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Local wisdom and Stakeholder engagement for corporate social responsibility (CSR) initiatives in Indonesia

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Abstract

This paper explores the implementation of Corporate Social Responsibility (CSR) initiatives of Aqua Bali Company through the engagement of stakeholders and local wisdom in the effort to conserve the Ayung river, the longest river on the island of Bali. The qualitative software QSR-NVivo 11 was used to clean the data, code and analyze the data sets. Result also indicates that the involvement of stakeholders in developing trust and long term relationships between company and stakeholders is making the project a success. In conclusion, the CSR of Aqua Bali is deeply rooted in the commitment of the organization.

Keyword: Local Wisdom, Corporate Social Responsibility.

Sabiduría local y participación de los interesados en iniciativas de responsabilidad social corporativa en Indonesia

Resumen

Este documento explora la implementación de las iniciativas de Responsabilidad Social Corporativa de Aqua Bali Company a través de la participación de los interesados y la sabiduría local en el esfuerzo

por conservar el río Ayung, el río más largo de la isla de Bali. El software cualitativo QSR-NVivo 11 se utilizó para limpiar los datos, codificar y analizar los conjuntos de datos. El resultado también indica que la participación de las partes interesadas en el desarrollo de la confianza y las relaciones a largo plazo entre la empresa y las partes interesadas está haciendo que el proyecto sea un éxito. En conclusión, la RSE de Aqua Bali está profundamente arraigada en el compromiso de la organización.

Palabra clave: Sabiduría Local, Responsabilidad Social Corporativa.

1. INTRODUCTION

CSR is a strategic corporate initiative that received an increased amount of attention as it provides not only benefits to an organization but is also used as a tool by the organization to give back to the community. CSR aims to encourage businesses to be more ethical in their actions and not to negatively influence the society and the environment. Further, CSR is necessary for corporations to go beyond their economic and legal obligations, and act responsibly towards multiple stakeholders including society at large. It has been argued that society has greater expectations towards companies to be involved with CSR as compared to earlier years. The research shows that more than half of the CEOs believed that these expectations about CSR would increase further in the next few years. Every organization today including that of Indonesia needs to consider corporate philanthropy and social responsibility, as these are closely related to the organizational reputation.

This paper aims to identify the implementation of CSR by taking the case study of Aqua Bali company and using local wisdom as a philosophy while engaging all of the stakeholders. In 2014, Aqua Bali was also awarded Platinum Award from Indonesian CSR Award (ICA) body on their flagship CSR program named as Ayung Lestari and managing waste program in Bali. Aqua Bali initiative is constituted of four pillars. The first pillar, water preservation and environmental preservation as an effort of the company to keep and preserve both quantity and quality of the environments; the second pillar is eco-friendly business practice as a commitment to nature. The third pillar, managing the product distribution, to manage the effect caused by the distribution from the factory to the company; and last, incorporating and empowering the local communities to support social cohesion and local economy for social harmony.

By taking the case of Aqua Bali, this paper tends to answer following under-mentioned unexplored questions.

1. How the Balinese local wisdom is incorporated in CSR activities?
2. How stakeholder engagement is being done to promote CSR activities in aqua Bali?

The next section will explore the concept of CSR, Local Wisdom and stakeholder engagement.

2. REVIEW OF LITERATURE

2.1. The concept of CSR

CSR has been recognized and developed significantly over the last few decades in the business sector and in academic literature all over the world. Nowadays, companies need to incorporate different perspectives and concerns from various stakeholders. Mostardeiro and Duarte (2007) argued that CSR is a part of business ethics, which is thirty years ago cannot be found in the lexicon, but now it has become the popular topic in their strategic planning and annual report. Although the concept of CSR has become a trend, the concept of CSR is still debatable between scholars. One of the popular definitions of CSR is given by International Standard Organization (ISO) 26000:

The responsibility of an organization for the impacts of its decision and activities on society and the environment, through transparency and ethical behavior that contribute to sustainable development including health and welfare of the society. The definition given by ISO stressing on that CSR is a part of contributing to the sustainable development to reach the health and welfare of the society (Luutrong, 2012: 18).

CSR as an ethical business and responsible towards stakeholders including the economy and the environment. The goal is aimed to create a better standard of living while maintaining the continuity of the growth of businesses through increase their profitability and values. According to Daft (2012), CSR is the obligation of the top managers to make a choice and take action that

contributes to the welfare and interests of the community. The researchers further argue that the CSR programs run by companies should consider the data baseline of the local community including socio-culture aspects, economy aspects etc. In Indonesia, the obligation for companies to do CSR activities is listed in act number of 2007 article 74 of the Limited Liability Company (Tamam, 2006).

2.2. Local wisdom

Local wisdom is a format of expression. It is the accumulation of ethnic cultures, which generally refers to people who do their activities and behave accordingly adjust to an idea, and eventually, their actions generate certain outcomes. According to Kongprasertamorn, local wisdom refers to the knowledge derived from the community's experiences and the accumulations of the local knowledge. Local wisdom as knowledge based on the experiences of people that is handed down over the generations, sometimes by those who may see as village philosophers. This knowledge as guidelines for people's daily activities and the relationships that they have with their families, neighbors, and other people in the village and the surroundings. Local wisdom is an important value to support the investigation, develop policies and it can be effectively used in the environmental decision-making process.

