

The Role of Stakeholders in the Implementation of CSR Program by Pertamina Subang

Rudi Saprudin Darwis¹, Risna Resnawaty²

^{1,2}Padjadjaran University

Abstract: *This article is the result of research on the role of stakeholders in the implementation of CSR in Indonesia. Every year oil and gas companies have implemented CSR programs with a large amount of funds. Poverty is still a common problem that occurs in almost all areas of oil and gas operations in Indonesia. CSR programs by oil and gas companies basically seek to empower communities and reduce poverty. However, the community still has not felt the significant impact of CSR implementation. The successful implementation of CSR can be achieved through CSR programs involving all stakeholders. Three main stakeholders on CSR implementations are the government, PT. Pertamina, and the local community. PT. Pertamina Field Subang through the Greenhouse program seeks to improve the welfare of the community by involving all components of society. However, the local government considers that the company is not fully involved in CSR implementation, while the company feels that the interest to coordinate with the government is limited to licensing issues. This resulted in the implementation of CSR running partially and not integrated with the development plan undertaken by the government. Similarly, the relationship between the company and local institutions that exist, there is a negative stereotype of local institutions to the company that looks very stingy and exclusive company. The role of local communities as stakeholders began to be able to participate and become independent program implementers but this program has not been able to achieve its objectives as expected.*

Keywords: Corporate Social Responsibilities / CSR, Stakeholder

1. Background Issues

Sustainable development requires a contribution from the company in the implementation of development. Involvement of the business sector in the implementation of development is a new hope in the achievement of development targets. This is due to the many problems faced and the government's development plan, but the government's budget is unlimited. Through CSR, companies that are also responsible for the welfare of surrounding communities must take part in the implementation of development.

Implementation of CSR by oil and gas companies is expected to improve the welfare of the community, especially around the operation area, especially in accessing livelihood sources such as education, health and income increase. The problem of poverty still occurs around the oil and gas operations area, related to that sustainable development mandates for the company to contribute in poverty reduction (Jenkins, 2005)

Blowfield and Frynas (2005) suggests that CSR as an umbrella for theory and practice in recognizing the following phenomena: (1) that corporations have responsibility for the impact of their operations on society and the natural environment, on account of individual rules and responsibilities, (2) the company has responsibility for the behavior of the parties doing business with the company. (3) Companies need to manage relationships with the community more broadly.

Referring to Blowfield and Frynas, the company has an obligation to manage its relationship with all stakeholders. Similarly, in the implementation of CSR, one indicator of the success of the CSR program is the cooperation among stakeholders in moving the program. Support and cooperation among stakeholders ideally will make the

program more powerful as all parties strive to give their best contribution to the program being run. In a governance known as good governance, the stakeholders referred to in the implementation of development are government, community, and private / business world. In this CSR activity the three main stakeholders each play a role in accordance with their capacity and abilities.

The main stakeholder is the company as the main implementer of CSR activities, as well as the parties that fund community development activities. Furthermore, the community as beneficiaries must participate in this CSR activity. Participation will encourage people to solve the problems they face without being dependent on the company. Community participation will encourage self reliance which is the embodiment of a powerful society. The role of government is also considered very important, because as a holder of control in every activity that exists in society conducted by companies or by society independently.

PT. Pertamina Field Subang through the Greenhouse program seeks to improve the welfare of the community by involving all components of society. This program received a platinum award from the International consortium for social development, because it is considered in accordance with the criteria of sustainable development and can improve the economic empowerment of the community.

CSR activities have been running for years by companies at great cost, but poverty problems still have not found the solution. The community still has not felt a significant impact from the results of CSR implementation. Similarly, the local government considers that the contribution of the company is very small to the implementation of regional development. Important things that need to be observed in the implementation of CSR is often companies do CSR activities partially and do not coordinate with development

Volume 7 Issue 2, February 2018

www.ijsr.net

Licensed Under Creative Commons Attribution CC BY

plans undertaken by the government. It is not uncommon to generate an overlapping program (BPMIGAS, 2008). Similarly, the relationship between the company and local institutions that exist, there is a negative stereotype of local institutions against the company that looks very stingy and exclusive company. The opposite is true that firms view local institutions as political elites of society who extort companies. Resnawaty (2015) states that the involvement of the government in the implementation of CSR is only done limited to coordination at the time the program will be rolled out, while full involvement among stakeholders in accordance with the role they have not done optimally.

