The Study Of Corporate Social Responsibility In Emerging Economies: The Case Of SME’s, Tourism, Environment Upgrade Programs In Indonesia

Tirta Nugraha Mursitama, Noerlina, Nilam Budi Wulandari

Abstract: This research observed the implementation of Corporate Social Responsibility (CSR) program done by multinational company, PT. HM Sampoerna, Tbk who runs the SME’s, Tourism, Environment Upgrade Programs (STEP UP) Program. The qualitative descriptive method is being used to prove the hypothesis from primary data which were extracted from interview, secondary data analysis obtained from company’s official website, and relevant books and journals. The findings of this study concur that STEP UP Program has successfully addressed three CSR aspects that are people, planet, and profit in maintaining good relations between society and company. Additionally, the study also highlighted the participation of multinational company as one of non-state actors in supporting the government by empowering local economies through infrastructure and environmental improvements.

Index Terms: Triple Bottom Line, Corporate Social Responsibility, Sampoerna, SME, Tourism, Environment, Indonesia

1. INTRODUCTION

This study focused on the implementation of corporate social responsibility (CSR) program of HM Sampoerna, company as a home industry founded in 1913 by Liem Seeng Tee and has since been an important part of Indonesia's tobacco industry. It is currently led by Michael Sampoerna, a fourth-generation Sampoerna family member. The business' success attracted the Philip Morris International Inc. (PMI), and, in May 2005, through its subsidiary the Philip Morris Indonesia (PMID), acquired the majority of Sampoerna shares. Hence, the US-based Philip Morris expanded its venture to Indonesia through this transfer of corporate ownership. Sampoerna sees investing in people’s welfare is of the same importance as investing in the business’ future. Sampoerna supports various CSR programs to improve living conditions both in residential areas and working environment of its employees, including the farmers who supplied its tobacco, as well as public in general. The four main CSR pillars in which Sampoerna give its support are economic opportunities, access to education, women empowerment, and disaster readiness and response. As a emerging economies Indonesia has always been improving its economies, and the archipelagic nation has abundant potentials in tourism sector. This factor becomes an economic multiplier effect, particularly in tourist destination spots with beautiful natures and unique local wisdom such as those in East Kalimantan.

Seeing these potentials, the Sampoerna untuk Indonesia (SUI, Sampoerna for Indonesia) CSR launch and implement the SME’s, Tourism, Environment Potential Upgrade Program (STEP UP) in Balikpapan, Banjarmasin, and Bontang, Balikpapan is one of the four areas that has become one of Sampoena's focuses in its CSR program in the economic pillar particularly in Balikpapan City, West Balikpapan Subdistrict, Baru Tengah Village, which is the area where the majority of the people's livelihoods are by becoming fishermen. The Kampung Baru region is still underdeveloped and could be considered a slum, and Sampoena's program is expected to increase the economy of local communities by improving infrastructure and the environment to make Kampung Baru as an object of tourism. This study analyses how the STEPUP program impact the livelihood of people in Kampung Baru, Balikpapan, Indonesia. Based on the concept of Triple Bottom Line, the hypothesis of this research is if Sampoena conducts the program with the main goal of improving economic condition which is analyzed using the theory of Triple Bottom Line's three elements namely profit, people, planet and it is well-implemented, it can be said that this program has a positive impact on the people of Kampung Apung.

