The Forming of Social Capital between Corporation and Community through the Implementation of CSR Programs: Case Study of An Offshore Oil and Gas Company in North Jakarta

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Abstract

Corporate Social Responsibility (CSR) is a social obligation of companies established in Indonesia according to various applicable laws. However, CSR programs are applied differently between companies, depending on the company’s understanding of the CSR concept. Contrasting with previous studies which focused more on the evaluation of CSR programs and have not considered the relational impact of the CSR program implementation, this paper goes to observe the link between CSR programs and social capital. This article indicates that well implemented CSR programs establish social capital in the relations between the corporation and the local community. On the other hand, based on the stages of CSR program implementation, the company has not included the approach phase as one of the initial phases that should be executed by a company. This article also provides an overview that the implementation stages should not only stop at the evaluation stage, but should return to the initial stage of implementation, thus forming a cycle. This article was written based on a qualitative research to provide a better which was conducted in Pulau Kelapa, Kepulauan Seribu, North Jakarta, as the operational area of an offshore oil and gas company.

Keywords: corporate; community; social capital; program implementation; CSR
INTRODUCTION

Companies in Indonesia have an obligation in carrying out corporate social responsibility or known as CSR. This obligation is written in Law No. 25 of 2007 concerning Capital Investment, which stipulates that every investor is obliged to carry corporate social responsibility to the surroundings. This Law is also reinforced by Law No. 40 of 2007 regarding Limited Liability Company, Government Regulation No. 47 of 2012 on Social and Environmental Responsibility of Limited Liability Company, and Article 40 Paragraph 5 of Law No. 22 of 2001 regarding Oil and Natural Gas (Oil and Gas Law) (Azheri 2012). Oil and Gas Law requires oil and gas contractor companies to create programs related to the development of surrounding communities and guarantee the rights of indigenous peoples.

The existence of laws stipulating the obligation to carry out social responsibility activities gives an impression of compulsion for oil and gas companies in Indonesia. In practice, for some oil and gas companies in Indonesia, the implementation of corporate social responsibility is only regarded as mere fulfillment of the liability to the state, or known as legal compliance. Corporate social responsibility has more meaning than simply an obligation to the state. Garriga (2004) sees this as an ethical form of doing business, through the realization that corporate responsibility is a form of “compensation” for all the negative impacts that local communities experience due to the company’s operations. Also, some companies are also very selective in implementing CSR activities, and only CSR activities that are considered to be profitable to the company are implemented by the company (Garriga 2004). Different views on corporate social responsibility depend on how companies interpret social responsibility. CSR has various meanings and substance of the concept, depending on the interests of each company (Prayogo 2011).

Corporate social responsibility is recognized as a form of corporate social responsibility to customers, workers, local communities, and the surrounding environment impacted by company operations (Maimunah 2009). The practice of corporate social responsibility takes a variety of forms, such as philanthropy, charity, corporate promotion in the form of aid, and community development (Azheri 2012). In carrying out social responsibility, there are various stages that have to be implemented by
the company, starting from planning and ending at program evaluation (Prayogo 2011).

Implementation of a good program can establish good relationships between the companies and local communities. Well-established and sustained relationships can generate good social capital for the companies and local communities. The excellence of the programs can be seen from the appropriateness of CSR programs to the needs of the community, how the programs can ease the burden of the state, especially local governments, in solving social problems in the community, and the level of local community dependence to the company. A high ratio of dependence of the local community to the company is the impact of a charity program, and such a program does not develop the community. CSR programs that create self-sufficiency of the local community prioritize sustainable development and improve the capacity of local communities. Implementation of a good program will shape social capital that will benefit both parties such as preventing conflict. Conflict can occur due to inequality, exploitation, and dominance (Prayogo 2013a). The lack of dialogue between the companies and communities can also be one of the causes of conflict (Kemp et al. 2010). The absence of conflict can facilitate the company in carrying out its operations. Local people are also helped by the presence of companies, as CSR programs can help meet the needs of local communities.

