EVALUATION OF CORPORATE SOCIAL RESPONSIBILITY PRACTICE; CASE STUDY OF PT. XYZ IN JKL DISTRICT, INDONESIA

Habib Al Furqon and Bambang Rudito
School of Business and Management
Intitut Teknologi Bandung, Indonesia
habib.al@sbm-itb.ac.id

Abstract— National development has always been a big issue, moreover ever since the Millennium Declaration back in 2000 at the United Nation summit and attended by 189 countries. Indonesia, with its rich natural and human resource, is having a big advantage to develop. However, the fact in the reality talked different. Even though Indonesia has been able to improve ever since the declaration was made, Indonesia failed to reach the target. One of the government ways to develop the country is by encouraging private sectors to participate in developing the country. One of the ways is by making a certain rule regarding Corporate Social Responsibility that must be done by a company which form has became a liability company. One of the companies who have done this is PT. XYZ. However, a claim from certain local communities and local people that blame the company for the disaster that happened back in the end of 2015 encourage author to evaluate their CSR practice, since the goal of CSR practice is trust and this issue could affect it. This research aims to evaluate the CSR practices of PT. XYZ. Qualitative method, using participant observation approach to several informants would be used to get more information about the issue. The result indicated a gap between the people's perspective and what the Company wants regarding the CSR practices and some problems were found regarding the system within the practices. SWOT analysis used to know what are the Company's internal and external factors regarding their CSR practices. Finally, using TOWS analysis, the research would be able to give some strategic recommendations for the Company, which is to empower Marukana UMKM Cooperative to do several things that the Company could not do directly, to make another Community Development program, and to make a periodical and sudden supervision to know how the program is currently running.

Keywords: Corporate Social Responsibility, Empowerment, Local Community, PT. XYZ, Sustainability

Introduction

Indonesia is the biggest country in South East Asia with a rich natural resources and human resources. However, Indonesia still considered as a developing country because several factors such as low quality in education, low productivity, and high unemployment rate, etc. To develop the country better, and also as a result of being a member of United Nations, Indonesia set Millennium Development Goals in 2000, along with other 188 country. Millennium Development Goals (MDGs) are the world's time-bound and quantified targets for addressing extreme poverty in its many dimensions-income poverty, hunger, disease, lack of adequate shelter, and exclusion-while promoting gender equality, education, and environmental sustainability (United Nation, 2001). In order to reach these goals, Government encouraged private sectors to help them.

Basically, the National development is not a responsibility of the government only but also the society of it and also private sector in the form of corporate as well, to be involved either directly or indirectly in putting efforts of developing the society. The government tried to encourage

private sector to participate in developing the country by using the method of Public Private Partnership (PPP). This method came as the result of limited budget from government while the development should keep on going. This method invites private sector to develop the country together with the government.

All of those laws and decision from government lead to one thing, which is encouraging private sector to participate in developing the country along with the government. One of the famous ways to do this, as mentioned in the law, is by applying corporate social responsibility (CSR). Basically, CSR is not a burden for a corporate, but it should be interpreted as an effort from a corporate to adapt with the social life of its society, establish a mutual trust between the corporate and the society. CSR program can reach their target, which is the society more correctly compared to the government since corporate in Indonesia were separated in every part of this country and therefore each corporate will know the needs of the local society better than the government program, which used the equality model. CSR finally can be used as a benchmark for National development which is contextually follows the pattern of cultures and also life of Indonesian society.

At the end, CSR is not a specter or scourge for a corporate, but it is an answer to develop society trust towards the corporate and sustainability of local community economic. In principle, CSR is an embodiment of business ethic from a corporate, in where the corporate act ethically in doing their business, then the practice of CSR program is a need and also part of an effort to increase the trust from corporate towards its stakeholder. Inevitably, corporate and society is an 'organic' bond of solidarity and formed into a mechanism of solidarity unified in the relationship of mutual need (Rudito & Famiola, CSR (Corporate Social Responsibility), 2013).

