

IMPLEMENTATION OF CORPORATE SOCIAL RESPONSIBILITY ON COMMUNITY BEHAVIOR “STREET CHILDREN SPONSORHIP” HESS INDONESIA COMPANY

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ABSTRAK

This study discusses implementation of CSR looking from community attitudes on the sponsorship program “street children” of Hess Indonesian oil and gas company, and aims to determine sustainability, accountability, and transparency on CSR implementation program looking from community attitudes on the program which includes sub cognitive, affective, and conative variable. This study uses quantitative methods. In this study 42 respondents are taken for sample. Result of the study shows that sustainability, accountability and transparency produces a positive value to the community’s attitude on the sponsorship program “street children” of Hess Indonesia oil and gas company.

Keywords: CSR Implementation, attitudes, community, and Hess Indonesia

Introduction

Corporate Sosial Responsibility (CSR) was founded by Howard R In 1953 and ever since then it has been improved in concept, where the CSR activities are oriented on philanthropy. It has been utilized as strategic to grow image in corporation that actively impacting to effectiveness of corporation financial and community development in CSR

The obligation and social responsibilities in corporation are liaising on the synergy between objectives and values of the society. Both things are explicitly mentioned by Bowen are the two premises of society responsibility. First premis is when the corporation able to get support from the society by implementing their bussines within the frame of society norm.

In 2nd premis it’s also revealed that businessman must act as moral agent within the society. Decisions making process are always in conscious consider those value so to achived the synergy

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between corporation values and values of the businessman. In the other words saying that the corporations also have to behave within values of society. (Solihin, 2009: 1).

Those interconnected things that mentioned earlier by Bowen has brought strategic dimension in the implementation of CSR within the businessman and stakeholders.

CSR is a conscious action that taken by businessman and stakeholder that socially responsible to the society.

In general CSR is an overall contribution from business world to sustainability development by considering economic, social and environment impact from its activities (Ardianto, 2011: 35).

Thomas dan Simerly, 1994

“Social responsibility is the development of processes to evaluate stakeholder and environmental demands and the implementation of programs to manage social issues”.

Nowadays, the implementation of CSR is developed rapidly included in Indonesia, as a response from business world that considering environment and social aspect as opportunities to increase competitive ability as a part of managing risk to its business activities.

Mc Williams and Siegel, 2001:

“CSR is conventionally defined as the social involvement, responsiveness, and accountability of companies apart from their core profit activities and beyond the requirements of the law and what is otherwise required by government.

The World Business Council for Sustainable Development (Business Action for Sustainable Development):

“The continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large”.

Universally, from both understanding above can be summary that CSR is able to build up corporation images and increases their reputation within long period of time.

A research from Roper describe that 75% of the responded give more value to products and services that market by corporation that can contribute significantly to society through any development program. It is also tell us that 66% responden are also showing them willingness to change their brand's name to the one that have positive image. (Susanto, 1997:213). Both survey above prove that there has been a broaden demand from consumer from brand to

corporation that have ethics in doing their business and socially responsible. This is where the benefits can be taken if the CSR can be stated as an obligation by law.

Implementation of CSR is developing in Indonesia, and it's formalized through UU NO 40 (2007) about "Perseroan Terbatas" on point 74, that the CSR activities or its social responsibilities are a mandatory. The main focus on this law is the obligation for the company that involving environment resources.

Richard Welford (2010):

"Civil society organizations, pressure groups, the media and even socially responsible investor will use ISO 26000 to judge the performance of companies. Therefore on the one hand there are huge benefits of using the guidance provided by ISO yet on the other there are risks of not doing so".

ISO 26000:

"Responsibility of an organizations for the impact of its decisions and activities on society and the environment, through transparent and ethical behaviour that contributes to sustainable development health and the welfare of society; takes into account the expectations of stakeholders; is in compliance with applicable law and consistent with international norms of behaviour, and is integrated throughout the organization and practiced in its relationship".

The explanation of the law and ISO 26000 is focus on the community development and their mutualism relation between corporation and community in their surroundings. (Susanto,1997: 213).

In Indonesia CSR has gone through several improvement in resources management and economic activities in general. The old pattern of society relation and corporation are also change, in the era of transparency of information society are now can be very critical in critics and show their aspiration honestly. In this case corporation has full responsibility to of their own mistaken. Repression approach in the past is no longer can be implemented in order to build fundamental good relationship.

In fundamentally this good relationship can be implemented by activities that involving society involvement that utilizing principles of mutualism, cooperation, and sustainability. Through this concept, society is expected to behave within norm and in cooperation to the corporation existency.

