CORPORATE SOCIAL RESPONSIBILITY, SOCIAL CAPITAL AND SUSTAINABLE DEVELOPMENT: LESSONS FROM AN INDONESIAN PALM OIL COMPANY*

Risa Bhinekawati
Lecturer of Entrepreneurship Program, Universitas Agung Podomoro

ABSTRAK

Tulisan ini menunjukkan bahwa program tanggung jawab sosial perusahaan (CSR) dari suatu perusahaan kelapa sawit dapat membangun modal sosial yang berkontribusi pada pencapaian sasaran pembangunan berkelanjutan (SDGs). Dengan menggunakan metode riset kualitatif dan studi kasus eksploratif, penelitian ini menyelidiki mengapa dan bagaimana suatu perusahaan memperbaiki kondisi sosial, ekonomi, dan lingkungan hidup melalui pemberdayaan petani kecil dan pembangunan modal sosial bagi masyarakat di sekitar perkebunan kelapa sawit sejak 1992 hingga 2011. Sebuah perusahaan kelapa sawit besar dipilih sebagai studi kasus berdasarkan pada kriteria "exemplary case study". Penelitian ini membangun model teori berdasarkan pada analisis data primer dan sekunder yang didapat dari dokumen perusahaan, catatan media, wawancara dan observasi. Program CSR yang dilakukan perusahaan didorong oleh tujuan strategis untuk memenuhi kebutuhan bisnisnya dengan memecahkan masalah sosial dan lingkungan hidup di sekitar perkebunan. Melalui program pemberdayaan petani kecil, perusahaan membangun modal sosial melalui peningkatan hubungan baik, peningkatan kemampuan manajemen dan teknis, serta pemberian akses keuangan dan pasar bagi petani. Dengan demikian, petani dan perusahaan dapat bekerja sama untuk mencapai tujuan ekonomi, sosial, dan lingkungan hidup. Tulisan ini membangun model teori dengan menghubungkan konsep CSR, modal sosial, kesinambungan perusahaan, dan SDGs yang terhubung di penelitian sebelumnya.

Kata kunci: *Indonesia, modal sosial, perkebunan kelapa sawit, petani kelapa sawit, pembangunan berkelanjutan, tanggung jawab sosial perusahaan*

ABSTRACT

This paper reveals that corporate social responsibility (CSR) programs of a large palm oil company can actually build social capital that contribute to sustainable development goals (SDGs). Using an exploratory qualitative case study, this study investigates why and how a company improves social, economic, and social conditions of communities surrounding its palm oil plantations through smallholder farmers empowerment and social capital development, from 1992 to 2011. A case study of a sustainable palm oil company in Indonesia was chosen as an exemplary case study for theoretical or purposive sampling. Primary and secondary data from company documents, media records, interviews and observations were analysed to develop a theoretical model. The study finds that the CSR program is driven by company's strategic intention to fulfill their business needs by solving the social and environmental issues surrounding its palm oil plantations. Through smallholder farmers' development program, the company builds social capital that improves social relationship, farmers' capabilities, and farmers' access to finance and market; so they are capable to act collectively with the company to achieve economic, social, and environmental performance for both the farmers and the company. This research has created linkages for previously disparate areas of academic enquiry by showing the actual interrelationships between CSR, social capital, corporate sustainability and SDGs.

Keywords: Indonesia, Corporate social responsibility, Palm oil plantations, Smallholder farmers, Social capital, Sustainable Development Goals

---

*This paper has been presented at the *Academic Forum Sustainability I*, organised by the Research Center for Regional Resources LIPI, the Foundation for Indonesian Inspiration, and *Centre for Inclusive and Sustainable Development* (CISDEV) Prasetiya Mulya University, Jakarta, January 31, 2017.

INTRODUCTION

Indonesia is a large developing country with 255.2 million people (BPS, 2015) living in the archipelago. Her land is well suited for palm oil plantations, which have generated opportunities, but also challenges, for poverty eradication in the country (Paoli et al., 2013). As at 2010, the Indonesian palm oil sector employed 3.06 million workers, with 2.7 million of them being involved directly in the plantations. Smallholders owned 3.2 million hectares, or 46% of all plantations (Infosawit, 2011). Thus, the palm oil industry has become an engine for poverty reduction in Indonesia (Infosawit, 2011). Moreover, compared to other vegetable oils such as sunflower, soy or canola oil, palm oil is considered the most environmentally friendly, because palm oil plantations absorb more carbon dioxide (CO_2) due to the trees' life span of 25–30 years, their large canopy, and their perennial leaves (Handadhari, 2010, 23).

However, despite its contributions to the Indonesian economy, the palm oil industry has also generated a range of environmental and social issues, such as environmental pollution, social tensions, the breakdown of local social structures (Gillespie, 2011, 2012; McCarthy, 2010; McCarthy, Gillespie & Zen, 2012). The poor conditions of smallholder farmers create potential failure for the sustainable supply chain of palm oil (McCarthy et al., 2012, 555). Unsustainable practices of palm oil plantations cause severe impacts on environmental degradations and loss of biodiversity (Edwards, 2005) as well as an anticipated future poverty for local communities and smallholders of (CAO, 2009, 21).

Gillespie (2012) further argues that CSR programs in the Indonesian palm oil industry have been merely cosmetic, as many companies do not practice good corporate governance, especially in the vacuum of government oversights in enforcing regulation (Gillespie, 2012, 263). Results of recent academic studies on CSR and corporate governance on palm oil plantations are concerning. The presence of large-scale palm oil companies has created social and environmental issues, such as conflicts over land ownership agreements, indebted smallholders to plantation companies, and worsening infrastructure (Gillespie, 2012, 263; McCarthy, et al., 2012, 555). Furthermore, Gillespie (2012) posits that, in conditions where government oversight is weak, good corporate governance practices become essential for companies to affect local communities positively. Indeed, Indonesia needs large plantation companies to farm palm oil sustainably to build the prosperity of local people, and to preserve the environment and contribute to the overall economy of the country.

The above discussions call for a thorough study about the actual roles of large palm oil companies in Indonesia and the process under which CSR programs build social capital that contributes to corporate sustainability and prosperity of people in the countries in which they operate. Hence, this paper aims to investigate *the actual role of a company in contributing to sustainable development of Indonesia.* Besides, this paper explore *the interrelations between CSR programs, social capital, corporate sustainability and sustainable development,* which are not clear in the current literature, as shown in the literature review below.

THEORY AND METHOD

a. Theoretical framework

A review of literature on the roles of roles of companies in contributing to sustainable development goals of developing countries has found four concepts which are overlapping and that need to be clarified. The four concepts are 1) sustainable development; 2) corporate social responsibility (CSR); 3) social capital, and 4) corporate sustainability, which are defined as follows.

b. The Concept of CSR and Its Relevance to Sustainable Development of Developing Countries

Definitions of CSR have evolved over time. This research uses Carroll's definition, which was developed in 1979 based on his comprehensive literature review of CSR concepts published from the 1930s to the 1970s. From his review, Carroll (1979) suggests this overarching definition: 'the

Table 1. Operational Definitions of Sustainable Development, CSR Programs, Social Capital and Corporate Sustainability

Concepts under study	Operational definitions
Sustainable development	'development which meets the needs of the present without compromising the ability of future generations to meet their own needs' (Brundtland, 1987, p.8) or 'simultaneous pursuit of economic prosperity, environmental quality and social equity' (Elkington, 1997, p. 397).
CSR	'the social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organisations at a given point in time' such responsibilities should be integrated into corporate actions (Carroll, 1979, p.500).
Social capital	The resources or capabilities that are generated through a 'durable network or relationships of mutual recognition' (Bourdieu, 1986) that facilitate cooperation and collective action (Coleman, 1990; Putnam, 1995), which generate positive outcomes (Uphoff, 2000). It consists of bonding, bridging (Szreter & Woolcock, 2004, pp. 654– 655) and resources embedded in network ties (Lin, 1999a, . 33)
Corporate sustainability	'Simultaneous achievement of economic, social and environmental performances of the company so-called a "triple bottom line"' (Elkington, 1997, p. 397)'.

