

Research article

Corporate Diplomacy as Strategy for Facing Corporate Social Responsibility Polemic by Palm Oil Corporates in Indonesia

Sindy Yulia Putri, Yuliani Widianingsih, and Wiwiek Rukmi Dwi Astuti

Universitas Pembangunan Nasional Veteran Jakarta, Jakarta, Indonesia

ORCIDSindy Yulia Putri: <https://orcid.org/0000-0002-4796-6799>**Abstract.**

Recently, Indonesia has experienced a rapid expansion in oil palm plantations. About 4,783 villages depend on the palm oil industry for their daily living. This study determines the various polemics in the implementation of CSR by palm oil companies in Indonesia. The authors have used a descriptive qualitative approach and collected data through a literature study. They analyzed two palm oil companies that claimed to implement CSR programs and tested them against the three basic CSR principles – sustainability, transparency, and accountability. The collected data were analyzed based on the literature studies. The results indicated that none of the companies met the basic principles of CSR. Therefore, this study offers the implementation of corporate diplomacy as an alternative strategy for palm oil companies in realizing a more targeted CSR program. This type of diplomacy will focus heavily on the company's role in communicating with community groups or farmers around the company, so the approach applied is bottom-up. The study shows that corporate diplomacy can be a new alternative for companies to implement CSR programs based on the basic principles of CSR and are more effective and on target.

Keywords: corporate diplomacy, polemic, corporate social responsibility, palm oil corporates

1. Introduction

Diplomacy is indeed the main activity of diplomats who represent the country. However, non-state actors are increasingly getting space to carry out diplomacy according to their capacities. Westermann[1] argued, that the political constellation and instability in the host country further encourage Multinational Corporations (MNCs) to minimize conflicts. MNCs or MNEs stem from the many political conflicts experienced by companies in the host country where they operate. This is the beginning of the role of MNCs in the realm of international relations.

Then, various economic, political, social, security risks are also experienced by the company. Therefore, corporates carry out diplomacy to stakeholders to continue to fight

Corresponding Author: Sindy
Yulia Putri; email:
sindyulua@upnvj.ac.id

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for business activities in the host country and reduce various conflicts with proactive participation. Then, industries with long-term investments such as oil, gas, mining, manufacturing, and agriculture will prefer to stay in the host country by approaching the community by distributing CSR. studied more from the point of view of management science, business science, and communication science. Pasricha[2] examined CSR from ethical leadership. They have argued, that ethical leadership apparently affects the implementation of CSR, either directly or indirectly. This is important for corporate leaders who want to encourage their corporate social responsibility behavior.

Then, Wahyuningsih[3] criticized CSR from a management science point of view. According to her, one of the manifestations of the organization's business ethics which is the strategic agenda of business leaders is to develop an effective CSR program. Through this program, the organization places employee welfare and environmental welfare as a source of value creation for long-term business competitiveness.

1.1. Concept of Corporate Social Responsibility

CSR is a dominant concept that is an important part of the corporate's movement somewhere. CSR is a form of recognition from the community towards corporate often identified as a form of corporate ethics to contribute socially and economically to the community around the corporate. Meanwhile, Crowther & Aras have elaborated, that CSR itself has three basic principles, namely sustainability, accountability, and transparency.

2. Discussion

Pasaribu[4] researched CSR in the District of South Labuhanbatu, North Sumatra. In Labuhanbatu, CSR still does not meet the principles of sustainability and community empowerment is also not optimal. In addition, the corporate still does not have a CSR implementation blueprint and has not involved the wider community and volunteers to obtain community needs from CSR funds. So far, CSR is still charity. In fact, for CSR to run optimally, charity programs must be minimized. The implementation of CSR does not have a clear Standard Operating Procedures (SOPs). Employees who coordinate CSR programs are still not qualified and are classified as less competent in their fields. For example, handles CSR or from Public Relations, so that the implementation of CSR is not focused. For this reason, clear SOPs and disaggregated data are needed so that the implementers are truly on target. In fact, the communities in the palm oil mills are

classified into three groups, namely Ring 1, Ring 2 and Ring 3. Ring one is the community living around the Palm Oil Mill, Ring two are people who live close to the palm oil mill but are still in the same area districts. Then Ring three are people who live in the Regency area.

