

TRANSFORMATION PROCESS; PROCESS OF TRANSFORMATION OF SUGAR STATE OWNED ENTERPRISES AND ITS IMPACT ON SOCIO-ECONOMIC RELATIONS

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ABSTRACT

The transformation of SOEs through organizational restructuring continues by pursuing the number of SOEs and creating clusters according to their respective business fields. The corporate transformation was carried out through the restructuring and privatization of sugar factories. Restructuring is believed to be a strategic step in restructuring SOEs by improving the company's internal conditions so that their performance will be better. The transformation of BUMN sugar through various corporate actions is expected to be able to create national development targets; national sugar self-sufficiency, stability of consumption sugar prices, increasing the welfare of sugarcane farmers while continuing to contribute to state revenues. This research is a Literature Review to identify indications of progress or not from the results of a particular study. The method used in the literature review is through a systematic approach to analyzing data in a simplified approach. Through organizational restructuring, PTPN Group is expected to be able to create a healthy corporate ecosystem and must also pay attention to socio-economic relations. So that in socio-economic relations and power between actors, as well as stakeholders and or shareholders so that they can build better synergy. Individually, interaction occurs when intimate relationships between individuals form one another, which then gives birth to emotional bonds.

Keywords: Transformation, Restructuring, State-Owned Enterprises, Socio-Economic Relations

I. INTRODUCTION

State-Owned Enterprises (BUMN) have a strategic role in the economy in Indonesia. In addition to being pioneers in the business sector that the private sector is not yet interested in, BUMN is an instrument of the state in the implementation of public services, balancing the power of large private companies, and assisting the development of small and medium enterprises. SOEs are state-owned enterprises that can be at the forefront of driving national economic growth. BUMN can be a government tool in carrying out public service breakthroughs that the bureaucracy cannot possibly do.

According to data from the Central Statistics Agency (BPS), the volume of imports of raw sugar or raw sugar in 2021 (January-October) will reach 4.72 million tons. This number decreased by 5.03 percent compared to the same period the previous year. In the last five years, the volume of sugar imports to meet national sugar needs has tended to increase. The peak

occurred in 2018 which broke the 5 million ton mark. Even though in 2015, the amount of imported raw sugar from Indonesia was still at 3.4 million tons (Emeria, 2022). Meanwhile, cane sugar production in Indonesia reached 2.42 million tonnes. The volume of national cane sugar production tends to decrease in the last decade. In 2011, cane sugar production in Indonesia was recorded at 2.24 million tonnes. Even though it had risen to 2.59 million tons in 2012, in the following years it continued to decline to 2.13 million tons in 2020. Of the total production, 1.39 million tons came from smallholder sugarcane and 1.03 million tonnes of cane sugar is produced by large estates.

The strategic role of BUMN can be seen from the total assets of BUMN which reach IDR 8,092 trillion. This total asset exceeds the assets of Singapore's Temasek super holding company which is worth IDR 1,112.59 trillion and Khazanah Malaysia IDR 463.59 trillion. With this large asset value, BUMN has played a major role in infrastructure development which opens access to national distribution and social contributions in the form of providing goods and services for the livelihood of many people and assistance through CSR (Corporate Social Responsibility) (Setiawan, 2019).

SOEs also recorded materially consolidated profits. Based on the 2022 financial reports, the total profits of all state-owned companies reached IDR 303.7 trillion. This has increased sharply compared to the previous year (2021) which posted a consolidated profit of IDR 125 trillion. The contribution of BUMN to taxes, dividends and PNB (Non-Tax State Revenue) has increased by 68 billion in the last three years, increasing by IDR 68 billion, from IDR 1,130 trillion (2017-2019) to IDR 1,198 trillion for the 2020-2022 period. (Eric Tohir, 2023)

In the last five years, state-owned sugar companies have on average contributed more than 50 percent to national sugar production. This contribution is produced by 41 state-owned sugar factories (PG) out of 55 total PG in Indonesia. BUMN plantations manage 218 hectares of sugarcane area or 53 percent of the 411 total national sugarcane areas (Ghani, 2022). The contribution of this BUMN plantation can still be increased. Increasing the contribution of state-owned plantation companies is a must because national sugar food security is still a serious problem in the last few decades. National sugar consumption continues to increase, while the productivity of the sugar industry continues to decline. The Ministry of Trade of the Republic of Indonesia noted that the need for domestic (domestic) sugar supply increased significantly to 5.8 million tons. Meanwhile, domestic sugar production is only around 2.18 million tonnes (Maskur, 2022). As a result, dependence on imported sugar is very high so that sugar food security becomes vulnerable.

