



TECHNIUM
SOCIAL SCIENCES JOURNAL

Vol. 15, 2021

**A new decade
for social changes**

www.techniumscience.com

ISSN 2668-7798



9 772668 779000

Community Satisfaction to Corporate Social Responsibility (CSR) Programs for Rural Economic Empowerment

Mochamad Sugiarto¹, Adhi Iman Sulaiman²

¹Postgraduate Program of Jenderal Soedirman University, Indonesia, ²Department of Social and Political Sciences, Jenderal Soedirman University, Indonesia

zoegic@yahoo.com¹, adhi.2005unsoed@gmail.com²

Abstract. This study aims to analyzing the implementation of a cement manufacturer's CSR programs to improve effectiveness and satisfaction of people in general. The research conducted using survey method to 86 respondents, who are members of Joint Business Group in Cilacap Regency and beneficiaries of Corporate Social Responsibility (CSR) programs. The data were collected through observation, questionnaires, interviews and discussions, then used descriptive statistical analysis and qualitative narrative. The research results have found that the company's direct involvement model in a CSR program gives several advantages. Nevertheless, the limited quantity and quality of this cement manufacturer's CSR administrators result in less effective planning, assistance and evaluation processes. People are satisfied with how the CSR is executed by the cement manufacturer, yet the program they carry out has not completely matched what these people need and cannot correctly identify the CSR program beneficiary targets. In relation to this, the implementation of CSR using direct involvement model needs some improvement to make it more effective and intensive. The modification of direct involvement model by use of information technology becomes an important alternative to deal with the limited quantity and quality of human resources of CSR program administrators.

Keywords. business group; community satisfaction; corporate social responsibility

Introduction

People's economic empowerment constitutes a systematic and well-planned effort to increase people's economic capacity to make them more productive and competitive. The effective process of strengthening economic capacity is expected to yield changes in production capacity and operating revenue. The involvement of society, government and private sector in people's economic empowerment is what expected to change people's socio-economic status.

Cilacap Regency is an industry-based region whose population is still affiliated to agriculture and non-service sectors. One of those companies operating their businesses in Cilacap Regency is the national cement manufacturer. The existence of a cement company in the beginning can present a suspicious attitude of community towards the environment and social damage. Negative perceptions can also arise due to the lack of hope for future community involvement. The existence of this company with cement as its main product has given a great commitment to people's development in economic, education, health and environment fields in the form of Corporate Social Responsibility (CSR).

Companies have an obligation to carry out CSR programs whether requested or not for the welfare of local communities. The company's existence have great potential to change the community's environment, so it is necessary to prevent negative impacts, because this can cause to conflict with the community, disrupt company productivity and community activities. In fact, there are various social, economic, and environmental impacts caused by industrialization, thus requiring companies to be responsible to the public, especially communities around the company's area, through real activities and in accordance with the needs and potential of the local community (Budiarti & Raharjo, 2014); (Marthin et al. 2017). the company's real actions towards society and the environment can change people's negative opinions. The fact that this company is present amidst people's activities gives many positive and negative impacts, thus their partnership with the people needs to be developed more intensively to control possible conflicts, ensure their reputation and survival in performing their production. Companies should be able to deal with and accountable for the impacts arising out of its production operation (Plank, et al. 2016).

CSR is carried by companies in many ways, employing various strategies and models based on the company's internal situation. Many companies have rated CSR as something important, particularly in improving its image and social interaction with the society. Torelli (2012) suggested that the continuance of CSR will have some impact on the company's reputation, social branding, and mitigates social and environmental risks. In carrying out this CSR, companies employ many alternative strategies and models they believe will give the best possible effect on the quality of their services to the CSR beneficiaries. Kim and Bae (2016) stated that the CSR programs have requires efforts to socialize or campaign to the public, especially for the targets or beneficiaries, so that the community can knowing, responding and implementing program activities jointly and transparently.

