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Why Local Communities Dissatisfaction to CSR Practices of Nickel Mining Companies?

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ABSTRACT

This study was motivated by many dissatisfaction action of local community to CSR practices of nickel mining companies in form of demonstrations and anarchy. This study aim is to reveal and interpreting the local public dissatisfaction to CSR practices of nickel mining companies. This study used a qualitative approach with phenomenology approach of Schultz. Data analysis used is interactive model of Miles and Huberman. This study findings show that community dissatisfaction to CSR practices of nickel mining companies are caused by neglected environment, slow realization, reactive, ignored community empowerment process. Therefore, propositions are formulated as follows: Local community's dissatisfaction is caused by CSR practices that ignore the environment, slow realization, reactive, bad empowerment process and bad coordination with government.

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INTRODUCTION

Harmony between community and company is crucial to company survival, where public can become a barrier or strength. Relationship between community and company is mutual influence. It means the company must do everything to create harmony to realize company's goals.

Disharmony between company and community can be caused by activities of companies that often cause negative impacts, especially mining companies. Environmental pollution create health and economic problems for society at various regions in world (Kakabadse, 2009; Malovics, 2006; Wibisono Yusuf, 2007; Dewi, 2013).

Company also does not have a positive impact on society, both economic, social and environmental. This often happens when a company (more specifically mining companies) just busy to exploit natural resources while neglect the public interest (Putera, 2015). Harmony between community and company is one form of community satisfaction to company. Adversely, disharmony is a form of local communities dissatisfaction to company.

Creating Harmony:

Corporate social responsibility (CSR) is one strategies to create a harmonious relationship to provide benefits to enterprise, both short- and long-term (Drucker, 1984; Porter, 1995; Linfei, 2009; Jalal dan Darmono, 2011 Sharma, 2012). CSR is a form of social responsibility of company to its environment that is implemented in form of programs. CSR becomes a concept where companies integrate social and environmental concerns in their business operations and in their interaction with stakeholders voluntarily (European Commission, 2002). CSR can realize a business ethics and responsible, where the company does not just think of internal interests but also meet the interests of all stakeholders (Gokulsing, 2011; Premović,2012; Esau, Graeme, 2013).

CSR practices of nickel mining companies in Langgikima Subdistrict, North Konawe District:

Langgikima Subdistrict is an area with considerable potential for nickel. It can be seen from amount of nickel mining companies operates. The existing nickel mining companies are PT Stargate Pacific Resources (SPR), PT Konutara Sejati (KS), PT. Karyatama Konawe Utara (KKU), PT Konawe Nikel Nusantara (KNN), PT Adi Kartiko Pratama (AKP), PT Kembar Emas Sultra (KES), PT Pertambangan Bumi Indonesia (PBI), PT Parama Murti, PT. Buana Celebes, PT Cipta Djaya Surya (CDS) and PT Bethamindo (Distamben Nort Konawe District, 2013).

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Some companies have made CSR practice in various forms (education, health, public facilities) with motivation to fulfill the obligations as stipulated in Law No. 40 year 2007, about Limited Company, Chapter V, and Article 74. However, local communities often do demonstration to company with various demands of CSR theme. The demonstration is a form of local public dissatisfaction on company's CSR practices.

Table 1: News List Related to CSR Practice Issues of Mining companies at Langgikima Subdistrict.

No	News Title	Media Name	Edition/Date	Place to Publish
1	Langgikima Society Still Not Receive CSR Fund from Mining companies	EnergyToday	September 30, 2013 (7:34 am)	Jakarta
2	Langgikima Society Not Touch by CSR	Sultra Online	Saturday (28/9/2013)	Kendari
3	Society at Mining Ring of North Konawe, Demanding Ispa Medicine Cost	Kendarinews.com	Sunday, 30 September 2013.	Kendari
4	Langgikima Society Demanding Company's Commitment	Kendarinews.com	Sunday, 30 September 2013	Kendari
5	North Konawe: Program Comdev of Tambang Ring is Questionable	Kendarinews.com	Sunday, 29 September 2013	Kendari
6	After Office Burning, PT Starget Totally Stopped, Damage Achieve Rp 2,1 M	kendarinews.com	Tuesday, 09/07/2013	Kendari
7	North Konawe Burn PT SPR Office	Sultrakini.com	Saturday (6/7/2013).	Kendari

Source: Putera, *et al*. (2015)

Focus and Objective:

Based on empirical study and phenomena, this study focus is why CSR practices of nickel mining companies often get dissatisfaction action from local community. This study purpose is to reveal and interpret the local public dissatisfaction to CSR practices of nickel mining companies.