The transformation of state-owned sugar companies is part of the formation of plantation and forestry industry clusters. The transformation process at the PTPN Group will begin in a structured manner in 2020. The Main Director of PTPN III Holding, Mohammad Abdul Ghani, said that the demand for transformation within the PTPN Group concerns 4 things: Structuring the organizational structure, leadership, culture of planters, and operating model. For this purpose, 4 priority programs have been established, consisting of consolidating the sugar business unit, asset settlement, debt restructuring and operational excellence. In terms of organizational restructuring, Holding PTPN III has combined all existing PGs into one *single entity company* by establishing PT Sinergi Gula Nusantara (SGN).

The restructuring of the sugar industry through PT SGN will be followed by privatization by cooperating with the private sector to improve the company's capital structure and restructuring. The restructuring of the sugar industry through PT SGN was followed by the formation of Palm Co to merge all the palm oil mills and Supporting Co to move beyond the core sugar and palm business. In fact, the formation of Palm Co was also prepared to enter the stock exchange through an IPO (Initial Public Offering) .) aka go public. In the PTPN transformation strategic plan, the 14 existing PTPNs will be consolidated into only three sub-holdings with one holding. Namely, PT SGN for the sugar industry, Palm Co for the palm oil industry, and Supporting Co for the PTPN business which are not included in the two sub-holdings.

The formation of a *single identity* in the sugar industry within PT SGN is expected to increase the competitiveness of PTPN's sugar production with the private sector. There are three reasons why the PTPN Group's sugar factory is being separated (spin off) to become a separate company. *First*, the existing sugar factories are still not working optimally in their operational performance. When compared to privately owned sugar mills, the productivity of PTPN Group's sugar mills is still quite low. *Second*, the commercial aspect is not yet competitive and the capital structure is not optimal. This affected the company's financial performance, which was largely due to the high cost of goods sold, general and administrative expenses, and bank interest. *Third*, the company's financial performance continues to decline, limiting the company's development capabilities. *Fourth*, the utilization of available resources is not optimal.

The establishment of a single identity for the sugar industry through PT SGN is also expected to provide long-term benefits. *First*, focus on business, especially in the development of the company's sugar factory which will be separated both *on farm* and *off farm*. *Second*, increasing competence and professionalism, as well as management of sugar factories in accordance with best practices and good corporate governance. *Third*, the increase in the operational performance of the sugar industry is not burdened by other commodities that have a low level of profitability. *Fourth*, increase the ability to take advantage of strategic opportunities by collaborating with the private sector, BUMN, and global strategic partners. Fifth, optimizing infrastructure and other resources to support business development. Sixth, flexibility in obtaining funding (Kontan.co.id, 2022). The transformation of state-owned sugar companies through various corporate actions is expected to be able to create national development targets, namely national sugar self-sufficiency, stability of consumption sugar prices, increase the welfare of sugar cane farmers while continuing to contribute to state revenues. Through organizational restructuring, PTPN Group is expected to create a healthy corporate ecosystem.

However, this view provides a trap for the performance of SOEs. Because, in its operations, BUMN has the potential to receive political imperative orders. This is unprofitable because a competitive market emphasizes the need for efficient companies. Aspinall (2016) argues that the spirit of economic nationalization to strengthen state intervention in business is often used to obtain incentives in the form of political support from the public and interest groups. This is in contrast to the spirit of privatization which aims to produce measurable performance, both in terms of profitability and efficiency

The problem is, does this transformation still place SOEs as state instruments to carry out the mandate of the 1945 Constitution or not? In accordance with the constitution, BUMN has the mandate to manage production branches which are important for the state and related to the livelihood of the people at large. In this context, Erick Thohir said that the transformation of BUMN must lead to the eternal transformation. This means that the process of transforming BUMN that is carried out by anyone, at any time and in any way, must return to the essence of BUMN as mandated by the Constitution. In particular, he interprets eternity as an absorption word from eternity which means permanence or something that is eternal. Meanwhile, transformation is interpreted as a change in appearance, form, nature, or function, by adding, subtracting, or rearranging its elements. (Erick Thohir, 2023)

The above problems make the transformation of BUMN sugar interesting to study academically. Theoretically, the corporate transformation of the state-owned sugar company will place the state-owned company in a tug-of-war between two opposing views on the role of the state in society. Namely, between the views of neoliberalism and the views of state interventionism. Based on the theory of neoliberalism, SOEs are expected to compete with private companies and develop through market mechanisms. The government only plays a role in making policies that support companies, without being able to intervene directly in SOEs. The role of BUMN is regulated in the law. Meanwhile, the theory of state interventionism sees BUMN as a strategic tool for the government in realizing national strategic goals, such as food

security. In this view, the government has the right to enter into the market and determine the necessary policies.