The CSR programs carried out by the cement manufacturer in Cilacap Regency are those projects in 15 villages in Cilacap Regency, including economic, educational, health, and environmental projects. The cement manufacturer expecting the company will always delivering much benefits to people surrounding the operational area and has mutual interaction with the community. It is in line with the Fontaine (2013) that goal of CSR is to realize responsibility for the company's actions and encourage a positive impact through its activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere. People's perception towards the implementation of CSR is focused on such variables as (1) community/government involvement in drafting community development program, (2) whether the program matches the community needs, (3) dissemination of programs to the community, (4) whether the program has encouraged independence, (5) the program target accuracy (the poor), (6) program assistance process, (7) optimization of community's potentials, and (8) program's synergy with government/other companies. People's positive perception to these variables can reflect their satisfaction of how the CSR programs are carried out. CSR program beneficiary satisfaction can be used as an indicator of a successfully/effectively implemented CSR model. The CSR carried out by companies using certain models is believed to leaves the community with some perception regarding the CSR implementation and it ends up in the community satisfaction index. The result of community satisfaction index towards the CSR implementation of a cement manufacturer in Cilacap Regency will be helpful for evaluating the CSR implementation model. Therefore, it is highly important to conduct a study on the satisfaction of community (beneficiaries) of how the CSR is implemented by the cement manufacturer in Cilacap Regency.

Research Methodology

The study is conducted using survey method to CSR beneficiaries and administrators of a cement manufacturer in Cilacap Regency. Fowler (2013) states that a survey study provides a quantitative description, attitude and opinion of population. The primary data are collected by way of structured interview using questionnaire to 89 respondents who are randomly selected members of KUB and the cement manufacturer's CSR administrators in Cilacap Regency selected purposively using their understanding of public relations program as the criterion. The secondary data are obtained from the cement manufacturer's CSR records/reports and its implementation rules. The data are analyzed quantitatively using frequency approach and qualitatively by presenting the data using text narrative. Miles *et al* (2014) suggest that to help the illustration/narrative of variables and respondents, tables/matrices can be used. The data qualitative analysis is performed by data reduction, data presentation and conclusion drawing/verification.

Results and Discussion

The sustainability of rural development in the area of Cilacap Regency cannot be separated from the economic motivation of business actors, benefits for the surrounding community and conservation of the environment around the location of economic activities. Likewise the sustainability of the cement plant in Cilacap Regency must pay attention to the economic benefits (*profits*), benefits for the surrounding community (*people*) and environmental sustainability (*planet*). The cement manufacturer in Cilacap Regency operates its business using natural resources available in the region. The existence of this company has changed both social and physical conditions of several sub districts in Cilacap Regency. To this matter, the company has social and business commitment to provide the surrounding community with some benefits through their Corporate Social Responsibility (CSR) programs. Cetindamar (2007) adds that CSR should be implemented with an aim of increasing its contribution to sustainable development, including the improvement of people's welfare and fulfillment of their expectation.

CSR Implementation Model

A CSR implementation model is a form and guideline of CSR project implementation which involves many parties to achieve the CSR objectives. The CSR implementation is varied from one company to another, according to the organizational culture and resources they own. The cement manufacturer in Cilacap Regency in implementing their CSR practice refers to the company's policy. Based on an in-depth discussion with the CSR Administration Manager, it is depicted that the cement manufacturer in Cilacap Regency uses direct involvement model in its CSR implementation.

This cement manufacturer in Cilacap Regency carries out their CSR programs directly by independently organizing social activities to the society without any intermediary. This direct involvement model is performed by the company assigning a senior official (CSR administration manager) to plan, execute and evaluate the CSR programs. Saidi and Abidin (2004) explained that there are 4 CSR implementation models, namely (1) direct involvement, (2) delegation to foundations, (3) partnership with other parties, and (4) formation of a consortium. In direct involvement, the company assign one of its senior officials, such as corporate secretary or public affair manager, to implement the tasks,

The advantage for this cement manufacturer in Cilacap Regency in using the direct involvement model is that they can have a direct communication/interaction with the community (beneficiaries). This direct relationship with the community is important to

understand their needs and behavior in order for the CSR project planning and assistance to be effective. The direct involvement of the cement company signals the seriousness of the company in interacting with the community, understanding community problems and resolving the problems. The community needs more direct presence of the company to interact and meet the interests of the community, especially economic, social and environmental dynamics. Abuya (2016) and Guerra (2002) explained that corporate and community relations are an important part of CSR. The implementation of CSR requires companies to meet community needs in economic, environmental and cultural aspects. The direct involvement of cement companies in Cilacap Regency to the community in implementing CSR is carried out in the form of dialogue, consultation and cooperation. In addition, the company made donations, charity, and community capacity building. Cement companies have not yet reached the level of joint ownership, joint project management and joint decision making with the community. According to Bowen et al (2010), companies do more models of corporate community involvement in the form of transactional and transitional engagement strategy.

