

## The Effectiveness of CSR Implementation in the Upstream Supply Chain of Mining Industry: A Stakeholders' Perspective

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### Abstract

The case study has derived from an Indonesian geothermal company established in 2008 that focused on one of its projects located in a mining site at Muara Laboh, Solok Selatan, Sumatra Barat, Indonesia. The purpose of this research is to identify the nature and form of Corporate Social Responsibility (CSR) initiatives conducted by the company at the Muara Laboh site; determine stakeholder contribution to the sustainability of CSR outcomes; analyse the relationship between stakeholders and the company; analyse the expectation differences between the company, stakeholder, and CSR/Stakeholder theory; identify future agenda development on the next stakeholder program; gives a reference for the subsequent research regarding a sustainable CSR program. The research method used in this research was a qualitative case study with a semi-structured interview as the source of primary data, where the population of this research was stakeholders of the company, with the method of purposive sampling for attaining the information. The study was imperative to learn the effectiveness of the company's CSR in supporting stakeholders of the upstream supply chain. The result showed that the company has effectively implemented CSR for local communities in the Muara Laboh mining area. Moreover, local communities have had a good relationship and felt helped since the company came to their villages. However, there has been some expectation discrepancy between the company and local people. The distinction happened because the locals wanted material things such as donations and infrastructure. Nevertheless, they need more economic empowerment programs that can support sustainability or programs that can generate long-term benefits, not only material things that will run out if not used properly..

## Keywords

Corporate social responsibility, stakeholders, upstream supply chain, stakeholders' engagement, mining

## 1. Introduction

Multinational Companies (MNCs) in the extractive industries, specifically those engaged in mining, are under intense pressure and scrutiny from various societal forces: environmental, indigenous peoples and human rights movements, which have formed in response to concerns about social and environmental impacts of operations, especially in developing countries (Kapelus, 2002; Warhurst & Mitchell, 2000). Mining companies cause the most significant and often irreversible damage to the natural environment compared to other industrial sectors. The negative social and environmental impacts in the mining sector manifest themselves to the extremes, including industrial accidents, environmental degradation, health and safety issues, impact on the livelihood of local communities and violations of human rights (Yakovleva, 2016).

Due to increased societal pressure, mining companies have been actively innovating in corporate social responsibility (CSR) to address the various sustainability challenges of their operations more proactively. For instance, extractive industry companies were among the first to publish stand-alone environmental reports and adopted voluntary codes of conduct in the environmental management (Hamann, 2004; Jenkins & Yakovleva, 2006). For the mining industry, CSR is about balancing the diverse demands of communities and the imperative to protect the environment with the ever-present need to make a profit (Yakovleva, 2016). CSR calls for a company to respond not only to its shareholders but also to other stakeholders, including employees, customers, affected communities, and the general public, on human rights, employee welfare and climate change.

For the mining industry, one outcome of the CSR agenda is the increasing need for individual companies to justify their existence and document their performance by disclosing social and environmental information. The finite nature of non-renewables, the diverse environmental impacts associated with their extraction and use, the economic importance of primary extraction industries in some countries, and the social impact of extraction activities in local communities have led the mining industry to be amongst the most prolific disclosers of social and environmental information. Most large mining companies now disclose information covering dimensions of CSR such as social and environmental performance, health and safety issues and ethics (Yakovleva, 2016).

CSR in the mining industry represents a compelling example of the current urgent and explosive worldwide interest in and debate about ethics and social responsibility in the business (Vintró & Comajuncosa, 2010). Mining companies are especially controversial due to some incidents which showed an uncompromising corporate disregard for the environment and human rights in pursuing profits that set up the scope for polarised positions (Idemudia et al., 2020).

According to Coronado and Fallon (2010), on the one hand, an extreme corporate position would seek to exploit the CSR agenda (and any other feasible strategy, for that matter) to enhance corporate reputation and mining profits. Conversely, an extreme anti-business perspective would charge mining companies as responsible for creating and correcting a wide range of social and environmental ills.

According to the Laws of Republic Indonesia Number 40, the Year 2007 About Limited Company, CSR is seen as the cornerstone of business ethics, implying that businesses have not only economic and legal obligations (to shareholders or owners) but also responsibilities to interested individuals (stakeholders) which a range of interest is greater than the financial and legal requirements. CSR is one of a company's obligations as responsible for its business operations with social and environmental impacts (The Republic Indonesia, 2007). Thus, the implementation of CSR programs is ideally an effort by the company for social and lines good support, not only as a form of compliance with applicable regulations (McWilliams et al., 2006). Therefore, the program must be well planned to get as significant benefits for society and the environment affected.

Dyllick and Muff (2016) emphasised that CSR shares a value and connection to achieving company sustainability. The term means linking economic, social, and environmental objectives of societies in a balanced way, and it takes a long-term perspective about the consequences of today's activities; meeting the challenge of sustainable development requires that the process through which decisions are reached is informed by the full range of the possible consequence and is accountable to the public (Vitalis, 2002). Moreover, sustainability is a broad approach that includes various characteristics, particularly relating to the contextual integration of economic, environmental, and social aspects. A sustainability-oriented company develops over time by considering its process's economic, social and environmental dimensions and performance (Perrini & Tencati, 2006).

