Corporate Social Responsibility Practice of Nickel Mining Company for Community from Phenomenological Perspective: Study at Langgikima Subdistrict, North Konawe District

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ABSTRACT: This research is based on a condition where local communities surrounding the nickel mining company show dissatisfaction action in form of protest or demonstration against nickel mining company. Demonstrations have reached anarchy level (burning the facilities of company). This research objective is to uncover and understand local community dissatisfaction on company and the CSR practices. Method used is qualitative with phenomenology school to reveal noumena of local community dissatisfaction. With phenomenology, researchers will more flexibility to explore local community dissatisfaction. They can uncover and interpret dissatisfaction rightly. This study results is expected will become reference material for nickel mining companies to understand characteristics behavior of local community. Company can implement patterns/shapes of CSR practices in accordance with conditions and situation of community. Company can also considers the viability determined by communities around them. When people around company get the added value or benefit from company existence, it will get a lot of benefits in long term.

KEYWORDS: Corporate Social Responsibility (CSR), Local Community Satisfaction, Nickel Mining Company, Phenomenology

I. INTRODUCTION

Local communities around the nickel mining company at Langgikima Subdistrict in North Konawe often make demonstrations as a reflection of dissatisfaction to existence of nickel mining company that damaging economy of local communities. To reduce the dissatisfaction action, nickel mining company should be able to demonstrate to local community the benefit through corporate social responsibility. It impress the nickel mining company not only concern to profit but also concern to local communities interests. Corporate social responsibility (CSR) is a form of corporate responsibility to local community and surrounding environment. Through CSR, nickel mining company can minimize activities that to environmental damage and negative impact on local communities. This study would reveal the cause of local community dissatisfaction to nickel mining company and how CSR practices can provide benefits to local communities.

II. LITERATURE REVIEW

Company’s sustainability is heavily influenced by environmental conditions, both internal and external. Ability to understand environment will benefit company's ability to compete. Drucker (2001) argues that business social world and environmental issues is an opportunity. It means that if companies able to adapt to its environment they will be able to see the opportunities that can be used as a market. Porter and Kramer (2002) stated that company's ability to compete or produce competitive advantage will depend on environmental conditions of company. External environment greatly affects company's existence and one components of external environment is local communities. Public presence can not be separated from company. There is a reciprocal relationship among them. Harmony between communities and companies is a prerequisite for company sustainability. With a harmonious relationship, company not only has economy benefit but social benefit. Harmonious relationship is expected will reduce negative things for company and on other hand will give benefit to community (especially local community). Disharmony between companies and communities can be caused by various corporate events that often has negative impacts of industrialization and inequality (negative externalities), such as: deforestation, air and water pollution to climate change (Dewi, 2013; Kakabadse, et al., 2009; Milosavljevic, et al., 2006). Company activity can also cause negative impacts of economic, social and environmental, such as right to environmental and health disturbance (Wibisono, 2007). Other disharmony causes between companies and public dissatisfaction is company existence does not have a positive impact on community, both economically, socially and environmentally. Company exploits natural resources to get the maximum results. However, on other hand company is not serious or do not have a strong commitment to local community interests.
Awareness about industrialization inequality (negative externalities) and the impact (economic, social and environmental) generated of companies activity from various parties, such as; businesses, governments, non-governmental organizations (NGOs), academics have been getting better. Various discussion forums both local and international levels related to these issues have been carried out. Scientific studies also grow, both at campus and research institutions. Various forums and studies about impact of company's activities can spawn idea the important role of business to create sustainability and better community life quality. Business world (company) role to people life will produce better corporate responsibility. Corporate responsibility covers various aspects, both social, economical and environmental. Corporate responsibility concept is know as corporate social responsibility (CSR). CSR was introduced by Bowen in 1953 and then CSR become one focus of scientific research. Dynamics of corporate social responsibility concept continue to grow in 1990s (Carroll, 1999). Starting from charity concept, which is the motivation philanthropies companies to implement CSR policies, then it expand into stewardship concept to create stakeholder theory and concept of triple bottom line.

