

# Political Interaction Strategy Corporate Social Responsibility of PT Riau Andalan Pulp and Paper in Riau Province, Indonesia

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## Political Interaction Strategy Corporate Social Responsibility of PT Riau Andalan Pulp and Paper in Riau Province, Indonesia



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### ABSTRACT

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#### Keywords:

*political interaction strategy, corporate political activity, corporate social responsibility, policy*

This research aims to analyze the corporate social responsibility (CSR) political interaction strategy used by PT Riau Andalan Pulp and Paper (RAPP) in Riau Province, Indonesia. This is qualitative research with data collected through interviews and the annual reports on the stock exchange of Indonesian companies. This research using cluster analysis to investigate the degree of correlation between political actors and companies. Furthermore, the N Vivo 12 Software was used to strengthen the actors built in the CSR political interaction strategy. The result showed that the constituency development strategy is the strongest of the four other political interactions. A constituency-building strategy means that companies seek to build relationships with multiple stakeholders in addressing political issues. The company's political interaction strategy for constituency development is building relationships with the community, policymakers, and Key Opinion Leaders while engaging with the media. It was also found that of four constituency development strategies in this company, the interaction with the media was the strongest relationship built to support political interaction and CSR.

## 1. INTRODUCTION

PT Riau Andalan Pulp and Paper (RAPP) is the largest pulp manufacturing industry in the Asia Pacific region. Based on the acquired data, its raw materials are sourced from acacia plantations in the HTI region, with a net area of 192,000 hectares. This large expanse of land in partnership with other companies is 150,000 hectares, while the HTR has an area of 39,000 hectares. Therefore, this company already has a land unit of 381,000 hectares. To fulfill the capacity of 2 million tons of pulp per year, only 300,000 hectares are needed with coverage areas of Logas, Tesso, Langgam, Cerenti, Baserah, Ukui, Mandau, Pelalawan, Rantau Baru, Lubuk Sakat, Pontianai Siak Kecil.

Therefore, this company is vulnerable to political issues, and its management tries to develop good relationships with various stakeholders, both local governments and neighboring communities. This research is interested in examining the corporate social responsibility (CSR) political interaction strategy adopted by this company. PT RAPP was selected as the research site because it has a large social impact on Riau Province.

The political interaction of the company's CSR is an important component of its non-marketing strategy. This is oriented towards its political and social conditions to improve the performance according to the external environment [1-3]. Several companies strategically view CSR as "a source of opportunity, innovation, and competitive advantage (Porter) that is beneficial to the society at large by improving corporate quality and social performance [1]. Recent research on non-marketing strategies stated a tendency to review CSR in

political interactions [1, 3]. Some scholars stated that CSR is a form of political interaction that positively impacts the company's legitimacy, reputation, and competitive advantage [2-6]. Morsing and Roepstorff [7] stated that a possible contradictory character is needed, specifically when interactive political firms "use instrumental CSR to advance (private) goals in public policy.

Previous research reported that CSR political interaction activities can affect the company's legitimacy and reputation with the intention that people are willing to accept and recognize the constituted authority, decisions, or policies implemented, thereby portraying the feeling of responsibility. These also have an impact on competitive advantage, meaning that the company can obtain better resources and perform more effectively than others in the same sector or market.

Den Hond et al. [2] introduced the concept of CSR as a form of Political Interaction activities carried out to increase the company's reputation [2-6]. PT. RAPP also makes it possible to gain political support, coalitions, and open access to policy makers [2]. These forms of CSR and CPA are evident from the results of the strategies employed by companies in actively influencing policymakers [2]. It can be concluded that, first, the political interaction of CSR independently affects the reputation of the company. Second, its impetus stems from recognizing the problems generated through various efforts.