CSR evaluation could be quite challenging to be learned and discussed because of the look at the current condition in PT. XYZ. PT. XYZ is a company that runs their business regarding alternative energy. Back in 2015, there wasa news about an explosion of an infrastructure belongs to PT. XYZ. The company claimed that the explosion is caused by a landslide around the area. Meanwhile, several communities blame the company, stating that it is their activity that caused the landslide. Several years before, approximately in 2010, people around where the company operates their business, sent a protest to the company because there is an explosion. The local people were annoyed and angry, stated that the company did not tell and socialize their activity well to them while the Company claims it as a standard emergency procedure. These news and statement from local society and local people showed that there is a problem regarding the business operation done by the company. Although there is no exact benefit a company could get from CSR practice, it is well-known that one of the benefits is a trust, other than helping to develop country. These protests showed that mutual respect has not been reached between the company and the people around the area.

Literature Review

Corporate Social Responsibility (CSR) is a continuous commitment by business to behave ethically and contribute to the economic growth and development while improving the life quality of the workforces and their families as well as the local community and society (Holme & Richard, 2010). CSR basically is a need for corporate to be able to interacts with local community as a form or representation of society as a whole (Rudito & Famiola, CSR (Corporate Social Responsibility), 2013). CSR covers the relationship between corporations or organizations with societies which they interact with. It also includes the responsibilities that are inherent on both sides of these relationships. CSR defines society on many levels to include all stakeholder and constituent groups that maintain an ongoing interest in the organization's operations (Werther & Chandler, 2006). CSR practices were separated into two kinds in general, inside CSR and outside

CSR. Inside CSR is a company responsibility towards their employees, from their working balance until their families. While outside CSR is a practice of CSR where company give or do something for their environment. This form comes in many forms, from the simplest one like charity, until the most complex, which is community development.

Community development is an activity of developing society or community which is done systematically, well-planned, and directed to enlarge the access to the society in order to reach a better social, economic, and quality of life condition compared to the previous development program (Budimanta & Rudito, 2004). Essentially, community development is a process of socio-cultural adaptation which is done by industry, government, and local region towards the life of local community (Rudito, Prasetijo, & Kusairi, Akses Peran Serta Masyarakat, 2003).The United Nations defines community development as "a process where community members come together to take collective action and generate solutions to common problems. Community wellbeing (economic, social, environmental and cultural) often evolves from this type of collective action being taken at a grassroots level. Community development ranges from small initiatives within a small group to large initiatives that involve broader community.

Mursitama (2011) said that an effective community development should be a long-term endeavor well-planned inclusive and equitable holistic and integrated into a bigger picture initiated and supported by community members and resulting as benefit to the community grounded in experience that leads to the best practices. Community development is a grassroots process by which the community becomes more responsibly organized and planned, together develop healthy lifestyle options, empower themselves, reduce poverty and suffering, create employment and economic opportunities, achieve social, economic, cultural, and environmental goals.

CSR Practice of PT. XYZ in JKL District
In JKL district, PT. XYZ is involved in a number of agriculturally based programs such as providing animal husbandry and fruit plantation. PT. XYZ supported local farmers to expand their prime commodity from vegetables to silk worms for silk production that should benefit the farmers more in economic terms. They are also actively involved in 150 hectares of avocado and Arabica coffee plantation in the area.

In addition, on the past few years, PT. XYZ was involved in various economic empowerment programs. Cooperating with a local university and an NGO of sustainability development in Indonesia, PT. XYZ performed social mapping to JKL district community on their social-economic-cultural condition. The mapping recommendation was the urgency of managerial and financial support to micro, small and medium business (UMKM). The recommendation became the foundation of programs consisting of three projects, namely the Entrepreneurship Training Center, Incubator, and Micro Credit through Marukana UMKM Cooperative. At the end of 2010, Marukana UMKM Cooperative has been able to roll out savings and loan funding to 23 of its members that passed the 2 years selection with diverse business and production generated from each of the micro business.

PT. XYZ is also strongly involved in education, medical assistance and social development programs. They provide scholarships to more than 1,600 local students, as well as providing books, stationeries, computers and language library equipment. In the infrastructure area, PT. XYZ plays a primary role in providing fresh water supplies and public roads, as well as the construction of sport facilities, schools and religious infrastructures to the local communities.
The Company jogs with 13 villages in JKL district. These villages, in practice, were categorized into two types. The first one is first-ring villages or supporting villages. These villages are the closest villages to where The Company located. The other type is called second-ring villages or

non-supporting village. Every village get their own part in CSR practices of The Company and the supporting villages get more help since they are the closest and categorized as the first-ring.

