Creating Shared Value in Upstream Oil and Gas Company and Community: A Case Study of CSR Implementation in PT Pertamina EP Tarakan Field

Isrianto Kurniawan and Neneng Nurlaela Arief

ABSTRACT

This research examines the practice of Creating Shared Value (CSV) through CSR implementation in upstream oil and gas companies and how it relates to sustainability. In 2020, there was a notable natural decline in energy resources, resulting from the Tarakan Field production performance. This situation presented numerous economic and social challenges, including the responsibility to support the holding company’s commitment to managing energy resilience and contributing to SDGs. The research, which incorporates information from literature analysis, in-depth interviews, and company reports, demonstrates that Tarakan Field’s CSR implementations were a useful strategy for generating shared value for businesses, stakeholders, and communities in alignment with sustainability goals. The research argues for the relationship between CSR implementation and sustainability, as well as the implementation plan and CSV measurement through CSR implementation in Tarakan Field. These concerns are particularly evident in the vague CSV measurement, which rendered it inefficient for the company to fulfill its commitment through unintegrated CSR and operational activities, despite the company’s strategy.

Keywords: Creating shared value, corporate social responsibility, sustainability, upstream oil and gas company.

I. INTRODUCTION

The United Nations Sustainable Development Goals (SDGs) provide an ambitious, transformative, and global framework to shift the world into a sustainable and resilient path by 2030. The world has pledged that no one will be left behind as we embark on this collective journey to act for the sustainability of people, the planet, and prosperity (United Nations, n.d.).

This universal agenda compels all of us to take bold and transformative actions that are urgently required for sustainable development. To effectively address these challenges, business, government, and civil society must collaborate and reshape the systems that have led to the issues we currently confront. In March 2021, the World Business Council for Sustainable Development (WBCSD) introduced Vision 2050: Time to Transform, outlining nine essential transformation pathways for society (IPIECA, 2021).

Within these pathways, the oil and gas sector assumes a crucial role in realizing this vision and, in fact, the broader objectives of the SDGs and the goals of the Paris Agreement. However, this industry also confronts sustainability challenges. While meeting the energy demands of a growing global population, the industry must continuously refine its business model to escalate actions against climate change, striving for continuous improvement in order to achieve the world’s aspiration of net-zero emissions.

Furthermore, the oil and gas industry consistently garners attention in every country, particularly regarding the environmental, social, and ethical aspects of business. Consequently, Indonesia has established regulations that mandate extractive companies to engage in corporate social responsibility (CSR) efforts. Regardless of their size, companies often trigger unintended consequences due to human behavior, environmental impacts, and operational practices.

Our dedication to sustainability aligns with the global trend that emphasizes the incorporation of environmental, social, and governance commitments into business strategies, along with the pursuit of the Sustainable Development Goals (SDGs), as articulated in Pertamina’s Commitment (Pertamina EP, 2021).

The oil and gas sector’s responsibility toward society and the environment demands a proactive approach, involving the integration of the SDGs into the core business model. This approach not only substantially contributes to the SDGs but also assists companies in enhancing their resilience during the energy transition. It aids in attracting and retaining top talent, managing regulatory and reputational risks, and unlocking new market opportunities and sustainable financing.

PT Pertamina (Persero), Indonesia’s sole state-owned oil and gas company, operates across the entire spectrum of the industry, encompassing upstream, midstream, and downstream activities. This breadth of operations is essential for fulfilling commitments such as dividends and maintaining energy resilience for Indonesia. In addition to relying on the national budget, the company needs to attract financial investments to actualize its strategic plans. However, to secure investments, Pertamina must augment its corporate
value and surpass mere compliance; it must strive to become a world-class oil and gas company while also contributing to the realization of SDGs ambitions.

To attain sustainability, Pertamina mandates its subsidiaries to oversee company performance, encompassing the formulation of sustainability strategies, policies, and organizational governance. Beyond pursuing profitability, Pertamina must conduct its business without causing harm to the environment and the communities residing within and around its operational areas.

Being an extractive company, achieving profitability while managing production performance is inherently challenging, given that oil and gas are considered non-renewable energy sources. This challenge is particularly pronounced in the upstream business sector, which encompasses exploration and production processes occurring in brownfield sites. Encountering a natural decline in energy resources becomes an inevitable reality in this context.

In the case of Tarakan Field, one of the Sub Holding Upstream units of Pertamina during 2019–2020, the company encountered a significant natural decline rate of 32%. Despite this, the company set a rather ambitious production target of 2138 BOPD for 2021. This compelled the company to implement substantial yet efficient improvements to ensure the continued operational viability of Tarakan Field.

By the year 2020, Tarakan Field had identified approximately 1200 potential wells within the Pamusian structure. Many of these wells still contain bypassed oil, which essentially means that oil flow to active wells is obstructed. From an engineering perspective, addressing these numerous wells becomes imperative to achieve increased revenue for Tarakan Field. However, it’s important to acknowledge the social considerations as well, as these wells are situated in densely populated areas.

