

**IMPLEMENTATION OF INNOVATION-BASED CORPORATE SOCIAL RESPONSIBILITY (CSR) PROGRAM at PT. PERTAMINA REFINERY UNIT (RU) II SEI. PAKNING IN FOSTERING THE ENTREPRENEURIAL SPIRIT OF MIKRO, SMALL, and MEDIUM ENTERPRISES**

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**Abstract.** *CSR Program of PT. Pertamina RU II Sei Pakning is no longer a charity but is already in the form of a CSR program which is directed to increase people's income through the development of micro, small, and medium enterprises. Innovation is not only carried out in the product form of the program, but also innovation in processes, methods, strategies and systems. The goal is that the fostered micro, small, and medium enterprises in the future can exist and be independent. The purpose of this study is to see the extent to which the implementation of the innovation-based CSR program in fostering the entrepreneurial spirit of the micro, small, and medium enterprises community in Sei. Pakning. This type of research uses a mixed method. Methods of data collection is done by means of observation, interviews, questionnaires and documentation. The results showed that the implementation of the innovation-based CSR program at PT. Pertamina RU II Sei. Pakning has not been able to fully cultivate the entrepreneurial spirit of the assisted micro, small, and medium enterprises. Statistical tests show that there is a significant effect of CSR program innovation consisting of product innovation, process, method, strategy and system on the entrepreneurial spirit of fostered micro, small, and medium enterprises. For this reason, it is better for Pertamina RU II Sei. Pakning made improvements to the innovations from the CSR Program they had carried out.*

**Keywords:** *CSR, innovation, entrepreneurial, spirit*

**Abstrak.** Program CSR PT. Pertamina RU II Sei Pakning tidak lagi bersifat *charity* melainkan sudah dalam bentuk program CSR yang diarahkan untuk meningkatkan pendapatan masyarakat melalui pengembangan UMKM. Inovasi tidak hanya dilakukan pada bentuk produk dari program, tetapi juga inovasi dalam proses, metode, strategi serta sistem. Tujuannya agar UMKM binaan kedepannya dapat eksis dan mandiri. Tujuan dari penelitian ini adalah untuk melihat sejauh mana implementasi program CSR berbasis inovasi tersebut dalam menumbuhkan jiwa kewirausahaan UMKM masyarakat di Sei. Pakning. Jenis penelitian ini menggunakan *mixed method*. Metode pengumpulan data dilakukan dengan cara observasi, wawancara, kuisioner dan dokumentasi. Hasil penelitian menunjukkan bahwa implementasi program CSR berbasis inovasi pada PT. Pertamina RU II Sei. Pakning belum sepenuhnya dapat menumbuhkan jiwa kewirausahaan dari UMKM binaan. Uji secara statistik menunjukkan bahwa adanya pengaruh yang signifikan dari inovasi Program CSR yang terdiri dari inovasi produk, proses, metode, strategi serta sistem terhadap jiwa kewirausahaan pelaku UMKM binaan. Untuk itu ada baiknya Pertamina RU II Sei. Pakning melakukan perbaikan terhadap inovasi dari Program CSR yang telah mereka lakukan.

**Kata kunci:** *csr, inovasi, jiwa kewirausahaan.*

## PRELIMINARY

Currently, the understanding of corporate social responsibility (CSR) is widely interpreted only as charity, philanthropy, and community development. Companies that use the charity model are only based on spending the budget and ignoring the needs of the community. The charity model has received criticism because it only becomes opium for the community and makes the community dependent and helpless (Nurdizal, et al, 2011).

On the other hand, companies that are involved and allocate a large number of resources on CSR activities are only to fulfill and absorb social and political pressures on environmental sustainability issues. The allocation for these commitments and responsibilities comes from monetary and non-monetary resources such as cash, equipment and human resources which are used for social purposes and activities that lead to the improvement of society and also to enhance the reputation of the organization (Jali, et.al, 2017) .

Implementation in practice, CSR is divided into four categories, namely (1) good work environment management; (2) partnerships between companies and local communities; (3) handling environmental sustainability; (4) social investment (Wahyudi and Azheri, 2011). Of these four categories, what is directly related to community welfare is the category of partnerships between local community companies. Wahyudi and Azheri further explained that this is usually manifested in the form of community empowerment. The community is expected to receive the benefits of the existence of the company in order to support its independence even when the company has stopped operating. Independence in trying will be formed if someone has an entrepreneurial spirit.

