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RISK SOCIETY AND SUSTAINABILITY OF BUSINESS PRACTICES IN INDONESIA

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ABSTRACT

This study examines the presence of risk society through decisions that happened and formulated in relation to fishery business and forests management practices in Indonesia. Since sustainability of fishery business and rainforests also depend on strategic decisions made by local government; this study focuses on how the strategic decisions are shaped and formulated by identifying and examining the information used to formulate strategic decisions, and describing the nature and effectiveness of communication among the decision making agencies at the meso level, and with local people.

This study was designed fundamentally based on a case-study approach that examines the meso levels of decision makers and local people at the micro level. Data were collected using in-depth interview and then analized using qualitative discourse analysis. This study shows that information based-economy was widely used and considered in formulating strategic directions and decisions.

To better address the sustainability issues and risks under the risk society context, relevant information concerning related-risks, a two-way communication and cooperation among decision making agencies need to be established in re-formulating strategic decisions that impact on the sustainable fishery business and continued existence of rainforests.

KEYWORDS: Risk Society, Business Practice, Sustainability, Strategic Decisions

INTRODUCTION

The concept of a risk society introduced by Ulrich Beck, a German sociologist, refers to a new phase of society, which is development from simple modernity to reflexive modernity. Essentially, this concept deals with the issue of risk in the modern society, that is the risk that created by human beings through their decisions and actions in the modernization process within society. Modernity in this context is characterized by economic and social attributes, such as the economic growth is confronted with environmental issues and ecological limits, and the use of high-technology and industrial products in the economic production activity. The issue of nuclear power use to generate industries, global warming, climate change, deforestation, industrialization of agriculture and environmental degradation are examples in this context. This study shows the case study of forest management practice and fishery business in Indonesia under the risk society context.

In the risk society world, even though the society is much more aware of risks and they are organized to response to risks themselves, risks still emerge, spread and increase automatically and proportionally with human decisions and actions. In other words, risks are formed and induced automatically within society. Through reasons for improving people's quality of life and increasing economic growth, politics, business and science have become key institutions that play important roles and contribute to the spread of risks. Therefore, risks have been institutionally created by social agents, such as government agencies and corporations that are also in charge of controlling and managing these risks, in the form of political decisions in order to support the implementation of science and technology as well as supporting business

operations. However, as society develops much more and moves into a certain level of modernity, there will be a change in social structure and social agents' relationship, which is that institutions or social agents tend to become more individualized. As a consequence, there will be a conflict of interests among these social agents since there are different decisions to support their own goals. This situation is then called by Beck (1992, p.3) "conflicts of accountability" in relation to the manner in which consequences of risks can be attributed, controlled and legitimated.

The impacts of global warming and climate change as well as the carbon footprint, environmental degradations and ecological destructions are issues which are in horizontal position with risks, since they are induced by human decisions and actions in modernity. Although they are still a debatable issue between skeptics and scientists, essentially there has emerged international agreement among nations on how to mitigate their impacts through the reduction of human industrial activities as a main cause of global warming and climate change. In addition, human and /or institutions' decisions and activities based on economic reasons, have caused wildlife species to leave their habitat and resulting in conflicts between wildlife and people. This situation poses new risks to human beings. Examples of these conflicts have arisen when elephants and tigers have been displaced from their natural habitat in order to make space for plantations. This displacement has lead to the tragic deaths of nine people in Sumatra**,** Indonesia (Sulistyawaty, 2009). Such accidents indicate that the environment has been damaged and it is no longer being safe for wild animals to stay in their habitat since they are indicators of how healthy the environment has been. In fishery sector, there has been a conflict between local fisherman and andon fishermen under cooperation with big companies.