This problem must be serious when inter-stakeholders have different understanding, goals and interests, because these conditions do not encourage the achievement of CSR goals that empower the community.

2. The Role of Companies, Government and Society in CSR

The achievement of the implementation of CSR is not only determined by the form of its activities but also determined by the organization of implementation and cooperation made with various parties concerned with CSR activities by oil and gas companies.

Understanding stakeholders refers to a form of social groups in any community, so it is difficult to distinguish individuals who move freely as members of the community or as stakeholders associated with the company. The term Stakeholder refers to individuals or groups that may influence or be influenced by corporate activity (Ann, 1998, World Business Council for Sustainable Development, 2002). Referring to the original understanding, stakeholders mean a person or organization having a share and interest in the form of the company (oxford dictionary, 1995).

Companies with any scale have a set of uniqueness of interest to achieve certain goals based on the activities it does. The existence of the company relates to investors, employees, enthusiasts, suppliers, and the community. The term stakeholder refers to individuals or groups that may influence or be influenced by company activity.

Mitchell (1997) in Magness (2008) describes stakeholders as having three main characteristics: power, legitimacy and urgency. Legitimacy refers to social acceptance and expected behavior. Power, by its usefulness, refers to the attitude of controlling resources. Urgency arises when issues arise that require attention. These three attributes have been constructed and rooted socially in social life once the oil and gas company emerges.

In the implementation of CSR, the local community can be said as a stakeholder, because the community has the interest and legitimacy of resources sought by the company. This relates to all the social rules that are used as a reference in performing acts for the individuals. In the social rules of society there is a status and a tangible role in the social structure prevailing in society. Social rules are expressed in the form of social institutions or social institutions of society that can take the form of livelihood, religious, artistic,

educational, health, and so on. Society can be defined as a collection of the roles manifested by its individuals strongly linked to certain positions as members of society.

Government is a bureaucracy that regulates the way a company through regulations or regulations that must be adhered to by the company in carrying out its activities. These rules are embodied in the prevailing social institutions within the state.

Some of the existing stakeholder forms in society within an enterprise can be identified into several forms. Each of these stakeholders is outside the company as an element that affects and is influenced by the course of a company's activities. So that these elements form a system consisting of inter-related sub-systems that form the structure and functioning with each other and have their respective goals.

Table 1 1: Stakeholder on CSR implementation in Indonesia

A. Internal Stakeholder: Investor/Manager operasi/decision maker	E. Society: Local community Local institution Local organization, School and university Non government organization
B. Costumer terdiridari: Individual Customer Consumer association	F. Environment: Land Species Next generation
C. Employee	G. Mass Media: Journalist Columnist
D. Other Corporate Competitor Corporate association	H. Government: Ministry of ESDM, Ministry of BUMN Local Government Legislative, local Legislative, Government institution

Source: Resnawaty(2016), Rudito, dkk.,(2004).

The three main stakeholders who are influential in the implementation of CSR by oil and gas companies are: government, society, companies. The government conducts community development through the implementation of development programs in various areas of life. In addition, as the holder of power mandated by its citizens, the government made various regulations aimed at the creation of a prosperous society, including the arrangement of Community Development (extracted from Rubin and Rubin, 1992).

Society is no longer seen as the object of activities that will only receive the results of community development activities, but as parties who must participate in determining the activities. According to the new paradigm, namely people-centered development. Communities together with implementers of change determine all things related to community development activities.

Companies are profit organizations that do CSR. Oil and gas companies provide funds for community development activities. Oil and gas companies are among the forms of organization that influence the implementation of CSR; even oil and gas companies occupy a very strategic position in the implementation of CSR considering they not only implement but also have a source of funding for the implementation.

These third-party interactions determine the shape of CSR activities. Freeman (1984); Clarkson (1995) state that stakeholder can have an influence on business in certain situations. All stakeholders have a role according to their characteristics. Each party will play a role based on its own interests, so that political nuance is often felt when all parties make CSR / Community Development as a tool for achieving its goals. Moreover, if each party feels they have greater authority in determining the direction of CSR in the area.

