to operate and improving the reputation of the company. Both benefits were best achieved by targeting the CSR practices at the community. And when one acts up to the demands of government and community, the CSR practices are also targeted towards community and social issues.

According to Ray, Richard & Ed (2006), CSR orientation can influence the perception of employees on a company. In Indonesia CSR is socially oriented. This orientation could possible influence, not only the perception of the employees, but also the choice for important and implemented CSR practices.

Most important and most implemented CSR practices

There were two measures in the questionnaire, a measure to find out which practices the respondents found most important, and a measure to find out which of those practices were implemented the most. The CSR practices that were found most important were 'environmental protection' and 'community development programs aimed at poverty reduction'. It is a bit peculiar that environmental practice is the most important part of CSR, because the focus in Indonesia is mostly on social issues. But when the environmental practices and social practices are taken together and compared to each other, the social practices are found more important than the environmental practices.

When looking at implementation of those practices, environmental protection is implemented in every company from the sample, but community development programs aimed at poverty reduction are only implemented in 9 out of the 14 companies. This can be seen more often with other practices. The respondent indicated that the practice is an important part of CSR, but the company does not implement this practice. This could be caused by a difference in perspective on CSR from the employee who filled survey and the company's CSR policy. 'Major owners of Indonesian companies are likely to have a strong influence on directing the company's activities, including CSR disclosure' (Gunawan, 2011) and decisions and ideas are generated at the top levels due to the strong hierarchical business culture (Communicaid, 2009). It could be possible that the respondents (CSR managers or similar functions) were not able to implement their own ideas. Furthermore, subordinates were unlikely to be consulted or expected to participate in decision-making (Jones, 2007), so the employees that are managing CSR could not really influence the CSR policy, which is directed by the owner.

The least important and least implemented CSR practices were to produce only reusable, recyclable, biodegradable or compostable waste and to use renewable energy. Gunawan (2007) found the same results, 'energy' information received less importance by companies in relation to the CSR issues compared to other information. According to the experts, there is a demand from consumers in Indonesia to sell products in very small units, which gives a lot of waste. And for Unilever biodegradable products, for instance, are still too expensive to make for the Indonesian market. What the experts also said was that energy from fossil fuels was sold for a very low price because of the subsidies from government on gas and electricity. This could have hold back the use of renewable energy. This is particularly a pity because of the great potential in Indonesia for making use of geothermal energy, 40% of the

world's known geothermal resources are in Indonesia, and opportunities in wind, solar, biomass, and hydropower (international trade administration, 2010).

The experts and the companies that were interviewed said that there probably would be a difference between the multinational companies and the Indonesian companies in their perception and implementation of CSR. Multinational companies implement a globally designed CSR policy and focus on different CSR practices than local companies. Though, when this was researched with a regression analysis it did not show any (significant) differences. The small sample size and the even smaller group sizes could have affected this result.

Drivers for CSR

The biggest driver for Indonesian companies was the strategic aspect, companies invest in CSR because of the benefits it can give to the company and they see CSR as part of their strategy. This means that, if it can be demonstrated that CSR leads to benefits for the company in terms of a competitive advantage, it could have driven Indonesian companies to invest in CSR.

This is the same for Western countries, which is not what the experts expected. They thought that the biggest driver for Indonesian companies would have come from government and communities' demands. This result is supported by the research of Gunawan (2007) 'Meeting stakeholders demands (communities and government are the most influential parties) and creating positive image have become the major purposes for Indonesian listed companies in practising their CSR' and Guo (2011) who concluded that stakeholder demand is a motivation for implementing CSR in China. Though, in China the demand came from media because of their threat on the reputation of the companies, and not from the government.

The difference between the ideas of the experts and the outcome of the research might be caused by the problem with the enforcement of the CSR law by the government. The experts thought that the government would demand from the companies that they implement CSR because of the new law, but as the experts also stated, the law was not really implemented because of corruption and the unclear description of the law. Gunawan (2007) also found that meeting legal obligation is not the major purpose for companies in disclosing their CSR activities' (Gunawan, 2007). Moreover, the experts thought there would be a demand from communities living nearby the companies but for those companies the driver is the business strategy and not really the stakeholder demand.