In Bali, Indonesia's context, Siswanto et al. (2014) recognized that the local wisdom of the Balinese community is derived from the

Hindu philosophy. The most important Balinese local wisdom is Tri Hita Karana (THK). Meanwhile, Tri Hita Karana (THK) concept means three sources of life, derived from Sanskrit. Tri means three, Hita means prosperity and Karana means to cause. This concept teaches that God, Man and Nature cannot be separated from each other. Further, welfare and happiness cannot be achieved if men do not live in balance and harmony with God, Man and Nature. Tri Hita Karana (THK) is also known as the ideology and concept of Balinese society. Wiana (1997) added that THK is a Hindu philosophy to realize a balanced and consistent way of life to trust and worship. Pitana also noted that Tri Hita Karana (THK) enables the Balinese to live in harmony with the environment and maintain their culture.

2.3. Local wisdom and CSR in Bali, Indonesia

The local characteristics of Bali, Indonesia are comprised of local values or local wisdom. They can be used as functions of social capital to develop and improve the sustainability of CSR. This is an established fact that before implementing CSR programs, the companies should have a sound understanding pertaining to the problem of socio and culture (Amaeshi, et al., 2006). The CSR programs run by companies should be based on local issues, cultures and traditions of the community. Cultural factors may affect the planning phase of CSR practices. CSR also influenced by ecological and environmental cultures. Meanwhile, Muthuri and Gilbert pointed out that CSR is heavily influenced by legal aspects, normative or

social and cultural aspects. Tri Hita Karana (THK) concept of Bali, Indonesia can be of great importance for CSR initiatives in Bali, Indonesia.

2.4. Stakeholders engagement

Blowfield & Murray (2011) argued that the relationship between companies and society is very strategic and the roles of stakeholders are also very important. In addition, Argenti (2009) added that CSR needs the company's respect towards the problems of society, which is shown by taking responsibility and being concerned towards the impact of their activity. The stakeholders include local communities, labors, investors and the environment and all parties that are involved in the company's operations. The most important thing to build the relationship to the stakeholders is stakeholder engagement. The concept of Stakeholder Engagement is the practices which an organization undertakes to include stakeholders in a positive manner in organization activities. Stakeholder engagement comprises establishing, developing and maintaining the process of stakeholder relations. This is including conclude identification, consultation, communication, dialogue and exchange between stakeholder and companies. According to Eden and Ackerman (1998), the involvement and management of stakeholders in organizational change are important. These aspects would become an important part of strategic management in order to develop and implement the strategies.

3. METHODOLOGY

To assess the Balinese local wisdom is incorporating CSR activities and the involvement of stakeholder engagement is involved in CSR activities for the conservation of Ayung River by Aqua Bali company, data collection was done using the following research tools: i) face-to-face interviews and ii) Focus Group Discussions (FGDs) After the data collection, the triangulation of data was undertaken to interpret the information. The database for this paper came from 13 face-to-face interviews with heads of villages (4), NGOs (3), Local community members (3), head of Hamlet (1), representatives of company (2) and 2 Focus Group Discussions (FGDs) were conducted with local citizens in the year 2016-17. The qualitative software QSR-NVivo 11 was used to clean the data, code and analyze the data sets. In qualitative research, computer packages such as QSR-NVivo 11, increase analysis transparency, accuracy, efficiency, rigor and trustworthiness.

As part of the analysis process, NVivo word frequency queries were run to identify words and word groups (e.g. stem words, synonyms) that occurred most often, as well as the relative and absolute frequency of word/word groups within the data set. To ensure the comprehensiveness of data in terms of data coverage, text search queries were used to look for (1) specific themes and subthemes; (2) words with a shared stem and (3) words with related meanings. Apart from that, all the documents and reports regarding

CSR programs and other initiatives were analyzed thoroughly. The findings are presented in the section below.

4. FINDINGS: AYUNG RIVER CONSERVATION AND CSR OF AQUA BALI

It was found that the CSR of Aqua Bali is deeply rooted in the commitment of the company. Further, it was also known that Aqua Group won eight platinum, four golds and one silver awards from the Ministry of Human Development and Culture Indonesia in recognition of their commitment and contribution for Millenium Development Goals (MDG) in Indonesia. CSR programmes such as coopmart and water conservation program in Bali province were awarded for their contributions in incorporating and empowering local communities in Indonesia. During some in-depth interview findings, CSR manager of the company pointed out that Tri Hita Karana (THK) is the philosophy of Aqua group. According to the CSR manager as described as follows:

Human relations with God are created through prayer and offering ceremonies. Human relationships are created by maintaining good relationships that are shared with other individuals. Meanwhile, human relations with the environment can be done by preserving the environment through human effort not to damage and disturb the natural balance. When these three relationships are in harmony, then people will gain happiness in the world. Moreover, the head of Village

also pointed out that THK came from Hindu philosophy which emphasizes that God, Man and Nature are the inseparable elements. He opined: Tri Hita Karana teaches that in order to achieve human well-being it is necessary to carry out good relationships with God, Man and Nature.