RESEARCH METHODOLOGY

Qualitative research: Phenomenology approach of Schultz:

This study uses phenomenological approach of Schultz because this research seeks to understand and interpret the individual's actions in real world. One's actions is actualization of pragmatism that individuals conceptualization who subsequently used to construct life experience, it is due to a specific purpose which preceded by a certain reason (Fatchan, Achmad, 2011).

Phenomenology approach of Schultz revealed that individual actions are influenced by various factors, both internal and external. The external factors may include the effect of others, socio-cultural, economic, cultural, and so on. This means that behavior of an individual is affected by a cause and a goal called "Because motive" and "in order motives". Besides the internal and external influence of individual, one's actions are also greatly influenced by space and time (Fatchan, Achmad, 2011).

Phenomenology approach of Schultz concludes that the meaning behind the action or behavior is influenced by past, current and future experience. This means that actions or behavior of an individual is based on particular purpose which caused by experience and circumstances surrounding it.

Informants Selection:

Informants selection in qualitative research is not to represent the population but represent the information, so the numbers of informants are not become problems (Fatchan, Achmad, 2011). These study informants are grouped into three categories: people, companies and governments.

Communities are chosen because it is the perpetrators who have dissatisfaction and protest and party who receive the CSR program. Companies are party who do CSR and also often get protest of local public dissatisfaction.

Local government is a party that often becomes a facilitator or mediator for both parties (public and companies). These informants expected to give relevant and complete information to answer the research focus.

Table 2: Informants Characteristics

No.	Name	Title	Age	Status	Last Education
1	Amrin Umirtun	Bapedalda Head (Ex Mining Head)	50	Married	Scholar of Technique
2	Muhardin Mustafa	Mining Head	49	Married	Magistrate of Technique
3	Tarjan	Mining Instructor	43	Married	Scholar of Technique
4	Herman	Langgikima Subdistrict Head	46	Married	Scholar of Education
5	Rinto Harahap	KTT PT. KKU & KS	33	Not married	Scholar of Technique
6	Sumanto Ilyas	Human relation of PT. SPR	33	Married	Scholar of Economy
7	Syarifuddin	Society figure	48	Married	Senior High School
8	Muh. Jafar	Lameruru Village Secretary	49	Married	Senior High School
9	Kiswan	Lameruru Village Head	45	Married	Senior High School
10	Jabir	Molore Village Secretary	42	Married	Senior High School
11	Hajar	Public Figure	38	Married	Senior High School

12	Selvinus	Alenggo Village Head	40	Married	Senior High School
13	Tundu Rahim	Public Figure	45	Married	Senior High School

Source: Primary Data (2014)

Criteria to select informants of this study are follows:

- Society informants are selected from people who live in surrounding area of nickel mining, directly involved in demonstration and CSR practices of nickel mining companies, willing to provide information in accordance with his experience.
- Companies informant are selected from companies that have been doing CSR, companies that gets demonstration of people, willing to provide information in accordance with reality.
- Government informants are divided into three categories namely; village, sub-district and district governments.

Village Government informants are village/town head or secretary with territory within nickel mining companies, willing to provide information in accordance with experience

Subdistrict government informant is Langgikima Subdistrict head. He is considered to have information because district head will has many coordination or reports of companies CSR practices of nickel mining companies.

District government informant is former of mining department or agency heads with information related to research focus. Staff or employees of mining department is always involved or associated with issue of CSR practices, willing to provide information in accordance with experience

Data Collection Techniques:

Data and information of this study are collected through several following procedures.

Observation:

Observation was made several times, namely: first, before the researchers conducted interviews, where researchers are trying to understand real conditions of community around the nickel mining region, especially related to CSR practices and also the initial information for researchers.

Secondly, after the interviews conducted, it is intended to confirm the information disclosed by informant with field conditions (triangulation). These observations results are verification of information data or information believed as valid data.

