

# THE IMPLEMENTATION OF PARTNERSHIP PROGRAM IN GRESIK REGENCY BASED ON GOVERNANCE PERSPECTIVE (Case Study in PT Petrokimia Gresik)

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**Abstract: The Implementation of Partnership Program in Gresik Regency Based on Governance Perspective.** Governance concept offers interactions between three main actors in policy implementation, the actor are government, society and private known as the iron triangle. This journal will discuss three actors synergies in the implementation of partnership programs conducted by PT Petrokimia Gresik in developing small enterprises in Gresik regency based on governance perspective. Based on the conducted research, the findings showed good synergy between the private (PT Petrokimia Gresik) and the community (partner member) in the implementation of the partnership program, unfortunately the synergy with government was less maximum, particularly with the Department of Cooperatives, Small and Medium Enterprises, Industry and Trade in Gresik regency this is caused by some reasons, so at the end of this journal researcher give recommendations as alternative to address the existing problems.

**Keywords:** governance, synergy, partnership program

**Abstrak: Implementasi Program Kemitraan di Kabupaten Gresik Berdasarkan Perspektif Governance.** Konsep governance menawarkan interaksi antara tiga aktor utama dalam implementasi suatu kebijakan, aktor tersebut adalah pemerintah, masyarakat dan privat yang dikenal dengan iron triangle. Jurnal ini akan membahas sinergi ketiga aktor dalam implementasi program kemitraan yang dilaksanakan oleh PT Petrokimia Gresik dalam mengembangkan usaha kecil di Kabupaten Gresik berdasarkan perspektif governance. Berdasarkan penelitian yang dilakukan, terdapat sinergi yang baik antara privat (PT Petrokimia Gresik) dan masyarakat (mitra binaan) dalam implementasi program kemitraan, sayangnya sinergi dengan pemerintah masih kurang maksimal, khususnya dengan Dinas Koperasi, Usaha Kecil Menengah, Perindustrian dan Perdagangan Kabupaten Gresik yang disebabkan oleh beberapa alasan, sehingga pada akhir jurnal ini peneliti memberikan beberapa rekomendasi sebagai alternatif untuk menyelesaikan masalah yang ada.

**Kata Kunci:** governance, sinergi, program kemitraan

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## Introduction

Empowering small enterprises are very important and strategic effort to strengthen the structure of the national economy. A large number of small enterprises bring their own impact on the Indonesian economy. Strategic position of small enterprises not only because of their large number, but also in terms of workforce absorbance. According to Aria (2013) in Majalah UKM Indonesia, the number of small enterprises reached 52.8 million units in 2011 increased to 55.2 million units. The

average small enterprises can absorb 3-5 workforces. With the addition 3 million small enterprises unit, in the last two years, could absorbed until 15 million people.

In fact there are many problems faced in the development of small enterprises. Such as weaknesses of technology and information access and the expansion of market share, capital, management of the organization, as well as weaknesses in the establishment of business networks and partnerships which lack of competitiveness, both in the local as well as

national and international market. To overcome these problems of course is not easy, it needs cooperation of various parties in order to realize the success of economic development. In accordance with the theory of governance, to achieve success in development in terms of achieving social welfare. There are three main actors who have worked together which are state, civil society, and the private sector. All three sectors have to work together in order to create welfare among society. In this case focus on the synergy of three stakeholders in the implementation of partnership program conducted by PT Petrokimia Gresik in developing small enterprises in Gresik Regency. PT Petrokimia Gresik is a company engaged in the fertilizer industry which is currently the largest fertilizer producer in East Java.

The implementation of the partnership program in the company based on the Regulation of Minister of State Owned Company No. PER-05/MBU/2007 about the Partnership Program of State Owned Companies with Small Scale Business Units and the Environmental Development Program, which was previously based on the Decree of the SOEs Minister No. Kep-236/MBU/2003, June 17, 2003. PT Petrokimia Gresik has been committed work in hand with small enterprises to solve existing problems. Related with partnership program, from year to year, the number of partners built by PT Petrokimia Gresik has increased significantly. According to the Annual Report of PT Petrokimia Gresik In 2011, up to 2011, the number of partners reached 4720 members, in the earlier year 2010 reached 4128 members and in 2009 reached 3730 members. The commitment of conducting partnership is also proved by the increasing fund allocated in this program as shown in the table below. The achievement of the PT Petrokimia Gresik received positive appreciation from the Department of Cooperatives, Small and Medium Enterprises, Trade and Industry because of its seriousness in developing small enterprises. Between its successes, the implementation of partnership program also face problem related with the synergy

