

PROCEEDING

The 4th Sebelas Maret International Conference
on Business, Economics, and Social Sciences

SMICBES

“

**BUSINESS INNOVATION,
GLOBAL MARKETS,
AND SOCIAL CHANGES.**

”

August 9 - 10th, 2017
Solo, Indonesia

Published by
Faculty of Economics and Business
Universitas Sebelas Maret



**ANALYSIS STRATEGY OF CORPORATE SOCIAL RESPONSIBILITY
(CSR)
A CASE STUDY OF PT PERKEBUNAN NUSANTARA XII**

Sad Likah, Universitas Sebelas Maret
Soemanto, Universitas Sebelas Maret
Drajat Tri Kartono, Universitas Sebelas Maret
Adi Ratriyanto, Universitas Sebelas Maret

ABSTRACT

CSR is a manager's skill in combining business context and social context. This study used a qualitative approach analyzed descriptively, with case study research strategy. PTPN XII is a company engaged in the field of agribusiness, in accordance with operational characteristics have an organizational structure with lower employees (employees executing/labor) in large quantities. This brings consequences for companies to balance between internal stakeholders (employees) and external stakeholders (the wider community) in the strategy of determining the beneficiaries. CSR implementation in the form of partnership programs and empowerment of farmers who are employees of the executor (labor) and the community around the company. Community development program in the form of direct assistance in the form of grant or charity in the form of assistance to victims of natural disasters, greening and to orphans and for the construction of houses of worship.

Key words: CSR, empowerment, employee engagement

1. Introduction

The concept of Corporate Social Responsibility (CSR) translated into corporate social responsibility or corporate social responsibility evolves with the times. CSR is a firm adaptation to the demands of society, changing in line with changes that occur in society (Rachman et al, 2010; Kakabadse et al, 2005; Rudito and Famiola, 2013). Broadly speaking, the concept of CSR evolves from public pressure to the negative impact of the company. Siswoyo (2012) stated the company's perception of CSR initially CSR is considered as the cost that will increase the burden of the company and reduce the profit. In addition CSR is considered only for large companies, separated from the core business of the company, not related to the customer, is cosmetic, fully voluntary, and is considered only addressed to external parties only. It is this false assumption that sparked a debate about CSR.

The debates and differences of understanding between business practitioners (companies) and academics (Kakabadse et al, 2005), community and government (governance) on the concept of CSR bring consequences to the implementation of CSR in the field. Implementation of the use of corporate social responsibility (CSR) instrument is now more oriented giving charity (philanthropy, charity), and itupun still not well patterned because of lack of coordination. For that reason, the discussion around CSR to find the pattern of CSR implementation that is more oriented to resource recovation and community empowerment especially micro, small and medium enterprises (UMKM) is still very relevant.

The existence of the company aims to benefit from the products produced. On the side it brings benefits to the corporate community also brings a negative impact of environmental damage and change the order and pattern of community and family life. Its presence also causes impacts such as conflicts and social structural changes that generate social jealousy (Syarfi, 2008; Ivanovich and Fadjar, 2001; Rachman et al., 2011). Large plantation data in East Java to date are 125 orchards with a total area of 145,213 hectares (East Java Plantation Office, 2011). Of the total plantation area in East Java, 80,927 Ha is more than 50% owned by HGU PTPN XII. The extent of plantation area owned by HGU PTPN XII illustrates the company's strategic role in socio-economic improvement of the community in East Java plantation area. In order for the handling of social issues to succeed and bring benefits to society and the company needed a good understanding of the social issues that have occurred (Porter and Kramer, 2006 in Filho et al., 2010). Therefore, it is necessary to study CSR

strategy which consist of CSR concept according to the company and its implementation based on underlying problem, corporate characteristics and things that need to be criticized in its implementation in order to bring benefit for company and society.

2. Metode

This study used a qualitative with case study research strategy. The data collected mainly in the form of secondary data in the form of company annual report documents, annual reports of PKBL and various literatures. This study is also supported by primary data from interviews with key informants, PKBL officers, vice managers, heads of breeders and farmers groups of 40 partners. The research subject is CSR strategy of PTPN XII company. The qualitative analysis is data interpretation based on judgment considerations and from various literatures. By providing a review or interpretation of the data and information obtained, it becomes more meaningful than simply serving in numerical form (Hendarso 1995).