2. LITERATURE REVIEW

Tirta N. Mursitama, M. Fadhil Hasan and Iman Y. Fakhrudin in 2011 in their book Corporate Social Responsibility (CSR) in Indonesia: Theory and Implementation stated that company is obliged to carry out social activities towards its stakeholders. This is because companies have one responsibility to meet the needs of stakeholders. In other words, the company must be able to manage its business so that it meets, even exceeds, expectations ethically, financially, and environmentally before the public eyes. To create an effective human resource system, company needs to adopt socially responsible practices such as: giving reasonable wages, providing a clean and safe work environment, offering training opportunities open to all employees, and establishing benefit packages that make employees more financially stable. In addition to those,
providing facilities such as educational programs for employees and their families, protection and care benefits, as well as offering sound working hours as demanded by applicable regulations, will create quality employees for the company [1] [2]. The book also stated, environmental problems caused by the company's production activities become a main concern. Companies can utilize industrial waste that can be recycled to be used as craft materials which could provide livelihood for surrounding communities. Other problems such as relationships with consumers and suppliers could also be addressed as company image is improving in the eyes of consumers. The image and brand of the company can be well-guarded if the company maintains good relations with these parties. Company can also promote its profile by sponsoring public events such as sports, music and many more. Hence, the company product will be more familiar to the general public and become the product of choice in the community and consumers. Good company reputation will increase consumer’s preference for the product or service offered and increase investor interests to the company. Banks will also be more interested in extending and disbursing its loans. In addition, network business partners will expand, and this could reduce the possibility of business risk [1]. Analyzing the background of a company's social responsibility program should start from identifying the values and objectives of the company. According to Jamilah Ahmad and David Crowther in their book Education and Corporate Social Responsibility: International Perspectives (2013) on the role of company's CSR approach, there are two types of company: one which has responsibilities, and other which has not. The book offered three examples of companies that are compared to determine what type of social responsibility each has by analyzing the impacts the company's core activity processes. The book also discusses and identifies the background of the CSR program carried out by the company and elaborated on the reasons [3]. HM Sampoerna still dominates the national cigarette industry in 2015 with 35% market share. In the second position is Gudang Garam with a portion of 21.5% and Djarum came in third place with a market share of 19.3%. These three cigarette manufacturers control more than 75% of domestic cigarette sales. The increase in cigarette excise duty along with the more limited smoking areas in public space have no impact on the performance of large cigarette companies such as HM Sampoerna and Gudang Garam. This policy, however, has brought significant impact to small cigarette producers. Low levels of education, lack of public health awareness, and high numbers of children smokers have kept up the demand for tobacco rolls domestically. Warning of the dangers of smoking, rising cigarette prices and electric cigarette have not dampened the consumption of conventional cigarettes [4]. The tobacco products industry (IHT – industri hasil tembakau) is one of the domestic strategic sectors that has high competitiveness and continues to make a significant contribution to the national economy. This sector contribution, which is categorized as local wisdom, includes employment, state revenue through excise duty, and becoming an important commodity for farmers from plantation products in the form of tobacco and cloves. The contribution of the tobacco products industry came second after the food and beverage industry. In East Java, this industry is a primary economic sector [4]. The Ministry of Industry recorded that state revenue originating from IHT’s excise duty and tax each year has increased. The IHT contribution in 2016 amounted Rp. 138.69 trillion or 96.65% of the total national excise duty revenue. Meanwhile, labor absorption in the manufacturing and distribution sectors numbered 4.28 million people while the plantation sector absorbed as many as 1.7 million people. The MPSI Association, a forum consisting of 38 SKT producers, is a partner to PT. Sampoerna in East Java and Central Java. Its production has reached 15 billion cigarettes per year and it is employing as many as 40,000 people [5]. Cigarette products sold to consumers are known to be endangering to health. However, consumer’s demands to these products create market, and they also expect the company’s corporate social responsibility’s programs to bring positive changes for society. Similar analysis on the problem of CSR with imprecise objectives is also explained by Samuel O. Idowu and Celine Louche (2011) in Theory and Practice of Corporate Social Responsibility, which comprehensively discuss CSR and labor issues. This perspective is different in that it argued that in some CSR programs, companies tend to sideline or even excluded laborers participation in it [6].

3. RESEARCH METHODOLOGY
The research used a descriptive qualitative, where it builds theory from the data obtained in the field. The data collection technique in this study is using the field research methods. As for this research, the authors focus on the data obtained through interview, where the data collection techniques are divided into two types, namely: (a) Primary data that the author will get from the results of observations and interviews of related parties, interviewing the local government and the community and observing directly to Baru Tengah Village, Balikpapan. This activity has been initiated since October 2017 but was carried out in December 2017 until April 2018. (b) Secondary Data that the author will get from various validated sources such as journal articles, news articles, and documents from the official website of the company.