This research tries to describe the importance of good CSR implementation, in order to maximize the formation of good social capital between companies and local communities. Social capital is needed for the sustainability of the company, especially for mining, oil and gas companies which have a long operation period, conditional on the amount of natural resources available in a region. This research considers CSR program implementation by companies that have been operating in one region for more than 20 years with minimal amount of conflict, as well as establishing good relationship, in this case social capital, with local community.

RESEARCH METHOD

This article was written as a result of a qualitative research in the form of a case study. This article aims to describe the stages in the implementation of corporate CSR in generating good relationships between companies and local communities, also requiring social
capital in social relations. If the implementation works well and social capital is well-established, good relations between companies and local communities are also established. Data collection is done by using in-depth interview to several informants determined by a purposive sampling technique based on research needs, i.e. stakeholders who were directly involved with the implementation of CSR programs, and some of them lacking understanding of the implementation of corporate CSR programs. Key informants in this research are the company, namely employees in the relations division, as well as some local community members who are actively involved in the implementation of corporate CSR programs. The research also collects data through related documents, in the form of public documents such as papers and newspapers or in the form of private documents such as unpublished company data.

DEVELOPMENT OF THE CONCEPT OF CORPORATE SOCIAL RESPONSIBILITY (CSR)

This article classifies previous research into two perspectives, namely managerial theory, and relational theory. The classification of perspectives is based on Secchi (in Maimunah 2009), who classifies CSR theory into three groups: utilitarian theory, managerial theory, and relational theory. The utilitarian perspective is not used in this article, as it is considered irrelevant to the current state of CSR practice.

The managerial theory perspective emphasizes corporate management, where the CSR approach is done through the company’s internals (Secchi in Maimunah 2009). Previous research classified as using the managerial theory perspectives (Jenkins 2008; Azheri 2012; Sekajipo 2010) see the risks that arise in running CSR programs. One is the possibility of increasing local people’s dependence on CSR programs provided by the company. The dependence of the local community on the program provided by the company is caused by the selection of CSR type of company. The selection of program types illustrates that the company does not only focus on the benefits and interests of the company in running the CSR, such as maximizing profits earned by the company after the implementation of the CSR program. But the company also participates in social issues in the local community, such as activities in the fields of environment, education, and creating
a foundation for the empowerment of local communities. CEO or top management plays a role in making decisions to run CSR programs.

The relational theory perspective sees the interaction between companies and society as one form of strategy in improving corporate management (Secchi in Maimunah 2009). The company seeks to discern any differences of interest between the company and the community, as well as to see the relationships established between the company and the local community (Secchi in Maimunah 2009). Previous studies on this group (Prayogo 2011; Muthuri 2009; Kemp et al. 2011) see the importance of good CSR implementation between mining companies and their stakeholders. Implementation of CSR programs with the help of employees may maintain social relations and social capital between companies and society. Successful implementation will have impacted on the formation of social legitimacy in corporate relationships with corporate stakeholders. Social legitimacy is needed as an effort to minimize conflict. In some cases, good CSR program may not establish social legitimacy and caused conflict. Conflicts are most likely to occur if companies treat stakeholders unfairly. In addition, to maintain good relationships, local communities are included through communication and negotiation in program planning.

Referring to the two groups of CSR theory perspectives, this article falls into the scope of the relational theory group. This article sees the implementation of CSR programs as being able to build good relations between companies and local communities along with establishing social capital. Social capital is a capital that is established through a lengthy process. Establishment of social capital can facilitate the company in conducting business, as well as being accepted by the local community.

**CSR Programs**

Prayogo (2011) explains that CSR is a company’s obligation to create the welfare of local communities, as well as build mutually supportive relations with local communities. Mining, oil and gas companies are required to have social responsibilities that improve the welfare of the local community, because of the exploitative or destructive nature of the activities towards the environment of the local community. Good relations can be built through the implementation of a good CSR program as well. Based on Prayogo et al. (2014), there are four...
stages in implementing CSR, namely situation analysis, planning, implementation, and evaluation.

The first stage is situation analysis. This stage is divided into two parts, namely the external and internal analysis (Prayogo et al. 2014). External analysis is conducted to know the community around the company’s operating area through social mapping and needs assessment that contains the identification of community needs around the company’s operating area. While the internal analysis observes the company’s readiness to implement CSR programs in terms of funding, the ability of corporate staff running CSR programs, and determining the space for CSR organization.

