# STRATEGY TO IMPROVE THE PERFORMANCE OF CORPORATE SOCIAL RESPONSIBILITY DEVELOPMENT PROGRAM IN BONTANG LNG PLANT

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*Abstract. As a world-class energy company, Badak LNG continuosly develops the Corporate Social Responsibility (CSR) program in order to maximize the company's role among the stakeholders. Badak LNG has known as the oil and gas company which puts high attention in developing the CSR or community development program in line with its main business activities. Currently, Badak LNG has 23 CSR programs which consists of 44 CSR groups with the total CSR communities of 847 people. Due to inadequate organization to support CSR programs, Badak LNG only routinely monitor the CSR flagship programs in each year. As a consequence, the community satisfaction index of the CSR team is low in term of the discipline criteria and speed of service. The aim of this research is to develop new effective strategy in developing CSR programs in Badak LNG. The evaluation is perfomed by using High Performance Work System (HPWS) concept. This concept is used to align the organization and its environment. The concept is the right combination of people, technology, and organizational structure to fully utilize the resources and opportunities in achieving the organizational goals. Based on the analysis using HPWS concept, it is found that the new strategy of CSR development program should be created due to the problems of ineffective current CSR organization, unsuitable leadership style in the CSR organization, and no utilization of technology in CSR monitoring system. In order to solve these problems, the strategies proposed are to redesign CSR organization, change the leadership style to the appropriate leadership style, and develop integrated IT system for CSR program monitoring.*

*Keywords: CSR, leadership, organization, strategy*

## INTRODUCTION

As a world-class energy company, Badak LNG continuously develops the Corporate Social Responsibility (CSR) program in order to maximize the company's role among the stakeholders. In the end, Badak LNG is known as the oil and gas company which puts high attention in developing the CSR or community development program in line with its main business activities. Badak LNG is also regarded as the winner of PROPER Gold from the Environmental and Forestry Ministries successively for the eighth times since 2011. There are only two companies which have received PROPER Gold for eight times in Indonesia; Badak LNG and PT Pupuk Kalimantan Timur (PKT). At the time of other companies are still dwelling of the CSR ~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~ innovative CSR program. Currently, Badak LNG has 23 CSR or community development programs which consist of 44 community development groups. There are always several new CSR or community development programs which are initiated every year. This philosophy is implemented for continuously exploring the innovative idea to meet the societies' needs. Each of CSR program is planned to be an independent small business after five years of Badak LNG's accompaniment.

In fact, there are only five of 44 CSR or community development groups which have been independent and become a competitive business in Bontang. As a consequence, there will be an accumulation of CSR or community development programs which need to be monitored by Badak LNG. On the other hand, Badak LNG has the limitation of CSR team members who gives the accompaniment to the CSR or community development programs. With the more CSR or community development programs, the attention and monitoring program from the CSR team to each CSR program will be wear off.

This condition is also shown by the low community satisfaction index especially for the CSR officer discipline and speed of service parameters. The community satisfaction index is routinely performed by the external CSR or community development program's auditor in Badak LNG every year. Low satisfaction index of the CSR team Badak LNG shows that the community has higher expectation to be done by the CSR team. Refer to this current condition of CSR or community development program in Badak LNG, the aim of this research is to develop effective strategies that can be implemented to improve the current CSR or community development programs.

In order to develop new strategy of CSR or community development program in Badak LNG, the current business issues should be deeply analysed by using the right conceptual framework. New strategy to improve the current CSR or community development program in Badak LNG is then also developed by using the same conceptual framework. In this research, the conceptual frameworks used is High Performance Work System (HPWS). A high-performance work system is a set of human resource management policies and practices that together produce superior employee performance. In order to develop the HPWS in the organization to achieve the strategy fit, there are two aspects that should be considered; external fit and internal fit of the organization. External fit parameters show the situation of the organization in which all the internal elements of the work system compliment and reinforce one another whereas internal fit parameters show the situation in which the work system support the organizational goals and strategies.

