

IMPLEMENTATION OF THE PARTNERSHIP MODEL OF THE UPSTREAM OIL AND GAS INDUSTRY USING CSR AND STAKEHOLDER THEORY (PARTNERSHIP PRACTICES IN GOVERNANCE IN PERTAMINA EP ZONE 7)

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ABSTRACT

So far the partners involved in CSR at Pertamina tend to be limited, and the relationship between partners and companies and between partners is also less than optimal. Starting from these problems, this study aims to: (i) evaluate partnership practices at Pertamina EP Zone 7, whether they follow the CSR partnership pattern or a partnership pattern based on stakeholder theory; (ii) analyze the extent to which there is equality in partnership practices between stakeholders in Pertamina EP Zone 7; and (iii) analyze how the strategy for expanding the scope of stakeholders in the partnership pattern is by stakeholder theory in Pertamina EP Zone 7. The research approach is qualitative. The research location is Pertamina EP Zone 7. The primary data collection technique is through in-depth interviews, while the secondary data collection technique is through library research. The data analysis technique uses stakeholder theory. The results of the study show that Pertamina EP Zone 7 follows the partnership pattern more than the CSR partnership pattern. There are differences in the intensity of cooperation in the partnership pattern, so Pertamina EP Zone 7 treats the ten partners unequally. Pertamina EP Zone 7 can expand the scope of stakeholders in a partnership pattern that is by stakeholder theory by using the dimensions of the business perspective, the dimensions of the scope of responsibility, and the dimensions of the direction of responsibility.

Keywords: *partnership pattern, stakeholder theory, CSR, cooperation intensity, stakeholder scope.*

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INTRODUCTION

Discussions about the concept and implementation of Corporate Social Responsibility (CSR) commonly use one of several theories, namely the triple-bottom-line (profit, people, planet), Carroll's pyramid, to stakeholder theory. Discussing CSR with the help of these theoretical approaches makes the discussion develop beyond the traditional understanding of CSR. This research will discuss CSR using stakeholder theory, so that CSR will be seen more than the aspects of interested parties, especially using the framework of (Dmytriiev et al., 2021).

This stakeholder theory is quite meaningful for other theories. According to Dmytriiev et al. (2021), various strategic management theories have been modified by their founders with the premises of stakeholder theory. For example, the stakeholder approach is incorporated into resource-based theory (Barney, 2018). The theory of competitive strategy and advantage Porter et al. (2012) has been revisited to explain the idea of creating shared value to benefit stakeholders associated with the firm. Agency theory has been complemented by a stakeholder perspective limited by norms of reciprocity and fairness (Bosse & Phillips, 2016). In the same way, CSR has been used to show that businesses can be not only profitable but also contribute to social benefits (Kaul & Luo, 2018). CSR theory seeks to explore the relationship between financial logic and social logic (Khojastehpour & Shams, 2020) and examines the role of institutions in corporate decisions to act in a socially responsible manner (Sabella & Eid, 2016).

The salient contribution of stakeholder theory to CSR is at least related to two things. The first is related to the scope of stakeholders. Viewed from the scope of stakeholders, CSR theory only concerns a maximum of five stakeholders, namely: (i) companies (shareholders), (ii) employees, (iii) communities, (iv) customers, and (v) government (taxes, regulations). The five stakeholders intersect with stakeholders in stakeholder theory. It's just that stakeholders in stakeholder theory are broader because they include five other stakeholders, namely (vi) financiers (financiers), suppliers (suppliers), the media, special interest groups, and competitors (Dmytriiev et al., 2021).

The contributions of both stakeholder theories to CSR are spectral differences, on at least three dimensions. On the "business perspective" dimension (perspective on business), CSR theory focuses on a community perspective, looking more at one aspect of business that can contribute to solving social issues social (Rodríguez-Fernández et al., 2020). Meanwhile, stakeholder theory views a business perspective holistically, looking at what is good not only for the company but also for other stakeholders besides the company (Dmytriiev et al., 2021). In the "beneficiaries of responsibility" dimension, CSR focuses on how companies deal with aspects of (only) community/societal stakeholders so that corporate responsibility is limited to social responsibility that is expanded through a global scope (Valentinov & Hajdu, 2019).

Meanwhile, stakeholder theory considers all aspects of how companies deal with customers, employees, investors, communities, suppliers, and other relevant stakeholders. Responsibilities are limited within the operating range of the company (Dmytriiev et al., 2021). In the "direction of responsibility" dimension, CSR uses a one-way (unilateral) perspective, namely from the company (only) to the community (wide community) (Rodríguez-Fernández et al., 2020). Meanwhile, the direction of responsibility in the interest theory uses a multilateral (multilateral) perspective, namely the company to all stakeholders, and all stakeholders to the company, as well as relations between stakeholders (Dmytriiev et al., 2021).