Literature reviews explore company’s benefits to do social responsibility. Drucker (1984), Jalal and Darmono (2011) stated that social environment responsibility can be transformed into a business opportunity that can benefit company in long term. Porter and Linde (1995) stated that environment can improve business performance, and Kiran Sharma (2012) state that company will benefit from the implementation of social responsibility. Gunawan and Utami (2008) said that CSR practices have positive implications for company. It shows that environment is important for companies, both to take advantage from opportunities and to increase company's performance. Companies that perform CSR actively will better in social and economic that companies without CSR practice (Linfei and Qingliang, 2009). Implementation of programs has an impact on changes in work ethic; and revenue growth of community interaction (Apriadi, 2012; Mapisangka, 2009). It gives an overview of company's social responsibility, company not only benefits economically but also socially, where the interaction with local community will become better. Economic benefits for company that runs the full CSR was revealed by Jalal (2011), among others are access to capital, more likely to attract and retain high quality employees, product innovation, reduce production costs, possibility to obtain higher price, stock price appreciation, stability in crisis and post-crisis. Another perspective was submitted by Kartini (2009) that reward for companies to practice corporate social responsibility can be categorized in two forms, namely financial and non-financial rewards.

Corporate social responsibility is a company program to participate and to provide social and environment responsibility. European Commission (2002) explains that corporate social responsibility is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with stakeholders on a voluntary basis. The same thing was expressed by Gokulsing (2011) that CSR is a concept to shows the organization/company has an obligation to consider the interests of customers, employees, shareholders, communities, and ecological considerations in all aspects of organization's operations. CSR has close relation with principles of sustainable development, which argued that company decisions based should not only based financial factors such as profits or dividends, but also by social and environmental consequences and long-term. CSR in modern era was popularized by Bowen in 1953, but the CSR issue is still a trend in business world until today (Esau and Malone, 2013). Corporate social responsibility is an agreement at World Summit On sustainable Development (WSSD) in Johannesburg, South Africa 2002 It is aimed to encourage all companies in world in order to create a sustainable development. CSR is seen to be able to establish a business ethics and responsible (Esau and Malone, 2013; Mapisangka, 2009). Company in carrying out its activities is not enough just to consider the interests of capital owners (shareholders) or internal company but also to meet the interests of all stakeholders or external parties (Premovic, et al., 2012).

Pros and contras on CSR practices can contribute to positive for development pessimistic and optimistic issue. Pessimists believe that CSR practice has no implications to solve social problems. The reasons are reasons. First, company can not escape from the primary goal to make a profit. CSR practices can only be done when providing tangible benefits for company and short-term nature. Second, they believe that social problem is duty of state. State representatives are elected and entrusted with task to improve social conditions. Therefore, state has the necessary expertise and resources to be able to understand and meet the community needs. Company does not have the expertise and knowledge to meet the state obligations (Gokulsing, 2011). Sasse and Trahan (2007) stated that company with CSR practices can have consequences. First, resources usage will not efficient, it can occur due to a lack of corporate experience and methods to estimate value of goods/services for social needs in face of social stakeholders. Second, just as compassionate, CSR does not have significant impact on stakeholders because only implemented on a temporary basis. Third, trade-off between social roles and private interests. Company that more involved in social activities will vulnerable to financial decline in future.
Much earlier, Levitt (1958) have argued about the negative impact that occurs when companies do CSR, namely: social problems and general welfare is not the responsibility business but government. Further attention to social responsibility will reduce the company profits that become success factor in business (Carroll and Shabana, 2010). On other hand, optimistic group believe that business world has a major contribution to social and economic development in regions where company operates. Many programs have a positive impact on several areas of world (Gokulsing, 2011; Ganecu, et al., 2012, and Kiran Sharma, 2012) and in Indonesia (Jalal, 2011; Apriadi, 2012). Corporate social responsibility (CSR) can become a potential instrument to improve society welfare, especially in Indonesia context, because it is still classified as a developing country with majority people in poor category. In addition, social policy and economy are still likely had nuance and residual partial, not institutionalized and integrated with taxation system. It is contrary with developed countries, which integrates with system of taxation and social welfare policies (Soesilowati, et. al., 2011). CSR practices in Indonesia still needs a lot of attention for all the parties, including the government, public and companies. Among thousands companies, not all companies actually implement the concept of CSR in its activities. Jalal (2011) suggested that as a developing country, Indonesia knows CSR wider than a decade, so that companies in Indonesia are still have small CSR in, some aspects mainly associated with community around company, most are still doing charity alone (philanthropy ), so seem does not increase the independence and well-being as a basic idea of real community development. Many companies in Indonesia puts CSR still as another part of company's management. Its existence is not considered as a positive contribution to company. Whereas in accordance with Act there, where CSR inherently attached to management of company, so that activities in field of CSR is still in control of company management (Freemand, 1984).

