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The acceleration strategy of small medium enterprises growth in East Kalimantan Province Indonesia

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Abstract

This study's aim is to identify the root cause of problem and design strategies in optimizing the role of CSR in accelerating SMEs growth. The data collected through in-dept interview, FGD, questionnaires distribution and literature study and analyzed by using the descriptive qualitative method. There were four root cause of problems: no communication networking; the reluctance of companies; lack of government commitment; less concern in economic empowerment. The solution were developing communication patterns; increasing the institution role; increasing the stakeholders capacity; and sharpening the CSR programs.

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1. Introduction

East Kalimantan is one of the province in Indonesia which is blessed with abundant natural resources one of which is coal. Based on data from the Department of Mines and Energy of the Province (2014), there were 442 Mining Permit abbreviated IUP OP (issued by local Government) and 22 Coal Mining Agreement often abbreviated PKP2B (issued by central government). The existence of coal mining company is expected to become stimulation sources of funding to accelerate the growth small and medium enterprises or better known as SMEs through the implementation of corporate social responsibility program, hereinafter referred to CSR. Under Indonesian law, the implementation of CSR programs must be executed by a company in which its business sector is natural resources as mandated by Article 74 of Law No. 40 of 2007 on Limited Liability Companies.

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Although East Kalimantan is one of the provinces with a big budget compared to other provinces in Indonesia, the existence and presence of CSR has a strategic role. In this case the CSR is not only to increase the power and scope of the handling of poverty around the area of a coal mine, but the implementation of CSR program is also expected to empower SMEs and empowering the community at large through the support of CSR programs in accordance with priority and community need, CSR programmed by the coal mining companies in East Kalimantan not only to increase the company's profit financially but also as a medium to develop the social economic development of the region holistically, institutionalizedly and sustainably.

The Statistics data of East Kalimantan as of September 2014 showed that the number of poverty in rural area was 154.20 thousand people or 10.06 percent, the number was more than the population of the urban poor as much as 98.48 thousand or 3.98 percent. While it was known that most of the rural human settlements in the area was around the mine coal. The facts that there was an economic problem. It must be solved together among coal mining companies, governments and communities in accordance with the capacity and the duties and functions of each party.

Based on the above issues, this study is intended to identify the various problems of implementation of CSR programs that inhibit the growth SMEs in the region around the coal mine; set a strategy of accelerating growth of community business centers for the community around the mine area; look for patterns of effective communication and coordination between the companies - local government - society; and look for patterns of the implementation of the CSR program to always oriented towards community empowerment.

2. Literature Review

2.1. *The Concept of CSR Management Strategy*

Management according to James AF Stonner (1996) is a process of planning, organizing, leadership, and control the efforts of members of the organization and the use of all available resources in the organization to achieve organizational goals that have been set previously. Understanding of management is strengthened by the Goerge & Leslie (1992) which define typical management as a process consisting of actions of planning, organizing, and controlling performed to determine and achieve the targets that have been determined through the use of human resources and other resources. Attempt to achieve certain goals through other people (Koontz & O'Donnel, 2005), Appley (1956) Art and art achievement of goals is done through the efforts of others.

Relating with the CSR management Friedman (1970) view that the only one responsibility of business toward society is the maximization of profit to the share holder the framwork and the ethical custom of the country, while Donalson (1982) considred the business and society relationship from the social contract tradition mainly from the philosophical thought of Locke. He assumed that a short of implicit social contract between business and society exists. Winsor (2001) has stated as a motive of wealth creation progressively dominated the managerial conception of responsibility. From those definition it can be said that actually the CSR implementation is not only benefited to the community around the companies but the impact is toward the companies. Furthermore, Donati (1991) states that there are four basic theories of CSR needed to achieve the implementation of CSR. They are instrumental, integrative, political and ethical theories.

2.2. *Small and Medium Enterprises (SMEs)*

In accordance with Law No. 20 of 2008 on Micro Small and Medium Enterprises, the Micro businesses is defined as productive businesses owned by individuals and or entities that meet the criteria of micro individual businesses as stipulated in this Law. It has a net worth capital not more than 50 million rupiah not include land and buildings; or have annual sales of more than 300 million rupiah. Small business is an independent productive business, carried out by an individual or business entity that is not a subsidiary or not branches of companies owned, controlled, or be a part either directly or indirectly from medium or large businesses that meet the criteria of small business as defined in this Act. Medium businesses is a productive economic activities that stand alone, carried out by individuals or entities that are not subsidiaries or branches of companies owned, controlled, or be a part either directly or indirectly with the small business or large enterprise with total net assets or the annual sales revenue as stipulated in this Law.

Chambers (1995) defines empowerment is a concept that summarizes the economic development of social values, this concept reflects the new development paradigm, namely people centered, participatory, empowering, and sustainable. While Budimanta and Rudito (2008:39) empowerment is defined as programs relating to expanding

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