Corporate Social Responsibility of Exxon Mobil Cepu Limited in Understanding of Mojodelik and Braboan Society, Bojonegoro-Indonesia

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ABSTRACT

CSR in oil and gas mining industries becomes an important issue along with strong attention to extractive industries, both for reasons of environmental protection or other reasons such as human rights and protection of local community's rights and political economy. Mining industry image is relatively poor in perception of Non Government Office (NGO) environments activists. An important consideration is how companies try to improve their image. One concerned activity of company is CSR. It is very important function in developing corporate social environment so that community development will be in line with company development. CSR is increasingly expected to help address many of most important and urgent issues in world, including climate change, poverty and HIV/AIDS. This phenomenon has become a big change agenda which can provide a sense of hope for justice to improve the life quality and provide opportunities to achieve sustainable development. Phenomena from the CSR implementation indicates that CSR program and stakeholder management strategies in developing countries require consideration of specific needs of each region. Unsuccessful CSR programs in developing countries are due to failure to integrate CSR into development needs of local communities. This study uses phenomenological approach to uncover and understand the meaning behind the phenomena (noumena) of community action around the area of oil and gas explorations for CSR implementation of Exxon mobil Cepu Ltd in relation with engagement, benefits and life quality improvement of local communities. In-depth interviews are conducted to know and understand the meaning of community action. Eight informants were selected based on predetermined criteria. Study results show that implementation of CSR is still conventional program that more emphasis on practical activities at incidental in nature. It is not sustainable program to improve welfare of population in vicinity of oil and gas operations. CSR policy has so far not fully involve the community in planning, implementation, evaluation and management of program. There is no clear role of each stakeholder as local governments, oil companies, and community. Stakeholders are not bound in a institutional policies to integrates CSR activities to manage authority principle of each stakeholder.

INTRODUCTION

One wealth of Indonesia’s natural resources is great potential of national oil and gas resources. Oil content in Indonesia was estimated at 87.22 billion barrels and 594.43 TCF (Trillion Cubic Feet), accumulated in 60 sedimentary basins spread in almost all regions of Indonesia. There are 38 basins have been explored and the remaining has not been explored. Oil deposits scattered along the territory of Indonesia, as shown in figure 1.1 below (EMR, 2010).

One character of oil and gas extractive industries is a resource as main raw material cannot be moved. This is different from other industrial. As a result, region with mineral resources are always contested. This condition causes the area around the oil and gas industry is approached economically and technologically and politically to be exploited only. Corporate social responsibility is based on reason that company's activities have an impact to makes better or worse for environmental and socio-economic communities, particularly around the company operation. In addition, company owners actually are shareholders and also stakeholders who interested in existence of companies. Stakeholders can include employees and their families, customers, suppliers, community around company, non-
governmental organizations, mass media and government as the regulator (Kasali 1992).

The idea that social concerns are connected with business interests have accepted widely among experts and business executives (Bartels & Vredenburg, 2004; Frynas and Mellahi, 2003; Grossman, 2005; Lépineux, 2005; Lertzman & Vredenburg, 2005). Business and society have a common goal of sustainable development, economic progress and environmental preservation (AmbaRao, 1993). Case studies of British Telecom, Shell, and Unilever have shown that companies can get benefit from policy implementation of social responsibility (Gossling & Vogt, 2007; Grossman, 2005). These benefits are better reputation among the community, cost savings, management strategies, sustainable, increase the confidence of customers, investors, and improve recruitment and retention abilities of a better society (Grossman, 2005).

Performance of corporate CSR program is concerned for the relationship between the corporations with its stakeholders. Performance level of CSR program does not guarantee the absolute merits of corporate-stakeholder relations, but this performance shows the commitments, policies and corporate actions on their stakeholders, especially for nearby community (Carroll, 1999; Stone, 2001).

Over the past half century, organization centric approach dominates the management practices of corporate social responsibility. Researchers and practitioners adopt integrative CSR model, but there is no sufficient data on development of rural communities through CSR programs of company. Research of Ogula et al. (2012) in Niger Delta region investigate the public understanding to corporate social responsibility meaning. Through open-depth interviews, this study aims to discuss the meaning of native’s narrative to identify potential useful guide to develop an effective CSR program in Niger Delta.

