INFLUENCE OF HUMAN RESOURCE MANAGEMENT PERFORMANCE ON IMPLEMENTATION OF CORPORATE SOCIAL RESPONSIBILITY

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ABSTRACT

This study examines the factors that affect the implementation of CSR. As it is evidenced, the survival of any company depends on two factors viz., the internal factors in the form of activities of efficiency and effectiveness of production and the external factors in the form of environmental support around the company for effective company operations. If the environment does not provide support, the company’s operations may be disturbed and will eventually result in loss of production and financial losses. To ascertain this claim, a study was conducted with the support of quantitative research using SEM analysis. The results of the study found that human resource management is focused to improve the success of CSR implementation should continue to run even if managers do not observe a proliferation in CSR implementation, because HR Management and their practices has a positive effect on employee performance. Though CSR practices are highly correlated into outside HR functions though its influence cannot be totally ignored into. Even with less impact of HR Management their practices it has its effect on employee performance and overall it improves organizational performance.

Keywords: Human Resource Management, Social Responsibility, Performance, Organization

INTRODUCTION

The survival of a company depends on two sources, namely internal sources, in the form of activities of efficiency and effectiveness of production and from outside the company and external, in the form of environmental
support around the company for company’s operations. If the environment does not provide support, the company’s operations may be disrupted it will result in vulnerable production process and eventually result in financial and material losses. Henceforth, it is very important for the company to build good relations with the surrounding community so that the local community does not become a significant source of risk for the company.

Although CSR has been conceptualized since the 1970-1980 period the concept of CSR (Corporate Social Responsibility) become a widely accepted concept in domestic companies, since 1990s, in Indonesian companies. This is in line with the increasing awareness of the importance of environmental support to the company’s operations and public awareness about several aspects of socio-environmental compatibility of a company. This culminates in Law No. 40 of 2007 on Limited Liability Companies that regulate the CSR in the article 74 and Law No. 25 Year 2007 on Capital Investment which regulates it in Article 15 and Article 34.

The CSR implementation of the mining company strives to be done gradually by taking into account the public’s understanding of the company, the level of demand (pressure) of compensation for the negative impacts of mining operations, and management’s readiness (Murdiyanto, 2010). Through the Law No. 4 of 2009 on Mineral and Coal Mining, the government regulates CSR mining companies that focus both on environmental improvement and community development, particularly in article 95. Ideally, CSR does not provide what the community wants but provides what the community needs (Martiono, 2012). This is then operationalized through Government Regulation No.55 / 2010 concerning the Development and Supervision of Mineral and Coal Mining Business Management, particularly in Article 13 paragraph 2, Article 16 letter K & M, Articles 31 and 32. In line with this in the five-year period (2006-2010), CSR funds in the form of community development have grown by an average of 17% per year on four main program targets ranging from economic priorities, education, infrastructure, to health (Mine News, 26 November 2010).

Furthermore, the government tries to be more comprehensive by setting up CSR in a package of operational obligations of companies called GMP (Good Mining Practice). GMP is a broad concept covering various aspects such as exploration, feasibility studies, production preparation, mining, reclamation and environmental management, processing, refining,
marketing, CSR, and mine closure. Athanasia (2009) found no significant relationship between CSR and Financial Performance. In the mining sector, Mulyono (2014) also did not find that CSR gives a direct influence on the performance of the company. According to various studies, CSR only affects the reputation of the company. The effort to raise the issue of HR management in CSR study itself is motivated by the least effort to study CSR in the context of HR management. What is available in the literature are concepts related to how HR managers act to support CSR (Sharma et al., 2015, Jamali et al., 2015; Schoemaker et al., 2006), but does not provide empirical support for these initiatives, particularly in a single HRM pack. Based on the above explanation, the authors are interested to make research on the application of ISCT to employee stakeholders in mining companies in Indonesia by raising the variables that are conceptualized in ISCT, distinguished by separating them in the pure elements of each stakeholder and interactional elements, in context of HRM. The result is three independent variables: employee commitment, organizational goals, and CSR HRM, which attempt to predict the implementation of CSR and its impact on output in terms of employee performance.

LITERATURE REVIEW

Purpose of the Policy on CSR

This research is expected to be a consideration for the government and related parties in taking policy in relation to CSR practices in the mining sector, including in policy making on CSR practices in state-owned mining companies. This policy can be directed towards linking the organization and its stakeholders, especially local communities and employees, to provide helpful outcomes for both improving the welfare of the community and on improving employee welfare as well as the economic benefits expected by the company.