5.3 Effect of CSR on business competitiveness

The survey took into account several indicators (table 4.5) to define competitive advantage. Since there are many ways to define competitive advantage, the researcher asked the CSR managers whether they found the indicators important for competitive advantage in Indonesia. The participants found all the indicators important, efficiency and corporate reputation were most important, and market share and innovation were least important. There was one company that answered that risk minimization (license to operate) was "not important", while all other companies answered that it was either "important" or "very

important". The company that answered "not important" was the only consultancy that was included in the sample. They do not have to be confronted by communities living around operating sites, while most other companies do deal with that. That could be a reason why they do not include license to operate as an indicator of competitive advantage and most of the other companies do.

According to the CSR managers, CSR has a "moderate" to "substantial positive effect" on the competitive advantage. This outcome was supported by the outcome of Guo (2011) who found that there was a positive link between CSR certification and competitive advantage in Chinese companies in the textile sector. In this research the effect of CSR on competitive advantage was measured asking the respondents how big the effect was of CSR on the different indicators of competitive advantage. The research was about companies CSR managers' perception which makes it a subjective measure.

For the Indonesian analysis, corporate reputation and employee commitment were the indicators most affected by CSR, which is supported by the outcome of the research from Ali *et. al.* (2010) who found the same results in Pakistan. Innovation, cost savings, and productivity were the least affected by CSR. Interesting enough was that while both the experts and the companies indicated that CSR has a positive effect on their reputation, and that that was one of the most important reasons for companies to do CSR, the experts also stated that consumers do not know about sustainability matters and CSR.

5.4 Assessing one competitiveness aspect in connection to CSR: employee commitment

By combining existing questionnaires about employee commitment and CSR into one questionnaire, a new measurement tool was designed to assess the employee's commitment influenced by CSR. This new questionnaire could be particular helpful if one wants to measure the effect of CSR on employee commitment within companies awarded with CSR, without their being a group of comparable companies without CSR. From the current findings, it was described that the employee commitment is positively influenced by CSR, but could not be confirmed with applying a survey to a control-group (company without CSR).

6. Conclusions

This chapter summarizes the research by answering the research question based on the findings and discussion of the previous chapters. The objective of this research was to promote implementation of CSR in Indonesian companies by demonstrating a positive effect of CSR practices on business competitiveness. By conducting this research with the mixed-methods approach the researcher was able to answer the research question. The research was executed by handing out questionnaires in companies that had already implemented CSR, because the researcher wanted to know how they perceived the effect of the implemented CSR practices on different indicators for competitive advantage within their companies. A representation of the aspects to be correlated is enlisted in figure 6.1.
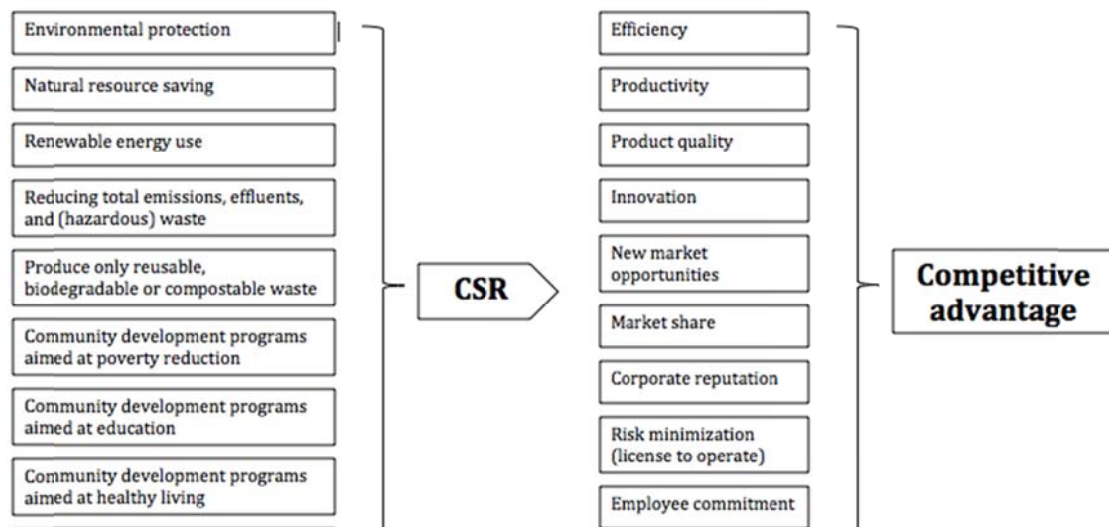
All respondents perceived that CSR had a positive influence on the competitiveness of their companies, and the most positive influenced indicators were the corporate reputation, employee commitment and risk minimization. The effect of CSR policy on employees, measured by the commitment of the employees, was further researched with a second questionnaire. That one measured whether the level of employee commitment was positively affected by CSR policy of the company. This also yielded a positive effect of CSR on employee commitment.