In Fig. 2, the red-colored wells denote wells located in high-population areas. This circumstance adds a layer of complexity to the challenges faced by Tarakan Field. To effectively manage production performance, the field must also handle stakeholder engagement to prevent potential industrial conflicts that could impact business operations and tarnish the company’s reputation.

Conversely, the company must recognize not only conventional economic needs but also societal needs and market definitions. It is crucial to acknowledge that social drawbacks or vulnerabilities often lead to internal costs for companies, such as energy or raw material wastage, costly accidents, and the need for additional training to compensate for education deficiencies (Husted et al., 2012). Addressing these societal drawbacks and limitations does not necessarily escalate costs for companies, as they can innovate by adopting new technologies, operational methods, and management approaches. This innovation can subsequently enhance productivity and expand market reach.

Achieving a balance among business, social, and environmental considerations is the cornerstone of Pertamina’s sustainability business strategy, known as The Triple Bottom Line principle. This principle signifies that the importance of Planet, People, and Profit is interconnected.
(Elkington, 1998). Moreover, this concept is not only relevant for the company itself; the practice of corporate social responsibility (CSR) also bestows added value upon communities and stakeholders, including shareholders, civil society, and the government. This, in turn, enhances national competitiveness (Bouloua & Pitelis, 2014).

### Table I. Environmental Management and CSR Budget

<table>
<thead>
<tr>
<th>No</th>
<th>Environmental Management Budget</th>
<th>Year (Ml. IDR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Water pollution control budget</td>
<td>18</td>
</tr>
<tr>
<td>2</td>
<td>Air pollution control budget</td>
<td>6.131</td>
</tr>
<tr>
<td>3</td>
<td>B3 waste management budget</td>
<td>2.840</td>
</tr>
<tr>
<td>4</td>
<td>Environmental management budget</td>
<td>6.194</td>
</tr>
<tr>
<td>5</td>
<td>Corporate Social Responsibility budget</td>
<td>1.817</td>
</tr>
</tbody>
</table>

Table I illustrates the allocation of costs for environmental management and CSR within the company’s operational expenses. As previously stated, achieving production performance targets is not the sole consideration for sustainable business practices in the oil and gas industry. The company must also ensure that its processes do not harm the environment and instead generate shared value for the communities in its operational areas. The concept of shared value recognizes that market definitions are influenced by societal needs, extending beyond conventional economic factors. This concept also acknowledges that social, environmental, and operational challenges or vulnerabilities can lead to internal costs for companies, such as energy waste or education deficiencies (Porter & Kramer, 2019).

Tarakan Field, in contrast, has long been aware of and implemented this concept. The implementation goes beyond mere harmonization, as the company collaborates with local stakeholders and communities through its CSR programs. This collaborative approach has fostered relationships built on a shared vision, creating value for all parties involved: the company, stakeholders, and the community, leading to empowerment. Despite this accomplishment, the exact impact of these efforts remains unclear due to a lack of measurement and comprehensive description.

Consequently, establishing shared value between CSR programs and core business activities in the upstream oil and gas sector might not be as apparent as in manufacturing companies. The extended duration and considerable effort invested in long-term CSR programs raise questions about the quantifiable impact of CSR as a social investment in the community. Although Tarakan Field has a well-structured CSR policy that adheres to Indonesian regulations and guidelines, the tangible benefits for business operations remain ambiguous, and the measurement of social investment’s effects is still pending.

Given these circumstances, this paper undertakes a descriptive exploration of creating shared value through CSR implementation, aligning with sustainability principles in Tarakan Field during the 2020–2021 period. This examination follows a two-stage approach: assessing the interconnectedness between creating shared value through CSR implementation and sustainability, and measuring the impact of CSV within Tarakan Field. The paper’s structure is as follows: Section II presents a literature review covering CSR, sustainability, CSR in the upstream oil and gas sector, and the concept of CSR through CSV. Section III outlines the methodology, including research design, data collection, and analysis procedures. In Section IV, the research findings are presented, and finally, Section V concludes the paper.

## II. Literature Review

This section provides an extensive review of relevant literature, enriching our understanding of the research’s objectives. The research offers valuable contributions. Building on the introduction’s context, it focuses on the challenges oil and gas companies like Tarakan Field face in ensuring business sustainability. The paper’s core objective is to analyze how creating shared value (CSV) through CSR aligns with sustainability principles. The review unfolds in stages. Initially, it clarifies the CSR concept and its role in the oil and gas sector. It then explores sustainability principles and introduces the concept of CSV. By examining the interaction between CSR, sustainability, and shared value, the research not only enhances academic understanding but also provides practical insights for oil and gas companies navigating the complexities of business sustainability.

### A. Understanding CSR in Oil and Gas Company

The oil and gas industry has consistently captured widespread attention due to its association with persistent and extensive involvement in unethical business practices that lead to adverse social, environmental, and ethical outcomes (Woolfson & Beck, 2005). Operating within a contentious sector characterized by diverse business operations, oil companies frequently turn to corporate social responsibility (CSR) as a means to legitimize their activities.

Companies in controversial industries frequently find their organizational legitimacy being challenged (Du & Vieira Jr., 2012). Legitimacy, defined as “a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions” (Suchman, 1995, p. 574), This concept is crucial for the survival of organizations as it ensures the continuous inflow of resources and sustained support from stakeholders (Du & Vieira Jr., 2012).

