



# Implementation of Corporate Social Responsibility Program Through Community Development at PT Sawit Sumbermas Sarana Tbk (SSMS)

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## ABSTRACT

### Keywords:

Corporate Social Responsibility  
Community Development  
Triple Bottom line  
Palm Oil

The purpose of this study is to evaluate how PT Sawit Sumbermas Sarana Tbk (SSMS) implements its Corporate Social Responsibility (CSR) program using the Creating Shared Value (CSV) approach. This research examines the implementation methods, strategies used, challenges faced, and the impact of CSR programs on the community and the surrounding environment. This research utilizes a descriptive qualitative method, with data collected through document analysis of CSR activities and sustainability reports from the SSMS website, as well as relevant literature. Interviews were conducted with key informants involved in CSR planning and implementation. The findings show that SSMS' CSV approach has resulted in multidimensional impacts across economic, social, and environmental aspects. Programs such as the Purun Handicraft Group, Mandiri Livestock Group, and Tahulu Peat Coffee exemplify innovation in integrating CSR with the business value chain. However, the study identified challenges in implementation, including communication gaps and varying levels of community understanding. In conclusion, while SSMS' CSV approach shows significant potential to create shared value, there is a need to improve communication strategies, robust impact measurement systems, and regular evaluations to ensure the sustainability of these programs. This research provides valuable insights into CSR practices in the Indonesian palm oil industry, emphasizing the importance of effectively integrating corporate social responsibility with business strategies for sustainable development.

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## 1. Introduction

In the context of Indonesia's economic development, oil palm occupies a very important position as a leading plantation commodity. Indonesia, known as one of the world's leading palm oil producers, has managed to create significant employment opportunities through this industry, employing around 16 million people both directly and indirectly. In 2018, Indonesia's palm oil industry recorded impressive production achievements. Total palm oil production reached 48.68 million tons, consisting of 40.57 million tons of crude palm oil (C.P.O.) and 8.11 million tons of palm kernel oil (PKO). This production came from various types of plantations, with large private plantations contributing the most at 29.39 million tons or 60% of total production. Meanwhile, large state plantations contributed 2.49 million tons, equivalent to 5% of total production. (Indonesian Palm Oil Industry: Maintaining the Balance of Social, Economic, and Environmental Aspects - MOA, n.d.). However, the growth of this sector also poses serious challenges to environmental and social sustainability. These include tropical deforestation, threats to biodiversity, land conflicts with local communities, as well as issues related to labor rights and health impacts on communities surrounding plantations, which are crucial issues that need to be

addressed. (World Environment Day: Facing Environmental Challenges in Indonesia - PUSTANDPI, n.d.). In the face of various challenges in the palm oil industry, the government and business players have taken concrete steps. One of the main initiatives is the implementation of Corporate Social Responsibility by plantation companies. This step is in line with the regulations of Law No.47 of 2007, especially article 47 which regulates limited liability companies.(Darmansah, Asrori Imam n.d., 2023)

Community development is one form of activity that can be implemented as part of corporate social responsibility that can provide significant benefits to communities and organizations. This approach is becoming increasingly important considering that the concept of implementing corporate social responsibility that has been applied is still limited to simple activities such as distributing gifts or gifts ahead of religious holidays, charitable activities, or providing assistance after natural disasters. CSR is supposed to be a systematic effort made to improve the quality of life in the communities surrounding the organization. One effective way to achieve this is through planned and sustainable community development programs around the company's area of operations. Several previous studies have examined the implementation of CSR programs in the oil palm plantation sector. Research by Wardie and Taufik entitled Study of the Implementation of CSR Programs of Palm Oil Plantation Companies to Communities in West Kotawaringin Regency found significant differences in perceptions between communities who work and do not work in companies towards CSR implementation. (Wardie & Taufik et al., 2017). While Kuvaini et al's research entitled Study of the Implementation of Sustainable CSR (Corporate Social Responsibility) Programs in Oil Palm Plantation Companies shows that the implementation of CSR in one plantation company has been running well in the fields of education and infrastructure, but is still lacking in the health and socio-economic fields. (Kuvaini et al., 2021).

