

# **IMPLEMENTATION OF CORPORATE SOCIAL RESPONSIBILITY (CSR) PROGRAM AT PT ANUGERAH LANGKAT MAKMUR**

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**Abstract:** Corporate social responsibility (CSR) is a form of management defined by an ethical and transparent relationship between the company and all stakeholders (relevant parties) in community development, environmental and cultural preservation for future generations, diversity, and the promotion of reducing social problems. The community feels cared for through PT Anugerah Langkat Makmur's (PT ALAM) CSR activities, whereas the company only produces semi-finished products or has no direct relationship with end consumers. Qualitative research using case study methods aims to determine the types and implementation of CSR programs at PT ALAM. Primary data was collected with in-depth observation and interview techniques, while secondary data collected through a desk study from the Public Relation of PT ALAM. The collected data was analyzed descriptively. The results show that PT ALAM has implemented corporate social marketing, corporate philanthropy, and socially responsible business practice program. CSR is implemented every year and internalized in its business structure. PT ALAM has implemented CSR programs in the form of education, construction of facilities and infrastructure, and socio-cultural and religious.

**Keywords:** *Corporate Social Responsibility (CSR), Implementation*

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## **INTRODUCTION**

Palm oil is a very strategic agricultural product commodity with around 4.09 tons per hectare per year (Poku, 2002). The high productivity of this commodity results in palm oil being very competitive, and it used in various products, such as the food industry, cosmetics, health products, biofuels, and biodiesel (Perindustrian, 2007). Currently, the demand for palm oil is very high, with the largest consuming countries being India and China, while the primary producers are Indonesia and Malaysia, with a market share of around 85% (Wicaksono, Rifin, & Pahan, 2018).

Indonesia has an excellent opportunity to increase its production as one of the largest palm oil

producers globally. However, various environmental and social problems that have arisen along with the development of the palm oil industry have become a challenge for this business actor. The emergence of pressure from various parties, ranging from the state to the international community, has caused stakeholders in the palm oil industry to create a sustainable palm oil industry.

Around 1992, the concept of sustainable corporate development emerged by having a positive impact on the surrounding environment, namely Corporate Social Responsibility (CSR), which aims to bridge the needs of the surrounding community with the company's interests (Doh, Luthans, & Slocum, 2016).

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At present, most companies have revised their paradigm from just making a profit for shareholders (owners) to participating in efforts to meet society's expectations. These expectations can include taking responsibility for the company's activities that can damage the environment and safeguard the community's welfare. The primary purpose of implementing CSR for companies in Indonesia is to contribute many company resources, improve social welfare, and comply with the law (Orlitzky, Schmidt, & Rynes, 2003).

One of the initiatives taken in Indonesia to create a sustainable palm oil industry is the establishment of Indonesian Sustainable Palm Oil (ISPO) which is a policy of the Indonesia's Ministry of Agriculture to increase the competitiveness of Indonesian palm oil in the world market through a commitment to pay attention to environmental issues (Nanggara, Rosalina, Kartika, & Setyawan, 2017). The basis of the ISPO principles and criteria is the concept of The Triple Bottom Line (Elkington, 1997). The concept holds that if a company wants to maintain its existence, it must pay attention to the 3Ps, namely profit, people, and the planet.

According to the Center for Agricultural Data and Information Systems (2019), in Indonesia, around 40.6% of the palm oil industrial area is managed by the people, the private sector controls 55% of oil palm plantations, and government-owned plantations manage the remaining 4.4%. In the palm oil industry, all administrators must ensure the sustainability of this industry. Whereas, when observed from the proportion of oil palm ownership, the private sector is the largest administrator, so it has a crucial role in developing the palm oil industry. Therefore, this has become the impetus for researching private plantation companies.

