THE EFFECTS OF CSR STRATEGIES ON MARKETING PERFORMANCE OF PERTAMINA RIFENIRY UNIT-V BALIKPAPAN THROUGH THE MEDIATING EFFECTS OF VALUE CREATION

*Rita Alfin**

Abstract: *For companies, the implementation of social capital investment can be done through CSR programs (Corporate Social Responsibility), i.e. the programs of corporate involvement in activities outside their business activities to support and develop social interests. It is true that CSR in Indonesia can be said to be in the early phase of growing and developing. This study examines the effects of CSR Strategies on Marketing Performance through Value Creation as a mediating variable. The analytical tool used was Structural Equation Modeling (SEM). This is a quantitative study supported in a qualitative manner. Observations and interviews were also conducted on the object of the research. The data of this research were obtained from the personnel who work in the marketing department of Pertamina Refinery Unit (RU) V Balikpapan. In accordance with the analysis, shows that if there is an improvement in value creation, which primarily can be seen from the number of new customers that come to a company, this improvement will result in higher obtained marketing performance, which can be seen primarily from higher sales growth. Based on the conclusions of the research that CSR Strategies indirectly affect Marketing Performance through Value Creation it is recommended to implement CSR projects using the strategy of value creation since this value creation strategy can improve marketing performance.*

Keywords: *CSR, Marketing Performance, Value Creation.*

1. INTRODUCTION

Investment refers to the act of putting money or capital with the purpose of making a profit, while the word "*social*" means something that has something to do with the aspects of community life (Daryanto, 1997). Thus, if these two words are combined, the term "*social investment*" can be defined as investment in the form of something related to the aspects of life of many people with the purpose of making a profit. In Wikipedia a free encyclopedia, Indonesian version, the term "*social investment*" is also called social responsibility investment which means a form of investment strategies which combine the maximum profit and the social virtues.

For companies, the implementation of social capital investment can be done through CSR programs (*Corporate Social Responsibility*), i.e. the programs of

* Lecturer, Kopertis Wilayah VII Surabaya, Indonesia, *E-mail: rita.alfin.jp@gmail.com*

corporate involvement in activities outside their business activities to support and develop social interests. However, in order that the implementation of these CSR programs still can provide results that support business interests in an extensive manner so that companies can continue to play a role on an ongoing basis in social activities, the conduct of these programs should not only serve as the activities of providing charity, grants, sponsorships, or concern for the environment. Rather, if you wish CSR contributes greatly to performance, bold steps to integrate it into the strategy of the corporate management are required. It is highly necessary for business practitioners.

It is true that CSR in Indonesia can be said to be in the early phase of growing and developing. However, professionals who work in the field of CSR increasingly realize that CSR now needs to be managed professionally and this requires formal institutions both at the national level and in the internal part of each entity. Based on the two latest publications, it is explained that CSR Asia recently has released findings of the research on 14 experts in the field of CSR from Asia, and one of them found that the professionalisation of CSR becomes one of the most important issues for the next ten years to come. It is the time for any professions related to CSR to gain recognition because their role is vital to the survival of a company. In the June 2009 issue, the magazine Ethical Performance also released a headline about the code of conduct for CSR professionals which has been successfully formulated by the organization of *Corporate Responsibility Group United Kingdom* (CRGUK). These two publications help inspire Indonesian CSR professionals to take steps that it is time for Indonesian CSR associations to stand. Finally, on 29 June 2009, the organization that houses the professionals working in the field of CSR was unveiled. The organization is named Association of Indonesian CSR Professionals (Indonesian: *Asosiasi Profesi CSR Indonesia*). The emergence of this association is expected to be one of the main stimulant to the development of the concept and implementation of CSR in Indonesia.

2. PREVIOUS STUDIES

Research conducted by Husted and Allen (2007) on Strategic Corporate Social Responsibility and Value Creation in Large Companies in Spain reveals that based on previous studies varied results were obtained after applying CSR. Some results provide a positive contribution to the financial performance of the companies while the others contribute negatively even serve only as the cost burden to the companies. Also, some of the findings indicate no relationship between CSR and the financial performance of the companies. That is why corporate executives seem like being at a crossroads and half-hearted to integrate CSR in the management process to support the achievement of business targets or goals. Besides, there is also another research gap which states that the direct effects of CSR on financial and other results are still debated (Griffin and Mahon 1997; Knox and Maklan,

2004; in Henderson, 2007). Most research findings suggest a negative relationship between social performance and financial performance (Chand, 2006; Bromiley & Marcus, 1989; Devidson, *et. al.*, 1987; Devidson & Worell, 1988; and wer, 1983; in Raharja2010) and the others find a positive relationship between social performance and financial performance (Bowman, 1978; Coven, *et. al.*, 1987; Fry, 1982; Ingram, 1978, Moskowitz, 1972, 1975; Spencer and Taylor, 1987; Sturdivant and Ginter , 1977; Waddock and Gravs, 1994; in Raharja 2010),

The results of the observation by Henderson (2007) in his research finds that there confusion still exists between commercial priorities and social and environmental-oriented goal. Companies should be able to make a commitment that is impartial and avoid excessive involvement and thus distract attention of the companies from their true main objectives.