Today, the scope of CSR practices of The Company can be separated into five fields or topics. They are education, health, environment, infrastructure, and economic. For educational field, The Company provides scholarship for students, mainly local students in Pangalengan. The scholarship was given for students in junior high school and will be continued until they become a university graduate. They give chance for these students to work for them in the future by preparing and helping them with scholarship. In medical or health field, The Company built a *Posyandu* (Pos Pelayanan Terpadu) in the area to help poor people and people in general to be able to check their healthiness. For environmental field, The Company made waste bank or rubbish bank and a hydroponic cultivation by cooperating with the local school near The Company located.

For economical field, the main program from The Company was through Marukana UMKM Coperative which was built in 2011. This UMKM is managed by local people and their main job is to help local entrepreneur whose are their member to become better and more profitable. They provide training, loan and saving, and several other helps in order to make the member become better, mostly in financial condition and entrepreneurial skills. Today there are 23 members of this cooperative. This cooperative function is actually not only to help local entrepreneur but they also become the main stakeholder between local people and The Company as well. Last, for the infrastructure, The Company cooperates with local governments. Each village should discuss their need before discussing it together with other villages' government in a meeting with MUSPIKA (Musyawarah Pimpinan Kecamatan) which consisted of Police Department, district's government, and the local military force. After every village's government agree with the meeting result on what they can improve, they will invite The Company and discuss the result with them. After this discussion then The Company will allocate each village budget to help them improve their chosen infrastructure. Half of the money will be given to the government in the beginning of the project and the other half will be given after the project is done. The result then will be evaluated by The Company.

Methodology

Author used qualitative method, with participant-observation approach using interview guidelines. There will be two type of informants, key or primary informants and secondary or common informants. Key informants used to collect the data needed while common informants used to clarify the data gathered from key informants. To determine whose are the key informants, author find the intersection between stakeholder rank of the company and the CSR ring which is determined from the Environmental Impact Assessment (EIA). These data are secondary data which is collected from the company. These informants included people from the company as well, beside the people from community. The author used triangulation method to validate the data. Triangulation method is a method to check the validity of data using something else outside the data for the checking purpose or as a comparison for the data (Moleong, 2009). According to Denzin (in Patton, 2001), in the context of qualitative research, triangulation is defined as combinations of the various methods used to assess the interrelated phenomena of different perspectives to reach a point of truth that is the same. There are two types of triangulation methods used. They are data's triangulation and methodologies' triangulation. Data triangulation means that the author used different data source, which in this case used people as the sub-type. Methodologies' triangulation is a method to check the data as a result of different methodologies, which in this case author used participant-observation, interview, and secondary data. The problem found after comparing and merging the observation and interview results with all of the informants. Then, SWOT (strengths, weaknesses,

opportunities, threats) analysis was done in order to know what the Company's external and internal factors are regarding its CSR practices. TOWS Matrix was made to find the solution and recommendation for the company. The matrix would determine some alternative strategies for the Company. Author then will choose some of them as recommendation for the Company.

Results

After doing participant observation using interview guidelines, author found several gaps that indicating several challenges within the CSR practices of the Company.

Table.1 Gap Analysis

Current condition based on participant observation with interview guidance by the author	GAP	Ideal condition based on The Company
Many people don't know the contribution of The Company.	The program was decided after meeting yet there are many people don't know about the project	The infrastructure improvement proposal from the village was made from the meeting with every element and approved after another meeting with The Company.
Some people still don't know what kind of company PT. XYZ is.	There is a missing link because if The Company claimed they have socialized the activity, either via government or not, the people should know at least what kind of company they are.	Every time company wants to do an activity, like drilling or mobilization, The Company gives the information via letter to chief of villages and the copy letter were given to the head of RW. So company always socializes to the people on its activities.
Many people still think that the CSR is a gift from the Company as the consequence of their existence.	Different perspective on the CSR program.	The Company wants the people know that they have to take care and make a good and sustain use of what the company has given.

From Table.1, it can be seen that there are some gaps in the system. These gaps lead to one big problem, which is lack of supervision from the Company on their own system.

SWOT Analysis
This analysis was done in order to know the factors that the Company's should deal with and to construct the recommendation using TOWS (another way of saying SWOT) matrix. SWOT analysis should not only result in the identification of a corporation's distinctive competencies—the particular capabilities and resources that a firm possesses and the superior way in which they are used—but also in the identification of opportunities that the firm is not currently able to take advantage of due to a lack of appropriate resources. Over the years, SWOT analysis has proven to be the most enduring analytical technique used in strategic management (Wheelen & Hunger, 2012).