CSR implementation has a significant role in supporting stakeholders to achieve company sustainability. According to Freeman (1984), stakeholders are those groups and individuals who depend on the fate of an organisation's success or failure. Organisations engage with stakeholders to identify and perhaps meet their expectations and to communicate how they are being responded to (Dobeles et al., 2014; Lane & Devin, 2018). A stakeholder program is a program that considers stakeholder sustainability in the form of CSR. By engaging with stakeholders around CSR, organisations can achieve CSR objectives (Dobeles et al., 2014) and ensure that organisational decisions and activities are socially acceptable (Green & Hunton-Clarke, 2003).

The relationship between CSR and stakeholder engagement has provided a rich setting for the growth of a body of literature that seeks to define and characterise engagement; thus, CSR cannot be appropriately conducted without stakeholder support (Lane & Devin, 2018). According to a study about Shell's activity in Nigeria (Shell Nigeria, 2022), activities cannot work well if the underlying macro-economy and governmental system are fragile. Furthermore, enterprises must not take the full responsibility of a government to care for health and education, but the government must.

The stakeholder concepts used in this research will be the triple bottom theory, stakeholder theory, and CSR theory. This research aims to analyse the relationship between stakeholder engagement and CSR at a geothermal company. However, similar research conducted by the

previous researcher regarding the relationship between CSR and stakeholders has different results. According to Mutti et al. (2012), that conducted a study on corporate social responsibility in Argentina's mining industry with stakeholder perspectives, there was a significant distinction between what stakeholders demand from companies and what they believe they are doing, where environmental concerns must be approached with a proactive attitude, both in terms of developing socially acceptable technology and involving stakeholders in environmental management.

From Ansu-Mensah et al. (2021), we learnt how Newmont Ahafo Ltd. in Ghana had taken proactive initiatives to satisfy the socio-economic needs of its afflicted communities in the long run. To achieve sustained benefits, the corporation integrated discretionary CSR with a stakeholder strategy, forming partnerships with suitable governments and Non-Governmental Organisations (NGOs) to undertake CSR programs. Therefore, the degree and scope of stakeholder participation processes have improved stakeholder and company relationships.

Meanwhile, in Australia, Coronado and Fallon (2010) disclosed that, in the practice of CSR, mining companies are motivated by profit imperatives, and their management of indigenous stakeholders is consistent with and supports the profit motive. The data shows that the mining companies would vehemently proclaim themselves generous and good corporate citizens. However, their treatment of aboriginal stakeholders appears to be mainly motivated by profit and the determination to maintain their core business and reputations. Nevertheless, indigenous peoples benefit from contributions from mining companies. However, these can appear erratic from the aboriginal perspective because the mining companies' motivations are decidedly not for the benefit of indigenous peoples. Any benefits for indigenous peoples are, therefore, mere collateral windfalls. Thus, mining companies give to indigenous stakeholders with one hand, but they take with the other.

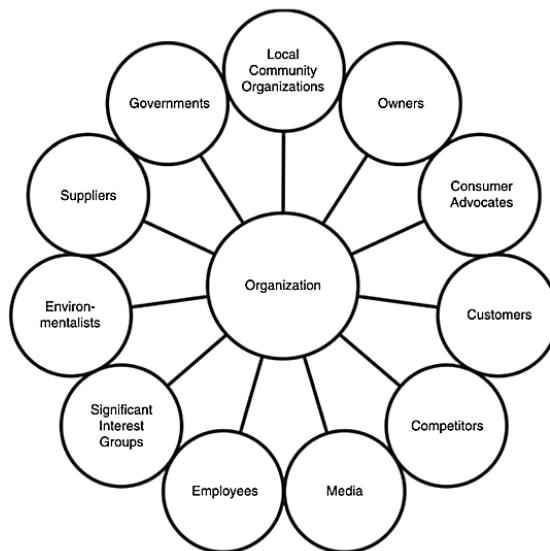
A study by Mahmood and Humphrey (2013) about stakeholder expectations of corporate social responsibility practices on local and multinational corporations in Kazakhstan found that although stakeholders' expectations were assumed to be high in ethical and discretionary activities, Kazakhstan, as a merging economy, has different priorities than those of developed countries, where the local people emphasise more on the importance of the financial contribution of business organisations.

The qualification of CSR that usually misunderstood by the company to stakeholders. Therefore, many companies could not deliver their obligation to society by not giving impactful and significant CSR programs. Therefore, in-depth research was needed to understand the links between the processes of stakeholder's programs between mining firms and local communities, as part of the stakeholders in the upstream supply chain, and their effects on trust, harmonious relationships, and CSR initiatives. The research object is a geothermal mining company that operates the Muara Laboh geothermal power plant (the project) of approximately 88 MW gross in West Sumatra Province, Indonesia. The mining area is surrounded by local communities, including NGOs, local people and communities, and local suppliers, which are part of the stakeholders. Therefore, this paper aims to explore the effectiveness of CSR implementation in supporting stakeholders of the upstream supply chain in the mining industry.

