

## THE IMPLEMENTATION OF CORPORATE SOCIAL RESPONSIBILITY POLICY IN RIAU PROVINCE

**M. Johar firdaus**

Universitas Padjadjaran

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**ABSTRACT:** *This study examines the implementation of the policy of corporate social responsibility (CSR), particularly with respect to the operationalization of corporate social responsibility to local communities in Riau province around the area of operations of PT. Chevron Pacific Indonesia (PT. CPI), PT. Riau Andalan Pulp and Paper (PT. RAPP) and PT. Indah Kiat Pulp and Paper (PT. IKPP). While the purpose of this study is to describe and analyze and explore permasalahan relating to implementation of the policy of Corporate Social Responsibility (CSR) in the province of Riau. Based on the characteristics of the problem and research objectives, this study used a qualitative approach, using participatory observation and in-depth interviews to a number of informants and conducting focus group discussion (FGD). The results showed the company to have the view that society is an important partner and principal, so that operation of corporate social responsibility to the community devoted much about the company's operations. While local communities in response to the presence of the company, is already a natural thing and the company's obligation to carry out CSR activities to the public, because the company has been exploiting natural resources 'belonging to' the public. But the pattern of this CSR has spawned a pattern dependency aid community is a pattern of relationships that have been structured, as a result of the previous aid practices that tend to make people dependent on corporations and not independent. This suggests there are still problems such as a standard aspect and policy objectives are not clear, the attitude or disposition implementing less support, resources are inadequate, communication between organizations is still low, the characteristics of the implementing organization that has not been coordinated and social environment of political economy policies very complex. CSR policy implementation should be organized by developing a model of corporate social responsibility program participation based on the potential and needs of local communities. Companies must undertake CSR activities in an honest, open, and accountable (accountable) in every process of its CSR activities to all stakeholders.*

**KEYWORDS:** Corporate Social Responsibility, Policy Implementation, Community Empowerment.

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## INTRODUCTION

### Background of the Research

Corporate social responsibility (CSR) or corporate social responsibility being actively carried out. The demands of society and the development of democracy as well as the swift currents of globalization and free markets, raise awareness of the industry on the importance of implementing CSR. Although it has been a long time CSR principles stipulated in the legislation in the sphere of corporate law. The enactment of Law No. 40 Year 2007 regarding Limited Liability Company which is in Chapter V of the Social Responsibility and Environmental there are articles containing an obligation for companies running business in the field and / or related to natural resources, to implement and Social Responsibility

environment (TJSL), based on initial observations that researchers do this was met with a range of views by all parties. Some parties responded with a hopeful these obligations can be met and the company can play a role in reducing social problems and environmental damage.

Evidence of weak implementation of CSR are the results of the Study Circle records confirms that thousands of mining companies operating in Indonesia was only about 10 companies that run a serious and sustained CSR ( Medan Bisnis , 16 June 2014). Furthermore, in PIRAC study in 2013 showed that the fund CSR in Indonesia reached more than 115 billion rupiah , or about 11.5 million US dollars from 180 companies spent on social activities 279 recorded by the mass media . The average number of companies who donated funds for CSR activities is about 640 million rupiah , or about 413 million per activity . For comparison , in the US portion of the financial contribution of CSR in 2010 reached 21:51 billion dollars and in 2012 reached 203 billion dollars , or about 2,030 trillion rupiah.

Research on CSR has not been done, but related to the policies and similar programs have been widely studied by some experts that include the research done by Al-Fitr (2010), Rahman Hadi, (2007), and A. Isa Wahyudi Irvan Muzni (2005) , Al-Fitr (2010) in his dissertation entitled Corporate Social Responsibility Program of Oil and Gas Companies In Strengthening Social Capital: Studies in Lima village in two districts in South Sumatra. Reveal problems relating to the implementation of Corporate Social Responsibility program of oil and gas companies that are still not able to achieve economic independence and social communities in which the company's operations, while the objective of the research is to build a model of Corporate Social Responsibility through community participation and strengthening of social capital in local communities.

The theory used in this research is the theory of community development and the theory of social capital. Al-Fitr in his research concluded that the paradigm shift based CSR (corporate social responsibility) program that emphasizes the economic aspect to the paradigm of welfare by integrating the dynamics of social, economic and environmental. In the long term corporate social responsibility initiatives that can build individuals and groups to develop local potential, so that people around the oil and gas operation does not depend anymore on the company. Corporate social responsibility policy has so far not fully involve the community in planning, implementation, and evaluation of the program, because there are no clearly defined role of each stakeholder (stakeholders) is local government, oil and gas companies, and communities. Stakeholders have not been bound in an institutional policy that integrates corporate social responsibility activities in organizing principle of the authority of each stakeholder. Target program of corporate social responsibility in the context of CSR only be implemented through a partnership trident synergy within the paradigm of the authority of each party.

