

## **The Role of Public Relation in Adopting Stakeholder Engagement Model in Creating Corporate Social Responsibility (Study: Pertamina, Ltd., RU IV Cilacap Central Java Indonesia)**

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**Abstract:** To gain optimum profit, Pertamina, Ltd., RU IV Cilacap Indonesia balances its activities by conducting Corporate Social Responsibility (CSR) Program as its dedication to society. This program frequently wins awards. This is such an interesting phenomenon, since the success of CSR Program is surely due to the roles of Public Relation (PR). Hereby, it is interesting to analyze the ability of PR practitioner’s role in building the relationship and engaging the stakeholders in CSR policy-making process. The objective of this research is to identify the role of PR of Pertamina in adopting the stakeholder engagement model. This research employs qualitative method by using stakeholder theory. Data validation test in this research employs source triangulation. Result of this research is the classification of stakeholder into stakeholder engagement model based on stakeholder’s participation level. Quadrant I; minimal effort with “to inform” participation level (Level 1) includes the stakeholder in regency society and society outside Ring 3, stakeholder with low interest and low influence, Quadrant II; show consideration “to consult” participation level (Level 2) includes stakeholder in social organization people, mass media and district people with high interest and low influence. Quadrant III; keep satisfied includes police chief stakeholder with “to involve” participation level (Level 3) with high influence but low interest and the last Quadrant IV; work together includes stakeholder from people who get CSR’s support, NGO, environmental agency, military sub-district/district military commander and internal company of Pertamina with optimum participation of “to empower” (Level 5) stakeholder with high interest and high influence to company.

**Key words:** Public relations, stakeholder engagement, Corporate Social Responsibility (CSR), commander, environmental, optimum participation, PR

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### **INTRODUCTION**

Now a days, the necessity of communication between company and its stakeholder is absolute, so the existence of Public Relationship (PR) is considered strategic; one of its contributions is being program creator and developer. Based on World Business Council for sustainable development (Holme and Watts, 2000) corporate social responsibility is business commitment to participate and contribute in economy development in improving the life quality of the employees and their family, local community and society in general (Budimanta, 2004). CSR stakeholder engagement (including communication and other forms of dialogue) determines how the firm’s CSR response is viewed and evaluated by stakeholders. Private company or even though state-owned enterprises can reach profit

as high as possible by balancing CSR activities. Based on Ministerial Decree of Finance year 1989 number 1232/KMK013/1989, every company should allocate 1-5% of State-Owned Enterprise’s profit for CSR activities every year after paying tax (Rahmatullah and Trianita, 2011). In Indonesia, CSR must be absolutely conducted. This is proved by regulations concerning CSR which are Law No. 40 year 2007 concerning limited liability companies and Law No. 25 year 2007 concerning investment as well as Government Regulation No. 47 year 2012 concerning social and environmental responsibility of limited liability companies. Planning CSR program that is appropriate and suitable for stakeholders can be started by using social mapping first. Social mapping is implementation of community development by the company to look and know people’s condition around the operational company

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itself and then to look for the need of society so that it can be realized (Triandono, 2008). Based on those things, the company can make a plan of CSR program that is suitable for every stakeholder so it can work continually. Stakeholder engagement can be defined as those practices which an organisation undertakes to involve stakeholders in a positive manner in organisational activities (Greenwood, 2007).

## **MATERIALS AND METHODS**

Stakeholder engagement is a process in which an organization involves people that may be influenced by the decision, make the decision or may affect the decision implementation. They can support or oppose decisions they can also be influential in the organization or in the society where the organization operates (Budimanta, 2004). By combining stakeholder engagement and the participation of the people, the transparency in decision-making process can be achieved (Yee, 2010).