In connection with the persistence of the research findings about CSR which results are still contradictory. Meanwhile, a strategist Michel Porter (1995) in Husted and Allen (2007) asserts that CSR can be a source of goodness, innovation, competitive advantage and value creation. Therefore, the implementation of CSR on performance should result in a positive contribution. If this CSR implementation in fact has not been able to provide a significant influence on performance, there must be an error in the implementation of CSR. Building on this idea, the researcher argues that further research is still needed, especially the one which can provide strong evidence that CSR activities managed in an integrated manner into the management process by involving specific personnel who handle CSR professionally will be able to affect performance. If such evidence is found, the CSR will likely get a strong response from the business community and will be a source of motivation for companies to integrate into their corporate management processes.

The previous research by Burke and Logsdon (1996) generates findings that strategic management of CSR in fact can boost corporate profits. It turns out that the findings of the research by Husted and Allen (2007), two professors from Mexico and Spain, support those findings of the research by Burke and Logsdon. Furthermore, Husted and Allen (2007) state that if managers wish to achieve value creation through CSR, then they have to understand the similarities and differences between CSR and market activities. Husted and Allen (2007) in their final conclusions also state that further research is still needed to explain that CSR can be integrated into corporate processes to create resources (assets) and capabilities that are able to bring companies to the level of competitive advantage and high economic performance.

3. HYPOTHESES

The hypotheses to be tested in this research are:

1. CSR Strategies significantly affect Value creation.
2. CSR Strategies significantly affect Marketing Performance.
3. Value creation significantly affects Marketing Performance.
4. Value creation significantly affects Marketing Performance through the Value creation.

4. RESEARCH METHODS

4.1. Data Analysis

In this study, the analysis employed to examine the formulated hypotheses was the analysis of *Structural Equation Modeling* (SEM) with an approach of *Sobel Test* to test mediation among variables. This study examines the effects of CSR Strategies on Marketing Performance through Value Creation as a mediating variable. The analytical tool used was *Structural Equation Modeling* (SEM).

Figure 1: The Research Model
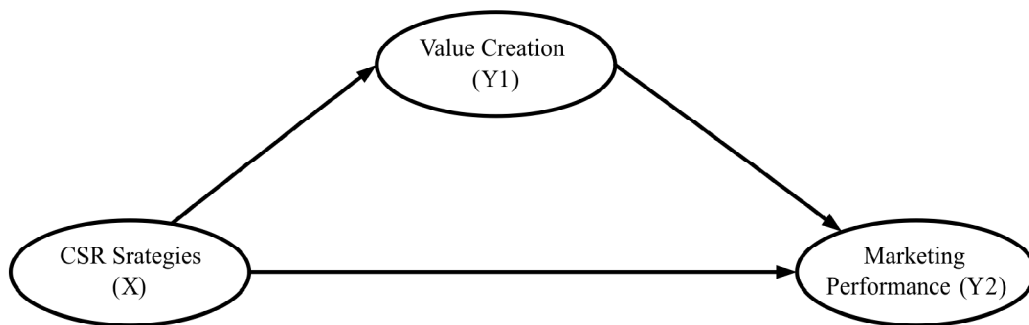
4.2. Research Scope

This is a quantitative study supported in a qualitative manner. The quantitative method aims to explain the effects among variables through hypothesis testing. While the qualitative method was performed to obtain the depth, richness, complexity of the data, facts and phenomena associated with the object of research.

Preliminary research was conducted through literature reviews to find aresearch gap and theoretical foundations that are relevant to this research. Observations and interviews were also conducted on the object of the research to obtain the description of the relevance and feasibility of Pertamina Refinery Unit (RU) V Balikpapan to serve as the object of the research which discusses the relationship between CSR strategies and marketing performance.

4.3. Sample

The sample is composed of some selected members of the population which are then used to draw conclusions about the population under study (Wibisono, 2000). A study using a representative sample will give results that have the ability to be generalized. This study employed a method of the purposive sampling plan which is sampling that applies certain criteria. In this case, the researcher assumes that potential respondents should at least meet the following prerequisites: 1) to understand/ engage in/ watch/ feel directly the implementation of CSR projects; 2) to be conceptually considered able to understand about CSR strategies; 3) to have direct interests or involvement in the efforts to produce marketing performance conducted by Pertamina Refinery Unit (RU) V Balikpapan.