social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organisations at a given point in time' (Carroll, 1979, 500). Overall, authors argue that CSR is contextual. Aguinis and Glavas (2012) developed a new definition of CSR that relates to sustainable development and corporate sustainability as 'context specific organisational actions and policies that take into account stakeholder's expectations and the triple bottom line of economic, social, and environmental performance' (Aguinis & Glavas, 2012, 2). Their definition has also been used by Aguinis (2011), Rupp (2011), and Rupp, Williams and Aguilera (2010). In the context of developing countries, the CSR definition which is commonly used was developed by Visser (2009) who defines CSR as 'the formal and informal ways in which business makes a contribution to improving the governance, social, ethical, labour, and environmental conditions of the developing countries in which they operate, while remaining sensitive to prevailing religious, historical and cultural contexts' (Visser, 2009, 1). In developing countries, Carroll's 1979 CSR pyramid model is still relevant. Visser (2006, 2009) uses the model to analyse the priorities of corporate responsibility in the context of a developing country, especially in South Africa. Visser (2009) finds that economic responsibility becomes the most important priority, followed by philanthropic, legal, and ethical responsibilities (Visser, 2009, 11). Economic contributions are the most important for developing countries because such countries still suffer from high unemployment and widespread poverty (Visser, 2009, 11). Philanthropic contributions come second because society would expect companies to provide voluntary contributions to society, and sometimes, contributions are also considered norms of 'the right thing to do'. Legal responsibilities are difficult to implement because the legal infrastructures in developing countries are still underdeveloped, with lack of enforcement by the government (Visser, 2009, 11). Lastly, ethical responsibilities are the most difficult to achieve for companies operating in developing countries, which still suffer from high levels of corruption and bad governance (Visser, 2009, 11). Most developing countries have very poor performance in Transparency International's corruption index (Visser, 2009, 11). Visser (2009) suggests improvements in ethical and legal responsibilities in developing countries because good governance in both public and private sectors will become the foundation of an enabling environment for responsible business in developing countries (Visser, 2009, 12). The above review leads to the increasing demand for large companies to operate responsibly and contribute to sustainable development of developing countries. To do so, London and Hart (2004) suggest that companies investing in low-income markets should focus on building connections between 'formal and non-formal economies that involve leveraging the existing social capital in the countries where they operate (London & Hart, 352). The following section discusses the concept of social capital in more detail.

c. The Concept of Social Capital

Social capital theorists in general see social capital as the resources or capabilities that are generated through a durable network or relationships of mutual recognition (Bourdieu, 1986) that facilitate cooperation and collective action (Coleman, 1990; Putnam, 1995; Uphoff, 2000) towards positive outcomes (Uphoff, 2000). Besides the 'structure of the ties', the source of social capital comes from the 'content of the ties' (Adler & Kwon, 2002, p. 23), such as trust, shared norms and beliefs (e.g., Fukuyama, 1995; Uphoff, 2000). The structure and content of the network ties generate social actions (e.g., Adler & Kwon, 2002; Coleman, 1990; Fukuyama, 1995; Putnam, 1995). Lin (1999a) argues that that social capital consists of three components. The first component is the resources embedded in a social structure; second, the accessibility of the resources to individuals; and third, the use or mobilisation of individuals in the network for purposive actions (Lin, 1999a, 39). Individuals in the network should make investment to build their social capital (Lin, 1999a, 35) because the amount of social capital they possess depends on the size of network ties they can mobilise and the volume of resources they can access from themselves and from others in the network (Bourdieu, 1986, 249). Players with a 'well-structured network' will obtain higher benefits from that network (Burt, 1992, 60). Social capital is both a collective and individual good, and the 'institutionalized social relations with embedded resources' which consists of economic, political, cultural and social connections of members in the network are expected to benefit individuals and the individuals in the collective (Lin, 1999a, 33). Lin (1999a) further conceptualises social capital as embedded resources and that network locations are assets that can be captured by individuals in the network (Lin, 1999a, 37).

To analyse the extent of social capital, Lin (1999a) suggests that researchers should focus on the amount of network resources such as wealth, power, and status of others which can be accessed by individuals in the network; contact statuses, like contacts' positions and authority; network bridges; and the strength of network ties (Lin, 1999a, 37). However, because of the large amount of investment required to build and maintain social capital, investment in social capital may be considered risky by organisations (Adler & Kwon, 2002, 30). Potential risks of social capital are the exclusion of people outside the network to capture the resources, the 'free riders' who get the resources in the network without having to do anything (Portes, 1998, 18), and 'over dependency on focal actors' (Uzzi, 1997, 59). Therefore, actors should consider the relative cost and benefits of social investment, including understanding the complexity of the social structure in which the social capital is embedded (Nahapiet & Ghoshal, 1998). The following section discussess social capital as one of five capitals in corporate sustainability.

d. The Concept of Corporate Sustainability and Its Relevance to Sustainable Development

Corporate sustainability is 'the simultaneous achievement of the company's economic, social and environmental performance' (Elkington, 1997, 397). Furthermore, Hart, Milstein and Caggiano (2003) define a sustainable enterprise as an enterprise that 'contributes to sustainable development by delivering simultaneously economic, social, and environmental benefits—the so-called triple bottom line' (Hart et al., 2003, 56). Furthermore, Porrit (1997, 183) argues that for companies to be sustainable, they should balance the accumulation of the total stock of five capitals, which include financial capital, human capital, social capital, environmental capital, and manufactured capital. Therefore, corporate sustainability can be achieved if the company simultaneously delivers its economic, social, and environmental performance (Elkington, 1997, 297) or maintains the total stock of five capitals (Porritt, 2007). By achieving corporate sustainability performance consistently, a company contributes to sustainable development as it ensures that the corporate activities do not jeopardize the ability of future generations to meet their needs (Brundtland, 1987; Elkington, 1997).

e. Research Objectives, Research Gaps and Research Questions

From the literature review, the following research objectives and gaps are identified that require further research. This research has two broad objectives. Firstly, this research aims to investigate the actual role of a company in contributing to sustainable development in a developing country. Secondly, this research aspires to explore why and how the concepts of sustainable development, CSR programs, social capital, and corporate sustainability are interrelated and evolve over time.

The research objectives can be achieved by filling the four search gaps and answers the subsequent research questions. Firstly, CSR in developing countries is under-researched, particularly regarding the roles of companies in contributing to sustainable development (Fukukawa, 2014; Valente & Crane, 2009; Visser, 2009). This is especially the case in regard to companies playing extended roles in building the capabilities of low-income people along their supply chain (Ansari, Munir & Gregg, 2012; Scherer & Palazzo, 2011; Scherer, et al., 2009), so that the company and the community can co-create value to achieve the economic, social and environmental goals of the company while also improving the livelihood of the community (Ansari, et al., 2012; Kirchgeorg & Winn, 2006; London & Hart, 2004). In addition, companies in developing countries have to operate in an environment where governments have a lack of accountability and social responsibility. Such situations generate questions about the extent to which companies should play political roles in such a challenging environment (Visser, 2009; De Oliviera, 2006). Such gaps generate the need for empirical research on the corporate motivations, structure and governance that enables companies to generate sustainable value for themselves and prosperity for society (Ansari, et al., 2012; Scherer & Palazzo, 2011; Lockett, Moon & Visser, 2006; Mahoney, et al., 2009), as well as on CSR frameworks or models that are applicable for developing countries (Visser, 2009). There is also a need for multiple levels of analysis of the roles of corporate leaders from CEO to field managers in implementing CSR (Waldman, Siegel, Javidan, 2006) that are contextualised to address the needs of the poor (Prieto-Carron, Lund-Thomsen, Chan, Muro, & Bhushan, 2006). The first research question generated from the first research gap is: Why do companies decide to play a role in contributing to sustainable development in developing countries through their CSR programs?

