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Sustainability Leadership of CSR Program Performance as Sustainable Business Strategy of PT Kaltim Prima Coal

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Abstract **- CSR in extractive industries such as coal mining business plays a very important role because the challenge is how business can be sustainable in the midst of generally negative stakeholder perceptions of mining. There has been misperception in the internal business which seen as cost center activities only. Questions may arise such as whether CSR program is closely related to business sustainability leadership. The governance is required in the implementation by looking at how its performance is managed so that business can be maintained. PT Kaltim Prima Coal, a world-class coal miner, has implemented its CSR program guided by its "More Than Mining" motto and Mine Closure Scheme aiming to achieve the Sustainable Development Goals. Based on the strategy map of its Balanced Score Card Framework in the CSR division, the effectiveness of program management becomes very significant using SROI (Social Return on Investment) method and Community Satisfaction Index and GRI for its sustainability reporting. The discussion focus on Community Involvement and Development aspect of ISO 26000, continuous improvement in the program management cycle and social innovation for sustainable economic, social and environment. CSR flagship programs which satisfy beneficiaries increase stakeholder trust and give huge impact to business' sustainability leadership**.

Keywords **- Business Sustainability, CSR Program Stewardship, More Than Mining. SROI**

I. INTRODUCTION

Coal mining business which has potential environmental and social impacts requires high commitment of corporate responsibility. PT Kaltim Prima Coal's vision to be the Indonesia's leading coal producer for global needs, delivering optimum values to all stakeholders is supported by the mission to maintaining good corporate governance and promoting good corporate citizenship also to optimizing value for all stakeholders.

The motto "More Than Mining" of PT Kaltim Prima Coal philosophy in implementing CSR means the mining operation goes beyond compliance based on the principles of Good Mining Practice. The Program for Assessment of Company Performance Ratings in Environmental Management, PROPER, conducted by the Indonesian Ministry of Forestry and the Environment (KLHK) mainly looks at the company's compliance with laws and regulations, especially on the technical aspects of the environment performance. Companies passing the criteria will get a Green rating. After getting the Green rating for three consecutive years, then the company deserves the Gold title, which is largely determined by the social responsibility aspect. Therefore, the motto is very relevant because PT Kaltim Prima Coal also has to comply with the good mining practice and Mine Closure Plan which was submitted and approved in 2011. The social aspect through this community development program has a final and long-term goal, i.e. sustainable mine closure with which its ultimate goal is to encourage sustainable community livelihood and independence after mining operations. Guidelines for community development programs in the mining sector in Indonesia are now regulated through the Decree of the Minister of Energy and Mineral Resources Number 1824 / K / 30 / MEM of 2018. It is implemented by PT Kaltim Prima Coal according to its mine closure scheme.

Review of companies seriously implementing CSR to meet its social and environmental commitment and reciprocating in obtaining social license to operate was previously discussed in the Practice of Corporate Social Responsibility (CSR) in Extractives Sector in Indonesia. This review examines the company's reciprocal relationship with the social environment around its operations carried out as a form of company concern among socio-political conditions with various responses. (Y. Anggoro et al, 2021). Apart from being a tool that has a positive impact, CSR may still be perceived as a mere cost center, but if it can be proven by the success of the program through clear measurements that can satisfy stakeholders, then it may not. The Author will explore how program management will make effective and satisfy stakeholders. Stakeholder satisfaction will have a positive impact on mutualism for both the company and the community by having a positive perception of the business. Strategic CSR is commonly implemented by businesses to create a win-win situation in which both the corporation and one or more stakeholder groups may benefit (Coelho, Weersma, Weersma)[1].

Author will look at stakeholder strategy especially in the CSR program management since it is an integrative approach to managing a diverse set of stakeholders effectively in order to gain and sustain competitive advantage. In other words, the company does not only pursue for profitability but also add and share value for the benefits of the society through the effectiveness of CSR programs conducted by involving and engaging

[1] http://engemausp.submissao.com.br/17/anais/arquivos/197.pdf).

stakeholder. In CSR implementation it is very important to measure CSR program that meets stakeholder expectation.

The purpose of this study is to review sustainability leadership through the existing CSR management system using ISO 26000 approach to analyze gap focusing specifically on organizational governance and community involvement and development core subjects. The analysis may relate commitment of CSR implementation with sustainability leadership. This study also use Social Return on Investment (SROI) method to measure the effectiveness of several examples of social investment programs which involved stakeholder, and intensify program management performance referring to The Balanced Score Card, the existing framework for the division implementing CSR in the Company. Social program performance will encourage the implementation of good governance, the importance of social innovation in the continuous improvement system that has leverage on program quality according to social dynamics and finally to create values sharing to open up new business opportunities, create markets, increase profits and strengthen competitive positions. (Porter and Kramer, 2011). A better understanding of the company's actions in carrying out its social responsibility will encourage business sustainability. Company giving added value for the surrounding community will shift its CSR strategy to create shared value and will contribute to its competitive advantage more sustainable.

II. LITERATURE REVIEW

To understand the framework of the discussion in this paper, the Author conducted literatures review on corporate social responsibility, business sustainability, business leadership and CSR program performance measurement.

In reference to strategic management (F.T. Rothaermel, 2021), the notion of CSR or corporate social responsibility framework helps firms recognize and address the economic, legal, ethical and philanthropic expectation that society has of the business enterprise at a given point of time. (A.B. Caroll). CSR provides strategic leaders with a conceptual model that more completely describes a society’s expectations and can guide strategic decision making more effectively.

Currently strategic leaders are required not only to pursue economic performance but also social and environmental performance. This is known as the triple bottom line. This is the basis for a sustainable strategy that prioritizes the 3Ps or profit, people and planet dimensions. Which includes business interests to earn profits so that they survive, emphasizing the human aspect, both the community and employees, as well as the environmental dimension which emphasizes the relationship between business and the natural environment. (J. Elkington, 2004).

In business strategy, the intersection of the three areas (profits, people, planet) as shown in Fig.1 can lead to sustainable strategy.

Today's companies around the world are building differentiated and sustainable value by leveraging intangible assets including human, technological and organizational resources. Executives build organizational capital through culture, leadership, alignment and teamwork as well as knowledge sharing. (D. Wibisono, 2016). To be able to achieve strategic objectives more effectively the balanced scorecard (Kaplan and Norton, 1992) is a strategy implementation tool that harnesses multiple internal and external performance metrics in order to balance financial and strategic goals.

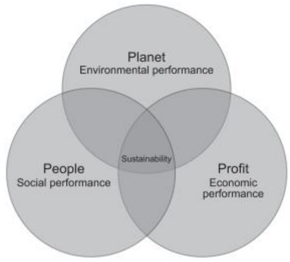

Figure 1 The Triple Bottom Line

To measure the suitability of the company's sustainable development implementation, ISO 26000 can be used as a reference. Even though it is not mandatory for the company to be certified, the conformity initiative will measure the extent to which the company has implemented sustainability. In this research the Author refers to ISO26000 (ISO 26000 Handbook, 2011) to evaluate situation for each of the ISO 26000 seven core subjects on corporate social responsibility principles and core subjects. For some core subjects, it will identify what the company has already doing.