To fill this gap, this study proposes a more holistic approach by analyzing the implementation of CSR through Community Development initiatives at SSMS. This approach allows for a more thorough evaluation of the implementation process, strategies used, challenges faced, as well as the impact of these programs on local communities. Therefore, this study aims to analyze the implementation of Corporate Social Responsibility programs through Community Development at PT Sawit Sumbermas Sarana Tbk. Specifically, this study will look at how the implementation process of the company's CSR programs through Community Development initiatives, the strategies used, the challenges faced, as well as how these programs have an impact on local communities.

This research is a qualitative research. Data was collected through document analysis in the form of annual reports of CSR activities (annual reports) and sustainability reports on the official website of PT Sawit Sumbermas Sarana and other related literature sources such as scientific journals, articles, laws and regulations. Interviews were conducted with key informants as planners and implementers of CSR programs run by PT Sawit Sumbermas Sarana Tbk. Qualitative descriptive analysis is used as a data analysis technique. Data obtained from observation, documentation, and interviews will be reduced and described qualitatively. This approach is expected to provide a more comprehensive understanding of the practice of CSR through Community Development in the palm oil industry and its contribution to sustainable development in Indonesia, as well as provide new insights into the effective integration between business objectives and corporate social responsibility.

## **2. Theoretical Framework**

### **2.1. Corporate Social Responsibility**

Corporate Social Responsibility is closely related to Good Corporate Governance (GCG). According to Monks (2003), CSR can be defined as good corporate governance. Specifically, a system that organizes and controls companies that create added value for all parties involved. ISO 26000 serves as the basis for CSR implementation and covers seven main issues. These include the triple bottom line concept of profit, people, planet, and also include organizational governance, human rights, labor practices, environment, fair operating practices, consumers, and social and economic development of the community (Kartini, 2013). The three main pillars of Corporate Social Responsibility (CSR) are first economic prosperity, second environmental quality, and third social welfare. If companies apply the triple bottom line concept into three components, namely profit, contributing to the fulfillment of people's welfare and sustainability, they can continue to work and develop. (Nurhayati et al., 2020)

Companies invite communities to take part or participate in their CSR activities by conveying their ideas, aspirations, and opinions about the goals of each party. This is certainly related to the idea of community development, where the company will collaborate with the surrounding community in its CSR activities. It is expected that these CSR activities can develop the potential of local communities to

provide long-term benefits for both the community and the company. (Fachria et al., 2022) So it can be concluded that *Corporate Social Responsibility* (CSR) is a company's commitment to make a long-term contribution to a particular issue in society or a better environment. This contribution from the company can be in many forms, for example: financial assistance, assistance of experts from the company, assistance in the form of goods, etc. Here it is necessary to distinguish between CSR programs and charity activities. Charity activities only last once or temporarily and usually lead to public dependence on the company. (Journal & Dwi Pratiwi, 2022).

## 2.2. Community Development

The idea of *Community Development* emerged in scholarly discussions as a response to the many problems faced by humanity at the end of the 20th century. Community development grew as an awareness of the importance of welfare by providing space for citizen participation in the development process (Winsome Robert, 2005). (Fahry & Putra, 20) Community development in this context is carried out with the aim of developing the ability of lower-level communities to identify needs, obtain resources and empower the community together. Community development is an effort to develop a sustainable and active society based on the principles of social justice and mutual respect. Organizations and companies seek to facilitate citizens in the process of creating social justice and mutual respect through broad development programs that connect all components of society. Community development translates the values of openness, equity, accountability, opportunity, choice, participation, mutual benefit, reciprocity and continuous learning. The essence of community development is to educate, to make community members capable of doing something by providing the necessary power or means and empowering them. (Zubaedi, n.d., 2013). Hadi (2020) states that community empowerment or community development is the highest level and most complicated CSR strategy because it requires assistance, planning, and good governance. CSR spearheads the signing of Community Development towards shared prosperity between businesses, communities, and the environment. Affected communities should be encouraged to take an active role in the interaction. In principle, the community should be the beneficiary of any business activity. Community involvement in development has become an integral part of the democratic political system. In addition, development must also be based on environmental sustainability. (Purnaweni et al., 2021)

## 2.3. Triple Bottom line

Elkington J. first popularized the *Triple Bottom Line* (TBL) in his 1994 book, *Cannibal with Forks: The Triple Bottom Line of 21st Century Business*, by combining three terms: economic prosperity, environmental quality, and social justice. Previously, TBL was known as people, *profile*, and *planet*. The TBL concept is used to balance social, economic, and environmental factors. Companies must not only pursue profits, but they must also pay attention and be involved in fulfilling the welfare of society (people) and actively contribute to preserving the environment (earth). (Lumi et al., 2023).

