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CORPORATE SOCIAL RESPONSIBILITY POLITICAL INTERACTION STRATEGY: A CASE STUDY

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Abstract

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This research analyzes the corporate social responsibility (CSR) and political interaction strategy used by PT. Indah Kiat Pulp & Paper Tbk (IKPP) in Riau Province, Indonesia. The theory used in this study is that of den Hond et al. (2014), who introduced six CSR political interaction strategies: a) information and messages, b) financial incentives, c) constituency building, d) legal strategy, e) substitute policy, and f) fragmentation and destabilization of opponents. This is a qualitative study with data collected through interviews and the annual reports on the stock exchange of Indonesian companies. Using cluster analysis, this study investigates the degree of correlation between political actors and companies. Furthermore, the NVivo 12 software strengthened the actors built into the CSR political interaction strategy. Results showed that the constituency development strategy is the strongest of the five other political interactions. A constituency-building strategy implies that companies seek to build relationships with multiple stakeholders when addressing political issues. Building relationships with the community, policymakers, and key opinion leaders while engaging with the media is the company's political interaction strategy for constituency development. Findings also reveal that of the four constituency development strategies in this company, interaction with the community was the strongest relationship built to support political interaction and CSR.

Keywords: Political Interaction Strategy, Corporate Political Activity, Corporate Social Responsibility, Policy

Authors' individual contribution: Conceptualization — M.D.W.; Methodology — B.I.P.; Investigation — M.D.W. and B.I.P.; Resources — B.I.P.; Writing — M.D.W.; Supervision — M.D.W.; Funding Acquisition — M.D.W. and B.I.P.

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1. INTRODUCTION

According to the Central Statistical Agency, 4,209,817 companies operate in Indonesia. These companies are constantly confronted with external challenges or problems. One of the problems Indonesian companies face is that they are vulnerable to political issues; hence, good relationships with the community, government, and various stakeholders are needed.

Riau Province has many companies in Indonesia. Based on data from the Central Statistics Agency, 26,085 companies operate in Riau, and these companies face the same problems. Vulnerable to political issues, companies must have various strategies to maintain their operations in the long term. Therefore, these companies in Riau Province must determine which strategies are suitable to deal with political issues, creating an urgency for this

theme to be researched. One of these companies in Riau Province is Indah Kiat Pulp & Paper Corporation (IKPP).

The IKPP (the "Company") was established in the Republic of Indonesia within the framework based on the Deed of Notary Ridwan Suselo No. 68 dated December 7, 1976 (Aulia, 2019). The Company's Articles of Association have been ratified by the Minister of Justice of the Republic of Indonesia through Decree No. Y.A.5/50/2 dated February 9, 1978, and announced in the *State Gazette of the Republic of Indonesia*, dated and ratified by the Minister of Justice of the Republic of Indonesia through Decree No. Y.A.5/50/2 dated February 9, 1978, and announced in the *State Gazette of the Republic of Indonesia*, dated March 3, 1978 (Aulia, 2019). The Company's Articles of Association have been amended several times. The most recent amendment to the Company's Articles of Association regarding changes to Articles 3, 20, and 23 concerning aims and objectives, business activities, the board of directors, and the board of commissioners is contained in the Deed of Statement of Shareholding Decision No. 76, dated June 27, 2019, and made before Aulia Taufani, S.H., notary in South Jakarta. The change has been accepted and recorded in the Legal Entity Administration System of the Ministry of Law and Human Rights of the Republic of Indonesia with No. AHU-AH.0042356.AH.01.02.YEAR2019 and No. AHU-AH.01.03-0304098, both dated July 26, 2019 (Aulia, 2019).

According to Article 3 of the Company's Articles of Association, the scope of the company's activities is in the industrial, trading, mining, and mining sectors. Currently, the company is engaged in the paper, pulp, tissue, and cultural paper industries. In 1990, the company's shares were listed on the Jakarta Stock Exchange (JSX) and the Surabaya Stock Exchange (SSX) (both of which have now merged into the Indonesia Stock Exchange, IDX).

The IKPP's vision is to be at the forefront of the pulp and paper sector by providing the best for customers, communities, employees, and stakeholders in a responsible and sustainable manner (Aulia, 2019).

With the following mission first: to increase market share around the world. Second, using the latest technology in developing new products and implementing factory efficiency Third, improve human resources through training. Fourth, realize a sustainable business commitment in all operational activities. IKPP produces pulp, tissue, and various types of paper products, such as writing and printing paper (coated and uncoated), photocopy paper, industrial paper (for example, packaging paper including containerboard such as liner board and corrugated medium), corrugated shipping containers (containerboard conversion), boxboard, food packaging, and colored paper. The company has production facilities in Perawang-Riau with an area of 550 ha.