Since this research is focused on the aspect of community involvement and development as one of the core subjects in the ISO26000, the program implementation then refers to the community and stakeholder engagement in managing the program based on continuous improvement. The program cycle starts from planning, executing, monitoring, evaluating and reporting in the evaluation stage, social return on investment (SROI) is used to measure the program effectiveness. SROI is built on well- established evaluation approaches and on health and environmental economics with focus on five key questions on who changes, how do they change, gathering evidence to go beyond individual opinion, taking account of all the other influences that might have changed things for the better (or worse) and how important are the changes made by the program. According to Social Value UK (formerly SROI Network) in collaboration with Hall Aitken that SROI aims to increase social equality, environmental sustainability and wellbeing. SROI is an important requirement in the assessment of company performance in the environmental sector in Indonesia as required in the national PROPER. In it the company is assessed on the factor of environmental program innovation with the community.

Beside the SROI method which shows a change in conditions after the program interventions implemented, as evidence of the effectiveness of the programs carried out.

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Author also refers to the Theory Of Change (ToC), as part of monitoring and evaluating programs that involve the community, in order to enhance outcome monitoring, measurement, learning, and adaptive actions in a ToC based project. (J. Himmelstein, J. Gray, M. Nakhai and D. Sumner, 2017).

Through this research, the Author will look at three important aspects in determining the sustainability leadership of CSR program performance as sustainable business strategy of PT Kaltim Prima Coal. First, by using ISO 26000, namely the importance of organizational governance that underlies organizational leadership for business and society. Secondly, the importance of stakeholder involvement in each program cycle of community development program. Third, the measurement of the effectiveness of the CSR program will answer the company's internal objectives in terms of economic finance and externally socially and environmentally, even more that will make positive impact of enhancing the better livelihood to the society. These three aspects will prove that CSR program effectiveness is contributed by leadership quality against society's expectation, organizational competence in program management, community involvement, effectiveness of company capital and social innovation to create value both for the community and drives company sustainability.

III. METHODOLOGY

The methodology used in this research is through surveys, interviews and focus group discussion that lead to research objectives.

CSR has seven core subjects based on ISO26000 namely the human rights, labor practice, fair operating practices, environment, consumer issue, community involvement and development and organizational governance. Author will only limit this study in reviewing the organization governance in relevance with community involvement and development only.

The seven core subjects of ISO 26000 are shown in Fig. 2. In practice CSR model depends on specific context or perspective of organization. Beside the statist and liberal models, the other models of CSR include philanthropic which is about making profit and donating a part of it for charitable causes, ethical which is a voluntary commitment shown by corporate towards society and stakeholder model which means ethical and environmental-friendly practices.[2]

Survey also conducted to stakeholders to find out their expectations for the company, problems appeared, and important issues they wanted to know in the company as well as for finding material interest in the sustainability report. The survey was carried out to stakeholders from the community, government and employees. As for the performance of CSR programs in the context of community involvement and development, a survey carried out in the surrounding villages to measure the Community Satisfaction Index.

Fig. 2 The seven core subjects of CSR

Considering the need for input from internal CSR program implementers and stakeholders related to program implementation in their respective areas, the focus group discussion (FGD) method was adopted as a tool for qualitative decision making by the Author. The FGD can be used to explore the opinions, beliefs and attitudes and expectations of stakeholders towards the implementation of the company's CSR. In this process, the Author re-directs to the planning and monitoring and evaluation processes needed by the company and stakeholders.

The interview method was carried out on senior level executives including representatives of the shareholders, managers who are directly or indirectly responsible for the company's CSR strategy and key external stakeholders regarding the success of CSR program. The interview guide is given in a structured manner on the main topics and questions about CSR. In the interview, most of the questions are open-ended and conducted face-to-face related to the view on the benefits of CSR for the company and how it is related to the company's business strategy related to policies and their implementation in order to create profitable and sustainable business growth.

IV. RESULTS

The results of this research cover two important aspects i.e. sustainability leadership and organizational capability of CSR performance. Leadership is reflected in program organization governance through program management.

Secondly, organizational capability to manage programs according to key performance indicators (KPI). The performance measurement of CSR implementing department refers to the strategy map in The Balanced Score Card of the CSR implementing division. Leadership lies in the organization governance. As it is core subject in ISO 26000, gap analysis was carried out to review the

[2] Dr. S. S. Khanka,"Business Ethics and Corporate Social Responsibility", National Institute of Financial Management, Ministry of Finance, Government of India, 2014, p.152-153

current condition of the company. Fig. 3 shows the gap analysis result of the seven CSR Principles conducted in the company that reached average result of 87.67%. The 7 CSR principles include Accountability, Transparency, Ethical Behavior, Respect for Stakeholder Interest, Respect for the Rule and Law, Respect for International Norms of Behavior and Respect for Human Rights.

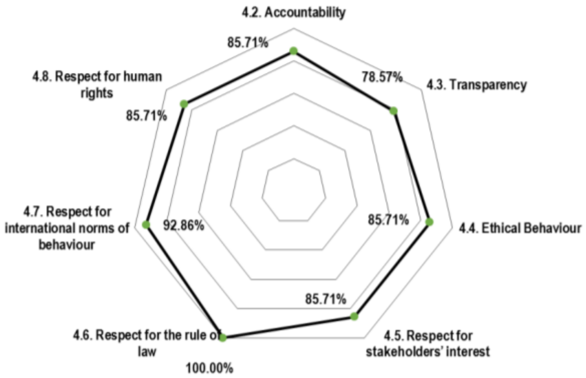

Fig. 3 Gap Analysis CSR Principles in PT Kaltim Prima Coal

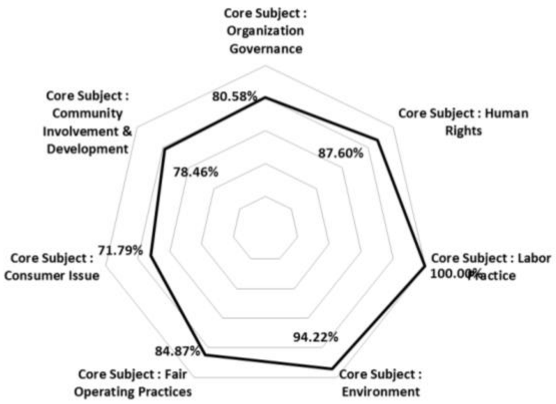

Fig. 4 Gap Analysis of Seven Core Subjects in PT KPC

Fig.4 shows the seven core subjects of ISO 26000 have met the application of the principles, recognition of social responsibility and stakeholders, and the issues on core subjects at Kaltim Prima Coal have been assessed as meeting the principles of social responsibility with a total mean score of 6.14 or 87, 76%.