3. Results and discussion

History

PTPN XII is a company engaged in agribusiness including plantation cultivation and processing of raw materials into finished materials and end products. The composition of employees in PTPN XII is mostly low-class employees (class I), more than 55 percent with low education primary and junior high (Annual Report, 2010).

Corporate Social Responsibility (CSR), PTPN XII Persero has actually been going on for a long time. History of CSR implementation in PTPN XII, in line with the history of CSR BUMN has lasted long waupun not called CSR. In 1989 there was co-operative guidance called "pegelkop" program arranged through the Minister of Finance Decree (Kepmenkeu) on guidance of fostering weak economic entrepreneurs and cooperatives through BUMN.

Law no. 19 of 2003 on BUMNchapter 2 states state-owned enterprises aimed at making profits also play a role in the fostering of small and medium enterprises. Furthermore, Government Regulation no. 3 Year 1983 states the cost of small business coaching is charged as the cost of the company. Then, through the Decree of BUMN no.236 / MBU / 2003 dated June 17, 2003, on partnership program with small business and community development (PKBL), then updated through Decree BUMN no.5 / MBU / 2007 then the latest Kepmen 08 / MBU / 2013 on PKBL. The basic implementation of PKBL in PTPN XII is also Law Number 40 of 2007 concerning Limited Liability Company, which is further regulated through Government Regulation Number 47 Year 2012 on Corporate Social Responsibility and Environment Limited.

CSR Strategy

CSR concept

CSR according to company management aims to maintain the sustainability of the company by establishing synergy with all stakeholders. Understanding of this CSR can be seen in the Annual Report in the Year 2010 to 2015 Annual Report which states:

"Partnership and Community Development Program (Bina Lingkungan) (PKBL) as a form of corporate concern and social responsibility in it contain elements of social responsibility and contribute to the development of people's economy in the environment of work and society in general."

Conceptually CSR is understood as the company's efforts to always adapt to its environment and relevant stakeholders both nationally and internationally. This concept is in line with

opinion (Rachman, Effendi and Wicaksana, 2010; Kakabadse, Rozuel and Lee-Davies, 2005). CSR aims to maintain corporate sustainability through a harmonious relationship with the community; Reducing the company's negative impact on environmental damage (Amsari, 2009); Enhance the company's reputation (Yudarwati, 2015; Kusnaidji, 2011). The form of corporate social responsibility or so-called Corporate Social Responsibility (CSR) in PTPN XII is called as Partnership Program with small business and Community Development (*Bina Lingkungan*) Program called PKBL.

The 2011 Annual Report also mentions: *"Partnership and Community Development Program (PKBL) as a form of corporate concern and social responsibility in it contain elements of social responsibility and contribute to the development of people's economy in the environment of work and society in general."*

To adapt to the environment of stakeholders and corporate sustainability through the CSR program participate contribute in improving the economic welfare of the community. About this purpose is reinforced by the opinion of the head of PKBL Drs. M. Rokib on an interview stating, *"... a clear cooperation is done with the consideration that there is synergy with the community and local government, it is intended that the sustainability of the company can be realized"*

From the above description it can be argued that the main objective of the company conducting CSR is driven by the awareness of the need to maintain the company's sustainability through a harmonious relationship with the social environment of its people. The history of plantations in Indonesia records the occurrence of agrarian conflicts and social conflicts with the community related to the frequent occurrence of theft of plantation resources by surrounding communities. It is also experienced by this plantation company. Ivanovich and Fadjar (2001) point out the social problems encountered in plantation areas: The gap with surrounding communities needs to be addressed by good relationships with communities around the company by reducing the negative impacts of the company, repaying the public and reducing economic disparities between employees Companies with surrounding communities. Freeman (1984) states that social environment is a sensitive issue for society. By society, the company is considered one of the factors that trigger environmental damage. If the public considers the company not to pay attention to social and environmental aspects, and do not feel the contribution directly even they feel the negative impact of the operation of a company, then the condition will cause people's distrust of the company. This is a major issue of the need for companies to conduct Corporate Social Responsibility (CSR) activities. Companies are expected to have sensitivity to society and the environment by contributing to the economic, social and environmental aspects. Elkington (1997) developed the concept of triple bottom line in terms of economic prosperity, environmental quality, and social justice.

