

# CSR

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# DETERMINE THE INDICATORS OF LOCAL COMMUNITY THAT IMPACT ON CSR ACTIVITIES

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## ABSTRACT

Corporate Social Responsibility (CSR) in business activities is now a fairly popular trend. This is done as a form of compensation for business activities that affect the activities of the community and the surrounding environment. In CSR activities that use the concept of community development, local community involvement factors would determine the performance of CSR programs that have been designed and implemented.

In this paper, there are analyzed local factors that play a role in giving an impact on the performance of CSR activities. In this paper two methods are used simultaneously, namely in-depth interviews to openly explore and Focused Group Discussion (FGD) to agree on the intended indicators. CSR officers and Community Development consultants are the object of the research. It was found that the power of value/culture factor, power of actor, actors attention on regional development, network power of actors, participation of community components and local government were factors that considered as impactful factors on CSR performance.

Keywords: *Corporate Social Responsibility*, Indicator of Local Community Factor, CSR performance

## 1. BACKGROUND

The long-standing view of the business world does not put society and the environment as a key issue in business strategy. However, three decades later there has been a change in the business world in viewing the position of society and the surrounding environment to be parallel with the concern of the business world to maximize profits. Even putting the position of society and the environment as significant influence in providing financial benefits.

The change of strategy paradigm has an impact on the increasing number of corporate involvement in Corporate Social Responsibility (CSR) activity. The definition of CSR in general is a series of activities of a company based on the moral obligation to behave ethically towards the society and the surrounding environment where it operates (Snider et al, 2003).

One important factor in the concept of sustainable development is the pattern of communication run by the company through its CSR program. The concept of sustainable development is a trend in one of the press points of the company's vision for the future in order to have competitiveness without sacrificing the surrounding environmental and social aspects (Handiwibowo, 2018).

Davies et al. (2012) take a strategic approach in the context of company performance in contributing to social & environmental programs. This strategic approach aims to enable CSR activities to produce optimal benefits for the company and the surrounding environment. Owen & Kemp (2012) gave direction for intensive discussions from three parties, namely companies, government and local communities. This discussion is the basis for formulating activities that are able to be community-based and have a broad impact. Thus each party is expected to make a real contribution in this activity.

This paper tries to analyze indicators from local community factors that can have an impact on the implementation of CSR activities. These indicators are very influential in making the company's strategy when partnering with the community when running certain CSR activities.

## **2. LITERATURE REVIEW**

### **2.1 CSR and Community Development**

Sims (2003) claimed that companies engage in social activities because charitable principles are based on religious traditions where those who are able to provide the disadvantaged and the service principle are based on the obligation to provide services to the communities in which they live. Studies show that the concept of CSR can be a tool of communication with the community so that companies can get legitimacy from the community (Nielsen & Thomsen, (2018).

There are various approaches in implementing CSR activities. However, there is a current trend where CSR activities are carried out with the Community Development approach (ComDev). Ismail (2009) defines Community Development (ComDev) as an initiative from the community to partner with other organizations (government, non-government organizations and companies) to get resources from these partners to empower their communities for better change. Even now the established ComDev pattern can seek a strategic partnership between government and private sector (company) so that ComDev and CSR activities can produce optimal impact performance (Handiwibowo, 2018).

The ComDev approach emphasizes how CSR activities are carried out together with local communities to get economically, socially and environmentally optimal benefits (Handiwibowo, 2018). One of the results of the research by Handiwibowo (2019) provides a report with the ComDev approach that can directly reduce the perception of pollution due to the activities of the steam power plant industry in the community in an environment as a result of a CSR activity carried out together with the society. The Society as a stakeholder is also considered important in enhancing the company's reputation in the form of product and brand images because of the ability of the community to form social networks (Anshori & Javaherian, 2018).

In the context of the ComDev, the form of CSR activities can be harmonized with the community perceptions affected by the CSR activities. This is important because the perceptions of the local community are not always in line with the views of the company or other stakeholders (Okoye, 2009). The sociological aspirations of the local community can be known through the interaction of the company and the community. Helping companies to help communities to attract resources can help companies gain citizenship from society. In this way it is considered sufficient to be able to reduce potential conflicts that may exist in the community (Fordham et al., 2018).

### **2.2 Local Community Factor**

In the implementation of the CSR program with the ComDev concept, the involvement of local communities in the prepared program determines the output of the CSR program. Thus, the

local community should participate in the extraction process, the determination process of the solution and plan program of social, economic and environmental problems (Florin & Wandersman, 1990).

Stimulation of perceptions from the company to the local community becomes a necessary thing as a form of the company's communication process with the community. Actors from the local community will establish a social network with the community at large. This network can be used by companies as a container for the process of social engineering with a form of perception desired by the company (Handiwibowo et al, 2019).