Secondly, there is a gap in the research that shows the process by which CSR as an input generates corporate sustainability performance as an expected outcome (Aguinis & Glavas, 2012). Although research has been conducted on the 'business case' for CSR, trying to show the linkage between CSR investment and corporate sustainability (Elkington, 1997; Hart, et al., 2003; Porritt, 2007; Porter & Kramer, 2006; WBCSD, 1999), the results have been inconclusive. For example, there have been tensions between the international codes of conduct and CSR guidelines such as ISO 14000, GRI, and SA8000 and their implementation in developing countries (Lund-Thomsen & Lindgreen, 2014; Millington, 2009). Despite certifications obtained by an MNC and its local suppliers, communities still suffer from social and environmental impacts, such as pollution from the tanning industry in Pakistan (Lund-Thomsen, 2004), tax avoidance in Africa (Idemudia, 2011), unwillingness of MNCs more broadly to share the cost for their suppliers' compliance in China (Yu, 2008), and banana plantations in Nicaragua (Prieto-Carron, 2006). Further empirical research is needed to fill the research gap. The research question that arises from the second research gap is: How does a company formulate and implement CSR programs to address social issues strategically?

Thirdly, in the area of social capital development, there is a need for qualitative research that may inform us about how business creates social capital for poor communities that generates capability transfer (Ansari, et al., 2012). Ansari et al. (2012, 836) also call for research that can provide more knowledge about complementarities between bonding and bridging social capital in improving the livelihood of poor communities. Actually, Russo and Perrini (2010) have used the social capital concept to explain CSR programs of SMEs and stakeholder theory to explain the CSR programs of large companies. However, there is still a need for further research that integrates stakeholder theory and social capital theory to help managers develop sustainable strategies in both SMEs and large companies (Russo and Perrini, 2010, 207). There is a demand for research on the strategic benefit of stakeholder management for large public listed firms (Laplume, Sonpar, & Litz, 2008), as well as into how social capital is developed to expand family firms (Zahra, 2010). The overarching research question to answer the third research gap is: How do a company's CSR programs develop social capital?

Finally, there are research gaps on the linkages between social capital development and the improvement in the livelihood of poor people. Granovetter (2005) suggests that the linkages between the economy and non-economic side of social life remain unclear. He argues that social capital can explain this linkage, and he calls for research to show the linkages (Granovetter, 2005, 47). Such research is needed by the private sectors and SMEs in promoting social actions that contribute to poverty reduction (Fox, 2004), as companies are still struggling to justify social initiatives with economic logic (Margolis & Walsh, 2003). There is a need for research that can explain the co-evolution between social capital and social structure, particularly about the creation of opportunity, motivation, and abilities for focal actors and for others (Adler & Kwon, 2002), and the interrelations between actions and development of social structures (Portes, 1998). For example, in the case of micro credit in developing countries, there are still questions on how social connections, trust and culture between poor people and the institutions that provide the credit schemes evolve over time (Van Bastaelaer, 2000). The research question that can be generated from the fourth research gap is: How does the social capital developed by a company's CSR programs contribute to its corporate sustainability?

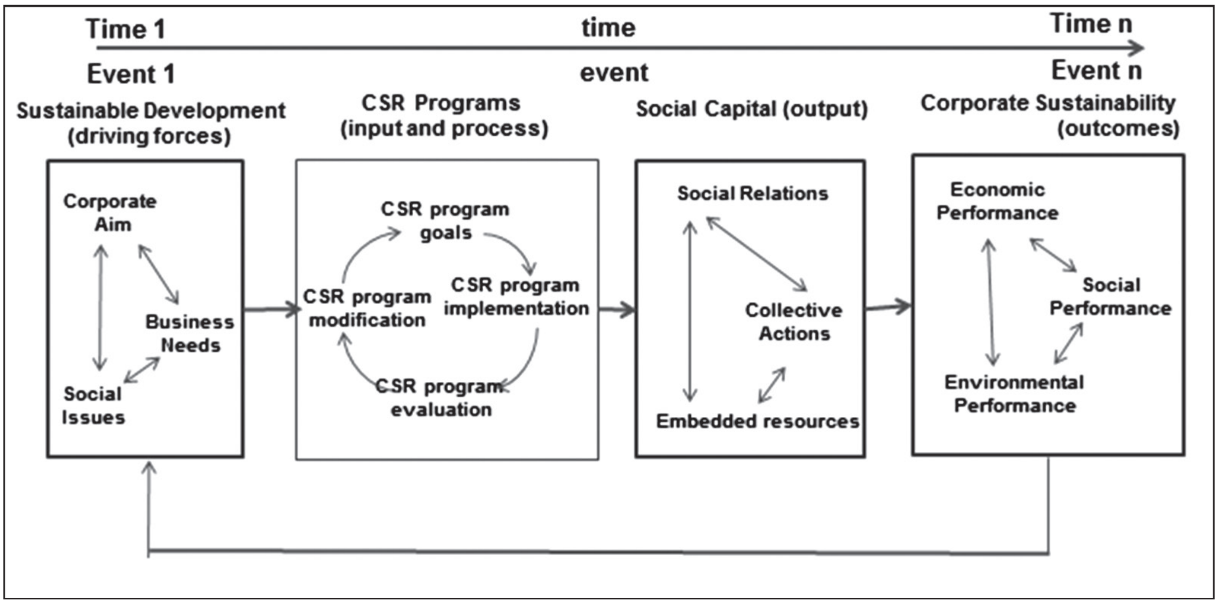
To conclude, the above discussion of research gaps and the research questions call for a thorough study of the linkages between CSR programs, social capital, corporate sustainability, and sustainable development. The literature review has also situated the need for research that can explore the process by which CSR programs build social capital that contribute to corporate sustainability, thereby improving the livelihood of society in a developing country.

f. Research methodology

Based on the literature review, the linkages between the concepts of sustainable development, CSR, social capital and corporate sustainability can be developed. It can be argued that the driving force behind the company's CSR program is the company's aspiration in contributing to sustainable development by solving social issues while fulfilling its business needs and achieving its corporate aim. Such a driving force triggers the company to conduct CSR programs strategically, by embedding CSR into its corporate strategy and operations. During the implementation of CSR programs, social capital with internal and external stakeholders is developed. Eventually, social capital is thought to contribute to corporate sustainability. In return, the simultaneous achievements of a company's economic, social and environmental performance will loop back to sustainable development. The theoretical linkages can be amalgamated into the theoretical framework in Figure 1.

The theoretical model in Figure 1 needs to be compared with empirical evidence to explain the linkages between CSR programs, social capital, corporate sustainability and poverty eradication (sustainable development) in the palm oil company. As discussed in previous section, the four research questions based on the research gaps four research questions have been developed to investigate the linkages and achieve research objectives.

Using Patton's (1990) criteria of theoretical or purposive sampling, an 'extreme or deviant case' can be chosen as a single case study as long as it has the 'intensity' of the phenomena under study (Patton, 1990, 171), that is, the linkages