As such, the company is prone to political issues, and its management strives to foster positive relationships with various stakeholders, including the local government and local communities. This study examines the political interaction strategy of corporate social responsibility (CSR) companies. IKPP was chosen as the research location because of its enormous social impact in Riau Province.

The political interaction of a company's CSR is an important component of its non-marketing strategy. This is oriented towards political and social conditions to improve performance according to the external environment (Bonardi et al., 2017; den Hond et al., 2014; Mellahi et al., 2016). Several companies strategically view CSR as a source of opportunity, innovation, and competitive advantage (Porter & Kramer, 2006) that benefits society at large by enhancing corporate quality and social performance (den Hond et al., 2014). Recent research on non-marketing strategies reveals a tendency to evaluate CSR in political interactions (den Hond et al., 2014; Mellahi et al., 2016). Some scholars state that CSR is a type of political interaction that benefits the company's legitimacy, reputation, and competitive advantage (den Hond et al., 2014; Mellahi et al., 2016; Rehbein et al., 2018; Richter, 2021). Morsing and Roepstorff (2015) suggest that the contradictory character might be necessary, particularly when interactive political firms use instrumental CSR to advance (private) objectives in public policy.

The purpose of this research is to identify and analyze the CSR political interaction strategy used by IKPP in Riau Province, Indonesia. The theory used in this study is the theory of den Hond et al. (2014), who introduced six CSR political interaction strategies: a) information and messages, b) financial incentives, c) constituency development, d) strategic law, e) substitution policy, and f) fragmentation and destabilization of the opponent. The method used is qualitative, with data collection through interviews and annual reports on the IDX. Using cluster analysis, this study investigates the level of correlation between political actors and companies. Furthermore, the NVivo 12 software strengthens the actors built into the CSR political interaction strategy. The findings in this study are that the electoral district development strategy is the most effective of the five strategies used in IKPP political interactions.

The structure of this article is as follows. Section 1 explains the introduction, which contains company profiles, phenomena that occur in companies, the importance of corporate political interactions from previous research, and research objectives. Section 2 reviews the relevant literature on corporate political interaction strategies. Section 3 analyzes the methodology that has been used to conduct empirical research on corporate political interaction strategies. Section 4 reviews the results and discussion of the study of corporate political interaction strategies at IKPP, and Section 5 reviews the conclusions from the research on the corporate political interaction strategy used by IKPP.

2. LITERATURE REVIEW

Previous research has shown that effective CSR and sustainability strategies improve organizational results (Helfaya & Moussa, 2017; Klassen & Whybark, 1999; Mårtensson & Westerberg, 2016). As stated by Clarkson et al. (2011), companies must implement effective sustainability strategies to control environmental problems and achieve long-term business goals. Shaukat et al. (2016) show that strategic actions related to sustainability result in better sustainability performance. Similarly,

Wijethilake (2017) provides evidence that companies with effective CSR strategies have better sustainability performance in the Sri Lankan context. Helfaya and Moussa (2017) found a positive relationship between an effective CSR strategy and corporate sustainability disclosures from UK-listed companies. Using Global 100 Index data, Ruggiero and Cupertino (2018) concluded that an effective CSR strategy has a positive impact on corporate social performance. Recent findings by Orazalin (2020) show that companies with an effective CSR strategy perform better on sustainability in the UK context. Other studies also provide evidence that effective CSR and sustainability strategies have a positive impact on corporate sustainability performance (Al-Tuwaijri et al., 2004; Aragón-Correa et al., 2008; Banerjee, 2001; Fraj-Andrés et al., 2009; Judge & Douglas, 1998).

Previous research found that CSR political interaction activities can have an impact on the legitimacy and reputation of companies by encouraging people to access and acknowledge authority, decisions, or implemented policies, thereby depicting a sense of responsibility. It also has an impact on competitive advantage, indicating that a company can better source and perform more effectively than others in the same sector or market. A successful CSR strategy can reduce financial distress and bankruptcy (Velte, 2022). The legitimacy theory assumes that companies implement CSR strategies to influence CSR performance and reporting following stakeholder expectations (Velte, 2022).

In Indonesia, effective CSR and corporate governance (CG) practices are an important business strategy as shareholders and other stakeholders become more critical and aware of their rights and power to influence company behavior (Lahjie et al., 2021). Previous research has found that CSR can be used as an effective strategy for companies with dispersed ownership structures to increase employee commitment and retention (Lahjie et al., 2021).

den Hond et al. (2014) introduce the concept of CSR as a form of political interaction activity to enhance a company's reputation. It also allows companies to gain political support, form coalitions, and have open access to policymakers (den Hond et al., 2014). These forms of CSR and corporate political activity (CPA) can be seen from the results of the strategies used by companies to actively influence policymakers (den Hond et al., 2014). It can be concluded that, first, the political interaction of CSR independently affects the company's reputation. Second, the impetus comes from recognizing the problems posed by various attempts. Previous research found members of the board, directors, and managers should have a clear understanding that the mental models of employees and themselves influence the effectiveness of the strategies implemented within effective CG and CSR framework (Naude, 2009).