PT Anugerah Langkat Makmur (PT ALAM) is a private company engaged in the palm oil industry since 1988. Since its official establishment, PT ALAM has been actively carrying out social responsibility in the community around the business unit. However, these responsibilities are still like charity, philanthropy, and alms from the company's owner. In this study, an analysis of CSR implementation at PT ALAM was carried out based on curiosity regarding the implementation of CSR, which was initially philanthropic and then shifted to a broader scope. Therefore, this study examines the types of CSR programs implemented at PT ALAM.

## RESEARCH METHODS

This research was conducted at PT Anugerah Langkat Makmur. The subject in this study is the superintendent of CSR at PT ALAM. This research aims to implement the Corporate Social Responsibility program at the PT ALAM, located in Kampung Lama, Besitang, Langkat Regency, North Sumatra. This study uses a qualitative design with a case study method.

Informants in this study are internal offices that hold the CSR division with data sources consisting of primary data and secondary data. This study's primary data collection was obtained from survey results to PT ALAM informants using interview, observation, and documentation techniques, for secondary data, obtained by literature study from Public Relations in a CSR report at the company PT ALAM.

In this study, the data analysis technique refers to the analysis stages according to Miles and Huberman (1994), namely data collection, data reduction, data presentation, conclusion drawing, and verification.

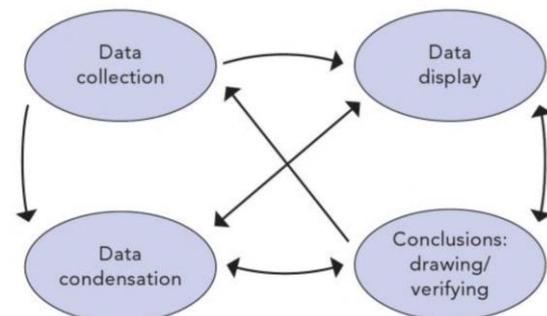


Figure 1. Qualitative Data Analysis Mechanisms (Miles & Huberman, 1994)

## RESULTS AND DISCUSSION

### Company background

It started in 1982 with the initial planting of oil palm seedlings with 7.5 ha in Besitang District, Langkat Regency, North Sumatra. For Langkat Regency, the plantation area has reached approximately 2000 ha. There are plans to continue to expand the land with a larger area following the existing potential. Then in early 1988, a company incorporated under the name PT Anugerah Langkat Makmur was established. PT Anugerah Langkat Makmur is an agribusiness company that focuses on oil palm plantation and palm oil mills.

In 2009 the company received ISO 9001:2000 international certification on the quality

management system from the TUV-Rheinland certification body. Continued in 2010, there was an upgrade of certification to ISO 9001:2008. This is an astounding achievement for the company, where the certification shows the recognition of international standard organizations for the company's quality management system for the maintenance and management of oil palm plantations. In 2014, PT ALAM started its internal mapping until finally, in July 2018, it received ISPO (International Sustainable Palm Oil) certification.

**Type of CSR Program**

In determining the classification of CSR program types, the researcher used the identification by Kotler and Lee in 2005. There are several programs, including Cause Promotions, Cause-Related Marketing, Corporate Social Marketing, Corporate Philanthropy, Community Volunteering, and Socially Responsible Business Practice. Based on these six types of programs, PT ALAM has implemented three of them:

1. Corporate Social Marketing

The program has a primary focus on behavioral change and the intensity of its outcomes. In order to change public behavior, its activities can relate to several things, such as improving the health sector, ecology, transportation, and non-profit organizations.

In this program activity, a campaign built by PT ALAM related to the environment by making a signboard that prohibits killing animals surrounding the area because the existing animals can contribute to the fertility of oil palm land. With this sign, the company expects that the surrounding community will be aware of preserving the existing flora.



Figure 2. Signs Forbidden to Destroy Plants and Kill Animals at Sei Lengan Garden Locations

2. Corporate Philanthropy

The implementation of this program directly impacts solving social problems in the

local community because the company contributes directly through social activities to certain community donations in the form of cash grants, supporting facilities, scholarships, or in-kind services.

