



**Acknowledging Local Knowledge in  
CSR Program:  
Lesson-learned in a multi-national  
corporation in Indonesia**

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## **Acknowledging Local Knowledge in CSR Program: Lesson-learned in a multi-national corporation in Indonesia**

### **Summary**

At present, various pressures - socio-economic and environmental ones - become the 'push-factor' for enterprises to promote their CSR strategies. Through promoting their CSR strategies, these enterprises try to communicate with their stakeholders that they are responding to those pressures, bearing expectations that their commitment to CSR strategies will serve as their investment for the future which will also increase their profitability. This paper will focus on the socio-cultural approach of CSR, by taking up a case study of Unilever, a multi-national corporation in Indonesia. Along with the increasing awareness that CSR can result in direct or indirect economic value, Unilever had to face serious challenges when in the beginning of the 21st century they had to experience failure in the implementation of their corporate social responsibility strategy in an urban community in Indonesia. However, through acknowledging local knowledge in the community, the program turned into a successful one, which then led Unilever into winning the first prize in International Energy Globe Awards in 2005. This paper will highlight the attempt of Unilever in learning from local knowledge for their corporate social responsibility strategy.

**Keywords:** Multi-National Corporations, Community, Social Approach, Local Knowledge

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Acknowledging Local Knowledge in CSR Program:  
- Lesson-learned in a multi-national corporation in Indonesia -

(part of a work in progress)

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## **Abstract**

At present, various pressures - socio-economic and environmental ones - become the 'push-factor' for enterprises to promote their CSR strategies. Through promoting their CSR strategies, these enterprises try to communicate with their stakeholders that they are responding to those pressures, bearing expectations that their commitment to CSR strategies will serve as their investment for the future which will also increase their profitability.

This paper will focus on the socio-cultural approach of CSR, by taking up a case study of Unilever, a multi-national corporation in Indonesia. Along with the increasing awareness that CSR can result in direct or indirect economic value, Unilever had to face serious challenges when in the beginning of 21<sup>st</sup> century they had to experience failure in the implementation of their corporate social responsibility strategy in an urban community in Indonesia. However, through acknowledging local knowledge in the community, the program turned into a successful one, which then led Unilever into winning the first prize in International Energy Globe Awards in 2005. This paper will put highlight on the attempt of Unilever in learning from local knowledge for their corporate social responsibility strategy.

## **Keywords:**

Multi-national corporations, community, social approach, local knowledge

## **Introduction**

Facing challenges of changing environment in the context of globalization, an increasing number of enterprises are promoting their corporate social responsibility strategies. Various pressures, socio-economic and environmental ones, are behind this. And through promoting their CSR strategies, these enterprises are communicating with their stakeholders (employees, shareholders, investors, consumers, government, and non-governmental organizations) that they are responding to those pressures. These enterprises expect that their commitment to CSR strategies will serve as their investment for the future which will also increase their profitability. This means that there is an increasing awareness among enterprises that corporate social responsibility can result in direct or indirect economic value.

The above-mentioned trend shows that the term 'corporate social responsibility' has seen its shifts in definition and in scope. If in 1970 Milton Friedman, a professor of economics at the University of Chicago mentioned that a business' only social responsibility was "to use its resources and engage in activities designed to increase profits so long as it stays

within the rule of the game”, or to put it in other words ‘the social responsibility of business is to increase its profits’, today’s corporate social responsibility’s definition has changed and its scope has been broadened considerably.

The above trend also indicates that enterprises are now adopting point of view of integrating corporate social responsibility as a strategic investment into their core business strategy, their management instruments and their operations. In other words, while generating profits is still the responsibility of an enterprise, at the same time, an enterprise can contribute to social objectives.

Since corporate social responsibility strategies also play important role in maintaining and managing relationship with various stakeholders who can have significant influence on an enterprise’s license to operate, more and more enterprises treat corporate social responsibility not as a cost, but more as an investment. In this relatively new kind of investment, enterprises include various approaches to corporate social responsibility strategies, such as financial, commercial and social approach. Through these approaches, enterprises expect to obtain a long term strategy which can minimize risks linked to uncertainties in the new and changing society.