This research is using qualitative methodology with the deep interview as the primary source of the evaluation. An interview was conducted with the CSR/Comdev Specialist and the CSR/Comdev team of Badak LNG who are responsible for developing CSR or community development program in Badak LNG. Focus Group Discussion (FGD) among the personel of CSR team was also conducted. Other sources for this research were gathered from the company regulation, operating procedure of CSR program, journal, papers, and the research studies.

From the external fit analysis which consists of company values to linkage the strategy, employees concern (involvement), and competitive advantage, the company values should be really implemented in daily activities. This value will affect the working level officer to determine the short-term strategy even long-term strategy for the CSR development program.

The CSR programs that are developed should be in line with the company values which also relates with the corporate level strategy. Employee concern is the important aspect either because it can drive the performance and productivity of the employees. Competitive advantage refers to the ability of an organization to formulate strategies to exploit profitable opportunities, thereby maximizing its return on investment either to perceive customer value or maintain the uniqueness. Furthermore, for the internal fit analysis of the HPWS which consists of the HR practices, work flow design, and technology, the recommendations are to redesign CSR organization structure, change leadership style in CSR organization, and implement integrated IT system in CSR development program.

## LITERATURE REVIEW

### High Performance Work System (HPWS)

High Performance Work System (HPWS) is a systematic approach that seeks to align the organization and its environment. HPWS is a set of human resource management policies and practices that together produce superior employee performance (Dessler, G., 2017). HPWS can be defined as a specific combintation of HRS practices, work structure, and process that maximized employee knowledge, skill, commitment, and flexibility (Scott, A. S. and George, B. W., 2012). The aim of HPWS is to achieve a high-performance culture, one in which the values, norms and HR practices of an organization combine to create a climate in which the achievement of high levels of performance is way of life. This the right combination of people, technology, and organizational structure to make full use of resources and opportunities in achieving organizational goals. By developing HPWS, the outcomes are for employees and organizational benefits.

In order to develop the HPWS in the organization to achieve the strategy fit, there are two aspects that should be considered; external fit and internal fit of the organization. External fit parameters show the situation of the organization in which all the internal elements of the work system compliment and reinforce one another whereas internal fit parameters show the situation in which the work system support the organizational goals and strategies (Simmons, B.L., 2011). External fit aspect consists of company values to linkage the strategy, employees concern (involvement), and competitive advantage. This begin with an analysis and discussion of competitive challenges, organizational values, and the concerns of employees and results in a statement of the strategies being pursued by the organization (Scoot A. Snell and George W. Bohlander, 2012). While, internal fit consists of the internal factors in the organization including leadership, work flow design, HR practices, and technology (Irvan, M., 2017).

## METHODOLOGY

The research was done by evaluating the problem with developed conceptual framework. The conceptual framework used is High Performance Work System (HPWS). By using this conceptual framework, all the conditions were evaluated to define the problems. Fish bone diagram was

then used as a tool to find the root causes of all the problems raised up. After analysing the root causes of this problem, the business solution was then developed. SWOT analysis was also utilized before developing new strategy to solve the problem. After that, new strategy was created by referring the same conceptual framework.

## FINDINGS AND ARGUMENT

From the community satisfaction index which was conducted by CSR external consultant, it was found that two lowest scores in the survey is about the performance of CSR team itself. The indicators analyzed are about the officer's discipline and speed of service. The community assesses that the CSR team in this term is the community development (CD) facilitator is not routinely visiting them. As consequence, the development program can be well monitored in the daily routine activities. The speed of CD facilitator in term of giving any suggestion or accompaniment is felt too low. In fact, the detailed and routine visiting programs is only conducted for the flagship CSR or community development programs. For non-flagship CSR or community development programs, the visiting program will be reconcile the availability of the CSR team especially CD facilitator. The one and only CD facilitator has had the schedule to closely monitor the flagship CSR or community development program in his or her daily activities.

Based on the interview session with CSR team, the cause of unmonitored the CSR development program while the work flow system has been well designed are because the lack of CSR team who monitor and give the accompaniment to the program or group. Another cause is the manual documentation and monitoring system that tribulate the CSR team or CD facilitator to monitor the daily activities if they are not at that location. No utilization of technology is one of the root causes of the only yearly visiting program for flagship CSR programs and low community satisfaction index of the CSR team.