In general, CSR is seen as the responsibility of the company to account for the impact it has on society, economy, and environment. Though, the respondents focus their CSR practices mostly on social issues e.g. community development and less on environmental issues i.e. using renewable energy. They see CSR as a form of charity and a communication tool. There are several reasons why Indonesians see CSR in this way: they think that social problems are more important than environmental problems; the government explains CSR as a form of charity and; companies have operation sites in remote areas with poor communities living nearby to them and whose needs have to be satisfied.

The biggest driver for Indonesian companies to implement CSR involves strategic purposes. This means that the positive effect of CSR on competitive advantage can be used as argument for convincing companies to invest in CSR. The companies mostly see it either as a way to obtain a license to operate, to gain a better reputation, or to improve their competitive advantage. Demand from community and government is the second biggest driver; communities surrounding the company want to move forward together with the company and can demonstrate when this does not happen. Despite that the government tries to regulate CSR with the law 74, its enforcement still represent one of the main challenges of the Indonesian companies.

7. Recommendations

This chapter describes recommendations for further research and for practical intentions. In this research cultural dimensions had an effect on the perception of CSR and competitive advantage. There has been more research that suggests that the national culture influences perceptions on CSR (Adnan, Staden & Hay, 2010; Williams & Zinkin, 2006; Katz, Swanson & Nelson, 2001; Maignan, 2001). Further research could be conducted to measure the effect of culture on perception, investment and implementation of CSR. The research could be conducted in a multinational company that has subsidiaries all over the world and implements an international CSR policy. The different dimensions of national culture from Hofstede can be compared with the differences in implementation of the international CSR policy.

The research only had a small amount of participants, which made it weak in terms of data significance. Additionally, there was no opportunity to compare different types of companies (Multinationals, State Owned Companies) and different sectors or types of industries (mining, finances, advisories) in their implementation of CSR practices. Moreover, in earlier research from Gunawan (2011) the type of industry has been identified as a factor that potentially affects the quantity and quality of CSD level. It could be possible that these differences also change the benefits that the companies would like to receive from CSR, for example license to operate, good reputation, or attracting better employees. This might even have an effect on the driver for CSR (as was predicted by the experts), which can affect the type of CSR practices that are implemented. Therefore, in further research, it would be recommended to gather a bigger sample size to have the ability to compare the different types of company and types of industries.

In the future, when the aim of a research is to measure the different indicators of competitive advantage and the different sustainable business practices in a quantitative way, the research could better be conducted as a case study in order to gather detailed information on the different indicators and business practices. The formulation of the indicators and business practices used in this research to define competitive advantage and CSR practice can be used again, but for a more quantitative and factual measurement of these indicators and business practices, the instruments or data sources need to be re-defined. For instance, to measure 'corporate reputation' a questionnaire should be distributed to consumers to measure how they perceive the reputation of different companies. When one is able to do in depth research in one company, it is easier to gather the information necessary to measure the variables. There has already been some research on how to quantify the different indicators of competitive advantage and those can be used as reference. For instance, Lopez, Garcia & Rodriguez (2006) used the growth of profit before tax and the growth in revenue to measure the effect of CSR on firm performance.

When a significant positive effect of CSR on the different indicators of competitive advantage requires to be demonstrated in future research, the scope of the research might be at one indicator of competitive advantage at the time. One must find a way to measure this indicator in a quantitative way, and this indicator could be measured in many companies, both with and without a CSR policy. The data from both types of companies can

be compared to each other with a correlation analyses. Then one can see if the indicators are significantly more positive in one type of companies. Other variables that could influence the indicators should be taken into account.

In this research it seemed that sometimes the ideas of top management, middle management and 'normal' employees on what is CSR and how this should be implemented in the company varies. Further research could focus on whether there are different attitudes of CSR between these groups, and how this effects the implementation and outcome of CSR. The level of hierarchy within the company should be taken into account.