A. Organizational Governance

Organizational governance is the most important factor which causes corporate to take responsibility over the impact of its decision making and activities, also to integrate the corporate social responsibility in the whole organization and in the relation with other parties. Besides, it turned corporate action and behavior to keep improving in corporate social responsibility that affects the other core subjects.

Leadership is also important in developing the effective organization governance. Not only for decision making, but also for motivating employees in the social responsible exercise and integrate it in the corporate culture. The core subject of Organizational Governance has only one issue, which is the Process and Decision Making Process. Fig. 5 shows the gap in this field and visually describes the action and expectation in the decision making process. The average result for this was already fulfilled, i.e. score 5.64 or 80.58%.

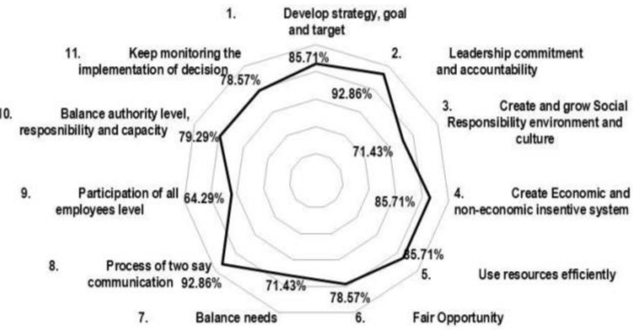

Fig.5 Analysis Process of Decision Making Process in GCG Core subject

B. Community Involvement and Development

The company's relationship with the community around its operational area is based on mutual involvement and need, resulting in social transactions that contribute to each other both for community development and for the sustainability of the company's operations.

Community involvement individually or with association is aimed to enhance public support in strengthening civil society.

Corporate which engaged itself with community and the institutions in an honorable way may strengthen social cohesion and value of corporate citizenship.

The contribution to community development may support promoting community welfare at the higher level which generally perceived as the life quality enhancement of the population. It is a long-term process which even has different interests and sometimes contradicted. Due to different characteristic of history and culture each community group becomes unique and it can be an effect to their future. Therefore, community development depends on features of social, politic, economy, culture and the involved social strength characteristic. It is common responsibility to promote community welfare as general purpose.

PT Kaltim Prima Coal community involvement and development (CID) chose the seven issues in CID core subjects of ISO 26000 due to its relevant issue in implementing CSR. The result in Fig. 6 shows the seven issues include community involvement, education and culture, job creation and skill development, access to technology and development, income creation and welfare, health and social investment. The average score result was 5.50 or 78.57%, which means fulfilled.

The strategic plan of CSR division stated that the

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proses of community development program in the CSR division is conducted through consultation with the stakeholders particularly the community in the surroundings area. CSR road map and blue print consist of development in economic, social and environmental. In the program management the company involve community, engage community groups and the local village government. It is carried out with considering the balance between company strategy and community needs.

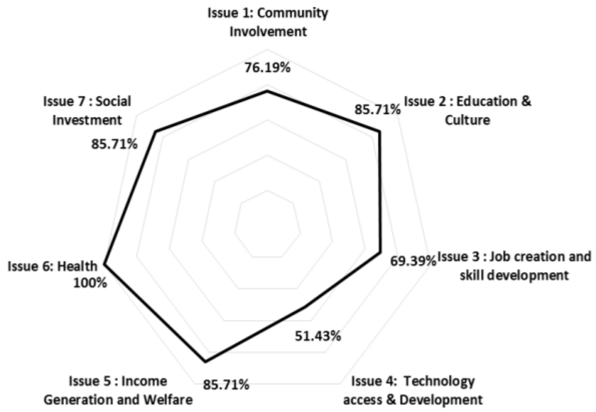

Fig. 6 Gap Analysis on CID Core Subject

C. *Stakeholder engagement*

Community involvement and stakeholder engagement are carried out from the beginning of the planning stage. The engagement should start with program or project stakeholder identification, and the next steps are as follow:

1. Stakeholder meeting
2. Gather input of suggestion and feedback
3. Allow stakeholder in solving the problem. By doing this corporate will enhance itself of getting trust from the stakeholder.
4. Make plan for improvement. It is important to identify key issues and core subjects which are affected by three factors i.e. impacts of the change, capability and resource to carry out changes and visibility of changes.
5. Make action plan of improvement to ensure core subjects addressed, explaining goals of impacts to achieve, keep the plan realistic and allocate enough resources in the organization and report back to the stakeholders.

Fig. 7 shows the importance of considering the choosing of one or two issues from the center where the three criteria overlap. In this way, first efforts will deliver impacts, be within company capability, and achieve sufficient visibility to publicize and gain support.[3]

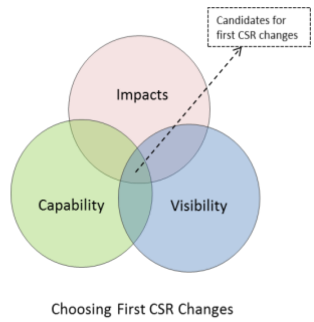

Figure 7 Overlap Factors of First CSR Change

D. *Program Management*

In managing CSR programs, companies need to ensure community involvement and stakeholder engagement. CSR program management follows the stages of the project cycle starting from planning, execution, monitoring and evaluation as well as reporting.

Key of *planning* activities stage is seating together with the stakeholders in group discussion and conduct needs analysis to set program priority and focus. At this stage, the group discussion will refer to Logical Framework Analysis (LFA).

Key of *implementing* the project lies in those who executes the job i.e. community groups / stakeholder, Contractor/supplier who have the capability and community groups / institution.

Key of program *Monitoring and Evaluation* lie in the measurement of program fulfilled based on plan and the Key Performance Indicators (KPI). Social Return on Investment (SROI) is the tool to measure the program that can be carried out in two stages i.e. before and after completion. The next important stage is to provide report. Report is provided for transparency and accountability. Various reports to be provided are Project Completion Report, CSR Program Implementation Report, Monitoring and Evaluation report. Also Sustainability Report which refers to Global Reporting Initiatives (GRI) Standard.

E. *Management Performance*

The Balanced Score Card (BSC) approach popularized by Kaplan and Norton (Kaplan and Norton, 1992) is a concept or approach to measuring organizational performance by questioning whether the operational activities of an organization on a smaller scale can support the achievement of goals on a larger scale referring to the organizational strategy. In the context of strategic planning, the BSC approach focuses on the formulation of objectives and performance indicators as a basis for compiling operational activities that must be carried out to support the achievement of goals related to the organizational strategy. Thus, the BSC approach is used to

[3] ISO 26000 Handbook

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assist organizations in measuring performance effectively and implementing strategies through appropriate activities. There are four strategies developed in the Balanced Score Card, which are:

1. Strategy to improve communication effectiveness
2. Strategy to build collaboration with stakeholders
3. Strategy to improve the socio-economic conditions of the community
4. Strategy to improve the performance of program achievement

In the Balance Score Card (BSC) approach, based on the results of the formulation of objectives mentioned above, a "strategic target map" is then compiled to see the linkages between objectives as formulated for each statement or strategy formulation, as seen in the Figure.8 The Balanced Score Card of CSR implementing division was developed and presented in the CSR strategy map.

