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## CHALLENGES DEALING WITH COMMUNITY DEMANDS: PORTRAIT OF CORPORATE SOCIAL RESPONSIBILITY IN A FISHERY COMPANY

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### ABSTRACT

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Corporate Social Responsibility (CSR) was considered an output from the business sectors to show their commitment in responding to stakeholder interests beyond profit. This study aims to explore more on the practice of CSR and how a company manage its stakeholder interest. Therefore, this qualitative study uses a case study method to get the actual description from the primer sources. This case study collects data from a fishery company located in East Java, Indonesia. Various instruments of data collection are used in this study, including in-depth interviews and group discussions with the company and its stakeholder, also observation on some relevant events to enrich the data. Total of respondents participated in this case study is seven persons. In addition, the document analysis collected from the external and internal companies has been done to strengthen the data analysis and conduct the triangulation within various collected data. This study found that a company needs to maintain their relationship with the community while undertaking its CSR programs. Stakeholder engagement activity must be considered start before a company designs its CSR program and periodically monitors and evaluates the CSR program.

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### INTRODUCTION

Corporate social responsibility (CSR) has known widely and became a common practice for business sector in developed and developing countries. Many companies, local and multinational, have been familiar with the term of CSR and have also undertaken various CSR programs amongst companies. There are still many perceptions that companies have regarding the meaning of the CSR. Most companies agree that CSR could create good image of a company, which then attract more customer intention to buy the product (Kim, et al., 2020; Saleem & Gopinath, 2015). In addition, companies believe that CSR could bring positive growth and increase company performance (Adeneye & Ahmed, 2015). While some companies agree that company exists is not only to generate a profit and fulfil shareholder objectives, but to give equal priority to their stakeholders' interests (Freeman & Velamuri, 2021).

There are many dimensions of CSR that have been mentioned in the literature. Furthermore, most research mentioned that CSR concepts keep evolving and face challenges to develop a broadly accepted theory (Carroll & Brown, 2018). Many companies in developed countries mostly agree to the concept of CSR is a commitment from the company to balance the financial goals of the shareholder with the concern on social and environmental issues of their stakeholders (Carroll, 2015; European Commission, 2001; Hopkins, 2012). Some researchers argued that there were potential benefits to companies, workers and community members that engage in CSR programs (Książka, 2016). Carroll (2015) highlighted that companies must reconcile their objectives with the expectation of stakeholders such as customers, workers, and communities to create a win-win situation. However, there is still minimum research showing evidence regarding the impact of CSR on a company' stakeholders

(Madueno et al., 2016). Furthermore, refer to the previous research, there is also a lack of case studies being used as a methodology to discuss how CSR programs affect company workers and communities (Rhou & Singal, 2020). Therefore, many discussions of the research come with minimum evidence on the actual relationship between the company and their stakeholder through CSR.

Kujala & Korhonen (2017) mentioned that businesses should create value for their stakeholder through CSR programs. The stakeholder of a company is defined as those who can affect or is affected by the company operation (Freeman & Velamuri, 2021). There is a primary stakeholder and a secondary stakeholder. The primary stakeholder includes those who give influence to the company performance directly, such as shareholders, investors, customers, employees, communities, suppliers and others. The secondary stakeholder is those who are not directly impacted to the company's survival (Garcia-Castro & Francoeur, 2016). Those who are considered secondary stakeholders are public media, non-government organizations and others. The stakeholder management is consistent with the business ethic and CSR values. Many research agree that the company must manage their interaction and engage with primary and secondary stakeholders as well, to achieve the company's objectives (Carroll, 2015; da Rocha Garcia et al., 2020).

Kang et al. (2015) underlined that many companies had overlooked the linkage between a company's value and mission when designing CSR programs, which brings communities and other stakeholder groups have received less benefit. Aggarwal & Singh (2019) argued that organization must undertake their CSR program beyond legal requirements and avoid economic risks. Companies hold the responsibility to run their business ethically and engage with their stakeholders to address social and environmental issues (Reinhardt et al., 2020). Therefore, naturally doing CSR needs a strong commitment to align its CSR programs with corporate strategy.