To achieve this, companies that carry out The corporate social responsibility program is expected to contribute to improving the quality of life and the level of community welfare.

. Innovation is the ability to implement creative ideas for existing problems and opportunities to improve and enrich life (Slamet et al, 2016). Because with innovation, problems that hinder the achievement of the goals of a program will be easily achieved. There are several types of innovation that can be carried out by an organization, namely service product innovation, process innovation, service method innovation, strategy or policy innovation, and system innovation (Muluk, 2008).

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*Entrepreneurship* or business independence for small business actors but requires the involvement of the government and stakeholders in empowering. In line with Hendrawan, research conducted by Sukirman (2017) also states that increasing the entrepreneurial spirit can increase the formation of business independence which also requires empowerment from the government and stakeholders in product development and legal protection.

So it can be seen that independence in MSME actors will be formed if there is an entrepreneurial spirit supported by empowerment. One of the CSR programs as previously explained is the empowerment of local communities where community empowerment in this CSR program is adapted to the circumstances and conditions of the people in the company's environment. Entrepreneurship is an ability to manage something within oneself to be utilized and improved so that it is more optimal (good) so that it can improve living standards in the future (Hendro, 2011). The essence of entrepreneurship is the ability to create something new and different through creative thinking and innovative actions to create opportunities.

There are several previous studies which state the influence of the entrepreneurial spirit on small business actors on independence. Research conducted by Basuki (2007) shows that the entrepreneurial spirit has a positive and significant effect on business independence. Likewise with research conducted by Amelia (2009) which said that the entrepreneurial spirit will experience a significant increase in business independence indirectly moderated by entrepreneurial behavior. Furthermore, the results of Hendrawan's research (2018) state that a high entrepreneurial spirit is needed in creating one of the companies that has implemented the CSR program is PT. Pertamina RU II Sei. Pakning whose business is related to energy and natural resources.

**Table 1. PT. Pertamina RU II Sei. Pakning Year 2020**

<b>Program Theme</b>	<b>Program field</b>	<b>Program</b>	<b>Activity</b>
Independent Peat Village	Fire Care Society	Peat Love School	Education
		Entrepreneurial Profession	Screen Printing Convection, Catfish Cultivation, Peat Honey Cultivation
		Peatland Farming	Peat Pineapple and Fragrant Lemongrass
		Peat Arboretum	Peat Arboretum Development As a Center for Peat Education in Riau Province
Great PAS	Public health	Bumdes	Fragrant Lemongrass Products
		Blood For Us	Blood donors
		Posyandu Sehati	PMT Toddler, Posyandu Entrepreneurship Innovation
Green Gem	Mangrove Ecosystem Conservation	Jambi Base Mangrove Education	Processed Food Production
		Magrove Aquatic Cultivation	Tilapia Fish, Mangrove Crab

*Source: Presentation of PT. Pertamina RU II Sei. Pakistan, 2022*

There are three themes of CSR programs run by PT. Pertamina RU II Sei. Pakning. For Kampung Gambut Berdikari and Pas Mantap it has been going on since 2017, while for Permata Hijau it has been going on since 2018. These three programs contain entrepreneurial activities given to each field in order to achieve community welfare. This entrepreneurial

activity was realized by the establishment of farmer groups and UMKM, the number of which is now quite a lot. More details can be seen in the following table:

**Table 2. MSME Empowerment in the CSR Program of PT. Pertamina RU II Sei. Pakning**

Program field	Program	Innovation	Turnover/Year
Fire Care Society	Integrated	There Are Three Pineapple	Rp. 257,544,544
	Pineapple Farm	Processed Derivatives	
	Peat Honey	Environmentally Friendly	Rp. 244,800,000
	Cultivation	Peat Honey Cultivation	
	Bumdes	Processed Lemongrass Wangi (Dish Soap, Floor Cleaner, Anti-Mosquito Lotion, Hand Sanitizer)	Rp. 35,000,000
Public health	Posyandu Sehati	Management of Medicinal Plants and Production of Herbal Beverages	Rp. 14,000,000
Mangrove Ecosystem Conservation	Mangrove Aquaculture	Cultivation of Salin Tilapia and Mangrove Crab.	Rp. 348,165,000

Source: PT. Pertamina RU II Sei. Pakistan, 2022

MSME empowerment in PT. PertaminaSei. Pakning has produced considerable results for people's income. The existence of this program also shows that PT. Pertamina RU II Sei. Pakning has made innovations in implementing CSR programs. The CSR program is no longer just managing the company's image and reputation. The CSR program does not only provide direct assistance without empowerment, but how CSR programs carried out by companies can contribute to the welfare and independence of society in a sustainable manner.