This research will use stakeholder theory and CSR in evaluating Pertamina EP Zone 7 partnership practices. Based on the results of an interview with one of the leaders of Pertamina EP Zone 7, this company partners with five partners. The five partners are communities, companies, media, NGOs, and the government. The company has a reason why it partners only with these five partners, namely the company does not invite just any partner to work together. Companies partner by the interests of the company and its needs) (Waheed & Zhang, 2022).

Through this partnership Pertamina EP Zone 7 benefits, namely being able to develop the business. The benefits received by the company through the CSR program that are most felt are getting a good name or a good image of the company increasing. Each CSR program with various activities that involve the community can be used as a medium for company promotion or to increase the value of the company in the eyes of society at large. But more than that the partnership can be seen as security (Lv et al., 2020). Today, what we all know is that the company's fostered partners can be an alternative regarding human security. Usually, security is synonymous with military, territorial, and state sovereignty. But in society, companies need security to deal with company problems related to social problems (Valentinov et al., 2019). The company's fostered partners were born from regional social mapping, discussions between stakeholders and FGDs, and the needs of the community, so activities or programs initiated with the company and the community from empowerment gave birth to interdependence.

Human security that protects each other is born where the company protects the community, and the community protects the company from social threats (Gul et al., 2020).

Based on the results of preliminary observations, at the implementation level, the scope of the partnership built by Pertamina EP Zone 7 is more focused on community partners. The implementation of the partnerships that have been built so far seems to use the CSR model rather than the stakeholder model when viewed from the scope or scope of the partnership developed by Pertamina EP Zone 7. Likewise, when viewed from the aspect of equality when Pertamina EP Zone 7 treats the ten partners based on stakeholder theory, the company seemed less to treat the ten partners equally. So far there has been no apparent desire from Pertamina EP Zone 7 to expand the scope of stakeholders in a partnership pattern that is by the stakeholder theory (Farmaki, 2019).

Working with these partners, the benefits, there are also negative things that then become a burden on the company. By working with partners through CSR activities, the company tends to have the disadvantage of being a money factory to ask for help. Then the activities of these partners are sometimes prone to being misused or corrupted if there is no qualified assistance so that sometimes it creates a conflict of interest between the partners (Munier, 2005).

The problems that arise when partnering are Partners not reaching the target. This is due to deficiencies in beneficiary assessment, resulting in wrong targets in partner selection. Assessment is an important and important thing because it relates to the data and information needed to determine beneficiaries who will partner. For example, when the Mina Agar Makmur Cooperative decreased its seaweed production due to the influence of the long rainy season. As a result, the company's target, which should have been a fostered partner, has not achieved its production every year (Leal Filho et al., 2018).

Funding in partnerships is prone to abuse. If you choose the wrong media and reporting, then the funds proposed are prone to be misused. This is still related to the assessment, if the selection of partners is not correct, it is very vulnerable that the allocated company funds will be channeled into reporting and all administration that needs to be fulfilled (Kulshrestha et al., 2022). There have been fostered partners whose construction of crab cages did not meet the target time. It turned out that after being investigated the funds were used for personal gain. This partnership fund may be a source of corruption (de Grosbois & Fennell, 2022).

Another problem with partnerships is that there are internal and external barriers if there is no good partnership guide for the company. This internal barrier can take the form of the company's non-commitment to corporate social responsibility, if internal it can be like the lack of good relations between the company and the community around its area of operation. Beneficiary partners are prone to internal conflicts (Royo-Vela & Cuevas Lizama, 2022). This often happens when there are different visions or perspectives within the group. For example, there was once a guided group that at the beginning agreed to cultivate crabs, but in the middle of the road, it suddenly changed direction to want to cultivate milkfish (Jenner, 2016).

It is undeniable that partnerships have the potential to cause many conflicts of interest. Donations that are charity or sustainable in nature often lead to conflicts because of the various interests that surround them. Vulnerable to conflict with partners if fostered partners are not cooperative. For example, companies and partners have agreed on activities and targets, but in the middle of the road, they do not carry out what was agreed upon. If it continues without good faith, the company will inevitably blacklist the fostered partner (Cristina & Diana, 2023).

Partnership programs are vulnerable to being viewed/reported negatively. This happens when people are dissatisfied with the company's performance and do not want to understand the company's position. For example, when a company helps but is not responsive in assisting, especially in an emergency such as a disaster, the company is vulnerable to being viewed negatively by society because it is not responsive.

The root of all these problems is that there is no sense of mutual responsibility for both the company and the community for what each party needs to do and not do. These various problems have an impact on the situation and conditions around the company's operational areas which will impact the company's production.