The problem arising out during this project implementation can be dealt with quickly and the remedy can be immediately performed. The company's direct involvement in the CSR programs allows them to manage the potential conflicts quickly, silently and proportionally according to the characteristics/interests of each group. Pomeroy and Dolnicar (2008) state that company's direct involvement enables them to deliver the messages directly based on the characteristics of each community group. In this context, this cement manufacturer in Cilacap Regency balances the interests of community group and program initiatives from the company. In addition to balancing the interests, this direct involvement model can reduce the bias of company's interests towards the community. The CSR programs can be planned according to what the community actually needs through direct communication between this cement manufacturer in Cilacap Regency and the community.

Another advantage of using this direct involvement model is the effective 2-way communication, particularly in disseminating the company's profile and values to the government of Cilacap Regency, surrounding community and other parties. This can help improve the people and stakeholders' awareness of the company's existence and contribution. The direct involvement process which allows the two-way communication can result in harmonious interaction between the company and the community and control over conflicts between stakeholders in the CSR program implementation. Amirudin (2014) suggests that the direct interaction between the company and the community can improve people's awareness of latest issues and invite the community to participate in the program.

Nevertheless, the limited quality and quantity of human resources have been a hindrance and critical constraint to perform a more effective communication and assistance during the implementation of CSR programs in the cement manufacturer in Cilacap Regency. The assistance that the community need cannot be performed optimally by the company due to the limited resources and the wide operating range. The communication between the company and the community becomes less effective. The community needs cannot be optimally identified and analyzed further, thus a bias occurs between the community needs and the program provided. Furthermore, the limited human resources of CSR administrators have led to a less effective analysis for mapping the CSR program beneficiary targets. The error in determining the target of beneficiaries can eventually result in community's negative perception. In relation to this, the advantages of direct involvement method in the implementation of CSR of the cement manufacturer in Cilacap Regency should be supported with human resources or personnel who understand the program and method for empowering the community in an adequate quantity. The effectiveness of CSR implementation using direct involvement model

needs to be synergized, particularly with the changes of information technology era. Allameh (2011) explained from his research that information technology, internet, office automation and internet affect human resource productivity of Mobarekeh Steel complex in Isfahan. Meanwhile, education level and the type of available jobs had effects on the Internet dimension of human resource productivity of the company.

Community Satisfaction to CSR Implementation

Keeping the CSR programs going has been the company's great challenge in order to improve the community participation and satisfaction. Improving the quality of CSR implementation should be continuously considered to encourage community (beneficiaries) satisfaction. The service quality in the CSR implementation by the cement manufacturer has been a challenge for the sustainability of community empowerment program. In addition to service quality, the accomplishment of CSR program outputs will also make the community willing to participate and view the CSR programs positively. The quality of CSR implementation using company's direct model involvement to the field is expected to be viewed positively by the community to solve problems and meet their needs.

The implementation of the CSR program of a cement company in Cilacap Regency involves various stakeholders such as the community and the government of Cilacap Regency. The company increased program awareness of people through socialization to the community with the aim of increasing public understanding of the CSR goals of cement companies and expanding community participation in the program. In its implementation, the company provides assistance in the aims that the activities in the CSR program run according to the objectives. Communication with the government of Cilacap Regency was carried out to synchronize activities with activities carried out by the local government to the community (beneficiaries). Company services in the implementation of CSR programs are aimed at increasing the positive perception of the community towards the program. In the end, various aspects of the CSR program implementation are aimed at increasing community satisfaction with the program.

The satisfaction of community as important stakeholders (beneficiaries) in the community empowerment is tightly related to the company's reputation and success of CSR programs. Lee and Heo (2009) state that customer satisfaction is an indirect, important, and relevant factor of CSR. Fonseca et al (2012) emphasize that based on stakeholder theory, a company really needs to consider the stakeholder's (community) interest to ensure the community satisfaction and the program existence and continuance.

The analysis of community satisfaction to the implementation of CSR programs of cement manufacturer in Cilacap Regency is approached using several variables, namely community/ government involvement in drafting the CD program, whether the program matches the community needs, dissemination of program to the community, whether the program has encouraged independence, program target accuracy (the poor), program assistance process, optimization of community potentials, and the synergy of program with the government/other companies.