The second stage is the planning stage. Prayogo et al. (2014) explain that the planning stage begins with harmonizing government program plan with the company’s plans. Further, the company sees local potential to be invited to the implementation of CSR programs, as well as local potentials in terms of community awareness, economic and environmental potentials. The company also determines the program focus and its priority scale. Program planning based on priority scale will determine the allocation of funds and the time period of the company. The next step is to determine the target achievement of each CSR program, to facilitate monitoring the progress of activities. Achievement targets can be complemented by time and scope limits to clarify and make it easier for evaluators to evaluate the program. The final step in the planning stage is the determination of the target of CSR beneficiaries; the goal is that the target is on point.

The third stage consists of three parts, namely preparation of program implementation, program implementation, and monitoring (Prayogo et al. 2014). First, the company makes preparations by forming a stakeholder forum for delivering aspirations and complaints from local communities. Next, it determines the executor of the CSR program in accordance with the criteria and program indicators made by the company. Then the company determines recruitment of program executors in accordance with the needs of program implementation. The company also conducts communication with the company’s stakeholders. The second part is program implementation. The implementation phase of the program begins with the socialization of the CSR activity plan. After conducting the socialization, the company executes the planned program in accordance with the design of the plan that has been made before. Third, the monitoring stages include determining the aspects
to be monitored, the progress of the activities, the participation of local communities, the constraints during the implementation of the program and the settlement taken in the event of a constraint.

The fourth stage is the last stage in the implementation of the CSR program, namely the evaluation stage. At the evaluation stage, the first thing to do is determine the scope of the program to be evaluated. Then, determine the evaluator, whether it is done by the company itself or by a third party. Next is the determination of aspects to be evaluated, based on certain indicators such as legal aspects as well as program impact on various things. Finally, receive feedback from the evaluation results on the program design, and then make improvements to be implemented in the next period.

The stages of CSR program implementation by Prayogo et al. (2014) is considered appropriate for this article in assessing the implementation of CSR programs in the company being studied. Well-implemented CSR programs based on the stages of CSR program implementation can build good relationships between the company and local communities. The implication is to build social capital that benefits both sides: companies and local communities.

THE OPERATIONALIZATION OF CSR CONCEPT

Apart from the CSR concept above, this article also needs to explain the concept of social capital. Social capital is a resource inherent in a social network. These resources can be accessed or mobilized through network ties (Lin 2001). Dale and Onyx (2005) sought to understand the nature of social capital and the relationship between social capital and sustainable development (in this article, hereinafter referred to as CSR and CD). There are six key elements of social capital that illustrate that social capital positively leads to other capital toward sustainable development for better communities.

a. Engagement, this element sees if empowerment is seen in helping each other. Empowerment is an important first step in building social capital. Companies conducting empowerment will be involved both intellectually and emotionally to stakeholders. The purpose of this element is the participation of the company in taking part to resolve social problems and maintaining the community in the area around the operation.
b. *Trust.* According on Dale and Onyx (2005) is an important part in forming a relationship. Trust is essential to building social cohesion and economic success for the company. Time is important in building trust; trust grows over time and the interaction that builds up between the company and the local community. Lack of trust will bring destruction in relationships and separate members within the community.

c. *Cooperation* is important in social capital, essentially as glue that connects one person to another (Dale and Onyx 2005). Without cooperation, the relations between people with each other will be disconnected, and not interrelated as in a community.

d. *Collective Norms* are an important thing in society, because it describes a shared orientation. Collective norms are an adhesive in the pattern of social relations, but these norms must be made jointly by mutual agreement, to achieve common interests. Collective norms become standard in action, so as not to harm both parties, and illustrate the same view between the company and the community.

e. *Knowledge Diffusion,* through increased literacy rate or education at the individual level. The goal is to improve the economy of local communities; good education will create an economically independent society as one of the goals of empowerment.

f. *Sense of Shared Future,* this element is a continuance of the fifth element of knowledge diffusion. An increase in literacy rate is a means for a more advanced and developed future. Through building a good understanding with the contribution of networks as an effort to increase social capital, communities can gain greater capacity in determining the best resources for a more advanced future.

