

CHAPTER I

INTRODUCTION

1.1 Company Background



Figure 1.1
Pt. Freeport Indonesia Logo
Source : www.ptfi.co.id

At the beginning of the Soeharto period, the government took a policy to immediately take concrete steps to improve economic development. But with limited national economic conditions after reimbursement of power, the government immediately took a strategic step by issuing a Foreign Capital Law (Law No. 1 of 1967).

Freeport's highest leadership at that time, Langbourne Williams, saw an opportunity to continue the Ertsberg project. He met Julius Tahija, who at the time of President Soekarno led the Texaco company and continued meeting with General Ibnu Sutowo, who at that time served as Minister of Mining and Petroleum in Indonesia. The essence of the meeting was a request that Freeport be able to continue the Ertsberg project. Finally from the results of a long meeting after Freeport Freeport obtained permission from the government to continue the project in 1967. That was Freeport's First Contract of Work (KK-I). The work contract was a promotional material that Julius Tahija brought to introduce Indonesia abroad and his first mission was to promote Foreign Investment Policies to Australia.

Before 1967 the Timika area was a wilderness. At the beginning of Freeport operations, many residents who initially scattered began to enter the area around the Freeport mine so that population growth in Timika increased. In 1970 the government and Freeport jointly built decent houses on Kamuki Street. Then housing was also built around the south of the airport which is now the city of Timika.

In 1971 Freeport built Timika Airport and supply centers, then also built major roads as access to the mine and also roads in remote areas as access to villages In 1972, President Soeharto named Freeport a city that was built in

stages. with the name Tembagapura. In 1973 Freeport appointed its chief representative to Indonesia as well as the first president director of Freeport Indonesia. Ali Budiarjo, who has a background as Secretary of Defense and Director of National Development in the 1950s, husband of Miriam B.

PT Freeport Indonesia is an affiliated company of Freeport-McMoRan Copper & Gold Inc. PT Freeport Indonesia mines, processes and explores ore containing copper, gold and silver. It operates in the highlands of Tembagapura, Mimika Regency, Papua Province, Indonesia. Freeport Indonesia markets concentrates containing copper, gold and silver throughout the world.

1. Vision :

“To be a world-class mining company that creates excellent values and is a source of pride for all stakeholders including employees, society and the nation.”

2. Mission :

“Committed to creatively transform natural resources into prosperity and sustainable growth through best practices while prioritizing the welfare and security of our employees and community, human resources development, social and environmental responsibilities, as well as industrial safety and health”

History of work contracts :

- a. 1936 - Jacques Dozy discovers 'Ertsberg' reserves.
- b. 1960 - Forbes Wilson expedition to rediscover 'Ertsberg'.
- c. 1967 - Contract of Work I (Freeport Indonesia Inc.) is valid for 30 years since it began operations in 1973.
- d. 1988 - Freeport finds Grasberg reserves. Large investment and high risk, so it requires a guarantee of long-term investment.
- e. 1991 - Contract of Work II (PT Freeport Indonesia) is valid for 30 years with the production period ending in 2021, and the possibility of 2x10 years extension (until 2041).

1.2 Research Background

A company in achieving economic benefits as a goal of the company must have a direct or indirect impact on society and the surrounding environment, both positive and negative impacts. As part of the community, the company should have a positive impact that is greater than the negative impact on the community and / or the surrounding environment. For this reason, the Government invites companies to take responsibility for making a greater positive impact on the community and the surrounding environment by issuing regulations related to this, which is called social and environmental responsibility or commonly known as corporate social responsibility ("CSR").

In order to maintaining the existence of companies in the business world, the company cannot be separated from its external environment. Several companies maybe it's still only concerned with the profit generated for the sake of the interests of capital owners that will make the company do excessive and uncontrolled utilization of natural and social resources, so that the resulting environmental conditions are threatened. But with over time, the community began to realize the emergence of negative impacts obtained from the company in carrying out its operations, therefore companies and business people now need to go to the triple bottom line that is not only oriented to maximizing profit but capable make a positive contribution to the community (people) and participate in preserve the environment (planet) by developing what is called Corporate Social Responsibility for the survival of the company (Elkington, 1997).

The term Corporate Social Responsibility is now familiar community and business people. The implementation of CSR is one the main focus is because people are starting to care about the implementation of CSR due to increased environmental damage. Community care for CSR seems to be a gap for companies to implement CSR with the aim that the company has a good image in the eyes of the public and finally it will have a positive impact on the company in the form of product sales or services that will increase. As one of the leading mining companies in Indonesia and also as an affiliate of FCX (Freeport McMoRan Inc.), Pt. Freeport Indonesia implements and adheres to the ethical, social and environmental policies set by FCX. Strong policies guide Pt. Freeport Indonesia towards sustainable development. Experience in the community has created these policies in Indonesia.

Pt. Freeport Indoensia 's community development program is the main business driver of Pt. Freeport Indoensia 's operational plans and is one part of various types of corporate social responsibility initiatives. Pt. Freeport Indoensia strives to implement a community development program that has a strong business foundation, provides support to other Pt. Freeport Indoensia corporate responsibility initiatives and is consistent with world-class community development standards.

It is Pt. Freeport Indoensia 's own responsibility to spread good values so that they are better known to the public and contribute in the development of the community's own independence. The independence that comes from the community that is to be achieved is then poured through Pt. Freeport Indoensia 's CSR programs, especially through the Health CSR Program.

