Identification of stakeholder involvement in the conduct of corporate social responsibility (CSR)

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Abstract. The awareness of companies involved in community’s live by corporate social responsibility (CSR) activities is elevating, because of the regulation and the willingness of the companies to be involved in creating sustainable development. The conduct of the CSR is socially constructed according to the companies context, does not creating dependency and creating a natural proces of separation toward the collective independent of the community. Identifying the involvement of stakeholders in the conduct of CSR will serve as important information in understanding the degree of the involvement. The study is using descriptive analysis with qualitative approach. The data collection used are in dept interview, focus group discussion, and literature study. The research shows that identifying the quality of actor within the community serve as the foundation for stakeholder involvement, in addressing social, economical and environmental aspects issues. The mindset, awareness and communication style serve as supportive factor for group cohesiveness and continuity in the CSR activities. This research claims that the importance of the CSR activity is not depend on the amount of assistance provided, but on how the assistance lead the community to elevate their social quality degree towar d self-actualization community resulting independency and sustainability.

1. Introduction
In running their activities, companies are often faced with certain situation during the decision making process which will impacting not only the shareholders, but also the stakeholders of the companies. Facts show that when decision is made by the companies is somehow destructive to the social order of the surrounding community or negatively impacted for the environment, thus this will also bring the effect back to the companies. The emerging of various reactions and demands on the effects may come at least of the surrounding community nearby the operating area of the companies.

Some forms of reaction generally occured such as but not limited to stealing of the facilities belong to the companies, road blockade toward the companies-owned vehicles, bullying from unresponsible group, physical threat to employers and companies management, and even the act of law complaint. Meanwhile the forms of demand from the surrounding community nearby the operating area of the companies may be demand to repair or compensation on the negative impact produced by the companies, the demand to provide employment for the surrounding community or asking for contribution for the neighbourhood.
Sociologically, the situation is mentioned as expected to happen and convey a deep message that the companies as the in-comer, have to bring itself to be a good “citizen”, thus its existence may be accepted by the surrounding community who are already exist in the area then to provide a mutual benefit. Therefore, the establishment and operation of companies in certain location are not only for the interest of the shareholders (owners) and companies management, but also since the beginning should already paying attention to every parties connected and have interest to the companies (stakeholders). This depicts that the companies will be able to operate and gain profit when their operational business is maintained. One of the effort conducted by the community to socially behave, is by conducting the corporate social responsibility (CSR).

It has been believed that the only responsibility of business is to make profit for the shareholders. Groups rejecting CSR argue that companies are profit earning organization and are not group of people such as social organization. While groups that support CSR believed that companies are unseparable from the surrounding community, due to first, community is the potential resources and reproduce by companies. Without the support from the community, it is impossible for the companies to have costumers, employers and other production sources, second, although the companies have paid their taxes to the state, that does not mean have eliminating the responsibility of the companies to the public welfare. Therefore, the companies should comprehend the duality of permission to be obeyed in ensuring the business operation run safely, they are legal permit from government and social permit from the community by conducting corporate social responsibility (CSR) activities [1]. Prayogo supported this notion by conveying that CSR activities are serving as translating the effort to build good relationship by the company with other stakeholders, especially the local community [2]. Whereas Freeman defines stakeholder as an organization, group or person who may be influenced and influence the objective of the organization [3].

According to Kasali, stakeholder is divided into various type, which are internal stakeholder which means stakeholder who are within the organization, for example is employees, manager and shareholders, meanwhile the distributor, costumer, society and government are included as external stakeholders because their existence are outside the boundary of the organization. Moreover, Kasali divide the criteria of interest and decision as well as satisfaction of stakeholder toward the companies existence, as described in the table below: [4]

| No. | Stakeholder | Criteria of Interest and Decision |
|-----|-------------|----------------------------------|
| 1   | Shareholders| Financial performance             |
| 2   | Employee    | Salaries, supervision & workforce satisfaction |
| 3   | Consumers   | Quality, service, location, price |
| 4   | Creditors   | Creditworthiness                  |
| 5   | Community   | Community contributions           |
| 6   | Supplier    | Equal transactions                |
| 7   | Government  | Legal compliance                  |

The development of stakeholder theory was begun with the shifting approach of the company in conducting its business activities. According to Budimanta, et al., there are two stakeholder approaches, which are old-corporate relation and new-corporate relation [5]. The fundamental difference between both approach is seen from the emphasis on the form of the conduct of companies activities.

Old-corporate relation emphasized on a separate form of company activities in every function thus in conducting its activities, each function will not be connecting one another. The relationship with outsider of the companies is short term and limited to transactional relations without cooperation in creating mutual benefit. This approach resulting many conflicts for the companies, because the companies unaccidentally separate themselves with the insider or outsider stakeholders.
Meanwhile the new-corporate relation approach emphasized on collaboration between companies with every stakeholders. The relationship between companies with internal stakeholders is built on the concept of mutual benefit, meanwhile the relationship with external is based on functional partnership. Therefore it may be claimed that the new-corporate relation eliminating the distance amongst the stakeholders of the companies. Companies are no longer exclusive of their stakeholders, thus with this relations pattern, the direction and objective of the companies are no longer orienting at collecting wealth as much as possible, but more to the achievement of sustainable development [6].

The stakeholder involvement in the conduct of CSR as the focus of the study is on the community involvement in the company’s operational surrounding, because one of failure in the conduct of the CSR is in identifying and involving the beneficiaries due to lack of effort in building the participation from the community as well as the lack of effort in building independency of the beneficiaries [7].