So far the company has overcome these problems by establishing good relations with the community stakeholders around the company's operational areas. Always discuss problems with discussion. However, of course, some problems have been difficult to solve so far, namely, the problem of equal distribution of activities for partners, even though they are by social meeting recommendations and stakeholder discussions, sometimes some have not received direct benefits.

Based on the background above, the problem to be explored in this study is regarding how the partnership practices at Pertamina EP Zone 7 use stakeholder theory. Based on this theory, partnership practices will be studied from the aspect of the scope of partners built, and the aspect of treating them equally.

METHOD

This study uses a qualitative approach (Cooper & Schindler, 2014). In connection with the data collection technique of this research, primary data was conducted through in-depth interviews with 30 informants. The resource persons consist of internal Pertamina itself, and sources from external Pertamina, especially those related to the CSR program.

Substantially, the data analysis technique in this research uses stakeholder theory, to examine how the partnership practices at Pertamina EP Zone 7 use stakeholder theory. Based on this theory, partnership practices will be studied from the aspect of the scope of partners built, and the aspect of treating them equally.

RESULTS AND DISCUSSION

This sub-chapter presents the research findings about the first research question, namely: "Evaluating partnership practices at Pertamina EP Zone 7, does it follow a CSR partnership pattern or a partnership pattern based on stakeholder theory".

Based on the recapitulation of interview results as presented in Table 4.2, it can be concluded regarding the five dimensions of CSR and stakeholder theory as follows:

Dimension of Employment

1. Pertamina is active in promoting gender equality and worker welfare in the workplace.
2. Every employee has equal opportunities for career advancement based on competency and performance appraisal
3. Pertamina also implements sustainable competency development programs, such as training, coaching, and assignments, to improve employee capabilities according to their field of work.

4. Procedures and indicators for determining remuneration for the Board of Commissioners and Board of Directors are determined by the Ministry of BUMN and not by the Company
5. Pertamina ensures that there is a zero percent gender pay gap and provides guaranteed rights for female workers after maternity and childbirth leave. Comprehensive training and education are also organized to develop employee leadership and technical competencies.

Customer Dimension

1. Pertamina prioritizes customer satisfaction and safety when using Pertamina's products and facilities.
2. Pertamina ensures that all production processes and products comply with quality, health, safety, security, and environmental management (QHSSE) standards to protect the safety and health of customers.
3. Pertamina also provides Customer Care services through the Pertamina Call Center 135 to provide information about products such as BBM, LPG, and Lubricants, as well as respond quickly to consumer problems.
4. To measure customer satisfaction, Pertamina regularly conducts satisfaction surveys
5. In maintaining customer loyalty, Pertamina continues to provide the best service, ensure customer safety, and meet QHSSE standards.

Dimensions of Government

1. Pertamina applies the principles of Environmental, Social, and Governance (ESG) in carrying out CSR and interacting with other stakeholders. These principles include transparency, accountability, accountability, independence, equality, and fairness. As a state company,
2. Pertamina is committed to complying with international and national regulations. Company regulations always follow the rules that apply at the international and national levels.
3. Pertamina routinely and periodically communicates with the central and regional governments for coordination, collaboration, and establishing good relations.

Community Dimension

1. The Environmental Education Program for Children (Pelita) has been established since 2017. This program focuses on environmental issues and involves several activities
2. Pelita's activities include: (i) Equipping students with an understanding of the environment through activities such as waste sorting, waste charity, waste saving, and making crafts from waste in the school environment. This program is managed by the school principal, the school committee, and all students in the school. (ii) Dapoer Disoon is a business initiative for teachers launched during the COVID-19 pandemic. Its activities include Disoon Food (food and beverage catering), Disoon Fashion (clothing and accessories), Disoon Siaga (electronic credit and services), and Disoon Cosmetics (cosmetics and perfume).
3. Pertamina plays an important role in supporting the PELITA and Dapoer Disoon programs, such as providing financial support, capital assistance, equipment assistance, and actively purchasing Dapoer Disoon products. Pertamina is always invited to discuss various problems related to these programs.

Dimensions of Environmental Responsibility

1. Pertamina has played an active role in addressing environmental issues with a strong commitment. Pertamina realizes the importance of managing environmental, social, and governance (LST) issues in all of Pertamina's operations and business activities.
2. Pertamina has implemented the principles of sustainability in all aspects of Pertamina's work.
3. Pertamina has also moved towards an energy transition from fossil fuel sources to energy that is more environmentally friendly
4. Pertamina supports the development of new renewable energy and energy conservation through the establishment of Subholding Power & NRE
5. On the way to the future, Pertamina is committed to reducing demand for oil and gas (oil and gas) by continuing the transition to green energy.
6. The proposal given is to encourage every function in Pertamina to continue to innovate, especially in creating clean oil and natural gas production processes and environmentally friendly energy. One of the proposed ways is through competition.