CSR concept

Literature provides a number of definitions about CSR. Wells et al (2016) defines CSR as "organizational action and policy that considers stakeholder expectations and the three basic economic, social, and environmental performance lines". This definition emphasizes CSR's close relationship with sustainable development as it directly leads to the concept of three pillars of sustainable development viz., the economic, social, and environmental pillars. Another definition mentions that CSR is "a social
business responsibility that encompasses economic, legal, ethical, and societal expectations of the organization at a time” (Sayekti, 2015). The basic principle of CSR is that the company is a vital part of society and the company also has the power and responsibility to act, not only to shareholders but also to other stakeholders such as employees, customers, the environment and society in general (Wanvik, 2016).

CSR Theory

The relationship between companies and society is explained by two big theories of the theory of penetration (Trickle Down) and the theory of stakeholders (stakeholders). The theory of penetration argues that as the economy grows and develops, the benefits will be obtained by the elite part of society. The wealth of this elite group then trickles down, i.e. to the lowest layer of society. That is, big companies do not need to do anything to the community because there is a natural mechanism when their wealth is finally channeled to the poor through their economic activities. This is seen to be supported by a decrease in poverty levels as GDP rises. Indeed, this theory is doubtful because further research suggests that a rise in GDP leads to an increase in income inequality between social strata (Radhakrishnan, 2014: 73). That is, even though poverty is reduced, there are very poor and very rich groups of people. Supposedly, if the theory of penetration is true, then as the poorest society becomes wealthier, the richest people are also getting poorer (because their wealth is shed to the poorest).

Research Objectives

The purpose of this research will be:

1. To analyze the influence of commitment to implementation of CSR mining company.
2. To analyze the influence of employee commitment to employee performance of mining companies.
3. To analyze the influence of HR Management on CSR Implementation of mining companies.
4. To analyze the influence of HR Management on Employee Performance of mining companies.
5. To analyze the influence of Organizational Goals on CSR Implementation of mining companies.
6. To analyze the influence of organizational goals on Employee Performance of mining companies.
7. To analyze the effect of CSR Implementation on employee performance of mining company
8. To analyze the correlation of employees’ commitment to organizational goals.
9. To analyze the correlation of employee commitment with HR Management.
10. To analyze the correlation of organizational goals with HR Management.

Hypothesis

Employee variables in this study using employee commitment variable to Research CSR, previously more focused on CSR relationship to organizational commitment (Mousiolis & Bourletidis, 2015). Morsing et al (2008) study included the first in empirically linking employee commitment to CSR with CSR implementation. They found that employee commitment to CSR is a vital factor in CSR implementation. Collier and Esteban (2007) research shows that employee commitment variable to CSR is also very important for CSR implementation. This is not only for top managers, but also for the employees below who are the executors. Based on this evidence,

H1: Commitment of employees (X1) affects the Implementation of CSR (Y1) positively.

Previous research by Withers and Ebrahimpour (2012) shows that employee commitment to CSR has an impact on employee performance in the form of lowering deviant or counterproductive behaviors. Based on this evidence,

H2: Employee commitment (X1) affects employee performance (Y2) positively

As discussed in the sub-relationship between HRM and CSR, a number of HRM interventions allow employees to be more involved in CSR activities. In addition to Sharma et al (2009), studies that demonstrate a number of HRM interventions in relation to CSR are conducting qualitative studies of CSR, HRM, and CFR (Corporate Family Responsibility) relationships. Therefore, the authors maintain an opinion that:

H3: Human Resource Management (X2) affects the Implementation of CSR (Y1) positively.
Theoretically, the main objective of HR management is to encourage employee performance. Paauwe (2009) demonstrates through a meta-analysis study that HR management has an effect on employee performance, by increasing commitment, flexibility, and quality of employees. This is also similar to the Purcell and Hutchinson (2007) studies that see employee satisfaction in HR management leads to improved performance. Therefore, the authors argue that:

H4: Human Resource Management (X2) will positively affect Employee Performance (Y2)

The goal setting theory emphasizes that specific goals are better able to encourage employee behavior better than goals that are too general or aimless at all (Vainieri et al, 2016). This behavior can be a cooperative behavior (Brinkman et al, 2015), as in the context of CSR implementation. Behavioral cooperation is most effective in situations of clarity of purpose because with this all members can move on one common purpose rather than being directed erratically and working independently. In line with this, clarity of organizational goals (Patterson et al, 2005) will have a positive effect on CSR implementation. Therefore, it is predicted that:

H5: The relationship between Organizational Goals (X3) and CSR Implementation (Y1) will be positive.

