

# The Agroindustry Corporate Performance of Beyond Compliance on the Environmental Protection and Management

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**Keywords:** Company Performance, Environmental Management System, Start Up, Shareholders.

**Abstract:** Every company in Indonesia is currently in demand to meet the requirements or exceed the provisions of requirements on environmental protection and management in accordance with Law No. 32 of 2009. Many companies increasingly raising awareness in the protection and management of the environment due to the demands and needs of the company for the importance of protection and Environmental management for the sustainability of the company's current and future business activities. This study aims to increase the number of agroindustry companies that can help increase the growth of new entrepreneurs (start-up) with various resources owned by agroindustry companies. This type of research is survey. This research was conducted at Agroindustry Company in Central Java. The population in this study are all managers from top managers, middle managers and lower managers of agroindustry sector in Central Java and Yogyakarta Special Region based on company performance rating (PROPER) rating report from 2014 - 2015 period of 200 respondents. The sampling technique used in this research is random proportional stratified random sampling (proportionate stratified random sampling). The results of this study indicate that more agroindustry companies are trying to exceed compliance in the Protection and Management of the environment and increase the growth of new entrepreneurs (start-up) through community development programs and CSR.

## 1 INTRODUCTION

Every company in Indonesia is currently in demand to meet the requirements or exceed the provisions of requirements on environmental protection and management in accordance with Law No. 32 of 2009. Many companies increasingly raising awareness in the protection and management of the environment due to the demands and needs of the company for the importance of protection and Environmental management for the sustainability of the company's current and future business activities.

Increased corporate attention and concentration on environmental aspects is the focus of the company in order to minimize the risks that can be generated from climate change impacts and pressure to pay more attention to the environment. Company pressure to improve environmental performance is an important priority in order to achieve sustainable development by raising awareness of the community, the company, the role of mass media and organizations that have environmental concerns and regulatory improvements that can realize the

company beyond compliance in environmental management (Than and Kevin, 2015).

Corporate compliance in environmental protection and management may also be undertaken under the normative pressure of various Government regulations and policies that may encourage agroindustry enterprises to apply environmental practices in the company's business activities. Normative pressure will give the agroindustry companies internally stronger and committed to exceed compliance in environmental protection and management. Employees will be familiar and play an important role in resolving environmental issues at the company (Sarkis et al., 2010).

Recent decades of increased agroindustrial development led to environmental degradation in the form of global warming, air pollution and B3 waste (Zailani et al., 2012). This condition causes environmental problems (Hsu et al., 2013). The same time, an increase in environmental issues from various stakeholders includes: environmental regulation, environmentally friendly product demand and high expectations from investors and

shareholders for improved environmental performance.

Companies can also increase profits or create new markets by implementing Eco design, Eco-sales and marketing, creating new market share with environmental issues. Even innovations are made not only to benefit from efficiency, but also to be passion for improving the quality of the environment, regardless of the amount of the investment loss or the difficult obstacles

## 2 METHODS

This study is a survey. This research was conducted at Agroindustry company in Central Java. Sampling used in this study proportional random sampling (proportionate stratified random sampling) sampling is taken based on the level or level of management of Agroindustry sector companies in Central Java who follow PROPER program Ministry of Environment at each level of top management, management Medium and line management. The sample used in this study as many as 200 people. Data collection using questionnaires, interviews, observation and documentation.

This research uses the technique of structural equation modelling (SEM) analysis with the reason that this research approach is integrated with the outcome of the collaboration is the level of performance of agroindustry companies that can exceed the obedience in the protection and environmental management as an effort to create the added value of the company if done not only partially and simultaneous, but thoroughly, integrated and sustainable.

## 3 RESULT AND DISCUSSION

### 3.1 The Description of Proper Rating Agroindustry Corporate

The rating of proper agroindustry companies in Central Java for the past three years can be presented in the figure below. The period of 2013 - 2014 from 48 agroindustry companies in Central Java which have blue and green Proper rating of 30 companies (62%) and have black and red Proper rating of 18 companies (38%). Of the 30 companies the blue and green proper rating consists of 29 companies (97%) blue ratings and 1 (3%) green rating companies. These results indicate that agroindustry companies ranked blue and green more than the black and red

properties. These results also indicate the number of agroindustry companies in Central Java with ratings exceeding compliance during the period 2013 - 2014, which is only one (3%) green or gold rating

The period of 2014- 2015 from 48 agroindustry companies in Central Java which have a blue and green Proper rating of 25 companies (52%) and have a black and red Proper rating of 23 companies (48%). Of the 25 companies the blue and green proper rating is entirely 25 companies (52) blue ratings while the green rating is absent. These results indicate that agroindustry companies ranked blue and green more than the black and red properties. These results also indicate the number of agroindustry companies in Central Java during the period 2014 - 2015 with ratings exceeding beyond compliance. When compared to the period of 2013 - 2014 which has a green rating of 1 company then the period of 2014 - 2015 has decreased companies that have ratings exceeded the compliance.

The period of 2015- 2016 from 48 agroindustrial companies in Central Java which have a blue and green Proper rating of 36 companies (75%) and rating of 12 black and red companies (25%). Of the 36 blue and green proper rating companies, 33 companies (92%) have blue ratings while 3 firms (8%) have green ratings. These results indicate that agroindustry companies ranked blue and green more than the black and red properties. These results also indicate the number of agroindustry companies in Central Java during the period 2015- 2016 that ranked beyond the compliance of 3 companies (8%). Compared to the period of 2013 - 2014 and 2014 - 2015, the period 2015 - 2016 has increased for companies with ratings exceeding compliance, although the number is still relatively small compared to the number of agroindustry companies in Central Java and nationally.

