

CHAPTER 1

BACKGROUND

1.1. Background

Nowadays there are social activists, environmental activist, and consumer activist. There is no shortage of activist affecting how company operates. Not only outside of companies these activists operates, but recently they even started to grow inside the company, advocating for changes, defending their fellow employee from criticism and defending the company reputation in public perspective. However that being said, activism also possess equal probability of bringing damage to the company because these people are vocal and sometimes can quite critical about changes in their working environment.

Never the quote “it takes 5 years to build reputation and takes 5 minutes to ruin it” been more true than now, where people live in an interconnected world, where social media becomes everyday reality. Lots of people posts something about their job on the social media, some of them are positive while the rest can be negative to company’s reputation. This situation is what fuels the activism phenomenon, when people start being vocal about their working life, company would want to start to manage them properly.

Such phenomenon is driven by corporate social responsibility. Lately corporate’s roles on its environment has received a higher level

of attention. With social welfare and environmental issues at its core, CSR has never been more important for multi – national companies than ever.

Corporate social responsibility has been around for years yet only recently it received popularity. Some old view social responsibility as “money – wasting” disguised as charity (Kielmas, 2013). But in modern age, social responsibility is being seen as an opportunity especially for companies operating in controversial industries to market their brand and to create better relationship with its stakeholders like consumers, government and other organisations with interests.

In Indonesia like in many other countries, cigarette has always been controversial industry. While a lot of people think cigarette should be banned due to its interference to personal health, it also is one of Indonesia’s most profitable industries. Indonesia presents an attractive market for tobacco companies since there is no minimum age limit for buying or smoking cigarette in the country. About 70% if the age group 20 and above are estimated as smokers (Team, 2014). Cigarette consumption by lower and middle classes represents a significant chunk if the revenue for cigarette companies in Indonesia due to reason of cigarette is available to public at very affordable price of \$1.2 or around IDR 17,000 for a pack of 20 cigarettes (Team, 2014). That being said, profits earned from cigarettes advertising alone reached up to IDR 750 billion, however the government has put a limit

on cigarette advertising, banning a direct promotion of smoking on all advertising platform and intend to further increase the limit or even ban the advertising (Jawa Post, 2015).

With such limitations, cigarette companies turned into another method of building their reputation known as corporate social responsibility. Cigarette giants in Indonesia like Djarum, Gudang Garam and Sampoerna have made their presence in public community through lots of social programs as scholarship, charity, environmental programs and many more. To some extent, these corporate giants have even made a basis for their products and brand like Kudus, Central Java for Djarum, Pandaan, East Java for Sampoerna and Kediri, East Java for Gudang Garam. Not only have they earned basis for production, but in those cities cigarette companies have earned locals' favour. People feel as if the companies are part of their lives, simply said cigarette both the product and the company has become part of the culture of the people.

Not only establishing a firm ground as to how companies should contribute to society, Company S also form this culture into its members. Aside from CSR teams that actively make contributions to environment, the employees has also formed Volunteer Club, simply known as SVC. This is in accordance to some survey conducted overseas by Gallup regarding the emergence of employee's activism. Employees activism can be said as the next frontier of employees engagement where the employees are not only active in participating in company's internal program but they also create initiatives to

support the other programs, defend their fellow employees from criticism, increasing their bargaining power in relative to their superior (Gallup, 2014).

In light of the emergence of employee activism overseas, studies specialising in that matter is quite a few. Hence, to explore more about the phenomenon and how this trend is absorbed in Indonesia, this study is conducted.

1.2. Scope of the Study

This study focus on describing the rise of employees' activism through analysis of engagement and motivation and how activism respond to corporate social responsibility

1.3. Focus of Research

Compared to other industry, cigarette or tobacco industry is the most advanced industry in terms of corporate social responsibility. CSR has become the part of their vision and mission, their organisational value and can be said their culture as well. In this study, in accordance with the emergence of employee activism phenomenon, the impact of CSR to the internal employees is sought.

1.4. Research Objectives

This research seeks to understand the importance of corporate social responsibility and how it related in forming company's reputation in stakeholders perspectives despite cigarette products being controversial

1. To find impact of CSR program to the internal members and organisation as a whole
2. To describe how corporate social responsibility affect activism in Company S
3. To describe the emergence of employees' activism in Company S

1.5. Research Significance

This study hopefully will bring significance as:

1. Academic Significance

It is hoped this study can serve as reference to theories related to CSR, employee engagement and employee activism in the future.

2. Practical Significance

It is hoped that this study could serve as reference for management in decision making process. With current heightened awareness for CSR, hopefully this study gives the reader a new perspective in the function of CSR and its long term benefits for companies.

1.6. Writing Systematic

The writing systematic is as follows:

Chapter 1: INTRODUCTION

This chapter is about the main problem that will be elaborated through this study. Chapter 1 contains

background of study, scope of study, research questions, research objectives, research significance, and writing systematic.

Chapter 2: LITERATURE REVIEW

Written theory here is theory that is correlated to corporate social responsibility, corporate reputation, employees' engagement and employees' activism

Chapter 3: RESEARCH METHODOLOGY

Research methodology covers how the research will be conducted. This research will be using primary qualitative data earned through interviews and analysed using deductive approach and with contextual analysis

Chapter 4: ANALYSIS and DISCUSSION

Included in this chapter is the company profile, their overall activity, exploration of its corporate social responsibility and its reputation, analysis of employees' activism and its relations to reputation, and solution when required

Chapter 5: CONCLUSION and RECOMMENDATION

Consist of specific conclusion of this research with emphasis on the impact on the company as a whole and recommendation for future studies as well as the implementation of advices.