4.4. Data Source

The data of this research were obtained from the personnel who work in the marketing department of Pertamina Refinery Unit (RU) V Balikpapan whom are considered to have the ability to understand the questionnaire distributed in this study and have relevant capabilities to be used as respondents of the research.

5. RESULTS OF THE HYPOTHESIS TESTING

In this structural model, three hypotheses were tested in relation to the relationship among variables (direct effects) and one hypothesis was examined in relation to the direct effects. The complete results for the testing of the relationship among variables are presented as follows:

Table 1
The Structural Model Based on the SEM Results

Intervariable Relationship	Coefficient	P-value	Description
CSR Strategies (X) →Value creation (Y1)	0.467	0.006	Significant
CSR Strategies (X) → Marketing Performance (Y3)	0.011	0.942	Insignificant
Value creation (Y1) → Marketing Performance (Y3)	0.532	0.003	Significant
CSR Strategies (X) → Value creation (Y1) → Marketing Performance (Y2)	0.248	0.044	Significant

Source: Processed Primary Data, 2014

Graphically presented as follows:

Figure 2: The Structural Model Based on the SEM Results
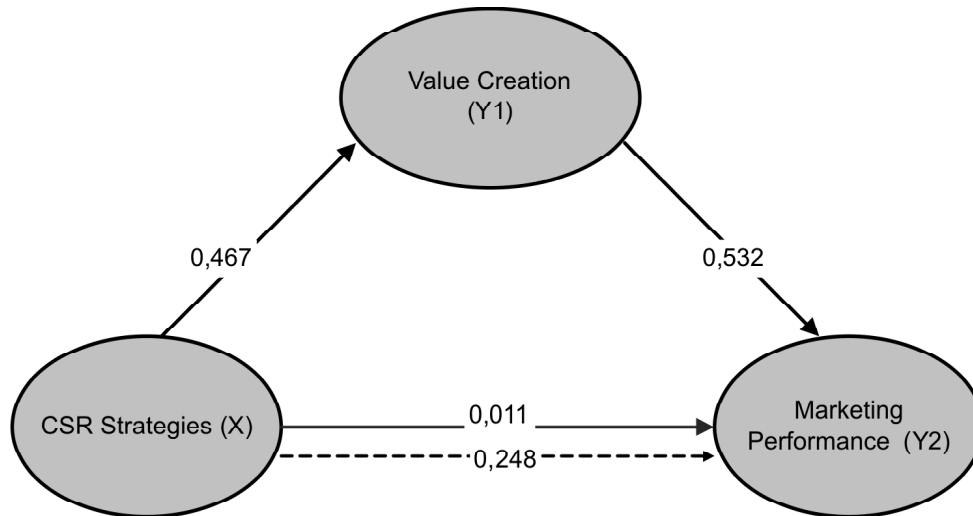
The red line indicates an insignificant relationship

Based on the analysis, the coefficient of the relationship between CSR Strategies and Value Creation reaches 0.467 with a p-value of 0.006. Since the p-value is less than 0.05, it is indicated that CSR Strategies significantly influence Value Creation. Since the coefficient is positive, it indicates a unidirectional relationship. This means that the higher the value of CSR Strategies, the higher the value of Value Creation.

From the analysis, it is suggested that higher CSR Strategies will have positive influence on higher Value Creation. This indicates that improvements occurring in CSR Strategies that can be seen mainly from the feasibility of the CSR programs will result in higher obtained value imaging, which can be seen primarily from new customers who come.

The findings of this research support the theory proposed by Collis & Montgomery, 2005 in Setiyadi 2010 that corporate strategies can seep into the joints of corporate life and have a long-term effect. If you pay attention to this statement, the effects of corporate strategies can be interpreted as having a certain value for companies and contributing to a long-term relational reward. Thus, CSR projects implemented as a corporate strategy in the daily operations of Pertamina Refinery Unit (RU) V Balikpapan will also have implications for the creation of values and a relational reward, and research by Setiyadi (2010) that there are three important factors in corporate strategies. The first factor has something to do with value creation as the primary goal of corporate strategies. The second factor deals with the configuration of a variety of existing resources to support the venture in various

spheres of business, and the third factor is related to how a company coordinates all of its business activities in the corporate hierarchy to realize value creation.

From the analysis, the coefficient of the relationship between CSR Strategies and Marketing Performance is equal to 0.011 with a p-value of 0.942. Because the p-value is > 0.05, it is indicated CSR Strategies do not significantly affect Marketing Performance. This means that the value of CSR Strategies will never have effects on the level of Marketing Performance.