In the context of good governance, the community development fund management mechanism is regulated in accordance with Standard Operating Procedures (SOPs) at each stage of the program or project management cycle starting from planning, implementation, monitoring and evaluation cycle as well as post-program reporting the project by looking at the indicators of program success in order to achieve the output and outcome of the program, which are self-reliance and sustainability.

In general, the difficulty in executing the strategy is caused by the culture and value problems of each personnel in the organization. Strategy management will make everything work together with alignment based on the performance management system implemented in the organization. Prior to develop strategy, it is important to ensure the implementation of community development guided by the clear vision and mission. The strategy management starts with the Proposed New Vision and Mission for CSR Department. The implementation of community development refers to the following vision and mission:

Vision:
Leading development catalyst that inspires social innovation and create sustainable community livelihood post mining

Mission:
1. To take position as catalyst and motivator in regional development based on mutual agreement.
2. Developing collaboration and partnerships in community development implementation with community and government.
3. Developing the potential of renewable resources to mitigate climate change, focusing on economic, social and environmental improvement programs.
4. Directing community development activities that activities that encourage community capacity building and the growth of renewal agents and local business units.
5. Prioritizing program governance that is guided by applicable laws and regulations and global norms.

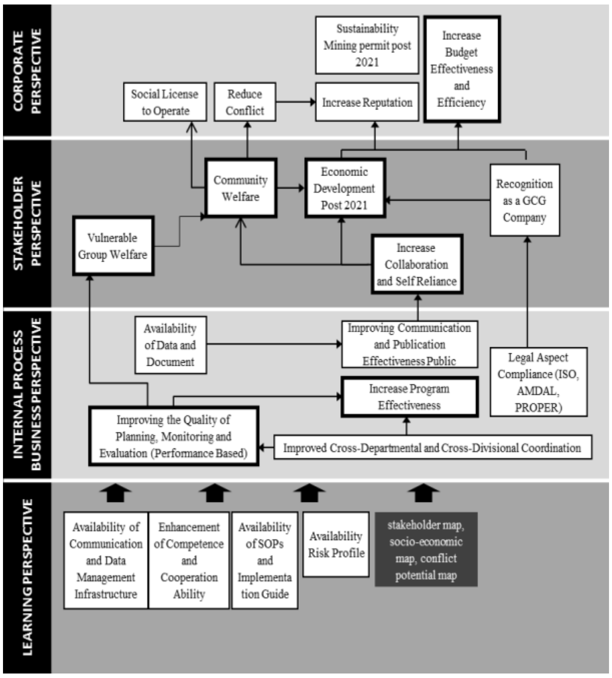

Fig. 8 The BSC of PT KPC CSR Strategy Map

According to Kaplan and Norton (1992), The Balanced Score Card is a framework to help managers achieve their strategic objectives more effectively harnessing multiple internal and external performance metrics in order to balance both financial and strategic goals.

F. *Social Return on Investment (SROI)*

SROI (Social Return on Investment) is a measurement framework to help organizations understand and manage the social, environmental and economic value they generate. It is not just a measure of value, but seeks to reduce inequality and environmental degradation and increase well-being by including social, environmental, and economic costs and benefits. SROI is a framework for measuring and accounting and it counts all social benefits received by all stakeholders – not just calculating income or cost reductions received by one stakeholder.

It has two contexts i.e. the forecast purpose which predicts financial value of the project social benefit or selected program. Second, it evaluates, assess project or program performance in a certain period of time.

The SROI Formula is as shown in Equation below.

SROI Ratio = Present Value (of benefits) / Value of Input (investment)

$$\text{Present Value} = \frac{\text{Value of impact in Year 1}}{(1+r)} + \frac{\text{Value of impact in Year 2}}{(1+r)^2} + \frac{\text{Value of impact in Year 3}}{(1+r)^3} + \frac{\text{Value of impact in Year 4}}{(1+r)^4} + \frac{\text{Value of impact in Year 5}}{(1+r)^5}$$

Equation 1 SROI Ratio

TABLE I
SROI PROGRAMS

Program	Indicator	SROI
A. Gaplek - Dried Sliced Cassava Root	Economic income	PV = IDR 715,792,592.59 Investment = IDR 266,173,638 SROI = 2.69
B. Seaweed Cultivation	Cost reduction, Fisherman income, Carbon absorption	PV = IDR 136,862,518.52 Investment = IDR 91,690,000.00 SROI = 1.49
C. Integrated Eco Waste Incinerator	Cost reduction, Zero waste	PV = IDR 111,464,625,112 Investment = IDR 16,906,247,000 SROI = 2.69

TABLE I.A
AGRIBUSINESS PROGRAM – DRIED CASSAVA – GAPLEK

Stakeholder	Activity	Value Of Input
Cassava farmers, members of the cluster in the Rantau Pulung area, especially in Manungal Jaya Village and Kebon Agung Village.	Assistance for the formation of clusters	This assistance during 2018 cost **IDR 84,000,000** (12 months x IDR 7,000,000)
	Assistance of a tight net for drying cassava processed into cassava feed.	The assistance is worth **IDR 7,000,000.00**
	Cassava product marketing assistance	The assistance provided is **IDR 7,173,638.00** in the form of tickets
	Routine Monitoring	Monitoring fee for 2019-2020 is **IDR 168,000,000 (24 months x IDR 7,000,000)**
	All of the above activities	Included in the assistance

Outcome	Indicator	Financial Proxies
Able to manage new business of making cassava	Economic income	Income per year
Farmer's knowledge of cassava business trading system	Farmer's knowledge	Cost of cassava trading system training

Proof Of Result And Value	Identification Of Impact*	Present Value *
Additional income: IDR 2.6 million per month. Beneficiaries 52 (2018) & 92 (2019) to date. Total additional income 2018 - 2020 = IDR 7,363,200,000	#AT = Attribution of 90% considering that farmers spend all their capital for their business except tight net assistance, training costs, and marketing costs.	IDR 545,422,222.22
*** (IMPACT - DD-DP-AT-DO)*1/(1+rate)**		

In calculating the SROI these four things are also calculated, namely:

- Deadweight (DW): Any changes that will indeed occur without any intervention or activity or not.
- Displacement (DP): Occurs when the benefits obtained are at the expense of others:
- Drop off (DO): Calculates how much the effect of the activity will decrease over time.
- Attribution (AT): Changes obtained from the intervention of other parties.