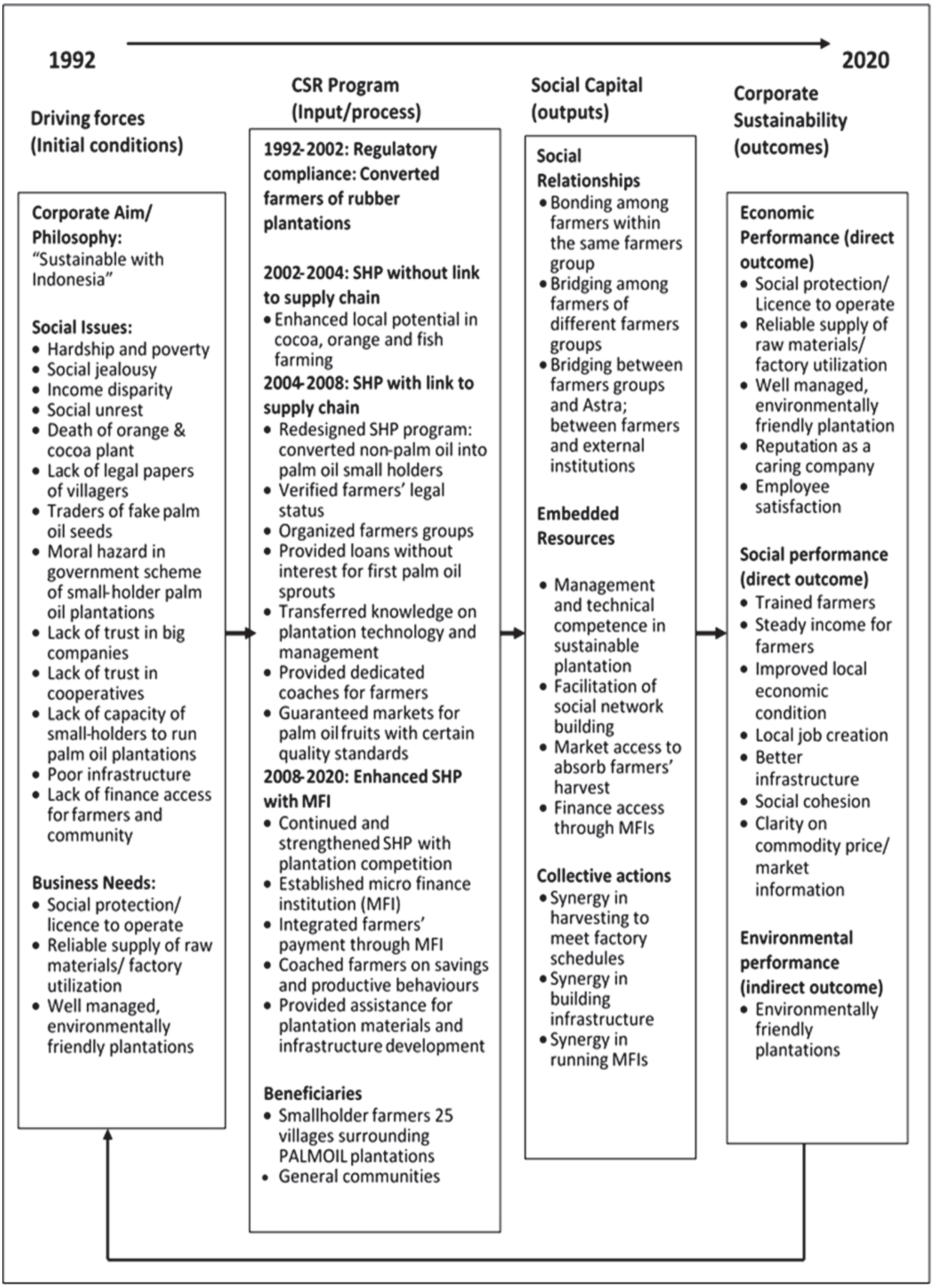


Source: Bhinekawati (2017, 48)

Figure 1. Theoretical Framework: The Interrelationships between Sustainable Development, CSR Programs, Social Capital and Corporate Sustainability

between sustainable development, CSR, social capital and corporate sustainability. Accordingly, this research is designed as a single qualitative case study (Yin, 2009; Eisenhardt, 1989), with an exemplary company as the case study. The adoption of a case study approach is consistent with other empirical studies of CSR in other developing economies conducted by other researchers like Bradly (2015), Idemudia (2011), Jamali (2007), Prieto-Carron (2006), and Yu (2008). Based on Patton's (1990) criteria, a large palm oil company (deidentified as PALMOIL) is chosen as a case study for several reasons. Firstly, on the contrary to the findings of many case studies on the impact of palm oil plantations (e.g. Gillespie, 2012), PALMOIL has been selected as one of 25 responsible and sustainable public-listed companies in 5 consecutive years (2009 to 2014) (Kehati, 2015). Secondly, PALMOIL manages large palm oil plantations, employing more than 60,000 employees with a total of more than 200,000 hectares of palm oil plantations in Indonesia, consisting of company-owned 'nucleus' estates, and smallholder estates through various cooperation programs with the company (PALMOIL, 2012). In other words, around 20% of the company's plantations are conducted in partnership with local communities which provide fertile data to answer the research questions. Finally, PALMOIL has conducted CSR program to develop the smallholder farmers of palm oil plantations (the smallholders program) since 1992 which provides longitudinal data to analyse why and how the concepts of sustainable development, CSR programs, social capital and corporate sustainability evolve over time. Secondary data were gathered by conducting desk research of company documents and archival records to trace the development of the company's smallholders program for over 20 years. The primary data were derived from in-depth interviews with corporate players and CSR program beneficiaries about the company's motivation and the process under which the CSR program built social capital that contributed to poverty eradication. A total of 31 informants were interviewed individually or as a group with duration between 15 minutes to 2 hours per interview. Respondents consisted of 16 palm oil farmers; management of parent company (7 respondents); management and field officers of the company (8 respondents).

The steps of data analysis being implemented in this study include: analytical chronology, within-case analysis; pattern matching, and explanation building (Eisenhardt, 1989, 540). After within-case analysis was done, the empirical findings were compared with the theoretical framework through 'pattern matching' (Yin, 2009,



Source: Bhinekawati, based on data analysis of the case study

Note: *SHP: Smallholder Program; MFI: Micro Finance Institutions*

Figure 2. Historical Summary of the Linkages between Driving Forces, CSR Programs, Social Capital, and Corporate Sustainability of the Smallholders Program

136). This is known as analytical generalisation (Meyer, 2001, 347) where a previously developed theoretical framework is used as a template with which to compare the empirical results of the case study (Yin, 2009).

By providing an understanding of the processes under which CSR programs lead to social capital development that contributes to poverty eradication over time, this research provides new connections among the concepts (Corley & Gioia, 2011) of sustainable development, CSR programs, social capital and corporate sustainability which are lacking in the extant literature, thereby filling the research need regarding the roles of large companies in alleviating poverty in developing countries (Ansari, et al., 2012; Scherer & Palazzo, 2011).

FINDINGS

From the start of the program in 1992, the history PALMOIL's CSR program can be divided into four episodes: 1) Regulatory compliance to develop plasma farmers (1992–2002); 2) CSR program without a link to the company's supply chain (2002–2004); 3) CSR program linked with supply chain (2004–2008); and 4) comprehensive local economic development (2008 onwards). The results of data analysis from the smallholders program of PALMOIL from 1992 to 2011 (which is forecasted to 2020, the year when PALMOIL's parent company aspires to be an integrated sustainable company in Indonesia) can be summarised as Figure 2.

Figure 2 explains how the concepts of sustainable development, CSR programs, social capital and corporate sustainability evolve over time in the case study.

a. Sustainable development and CSR program

As shown in Figure 2, desk research and interviews with the management of PALMOIL and its parent company confirmed that the smallholders program was inspired by the corporate aim to be sustainable with Indonesia. The research finds that the corporate aim drove PALMOIL leaders to sustainably solve the sustainable development issues such as poverty and income disparity surrounding palm oil plantations. PALMOIL leaders realise that the plantations cannot survive in the long term if its operations do not bring prosperity to local communities and do not preserve the earth for palm oil to grow, as stated by Director of the company:

> What you should understand … the nuance of CSR in PALMOIL is a bit different with the nuance of CSR in other subsidiary companies … Why, first, because PALMOIL exists in the middle of communities which are directly impacted by our business operations … We and the communities are impacting each other. And secondly, our plantations are there for a very long period of time, forever. So, this is what differentiates us. We touch people's lives directly. And the third, this is also important: PALMOIL's plantations do not only employ the people, but also provide places, facilities, etc. The facilities include housing, electricity, water … all kinds of infrastructure... (PALMOIL, 2011, line 63–83)

As such, when PALMOIL decided to run a palm oil plantation business, the leaders have decided that PALMOIL should care for the environment as well as to provide social goods and infrastructure in the absence of public facilities from government, such as housing, schools and health facilities for employees and communities.

