

Jurnal Pemberdayaan Masyarakat *Media Pemikiran dan Dakwah Pembangunan*

ISSN: (Print) (Online) Journal homepage:
<https://ejournal.uin-suka.ac.id/dakwah/JPMI/index>

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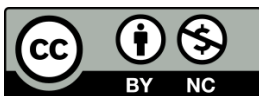
To cite this article: Shafira Mourina Yasmine & Vandy Yoga Swara (2022):
Understanding the Practices of Strategic CSR in Controversial Industry: Case of
Tobacco Company in Indonesia, Jurnal Pemberdayaan Masyarakat: Media Pemikiran
dan Dakwah Pembangunan, DOI: 10.14421/jpm.2022.061-04

Type of paper: Research article

To link to this article: <https://doi.org/10.14421/jpm.2022.061-04>

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Understanding the Practices of Strategic CSR in Controversial Industry: Case of Tobacco Company in Indonesia

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ABSTRACT

How do tobacco companies take responsibility for social issues under the business existence on health problems and economic issues. The research focuses on a small amount of research in corporate social responsibility (CSR) duty under Tobacco Company. Through the Sampoerna Retail Community (SRC), PT HM Sampoerna Tbk shows a different takes problem-solving of CSR on controversial issues. Through qualitative research, the data, primary data (interviews and observations) and secondary data (documentation studies), coded and analyzed using keywords derived from theory. This study found that CSR in cigarette companies is a form of controversial industrial business strategy that departs from considering business processes' internal and external conditions. The results show SRC is a way for companies to be socially responsible by articulating external conditions (outside-in) dominated by public restrictions on tobacco products and as an internal strategy (inside-out) that departs from the logic of business sustainability. SRC is a form of company compliance with several state regulations, restricting cigarette products and preventing children's access to cigarettes as an outside-in strategy. In the inside-out context, SRC is the company's strategy to ensure all consumers can reach products, collaborating with Fast Moving Consumer Goods (FMCG) companies as an alternative to the uncertainty of controversial industry conditions, and reducing CSR costs.

ARTICLE HISTORY

Received 4 October 2021
Accepted 29 June 2022

KEYWORDS

Corporate Social Responsibility, Indonesian Tobacco Company, Controversial Industry

Introduction

The number of companies in Indonesia that engage with CSR activities increase every year. Based on companies partisipation data from the Company Performance Rating Program (PROPER), there was an increase in the number of companies registered in this assessment, namely 2,040 companies in 2020 and 2,642 in 2021 (Kementerian

Lingkungan Hidup dan Kehutanan, 2020). The company comprises various industries, such as oil and gas, mining, automotive, pharmaceutical, food, beverage, animal feed, and cigarettes. During 2018-2019, innovations made by the company in various aspects, such as emission reduction, energy efficiency, biodiversity, and community empowerment, increased by 46%. Implementation of the CSR of each company has specific motives, ranging from community development by utilizing local potential, improving the welfare of stakeholders (Yoga et al., 2018), attempting to get the social license to operate (Elfajri, 2019), and creating mutual benefit or shared value for society and the company (Simatupang & Yoga Swara, 2018).

Abundant articles concerning CSR have been published, but only a few have discussed it in the context of a controversial industry. The context of this controversial industry is needed in the discussion of CSR because there is a contradiction between companies producing products that endanger society but carry out social responsibility (Yatim, 2017). Various parties have reacted to this contradictory practice. United Nations Global Compact (UNGC) states that as part of a controversial industry, tobacco companies are no longer considered socially responsible because they are against the public health agenda (Bialous, 2019). In line with UNGC, the World Bank has also stopped supporting smoking-related activities (Lal, 2012). From Tempo.Co, the Industrial Chamber of Commerce (KADIN) stated that the cigarette industry carries out no CSR because the product alone is an impact that endangers the community (Hayati, 2019). This is due to CSR by the cigarette industry is contrary to the concept of CSR, namely the company's responsibility for all impacts arising from business activities (Abdurakhman, 2019).