Companies can increase survival by garnering political support, making it easier to find solutions to problems without spending much money, building broader coalitions, and having access to key policymakers. Hence, they are likely to receive awards in the social and political sectors to enhance their character, image, and excellence. This can affect the

stakeholders' views, strengthening their good relationship with CSR activities [2]. According to [8], these industries usually take advantage of government connections by aiding those socially responsible for certain activities to overcome social problems. This is because they are better informed about the types of events needed by society. Chen et al. [9] stated that companies derive specific benefits from their political connections. Previous research reported that political interaction has a positive and moderating effect on CSR. This complements company-level resources that enable these industries to maximize the effectiveness of both programs simultaneously. It allows the political interaction of CSR to manage the pressure associated with maintaining legitimacy and accelerating the entry of important resources controlled by the government [10]. Compared to the companies' efforts to support this attribute, corporate politics acting similar with lobbying or funding campaigns have a greater impact on environmental protection, and the governments share in this responsibility.

From this perspective, the political interaction of CSR as a corporate sustainability strategy is the most important element of a company. Its implementation is not entirely unheard of, such as climate change mitigation considerations [11], enacted by John Browne, the CEO of the first oil company [12]. In 2007, the climate action partnership constituted activists and companies in coalition to tackle carbon emissions in the United States [12]. The corporate leadership of the Prince of Wales Group brought together a group of large multinational companies, including Unilever, Tesco, and Acciona, to press for stronger public action [12]. A coalition of US businesses, the educational sector, and local government leaders committed to upholding US commitments to the Treaty Paris on climate change is needed to provide a concrete example of CSR political interaction activities. Lyon et al. [12] stated that hundreds of companies had come together with local governments, universities, and profit groups to offer their vocal support for national and international commitments to climate change mitigation.

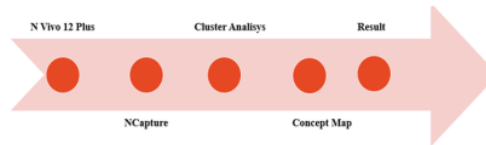
Examples of CSR political interactions also emanated from the social world, such as when Emmanuel Faber, CEO of Danone, pushed for the French civil law reforms to revise their meaning, thereby enabling new companies to enjoy public benefits in France [12]. Another similar incident was when Apple CEO Tim Cook spoke out publicly against pending religious laws that allow critics to discriminate against same-sex couples [13]. Political interaction strategy is a long-term activity that is socially and politically planned to reduce the negative impacts arising from the company's operations [2]. In addition, Den Hond et al. [2] introduced six corporate CSR political interaction strategies, namely a) Information and messages, b) Financial incentives, c) Constituency building, d) Legal strategies, e) Substitute Policy, and f) Opposition fragmentation and destabilization.

## 2. METHODS

Data were collected from interviews held with PT RAPP and data from the annual report on the stock exchange. The sample in this research is the General Manager of PT. RAPP, HRD & Administration Manager, Accounting & Finance Manager, Corporate Social Responsibility Forum, Provincial Legislatives Council Pelalawan Regency, Riau Malay Customary Institution This company was selected as the

research site because it has a large social impact on the people of Riau Province.

Figure 1 explains that the qualitative method carried out with the N Vivo 12 Software was used to map the actors' strengths built in the company's CSR political interaction strategy. The Ncapture tool was used to capture the annual report of the Indonesian stock exchange. Furthermore, cluster analysis was used to investigate the magnitude of the correlation between political actors and companies. The next step involves using a concept map to analyze a picture of the company's CSR political interactions.



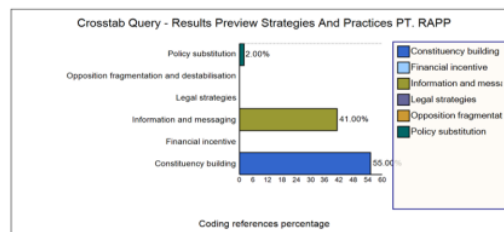
Source: Wedayanti 2020\*

Figure 1. Data analysis process

The results of interviews and stock exchange annual report data at N Capture using the Nvivo 12 application. Then using Cluster Analysis to analyze the data. after being analyzed, the concept map was used on the N Vivo 12 application and found the results of the study.

## 3. RESULTS AND DISCUSSION

Based on an analysis of the interview results and the stock exchange annual reports, it was discovered that PT RAPP employed three out of six corporate political interaction strategies proposed by Rehbein, as shown in Figure 2.