Indonesia economic development cannot be separated from oil and gas industry sector. This sector is contributing significantly to the state. In 2003 to 06, total state income in average is

29% from overall total state income, 69% from non tax income and creating employer per year more than 291K person. (Kuncoro, 2009: XIV). These facts tell the growth of Indonesia economic from previous era.

On the other hand CSR activities and program can potentially create big impact whether is high or down side on the impact if the company cannot properly identified society needs, develop and implemented proper program for surround society. Several case as an examples in Chevron cretes the production disturbance that impacted to Oil lifting or in other cases Medco experienced protest and civil unrest. Consequences of the increases of cost recovery also makes problem more complicated.

By mirroring on those incidents earlier government and corporation nowadays is more focus and have high awarens to prevent the reoccurances. It is also noticed that development problem on several oil and gas producer area is also things that needs to have active engagement by government

By referring on law number Undang-undang “Minyak dan Gas bumi” nomor 22 (2001) :13-3 (p), corporation that involves in exploration, production and distribution of oin and gas is required to have community development program dan guarantee society rights and norm that apply on the surrounding area. (Rahmatullah & Kuniati, 2011: 20).

In determine policy of CSR activities, corporation needs to adsorp as an integral part of Indonesia overall society development, actively involve as part of the community and transparently communicating issues or problem. By putting huge concern to community and its environment it believe can trigger the sustainability of good quality in peoples life in longer term and active involvement of the society. The implementation can be done within priority and the availability of the resources.

Approach in implementing CSR is not only limited in values of concept within the corporation, but the main principles of CSR is how to identify the things that can be well implemented in the society. Those principles are sustainability, accountability and transperancy.

Build up corporation good image is one of the advantages of the CSR implementation. Esben and Peter describes describe the rest as following:

Internal Benefit	External Benefit
<ul style="list-style-type: none"> • <i>Savings from reducing the costs of electricity, water, waste handling, chemicals, raw materials, packaging, etc</i> • <i>Benefits from re-use and recycling of energy and materials</i> • <i>Development of new products or services</i> • <i>Savings from safer workplace conditions</i> • <i>Improved staff morale</i> • <i>Development of managerial and organizational skill</i> • <i>Higher quality of products</i> • <i>Systematization and documentation of competencies and processes</i> • <i>Improved staff recruitment and retention</i> • <i>Increased environmental awareness</i> 	<ul style="list-style-type: none"> • <i>Maintaining and enhancing a good reputation</i> • <i>Improvement of image</i> • <i>Access to markets that demand CSR</i> • <i>Reduction of social and environmental risks</i> • <i>More responsible supply chain management</i> • <i>Improved community relations</i> • <i>Increased competitiveness</i> • <i>Legitimacy in society</i> • <i>Compliance with social and environmental regulation</i> • <i>Better contact and co-operation with public authorities</i> • <i>Goodwill from stakeholders</i> • <i>Increased brand value</i> • <i>Higher prices for product</i>

Table 1.1. Benefits of CSR

Source : Esben Pedersen and Peter Neergard, Managing Corporate Social Responsibility in Action, Ashgate Publishing Limited : England: 86

Looking at the above advantages internally and externally, social responsibility is the corporation obligation that effecting social consequence, political, human and financing of the actions that have taken. A business that oriented to social responsibility is not only considering what is best for the corporation but also what is best for society. (Ambadar, 2008: 30).

Analyzing one of the oil and gas exploration and production company in Indonesia on CSR implementation in this case is Hess Corporation. They have develop the implementation of CSR that integrated and as part as their strategy, activity and management process between the corporation and the evolvement of the society

Hess Indonesia has production asset in east Java and several exploration areas in Papua, Kalimantan and Timor and Natuna as Join venture.²

One of the CSR programs that have been well implemented is the street children sponsorship program. It is sustainable program that collaborating with one of NGO called ISCO, where giving support in education from elementary, junior and until senior phase for street children. This program are divided in 5 activities: Children Educational Support, Children Pre-School

² Hess Corporation. 2010 Corporate Sustainability Report. 2010: 9

Center, Children Activity Center, Children Health and Nutrition Program serta Children Protection and Right Advocacy.