While bearing in mind the shifting opinion toward corporate social responsibility from the part of enterprises, in which it is now seen more as a long term strategy rather than as a cost, resulting in various approaches adopted for the strategy, this paper will focus on the socio-cultural approach of corporate social responsibility, by taking up a case study of Unilever, a multi-national corporation in Indonesia.

As a multi national corporation originated from Europe, which has been conducting its business in a developing country for decades, Unilever faced serious challenges when in the beginning of 21<sup>st</sup> century they had to experience failure in the implementation of their corporate social responsibility strategy in an urban community in Indonesia. The CSR program started in 2001 as a community-based environmental program, focusing on waste management and recycling. Yet, it turned out that the community where the program was

being implemented saw the program merely as another kind of propaganda from a big enterprise. However, after Unilever makes major adjustments in the program, this time by acknowledging local knowledge in the community, the program turned into a successful one, which then led Unilever into winning the first prize in International Energy Globe Awards in 2005. This paper will put highlight on the attempt of Unilever in learning from local knowledge for their corporate social responsibility strategy.

Prior to discussion on the significance of local knowledge in CSR, this paper will take up corporate governance in Indonesia, on its historical introduction and on the current situation (post 1997 economic crisis). Having had a general view on the condition of responsible business in Indonesia, this paper then gives an overview on Unilever Indonesia and its CSR programs. The following part will deal on the significance of local knowledge in CSR program.

### **Business practice in Indonesia: a brief historical introduction**

In the consciousness of Indonesian people, capitalism is impossible to disentangle from colonialism and imperialism (Wibisono 1991). This is the legacy left by the colonial regime and the Dutch East India Company in Indonesia, as around 250 years what is known as the present Indonesia was ruled by one of the biggest and most long lasting and least socially responsible of the colonial trading companies of the Dutch (Kemp 2001). The legacy takes shapes in a complex mixture of patronage, monopolies<sup>3</sup> and the concentration of wealth and power.

During the regime of Soekarno<sup>4</sup>, It is estimated that at that time business activities contributed to about 25% of Indonesia's GDP. And, most of business activities were controlled by Dutch, American and British companies. Indonesia took a hostile position towards foreign investment. During this regime, trade and investment policies were heavily influenced by the plainly apparent nationalism, with almost no foreign direct investment allowed. There were political movements from nationalist activists to take over many foreign companies as a part of a transformation from the colonial economy into a

national economy. Officially, Indonesian government nationalized all Dutch companies and changed these companies status into state-owned enterprises (SOEs) in the early 1959. Political leaders and military officers were placed as company managers.

However, during the regime of Soeharto from 1966 to 1998, the business climate changed significantly. The new government tried to open largely the economy to foreign investors. The overture of new business activities commenced with a new Foreign Investment Law in 1967, which opened the country to new foreign direct investments (FDI). It was a new landmark of business activities in Indonesia. In the latter half of Soeharto regime, foreign direct investment was dominated by Japan and other Asian economies, such as Taiwan and the Republic of Korea (Prasetyantoko & Dwianto forthcoming).

And as the capital was concentrated in the hands of the president himself, his family and his selected clients and cronies (Wibisono 1991), the *mélange* of patronage, monopolies and concentration of wealth and power became the main color of business practices in Indonesia. The main actors in large business in Indonesia were the so-called conglomerates and large state owned enterprises. Conglomerates were well-connected groups of business that maintained relation with Indonesian political elites. Whereas state owned enterprises were the bureaucratic corporations protected by the power of government and patronage. These enterprises were similar to limited companies and possessed the same flexibility as private enterprises. The Indonesian military run a "parallel economy" through several state owned enterprises (Kemp 2001). With the president acted as the patron at the top position, Kunio argued that capitalism in Indonesia was actually "ersatz" (sham) in nature, by virtue of its reliance on patronage and corruption (1987). According to Faulkner (1995), when it concerns corporate social responsibility, there were too few trained business managers who had commitment, long-term thinking and vision. Those who were appointed to the position of managers were often accorded to person with political or family connections. This further resulted in decision makings that reflected more family interest, rather than by social or environmental concerns.