Stakeholder engagement is a structurally planned activity and held by planning to get acknowledgement and acceptance and continuation of the relationship between the company and the stakeholders. Good relationship between the company and its stakeholders brings positive luck for company; it makes them to have strong potential and bigger competitive advantage (Adams, 2002). To identify the applicability of social auditing as an approach of engaging stakeholders in assessing and reporting on corporate sustainability and its performance. The problems of the stakeholders can affect and may bring disadvantages to the company so that company needs to involve its stakeholder in the process of CSR policy-making. That involvement is started from social mapping process until the last process that is program evaluation of CSR. This is where the researcher analyses the role of PR in adopting stakeholder engagement model in making the CSR program held by Pertamina, Ltd., refinery unit IV Cilacap. In 2013, PT Pertamina RU IV Cilacap got an achievement for implementing corporate social responsibility in Central Java province. Being go green as one of CSR's programs planned by PT Pertamina (persero) RU IV Cilacap partner of CSR Pertamina (persero) RU IV Cilacap got an achievement in national and international level. The orientation of CSR in will influence the behavior of the company implementing it (Burton and Goldsby, 2009). Some of superior CSR programs by Pertamina that are in line with social and environmental issues are training of skills and business, crab cultivation using empowerment and ecology concept, cultivation and nursery of mushroom, development of non B3 waste utilization,

cultivation and utilization of mangrove and many others. Related on those achievements there is a role of PR in the CSR activities for sure. Researcher wants to analyse the role of PR in maintaining good relationship with its stakeholders so that they can run the CSR program activities well and eventually get so many achievements.

**Research methodology:** In this research, the object is natural object in natural setting. Natural object is the object that cannot be manipulated by the researcher so the researcher comes into the object and after the researcher comes out the object, nothing changes from the object (Sugiyono, 2008). Research object of this research is CSR activities done by Pertamina, Ltd., RU IV. The location of this research is in the office of Pertamina, Ltd., RU IV Cilacap at Jl. MT Haryono No. 77, Cilacap, Central Java. The type of the research is qualitative descriptive research with a goal to understand the phenomena that the research subjects face such as such as perception, motivation, etc., holistically and descriptively in words and language in certain natural context and using various methods (Lexy, 2008). Data in this research are obtained by conducting interview, observation and also supported by literature review and documentation.

To get the explanation and information easily, researcher made interview guide about the role of PR of PT Pertamina in adopting stakeholder engagement model in CSR policy-making as follows:

- To what extent is PR involved in CRS activities? Is there any limitation?
- What is the role of PR in making a relationship with the stakeholders?
- What efforts did PR of Pertamina do to make an approach to the stakeholders?
- How is the social mapping of CSR in Pertamina?
- What are the CRS programs made by Pertamina?
- Who are the internal and external stakeholders of Pertamina?
- Why did stakeholder X get the CSR program?

The informants of this research who will be interviewed are:

- CSR officers of Pertamina
- Public relation officers of Pertamina
- Society as the external stakeholders of the company who get CSR of Pertamina

In this observation, the thing observed is the PR activities in adopting stakeholder engagement model in

making CSR activities of Pertamina. Researcher also looked and observed the occasions that show the role of PR in adopting stakeholder engagement model in making the programs of CSR. Data technique analysis in this research is qualitative data analysis technique. There are 3 components of qualitative data analysis which are: data classification and data reduction and data presentation in the form of short description or charts. Next, data validity test was conducted using triangulation with the data source and triangulation of data collection technique to remove the differences of reality construction in the study context when the researcher collected the data about the occasions and relationships from various perceptions. Researcher also rechecked the findings by comparing to numerous sources, methods or theories.

## RESULTS AND DISCUSSION

**Stakeholder engagement:** Based on the interviews, stakeholders are classified as follows: internal stakeholders inside the company including ISC (Supply Chain). External stakeholders that are divided into several sectors: Ring 1, the stakeholders that are in the scope of the village or the region around the operational area of Pertamina, Ltd., RUIV Cilacap such as village of Lomanis, Donan, Tegalreja, Kutawaru, Cilacap, Tegal kamulyan Gunung Sumping.