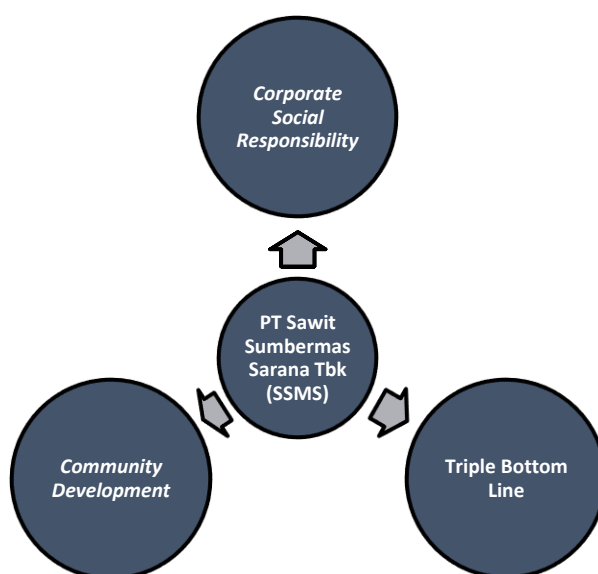


Figure 1. Framework

### 3. Method

This research is a qualitative research. Data was collected through document analysis in the form of annual reports of CSR activities (annual reports) and sustainability reports on the official website of PT Sawit Sumbermas Sarana and other related literature sources such as scientific journals, articles, laws and regulations. Interviews were conducted with key informants as planners and implementers of CSR programs run by PT Sawit Sumbermas Sarana Tbk. Qualitative descriptive analysis is used as a data analysis technique. Data obtained from observation, documentation, and interviews will be reduced and described again qualitatively.

### 4. Result and Discussion

#### 4.1. Results

PT Sawit Sumbermas Sarana was established on November 22, 1995 and commenced operations in 2005. The company aims to maximize the potential of palm oil. SSMS manages 23 integrated businesses, including oil palm plantations, eight palm oil mills, and one palm kernel processing plant in Pangkalan Bun, Central Kalimantan, Indonesia. As a company that utilizes natural resources in the form of palm oil, the company is committed to caring for the welfare of the community and preserving the surrounding environment. This is important so that no party feels disadvantaged by the company's activities. One of the steps taken to achieve this goal is by implementing a Corporate Social Responsibility (CSR) program.(Downstream & Sustainable, n.d., 2023)

PT Sawit Sumbermas Sarana Tbk (SSMS) is committed that its presence provides positive impacts and sustainable benefits for all stakeholders and Indonesian society in general in the long term, both directly and indirectly. This expectation is realized through social and environmental responsibility (CSR) programs by balancing economic, social, and environmental performance in order to realize the achievement of sustainable development (SDG). The vision of the company's CSR program in 2023 is "Blessings for the Environment."(Upstream and Downstream for Resilient Business Growth, n.d.)

Corporate Social Responsibility (CSR) as defined by the World Business Council For Sustainable Development (WBCSD), is the ongoing commitment of business entities to behave ethically and contribute to economic development, while improving the quality of life of employees, their families, and local and global communities. This CSR principle emphasizes the importance of volunteerism and partnership with stakeholders. In line with this, community empowerment and development programs run by companies such as PT Sawit Sumbermas Sarana (SSMS) reflect a strategic and sustainable implementation of CSR. These programs involve various aspects of development, such as poverty alleviation, community welfare improvement, and revitalization of global partnerships. Through the Creating Shared Value (CSV) approach developed by Porter and Kramer (2011), SSMS creates shared value between the company and the community with the main objective of creating social and economic sustainability around the company's operational areas. (Creating Shared Value (CSV), n.d.)

In its implementation, SSMS allocated funds amounting to Rp3.7 billion to support empowerment programs in 47 assisted villages spread across the region. The CSV implementation process is carried out through a series of comprehensive stages, starting from social research and mapping, risk analysis, Sustainable Livelihood Approach (SLA), to impact calculation through the Social Return on Investment (SROI) method. Here is a summary of all the programs that were run:

The SSMS **Disability Skills Program**, provides opportunities for children with special needs in Special Schools (SLB) to develop skills such as Dream Catcher, String Art, and Batik. The program aims to enhance their creativity and confidence. **The Purun Craft Group "Karya Bhakti" Natai Baru**, SSMS utilizes the potential of 300 hectares of purun plants in Natai Baru Village. This program empowers productive mothers in making purun-based crafts, supporting the local economy while producing environmentally friendly products. **Sewing Group Natai Baru Village**, SSMS established a sewing group of 15 members in Natai Baru Village, providing sewing skills training 36 times by 2023. In addition, SSMS provided equipment such as sewing and obras machines to increase their productivity.