### **Problem Formulation**

Statement of the problem in this study is that not optimal implementation of CSR policy , in accordance with the expected public , especially people who experience social inequality. In summary of this research problem question can be formulated : Implementing a policy of Corporate Social Responsibility ( CSR ) in Riau Province has not been optimal . Based on the statement of the problem, the formulation of the problem set, namely : What factors are affecting not optimal implementation of the policy of Corporate Social Responsibility ( CSR ) in Riau Province ?

## **Objectives and Benefits Research**

### **Research Purposes**

As for the objectives described in this study was to assess and describe and Corporate Social Responsibility ( CSR ) in the province of Riau .explore the factors that influence not optimal implementation of the policy.

### **Benefits of Research**

#### **Theoretical Benefits**

Theoretically, this research can generate knowledge that focuses on the factors that cause of non-optimal policy. In addition this study can be used to enrich the study of the implementation of the policy by taking a case study of the implementation of Corporate Social Responsibility (CSR) in the province of Riau. This dissertation research can also be used as a reference for others who want to experiment with a similar topic or issue.

#### **Practical Benefits**

In practical terms, the results of this study can be used as inputs particularly in view of the regional government in implementing the policy. In addition, this research is helpful in providing the motivation for companies located in Riau province to be willing to implement Corporate Social Responsibility program on an on going basis and adjusted to the needs of the community.

## **LITERATURE REVIEW**

The views of Van Meter and Van Horn is asserted that the implementation of an action by individuals , officials , government agencies or private groups aimed at achieving the objectives that have been outlined in a particular decision . These agencies carry out government jobs that have an impact on its citizens. But in praktinya government agencies often face the works under the mandate of the Act, so as to make them become unclear to decide what should be done and what should not be done. Implementation here is the implementation of policies shaped base shaped legislation also orders or decisions or important as the decision of the judiciary.

So the implementation of the measures undertaken by the government to achieve the goals that have been set in a policy decision . But the government in making policies should assess in advance whether the policy could have a negative effect or not for the community . It is intended that a policy is not contrary to the public especially to the detriment of society . Nugroho ( 2003: 158) argues there are two options to implement the policy , which directly implement it in the form of programs and through policy formulation derivatives or derivatives of these policies.

Based on the above opinion , we can know that it is difficult for us to be able to implement a policy to achieve one hundred percent effectiveness rate . This is because there are several variables that can affect the effectiveness of the implementation of a policy . A situation in which differences arose between what was expected and planned to happen by policy makers , with what is happening on the ground is often referred to as the implementation gap . How big is this implementation gap occurs , is determined by the implementation capacity of the

organization or an actor or group of organizations / actors are believed to run the implementation of the policy.

The new concept of CSR is to give attention to human resources to social and environmental problems known as profit , people and planet. Human resources issues ranging from health and safety of workers as well as employee morale, employment agreements , development , up to the corporate culture and good corporate governance . Social issues include development and education to the problem of poverty is latent. Environmental problems include concerns on global warming, pollution and chaos ecosystems.

As disclosed in the background of this study that social inequality is a multidimensional problem that occurred in many regions in Indonesia. Particularly in the province of Riau , CSR is the development agenda of social inequality reduction programs that are expected to improve the welfare and community employment opportunities in the company's operational environment by encouraging the independence in decision-making and management through the development of CSR in the province of Riau .

## **METHOD OF THE RESEARCH**

The object of this research is the implementation of policies on corporate social responsibility (CSR) in the province of Riau, which focused on six (6) aspects that affect kiberjakan according to the theory of Van Meter-Van Horn which includes standards and policy objectives, communication between the implementing organization, the attitude of policy implementation, the character of implementing organizations and socio-economic environment of political policy.

This study uses qualitative descriptive analytic. Using these methods, the research carried out in a reasonable situation, observe the person who is the subject of research in the environment. Researchers went to the field to interact with them, trying to understand the language and their interpretation of the phenomenon that is being focused on the research, trying to find and establish a theory based on data collected. This approach tried to obtain a more in-depth, overall look at the events in context, with the main objective to understand the meaning.

Mechanical determination of informants in a qualitative study using purposive technique with the advantage lies in the selection of cases that rich information to in-depth study . Informants are set based on the needs of research data, they are considered competent because it has a comprehensive understanding and adequate implementation of CSR in Riau Province as key informants. Basic these elections is that they are a representation of each of the parties that are directly related to the issues examined in this study . They are also considered to be more knowledgeable and more complete understanding in order to understand the problems of implementation of CSR policies in Riau Province.