Furthermore, different stakeholders hold distinct values and concentrate on diverse aspects. In certain scenarios, a company’s perception by key stakeholders influences the formation of reputational narratives (Siltaojlah, 2006). Adopting CSR-based positioning strategies becomes crucial for enhancing national competitiveness, particularly in countries with limited records of innovation (Bouloua & Pitelis, 2014). Social positioning and planning also contribute to a corporation’s capacity to generate value (Husted et al., 2012).

Interestingly, the oil and gas sector has transitioned from considering CSR as mere public relations. Instead, companies now embrace a long-term perspective on CSR, allocating substantial investments towards renewable energies (Du & Vieira Jr., 2012). In pragmatic and managerial terms, a CSR-driven company should aim for profitability, adherence to legal norms, engagement in ethical practices, and functioning...
as a responsible corporate citizen (Carroll, 2016).

The concept of the CSR pyramid should be viewed as sustainable, signifying enduring obligations that extend into the future for succeeding generations of stakeholders. While it might appear static, the CSR pyramid is conceived as a dynamic, adaptable framework. It addresses both current and future concerns, underscoring the inseparability of stakeholders and sustainability from the essence of CSR (Carroll, 2016).

B. The Sustainability

Elkington notes the rise of new or rejuvenated values, many of which will play a pivotal role in the shift towards sustainability. This shift holds particular importance as businesses increasingly embrace a global perspective for their future. The sustainable development agenda is progressively transforming into a competitive and strategic concern for significant portions of industry and commerce. As different forces interact, “shear zones” emerge where social, economic, and ecological shifts akin to tremors and earthquakes take place. (Elkington, 1998).

The divide between the economic and environmental priorities is likely the most comprehensible and manageable for business professionals. Nevertheless, it also poses significant emerging challenges, even for highly efficient companies. Within the social/environmental realm, businesses are addressing matters of environmental literacy and training. In the economic/social realm, certain companies are assessing the societal consequences of planned investments. Moreover, the level of trust established between corporations or industries and their external stakeholders is expected to play a pivotal role in determining their long-term sustainability (Elkington, 1998).

C. Creating Shared Value

The concept of shared value entails adopting policies and operational strategies that bolster a company’s competitiveness while concurrently promoting improved economic and social circumstances within the communities it serves (Silaøja, 2006). This concept doesn’t solely pertain to the company itself; rather, corporate CSR practices yield benefits that extend beyond the company’s boundaries. Such initiatives create added value not only for the company but also for communities and stakeholders, including shareholders, civil society, and government entities. This multi-dimensional approach contributes to bolstering national competitiveness as well (Boulouta & Pitelis, 2014).

Businesses are not the sole entities tasked with discovering profitable solutions to societal challenges; their success should be assessed based on their capability to generate shared value, surpassing exclusive emphasis on social benefits. The concept of creating shared value encompasses adherence to legal and ethical norms, along with mitigating any adverse consequences stemming from business operations. However, its scope extends further. The potential to generate economic value while concurrently contributing to societal advancement is projected to emerge as a potent catalyst for growth in the global economy.

Creating Shared Value (CSV) should take precedence over Corporate Social Responsibility (CSR) in directing a company’s investments within its communities. CSR initiatives often revolve around reputation enhancement and possess a limited tie to the core business, rendering them challenging to sustain and justify over time. In contrast, CSV is deeply intertwined with a company’s profitability and competitive standing. It harnesses the company’s distinct resources and expertise to generate economic value through the creation of social value (Porter & Kramer, 2019).

D. Conceptual Framework

The conceptual framework has emerged from the literature review provided earlier. The diagram below commences with the Sustainability principle of a company, encompassing three essential pillars: planet, people, and profit—formulated by John Elkington in 1998. This framework is supplemented with an explanation of how the oil and gas industry should address its sustainability challenges.

In the context of an oil and gas company, CSR Programs tend to revolve around environmental and community development issues. These programs also involve cross-sectional partnerships with stakeholders. CSR Programs within the oil and gas industry usually take the form of charitable and community development activities.

![Fig. 3. The conceptual framework.](image-url)
The social aspect of sustainable business is exemplified through corporate social responsibility (CSR) implementation. In the upstream industry, CSR practices mainly focus on environmental and societal issues. The oil and gas industry’s notable impact on the environment cannot be denied. In this sector, CSR activities often include charitable initiatives and empowerment programs involving stakeholders. Within the upstream industry, CSR is categorized into four levels based on Carroll’s CSR pyramid (2016). These tiers encompass profitability as the first level, legal compliance as the second, acting justly and avoiding harm as the third, and reaching the pinnacle by becoming a responsible corporate citizen.

Creating shared value redefines the CSR concept by emphasizing the interplay between societal and economic advancement. This approach introduces a novel perspective to CSR, fostering innovation, growth, and substantial benefits for both companies and society at large. Creating shared value underscores competitiveness through policies and operational methods that generate economic and social benefits. Notably, these values are evaluated as benefits relative to costs, rather than benefits in isolation. The potent impact of creating shared value, generating both economic and social benefits, is anticipated to emerge as a pivotal driver of growth in the global economy.