The repressive approach is no longer appropriate to the climate of openness, human rights and discourse of participatory development. The support of the wider community, government and investors is also a matter to consider in order to achieve sustainability of the company. CSR program related to the decision of investors in buying shares. Young and Straub (2006) states for many companies, the stock market provides further incentives for companies involved in CSR. Corporate objectives in implementing CSR should be able to provide benefits and benefits for the company. Porter and Kramer (2002) states in certain situations, CSR with certain philanthropic investments to be social causes will create long-term benefits not only for individual companies but also for the entire cluster in which the company operates. The community development approach refers to the concept of Community Development which can be seen from the perspective of "economic", "social justice" and "ecological" perspective (Sumaryo, 2011).

Improving the welfare of surrounding communities can be done with an economic-oriented CSR program. Through the CSR program the company must also contribute to the development in its territory. Nugraha et al (2005) states that strengthening economies is the company is required not to own rich while the community in the neighborhood is poor. They must empower the surrounding community's economy. Sumaryo (2011) mentions the concept of Community Development conducted by the company can be seen from the perspective of "economic", contributing in improving the economic empowerment of the community.

CSR

Implementation

Implementation of the concept of CSR or TJSL is done in accordance with per 05 / MBU / 2007 is that the form of corporate social responsibility and environment at PTPN XII is PKBL. There are two types of CSR implementation by PTPN XII company as one of state-owned enterprises, which is partnership program with small business and environmental development program. The 2012 annual report states: "*Corporate Social and Environmental Responsibility (TJSL) at PTPN XII (Persero) is called Partnership and Community Development (Bina Lingkungan) Program (PKBL)*".

The partnership program is a capital loan granted to small businesses that meet the criteria in accordance with per 05 / MBU / 2007, ie small businesses that have not been bankable. Partnership programs are divided into sectors, ie capital loans to communities around plantations in industry sector (6.51%), trade (1.83%), agriculture / plantation (13.40%), livestock / fishery (78.07%), services (0.17%) And cooperatives. Bina Lingkungan, the scope of activities includes assistance for natural disaster victims (3%), education and training assistance (24.2%), health promotion assistance (6.1%), general infrastructure development assistance (39.49%), praying facilities (15.25%) , Nature conservation 12.1%), social community in order to eradicate poverty.

From these data it can be seen that the largest program budget of partnership is allocated for partnership with beef cattle ranchers. Beneficiaries of partnership programs beef cattle most of the employees and communities around the plantation whose work is related to the plantation. While the beneficiaries of environmental development program is the wider community in East Java. The strategy of determining the beneficiaries seeks to balance internal stakeholders of the company and external stakeholders. The involvement of internal stakeholders is strategic enough to achieve CSR objectives that try to combine business interests with social aspects. Husted and Salazar (2006) dan Jalal (2013) states CSR is a CEO's skill to combine business context with social context. Young and Straub (2006) businesses must be profitable by creating wealth and contributing to society. Management leadership skills are challenged to integrate conflicting demands: ethics over short-term earnings, customer demand for low prices versus high wage demands from owners and employees. Parker in Campbell (2010) states that CSR is a voluntary action by companies by integrating stakeholder expectations into company operations and their interactions with stakeholders. CSR is a strategic social investment to consider: business context, context / community, capacity building, parameter generation, model selection and measurement Business benefit indicators (IFC in Jalal, 2012). The CSR parameter should be the best investment area from a community, government and company perspective.

