

# Classification of Stakeholders Corporate Social Responsibility of Oil Palm Plantation Based Food Agribusiness

(A Case Study in PT. Astra Agro Lestari, Tbk., Area Borneo 1)

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**Abstract:** IGA's success as a CSR program of PT. Astra Agro Lestari Tbk Borneo 1 Area (PT. AAL B1) increase income of palm oil farmers can not be enjoyed by food farmers who have a narrow field. In order to be a participant of IGA and earn higher incomes needed a large area. Implementation of IGA not involve the government and other related sides. The article aims to examine the sides that may be involved in CSR program based food agribusiness, examine the strength and interest of stakeholders, and formulate stakeholders classifications. The article used qualitative method supported by quantitative data through a case study approach. Conclusion of the article are farmers, company, government, and university as stakeholders in the implementation of CSR PT. AAL B1 based food agribusiness. Based on the strength and interest of stakeholders, the farmers are the main stakeholders, the company is the key stakeholder, and the government together with universities as the supporting stakeholder.

**Keywords:** stakeholders, CSR, and food agribusiness

## 1. Introduction

### A. Background

The "stakeholder" term used to describe a community or organization that is received the impact of the activity or policy permanently, where in the sides concerned of the results of the activity or policy. Because some sides possible to assume the cost and the other sides get the benefit (Race and Millar, 2006). According to Friedman and Miles (2006), the main group of stakeholders of a company consists of consumer, worker, local community, input supplier and distributor, and shareholder. In addition there are groups or individuals who are considered as other stakeholders, consists of the mass media, public, business partner, the young generation, the predecessor generation, academician, competitor, social organization, investor are not shareholders, and government.

Corporate Social Responsibility (CSR) is not just charity (Mardikanto, 2014), and according to Sankat and Clement (2002) in Rudito and Famiola (2007), CSR is a company's commitment to contribute to the development, including to local community in order to improve the quality of life. CSR is a form of company's responsibility by involving and exploiting the potential of stakeholders, especially the public surrounding the company is located (Mardikanto, 2014; Laplume, Sonpar and Litz, 2008)). According Sankat and Clement (2002) in Budimanta, Prasetijo, and Rudito (2004), there are five components of the various definitions of CSR, namely economic, social, environment, stakeholders and voluntarism.

PT. Astra Agro Lestari Tbk Borneo 1 Area (PT. AAL B1) since 2003 has been implementing CSR in the form of palm oil plantation partnership with the surrounding community and named Income Generating Activity (IGA).

IGA are able to increase the amount of raw materials for the processing factory and the income of farmers fantastically compared with the previous condition and other revenue sources. However, the IGA program in 2014 about 10 996 hectares, involving 2,557 family of farmers and 203 farmer groups in implementation found some issues, as follows:

1. IGA's program was not received significant support from the local government and other related sides. The local government involved in the construction of some street gardens and determining the selling price of TBS periodically.
2. IGA's program just enjoyed by community who have large land, thus make an unbalanced income happened in the community.
3. Community who have a narrow field (<0.5 ha) most of them are the farmers who have weak financial, less in knowledge and skill infarming, as well as limited in market access.
4. Most of the food needs of the company's workers came from the outside and even from Java, thus the price is relative expensive.

Lack of synchronization, synergy and coordination between government program and company in the potential development of the community, thus the government program and the company run in their own way, overlap, and even could make the opposite of program implementation happened. If there are a whole program that support each other and collaboration in one view, not impossible in community development program can be run more effectively and efficiently.

During food development just to be the duty and the responsibility of the government and the farmers, it can involve the company in its relation to CSR activity slowly

and gradually, especially to empower farmers surrounding the company. Agricultural development involve all stakeholders at every stage of its activity to produce food products with the quantity, quality, and continuity of consumer demand, use agribusiness approach. Agribusiness approach will integrate the entire potential of the relevant sides in the food development from the upstream sector, production activity, until the downstream sector as a system (Cook and Bredahl, 1993).

**B. Problem**

The problems stated as follows:

1. Which sides can involved in CSR program PT. AAL B1 based food agribusiness?
2. How are the strength and interest of stakeholders in CSR PT. AAL B1 based food agribusiness?
3. How are the formulation classification of stakeholders in CSR PT. AAL B1 based food agribusiness?