The develop of average “street children sponsorship program” are:

Period	Children Sponsored	Area Sponsored
2006-2007	223 Children	Genteng and Pabean-Jawa Timur
2007-2008	340 Children	Genteng, Pabean, Moro and Ujung Pangkah-Jawa Timur
2008-2009	432 Children	Genteng, Pabean, Moro and Ujung Pangkah-Jawa Timur
2010-2011	122 Children	Cipinang Besar Selatan, Cipinang Besar Utara and Manggarai – Jakarta
2011-2012	140 Children	Cipinang Besar Selatan, Cipinang Besar Utara and Manggarai – Jakarta

Table 1.2. The develop of average “street children sponsorship”
*Source: Laporan Sosial Project Tahun 2011-2012 (ISCO Foundation)*³

Referring on the table above, the average per annum the number of children who receive the program is significantly increasing. See table for explanation. It’s proved that the implementation of the CSR program is properly conducted within the commitment of the company in social responsibility.

The main focus for the program in 2011-12 are children that domicile in Cipinang besar utara 42 children, Cipinang besar selatan 11 children and manggarai 88 children.

Most of these kids came from poor family so that they are spending their time in try to support family needs by earn money from the street as a bagger, street musician, saling stuff, etc. (Depsos, 2001: 25-26).

Demography data from they who receive this program in Cipinang besar utara, selatan and manggarai is show parameter surrounding where the head office of Hess Indonesia is located.

The globalization era is make the condition more complicated, where the imbalance between rich and poor people is heavier and the gap become wider.

A good governance is needed to at least managing in several sector of life; politics, economi and culture. This can be a factor also for balancing the CSR implementation. Good corporate governance is the process structure that used to increase the success rate and the accountability of the company, where as the manifestation of that the corporation responsibility for strategy in

³ Laporan Sosial Project Tahun 2011-2012. *ISCO Foundation*. 2011: 6

business and how they develop the company policy for company image within the society. (Mudrajad, 2009: 213).

The participation in the sustainability development is by growing the company caring program in surrounding area or what so called as corporate social responsibility, Wartick & Cochran, 1985: 763):

“Social responsibilities are determined by society, and the tasks of the firm are: (a) to identify and analyze society’s changing expectations relating to corporate responsibilities, (b) to determine an overall approach for being responsive to society’s changing demands, and (c) to implement appropriate responses to relevant social issues.

The form of contribution of Hess Indonesia to the community and society in implementing the program by putting efforts of Involvement company to optimize their existency in social, economic and environment to minimize the negative impact and maximize the good impact. It is also one of the efforts to build and sustain the company relationship with stakeholder.

From this fenomenan there are main factor raised on how the responden behave of receiving the program. Within the frame of theory it can contribute substantially to corporation commitment in CSR to sustainable development in society and can tackles issues which can affect wider scope. Those main factors are sustainability, accountability and transparency. The three concepts give quality in growth in CSR implementation in Hess Indonesia thru the children program.

Successes of the implementation of the program can be seen from the changes of the behavior of the responden who gets the stimulus as support implementation. Thru this program it is believe can trigger the responden start from knowing or perceiving the education program (Cognitive), wake up and desired to be come parts of the company (affective) until become parts of the program (Conative)

The responden attitude is respon to the stimulus that deployed in the implementation of the program. This thing is perfectly match with behavior knowledge that wrote by Secord and Backman (1964), where behavior the harmonization within feeling, thinking and predisposition of behavior of people to some aspect in their surrounding. The changes of those positive from the responden will help the achievement of the program as per Hess Indonesia comittmennt

Methods

The methodology approach that used within this research is the quantitative method. It is measured, displayed and analyzed properly through software so that the result can be accountable for any purpose in the future.

The quantitative method is not to focus on the depth of data but it is more on the recording data as many as can be from the population.

In this research the population is based on the overall group that receive the program from 2011-12. The technique of the samples is using simple random sampling.

Results

The final result of the research shows that the respondents who receive the program has positive significant change because of the implementation of CSR. It is really linear with what Kurt Lewin saying (1890-1974), where the physiological cognitive learning mentally and mind process. This process consists of how the information received, presented and transformed as knowledge.

Knowledge is revealed as a direction within attitude and behavior of human being. When it is examined by using the theory of cognitive psychology, CSR implementation is a social activity that can give effect to the community to behave,

This act required the information to stimulate community (street children) to be involved in the sponsorship program, after receiving stimulus / stimuli they will learn the process of forming knowledge and experience within their

At the next level of knowledge and experience that has been formed will be processed in their minds, and then give rise to the emergence of the form of response from their attention or awareness of the existence of CSR implementation marked with their knowledge of sustainability, accountability, and transparency.

At this stage, the formation of attitude and belief in CSR implementation called cognitive stages. When the curiosity feeling arises, feel like or dislike to the implementation of CSR, that is called affective stage. In further process, responses of willing to get involved in the program sponsorship by HESS Indonesia and ISCO Foundations. This response of behavior is called conative stages in the process of changing attitudes.