Theretical review:
CSR phenomenon at Oil and Gas Industry:
Fossil fuels are non-renewable energy. Internal combustion engines as main engines to utilize fossil fuels are still not efficient. Only 25% fuel was burnt completely into energy (Goodall, 2008). Fossil fuels usage is going to end. It should be observed the negative social and environmental impacts of oil and gas and economic value obtained to enter the transformation toward renewable energy, '"eternal' and more clean as nature of social responsibility of oil and gas industry.

One concern of company activity is CSR to develop corporate social environment to makes community development will be in line with company development. This phenomenon has become a big change agenda to give o hope of justice and opportunities to achieve sustainable development (Oktaviani 2011).

Multinational corporations at oil and gas sector in developing countries implement CSR to pay attention to environmental and social aspects in addition to production interests. The initial step of multinational oil companies are to build awareness of social and environmental problems together with UN Global Compact and Global Reporting Initiative with aim to decrease carbon dioxide and minimize company's contribution to global warming. Attention of multinational oil companies have grown in 2001 to participate with USAID and UNDP special program to give the change for developing countries (www.csrindonesia.com/profile/php,2013).

CSR in and oil and gas mining industries are important issues along with strong attention to extractive industries, both for environmental protection or other reasons such as human rights and the protection of local communities and political economy (Sharma, Pablo & Vredenburg 1999). Mining industry image is relatively poor in perception of Non Government Office (NGO) environments activists. An important consideration is how the corporation tries to improve their image.

CSR is more expected to address many important and urgent issues in world as climate change, poverty and HIV/AIDs. Higher expectations on CSR in business world are look at companies of developed countries such as Exxon and Shell, as well as companies from emerging countries such as Brazil Petrobras and China's CNOOC. CSR has potential to address three important challenges in business of public relations as the environment, development and governance (Frynas, 2009).

Phenomena of CSR program implementation shows that CSR program and stakeholder management strategies in developing countries should consider specific needs of each region. According Frynas (2005) and Idemudia (2007), unsuccessful CSR programs in developing countries is due to failure to integrate CSR into development needs of local communities.

Corporate Social Responsibility Concept:
Social responsibility concept was exist since human’s existence. Form and implementation of social responsibility in each community is different in accordance with values, religion and belief. In fact, concept of corporate social responsibility may appeared in every society of world, long before Bowen (as the father CSR) initiated the business social responsibility.

Corporate Social Responsibility is a business commitments role in supporting economic development, employees and their families, local communities, and society at large to improve the quality of their lives in various ways that are beneficial for business and development. Social responsibility, or so-called Corporate Social Responsibility (CSR) is defined as a business commitment to act in elite, operating legally and
contribute to sustainable economic development, working with employees of company, employee’s family, following community local and society overall (Petskoski and Twose, 2003). CSR definition is derived from the concept and thought of Elkington (1998) that a sustainable company should concern to 3P. In addition to pursuit Profit, companies also have to pay attention and involved in fulfillment of public welfare (People) and participate actively to protect the environment (Planet). Companies no longer faced with responsibility that rests on single bottom line, namely economic aspects, but also should pay attention to social aspects of environment.

**CSR benefits:**

Benefit of CSR activities implementation not only perceived by stakeholders. Actually company is the most advantaged in CSR activities. Ideally, CSR should be an integrated part in company policy as company’s investment in future. Companies should not consider CSR as social cost to get a license for total operation, widening access to resources for business operations, open broader market opportunities, improve morale and employee productivity and improve relations with regulators (Oktaviani, 2011).

The CSR benefits are follows: to support the external factors (external driven) as an attempt to fulfill obligations (compliance) and for implementation due to legal regulations and applied rules, CSR is implemented because there is no impetus from within (internal driven)

**Stakeholder Strategy:**

Stakeholder theory argues the success and survival of company depends on company’s ability to create wealth, value or satisfaction to stakeholders (Argenti, 1997). Stakeholders consist of individuals, groups and institutions that have a relationship with organization and having power to influence the existence of a company. Relationship between the organization and stakeholders needs to be addressed maintain and improve customer relationships to get mutual beneficial.