Ring 2, the stakeholders that are outside Ring 1 which is located in the district of Cilacap such as subdistrict of Adipala, Mais, Sidareja, Tritih, Kesugihan and others. Ring 3, the stakeholders that are outside the scope of the Ring 2. Level of participation goals: Level 1; to inform, Level 2; to inform and to consult, Level 3; to inform until to involve, Level 4; to inform until collaborate, Level 5; to inform until to empower (Revit, 2007). Based on the interviews, the participation level of the stakeholders of Pertamina, Ltd., is rated and presented in Table 1.

After identifying the level of participation then it is presented it in the category of stakeholder engagement models shown in Fig. 1.

Head of sub-district commands. P CSR's beneficiary community. Local government (RT, RW, village, district, regency, regional leaders conference, district leaders conference, Department of Forestry and Agriculture, Departments of Fisheries, Department of Health, Department of Education, Youth and Sports:

- Naval base
- Military region
- NGO
- Environmental agency
- Internal Pertamina (Pertamina employees, shareholders)
- Regency community and outside of Ring 3
- Social community organization

- Mass media
- District community
- Corporate social responsibility
- Classification and focus of CSR program

Classifications of CSR at Pertamina, Ltd., RUIV care divided into two types: planned CSR program and unplanned program. The focus of CSR activities is structured as follows.

**Education and culture:** Education to help people to get access to education (selectively) to help to improve the educational quality and achievement to help educational facilities apart from the physical building to help to increase good education governance.

Culture; to assist in the conservation of culture (cultural studies) to help the restoration of the site/cultural heritage.

**Public health:** Serving public health is conducted altogether with government agencies or non-governmental agencies/social agencies. Here are the scopes of CSR in the field of public health: to assist the improvement of public health access. To assist the improvement of community health care:

- To assist the quality of public health
- Environment
- To help the improvement in environmental quality of life
- To increase public awareness about environmental quality
- To develop ecopreneurship

**Infrastructure community development and disaster management:**

- To help the development and improvement of public facilities and infrastructure
- To increase the socio-economic capacity of the community
- To help the education in mitigating natural disasters
- To determine the emergency response and or after the natural disaster
- CSR preparation phase

**The preparation phase of the planned CSR programs:** The mechanisms and stages in planning the activities of planned or programmed CSR programs are as follows: the data collection were conducted through social mapping, surveys, research, scientific journals, government recommendations, management recommendation, risk mitigation, assessment and so on. Establish the scope of the program such as program areas, goals, objectives, location, time, target and

Table 1: Stakeholder participation rate in Pertamina, Ltd., RU IV Cilacap

Stakeholder	To inform	To consult	To involve	To collaborate	To empower	Stakeholder model category
Local government (village, sub-district, district, local council, Department of Animal Husbandry, social services, Department of Forestry and Agriculture, Departments of Health, Department of Education, Youth and Sports)	✓	✓	✓	✓	✓	Work together
Head of Sub-district commands	✓	✓	✓			Keep satisfied
Military region	✓	✓	✓	✓	✓	Work together
Naval (naval base)	✓	✓	✓	✓	✓	Work together
Mass media	✓	✓	✓			Show consideration
CSR's beneficiary communities	✓	✓	✓	✓	✓	Work together
Sub-district community	✓	✓				Show consideration
The social community organization	✓	✓				Show consideration
Regency community and outside of Ring 3	✓					Minimal effort
Internal Pertamina (Pertamina employees, shareholders)	✓	✓	✓	✓	✓	Work together
Non-governmental organization (LSM)	✓	✓	✓	✓	✓	Work together
Environmental agency (BLH)	✓	✓	✓	✓	✓	Work together