These results indicate that as a large agroindustry company in Central Java having a Blue proper rating means that most agroindustrial companies can only meet compliance with environmental management and protection. From the results of this study also shows that companies that have the potential to beyond compliance to be green or gold because for the last three consecutive periods have a minimal blue proper rating of 24 companies (50%) of the total agroindustry company in Central Java Following the Proper program of 48 companies. The types of industries of 24 companies that potentially exceed the observance to green or gold are as follows:

Agroindustry companies that have the potential to exceed the compliance of green or gold consists of sugar industry of 7 companies (29%); Food as many as 4 companies (17%); snack as many as 3 companies (13%); cigarette industry and bottled

water as much as 2 companies (8%) and wood processing, cattle fodder, milk, creamer, flour and herbal processing industries as much as 1 company (4%). These results indicate that the agroindustry company that has the most potential to exceed compliance is the sugar industry, followed by the food, snack, cigarette industry and bottled water.

### 3.2 Corporate Social Responsibility Program

Corporate social responsibility program of agroindustry can be done by implementing corporate social responsibility cycle starting from: determination of corporate social responsibility policy of agroindustry company, social mapping or baseline study, social responsibility program planning Companies in the form of strategic plans and operating plans or work plans, implementation of CSR programs (the inception of social and economic institutions), program monitoring, program evaluation and program sustainability. The implementation cycle of corporate social responsibility can be seen in Figure 1 below:

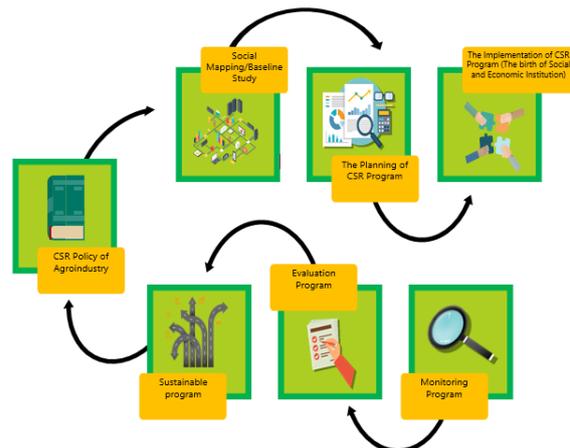


Figure 1: CSR Implementation Cycle.

Based on Figure 1 shows that the implementation of social responsibility in agroindustry companies can be done by the steps: determination of CSR policy of agroindustry company, social mapping, CSR program planning in the form of strategic plan and work plan, CSR implementation (the birth of economic or social institution).

### 3.3 Hypothesis Testing

The result of complete structural equation modelling analysis in this research can be explained in detail in the table below:

Table 1: The Result of Analysis.

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	Standard Error (STERR)	T Statistics ( O/STERR )
Corporate culture → Environmental performance	.5602	.1781	.4755	.4755	2.5473
Corporate culture → Environmental management	.6806	.2317	.5843	.5843	2.3091
Cost implementation → Environmental performance	.5390	.0644	.1325	.1325	2.2944
Cost implementation → Environmental management	.7563	.0463	.3075	.3075	3.4843
Operation ability → Environmental performance	.5092	.0466	.1503	.1503	2.0612
Operation ability → Environmental management	.6027	.0604	.2712	.2712	3.7474
Marketing ability → Environmental performance	.4680	.2860	.2231	.2231	3.0974
Marketing ability → Environmental management	.4685	.0171	.1783	.1783	2.3841
Corporate commitment → Environmental performance	.6923	.5800	.5299	.5299	3.3064
Corporate commitment → Environmental management	.5642	.3255	.5367	.5367	3.3060
Environmental management → Environmental performance	.8626	.0280	.1111	.1111	2.5630
Corporate orientation → Environmental performance	.6350	.0581	.1167	.1167	2.2996
Corporate orientation → Environmental management	.6174	.1639	.2143	.2143	3.0146

Source: primer data (2017)

The results of the analysis in this study indicate that: corporate culture has a positive impact on

environmental management and environmental performance of agroindustry companies; Cost

implementation has a positive impact on environmental management and environmental performance of agroindustry companies; Operational capability has a positive impact on environmental management and environmental performance of agroindustry companies; Marketing ability has a positive impact on environmental management and environmental performance of agroindustry companies; The company's commitment has a positive impact on environmental management and environmental performance of agroindustry companies; Environmental management has a positive impact on the environmental performance of agroindustry companies and the orientation of the company has a positive impact on the management and performance of agroindustry companies exceeded the obedience in the protection and management of the environment.

Zailani S., K. Jeramayan., G. Vengadasan and R Premkumar., 2012. Sustainable Supply Chain Management (SSCM) in Malaysia: A survey. *International Journal of Production Economics*. Vol. 140. Issue 1. pp. 330 – 340.

#### 4 CONCLUSIONS

Acceleration to realize the performance of agroindustry companies exceeding the compliance in the protection and environmental management can be done by optimizing the company's derivative products, especially waste or by-products of the company's main products to be utilized for more value-added by collaborating with new entrepreneurs (start-up) in utilizing the company's waste. More and more agroindustry companies are working to exceed compliance in Environmental Protection and Management and promote the growth of new entrepreneurs (start-up) through community development programs and CSR.

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