PALMOIL was the first to implement parent company's guidelines to make sure that its operations are conducted in a sustainable way. The triple bottom line visions of parent company are translated into PALMOIL's vision and mission to be the world's most productive and innovative agro-based industry and to contribute significantly to Indonesia's development and prosperity. Because of the clear alignment between corporate aim, philosophy, vision, and mission, it is then possible for the company to invest in the smallholders programs as a strategic, long-term investment to solve common challenges facing the palm oil companies in Indonesia.

b. CSR program formulation and implementation

Figure 2 reveals that the smallholders program has evolved from an adherence to regulatory compliance in 1992 into a comprehensive local economic development program for smallholder farmers in 2008 and beyond. Undertaking the smallholders program is the embodiment of PALMOIL's actions and policies to achieve a sustainable supply chain, while facilitating social change in improving prosperity and preserving the environment in remote areas of Indonesia. For the company, community development is defined as

> All efforts to improve communities' living conditions by mobilizing their own initiatives insofar as possible … Community development is conducted with communities participating as the subject and the focus of all activities. The company provides counselling and technical services to encourage communities to be self-reliant by making full use of all available local potential. (PALMOIL, 2010b, 21)

For PALMOIL, the CSR program is a long-term investment to find win-win benefits for the company and its stakeholders, with the principles of participation, partnerships and an attitude of self-reliance. Such principles are important to ensure the sense of belonging and sustainability of the program as they become capable and reliable partners for the company. When PALMOIL decided to develop local palm oil farmers, it did so with a long-term vision to grow together with society and to contribute to the country.

Data analysis shows that he CSR programs of PALMOIL are coordinated by the Community Development Program (CD) Division, which is in charge of integrating the smallholders program into the corporate planning cycle; connecting the program with corporate operations and procedures; and applying indicators and measurements for CSR programs called the 'community development index (CD Index). In designing its community development programs, PALMOIL gathers inputs through regular community development surveys. The surveys capture people's perceptions on four areas: company image in the eyes of community; whether contributions of the company are well accepted by community; whether social relationships between the company employees and the community have been established; and whether the community is committed if the company has problems. Accordingly, PALMOIL makes yearly and three-yearly plans based on community inputs.

Furthermore, PALMOIL ensures that the smallholders program is aligned with its business needs, competence, and supply chain. CSR as part of the supply chain comes in the form of partnerships with local farmers, contractors, local suppliers and local workers. PALMOIL has learned from its experience that CSR programs can be sustainable if they are designed around the plantation; the plantation is the centre of its CSR. Otherwise, it would be difficult for CSR to be sustainable. As of 2011, the smallholders program has been implemented in 67 villages, covering 7,297 families of farmers which are organised into 378 farmers groups (PALMOIL, 2010a; 2011).

In sum, in formulating and implementing CSR programs, PALMOIL institutionalised the smallholder program into its company policy, structure, and way of working to reach win-win solutions with stakeholders. By doing so, PALMOIL has been able to overcome various challenges within its CSR implementation.

c. CSR and social capital development

Figure 2 shows the linkages between the smallholders program and social capital. Firstly, the implementation of the smallholders program have strengthened the social relationships in the form of bonding (strong ties) and bridging (weak ties) among and between PALMOIL, palm oil farmers and other stakeholders involved in the smallholders programs. Secondly, PALMOIL has made its resources available for internal and external stakeholders involved in the program. Finally, the enhanced social relationships and resources dedicated by PALMOIL into the CSR program have made it possible for the company to build collective actions in achieving the common objectives of both PALMOIL and farmers such as in meeting factory schedules, building infrastructure, and in running Micro Finance Institutions (MFIs).

d. Development of Social Relations

Figure 2 reveals that the development of social relationships in terms of bonding and bridging have evolved over time, and influenced farmers' capabilities in managing group dynamics and problem solving. The bonding among farmers within the same farmers' group is facilitated through the groupings of farmers into farmers' groups. In each group, around 20 members are assigned to one group based on geographical locations so they can share and retain the knowledge transferred from the company. Members meet every month in an *arisan* (revolving savings fund session), where a representative from PALMOIL comes to share good plantation practices the bonding has also been enhanced by group coaching and group dynamics exercises by consensus building training and by field problem solving. The farmers confirmed that the farmers group meetings have been very effective in strengthening their bonding. For instance, they have monthly dues and regular monthly meetings to share ideas. They also have mechanisms for penalties for members who break the rules. Due to the bonding among the farmers through solving problems together, there have been a lot of improvements in their plantations. The smallholders program also bridges farmers of different farmers' groups by organising monthly meetings among the heads of farmers groups called WKAK (Communication forum among farmers groups). By being a member of WKAK, heads of farmers' groups can learn from the successes and failures of other groups. PALMOIL also organises a competition for the best performing plantation, where the winners are given a prize and are recognised as the role model for other plantations. As a result, the farmers' groups of the company have been recognised as effective, well organised, and well developed.

In sum, the smallholders program has built social relationship and capabilities of farmers, but it requires patience, professionalism, perseverance and passions from managers and field officers of PALMOIL.

e. Resources Dedicated to Smallholders

One of important components of social capital is the 'embedded resources in the network' or 'valued resources (such as economic, political, cultural, or social, as in social connections)' that are 'expected to be beneficial to both the collective and the individuals in the collectives' (Lin, 1999a, 33). Figure 2 shows that the company makes its resources available to the farmers, which include management and technical competence in palm oil plantation; plantation materials and infrastructure development; market for palm oil farmers, and financing for smallholders program beneficiaries and local communities through MFIs.

Along the way, access to PALMOIL's management and technical competence in palm oil plantation is provided through informal training, through dialogue and field coaching as farmers are not used to classroom teaching methods. In doing so the company needs to really understand the statistics, the locations, and the dynamics of farmers' groups to ensure that the transfer of knowledge will facilitate productivity and responsibility of farmers. In addition, PALMOIL teaches and coaches farmers about group dynamics and motivation, besides regularly teaching them about planting and harvesting technology. Because of this good transfer of knowledge in management and plantation technology, farmers understand PALMOIL's standards of quality, and the kind of fruits that can be accepted by PALMOIL's factories, so there will be no argument if their fruit is not accepted for quality reasons. The transfers of management and technical competence have also improved farmers' professional standards or norms. Farmers confirmed that they have received consistent coaching and training from PALMOIL that they could meet the assessment criteria for palm oil plantations stipulated by the company as shown in Table 3.

In terms of access to finance, at the beginning of the smallholders program, PALMOIL needed to provide loans without interest for high-quality palm oil seeds. The loans were designed in such a way that the repayment mechanisms are not burdensome for farmers. The company trained the farmers on how to plant, nurture and harvest their plantations, so that their plantations could be productive and generate income to repay their loans. Farmers need to set aside 30% for loan repayments and 70% for their net income; with such an arrangement the farmers can settle the loan within five years at the latest, and after that keep 100% of their income.

PALMOIL sets up a mechanism that makes it possible for farmers to repay their debt without having difficulties in managing their cash flow for their family and for financing their plantations. As members of a Micro Finance Institution (MFI), farmers are given the opportunities for farmers to work together in planning and getting plantation materials. The farmers are requested by the MFI manager to prepare definitive plan for group's needs, containing the group's forecast of herbicides, fertiliser, and all materials that will be needed by the farmers group. The MFI then prepares the materials based on schedule, to fertilise every six months, and to spread herbicide every three months; with the materials directly distributed to the farmers' plantations through their farmers groups. The payment mechanisms are agreed in loans and payments that are affordable for farmers. Similarly, if farmers need to improve infrastructure, such as roads and gutters in their plantation, they have their infrastructure savings in the MFI. Farmers' groups can also propose to the MFI to rent heavy equipment with the expertise from PALMOIL.