Tobacco companies hold several CSR practices in Indonesia can be categorized into education, community care, environment, and culture (Tandilittin & Luetge, 2015). One of a program in community care is entrepreneurial training and awards for Small and Medium-Sized Enterprises (SMEs). Based on Azzahro et al. (2021), an entrepreneurial training model for SME owners looks similar because the target is retailers of tobacco companies. There are Sampoerna Retail Community (SRC) by PT HM Sampoerna, Gudang Garam Strategic Partnership (GGSP) by PT Gudang Garam, and Djarum Retail Partnership (DRP) by PT Djarum. These programs have a similar aim, to promote their product. The research methods of the paper are observation and in-depth interviews with the retail owners. The conclusion is that the programs promote products and brand displays at stores to create brand loyalty.

According to Cai et al. (2012), the cigarette industry is controversial because its products are taboo in society, cause moral debate, and are vulnerable to political pressure. In addition to cigarettes, controversial industries include alcohol, weapons, oil, and others. These characteristics cause the controversial industry to be unacceptable to the public, mainly for health reasons (Palazzo & Richter, 2005).

From the health side, there is the World Health Organization (WHO) Framework Convention on Tobacco Control (FCTC), which functions to limit and control the spread

of tobacco products (Abdi, 2019). As reported from several mass media sources, although Indonesia has not ratified the FCTC, many parties, such as The Union (The Union, 2016), the APACT Conference (Prastuti, 2018), Komnas HAM (Komnas HAM, 2020), and KPAI, have encouraged Indonesia to ratify the FCTC for various health. One of the reasons is that 10-20% of children have started smoking under 14. Besides that, FCTC is a public health agenda that is contrary to the aim of the tobacco companies' campaign.

On the other hand, FCTC ratification is considered economically detrimental to the cigarette industry. Various parties, such as the National Leadership Council of the Indonesian Tobacco Farmers Association (DPN APTI) (Himawan, 2016), Tobacco Farmers, the Indonesian Tobacco Society Alliance (AMTI), Member of DPR Commission IV Luluk Nur Hamidah (Liputan6.com, 2020), and University Chancellor Jendral Ahmad Yani (Media Indonesia, 2021), rejected FCTC ratification because of the cigarette and tobacco industry play a role in employment and farmer's welfare. Moreover, based on research conducted in Indonesia and the Philippines, there are two main reasons that farmers choose to grow tobacco (Appau et al., 2019). First, perceived viability involves higher profit than the other crops, always available market, and environmental factors suitable for tobacco. Second, financial context involves access to financial loans and lump-sum payments.

Based on the controversy, this paper aims to understand the logic of CSR in controversial industries in Indonesia, especially the cigarette industry, amid the pros and cons of its existence and products. This paper analyzes how controversial companies internalize the idea of social responsibility into their business by using a strategic CSR approach that focuses on looking at the inside

out and outside- in dimensions. In general, the inside-out dimension is about how the company transforms its business activities to create social and economic values and also increases its competitiveness. On the other hand, the outside-in dimension is about how the company adapts to and solves the external condition that may affect its productivity.

Literature Review

Research that discusses strategic CSR in controversial industries has not been widely carried out, but several studies have used this approach. According to Sharma & Song (2018), the main factor in the controversial industry implementing CSR is not morals due to dangerous products but a competitive advantage. According to Vollero, Conte, Siano, & Covucci (2019), controversial industries pay more attention to stakeholder engagement and deliver more detailed information related to CSR implementation than non controversial industries. This is done as an effort to engage and mitigate risk. According to Jo, Kim, & Park (2017), the involvement of controversial industries through CSR practices and policies reduces risk and increases opportunities to obtain and maintain a social license to operate. From the three studies, it can be seen that the implementation

of CSR by controversial industries has the main driving factors in increasing competitive advantage, engagement efforts, and risk mitigation, as well as having an impact on reducing risk and obtaining a social license to operate. This study fills the gap in the form of other driving factors in the implementation of CSR by the controversial industry, which is structured by integrating the company's external and internal conditions.

Controversial industries are products, services, and concepts that will cause dislike, offense, disgust, and anger when the product is publicly mentioned or presented (Cai et al., 2012). Based on the causes, two types of controversial industries are contrary to morals and industries that raise social and environmental problems (Cai et al., 2012; Song et al., 2020). Industries against morals are controversial because their products or services harm society from moral, health, economic, and social aspects, such as cigarettes, alcohol, and adult entertainment. The industries that cause environmental and social problems are controversial due to product or operational activities harming the environment and society, such as weapons, nuclear, oil, cement, and biotechnology. These industries have characteristics taboo in society, create moral debate, and are full of political pressure.

