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## Implementation of Good Corporate Governance (GCG) and Corporate Social Responsibility (CSR) in The Plastic Industry's Family Companies

Sugianto<sup>1✉</sup>, Nur Azizah<sup>2</sup>, Fitrah Izul Falaq<sup>3</sup>

Politeknik Mercusuar Indonesia

Email: [sugianto@polimercia.ac.id](mailto:sugianto@polimercia.ac.id)<sup>1✉</sup>

### Abstrak

Penelitian ini bertujuan untuk melakukan analisis penerapan prinsip Good Corporate Governance (GCG) dan perspektif teoritis tentang strategi Corporate Social Responsibility (CSR) di PT Hamifaro. Sebuah perusahaan keluarga yang bergerak dibidang industri plastik. Penelitian ini menggunakan pendekatan kuantitatif diskriptif dengan teknik wawancara dan penetapan narasumber menggunakan metode purposive sampling. Hasil dari penelitian ini menunjukkan PT Hamifaro sudah baik dalam penerapan prinsip GCG namun terdapat beberapa kekurangan dalam penerapan prinsip akuntabilitas dan fairness. Di dalam perusahaan masih ditemukan beberapa kekurangan seperti Standar Operating Procedure dan Jobdesk yang masih belum merata pembagiannya. Lalu adanya tumpang tindih jabatan dan pembagian tugas yang belum merata. Selain itu program CSR yang dimiliki oleh perusahaan dan yang sedang berjalan kedepannya harusnya bias ditingkatkan lagi agar dapat berdampak lebih luas dan memenuhi perspektif Austrian economics dimana program CSR yang ada di perusahaan selain berdampak secara sosial, juga memberikan keuntungan dan dijadikan sebagai intervensi bisnis.

Kata Kunci: *Good Corporate Governance, Corporate Social Responsibility, Perspektif Austrian Economics*

## Abstract

This research aims to analyze the application of Good Corporate Governance (GCG) principles and theoretical perspectives on Corporate Social Responsibility (CSR) strategies at PT Hamifaro. A family company operating in the plastics industry. This research used a descriptive quantitative approach with interview techniques and determining sources using a purposive sampling method. The results of this research showed that PT Hamifaro is good at implementing GCG principles, but there are several shortcomings in implementing the principles of accountability and fairness. Within the company, several shortcomings are still found, such as standard operating procedures and job desks which are still not evenly distributed. Then there are overlapping positions and unequal distribution of tasks. Apart from that, the CSR program that the company has and is currently running in the future should be able to be further improved so that it can have a wider impact and fulfill the Austrian economics perspective, where the CSR program in the company apart from having a social impact, also provides benefits and can be used as a business intervention.

Keywords: *Good Corporate Governance, Corporate Social Responsibility, Perspective Austrian Economics*

## INTRODUCTION

People's need for plastic is increasing. As packaging, plastic has many advantages. Plastic tends to be lighter than other materials, cheap and does not break easily. Almost all shopping centers use plastic bags. The government's efforts to overcome the need for plastic bags are proven by the management of the plastic industry, one of which is PT Hamifaro. From this information, it can be stated that the government is also paying attention to the development of the plastic industry on the market. Good Corporate Governance (GCG) is needed to encourage a market form that is efficient, transparent, and consistent with existing laws and regulations. Every company must ensure that GCG principles are applied to every aspect of the business and at all levels of the company.

GCG principles are needed to achieve corporate business sustainability by paying attention to KNKG stakeholders (2011). Apart from that, the implementation of Corporate Social Responsibility (CSR) greatly influences the products that will be sold according to Kim and Lee (2020). Even corporate organizations need to pay attention to whether CSR is managed correctly. With CSR, companies can introduce their products optimally to the public (Budiman, 2019). In this research, PT Hamifaro is one of the companies operating in the plastics industry. This company is located in Jombang district, East Java, founded in

2016 by 3 commissioners consisting of 2 commissioners who are family members and 1 who is not a family member.

The organizational structure in the company is that directors, financial managers, and several marketing departments are family members. In this company, the existing GCG principles still have several problems that often occur because this company is also a company managed by the family. The problem that often occurs is that there are still overlapping positions. The form of the CSR program within the company is still unclear because employees need to understand the program being implemented. In a company that continues to grow, stakeholders need to understand what CSR programs the company has. Therefore, in this research, it is necessary to analyze what kind of CSR program the company has, and then how to apply a theoretical perspective on CSR strategy to the program, Wibowo (2014). Therefore, the application of GCG and CSR principles needs to be researched.

This research hopes to find out whether the company has implemented the five principles of good corporate governance and corporate social responsibility. To what extent are the five principles applied, as well as helping to implement corporate governance properly and correctly by existing theories and books and providing valid information regarding current company management to develop the company in a better direction in the future and see the implementation of corporate social responsibility whether it has been implemented in the company studied.