III. Research Method

This section explains the methodology of this research, which employs the Case Study method. The defining characteristics of a Case Study include clear boundaries. The researcher starts by identifying specific cases or sets of cases to be studied. Each case is an entity described within certain parameters, such as a specific time frame, place, event, and process. Thus, each case becomes a bounded system (Dale, 2018).

Considering the complexity of this paper, the author establishes clear boundaries for the research. The specific case under study is the CSR Program in Tarakan Field as an Upstream Oil and Gas company. The focus lies in understanding how the CSR Program creates shared value for the company and society while aligning with the SDGs agenda. The study encompasses the period from 2019 to 2021, during which a significant transformation indicator emerged through the PROPER measurement, influencing the design, implementation, and assessment trends of the CSR Program.

This paper will gather two types of data: primary data obtained through interviews, and secondary data collected via document analysis and publicly available oral history. The Case Study method is chosen for its flexibility, enabling an in-depth exploration from various angles to capture the richness and complexity of a specific social unit, system, or phenomenon. (Dale, 2018).

The author will conduct interviews with seven individuals, serving as key informants for this research. This group will include two members from the CRC Unit, with one also holding a management position. Additionally, four representatives from beneficiaries will be interviewed, comprising one from a government institution and three from the local community. Lastly, a representative from Tarakan Field Management will also participate. Each interview is expected to last around 30 minutes and may be conducted through direct conversations or phone calls. Detailed profiles of the interviewees are provided in the table below.

<table>
<thead>
<tr>
<th>No</th>
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<th>Work Length (Years)</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>VB</td>
<td>5</td>
<td>Head of Communication and Relation</td>
</tr>
<tr>
<td>2</td>
<td>NK</td>
<td>3</td>
<td>Community Development Officer</td>
</tr>
<tr>
<td>3</td>
<td>YKR</td>
<td>17</td>
<td>Management</td>
</tr>
<tr>
<td>4</td>
<td>K</td>
<td>4</td>
<td>Tarakan City Government representative</td>
</tr>
<tr>
<td>5</td>
<td>SL</td>
<td>4</td>
<td>Community Development Program</td>
</tr>
<tr>
<td>6</td>
<td>H</td>
<td>4</td>
<td>Community Development Program</td>
</tr>
<tr>
<td>7</td>
<td>AN</td>
<td>4</td>
<td>Community Development Program</td>
</tr>
</tbody>
</table>

Once the data is collected, it will undergo an analysis through a triangulation process. This approach, grounded in the logic of inquiry, has been conceptualized by the researcher in alignment with the unique goals, purposes, and literature review of this final project within the context of case study research. The triangulation process involves employing strategies to explore the extent to which findings regarding specific social phenomena converge, diverge, conflict, or remain inconclusive. Furthermore, triangulation guides decisions on the design, collection, analysis, interpretation, and validation of claims pertaining to social, economic, and environmental contexts (Green, 2018).

A crucial aspect of comprehending the data involves presenting a thick narrative description within the report. This description encompasses a comprehensive portrayal of the case, encompassing its present context, historical background, and chronological sequence of events. This in-depth depiction facilitates a more profound comprehension for the reader. In addition to this descriptive approach, the author also employs thematic analysis to discern key topics or issues emerging from the findings. These themes contribute to illuminating the intricate nature of the case (Green, 2018). When multiple cases are chosen, a standard format involves providing a comprehensive description for each case, accompanied by reports on the themes identified within each case (within-case analysis). This is followed by a thematic analysis that spans across cases (cross-case analysis). The identification of themes involves grouping information into broader clusters of ideas, showcasing both similarities and differences. These themes can also be presented in the form of a theoretical or conceptual model.

IV. Results and Discussion

In this section, the analysis of CSR practices in Tarakan Field utilizes data from interviews, documents, and company reports. Initially, the examination focuses on the alignment of the CSR Program within Tarakan Field with the company’s objectives and the Sustainable Development Goals (SDGs), employing Carroll’s CSR Pyramid (2016) as a framework. Subsequently, the analysis assesses the impact of Tarakan Field’s CSR Program on sustainability, considering its influence on the dimensions of People, Planet, and Profit.
(Elkington, 1998). Following this, the section delves into a description of the creation of shared value (CSV) within the CSR Program of Tarakan Field, evaluating its contributions to both society and the company through the lens of the CSV concept (Porter & Kramer, 2019).

A. The Relationship of CSR and Sustainability

CSR has conventionally been viewed as a set of policies and practices utilized by businesses to ensure the consideration and protection of society and stakeholders beyond business owners (Carroll, 2016). The operational region of Tarakan Field intersects significantly with community settlements. Even before Pertamina took over Tarakan Field, the area was informally occupied by the local community. Representatives from Tarakan Field’s management highlight that CSR practices are strategically designed to mitigate risks to both business operations and the environment, as well as to foster positive relationships with the surrounding communities.