Companies can increase viability by garnering political support, finding solutions to problems more easily without spending a lot of money, building broader coalitions, and having access to key policymakers. Therefore, they tend to receive awards in the social and political fields to enhance their character, image, and prominence. This can influence the views of stakeholders, thereby strengthening their good relationship with CSR activities (den Hond

et al., 2014). According to Peterson and Pfitzer (2008), this industry usually takes advantage of government connections by helping those who are socially responsible for certain activities overcome social problems. This is because they know more about the types of events that society needs. Chen et al. (2015) state that companies benefit from their political connections in certain ways. Previous research has reported that political interaction has a positive and moderate effect on CSR, complementing company-level resources that allow the industry to simultaneously maximize the effectiveness of the two programs. This allows CSR political interactions to manage the pressures associated with maintaining legitimacy and accelerating the entry of important government-controlled resources (Lin et al., 2019). Compared to corporate efforts to promote these attributes, corporate politics acting similarly to lobbying or funding campaigns has a greater impact on environmental protection, and governments share this responsibility.

According to this point of view, the most important aspect of the company is the political interaction of CSR as a corporate sustainability strategy. For example, the considerations of mitigating climate change (Ansari et al., 2013), enacted by John Browne, chief executive officer (CEO) of the first oil company, are not entirely unprecedented in their application (Lyon et al., 2018). In 2007, the Climate Action Partnership formed a coalition of activists and companies to tackle carbon emissions in the United States (US) (Lyon et al., 2018). In addition, the Prince of Wales Group's corporate leadership brought together a group of major multinational companies, including Unilever, Tesco, and Acciona, to press for stronger public action (Lyon et al., 2018). Meanwhile, a coalition of US business, education, and local government leaders who are committed to upholding US commitments to the Paris Agreement on climate change is needed to provide concrete examples of CSR political interaction activities. According to Lyon et al. (2018), hundreds of companies have joined local governments, universities, and non-profit organizations to voice their support for national and international climate change mitigation commitments.

Examples of CSR political interactions also emerge from the social world, such as when Emmanuel Faber, CEO of Danone, pushed for French civil law reform to revise its meaning, allowing new companies to enjoy public benefits in France (Lyon et al., 2018). Another similar incident occurred when Apple CEO Tim Cook publicly opposed a proposed religious law that would allow critics to discriminate against same-sex couples (Aragón-Correa et al., 2008). Political interaction strategies are socially and politically planned, long-term activities to reduce the negative effects of company operations (den Hond et al., 2014). In addition, den Hond et al. (2014) introduced six CSR political interaction strategies: a) information and messaging, b) financial incentives, c) constituency building, d) legal strategy, e) substitute policy, and f) fragmentation and destabilization of the opposition.

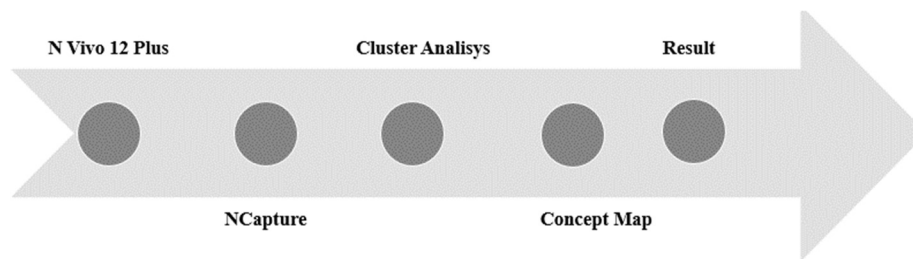
Based on the six strategies described by den Hond et al. (2014), this study examines IKPP companies to find out what strategies they use in dealing with political issues from outside the company.

3. RESEARCH METHODOLOGY

This study used a qualitative method with the help of NVivo 12 software. Previous researchers have used this method a lot with the NVivo 12 application. Data was collected through interviews with IKPP and annual reports on the stock exchange. The sample in this study consisted of the IKPP general manager, human resources (HR) and administration manager, accounting and finance manager, Corporate Social Responsibility Forum, Siak Regency House of Representatives (DPRD), and Riau Malay Customary Institution.