In-depth interviews:

In-depth interviews conducted with three patterns, namely; semi-structured interviews, non structure and unplanned. Interviews duration is depend on mood and state of informant. In fact the interview took place between 30-90 minutes.

Semi-structured interviews are conducted to get information related to research focus, this interview are conducted at first time. Unstructured interviews are conducted to confirm dubious information for research or if there are things that will be confirmed on results of first interview and observation. Unstructured interviews are conducted in second interview. Unplanned interview is conducted to informants when meeting incidentally with researchers when observations. Unplanned interview results become supporter for first and second interviews.

Each interview uses several instruments in form of a tape recorder, camera and logbook. Interviews and dialogue are carried freely and without structured questionnaire. This is done to avoid formalistic and rigid condition, because it makes informant does not disclose the real phenomena we want to know.

Documentation:

Documentation is conducted by collecting data from nickel mining companies in Langgikima Subdistrict, government (District, subdistrict and village) and news in printed newspapers/magazines and online, as well as taking pictures or photo in associated with a research focus.

Data Validity:

Researchers make data triangulation in several ways as follows.

Researchers compare the observation data with interview to cross check the suitability between informant words and fact around the local community. Researcher will ask again the question to informant for discrepancy to obtain information that is really valid and accurate.

Researchers compare the perspective of an informant with opinions of other informants and others (not the informant). Expression suitability between informants is compared, when researchers feel the lack of confirmation or synchronal then back to informant asked concerned.

Researchers compare the interviews results with data obtained from nickel mining companies to cross check that informant statements from communities are matched with data obtained from the company, especially on CSR.

Member check is a technique of data validity checking by exposing or discusses the results of interim or final results through formal and informal discussions with colleagues who with appropriate competence of this study focus.

Data Analysis:

Data analysis method used is qualitative analysis with interactive techniques adopted from model of Miles and Huberman (1992). Interactive model is done in three stages of analysis, namely; a) data reduction, b) data presentation, and c) conclusion.

Interactive model is shown in Figure 1. Data analysis is done through following stages.

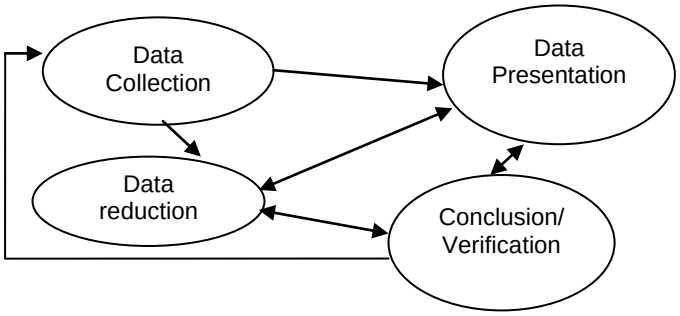

Fig. 1: Interactive Model Analysis. Source: Miles and Huberman (2009)

Stages of Data Analysis:

Stage 1: Understanding Overall Data. This stage covert observations and interviews into text/narrative in order can be read rightly. In addition, diary is observation result during the study summarized in narrative form that it becomes an integral part of data interview.

Stage 2: Reduction and Coding. Data is sorted to eliminate irrelevant or unsuitable data with research focus and repeated data to raises themes from informants. Data coding is done to each line of text or narration. Data coding will become a reference to explains various themes emerged.

Stage 3: Identifying Themes of Every informant. This phase is to identify and study in depth the emerged themes from each informant related to research focus.

Stage 4: Themes Preparation of Every informant. This phase is done by grouping data into categories related to research focus.

Stage 5: Description of Emerging Themes. This phase is done to describe emerged themes of field data findings.

Stage 6: Synthesis or Themes Comparison. This stage creates synthesis of themes and dialoging these themes with theory, concept or research. Synthesis or comparison will eventually create research findings in form of proposition.

RESEARCH RESULT

Themes from phenomenon of each informant are synthesized to understand the deep meaning of local community dissatisfaction toward CSR practices of nickel mining companies. Meanings process are conducted to find “because motive” and “in order to motive” of local public dissatisfaction.

Why CSR should be implemented in Nickel Mining companies?