The typology of a controversial industry must come up because of its low legitimacy and reputation due to its negative impact on economic, social, and environmental aspects. Its position is different from other industries (Song et al., 2020). The cigarette industry is controversial because of its addictive and lethal products and past behavior. This behavior is if establishing research institutions to produce research results that follow their interests, such as doubting research that states cigarettes cause lung cancer (Palazzo & Richter, 2005). Adverse reactions from various groups in public have also emerged so that this industry is no longer trusted, including when carrying out its social responsibilities.

Cigarette business activities that produce dangerous products also deviate from proper industrial behavior (Leventis et al., 2013). These industry standards of behavior are based on the environmental and social impacts and social norms. The prevailing social norms aim to create conditions that favor common interests, not just a group (Festre, 2010 in Leventis et al., 2013). This conflict between business activities and the characteristics of the cigarette industry with social norms has resulted in stigmatization.

Simply, stigmatization is defined as rejection and causes the cigarette industry to have less opportunity to survive (Vergne, 2013). The stigma in the cigarette industry is called core stigmatization because it is caused by core business activities and requires strategies to minimize its impact (Grougiou et al., 2016). One of the strategies used by the cigarette industry, as a controversial industry, is CSR communication. This strategy aims to positively influence stakeholders' views of the company and improve its reputation and competitiveness (Kilian & Hennigs, 2014).

According to Cai et al. (2012), CSR practices have pros and cons in controversial industries. The pros think controversial industries have the right to implement CSR because it can improve reputation, top management has the freedom to determine its business strategy, and no company is perfect. On the other hand, the contra thinks that

the government should denormalize and regulate controversial industrial activities considered socially responsible. This is because the products of this industry alone are dangerous, and the attitude of company executives cannot be trusted. Therefore, this controversial industry's actual practice of CSR must have clear regulations from the government because of its different position from non-controversial industries (Lindorff et al., 2012).

According to Porter & Khamer (2007), companies implement CSR for several reasons; first, as a form of moral compliance, companies have to be good citizens and do the right thing (according to norms). Second, for environmental and community sustainability, companies can meet the needs of today's society without endangering future resources. Third, to obtain a license to operate because the company needs permission from stakeholders, like the government and the community. Finally, improving the company's image will affect the brand's strength, morale, and stock value (Porter & Kramer, 2007). However, the regular practice of CSR has a weakness. It does not significantly impact social problems that occur and does not impact business sustainability. Controversial industries cannot be equated with non-controversial industries because they are still struggling to find legitimacy to maintain their existence (Palazzo & Richter, 2005). Therefore, the strategic CSR approach was chosen as a framework for this research to understand the logic of CSR in a controversial industry.

Strategic CSR is an effort to invest in social and environment to integrate social, environmental, and economic benefits and increase the company's competitive advantage (Marques-Mendes & Santos, 2016). This effort must have its uniqueness for the company that implements it. It can be in the form of lower costs, meeting the gap in community needs, or other things that can increase its competitiveness (Martinuzzi & Krumay, 2013). In other words, strategic CSR is a way to create economic mutuality, namely, mutually benefiting society and companies socially, environmentally, and economically (Mayer & Roche, 2021). One of the goals of this mutuality is to identify ways to restore the company's role to the public so that it can be adapted by companies with low reputation and legitimacy, like controversial industries.

How CSR Become Strategic CSR

Strategic CSR can be realized by simultaneously integrating the outside in and inside-out dimensions, including the company's vision and mission, decisions, and targeting stakeholders, especially workers, marketers, and consumers (Martinuzzi & Krumay, 2013; Porter & Kramer, 2007). The company's activities affect the community and the environment; vice versa, the community's social conditions will affect the company (Porter & Kramer, 2007). The company is in a large business ecosystem and involves many stakeholders, ranging from individuals, communities, and resources that contribute to the business, so they must be responsible for all of them (Mayer & Roche, 2021).

The outside-in dimension allows companies to understand external conditions affecting their productivity and strategy (Porter & Kramer, 2007). Internalizing the

company's external conditions can create profitable opportunities if it becomes a source of problem-solving (Mayer & Roche, 2021). According to Porter & Kramer (2006), this external condition is mapped with a diamond framework because it consists of four things that influence each other. First, matters related to the company's strategy and competitiveness, such as government regulations and intellectual property protection. Second, local demand conditions, like the nature of the request. Third, quality input factors include trained human resources, access to research institutions, and efficient infrastructure. Finally, supporting industries, such as local suppliers and companies in the same sector.