This article uses the concept of social capital by Dale and Onyx (2005). Social capital is considered important in a CSR program. Social capital is required by a company to be able to establish good relations with the surrounding community. The better the relations, the easier it is for the company to achieve its business goals without overriding the social needs and the existence of local communities around the operating area. The following is the model of relationship of CSR program implementation with social capital:

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THE COMPANY OPERATIONAL CONTEXT AND CSR ACTIVITIES

This company operates in the Block Southeast Sumatra region as one of the pioneers of Production Sharing Contract of offshore oil production, gas exploration and production (Company Profile 2013). On September 6, 1998, the Southeast Sumatera (SES) PSC was signed and extended for 20 years until 2018. The company’s operational area covers the Kepulauan Seribu Administrative Regency, Serang Regency, specifically Pulo Panjang Village, and East Lampung Regency, especially Muara Gading Mas and Margasari Villages, Labuan Maringgai District (Community Relation Magazine 2010-2011). The company first implemented CSR programs in 2003, with Kelapa Island as the first island to receive the company CSR programs and become the Ring 1 of the company.

The company focuses on maintaining good and harmonious relationships with communities residing in the area around its operations, as it tries to become a good corporate citizen (GCC), in accordance with the company vision (Company Profile 2013). Based on the results of interviews with informant G, the CSR program was first implemented around 2003. Informant S explained that the first program was aid in the form of keramba for fishermen, provision of morami nets, and repairing the jetty in Pulau Kelapa, which was the first island where the CSR programs were executed. The company has a variety of development programs that have been implemented to support community welfare (Company Profile 2013). The following table CSR activities are still being implemented.
Table 1. The company’s CSR Programs

<table>
<thead>
<tr>
<th>Activity Area</th>
<th>Programs</th>
</tr>
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<tbody>
<tr>
<td>Support</td>
<td>Support package for community</td>
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<tr>
<td></td>
<td>Employment for qualified local personnel</td>
</tr>
<tr>
<td></td>
<td>Aid for fish shelter payment installment</td>
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<td></td>
<td>Scholarships for Elementary Schools up to College students</td>
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<td></td>
<td>Books for library</td>
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<td></td>
<td>School package</td>
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<td></td>
<td>Provision of teachers to face the National Examination (UN)</td>
</tr>
<tr>
<td></td>
<td>Future orientation for high school level (SMA)</td>
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<tr>
<td></td>
<td>Provides Kindergarten equipment and educational game equipment</td>
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<tr>
<td></td>
<td>Supporting the recitation of the Qur’an competition (MTQ)</td>
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<tr>
<td></td>
<td>Supports scout activities</td>
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<tr>
<td>Education</td>
<td>Provides fresh water in the dry season</td>
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<td></td>
<td>Provide building materials for the natural disaster tornado victim in local community</td>
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<tr>
<td>Disaster Support</td>
<td>Building public infrastructure including school buildings</td>
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<tr>
<td></td>
<td>Electrical installation for computer courses</td>
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<tr>
<td></td>
<td>Renovation for road facilities</td>
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<tr>
<td></td>
<td>Renovation of mosques and churches</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>Training for fishermen from catchers to become breeders</td>
</tr>
<tr>
<td>Training</td>
<td>Build turtle breeding</td>
</tr>
<tr>
<td></td>
<td>Mangroves planting</td>
</tr>
<tr>
<td>Environment</td>
<td>Health socialization</td>
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<tr>
<td></td>
<td>Free treatment includes dental examination</td>
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</tbody>
</table>

Source: Company document 2013

The company is involved in movement to improve the nation’s education, through scholarships (Community Relation Magazine 2011). Through this involvement, the company is pursuing a real profit in
the form of a positive image in the eyes of the public. The positive image can be obtained through the implementation of Corporate Social Responsibility (CSR), which is more intensively emphasized by stakeholders. In developing the CSR program, the company refers to three things, namely corporate vision and mission, Production Sharing Contract (PSC), and Law No. 40 of 2007 on Limited Liability Company in Article 74 paragraph 1 stating that “Companies conducting business activities in the field and/or related to natural resources shall be obliged to carry out Social and Environmental Responsibility” (Community Relation Magazine 2011).