Table.2 SWOT Matrix

Strengths	Weaknesses
Sustainable program	Lack of supervision to the programs

Main stakeholder around local people Flexible	
Opportunities	Threats
Local People Marukana UMKM Cooperative High school student Local tourisms Existence of other big companies	Local people NGO Government Bad name around local people Chance of corruption in the system Outsiders

Table.2 shows the factors within SWOT analysis. Based on the Table.2, the strengths of the CSR programs from the Company are their sustainable programs, the main stakeholder which is Marukana UMKM Cooperative, and their flexibility to change the program depends on the need. Their mean weakness is the lack of supervision. There are some others like lack of socialization, but the lack of supervision is the root cause for other weakness within the system. The Company has several opportunities which are the local people, Marukana UMKM Cooperative, high school students, local tourisms, and the existence of other big companies in the area.

Generating Alternative Strategies
To generate some alternative strategies for The Company to overcome their problem, author used TOWS analysis matrix as the main tool. The TOWS Matrix illustrates how the external opportunities and threats facing a particular corporation can be matched with that company's internal strengths and weaknesses to result in four sets of possible alternative strategies. This is a good way to use brainstorming to create alternative strategies that might not otherwise be considered (Wheelen & Hunger, 2012).The results of the TOWS Matrix (see Appendix A) are:
The Company can empower and used Marukana UMKM Cooperative to do more things than what they are currently doing. For now, Marukana UMKM Cooperative is undoubtedly the best program from PT. XYZ due to its good empowerment and sustainability, despite the fact that some local people see them as the Company's helper and therefore there is some kind of jealousy from it because the Company periodically gives the Cooperative money to help them in developing the program. They also hold a very important role because they are positioned in the middle of the people and the Company. This position make them be able to reach and interact with local people directly. They can help to socialize the Company's program; help to synchronize the perspective from both parties, and supervise the Company's program indirectly by interacting with local people.

Make periodical and sudden supervision. One of the threats from the system is the corruption chance and it can be minimized by doing supervision, both periodical and sudden supervision. This is also done to make sure that the program is running well and people know what necessary from the program so they can feel the Company's contribution. Make another Community Development program which will have a different type from Marukana UMKM Cooperative and in a different area. Later, this community could help the Company to socialize and supervise the program in non-supporting village, since the people from non-supporting village are the most ignorance people regarding Company's program. They can help to monitor the program and improve the certain area as well.

Discussion & Conclusion
PT. XYZ is currently having several challenges within their CSR system. To overcome the problems, the author used TOWS matrix to find alternative strategies to overcome the problem. From analysis of alternative strategies using TOWS Matrix, the best recommendations for the Company are empower Marukana UMKM Cooperative, make a new supervision system, and

make another Community Development program. These programs hopefully can help the Company to overcome their problems and improve their CSR practices. This research could provide recommendation for the CSR practices of the Company to overcome the problems they are facing. With a better practice, the conflict between local people and the Company could be minimized and the Company can start to gain trust from the people. The Company could also get a good name and become example for other Company who face similar problems in an area with similar culture with JKL district. The better CSR practices done, the better it is for National Development. Government will be helped since Company has a better insight towards the culture of a certain area.

Research Implications
CSR evaluation was done in one company, one place, and in certain period of time. The Company is PT XYZ in Indonesia and the time limitation is the CSR program in between 2014-2016. The data gathering method was only focused on observation, secondary data, and interview. The methodology and analysis of this research used qualitative method. This method has some weaknesses, such as the possibility of bias and subjective judgmental and interpretation and therefore it could lead to a different result if a research in the future will be done using quantitative method. This limitation of study is made to retain objective value of intended result to be obtained. The research was not conveying areas other than the promised purposes and there could be a different result if the research conducted in the future or in different program or company.

References

ASQ. (t.thn.). *What is ISO 26000? -Guidance on Social Responsibility*. Dipetik June 5, 2016, dari asq.org: http://asq.org/learn-about-quality/learn-about-standards/iso-26000/

Badan Pusat Statistik. (2016). *Beranda: Pendidikan*. Dipetik June 20, 2016, dari BPS Web Site: https://www.bps.go.id/Subjek/view/id/28#subjekViewTab3

BBC. (2016, January 4). *Indonesia: Berita Indonesia*. Dipetik June 16, 2016, dari BBC Web Site: http://www.bbc.com/indonesia/berita_indonesia/2016/01/160104_indonesia_jokowi_ekon omi

BBC. (2016, April 11). *Indonesia: Majalah*. Dipetik June 16, 2016, dari BBC Web Site: http://www.bbc.com/indonesia/majalah/2016/04/160411_majalah_ekonomi_indonesia_ba nkdunia

Budimanta, A., & Rudito, B. (2004). *Metoode dan Teknik Pengelolaan Community Development.* Jakarta: ICSD.