According to Mayer & Roche (2021), organizations are considered successful if they follow goals beyond personal interests, carry out their obligations, and create economic mutuality. Setting goals as drivers of corporate activity is useful for identifying problem-solving as a source of economic performance and social welfare. The strategic context in the company is the same as the organization in general, namely, carrying out activities that support the achievement of the vision and mission (Bhattacharyya, 2010). In other words, the vision and mission as goals and drivers of business activities can be a company's strategic efforts in solving problems and creating economic and social value. Therefore, this business activity or supply chain is closely related to the company's vision and mission, which can be seen with the inside-out dimension.

The inside-outdimension is a company's way of transforming activities in the value chain to seek opportunities to create social value and increase its competitiveness (Park et al., 2015). A value chain is creating or adding value to all company activities while running a business to increase product value and company competitiveness (Holweg & Helo, 2014; Porter & Kramer, 2007). This activity includes input, process, output, marketing, until consumer, or what is known as the supply chain. With the value chain, companies can identify their activities' positive and negative impacts so that the focus on social issues can be right on target, both for the community and the company.

Controversial industries need these two dimensions to implement CSR because they have many intersection points between business and society, specifically development, technology, norms, and social values (Cai et al., 2012). Even so, companies cannot solve all the problems in society, so choosing social issues related to the company's business is important (Porter & Kramer, 2007). Hopefully, these social issues can be handled properly while strengthening their position.

Methods

This study focuses on understanding the logic of CSR in a controversial industry, taking the case of the SRC program from PT HM Sampoerna Tbk. The approach used is strategic CSR because controversial industries have their motives and ways of carrying out their social responsibilities (Palazzo & Richter, 2005).

This study collected data through in-depth interviews, observation, and documentation studies. First, data collection was carried out by identifying informants

based on the required information related to PT HM Sampoerna Tbk's SRC program. In-depth interviews were conducted with two parties, namely the company's internal management and the beneficiaries as the company's business partners. Observations were made at the SRC grocery store to complete the interview data. The researcher also conducted data reduction during the interview process to sort out the information based on the research theme.

The data is coded with secondary data sources from the results of documentation studies in the 2011-2020 PT HM Sampoerna Tbk Annual Report, journal articles, and news articles. The three data sources are used to see an overview of the challenges faced and the strategies adopted by the cigarette industry. The company's annual report is an essential secondary data source because it includes self-reports related to CSR implementation and describes its strategy and commitment to CSR (Kilian & Hennigs, 2014). After that, the researchers analyzed the data with a predetermined approach and obtained conclusions. In the last stage, the data is displayed in descriptive form.

As written in the first paragraph of the literature review, this study fills the gap about other factors of CSR in a controversial industry, that is structured by external and internal factors and using Porter and Kramer's framework called strategic CSR. This study also focuses on one big cigarette company in Indonesia, which Indonesia is one of the countries that have a big population of smokers and markets, and it is rare to find studies about controversial industries in Indonesia.

Findings and Discussion

Indonesia has the fifth-largest cigarette market globally (Hurt et al., 2012), and 37.9% of the population are active smokers (World Health Organization, 2018). However, external challenges and pressures continue to occur in the cigarette industry, both from state and non-state actors (non-governmental organizations). These external challenges and pressures arise because the cigarette industry produces harmful products for society. As a result, the position of this industry is different from that of non-controversial industries, namely low legitimacy and reputation (Song et al., 2020). Every company must implement CSR as a form of responsibility to the community for the impact of its business activities (Lindorff et al., 2012). Hence, companies in controversial industries perform CSR, which is an obligation and a strategy of articulating external conditions and increasing reputation and legitimacy to maintain business sustainability. This CSR practice integrates the company's external and internal conditions is called strategic CSR.

SRC is a strategic form of CSR implemented by the cigarette industry, PT HM Sampoerna Tbk. By articulating external conditions, the SRC can be viewed in three ways as a form of obedience. First, as a form of company compliance with companies' regulations governing social responsibility obligations. Second, compliance with

regulation control cigarette promotion, namely SRC as a branding agent. Third, compliance with regulations to prevent access to cigarettes by children.