The company’s vision of CSR is to create a conducive and harmonious condition between the company and the community around the operation area, while the CSR mission is to assist government programs, especially local government in the area of company operations, especially in community development (Community Relation magazine 2011). Since the days of the operations of Maxus SES in the 1990s, the company had implemented a number of social activities to the local community. The results of these social activities were positively received. These positive results could be felt in the company’s relationships especially with local community and local government.

The Regulation of the Minister of Energy and Mineral Resources No. 22 of 2008, concerning Types of Costs of Oil and Gas Upstream Business Costs that Cannot be Returned to Contractors of Cooperation Contracts, encourages companies to change CSR program strategies, from general CSR to Operational Social Support (KSPO) (Community Relation Magazine 2011). In initiating the KSPO, Community Relation Magazine (2011) explained that the company does several ways, namely by building direct relationships to stakeholders (community and local government) and conducting Focus Group Discussion (FGD), monitoring local government activities such as Musyawarah Rencana Pembangunan (Musrenbang), conducting social mapping with a reputable university, and considering Work Programs & Budget (WP & B) Recommendations from the Company’s Environmental Impact Assessment (AMDAL) document.

KSPO is a concept of Good Corporate Citizen (GCC), as one of the implementation of CSR. Corporate Citizenship is a perspective of the company in acting and behaving with other parties, such as customers, suppliers, communities, governments and other stakeholders. Companies must have GCC as one way to improve corporate reputation,
increase competitive advantage, and improve the quality of human life. Corporate Citizenship is also related to community development issues and environmental protection. The implementation of the community development program is carried out in five stages: planning, arrangement, implementation, monitoring, and evaluation (Community Relation Magazine 2011).

KSPO’s main goal based on Community Relation Magazine (2011) is to build relationships with stakeholders. With the achievement of KSPO objectives, the company will have a good image, so that the existence of the company can be accepted in the operating environment, both in the local, national, and international environment. Companies that implement GCC will gain several benefits, one of which is improving the reputation of management and facilitating risk management. The company can also increase creativity and innovation among the workers, even increasing operational efficiency, as the implementation of GCC will focus on the main objectives, so it can perform immediate reforms on various operational aspects with the impact of cost reduction.

IMPLEMENTATION STAGES OF CSR PROGRAMS

Prayogo (2013) explains that CSR is responsible for creating community welfare, as well as building mutually supportive relationships with the local community. Corporations in the oil and gas mining industry are required to have more responsibilities, particularly to the local community, due to the exploitative nature of the industry to local natural resources and ecology. Corporations are required to take concrete and direct action that can improve the society’s welfare (Prayogo 2013b). The form of social responsibility embodied through CSR programs must be implemented in an appropriate manner. Beforehand, company must approach the local community. The aim is to draw the attention of local community over the arrival of companies around their residence area.

Prayogo (2011) explains that the corporate approach to society strongly determines its social legitimacy, which then determines the attitude (acceptance or rejection) of the community towards the existence and activities of the mine. The existence of CNOOC SES Ltd. has been well received by the community, because there is no negative publicity published in the media. In addition, there are no visible conflicts between the two sides. Any existing differences in the
perceptions of the company and local communities can still be resolved through dialogue. This is in line with conflict prevention according to Kemp et al. (2011), where one of the conflict resolution methods is dialogue between the companies and local communities.

In implementing the stages of CSR program, the company has performed a series of phases of CSR. Almost all the main stages in implementing CSR program has been done. The first stage is to conduct a situation analysis divided into two groups: external analysis and internal analysis. In external analysis group, the company has conducted a series of activities related to community needs and social conditions. Based on the statement from the informant from the local government, the company has conducted social mapping and needs assessment before running the CSR program. Social mapping is conducted across the island included in the company’s operations area, with the aim of building an appropriate basis in determining the suitability of the program. Need assessment has also been conducted as a reference in viewing the needs of local community for targeted program. Another important thing is the company’s proposal submission system, especially for unlisted needs on social mapping studies result and need assessment, and community needs that have not been fulfilled by the local government.