Reid (2006) divides stakeholders into 2 (two), namely primary and secondary stakeholders. Primary stakeholders are employees, volunteers, sponsors, suppliers, audience and participants. The secondary stakeholders are government, local communities, general business, media and associations. Poor relationship with one of these stakeholders can create problems and obstacles for companies to keep business and sustainability.

Stakeholder approach is used as a strategy in mid-1980s. One focus of this development is the publication of Strategic Management - A Stakeholder Approach by Edward Freeman in 1984. The stakeholder approach is a response to challenges of fast environmental changes relates to how companies create opportunities. They requires a new conceptual framework. The objective of approach stakeholder’s strategy is to design a method to manage the environmental impact for sustainable relationship. This environment approach is the strength of stakeholder strategies.

**Research Methods:**

Based on problems and research objectives, this study used qualitative methods with phenomenological approach to uncover and understand the meaning (noumena) behind the phenomenon of individuals who take action based on their own perception as well as aspects of background action (Fatchan, 2009). Based on analysis approach strategy, phenomenology reveals the understanding of meaning or significant reflection at micro-level and one research with participatory observation strategy (Miles & Huberman, 2001).

In-depth interviews were conducted to eight informants to know and understand the meaning of community action. They are:

1. Village leaders of Braboan and Mojodelik
2. Religious leaders in Mojodelik and Braboan
3. Communities who receive CSR at Mojodelik and Braboan
4. Important figure at Mojodelik and Braboan

In-depth interviews were also conducted to apparatus to know the truth information from the community. He also could provide other additional information. The apparatus selected are government apparatus who actively work and understanding the CSR program and society problems which acquire CSR program of Exxon Mobil Cepu Ltd.

**Research Location:**

Research locations are Mojodelik and Braboan at 111,025 to 112,009 east longitude and 6059˚-7037˚ south latitude.

**Research Findings And Discussion:**

Mojodelik became one ring exploration and exploitation of EMCL in Bojonegoro-Indonesia. Mojodelik is located at southernmost of Gayam. The population in 2014 is 3,864 people Mojodelik village comprising 1,942 males and 1,922 females within 1,235 households. Main livelihood sources of Mojodelik is dominated by rice agricultural due to soil structure may not suitable for superior agricultural products other than rice as well as the lack of irrigation system to supply water during the dry season.

The second research object is Braboan with total area of the population are 1,497 people, consist of 757 male and 740 female within 448 households. There are average three people per household. Educational facilities are one private kindergarten and one public elementary school. Health worker is 1 midwife and 1 Health Center with 5 cadres. In
addition to midwives, Braboan also has one person trained TBAs. To access the health centers, residents must come within 2 KM from the Braboan or if they require hospital then the villagers have to travel to nearest hospital with a distance of 13 KM from Braboan. Main source of livelihood is farming. They are also depend on other sector there are as trade and livestock.

**Benefits of Company’s Presence for People:**

Carrol's theory in Kiroyan (2008) says that company is not only a business entity to make a profit, but company is an integral part of economic, social and environment where it operates.

Interviews to eight community elements in Mojodelik and Braboan show that presence of company gives benefits are also accompanied by a loss to society. Among the received benefits by society is the improvement of infrastructure as roads and waterways. It's as expressed by informants from community leaders of Mojodelik elements which stated that company brings many advantages, especially for rural development. Company has issued a program for infrastructure development in Mojodelik. The same thing is perceived by youth. Company in Mojodelik gives advantage for youth to access employment. The same thing is conveyed by a group of women who stated that in addition to bringing in profits, company's presence also brings unfavorable effects. The advantage is perceived by women's groups are company has launched a capacity building programs for women. This has been delivered by informant “company’s existence gives benefit and loss for woman. The benefit is for those who have followed the programs. The loess is for those who are not involved in anything”. In reality, each program issued by company has not fully reached all women's groups in Mojodelik “.