TABLE I.B
SEAWEED CULTIVATION PROGRAM

Stakeholder	Activity	Value Of Input
Seaweed farmer	Seaweed cultivation and post-harvest training	The training costs incurred by KPC are **IDR 3,000,000.** The training was carried out together with the Fisheries and Marine Service PPL
	Assistance with drying floors	The construction of a drying floor covering an area of 8 x 20 m requires 11 m3 of wood with a budget of **IDR 86,290,000**
	Seaweed cultivation assistance	The assistant provides guidance to seaweed farmers with 4 visits (4 x IDR 600,000 = **IDR 2,400,000)**
Mangrove area surrounding the seaweed farmer	All the above activities	Included in the mentoring activity
Outcome	**Indicator**	**Financial Proxies**
Farmers are able to do seaweed cultivation well	Seaweed cultivation knowledge	Training fee
Farmers are able to save drying time and drying labor	Amount of savings	Saving value
Increasing the income of seaweed farmers	Total income of seaweed farmers	Revenue value
The restoration of the mangrove ecosystem around the location of the seaweed farmers	Carbon sequestration by mangroves	Calculation value of carbon sequestration
	Potential for oxygen produced by unlogged mangrove	Oxygen production calculation value
	Utilization of waste in the form of used bottles	Calculation value of used bottle utilization

Table 1.C shows the SROI calculation used at the planning stage or for forecasting purposes. The integrated waste management program through the construction of hangars for incinerators is currently in the initial planning and implementation of the project.

V. DISCUSSION

Business responsibility for sustainability is guided broadly in ISO 26000. As a first step in measuring the implementation ISO 26000, PT KPC conducted a gap analysis to analyze the difference between conditions (or achievements) made by the company in terms of fulfilling social responsibilities, with the desired standards of actions

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and expectations in ISO 26000 SR, which Indonesia has adopted as SNI ISO 26000:2013.

TABLE 1.C
INTEGRATED WASTE MANAGEMENT PROGRAM – INCINERATOR

Stakeholder	Activity	Value Of Input
Dinas Lingkungan Hidup (Environment Dept.) in East Kutai Regency	Provision of hangar and incirator machine in the Central Market area including assistance and training for machine operator and community managing the fly ash as by-product of the waste combustion	Invest of hangar and incinerator machine totalling IDR 16.9 billion

Outcome	Indicator	Financial Proxies
Significant reduction of waste dumping from two municipalities in the final dump area (TPA) Clean and healthy environment in town and the neighborhood areas	- Provision of integrated waste management system - Zero waste - no more going into the final dump	No more cost for maintenance of TPA to accommodate the volume of waste daily in final dump in Batota area Cost reduction in transportation to the final dump (TPA) in Batota area

The analytical method used in this study is Gap Analysis. That is, assessing policies and the company's current CSR performance is compared against the ISO 26000 standard. An instrument the assessment has been prepared by the assessor so that when checking the document, the assessor will enter their assessment into the instrument. Likewise, when the assessor performs in-depth interviews (in-depth interviews), FGDs and Observations, various data and information obtained will be inputted into the assessment instrument. The results of the performance appraisal are triangulation of several ways of collecting the data.

The gap analysis of PT Kaltim Prima Coal CSR based on ISO 26000 was carried out in the seven core subjects. Hence the Author will highlight the relevant areas of the topic discussion which are the CSR Principles, the Organizational Governance and Community Involvement and Development core subjects demonstrated company high commitment in implementing CSR. It reflected the leadership role in the company action to sustainability. The overall score for the seven core subjects measured in the analysis was 87.87% which was highly fulfilled. By implementing this gap analysis PT Kaltim Prima Coal are able to declare the ISO 26000 although this standard is not certified. The study confirmed the hypothesis that leader decision making in CSR strategy is very important to direct the company into more sustainable manner in every aspect of the organization operation and activities. That includes human rights, labor practice, environment, consumer, which is centered in the organizational governance. Community involvement and development subject in particular showed good result even though there are still rooms for improvement.

The approach and practice of social responsibility for a corporation, is to maximize contribution to sustainable development. In this case at least the corporation respect and practice the seven principles of social responsibility.[4] Awareness of social responsibility is also shown by acknowledging the involvement of stakeholders. Because, corporations must respect and pay attention to the interests of stakeholders who will be affected by its decisions and activities Furthermore, social responsibility is applied in various aspects, both in the economic, health and safety, and value chains, and so on.

The gap analysis is carried out against the applicable Principles in ISO 26000 referred Clause 4 which includes Accountability, Transparency, Ethical Behavior, Respect for stakeholders' interest, Respect for the rule of law, Respect for international norms of behavior, Respect for human rights. Next gap analysis carried out on the Core Subjects in Clause 6 of ISO 26000.

Subjects of Governance and Fair Practice
1. Decision Making Process and Structure Issues
2. Anti-Corruption Issues
3. Issues of Engagement in Responsible Politics
4. Fair Competition Issues
5. Issues of Promoting SR in the Value Chain
6. The issue of respecting property rights

Subjects of Community Engagement and Development
1. Community Involvement Issues
2. Educational and Cultural Issues
3. Job Creation and Skills Development Issues
4. Technology Development and Access Issues
5. Wealth and Income Creation Issues
6. Health Issues
7. Social Investment Issues

Criteria for fulfilling corporate decisions and activities on social responsibility, resulting from: mean (means) of sub-clauses or actions and expectations on each indicator (principles, recognition, subjects and issues). Based on the rating scale as per Table II.

The value obtained from each question indicator is then processed in the form of a percentage. Each value of each individual question is normalized (%), following the following the following formulation rules:

$$\text{Score Normalization (\%)} = \frac{S}{T}\ x\ 100\%$$

[4] Clause 4. Principles of Social Responsibility. ISO 26000 SR

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S = Score (0 – 7)
T = Highest score (7)

TABLE II
ASSESSMENT SCALE CRITERIA

Score	Practice	Under/ Above regulatory provision	Comply	Meet expec tation .	Mitigate negative impact in Practice (75%) of operating area
0	Not run at all				
1	Already implemented	under			
2	Already implemented		Comply		
3	Has been implemented	has met / exceeded	Comply	limited to policies	
4	Has been implemented	has met / exceeded	Comply	Yes	< 75%
5	Has been implemented	has met / exceeded	Comply	Yes	>75%
6	Has been implemented	has met / exceeded	Comply	Yes	> 75% and affect the sphere of influence.
7	Has been implemented	has met / exceeded	Comply	Yes	> 75% and provide added value to stakeholder

To analyze the overall CSR performance, the mean (means) of is calculated value normalization per individual question. Where, in order to describe the fulfillment against the ISO 26000 standard using the interval values, as follows:

- Fulfill : FF : ≥ 71,43% - 100.00%
- Partially Fulfill : PF : 28,57 % - <71,43%
- Not Fulfill : NF: < 28,57%

If the results of this gap analysis state that the KPC interval value is still Partially Fulfill (PF) or Not Fulfill (NF), the output of gap analysis can still be used to improve KPC's performance in order to meet the "action and expectation" as specified in ISO 26000. If on the other hand, Fulfill (FF) then KPC can declare itself to have adopted ISO 26000 and made ISO 26000 SR - Self Declared Adoption.