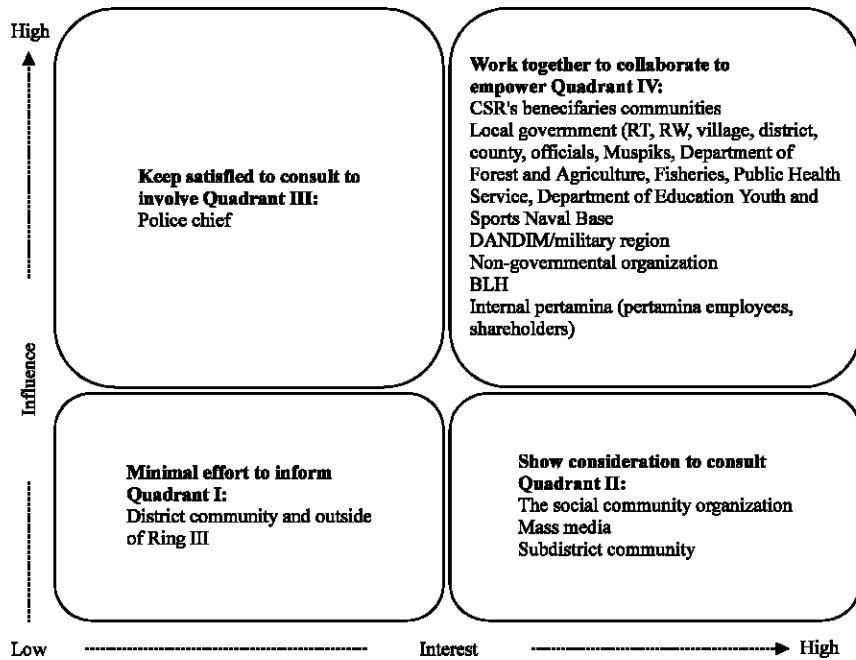


Fig. 1: Stakeholder engagement model in Pertamina, Ltd., RU IV Cilacap

and beneficiaries as well as informants and then arrange the estimated cost of each CSR activity that has been approved by the authorized officials based on the donation. Establish the success indicators of the program. Hold a coordination meeting of program planning. Develop work plan and budget (RKAP) of CSR.

Approval of the work plan and budget of CSR by the chief executive. Ratification of the work plan and 4 budget of CSR as part of Pertamina's work plan and budget in the general meeting of shareholders (RUPS). The preparation phase of the unplanned CSR programs. The mechanisms or stages to arrange unplanned CSR programs are as

follows: the proposal that has been approved by corporate secretary/chief director can be put in the evaluation, verification and survey process (if necessary). Agreement on benefit provision is made for each special benefit given.

**CONCLUSION**

Public relation of PT Pertamina RU IV Cilacap is an interface or a liaison for companies, government and society. Pertamina, Ltd., are indeed aware of the existence the function of public relations as proved in the specific guidelines of organizational governance regarding public

relations that have a profound and very influential to the development of CSR programs. The PR of Pertamina, Ltd., has played a managerial role in arranging the CSR programs. The most prominent role is managerial roles including expert prescriber, communicator facilitator and problem solving. The third role has been played by PR of Pertamina, Ltd., RU IV. Pertamina, Ltd., divides the stakeholders into two parts: the external and internal stakeholders. External stakeholders are divided by sector areas which are Ring 1-3. Each stakeholder of Pertamina, Ltd., has a different level of influence and interest and based on that it surely affects the degree of participation of every stakeholder of Pertamina, Ltd., stakeholder's participation level is divided into five levels, namely to inform to consult to involve to collaborate and to empower.

The level of stakeholder participation can be categorized based on the model of stakeholder engagement. In the first quadrant of the model categories of stakeholder engagement is called minimal effort that includes the people who are outside Ring 3 and regency community. Then in the second quadrant which is show consideration stakeholders, it includes social community organization (religious groups), mass media and district community. In the third quadrant, keep satisfied category, it includes stakeholder is the police chief. The fourth quadrant is work together stakeholders including beneficiaries of CSR, the government (Department of Animal Husbandry, Social Services, Department of Forestry and Agricultural, Department of Health, Department of Education Youth and Sports) Naval (naval base), Dandim/Military region, non-governmental organization, environment agency (BLH) internal Pertamina (pertamina employee and shareholder). Determining the level of participation is surely based on the engagement method conducted by Pertamina, Ltd. and the stakeholders. The process involving a relationship with stakeholders in making CSR programs has benefits not only for the stakeholders but also for PT Pertamina, Ltd., indirectly. Under these

conditions, the role of PR in adopting the model of stakeholder engagement is very important in making CSR programs.

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