Activities that PT ALAM has carried out in executing this program, for example, is giving monthly donations for mosques and churches, mosque nadzir during Eid, donations of money for iftar at mosques, donations for gravediggers, and assistance for local teachers' fees.



Figure 3. CSR in the Religious Sector (Construction of a Mosque in Sei Lengan District, Langkat Regency)



Figure 4. CSR in the Religious Sector Construction of a Pastor's House in Sei Lengan District)



Figure 5. CSR in Education Sector (Construction of Madrasah Schools in Sei Lengan Subdistrict)



Figure 6. CSR in Education Sector (Construction of Junior High School Buildings in Sei Lapan Subdistrict and donated to Langkat Regency Government to Become SMPN 4 Sei Lapan)

### 3. Socially Responsible Business Practice

In this program, the company encourages investment business activities by supporting well-thought-out social activities with a long-term commitment because this program can change the relevant internal policies to improve community welfare and protect the environment. In implementing this program, PT ALAM helped provide the land with a borrow-to-use system to assist PDAM Tirta Wampu's plan, which is the water treatment program for clean water for the community in the Langkat area. This program shows a correlation between companies to improve people's welfare.

In addition, PT ALAM carries out developing process improvements by supporting and carrying out waste reduction activities with wastewater treatment in palm oil mills. This activity carried out by making ponds to reduce the concentration of organic waste substances not to pollute water bodies. This program shows the company's correlation to protect the environment.

PT ALAM also applies the 3R (Reduce, Reuse, Recycle) concept included in the company's environmental permit by maximizing palm oil waste so that it has economic value that nothing is wasted or "zero waste" by recycling empty bunches which used as organic fertilizer.

Another activity in this program is to support employee welfare or develop programs to support employee well-being. The welfare of employees at PT ALAM is considered by assisted internal cooperatives, Berkat Anugerah Jaya (KUD BAJA) and Rahma Tani (KUD RATA). The tree must be uprooted at the end of palm oil age planting. During this period, the cooperatives assisted provide

financial assistance so that the employees could also be helped economically. Then, the employee will return the funds during the uprooting period with an installment system. This proves that there is a correlation with the welfare of society.

Meanwhile, based on findings in the field directly, three other types of programs, namely, cause promotions, cause-related marketing, and community volunteering, have not been implemented by PT ALAM because this company produces semi-finished products. The sales results are not directly to consumers, which do not have an enormous enough scope. Implementing a cause promotion program should be considered and implemented when the company has access to the target market easily when the promotion objectives are related to the products issued by the company (Kotler & Lee, 2005). Therefore, it can be concluded that the cause promotions program, in general, can only be applied to companies whose scope is already widespread or even national.

The following program PT ALAM has not been carried out is Cause-Related Marketing (CRM) because this company only processes oil palm fruit into Crude Palm Oil (CPO). According to Kotler and Lee (2005), CRM activities have the potential to be carried out if the company has a product that has high appeal or has a mass market and is similar to Cause Promotions that supports public awareness, but the difference in CRM is that its contribution is based on consumer response. Therefore, it can be concluded that this type of program is possible for PT ALAM if the company produces palm oil not only up to CPO.

The Community Volunteering Program is the last type of activity that PT ALAM has not carried out routinely. Volunteer activities are carried out by employees by giving their time to help local community organizations and communities targeted by the company. Guidance was carried out at the beginning of the establishment of the factory to smallholder farmers by providing oil palm seeds and knowledge on how to plant, fertilize and harvest appropriately so that the results were maximized with the same standards as factory farmers. This program contains the development of volunteer programs that must be appropriate to fundamental social, economic, and environmental problems to suit the company's business needs (Kotler & Lee, 2005).

### CSR Implementation at PT ALAM

According to Pasaribu, et. al (2015), several factors influence corporate CSR implementation, including litigation factors, community demands, consumer demand factors, company awareness factors, and the availability of company funds.