However, that does not mean company in Indonesia does not have good CSR practices. Some companies do good CSR initiatives. Nestle has the initiative with name of Creating Share Value to drives the development of rural areas in various centers of milk, coffee and cocoa in Indonesia. Danone has a Cause related marketing initiative that invites customers to help solve the problem of access to water in East Nusa Tenggara. Unilever save a soybean varieties that are endangered and maintain business continuity (Jalal, 2011). In a business environment of company, community around company basically should get appreciation. This appreciation can be realized in form of an increase in their welfare through community development activities from CSR practices of company. CSR assumes involvement entities or companies in community development programs in various fields (such as the environment, health, sports, culture, training, etc.) that are not related to company activities (Premovic, et al., 2012). This is because company and community is basically a union of elements that can sustain company it self (Mapisangka, 2009).

III. CSR PRACTICE PHENOMENON OF NICKEL MINING COMPANY IN LANGGIKIMA SUBDISTRICT, NORTH KONawe DISTRICT, SOUTHEAST SULAWESI

Langgikima Subdistrict is located in Konawe District, North Sulawesi Tenggara. This subdistrict has 18 mining companies. This illustrates that nickel mining land is large enough in this subdistrict. Most nickel mining company had already started activities (exploration) since 2008. Nickel mining company activities affect on local people lives, both on social, economic and environmental. Corporate responsibility is expected to reduce the negative impact of company's activities. CSR practices are an obligation for every company that should be implemented as soon as possible. No pattern or practice of CSR standard in all conditions and situations that must adapt to characteristics of geographic and demographic (Burton et al., 2000; Yakovleva and Brust, 2011). There are 16 nickel mining companies in Langgikima Subdistrict . They are PT Stargate Pasific Resources (SPR), PT Karyatama Konawe Utara (KKU), PT Konutarala Sejati (KS), PT Parama, Murti PT Orion, PT. Buana Celebes, PT Roda Teknik. PT Pertambangan Bumi Indonesia (PBI), PT IBM, PT Adi Kartiko Pratama (AKP), PT Walalindo, PT Konawe Nikel Nusantara (KNN), PT Kembar Emas Sultra (KES), PT Cipta Djaya Surya (CDS), PT Bethamindo, PT Konawe Utara Prima (KP) (Source: Distamben of Nort Konawe District, 2013) Many nickel mining company in Langgikima Subdistrict should practise CSR with higher quality, so that local communities (communities around the mine area), which in essence is recipient of a direct impact on company's activities for compensation will become better, which ultimately will have a positive impact on people's lives. As in Law No. 40, 2007, Company Limited, Chapter V, Article 74, clearly stated that social responsibility and environment are duty for company's business activities.

Initial research exploration suggests that most of nickel mining company has been doing CSR practices. However, local people have become more daring to protest (demonstrations) to company, which was originally the local communities in District Langgikima known as friendly societies and appreciate each other, and obey the rules/laws. This is in stark contrast with delivery model of public dissatisfaction to nickel mining company, which is done with demonstration even anarchic, like; burning offices and facilities of company. Protest
(demonstration) of local people can be seen from several print and online media. List of complaints and demands of local community to dissatisfaction of CSR practices of nickel mining company can be seen in Table 1.

Table 1. News Title Related to Mining Company’s CSR Issue of Langgikima Subdistrict Year 2013