## 2. THEORETICAL FOUNDATIONS

### 2.1 The Stakeholder Theory

Stakeholders as often defined as ‘the individuals and constituencies that contribute, either voluntarily or involuntarily, to firms’ wealth-creating capacity and activities and that are therefore its potential beneficiaries and/or risk bearers’ (Post et al., 2002). Therefore, stakeholder theory is a view of capitalism that stresses the interconnected relationships between a business and its customers, suppliers, employees, investors, communities and others who have a stake in the organisation (Freeman, 1984).

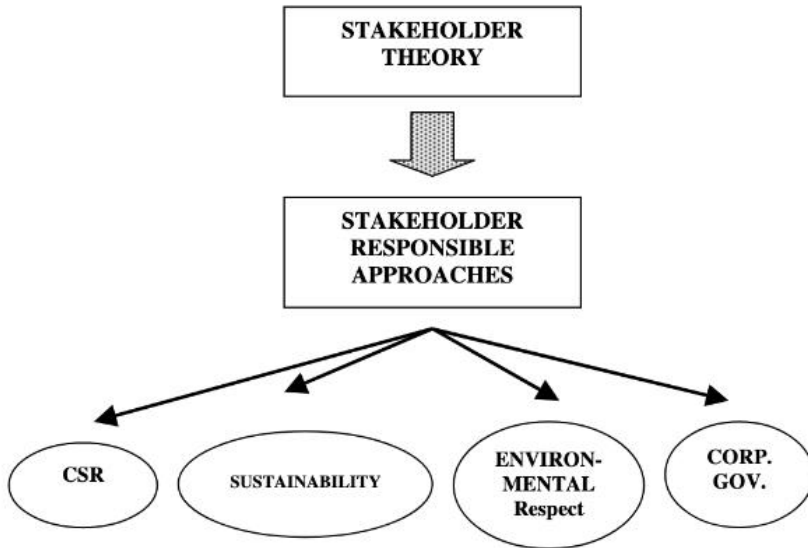


(Source: Freeman 1984, pp. 25)

**Figure 1.** Stakeholder View of a Firm

According to R. Edward Freeman (1948), stakeholder theory is organisational management and business ethics that addresses morals and values in managing an organisation. Successful stakeholders are more likely to adopt favourable attitudes and behaviours toward the business, purchasing more goods or services (customers), offering tax breaks or other incentives (communities), granting better financial terms (financiers), increasing stock ownership (shareholders), working. Firms that manage stakeholders have better information on which to base their decisions. Because they are attractive to other market participants, they have a degree of strategic flexibility that is not available to competitors who do not manage stakeholders. The example of a stakeholder view of a firm is portrayed in Figure 1.

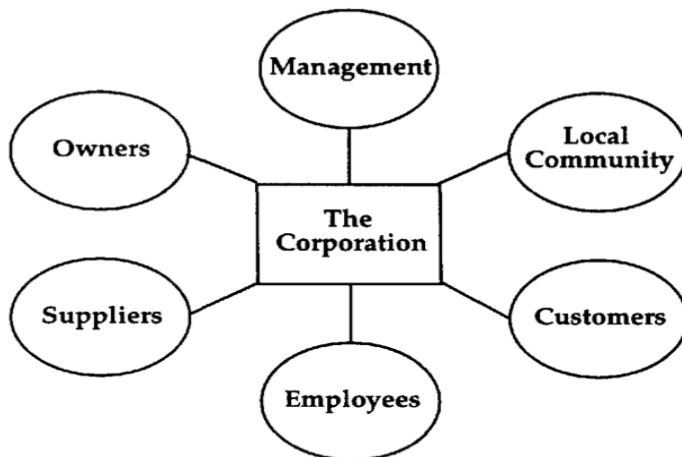
Meanwhile, according to Zambon and Del Bello (2005), stakeholder responsible approaches are divided into four parts, namely: (1) corporate social responsibility (CSR); (2) sustainability; (3) environmental respect; and (4) Corporate Governance, which is illustrated in Figure 2.



Source: Zambon and Del Bello (2005)

**Figure 2.** Stakeholder Responsible Approaches

In the modern corporation, typically in a large company, the stakeholders are portrayed as in Figure 3, where the stakes of each are reciprocal since each can affect the other in terms of harms and benefits as well as rights and duties. The stakes of each are not univocal and would vary by the corporation.



**Figure 3.** Example of Stakeholders

The stakeholder approach is crucial to discussions and critical analysis of how CSR policies may deal with the three primary problems that threaten sustainability in developing nations: inequality, social vulnerability, and environmental degradation (Buysse & Verbeke, 2003; Delmas & Toffel, 2004; Post et al., 2002). When examining sustainability issues in the mining sector is especially helpful because a considerable body of study has been devoted to the investigation of motivations, evolution, and effects of environmental plans and management, using the stakeholder theory method to analyse both environmental and social concerns (Bremmers et al., 2007; Sharma & Henriques, 2005).