IKPP was chosen as the research location because it has a large social impact on the people of Riau Province. Qualitative methods with NVivo 12 software are used to map the power of actors built into the company's CSR political interaction strategy. In addition, the NCure tool is used to prepare the annual report of the IDX. Furthermore, cluster analysis is used to investigate the magnitude of the relationship between political actors and companies. The next step is to analyze the picture of the company's CSR-political interaction by using a concept map.

Figure 1. Data analysis process



Source: Wedayanti et al. (2022).

The NVivo 12 application was used to capture the results of interviews and stock exchange annual report data at NCure. The data are then analyzed using cluster analysis. Moreover, the concept map was used on the NVivo 12 application after the analysis, and the results of the study were drawn.

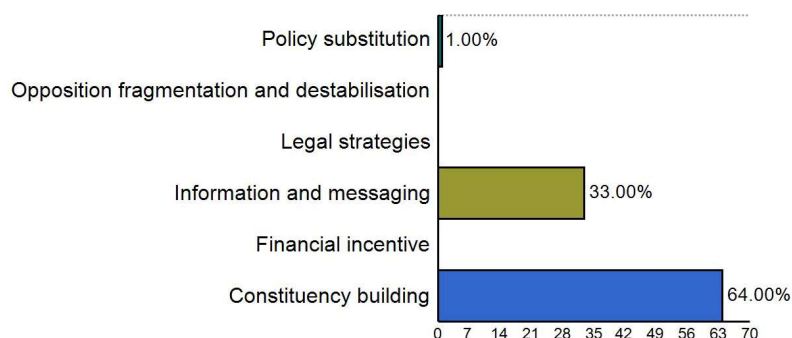
An alternative method that can be used in further research is to use a quantitative method, to measure the amount of political activity of CSR in companies.

4. RESULTS AND DISCUSSION

4.1. Strategies of corporate political interaction

The analysis of the interview results and stock exchange annual reports revealed that IKPP used three of the six corporate political interaction strategies proposed by den Hond et al. (2014), as shown in Figure 2.

Figure 2. Strategies of corporate political interaction IKPP



Source: Authors' elaboration with NVivo 12 Plus.

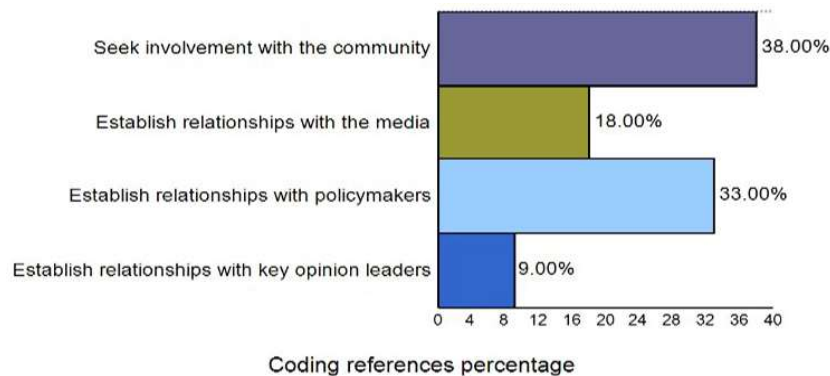
Figure 2 shows several strategic activities, but IKPP only uses three, namely constituency building (64%), information and messaging (33%), and replacement policies (1%). The company implements a constituency-building strategy by cultivating relationships with the media, policymakers, the community, and key opinion leaders. In addition, it adds an information and messaging strategy by lobbying policymakers.

The following explanation will explain the three strategies used by IKPP for CPA.

4.2. Constituency development strategy

The regional development strategy is a long-term approach to addressing the socio-political problems of society. To avoid socio-political conflict, IKPP uses a strategy of building constituents. The regional development strategy is the approach that is most favored by a company in building good relations with various actors, such as the community, policymakers, the media, and key opinion leaders (see Figure 3).

Figure 3. Constituency development strategy

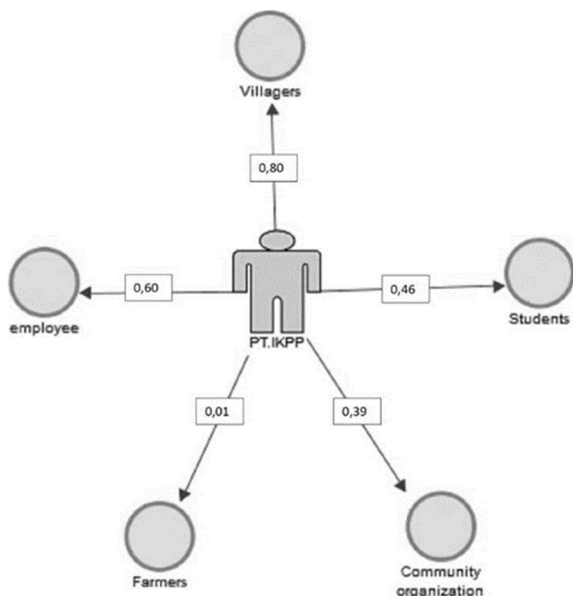


Source: Authors' elaboration with NVivo 12 Plus.