**C. Objective**

The purposes of this article consists of:

1. To examine the sides can involved in CSR program PT. AAL B1 based food agribusiness.
2. To examine the strengths and interests of stakeholders in CSR PT. AAL B1 based food agribusiness.
3. To formulate the classification of stakeholders in CSR PT. AAL B1 based food agribusiness.

**D. Benefit**

Results are expected to be useful for:

1. Decrease unbalanced income between food farmers and palm oil farmers, while improving food security for food farmers and workers of palm oil plantation company.
2. Increasing the participation of stakeholders in CSR activity for the development and empowerment of food farming in rural area.
3. Increasing the participation and contribution of oil palm plantation company in the economic development of the community through the development of local resources.

**2. Methods**

The article used qualitative method supported by quantitative data through a case study approach. The study was conducted in Central Kalimantan, a case study in PT. AAL B1 as the executor of the IGA. The data collection and processing the data in 2014, and the preparation of the research began in 2015.

The primary data sourced from informants consists of IGA’s participants, IGA’s company executor, government agency and other stakeholders. Secondary data sourced from relevant government agency and NGOs. Primary data collection used interview, observation and focus group discussion, and secondary data was collected by documentation.

The purpose of the article analyzed with interactive model of Miles and Huberman (1992), which the data analysis consists of data reduction, data presentation, and conclusion interactively, interconnected during and after the data collection. Analysis and its domain of article destination as shown in Table 1.

**Table 1:** Data Analysis Tool and Its Domain on Every Destination of Articles

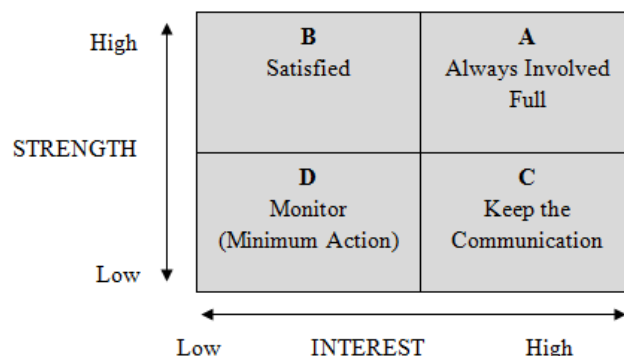
No.	Destination	Analysis Tool	Domain
1.	The sides involved in CSRPT. AAL B1 based agribusiness food.	Descriptive Structure of the event.	Stages agribusiness food.
2.	The strength and interest of stakeholders in CSR PT. AAL B1 based agribusiness food.	Stakeholder clas-sifications.	Potential land, human reso-urces, technology, financial, and market opportunities in agribusiness sub-system.

According Varvasovszky and Brugha (2000), stakeholder analysis implemeted by through these four stages in sequence as follows:

1. Identify the key stakeholder from various groups and individuals that affect or be affected by the activity potentially.
2. Assess interest, necessary, interesting and the impact of the activity of all stakeholders.
3. Assess the influence and interest of identified stakeholders.
4. Outline the strategy of stakeholder participation in efforts to involve stakeholders in the various stages of activity.

Follow-up of the fourth stage of the identification of these stakeholders necessary were implemeted the stakeholder mapping based diagram of power and interesting or interest of each identified stakeholder. According to Finn (1995); Jones and Wicks (1999) as shown in Figure 2.

The diagram illustrates the high or low levels of strength and interest of each stakeholder. According to Grimble and Wellar (1996) in Kennon, Howden and Hartley (2005), strength measures the influence from the stakeholders on the activity and the extent that they can help or hind the desired changing. Interest measures the extent to which stakeholders may be affected by the activity.



**Figure 2:** Stakeholder Mapping Diagram

The position of stakeholders in the quadrant of the diagram shows the function and role in the activities, as follows:

1. A Quadrant : those who have the power and high interest. Involve all sides in the activity of this sides, given the focus of maximum attention.
2. B Quadrant: those who have a high strength, but low interest. Give the sufficient effort to make this sides are satisfied and could make the strength are protifed, do not get too involved because it will make them distracted and bored.
3. C Quadrant: those who have the low strength but high interest. Give them the sufficient information and maintain the sustainable communication, because these sides can play a very helpful linked to detailed activity.
4. D Quadrant: Those who have strength and low interest. Keep implemeting the monitoring this sides because there is likely to shift to a quadrant B or C, and do not make them bored because of much information about acceptable event.