David, F. R. (2009). *Manajemen Strategis Konsep.* Jakarta: Salemba Empat.

Efendi, A., Rachman, N. M., & Wicaksana, E. (2011). *Panduan Lengkap Perencanaan CSR.* Jakarta: Penebar Swadaya.

Holme, L., & Richard, W. (2010). *Corporate Social Responsibility: Making Good Business Sense.* The World Business Council for Sustainable Development.

ISO. (t.thn.). *ISO 26000 Project Overview.* Dipetik June 5, 2016, dari ISO Web Site: http://www.iso.org/iso/iso_26000_project_overview.pdf

ISO Organization. (t.thn.). *Standars: ISO 26000 - Social Responsibility*. Dipetik June 5, 2016, dari ISO Web Site: http://www.iso.org/iso/home/standards/iso26000.htm

Kabar24. (2016, February 9). *Pendidikan*. Dipetik June 16, 2016, dari kabar24.com: http://kabar24.bisnis.com/read/20160209/255/517244/fenomena-penduduk-berikut-prediksi-komposisi-usia-produktif-tahun-2020

Kompasiana. (2015, October 8). *Rubrik: Artikel Pilihan*. Dipetik June 16, 2016, dari kompasiana.com: http://www.kompasiana.com/rizkishaffansagarino/bonus-demografi-hadapi-mea-2015_561628c391fdfdc1078f7d4b

Kotler, P., & Lee, N. (2005). *Corporate Social Responsibility: Doing the Most Good for Your Company and Your Cause.* Hoboken, New Jersey: John Wiley & Sons, Inc.

Kurniati, T., & Rahmatullah. (Panduan Praktis Pengelolaan CSR (Corporate Social Responsbility)). *2011.* Yogyakarta: Samudra Biru.

Moleong, L. J. (2009). *Metodologi Penelitian Kualitatif.* Bandung: Remaja Rosdakarya.

Mursitama, T. N., Hasan, M. F., & Fakhrudin, I. Y. (2011). *Corporate Social Responsibility (CSR), Teori dan Implementasi: Studi Kasus Community Development Riau PULP.* Jakarta: INDEF.

Patton, M. Q. (2001). *Qualitative Research and Evaluation Methods.* Thousand Oaks, CA: Sage Publications.

Putra, A. K. (2013, May 25). Dipetik June 8, 2016, dari Arif Kelana's Blog: http://arifkelana.blogspot.co.id/2013/05/sejarah-dan-perkembangan-public-private.html

Rudito, B., & Famiola, M. (2013). *CSR (Corporate Social Responsibility).* Bandung: Rekayasa Sains.

Rudito, B., Prasetijo, A., & Kusairi. (2003). *Akses Peran Serta Masyarakat.* Jakarta: Sinar Harapan and ICSD.

Strauss, A., & Corbin, J. M. (1998). *Basics of Qualitative Research: Techniques and Procedures for Developing Grounded Theory.* SAGE Publications.

Tsoutsoura, M. (2004, March). Corporate Social Responsibility and Financial Performance. *Applied Financial Project* . Berkeley, California, United States of America: Haas School of Business, University of California.

United Nation. (2001). *United Nations: Millennium Project: MDGs*. Dipetik July 19, 2016, dari United Nations Millennium Project Web Site: http://www.unmillenniumproject.org/goals/

Werther, W. B., & Chandler, D. B. (2006). *Strategic Corporate Social Responsibility.* Thousand Oaks, California: SAGE Publications.

Wheelen, T. L., & Hunger, J. D. (2012). *Strategic Management and Business Policy Toward Global Sustainability* . New Jersey: Pearson Education.

World Bank. (2015). *Data: Maternal mortality ratio*. Dipetik June 20, 2016, dari World Bank Data Site: http://data.worldbank.org/indicator/SH.STA.MMRT

Yin, R. k. (2011). *Qualitative Reseacrh from Start to Finish.* New York: The Guilford Press.