The entrepreneurial spirit will be reflected, one of which is independence (Sumarti, 2008). The behavior of taking risks that have been carried out for future profits and gaining independence and self-control is also an element of the entrepreneurial spirit (Qosja and Druga, 2018). To be able to compete in the business world, one does not only need leadership skills, but also entrepreneurial skills (Esmer & Dayi, 2016).

The purpose of this research is to see the implementation of system innovation-based CSR programs at PT. Pertamina RU II Sungai Pakning in fostering the entrepreneurial spirit of the MSME community.

## THEORETICAL STUDY

### a. *Corporate Social Responsibility(CSR)*

The understanding of CSR is often interpreted as the company's responsibility in doing business profitably but still prioritizing environmental and social sustainability efforts (Serad, 2012). CSR is a concept related to the obligations of every company to have a positive impact on the surrounding community (Prawirokusumo in Alfitri, 2011). CSR policies help companies to fulfill their economic and social responsibilities ensuring social well-being and welfare (Hockerts, 2007).

There are four categories in the implementation of CSR, namely:

- 1) Good work environment management. This category includes the provision of a safe and comfortable environment, an appropriate compensation system and concern for the welfare of employees and their families.

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- 2) Partnerships between companies and local communities that are realized in the form of community empowerment to help improve the welfare of local communities in the long term. Through this program, it is hoped that the community will be able to receive the benefits of the company's existence in order to support their independence, even when the company has stopped operating.
- 3) Handling environmental sustainability. This activity starts from the company itself, including saving water, electricity, paper to handling waste resulting from company activities so as not to pollute the environment around the company.
- 4) Social investment. This category is often interpreted narrowly as corporate charitable activities. This activity will support the company's business because the company can reap a positive image. (Wahyudi and Azheri, 2011)

**b. Innovation**

A process of converting opportunities into ideas or ideas that can be sold and not always in the form of very complicated ideas, but sometimes innovation comes from trivial and similar ideas, as long as it is something new and better than what already exists is called innovation (Sibueya and Mulyana, 2018).

Innovation has a meaning that is not only limited to building and updating but can also be broadly defined, utilizing new ideas to create products, processes and services (Susanto, 2020).

There are types of innovation in an organization as follows:

- 1) Product Innovation  
This innovation departs from a change in the design and product of a service which differentiates it from previous or previous service products.
- 2) Process Innovation  
This innovation refers to the existence of continuous quality updates and the combination of changes, procedures, policies, and organization needed by organizations to innovate.
- 3) Service Method Innovation  
This innovation is a new change in the aspect of customer interaction or a new way of providing or delivering a service.
- 4) Strategy or policy innovation  
This innovation refers to aspects of the new vision, mission, goals and strategies and also concerns the emerging reality that requires a new strategy and policy.
- 5) System Innovation  
Novelty in the context of interactions or relationships with other actors in the framework of a change in organizational management. (Muluk, 2008).

**c. Entrepreneurship**

*Entrepreneurship* or entrepreneurship is an ability to manage something within oneself to be utilized and improved so that it is more optimal (good) so that it can improve living standards in the future (Hendro, 2011). The essence of entrepreneurship is the ability to create something new and different through creative thinking and innovative actions to create opportunities (Suryana, 2003).

Entrepreneurship can also be defined as the creation of new entrepreneurial activities such as innovation, new ventures, and strategic updates that lead to social and economic performance within the company (Habbershon et al., 2010 and Rocha, 2004 in Iyigun)

Entrepreneurship is a soul that can be learned and taught. A person's entrepreneurial spirit is reflected in various things, such as leadership skills, independence (including persistence), teamwork, creativity and innovation (Sumarti, 2008).