Based on the result of stakeholder mapping, built the classification of stakeholders become the main stakeholder, the key stakeholder, and the supporting stakeholder for each criteria based on the degree of strength and interest in activities (Crosby, 1995).

### 3. Results

#### A. Involved Sides in CSR PT. AAL B1-Based Food Agribusiness

Main conclusion FGD of the function design and role of stakeholders in CSRPT. AAL B1 based food agribusiness as follows:

1. The activities of oil palm plantation company cooperation could be extended to other businesses outside the oil palm.
2. Regional food development is not only the responsibility of the farmers and the government, but can involve other sides such as private company, state enterprises and local enterprises.
3. Consistently, the palm oil plantation company support program and activity that will increase the income and welfare of the community, especially when supported by government policy.
4. The task of government agencies in the community empowerment faced with a lack of technical personnel field.
5. The function and role of stakeholders be adapted to the stages of the agribusiness system, thus it can be seen roles and responsibilities.
6. College facilitate the initial assessment before the project is implemented, monitoring the changing and taste of workers' food consumption can be continued by the company.
7. The monitoring function (evaluators) is reinforced with an approach that can guarantee the farmers repay the financial capital loan in spite of farming activities fail, thus it needs to be made the scheme of distribution and repayment of credit.

8. The low-income communities are difficult buildrelatively with sedentary jobs and hard working, thus we need sustained assistance to independent.
9. The low-income communities still have land that can be managed intensively.
10. Food marketing opportunities are not limited to the plantation workers, but it can increase food supplying in traditional markets nearby.
11. The effectiveness of the cooperation between the farmer and the company can be improved by forming farmer groups specifically for the development of food agribusiness.
12. The effectiveness of the implementation of agri-food-based CSR based food agribusiness involves the most competent stakeholders like farmers, companies, and governments, as well as independent agencies that have human resources related to agriculture, namely the college nearby.

Based on the results of FGD toward the stakeholder engagement are that the stakeholders involved in CSR PT. AAL B1 based food agribusiness consists of farmers, local government, company, and university nearby. Farmers serves as owner, employee, supplier, and the community, company serves as the shareholders, creditor, input supplier, and customer, while the government and college serves as a supporting.

#### B. The Strength of Stakeholders toward CSR PT. AAL B1 Based Food Agribusiness Food

Based on the results identifying the stakeholders strengthson CSR PT. AAL B1 based food agribusiness gained strength in every domain of stakeholdersin Table 2.

**Table 2:** The Strength Level Stakeholders on the draft implementing of CSR PT. AAL B1 Based Food Agribusiness

No.	Domain	Stakeholders			
		Farmers	Company	Government	College
1.	Land Resource	High	Low	Low	Low
2.	Human resources	High	High	High	High
3.	Technology	Low	High	High	High
4.	Financial Capital	Low	High	Low	Low
5.	Market Opportunities	High	High	High	Low

Based on Table 2 CSRPT. AAL B1 based food agribusiness company is in the highest strength, high strength is in the farmers and the government, whereas low power is in college.

#### C. Interest of Stakeholders toward CSR PT. AAL B1Based Food Agribusiness

The interest of stakeholders is based on the wishes or needs of the stakeholders to the success of CSR program PT. AAL B1based food agribusiness. Interest inventory results of stakeholders on CSR PT. AAL B1based food agribusiness, as follows:

3. The highest interest are in the farmers, for some reasons:
  - a) The land that inside and outside of the yard has not been utilized optimally because of the lack of knowledge, skills and financial capital.