This study was designed in response to the research gap of which less evidence was shown in the previous research regarding stakeholder engagement with a company in the context of CSR, using a case study method. The objective of this case study is to explore more and get a further understanding of how business deals with their stakeholder interests by taking a case study on a fishery company located in East Java, Indonesia – namely CV. Ikan Laut Biru (then written as ILB). Specifically, this case study focuses on how company undertake CSR program and discuss further how company respond to their stakeholder interest, especially to the community. This case study is expected to show the impact of CSR on the community and any challenges faced by the company in executing its programs.

## RESEARCH METHOD

This study used a qualitative approach that described the data and analysis deeper regarding stakeholder engagement in the context of the company CSR program. The objective of this research follows the form of a research question designed previously. The research questions of this study are (1) How is ILB undertaking their CSR programs? And (2) How does ILB manage their stakeholder interests regarding CSR programs of ILB?

Following the research questions, this research uses a case study in a company CV. ILB in East Java, Indonesia. The data collection method used in this case study includes interviews, observation and document analysis. The interviews were conducted with the internal management of ILB, their stakeholder, employee and community member. There are 7 (seven) respondents who take part in depth-interviews.

The researcher also plays a role as a non-participant observer in some activities selected and allowed by the company. The observation has been used as a tool to check and confirm data from various respondents in the interviews section. In addition, to demonstrate the triangulation, this study showed the cross data from various sources from the interviews, group discussion, observation and document analysis. The document analysis is mainly taken from the internal documents shown by management, also from some document portraits during observation and external documents.

The stage of data collection was initially held through interviews upon researcher got approval to come and collect data from ILB. All interviews were done in a one-on-one discussion with a semi-structured interview method. In some sessions, mainly in an interview with management, the company show internal documents to support their explanation of the discussion. Some interviews were recorded using recording tools under the consent of respondents. The internal documents were given under terms and conditions mentioned by management as well. All interviews with the ILB's respondents were held in the office and factory area of ILB. In contrast, interviews with stakeholders (community members) took place in other locations outside the company.

All interviews and documents were also noted by the researcher by writing in a block note. The interview and discussion data were transcribed. Then, all collected data were analyzed through coding and grouping refer to the topic set previously to answer the research objective. Based on the data cluster of interviews and discussions, then the data from observations and documents were also pulled and placed according to the code before matching and contrasting the data. Then, each data in the group were matched and contrasted. Finally, these data are used in the discussion part to answer the objectives of this case study.

## RESULT AND DISCUSSION

The discussion of this study refers to the research question, which shows a deeper analysis using ILB as a case study. ILB, located in East Java, is known as a fishery company with main products such as sardines (can food), frozen fish, and fish oil. This company was established in the 1990s and provided growth in its performance during the last decade. Recently, ILB has had a daily capacity of around 350 tones of raw fish.

The analysis of data collected from the primer sources to respond to the first research question is mentioned briefly in this part. Analysis of the first research question includes the motive of ILB undertaking their CSR also what kind of program and how ILB manages the CSR program.

The collected data found that the company has undertaken CSR activities addressing social issues for more than ten years. The motive of ILB policy in taking the CSR programs

primarily due to the management concern on the welfare of the community surrounds their factory area as mentioned in the interview with one top management:

“...CSR is important for this company....when we build a company and run daily operation in one location, then we must contribute especially to the society and the environment surrounding us in that location...”

Referring to the top management commitment, ILB has designed its CSR framework, which consists of four pillars. These four pillars include (1) human development, (2) participation in community activities, (3) enhancing the economic condition of the community, and (4) preservation of the natural environment. Firstly, the human development pillars focus on activities such as character-building employees and community program, a scholarship program for society surrounding the factory, and a collaborating program with the local fisherman.

Secondly, the CSR activities executed by ILB is to renovate the house owned by those who are considered to live below the poverty line in “Bedah Rumah” program. Then for the third pillar, ILB has undertaken various programs, including donations or charity for natural disasters or catastrophes. In addition, ILB has a program to share the company products, primarily sardines, to the community and organizations who need them and give “sembako” and donate the animal for sacrifice (religious) festive to the people surrounding the company. The other program included in the third pillar is the program to build the place of worship for various communities, to build the public facility and other programs.

The fourth pillar of CSR that ILB has undertaken is “go green” program. In this program, the company shows their contribution to planting trees in many areas in East Java. Also, ILB has a continuous program to planting massively for the mangrove conservation program. According to the ILB management, the form of how company show their commitment to environmental concerns is also shown by installing the waste-water treatment and using technology to filter the flying ash as the waste production output.