CSR functions as a social strategy aimed at preventing potential disruptions to asset facilities and operations caused by community-related issues. To manage this, conducting social risk assessments is crucial for determining the most effective procedures to mitigate risks and respond to emergencies, thereby preventing escalation. Escalation of such issues could lead to the cessation of business operations, adversely impacting business sustainability.

Annually, Tarakan Field conducts social mapping to gather information about social challenges, local potential, and community needs. This not only serves as foundational data for devising CSR Programs but also informs the broader company strategy. The integration of social and engineering aspects in this manner facilitates precise budget calculation, aligning operational and CSR budgets as integral components for optimizing company profitability.

The alignment between operations and CSR efforts is a company-specific initiative. Tarakan Field, as a subsidiary of Pertamina Persero, is mandated to uphold the commitment to actively contribute to sustainable development. This commitment resonates with Pertamina’s overarching sustainability strategy, encompassing ESG (Environmental, Social, and Governance) considerations. By integrating company strategies and activities within the context of environmental, social, and governance aspects, Pertamina aims to contribute to the SDGs and realize its ambition of becoming a world-class oil and gas enterprise.

Aligned with the sustainability strategies of the holding company, these principles were internalized within Tarakan Field’s policies and operational activities. Consequently, the company’s CSR practices are purposefully designed to create value that supports both Pertamina’s ambitions and the SDGs. Recognizing the need to create meaningful value, Tarakan Field emphasizes the importance of structured and systematic CSR practices (Pertamina EP, 2018). This ensures that CSR programs positively impact society while simultaneously adding value to the company. Key objectives of these practices include:

1. Providing relevant and beneficial impact: CSR programs are developed to bring about positive and relevant impacts on society and the environment.
2. Enhancing company image and reputation: CSR initiatives contribute to improving the company’s image and reputation, aligning with broader efforts to build a positive perception.
3. Fostering community empowerment: CSR programs actively engage communities surrounding the company’s operational areas, fostering cooperation and self-reliance through various initiatives.
4. Building stakeholder relations and preventing conflicts: CSR practices aim to garner support, promote mutual understanding, and create synergy between the company and its stakeholders. They also anticipate and address potential clashes in cultural values, social dynamics, and economic interests, thus helping to prevent or mitigate conflicts between the company, the community, and other stakeholders.

These principles guide the structured implementation of CSR initiatives in Tarakan Field, ensuring that they not only contribute to the company’s objectives but also create value that aligns with societal and environmental needs.

Tarakan Field’s CSR policy encompasses several key aspects. Firstly, it addresses global concerns by aligning with the Sustainable Development Goals (SDGs) and conducting social mapping to contextualize development issues in the local area. Secondly, the policy integrates the company’s vision and mission with regional development plans, reflecting a balanced functional relationship between the company and the community.

PT Pertamina EP’s CSR programs are categorized as planned or unplanned initiatives. Strategic and operational plans are developed in collaboration with stakeholders through discussions and approvals. Empowerment-based programs focus on community strengthening through comprehensive planning, implementation, monitoring, and evaluation processes. Conversely, charity and donation programs provide immediate aid to those in need. The company underscores the importance of prioritizing and addressing actual needs in nearby communities through outsourced CSR programs.

Internally, Tarakan Field adheres to a three-stage CSR practice procedure: planning, implementation, and monitoring evaluation. The process is integrated across various levels, from field and zone/asset to region, sub holding upstream, Pertamina Persero, and SKK Migas. The adoption of Carroll’s CSR pyramid (2016) reveals that Tarakan Field has successfully fulfilled the four components...
of company responsibility: economic, legal, ethical, and philanthropic responsibilities. Notably, Tarakan Field actively participates in the PROPER program, a significant environmental compliance initiative organized by the Ministry of Environment and Forestry in the Republic of Indonesia. This program holds special importance as it showcases the Indonesian government’s recognition and appreciation for private sector contributions to environmental sustainability. Throughout the period of 2019–2021, which aligns with the scope of this paper, Tarakan Field consistently engages in the PROPER initiative.

Over the past four years, Tarakan Field has demonstrated a remarkable commitment to surpassing compliance standards and achieving a high level of environmental management and sustainable community development through its CSR initiatives. This accomplishment signifies that Tarakan Field has effectively fulfilled its economic, legal, ethical, and philanthropic responsibilities as defined by Carroll’s CSR pyramid.

Delving deeper into the philanthropic aspect, the company responds to practical proposals from the community by implementing charity programs. These initiatives are categorized within the un-planned CSR Program as part of Tarakan Field’s CSR Organizational Governance established in 2018. While these charity programs promote harmonious relations between the company and the community, they tend to lack a significant and long-term impact on the community, government, and the company itself. Despite fostering a sense of cooperation, charity programs may inadvertently foster community dependency without yielding substantial or wide-reaching effects.

However, the charity Program remains indispensable, especially in cases requiring immediate response such as natural disasters or emergencies like the COVID-19 pandemic. This program lacks the elements of empowerment as it skips phases like planning, implementation, monitoring, and evaluation, and directly addresses specific proposals or responds to urgent social phenomena.