In the eyes of Chang (2007), SOEs in Indonesia can be an alternative movement to the capitalist market mechanism. According to him, SOEs are a form of state activism *to* address structural inequalities in the economy inherited from post-colonial history. For this reason, many developing countries have adopted this SOE model to handle public services, upstream industries and banking. He observed that in the last few decades, many SOEs have undergone a significant restructuring process (Nem Singh & Ovadia, 2018). Kim (2019) added, while a number of countries chose neoliberal reforms through privatization policies, developing countries in Asia chose to take a partial approach through the corporatization of state companies. Other studies also show that SOEs in Southern countries (*Global South*) have a positive contribution to economic growth and development (Nem Singh & Chen, 2018). This depends on the institutional quality of a country: the better and more conducive the institutional environment, the more profitable state companies will be (Szarzec, Dombi, & Matuszak, 2021). So how does the process of transforming state-owned sugar companies take place? Will the existing transformation process produce a new sugar SOE that conforms to the transformational eternal principle as envisioned by Erick Thohir? What factors made the transformation of the sugar BUMN successful and what made it not.

II. THEORITICAL REVIEW

Growing up amidst the rapid industrialization and urbanization of Central Europe in the late 19th century, Polanyi witnessed the great transformation that was taking place in society and the implications it had. His life experience met with the Hungarian intellectual tradition which was closer to the ideas of Karl Marx. Like Karl Marx, he harshly criticized capitalism based on a market economy. One of his important criticisms was that markets are not self-regulating. He opposes the view that the economy can be detached from its social and cultural context. According to him, the economic system is inherently embedded in social and political structures (Prastowo, 2014). For Polanyi, society's problems do not only stem from errors in the capitalistic system, but rather the emergence of economic ideas from social-community relations. The economy is no longer a means of distributing welfare, so that social relations are no longer a determinant of economic activity, but the economy determines social relations. Simply put, if Marx saw the process of dehumanization originating from the creation of fictitious commodities of capitalism, Polanyi saw not only the economic context, but also non-economic aspects, because the most basic is economic dislocation in social relations. Marx prefers to completely reject capitalism (exclusively), while Polanyi seeks to re-instill economics in social relations (Molan, 2020).

Table 1. Definition of "Embedded" According to Karl Polanyi

All embedded economies	Disembedded market economy
<ul style="list-style-type: none"> ▪ All economic forms are always embedded, because economic life is a process that is socially institutionalized and organized. ▪ If all economies are embedded, then the private market economy will also be embedded. 	<ul style="list-style-type: none"> ▪ The degree of embedding differs from society to society, depending on how the economy is integrated: ▪ if integrated as part of a 'non-market' objective, it is said to be embedded. ▪ if it is integrated as part of a strictly 'market' objective, it moves towards being dislodged through the commodification of land, labor and money.

Source: Herry Priono, (2010)

is regulated in such a way that it depends on supply and demand schemes. Changes in the market system can be identified through four assumptions (Prastowo, 2014). *First*, the transformation of market existence occurs in the market itself. This has implications for economic modes outside the market which are considered not part of themselves. *Second*, the economy is now understood to be self-explanatory.

As a result, in measuring the degree of economy it is necessary to go through the market scheme described above. Economics no longer refers to aspects that are outside themselves (non-economic). *Third* , empirically, economic modes outside the market exist and work for the sake of a private economy (*self-regulating market*). Furthermore, it will have implications for normative projects to realize a private economic system by colonizing realms and modes outside the market. *Fourth* , the colonization of non-market realms and non-market economic modes demands coherent theorizing and conceptualization. *dissembled* " economy and those that represent the interests of the people who are trying to "instill" (*embedded*). them into the market system in general. Polanyi emphasized that the dual movement is not a kind of warning against the free market economic system to moderate market fundamentalism. But it is an attempt to show the existential contradiction between the free market's need for blind expansion and the needs of mankind to live in a mutually beneficial relationship (Polanyi, 2006).

In interpreting *embeddedness* , Polanyi is inconsistent. There are differences in theoretical constructions that discuss *embeddedness* in more depth. The concept of *embeddedness* is a reactive action against market forces which tend to go beyond pre-capitalist economic understanding which Polanyi focuses on. Barber (1995) stated that Polanyi's idea was trying to get out of the mainstream economic discourse which glorified the market mechanism as the basis for the rules of society's economic law. In the camp that considers all economic behavior "embedded" states that economic dynamics must be understood as interactions that are autonomous. At this level, Gemici refers to *embeddedness* as a "methodological principle" which has a holistic perspective by not providing a distinction between the economy and society because the economy is intertwined in social relations and institutions (Gemici, 2008). *Embedded* " and " *disembedded* " economies became a phenomenon of industrialization in the 19th century. At this time, the private economic system had characteristics that were outside the economy in general and tended to be self -referential.