SRC can also be seen as an internal strategy in three forms that aim to maintain business sustainability. First, achieve the company's mission of providing products to consumers anywhere. Second, cooperate with FMCG companies as a business alternative amidst the uncertain conditions in the cigarette industry. Lastly, reduce the cost of implementing CSR.

Outside-In Dimension: Dealing Mechanism of Business Restriction

The outside-in dimension is the company's way of articulating external conditions that can affect business continuity (Porter & Kramer, 2007). By looking at this dimension, SRC is a company adapting to various regulations and challenges displayed in Table 1. First, UU No. 40 of 2007 concerning limited liability companies (LLCs), specifically article 74 paragraph 1, states that companies that carry out their business activities in the field of funds or related to natural resources are obliged to carry out social and environmental activities responsibilities. According to this regulation, social and environmental responsibility is a company's commitment to participate in sustainable economic development. The purpose is to improve the quality of life and the environment and benefit the company, the surrounding community, and the public. The goal is that the company has a good and balanced relationship with the community's environment, norms, and culture.

PT HM Sampoerna Tbk runs SRC as a CSR program that empowers grocery stores to compete with modern stores. Based on the company's management (DA) statement, SRC aims to advance the local economy by improving the quality of grocery stores quality. Hence, people are interested and comfortable shopping at grocery stores. Grocery stores are included in Micro, Small, and Medium Enterprises (MSMEs), contributing significantly to the national economy. In 2019, MSMEs contributed 60% of GDP (Lokadata, 2020) and SRC grocery stores contributed IDR 5.7 trillion per year, or 0.24% of national MSMEs (Merdeka, 2021). Therefore, contributing to the local economy will also affect the national economy. This is in line with the provisions of CSR according to UU No 40 Tahun 2007, which is to contribute to sustainable economic development.

SRC was established in 2008 during the rapid growth of modern minimarkets. PT HM Sampoerna sees that the grocery store, its business partner, does not have a community to share and guide each other to grow and compete with modern stores. PT HM Sampoerna saw an opportunity to create a grocery store empowerment program as a form of social responsibility for this condition. The empowerment was manifested starting from the improvement of fundamental aspects, such as the implementation of the neat, clean, and bright concept in grocery stores, painting stores with dominant colors of white, red, and grey as an identity, and store name banners with red color and the SRC logo, lights every 1-2 meters distance, and the layout of the goods.

The fundamental aspect aims to increase store convenience for consumers and public awareness regarding the identity of SRC.

No	Regulator	Regulation	Forms of Public Control and Restriction
1	Government of the Republic of Indonesia	<ul style="list-style-type: none"> • Government Regulation No. 109 of 2012 • Part III Distribution 	<ul style="list-style-type: none"> • Safeguarding Materials Containing Addictive Substances in the form of Tobacco Products for Health, which includes production and import, distribution, special protection for children and women, and Non-Smoking Zones. • Control of advertising and promotion of cigarettes, both in print media, broadcasting, information technology, and outdoors, so that the promotion of cigarette products becomes more limited.
2	Government of the Republic of Indonesia	<ul style="list-style-type: none"> • Government Regulation No. 109 of 2012 Article 25 • Article 30 	<ul style="list-style-type: none"> • Prohibition of selling tobacco products with self-service machines to children under 18 and pregnant women. • Advertisements in information technology media must comply with the requirements of tobacco product trademark sites that apply age verification to limit access to only those aged 18 years and over.
3	World Health Organization	<ul style="list-style-type: none"> • Framework Convention on Tobacco Control (FCTC) 	<ul style="list-style-type: none"> • Control of tobacco production, from tobacco farming (upstream) to finished products or cigarettes. It aims to protect present and future generations from the health, social, economic, and environmental impacts of cigarette smoke consumption and exposure.

Table 1. Regulatory Context Regarding Cigarette Products. *Source:* Secondary data, 2021.

This program also formed the SRC community to facilitate grocery store owners to share information and experiences in managing stores. The SRC community is divided by region and usually consists of 10-15 shops. The beneficiaries also stated that this

community is useful for developing stores because each has its problems. Through this community, they find solutions. PT HM Sampoerna also does routine assistance through its field staff, called the SRC Coach. This assistance is carried out by visiting the target shops every two weeks to ask about problems, fix the layout of goods, and inform temporary programs. This temporary program aims for consumers to collect points for every purchase with a certain amount; after the points are collected, they can be exchanged for predetermined prizes.