**Independent Livestock Community**, Since 2022, SSMS developed a native chicken farming program in Tonam Hamlet, which currently empowers 16 farmers with a total of 500 native chickens, making a positive contribution to the village economy. **Aren Sugar Plantation Group**, In Lalang



Village, SSMS discovered the potential of vast aren palm plantations. With the help of SSMS, the local community was able to process the palm trees into palm sugar which became the main source of income.

Community of Independent Fisheries Cultivation, Helps manage water resources in the form of rivers and lakes in Central Kalimantan for freshwater fish farming programs. The program involves village communities and provides training to improve their fishery yields.

**Watermelon Cultivation and Horticulture**, SSMS utilizes 8 hectares of farmland in Sumber Cahaya Village for watermelon and horticulture cultivation, supported by the provision of seeds, fertilizers, agricultural inputs, and integration with oil palm plantations to increase agricultural yields. **Rice Seed Breeding Group**, In Sumber Cahaya Village, SSMS supports a superior rice seedling breeding program to improve the quality of rice production and the welfare of local farmers. **Pineapple Cultivation in Tarung Manuah Village**, SSMS assists the community of Tarung Manuah Village in pineapple cultivation and the development of derivative products such as pineapple syrup, dodol, jam, and pineapple-based chili sauce, which strengthens the local economy. **Bawi Harati Women Crafts**, In Kanamit Village, SSMS supports a group of rattan wickerworkers through training and equipment assistance, aiming to preserve local wisdom and strengthen the community's economy.

**Talio Hulu Village Gambut Tahulu Coffee Program**, SSMS together with Disperindagkop implemented Talio Hulu coffee product development program by providing training on marketing strategies and premium packaging development. The coffee products have obtained halal certification and increased economic value for farmers. Through these programs, SSMS not only succeeds in the aspect of social responsibility, but also actively supports the Sustainable Development Goals (SDGs), including poverty alleviation, economic growth, quality education, and gender equality. The CSV approach applied by SSMS creates a beneficial synergy between the company and the community, in line with the Triple Bottom Line principle, which balances the achievement of profit (economic benefits), people (society), and planet (environment).

#### 4.2. Discussion

PT Sawit Sumbermas Sarana Tbk (SSMS) implements a Corporate Social Responsibility (CSR) program through the Creating Shared Value (CSV) approach. This program has a major impact on various aspects of community life and the environment around the company's operational areas. Some important findings that need to be discussed further are generated from the analysis of the results of this program.

**Multidimensional Impact of CSV**, SSMS CSR program has successfully created a multidimensional positive impact, covering economic, social, and environmental aspects. This is in line with the Triple Bottom Line concept that emphasizes the balance between profit, people, and planet. Economically, programs such as the Natai Baru "Karya Bhakti" Purun Handicraft Group and the Mandiri Livestock Group have contributed to increased community income. Although specific quantitative data is not yet available, initial observations suggest an increase in economic activity in the assisted villages. Further research is needed to precisely measure the increase in average income of program participants, which can provide a clearer picture of the program's effectiveness in improving economic welfare.

From a social perspective, programs such as Disability Skills and the Natai Baru Village Sewing Group have contributed to the empowerment of vulnerable groups and the improvement of community skills. However, it is necessary to conduct a comparative study with other palm oil companies' CSR programs in Indonesia to assess the extent of the uniqueness and effectiveness of this SSMS approach.

Environmental aspects also receive attention through programs such as sustainable crop cultivation and natural resource management. Tahulu's Kopi Gambut program, for example, demonstrates innovation in combining peatland conservation with the development of premium coffee products. This is a novel approach that has not been widely applied in the palm oil industry in Indonesia and deserves to be further explored in future research.