Table 2. Definition of "Embedded" According to Karl Polanyi

All <i>embedded</i> economies	<i>Disembedded</i> market economy
<ul style="list-style-type: none"> ▪ All economic forms are always embedded, because economic life is a process that is socially institutionalized and organized. ▪ If all economies are embedded, then the private market economy will also be embedded. 	<ul style="list-style-type: none"> ▪ The degree of embedding differs from society to society, depending on how the economy is integrated: ▪ if integrated as part of a 'non-market' objective, it is said to be embedded. ▪ if it is integrated as part of a strictly 'market' objective, it moves towards being dislodged through the commodification of land, labor and money.

Source: Herry Priono, (2010)

Polanyi compares it with the ancient economy (pre-capitalist) which tends to be incorporated in social relations. Bernard Barber states, the term *embeddedness* refers to the difference between the old economic system which is characterized by reciprocity and redistribution and the modern economic system which is dominated by a market system (Barber, 1995). Jessop then simplifies the concept of *embeddedness* into three main points: *First* , there is a relationship between economic institutions and non-economic institutions. *Second* , there are relations between actors and institutions at the level of social relations. *Third* , the systematic link between the first and second models of *embeddedness* occurs at the micro level (Jessop, 2001).

The accusation against Polanyi's notion of the economy being always embedded *has* failed to understand the true meaning of the concept of *embeddedness*. According to Prastowo, Polanyi does not only distinguish between social life in a market society into reified domains. But he is more concerned with the separate institutionalization of the economic and political realms. This has implications for the concept of *embeddedness* which is not just an analytic

construction, but rather emancipatory in nature which ensures the stability of a democratic society through regulation of the labor market, land and money (Prastowo, 2014).

III. RESEARCH METHODS

Literature review provides a framework related to new findings and previous findings to identify indications of whether or not progress has been made from the results of a particular study. The method used in the literature review is through a systematic approach to analyzing data in a simplified approach. Cooper (2010) states "library research or literature review (literature review, literature research) is research that examines or critically reviews knowledge, ideas, or findings contained in the body of academic-oriented literature (academic-oriented literature), and formulates theoretical and methodological contributions to a particular topic".

This research is discussed through strategies in finding journals obtained through national and international journal provider databases, namely through Google Scholar and ScienceDirect. Open the website www.google.com and www.sciencedirect.com the author writes down keywords according to what will be reviewed and several journals appear regarding the key "TRANSFORMATION PROCESS; Institutional Changes and Their Impact on Socio-Economic Relations"

The steps taken in the Simplified approach analysis include summarizing each critical appraisal literature simultaneously to determine the strengths and weaknesses of the literature and to see the relationship between one literature and another (Galvan and Galvan, 2017). Then identify the themes from the results of each study in the literature where the resulting themes must reflect the research questions from the literature review (Machi and McEvoy, 2016). Each of these questions has followed the PICOT where each question has a problem, implementation, control or comparison intervention, results and time (Creswell, 2014).

IV. RESULTS AND DISCUSSION

1. Literature Review on the Process of Transformation of State-Owned Enterprises in Sugar

Eve Warburton, in her research entitled *Our Resources, Our Rules A Political Economy of Nationalism in Indonesia's Resource Sectors* (Australian National University (ANU), 2018) seeks to study the impact of the global *commodity boom* on natural resource governance policies which are an advantage Indonesia's export comparison. This study observes the rise of the resource nationalism movement *in* the mining extractive sector and the palm oil agro-industry. It also looks at the extent to which the interests of the domestic bourgeoisie and how much state companies influence protection policies. In his research, he found that the level of nationalism towards the natural resource sector varied, depending on the business interests of the domestic capitalist class (Warburton, 2018). The actors that Warburton focuses on are the bureaucracy, the private sector, and society. According to him, the trend of nationalist policies in the natural resource sector is largely determined by national companies, both private and state-owned. They can mobilize material resources to create policies oriented towards national interests, making it less profitable for competitors who come from foreign capital (Warburton, 2018). Warburton's research is a continuation of Richard Robinson's *The Rise of Capital*. Robinson explained, the rise of the capitalist bourgeoisie in Indonesia was because it enjoyed policy support and protection from state officials under Suharto's authoritarian regime (Robinson, 1986). Warburton then saw the phenomenon of economic policy that was of concern to Robinson in the post-New Order era. In particular, he observed the global market increase in demand for raw and semi-finished natural resource extraction products in 2003–2013.