<table>
<thead>
<tr>
<th>No</th>
<th>Title News</th>
<th>Media Name</th>
<th>Edition/Date</th>
<th>Publish Place</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Langgikima Society Still Not Receive CSR Fund from Mining Company</td>
<td>EnergiToday</td>
<td>September 30, 2013 @ 7:34 am</td>
<td>Jakarta</td>
</tr>
<tr>
<td>2</td>
<td>Langgikima Society Not Touch by CSR</td>
<td>Sultra Online</td>
<td>Sabtu (28/9/2013)</td>
<td>Kendari</td>
</tr>
<tr>
<td>3</td>
<td>Society at North Konawe, Demanding Ispa Medicine Cost</td>
<td>kendarinews.com</td>
<td>Minggu, 30 September 2013</td>
<td>Kendari</td>
</tr>
<tr>
<td>4</td>
<td>Langgikima Society Demanding Company’s Commitment</td>
<td>kendarinews.com</td>
<td>Minggu, 30 September 2013</td>
<td>Kendari</td>
</tr>
<tr>
<td>5</td>
<td>North Konawe: Program Comdev of Tambang Ring is Questionable</td>
<td>kendarinews.com</td>
<td>Minggu, 29 September 2013</td>
<td>Kendari</td>
</tr>
<tr>
<td>6</td>
<td>After Office Burning, PT Starget Totally Stopped, Damage Achieve Rp 2.1 M</td>
<td>kendarinews.com</td>
<td>Selasa, 09/07/2013</td>
<td>Kendari</td>
</tr>
<tr>
<td>7</td>
<td>North Konawe Burn PT SPR Office</td>
<td>sultrakini.com</td>
<td>Sabtu (6/7/2013)</td>
<td>Kendari</td>
</tr>
<tr>
<td>8</td>
<td>Shooting Case of Langgikima Society, Brimob Member Secured</td>
<td>kendarinews.com</td>
<td>Selasa, 10 Desember 2013</td>
<td>Kendari</td>
</tr>
</tbody>
</table>

Source: Data processed, 2013

Complaints and demands of local communities around the mining company in Langgikima Subdistrict are published by print and online media. It indicated that CSR practices of nickel mining companies can not give a positive impact on people’s lives, even there is a company that does not do CSR (Sultra Online Saturday, 28 September 2013).

IV. RESEARCH IMPORTANCE

Researchers interest to this problem is based on phenomenon the Corporate Social Responsibility practice of nickel mining company Langgikima Subdistrict, North Konawe District, Southeast Sulawesi that having frequent protests or demonstrations from community around company. From initial research on CSR practices of nickel mining companies in Langgikima Subdistrict, initial overview of situation happening are follows:

a. Public become breaver and often protest on bad CSR practices even until anarchist (burning offices and facilities of company). It is not consistent with local culture that known as very friendly and obedient even “fear” to rules/laws.

b. Nickel mining companies practice CSR with various forms/patterns like; education, health, or development of rural infrastructure.

Based on phenomenon of people around the nickel mining company in Langgikama Subdistrict, North Konawe District, then there is curiosity reasons to know why local community that initially obey rules/laws and friendly then become ‘brave’ society in violation of rules/laws.

This study focuses on desire to know the reason the behavior change and dissatisfaction of local communities to CSR practice of nickel mining company. Reason underlying this study is still a lack of scientific research on CSR practices at nickel mining companies based on dissatisfaction of local communities, so it can be concluded that focus of study are:

[1]. Why nickel mining companies often get dissatisfaction action from local community?
[2]. How far local community dissatisfaction on CSR practices of nickel mining company?
CSR Research can be grouped into three major groups, study focused on company and community (other stakeholders) as well as trying to see both sides of company and community. Here the CSR research themes for the three large groups:

- Review of CSR-focused company, looking at benefit obtained from company CSR practices (Yam, 2013; Abreu and Barlow, 2013; Evans, et. al., 2013; Ganescu, et al., 2012; Premivie, et al., 2012; Anthony, et al., 2012; Linfei and Qinglian, 2009), CSR and corporate performance (Nalband and Al Amri, 2013; Nwagbara and Reid, 2013; Sirb (2013); Yakovleva and Brust, 2011; Cheng and Ahmad, 2010; Parkin, 2007), CSR as a strategy (Nwagbara and Reid, 2013; Bhattacharyya, et al., 2008).
- Review of CSR work focuses on both sides of company and community, this view the benefits of CSR practices perceived by companies and communities (Evans, et. al., 2013; Bown and Forster, 2013; Chaarlas, et al. 2012; Gokulsing, 2011; Jamali, 2008; Iamandi, 2007).

V. RESEARCH PROPOSITION

Based on phenomenon study and existing empirical study, the propositions can be formulated as follows:

[1]. Local community dissatisfaction activities are based on negative impact of nickel mining company. Negative impact are air pollution (dust), noise, deforestation, silting and pollution around the mining area.

[2]. Nickel mining company has been doing CSR, but not yet able to provide benefits to lives of local people. CSR practices are carried without empowerment of local communities and it can not grow a sense belonging to nickel mining company. Local communities will feel sense of belonging if they really get the benefits from CSR conducted by nickel mining company.

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