Based on the focus group discussion (FGD) held on 7 December 2018 among the CSR team members, there is not suitable leadership style which is implemented by the leader in the CSR team organization. From the behavioral view perspective of leadership, the CSR leader is now implementing the production-oriented leadership which only concerns for program realization, target and achievement without considering the social problem in the internal of CSR team itself. The leader is focusing on creating the good programs without considering the current work-load of the CSR team. The leadership style of CSR leader in the organization which is not properly suitable to be implemented is one of the root cause low community satisaction index due to unperformed the CSR team members. For most employees, the behavior of one's boss also is also a major determinant of the job satisfaction. This low job satisfaction especially for the superios or boss should be watched out in the near future due to the correlation with the employees performance and the CSR program productivity.

On the other hand, lack of man power in the CSR organization really happens and it is caused by the ineffective current CSR organization. Current CSR organization is very flat organization and has too wide span of control of the CSR team members. This condition also contributes to the low community satisfaction index and the only yearly visiting program for the flagship CSR programs.

In order to evaluate the CSR team's performance, high performance work system strategy can be implemented. A high-performance work system is a set of human resource management policies and practices that together produce superior employee performance. High performance work system (HPWS) could align the company strategy and its goals. Benefits of implementing HPWS in the company are the employee benefits and organizational benefits. For employees, more involvement, experienced growth and job satisfaction will be achieved by implementing HPWS. While, for the organizational, there will be also higher productivity that leads to better quality and customer satisfaction. This evaluation is needed to recheck the alignment of all functions in the company itself. Moreover, the new strategy should cover the best way to overcome the future challenges within a company.

In this business case of developing CSR programs, Badak LNG should emphasize again about the corporate values especially in developing the CSR or community development program. In order to improve the ineffective current CSR organization, some actions should be done such as aligning command line of CSR organization, adding additional man power, and changing organization structure's type of CSR team

CSR unit is one of three sub-sections under Media, CSR & External Section. There is only one internal officer (CSR/Comdev Specialist) in the structural organization who is responsible to run all the CSR programs in Badak LNG. There is also collaboration with the external consultant which consists of three officers (third parties) under the coordination of CSR/Comdev Specialist. Third parties which contributes as the executor of CSR program in Badak LNG consists of the analyst, specialist, and facilitator. Community Development (CD) Analyst is responsible to analyse all the CSR programs and groups by monitoring the "Care After Program". CD specialist is responsible to arrange all the CSR activities and think about the future development plan. CD facilitator is the field officer who is responsible to visit all the CSR groups. These CSR team members are very scrimpy to handle 23 CSR programs including 44 CSR groups and 847 group members. The very flat organization with the very wide span of control in the CSR organization should be modified by adding the man power as an internal CD Officer. Currently, there are three CD officer which can be considered as a one team. The addition of CD officer will make the narrow span of control compared to the existing organization. The bases for the new organization design is creating by differentiating the basis of product. The product means in this term related to the classification of CSR products itself. The aim of this differentitation is to narrow the span of control of CD officer in the CSR organization. Span of control of each CD officer will decrease from the existing 23 programs to 7-8 programs for each new CD team.

Another purpose is to maximize the performance of the new differentiation CSR's products. Its advantage are that it places attention and effort which can improve coordination of functional activities needed for each CSR's product.

The type of CSR organization is proposed to be modified from the working unit into self-managing team. Self-managing team is a high-involvement workgroup design that is becoming increasingly well established nowadays. These teams are empowered to make the decisions needed to manage themselves on a day to day basis. The self-managing teams make their own decisions about scheduling work, allocation tasks, training for job skills, evaluating performance, and controling the quality of the work. There can be a leader for all self-managing teams called team leader (Robbins, S. P., 2003). In CSR organization, this proposed type of organization can be implemented by creating the CSR/Comdev specialist as a team leader wherease all the CD team is a self-managing team. With this type of organization, the employees involvement can be developed.