Based on the results of his research, Warburton distinguished two goals of the natural resource nationalism movement in Indonesia. *First*, expanding local ownership of natural resources by creating restrictive policies against foreign investment in the same sector. This natural resource nationalism movement seeks to inhibit and limit the activities of foreign companies, while at the same time creating benefits that can specifically be enjoyed by the national private economic sector and state companies connected to officials or political parties (Warburton, 2018). The post-New Order government regime reinforced the character of new

developmentalism by prioritizing infrastructure development and economic growth rather than social development and fulfillment of human rights (Warburton, 2016). *Second*, identify the form of industrialization proposed by the movement of natural resource nationalism. This industrialization aims to reduce dependence on exports of raw commodities, increasing value in the global chain. Also to increase high domestic income in order to compete with developed countries. Although his research focuses on BUMN Plantations, Warburton does not explain internal transformation in BUMN from organizational aspects to company management and the implications for socio-economic relations that are embedded in society.

Kyunghoon Kim in *Indonesia's Restrained State Capitalism: Development and Policy Challenges* (Journal of Contemporary Asia, 2019) is more focused on highlighting the case of the rise of government resource mobilization through SOEs as a motor of economic development. He sees the Indonesian government has pushed for a significant reorganization of SOEs since the 2010s. The aim is to increase the portfolio of state companies as the main investors in several strategic sectors such as mining, plantations, infrastructure development and the banking and financial industries. This mobilization of BUMN resources increased dramatically under President Joko Widodo. Kim describes this period as a period of controlled state capitalism (Kim, 2019).

In his article, Kim portrays the growing trend of state activism through various channels and public spending focused on infrastructure development. He also noted the corporatization pattern of SOEs to enter the capital market in order to increase the company's capitalization value. Kim found that a key factor enabling the Jokowi administration to implement state-owned development projects was the reduction of fuel subsidies that had previously burdened the government's budget. With wider fiscal space, the Jokowi Government can expand capital expenditure which in turn is translated into the flow of infrastructure development projects with SOEs playing a very important role (Kim, 2019).

The internal study of BUMN organizations was carried out by Frederik Gerard Worang. He wrote the results of his research in *A Qualitative Analysis of Corporate Governance in Indonesian State-Owned Enterprises: An Internal Stakeholders Perspective*. The results of his study were published by Murdoch University, 2013. Worang raised the issue of *corporate governance practices* in BUMN in Indonesia. He examines the behavior of stakeholders such as members of the board of directors and commissioners in the banking, electricity and aviation sectors. He uses a qualitative analysis method by making respondents the directors, commissioners, officials of the Ministry of BUMN, and the Corruption Eradication Commission (KPK).

From his research, he concluded that the directors and boards of commissioners of SOEs did not implement good *corporate governance practices*. According to him, most SOEs are subject to the intervention of state officials who use SOEs as a means of seeking rent. This can happen because the accountability system of the board of commissioners and the board of directors to the government as the shareholder of BUMN is different from that of private companies. Another finding is that the implementation of *corporate governance practices* such as in Western society has proven difficult due to differences in the culture and legal structure of Indonesian SOEs (Worang, 2013: 263-264). Indonesian society is heavily influenced by the patron-client culture which has also been embedded in BUMN. He also finds that the shareholder approach emerging from agency theory is inappropriate for *corporate governance* in Indonesian SOEs. According to Worang, the stakeholder theory approach is a more appropriate basis for the operationalization of SOEs. Because, according to Indonesian law, BUMN is the backbone of the national economy and therefore BUMN must meet the needs of the Indonesian people as the main stakeholder.

Marwah Diah's corporatization and privatization have become the concern of Marwah Diah. In the results of research published by the University of Indonesia, Jakarta (1999) entitled *Restructuring of State-Owned Enterprises: Privatization or Corporatization*, he explained the extent to which the discourses of privatization and corporatization compete in shaping SOE policies in Indonesia. The focus of his research is the development of state company law and the

interpretation of the constitution of Article 33 of the 1945 Constitution (Diah, 1999). He concluded that Law Number 19 of 2003 concerning State-Owned Enterprises allows BUMN entities to carry out restructuring in the form of corporatization in order to compete in a liberal economic system. This restructuring is intended to encourage SOEs to be more adaptive in expanding and competing with the private sector in the context of the global capitalist economy.

Interesting is the article written by Tadzki Nurshafira and Rizky Alif Alvian. In his article entitled *Political-Economy of Social Entrepreneurship in Indonesia: A Polanyian Approach* (2018), both photographed President Jokowi's economic policy strategy in promoting social entrepreneurship in encouraging economic growth by stimulating the emergence of local entrepreneurs. He photographed this with Karl Polanyi's dual movement theory of the development of capitalism in a market *society*. Polanyi introduces two types of double moves. Namely, the dis-embedding movement which aims to organize society based on market rationality and the *re-embedding movement* as an effort to ensure that the market works to serve the interests of society (Nurshafira & Alvian, 2018). They map out the tensions between these two movements in economic policy in Indonesia, especially under President Jokowi.