**Implementation Challenges and Mitigation Strategies**, Although SSMS CSV programs show great potential, some significant challenges have been identified in their implementation. Inadequate community understanding of the objectives of CSR programs, as seen in the case of the independent aquaculture program, indicates a communication gap between the company and the community. This emphasizes the importance of a more effective and measurable communication strategy. The proposed mitigation strategies, such as regular education and counseling, as well as intensive mentoring,

demonstrate the company's awareness of the importance of long-term engagement in CSR programs. However, the effectiveness of these strategies needs to be evaluated regularly. The use of the Social Return on Investment (SROI) method could be considered to measure the social value generated from investments in these programs.

**Innovation in CSV Approach,** The CSV approach implemented by SSMS shows innovation in integrating CSR programs with the company's core business value chain. The Tahulu Peat Coffee program, for example, not only contributes to environmental conservation but also creates a high-value product that can increase the income of the community and the company. This kind of innovation opens up opportunities for further research on how companies can optimize synergies between social responsibility and business strategy. Comparative studies with companies in other sectors implementing CSV can provide valuable insights into best practices and the potential for wider application of this approach.

**Long-term sustainability,** Although the initial results of the SSMS CSV program show that it is good, long-term sustainability of the program is still needed. A stronger impact measurement system is needed due to the constraints found in monitoring and evaluation. CSR programs with CSV SSMS approach can create shared value for the company, community, and environment. As shown by the Tahulu Peat Coffee Program, there are new opportunities for CSR practices in the palm oil industry due to innovations in integrating programs with the business value chain. But the issues identified, especially in terms of communication and community understanding, suggest that implementation strategies should be updated. Further research is needed to measure the quantitative impact of the program, compare it with other companies' CSR practices, and assess long-term sustainability. SSMS can increase the benefits of its operations and set a new standard for sustainable and integrated CSR practices in the Indonesian palm oil industry by continuing to refine its CSV approach and address existing issues.

## 5. Conclusion

The purpose of this study is to evaluate how PT Sawit Sumbermas Sarana Tbk (SSMS) implements its Corporate Social Responsibility (CSR) program through Creating Shared Value (CSV) approach. The results of the analysis show that the CSV method used in SSMS has had varied impacts covering economic, social, and environmental aspects. The findings answer the research objectives on the implementation process of CSR programs and the business strategies used in programs such as the Purun Handicraft Group, Independent Livestock Group, and Tahulu Peat Coffee, as well as their impact on local communities.

The program shows great potential, but there are problems with it. For example, there are problems with communication and community understanding. This shows how important it is to build intensive mentoring and a more efficient communication strategy. In addition, the long-term sustainability of the program must be proven; this suggests that a stronger impact measurement system and periodic evaluations are needed.

This finding is in line with the objective of the study, which was to evaluate the difficulties associated with the implementation of CSR programs. The main contribution of this research to the field of CSR studies and the palm oil industry is to provide empirical evidence on the effectiveness of the CSV approach in the context of the palm oil industry in Indonesia, which has not previously been widely explored. The research also identifies an innovative model of integrating CSR with business strategy, as demonstrated by Tahulu's Kopi Gambut program, which can serve as a reference for other companies in the industry. Furthermore, this research highlights the importance of a holistic approach to CSR implementation that considers economic, social and environmental aspects in a balanced manner.

Based on these findings, some suggestions for further research include conducting longitudinal studies to assess the sustainability and long-term impact of CSV programs, developing more comprehensive quantitative metrics to measure economic and social impacts, and conducting comparative studies between SSMS' CSV approach and CSR practices of other palm oil companies in Indonesia and internationally. In addition, further investigation into the factors that influence the success of CSV implementation in different cultural and socio-economic contexts is also recommended.

In conclusion, this study shows that the CSV approach to CSR implementation has significant potential to create shared value for companies, communities and the environment in the palm oil industry. Despite challenges, the innovation and commitment demonstrated by SSMS paves the way for more

effective and sustainable CSR practices. By continuing to refine the approach and address existing challenges, the model can contribute to the development of new standards for corporate social responsibility in the palm oil sector and other extractive industries in Indonesia. This research not only provides valuable insights for CSR practitioners and policy makers, but also lays the foundation for further exploration of the effective integration between corporate social responsibility and business strategy in the context of sustainable development.

## 6. Acknowledgement

The authors would like to express their deepest gratitude to the Faculty of Literature, Culture and Communication, Universitas Ahmad Dahlan, especially the Communication Studies Program, for the support and guidance provided during this research process. Thanks also go to PT Sawit Sumbermas Sarana Tbk (SSMS) for their cooperation and willingness to provide access and valuable information for this research.

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