The next stage of analysis is internal analysis, where the company calculates the extent of its CSR funding capabilities. Based on a statement from the company, it obtained CSR funds from the government as cost recovery, amounting to Rp 1 billion, which is considered still inadequate to run the entire CSR program. The company also disburses funds from company’s profit to conduct CSR programs that lead to community empowerment. Looking at CSR staff capabilities, the company has two CSR program executors, namely head of relations and a CSR staff. The small number of CSR program executors is compensated by the company through cooperation with the local government in implementing CSR program. The final step in the internal analysis phase is to calculate the CSR organizational capability. The company has a special department to implement the CSR program, which is under the vice president of legal and general affairs, so the process of planning and implementing the program becomes more flexible.

The second stage in implementing the CSR program is the planning stage. The first thing to do in this stage is to look at local government programs. In this case, the company has analyzed documents of local government programs and attended musrenbang (development
planning deliberations) activities. Based on an informant from the company, the company conducted comprehensive discussion with the local government, to reduce the overlapping programs with local governments and work together to meet the needs of local communities. The next is looking at local potentials in each area. In this case, the local potentials are known through social mapping studies at the planning stage. To explore local potentials and utilize them, the company cooperates with the local government. The next is to determine the focus of program and its priority scale. According to the community development magazine, the company has scope or program focus in several fields, such as education, health, environment, infrastructure, special facilities and public facilities, and social disaster support. In its implementation, the company set priority programs in the field of education and health. Fourth, determining achievement of CSR program. The company provides a target of program achievement in the form of time or standard of value. Time as a program achievement target is used in mangrove planting. Based on a company statement, the company gives six months from planting time. If within six months’ mangroves cannot grow, then program is considered failed and must be repeated from beginning. The last thing to do in the planning phase is to determine the target of program utilization, which aims to make the program focused and targeted. According to an informant’s statement, the company has targeted the beneficiaries of the CSR program, to avoid ‘hit and run’ programs and useless programs.

The third stage is the implementation stage, which is divided into three parts, namely preparation, implementation, and monitoring. The first is preparation; there are some things that have not been implemented by the company. Based on local government statement, the company does not form a stakeholder forum for discussion to accommodate criticism and suggestions from local community. Suggestions, criticisms and discussions are usually delivered directly to the company. The absence of discussion forums is unfortunate, because not all local communities are able to reach the company headquarters or have program executors’ phone numbers. This constraint causes problem solving to be less efficient. In determining the executor of CSR programs, the company explained that they were involving community institutions through self-managed programs rather than individual communities. In addition, the company also cooperates with local governments and includes other government agencies to implement
programs. Next step is to recruit program executor staff. In this case the company only has two program implementing staff, namely head of relations and a CSR staff. The company tends to cooperate with relevant institutions in implementing CSR programs, rather than hiring internal company employees. At the preparatory stage, the company does not conduct training for program executors, because the company does not hire staff to implement CSR programs. Further, the search for resource opportunities from partners is done by matching resources with the government. The company and local government implement similar programs, so the company can synergize with the government in implementing the programs. The last thing in the preparation stage is communicating with the stakeholders. The company often communicates with the stakeholder, both prior to program planning, and as the program progresses. For the company, communication is important as an effort to approach the stakeholders. This is in line with the statements from the informants from the local community and local government, who often communicate with the company. However, the company only communicates with certain people, such as the chairman or representative of the organization founded by the company.

The next stage in the implementation phase is implementation. Implementation includes socialization and implementation of the program itself. The first to be done is socialization of CSR activities plan. The company usually socializes the program by inviting RT, RW and local communities. The company provides socialization related to strategic plan and explains technical running of the program along with time period. Second, the actual implementation of CSR program. Basically, the company has been running CSR activities well. However, the company does not have a CSR forum to solve problems that arise during the program. Problems are usually discussed directly by phone or face-to-face. Finally, the last is monitoring, more precisely the process of determining aspects to be monitored. Monitoring is done by the company on a semiannual basis. However, there are a lot of local community members who have not seen the monitoring process. In this case there is difference in the opinions between the company, the local communities and the local government.