## RESEARCH METHOD

The type of research used qualitative descriptive, namely research used to analyze data by describing or illustrating the data that has been collected as it is without intending to conclude (Sugiyono 2014). The case study used in this research was a family company which was to describe how GCG and CSR are implemented in the family company. Data collection methods used interview and observation techniques. An interview was a conversation process to explore information about events, activities, organizations, motivations, feelings and so on which was carried out with two-party communication, namely the interviewer asking questions to the interviewee Azmi, Nasution, and Wardayani (2018). Interviews were conducted to find out more deeply, and the interview technique used was personal interviews by meeting face to face.

Observation was a technique or approach for obtaining primary data by directly observing the data object. This was done to find out more in-depth about the company

related to the research object. Also to confirm the data that has been collected through interviews with actual reality. The research target was family companies that are already in the form of limited liability companies. Determining informants or respondents using the purposive sampling method, namely a data source sampling technique with certain considerations Sugiyono (2014). This method had several reasons, namely, first, it requires maximum information from all sources. Second, there is consideration of the position and knowledge of the source.

There were two data sources in this research, namely primary data sources and secondary data sources. Primary data is the result of interviews and observations. Secondary data included company profiles and reports related to GCG and CSR. The data analysis technique used what was said by Miles and Huberman (1992) as quoted by Sari, Mintarti, and Fitria (2018), the initial step was to collect information. At this stage, the author obtains information from interviews, direct observation, and looking at company data. The second was presentation, after the information was obtained it can be presented in the form of a table or an explanatory description. The final stage was concluding. After carrying out these three stages, the data will be tested for its correctness using source triangulation, namely the process of comparing and checking back the degree of trustworthiness of information obtained through different times and tools Herdiansyah (2015). In this research, the results of interviews were compared with the results of observations that have been made.

## RESULT AND DISCUSSION

This research aims to find out how GCG and CSR principles are implemented within PT Hamifaro because in family companies it is still rare to find the implementation of GCG principles running well due to internal interventions and conflicts or other things that cause the principles to not work well. Likewise, CSR principles still need to be analyzed to find out whether the objectives of holding a CSR program are by the wishes of the community and how to apply a theoretical perspective on CSR strategy to the program.

### Transparency

PT Hamifaro has been good at implementing transparency. Information contained within the company has been conveyed openly and accurately to all stakeholders. The basic principle of transparency is to see the existence of information openness and how far it is within the KNKG company (2011). The point is that companies are required to

provide relevant information that can be understood by stakeholders Satriawan (2020). Therefore, companies are required to take the initiative to be open to statutory regulations and also open regarding matters that are important for decision-making by shareholders and other stakeholders. Companies must have the courage to provide accurate information regarding company performance, ownership, and stakeholders. Information about the vision, mission, and goals determined by the company, and also financial reports are very open within the company. There is a vision and mission printed in a banner form and placed on the wall, there are meetings every week to evaluate each division and provide material and more relevant information, there is a WhatsApp communication group.

### Accountability

PT Hamifaro has implemented accountability well, but there are still shortcomings that cause it to be less than optimal. Accountability means creating a control system that can be said to be effective and based on a balance of power between the board of directors, shareholders, and also the board of commissioners, Haryatmoko (2016). Because the company's performance and company structure is still unclear, namely in the SOP and job desk sections, so even though the company structure looks good, there are still tumpang without positions and there are still double job desks. There are no competent employees to occupy this position so this task is handled directly by the financial manager. Double job desks can also be seen when financial managers are still carrying out marketing duties to market products. According to KNKG (2011), the basic principle of accountability is that companies must be responsible for company performance transparently and fairly. Therefore, companies must be managed correctly, and measurably, and follow the company's interests by considering the interests of other stakeholders.

Accountability is a requirement for achieving sustainable performance. So formally the SOP and job desk in the company already exist, but in reality, they are not used resulting in the company's performance being unmeasurable because it is not clear and the structure is not appropriate. The conclusion is that the company has not implemented the principle of accountability to the maximum. The company already has a division of duties and responsibilities for each division, but there are still unclear responsibilities. For example, a crane directly supervises production employees and can reprimand employees who make mistakes directly. In terms of audit, the company does not have an audit

system, either internal or external. This indicator shows that the company does not fulfill the principle of accountability. According to Haryatmoko (2016), companies must carry out the duties and responsibilities of each person and all employees clearly and in line with the company's vision, mission, business targets and strategy, and have good internal and external audit practices.

### Responsibility

Responsibility is a form of responsibility towards the environment. The author uses two indicators of the principle of responsibility to find out how far the principle is implemented, namely: Corporate Social Responsibility (CSR) and Constitution.

Corporate Social Responsibility (CSR). CSR indicators will be seen from 3 aspects, namely aspects of CSR towards the environment, CSR towards human resources, and CSR towards society. The company carries out CSR towards the environment by managing the waste produced by the company. Waste management is carried out by the company which first filters it so that the waste produced does not damage the environment and the company's waste in the form of production remains will be recycled into plastic pellets which are then reused for production. Second, the company uses the services of other companies engaged in environmental management to manage the environment around the company. Every month the company will pay contributions to the managing company.