## **2.2 Corporate Social Responsibility Theory**

Archie B. Carroll, in 1979, made a specific theory for how corporations interact with their surrounding community and the whole world; this theory is known nowadays as Carroll's Pyramid of CSR (Carroll, 2016). Carroll's theory comprises four obligations that create a foundation or infrastructure for the business's responsibilities toward society.

First, economic responsibility is the obligation of a business organisation to make money. An economic obligation is placed at the base of the CSR Pyramid because it is vital for business survival. A corporation represents economic responsibility through investments, marketing strategies, business operations, and long-term financial strategies with variant stakeholders. Variant stakeholders will be affected positively if a corporation achieves profits; this is what economic scholars name win-win theory. As a result, stakeholders will make profits, the money circulation process will improve, and a corporation will successfully achieve its CSR economic responsibility.

Second, legal responsibility is placed in the second level of the CSR Pyramid because a responsible corporation is a corporation that accepts the rules of a fair business game and adheres to the law. After all, it believes that fair business reflects positively on the whole society. A responsible corporation is a corporation that accepts the rules of a fair business game and adheres to law because it believes that fair business reflects positively on the whole economy and society. Therefore, if a company does not obey the law, it is illogical to consider sharing CSR values.

Third, ethical responsibility is when corporations must be responsive to make what is good for society even if the law does not require it. In other words, ethical responsibility embraces fair activities done by a corporation and is expected by society. However, it is immoral to hunt larger quantities than the quantity required by the market. Civil societies and associations play an essential role in determining the ethical controls of companies until these controls become official laws.

Finally, philanthropic responsibility is pure giving to society. It is an activity or project created by a corporation and purely dedicated to community expectations. At the philanthropic level, the business corporations should satisfy what is desired by their society. The value behind this responsibility is to reveal a good citizenship image of the company and increase its reputation.

## **2.3 The Triple Bottom Line Theory**

Most CSR theories admit that the foundation idea of the Triple Bottom Line (TBL) concept was introduced in 1987 by the Brundtland Commission. The theory is also known as 3Ps or three pillars where a company should be responsible for three features: profit, people, and the planet, that is, economic, social, and environmental responsibility. If a company only cares for profit and

people, it will doom the planet. On the other hand, tending only to the planet and people, and forgetting about profit, makes CSR policy bearable, but business needs profits to survive (Elkington, 1998). Moreover, if a company only cares about the planet and profit, in the long term can lead to the fall of employees' morale and a breach of a social contract (Kraus et al., 2022).

#### **2.4 The Interrelationship Between Stakeholder Theory, CSR, and TBL**

The stakeholders are a critical aspect of the success of CSR initiatives since organisations would not be able to achieve their CSR goals without the participation, expertise, know-how, loyalty of their various stakeholders, and a critical aspect of CSR is that the business is accountable to all its stakeholders who have a good interest in it and the business decisions impact their interests (Kakabadse et al., 2005).

However, CSR emphasises the benefit to general society, whereas stakeholder theory builds relationships and value between a business and its stakeholders. Though there are specific differences between the concepts of stakeholder theory and CSR, they can be aligned to work for the betterment of the company and society (Freeman & Dmytriiev, 2017). Further, as the responsibility of the companies is demanded, the environmental aspect of the TBL needs to be considered as part of the stakeholders and the CSR (Kraus et al., 2022).

Additionally, the primary assumption of a good stakeholder relationship is measured by an organisation's ability to satisfy not only the shareholders but also those agents who have a stake in the organisation. Stakeholders must know how to manage and handle crises to build a good relationship that will continue to last for a long time; when the relationships last for a long time, companies tend to bring in more business and maintain a strong standing company (Freeman, 1984). A company that is successful is because everyone, internal and external, can operate wonderfully along with the stakeholders. These relationships with stakeholders should be treated the same way families, and co-workers are treated based on trust, commitment, and communication (Freeman, 1984).

#### **2.5 Fundamental Elements of Stakeholder Theory to Analyse CSR in Emerging Market**

Stakeholder theory research on businesses' social duties is also very prevalent, especially in relation to human rights, health, and security issues (Post et al., 2002). However, there aren't many real-world examples of how to apply stakeholder theory to suggest solutions for problems that are frequently major in developing nations (De Jongh, 2004; Pater and Van Lierop, 2006). According to Post et al. (2002), the following four fundamental elements of stakeholder theory can be used to analyze CSR in developing nations:

1. Benefits and potential dangers between businesses and stakeholders;
2. A variety and disparity of concerns or interests;
3. Networks and roles of stakeholders; and
4. Stakeholder engagement.

