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Oral Presentation

THE IMPLEMENTATION OF CORPORATE SOCIAL RESPONSIBILITY IN INDONESIA STATE-OWNED PLANTATION COMPANY

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ABSTRACT

Today there are greater demands on companies. Nature destruction and global warming blamed as companies exploitation on earth. Therefore, corporate social responsibility is no longer just a voluntary but has become a mandatory. This article explores the extent of corporate social responsibility activities undertaken by state-owned plantation company in Indonesia as a company that directly relate to exploit natural resources. The discussion focuses on the role of external stakeholders that influence the policy of CSR program.

Keywords: Corporate social responsibility, state-owned plantation company, external stakeholder

INTRODUCTION

Lately the topic of Corporate Social Responsibility, or better known as Corporate Social Responsibility (CSR) more and more are discussed in the world. The more widespread discussion CSR is a logical consequence of the implementation of good corporate practice Governance (GCG), which principally among others, expressed the need for companies consider the interests their stakeholders accordance with existing rules and length of the firm (OECD, 2004). The concept of CSR stated that corporate responsibility is not only needed by the owners or shareholders, but also others stakeholders that affected by the existence of the company. In setting and run its business strategy, the company that runs the CSR will pay attention impact on social and environmental conditions and strive for positive impact.

The development of CSR is also associated with increasing severity of environmental damage occurred in Indonesia and the world, ranging from deforestation, air and water pollution, to climate change. Various phenomena in the world community aware that natural resources are limited and therefore economic development should implemented on an ongoing basis (ie, sustainable development), with consequences that the company in running its business needs to use resources



efficiently as possible and ensure that resources are not exhausted, so can still be used by future generations. With the development concept sustainability, CSR activities become more focused, at least the company needed attempt to implement the concept.

In line with these developments, the Act No. 40 2007 regarding the Company's Limited liability company requires that its business in the field of or related to field of natural resources to fulfill its social responsibility. The Act also requires all companies to report implementation of these responsibilities in the Annual Report.

As a country that have huge of natural resource there are many business the related in. There have been many conflicts between industry and the community, regardless of whether it causes environmental disasters like the case of PT Lapindo Brantas, Newmont Minahasa, Freeport, PT Arara (see Metro Riau 2008). One case that have public attention is the case of by PT. Arara Abad. In March 2008, the industry was timber estate (HTI) of Arara attacked by a group of people, and they deliberately revoke eucalyptus trees that on average 2-3 years old. More than that, they also occupy the plantation and cut down the trees and replacing them with palm trees.

So, it is very crucial for knowing their responsibility to its environment and community. How business is conducted according their responsibility to the environment? This study investigate the stakeholder factors that may be influence the implementation of CSR in Indonesia state-owned plantation company using stakeholder theory.

Literature Review

Several studies on Corporate Social Responsibility has been carried out by previous researchers. One of them carried out by Mirfazli and Nurdiono (2007) states the elements of social responsibility has not been run by a company with a good and fair in the process of social impact assessment and in reporting. It is found that so many conflicts and problems arising in industrial such as demonstrations and protests that imply dissatisfaction with some element of stakeholders in corporate management. Therefore this study assess the practice of corporate social responsibility based on the social impact of companies that depend on the characteristics of the company's operations. Operating characteristics of companies that generate high social impact will demand the fulfillment of social responsibility is

higher as well. The implementation of social responsibility will be communicated to the public through social disclosures in annual reports.

Subsequent research conducted by Mardiyah and Widyastuti (2007) to position this research in explanation of the variables that affected CSR based on the perceptions of corporate managers, the activities carried out by the company are reported to stakeholders. ie. shareholders, regulators, and the general public. The government wants companies to follow the rules set by the government, while society expects the company to become the breadwinner, other than that required companies to produce environmentally friendly goods.

Other researchers, Azizul Azhar Kholis and Makhsum (2003), which conducts research on the importance of corporate social responsibility and accounting, which is currently participating companies must pay attention to corporate social responsibility objectives in addition to seeking profits. The formulation of the problem in this research is 'whether the government regulation, public pressure, the pressure of environmental organizations, and the pressure of the mass media affect the importance of corporate social responsibility and how well its influence on the importance of corporate social accounting?'