Based on the data collection results, it can be seen that 89 percent of the respondents said that they are satisfied with the CSR programs of the cement manufacturer in Cilacap Regency. Communities that have been given CSR programs from cement companies feel happy and benefited from the increased productivity of their businesses. Most of the community's expectations for CSR programs have been fulfilled even though there are several aspects that need to be improved. The community around the cement company in Cilacap Regency feels the attention of the company through business assistance provided by the company. In general,

community benefit from aspects of improving business quality, capacity building, environmental protection and infrastructure, improving the quality of health and employment opportunities. Książka (2016) stated CSR programs are a good thing for the company and the surrounding community so that the community and company should not be opposed to one another.

However, whether the program matches what the community needs or not still needs some further consideration from the company. From the 8 variables asked to the community, they think the program does not necessarily match the community needs. This indicates that the company has not optimally analyzed and mapped the community needs, thus there is still this gap between what the community needs and the program given to them. Additionally, the target accuracy is still rated less favorable by the community. 14 percent of the respondents think the beneficiaries targeted for the CSR programs are not necessarily accurate.

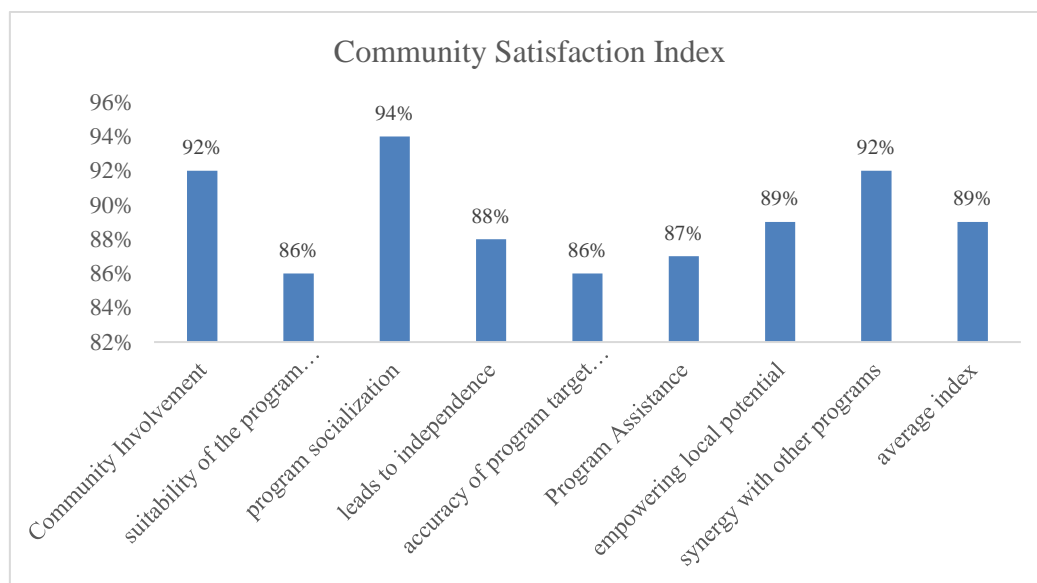


Figure 1. Perceived Community Satisfaction to CSR Programs

CSR constitutes a company's commitment to provide services to its stakeholders (community) and through this it is expected that the interaction and care between the community and company will rise. The CSR which can give the society with some advantages begins with improvement of CSR service to the community. The improved community satisfaction to CSR programs is expected to build the company's image among the community. Nevertheless, the service can only be improved when the company can identify the CSR programs' weaknesses from the community perception assessment. This study gives some inputs to the company to strengthen/improve the process in the future so that the CSR programs of PT Holcim can match the community needs better and aimed to its beneficiaries more accurately.

Conclusion

The CSR programs have been implemented using the right method to improve the program effectiveness in achieving the improvement of production, community economy and satisfaction. The direct involvement model employed to implement the CSR gives an advantage of improved intensity of communication between the company and the community, thus both parties can share the values and interests of community development. This model can be

effective to achieve the CSR programs' objectives, yet the obstacle in its human resources (quantity and quality) has led to the delay in the effort of achieving what the community expect and need. Improving the quality of CSR administrator quantity and quality can accelerate and improve the effectiveness of CSR program implementation.

The CSR beneficiaries are satisfied with the implementation of CSR programs of the cement manufacturer in Cilacap Regency. Yet, the limited human resources in this CSR implementation using direct involvement model has led to the less optimal community satisfaction in such aspects whether the program has matched the community needs and whether CSR program beneficiaries have been accurate.

The implementation of CSR using direct involvement model needs to be improved to make it more effective and intensive. The modification of direct involvement model by use of information technology becomes an important alternative to deal with the limited human resources. Data management related to the CSR processes and output can be monitored more effectively when an adequate information technology is used. This adequate information system needs to be immediately implemented by the cement manufacturer in Cilacap Regency to complement the CSR implementation with direct involvement model.