between governments and companies in developing small enterprises. Based on the description from staff of Department of Cooperatives, Small and Medium Enterprises, Trade and Industry in Gresik Regency from previous survey in 2012 said that this department is rarely involved in partnership program of PT Petrokimia Gresik particularly associated with small enterprises in Gresik regency. A representative from this agency was only invited in major events, such as anniversary of PT Petrokimia Gresik. This happened because the fear of the company if involves the Department of Cooperatives, Small and Medium Enterprises, Trade and Industry in Gresik Regency will hamper the performance's company because of complicated government bureaucracy.

The problem also rises from community, especially small enterprises which are also less active in seeking information related to the development of their business and many small businesses are reluctant to come out from their comfort zone, meaning the lack of initiatives to expand their business independently despite there has been training from PT Petrokimia Gresik and government.

From the problems that have been described above can be seen the problem related with the synergies between governments, private and society in developing small enterprises, particularly in Gresik. In this paper will be explain more about the synergy of iron triangle (governments, private and society) in the implementation of partnership program of PT Petrokimia Gresik.

## **Theoretical Review**

### **1. Governance**

New relationships between the state, private and society, known as governance concept makes a lot of discussion between the linkages of three actors in achieving common goal. The concept of governance facilitates the synergy of various parties in addressing an issue. Governance according to Osborn (2010) facilitates an understanding of power penetrates the spaces policy, processes and practices, and the formal and informal institutional

arrangements which contribute to a "matrix of governance" or "choreo-graphies of governance", the ensemble of norms, patterns of behavior, networks and other institutions, and the power play between involved stakeholder. It is in line with the opinion of Islamy (2007), who argued that the concept of policy implementation is essentially the collaboration between the bureaucratic, market and community (iron triangle). While governance definition from Endarti (2005) stated the equality, cohesiveness and balance of role also control among three actors (government, society, and private).

Governance has variations, such as good corporate governance, sound governance, deliberative governance, meta-governance, governmentality, etc. The branch of governance which is closely related to this study is the Good Corporate Governance (GCG). Applying GCG means companies must maintain good relations with all involved stakeholders in company's activities. One of the GCG practices adopted by the company to cooperate with stakeholders can be implemented in the Corporate Social Responsibility (CSR).

Corporate social responsibility according to Aras and Crowther (2008) refers to the relationship between global corporations, Governments of countries and citizens. More locally, the definition is concerned with the relationship between a corporation and the local society in it resides or operates. Another definition is concerned with the relationship between a corporation and its stakeholders. The company's relationship with other stakeholders in the implementation of CSR in this case is focused in partnership program. So from the partnership program can be seen the interaction between private, governments and society. Sulistyani (2004) stated that partnership can be interpreted as a form of alliance between two or more parties who form a bond agreement and cooperation on the basis of mutual interests in order to improve the capacity and capability of the business sector or specific purpose to obtain better results. Partnerships conducted by two people or more, have a common vision of

goal, there is a consensus and need each other.

## **2. Small Enterprises**

There are several definition about small enterprises meaning, according to Statue No. 9 year 1995, Small Business is the economy activity of the people who has maximum annual sales 1 billion IDR and has a net property, excluding land and buildings, maximum 200 million IDR. According to Ministry Decree of SOE No.05/MBU/2007, about The State Partnership Program with Small Enterprises and Environmental Assistance Program, the small enterprises who can participate in the partnership program are, have net property of IDR 200.000.000,- (two hundred million Indonesian dollars), not including the land and building or has annual sales under IDR 1.000.000.000, - (one billion Indonesia dollars); belong to Indonesia citizen; independent, not subsidiaries or branches of companies owned, controlled by, or affiliated directly or indirectly with medium or large business enterprises; individual businesses, business that is not legal entity, or legal entities, including cooperatives.