Research on CSR also lead to the disclosure of corporate social information (Corporate Social Disclosure), among others conducted by Carol Ann Tilt, an Australian student who wants to examine the influence of external pressure groups on corporate social disclosure (The influence of external pressure groups on corporate social disclosure). This study aimed to determine whether the pressure exerted by external groups influence corporate social disclosure of information to stakeholders.

The method used is by distributing questionnaires to 146 companies in Australia. It also uses the media, including annual reports, interim reports, brochures, advertisements, and product companies that indicate a concern for the environment. The results of this study show the influence of external pressure groups on the disclosure of social information. Also found that social disclosure by the company still has a low level of credibility, although it has been supported by the annual report.

Reni Retno Anggraini (2006) as follows, this research is done because the researchers wanted to know how far the company shows responsibility towards the social interest in providing social information and the factors affecting the company's decision to disclose social information in the annual financial reports on companies in Indonesia. The results of this study will provide answers to whether the disclosure practices and the factors that influence social disclosures in annual financial statements in Indonesia are consistent with results found in another State.

The research method adopted is the quantitative research methods. Subjects who become targets of research are all companies that went public on the Jakarta Stock Exchange. 1188 samples of the company. From the results of this study showed the banking and insurance company most (more than 50%) disclose information about the development of human resources compared with other industries. Companies with a large ownership and management, including in industries that have a high political risk (high-profile) tend to disclose more social information than other companies. In addition, important factors that cause social disclose because there government regulations.

MATERIALS AND METHODS

Archival research was used to trace and document the implementation of corporate social responsibility in Indonesia owned-state plantation company. The archival research involves going through documents such as academic publications, government publications, Acts and regulations, journals, media news and other forms of record relevant to the issues of study.

Most of these documents were obtained from the journals and research report on company website. Analysis of the archival research data focused on the stakeholder theory of CSR i.e internal and external stakeholder

Analysis is done by making a literature review. A literature review is a summary of a subject field that supports the identification of the specific research questions. The literature search helps in the identification and location of relevant documents and other sources. Search engines can be used to search web resources and bibliographic databases. Conceptual frameworks can be a useful tool in developing an understanding of a subject area. Creating the literature review involves the stages of: scanning, making notes, structuring the literature review, writing the literature review, and building a bibliography.

RESULTS AND DISCUSSION

Corporate Social Responsibility in State-Owned Companies

State-Owned Companies (SOC) is one of the economic actors in the national economy as well as private enterprises and cooperatives. SOC had a role to produce goods and services that are needed in order to realize maximum benefit and prosperity of society. In addition, the state also is one significant source of state revenue in the form of various taxes, dividends, and so forth.

In carrying out its SOC thinking about a dual role, on the one side is a state-owned company engaged as a development agent (agent of development) on the other side is also a company that is required to continue production and develop to become bigger so also want to make a profit.

Indonesia have 142 SOC and part of that, there are 15 plantation state owned companies. According Wibisono (2007:88) there are factors that differentiate the implementation of social responsibility among SOC and private e enterprises. Regulation and government policy are the major aspects that is must conducted in SOC. Through this instrument is imperative, the implementation of CSR is a mandatory for SOC. It is regulated by the Decree of the Minister of SOC Number: Kep-236/MBU/2003 junto PER-05/MBU/2007. The decision issued by the Minister for State Enterprises on April 27, 2007 were essentially binding state to hold the Partnership and Environment Development Program (CSR). Partnership Program with the state-owned small businesses have been implemented since 1989 in line with the publication of Law No. 3 / 1983. As for the new Business Partnership commenced in 1999.

Partnership Program is a program to improve the ability of small businesses in order to become strong and independent through the use of funds from the profits of SOEs. This partnership program provides working capital loans are short term and grants to finance education, training, apprenticeship, marketing, promotion, and research. While the Community Development Program is a program empowering social conditions of society by the state through the use of funds from the profits of SOEs. Community Development Program This gift is more social nature, such as natural disaster relief, education and or training, health improvement, development of infrastructure or public facilities and places of workshop.

To demonstrate the seriousness of the state in its social responsibility through CSR issued Circular Letter No. SE-433/MBU/2003 which requires each state to establish a separate unit in charge of CSR. This unit is an integral part of the company's organization and reporting directly to one member of the board of directors set out in a board meeting.

CSR program management issues are located in the bureaucratic process, where requests for help filed by the public must go through the bureaucratic process is very long and time consuming.