Overall in Indonesia, the understanding of CSR is very weak. Many people do not know what CSR or sustainability means or they see CSR as charity instead of the triple bottom line principles. So the understanding of CSR and the CSR activities within the society need to be extended. This could be done by, for instance, give more media attention or awarding the CSR activities. This could not only improve the understanding of CSR, it could also trigger consumers interest for it, which can contribute to the implementation of CSR from a stakeholder perspective.

Indonesia is the first country to oblige companies by law to invest a certain percentage of their profit in CSR, but there is a lack of enforcement of the law. The design of additional guidelines or incentives for companies could complement the implementation of the CSR law. For instance, give a clear description of what is meant with CSR, define which companies have to adhere to the law, state what the consequences are if the law is not implemented and include a section about making the CSR implementation transparent.

When the law is implemented well, the effect of making CSR mandatory compared to voluntary could be also a research area. Research opportunities are many, and unfortunately the main question remains: what is the strategy to enforce the CSR / sustainability principles / law / values in complex contexts as those in developing countries?

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Annex 1 Questionnaire CSR practices

Dear Mr./Ms.

As part of my master studies on International Management I'm doing a research project titled 'The relationship between CSR practices and competitiveness: the Indonesian case'. The research will contribute to the analysis of benefits of sustainable business practices in Indonesia.

We consider CSR as the need for firms to contribute on a voluntary basis to both the environment and society and at the same time be ethical and profitable. CSR practice is about all activities aimed at minimizing negative impacts on the physical and social environment and activities aimed at making a positive contribution to the physical and social environment of a company. We consider competitive advantage as the strategic advantage of a business over its competitors in the same industry.

In order to accomplish my research work, I would appreciate it if you would support me by filling in the survey below. Filling in the survey will not take more then 10 minutes of your time. I can ensure that the information provided will be discretionary handled and data will be published without mentioning the original source or company name when this suits you better. If you are interested in the results of this research, I will be very pleased to mail you a digital copy of the executive report.

( ) I would like to receive the executive report on this email address

_____

( ) I don't want the company name to be mentioned in the research report.

For any questions regarding the survey, and for returning the survey when filled in, please refer to this email address:
Irene.hofland@ncsr-id.or

Thank you for your valuable time and feedback.

Yours sincerely,

Irene Hofland
Master student University of Twente
Mail: Irene.hofland@ncsr-id.or

1. What is the name of the company?

   _____

2. What is your current position?

   _____

3. Is your company a:
   - Multinational   ( )
   - State Owned Enterprise   ( )
   - Indonesian private company   ( )

4. Does the company use any pre specified guidelines for the CSR policy/reporting?
   - Global Reporting Initiative   ( )
   - ISO 26000   ( )
   - Global Compact   ( )
   - Other, please specify ....   ( )

5. For how many years has the company been implementing CSR?
   - Less than 2 years   ( )
   - 2 – 5 years   ( )
   - More than 5 years   ( )
   - Since the company exists   ( )

6. What was the main driver for implementing CSR?
   - Philanthropic ideas (doing the right thing)   ( )
   - Strategic aspect (the positive effect it can have on your operation and business)   ( )
   - Demand from stakeholders (government,shareholders, community, etc.)   ( )
   - Other, please specify ………………………….   ( )

7. Which of the following practices do you consider to be an important part of CSR in Indonesia? (NI – Not Important; LI – Less Important; I –Important; VI – Very Important)

	NI	LI	I	VI
1. Environmental protection				
2. (Natural) resource saving				
3. Renewable energy use				
4. Reducing total emissions, effluents, and (hazardous) waste				
5. Produce only reusable, recyclable, biodegradable or compostable waste				
6. Community development programs aimed at poverty reduction				
7. Community development programs aimed at education				
8. Community development programs aimed at healthy living				
9. Good workplace conditions without discrimination				
10. Other:				

8. Which of the following practices does your company implement as CSR (tick the boxes, more answers possible)?

	Environmental protection
	(Natural) resource saving
	Renewable energy use
	Reducing total emissions, effluents, and (hazardous) waste
	Produce only reusable, recyclable, biodegradable or compostable waste
	Community development programs aimed at poverty reduction
	Community development programs aimed at education
	Community development programs aimed at healthy living
	Good workplace conditions without discrimination
	Other:

9. Which of the following indicators do you consider as important indicators for competitive advantage? (NI – Not Important; LI – Less Important; I –Important; VI – Very Important)

	NI	LI	I	VI
1. Efficiency				
2. Productivity				
3. Product quality				
4. Innovation				
5. New market opportunities				
6. Market share				
7. Corporate reputation				
8. Risk minimization (license to operate)				
9. Employee commitment				
10. Cost savings				

10. Indicate for the CSR practices that your company implements whether you have experienced a positive effect on your company's competitiveness with regard to the following factors of competitive advantage: (NE – No Effect; ME – Minor Positive Effect; MoE– Moderate Positive Effect; SE – Substantial Positive Effect)

	NE	ME	MoE	SE
1. Efficiency				
2. Productivity				
3. Product quality				
4. Innovation				
5. New market opportunities				
6. Market share				
7. Corporate reputation				
8. Risk minimization (license to operate)				
9. Employee commitment				
10. Cost savings				
11. Competitive advantage				

Annex 2 Survey for employee commitment

Dear Mr./Ms.

I'm Irene Hofland, a Dutch student from the University of Twente. As part of my master studies on International Management I'm doing a research project titled 'The relationship between investment in sustainable business practices and competitiveness: the Indonesian case'. The research will contribute to the analysis of benefits of sustainable business practices in Indonesia.

In order to accomplish my research work, I would appreciate it if you would support me by filling in the survey below. The survey consists of 20 multiple-choice questions and filling in the survey will take about 10 minutes of your time. The information obtained shall be exclusively used for academic and writing thesis purposes only. The survey is meant to give me insights on your thoughts about your company's sustainability practices.

With respect to your perception about the organizational aspects on your company, please indicate the degree of your agreement or disagreement with each statement by checking one of the five alternatives next to the statements.

	Strongly disagree	Moderately disagree	Neutral	Moderately agree	Strongly agree
1. This is an environmentally responsible company.					
2. The company supports good causes.					
3. The company is concerned about community development.					
4. The company isn't concerned about the preservation of the environment.					
5. I have the impression that the company is forthright in giving information to the public.					
6. The company doesn't behave in a socially conscious way.					
7. The company maintains a high standard in the way it treats people.					
8. I have a feeling that the					

company is only concerned about the profit.					
9. Because of the sustainability policy of this company I am willing to put in a great deal of effort beyond what is normally expected from me in order to help this organization be successful.					
10. I talk about this organization to my friends as a great organization to work for because of their sustainability policy.					
11. I feel very little loyalty to this organization because of their sustainability policy.					
12. I would accept almost any type of job assignment in order to keep working for this organization because of their sustainability policy.					
13. I find that my values on being a sustainable company and the organization's values on being a sustainable company e are very similar.					
14. I am proud to tell others that I am part of this organization because of their sustainability policy.					
15. I could just as well be working for a different organization, which doesn't have a sustainability policy, as long as the type of work was similar.					
16. This organization and its sustainability policy really inspire the very best in me in the way of job performance.					
17. It would take very little change in my present					

circumstances to cause me to leave this organization despite of their sustainability policy.					
18. I have chosen this organization to work for over others because of their sustainability policy.					
19. Often, I find it difficult to agree with this organization's policies on important matters relating to sustainability.					
20. For me this is the best of all possible organizations for which to work because of their sustainability policy.					

Thank you for your valuable time and feedback.

Yours sincerely,

Irene Hofland
Master student University of Twente

Mail: i.m.hofland@student.utwente.nl

Annex 3 Recommendation letter from IBL

Indonesia Business Links
Resource Centre for Corporate Citizenship

Menara Kartika Chandra, 7th Floor, Jl. Jend. Gatot Subroto Kav. 18-20, JAKARTA 12930, Indonesia
Tel: [+62 21] 520 2530/3   Fax: [+62 21] 522 3524   Email: ibl@cbn.net.id   Website: www.ibl.or.id

Ref.: IBL/exdir-110/CSR-survey/X/2011   Jakarta, 25 October 2011

Dear IBL Corporate Partners,

IBL is pleased to support a survey on CSR conducted by Ms. Irene Hofland (a postgraduate student of University of Twente, Netherland) which we would find it useful to understand how CSR is currently implemented in Indonesia.

IBL's latest survey was in 2009 on CEO's Perceptives on CSR. Therefore, it is timely if not overdue to see the latest picture on Indonesia's CSR.