On the other hand, the type of leadership in CSR organization should be changed. The most appropriate leadership styles to be implemented in this condition of CSR team member are supportive leadership, achievement-oriented leadership, and participative leadership. Supportive leadership style also demonstrates concern for employee well-being and their needs, while trying to create a pleasant work environment. The other leadership style that is suitable to be implemented in the CSR organization is participative leadership. Participative leadership is the style in which the leader invites employees to provide input to decisions, and seriously seeks to use their suggestions as final decisions are made. By this style of leadership, the employee involvement will be better and can lead to improve the employee job satisfaction. At the end, with the improvement of leadership style of the leader, performance of the company will be better. In this business case, the CSR development program will be improved if there is a right combination of leadership style and employee engagement.

Furthermore, in order to make CSR transformation program in Badak LNG is to create well-developed system. Up to this moment, Badak LNG has had very proper CSR development systems; from the initial proposal, CSR formulation, accompaniment program, monitoring and recording activity, and the last for exit strategy to become an independent business unit. The proper work flow design and system which has been developed can be also implemented by utilizing the technology. IT systems should be also developed to simplify the Community Development (CD) facilitator to monitor the progress of each CSR group or program. IT system in each CSR programs and groups should be created so each of the CSR groups can report their daily activities through online system. The CSR team will be much easier to monitor and give the accompaniment of the CSR groups. Technology can be used by the CSR team to facilitating the CSR programs or groups' needs. The integrated IT system, that covers all the development' steps of CSR development programs, is supposed to be created. All the CSR team members can monitor the progress of each CSR program from this system. Moreover, each activity that is

performed by the CSR groups should be documented and uploaded to the online system. CD officer which could not visit the CSR programs or groups in one day, still keep monitor the CSR program through the online facility. All the problems faced by the CSR groups can be directly reported to the CSR team through this online system. Therefore, if the CSR groups need immediate action from the CSR team, the CD facilitator can directly response to the problem.

Another issue of the CSR group which is difficult to be solved is about the financial report of their activities. Simple IT system needs to be developed to help the CSR group records their financial activities day by day. IT system awareness should be provided to all CSR groups. Any documentation and publication of each CSR group and program should be well performed by utilizing the IT systems. Each CSR groups can be encouraged to promote their programs through one application system that connects all the CSR programs and groups in Badak LNG. Therefore, CSR program or competitiveness can be also developed. This approach can be the lesson learned before they become independent as a small business unit in the near future.

## CONCLUSIONS

Based on the evaluation of current CSR programs in Badak LNG, there are the conclusions of this research as following:

1) New CSR organization has been created to improve ineffective current CSR organization. With the new CSR organization, unaligned command line of the previous CSR organization can be eliminated so the strategy for CSR development program can be well implemented in the near future. The new CSR organization is also created by adding the internal community development officer to solve the lack of man power and the very wide span of control. The type of new CSR organization is also modified from the working unit into self-managing team.

2) Leadership style of the CSR leader should be suitable with type of work and the employees' responsibilities. From the behavior view of leadership, leadership style for the CSR leader should be changed from the production-oriented leadership into employee-oriented leadership. While, from the situasional leadership point of view, the achievement-oriented leadership is not enough to be implemented in CSR organization. Supportive and participative leadership style should be also combined for the CSR leader.

3) Integrated online IT system for CSR development program is proposed to be implemented to easily monitor the progress of CSR program. Badak LNG has had several programs or tools to monitor the CSR development program. Unfortunately, these tools are not equipped with the clear system and guidance. In order to improve the monitoring and recording system of CSR program in Badak LNG, the utilization of technology (IT system) is proposed to be performed. All the CSR activities should be monitored and recored by utilizing IT system.

Refer to conclusion of the CSR problems in Badak LNG above, there are some items that should be implemented in the real activities of the CSR organization: redesign CSR organization structure in Badak LNG, change the leadership style in the CSR organization, implement the IT system utilization in the CSR development program.

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