Source: Export from Nvivo 12 Plus \*

Figure 2. Strategies of Corporate Political Interaction PT RAPP

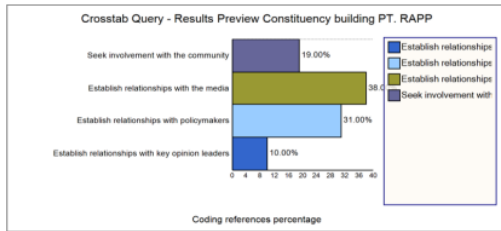
Figure 2 shows that there are several strategic activities but PT RAPP utilizes only three, namely Constituency building (55%), information & messages (41%), and replacement policy (2%). This company employs a constituency-building strategy by developing relationships with the media, policymakers, involvement with the community, and key opinion leaders. Furthermore, it adopts an information and messaging strategy by lobbying policymakers.

The next explanation will explain the three strategies used by PT. RAPP for corporate political activities.

### 3.1 Constituency development strategy

A regional development strategy is a long-term approach designed to overcome socio-political problems in the

community. PT RAPP implemented a constituency-building tactic to avoid socio-political conflicts. The regional development strategy is the most superior approach adopted by this company in building good relationships with the various actors, such as the community, policymakers, media, and Key Opinion Leaders, as shown in Figure 3.

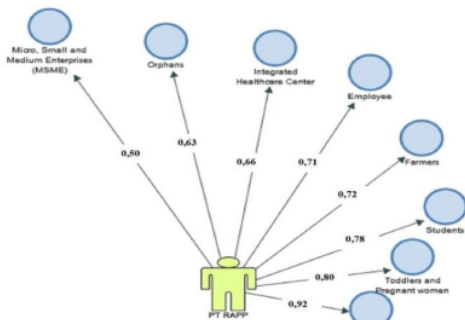


Source: Export from Nvivo 12 Plus \*

Figure 3. Constituency development strategy

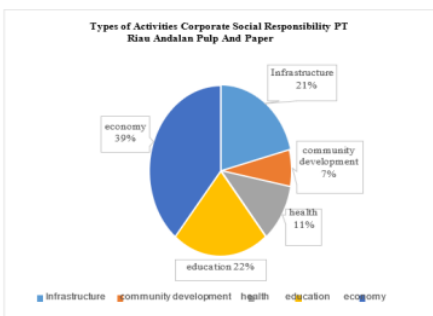
### 3.1.1 Seek involvement with the community

The company's ability to build relationships with the community is a socio-political interaction involved in implementing CSR to avoid corporate conflicts. Based on the interview results and reports on the Indonesian stock exchange, it was discovered that this company has always had a cordial relationship with community actors since its inception. These include the villagers, toddlers, pregnant women, students, farmers, company employees, posyandu, orphans, and Micro, Small, and Medium Enterprises (MSMEs), as shown in Figure 4.



Source: Export from Nvivo 12 Plus \*

Figure 4. Seek involvement with the community



Source: Stock Exchange Annual Report (2020) \*

Figure 5. Types of CSR activities PT RAPP

Figure 4 shows the company's correlation with its public relations. It was discovered that rural communities have a higher correlation of 0.92 than other actors, while toddlers and pregnant women, students, farmers, employees, Posyandu, and orphans, including Micro, Small, and Medium Enterprises (MSMEs), are 0.80, 0.78, 0.72, 0.71, 0.66, 0.63, and 0.50, respectively. Based on the annual reports of the stock exchange, the strong relationship between PT RAPP and the village community are due to their involvement in the CSR programs that support government initiatives, as shown in Figure 5.

Figure 5 shows the types of corporate social responsibility activities of PT RAPP. Based on data acquired from the stock exchange's annual report, it was deduced that 39% of the activities engaged in by companies and rural communities are related to the economic sector. PT RAPP continues to create job opportunities and offers the necessary skills and training to support the local people.

CSR programs conducted by PT. RAPP seek Involvement with the Community is as follows: first, the Integrated Agricultural System (IAS) aimed at improving the skills of local farmers. This also covers horticultural crops, fisheries, plantations, livestock, and rice processing development. They were provided with ongoing training sessions, facilities, and technical support. Initially, IAS only occupied 170 hectares of agricultural land. Presently, it has increased to 2,400 hectares; 1,618 households have received agricultural materials, 566 farmers have benefitted from the initiatives, and 4,845 hectares have been cultivated through IAS training centers and programs. In addition, two training centers have been properly established to ensure technical and practical knowledge are instilled in the farmers, while another was donated to the local district government.