Table 3. Smallholder Farmers Development Program–Assessment Aspect, Component, and Criteria

Aspect	Assessment Component				Assessment Criteria
Output	1	Effectiveness	a.	Percentage of growing plants	(number of plants growing well per hectare divided by number of seelings planted per hectare) x 100%
			b.	SPH	number of plants growing well per hectare
			c.	vegetative growth of plants	number of fronds growing in one year
	2	Productivity	Fertilizing productivity		Fertilizer applied in one year
Process	1	Plantation development	a.	Land preparation	a.1. Good land for palm oil plants
					a.2. Roads and bridges
					a.3. Plant terraces
					a.4. Drainage
			b.	Plant insertion	Appropriate, orderly distance between plants, right for optimum plant growth (adequate nutrition, water and sunlight
			c.	Ground cover plants	Ground cover plants growing uniformly, no weeds
			d.	Planting	Proper planting technique employed
	2	Maintenance	a.	Weed control	Correct type, location, timing and method of weed control applied
			b.	Ablation	Ablation technique employed corretly, minimum frond damage and done at the right time
			c.	Ferlizitation	Follows the 5 correct principles (type, dosage, time, frequency and application/method) and combines the used of mineral fertilizers with plant residues
			d.	Pest monitoring	Low level of pest attacks
			e.	Pre-harvest preparation	Good plant and field conditions to enable a smooth harvest
			f.	Pre-harvest preparation	Produces FFB (fresh fruit bunches) suitable for processing (for plots not yet producing, this is an estimate)
Management	1	Fertilization	Fertilization bases		Fertilizing done in line with recommendation from the nucleus plantation
	2	Humanware	Human resources development		Training of IGA farmers are done in a programmed way
	3	Infoware	a.	Information flow	Properly functioning flow of information (farmer - farmers' groups - the company)
			b.	Documentation of activities	All activities are properly documented (noted, recorded)
			c.	Standards, Norms, Guidelines	Each stage of activities has clear standards/norms/ guidelines
	4	Orgaware	a.	Evaluation forum	Evaluation forums held routinely and functioning properly
			b.	Organizational structure	Farmers group organizational structure is functioning properly

Source: PALMOIL (2010b, 32)

In terms of market access, PALMOIL opens and guarantees the market access for the farmers' harvest, as long as the quality of farmers' palm oil fruit quality can match the company standards. This gives more certainty to local farmers, as they do not have to worry about the market for their harvest.

f. Collective actions for common goals

Figure 2 shows there have been synergies among farmers and between farmers and the company in meeting the factory schedules, building infrastructures, and running the MFIs. Collective actions among farmers within the same farmers' group occur when they manage their group's plantation. Each farmers group has its own office bearers who are in charge of producing reports to the company, recording the harvest to be sold to the company, and getting the payment from the company to be distributed among farmers.

The collective actions between PALMOIL and farmers have also improved in matching the harvest schedules and factory schedules. This happens because of regular communications between the company and farmers through its dedicated CDO and foreman, to ensure that the schedules for planting and harvesting are mutually agreed upon between the company and the farmers groups. With continuous assistance, farmers feel secure and motivated to improve the performance of their plantations and meet the factory demand of the company.

Moreover, the collective action between PALMOIL and the farmers is shown in improvements in infrastructure. The infrastructure savings mechanisms organised by MFIs have made it possible for farmers to be self-reliant in improving the roads and infrastructure surrounding their plantations. Even in building a mosque, the farmers can do it independently with the income from palm oil.

The above discussion shows the evolution of linkages between CSR program and social capital development. According to Lin (1999a, 37), the volume of social capital of an organisation or individual is equal to the amount of network status such as wealth, power and status of others which can be accessed by individuals in the network; contact status like positions and authority; as well as bridging and bonding. It can then be concluded that the smallholders program has improved the total social capital for PALMOIL and its stakeholders.

g. Social capital, corporate sustainability performance and sustainable development goals

Figure 2 shows that the enhanced social capital of smallholder program has contributed to social, environmental, and economic performances of the company.

h. Social performance

In terms of social performance, the smallholder program contributes to poverty eradication in several ways. Firstly, all farmers confirmed that the partnership with PALMOIL has improved their lives. They earn approximately IDR 3 to 5 million (USD 306 to USD 510) per plot (2 hectares of plantation) per month if their plantations are in full production. Most importantly, as long as they work hard according to PALMOIL's guidance, their incomes are steady because of their individual and collective work as a farmers' group, financing from MFIs, guaranteed market from the company, and continuous management and technical coaching from the company.

Secondly, in terms of access to credit, MFIs become solutions for farmers as the financing mechanisms through MFIs are designed to match the affordability, informality and small scale of farmers. MFIs provide assistance for farmers to get the necessary materials for nurturing and harvesting their plantations so they can yield maximum benefits. Prior to the establishment of MFIs, farmers had experienced difficulties in getting working capital for their plantations. Since their establishment, the two MFIs have grown and flourished with their communities. For example, the number of members has grown from 490 people in 2008 to 1,758 members in 2001. Accordingly, the total financing from the MFIs to the members have also increased from IDR 144.1 million (USD14,704) in 2008 to IDR 6,356.8 million (USD 684,571) in 2011 (MFI Manager 1, 2013; MFI Manager 2, 2013).

Thirdly, overall smallholders program has improved local economic conditions. For example, the total transactions of the company's partnerships with local suppliers and farmers have been increasing. In 2011, it reached IDR 4.6 trillion (USD 520 million), an increase of 52% compared with 2010 (PALMOIL, 2011, p. 99). Such economic transaction with the local community has distributed prosperity to remote regions of Indonesia. Moreover, the spill over of prosperous plantations has also improved other industries, such as blacksmiths, in the area. The blacksmith who was assisted by PALMOIL could earn up to IDR 9 million (USD 918) from previously less than IDR 500 thousand (USD 51) per month. Moreover, the smallholders program has also generated better infrastructure, such as better roads, as the community become self- reliant in improving the roads surrounding their plantations.

Finally, the program has also created local jobs, as the company prioritises local people to fill local vacancies. Farmers' plantations also need more labourers to help with harvesting. Even the blacksmith could employ more people to produce harvesting knives. There is full employment in the communities surrounding the company plantations, as only very old people remain unemployed. Because of improvements in the local economy, there have also been improvements on the level of education of farmers' elementary and primary education.

i. Environmental performance

Wirth regards to environmental performance, the farmers are now capable of implementing environmentally friendly plantation principles such as using organic fertilisers by using empty bunches and midribs of palm oil trees. Overall, farmers feel secure that PALMOIL can guide them towards sustainable plantation practices, as they are always trained to follow environmental regulations.

j. Economic performance

Figure 2 also shows that there has been economic performance for PALMOIL through social capital development of the smallholders program. The poverty reduction surrounding palm oil plantation has granted the 'licence to operate' for the company because farmers' livelihoods are intertwined with the company. Prior to the smallholders program, the plantations had experienced riots in the surrounding areas, including stoning of factories and thieves attacking the plantations. Gradually, after the smallholders program became successful, the vandalism towards the factories and plantations diminished, because more of the community had good plantations. Furthermore, more capable farmers have also contributed to the company's performance through good quality harvest and increase in factory efficiency. Finally, the smallholders program has also improved employee satisfaction, as they have a fulfilling job with a responsible company.

The above discussion has shown that social capital generated from the smallholders program has contributed to the eradication of poverty as the company's social performance, its environmental performance, as well as its economic performance. Overall, the sustainability performance of the company contributes to sustainable development goals of Indonesia.

CONCLUSION

This research shows that in the context of a developing country, a company plays both public and private roles in contributing to poverty eradication in the absence of government services and oversight. This study supports Sen's (1992, 1999) assertion that poverty can be alleviated by building the capability of the poor.

The case study confirms the theoretical framework about the interlinkages between sustainable development, CSR program, social capital, and poverty eradication as one of corporate sustainability performances. Such interlinkages are not clear under current literature. This study finds that sustainable development issues become the driving force and the destination of the company in conducting CSR programs. PALMOIL decides to play a role in contributing to sustainable development because it sees poverty, inequality and social jealousy are risky for business. The CSR program is being formulated and implemented to address social issues through the integration of the program into corporate policy, organisation structure, resource allocation, management cycle, relationships with internal and external stakeholders, company competence, and supply chain.

The interactions between the company and its internal and external stakeholders during the implementation of CSR program have strengthened social relationships in the form of bonding (strong ties) and bridging (weak ties) among stakeholders involved in the program. The company has also made its resources available to CSR program beneficiaries in terms of transfer of technical and management knowledge, access to finance, and guarantee of markets for farmers' harvest. As a result, farmers' capabilities are improved to participate in the company's value chain that brings economic benefits to the company and the farmers.