The top management of ILB mentioned that the company shows their commitment to positively contribute to addressing social and environmental issues in their area through many activities performed in ILB CSR programs. One of the top management enthusiasts mentioned in the interview session:

“...company must do social activities for the community, so they feel happy and create no risk for company....CSR done by ILB for society surround has given positive benefit for their life...”

One program from the first pillar of the CSR program of ILB, the collaborative program with the fishermen, was claimed as the win-win program, which benefits the company and community simultaneously. This program is considered the most beneficial for the community, and it has run continuously for more than ten years. In this program, ILB shares knowledge and provides facilities and infrastructure to help local fishers enhance their capability and revenue. ILB had some training and workshop programs to educate local fishers getting the knowledge regarding fish products, sea commodities, and advanced technics on how to perform a fishing job in an optimum way. ILB provides a fishing boat with some portable cold storage for the community free of charge to operate to support their daily job as a fisherman.

Simultaneously, ILB expects to get a good quality of raw fish to supply company production from those fisherman communities.

In the practice of these programs, ILB prepares the agreement letter (contract document) that must have approval from the community to follow the requirements. The community member must agree to supply ILB with their fish catch in total 4-5 tones every day, with the agreed price referring to the fair price. The agreement mentioned that ILB must pay the community daily based on the value of the stock delivered by those local fisherman groups.

However, following the times, community members stepped down and discontinued their consent to the agreement letter, as shown in figure 1. In the last five years before the pandemic, the number of contracts signed by the community member slightly decreased. This research focuses on understanding the reasons behind this condition by collecting data from interviews with community members and the production and warehouse staff of ILB to get comprehensive data.

**Table 1. Numbers of Local Community joined the Collaborative Program**

Year of	Member signed the contract (number of local fishermen)
200x-2	22 persons
200x-1	20 persons
200x	18 persons
200x+1	15 persons
200x+2	14 persons

*Source. Internal data from ILB, modified*

The collected data mentioned that most fishermen, as the local community member, are complaining about the unequal contract provided by ILB in the program. One of the fishermen said that it was difficult for them to fulfil the requirement as the quantity of the fish catch are unpredictable every day and for other reasons mentioned below:

“...we feel under-pressure signing the contract...yes, ILB gave the boat and cold storage to us; however all the maintenance cost of the boat and the fuel are in our cost.. it is hard for us...especially when bad weather (storm) is low season of fish catch...”

Contrary, the staff from ILB argue that the decreased volume of fish supplied by the local community is primarily due to the dishonesty of the community member. The ILB staff has information that most local fishers prefer to sell their fish to the other company and transfer their catch to the other company boat on the sea while fishing. This condition caused the supply of raw material from the local community has dropped in quantity and quality. The impact on maintaining the production operation then ILB must buy or import the raw material from other companies or countries. However, it still impacts the decreasing sales volume, as shown in table 2.

**Table 2. Monthly Sales Volume of ILB within three years (in unit)**

Period	Sales Volume Year200x	Sales Volume 200x+1	Sales Volume 200x+2
January	5,902,160	8,220,016	10,000,092
February	5,478,432	8,521,342	4,884,074
March	8,535,868	5,753,470	5,051,184
April	5,852,363	6,123,788	4,473,268



May	9,636,728	7,828,592	5,268,322
June	10,109,910	5,876,632	5,050,576
July	7,438,355	5,113,658	3,022,880
August	7,058,856	1,488,080	3,020,468
September	8,290,380	5,730,542	5,121,485
October	10,237,856	6,237,572	3,896,598
November	9,629,968	5,631,676	10,226,771
December	9,004,920	8,459,773	4,852,650
<b>TOTAL</b>	<b>97,175,796</b>	<b>74,985,141</b>	<b>64,868,368</b>

*Source. Internal data from ILB, modified*

The finding described above is considered to answer the second research question. Data collected from the field study, which describes how ILB handles and manages its stakeholder interest, will be discussed below.