For that, we would appreciate your company's participation by answering the Questionnaire attached and return it by email to our office, c/q ibl@cbn.net.id by 5 November. Please note that your participant will entail ten (10) randoms respondents within your company.

There are two types of questionnaire:

1) Questionnaire #1 to be completed by you
2) Questionnaire #2 to be completed by the ten respondents.

The results will be shared in a form of report once Irene's thesis is approved. We thank you Irene to jointly implement this exercise and to share the results.

Should you have any query about this survey, please kindly contact Rita Koentjoro at (021) 5210820 or same email as above.

Yours sincerely,

Yanti Koestoer

Executive Director

Annex 4 Recommendation letter University of Twente

UNIVERSITY OF TWENTE.

To whom corresponds it may concern

University of Twente
P.O. Box 217
7500 AE Enschede
The Netherlands

Our Reference	CSTM-056b-09-LF	*Telephone*	+31 53-4894234
Your reference:		*Fax*	+31 53-4894850
Date	16 August 2011	E-mail: m.l.francogarcia@utwente.nl	

Subject   **Introduction letter of Irene Hofland, master student in the International Management master for Business Administration from the University of Twente, the Netherlands.**

Dear Mr./Ms.

I have the pleasure to introduce Ms. Irene Hofland who, as part of her master studies on International Management (IM) is doing a research project titled "The relationship between CSR practices and competitiveness: the Indonesian case".

In order to accomplish her research work, we would appreciate all kind of support you can give her at this regard. Additionally, we can ensure that the information provided for her research will be discretionally handled and only statistical values will be published without mentioning the original source or company name when this suits you better.

We are sure that his research can contribute to the analysis of benefits of sustainable business practices in Indonesia. If you are interested in the result of this research, we will be very pleased to mail you a digital copy of the executive report.

Yours sincerely,

Dr. Laura Franco Garcia
Associate researcher

Annex 5 Correlation analysis of the effect of CSR on competitive advantage

		Effect_efficiency	Effect_productivity	Effect_product_quality	Effect_innovation	Effect_new_market_opportunities	Effect_marketshare	Effect_corporate_reputation	Effect_risk_minimization	Effect_employee_commitment	Effect_cost_saving	Effect_competitive_advantage
Environmental protection_implemented_practice	Pearson Correlation	.ᵃ	.ᵃ	.ᵃ	.ᵃ	.ᵃ	.ᵃ	.ᵃ	.ᵃ	.ᵃ	.ᵃ	.ᵃ
	Sig. (2-tailed)											
	N	14	14	14	14	14	14	14	14	14	14	14
Natural_resource saving_implemented_practice	Pearson Correlation	-.060	-.220	-.135	-.147	.023	-.255	.354	.211	.138	.077	-.149
	Sig. (2-tailed)	.839	.451	.645	.617	.939	.380	.215	.470	.637	.792	.612
	N	14	14	14	14	14	14	14	14	14	14	14
Renewable_energy_use_implemented_practice	Pearson Correlation	.060	-.060	.135	-.110	.135	.000	.059	-.047	-.138	-.077	-.025
	Sig. (2-tailed)	.839	.839	.645	.708	.645	1.000	.841	.874	.637	.792	.933
	N	14	14	14	14	14	14	14	14	14	14	14
Reduction_of_total_emission_implemented_practice	Pearson Correlation	-.373	-.301	-.163	-.553*	-.082	-.307	.213	-.565*	.375	-.389	-.299
	Sig. (2-tailed)	.189	.296	.578	.040	.782	.286	.464	.035	.186	.169	.300
	N	14	14	14	14	14	14	14	14	14	14	14
Waste_production implemented_practice	Pearson Correlation	-.132	-.205	-.163	-.221	.082	.000	.284	-.028	.014	-.265	-.119
	Sig. (2-tailed)	.652	.483	.578	.448	.782	1.000	.325	.924	.962	.360	.684
	N	14	14	14	14	14	14	14	14	14	14	14
Com_dev_aimed_at_poverty_reduction_implemented_practice	Pearson Correlation	.237	.196	.418	-.038	.372	.263	.304	-.411	.369	.067	.051
	Sig. (2-tailed)	.414	.502	.137	.898	.190	.364	.290	.144	.194	.821	.862
	N	14	14	14	14	14	14	14	14	14	14	14
Com_dev_aimed_at_education_implemented_practice	Pearson Correlation	-.019	.019	.000	.035	.260	.245	.113	-.090	-.111	.025	-.048
	Sig. (2-tailed)	.948	.948	1.000	.905	.370	.399	.700	.760	.706	.933	.872
	N	14	14	14	14	14	14	14	14	14	14	14
Com_dev_aimed_at_health_implemented_practice	Pearson Correlation	-.028	-.169	.191	-.311	.159	-.180	.167	-.828**	.293	-.219	-.315
	Sig. (2-tailed)	.924	.563	.513	.279	.586	.538	.569	.000	.309	.452	.273
	N	14	14	14	14	14	14	14	14	14	14	14
Workplace_condition_implemented_practice	Pearson Correlation	.169	.028	.000	.052	.159	.180	.167	-.132	-.163	.037	-.070
	Sig. (2-tailed)	.563	.924	1.000	.860	.586	.538	.569	.652	.578	.901	.812
	N	14	14	14	14	14	14	14	14	14	14	14