Dimensions of Responsibility of Financiers

1. The capital invested at the time of the establishment of PT Pertamina (Persero) came from all State assets that had been invested in Pertamina, including wealth invested in Pertamina's subsidiaries and joint ventures.
2. The company's debt-to-equity ratio in 2022 is 50,595,744: 56,344,327, or 0.89.
3. Currently, PT Pertamina (Persero) is planning a green business strategy to achieve the target of carbon neutral or Net Zero Emissions (NZE) before 2060.
4. Pertamina is working hard to establish cooperation and partnerships and seek affordable financing to achieve this goal.
5. Pertamina seeks to optimize the natural resources available in Indonesia, such as liquefied natural gas (LNG) and geothermal, for the development of green energy.
6. Pertamina also supports the government in accelerating investment in the green energy sector.

Dimensions of Suppliers

1. Pertamina has included CSR elements in partnerships with suppliers by using CSR partner products as souvenirs or to meet the needs of the company's internal and external events.
2. In Pertamina EP Zone 7, there is no implementation of the procurement of materials and spare parts through CSR-fostered partners because our business is directly related to oil and gas exploration and production, and procurement of materials or spare parts must meet certain standards that cannot be met by CSR fostered partners.
3. Pertamina takes preventive steps to prevent, detect and deal with bribery that may occur within the company. This is in response to the Letter of the Minister of BUMN Number S-35/MBU/01/2020 concerning the Implementation of the Anti-Bribery Management System in BUMN which implements Presidential Regulation Number 54 of 2018 concerning the National Strategy for Prevention of Corruption, Pertamina is committed to implementing the ISO 37001:2016 System Anti-Bribery Management (SMAP).

Dimensions of Relations with the Media

1. Pertamina actively promotes CSR programs through company policies and regulations, both through internal and external media.

2. The implementation of the CSR program is not only carried out by central Pertamina but also at the regional, zone, to field levels.
3. Apart from using new media such as websites and Instagram, Pertamina also still uses old media such as television, print media (magazines, newspapers), and radio to convey information.
4. Pertamina maintains intensive communication with stakeholders through social media, such as Instagram.
5. Pertamina periodically publishes annual reports or sustainability reports which can be accessed through Pertamina's official website. Pertamina's official website is used to meet the information needs of stakeholders and also provides a special web page that can be accessed by stakeholders.
6. Pertamina has an Energia Magazine which is specifically intended for internal stakeholders.

Special Interest Group Dimensions

1. To assess stakeholders, Pertamina carries out stakeholder engagement in collaboration with independent third parties.
2. Pertamina usually collects ideas and complaints from these stakeholders through electronic media, because currently people rarely use physical suggestion boxes.
3. Pertamina openly provides opportunities for stakeholders to submit complaints or internal mistakes so that Pertamina can evaluate and improve.

Dimensions of Competitors

1. Pertamina has several options for conducting capital cooperation with competitors, namely: (a) establishing a joint venture, (b) investing directly in a competitor's company, (c) forming a consortium, and (d) establishing cooperation in co-financing.
2. In carrying out capital cooperation with competitors, Pertamina must pay attention to the interests of the company and consider factors such as data security, legal compliance, and the long-term sustainability of the collaboration.

CONCLUSION

The partnership practice at Pertamina EP Zone 7 has been a subject of scrutiny, with researchers aiming to discern whether it aligns more closely with the Corporate Social Responsibility (CSR) partnership pattern or the partnership pattern based on stakeholder theory. After rigorous investigation, the results of this research unequivocally indicate that Pertamina EP Zone 7 predominantly adheres to the partnership pattern grounded in CSR principles. One of the key observations supporting this conclusion is the composition of the partners involved. While traditionally, CSR partnerships have involved a select few collaborators, Pertamina EP Zone 7's approach goes beyond this norm. They have not only continued to engage with their long-standing CSR partners, numbering five in total but have also initiated partnerships with an additional ten stakeholders, as dictated by the stakeholder theory.

However, the sheer number of partners alone does not definitively suggest alignment with stakeholder theory. The critical factor that tilts the balance in favor of CSR is the nature of these partnerships. Pertamina EP Zone 7 has maintained its commitment to addressing social and environmental issues while fostering relationships with partners who share these values. The partnership activities consistently emphasize community development, environmental

sustainability, and ethical business practices, which are core tenets of CSR. Furthermore, Pertamina EP Zone 7's partnerships exhibit a strong emphasis on social accountability and transparency, aligning closely with the core principles of CSR. They regularly report on their collaborative efforts and their impact on society and the environment, demonstrating a commitment to responsible business practices.

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