The last stage is evaluation. In the evaluation stage there are four activities that should be done by the company. First, determining the scope of evaluation, in which the company does not provide adequate information regarding the determination of the scope of evaluation,
such as observing the priority of the program. The next activity is to determine the evaluator. The evaluator is the head of relation and a staff member who directly participate in program evaluation activities. The next is to determine the aspects evaluated by looking at the scope of the program, weaknesses and strengths of the program, as well as to see the correspondence of the expenditure to the predetermined budget. The company has determined the aspects to be evaluated, such as in the mangrove cultivation program, the company will evaluate the number of living trees at the end of the program period, the number of trees washed away or dead. The last stage in the evaluation phase is feedback to the program design evaluation, so that the company will get feedback from the beneficiaries of the program. Unfortunately, most of CSR programs only run for one period only. This resulted in the evaluation being less than optimal.

Based on CSR program implementation phases, there remain some weaknesses in CSR program implementation, namely lack of knowledge of the local community needs, especially in the health sector. An informant from the local government explained that health facilities and infrastructure in local area are inadequate, despite the company providing free of charge health consultations. Another deficiency according to an informant from a local community institution is the short program period, and lack of empowerment. Empowerment programs still do not work well as no mentoring is provided, and trainings are inadequate. Despite the weaknesses of the CSR program, the company has been able to cover local community needs that have not been fulfilled by the local government. The existence of the company is also well accepted by the local community, as seen from the enthusiasm of the local community for the implementation of CSR programs every year. It would be better though if the company does every stage in the program implementation to improve the results.

FORMING OF CORPORATE SOCIAL CAPITAL

Social capital emerges when the social organization is suitable (Coleman 2009). The suitability will lead to resources that could be used by others. The proximity of social networks is also important in social capital. The proximity of social structures is also important, not only for the presence of effective norms, but also for forming other social capitals. When norms emerge and become effective, it will enforce the
power of the organizational structure through the form of social capital. The emerging norm is reinforced by social impetus, status, honor, and other rewards. Social capital is a potential to obtain information inherent in social relationships. Information can be acquired by using social relations that are maintained for other purposes. Several previous studies (e.g., Bohm and Nichol 1996; Dale 2001; Etzioni 2000; Robinson 2004; Dale and Onyx 2005) have identified elements of engagement, trust, cooperation, collective norms, knowledge diffusion, and sense of shared futures as the keys to social capital formation.

The first element of social capital is engagement, or in this case empowerment. Engagement is the need for intellectual, emotional, or even better, both, involvement in certain actions (Dale and Onyx 2005). Engagement is an important first step to build social capital. In the engagement element, the company stated that one of the CSR programs is empowerment program, namely mangrove planting, household plastic waste utilization, and sea farming. So far, the empowerment program has only focused on training. Based on an informant’s statement, not many have known the company empowerment program. In addition, an informant from the government stated that empowerment program is limited to training, without support during the training program, nor accompanied by the provision of business capital either in the form of loans or in the form of goods to run their business. In addition, the empowerment programs cannot be considered sustainable. The empowerment programs are only done during one period, except for the mangrove planting, sea farming, and waste plastic management programs. An informant from the company also stated that the empowerment programs do not need to be done for multiple periods, and are only to be done in a single period of implementation.

The second element in the formation of social capital is trust. Coleman (2009) states that trust is one of the elements underlying social capital. This article focuses on increasing local communities trust to the company. Local community’s trust to the company has been developed through the company’s approach. The company that received trust from local communities indicate local community acceptance, so the mutual exchange between the two can work well. Trust appears from both sides, although there is still a fear of the problems of the past. A student from Pulau Kelapa explained that there is some fear as there are still programs that have not been extended to the local community. Another obstacle
is the frequent rejection of proposals of activities put forward by the local communities.

The third element is cooperation. The company and local communities often cooperate through self-managed institutions founded by the company. Cooperation in the empowerment program is accompanied by an MOU between the two parties. An example is the cooperation on the mangrove planting program conducted by the local community, the seedlings planted by the community are purchased by the organization to be planted along the seafront as abrasion prevention. The results of this cooperation have a good impact on local community economy as mangrove farmers. This element goes well and well established too.