Fostering an entrepreneurial spirit can be through several things, namely:

- 1) Through personal commitment
- 2) Through a conducive environment and association
- 3) Through education and training institutions
- 4) Due to forced circumstances

(Dharwati, 2017)

- 5) Self-taught

(Hamdani, 2014)

Someone can be said to have an entrepreneurial spirit if a number of typical characteristics have grown in him, namely:

- a. Internal locus of control.
- b. High energy level.
- c. High need for achievement.
- d. Tolerance of ambiguity.
- e. Confidence.
- f. Action oriented. (Schermerhorn in Winardi, 2003)

## RESEARCH METHOD

This type of research uses a mixed method, namely a research method that combines two research methods as well as qualitative and quantitative in a study in order to obtain comprehensive, valid, reliable and objective data is obtained (Sugiyono, 2013). This research is spread over the CSR locations of PT. Pertamina RU II Sei. Pakning Bengkalis Regency, Riau Province, namely Bukit Batu District and Bandar Laksamana District. The focus of this research location is the MSME community that receives entrepreneurial assistance. In qualitative research, the sample is called an informant. The selection of informants was carried out using a purposive technique consisting of sub-district heads, village heads, PT. Pertamina RU II Sei. Pakning, CSR Team, Head of Farmers' Group and MSME Community. Furthermore, for quantitative research, the respondents in this study were MSME actors who receive entrepreneurial assistance in peat pineapple farming, peat honey cultivation, Sehati Posyandu and mangrove aquaculture. Data collection methods are carried out by means of observation, interviews, questionnaires and documentation.

In line with the mixed methods research that the authors used in this study, the research data analysis technique consists of two techniques, namely qualitative analysis techniques and quantitative data analysis techniques. In qualitative data analysis techniques, data analysis is carried out when data collection takes place and after completion of data collection within a certain period. Saat Interview researchers have conducted analysis terface the interviewee's answer and if the answers interviewed after being analyzed were not satisfactory, so the researcher will continue the question again, until a certain stage, data is obtained that is considered credible. Activity in data analysis in this qualitative research namely data reduction, data presentation and verification. Furthermore, testing the validity of the data is carried out. The method used is a data credibility test that is carried out by extending observations, increasing persistence, triangulation, negative case analysis, using reference materials and member checking (Sugiyono, 2013).

In quantitative data analysis technique is to use statistical analysis. To see the implementation of innovation-based CSR programs at PT. Pertamina RU II Sei. Pakning in cultivating the entrepreneurial spirit of the MSME community uses Partial Least Square (PLS) which is operated through the Smart PLS 3 software.

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In summary, the hypothesis in statistics is a statistical statement about population parameters, while the hypothesis in research is a temporary answer to the problem formulation in a study (Sugiyono, 2011).

1. Major Hypothesis

The major hypothesis in this study is the implementation of innovation-based CSR programs at PT. Pertamina RU II Sei. Pakning can foster the entrepreneurial spirit of the MSME community.

2. Minor Hypothesis

a. Implementation of product innovation-based CSR programs at PT. Pertamina RU II Sei. Pakning can foster the entrepreneurial spirit of the MSME community.

b. There is an impact of implementing a CSR program based on process innovation at PT. Pertamina RU II Sei. Pakning can foster the entrepreneurial spirit of the MSME community.

c. There is an impact on the implementation of CSR programs based on service method innovation at PT. Pertamina RU II Sei. Pakning can foster the entrepreneurial spirit of the MSME community.

d. There is an impact of CSR implementation based on strategy or policy innovation at PT. Pertamina RU II Sei. Pakning can foster the entrepreneurial spirit of the MSME community.

e. There is an impact of system innovation-based CSR implementation at PT. Pertamina RU II Sei. Pakning can foster the entrepreneurial spirit of the MSME community.

f. There is an impact of innovation-based CSR implementation at PT. Pertamina RU II Sei. Pakning can foster the entrepreneurial spirit of the MSME community.

## **Results and Discussion**

### **d. Implementation of Innovation-Based CSR Programs at PT. Pertamina RU II Sei Pakning**

Innovation-based CSR program at PT. Pertamina RU II Sei. Pakning is seen from product innovation, process innovation, service method innovation, strategy or policy innovation and system innovation in fostering the entrepreneurial spirit of the MSME community. The results of qualitative research can be explained as follows:

1) Product innovation in the CSR program will be seen in the services provided to the community which will differentiate the previous service products from the product services provided at this time. CSR Pertamina RU II Sei. Pakning has now reduced the program in the form of Charity. The products from CSR in the form of programs are more in community empowerment with Pertamina's fostered MSME partners.