Implementation of corporate social responsibility (CSR) is an obligation for company both legally and morally. Law has been set in legislation, such as Law No. 40 of 2007 on Limited Company and other regulations related to CSR, whereas moral or ethical of companies have a social responsibility towards stakeholders because the activity can cause the loss to various parties , such as; environmental pollution, community activities disrupted, and others. Under these conditions, CSR is a necessity for companies, especially companies whose activities affect the environment, such as mining and plantations.

Iron law of social responsibility is a concept to gives emphasis on CSR practice with close relationship between company size and company's CSR (Davis, 1960). This means larger company has greater the impact so that greater the social responsibility should be charged to company. Mining companies can have "extraordinary" impact to environment. Therefore, mining companies should be given a greater burden in CSR implementation.

Causes of Local Community Dissatisfaction: Ignored Environment:

In connection with CSR practices of nickel mining companies, informants suggested that one causes of local communities dissatisfaction is nickel mining companies has not been doing CSR for environmental. It was seen from Molore River that more shallow at nickel mining companies (PT. Stargate Pacific Resources/SPR). River cannot be used as harbor or dock of large ships due to silting.

Sea water color also change from blue to red because of mining activities. It is happened along the coast, especially in villages around the mine. It makes fish farther away so that fishing activities are also increasingly require more resources, such as time and equipment. Nickel mining companies seemed separating the environmental impact caused by company activities with social responsibility to community.

Studies on CSR practices for environment are divided into two areas namely internal and external practices. Company internally should be able to realize compliance to reduce the impact of company's activities with various strategies that can be reached. Companies externally should become partner of local communities and other stakeholders to undertake prevention activities to reduce the impact of company activities on environment [12]. Nickel

mining companies in Langgikima Subdistrict does not do CSR programs both internally and externally to reduce environmental impact.

Slow Realization:

CSR practices of nickel mining companies are "not serious". It is shown at almost every demonstration conducted by local community to ask realization of CSR program. Nickel mining companies of PT. SPR just do CSR because of "fear". Some informants revealed that realization of company's CSR program is almost always preceded by a demonstration, for example; realization of generator engine (electric).

Demonstrations by Local people are caused by a loss of patience to wait promise of company. Society has to wait until many years, so that local communities ultimately conduct demonstrations with demands of generator engine (electric) realization. This means that company was slow to fulfill the promise. Local people are very obedient to promise he had spoken. It is one value of local community around the mining area. Informant said "key should not makes promise" if cannot able to fulfill that promise. Breaking a promise is one of unethical behavior.

Another example of very slow realization for CSR program is provision of clean water. Local people have to wait for a long time to company promises that never realized and finally asked with demonstration.

Reactive:

Companies implement CSR in more reactive manner, in sense that CSR will be done after pressure from local community. Therefore, orientations of CSR implementations are short term and there is no empowerment process. Companies implement CSR only as a philanthropic activity (Rahardjo, 2012). Companies do CSR only to meets obligation and to make image those companies run CSR well.

Bad Empowerment Process:

Bad empowerment process in CSR implementation can be seen from the impact of CSR programs that do not give a "trace" in local community. Local community life initially become fishermen before became employee of mining companies. They become fishermen again after company break (stop temporarily) due rules of tight exports ban of raw materials nickel. Local people are usually just looking for fish around the beach, this time should be more distant because the sea water near the beach has become red and fish gets away.

Empowerment process will provide access to local community to achieve a better quality of life in economic, social and other aspects when compared to previous conditions (Rudito, 2013). This means that when a nickel mining companies committed to CSR empowerment principles of local communities, social and economic life and other aspects will become better than the previous condition.

Bad empowerments in local communities are recognized by informants. CSR program of mining companies only provides goods and thereafter considered complete. Companies do not want to make the systematic planning for CSR programs to empower local communities. Company only makes philanthropies, such as provide educational assistance, houses of worship and infrastructure, etc. They have committed CSR without considering aspects of community empowerment.

Bad Coordination with Government:

CSR practices of nickel mining companies that reactive, short-term and philanthropies have bad planning and coordination with district and sub-district government. District and sub-district governments were not "appreciated". Subdistrict government only know a company's CSR program when the program has finished.

Government wants coordination in CSR implementation to realize the objectives. First is to ensure that CSR programs and funds are suitable wit work plan budget made by company each year to district through the mining department. Second is to coordinate the CSR implementation to close gap between the mining areas located around the circumference which are outside. This means that there are aspects of equity in entire district. Equality of CSR will eliminate any jealousy from distant areas with mining.