What are the findings? According to Nurshafira and Alvian, the *social entrepreneurship* policies introduced by the Jokowi regime are significantly different because they emerge amidst the increasing trend of resource nationalism which promotes developmentalism (See Warburton, 2017a; 2017b). This ideology forces the government to subordinate projects that involve social goals advocated by *social entrepreneurship* to encourage economic growth (Nurshafira & Alvian, 2018). Therefore, the form of *social entrepreneurship* that is emphasized by government policies can be said to be uprooted from the social structure of society or emphasize the *dis-embedding movement*.

Riaty Raffiudin conducted a more specific study on the transformation of relations between the state and BUMN businesses after the reform. The results of his research were published by Victoria University (2015) with the title *Whitering of Patrimonial State-Business Relations in Indonesia following the 1997-8 Economic Crisis? Case Studies of the Electronics and Palm Oil Industries*. He traces the shift in relations between the state and SOEs by using the concept of patrimonialism. He made SOEs engaged in the electronics and palm oil sectors as his objects. He uses a comparative approach by comparing state-business relations in the electronics sector and the palm oil sector (Raffiudin, 2015). This study attempts to answer to what extent and in what ways state-business relations have become more transparent, accountable and legal since the 1997-8 economic crisis. Also how the 1997-8 economic crisis brought change, even moderated patrimonial relations between the state and business. This study found that the consequences of the issuance of laws born from the reformation process, such as the Election Law, the *Good Governance Law*, the Investment Law and the Regional Autonomy Law contributed to state-business relations that were relatively more open, accountable and law-based (Raffiudin, 2015 : 5). However, he noted that state-business relations within a patrimonial frame still existed even though the Suharto regime had stepped down. It's just that these relations develop with different patterns, characteristics and actors. When the Soeharto regime was in power, patrimonial relations tended to be centered on Suharto's crony network and were very personal. However, since the reform, this pattern has changed, especially in the aspect of the relationship pattern which tends to spread to more micro-regions.

This study also finds the contribution of accelerated globalization to state-business relations in the electronics and palm oil sectors. In the palm oil industry, this research shows that the influence of globalization is reflected in the incessant campaigns of global NGOs about environmental destruction. Especially increasing pressure on Indonesia to comply with global standards on sustainable palm oil production. This influence contributes to open state-business relations, but to a certain extent is not enough to support the Indonesian government's moratorium on plantation expansion (Raffiudin, 2015). As a result of the high demand for *Crude Palm Oil* (CPO) in the global region -- especially Europe, the government's support for conglomerates to produce and export CPO has increased. As a result, the government is increasingly dependent on palm oil conglomerates, especially in local government areas.

In general, this research has a proposition that patrimonial relations tend to be more transparent, accountable and law-based, but this is still limited. Patrimonial relations still leave problems such as corruption, collusion and nepotism, even more spread to more micro-territories.

The study which made PTPN as one of its objects was carried out by Claude Joel Fortin. His research is entitled *The Biofuel Boom and Indonesia's Oil Palm Industry: The Twin Processes of Peasant Dispossession and Adverse Incorporation in West Kalimantan*, (Saint Mary's University, 2011). His research sheds light on the phenomenon of increasing global demand for biofuels and food that is driving widespread land grabbing in Indonesia. Fortin is closely tracking the unprecedented expansion of oil palm plantations and is expected to triple in the next decade. West Kalimantan province has recently become the largest expansion target in the entire archipelago, giving rise to new social vulnerabilities and intensifying conflicts over land. Following the closure of large-scale 'national forests' and 'bare lands', forest land users under customary tenure have had to cope with the pressures of neo-liberal globalization and the accumulation circuits of transnational production related to the oil palm sector (Fortin, 2011). This field research in Sanggau District has revealed highly unequal access to land and different labor regimes. Such access is determined by ongoing class differentiation in characteristic patterns of exclusion and various forms of inclusion, particularly adverse incorporation.

Fortin also looks at the dynamics of resistance at the local level, the nature of the alliances forged at the local, national and transnational levels in various agrarian social movements and organizations. It includes forms of open and covert strategic resistance in response to the narrative of 'development' that is spearheaded by the state and tends to undermine the livelihoods of local communities. The research hypothesis is that the oil palm boom led to very unequal outcomes in rural Indonesia. As well as generating wealth, large numbers of peasants and indigenous peoples were subject to expropriation and were adversely involved in the industrialization cycle.

This research found that oil palm expansion and land grabbing affected livelihoods and poverty levels in Indonesia. For example, there are a large number of villagers who do not have access to plots of land because they are not directly involved in the palm oil industry. This situation leads them to pursue more precarious livelihoods and experience varying degrees of impoverishment. In the PTPN XIII concession, alternatives to oil palm as a livelihood strategy have disappeared and they have no access except through this sector (Fortin, 2011). It was also found that access to and control of land by small farmers is increasingly marginalized. The final findings of this study refer to the implications of appropriation of farmers' property rights and detrimental incorporation. Many people face the prospect of out-migration and have to leave the agricultural sector after dispossession and are unable to find steady work in the sector.