3. Research Methods

This research was conducted in Subang area of West Java. CSR program Pertamina EP subang conducted in subdistrict of DangdeurSubang Kota district. Selection of CSR program location according to drilling wells located in RW 10 Dangdeur Urban Village.

4. Greenhouse as CSR Implementation PT. Pertamina EP

One of the targets of sustainable development is to pass on the quality of a good environment to future generations. In this case the oil and gas industry gets the spotlight, because the implementation of oil and gas operations has a direct impact on the quality of the environment and also the surrounding community.

Pertamina appears to be taking the initiative in planning the program after recognizing the potential and problems that exist in the region. Waste issues and capacity building are the main focus. Based on the above, two excellent programs Bank of Garbage namely Broery (Bank Roentah) and Sari (studio of inspiration / community youth center).

PT. PertaminaEpSubang uses Ecogreen concept with the theme of preserving environment in CSR implementation. Pertamina sees Dangdeur villagers living close to the operation area without a waste management system so that CSR programs directed to waste management to maintain health and environmental hygiene also add value to people's lives through waste processing. Corporate policy related to CSR is a community development activity by emphasizing the company's contribution to sustainability development goals. This is done to change the stigma of CSR which was only charity to be community empowerment.

Broery program focuses on waste management that can be utilized either organic or inorganic. Pertamina provides building asset as TPS sorting garbage and doing assistance in which there are capacity building activities for its members. Products produced by Broery in the form of processed products from waste that is handicraft and Biogas. Broery also cooperate with big collectors to deposit the processed waste products. Previously Pertamina has been doing training and capacity building of inspiring House members in some successful garbage bank. The results obtained after one year of running Broery is the production of waste craft that has been sold and alternative fuel that is currently still used for purposes at Home Inspiration.

Broader level, Broery became a monitoring point of Adipura 2017 assessment representing Subang Regency.

The sari program including some activities such as capacity building / learning English, Sundanese cultural preservation activities called *ngamumuleKasundaan*, in addition there are other activities that are the corner of inspiration, cafein and creative workshop. The beneficiaries of sari programs reach out to children and communities around the Dangdeur region. But currently the program that runs only creative workshop while other activities are currently being vacuum due to lack of tutors / HR.

5. Stakeholder Role in CSR Implementation

A. The Corporate :Pertamina Field Subang

Pertamina As a Company has an obligation to protect the Environment. Home Inspiration Program is one of the program products that was originally initiated by Pertamina Community Development Officer. The initiative of the company to implement the CSR program is very high related to the obligations of state-owned enterprises to implement CSR. As the originator of the program, the activities of designing the program, determining the targets and activities to be undertaken by Pertamina planned. At the beginning of the program implementation, Pertamina tried to involve the community in the program, but the company was dominantly emerging as the main actor.

CSR PertaminaEpSubang Program has a grand design CSR with the title of House Inspiration. The first Inspiration House program focuses on Waste Management, called Brokers Bank. Pertamina strives to empower communities by providing infrastructure assets, improving human resource capacity in waste management through trainings and instilling environmental safeguard values for communities in Dangdeur Urban Village. Public participation in the activities of the House Inspiration by becoming a bank administrator and bank customers by saving the garbage collected at Inspiration House to be processed and added the economic value. Another program from Home Inspiration is Inspiring Studio. The beneficiaries of this activity are school-aged children in Dangdeur sub-village. This Inspiring Studio consists of several activities that are English Club, Inspirational Corner, Glorifying Sundanese culture (*Ngamumulekasundaan*), Taman Bacaan, Creative Workshop and café.

In the Garbage Bank program, Pertamina is assisting the community in managing its work environment, this assistance through activities to plan capacity training programs, monitoring, socializing programs to the general public and the government, providing for infrastructure needs. CDO does not provide money assistance, but with the provision of waste management tools and other assets for the activities of the House of Inspiration activities with the aim of not spoiling the community. Pertamina wants to change the mental from the first just ask but become mentally productive, because the tool will encourage people to produce the product. All the financing these programs supported by Pertamina. So that Pertamina never give conditional cash assistance to the community.