2) Process innovation in the CSR Program refers to continuous quality renewal and a combination of changes, procedures, policies, and organization needed by organizations to innovate. In the process now, the CSR Program being run by Pertamina RU II Sei. Pakning has gone through a fairly long process. It's different when the company only provides assistance in the form of charity. The implementation of the current CSR program departs from social mapping carried out with third parties, in this case, existing universities to obtain certification for the eligibility of a program to run. Then proceed with making its roadmap. After that, an FGD (Focus Group Discussion) will be conducted with the target groups of the CSR Program. This is all done because all the CSR programs that will be implemented are already connected to the Center and are very much needed in budget submissions. Because the proposed budget can be obtained after there is a study, the group, the potential and what recommendations the program

will carry out. In addition, the groups must also submit their needs in the form of a proposal to the company.

- 3) Innovation from the CSR Program service method is seen by the existence of new changes in the aspects of interaction carried out by implementers with the target community. The CSR program run by Pertamina RU II Sei. Pakning in the last 5 years has focused on coaching or mentoring for their fostered partners. The existence of a CSR team that is created is one of the efforts so that the expected goals of the programs being carried out are achieved. The CSR team consists of people consisting of various disciplines, where the programs they are responsible for are adapted to their educational background. Very different from previous CSR programs that were in the form of charity.
- 4) Strategy or policy innovation in the CSR Program can be seen in the objectives and new strategies needed by looking at the realities in the field. Therefore, the CSR Program implemented by Pertamina RU II Sei. Pakning made a total change in implementing CSR programs. Pertamina does not merely come to provide assistance, but Pertamina provides full support to the assisted MSMEs by carrying out programs from upstream to downstream, so that the fostered MSMEs can exist and be independent. In addition, the vision and mission of the CSR program are adjusted to the needs and potential of the assisted MSMEs.
- 5) System innovation in the CSR Program is novelty in the context of interactions or relationships with other actors in the framework of a change in organizational management. In this case the CSR Program implemented by Pertamina RU II Sei. Pakning has not been realized properly. Especially the company's relationship with the District and Village Government. This is because in the CSR Program currently being run by Pertamina RU II Sei. Pakning does not involve the District and Village Governments, but the Company directly intervenes through the CSR Team that has been formed in its implementation. This has resulted in the village program not being in line with the CSR Program that has been formed, so that Pertamina-assisted MSMEs do not receive support from the District and Village Governments.

#### e. Entrepreneurial Spirit

Qualitative results show that the level of independence of MSMEs fostered by Pertamina RU II Sei Pakning has not yet been achieved through its CSR program. MSMEs still need assistance in doing business, especially in marketing the results of the products they produce. Not only that, innovations that sometimes emerge from the MSME group, in practice they still need assistance from Pertamina, especially assistance in the form of funds or tools or something else. This can also be seen in one of the MSMEs which is considered to have been successful in pineapple farming with several processed derivatives, until now they still need assistance and other assistance even though the amount of assistance provided has decreased from previous years.

#### f. Goodness Of Fit Model (Inner Model / Structural Model)

Results of *Goodness of fit Model* which have been summarized can be seen in the following table:

**Table 3. Results of the Goodness of Fit Model**

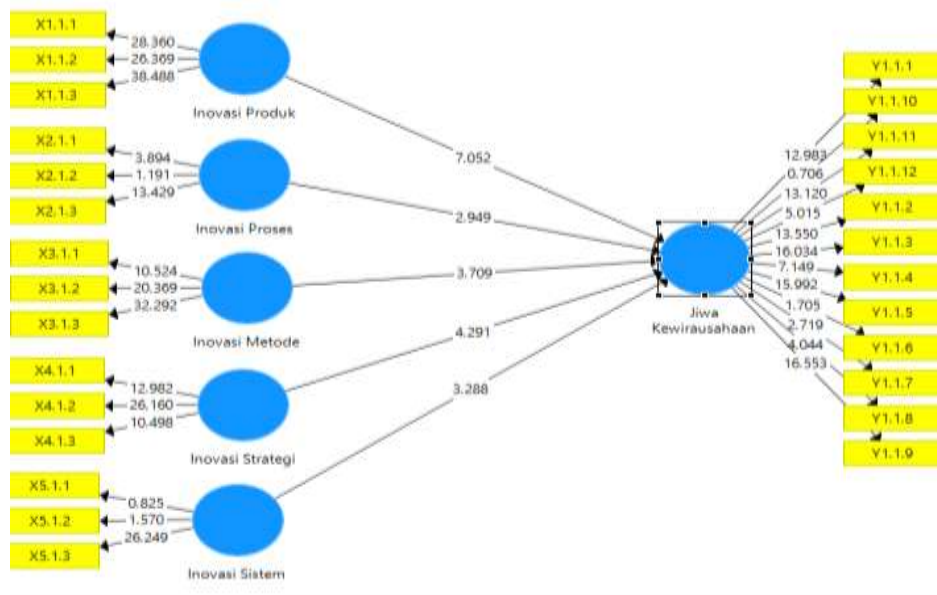
endogenous	R Square d	Q Square d
Entrepreneurial Spirit (Y)	0.874	0.860
Percentage	87.4%	86.0%