Third is to synchronize program of local governments and mining companies. For example, local government provides assistance to rural/urban neighborhoods and mining companies carried out same activity or program.

Bad coordination makes government cannot control CSR implementation. Company "go alone" to implement CSR programs. It is even worse when local communities cannot supervise due to a very low level of education. It makes CSR programs have not been oriented towards empowerment of local communities.

Figure 2 illustrates the CSR practices of nickel mining companies and local community dissatisfaction. Company has been doing CSR at several fields. Unfortunately, mining companies do CSR just to fulfill the obligations.

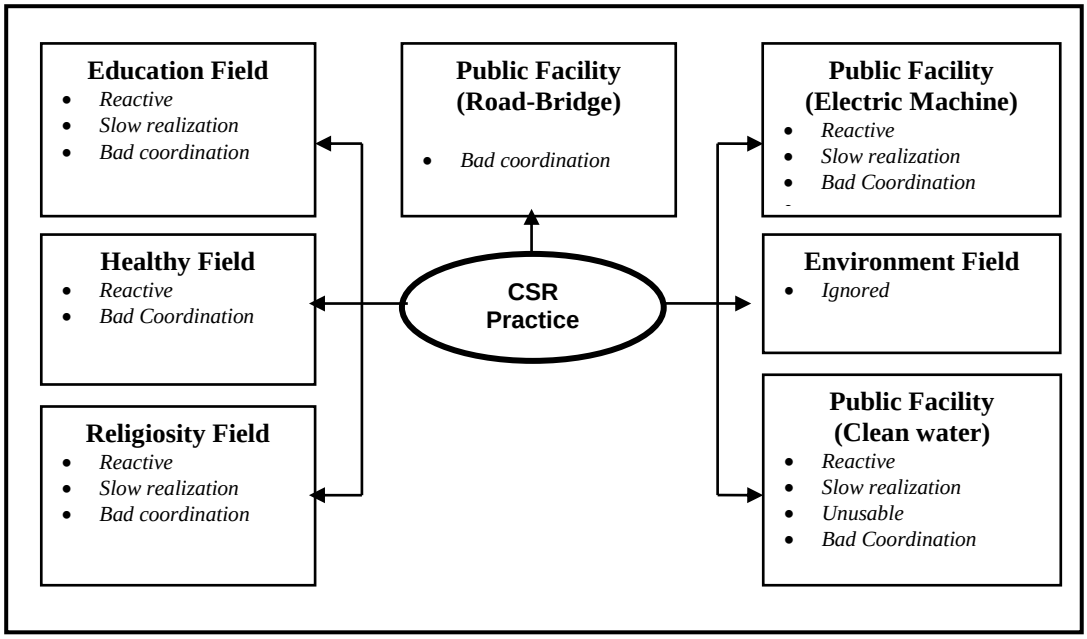

Fig. 2: Causes of Local Communities Dissatisfaction to CSR practices of nickel mining companies. Source: Adapted from theme synthesis of informants (2015)

Referring to synthesis associated with CSR practices of nickel mining companies and local communities dissatisfaction, can be drawn the following proposition:

"Local community's dissatisfaction is caused by CSR practices that ignore the environment, slow realization, reactive, bad empowerment and bad coordination with government"

Limitations:

Nickel mining companies as research informants (at Langgikima Subdistrict) do not have smelter. Companies still have short-term orientation. It would different if companies have smelter with long-term orientation. Therefore, most appropriate companies informants are companies that has been using "factory concept" in mining activity. Further research should use informants companies that already have a smelter.

Implications:

These research findings have implications for practical purposes, both for local community and nickel mining companies. First, nickel mining companies can use these study findings as reference in CSR. Aspects of environment, on time realization, empowerment process and coordination with local government are aspect that needs to be considered.

Second, government can use the research findings to formulate policy related to nickel mining activities, CSR practices and programs to empower local communities to make nickel mining companies can contribute to development and society welfare.

Conclusion:

Nickel mining companies in Langgikima Subdistrict have been doing CSR in some areas but local community has not been satisfied. It relates to neglected environment, slow realization, bad empowerment process, reactive and bad coordination with local government.

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