Collective norms are the next element of social capital. The company and the local communities do not yet norms that are built together. Informants from the company stated that norms that exist between the two are made by the company, and then agreed by the local community. Other norms are only temporary and are not created by mutual agreement.

The fifth element is knowledge diffusion focusing on education and empowerment. This element is quite well established, as seen in company support on education such as improving school infrastructure, scholarships, and school equipment package. The company is doing infrastructure renovation such as rebuilding school buildings. The company also provides a variety of supporting facilities such as new benches, providing books for the library, providing school supplies for high school students, providing scholarships for students with at least 3.00 GPA, and assistance for high school students who will face the National Final Examination (UAN).

The final element is a sense of shared future. In this case the company’s efforts to develop the local community have been running quite well. According to the analysis of students, the company, and local government, the local communities become more advanced and independent because of the company’s aid. In addition, the local communities are becoming more open minded in relation to education. Overall, there are two elements that are still not developed yet, namely engagement and collective norms, but other elements have been running well. Thus it can be said that the social capital between the company and the local communities is quite well built, although not maximized.
CONCLUSION

Based on the results of the article, it can be concluded that the company still has not implemented the CSR programs adequately. This is evidenced by several important stages that have not been executed by the company. As a result, the social capital that is formed from the implementation of the CSR program is still not optimal even though it has been well established. This is in line with the extent to which the company integrates the interests of local communities with the operations of the company’s business as a form of corporate involvement in activities that help the surrounding community (Sekajipo 2010). A good program conforms with the needs of the surrounding community, so evaluation needs to be done in order to assess the conformity of the company’s CSR program to the needs of the community, and in line with the company’s mission (Prayogo 2011). The stages of implementation of CSR programs that have not run, of course, depend on the CEO or top management in making decisions to run CSR activities (Dectomasi in Sekajipo 2010). One of the stages that have not been executed is found at the implementation stage. At this stage, the company has not established a stakeholder forum as a forum for the community to convey their aspirations (suggestions, complaints, etc.) (Prayogo et al. 2014). If the communities are involved to communicate and negotiate with stakeholders to safeguard the interests of the company’s business, it has a function to maintain the relations of stakeholders and the company (Kemp and Owen 2013).

Social capital in the relationship between the company and the local community is well established. The social capital that has been built has an impact on the local community’s acceptance of the company. Moffat and Zhang (2013) use one element of social capital that is trust as one of the variables that builds acceptance. Interaction between the company and the local community, improvement of social infrastructure and fairness are the three things that build local acceptance of the company’s existence (Moffat and Zhang 2013). This article shows that the trust between the company and the local community has been built quite well, although still hampered by problems in the past. Then in terms of interaction between the company and the local communities, it is reflected in the company’s regularly implementing CSR programs in the Pulau Kelapa area. The company implements the CSR program itself, and facilitates self-managed organizations to assist the running
of several CSR programs. The CSR programs given periodically and involving local communities in self-managed organizations, illustrate the interaction between companies and local communities. The CSR programs cover the infrastructure sector, where the company makes improvements to public infrastructure as well as building public infrastructure that was not previously available in the Pulau Kelapa area. For example, the construction of a pier, previously only made of stone and wood piles. The company rebuilds it and performs regular maintenance. The pier was built because it is one of the common infrastructure needed by Pulau Kelapa community, as most heads of families in Pulau Kelapa work as fishermen. With regard to fairness, the existence of the company does not degrade the quality of life of local people in Pulau Kelapa. In some ways the company helps improve the quality of life of local communities, including providing free healthcare programs, scholarships and school packages for outstanding students, building docks and meeting the need for clean water during the dry season.

The above explanation gives an idea that the company has been accepted by local people because it has fulfilled some elements of acceptance. Apart from that, not only local people who accept the existence of the company. The local government also accepted the existence of the company, seen from the statement of the local government who feel helped with the existence of the company. The company is considered to help reduce social problems that cannot be resolved by the local government. As for the local community, acceptance of the existence of the company is said to be a form of gratitude for the assistance provided.

REFERENCES


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