Syafruddin Kalo wrote a historical dissertation entitled *Community and Plantation: A Study of Land Disputes Between Communities Versus PTPN-II and PTPN-III in North Sumatra* (2003). He examined the conflict over access to plantation land between the community and the state at the beginning of independence until the guided democracy period in the 1960s. Syafrudin found that land conflicts between PTPN II and PTPN III and the community were not only caused by differences in understanding between state land and ulayat or customary land, but also by injustices in the Dutch East Indies colonial period which were inherited and persisted in the post-colonial era.

More or less the same theme became the concern of Rahmi Situmorang and Amiruddin Ketaren. Both of them researched *the Conflict over PTPN IV Plantation Land and the Silampuyang Village Community, Siantar District, Simalungun Regency* (Journal of Sociology, Social Dialectics, 2021). Like Syafruddin Kalo's research, this article examines the conflict over land between the community and PTPN IV with a locus in Simalungun Regency. The roots of the land conflict started in 1928, when the Nagori Silampuyang Patuanan lent 225 hectares of land to PTPN IV to be processed into an oil palm plantation. The condition is that the borrowed land must be returned to the community in stages every 10 years. The community's resistance to PTPN IV began in the 1970s which was mobilized by the local community and culminated

when the state issued Cultivation Rights (HGU) which will expire in 2031. From the exposure of previous research, there are several gaps that can be examined as part of the significance of this study. From a number of previous studies on BUMN and plantations in Indonesia, it was concluded that most of the previous studies emphasized economic, political and legal perspectives. Sociological studies related to sugar BUMN are still limited to PTPN's relations with the community related to land conflicts. There has been no study – as far as it is known – that looks at the dynamics of relations between actors in the BUMN transformation process, including the tensions that accompany the transformation process. Karl Polanyi's perspective has only recently been used in viewing relations between countries and businesses. Have not seen the socio-economic relations of SOEs as socio-economic entities or actors that represent the state vis a vis the community.

2. The Similarities and Differences in the Literature Review of the Sugar BUMN Transformation Process

A number of studies on SOEs in Indonesia almost all show the importance of these state companies for economic growth. However, corporate transformation steps are needed to improve its performance. the privatization of state-owned enterprises in Indonesia has succeeded in increasing efficiency, improving corporate governance, reducing fiscal burdens, and driving economic growth. It's just that, he sees the privatization of SOEs running slowly due to political and social concerns. Privatization of SOEs contributes to solving company managerial issues such as sales, assets, market capitalization and being listed on the global market. Kyunghoon Kim (2022) in his study said that SOEs make a significant contribution to the Indonesian economy. However, he sees that there is a significant relationship between financial performance and the governance structure. The better the governance, the better the financial performance will be.

For the State of Indonesia, BUMN can be an alternative movement to the capitalist market mechanism. According to him, SOEs are a form of state activism to address structural inequalities in the economy inherited from post-colonial history. For this reason, many developing countries have adopted this SOE model to handle public services, upstream industries and banking. He observes that in the last few decades, many SOEs have undergone a significant restructuring process.

The transformation of BUMN has experienced ups and downs in its implementation. However, all of them illustrate that the transformation of SOEs in their various economic activities is inseparable from their social, cultural and environmental aspects. This shows that sugar BUMN is an economic institution that is included in the concept of *embedded economy* as described by Karl Polanyi in his book *The Great Transformation* (1944). This concept emerged as a criticism of capitalism that developed in a liberal economic system. According to him, capitalism has uprooted the economy from the socio-cultural relations of society and because of that it has introduced the concept of an embeddedness economy or an embedded economy (Herry Priyono, 2020).

Table 3. The Similarities and Differences in the Literature Review of the Sugar BUMN Transformation Process

No	Previous Research Results	Gaps As Novelty Research
1	The role of SOEs prioritizes infrastructure development and economic growth	The corporate transformation is carried out through restructuring and privatization
2	SOEs can carry out restructuring in the form of corporatization to compete in a liberal economic system	PTPN's corporate transformation is part of a comprehensive restructuring program carried out by the Ministry of BUMN.
3	PTPN's corporate transformation is part of a comprehensive restructuring program carried out by the Ministry of BUMN, still focusing on the interests of BUMN	BUMN transformation also forms a BUMN ecosystem that focuses on various sectors but must pay attention to socio-economics
4	Transformation within the PTPN Group involves 4 things: Structuring the organizational structure, leadership, planters culture, and operating model.	The transformation of state-owned sugar companies through various corporate actions is expected to be able to create national development targets, namely national sugar self-sufficiency, stability of consumption sugar prices, and increase the welfare of sugar cane farmers.
	Restructuring varies depending on the	Examine corporate transformation in relation to

Polanyi opposes the conventional view that considers the economy as an activity separate from social, cultural and political. He emphasized that the economy must be embedded in social, cultural and environmental dimensions. There is a relationship pattern between economic behavior and social norms, values, and institutions. Therefore, any change in economic action will affect social relations in society.