Source: *Processed Research Results, 2022*



From the table it is obtained that the variable R Squared of entrepreneurial spirit (Y) is 0.874 or 87.4%. At this stage it shows that the entrepreneurial spirit variable (Y) can be explained by product innovation variables (X1), process innovation (X2), method innovation (X3), strategy innovation (X4), and system innovation (X5) of 87.4% , or in other words the contribution of process innovation variables (X1) to process innovation (X2), method innovation (X3), strategy innovation (X4), and system innovation (X5) is 87.4%. While the remaining 12.6% is a contribution from other factors not discussed in this study.

*Q-square* on the entrepreneurial spirit variable (Y) is worth 0.860 or 86.0%. This can indicate that the entrepreneurial spirit variable (Y) is able to be explained by the overall model of 86.0%, or in other words the contribution of process innovation variables (X2), method innovation (X3), strategy innovation (X4) and system innovation ( X5) of 86.0% overall to the entrepreneurial spirit variable (Y) of 86.0%, while the remaining 14% is contributed by other factors not discussed in this study. In the image below, we will describe path analysis, as follows:



Source: Processed Research Results, 2022

Figure 1. Path Model

**g. Direct Effect Hypothesis Testing Results**

Testing the direct effect hypothesis is used to test whether there is a direct influence of exogenous variables on endogenous variables. The test criteria state that if the  $p\text{-value} \leq \text{level of significance (alpha = 5\%)}$  then it is stated that there is a significant influence of exogenous variables on endogenous variables. The results of hypothesis testing can be known through the following table:

Table 6. Results of the Direct Effect Hypothesis

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<b>exogenous</b>	<b>endogenous</b>	<b>Path Coefficient</b>	<b>SE</b>	<b>P Value</b>	<b>Information</b>
Product Innovation	Entrepreneurial Spirit	0.572	0.085	<0.001	Significant
Process Innovation	Entrepreneurial Spirit	0.267	0.090	<0.001	Significant
Method Innovation	Entrepreneurial Spirit	0.299	0.085	<0.001	Significant
Strategy Innovation	Entrepreneurial Spirit	0.383	0.088	<0.001	Significant
System Innovation	Entrepreneurial Spirit	0.271	0.082	<0.001	Significant

*Source: Processed Research Results, 2022*

Based on the test above, it can be seen that the influence of all exogenous variables, namely product innovation, process innovation, method innovation, strategy innovation and system innovation on endogenous variables, namely the entrepreneurial spirit variable, produces a p-value of <0.001. The test results show that the p-value < level of significance (alpha = 5%). At this stage, it means that there is a significant influence of both product innovation, process innovation, method innovation, strategy innovation and system innovation on the entrepreneurial spirit.

## **CONCLUSIONS AND RECOMMENDATIONS**

Implementation of innovation-based Corporate Social Responsibility (CSR) programs at PT. Pertamina Refinery Unit (RU) II Sei. Pakning has not been fully able to foster the entrepreneurial spirit of the assisted MSMEs. After running 4-5 years, assisted SMEs still need guidance and assistance in developing their businesses. Statistical tests show that there is a significant influence of CSR program innovation which consists of product innovation, process innovation, method innovation, strategy innovation and system innovation on the entrepreneurial spirit of the fostered MSME actors. For this reason, it is better for Pertamina RU II Sei. Pakning made improvements to the innovations from the CSR Program that they had carried out, especially in system innovations that were carried out so that they continued to involve the District and Village Governments,

### **Thank-you note**

The authors would like to thank the Riau University research and service institute which has provided the opportunity and financial assistance to the authors to carry out this research. as well as the CSR Team of PT. Pertamina Refinery Unit II Sei Pakning

and their mentors, namely the Sei Pakning UMKM community, kec. rock hills and kec. city of admiral kab. bengkalis who has openly accepted and worked with the author so that it becomes a writing as a result of research.

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**The 1<sup>st</sup> Proceeding of The International Conference on Economics and Business**

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