To deal with these risks, in forestry sector, one of the world's interim strategies is to purchase carbon credits from nations that are able to conserve their virgin forests. Indonesia has virgin rainforests in Kalimantan, Borneo, but the power and authority to make strategic decisions over these forests is dispersed among federal and state government agencies, and villagers who work the land. Whereas in fishery sector, there has been a policy of central government and local government to run 'andon' regulation. It has been argued that communication between these levels of management (also identified as macro, meso and micro levels of discourse respectively: van Dijk, 1998a, b) may be improved by providing holistic information and feedback, because it integrates techno-scientific, economic and socio-political attributes of sustainable practices (Saravanamuthu, 2008). The interests of these three levels of strategic decision making are often at odds with each other – this conflict results in fragmented forest management strategies that is to the detriment of the environment; and unsustainable of catching fish practiced by andon fishermen.

From an economic perspective, in traditional accounting theory and management accounting approach, it is generally accepted that decisions are made on the basis of quantitative information, which is based on measurement data and should be in line with generally accepted accounting principles (GAAP). In other words, decisions are made on the basis of benefit and cost considerations or decision makers should consider economic benefit of a particular decision. However, Tinker (1985:88) argues that there are technical difficulties of accounting in dealing with risks, such as how to identify and allocate the potential costs to be actual costs in a certain period since risks are hidden; costs associated with risks are unknown in advance. The accumulation of these costs will suddenly become evident after a prolonged period. This means that in the short-term period, a large amount of costs associated with risks are less likely to be identified and reported against revenues generated in that period. As a consequence, profits and valuation of assets are highly likely to be overstated, which is most likely to enable decision makers to use this inaccurate accounting information to make strategic decisions.

In reality, strategic decisions are usually made and influenced by the information provided to decision makers and the manner in which communication takes places among stakeholders. This means that information and communication play central roles in formulating strategic decisions. However, in practice, March (1994) pointed out that people face complexity and uncertainty that lead to decisions being made under limitations of information, lack of ability, lack of communication among stakeholders and the limitation of time to make decisions. Owing to these limitations, therefore, decisions are made only to meet the short-term goals of decision makers and tend to ignore the optimal value of each alternative. In other words, people who intend to make an optimal choice are bound to make satisficing decisions, which are acceptable or good enough decisions in complex situations.

METHODS

The design is fundamentally based on a case-study approach that examines the meso levels of fishery business in Kupang and forestry management in South Kalimantan, Borneo. The meso level fishery sector is Marine and Fishery Servis of Kota Lupang, whereas meso level of of forestry management is made up of four departments. Those are the Forestry, the Mining, the Agriculture and the Estate Department/service. Participants of this study were executives who are involved in making strategic decisions in each department and private stakeholders/NGOs which care about the environment. Therefore, operational management who are not involved in strategic decisions was excluded. The qualitative data was collected through in-depth interviews. Contents of the interview items were left rather broad, flexible enough within each department to ask sub-questions and room for clarification by the interviewer of any concerns of the interviewees. Information was also gleaned from NGOs and newspaper reports of the plight of villages in the brand of sustainable business.

The in-depth interview was widely used in gathering data for this study. The interview was guided by a semi-structured questionnaire. Using this method, participants were interviewed much longer and more than once in order to seek more depth in the information provided (Veal, 2005, p.128). These interviews were electronically recorded, then transcribed, and analyzed using qualitative discourse analysis.

RESULTS AND DISCUSSIONS

Agencies Whose Decisions Impact on Forest Management and Fishery Sector

From the main job descriptions and functions of departments, the existence of forests and sustainable fishery business in the meso level, is subject to the judgments and decisions made by the forestry, the mining, the agriculture, the estate and the marine and fishery departments/services. In this study, The Forestry and the agriculture service as well as Fishery Sector are three government agencies that have power and authority to protect forests in order to keep the everlasting equatorial forests, and fishery business. On the other hand, two other government agencies, that is, the mining and the estate service units, also have power and authority to consider and license the investors of mining and palm oil companies to exploit natural resources, such as providing mining areas for coal mining industries and an area of land clearing for palm oil plantations. This means that whether or not the issue of sustainability over the fishery sector and forests that might be fostered in South Kalimantan Province depends upon how well coordination and communication take place among these five government agencies.