The second category of CSR Programs at Tarakan Field falls under community development – a planned initiative designed to empower local communities and promote environmental conservation. This program follows a structured four-phase process including planning, implementation, monitoring, and evaluation. It features a clear background, objectives, subjects, program activities, budget allocation, timeframe, and anticipated outcomes.

Reflecting the evolving trends in CSR Programs, Table IV displays a higher budget allocation for community development programs compared to charity programs in the past three years. This shift signifies a growing prioritization of programs driven by the company’s objectives and Tarakan Field’s commitment to contribute to the Sustainable Development Goals (SDGs).

| TABLE IV: TARAKAN FIELD CSR BUDGET ALLOCATION |
|-------------|-----------------|------------|------------|
| No. | CSR Program | Yearly Budget (Ml. IDR) | 2019 | 2020 | 2021 |
| 1 | Charity | 913 | 852 | 228 |
| 2 | Community Development | 903 | 1,255 | 438 |
| Total | 1,817 | 2,106 | 666 |

During the period from 2019 to 2021, Tarakan Field concentrated its efforts on three primary community development programs. The first initiative focuses on empowering the disability community through the Environmentally Friendly Batik Micro, Small, and Medium Enterprises (MSME) Group (Kelompok Usaha Batik Disabilitas; Kudistek) situated in Kampung 1, Tarakan City. The second program revolves around The Work Alliance of Waste Management (Aliansi Kerja Bebas Sampah; Akar Basah) located in Mamolo, Nunukan. The final program, the COVID-19 Disaster Resilient Village (Kampung 6 Tangguh Bencana COVID-19; Kelingan), is a response to the pandemic by actively engaging the community in Kampung 6, Tarakan.

The interface between economic and environmental considerations is a typical and crucial concern for extractive industries like Tarakan Field—an upstream oil and gas company. This dimension is often addressed through concepts like eco-efficiency. Elkington’s concept is particularly noteworthy: “The more efficient the actors, however, the more actors can be sustained.” Tarakan Field dedicates attention to seven key environmental management aspects, encompassing energy efficiency, reduction and utilization of hazardous waste, non-hazardous waste management (3R), air pollution mitigation, water efficiency, reduction of water pollution loads, and biodiversity preservation.

| TABLE V: TARAKAN FIELD’S CONTRIBUTION TO SDGS |
|-----------------|-----------------|-----------------|-----------------|
| Environmental Aspect | Total of Activity | National Medium-Term Development Program | Tarakan Field’s Contribution |
| Energy efficiency | 17 | 0.9 BOE/ Billion Rupiah [20.9%] | 0.00000259 BOE/ Billion Rupiah [0.03644%] |
| Hazardous waste reduction and utilization | 11 | 98,680,000 Ton [23%] | 2,288.42 Ton [0.002319%] |
| Non-hazardous waste management (3R) | 13 | 67,100,000 Ton [21%] | 17.92 Ton [0.00002671%] |
| Air pollution reduction | 18 | 4,920,000 Ton CO2 [22%] | 8.126.76 Ton CO2 [0.165%] |
| Water efficiency reduction of water pollution load | 8 | 1.576,800,000 m3 [20%] | 54,476,20 m3 [0.00345%] |
| Biodiversity | 4 | 1.600,000 Ha [21%] | 5 Ha [0.0000313%] |
| | | 70 Million Ha [24%] | 23 Ha [0.0000292%] |
| | | 25 Species [52%] | 3 Species [0.00228%] |

Referring to Table V, Tarakan Field’s contribution to environmental management is a result of the implementation of company strategies, both within its operations and through CSR initiatives. The data demonstrates that Tarakan Field conducts its business without causing harm to the environment and the local communities in its operational area. Additionally, Tarakan Field actively supports Pertamina’s commitment to energy efficiency and contributes
to the SDGs agenda. Through its proactive stance on environmental preservation and community development, Tarakan Field has earned several commendations.

Within the context of the social and environmental interface, businesses are increasingly focusing on environmental literacy and training initiatives. As discussed earlier, Tarakan Field’s CSR Programs consistently emphasize environmental preservation. The application of the 3R (Reduce, Reuse, Recycle) principle in waste management has stimulated community creativity. For instance, in Tarakan Field’s CSR Programs like Kubedistik, KSM Ramah Lingkungan, and Aliansi Kerja Bebas Sampah, the company has facilitated the beneficiaries in creating useful products and tools that cater to the needs of the local communities.