So far, ILB has considered that the CSR program based on the four pillars have shown company commitment to response stakeholder, including the community demand. Initially, ILB held a meeting with the local community, the leader of local government, and other societies who lived surrounding the company area. In the meeting and group discussion, ILB collects the stakeholder need and interests that the company might address. For some early years, most CSR programs run by ILB showed well performance, the relationship between the company and the local community was in mutual condition. Stakeholders positively respond to the existence of ILB, and the company also get benefit from the stakeholder, such as the local fisherman community, in supplying the raw material for the company.

However, this study found some problems raised in the local community reactions to CSR programs. The problem identified is the decreasing volume of raw material (fish catch) supplied by the local community, which, in line with the signed contract of the collaborative program, show a decreasing number of member of the community who joined the program. The distrust was created on the company staff and management of ILB to the community reaction on the policy and rules set up by the ILB. On the other hand, the community has some complaints regarding the program offered by ILB on the CSR programs, which are considered an unfair program for the community.

The primary problem found in ILB regarding decreasing the raw material supplied to the company impacts the low production volume, which made customers complain. Some big customers complained and held their order to ILB because of the slow products delivered to customer sites. The most factor that caused this low performance is the number of local fishermen in the local community who are no longer willing to join the collaborative program to supply the fish catch to ILB factory. There are more and more community members who have been unwilling to join the CSR program within the past four years.

In response to this challenge, the top management of ILB analyzed the condition and launched the initiative to address the problem. The top management decision is needed as the problem has significantly impacted the company's performance within years. Also, the company relationship with stakeholders shows that the potential problem urgently needs to be settled.

Some policies were taken by the ILB management to fix the problem. There are agendas set to have the activities to engage with various stakeholders. The ILB management has agreed to discuss with the representative of local stakeholders. Then, it was decided that collecting the information regarding the need assessment of stakeholders and evaluation of CSR program will be held every two weeks in the form of group discussion and regular meetings. It has been mentioned clearly by staff refer to the commitment of top management ILB in the interview session as follows:

“...we know, yes...we conduct the two-weeks meeting with the representative of community member to talk with company in the informal meeting, so we might know what exactly they need... we realized to have detail monitoring process on our program..”

Social mapping through survey and group discussions organized by the third party to gather unbiased information from various stakeholders, including the local community, was also conducted. The top management of ILB then assigned a community leader to discuss with the management when they have comments or complaints regarding the CSR program.

This study found the impact upon ILB management open communication and commitment to engaging more with the local community, later it brought positive response and reaction from the local community which then overcome company problem within years later. The positive response from one of the stakeholder engagement programs held by ILB was confirmed in one session with the community member, who mentioned that:

“..I feel relieved when he (staff of ILB) mentioned in the discussion... they will adjust the contract and put concern on the price and quantity of fish catch that we must supply daily to the factory...sure, I will tell the other fisherman to join back to the program..”

The finding of this study underlines that there is miss-communication and a lack of information flow from both parties, the company itself and the local community. ILB, as a company that conduct CSR thought that the program they have designed and performed since some years ago is still valid and need minor evaluation. The management interprets “the collaborative program” initially designed based on the social mapping conducted some years ago face no problem for stakeholders after years later. While the fact is, the condition changes unpredictably. The impact of illegal fishing, the bad weather and the high competition in the fishery industry locally and amongst countries in south-east Asia become the significant factors that caused the social mapping done years ago is irrelevant and need to evaluate.

This research reveals that companies must periodically evaluate their CSR programs carefully to ensure that the design program appropriately fits and benefits the stakeholders. The company should hold a periodic meeting with the local community to engage with the local fisherman and their group leader to discuss their need and concern regarding economic, social, and environmental issues that ILB might contribute to help through an effective CSR program.

## CONCLUSION

The practice of CSR may vary amongst companies. Many programs and activities have been undertaken by a company to show their concern for stakeholder interest. This case study reveals that companies must have the commitment from top management to support its CSR program performed effectively and contribute significant impact to the community surrounding. The way to ensure the program's effectiveness to provide the benefit and a win-win program is by maintaining the relationship with those local communities. The challenges that create conflict might have affected a company and the community. However, this research

shows that the engagement with stakeholders must be held periodically as the solution to overcome the challenges. The company may take social mapping, discussions and surveys starting from designing the program into monitoring and evaluating the program in the context of CSR programs. Management commitment to social and environmental concerns of the stakeholder is effectively defined through the way the company engage with its stakeholder.

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