Company presence has brought both good and bad impacts for rural communities in Braboan. Informants of community leaders explains as follows, "Company presence gives advantage Braboan, especially towards the construction of facilities as educational facilities today is already good, but company also create unfavorable impact as “extras” at area around the drilling. It sometimes can cause bad odor and smell to settlement. In addition, crop plants around the mining area sometimes unfruitful. For examples, green bean plants flourish around the area is flowering but did not bear fruit. Incidentally, I was also part of farmer groups often invited to localized survey by farmers. Beans/night at day and night makes the plant unfruitful. Additional disadvantage is rumble noise that very disturb the residents.

Seven from eight informants argued that existence of Exxon Mobil Cepu Ltd brings benefits to people around the area of exploration.

**Community involvement in company's CSR program:**

Stakeholders is translated as a party or interested parties, either directly or indirectly to existence or activities of company, and therefore these groups influence or be influenced by company (Saidi, 2004). According Wibisono (2007), among stakeholders and company there is a mutual relationship. The changes in one part will trigger and push for changes to other party. One important aspect to supports the successful implementation of CSR program is a positive synergy between all relevant stakeholders. There are two patterns generally used by companies to conduct CSR program. First is self managing; Involvement patterns directly and through a foundation or a charitable organization of company. The advantage is the implementation of activities is consistent with company objectives, easily controlled, and efficient for short-term activities and company can instantly create an education program. The disadvantage is employee skills are still largely lacking; need a special resource with sufficient quantity and potential for additional budget. Second is outsourcing. It has two patterns namely partnership with others as NGOs, government agencies, universities, mass media and other is to join or support the joint activities either short-term or long-term. Outsourcing advantage is company can choose a professional partner who suits with CSR program character. It does not require human resources with specific capacity and performance. The program can be easily evaluated. The disadvantage is the budget relatively larger, companies can not directly follow the development and it needs good control mechanisms (Wibisono 2007).

Lack of community development in company's CSR program can decrease the development potential. People who are engaged in oil companies usually have a background in managerial or technical expertise. Approaches and managerial techniques can be successfully overcome environmental challenges, but not enough to address the complex social problems that more concerned with soft skills, patience, and interpersonal skill.

Community involvement in company CSR is to become the workforce in company. It has been revealed by informant of community leaders which states that "The company activities automatically involves citizens, although less than 100% of Mojodelik work, recruitment of specialized workers in Mojodelik is correct, but they never talk, we put the proposal to head of village, called and directly to work”.

Similar feelings were expressed by women informants which states that "There are women who have been involved although small, the involvement is involved in meetings organized by NGOs that manage CSR program".
Interesting phrase is appeared in this study. Although company has involved some of residents in activities but it is only limited to activities in form of labor involvement in physical projects. This statement was said by youth "Youth involves in company program, recruited labor: in my knowledge other involvement is form almost nothing. It involves so many employees in physical project. For example in construction site planning or talks about company's program for community and rural, youth were never involved at all".

Community involvement in company program is still limited to unskilled workers in company. How will the fate of residents after company completed operations do not known yet, as following statement "Yes already involved, for example, engaging communities to become labor in corporate activities. It is estimated 80-90% of unemployed in Braboan now work in company. After company's activities completed then how subsequent fate of workforce are not known yet".

Six from eight informants stated that involvement of beneficiaries in implementation of CSR projects tend to be limited or non-existent. It is limited to provision of company locally. Worse, failure to involve local people have creates dependency mentality. These issues can actually be avoided through in-depth consultation and participation of local communities with independence initiatives to use the knowledge, skills and local tools. The involvement of local communities is inherently hampered by lack of human resources and technical approaches/managerial staff of oil company.

CSR engagement only becomes tools for successfully recruit manual workers in an enterprise environment. It is because there is no good communication between company and local communities.

**CSR program benefits to improve life quality:**

Benefit from the implementation of CSR activities by company are not only perceived by stakeholders. Actually company gets most benefit in CSR activities. Ideally, CSR should be an integrated part in company policy for future company investment company, not just considered social costs (Oktaviani, 2011).