Previous studies, as summarized by Ritchie (2014), suggest that goal clarity has a positive effect on employee performance. Clarity of purpose contributes to the organizational climate, as large variables have also been shown to significantly affect employee performance (Sanyal & Biswas, 2014). This is in line with goal setting theory that has been empirically tested in many contexts (Catania, 2014). Therefore:

H6: Organizational goals (X3) directly and positively affect Employee Performance (Y2).

There is an expectation of the relationship between CSR Social with productivity. Employees can use the way companies treat others, the community, as a form of perception of organizational justice, which in turn increases worker productivity (Reliford, 2012: 6). Henceforth, the relationship between CSR Social and performance can be explained through the theory of organizational justice and social identity theory. Correspondingly, CSR's proximity affects employee job satisfaction, which in turn improves employee performance. Similarly, Ahmad et al (2003)
found a significant positive relationship between employee CSR perceptions with overall employee performance, work efficiency, and quality of work. Therefore,

H7: Implementation of CSR (Y1) affects Employee Performance (Y2) positively.

According to the theory of integrative social contracts, the predictors for CSR implementation come from the side of stakeholders and organizations. In the context of this research, stakeholders are employees and employees themselves are groups working in the organization, so have their own social contract, regardless of whether or not CSR in the organization concerned. This results in an organization having an effect on the employees, as well as employees on the organization. Therefore,

H8: Employee commitment (X1) will be positively correlated to organizational goals (X2)

Human Resource Management is an organizational effort to manage employees so as to achieve organizational goals. On the other hand, HR Management can also be viewed by employees as a place for them to grow and channel their potential or get help from companies related to problems that befall them. As a result, the company has a journey with HR management, as well as employees with HR management.

H9: Employee commitment (X1) will be positively correlated with HR Management (X2).

H10: Organizational goals (X3) will be positively correlated with HR Management (X3).

RESEARCH METHODS

This research is an explanatory research which focuses on hypothesis testing based on a conceptual framework. The relationship between variables have been hypothesized further. The research was conducted at PT Vale Indonesia, PT Semen Tonasa Makassar, and PT Semen Bosowa Makassar, located in South Sulawesi. The three companies are selected because they are large mining companies have CSR programs that involve enough employees. PT Vale stand in Environmental Day Indonesia (PLI) 2015 gets the best ground in CSR category. Each year, PT Vale Indonesia provides their sustainability report. The research time is November 2016. In 2017, PT
Semen Tonasa achieved Top CSR Award 2017 for Environmental Impact Reduction category (Sindo News, 6 April 2017).

**Population, Sample, and Sampling Technique**

Data analysis technique

Data analysis is assisted by SPSS and AMOS software. The questionnaire obtained is included in SPSS version 20.0 for Windows. The method used to perform data analysis and measure the relationship between variables, are done in the following order. At first, researchers used descriptive statistics to assess respondents' responses. This statistic consists of the mean, median, and mode. Then additional analyzes were performed to see the statistical significance of the questionnaire used using t-test, Pearson Moment Correlation Coefficient, and ended by estimating alpha values. The alpha value is used to measure the internal consistency reliability of each individual and overall questionnaire. Since there is no exact minimum threshold value, researchers generally use the value of 0.6 as the threshold value according to the suggestion. Furthermore, SEM (Structural Equation Modeling) analysis was performed using two-step analysis ie CFA (Confirmatory Factor Analysis) and structural model testing. CFA (Confirmatory Factor Analysis) is done to check whether the model used by the researcher has been in accordance with existing data. Matched model matches in Table 3.6 about model matches.

**RESULTS AND DISCUSSION**

Shows the model construction by eliminating the insignificant relationship on the SEM results.

![Significant Relationship Picture on Model 1](image-url)
If seen from Figure 1, that five hypotheses from the all the seven research hypotheses are accepted. However, the mark for the relationship between organizational goals and focal performance is negative. This means that there is a negative relationship between organizational goals and focal performance. The more employees understand the organization's goals in the organization of CSR, the more employees experience focal performance degradation. As a result, Hypothesis 6 is rejected even though the relationship proves to be significant.