References

- [1] Abuya, W.O. 2016. Mining Conflicts and Corporate Social Responsibility: Titanium Mining in Kwale, Kenya. *Extr.Ind.Soc* 3(2) : 485-493
- [2] Allameh, S. Mohsen., Z. Momeni., Z. S. Esfahani., and M.K. Zadehbardeh. 2011. An assessment of the effect of information communication technology on human resource productivity of Mobarekeh steel complex in Isfahan (IRAN). *Procedia Computer Science* Volume 3 : 1321-1326
- [3] Amirudin, Z. 2014. Pengembangan Model Corporate Social Responsibility Berbasis Two Way Communication Dalam Rangka Meningkatkan Mutu Community Relation. *Jurnal Humanity* Volume 9 (2): 85-96
- [4] Bowen, F., Newenham-Kahindi, A., Herremans, I. 2010. When suits meet oots : the antecedents and consequences of community engagement strategy. *J.Bus.Ethics* 95(2) : 297-318
- [5] Budiarti, M.S., & Raharjo, S.T. (2014). Corporate social responsibility (CSR) dari sudut pandang perusahaan. *SHARE: Social Work Journal*, 4(1), 13-29. <https://doi.org/10.24198/share.v4i1.13045>
- [6] Centindamar, D. 2007. Corporate social responsibility practices and environmentally responsible behavior: the case of the United Nations global compact. *J. Bus. Ethics*, 76 (2): 1639-1761
- [7] Cowan, K and F. Guzman. 2018. How CSR reputation, sustainability signals, and country-of-origin sustainability reputation contribute to corporate brand performance: An exploratory study.
- [8] Fonseca, L., R.A. Alvaro., A. C. Paulo. 2012. Impact of Social Responsibility Programs in Stakeholder Satisfaction: An Empirical Study of Portuguese Managers' Perceptions. *Journal of US-China Public Administration*, Vol. 9 (5): 586-590
- [9] Fontaine, M. 2013. Corporate Social Responsibility and Sustainability: The New Bottom Line? *International Journal of Business and Social Science* Vol. 4 (4): 110-199
- [10] Fowler, F.J. 2014. *Survey Research Methods*. Sage Publications. Los Angeles
- [11] Guerra, M.C.G. 2002. Community Relations in Mineral Development Projects, *The CEPMLP Internet Journal*, 11: 1-31

- [12] Kim, S., & Bae, J. (2016). Cross-cultural differences in concrete and abstract corporate social responsibility (CSR) campaigns: perceived message clarity and perceived CSR as mediators. *International Journal of Corporate Social Responsibility*, 1(6), 1-14. doi.10.1186/s40991-016-0009-1
- [13] Książka, P. 2016. The Benefits from CSR for a Company and Society. *Journal of Corporate Responsibility and Leadership* Vol 3 (4): 53-65
- [14] Lee, S and C.Y.Heo. 2009. Corporate Social Responsibility and Customer Satisfaction Among US Publicly Traded Hotels and Restaurants. *International Journal of Hospitality Management* 28(4):635-637
- [15] Marthin., Salinding, M.B., & Akim, I. (2017). Implementasi Prinsip Corporate Social Responsibility Berdasarkan Undang-Undang Nomor 40 Tahun 2007 tentang Perseroan Terbatas. *Journal of Private and Commercial Law (JPCL)*, 1(1), 111-132. <https://doi.org/10.15294/jpcl.v1i1.12358>
- [16] Miles, B Mathew, A.Michel Huberman, and J. Saldana. 2014. *Qualitative Data Analysis: A Methods Sourcebook*. Sage Publications. Los Angeles
- [17] Plank, S. V. Der., B.Walsh., P. Behrens. The expected impacts of mining: Stakeholder perceptions of a proposed mineral sands mine in rural Australia. *Resources Policy* 48: 129–136
- [18] Pomeroy, A. and Johnson, L. 2009. Advertising corporate social responsibility initiatives to communicate corporate image: Inhibiting skepticism to enhance persuasion. *Corporate Communications: An International Journal*, 14 (4): 420-439
- [19] Torelli, C.J., A.B. Monga., and A.M. Kaikati. 2012. Doing Poorly by Doing Good: Corporate Social Responsibility and Brand Concepts. *Journal of Consumer Research* Vol 38: 948-963