Annex 6 Cronbach alpha when question deleted

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Environmentally_responsible_company	79,09	72,091	,569	,843
Company_supports_good_causes	79,18	71,964	,562	,842
Company_concerned_about_community_development	79,00	73,800	,399	,847
Company_isnot_concerned_preservation_environment	79,36	66,855	,629	,835
Company_forthright_in_giving_information_to_public	79,55	75,873	,000	,869
Company_doesnot_behave_socially_conscious	79,09	71,691	,444	,844
Company_maintains_high_standard_treating_people	79,27	70,418	,548	,841
Company_only_concerned_about_profit	79,09	71,891	,426	,845
I_will_put_in_more_effort_because_of_sustainability_policy	79,27	70,418	,745	,838
I_talk_about_company_as_a_great_place_to_work	79,55	70,873	,589	,841
Very_little_loyalty_to_the_company	79,36	64,255	,723	,830
Accept_any_kind_of_job_to_keep_working_this_company	80,09	69,091	,473	,842
Values_on_sustainable_company_are_similar	80,18	62,764	,543	,842
Proud_to_tell_about_company	79,36	69,055	,688	,836
I_could_work_for_other_company_as_long_as_the_work_is_similar	80,00	62,400	,712	,829
Sustainability_policy_inspire_to_perform_best	79,55	69,873	,693	,837
It_takes_very_little_to_leave_organization	80,36	76,455	-,006	,863
Chosen_this_organization_because_of_sustainability_policy	80,09	67,691	,570	,838
Difficult_to_agree_with_this_organizations_sustainability_policy	79,73	71,618	,187	,861

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Environmentally_responsible_company	79,09	72,091	,569	,843
Company_supports_good_causes	79,18	71,964	,562	,842
Company_concerned_about_community_development	79,00	73,800	,399	,847
Company_isnot_concerned_preservation_environment	79,36	66,855	,629	,835
Company_forthright_in_giving_information_to_public	79,55	75,873	,000	,869
Company_doesnot_behave_socially_conscious	79,09	71,691	,444	,844
Company_maintains_high_standard_treating_people	79,27	70,418	,548	,841
Company_only_concerned_about_profit	79,09	71,891	,426	,845
I_will_put_in_more_effort_because_of_sustainability_policy	79,27	70,418	,745	,838
I_talk_about_company_as_a_great_place_to_work	79,55	70,873	,589	,841
Very_little_loyalty_to_the_company	79,36	64,255	,723	,830
Accept_any_kind_of_job_to_keep_working_this_company	80,09	69,091	,473	,842
Values_on_sustainable_company_are_similar	80,18	62,764	,543	,842
Proud_to_tell_about_company	79,36	69,055	,688	,836
I_could_work_for_other_company_as_long_as_the_work_is_similar	80,00	62,400	,712	,829
Sustainability_policy_inspire_to_perform_best	79,55	69,873	,693	,837
It_takes_very_little_to_leave_organization	80,36	76,455	-,006	,863
Chosen_this_organization_because_of_sustainability_policy	80,09	67,691	,570	,838
Difficult_to_agree_with_this_organizations_sustainability_policy	79,73	71,618	,187	,861
Best_organization_to_work_for	79,64	75,655	,136	,853