It relates to CSR implementation carried on by HESS Indonesia and ISCO Foundation associated with SOR theory of Hovland, Janis and Kelly (1953). This theory explains that attitudes depend on stimuli that communicated and depends on the influence of stimuli in mind organism. Elements in this model are: "The message (stimulus) S, communicant (Organism) O and Securities (Response) R". Effendy, 2003:254

When the results of research examined the SOR theory of Hovland, Janis and Kelly can be explained as follows: the implementation of CSR is seen as a stimulus (stimulus) is delivered to the recipient program or community (organisms). The receipt of a positive implementation of CSR as sustainability, accountability and transparency in the attitudes of cognitive, affective and community konasi indicate the stimulus was well received by the community. Thus they give keoercayaan or thoughts that are based on information, then there will be understanding of the organism to the stimulus. After arise pegertian of organisms, organisms will subsequently receive well a given stimulus and the organism will provide a response to the attitude shown by the tendency to behave influenced by personal experience, others are considered to be important, as well as the emotional education of respondents.

The result implementation of CSR are:

- Sustainability in CSR implementation is as inherent social concern for the community and increase knowledge for the future education children to achieve goals. This indicates that the response to the statement received well by the respondent, the results can be seen in the percentage of total respondents' perception on the sub variables sustainability CSR implementation that is 83.69% with a total of 703, which is the scores that fall into the high category. It is explain that the respondents agree with the aspect of sustainability in the implementation of CSR, because sustainability is an ongoing program of enterprise sponsorship programs to contribute to the economic development of the community and care about social issues, economic and environmental well-being of society in achieving a company's reputation It is also reinforced by David Crowther (2010), which states that the principle of sustainability is highly relevant to the action being taken now and in the future due to impact or effect on the measures to be taken for the future.

Public Relations HESS Indonesia, Ade Tutoroong revealed that the implementation of CSR "Street Children Sponsorship Program", first performed in the area of exploration and

distribution area in Surabaya (tiles, Customs and Edge Pangkah) in 2006 to 2009. But with the development of the concept of CSR in line focused in Jakarta, hopefully Company can contribute in Jakarta as the capital of Indonesia.

Sustainability aspects in the implementation of CSR is needed for improvement and achievement in relation to the welfare of society on issues that evolved around the (social, environmental, economic) and make more people to evolve and independent on the issue. In addition to bringing a positive impact to the community, this implementation also provides a positive impact as well as for industrial enterprise that is indirectly able to increase the image once reputation a long time span.

- Accountability, Crowther (2010) revealed that the concept of accountability is more focused to any accountability for actions taken towards stakeholders. On the implementation of CSR can be seen that both statements having an 83.3% total percentage can be seen that most of the respondents agree that accountability in the implementation of CSR is as a form of accountability in implementing the program in accordance with the rules. It is telling that the responses to the statement sufficiently accepted by the respondent, in which most of the respondents agree with the accountability provide clarity on the implementation of the program or the recipient community sponsorship program. This is reinforced by the opinion of David Crowther (2010) which revealed that:

“This is concerned with an organisation recognition that its actions affect the external environment, and therefore assuming responsibility for the effect of its actions. This concept therefore implies a quantifications of the effect of action taken, both internal to the the organisation and externally. More specially the concept implies a reporting of those quantifications to all parties affected by those actions. This implies a reporting to external stakeholders of the effects of actions taken by the organisation and how they are affecting those stakeholder”.

- Transparency, in this imlementasi can be seen that all the information reported to the community accurate and on target. In achieving transparency evaluasinya percentage shows the results of 80.95% CSR implementation with high category.

means that the respondents strongly agreed with the principle of transparency, which is applied in the implementation of CSR as an important aspect, because transparency and

accountability considered to provide disclosure regarding the terms and procedures for the evaluation of the recipient or even a program or community.

Where it is also prove the theory on Corporate Social Performance that says :

“CSR has also evolved into corporate social performance (CSP), which focuses on the social outcomes and ramifications of organizational behavior. As a compendium view, CSP includes three activities : CSR itself, corporate social responsiveness, and outcomes of corporate behavior”. (Wood, 1991)

Conclusion

The conclusion is base on the statistical analysis from variables research of the leverage CSR implementation on sub variables sustainability, accountability and transparency throught community behaviors that comprehend sub variable kognitif, affective and conative to the program in Hess Indonesia resulting positive. CSR implementation that is conduct in Hess Indonesia really effect significantly to community behavior, as it believed that the program will sustain and will increase company reputation.

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