4.2.1. Seek involvement with the community

Seeking involvement with the community is a company's socio-political interaction that involves the community as actors in implementing CSR. Corporate political interactions are formed to avoid corporate conflicts. The findings in the field indicate that the company IKPP has maintained relationships with the community since its inception. As illustrated in Figure 4, IKPP fosters community relations with several actors, including villagers, students, community organizations, farmers, and employees.

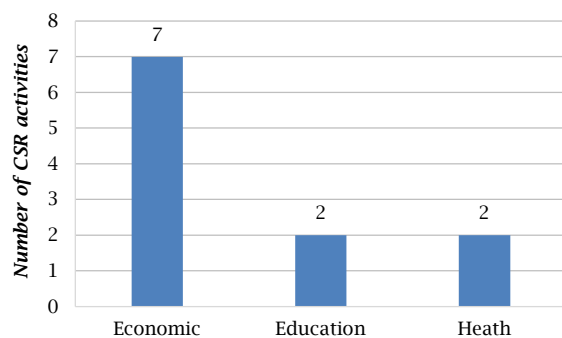
Figure 4. Seek involvement with the community



Source: Authors' elaboration with NVivo 12 Plus.

Figure 4 shows the company's correlation with its public relations. The results show that the villagers have a higher correlation (0.80) than other actors, followed by employees (0.60), students (0.46), community organizations (0.39), and farmers (0.01). According to the stock exchange's annual reports, the strong relationship between IKPP and the villagers is due to their participation in CSR programs that support government initiatives (see Figure 5).

Figure 5. Types of CSR activities IKPP



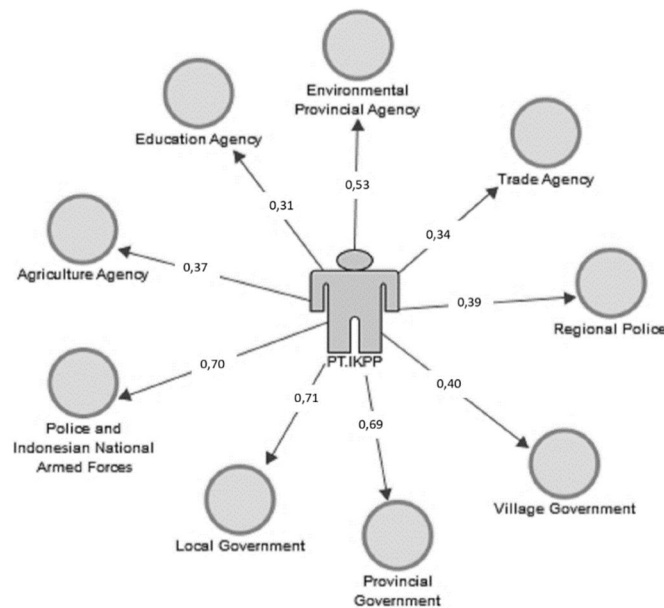
Source: IKPP (2020).

Figure 5 shows 11 CSR programs at IKPP can be classified into three areas: 1) economics with seven programs, 2) education with two programs, and 3) health with two programs. The CSR program in the economic field is to improve the welfare of the community through Abdul Wahid microfinance institutions, craft center skills training, iron welding training, integrated agricultural development, strapping rope craftsmen, and tourism village development. The CSR program in the field of education is to improve the community's welfare and student education development. CSR programs in the health sector include health services in floating clinics and building access to clean water.

According to the findings of the community interviews, the community supports the company's CSR activities. The community believes that CSR is a genuine movement aimed at promoting economic development in rural areas. With IKPP's community empowerment, villages can become self-sufficient.

4.2.2. Establish relationships with policymakers

Companies engage in building relationships with policymakers to gain social and political support. In addition, it also assists in obtaining information about policies that support activities and makes it easier to obtain awards in the socio-political field to improve the image. IKPP already has a solid working relationship with policymakers. The annual stock exchange report shows that the actors are related to the local government, the Indonesian national police and army, the provincial government, the provincial environmental agency, the village government, the regional police, the agricultural agency, the trade agency and the education agency as shown in Figure 6.

Figure 6. Establish relationships with policymakers

Source: Authors' elaboration with NVivo 12 Plus.