Power collection techniques used in this study were interviews , observation and literature study.

## **Operation of Corporate Social Responsibility in the Regulatory Framework Legislation**

The company's social responsibility is an obligation even within emerging practitioners various pros and cons of the existence of social responsibility of the company. The debate about

whether the company's social responsibility or liability volunteerism is an event vain in respect of social responsibility the company has contained elements of liability. Social responsibility of the company goes well if it is reinforced with regulations that encourage the company to be more serious in the run.

Social responsibility management company regulated by the government and the company responsible for the continuity of the company's social responsibility. Implementation of the company's social responsibility is not just a hope, but a necessity for them, and the government took part in it by producing legislation related. The obligation to fulfill its social responsibility the company aims to keep creating company relationships harmonious, balanced and in accordance with the environment, values, norms and culture of the local community.

### **Policy Implementation of Corporate Social Responsibility in the Province Of Riau**

Performance can be measured policy implementation success rate of the size and policy objectives that are realistic to the socio - cultural level in implementing the policy . When the size and and are ideal policy targets ( utopian ) , it will be difficult to realize ( Agustino , 2006) . Van Meter and Van Horn propose to measure the performance of policy implementation must affirm certain standards and goals that must be achieved by the policy implementers , policy performance is basically an assessment of the level of achievement of the standards and objectives .

The financing of the CSR may be funds, goods or other forms of contribution fees charged to the company. For limited liability corporations running their business or related field and the natural resources required to implement CSR with budgeted costs and calculated as the company's operating costs by paying attention to decency and fairness based on the size of the business, financial performance stakeholder coverage.

The emergence of local legislation on social responsibility of the company at least bring up the four (4) possibilities: First, there is the impression of local governments attempt to share the burden of responsibility to the company's development; Secondly, there is an attempt to reap funds for regional development derived from the 3 (three); Third, local governments try to manage the company's social responsibility programs under one roof which is coordinated by the local government, though it is not clear laksanaanya patterns and procedures; and Fourth, the company is not serious in designing and implementing its CSR program.

One area of work in CSR is the development of infrastructure in the public interest such as roads, bridges and irrigation. This policy does not have a strong foundation, given the local governments have public funds. These provisions concern later in practice the public road infrastructure development that should be the responsibility of the district / city / province actually charged to the company.

Related to aspects of the attitude or disposition of the policy implementers, Van Metter and Van Horn found acceptance or rejection of the implementing agency policies greatly influence the success or failure of public policy implementation. It is very likely to occur because of the policies implemented is not the result of the formulation of local people who know very well the problems and issues that they feel. But public policy is usually a top down is very likely the decision makers do not know can not even touch the needs, wishes or problems that must be solved.



Successful implementation of the policy depends on the ability to utilize available resources . Human resource is the most important in determining the success of policy implementation . Each stage of implementation requires qualified human resources in accordance with the work that implied by the stated policy is apolitical . In addition to human resources , financial resources and time become an important calculation in the successful implementation of the policy . As stated by Derthicks ( in Van Mater and Van Horn , 1974) that : " New town study suggest that the limited supply of federal incentives was a major contributor to the failure of the program " .

Characteristics of organizations implementing CSR policies are generally the companies that have large-scale capital. Vision of companies implementing CSR in general be a company that is admired by employees (HR), partnership and performance. In order to be recognized as a world-class company, the company implementing CSR implement "continuous quality improvement" (Continuously Quality Improvement). In the vision says that the company in its operations has the view that the foundation, which is to always display the image of the company as possible for the best results. This is consistent with the position and the company's status as a multinational corporation.

The last thing to consider in order to assess the performance of policy implementation is the extent to which the external environment has contributed to the success of public policy. Social, economic and political are not conducive could be a source of problems from performance failure of policy implementation. Therefore, the effort of policy implementation requires conditions conducive external environment.

In the implementation of the policy was not easy to create a so-called legal protection and justice compared with the rigidity or legal entity . The third aspect of normative contained in a policy must be implemented in one breath , but that is often raised is the legality or the rule of law or policy. Ignoring one of them will often injure or sertidaknya will hinder the achievement of the essence and the basic purpose of the policy . In another sense that the approach emphasized in the implementation of policies on CSR is not just a matter of how one obtains legal certainty , but also how to provide protection and legal justice as fairness the local community .