Since there is a different orientation and interests between these two categories of the five institutions outlined

above, decisions that are usually made are often at odds with each other, and results in fragmented forest management strategies that is to the detriment of the environment and marine resources. The respondent of Walhi, Unus, said that mining industries and palm oil companies are the two biggest dominant sectors and that their decisions have a great impact on forest management and the environment in general in South Kalimantan. In addition, these two sectors are even in conflict with each other. In reality, the conflicts emerge in the form of determining which areas belong to mining or palm oil plantations and which areas do not, even if those areas have been determined by local and central regulations. The common problem that usually occurs is that there is an overlapping license issued to exploit natural resources in a certain area. The mining industries claim that the area belongs to them and palm oil industries do too.

Table 1:

Unus	:	Yes… particularly palm oil plantations… in South Kalimantan, there are two sectors.. what… of massive extractive industries. The first is coal mining and the second one is … what… palm oil... Palm oil expansion. At their sector level, they have conflicts with each other. That is happening now. There is an overlapping of area granted by local and central government. This means, the license or rights to cultivate an area granted by government to the mining company is overlapping with palm oil concession… And… what… I think, how the government.. how the government will manage this country, how the government manages this region, if there is still a conflict of interests among themselves?

The main reason is that there are economic benefits gained by these two different sectors operating in a particular area. This condition clearly indicates and characterizes the change of social structure in risk society context raised by Beck (1992, p.3) that there will be conflicts of interest among social agencies as society gets to a certain level of modernity.

Surprisingly, conflict of interests between these agencies occurs repeatedly, and mining companies are always being a winner party in this case. It is assumed that the economic contribution might be the prime consideration in making strategic decisions of government agencies. An interim strategy in dealing with this condition is that the palm oil companies are directed to move and operate in the swampland area. Therefore, there are mining companies operating in the headwater area, and palm oil companies in the lower or swampland area.

Table 2:

Unus	:	There is a conflict among themselves, such as an overlapping of area between palm oil plantations and mining. Usually, mining companies are the sector that is benefitted in this case. This might be because mining companies contribute … uh... what.. direct benefit for local government agencies. That's why, what is happening now is palm oil companies migrating to swampland, wet land. We think, this will be very dangerous regarding hydro-systems in the swampland. As we know, swampland is very rich with carbon. Yeah.

From risks perspective, this is a new type of risks to society, which is institutionally created by social agencies through their strategic decisions. Eventually, local society become victims, such as marine resourse destruction and flood disaster, and also it creates global risks to the whole society through the release of carbon dioxide that harms the atmosphere and results in the impacts of global warming and climate change.

Information Used in Formulating Strategic Decisions

Essentially, decisions are made based on the inputs given to decision makers. This means, information received by decision makers play a central role and it has a great influence on the decision makers. In the bounded rationality model, decisions are made under the limitations of information, lack of ability of decision makers and predominantly use of past information that might not suit the present conditions.

The five institutions whose decisions impact on fihery sector, forest management and the environment issue in general, as outlined above, use different information in formulating their strategic decisions. Generally, economic considerations are mostly used in the mining, the estate and the agriculture sectors. Attempts to achieve the specific goals, such as profits and productivity that have been set up in the strategic directions of each institution, are the main reason for the use of information based-economy in the process of making strategic decisions.

Table 3:

Asan	:	Yes… We know that the mining activities definitely damage the environment. However, uh… we need to uhh. The question is .. uh.. is there any source other than mining activities for people's needs? For example, quartz-sand is the raw material for glass, this might… uh… uh… there is a relationships.. any various of the mining activities.. and also plastics and so on.
Asan	:	This means, products that we have and use come from the mining activities. At the moment, we are having all these products. Those are what people need.