Second, the Republic of Indonesia Government Regulation No. 109 of 2012 concerning the Safeguarding of Materials Containing Addictive Substances in the form of Tobacco Products for Health, especially the distribution section, controlling the promotion of products with certain conditions in print media, restrictions on broadcasting time, and restrictions on access information technology media for under 18 years old. With limited promotional media, SRC has become a branding agent that builds Sampoerna's brand image through store displays and applications available on mobile phones (Azzahro et al., 2021).

Branding agents strengthen the brand image in public through the store empowerment program, such as store paint colors and store name banners with colors and designs similar to the cigarette products. This strategy is an alternative for companies in controversial industries to promote products amid tight regulations on cigarette promotion restrictions (Stead et al., 2017).

Third, SRC has implemented the Prevention of Access to Purchase of Cigarettes by Children (PAPRA) program since 2013 as a form of PT HM Sampoerna's compliance with Government Regulation No. 109 of 2012, which aims to protect children from the dangers of addictive substances. This implementation is realized through education by SRC Coach, as a companion, to grocery store owners about PAPRA and the installation of stickers and posters prohibiting access to cigarettes by children under the age of 18 in stores. SRC Coach also said that PAPRA materials could be accessed on the Ayo SRC application and online classes held regularly.

Prevention of access to cigarettes by children is not only in-store but also done digitally through Sampoerna's online shopping application, namely Ayo SRC. This application aims to help retail stores enter the digitalization era and connect wholesalers with retail (business to business) and retail with consumers (business to consumers). Prevention of cigarette access in this application is realized by verifying ID cards at the account registration stage. If the user is a child under 18 years old, who does not yet have an ID card, they will not be able to access it. There will be many advertisements for cigarette products in the Ayo SRC application.

Besides Ayo SRC, there is also the Ayo Mitra application for agents (wholesale) to connect with retailers to buy and sell goods and manage store management. The Ayo Kelontong application allows consumers to shop online at the nearest SRC store, providing delivery service. Based on the beneficiaries 1 (NT) statement, grocery store owners find it helpful in shopping because it saves time. It also records that goods,

finances, and administration entry and exit are neater and well-documented. Consumers also feel benefited because they can shop online. There are many interesting promos, and the price of goods is lower, so they are more efficient. This application is also beneficial for the company because increasing public brand awareness. Many product advertisements provide information on the nearest SRC from the application design with Sampoerna's distinctive colors (Azzahro et al., 2021).

With the benefits of the SRC program that are felt by stakeholders, both beneficiaries, the community, and the government, PT HM Sampoerna Tbk has succeeded in gaining legitimacy through the CSR program. Legitimacy is a general perception that the actions of an entity are socially acceptable norms, values, and beliefs or are referred to as social contracts between business and society (Aqueveque et al., 2018). The company's management also stated that they had a closeness and earned the trust of grocery store owners.

"I was initially skeptical of tobacco companies because their products were harmful to health and contrary to their values. However, after following SRC and experiencing the benefits for the development of his shop, I came to believe that the company is also responsible." (Program recipient 2 (ST), October 23, 2021)

Based on the statement of ST, the SRC community in their area also carried out socialization with *Dinas Koperasi, Usaha Kecil, Menengah, dan Perindustrian* about the existence of SRC social activities, such as donating clean water to villages and orphanages. This is in line with the driving force of CSR, namely seeking legitimacy and increasing public acceptance (Palazzo & Richter, 2005). However, the company's legitimacy is not fully obtained because there is still stigma and controversy regarding CSR implementation (Eriandani & Wijaya, 2021).

The Framework Convention on Tobacco Control (FCTC) is another external condition challenging the cigarette industry. It creates a mechanism for monitoring the cigarette industry (Bialous, 2019) and increasing excise and taxes (Lee et al., 2012). Although the FCTC has not yet been implemented in Indonesia, excise taxes increase yearly. This increase in excise tax aims to reduce cigarette consumption by the public (Wandita, 2020). The annual report of PT HM Sampoerna Tbk from 2011 to 2020 also stated that excise duty continues to increase every year. It impacts increasing selling expenses and is charged to product prices. These impacts increase product prices so that consumers shift product preferences.