5. ANALYSIS AND DISCUSSION

5.1. THK as a guideline of the CSR Programs

The findings showed that in order to succeed, the company embraced local resources and local wisdom which are important to Balinese communities. For example in the WASH programs, they used customary rules (pararem) which have existed since a long time ago to promote hygiene and sanitation. Local wisdom such as gotong-royong (mutual help derived from Tri Hita Karana) was adopted when they built toilets and weels, plant trees and during other activities. The rituals such as prayer and offerings also performed before and during the programs. This is part of the manifestation of Tri Hita Karana lessons. They believed that, by performing prayers, their efforts will be made easier and blessed. This shows that the local wisdom of the communities plays an important role in the success of CSR programs in Badung, Bali.

The Balinese local wisdom which is Tri Hita Karana is inherent in the CSR programs carried out at Ayung Lestari. They believe that

the river should be kept clean, because it is the holy place, and also it gives benefit to a human being. They also believed that water is the source of living. That is why water should be kept clean and holy. From interview findings with respondents, it can be concluded that Tri Hita Karana (THK) is important local wisdom in Bali's local communities living. The local wisdom also gives extraordinary energy in many segments, including life and harmony. Sutawan (2008) also asserted that THK is the three sources of life. Tri Hita Karana (THK) concept taught that God, Man and Nature are three aspects that are inseparable and human happiness.

CSR programs are implemented through integrated environmental preservation programs based on THK values. The company and community identify and carry out relationships with various stakeholders. The CSR program is also supported by stakeholders including social organizations, government and local governments, schools and universities. The research found that the identification of problems was found from local forums. In the local forums (it is called as a *sangkepan* or regular meeting), the local community gives inputs and planned the programs collaboratively with the company and another stakeholder so that every each program rooted from the local community's problem pertaining to environment, health and sanitation issues. According to Andrioff and Waddock (2002) that the relationship with stakeholders will be more interactive, reciprocal, involving and binding of participation and emphasizing democratic relationships that include participation, dialogue and

engagement that will create reciprocal understanding between business enterprises and stakeholders

.2. Stakeholder engagement through collaboration and participation

Meanwhile, to implement a CSR program, the company identified the needs of stakeholders, primarily a local community that functioned as a subject of the CSR programs. These problems are identified from local forums so that CSR activities are embedded in communities. Andrioff and Waddock (2002) argued that is essential to collaborate and engage with stakeholders. Moreover, Luutrong (2012) viewed that the meaning of CSR is an ethical business enterprise and responsible for stakeholders which aimed at creating a better standard of living. Porter and Kramer (2011) explained about shared values. This concept is defined as the roles of policies and operations of the company that can enhance the competitive advantages. Through CSR, the company shared its values by giving contributions to economic, social and strengthening the social welfare in the communities.

Stakeholder's participation, cooperation and dialogue in CSR planning until the control process effects of the CSR program that has been implemented. Through this approach, various lobbying and cooperation activities through the involvement of stakeholders can ensure the success of the CSR program can be achieved. As noted by Drienikova and Sakal (2012), the most important part of the

relationships between company and stakeholders is the involvement of stakeholders on all business activities as well as their engagement in decision-making processes of business companies (Jenaabadi & Issazadegan, 2014).

6. CONCLUSION

From the research found that CSR of Aqua Bali is deeply rooted in the commitment of the organization. The commitment is the way to conduct the business that does not only concern the economic performance but also social issues. This is evidenced in Aqua Lestari which has been carried out since 2006. CSR initiatives are carried out in many programs including the water and forest conservation system, that is derived from the local wisdom Tri Hita Karana(THK) which means to achieve happiness, a man should keep a good relationship with God, Human and Environment. These three aspects should be in balance and harmony.

The first lessons in Tri Hita Karana (THK) indicate that, in order to achieve happiness, a human being should keep a good relationship with God. This can be manifested by performing prayers before and during the CSR initiatives. They believe that God will provide ease and assistance and bless their efforts. The second lessons in THK are that, in order to achieve happiness, a man should have a good relationship with the others. This can be manifested through participation in gotong-royong (mutual help) and sangkepan (regular

meeting) before and during CSR activities. In sangkepan traditions, villagers will contribute their ideas and after the meeting is over, the decision will be made by consensus.

Stakeholder engagement is a key player in the effort to develop communication between the company and the community. Additionally, stakeholders help in developing the value of trust and the process of establishing long-term relationships between both sides. Research also shows that the company's business commitment is influential enough in order to sustain the CSR program. The study finds that the combination of local resources with local leaders has a stronger impact on society. Besides, the formal relationship between the company and the stakeholders and the construction of personal relationships with the community are crucial to enhance the stakeholder's commitment.

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