The process of providing assistance in the form of this tool is accompanied by efforts to transfer knowledge and technology for the management of garbage bank. The administrators are taught to process waste into materials whose economic value increases such as handicrafts and alternative fuels from waste plastic bottles. CDO also teaches managers to manage the organization by aspects of communication, honesty and professionalism, so that in the future this program will be able to manage the community independently.

The dynamics of the development of the Inspiration House have fluctuated, especially when viewed from the membership. Initial socialization of the Inspiration House program almost every youth organization from Dangdeur Urban Village was involved, then reduced to 18 board members and decreased back to the present time that is only 8 people board. Even the Inspiratory Studio activities do not go as expected or vacuum.

B) The Role of the Government

The Government is a very important stakeholder in the implementation of CSR. Ideally CSR programs are conducted jointly with the government. In other words, the CSR program should be in line with the government's development program. The government has the authority to make rules in the implementation of CSR. However, companies usually submit to and obey the laws and regulations of the Ministry of Energy and Mineral Resources. In fact, local government not fully involved on activities undertaken, they only got report on the beginning and the end of programs.

Dangdeur urban village, Subang District and Environment Agency basically support CSR activities of PT. PertaminaSubang. Pertamina conducted socialization and prior permission to Dangdeur village and sub district government to organize Home Inspiration CSR program. This activity was initially highly appreciated by the government. Basically government of Subang subdistrict was very feel helped by waste processing. Moreover, this junk bank has a purpose to improve the living standard of Dangdeur people. As its function in the Act, Sub-districts seek to coordinate and facilitate for CSR activities Pertamina. Where as for more technical steps CSR program accompanied by the government of Dangdeur.

The urban village responded positively to having the first time the program was launched, although the service provided by the Dangdeur government was only giving permission to organize the activities. The local government at the local level only acts if there is a request for permission or invitation to attend the activities of the company. Because the village and sub-district governments do not have the authority to determine the CSR program that must be done by the company. So far, the Pertamina CSR program has been recognized by the government in accordance with the needs of the community in the vicinity of the operation area, but the CSR program has not been integrated with the development plans owned by the sub-district government.

C) The Role of Society on CSR Implementation

The initial process of the establishment of the House of Inspiration is an initiative of Pertamina represented by the Community Development Officers. But in the CSR Implementation the community should participate in whole of process. At the beginning of the program the community was invited to socialize the program. Once the community understands the purpose of the program, an organization is set up to manage the inspiring home.

The community is very enthusiastic with the implementation of CSR conducted by Pertamina. The community appears to be playing a significant role, with the initiation of various community initiatives to solve various problems related to the development of waste banks. Pertamina party strongly supports every decision taken by the community in the management of waste banks. This is because the final goal of the program is expected to be more independent and sustainable.

To improve the knowledge and skill capacity of management in waste management, CDO Pertamina invites the management to conduct training to teach waste management to alternative fuel (BBA). Marathon trainings are conducted from February to June. In this period began to run also the Home Inspiration event is Dangdeur English club that teaches children and administrators to learn English starting in March. But the program does not continue with the reasons for the lack of supportive human resources. Up to two years from the first stand, the Garbage Bank is still seen running in the community compared to other programs namely SanggarInspirasi. This program only runs for a while and no longer run as expected. Basically the community is very enthusiastic with the program, but human resources and financial resources in the implementation of the program is still very dependent with the company. This can be understood because this program has been running for about 2 years, but in the past 2 years the program has stopped before the community gets much benefit from the program.

6. Conclusion

Greenhouse program aims to improve the welfare of the community through waste management. Garbage identified as a common problem of Dangdeur community becomes a solution of poverty on that area. Through this program PT. Pertamina EP field Subang was awarded platinum from International Sustainable Development Association in 2017.

The three main actors in CSR implementation have essentially played a role in CSR activities in accordance with their function and legitimacy as stakeholders. But the role is not maximal because coordination among stakeholders is very limited on things that are technical. Each stakeholder has the same goal but organizes the activity partially. Between the company and the government there has been no coordination in the implementation of the program. The role of the community is still at the level of participation yet as an initiator. Actually the company has tried to involve all stakeholders but the role of the company is still very dominant in the implementation of the program.