Then the research worked on by Maychel [5] in Riau, Similar to Labuhanbatu, the implementation of CSR by palm oil corporates in Riau has not met the CSR principles. PT. Tri Bakti Sarimas has not met the actual needs and development of the community because the CSR program being implemented is not a long-term program that can make the community independent and prosperous. The problem of CSR practices by PT. Tri Bakti Sarimas lies in the non-optimality of the CSR program because it has not reached the community. The CSR program is still a donation or voluntary from the corporate and is not. Pucuk Rantau community does not experience significant changes. The corporate is also still lacking in disseminating information explicitly and directly about the various stages of the CSR program. The limited number of personnel who can actively provide information to the public and the corporate still manages and distributes its own CSR funds so that the corporate has difficulty in distributing the CSR funds. Basically PT. Tri Bakti Sarimas has not complied with the law's order to implement CSR. This can be seen through the results obtained from the CSR programs that have been implemented. The CSR program implemented is still far from the CSR ideals that have been echoed by the government and the international community because the CSR program implemented is not a CSR program that supports the implementation of sustainable economic development.

Furthermore, to overcome the polemic of CSR practices of palm oil companies, this paper offers a corporate diplomacy strategy. Referring to Bolewski[6] thought, corporate diplomacy is defined as diplomatic companies to practice and influence foreign policy. Companies are increasingly facing high public expectations regarding their contribution to society as key stakeholders (societal turn). In fact, corporate diplomacy has become a necessity for companies to develop bright ideas and innovations to answer the needs of future transformation and expansion of diplomatic activities in establishing partnerships with the world community. Traditional diplomacy and corporate diplomacy are a functional symbiosis between tools, procedures, diplomatic mindsets, and diplomatic practices for better governance of international advocacy. The practice of corporate diplomacy leads to mutually beneficial cross-fertilization to create and add value together according to the needs of the state, society and the private sector. Then Bolewski asserted, the practice of diplomacy changes and develops over time to bridge the practice of traditional diplomacy and public diplomacy. Ingenhoff & Marschlich[7]

have analyzed, that initially, corporate diplomacy was born due to the increasing number of dialogues with stakeholders, only became a discourse and less heard by traditional diplomatic actors.

So if it is examined from the polemic of CSR of Palm Oil Companies, the company should involve the community in implementing various CSR programs for the community around the company. Community aspirations will certainly increase the potential effectiveness and efficiency of CSR programs for the community. Companies should also have the right planning in realizing CSR programs. This leads to efforts to respond to and respond to the expectations of the public or the epistemic community. Corporate diplomacy in this case also expands diplomatic functions to become more plural, starting with new issues, new actors, new ways, new goals, and new places[8]. This diplomatic arena is also commonly referred to as the hybrid diplomatic arena and will continue in the years to come.

Diplomacy in the realm of non- state actors becomes multi-stakeholder diplomacy. This diplomacy further strengthens the involvement of the community around the company to be

to reduce the polemic of CSR practices. The polemics that occur in CSR practices are actual y due to the company“s lack of humanism and empathy for farmer groups and the surrounding community. This is natural, because companies are profit- oriented as a consequence of their activities[9]. A diplomacy strategy like this will make the planning and funding of CSR programs more efficient, so that various CSR programs are indeed relevant to the needs of farmers and the surrounding community. This is also emphasized by Anatan[10], that one of the main principles in ensuring the successful implementation of CSR is the right communication strategy. This means that every activity carried out by the company as a form of implementing social responsibility must be socialized to the surrounding community to get feedback and provide benefits to the surrounding community.

To overcome this problem, government support is needed as the party responsible for maintaining the survival of the community. The role of the government is needed not only as a policy maker, but also as a facilitator and carrying out social responsibility towards the community. In the field of international relations, the government and palm oil companies certainly seek to synergize and have a beneficial relationship. Actors can partner with various stakeholders, from the government as the highest unit of analysis to individuals as the lowest unit of analysis. Companies must start developing sustainable programs such as skills development programs, youth development so that CSR will

encourage job creation, human resource development, increase income and reduce poverty.

3. Conclusion

CSR also colors the study of international relations, because of the expansion of the movement of non-state actors, dynamics, and interests in it. However, the CSR practices realized by three palm oil companies, namely the palm oil company in Labuhanbatu and PT. Tri Bakti Sarimas are still not optimal when referring to the three principles of CSR, namely sustainability, accountability, and transparency. Therefore, the author offers prioritizing the involvement of farmer groups and communities around oil palm companies to convey various opinions, perspectives, and needs in palm oil company CSR programs. A good and appropriate communication strategy with farmers will further increase the efficiency of CSR program realization, because demand and supply meet at the right point. The bottom-up approach taken by palm oil companies is likely to help companies better plan and innovate CSR programs that are more contributive to helping farmers live. Furthermore, the state actor, in this case the Government of Indonesia, is expected to be able to synergize with palm oil companies to regulate pro-farmer policies so that palm oil is a leading domestic commodity which is also exported to various countries globally.

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