#### **2.6 CSR Implementation in Indonesian Enterprises**

Indonesia is also a country with many corporations operating in natural resources-related business (Ridho, 2018). In 2017, the government and the parliament of the Republic of Indonesia passed Law No. 40 of Year 2007 regarding Corporation. Article 74 of the Law said that all companies operating in and/or related to natural resources must follow social and environmental

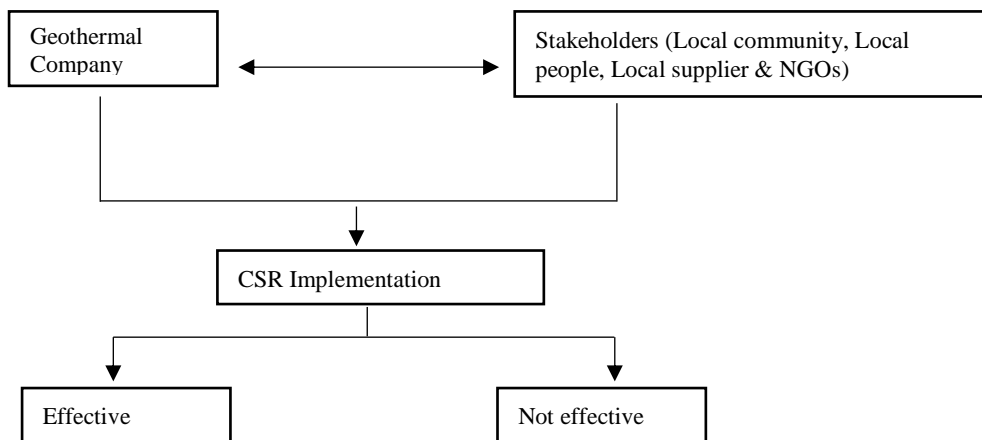
responsibilities. This law applied to all companies either government, private domestic or foreign-owned companies (Ridho, 2018).

Furthermore, in article 102 of Law Number 11 of 2020 concerning Job Creation there are also responsibilities. Corporate social responsibility for Micro, Small and Medium Enterprises, this is a new regulation considering that so far it has been regulated in terms of corporate social responsibility which for Limited Liability Companies which are classified as large companies, corporate environmental social responsibility or corporate social responsibility which was originally a non-legal responsibility (responsibility) is changed to legal responsibility (liability).

For this reason, CSR must be interpreted as an instrument to reduce unethical business practices. The application of CSR is considered very effective in increasing business capacity and developing micro-enterprises economically as well as social assistance to micro-enterprises and very effective also in providing business technical counselling or good business management. Law Number 11 of 2020 concerning Job Creation does not describe detailed arrangements regarding obligations to Corporate Social Responsibility for Micro, Small and Medium Enterprise owners (Halim, 2022).

## 2.7 Research Framework

The framework of this research is to analyse the effectiveness of CSR Implementation from stakeholder perspective at Geothermal Company in West Sumatera, Indonesia. Therefore, the conceptual framework would be in Figure 4.



**Figure 4.** Conceptual framework

## 3. Methods

### 3.1 Research Design

This research used a qualitative case study approach and an exploratory research design (Saunders, 2012; Creswell, 2014). The research is on a Geothermal mining site in West Sumatera, Indonesia. Geothermal Company signed a PPA in 2012 for the development of three geothermal working areas and is one of the pioneers of a private geothermal power producing company in Indonesia. This research is analyzing the mining project in Muara Laboh.

### **3.2 Population and Sample**

Population of this research is major stakeholders in Geothermal mining area. The sampling method that used this research is purpose sampling. Purposeful sampling is a technique widely used in qualitative research (Patton, 2002). This involves identifying and selecting people that are especially knowledgeable about or experienced with a phenomenon of interest (Cresswell & Plano Clark, 2011). In all, 10 participants represented a range of interest groups of different stakeholder categories such as Communities, local people, CSR beneficiaries, NGOs, and buyers. There were four representative of Geothermal company respondents, two relation managers in Jakarta and the other two head of relation managers in Muara Laboh. Demographic characteristics included gender, age, and educational qualifications. Among these respondents, there were between 30 to 50 years old and their education levels are variative, from high school graduate to postgraduate qualifications. Overall, there were one female and eleven males.

### **3.3 Type and Source of Data**

The type of data used in this study is in the form of both primary data and secondary data (Bell & Waters, 2014:197). The primary data gathered through surveys, questionnaires, observation, case studies, and interviews. Secondary data in this research are international journals, international books, and websites that had been written in the bibliography.

### **3.4 Data Collection Method**

The collection of data was done using semi-structured interviews, observations, and secondary data. Ten participants were interviewed in this research, their societal sector and interview numbers. Due to COVID-19, the researchers conducted all their interviews in Bahasa Indonesia through Zoom meetings. All interviews were recorded and transcribed with the participant's consent earlier. Additionally, the respondents were only identified by initials when the findings were released. Information or data submitted by respondents will be kept private because the respondents' confidentiality and privacy were guaranteed. Furthermore, the respondents' involvement and participation in the study were entirely voluntary and were not persuaded or motivated by any kind of financial benefit.

### **3.5 Data Analysis Method**

The data obtained were thematically analyzed using qualitative and descriptive methodologies. All the information gathered during the interview and discussion was converted from audio to readable format. The data was examined according to topics and content (Brunson & Laubenbacher, 2018). The thematic analysis focuses on identifying and describing ideas that are both implicit and explicit rather than just counting explicit words or phrases (Karlöf et al., 2019; Sodhi & Tang, 2018). Lastly, this research using Themes and Codes methods (Swami, 2021).