Second, the Fiber Farming Society aimed to promote partnerships with landowners to develop Acacia plantations which are then self-managed. In this case, PT RAPP provides financial assistance, seedlings, fertilizers, as well as plantation maintenance. The activities already carried out are 28,384 hectares dedicated to the fiber farming community, US\$1,200 invested in each hectare of the crop, and 30-35 job opportunities created for every 100 hectares of crop.

Third, Small and Medium Enterprises (SMEs) aim to technically and financially assist entrepreneurs. This program targets businesses that directly or indirectly support PT RAPP's operations. Some activities that have been executed include offering direct assistance to 189 entrepreneurs to support the company's operations and the creation of 1,600 jobs for the local community. PT RAPP also provides specialized skills and training sessions such as sewing, hairdressing, cooking, wood cutting, automation processing, and honey production.

In terms of building a cordial relationship with the community, 22% of the activities engaged in by the company are related to the second sector, namely educational. The programs include offering 17,613 scholarships to elementary and middle school students, 50 slots for those in local high schools to pursue undergraduate agricultural studies at INSTIPER. Others are the renovation and development of 219 schools in rural areas since 1999 and sponsored training for 600 teachers from 2009 to 2012.

The third is the infrastructural sector, with a percentage of 21%. The company's programs include building 178 places of worship and religious schools, 96 state schools, and 17 sports facilities, committed to constructing 30 health, water, and

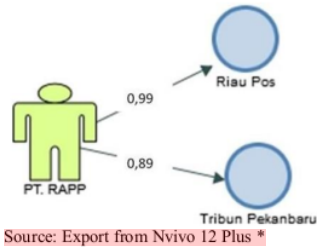


sanitation facilities, and the provision of 98 power generators.

The company's interaction with the community is the main strategy that triggers political activities. Therefore, there is a strong relationship between the company and the surrounding community.

### 3.1.2 Establish relationships with the media

The media is a platform where information is disseminated. The company's management believes that this approach is essential for re-establishing public support and trust. PT RAPP has developed a cordial relationship with the media to support disseminating information to the public, thereby avoiding conflicts. This company has also developed relations with the Riau Pos and the Tribun Pekanbaru media, as shown in Figure 6.



**Figure 6.** Establish relationships with the media

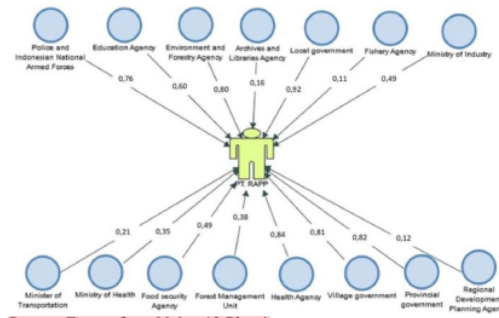
Figure 6 shows a strong relationship between PT RAPP and the media in Riau Province, namely Riau Pos and Tribunbaru, correlate with 0.99 and 0.89, respectively. The first approach involves the ability to report all company activities that support government programs. The second is controlling negative news by sending press releases to follow up on such information. Third, organizing a workshop with the print media in Pekanbaru aimed to disseminate information on the activities carried out by the company during a conflict, specifically regarding the government's peatland policy.

### 3.1.3 Establish relationships with policymakers

Building relationships with policymakers is an activity indulged in by the company to seek social and political support. It also assists in obtaining information related to policies that support the activities and makes it easier to get awards in the social and political sectors to boost the image. PT RAPP already has an established relationship with policymakers. The annual stock exchange report showed that the actors who liaised with the company were the Pelalawan Regency, Riau provincial and village governments, the health office, environment and forestry services, police and military as well as the education office as shown in Figure 7.