Based on the analysis, the coefficient of the relationship between the Value Creation and Marketing Performance is equal to 0.532 with a p-value by 0.003. Since the p-value is <0.05, it implies that Value Creation significantly affect Marketing Performance. Since the coefficient is positive, therefore the relationship is unidirectional. This means that a higher value of Value Creation will result in a higher value of Marketing Performance.

In accordance with the analysis, it can be concluded that higher value creation will positively affect and generate higher marketing performance. This shows that if there is an improvement in value creation, which primarily can be seen from the number of new customers that come to a company, this improvement will result in higher obtained marketing performance, which can be seen primarily from higher sales growth.

These research findings confirm the results of previous studies by two researchers, namely Nwokah (2009) entitled *Customer-Focus, Competitor-Focus and Marketing Performance*, and Eusebio, Andreu and Belbeze (2006) entitled *Measures of Marketing Performance: A Comparative Study From Spain*, which serve as the basis that the variables of *value creation* and *relasioal rewards* have a relationship and an influence. Those two studies indeed did not explicitly explain the relationship between value creation and relational rewards with marketing performance. However, the first study employed the variables of customer focus and competitor focus while the second study used the variables of customer orientation and competitor orientation, which then simultaneously affect marketing performance. Two independent variables in those two studies actually have similar meanings, i.e. two independent variables which both are assessed from the customer perspective/ orientation and the competitor perspective/ orientation. Likewise, the two variables of value imaging and relational rewards in which these variables are actually a variable that is a reflection of the study on from the customer perspective/ orientation and the competitor perspective/ orientation. Some of the indicators for value creation and relational rewards such as *influencing customer purchase decisions*, *obtaining new customers*, *developing new products and services*, *opening new markets*, *C-C identification*, *loyalty* and *advocacy* are partly included into the customer perspective/ orientation while the others are included into the competitor perspective/ orientation. With this basis, value creation and relational rewards

are placed as a variable that will affect marketing performance as they have similarities to the two previous studies that have placed the variables of customer perspective/ orientation and competitor perspective/ orientation which affect marketing performance. And consistent with results of those two studies, the current study hypothesizes that the variables of Value Creation and Relational Rewards provide a positive influence for marketing performance.

Indirect effects of CSR Strategies (X) on Marketing Performance (Y3) through Value Creation (Y1) generate an indirect effect coefficient of 0.284. Since the direct effects (Decentralization Strategies for Value Creation, and Value Creation to Marketing Performance) are both significant, it can be concluded that there is a significant indirect effect between CSR Strategies and Marketing Performance through Value Creation. This means that the higher the value of CSR Strategies, the higher the Marketing Performance, provided that the Value Creation is also high.

From the analysis, it is suggested that higher CSR Strategies will indirectly affect higher Marketing Performance through Value Creation as the intermediary. This shows that if there is any improvement in CSR Strategies that mainly can be seen from the feasibility of the CSR programs, it will result in higher value imaging that is obtained, which can be seen primarily from the number of new customers that a company will obtain and thus indirectly will result in higher obtained marketing performance, which can be seen primarily from higher sales growth.

These research findings strengthen the results of the studies by Margolis and Wals (2001) and Orlitzy, Schmidt and Rynes (2003) which agree to conclude that the market can provide rewards to a company for its social activities (in Falk and Heblich (2007)). This implies that social activities in the form of CSR implementation are believed to provide economic benefits to the company. One of the final objectives that a company wishes to achieve when running marketing programs, in addition to expanding the market share and sales growth, is to maximize profitability. With the attaintment of its profitability level, a company can plan and carry out business activities in a sustainable manner. In this research, it can be seen that in order to improve marketing performance, CSR strategies are absolutely necessary.

6. CONCLUSIONS AND RECOMMENDATIONS

Based on the analysis given in the previous section, the following can be concluded:

1. CSR Strategies affect Value Creation. The better the CSR Strategies, the better the Value Creation.
2. Directly, CSR Strategies do not affect Marketing Performance.

3. Value Creation affects Marketing Performance. The better the Value Creation, the better the Marketing Performance.

4. CSR Strategies indirectly affect Marketing Performance through Value Creation. The better the CSR Strategies, the better the Marketing Performance if the Value Creation also becomes increasingly better.

Based on the conclusions of the research that CSR Strategies indirectly affect Marketing Performance through Value Creation, it is suggested that the results of this study are used as study materials for the marketing management, especially as a study on the issues related to CSR (Corporate Social Responsibility). It is recommended to implement CSR projects using the strategy of value creation since this value creation strategy can improve marketing performance.

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