According to Auld, Bernstein, and Cashore (2008), the concept of implementing CSR generally has two ideas, both of which are believed by Mr. Budi as the Head of the Corporate Secretary of PT ALAM. First, CSR is an after-profit activity. Secondly, the company tries to internalize CSR in its business. These efforts have already begun and can be seen from the CSR organizational structure at PT ALAM until the annual report on social responsibility activities.

According to Husadha, et.al. (2015), companies can be classified into several categories related to CSR. The grouping is carried out with two approaches, namely from the proportion of the budget and the objectives for the implementation of CSR. From the proportion of company profits and the amount of CSR budget, PT ALAM is included in the "reformist company" where the profit and CSR budget are pretty high. Meanwhile, if it is categorized on the implementation objectives, PT ALAM is included in the "aggressive company" where the promotion level is low while the performance is high. This can happen because PT ALAM only carries out promotions to companies above it (business partners) by maintaining the quality of CPO and maintaining good relations with buyers.

Companies in Indonesia implement CSR based on laws and regulations from the government. However, there is no CSR implementation model (Rumambi, Kaligis, Tangon, & Marentek, 2018). In order to properly distribute CSR assistance, the management of PT ALAM has determined the flow or process of social responsibility activities with the fulfillment of several stages as follows:

1. The community submits a proposal to the office of the business unit in the plantation or the palm oil mill.
2. The on-site staff will send the proposal to the Corporate Secretary (CS) at the Board of Directors' Office in Medan.
3. CS staff will contact the plantation or mill to inquire about the incoming proposal to become a record to be submitted to the Head of the CS.
4. The Head of the CS will submit to the director with inputs from the business unit (whether this proposal is feasible or not to be assisted).
5. If approved, the director will write the nominal amount of assistance on the approval sheet and at the same time affix his signature.

6. The Head of the CS will resubmit the approved proposal to the CS Staff for further request for funds to be made to the finance department by attaching an approval sheet that the director has signed.
7. Funds that have come out of the finance department will be transferred by CS staff to the business unit and contacted the staff in the business unit to collect the funds at the nearest bank.
8. Unit staff will contact the community that submitted the initial proposal, and once the funds are submitted, a receipt will be issued.

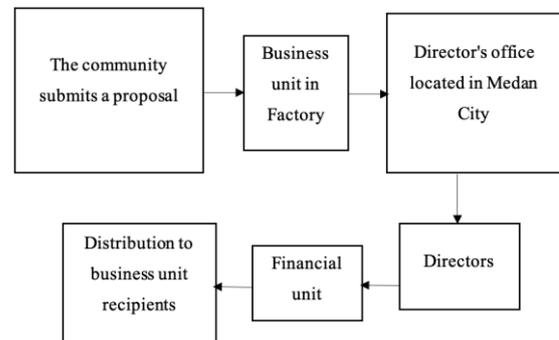


Figure 7. Flow of CSR Activities

### CONCLUSION

By looking at the results of research on PT Anugerah Langkat Makmur, the authors can conclude that the implementation of CSR programs includes three types among the six types that Kotler and Lee have classified. The types of programs implemented are Corporate Social Marketing, Corporate Philanthropy, and Socially Responsible Business Practice. PT ALAM, as a company engaged in the oil palm plantation sector and palm oil mills has implemented CSR programs every year covering the fields of Education, Facilities and Infrastructure Development Programs and Socio-Cultural and Religious Programs.

The CSR program implementation process is carried out in two ways, namely, direct assessment by PT ALAM's management to the field for the distribution of CSR funding assistance and or the recipient of the assistance can submit a proposal to the business unit office in the plantation or in the palm oil mill. From the implementation results, it can be seen that PT ALAM carries out social responsibility activities seriously based on commitments marked by the seriousness where these activities have been internalized in the structure and business planning so that it can be proven that CSR is carried out not just a formality.

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