Involvement of internal stakeholders (employee involvement) in the CSR program provides benefits for the company as follows:

a. Increased employee identification and loyalty to the company,

Almost all breeders participating partners stated that the capital loans provided by the company are very beneficial to increase their household income. The training held is perceived by the farmers as a form of appreciation and attention of the company to the

employees of "labor" implementers. This increases their pride as company employees, so it can be said to improve employee identification and loyalty.

- b. Reduces employee jealousy of the help given to the surrounding community. The composition of employees in PTPN XII is mostly low-class employees (class I), more than 55 percent with low education primary and junior high (Annual Report, 2010). Such corporate profile brings consequences for companies to balance the interests of internal and external stakeholders.
- c. Reduce the risk of bad loans because small businesses that get help are non-bankable businesses.
- d. To obtain a potential employee according to the company's operational characteristics (see HR company profile Table 4.2). On this matter the head of PKBL sub-unit stated on the interview of June 16, 2015,

"... this way soon the company will need a lot of manpower expected in the presence of this partnership will be an attraction and is expected to earn and maintain a good workforce ..."

Bhattacharya et al. (2007) stated that CSR can maximize the profit or investment of CSR initiatives in the employee domain, because: a) improve employee closeness and understanding with CSR, b) understand and meet employee needs related to CSR, c) strengthen employee identification with company. Furthermore it is said CSR in the employee domain is a strategic weapon to retain talented employees.

Some things that need to be criticized in applying the concept of empowerment with employee engagement:

- a. Follow on the principle of alignment to the weak (un-empowerment). The formal organizational structure within the company does not impede the access of lowly employees to CSR programs.
- b. Empowerment of economic aims to improve the welfare of society accompanied by improving the quality of human resources.
- c. Harmonize with the company's goal to create profit.
- d. Commitment and sincerity in contributing to community development.

The partnership program with the concept of employee engagement is balanced with the Community Development program (BL). BL program with the concept of charity as the target of the beneficiaries of the wider community, is quite strategic in improving the reputation and image of the company. The partnership program with the concept of empowerment requires considerable time for its success so it takes time to improve the company's reputation. This is offset by charity for CSR programs to quickly become known to the public and enhance the company's reputation. Yudarwati (2015) stated that CSR is one way to build corporate reputation as an effort to meet the demands of stakeholders. The company's reputation is an important intangible asset for the company to manage it for the sake of corporate sustainability (Bruhn and Hansen, 2012). The reputation of the company can increase public confidence in the company that ultimately increases the company's legitimate.

Things that need to be criticized in applying the concept of charity:

- a. The concept of charity is most easily implemented and quickly visible results in improving the image of the company, but should not create a new dependence,
- b. Trust required in emergency conditions such as natural disaster relief, treatment for the poor
- c. Right target/beneficiaries, charity does not fall to the people who do not need (a capable society)

4. Conclusions

- a. CSR is a manager's skill in combining business context and social context, carrying out social responsibility as a business strategy which means that doing business is ethical, fair, transparent and accountable or known as Good Corporate Governance (GCG).
- b. PTPN XII is a company engaged in the field of agribusiness, in accordance with operational characteristics have an organizational structure with lower employees (employees executing / labor) in large quantities. This brings consequences for companies to balance between internal stakeholders (employees) and external stakeholders (the wider community) in the strategy of determining the beneficiaries.
- c. The form of CSR implementation in the form of partnership and empowerment program with farmers and breeders related to their "business corporation" and involves employee (employee) or called employee engagement. Community development program in the form of direct assistance in the form of grant or charity in the form of assistance to victims of natural disasters, greening and to orphans and for the construction of houses of worship.