Transformation through organizational restructuring continues under SOE Minister Erick Thohir. He narrowed down the number of SOEs and made clusters according to their respective business fields. In fact, he targets the number of SOEs in 2016 to be 118 to be left with 41 SOEs in 2022. The restructuring was carried out to focus SOEs on strategic businesses and generate profit growth (Paramacitra, 2022). The transformation of state-owned sugar companies through various corporate actions is expected to be able to create national development targets, namely national sugar self-sufficiency, stability of consumption sugar prices, increase the welfare of sugar cane farmers while continuing to contribute to state revenues.

Through organizational restructuring, PTPN Group is expected to be able to create a healthy corporate ecosystem and must also pay attention to socio-economic relations. The privatization of SOEs offers profitable prospects for getting out of the trap of unproductive SOEs in developing countries. As a supporter of the country's economic activity, SOEs are considered strategic because they not only play an active role as agents of national development, but also economic actors who seek profits for the state revenue base. The position of SOEs as agents of development and the basis for state opinion is what often becomes the fundamental problem of how state enterprises should be run. As a state company that is relatively autonomous from the center of state power, the corporatization policy gives BUMNs the freedom to move as commercial actors. So, in this regard, corporatization is seen as a middle way for the state: Through the implementation of private management, BUMN can pursue profits without having to relinquish control of company ownership to the private sector. Proponents of the corporatization of SOEs believe that this method can create a neutral and apolitical environment for the purpose of efficient allocation of resources. Because, with the corporatization of SOEs, they are required to innovate financially to ensure that *cost recovery* and *profit* can return in full.

BUMN transformation has experienced ups and downs in its implementation. However, all of them illustrate that the transformation of SOEs in their various economic activities is inseparable from their social, cultural and environmental aspects. This shows that sugar BUMN is an economic institution that is included in the concept of *embedded economy* as described by Karl Polanyi in his book *The Great Transformation* (1944). This concept emerged as a criticism of capitalism that developed in a liberal economic system. According to him, capitalism has uprooted the economy from the socio-cultural relations of society and because of that it has introduced the concept of an embeddedness economy or an embedded economy (Herry Priyono, 2020). Polanyi opposes the conventional view that considers the economy as an activity separate from social, cultural and political. He emphasized that the economy must be embedded in social, cultural and environmental dimensions. There is a relationship pattern between economic behavior and social norms, values, and institutions. Therefore, any change in economic action will affect social relations in society.

In a planned economy, SOEs are directed according to the political preferences of the government. As a result, SOEs do not have the autonomy to act according to market developments (Dewenter & Malatesta, 2001). Several countries that emphasize the active role of the government in the economy have expanded state ownership by establishing new state companies or nationalizing foreign companies that invest in a country. The main task of state enterprises in this context is to ensure that people have free access to prosperity, which they do not get in a market economy system. In other words, BUMN plays the role of monopolizing strategic economic sectors which are assumed to be distributed proportionally in order to create social justice

V. CONCLUSION

The transformation of BUMN has experienced ups and downs in its implementation, the transformation of BUMN in its various economic activities is inseparable from its social, cultural and environmental aspects. This shows that BUMN sugar is an economic institution that is included in the concept of *embedded economy* as described by Karl Polanyi. This concept emerged as a criticism of capitalism that developed in a liberal economic system. Capitalism has uprooted the economy from the socio-cultural relations of society and therefore introduced the concept of an embeddedness economy. Polanyi opposes the conventional view that considers the economy as an activity separate from social, cultural and political. The economy must be embedded in social, cultural and environmental dimensions. There is a relationship pattern between economic behavior and social norms, values, and institutions. Therefore, any change in economic action will affect social relations in society.

The transformation of SOEs through organizational restructuring continues by pursuing the number of SOEs and creating clusters according to their respective business fields. The restructuring was carried out to focus SOEs on strategic businesses and generate profit growth. The transformation of state-owned sugar companies through various corporate actions is expected to be able to create national development targets, namely national sugar self-sufficiency, stability of consumption sugar prices, increase the welfare of sugar cane farmers while continuing to contribute to state revenues. Through organizational restructuring, PTPN Group is expected to be able to create a healthy corporate ecosystem and must also pay attention to socio-economic relations.

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