## **Research Method**

This study used qualitative approach and use case study. The focus in this research is synergy between government, private and society in the implement-tation of partnership program of PKG based on governance perspective. Location of the study is Gresik because central office of PKG located in Gresik regency. Data types used is primary and secondary data, while data collection used is interview and documentation. This research use interactive models in analyzing data because this model can make researcher easy to conduct research. The steps consist of data collection, reduction, presentation, conclusion and verification.

In accordance with the concept of governance, where the government is not a single actor in dealing with the problem. There is a responsibility of the private sector and communities to work together in finding the best solution. According to Wahab, et.al (2002) synergy is an interconnection and

integration between public and private actors, along with the balance of the division of tasks between the bureaucrats and the local communities that have been previously agreed. The concept of governance can facilitate the synergy of various parties in addressing an issue. According to Osborn (2010) governance facilitates an understanding of power penetrates the spaces policy, processes and practices, and the formal and informal institutional arrangements which contribute to a "matrix of governance" or "choreographies of governance", the ensemble of norms, patterns of behavior, networks and other institutions, and power play between involved stakeholders. It is in line with the opinion of Islamy (2007), who argued that the concept of policy implementation is essentially the collaboration between the bureaucratic, market and community (iron triangle).

While Howlett and Ramesh (1998) said actors in the implementation of a program may be individuals or groups, in which engage in certain condition as a subsystem of a program. There are five actors in a policy, elected official, appointed official, interest groups, research organizations, and the mass media. In the implementation of partnership program conducted by KBL Department of PKG, minister of SOEs is elected officials chosen by central government to make policies regarding with partnership program. Companies in this case KBL Department as officers appointed by minister of SOEs to be fully responsible in the implementation of partnership program, and interest groups here are very flexible, depending on the programs, such as the trainer provider designated by the company to provide training, local government who became partner in conducting training, and so forth. Interest groups can be seen from the role of partners who have interest in partnership program. Research organizations can include non-governmental organizations who engaged in research. And the mass media are used to provide information for outside parties related with partnership program conducted by KBL department. Governance refers networking which describes the

unification of the number of entities to be attached to deal with the public interest. Stakeholder participation in the implementation of the partnership program is a form of democracy that is done by the company. To make easier in analyzing the role of involved actors, in this case focus on the synergy of iron triangle, which is private (KBL department), community (partners), and government (local government Gresik) because basically, on the implementation of partnership programs, this three actors who play important role. This is similar to the previous concept of governance.

While the concept of governance presented by Endarti (2005) there is alignment process, equality, cohesion and balance of role and control performed by three components, government, society and private. The concept of governance in fact not always happen in the practice, in this case the synergy between government, society and private sector in the implementation of partnership program conducted by KBL department of PKG. On the implementation of the partnership program, there are alignments and similarities role of each actor. This is because policy as guidelines from the beginning does not require companies to establish cooperation with local governments. In addition, the partnership program policy is top-down policy from the minister of SOEs directly to all SOEs, so the most responsible in the implementation is SOEs and the most dominant role is also belong to SOEs. So parallels and similarities role cannot be imposed, because if this happens, it is possible if planned program cannot run properly because of the different characteristic between the government and the company

KBL department as a major actor in the partnership program has central role. KBL department hold control since planning until implementation and evaluation. As the main actor, KBL department also responsible for the success or failure of the partnership program. PKG holds commitment to the stakeholders outside the Company mentioned on the Corporate Social Responsibility program that will be recorded to support economy growth and

implementing sustainable developments initiative in order to assist in creating community welfare. In running partnership program, KBL department recognize the important of synergy and participation from society for the sake of getting maximum result.

This supports the idea Wamsley and Wolf (1996) stated the importance of society involvement in providing a service. Cultural values and lifestyle of the society, especially small enterprises often have a significant impact on the partnership program is being carried out. In the implementation of the partnership program implemented by KBL department involving the role of society and other actors in running the program. The statement also supported by Denhart and Denhart (2003) who reveals the existence of new public services perspective, the owner of the public interest is society, so public service providers should focus on the responsibility of serving and empowering society. Although the partnership program is fully designed by KBL department, but basically, the partnership program has been adjusted with the conditions of small enterprises. The program been analyzed by experts to be able to answer the problems faced by small enterprises. According to the development guidance of Role and Participation of Society, Institute for Global Environment Strategies in Dwiyanto (2009) describes several levels of meaning of the participation of high level to a low level, namely mobility on their initiative, partnership, conciliation, negotiation, collection of information, giving information