Figure Structural Model End of Research

The image provides a summary of the cumulative effects of the predictor variables through the CSR implementation variables on the individual performance of employees. These results indicate that the total effect of predictor variables on performance is quite low although the effect of CSR Implementation on overall performance is quite high. To assess the degree of significance of the indirect effects, the Sobel test was performed. The Sobel test is done by the formula (Soper, 2018):

$$z = \frac{ab}{\sqrt{(b^2SE_a^2) + (a^2SE_b^2)}}$$
With ‘a’ is the predictor variable regression coefficient (Employee Commitment, HRM, or Organizational Objective) to the mediator variable (CSR implementation), ‘b’ is the regression coefficient of the mediator variable (CSR implementation) to the consequent variable (performance), SEa is the standard error of the relation a, and SEb is the standard error for relationship b. The calculation of the z score and the degree of significance for each mediation relationship are shown in Table 5.15 below.

Table 1 Significance Degree of Indirect Relationship

<table>
<thead>
<tr>
<th>Variable</th>
<th>A</th>
<th>B</th>
<th>SEA</th>
<th>SEB</th>
<th>Z</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Commitment</td>
<td>0.291</td>
<td>0.228</td>
<td>0.060</td>
<td>0.094</td>
<td>2.169</td>
<td>0.030</td>
</tr>
<tr>
<td>HRM</td>
<td>-0.001</td>
<td>0.228</td>
<td>0.050</td>
<td>0.094</td>
<td>-0.020</td>
<td>0.984</td>
</tr>
<tr>
<td>Aims of Organization</td>
<td>0.48</td>
<td>0.228</td>
<td>0.046</td>
<td>0.094</td>
<td>2.363</td>
<td>0.018</td>
</tr>
</tbody>
</table>

The above results show that significant (indirect) mediation relationships are in relation to Employee Commitment - CSR Implementation - Performance and Relationship of Organizational Objectives - CSR Implementation - Performance, due to the degree of significance available <0.05. Meanwhile, the mediation relationship is not significant on the relationship of HRM - CSR Implementation - Performance due to the degree of significance >0.10.

To summarize, the degree of significance of the direct and indirect link is shown in Table 5.16 below

Table 2 Degrees Significance of Direct and Indirect Variables Variable Predictors Performance

<table>
<thead>
<tr>
<th>Variable</th>
<th>Direct</th>
<th>Indirect</th>
<th>conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commitment of employees</td>
<td>0.117</td>
<td>0.030</td>
<td>There is no direct relationship but there is an indirect relationship</td>
</tr>
<tr>
<td>Human Resources Management</td>
<td>0.082</td>
<td>0.984</td>
<td>There is a direct relationship but no indirect relationship</td>
</tr>
<tr>
<td>Organizational goals</td>
<td>0.034</td>
<td>0.018</td>
<td>There is a direct and indirect relationship</td>
</tr>
</tbody>
</table>
The above results show that although employee commitment has no direct effect on employee performance, there is an indirect effect of employee commitment to performance through CSR implementation. In contrast, the relationship of HRM to performance is only direct. The indirect relationship between HRM and performance through CSR implementation is not significant. On the other hand, the relationship between Organizational Goals and Performance occurs either directly or indirectly. When viewed from the degree of significance, the indirect relationship is stronger than the direct relationship (0.018 vs 0.034). The main purpose of this study is to provide in-depth investigation of the interactions between predictor variables of CSR relationships with individual employee performance on three individual level (commitment), group (HRM), and organization (Organizational Objectives). Successful models have shown that four of the seven hypotheses proposed are supported. When the indirect effect is taken into account, the two hypotheses of the remaining three hypotheses are supported, leaving only one hypothesis rejected. The discussion for each relationship is as follows:

DISCUSSION

The paradigm of constructivism holds that latent variables are artificial from the human mind so that their existence cannot be independent of measurement. In other words, the latent variable is a fiction constructed by the human mind. The latent variable is constructed by man and the relationship between variables is nothing but a mental relation which expresses the theory structure, not the structure of reality. An important concept of constructivism paradigm is parameter determination, indicating that a latent variable is determined or made with indicators. The constructivism paradigm prefers to use construct concepts rather than latent variables. The construct concept is chosen because the construct reflects the existence of a combination of measurements which is a linear composite of the indicators along with the error term.

The description above shows the breadth of perspective regarding the dimensions of HR management. Each perspective can be used to measure HR management. However, if HR management is brought into the CSR context, a number of indicators can be viewed as less feasible. Recruitment and selection indicators, for example, become less feasible because all
employees should be involved and have a high commitment to CSR, so recruitment and selection are less relevant. This study also does not use compensation indicators because compensation leads CSR to economic issues for employees rather than willingness on the basis of morality. The closest indicator group is an indicator of Gilley et al (2009) that includes intervention, initiative, and managerial action. However, these three things are more likely to reflect three versions of motivation or encouragement of the same deed, while the study seeks to make HRM an act, and does not question where it came from, whether it is formal intervention, impromptu initiative or contextual managerial action (Morsing et al (2008)).