Compliance with Organizational Governance Subjects (Clause 6.2) - Organizational governance is the most important factor, making corporations take responsibility for the impact of decisions and activities, and to integrate responsibilities social responsibility throughout the organization and its relationships with others. Organizational governance in the context of social responsibility has a special nature in making corporations have to act and behave to improve the capabilities in being socially responsible and influencing other Core Subjects. This particular nature arises from the fact that social responsibility requires governance system organizations that enable company to provide oversight and practice the principles of core subjects and social responsibility.

Leadership is also important in establishing effective organizational governance. This happens not only for decision making but also for motivating employees to practice social responsibility and to integrate social responsibility into company culture.

The subject of organizational governance has only one issue which is Process and Structure of Taking Decision. Application of the principles, recognition of social and stakeholder responsibilities and issues on core subjects at KPC are as shown in Table III. The average results in Table 2 show that KPC has fulfilled with a score of 5.64 or 80.58%.

KPC's leadership commitment to the implementation of social responsibility is very high. Kaltim Prima Coal proven to have documented a number of policies and guidelines. Aspects of GCG, Human Rights, Employment, Environment, Consumer handling and community development, already exist policies and/or guidelines. KPC has been able to create and foster an environment and culture of social responsibility in business processes.

TABLE III
ASSESSMENT OF ACTIONS AND EXPECTATIONS IN DECISION MAKING PROCESS AND STRUCTURE ISSUES

Decision-making processes and structures which is conducive to the implementation of social responsibility in the principles of accountability, transparency, respect for stakeholders, compliance with the law, respect for international norms of behavior and respect for human rights.	Score	Normalization Value
1. Develop strategy, goal and target	6.00	85.71%
2. Leadership commitment and accountability	6.50	92.86%
3. Create and grow Social Responsibility environment and culture	5.00	71.43%
4.Create Economic and non-economic incentive system	6.00	85.71%
5.Use resources efficiently	6.00	85.71%
6. Fair Opportunity	5.50	78.57%
7. Balance needs	5.00	71.43%
8. Process of two say communication	6.50	92.86%
9. Participation of all employees level	4.50	64.29%
10Balance authority level, responsibility and capacity	5.55	79.29%
11Keep monitoring the implementation of decision	5.50	78.57%
Average	5.64	80.58%

Every organization has a decision-making process and structure. Some is formal and some are informal. Formally, there are those that are sophisticated and subject to laws and regulations. Regulations informally rooted in the culture and values of the organization. Organizations must put processes, systems, structures, or other mechanisms in place so that implementation social responsibility principles and practices can make it possible.

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KPC has been able to create and foster an environment and culture of social responsibility in business processes, among them are value talks, safety meetings, anti-corruption campaigns, frugal campaigns water, HSE campaign (bulletin & news), and Observation card for Safety & environment. Activities had been carried out regularly. Prepared the device and monitored activeness of employees in these activities. The use of resources has been carried out efficiently. Human Resources, finance and material whereas the technology used is advanced and high technology. KPC too has provided equal opportunities without discrimination to anyone. All get opportunities in accordance with the system built for employees, contractors and suppliers. Participation of employees at various levels in social responsibility is also good. There is a two-way communication process built by management e.g. holding bipartite meeting, all employees can give their opinion and input through the seven unions existed in KPC.

The fulfillment of the Core Subject CID (Community Involvement and Development) - Clause 6.8 of ISO 26000 – The Company have relationships with the communities where they operate. This relationship based on mutual involvement and need, so that social transactions occur that contribute to both community development and community development for the continuity of the company's operations. Community engagement – both individually and through associations intended to enhance the public good – helps strengthen civil society. Corporations that bind themselves in honorable ways with communities and their institutions can strengthen social cohesion, and values citizenship. Community refers to housing or social or other housing located in the area geographically physically adjacent to the corporate site or within the impact area corporation. The areas and community members affected by the corporation will depend on the context, size and nature of the impact.

Company contributions to community development can help to promote community welfare at a higher level. It improves the life quality of the community. Community development is not a linear process, however, a long-term process which interest may be different and contradictory. The historical and cultural characteristics make each community be unique and affect its future possibilities. Therefore, community development depends on social, political, economic, culture and characteristics of the involved community. Stakeholders in the community may have different or even contradictory interests. Shared responsibility is needed to promote community well-being as a common goal.

There are seven issues in the Community Involvement and Development core subject. It is a proactive effort to reach community organizations. This matter aims to prevent and solve problems, foster partnerships with organizations, local stakeholders and expectations of being part of the community.

Company familiarizes themselves with the needs and community priorities with community involvement, so that organizational development and other efforts can be compatible with the community and society. Organizations may be involved through, for example, participation in forums established by local governments and local community or associations. It is important to see that community involvement efforts respect the rule of law and a participatory process that respects rights and takes into account the views of others when express opinions and defend themselves against their interests.

Stakeholder involvement through active community participation is well done by KPC. The ESD (External Affairs & Sustainable Development) division’s Strategic Plan document states: the process of preparing development activities community through consultation with stakeholders, especially the surrounding community company operating area.

The social responsibility road map is an agenda for economic development activities, social, educational and environmental. Where in the planning, implementation and evaluation process involving relevant stakeholders such as communities, community groups and village government. Corporate social responsibility activities to the community are carried out by considering the balance between corporate strategy and community needs.

Apart from involving the community, KPC also participates in empowering groups communities such as oil palm management groups, forest for reclamation and groups clean water management. Besides participating in strengthening local institutions, such as village government, the village enterprise (BUMDesa) and schools. Maintain regular communication with staff stakeholders regarding common expectations. Give the right response and follow existing commitments. KPC is also actively involved in CSR multi-stakeholder forum discussions, initiate collaboration with the Regional Government in East Kutai Regency and East Kalimantan.

KPC's participation in community activities is carried out fairly. The company maintains ethical business practices throughout its operations. Trustworthy and responsible with ethical way with consideration of impact and consequences when making decisions or take action. Executed with integrity, complying with all codes of ethics. The assessment result of Community Involvement and Development core subjects with its seven issues is shown in the Table below.

TABLE IV
THE RESULT OF CID CORE SUBJECT

Issues	Score	Normaliz a tion Value
Issue 1: Community Involvement	5.00	76.19%
Issue 2 : Education & Culture	5.00	85.71%
Issue 3 : Job creation and skill development	6.00	69.39%
Issue 4: Technology access & Development	5.00	51.43%
Issue 5 : Income Generation and Welfare	6.00	85.71%
Issue 6: Health	6.00	100%
Issue 7 : Social Investment	6.00	85.71%
Total Average	5.50	85.39%

The gap analysis on three main areas in the core subject i.e. organizational governance and community

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involvement and development confirm that it is clear through the CSR analysis in community development have strong relevance with how decisions made affect the implementation of community development in achieving sustainable development and the sustainability of business as well.

The good results of CID assessment must be supported by the established system and capability of the organization consisting of internal personnel from the implementing department of CSR community development. This organizational capability is supported by a good governance and leadership system in order to continuously monitor each project cycle running well. Internally, the implementation of The Balanced Score Card at the departmental and implementing division levels will help how the performance of the management program runs properly.