Another economic consideration in the Amdal document is that of the present value of mining products within a particular period of time. This factor relates to economic or business criteria, that is the time value of money criteria. There is a doubt of decision makers that the value of mining products or the potential mining products will be less valued or even will have no value in the future. Hence, the decision makers put more effort in making a particular project or mining activities acceptable or feasible.

Table 4:

Asan	:	Well. The second is if we do not exploit the natural resources we have, in the next five or ten years, they might not be sold anymore. For example, people will use other sources of energy that might be cheaper, safer and more efficient. This means, the coal that we have might not be sold anymore.

Now, it is clear that information based-economy was widely used and considered particularly by the Mining and the Estate agencies in formulating their strategic directions and decisions.

Surprisingly, although South Kalimantan is the second largest producer of coal after the East Kalimantan Province in Indonesia, and coal is widely used for generating electricity, there is still an insufficient electricity supply for local people. Also, the human development index (HDI) of this province is rated in the 26th out of 33 provinces in Indonesia. This means that there is no significant value added by the mining sector to improve the quality of life of local community in this province.

Table 5:

Unus	:	We have natural resources, but there is no contribution for our people. For example, in the final exam recently, the electricity was turned off (by the state-owned electricity company). How do school children prepare for the exam, do their home work or assignments, if the electricity is always turned off like this? Where is the care of local government for the present generation of this province?
		For years South Kalimantan Province exported its natural resources, and even this Province has become the second greatest producers of .. uh.. what .. coal in Indonesia after East Kalimantan. In fact, the human development index of South Kalimantan is retrogressive to be the 26th out of 33 provinces in Indonesia.

The poor communication among these government agencies and also with local people has resulted in a horizontal conflict of interest among these institutions, and vertical conflict with local people/foshermen. The horizontal conflicts have caused new risks to not only local but also global society. For example, the conflict between the mining and the palm oil companies has resulted in the migration of palm oil companies to swampland. It has become common knowledge that the use of swampland to grow crops results in the detriment of the hydro-system, since the swampland has functioned as a huge sponge to absorb a huge volume of water. In other words, there is a flood disaster if this area is destroyed.

In addition, the land clearance in the swamp forests can be prone to forest fires which produce high emissions, such as CO2, and other compounds of incomplete combustion, that makes them particularly hazardous for the respiratory system. The expansion of palm oil estates in a new location has also caused large-scale fires linked to the land-clearing practices of plantation companies such as the damage in 1997 and 1998. Moreover, the drainage systems required by large-scale oil palm plantations in a new location may also lower water tables and impact neighboring forests.

All facts outlined above clearly reflect the individual interests among government agencies which appear in the form of poor communication and results in a new type of risks within society. Essentially, this condition is a good example of what Beck (1992, p. 3) described as a change in social structure and social agents' relationship within modern society, which is that when society increasingly develops and reaches a certain level of modernity, institutions or social agents tend to become more individualized due to the different interests and orientations in dealing with economic benefits and risks. In this stage, institutions are in conflict and compete with each other to generate more profits on one hand, and ignore risks that might be posed and harm society due to their decisions and actions on the other hand. In addition, these conditions refer to Beck's statement that efforts to improve the quality of people's life through decisions and activities based-economy in the reflexive modernity stage are sets of risks and hazards.

CONCLUSIONS

The information-based economic criteria and considerations is widely used by government agencies in the meso level to formulate their strategic decisions. This information is established, influenced and then legitimated by power through political involvement. In the past, strategic decisions were made to satisfy the needs of those who have power and authority, particularly at the central government level and to meet their business goals. It is clear that in reality, decisions are made and influenced by political institutions at the top level, and the economic criteria and considerations are widely

used to support these strategic decisions. Regarding the issue of sustainability practices and the issue of risks under the risk society context, it is true that the sustainability issue has been put far af risk socway from consideration or completely ignored, and risks have been institutionally created through the involvement of political and business interests.

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