Figure 7 shows that PT RAPP has a cordial relationship with policymakers in Riau Province and Pelalawan District and the strongest correlation of 0.92 with the local government. Furthermore, its correlation with the health office, Riau Provincial government, the village government, environment, forestry service, police, TNI, and the educational office are 0.84, 0.82, 0.81, 0.80, 0.76, and 0.60, respectively. This company also has low corporate relations with certain policymakers such as the Ministry of Industry, Food Security Agency, Forest Management Units and Ministry of Health, Ministry of Transportation, Archives and Libraries Services, regional development planning agency, and fisheries services

with a correlation of 0.49, 0.49, 0.35, 0.21, 0.16, 0.12 and 0.11, respectively.



**Figure 7.** Establish relationships with policymakers

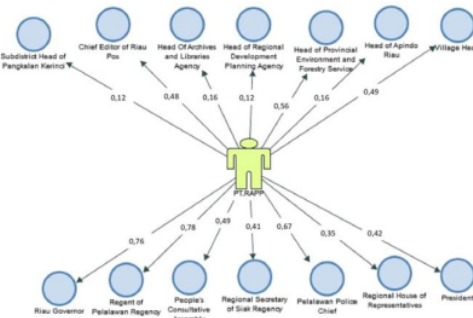
Based on the annual stock exchange report and interview results, it was discovered that the company's relationship with local governments has the strongest correlation of 0.92 due to its commitment and synergy in preventing and overcoming forest and land fires. This led to the establishment of a Fire Free Village Program (FFVP). PT RAPP also assisted the government in eradicating the COVID-19 pandemic by providing personal protective equipment, medicines, and vitamins, supporting the cooperation vaccine program, and spraying disinfectants. In addition to efforts to reduce emissions within the company and support government programs, it cooperated with PT Mobil Anak Bangsa (MAB) to provide two electric buses to support its operational activities. This cordial relationship has earned the company an award from the local government as the best CSR in Pelalawan Regency.

The company's relationship with the Health Office is the second strongest correlation at 0.84. This was because of the PT RAPP collaborated with the health department in overcoming the covid 19 pandemic. The company provided 3,000 units of oxygen concentrators, 1,000,000 medical masks, 1,000,000 gloves, 100,000 personal protective equipment (PPE) and 30,000 eye protection. It also cooperated with the health office in restricting prevention by initiating the Stunting Prevention Program in five districts, namely Pelalawan, Siak, Kampar, Meranti Islands, and Kuantan Singingi (Kuansing).

PT RAPP's relationship with the provincial government correlates to 0.82. It provided 400 thousand masks made of rayon through the Riau Provincial Government. This government also received 145 units of Oxygen Concentrator from the Tanoto Foundation, which was handed over by the Director of PT RAPP, Mulia Nauli, to the Governor of Riau Syamsuar, at the Riau Regional Building. Additionally, the Riau Provincial Government also received personal protective equipment (PPE) for medical personnel at the forefront of handling patients suspected of being infected by the coronavirus. The assistance offered was in the form of the company's support to the provincial government in overcoming the COVID-19 pandemic. Scholarships were given to 100 students and 300 high school or vocational scholars every year. These are young people from underprivileged families, who reside around the company's operational areas, and are educated in Riau. PT RAPP was given the Adikriya award by the Riau Provincial Government, specifically the Governor, in 2019.

### 3.1.4 Establish relationships with key opinion leader

Building relationships with Key Opinion Leaders aids to boosts the good image of the company. This is because their opinions are highly sought after by the wider community. Based on the annual report of the Indonesian stock exchange, PT RAPP has developed cordial relationships with Key Opinion Leader actors. They are the Regent of Pelalawan, the Governor of Riau, the Head of the Resort Police, and the Head of the Environment and Forestry Office of the Riau Province, as shown in Figure 8.



Source: Export from Nvivo 12 Plus \*

**Figure 8.** Establish relationships with key opinion leader

Figure 8 shows a relationship between the company and Key Opinion Leaders. The company's relations with the Regent of Pelalawan have the highest correlation of 0.78. This was followed by the relationship with the Governor of Riau with a correlation of 0.76. Meanwhile, the Pelalawan District Police Chief, including the Head of the Environment and Forestry Office of Riau Province, correlated 0.67 and 0.56, respectively.