### TABLE VI: TARIKAN FIELD ACHIEVEMENT IN ENVIRONMENT AND SOCIAL RESPONSIBILITY

<table>
<thead>
<tr>
<th>No.</th>
<th>Achievement</th>
<th>Year</th>
<th>Information</th>
</tr>
</thead>
<tbody>
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<td>1</td>
<td>Proper</td>
<td>2022</td>
<td>Achieve gold rank</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2021</td>
<td>Achieve gold rank</td>
</tr>
<tr>
<td></td>
<td>Indonesia</td>
<td>2021</td>
<td>Endemic plant conservation program</td>
</tr>
<tr>
<td>2</td>
<td>Green Awards</td>
<td>2020</td>
<td>Integrated waste management program</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2019</td>
<td>Mangrove and proboscis conservation program</td>
</tr>
<tr>
<td></td>
<td>North Kalimantan Province Regional Innovation Awards</td>
<td>2021</td>
<td>Innovation of plastic recycle to environmentally friendly seaweed buoy</td>
</tr>
<tr>
<td>3</td>
<td>Environment Management System</td>
<td>2022</td>
<td>ISO 14001:2015 certification</td>
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<tr>
<td></td>
<td></td>
<td>2019</td>
<td>ISO 14001:2015 certification</td>
</tr>
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<td>4</td>
<td>Patent</td>
<td>2020</td>
<td>Green energy for oil pump installation</td>
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<td>Digitalizing employee health status to minimizing paper use “My Health”</td>
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One notable example is Kubedistik, which has introduced an environmentally friendly “canting” tool crafted from repurposed cardboard. This initiative not only reduces waste accumulation but also fosters a realm of creative possibilities. By producing their own canting tools, Kubedistik has eliminated the need to purchase them from Java Island—a geographically distant location, entailing extended shipping times.

Another impactful endeavor involves the creation of environmentally friendly seaweed buoys from plastic waste. This innovation contributes to the reduction of plastic bottle usage for seaweed buoys, which otherwise have a short lifespan. Additionally, KSM Ramah Lingkungan has ventured into producing environmentally friendly fuel for Tarakan’s waste transportation vehicles.

Furthermore, to ensure the sustainability of their CSR Programs, Tarakan Field is committed to generating economic value for stakeholders, the local community, and the company itself. This commitment brings us to the culmination of the three sustainability principles—the final point of convergence in the business-society-environment interface.

Following Fig. 5, Pertamina was appreciated for its contribution to SDGs. This automatically increases Pertamina’s position as a reputable company committed to bringing value to stakeholders, the community, and the company itself. With this reputation, Pertamina would gain more trust to secure financial funding and attract investors. Similarly, the level of trust between a corporation or industry and its external stakeholders is likely to be a crucial factor in determining their long-term sustainability (Elkington, 1998).

### B. Measurement of CSV in Tarakan Field

Tarakan Field’s measurement method is divided into three pillars, combined with Porter and Kramer’s CSV concept. Firstly, it aims to bring about value by providing both economic and societal benefits relative to the cost. Secondly, CSR practices are integrated into the company’s competitiveness and profit maximization strategy. Thirdly, CSR practices are internally generated and tailored to the company’s specific context. All of these factors ultimately lead to the alignment of CSR impact with the overall company budget.

In the realm of the environment or the planet pillar, Tarakan Field employs the Life Cycle Assessment (LCA) approach to analyze the environmental impact of its business processes. Through this assessment, it was revealed that there was an energy efficiency achievement of 18,613.70 GJ. This accomplishment led to the receipt of a charter certification from a regional representative of the Ministry of Energy and Mineral Resources in 2022, acknowledging Tarakan Field’s proactive approach to energy efficiency. The company also contributed to emission reduction with an absolute calculation result of 4,719,61 Ton/CO2eq, resulting in a charter certification from a regional representative of the Ministry of Energy and Mineral Resources in 2021 for its efforts in emission reduction. Moreover, the specific CSR impact in the environmental pillar resulted in a reduction of 16,9 Ton/CO2eq emissions, a decrease of 30 kg in carton waste, and a reduction of 3.3 tons of plastic waste.

In the realm of the people pillar, Tarakan Field places significant emphasis on both internal and external relationships. This approach is taken to prevent social issues such as demonstrations, disruptions to asset facilities, and business operation sabotage. Despite being situated in a densely populated area, there has been no recorded industrial conflict involving Tarakan Field over the last three years.

The documents clearly state that there has never been a conflict between the company and communities or stakeholders. As a result, Tarakan Field has managed to avoid the costs associated with accidents or conflicts. On the
contrary, the company has actively maintained engagement with stakeholders in the vicinity through its CSR program.

![Fig. 5. Tarakan field security data recap: Number of thefts happened between the years of 2014 and 2022.](image)

Fig. 6 shows that the incident of thefts has decreased in the last two years. Thefts incident usually steal Tarakan Field asset such as wire, pipe, SRP unit, and supply chain inventory. These acts have potential to give a domino effect in company business operation. The missing tools would cause an error operation process, and matter worse causing harm for environment and people around operation area. Therefore, when the situation is escalated, it might cause the termination of business operation and also damaging company’s reputation which both of situation brings out a company loss.

Referring to Fig. 7, Tarakan Field’s strategy to maintain production performance through its reactivation program has achieved significant success. As previously announced, the potential of the suspended well, located in a densely populated area, was harnessed effectively. This success can be attributed not only to engineering innovation but also to the company’s positive reputation in environmental and social aspects. This achievement has not only enabled seamless operations but has also generated increased revenue through the reactivation of suspended wells.

An additional positive impact of Tarakan Field’s CSR initiatives is its contribution to social development and welfare. As previously mentioned, the company’s CSR program is intricately aligned with its specific objectives as well as the SDGs. At the regional level, the program meets the needs of stakeholders and the community surrounding the company’s operational area. The economic and societal value created by Tarakan Field’s CSR program is outlined below.