2. Method
The study was conducted using descriptive analysis method with qualitative approach. The techniques of collecting data are in depth interview, focus group discussion, and documentation study. The instrument used was guided interview and guide for FGD. The informants in this study are CSR division of the companies and stakeholders of the company which consist of community involved within the guided groups, implementing partner institutions as the company’s partner in conducting the CSR activities, and the village authorities.

3. Result and discussion
The company identifies the local community by conducting social mapping, from the cultural, economical, political and social aspects thus it hoped that the company may comprehend the complete picture of the condition of the surrounding community. Based on the understanding of the existing condition of the community, the company then will be able to build the social process benefiting the local community as well as the company. The benefit gained and enjoyed by the local community, directly or indirectly and long term will bring benefit to the company.

Various companies are searching for answer of various social demands via dialogues with various stakeholders. The dialogue between the stakeholders will assist in addressing the question of responsiveness of the companies in receiving the less clear signal from the environment. Kaptein & Van Tulder add “this dialogue not only enhances a company’s sensitivity to its environment but also increases the environments understanding of the dilemmas facing the organization” [8].

The result shows that the effort to build the independence of the beneficiaries have been conducted by the company through the formulation of guided groups. Although faced with various challenges, the guided groups are survive and keep doing the activities. The decreasing number of group members and failure in selecting business are considered as challenge to the sustainability of the group. The independence of the beneficiaries is challenging issue, because to be able to exist in the group is not considered as the form of independence, and sometimes the groups are still depend on assistance provided by the company and wish to be continued to be guided as the company’s partner in conducting the CSR activities. Tabel 2 below describe the dynamics of the guided groups as one of the important stakeholders in the conduct of the CSR by the company.

| Table 2. Dynamics in the Guided Group |
|--------------------------------------|
| **Aspect** | **Able to survive Group Members** | **Unable to survive Group Members** |
| Orientation on payment | Receiving payment or fee is not the main goal | Payment is the primary aspect, thus their existence depend on the payment received |
| Perspective on the current result of the business | The sustainability of the group members are not achieved from the current result earned, but due to the believe that hardwork will be benefitting in its time. | Due to unsuccessfull effort, the group members decide to left the group |

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| Aspect                          | Able to survive Group Members                                                                 | Unable to survive Group Members                                                                 |
|--------------------------------|------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|
| Motivation                     | The group members acquire awareness as local community surrounding the company to keep trying, creating and self-developing | When the active group members acquire results from the business, the former members who left the group are regretting their decision and wishing to be able to re-joined the group. |
| The success of the business    | The sustained group becoming the success story of the success of the business                     | The success story is becoming the push factor for the once-joined member to re-joined the group. Although they will still have to experience the process to earn their own success story. |
| The willingness to contribute to others | There is a strong will in the group members to build the village they live in                     | Emphasized on benefiting their own-selves                                                                 |
| Acquired experience            | There are individuals with many experiences and well-tested making the spirit of the group members stronger to survive and running the group activities | No experience beforehand                                                                                             |
| Initiative and participation   | The failure in selecting and determining the division of business encourage the group members to think together and decide the division of business suitable for the groups by taking advantage from resources and network owned serving as representation of community’s initiative to participate using acquired knowledge and skills. | No initiative and participation                                                                                       |

The result shows that in CSR activities, the beneficiaries, which are the surrounding community have been involved in the CSR programs and there are group members who are already able to survive although most of other group members are not active in running the group activities. Both guided group ideally is guided by professionals provided by company, however the lack of career path for community development specialist within the company also potential in limiting the development skills. The lack of human resources causing decay for the CSR activities as the result of social attitudes of the staff of the company, which means the social values directing decision making from the staff of the company. Meanwhile, the majority employees within the company are usually managerial or technical skill trained people who acquire high ability to address technical and managerial difficulties, however, insufficient in addressing the complex social problems of which put more emphasize on soft skills, patience and interpersonal skills [9]. The statement of Raharjo is accordance with the existing condition in the field, where companies experiencing lack of personnel and expert with technical abilities in social field to work together with surrounding community [9]. The management of the company in the CSR division is very limited, thus will not be able to address the conduct of CSR programs together with the communities in several villages and the CSR programs depend on more to proposals and request from the community and trial and error in nature, thus often the assistance provided by the company is not in the form of facilities enhancing the economical condition of the community as one of measureable evident, moreover in achieving the autonomy of the community.
Therefore, the company working together with implementing partner as partnering institution to perform the CSR programs and play the role of providing teaching and training for the community as well as guiding the groups in running their business. The implementing partner together with the company conducting monitoring and evaluation toward the groups activities for the future.

4. Conclusion
The failure in understanding the surrounding community of the company particularly connecting with specific issues context develop is the existing situation in the company, thus the company often unable to determine and involved the main stakeholders in the CSR activities. The main stakeholders in the beneficiaries of the CSR activities is surrounding community or local community.

The lack of human resources specifically in the division dealing with people and society, particularly CSR and Community Development specialist effecting the precision and accuracy of stakeholders identification. When there is division or unit of CSR in company, in general the position is being filled with “left over” human resources without educationan background and competency that will support the CSR activities or community development. This condition is occuring because the mindset of the human resources or company’s staff which focusing more on to technical and managerial issues, and have not seriously build the social construction which resulting in autonomy and empowerment of the community.

There is no unity of CSR in the development planning, either locally, or regionally. As the effort to build the social construction, in identifying the stakeholders of the CSR activities should be done and determined together with the stakeholders themselves, as the effort to build togetherness and collaboration bridge by the community development specialist.

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