PT RAPP's corporate relations with Key Opinion Leader, which has a low correlation, is MPR relatively 0.49. Its relationship with the village head, editor-in-chief of Riau Pos, president, regional secretary of Siak Regency, DPRD, Head of the Archives and Libraries Agency, Head of Apindo Riau, Head of the Regional Development Planning Agency, and Kerinci Sub-district head had correlations of 0.49, 0.48, 0.42, 0.41, 0.35, 0.16, 0.16, 0.12, and 0.12, respectively.

Based on the annual report on the stock exchange and the results of interviews, it was deduced that the relationship between the company and the Regent of Pelalawan Regency has the strongest correlation of 0.78. The regent appreciated PT RAPP due to the contribution and support of the local government programs, such as overcoming forest and land fires, including realizing Pelalawan Fire Free. The regent always attended the company's CSR programs, namely the provision of elementary school uniforms and the activities centered on the BPUT Town site II RAPP. The preventive measures adopted by the company to prevent the spread of coronavirus by tightening border posts at the Regency Government were further also appreciated. It also performed the first rice harvest in Sungai Ara Village with farmers. This was a tangible manifestation of the results of the Fire Free Village program initiated by PT RAPP, which the regent supported.

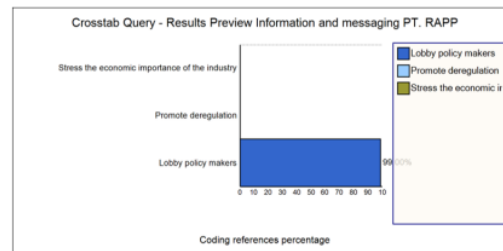
The company's relationship with the Governor of Riau has the second strongest correlation of 0.76. The Governor of Riau appreciated the support shown by PT RAPP in implementing the CSR program. This led to the restoration of the historical

building site of the Siak kingdom. The Governor of Riau held a meeting with the company's representatives and other firms in Riau Province. This meeting was aimed to synergize the provincial program with the company's CSR initiative in alleviating poverty in Riau Province. The Governor also appreciated this because they helped to overcome the pandemic by providing Personal Protective Equipment, masks, and oxygen concentrators to the Provincial Government.

The company's relationship with the Pelalawan District Police chief correlated with 0.67. According to the Police Chief, PT RAPP was the pioneer of the first mutual cooperation vaccine in Riau Province. This was extraordinary because the company was concerned for its employees and contractors. The Police Chief also stated that its Fire Free Village program served as a motivation for other communities. The Chief always visits the company to monitor the implementation of the CSR program. PT RAPP collaborated with Polres and sprayed disinfectant in Pangkalan Kerinci, as a form of supporting the government's program against the COVID-19 pandemic. The Police Chief awarded PT RAPP which is considered to have been instrumental in helping the pilosian party to create conducive Sitkamtibmas. It also serves as a company that allows the Pelalawan Police to improve community services.

### 3.2 Strategy information and messages

Information and message strategy is a science or art usually adopted by companies to obtain information on policies that benefit them. Industries often employ it in conducting political interactions. PT Pulp and Paper Indah Kiat use this strategy to lobby policymakers, as shown in Figure 9.



Source: Export from Nvivo 12 Plus \*

**Figure 9.** Strategy information and messages PT RAPP

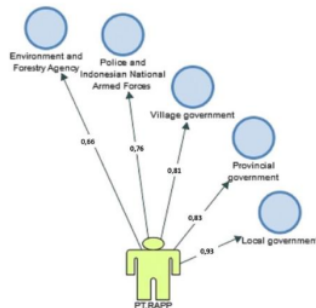
Figure 9 shows that 99% of the political interaction of CSR by PT RAPP is related to the practice of lobbying. This company does not practice CPA because it suppresses the importance of the industrial economy and promotes deregulation.

#### 3.2.1 Lobby policymakers

Lobbying is an activity undertaken by companies to gain the trust of policymakers. It is usually carried out jointly between the two parties. Based on the annual report of the Indonesian stock exchange, PT RAPP has lobbied several actors to support the political interaction of corporate CSR. These include the local, provincial, and village government, police, TNI, and the environment and forestry services, as shown in Figure 10.