In the Garbage bank program has seen the role of society when solving the problem, it shows that the community has initiated the program. Nowadays, only a few are committed to stay in the program. This shows distributions of benefits of the program has not been felt by most members of the community.

References

- [1] Adamson, D. (2010). Community empowerment: Identifying the barriers to "purposeful" citizen participation. *International Journal of Sociology*, 30(3/4), 114–126.
- [2] Adi, I. R. (2003). *Empowerment, community development and community intervention*. Jakarta: FE-Universitas Indonesia.
- [3] Blowfield, M. and Jędrzej George Frynas. (2005). Editorial: Setting new agendas – critical perspectives on corporate social responsibility in developing world. *International Affairs* 81 (3): 499 -513
- [4] Bowie, N. E. (1990). Money, morality, and motor cars. In W. F. Hoffman, R. Frederick & E. S. Petry (Eds.), *Business ethics and the environment* (pp. 89–97). New York: Quorum Book.
- [5] Elkington, J. (1997). *Cannibals with forks: The triple bottom line of 21st century*. Philadelphia: New Society.
- [6] Eweje, G. (2006). The role of MNE's in community development initiatives in developing countries. *Sage Publications*, 45, 93–129.
- [7] Fallon, G. C. (2010). Giving with one hand: On the mining sector's treatment of indigenous stakeholders in the name of CSR. *International Journal of Sociology and Social Policy*, 30, 666–682.
- [8] Fatah, L. (2008). The impacts of coal mining on the economy and environment of South Kalimantan Province, Indonesia. *Asean Economic Bulletin*, 25, 85–98.
- [9] Frank den Hond, F.G. (2007). *Managing CSR in action; Talking, doing, and measuring*. England: Ashgate Publishing Limited.
- [10] Frynas, J. G. (2009). *Beyond corporate social responsibility*. New York: Cambridge University Press.
- [11] Hopkins, M. (2007). *Corporate social responsibility and international development: Is business the solution?* United Kingdom: Earthscan.
- [12] Idemudia, U. (2009). Oil extraction and poverty reduction in Niger delta: A critical examination of partnership initiatives. *Business Ethics*, vol.90, issue 1, p91–116.
- [13] Ife, Jim, (2012). *Community development in an uncertain world*. Australia: Cambridge University.
- [14] Jenkins, R. (2005). Globalization, corporate social responsibility and poverty. *International Affairs*, 80(03), 524–540.
- [15] Kapelus, P. (2002). Mining, corporate social responsibility and the "community": The case of Rio Tinto, Richard Bay Minerals and the Mbonambi. *Journal of Business Ethics*, vol.39, issue 3, p275–296.
- [16] Kapelus, R. H. (2004). Corporate social responsibility in mining in Southern Africa: Fair accountability or just greenwash? *Development*, 47(3), 85–92.
- [17] Kemp, D., Owen, J. R. (2012). Assets, capitals, and resources: Frameworks for corporate community development in mining. *International Association for Business and Society*, vol. 51, issue 3, p382–408.
- [18] Kotler, P., Lee, N. (2005). *Corporate social responsibility: doing the most good for your company*. United State of America: Wiley
- [19] Ogula, D. C. (2008). *Stakeholder involvement in corporate social strategy: An ethnographic study of the Niger Delta, Nigeria*. Phoenix: University Of Phoenix.
- [20] Prayogo, D. (2011). *Socially responsible corporation: PetaMasalah, TanggungJawabSosial dan Pembangunan Komunitas pada Industri Tambang dan Migas*. Jakarta: UI Press.
- [21] PSE-UI (Pusat Studi Energy-Universitas Indonesia). (2002). *Indonesia energy outlook & statistics 2000*. Jakarta: UI-Press.
- [22] Resnawaty, Risna. (2015). *Model of Community Development on CSR Implementation by Mining Company*, Jakarta : Disertasi Universitas Indonesia.
- [23] Saidan Abidin, (2004). *Corporate social responsibility: Alternatif bagi Pembangunan Indonesia*. Jakarta: ICSD