The Kubedistik Program directly benefits 58 individuals and indirectly benefits around 200 people, including collaborators such as KSM Ramah Lingkungan, Kelingan, and Bank Sampah Karya Bersama. The presence of the Kubedistik Program has also fostered a multiplier effect within the local economy, benefiting local tailors, printing businesses, expeditions, and more. Tarakan Field’s community development programs have been verified to contribute to the SDGs agenda by DKPU ITS in 2022.

Specific contributions are as follows:

1. Contributes to SDGs 1.4.1 indicator: Access to basic services for household proportion, equivalent to 0.002319% of the 23% National Medium-Term Development Plan Target.
2. Contributes to SDGs 3.8.1 (a) indicator: Unmet need for health services, equivalent to 20.71% of the 23% National Medium-Term Development Plan Target.
3. Contributes in SDGs 4.1.1 (a) indicator: Proportion of children and teenagers achieving basic standard education, equivalent to 0.000317% of the 57% National Medium-Term Development Plan Target.
4. Contributes to SDGs 6.3.1 indicator: Secure management of household liquid waste, totaling 18.2 tons.
5. Contributes to SDGs 8.3.1 (a) indicator Percentage of MSMEs accessing financial services, equivalent to 0.05% of the 20% National Medium-Term Development Plan Target.

![Fig. 6. Production performance after reactivation program.](image)
6. Contributes to SDGs 8.5.2 indicator: Open unemployment rate based on gender and age group, equivalent to 0.00414% of the 23% National Medium-Term Development Plan Target.

7. Contributes to SDGs 11.6.1 (b) indicator: National waste management, equivalent to 0.04254% of the 22% National Medium-Term Development Plan Target.

Tarakan Field’s social investment has yielded favorable returns in terms of the company’s social standing. Beginning in 2021, Tarakan Field initiated the calculation of the social return on investment (SROI) for its community-based CSR Programs, with a specific focus on the Kubedistik Program. This particular program had been in practice for more than two years, and the SROI study was conducted by a third-party entity qualified to perform such assessments.

The SROI method’s framework represents an evolved measurement approach derived from cost-benefit analysis, social accounting, and social audit. Its primary objective is to capture the social value of initiatives by translating social objectives into both financial and non-financial calculations. (SODEC UGM, 2022).

The SROI measurement process encompassed four distinct phases. First, it involved determining the scope of analysis and identifying key stakeholders. The second phase entailed mapping outcomes using the SROI logical framework, which includes input, activity, output, outcome, and impact components. Subsequently, the study verified and provided value by capturing achievement indicators, outlining data collection methods, specifying informants, and assessing the sustainability of social transformation (outcomes). In the fourth phase, the impact of the social investment was calculated, and considerations such as deadweight, attribution, displacement, and drop-off were factored in to prevent overestimation of program effects or external factors.

In the final calculation, the monetary value was adjusted using net present value to account for inflation and provide a more accurate representation. The total amount of social investment by Tarakan Field in the Kubedistik program for implementation was 487,297,500 IDR. The program’s output and outcomes generated social value for the company, which was subsequently translated into economic value. The total return on investment amounted to 1,053,245,493 IDR, indicating that for every 1 IDR invested, Tarakan Field gained 2.2 IDR in return.

V. CONCLUSION

The relationship between CSR and sustainability in the case of PT Pertamina EP Tarakan Field is aimed at generating both societal and economic benefits for the environment, communities, stakeholders, and the company’s business sustainability. This connection is categorized into three sheer zones: profit-environment, social-profit, and environment-social, aligning with Tarakan Field’s CSR policy, guidance, and implementation. Within this context, Tarakan Field’s CSR practices are divided into two categories: charity and community development. In terms of sustainability realization, the community development category is considered a more relevant and strategic approach for creating shared value (CSV).

The implementation of plans to create shared value through CSR in PT Pertamina EP Tarakan Field and its communities is essential. The company has undergone a reevaluation of its CSR practices, and through the CSV concept proposed by Porter and Kramer, it is evident that Tarakan Field’s CSR practices have successfully created shared value for stakeholders, shareholders, the company, and communities alike. The CSR programs are integral to the company’s competitiveness and profit maximization, as they are responsible for realigning the entire company budget. The shift in CSR trends from philanthropy/charity values to economic and societal benefits relative to cost is notable.

To measure the shared value created by CSR programs, Tarakan Field utilizes the social return on investment (SROI) method, which has been applied since 2021 to quantify the return on the company’s social investments. By converting social benefits into economic benefits, Tarakan Field’s social investments have yielded a return on investment of 1:2.2, indicating that for every 1 IDR invested, the company gains 2.2 IDR in return. Additionally, for CSR programs to effectively create shared value, they must align with the company’s specific goals, supporting energy efficiency, emission reduction, and contributing to SDGs. Notably, the achievement of a 16.9 Ton/CO2eq emission reduction from Kubedistik’s transition to using electricity for canting batik has increased the company’s competitiveness and its ability to attract financial funding to ensure business sustainability.

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