Employee Commitment and Employee Performance
The second hypothesis about the effect of employee commitment on employee performance is rejected. Although correlational. there is a correlation between commitment and focal performance of 0.150 and between commitment and contextual performance of 0.117, and there is no correlation with withdrawal behavior because the correlation value is 0.042 <0.100, but causally, the relationship between employee commitment and employee performance has a mark negative, as opposed to the hypothesis.
This causal relationship has a regression coefficient (non-standard) of -0.059 (standard = -0.113) and a standard error of 0.037 with a degree of significance of 0.117 > 0.05. This result means that the small amount of employee commitment in organizing CSR, does not affect the size of performance shown by employees.

Nevertheless, the Sobel test results show that Indirect Employee Commitment to CSR has significant relationship (z = 2.169; 0.030 significance degree <0.050) with employee performance through CSR implementation. Furthermore, this relationship is positive, in accordance with hypothesis 2. Therefore, if the indirect relationship is taken into account, then hypothesis 2 is accepted, ie there is a relationship between employee commitment to CSR and employee performance. This indirect relationship implies that the higher the employee’s commitment to CSR, the higher the employee’s performance, after employees feel the success of the CSR implementation. Because the direct relationship of employee commitment to CSR with performance is not significant, it can be concluded that employee performance will only increase if after committed to CSR, employees see the real impact of CSR implementation. As far as the implementation of CSR has not produced results, employees do not show improvement or decrease in performance.

**CONCLUSION**

Based on the results of the analysis and discussion that has been described previously, it can be summarized a number of the following things as conclusion research:

1. In general, nine out of 10 hypotheses submitted by this study are accepted. The rejected hypothesis is only hypothesis 3, namely that HRM has a positive impact on the implementation of CSR.
2. The greater the employee commitment, the higher the employee’s performance, only after the implementation of CSR has produced a positive result. This indicates that the personal factors of employees have implications for their performance after the CSR program is held. This state of affairs indicates that there is a waiting time before the employee’s commitment to CSR has an impact on their performance after the CSR program gives a positive outcome. This shows that HRM activity for CSR implementation does not have an impact on the success of CSR Implementation. These results
indicate that the HRM program that is held to succeed CSR implementation does not provide the expected function. This step is not able to increase the success of CSR due to ineffective HRM activities held by the company or because of the greater external factors of the environment (eg planning, community, government, or nature) in influencing the implementation of CSR.

3. This shows that the magnitude of HRM CSR activity has an impact on the high level of employee performance, regardless of whether CSR is successful or not. This result shows that although HRM does not have an effect on CSR implementation, it gives effect to individual employees in the form of performance improvement. Furthermore, this result may occur because the activity of HRM is deemed to remain profitable for the employee so that employees respond with performance improvement.

4. These results indicate that organizational factors have an impact on the success of the CSR program. This finding is explained if we look at Organizational Objectives as a form of awareness that affects the psychological employees, where employees feel the CSR has great value for them and the organization so that employees try to succeed CSR program. This impact is only created if the organization really has a specific goal on the CSR program and the goal is communicated to the employees so they understand it. Although the organization has a specific target CSR program, but if employees do not realize it, then there will be no perceived effect on the implementation of CSR. the greater the Organizational Goals, the greater the Employee Performance, but only when the implementation of CSR has been successfully implemented. Before successful implementation of CSR, direct effect will be more dominant because indirect effect has not happened yet, so employee shows low performance. This finding is explained if employees perceive organizational Objectives as a form of insincere commitment from the organization. Employees become disbelieving before seeing results. When employees see real results, this distrust turns into full trust to achieve high performance. Another explanation is that employees are focused on increasing efforts.
IMPLICATIONS

Theoretical Implications

The results of model testing that have been done in the previous section yielded some theoretical contributions as follows:

The results of this study indicate that the commitment of employees to CSR is important in ensuring the success of CSR which in turn will improve the performance of individual employees. Employee commitment to CSR is employee engagement on CSR targets in their work environment. Employee commitment to CSR cannot be expected to lead to performance if CSR targets have not been achieved. Therefore, commitment theory must remain attached to the target of what the employee’s commitment is to achieve. This leads to the possibility of developing a theory that links employees’ commitments to specific targets on the job.

REFERENCES