In this case, the prosperity of smallholders or eradication of poverty surrounding palm oil plantations becomes one of the most important social performances of the company. In developing countries, companies can contribute to sustainable development through their corporate sustainability performance (Hart, et al., 2003, 56). The more sustainable the company, the more contributions the company can give to sustainable development through CSR programs.

The case study of the smallholders program of PALMOIL has filled in the research gaps in Indonesia and other developing countries. It is expected that this research can contribute to the theory and practice in management and well as public policies. The findings from the case study of the smallholders program of the company has confirmed the theoretical model discussed in the research approach.

This research contributes to existing theory by providing evidence on the linkages between the concepts of sustainable development, CSR, social capital, and corporate which is still lacking in current literature. This research illuminates the process under which CSR as an input generates corporate sustainability performance as an expected outcome which has been unclear (Aguinis & Glavas, 2012). In the area of social capital, this research contributes to existing knowledge in two ways. Firstly, the research findings explain complementarities between bonding and bridging social ties in improving the livelihood of poor communities (Ansari, et al., 2012, 836). Secondly, the findings explain how social capital is developed and evolved over time in improving social structure and the welfare of poor people which is still debatable lacking in the literature (Granovetter, 2005, p. 47; Lin, 1999b, 483).

For the practice of management in developing countries, this research address the gap in s justifications for companies playing their 'political roles' in mitigating social issues while achieving their sustainability objectives in developing countries, particularly in relation to the roles of companies in building the capabilities of low-income people along their supply chain (Ansari, et al., 2012; Fukukawa, 2014; Scherer & Palazzo, 2011; Visser, 2009) so that the company and the community can co-create value to achieve the company's triple bottom line while improving the livelihood of the community. This is especially the case in environments where governments have a lack of accountability and social responsibility (Ansari, et al., 2012; Kirchgeorg & Winn, 2006). The findings show that a palm oil company can contribute directly to the United Nations' sustainable development goal on poverty reduction.

In terms of contributions to policy, Indonesia has made CSR mandatory for companies operating in the country, but there are no mechanisms for government oversights to evaluate and monitor how the companies implement CSR programs (Waagstein, 2011). Taking the lessons from a sustainable palm oil company which has undertaken CSR program for more than 20 years, this research is expected to help the government as well as companies in Indonesia to develop policies for social inclusions through CSR programs, thereby benefiting the country, the business, and the society in the long run.

This research has identified strong linkages between CSR programs, social capital, corporate sustainability and sustainable development goals. This research is not without limitations. The model is constructed based on empirical findings from a large palm oil company in Indonesia. Therefore, the lessons can be applied to other corporations in developing countries, but further research is needed to test its application to other contexts.

REFERENCES

Adler, P. S. & Kwon, S. W. (2002). Social capital: Prospects for a new concept. *The Academy of Management Review, 27*(1), 17–40.

Aguinis, H. (2011). Organisational responsibility: Doing good and doing well. In S. Zedeck (Ed.), *APA handbook of industrial and organisational psychology* (Vol. 3), pp. 855–879. Washington DC: American Psycohological Association.

Aguinis, H. & Glavas, A. (2012). What we know and don't know about corporate social responsibility: A review and research agenda. *Journal of Management, 38*(4), 932–968.

Ansari, S., Munir, K. & Gregg, T. (2012). Impact at the 'bottom of the pyramid': The role of social capital in capability development and community empowerment. *Journal of Management Studies, 49*(4), 813–842.

Bhinekawati, R. (2017). *Corporate social responsibility and sustainable development: Social capital and corporate development in developing economies.* Oxon, UK: Routledge.

BPS. (2015). *Population of Indonesia*. Jakarta: Biro Pusat Statistik.

Bradly, A. (2015). The business case for community investment: evidence from Fiji's tourism industry. *Social Responsibility Journal, 11*(2), 242–257.

Bourdieu, P. (1986). The forms of capital. In J. Richardson (Ed.), *Handbook of theory and research for the sociology of education.* New York: Greenwood Press, 241–258.

Brundtland, G. H. (1987). *Our common future*. Oxford: Oxford University Press.

Burt, R. S. (1992). *Structural holes: The social structure of competition*. Cambridge, MA: Harvard University Press.

CAO. (2009). The compliance advisor ombudsman audit of IFC investment in Wilmar trading. Office of the Compliance Advisor/Ombudsman (CAO) available at: http://www.cao-ombudsman.org/uploads/case_documents/Combined%20Document%201_2_3_4_5_6_7.pdf (accessed 9 March 2015).

Carroll, A. B. (1979). A three-dimensional conceptual model of corporate performance. *The Academy of Management Review, 4*(4), 497–505.

Coleman, J. (1990). *Foundations of social theory*. Cambridge, MA: Harvard University Press.

Corley, K. G. & Gioia, D. A. (2011). Building theory about theory building: What constitues a theoretical contribution? *Academy of Management Review, 36* (1), 12–32.

De Oliveira, J. A. P. (2006). Corporate citizenship in Latin America: New challenges to business. *Journal of Corporate Citizenship, 21*, Spring, 17−20.

Director. (2011). Interview with Director of the Company, 5 December.

Edwards, M. (2005). Getting to the roots of the problems. Available at: http://wwf.panda.org/who_we_are/wwf_offices/indonesia/environmental_problems_indonesia/, (accessed 10 March 2015).

Eisenhardt, K. (1989). Building theories from case study research. *Academy of Management Review, 14*(4), 532–550.

Elkington, J. (1997). *Cannibals with Forks: The triple bottom line of 21st century business*. Mankato, MN: Capstone.

Fox, T. (2004). Corporate social responsibility and development: In the quest of an agenda. *Development, 47*(3), 29−36.

Fukukawa, K. (2014). Introduction: The multiplicities of CSR. In Fukukawa, K (Ed), *Corporate social responsibility and local community in Asia,* pp. 1–14*,* London: Routledge.

Fukuyama, F. (1995). *Trust: The social virtues and the creation of prosperity*. New York: Free Press.

Gillespie, P. (2011). How does legislation affect oil palm smallholders in the Sanggau District of Kalimantan, Indonesia?. *Australasian Journal of Natural Resources Law and Policy, 14*(1), 1−37.

Gillespie, P. (2012). The challenges of corporate governance in Indonesian oil palm: Opportunities to move beyond legalism?. *Asian Studies Review, 36*, 247–269.

Granovetter, M. (1973). The strengths of weak ties. *American Journal of Sociology, 78*, 1360−80.

Granovetter, M. (2005). The impact of social structure on economic outcomes. *The Journal of Economic Perspectives, 19*(1), 33−50.

Handadhari, T. (2010). *The shine of palm oil*. Jakarta: Green Network Indonesia.

Hart, S. L., Milstein, M. B. & Caggiano, J. (2003). Creating sustainable value [and Executive Commentary]. *The Academy of Management Executive, 17*(2), 56–69.

Idemudia, U. (2011). Corporate social responsibility and developing countries: Moving the critical CSR research agenda in Africa forward. *Progress in Development Studies*, *11*(1), 1–8.

Infosawit. (2011). *Membangun Indonesia dengan kelapa sawit*. Jakarta: Association of Indonesian Palm Oil Entrepreneurs.

Jamali, D. (2007). The case for strategic corporate social responsibility in developing countries. *Business and Society Review*, *112*(1), 1–27.

Kehati (2015). Kehati sustainability index. Available at http://www.kehati.or.id/en/indeks-sri-kehati-2.html (accessed 9 March 2015).

Kirchgeorg, M. & Winn, M. (2006). Sustainability marketing for the poorest of the poor. *Business Strategy and the Environment, 15*, 171–184.

Laplume, A. O., Sonpar, K., & Litz, R.A. (2008). Stakeholder theory: Reviewing a theory that moves us. *Journal of Management, 34,* 1152−1189.

Lin, N. (1999a). Building a network theory of social capital. *Connections, 22*(1), 28−51.

Lin, N. (1999b). Social networks and status attainment. *Annual Review of Sociology, 25*, 467−487.