Programs company according to informant has been brought benefits to improve the life quality of Mojodelik communities. The benefits perceived by society are raising incomes to be labor. An informant express that "Talk about life quality, corporate programs have a little more useful to improve the life quality of Mojodelik communities. For example, some time ago there were training to improve the community skills, but it is also a program of company relating to basic infrastructure such as roads, no economic development program managed by NGOs, so it can be said the program gives benefit. Similar statement was delivered by stating that "The companies programs is beneficial to improve life quality, bad road now becomes good, automatically it improve agricultural output due to road transport has been proper and smooth".

Likewise according to informant of female elements, company has brought benefits program to improve the life quality of society especially women. Informant said that “CSR has helped to improve the quality of women but not 100%, for example training that are accompanied by MCL to be employment opportunities for women or mothers”.

It is slightly different with statement of young informants who stated that CSR programs that have been carried out in Mojodelik by company is not clear whether the CSR program or support operations. But in terms of benefits, it remain unclear because it does not have clear pattern of facilitation, "I do not know, it is only CSR program or there are some programs are disbursed by MCL as youth entrepreneurship, there are training such as cooking and baking, but there is no mentoring, as if they only give aid, but whether the business can develop or not becomes the responsibility of aid recipient, other forms of assistance that is more directed into physical assistance, but physical (construction) was a small part of benchmark welfare of community".

The same opinion was delivered by female informant that "company's CSR program has helped Braboan society to increase the life quality, such as empowerment programs to improve the knowledge of women, so that women know that their role is not only receive money, make up and stay at home. But the program also touching all the women here".

"Although little, CSR directly can help to improve people’s live quality in Braboan. For example, MCL program of self-managed community development in economic development, community in program is given the ability to be able to develop the economic potential that exists".

The opinion was corroborated by opinion of other informants that "Yes of course, there are benefits, an example of economic development programs that can help to improve people's income. In addition, road improvement program could also facilitate the transportation of agricultural products and other businesses. There are also programs in field of education that will certainly be able to help to improve the life quality in Braboan:"

**Conclusions And Suggestions:**

Based on analysis result, it can be given conclusion and suggestion for oil and gas companies, local communities, and governments related to implementation of CSR. Based on themes from informants, synthesis and meanings the impact of CSR implementation of oil and gas companies Exxon Mobil Cepu Ltd, discussions of theories and concepts
related to research phenomenon, it can be suggested some conclusions of this study findings.

The existence of company gives benefits to local communities, which formerly deserted, desolate, isolated, now begin to change. Exploration create live condition. In addition, road often get a lot of improvement, there is a job for local people, many other programs are accepted, as a health program, education, reforestation and economic empowerment. Besides the profit, company also makes unfavorable impacts to people's lives around company. Company existence affect on lifestyles change of youth around company. Majority of youth around companies are now start to use hedonistic lifestyle and getting familiarize themselves with night world. Therefore, it the research proposition is follows: The ring road to village had improved, there rare street lights facilities, there are additional health facilities, reforestation, training opportunities and economic empowerment that given by companies.

CSR is an inherent right and compensation to be paid by company to local communities. In practice it requires coordination by involving the various parties of stakeholders. There are two reasons that underlie company’s CSR activities, namely moral argument and economic argument. Economic arguments more emphasis on how company is able to strengthen the image and credibility of company through CSR activities, while the moral argument of CSR is based on initiative company to establish mutual beneficial relationships with stakeholders. Propositions related to involvement of local communities in implementation of CSR are as follows: reason for doing CSR for company are due to obligations, interests and strategies to get the image and credibility, gaining the support of local communities despite the implementation of CSR has so far not fully involve the community in planning, implementation, and evaluation of program, because there is no clear role of each stakeholders, namely local governments, oil companies, and public.

CSR as a business commitment play an important role in supporting economic development, cooperation with employees and their families, local communities, and general society to improve the their quality of lives in various ways that are beneficial for business and development. CSR is defined as a commitment to act in elite businesses, operating legally and contribute to sustainable economic development, working with employees of company, employee's family, following local communities and society as a whole. CSR propositions related to improvement of beneficiaries life quality is follows: CSR implementation of oil and gas company Exxon Cepu Ltd. that based on local community needs will have a positive impact for beneficiaries of CSR to improve their life quality.

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