Figure 6 shows that there are many relationships between the company IKPP with policymakers in the province and district of Siak. The company's relationship with policymakers with the highest correlation is with the local government, which has a correlation of 0.71, followed by the relationship with the police and the Indonesian armed forces, which has a correlation of 0.70, the provincial government, which has a correlation of 0.69, the Riau Province environmental service, which has a correlation of 0.53, village government, which has a correlation of 0.40, regional police, which has a correlation of 0.39, and the agricultural service, which has a correlation of 0.

According to the results of interviews and field findings, the company's relationship with the local government has the strongest correlation with 0.71 because the company supports local government activities. Local government activities are assisted by IKPP participants in dealing with forest and land fires. IKPP assists the local government by providing facilities for 200 rooms in the Bunut mess to be used as isolation rooms for patients exposed to the COVID-19 pandemic. As part of the IKPP's CSR program, it provides oxygen assistance to local governments.

The company's relationship with the police and Indonesian armed forces is the second strongest, with a correlation of 0.70. This was formed as a result of the police and Indonesian armed forces forming a joint force with the IKPP will put out and cool forest and land fires. IKPP assisted in the extinguishment of forest and land fires by deploying two helicopters to drop a water boom. Police and the Indonesian armed forces also work with IKPP wishes to congratulate the people of Siak Regency on the success of the mass vaccination campaign.

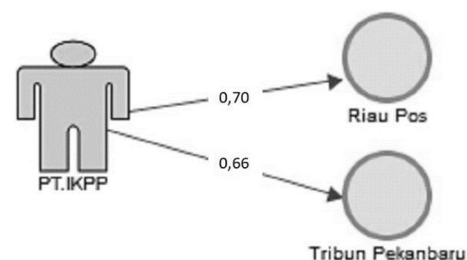
IKPP builds a relationship with the provincial government with a correlation of 0.69. IKPP distributed 500 food packages to the community through the Riau Provincial Government, which was received by the Secretary of the Riau Environment

and Forestry Service. IKPP and the Riau Provincial Government donated 10,000 Korans and distributed 10,000 packaged cooking oil to the community. The Riau Provincial Government took part in IKPP Perawang's cooperation vaccination program.

The interviews revealed that the company IKPP's company leaders are Provincial Legislatives Council and People's Consultative Assembly members from the Hanura faction. Furthermore, the company leader IKPP originates from the Attorney General. This supports the existence of social and political incentives from company leaders to improve the company's reputation. Factors from the background of the company's leaders who come from the Provincial Legislatives Council, People's Consultative Assembly, and the Attorney General affect the company's security.

4.2.3. Establish relationships with the media

Media is a platform where information is disseminated. The company's management believes that taking this approach is critical to regaining public support and trust. To help disseminate information to the public and avoid conflict, IKPP maintains good relations with the media. As illustrated in Figure 7, this company also maintains relationships with the Riau Pos and the Pekanbaru Tribune media.

Figure 7. Establish relationships with the media

Source: Authors' elaboration with NVivo 12 Plus.

Figure 7 depicts a strong relationship between IKPP has a 0.70 correlation with the media in Riau Province, Riau Pos has a 0.66 correlation, and Tribun Pekanbaru has a 0.66 correlation.

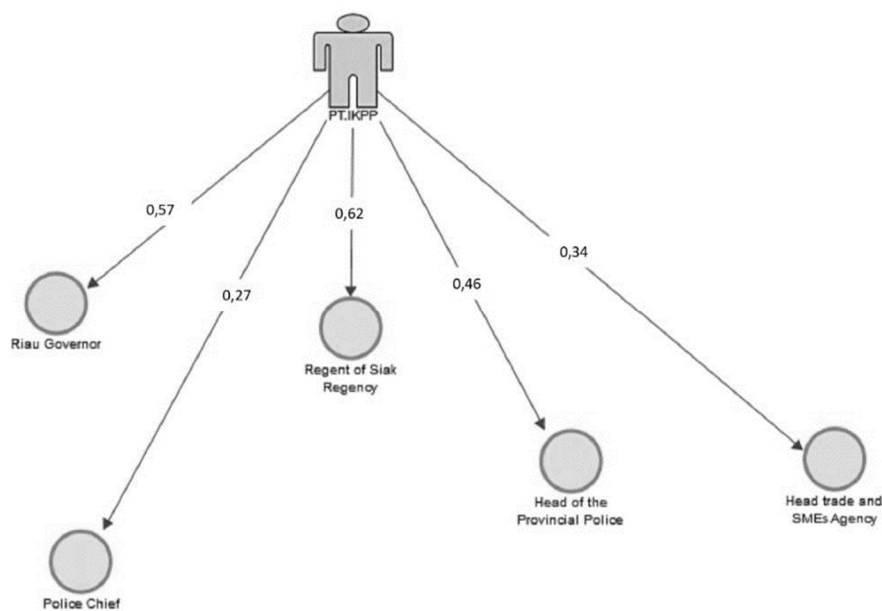
The results of interviews and findings in the field indicate that building relationships with the media is one of IKPP's public relations work programs. This is always done to foster positive relationships between the company and various media outlets. Maintaining good relations with media colleagues will positively impact the IKPP. Essentially, all aspects of the company contribute to the company's good image, one of which is by making media colleagues solid colleagues so that there will be no issue of publication that will harm the company. There are numerous ways in which the company IKPP has established positive relationships with the media, one of which is through a persuasive