London, T. & Hart, S.L. (2004). Reinventing strategies for emerging markets: Beyond the transnational model. *Journal of International Business Studies, 35*(5), 350−70.

Lund-Thomsen, P. (2004). Towards a critical framework on corporate social and environmental responsibility in the South: The case of Pakistan. *Development, 47*(3), 106−113.

Lund-Thomsen, P. & Lindgreen, A. (2014). Corporate social responsibility in global value chains: Where are we now and where are we going?. *Journal of Business Ethics*, *123*, 11−22.

Mahoney, J.T., McGahan, A.M., &Pitelis, C.N. (2009). Perspective: The interdependence of private and public interests. *Organisation Science 20*(6), 10341052.

Margolis, J.D. & Walsh, J.P. (2003). Misery loves companies: rethinking social initiatives by business. *Administrative Science Quarterly, 48*, 268−305.

McCarthy, J. (2010). Oil palm and agricultural policy: Boom or ruin for Indonesian farmers?. *East Asia Forum: Economics, Politics and Public Policy in East Asia and the Pacific*, available at http://www.eastasiaforum.org/2010/11/13/oil-palm-and-agricultural-policy-boom-or-ruin-for-indonesian-farmers/ (accessed 12 December 2014).

McCarthy, J.F., Gillespie, P. & Zen, Z. (2012). Swimming upstream: Local Indonesian production networks in 'globalized'palm oil production. *World Development, 40*(3), 555−569.

Meyer, C.B. (2001). A case in case study methodology. *Field Methods, 13*(4), 329−352.

MFI Manager 1 (2013). *Kinerja LKM 2008–2011* [archival records of PALMOIL]

MFI Manager 2. (2013). *Progress report LKM* [archival records of PALMOIL]

Millington, A. (2009). Responsibility in the supply chain. In A. Crane, A. McWilliams, D. Matten, J. Moon, & D.S. Siegel (Eds). (2014). *The Oxford handbook of corporate social responsibility*, online publication, 1−19, New York: Oxford University Press, retrieved 10 October 2014 from www.oxfordhandbooks.com.

Nahapiet, J. & Ghoshal, S. (1998). Social capital, intellectual capital, and the organisational advantage. *Academy of Management Review, 23*(2), 242–266.

PALMOIL. (2010a). *Annual Report 2010, PALMOIL, Jakarta*

PALMOIL. (2010b). *Sustainability Report 2010,* Jakarta: PALMOIL.

PALMOIL. (2011). *Sustainability Report 2011,* Jakarta: PALMOIL.

PALMOIL. (2012). *Annual Report 2012,* Jakarta: PALMOIL.

Paoli, G. D., Gillespie, P., Wells, P. L., Hovani, L., Sileuw, A., Franklin, N. & Schweithelm, J. (2013). *Oil palm in Indonesia: Governance, decision making, and implications for sustainable development*, The Nature Conservancy, Jakarta.

Patton, M. (1990). *Qualitative evaluation and research methods.* Beverly Hills, CA: Sage.

Porritt, J. (2007). *Capitalism as if the world matters*. London: Earthscan.

Porter, M. & Kramer, M. (2006). Strategy and society: The link between competitive advantage and corporate social responsibility. *Harvard Business Review* (Reprint R0612D), 1–17.

Portes, A. (1998). Social capital: Its origins and applications in modern sociology. *Annual Review of Sociology, 24*, 1–24.

Prieto-Carron, M., Lund-Thomsen, P., Chan, A., Muro, A., & Bhushan, C. (2006). Critical perspectives on CSR and development: What we know, what we don't know, and what we need to know. *International Affairs, 82*(5), 977–987

Prieto-Carron, M. (2006). Corporate social responsibility in Latin America: Chiquita, women banana workers, and structural inequalities. *Journal of Corporate Citizenship, 21* Spring, 85−94.

Putnam, R. D. (1995). Bowling alone: America's declining social capital. *Journal of Democracy*, *6*(1), 65–78.

Rupp, D.E., Williams, C.A., & Aguilera, R. V. (2010). Increasing corporate social responsiblity through stakeholder value internatilazation (and the catalyzing effect of new governance):

An application of organisational justice, self-determination, and ocial influence theories. In M. Schminke (Ed.), *Managerial Ethics: Managing the psychology of morality*, pp. 6988. New York: Routlege.

Rupp, D.E. (2011). An employee-centered model of organisational justice and social responsibility. *Organisational Psychology Review, 1*, 7294.

Russo, A. &Perrini, F. (2010). Investigating stakeholder theory and social capital: CSR in large firms and SMEs. *Journal of Business Ethics, 91*(2), 207–221.

Scherer, A. G., Palazzo, G. and Matten, D. (2009). Introduction to the special issue: globalization as a challenge for business responsibilities. *Business Ethics Quarterly, 19,* 32747.

Scherer, A. G. & Palazzo, G. (2011). The new political role of business in a globalized world: A review of a new perspective on CSR and its implications for the firm, governance, and democracy. *Journal of Management Studies, 48*(4), 900–931.

Sen, A. (1992). *Inequality reexamined*. Cambridge, MA: Harvard University Press.

Sen, A. (1999). *Development as Freedom*. Oxford: Oxford University Press.

Szreter, S. & Woolcock, M. (2004). Health by association? Social capital, social theory, and the political economy of public health. *International Journal of Epidemiology, 33*, 650–667.

Uphoff, N. (2000). *Understanding social capital: Learning from the analysis and experience of participation*. Washington DC: World Bank.

UN. (2015). *Transforming our world: the 2030 agenda for sustainable development.* New York, NY, available at: http://www.un.org/ga/search/view_doc.asp?symbol=A/RES/70/1&Lang=E (accessed 15 June 2016).

UNDP. (2014). *Human development report 2014: Sustaining human progress, reducing vulnerabilities and building resilience*. New York: The United Nations Development Programme.

UNDP. (2015). *Human development report 2105: Work for human development*. New York: The United Nations Development Programme.

Uzzi, B. (1997). Social structure and competition in interfirm networks: The paradox of embeddedness. *Administrative Science Quarterly, 42*(1), 35–67.

Valente, M. & Crane, A. (2009). Private, but public: Companies in emerging markets often have to take on services usually provided by the government. It isn't always easy. *The Wall Street Journal, 23,* R6. Retrieved 7 October 2014 from http://online.wsj.com/articles/SB123739493828172921.

Van Bastelaer, T. (2000). Does social capital facilitate the poor's access to credit? A review of the microeconomic literature. *Working paper No. 8.* Washington, DC: The World Bank.

Visser, W. (2006). Revisiting Carrol's CSR Pyramid: An African Perspective. In Pedersen and Huniche (Eds). *Corporate Citizenships in Developing Countries – New Partnership Perspectives*, 2958, Koge: Copenhagen Business School Press. Retrieved from http://www.waynevisser.com/wp-content/uploads/2012/04/chapter_wvisser_africa_csr_pyramid.pdf.

Visser, W. (2009). Corporate social responsibility in developing countries. In A. Crane, A. McWilliams, D. Matten, J. Moon, & D.S. Siegel (Eds), *The Oxford handbook of corporate social responsibility,* Oxford University Press, New York, NY, available at: www.oxfordhandbooks.com (accessed 10 October 2014).

Waagstein, P. R. (2011). The mandatory corporate social responsibility in Indonesia: Problems and implications. *Jounal of Business Ethics, 98*, 455−466.

Waldman, D. A., Siegel, D. S., & Javidan, M. (2006). Components of CEO transformational leadership and corporate social responsibility. *Journal of Management Studies*, *43*(8), 1704−1725.

WBCSD. (1999). *Corporate social responsibility: Meeting the changing expectations*. London: WBCSD.

Yin, R. K. (2009). *Case study research: Design and methods* (4th ed.). London: Sage.

Yu, X. (2008). Impacts of corporate code of conduct of labor standards: a case study of Reebok's athletic footwear supplier factory in China. *Journal of Business Ethics, 81*, 513−29.

Zahra, S. (2010). Harvesting family firms–organisational social capital: A relational perspective. *Journal of Management Studies, 47*, 345−66.