Figure 10 shows the political CSR interactions adopted by companies in lobbying policymakers. The correlation of industries lobbying the local, provincial, and village

governments are 0.93, 0.83, and 0.81, respectively. The company lobbied the police and the military including the environment and forestry services with a correlation of 0.76 and 0.66, respectively.



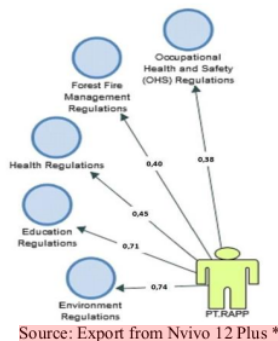
Source: Export from Nvivo 12 Plus \*

Figure 10. Lobby policymakers

Based on the annual report of the stock exchange and the results of interviews, companies lobbying local governments have the strongest correlation of 0.93. PT RAPP lobbied the local government by signing a joint agreement with the Pelalawan district government to improve the quality of education. The Director of the company also signed cooperation or memorandum of understanding with the government regarding the holistic innovation of the Fire Free Village program. PT RAPP lobbied the provincial government with a correlation of 0.83. It signed an MOU on the company's readiness to assist the provincial government in dealing with the COVID-19 pandemic using the industry's CSR funds. It was also strongly committed to the provincial government by supporting educative programs and awarding scholarships to communities in Riau Province.

### 3.3 Strategy substitute policy

A substitute policy strategy is adopted by a company to develop and promote certain alternatives. Based on the results of interviews and reports on the Indonesian stock exchange, PT RAPP had implemented a substitute by developing and promoting policies through flagship CSR program. Some of these are related to environmental, education, health, forest management, and K3 regulations, as shown in Figure 11.



Source: Export from Nvivo 12 Plus \*

Figure 11. Develop and promote policy alternatives

Figure 11 shows the involvement of PT RAPP to develop and promote alternative policies. This company strongly correlates with the development and promotion of alternative policies in environmental regulation, relatively 0.74. This is in addition to education, health, forest management, and OHS regulations with correlation values of 0.71, 0.45, 0.40, and 0.38, respectively.

Based on the annual report of the stock exchange and the results of interviews, companies involved in developing and promoting policies in environmental regulation had the highest correlation of 0.74. PT RAPP was also involved in developing the Governor's Regulation No. 50 of 2019 regarding restrictions on the single-use of plastics in Riau Province. This program was implemented for MSMEs under the auspices of this company. A waste bank initiative perceived as the best in Pelalawan Regency was also created. This company also designed a Free Fire Village program which had been proven to assist local governments in overcoming forest and land fires. These two programs are perceived as alternatives for local governments in implementing environmental policies.

PT RAPP also developed and promoted alternative policies in the field of education. The company's CSR initiated the School Improvement Program. This company aims to improve students' reading, speaking, and numeracy skills, as well as contribute to the achievement of the accreditation of Adiwiyata institutes. The child-friendly program is also a flagship in developing and promoting policies in this field. This company program provides the best educational, play, health facilities, family parks, and walking paths. It also ensures that RAPP employees' parents fulfill their children's legal rights as Indonesian citizens. The security facilities at the Riau complex ensure that they enjoy their childhood in a safe and conducive atmosphere. This program is also supported by the company's ability to provide facilities that support the children's development, including institutes from the playgroup to senior high school levels with national and international standards, namely Sekolah Global Andalan, Mutiara Harapan, and Taruna Andalan. PT RAPP also boosts children's talents through the Future Athlete Development and Training Center (PPLAMD). The institution explores and develops human resources (HR) potential from an early age. School Improvement and child-friendly programs have become an alternative for local governments in developing policies in the educational field.

## 4. CONCLUSIONS

In conclusion, the constituency development strategy is the strongest of the other four used in the political interaction of PT RAPP. A constituency-building strategy means that the company seeks to develop its relationships with multiple stakeholders in addressing political issues. The political interaction strategy for constituency development carried out by this company was initially centered on building relationships with the community. Second, third, and fourth involve building engagement with the media, policymakers, and key opinion leaders, respectively. This research discovered that of the four constituency development strategies adopted by this company, the interaction with the media was the strongest relationship built to support CSR political interactions.



## ACKNOWLEDGMENT

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