When referring to the level of stakeholder participation above, participation of stakeholders in partnership program is categorized in partnership stage, especially relationship between companies with partners. Basically stakeholder participation can be divided into three categories, which are in program formulation, implementation and evaluation. Based on the interviews with KBL staff showed that at the stage of program planning, there were less partners and government participation. Programs have been planned by KBL department, which means that planning is purely in the hands of

companies with reference to Regulation of Minister of State Owned Company No. PER-05/MBU/2007. The regulation has described the outline program to be implemented by the SOEs in carrying out partnership program with small enterprises. Thus in planning process just involve internal actor in company. Stakeholder participation occurs at the implementation which is expected to create synergy. According to Lasker and Weiss (2003) partnership creates synergy by combining the complementary knowledge, skills, and resources of different people and organizations.

The role of the society, in this case is partners plays a very important role because without the initiative of partners to develop their business despite there are various programs offered by KBL department will not run properly. High motivation and strong desire from partners is a key in successful implementation of partnership program. Many partners get success after joining partnership program, including business of embroidery woman's praying veil, woven sarongs, farmers' groups, and many others. But there are also many partners who are not experiencing significant growth though has participated in various programs that have been granted by KBL department. The difference success of partners caused by possible factors, the most important is the willingness of partners to expand their business, other factors are market conditions, the ability to manage existing resources, both financial and human resource, creativity, and the ability to market products, as well as other factors.

Government's role in the implementation of the partnership program so far only voluntary instrument. Voluntary instrument is a category that shows the role of the government is low. It happens when families, communities, organizations, and the private can solve problems by themselves so did not involve the role of government. This supports the idea of Osborne and Gebler (1992) which says that the government in the future only serves as steering, not the drivers and not the single actor. Nowadays government is not the only one actor in implementing policy. Go-

vernment could delegate the implementation to other actors outside government, so there is the decreasing role and involvement of government, known as “hollow state”, where according to Frederickson (2012).state and local governments have diminished the capacity for contract management and oversight and are gradually being hollowed out. Hollow state is a metaphor for government that contracts public service provision out to networks of (mostly) nonprofit organizations and reduces its role as a direct supplier of public goods.

Based on interviews with some informants, both from KBL department, partners and the Department of Cooperatives, Small and Medium Enterprises, Trade and Industry in Gresik acknowledge the role of local government in partnership program is still low. Representatives from the local government only invited to special events held by the company. This is because the KBL department does not give a huge portion for the Department of Cooperatives, Small and Medium Enterprises, Trade and Industry Gresik to participate in implementing the partnership program. Based on reason where the partnership program implemented independently it will be more effective than any interference from the government. In addition, KBL department also do not want to give the responsibility to another party because the most responsible party for implementing the partnership program is KBL department.

Based on findings in the field, until now government of Gresik only acts as a bridge between small enterprises with SOEs and private enterprises in Gresik. In addition, existing small enterprises in Gresik regency is also less dependent on the government in developing their business, because the Department of Cooperatives, Small and Medium Enterprises, Trade and Industry Gresik regency is rarely conducting small enterprises development program for individual. Staff from cooperative department has their own reason in responding this condition. So far, the department provides training to cluster system, that is, coaching is not done for individuals who have special potential. For the example they coach weaving centers in

Semampir, rattan craft centers in Menganti, and other centers spread in Gresik. It is not denied even in Gresik there are a lot of small enterprises centers but not all of them get the training, there are still many areas that have not been trained because of lack budgets. With the lack of available budget of course programs offered is not as much as offered by company. Government is not able to provide a loan that is the fundamental problem faced by small enterprises, while large companies are able to provide them. This is one factor that makes the government's role less visible in the development of small enterprises that exist in Gresik regency.