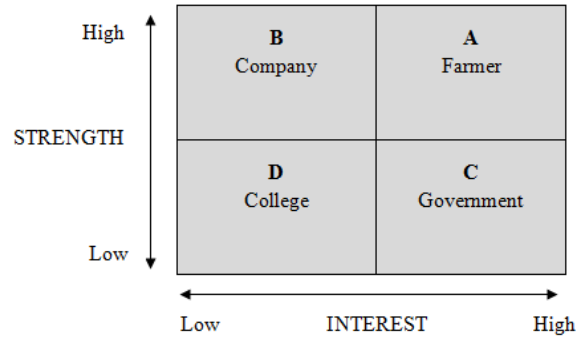
- b) Each household have workers who have free time because of lack of work intensity.
  - c) Almost all of the farmers' working do not secure the income and revenue that are able to meet the needs of the household.
  - d) The presence of intensive food development efforts and can guarantee a consistent supply of food for the household.
4. The high interest are in the government. The high interest in the government towards CSR PT. AAL B1 based food agribusiness because the government hoped that the pattern of food development involving private companies can be carried out also by other companies. The presence of CSR for the food development could be considered policy of recruiting an adequate extension.
5. Low interest was in company and college, for several reasons:

- a) Company. The company does not like activities that are less related to the palm oil business directly. But if there is community desire followed by government policy, then in principle the company would be willing to facilitate that according to their capabilities. If farmers are able to produce food in quality and quantity according to the needs of workers continually, will greatly assist the procurement of food for the workers of the company, and adds to the company's reputation in the community.
- b) College. For universities for the implementation of CSR activities based agribusiness is only considered for the application of the findings of science and technology is developing lately, and could contribute and participate in community empowerment according to the area.

**D. Classification of Stakeholders**

By combining the strength and interest of stakeholders on the draft model of CSR. AAL B1 based food agribusiness, it can be determined that the main stakeholders are farmers, the key stakeholders is company, and support stakeholders are the government and university. According to Crosby (1992), the main stakeholders are those who receive positive impact or negative impact of the largest, the key stakeholders are those who influence strongly related to the problems, needs, and attention to the smooth activity and supporting stakeholders is the side who mediates in assist the achievement of the objectives of the activity.

The final stage of stakeholder classifications of CSR PT. AAL B1 based food agribusiness could be illustrated in the strength diagram strength and interest or necessary based on the basic pattern diagram presented by Finn (1995); Jones and Wicks (1999), as shown in Figure 3.



**Figure 3:** Stakeholder Mapping Diagram CSR PT. AAL B1 Based Food Agribusiness

Stakeholder mapping diagram CSR. AAL B1 based food agribusiness, could be summed up as follows:

1. That the farmers are the main stakeholders who have the strength and the high interest, thus farmers must be given the full involvement and focus should be given maximum focus of attention.
2. That the company are the key stakeholders who have high strength and low interest, thus the company should be given sufficient effort to keep them satisfied, but not too often involved in order not distracted and bored.
3. That the government is supporting stakeholders who have a high interest but low strength, thus the government must be given adequate information and maintain sustainable communication, because the government can play a very helpful linked to detailed activities.
4. That the college is supporting stakeholders who have the strength and the low interest, thus that the university must still implementing the monitor, because there is likely to shift to a quadrant B or C, and do not make this sides bored because too much information about their acceptable events.

**4. Conclusion and Suggestion**

**A. Conclusion**

Based on the result and discussion, we could take some conclusions as follows:

1. Stakeholders involved in CSR PT. AAL B1 based food agribusiness consists of farmers, local government, company, and university nearby. Farmers serves as owner, employee, supplier, and the community, the company serve as shareholder, lender, input supplier, and customer, while the government and college serves as a supporting.
2. In the CSR PT. AAL B1 based food agribusiness company is in the highest strength, high strength are in the farmers, and low power is in the government and college.
3. In the CSR PT. AAL B1 based food agribusiness, farmers are in the highest interest, the high interest in the government, and the low interest are the company and college.
4. Based on the classification of stakeholders on CSR PT. AAL B1 based food agribusiness, farmers are the main stakeholders, the company are the key stakeholders, and government and university are supporting stakeholders.

**B. Suggestion**

Based on the conclusion above, can be given some following suggestions:

1. CSR programs into the development of food agribusiness by involving low income farmers who recognized are an activity that has a high risk. However, the ability of working professionally, ethical business and the ability to develop the small potential that owned by the marginal community will make various circles have a sense of ownership and protect the company existence of various risks and disorders.
2. The involvement of the business world in the development of food is one of the alternative solutions of production problem and distribution of food is experienced every year. Lack of technical personnel that owned by the government could be circumvented with the approach of information and technology has now penetrated into the rural areas. Strategic steps in the development of food implemented all circles should get an appreciative step of government through policies that favor farmers and agriculture.

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