Inside-Out Dimension: Socio-Economic Value Creation

An organization's activities can be considered strategic if it is closely related to efforts to achieve the vision and mission and the implementation of CSR, which will be strategic if CSR is closely related to the company's vision and mission (Bhattacharyya, 2010). Vision and mission as goals and drivers of business activities can be a company's strategic efforts in solving problems and creating economic and social value (Mayer & Roche, 2021). In

a business entity, this activity is manifested in the supply chain, a process from raw material as an input to finished products and reaching the consumers (Holweg & Helo, 2014). The company can maximize every part of the supply chain to create social and economic value while increasing the company's competitiveness through a program. The value chain is created or added value to all company activities while running a business that can increase product value and company competitiveness (Porter & Kramer, 2007). The inside-out dimension is the way to map positive and negative impacts on the value chain. SRC can be seen in three forms with inside-out dimensions.

First, SRC is a strategy to achieve the company's vision and mission. Vision and mission have an essential role in an organization because they describe the differences and uniqueness of the organization (Akeem & Edwin, 2016). This also applies to companies, the vision is the goal to be achieved, and the mission is a way to accomplish that goal (Agwu, 2015 in Akeem & Edwin, 2016). PT HM Sampoerna Tbk has the vision to become the most prominent company in Indonesia and the mission of the Three Hands Philosophy. Three main stakeholders must be embraced to achieve the company's vision. The three stakeholders include adult smokers as consumers, employees, business partners, and the wider community.

Mission serves as a guide for the activities of an organization to achieve its vision (Anthony, 2012). In realizing the mission of embracing business partners, PT HM Sampoerna Tbk created SRC in the supply chain. A supply chain is all activities that convert raw materials or parts into products. This activity starts with raw materials from suppliers, transportation, warehouses, processing by factories, and distribution by distributors, retailers, and consumers (Porter & Kramer, 2007; Vorst, 2004). As its business partner, SRC is in retail, specifically the grocery store. Retailers have an essential role in business because they are the last part of the supply chain. Products and consumers meet and are in direct contact with them (Madhani, 2021).

"The grocery store in the SRC program is the company's strategy to strengthen product distribution channels to adult smokers, in line with our mission to embrace consumers. This mission is realized by providing products anywhere to easily accessible to consumers." (DA, October 22, 2021)

SRC grocery stores have reached more than 130,000 across all provinces in Indonesia (PT HM Sampoerna Tbk, 2021). Retailers are also required to use Ayo SRC, one of which is to monitor cigarette sales every week. Based on the statement of beneficiaries, there are 5-6 weekly tasks on the Ayo SRC application related to the number of cigarette sales and store management. The execution of this task must be accompanied by photo evidence. There is a reward in the form of points that can later be disbursed into money if accomplished the tasks.

Second, retailers also have a relationship with more partners than other parts of the supply chain because they have many vendors to supply products to sell (Madhani, 2021). The retailer's strategic position makes SRC a form of PT HM Sampoerna Tbk's strategy

to survive amid the uncertain state of the cigarette industry. This strategy cooperates with various FMCG companies that become grocery store partners to supply goods.

“This collaboration is expected to improve the image of SRC member grocery stores in the ‘eyes’ of FMCG companies and become a business alternative due to the increasingly uncertain condition of the cigarette industry.” (DA, October 16, 2021)

Since 2018, the SRC program has been under PT SRC Indonesia Sembilan (PT SRC IS) management because it focuses on general trading and digital platforms for commercial purposes. However, PT SRC IS is a subsidiary of PT HM Sampoerna Tbk (PT HM Sampoerna Tbk, 2021). Therefore, PT SRC still has a relationship and is a strategy to maintain PT HM Sampoerna Tbk’s business sustainability.

Finally, from the financial side, the company has a special budget allocation for CSR implementation, which is not integrated with the company’s overall finances (Kramer & Porter, 2011). The SRC program budget is separate from PT HM Sampoerna Tbk and is managed by PT SRC IS. The cost of implementing the SRC program comes from cooperation with FMCG companies through the space rent contract mechanism. This mechanism is in the form of a rental contract between a grocery store owner and a producer to sell products in the store for a certain period. With the fees paid by the rental company, the grocery store owner gets an 80% and 20% share for PT SRC IS, which will be re-managed to create an SRC quality improvement program. This program is in the form of competitions between retailers, for example, the neatest shop, the best design, and the best seller.