From these explanations, can be seen the governance practices between company, partners and government. In the concept of governance, the three actors are in the same line. But unfortunately, based on observations, the role of companies and partners is more dominant, while the role of local government is less significant. This is because the portion of the government's involvement was little under the reason of time and cost efficiency predicted by the company. From the statement of the KBL staff stated that there will be possible time and cost and inefficiency which would hamper the company's program if it involves local government because convoluted bureaucracy and less performance. In addition, there is no obligation that requires the company to collaborate with the local government in implementing the partnership program. While not giving huge portion to government involvement in the planning, implementation and evaluation of the partnership program, KBL department always tried to establish good relations with local government. It is a form of Good Corporate Governance (GCG) which is implemented by PKG. Davies (2006) stated GCG is a system by which companies are directed and controlled. Broad of directors are responsible for governance of their companies. Applying GCG means companies must maintain good relations with all involved stakeholders in company's activities. PKG as State Owned Enterprises have an obligation to implement corporate governance principles such as transparency,

equity, accountability, responsibility, independence and fairness, then compiled CCG (Code of Corporate Governance) implementation guidelines that periodically performed refinement in order to improve and adjust to existing regulations so it will be a more constructive and flexible for the companies. GCG can be seen in company's relationship with outsiders, especially partners and local government in Gresik regency.

The company's relationship with partners who realized through a partnership program conducted by KBL departments is one manifestation of the social responsibility from company to the society. Company is responsible to hold the society growing up with the company, including economic empowerment in the partnership program. Corporate social responsibility based on Aras and Crowther (2008) refers to relationship between governments of countries, global corporations, and individual. More locally, the definition is concern with the relationship between a corporation and the local society in which it resides or operates. Another definition is concerned with the relationship between a corporation and its stakeholder.

Basically CSR is a form of social responsibility as a manifestation of good corporate governance. On this side, CSR is seen as application of the corporate existence as a social element that is part of business ethics. In this case, the implementation of CSR refers to broader and global concept. According to Carroll, there are four categories of CSR, legal, economic, ethical and philanthropic. At the level of legal responsibility, CSR applied solely to comply with regulations, then, on the economic level, CSR is applied in order to obtain the benefit of the company because they believe that CSR can improve the competitiveness of company. While at the level of ethical and philanthropic, corporate conduct CSR based on awareness for the creation of harmony between the company and values also unwritten law in the society to create a mutually beneficial relationship. Based on the results of interviews with KBL staff, CSR which has been conducted by PKG is classified as legal category because

of the regulations that require each company to contribute to the surrounding environment, especially Regulation of Minister of State Owned Company No. PER-05/MBU/2007 about the Partnership Program of State Owned Companies with Small Scale Business Units and the Environmental Development Program. By implementing corporate social responsibility, PKG trying to make good corporate governance. If KBL department is able to implement partnership program properly and optimally, the implemented programs can have positive impact for the community, especially the partners, they can develop their business. If small enterprises in Gresik are able to develop independently, it will reduce the government's burden in overcoming the existing small enterprises problem in Gresik. The success of the partnership program also will bring good image for the company which is very useful for the survival of company due to the company's image is closely associated with public trust. The trust from the public will help companies run their activity as expected.

## Conclusion

There is good synergy between private with society, in this case PKG and partners. But synergy with government, especially Department of Cooperatives, Small and Medium Enterprises, Trade and Industry in Gresik regency is still not maximal yet. Based on governance perspective, there is synergy between government, private and society in overcoming problem. This synergy will be happen if there is trust and good communication from involved stakeholders. Usually, there is good relation between company and their partners because in this case, company as the executor of partnership program and the partners as object, this close relation create good relation in both parties. Unfortunately, partnership program still doesn't involve government because there is opinion if government performance is low with complicated bureaucracy then it might hamper the company's performance in running their program. The government role right now seems as voluntary instrument,

means the government's role less significant because there is belief if private and society are able to solve their own problem without government assistance or involvement.

From the finding, researcher also criticize governance concept stated by Endarti (2005) related with the equality, cohesiveness and balance of role also control among three actors (government, society, and private). This concept is ideal condition and it is very difficult to be implemented. In practice, there is no equality, cohesiveness and balance of role from those three actors because each of them has different characteristic. There could be the condition where one of the actors is more dominant than other and vice versa.

The recommendation is local government should strengthen their role in developing small enterprises, does not mean local government intervene the program conducted by company. Local government should play their role well as facilitator, as a bridge between private and small enterprises. Unfortunately, local government does not play this role well so it seems they do not have responsibility to small enterprises in their area. Facilitator role should be done and be strengthened so the development of small enterprises can be maximized.

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