4. FRAMEWORK OF ANALYSIS
This research use concept of Triple Bottom Line build by John Elkington [7]. He argues that sustainability is the balance between people-planet-profit, which is then known as the Triple Bottom Line (TBL). The first element, profit, becomes an important element in which every company conducting business both large and small has the purpose of seeking profits. This is achieved through many activities, such as by increasing productivity and cost efficiency, as well as implementing right business strategies in terms of technology, production, marketing and other aspects so that the company has a competitive advantage that can provide maximum added value. The next element is people. The company must have concern for people’s welfare especially the employees of the company, and also the surrounding community, which is one of the important stakeholders for the company. At this stage the orientation of the company is no longer just profit, but it starts to reward the workers as well as the people who directly feel the impact of the company. In this case, through CSR activities companies can provide briefing about the importance of socializing and
increasing the people’s awareness of their own areas, which will benefit the surrounding community. Planet is the third element in the Triple Bottom Line concept. Not only companies that carry out operations around the region must focus on environment, a company that runs a CSR program can indirectly educate the community beyond its operational reach to build awareness about the importance of maintaining and preserving the environment. For example: not littering, planting hydroponic plants, etc. Therefore, we must pay attention to the environment so that its sustainability can be maintained.

5. RESULT AND DISCUSSION

At the beginning, the implementation experienced pros and cons from the local community. But in each of its program Sampoerna always embrace the public to take an active part in its activity implementation. There are several indicators found:

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<th>Triple Bottom Line: People</th>
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<tr>
<td>Indicator : People Awareness</td>
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<td>Result Analysis: (1) Sampoerna briefs the community on the importance of socializing and establishing good communications among each other; (2) Sampoerna includes all important elements, government from all level from top to bottom; and also educates the Kampung Apung community that the aim and objectives of the program are in line with the government to create a better environment in the future.</td>
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<th>Triple Bottom Line: Planet</th>
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<td>Indicator: Environmental Cleanliness</td>
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<td>Result Analysis: Hydroponic planting, area cleanup, spread awareness on the importance of responsible waste disposal to increase community attention to Kampung Apung’s environment, which is classified as a slum area.</td>
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<th>Triple Bottom Line: Profit</th>
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<td>Indicator: Branding</td>
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<td>Result Analysis: Sampoerna's negative stigma as a cigarette company cannot be eliminated, but through this program Sampoerna sends the message that not all sides of the cigarette industry is negative, and as a result Sampoerna's presence is well received by the community.</td>
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Basically, Sampoerna has indeed opened up all the possibilities to benefit the people throughout Indonesia by expanding their CSR programs outside Java, through its tangible contributions and focus on sustainable strategies. Unfortunately there are still weaknesses in the STEP UP Program. The author found that, in reality, the implementation of the STEP UP Program in the economic field faced certain problems though the overall objectives of the program are still achieved. However, shouldn’t the program be sustained, it can be expected that the environment surrounding Kampung Baru will be maintained and preserved in the future so that Sampoerna’s goal and contribution in making people more independent and adept in facing upcoming challenges are truly being realized.

6. CONCLUSION

STEP UP Program has fulfilled the three target elements in CSR activities. Not only the program has gained trust from the public and the government for business continuity (profit), it also provides benefits to the community and local government (people) through activities such as hydroponic planting, vertical garden and disaster response training which facilitate people to gain more knowledge about the importance of caring for the environment they have. In addition, the activities carried out by Sampoerna also encourages the community to increase the economic potential of tourism in the future. It also serves a place for local governments to communicate and socialize with the community. In every activity, Sampoerna always urges the public to protect and preserve the environment (planet). Sampoerna's success in embracing the community through the STEP-UP Program in the economic sector particularly on tourism has brought a good impact on every stakeholder. However, it is possible for companies to develop activities for the better in the future. The supervisory role of the government and NGOs is crucial to the sustainability of the program. Therefore, the presence of partners in CSR activities can influence the course of each CSR program. Sampoerna should provide certainty to the community to encourage more tangible sustainability that can be utilized by local communities in the long-term to meet the program's main objectives.

REFERENCES