The company carries out CSR towards HR by providing benefits and facilities and fulfilling the normative rights of employees within the company. The benefits provided include a salary above the UMR, holiday allowance (THR), and compensation when an employee experiences a work accident where the company will cover the employee's medical costs. The company fulfills normative rights related to annual leave rights, maternity leave rights, etc. The facilities provided by the company to employees include a place of worship for Muslim employees, prayer hours for Muslim employees, toilets, drinking water for employees, and a place for employees to eat.

CSR towards the surrounding community is not implemented because it is located in an industrial area. The company carries out CSR towards the community by providing donations to mosques and Islamic boarding schools in the form of funds. Apart from that, the company also carries out CSR towards consumers, namely by replacing new products when the goods provided do not match the consumer's orders. The author sees that the CSR aspect carried out by the company is by the principle of responsibility, namely that

the company must carry out social responsibility by, among other things, caring for the community and environmental sustainability.

Constitution. The author looks at laws relating to consumers, business competition, employment, and tax law. Companies implement consumer protection laws in several ways, firstly regarding the use of production raw materials. The company uses original raw materials (not recycled). Second, the company's production results correspond to the dimensions (content, thickness, length, and width) stated on the packaging label. The two things above are by the Consumer Protection Law No. 8 of 1999 article 8 paragraph 1(d) which states that business actors are prohibited from producing and/or trading goods and services that do not comply with the conditions, guarantees, privileges or efficacy as stated on the label, labels or descriptions of goods or services, Government of the Republic of Indonesia (1999).

For business competition law, companies apply by not entering into agreements with other business actors for monopolistic practices, oligopolies, cartels, etc. The author sees a violation of Law No. 13 of 2003 Article 59 paragraph 2, namely that work agreements for a certain time cannot be entered into for permanent work (Department of Law and Human Rights 2010). Taxation is carried out by paying taxes such as income tax (PPH), land and building tax (PBB), and value-added tax (VAT) regularly. It can be concluded that the company has not implemented the principle of responsibility properly. This is due to violations of labor law regarding the issue of contract workers. This is not by the theory of the principle of responsibility, namely that company organs must adhere to the principle of prudence and ensure compliance with statutory regulations, articles of association, and KNKG company regulations (2011).

### Independence

In the principle of independence, the author uses indicators of influence within the company which will be divided into internal influence and external influence. Internal influence will be seen from the influence of shareholders and the role of the family in the company. Meanwhile, external influences are seen from government regulations and consultants. PT Hamifaro has implemented independence well. The basic principle of independence is that the company must be managed independently (by the company internally) so that each company stakeholder does not dominate each other and the company cannot be intervened by other parties KNKG (2011). The company has implemented this principle well in accordance with what was stated by the KNKG because

the company has been managed independently, without any domination or intervention from other parties. Companies must be able to avoid unreasonable domination of stakeholders and must remain objective and free from pressure that can arise from any party who has personal interests. Because PT Hamifaro's crucial decisions were taken by the permanent board of commissioners if the general decision was taken by the board of directors after the board of directors meeting. So the board of directors becomes the biggest decision maker.

### Fairness

PT Hamifaro has implemented the principles of equality and fairness quite well but not optimally. The basic principle of fairness is that companies are obliged to always pay attention to the interests of shareholders and other stakeholders by the principles of fairness and equality existing in the KNKG (2011). According to Irwondy and Hubeis (2017), companies are agents of stakeholders and must act well, wisely, and fairly towards all stakeholders. Therefore it is very important to pay attention to justice. Even though PT Hamifaro is a family company, the company still provides opportunities to express opinions well and the existing employee selection system is also good. The weakness in this company is that the task distribution system is not equal and fair. Therefore, PT Hamifaro does not pay enough attention to the interests of one of the company's stakeholders, namely its employees, so that the principles of equality and obligations are still not fulfilled.

### Theoretical Perspective on CSR Strategy

Stakeholder theory explains CSR programs that provide benefits to company stakeholders. Institutional theory explains that existing CSR programs are made according to government standards. Meanwhile, the Austrian economic perspective can be seen as an alternative, more advanced way of thinking in viewing CSR activities due to business benefits. In implementing the company's CSR program, it currently focuses more on stakeholder theory which explains that the company provides benefits to PT Hamifaro's stakeholders, especially to the local community, providing benefits in the form of ease in participating in the recruitment process, providing necessities and building prayer facilities for prayer rooms and providing teaching to read the Koran for children. -children who live around the company.

## CONCLUSION

The results of the analysis are from interviews conducted with five sources who have determined in this research, that PT Hamifaro has weaknesses in terms of implementing GCG principles, namely the principles of accountability and the principles of fairness. Apart from that, the application of theoretical perspectives regarding CSR strategy within the company is good.

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