The BSC approach emphasizes the balance between financial and non-financial performance indicators, because the use of financial performance indicators alone cannot reflect the performance of other triggers that refer to the future. The definition of "balanced scorecard" itself when translated means a balanced measure of performance (scorecard). According to Kaplan and Norton, to measure organizational performance comprehensively requires 4 (four) balanced performance perspectives or dimensions, including financial perspective, customer perspective, internal (process business) perspective, as well as learning and growth perspective.

There 4 related perspectives:

1. *Financial* which is a concern of Shareholders, in this case will become Corporate Perspective - is the final result to be achieved by business organizations.
   - ESD CSR-CD implementation is the responsible Division for supporting mining operations and enhancing company's reputation and not directly related to the company's financial acquisition, since the given amount is fixed every year, which is US$ 5 million.
2. *Customer* – which is *The Stakeholders* Perspective that concern stakeholders as specific "customers" of the ESD division - focuses on stakeholder satisfaction which is an important milestone in achieving financial aspect performance.
   - Stakeholder perspective is used because the implementation of the duties of the ESD Division does not deal directly with customers, but rather deals with or communicates with stakeholders who can affect the operational performance of the mine and the company's reputation.
3. The *Internal (process business) Perspective* is used to answer how an organization should carry out internal business processes to satisfy customers so that they can achieve success in the financial aspect.
4. L*earning and Growth* Perspective focuses on continuous improvement of HR competencies and the availability of supporting infrastructure for the organization.

The first step that needs to be done to translate the strategy into activities (translating strategy into action) is to formulate the goals (objectives) of each statement or strategy formulation. The results of the formulation of these goals are grouped into 4 (four) BSC perspectives which include a corporate perspective, stakeholder perspective, internal (business process) perspective, and learning and growth perspective.

From the strategy map that refers to the four perspectives in The Balanced Score Card model, the Author targets strategies that are relevant to performance achievement in the context of implementing CSR programs, especially community development.

Internally, this framework helps the CSR implementing division to demonstrate performance on the following:

1. Shareholder Perspective:

- Increase of budget effectiveness and efficiency
- Increase of company reputation
- Sustainability of mining permit post 2021
- Production capacity increase

2. Stakeholder Perspective:

- Increase vulnerable groups welfare
- Increase community welfare and economic development post 2021

3. Internal Process Business Perspective

- Increase collaboration and community self-reliance
- Increase program effectivity through increase performance based quality of planning and monitoring and evaluation, increase inter department/inter division coordination.
- Recognition of GCG based company whereas fulfilling legal, PROPER, ISO, AMDAL (Environment Impact Analysis), GRI (Global Reporting Initiatives), UNGC (United Nation Global Compact).

4. Learning and Growth Perspective:

- Availability of communication and data management, improvement of competency and teamwork capability, availability of SOP and work manual, risk profile, social mapping and stakeholder mapping.

Based on the above four perspective, focus group discussions were carried out amongst the internal CSR Department staff to align the strategy and program. The FGD identified what program performance will be measured and the indicators of success.

As a mining company which is stipulated to have Mine Closure Plan, PT KPC sets the main goal to community self-reliance, regional independence for sustainable living in the implementation of community development program. In accordance with the scheme, at the operational stage PT KPC is still carrying out the mine closure plan mandate to create the following:

1. Growth of renewable agents
2. Growth of local business units

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3. Growth in the non-mining sector
4. Job creation
5. Increasing public understanding regarding the roles and functions of each party in development, especially infrastructure
6. Increasing community involvement through collaboration in order to support independence.

In order to plan and evaluate each program a Logical Framework Analysis (LFA) approach for planning and evaluating each program and linking it to the issues contained in the sustainable development goals in order to be an active part of solving problems in the social environment in the community that need attention from various parties and implemented in accordance with the capabilities, control and role of each party. To understand the factors which form the community development program, it is necessary to fulfill at the same time the management of impacts, stakeholder perceptions and local socio-economic conditions.

Most social investment programs/projects are derived from the results of issues and stakeholder mapping. For a comprehensive perspective, the mapping has been completed with a baseline study and community needs assessment. Through the Logical Framework Approach a social investment program is then planned and implemented as part of efforts to manage the company-community relationships and how to contribute to providing effective solutions to problems around the company. Stakeholder engagement and community involvement are very important. The characteristics of social investment are the existence of a strategic approach, design that refers to sustainability, participatory processes, integrated management, systematic measurement and benefit the community and the company. It is carried out with the principles of Strategy Formulation, Alignment, Multi-Stakeholders Partnership, Sustainability and Impact Measurement.

Fig. 9 shows the need to monitor the programs implemented to determine the achievement of the program in each stage/process, to ensure that the program is on track, to make effective and efficient use of resources within the company. It is also used as input for communication to all stakeholders. Periodic measurement of program impact is a proof of commitment as well as a form of transparency and accountability to the public.

So it is important to find out who experience change from the project or program, how they change, how we need to prove change occurs, which change is feasible counted and whether it is all as a result of program or project intervention. The Theory of Change describes it from input until impact. Input means resources that invested in the activity; outputs is direct product of the activity; outcomes is defined as change that give benefit to the society caused by the activity and impacts refers to further change after outcomes.

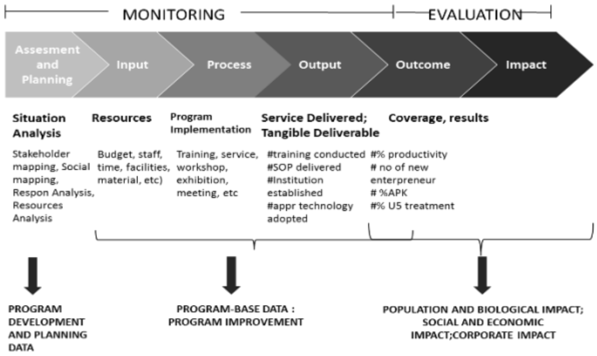

Fig. 9 Program Monitoring & Evaluation

There are six principles in SROI analysis namely Involving Stakeholders, Understanding What Changes, Valuing What Matters, Only Include What Is Material, Not Over-Claiming, Transparency, Verifying Result.

Stakeholders are the best source for describing the changes taking place. For this reason, it is necessary to identify and involve them in consultation throughout the analysis process, so that the values and ways of measuring them are informed by each stakeholder, whether affected by the project/program or those affecting it.

Articulate how changes are made and evaluate the evidence collected, acknowledging positive and negative changes, which are intentionally or unintentionally intended to achieve.

Value is created for or by different stakeholders as a result of different types of change. Stakeholders may or may not intend. Change can be positive or negative.
This principle requires a theory of how change occurs (theory of change) which must be stated and supported by who is affected by the activity.

Use a financial approach to understand the value of the results. Many results are not 'valuable or have no reference value' and as a result their value is often missed (not recognized). This will balance the various outcomes experienced by stakeholders.