## **CONCLUSIONS AND RECOMMENDATIONS**

### **Conclusions**

Result analysis and discussion based on data and research in the field can be concluded that the implementation of CSR policies in Riau Province has not been in accordance with the mandate of the Riau Provincial Regulation No. 6 of 2012, this is due to be influenced by factors such as the following :

1. Standards and CSR policy measures in the province of Riau difficult to realize because it is considered to be detrimental to companies that bersekala small with few assets anyway . In addition the level of understanding of the general intent and purpose of a standard CSR policies are less well understood by the owners of the company so that the implementation of CSR policies to fail (frustated) when the executors (Officials) do not fully understand the standards and CSR policy objectives .

2. Insufficient resources owned company into one of the problems of the implementation of CSR policies in Riau Province . Lack of or limited funds or other incentive -owned enterprises constitute the largest contribution to the implementation of CSR policy has not been successful in Riau Province .
3. In the characteristic aspect of implementing the policy shows that Standard Operating Procedures (SOPs ) developed companies emerged as an internal response to the limitations of time and resources on implementing the organizational culture is complex . SOP routine was not able to be well designed so mengambat changes in CSR policy because it does not correspond to the situation or the company's new program . Another issue of the implementation of CSR policies is the fragmentation that comes from pressures outside units bureaucracy , such as from the legislative power , interest groups , and executive officials .
4. Standards and objectives indicated CSR policies are not well communicated to the implementers. With the lack of clarity, the implementing CSR policies become less know what is expected of him and what to do. This problem arises because the process of transferring the news down in the organization or from one organization to another organization, and to other communicators, often experience problems (distortion) whether intentional or not.
5. There is an attitude / disposition rejection of the company as an agent implementing CSR policies greatly affect the successful implementation of CSR policies. This happens because of the policies implemented is not the result of a blend formulations interests of the company and the local government who know very well the problems and issues that they feel. But it impressed structured CSR policy is top down is very likely the decision makers do not know can not even touch the needs, wishes or problems that must be solved.
6. Implementation of the policy requires conditions conducive external environment . But the social environment , economics and politics are not conducive in Riau Province which caused frequent occurrence of conflicts of interest between the strength of socio-economic - political source of the problem of the lack of CSR policies .
7. Those a new concept that can be adduced based their conclusion that the smooth relationship between the factors of policy implementation depends on the commitment of companies and local governments that can not be separated from the culture and values of local ( Malay civilization ) .

### **Suggestion**

Based on the conclusions and findings of the research , then put forward the following suggestions :

### **Academic Advice**

- a) Need to do in-depth study to further understand the commitment of the driving element that involves the culture and values of the local where the policy was implemented.
- b) In addition to increasing the successful implementation of CSR policies should be continued concrete steps scientifically that include : the creation of conditions for strategic and conducive environment in the area, both regarding the local political

structure and cultural situation , traditions and norms of life in society ; improvement of the characteristics of the main implementor leadership that can build up communication , coordination and cooperation with a partner to jointly organize and implement government affairs field character development of the nation as well without any element of compulsion ; interpersonal and inter effective organization so as to produce consistency in achieving the goals , formulate planning and implementation procedures with good funding and communication quality ; sufficiency in resource allocation related to both financing and personnel .

### **Practical Advice**

- a) Implementation of Regional Regulation 6 of 2012 on Corporate Social Responsibility in the province of Riau need for more concrete action through synergy Social Responsibility Forum ( FTJS ) consisting of local government, parliament , Academics , Entrepreneurs Association to assist the Governor as the Regional Head with the Company .
- b) CSR Fund Management Company shall be directed by the government to take into consideration the principle of benefit , especially in improving the local economy . CSR is not only directed to social programs and insedentil , but must meet the needs of people that can be measured.
- c) Monitoring and evaluation activities to improve CSR program continuously and also ensure the implementation of CSR programs on target , therefore the government will have to have a master plan for the development of CSR as well as monitoring and evaluation system are obvious.
- d) Improving social control by society , academia and other stakeholders so that the required disclosure of information about CSR companies .
- e) CSR programs and activities not only held for a short period but applied in a long period by taking into account environmental factors , social and religious . For example, after the public get help venture capital , the company makes training and also taught how to preserve the environment . After a fairly advanced business communities are also taught how to develop the business , so that local resources can be absorbed . With a pattern of sustainable development and integrated expected to provide an alternative new ways to empower the community in addressing social and environmental issues are increasingly complex and complicated in the past decade .
- f) Necessary to approach the local culture in the development of CSR , it is intended to reduce conflicts between companies and communities . The conflict that has been happening needs to be a solution the conflict settlement should do / with due regard to customary law prevailing in the local community .

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