The Role of External Stakeholder

External Stakeholders are parties who are outside the corporate environment or outside the company's control (uncontrollable). External stakeholders, among others, consists of consumers, distributors and suppliers, government, the press (mass media), competitors, community and society.

1. Government regulation

Government regulations are the regulations issued by the government and become an important aspect that must be considered by the company. The role of government is crucial in building a conducive business and not manipulative. According to Coghill (1999) in Kholis and Makhsun (2003:110) government regulations are in dapt separated from the corporate environment, because as a rule-making body (Regulatory Body) the government has a significant role for the policy made by the company to its external environment. Examples are government regulations permit the company's operations, analysis and environmental impact standards, regulations on labor / labor, and so forth. Governance in Indonesia plays an important role in regulating the business world, where that role is needed to create jobs, provide capital, protect its employees, protect natural resources, regulate the legal, manage and make foreign investors willing to invest in Indonesia. In addition, as the Indonesian government's response to corporate social responsibility, has issued regulations that set forth by Decree of the Minister of SOC Number: Kep-236/MBU/2003 and PER-05/MBU/2007. The regulation is binding state to carry out CSR program called Business Partnership (Partnership and Community Development Program.)

2. Community Groups

According HYDA (2004) The consumer society is the society as a company and the people who live, live, and tried in the vicinity of the location of the company. Community as consumers often do protest against things that are related to the quality of products relating to health, safety and halal a product to their customers, while protests by communities around the plant is usually associated with environmental pollution caused by factory waste. Other groups which can be categorized as part of the community is an educational institution that always respond academically if something happened that hurt the general public in the interest of particular groups or group goals

Disputes between companies and communities often become increasingly complex and time consuming to resolve. Therefore, companies need to communicate with the community so that they can obtain a reciprocal relationship. Including helping to improve knowledge and skills so that people use as a source of labor in the company.

3. Environmental Organization.

According to Freeman (1984) in Kholis and Makhsum (2003), environmental organizations today have become one of the forces of social control to supervise the activities of the company. The orientation of environmental organizations in general is to avoid over-exploitation of the environment in the interest of the company. Activities of environmental organizations to mobilize the public and opinion on the company's activities, so that if the organization is not addressed with the wise will collide with the interests of the company.

NGOs in the environmental field grew rapidly throughout the world including Indonesia. Activities undertaken by environmental activists is more complex and qualified. They will reveal the negative side of the company relating to environmental issues and will fight claim of responsibility for environmental damage or social impact caused by corporate activity. negative issues will be exciting news instantly spread around the world through communications media technology that is currently growing rapidly, with no limits and instantaneous (Anonymous, 2008:41-42).

4. Mass media.

Media reception conditions in Indonesia post-reform period is very different from the period prior to reformation. The government has opened wide opportunities for mass media to open a publishing business. Thus the number of mass media in

Indonesia has increased dramatically compared to the previous period. The consequences of this condition would be felt in various spheres of life, especially companies that are often a source of news.

The mass media in today's business environment has a very dominant role in shaping public opinion on a company's activities. The media can provide information for companies and can also as a means of publication and dissemination which are used by companies to be able to build trust (image) the public about the social activities that run the company. Freeman (1984) in Kholis and Makhsum (2003) also mentions that the media can shape public opinion against the company and it is so closely linked to the interests of the company, so the media is also one of the stakeholder groups. Thus, companies need to make a harmonious relationship with the media.

CONCLUSIONS

This literature review intends to provide the theoretical grounding of this empirical work.

1. Public awareness of the importance of CSR has increased lately, but has not reached the level where the public has the power to suppress companies to implement and report on CSR activities.
2. CSR in the public sector is still very little in discussion. Even if there is a research on CSR in the public sector units usually discuss about the implementation of CSR - community development or problem owned Companies owned by government such as the plantation state-owned companies.
3. In economics, CSR emerged because the concept of externalities. Because the private act of producing goods and services, the exploitation of resources led to the impact on the world, erosion, pollution, global warming, as the bad guys who did the damage for himself. So corporate must also bear the cost for it, should also think about how your nature conservation, helping the local community.

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Question : Must that company take the attention to the social welfare, can you give me small explanation about it ?

Answer : CSR do agree with that corporation, CSR is voluntary. I disagree it CSR just for development agent. Company is difficult and not only for voluntary but mandatory.