References

- Agusta, I. dan Fadjar, U., 2003. Konflik perkebunan mutakhir dan manajemen sosial di Indonesia. Makalah. Lembaga Penelitian Perkebunan Indonesia. Bogor.
- Battacharya, C.B; Sen, S dan Korschun, D, 2007. Corporate Social Responsibility as An Internal Marketing Strategi. Sloan Management Review
- Eklington, J.,1997. Cannibals with Forks: Triple Bottom Line of 21 St Century Business Capstone Publishing. Oxford
- Filho, J.M.S.; Wanderley, L.S.O.; Gomez, C.P.; Farache, F., 2010. Strategic Corporate Social Responsibility Management for Competitive Advantage. *Brazilian Administration Review Curitiba*, Vol 7 No.3 Juli/Sept 2010.
- Freeman, R.E. (1984) *Strategic Management: A Stakeholder Approach*, Boston, MA: Pitman Publishing.
- Hendrarso,E,S.1995. *Penelitian Kualitatif*,Dalam Buku *Metode Penelitian Sosial*(Editor:Bagong Suyatno,dkk). Airlangga University Press.Surabaya.
- Husted, B.W. and Salazar, J.J., 2006. Taking Friedman Seriously: Maximizing Profits and Social Performance. *Journal Of Management Studies*, 43(1)75-91
- IFC dalam Jalal, 2012. CSR di Indonesia: Tantangan, peluang, strategi dan manajemen.Investasi sosial strategik dalam pengembangan masyarakat. Makalah. Lingkar Studi CSR Indonesia.
- Jalal, 2013. CSR dalam Konteks ISO 26000. Prinsip Subyek inti dan Integrasi ke dalam Praktek Organisasi. *Makalah Lingkar Studi CSR*. Jakarta
- Kakabadse, N.K; Rozuel, C.; Lee-Davies, L., 2005. Corporate Social Responsibility and Stakeholders Approach: A Copceptual Review. *Int. J. Business Governance and Ethics*, Vol. 1, No. 4, 2005Inderscience Enterprises Ltd.
- Kusniadji H., 2011. Mengkomunikasikan Program Corporate Social Responsibility untuk Meningkatkan Citra Perusahaan. *Jurnal Kominikasi Universitas Tarumanegara*, Tahun III/01/2011: 55 - 63
- Nugraha, Benny Setia, Ibnu Hamad, La Tofi, Novita Hifni, dan Kasta. (Editor). 2005. *Investasi Sosial*. Jakarta: Puspensos – LaTofi.

- Porter, M.E. and Kramer, M., 2002. The competitive advantage of corporate philanthropy. *Havard Business Review*: 5 - 16
- PT. Perkebunan Nusantara XII, 2010. Laporan Tahunan PT. Perkebunan Nusantara XII Tahun 2010. Surabaya
- _____, 2011. Laporan Tahunan PT. Perkebunan Nusantara XII Tahun 2010. Surabaya
- _____, 2012. Laporan Tahunan PT. Perkebunan Nusantara XII Tahun 2012. Surabaya
- _____, 2013. Laporan Tahunan PT. Perkebunan Nusantara XII Tahun 2013. Surabaya
- Rachman, N.M; Efendi, A dan Wicaksana, E., 2011. *Panduan Lengkap Perencanaan CSR*. Penerbit Penebar Swadaya. Depok.
- Rudito, B. Dan Famiola, M., 2013. *CSR. Corporate Social Responsibility*. Rekayasa Sains. Bandung
- Siswoyo, B.B., 2012. Implementasi Corporate Social Responsibility (CSR) urgensi dan Permasalahannya. Naskah pidato. Pidato pengukuhan guru besar bidang ilmu manajemen pada Fakultas Ekonomi Universitas Negeri Malang disampaikan pada Sidang Terbuka Senat Universitas Negeri Malang, Rabu, 7 November 2012.
- Sumaryo, 2011. *Jurnal Ekonomi Pembangunan* Volume 12, Nomor 2, Desember 2011, hlm.272-280
- Stephen B. Young and Frank Straub, 2006. *The Caux Round Table: Taking CSR from Aspiration to Action*. dalam Judith Hennigfeld, Manfred Pohl and Nick Tolhurst. *The ICCA Hand Book On Corporate Social Responsibility*. John Wiley & Sons Ltd, The Atrium, Southern Gate, Chichester, West Sussex PO19 8SQ, England
- Yudarwati, G.A., 2015. Pengkomunikasian Corporate Social Responsibility (CSR) PT. Bank Mandiri Persero Tbk melalui website perusahaan. Makalah. Program Studi Ilmu Komunikasi FISIP Universitas Atma Jaya Yogyakarta.