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Indicators of local communities were obtained based on the theory of Actor Network Theory (ANT) (Latour & Steve, 1979). ANT is the actual way to explore relational correlation in the network, hence, ANT also serves as a method (Latour, 2004). In the context of the CSR program with the ComDev concept, the network in question is the company as one side and the network between local actors as the other side of each other.

### 3. METHODOLOGY

This study used two consecutive methods at once. The first method was in-depth interview. In-depth interviews were used to explore possible factors into indicators of local community factors that play an impact on the performance of CSR activities. In-depth interviews were conducted on 20 CSR officers and 20 ComDev Consultants. CSR officer and ComDev Consultant were selected as experts who have knowledge related to the concept and process of CSR activities with ComDev approach in the community.

The second method was Focused Group Discussion (FGD). List of possible factors that likely to be indicators of local community factors that play an impact on the performance of CSR activities resulting from In-depth interviews were then discussed in the FGDs to obtain indicators that really provide the highest impact on the performance of CSR activities. The FGD involved 5 CSR Officers and 6 ComDev Consultants.

### 4. DISCUSSION

This study used two methods at once. The first method was in-depth interview. In-depth interviews were used to explore possible factors into indicators of local community factors that an impact on the process of CSR activities. In-depth interviews were conducted on 20 CSR officers and 20 ComDev Consultants. CSR officer and ComDev Consultant were selected as experts who have knowledge related to the concept and process of CSR activities with ComDev approach in the community.

### 5. RESULT

In in-depth interviews, each respondent was given an open question that provided 4-7 answers as an indicator of local community factors that had an impact on the process of CSR activities. A total of 16 open answers were given by in-depth respondents. Every answer from

respondents can be seen in table 1 as follows:

Table 1. Indicators Candidate as In-depth Interview Result

No.	Indicators Candidate
1	The power of local value/culture
2	Poverty level
3	Power of local actors
4	Level of education
5	Actor's attention on regional development
6	Equal gender participation
7	The power of actor network
8	Participation of community components
9	Attention of local government to development
10	Political interests of local actors
11	Local government participation
12	Creativity idea of community development activities
13	Community awareness on development
14	Level of welfare/economy of society
15	The synergy of the local government and actors
16	Potency of natural resources

In-depth interview results were then brought into the Focused Group Discussion (FGD) forum. In the FGD it was finally agreed to use the Likert scale 1-5 to determine the level of weighting of the indicators candidate. Each FGD member gives a scale of 1-5 on the candidate indicator that was considered to have the lowest to the highest impact on CSR performance. A value of 1 has a scale of 1 and a value of 5 has a scale of 5. Thus the sum of votes will be the value of the importance of the indicator. The results of FGD members' assessment can be seen in table 2 as follows:

Table 2. Indicators Candidate of FGD Results

No.	Indicators candidate	FGD Members											Sum
		1	2	3	4	5	6	7	8	9	10	11	
1	<b>The power of local value/culture</b>	3		3		4	3	5	1	2	5	4	<b>30</b>
2	Poverty level		3	2									<b>5</b>
3	<b>Power of local actors</b>	4			4	5			5	3	3	5	<b>29</b>
4	Level of education			4			2	4					<b>10</b>
5	<b>Actor's attention on regional development</b>	1	5		3					4	4	3	<b>20</b>
6	Equal gender participation						1					1	<b>2</b>
7	<b>The power of actor network</b>	2	4	1	5	3		3	4				<b>22</b>
8	<b>Participation of community components</b>			5		2	4			5	4		<b>20</b>
9	Attention of local government to development		2										<b>2</b>
10	Political interests of local actors											2	<b>2</b>
11	<b>Local government participation</b>	5	1		2	1	5		3	1	2		<b>20</b>
12	Creativity idea of community development activities								2				<b>2</b>
13	Community awareness on development							2					<b>2</b>
14	Level of welfare/economy of society										1		<b>1</b>

15	The synergy of the local government and actors				1							1
16	Potency of natural resources							1				1

### 6. CONCLUSION

Based on the results of In-depth and FGD, indicators that have the highest **impact on the performance of CSR activities** were obtained. **In the** FGD results, it was found that these 6 indicators dominated the assessment of FGD members. The 6 indicators are described as follows:

- Power of local value/culture
- Power of local actors
- Actor’s attention on regional development
- The power of actor network
- Participation of community components
- Local government participation

### 7. LIMITATION & FUTURE RESEARCH

Although some conclusions had been found some conclusions in this research, however, there are still some limitations. This study attempted to conclude the indicators that have the highest **impact on the performance of CSR activities** using in-depth and FGD methods. In further studies, the concluded indicators need to be empirically tested in direct relation to the CSR performance variables.

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