Becoming one part of the program of Pt. Freeport Indoensia CSR, Health Program focusing on development and implementation of public health programs on hygiene and sanitation issues; infection control and sexually transmitted diseases such as HIV / AIDS and TB; Maternal and Child Health problems; and efforts to reduce infectious diseases such as malaria. In addition, LPMK (Lembaga Pengembangan Masyarakat Amungme dan Kamoro) also helps several villages in terms of getting access to clean water.

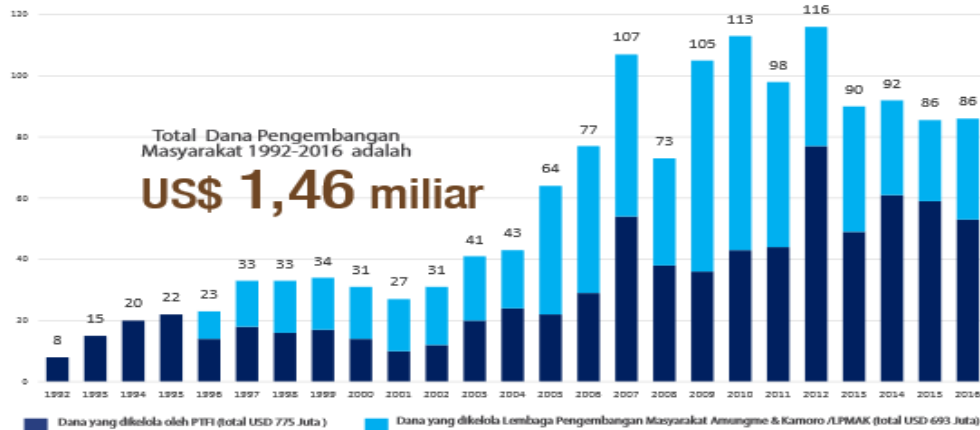


Figure 1.2
Pt. Freeport Indonesia Community Development Funds
Source : www.ptfi.co.id

Performance Prism is one method of measuring performance has five facets and forms a three-dimensional triangular prism. Upside is stakeholder satisfaction, the lower side is a stakeholder contribution, and the other three sides are strategies, processes, and capabilities. Method it can provide comprehensive measurements and a broad perspective so that it can present a realistic picture of the determinant aspects the success of the information system. In addition, this method is not only measure the final result, but also the determinant activities of the final result. Therefore will provide a clear picture of the actual condition of the information system. In addition, a Key Performance Indicator (KPI) was designed, namely indicators the key that refers to PT. Freeport Indonesia KPI Policy as a benchmark in measurement the performance. The use of Performance Prism method is supported by using The "TEV" Quantitative Analysis Model abbreviated as MAKTEV to do weighting.

1.3 Problem Statement

Based on previous exposure, the issues to be discussed in this study can then be translated into the following questions this:

1. How's the Performance of Health Program as CSR by Pt. Freeport Indonesia?
2. How to measure KPI based on PT. Freeport Indonesia KPI Policy?
3. How to identify PI based on KPI that has been chose?

1.4 Restricting Problem

Given so many problems that must be addressed, in order to This research can be discussed more thoroughly and in achieving this goal expected, the need for restrictions on the problem based on the identification problem, those are:

1. Focused in PT.Freeport Indonesia Health Program CSR.
2. Research is not allowed to discuss finance and laws company.
3. Experts could have additonal criteria

1.5 Research Objective

This research objectives are to:

1. Knowing the Performance of the Health Program CSR in Timika, Papua.
2. Measuring the KPI based on PT. Freeport Indonesia KPI Policy
3. Creating PI based on KPI that has been chose

1.6 Research Benefits

The study is expected to provide an overview of the implementation Partnership programs mainly related to the effectiveness achieved in Pt. Freeport Indonesia hopes of another state will follow the lead of companies which has been implementing the program effectively and efficiently. Generally,this study also can be contribute ideas and references for next research.

- a. For Academic :

To gain the knowledge about effectiveness in Pt. Freeport Indonesia Health Program furthermore.

- b. For Further Research

It could be a guidance and reference in the next study with similiar topic.

- c. For the Public

The practical benefit of this study is expected to be a guidance and consideration knowing about the funding in SOE Partnership Program and Environment Development (PKBL)

- d. For the Company

The practical benefit of this study is expected to be an consideration factor .

1.7 Systematical Writing

Writing this research is divided into chapters which will outline analysis regarding the implementation of corporate social responsibility program with systematic Indonesia following:

CHAPTER I INTRODUCTION

This chapter describes the background doing the research, Formulation of issues to be discussed, the purpose and benefits Research and systematic writing. This introductory chapter will provide an overview of the direction of research which will guide the reader in understanding the problems The real will be discussed in this study.

CHAPTER II LITERATURE

In this chapter will describe the concepts and theories used author in making this paper deals with the whole issues discussed in the study, including the definition and the ins and outs of Corporate Social Responsibility (CSR) as well as the Health Program CSR by Pt. Freeport Indonesia

CHAPTER III Research Methodology

This chapter will review the research-related research done previously referenced in the study this. This chapter also outlines how the formation of population and sample research, defining variables research, data collection methods, the research model, and data processing procedures.

CHAPTER IV Data Analysis and Discussion

In this chapter, the authors will describe the data processing as well as the results and analysis.

CHAPTER V Conclusion

The author will give a thorough conclusion along with useful suggestions of this study is good for Companies under investigation nor the parties will continue research on this topic further.