### **3.6 Validity and Reliability**

The validity and reliability are determined by using Research Triangulation (Noble and Heale 2019). According to Noble and Heale (2019), research triangulation refers to the process that helps to increase the credibility and validity of the research. According to (Meleong, 2005:330),

there are 3 types of data triangulation, there are source, method, and theory. Lastly, the transcript and details about the interview process are available on the appendix section.

## **4. Results and Discussion**

### **4.1 Stakeholders Perceptions of CSR Effectiveness in Muara Laboh**

This research conducted an interview with 6 representatives of the stakeholders that move as CSR receivers based in Muara Laboh.

#### **1. Education & Health**

Based on this research interview with PAP or what they would call as People Affected Program, they stated that Geothermal Company gives medicine, mass treatment, and COVID-19 treatments or precautions. The representative of the subdistrict head stated in an interview that *“Geothermal Company has given a lot of attention to local residence to support our education and health, It's really helpful for us especially during the rise of COVID-19”*.

The representative of Komite Nagari stated in an interview that *“Geothermal Company have paid enough attention to our health and education. For example, they have given us Blood Donor, Scholarship to Outstanding Student, and even Toodler Food Supplement”*. Therefore, according to the interviews, it can be concluded that Geothermal Company has made efforts to provide health assistance and education to local communities.

#### **2. Infrastructure**

Based on the CSR project that conducted on 2022, some infrastructure development has been going on in Muara Laboh, Solok Selatan. The representative of Nagari Committee stated in the interview, *“The program carried out by Geothermal Company is the construction of bridges, irrigation and water channels for people in need. The company look out for our daily needs”*. Another explanation given by the subhead district representative, he stated that: *“In terms of Infrastructures development, Geothermal Company have giving us Masjid renovation.....and sport station construction.....”*.

The representative of local supplier stated in the interview *“Geothermal Company have given a huge help for our infrastructure, this village used to be only one house and because of Geothermal Company, we now have schools, new bridges, safe access and a mini shopping center to make a sale”*. Therefore, in terms of infrastructure empowerment done by Geothermal Company, this research concluded that all representatives had shown good feedback and comments.

#### **3. Economic Empowerment**

There are some Economic Empowerment that Geothermal Company has implemented. Based on this research interview with the representative of local people, he stated that: *“Geothermal Company gives us Border machine for a woman to expand their production, and for men who work as farmers, they gave us Rp.3.000.000 for each person to expand their business. So, the company really helps us to improve”*. Another community representative, subhead district Solok Selatan, stated, *“Geothermal Company has given us much economic empowerment”*.

Moreover, Geothermal Company have given embroidery training and courses to corporation member to teach them skills that can increase their income. Furthermore, Geothermal Company offers jobs to local people working at the site. Therefore, Geothermal Company has made various

efforts to improve the local economy in a way that can benefit them in the long term. Good feedback and testimony were also given from the local community who have felt benefited

#### 4. Community Empowerment

Geothermal Company Muara Laboh is committed to empowering communities, especially those affected by geothermal projects, which is also part of the Integrated Social Development Program (ISDP). The representative of Nagari Committee stated in an interview that *“There are many kinds of community empowerment that Geothermal Company have implemented and giving sponsors to tournament or sports competition”*.

According to this research interview with a community head of a subdistrict, the other effect of providing a budget for sports activities or tournaments is that Geothermal Company indirectly supports micro, small and medium enterprises around the sports location. Therefore, it can be concluded that Geothermal Company has effectively implemented programs to support the community.

### 4.2 Stakeholder Engagement

#### 1. Stakeholder Perceptions of Relationship with the Company

This research analyzed the relationship between stakeholders with the company from the stakeholder's point of view. Based on the interview, all stakeholders responded excellently to their relationship with the company. All stakeholders contend that they admire Geothermal Company's transparency in communicating with them.

#### 2. Obstacle in Communicating

This research wonders if all stakeholders have discrepancies or barriers while communicating with the company's representative. Nevertheless, a representative of local people specified that: *“There are no obstacles, However, maybe we are just confused about how to communicate well and clearly to the company. Understandably, we are a little awkward when talking with company people”*. Other representatives didn't have any other obstacles and described that Geothermal Company responds quickly and reasonably to stakeholders' concerns and needs.

#### 3. Stakeholder Perspective Towards the Benefit from CSR Programs

Corporations now have spent decades promoting a firm's economic and social responsibility. This challenged research discussion in corporations on what corporate responsibility should be and their perspective of the benefits. According to this research interview with Nagari Committee, local people, and the local community in South Solok recency significantly feel the benefits. Furthermore, infrastructure improvements, now fixed so that the community can work well.

According to this research interview with a subhead district representative in South Solok, the mining area used to be a small village. He also stated, *“We are happy with the development carried out by Geothermal Company because the responsibility that Geothermal Company gives to our economy is tremendous. And we are also very happy because the energy released by Geothermal Company is environmentally friendly and renewable energy. So, the community is not at a loss”*. There is also a lot of reforestations or planting in mining areas, and the seeds are distributed to residents. Learning huts and coffee cooperatives were also created, which made the local community happy because their economy also immensely helped.