approach that fosters a sense of brotherhood rather than just business friendships. In addition, the company provides journalists with the ability to maintain control of the company.

4.2.4. Establish relationships with key opinion leaders

Building relationships with key opinion leaders helps enhance the company's good image. This is because their perspective is highly valued by the larger community. According to the annual report of the IDX, IKPP has established good relations with key opinion leaders. They are the Regent of Siak Regency, the Governor of Riau, the Regional Police Chief, the Head of Trade and SMEs, and the Head of the Police, as shown in Figure 8.

Figure 8. Establish relationships with subject matter expert



Source: Authors' elaboration with NVivo 12 Plus.

Figure 8 shows that there is a relationship between the company and the subject-matter expert. The company's relationship with the Regent of Siak has a strong correlation, with a correlation of 0.62. With a correlation of 0.57, the company also has a relationship with the governor of Riau. Relationship with Polda, with a 0.46 correlation. The relationship with the head of the police department has a correlation of 0.27, and the relationship with the head of trade and SMEs has a correlation of 0.34.

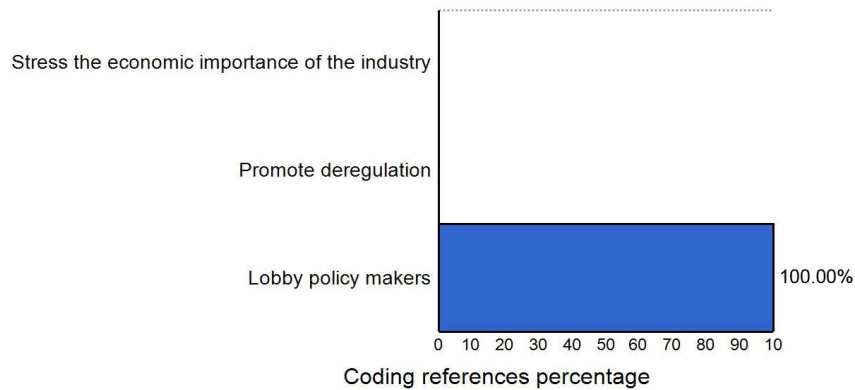
The interviews and field findings indicate that the relationship between the company and the Regent of Siak Regency has the strongest correlation, a correlation of 0.62. The Regent of Siak always coordinates with IKPP-related mess. IKPP is used as an isolation room for the people of the Siak Regency. The Regent of Siak gave his appreciation to the company IKPP, which assists local governments in dealing with the COVID-19 pandemic. According to field findings, the IKPP company and the Siak Regent meet at least once every three months to build a relationship between the private sector and the government to support social and economic activities in the community, with meeting costs financed by the company.

The company's relationship with the governor of Riau is the second relationship with a strong correlation of 0.57. The Governor of Riau welcomed the two activities carried out by IKPP, namely, the *waqf* of the Koran and the provision of basic necessities to the community. The Governor of Riau also encouraged the company IKPP to continue to implement its CSR programs in the fields of education, religion, health, infrastructure, and others. The field findings show a visible closeness between the company's public relations department and the Governor of Riau in every activity carried out together. The Governor of Riau stated that good relationships with large companies in Riau Province were required to support government programs.

4.3. Strategy information and messages

Companies typically use information and message strategy to obtain information on policies that benefit them. Industries frequently use it to conduct political interactions. IKPP uses this strategy to lobby policymakers, as shown in Figure 9.