Determine what information and evidence should be included in the calculations to provide a true and fair picture, so that stakeholders can draw true and appropriate conclusions. This principle also includes decisions about stakeholders who experience or get significant changes, in accordance with the outcome information obtained.
Decide on matters that require material/reference from policies, other people, social norms, and short-term financial impact.

The *Not over-claiming* principle requires reference to trends and benchmarks to help assess changes caused by projects/programs.
Other factors need to be taken into account as a comparison, and take into account what will happen next.
This principle needs to include consideration of contributions from other parties or organizations, compared with reported results, in order to match the appropriate contributions with the results obtained.

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The transparency requires that every decision relates to stakeholders, outcomes, indicators and benchmarks, sources and methods of gathering information. Consideration of methods and communication of the results to relevant parties, and must be properly described and documented.

Although the SROI analysis provides a good space to understand the assessment of a program, there is still a subjectivity factor. Verification is needed to help stakeholders assess whether the assessment was conducted and analyzed fairly. Ensure assessment results are checked by an appropriate independent examiner.

SROI and Log Frame Approach conducted in the three programs i.e. Dried cassava or *Gaplek,* the seaweed cultivation and the incinerator machine, came up with the positive impact on the beneficiaries, in this case the community in the villages and the local government as the program stakeholder. By applying SROI, changes were made. Below table shows the change occurred after the intervention of social investment programs conducted.

TABLE V
CHANGE BY PROGRAM INTERVENTION

Dried Cassava GAPLEK Program
- The existence of an Economic Business in the form of making food and feed cassava in a cluster accompanied by Kaltim Prima Coal - Drying is made easier with the presence of a tight net - Wider marketing to the island of Java - The business of each cluster can run well - Increased knowledge of farmers about cassava business trading system
Seaweed Cultivation Program
- Increasing the income of seaweed farmers due to applying technology and cultivation facilities - Maintaining the mangrove ecosystem around seaweed farmers, because seaweed farmers no longer use mangrove trees for drying floors
Incinerator Machine Integrated Eco Waste Program
- Zero Waste to final dumping - Cost reduction of transport for the Environment Department in East Kutai in particular the waste trucking transport and the tricycles units from the neighborhood area - Waste volume reduction in Sangatta Utara and Sangatta Selatan municipalities - The incinerator machine smooth operational - No more household waste that is not picked up on time - Cleaner urban environment

From the calculation of several examples of CSR programs that have been carried out, it is confirmed that SROI method can provide objective results both at the planning stage for the purposes of forecasting the program and at the evaluation stage to see the performance of the program when it has been completed and over time shows how effectively the program provides benefits to both the community and the community. Stakeholders as well as to companies that have provided social investment support in it.

Sustainability leadership of a company is determined by the organizational capabilities that are formed from the strategy and corporate culture as well as the leadership of the company's leaders. This capability will result in the company's performance so that it can continue to grow and survive in global competition. This capability show how the company will be viewed internally and externally so that it will have better competitiveness, more agile with elements of organizational capabilities that are intangible on speed, innovation, customer connectivity, seeking change, strategic responsiveness, efficiency and talent. (Vadim Kotelnikov, 2006).

In line with that, ISO 26000 provides guidance on how companies can adopt a system into a core business model that can identify innovation, reduce long-term risks and increase competitiveness. Companies can generate effective promotions and focus on value-added social responsibility. By reporting on current conditions, the company will gain trust and make a business that is committed to social responsibility. Business that identify, maintain and improve the natural and human resources are highly competitive. The organizational governance principles are accountability, transparency, ethical conduct, considerations of stakeholders' interests and obeying the law. Following good governance principles will help the business to improve its social, environment and economic “triple bottom line”. This benefits the business, all of its stakeholders, the natural environment and the community in which the business operates. (Handbook for Implementers of ISO 26000, Global Guidance Standard on Social Responsibility, Version Two, 2011). In community involvement, the company needs to recognize its long-term interest, which is the sustainability of the community around its operating area.

Based on the results of the ISO 26000 gap analysis, PT KPC's CSR has fulfilled almost all of the values, but there is room for improvement so that the gap can be filled in line with the continuous improvement mechanism.

The purpose of the research to review the effectiveness of the implementation of community development programs involving the community is achieved because it can be proven by the measurable success of the program starting from the planning, implementation, monitoring and evaluation stages to reporting. To ensure the consistency of the implementation of the CID program that is right on target and meets the expectations of beneficiaries and the effectiveness of the company's budget, a program management system is needed as part of continuous improvement which in turn has a positive impact on beneficiaries who in fact are communities around the company's operational areas.

The expected effectiveness and efficiency of the program budget from a shareholder perspective is assessed from the fulfillment of performance indicators for social investment programs that have a positive impact on economic, social and environmental development. These expectations are supported by organizational competence. At the planning stage, community involvement was carried out through FGDs with the stakeholders especially

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community and government.

Social return on investment (SROI) is used as a measurement tool to identify how effectively the company uses capital (funds or other) to create value for the community. Social innovation is needed in the continuous improvement process so that business is responsive and agile in responding to the dynamics of changing arrangements to create value sharing that drives the company's sustainability.

VI. CONCLUSION

The aspects of organizational governance that underlies organizational leadership for business and society, the importance of stakeholder involvement in each program cycle of community development program and the measurement of the program effectiveness, proved that CSR program effectiveness is contributed by leadership quality against society's expectation, organizational competence in program management, community involvement, effectiveness of company capital and social innovation to create value both for the community and drives company sustainability.

When a company or its leader acts fairly and consistently against society's expectations and behaves ethically, and is responsible as an organizational model, it shows quality of company leadership and gain trust which can create powerful business premium with a strong framework in place, if something happens and the leader acts swiftly and credibly acknowledges, addresses and rectifies the situation. Company leadership with high commitment and engaging stakeholders and managing risk will result in a sustainable company.

The strategy map in The Balanced Score Card owned by the company will provide capability and clear accountability for compliance audits, reviews and has higher standards and can always be used as a reference for further improvements. The focus on the core subject CID and organizational governance on the ISO26000 gap analysis is sufficient to show that efforts to achieve sustainability in those subjects need support from the process and mechanism within the division implementing CSR particularly for community development department.

Simultaneously it may encourage other divisions also to use the instrument to carry on doing the action in filling the gap. What is clear that sustainable development aspects not only relying on the core subject of community involvement and development, but also on the other core subjects, namely human rights, labor practice, fair operating practices, environment, consumer issues whereas these core subjects can be further sharpened through actions and achievements in the related departments or divisions i.e. Human Resources, Mining Operations, Supply Chain, Environment, Coal Processing and Handling, Marketing, Finance, IT and Business Performance and Improvement. Thus, *"More Than Mining*" is not just a motto but is manifested in the company's actions and behavior.

Company that integrate CSR principles in the business strategy, measure their performance and share the values with stakeholder will achieve its sustainable competitive advantage.

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