#### 4. Stakeholder Expectancy on the CSR Programs

Different countries in the world have different social, cultural, and political histories and backgrounds, and consequently, the perceptions of various stakeholders differ substantially (Halme et al., 2009; Hiseh, 2009; Wong et al., 2010; Bagire et al., 2011). Therefore, based on subjective assessment, CSR activities' expectations will not be the same in all different countries (Hillman and Wan, 2005; Wong et al., 2010). Also, some people value social relationships over economic issues and vice versa (Keenan, 2002).

According to this research interview, all representatives said the same expectancy for CSR programs in the future. Such as:

- a. Having more CSR programs in infrastructure so that people who have not yet benefited will be covered.
- b. Focus more on post-COVID recovery, especially government programs supporting community economic development by giving donations.
- c. Programs can help the community's economy and educational facilities

### **4.3 The Company Perceptions of Relationship with Stakeholders**

#### *4.3.1 Company Expectancy on the CSR programs*

According to this research interview, all department of Geothermal Company agrees that the goal for the CSR programs is stakeholder independence in the future, so that they can cover their community member needs.

#### *4.3.2 Relationship Between Stakeholders and Geothermal Company*

This research asked both the stakeholders and representatives of Geothermal Company. Based on the interview with local people: *"Alhamdulillah, I and the affected community have a good relationship with Geothermal Company in Muara Laboh. Between the community and Geothermal Company, there is a lot of support for each other and for the people here. The benefits that given to us have been enormous.... thank God, now the development is quite a lot and it is very profitable for our society"*.

Based on the interview with a representative of Nagari Committee: *"Incidentally since 2008, I have held/served as a nagari guardian, namely as a liaison between the community and representatives of Geothermal Company, and the relationship has always been very good."* Moreover, a representative of local supplier stated that: *"Geothermal Company's attention is great enough in educating and training our workers. Therefore, it can be said that our relationship with Geothermal Company is good"*. All other stakeholders stated that they have a good relationship with Geothermal Company.

Geothermal Company Relations department stated that in general, they didn't occur to have a bad relationship with local communities. However, Geothermal Company has a different view from the local communities. Geothermal Company relation department representative stated in the interview: *"Local communities have difficulties distinguishing between their interests and their needs. Because what often appears on the surface are only temporary unsustainable interests. However, the local communities basically have to calculate based on needs not only their interests to achieve sustainability"*.

#### *4.3.3 Relationship Between Stakeholders and Geothermal Company*

Local communities tend to appreciate more CSR programs in the form of infrastructure and donations. This causes a discrepancy in expectancy between Geothermal Company and local communities. Geothermal Company stated in the interview that local communities: *“Only provide an overview of the physical. Meanwhile, in our perspective, many economic or empowerment problems still need to be helped or fixed to make it more sustainable for them as well”*. Moreover, Geothermal Company stated that the local community has asked for more donations in the form of money. However, even if they are given money, they are not feasible because they don't know how to use it properly.

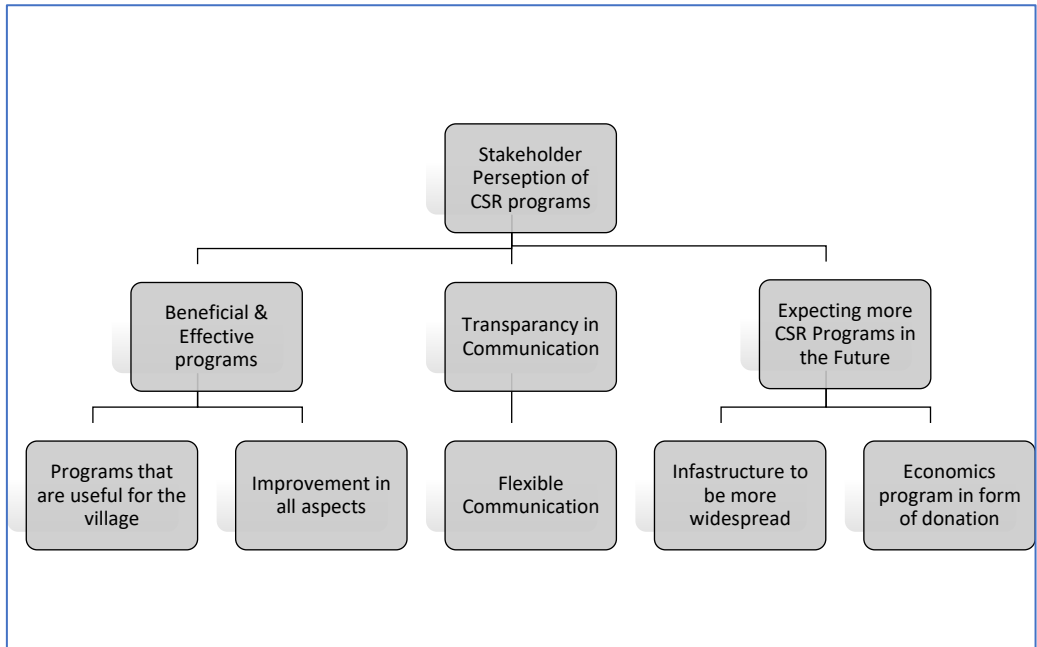
Nevertheless, theory by John Elkington (1987), stated that every company needs to do their CSR obligation in profit, people, and the planet. Although Geothermal Company has done these programs, local communities still pay more attention to physical materials. Therefore, future research can discuss why most local people pay more attention to physical material rather than other programs and can analyze the problem behind local people's mindsets and how to change their mindset from knowing what they want to what they need.