Figure 9. Strategy information and messages IKPP



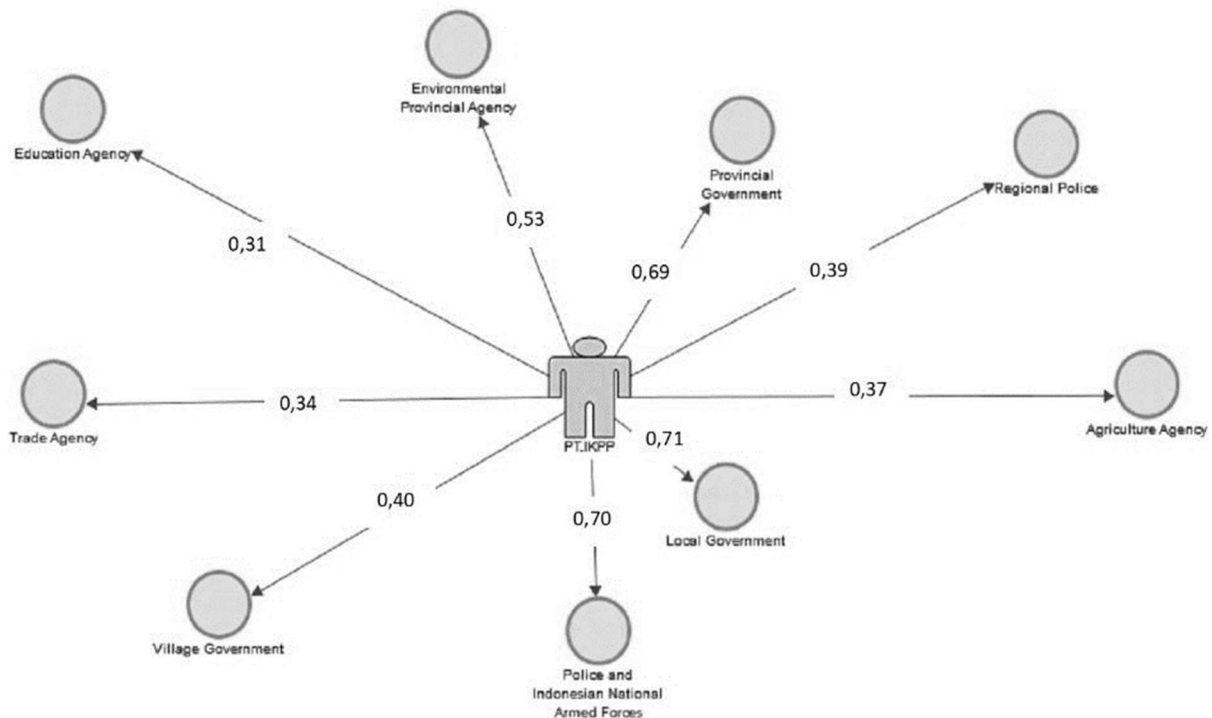
Source: Authors' elaboration with NVivo 12 Plus.

Figure 9 shows that IKPP's political interaction with CSR is entirely related to the practice of lobbying. This company does not practice CPA because it devalues the industrial economy and promotes deregulation.

Lobbying is an activity carried out by companies to gain the trust of policymakers. This is usually done jointly between the two parties.

According to the annual report of the IDX, IKPP has lobbied several actors to support CSR political interactions. As shown in Figure 10, these include the local government, police, and the Indonesian national armed forces, as well as the provincial government, environmental provincial agency, village government, regional police, agriculture agency, trade agency, and education agency.

Figure 10. Lobby policymakers



Source: Authors' elaboration with NVivo 12 Plus.

Figure 10 depicts the existence of political CSR interactions between companies and policymakers. The strongest correlation was in companies lobbying local governments, with a correlation of 0.71. The company lobbied the police and the Indonesian armed forces with a correlation of 0.70. The company lobbied the provincial government with a correlation of 0.69. With a correlation of 0.53, the company lobbied the Riau Province environmental service, the village government with a correlation of 0.40, the police with a correlation of 0.39, the agriculture

office with a correlation of 0.37, the trade office with a correlation of 0.34, and companies lobbying the education office with a correlation of 0.31.

The results of interviews and field findings show that companies lobbying local governments have the strongest correlation, with a correlation of 0.71. The company IKPP signed a memorandum of understanding with the local government of Siak Regency regarding the Millennium Development Goals program. IKPP is also committed to supporting government programs for the community's welfare.

5. CONCLUSION

The electoral district development strategy is the most effective of the five strategies used in IKPP political interactions. A constituency-building strategy means that the company seeks to develop relationships with various stakeholders to address political issues. The company's political interaction strategy for constituency development was initially focused on building relationships with the community. The second, third, and fourth involve building engagement with the media, policymakers, and key opinion leaders, respectively. This study finds that of the four constituency-building strategies implemented by this company, interaction with the community is the strongest relationship built to support CSR political interaction.

This research is significant because it assists businesses in carrying out their CSR activities. The company will know which strategy is suitable for use in the company's CSR political activities, so that the company can maintain its operations in the long term without much conflict.

This study has limitations because it only looks at the political activities of one CSR company. Suggestions for further research are to make a comparison of the political activities of the company's CSR with those of other companies so that they can know more about the six strategies that den Hond et al. (2014) said are the strongest and are usually used by large companies in Indonesia.

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