The costs continue to rotate from space rent contracts and management by PT SRC IS. PT HM Sampoerna Tbk has created economic and social value while reducing CSR costs. This is in line with strategic CSR, which can generate shared value for the community and the company by investing in social aspects that can strengthen the company’s competitiveness (Porter & Kramer, 2007).

The strategic CSR approach by Porter and Kramer, which consisted of the outside-in and inside-out dimensions, is needed to be understood in the case of controversial industry because it frames the factors, external and internal, that affect the business. It explains how the business units run their activities, adapt, and be sustainable even though under external pressure, like government policy and public stigma, and should still achieve the company’s goals. Therefore, the CSR activity is not just a program for the citizen, but also a strategy that advantages the company.

The controversial industry, in this case PT HM Sampoerna Tbk, is doing CSR through the SRC program but it is not just for obeying the rules about social responsibility, it is also a strategy for the company to deal with cigarette policies, like the restriction of the product itself, the selling, and the marketing. Besides, it is also a strategy to promote its product and make sure that the products reached its consumers. This CSR program is different from non-controversial industries that only consider external factors, it also considers internal factors to maintain its business sustainability. Even though it

can be said that the program is successful to integrate external and internal factors of the business, but from the observations, the quality of the SRC grocery stores are different, not all stores reach the standard. Therefore, the company should pay more attention to CSR itself.

Conclusion

The practice of CSR by controversial industries cannot be implemented like non-controversial industries. This kind of industries have a different position, having a low reputation and legitimacy due to dangerous products. This industry is also under external pressure, both government regulations and the plan of non-governmental organizations. In contrasts, non-controversial industries that carry out CSR practices only consider external conditions. Companies in controversial industries also have a goal, like other industries, to run their business sustainably. Therefore, controversial industries have ways and motives to implement CSR to maintain their existence. In general, CSR practice in a controversial industry is a strategy to maintain its existence and solve external challenges. It is also important to keep the quality of the CSR itself.

By discussing the controversial industrial logic with a strategic CSR approach, the objective of this research has been achieved. PT HM Sampoerna Tbk integrates and considers outside-in and inside-out in its implementation through SRC. With the outside-in dimension, SRC is a way for companies to articulate external challenges in state regulation in three forms. First, UU No. 40 of 2007 requires companies to carry out social and environmental responsibilities. This program is a form of CSR implementation by PT HM Sampoerna Tbk that empowers the community, especially retailers. Second, RI Government Regulation No. 109 of 2012 concerning Safeguarding Materials Containing Addictive Substances in the form of Tobacco Products for Health regulates and limits cigarette promotion. SRC becomes an alternative promotion to increase public brand awareness making grocery stores a branding agent. Third, SRC has implemented the Prevention of Access to Purchase of Cigarettes by Children (PAPRA) program since 2013 as a form of PT HM Sampoerna's compliance with Government Regulation No. 109 of 2012, which aims to protect children from the dangers of addictive substances. With the inside-out dimension, SRC is PT HM Sampoerna Tbk's strategy to transform the value chain to produce social value while increasing competitiveness, which can be seen in three forms. First, it is a way for the company to ensure that cigarette products reach consumers everywhere, in line with the mission of PT HM Sampoerna Tbk. Second, cooperate with FMCG companies as a business alternative amidst the uncertain conditions in the cigarette industry. Finally, reducing the cost of implementing CSR because PT SRC manages SRC IS as a subsidiary, and the source of the costs comes from the space rent contract system.

Acknowledgement

The authors thank the Department of Social Development and Welfare, Universitas Gadjah Mada who helped in many forms, especially Milda Longgeita Br Pinem and Rezaldi Alief Pramadha for the review and advices. Thank to the company's staff and program recipients who participated in this research, also the anonymous reviewers for the reviews.

Author's declaration

Authors' contributions and responsibilities. Write the contribution of each author here, or mark the following column. The authors made substantial contributions to the conception and design of the study. The authors took responsibility for data analysis, interpretation and discussion of results. The authors read and approved the final manuscript.

Funding

No funding information from the authors.

Availability of data and materials

All data are available from the authors.

Competing interests

The authors declare no competing interest.

Additional information

No additional information related to this research.

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