#### *4.3.4 Development in the Next Stakeholder Program*

Geothermal Company has a goal for the local communities to be independent and economically stable in the future. Therefore, Geothermal Company is planning to implement programs that support economic empowerment that will have a more sustainable impact. Moreover, after training programs, Geothermal Company planned to expand the distribution of scholarships to the community so that the next generation can help increase community prosperity with their knowledge.

#### *4.3.5 Themes & Codes*

In qualitative research, Themes is Boyatsis (1998) defines the theme analysis as a “qualitative information encoding” process. Braun & Clarke (2006) described thematic analysis as “a method of identifying, analyzing and reporting patterns or themes within the data”. According to Swami (2021), thematic analysis helps researchers to analyses a large rage of data sets to find patterns and develop themes. The data analysis emerged 70 codes, 8 sub-categories, 3 categories, and 3 themes including: “effectiveness of CSR programs”, “transparency in communication”, and “economic expectation”, which were stakeholder perception toward the effectiveness of CSR implementation at Geothermal Company (Figure 5).



**Figure 5.** Stakeholder Perception of CSR Programs

### 1. Beneficial & Effective Programs

All stakeholder confirmed that they have feel the benefit since the existence of Geothermal Company. Programs that are useful for the village and improvements in all aspects are two attributes in the theme of beneficial & effective programs.

Local people feel highly benefited, respecting, and comfortable with the presence of Geothermal Company: *"We are happy with the development carried out by Geothermal Company because the responsibility that Geothermal Company gives to our economy is tremendous. And we are also very happy because the energy released by Geothermal Company is environmentally friendly and renewable energy. So, the community is not at a loss"* (Subhead district, male). *"The program carried out by Geothermal Company is the construction of bridges, irrigation and water channels for people in need. The company look out for our daily needs"* (Nagari Committee, male).

The improvement proves that Geothermal Company have effectively implement CSR programs to the local people. *"Geothermal Company have given a huge help for our infrastructure, this village used to be only one house and because of Geothermal Company, we now have schools, new bridges, safe access and a mini shopping center to make a sale"* (Local Supplier, male). *"In terms of Infrastructures development, Geothermal Company have giving us Masjid renovation for us to do our daily prayer and sport station construction for us to held competition or tournament between villages"* (Subhead district, male).

### 2. Transparency in Communication

All respondent implicating a good and transparent communication that they have with Geothermal Company. Geothermal Company is giving freedom for local people to contact them

anytime whether its direct or through Nagari Committee. All stakeholders contend that they admire Geothermal Company's transparency in communicating with them.

### 3. Expecting More CSR Programs in The Future

Because local people are seeming to be delighted with the existence of Geothermal Company, they think that they can co-exist alongside with the mining process. Therefore, although Geothermal Company have effectively implemented the CSR programs, the local people still expect more programs in the future.

## 5. Conclusion

The study was carried out with a total of 11 selected respondents from various stakeholder groups in the catchment areas of the company, management, and other employees of the mining company. These respondents were ready and able to take part in the study and were also accessible at the time of the study. They were divided into three categories: The company budgeting and financial department, local resident's representatives, and Non-Government Organization.

Feedback was gathered from interviews, and observations using a semi-structured interview guide as the study's main tool. To incorporate management and stakeholders' perspectives on the effect of stakeholder participation on the sustainability of CSR results, two different interview guides were produced for management and stakeholders and their feedback was evaluated descriptively. Data obtained from the respondents were first transcribed, coded and examined using thematic analysis and themes were identified indicating relationships and connections between concepts and key ideas in the phenomenon.

This research result showed how Geothermal Company had effectively implemented CSR programs to local communities around Muara Laboh mining area and the excellent relationship between stakeholders and Geothermal Company. Geothermal Company has implemented four program pillars: Economic Empowerment, Education & Health, Infrastructure, and Community Empowerment. Local communities confirmed they have a good and transparent relationship with Geothermal Company with easy access to communicate. They believe that even with the mining construction in their village, Geothermal Company has taken considerable responsibility for its sustainability.

Therefore, this research concludes that from stakeholder perspective, Geothermal Company have effectively and successfully implemented effective CSR programs and Geothermal Company has facilitated a cordial relationship free of disputes in the mining communities of Geothermal Company. However, Geothermal Company and the local communities have discrepancies in expectancy towards the CSR programs. Meanwhile, in Geothermal Company's perspective, there are still many economic or empowerment problems that need to be helped or fixed to make it more sustainable for them as well. Therefore, this research suggests that the company should give understanding and education to local communities regarding what programs they need in the long term.

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