When the regime ended in 1998, things certainly did not change overnight when it comes to business ethics and governance, let alone corporate social responsibility.

### **Responsible business in Indonesia: current situation**

The issue of corporate governance is relatively new in Indonesia. Before the 1997 financial crisis, this word was almost absent in public discourse and especially in business practices. Among practitioners, Indonesia has been regarded as a country with bad reputation in corporate governance practices, since the judicial and political systems were relatively not conducive for practicing good business. Family-concentrated business often was achieved through complex cross shareholding and pyramiding of companies. In any case, the owners appoint and control the two-tiered Board of Commissioners and Board of Directors, and top management, and are involved in all key business decisions (Simandjuntak, 2001; Husnan, 1999).

However, the 1997 financial crisis changed progressively the landscape of business in Indonesia. Crisis has also disclosed issues around corporate governance and exposed them as one of the most important problems in recent Indonesia. In general, the implementation of good corporate governance practice in Indonesia has shown positive progress since its introduction in the aftermath of the 1997 crisis. Recommended by International Monetary Fund (IMF) and supported by World Bank and Asian Development Bank, in 2000, a National Committee for Corporate Governance (NCCG) was established. This institution subsequently issued a 'Code of Best Practice' in 2001. In the firm-level strategies, there are important changes in term of corporate governance and corporate social responsibility practices coinciding with the development in political and judicial fields. These conditions are resulting in the more favorable environment for good business in Indonesia. (Prasetyantoko & Dwianto forthcoming).

Even though changes are taking places, the state of CSR in Indonesia can be said to be still in its early stage. Some encouraging signs can be seen in the growing awareness among Indonesian companies, particularly those operating in the global market, that they

are now required to balance the economic, social, and environmental components of their business. (Sedyono 2007). An estimation of CSR scope in Indonesia can be seen in the following table.

Table 1. CSR scope in Indonesia

program	current focus (%)	future investment focus (%)
education	61	60
disaster relief	50	20
environment	48	48
public health	45	44
philanthropy	38	21
economic & enterprise development	38	38
business ethics and GCG	25	35
human rights, labour, security	24	26
source: Sedyono (2007)		

One of recent most remarkable event concerning CSR in Indonesia is the enactment of Corporation Law by the House of Representatives in July 20, 2007, in which CSR become mandatory for companies operating in any business field related to natural resources, with sanctions to be imposed on non-compliant firms, which in the extreme case can be annulment of business permit of the firm. The law has been the subject of discussion, since it is considered that the House of Representatives had dismissed all objections from the business sector. From the part of business sector, there is an indication of doubts on the effectiveness of the law<sup>5</sup>. To anticipate the law, the business sector then decided to form a working group through KADIN (the Indonesian National Chamber of Commerce) to guide the government in developing regulations by providing necessary inputs.

In general, it can be concluded that CSR in Indonesia is becoming a popular topic recently, but there is an uneven understanding on the CSR itself. Very often CSR is still seen as philanthropy or cause-related marketing or public relations. Besides, there is still a tendency of understanding CSR as cost instead of investment, while perception that shareholders are more important than stakeholders is still predominant. However, CSR is becoming increasingly important issue (Sedyono 2007).

## **Overview on Unilever Indonesia and its CSR programs**

Unilever has begun its business in Indonesia since 1933, under the name of PT Unilever Indonesia Tbk., as one of major companies in Indonesia that deals with consumer products, employing more than 3000 people and another 20,000 workers who depend their livelihood on small or medium scale business that has relationship with Unilever Indonesia<sup>6</sup>.

Besides doing its business, in the year 2000 Unilever Indonesia has established a foundation within its company, called Unilever (ULI) Peduli Foundation. The ULI Peduli Foundation is projected to be the medium for implementation Unilever Indonesia's commitment to sustainable social responsibility. The objective of ULI Peduli Foundation is to make contribution to human resource and economics development in Indonesia. To accomplish their objective, ULI Peduli Foundation has organised several programs. The programs are sustainable SME development (training for develop skill, funding and market link), sustainable clear rivers (clear Brantas' rivers), sustainable fishing (introduce eco-labeling certificate) worked with WWF Indonesia and Mattirotasi Foundation and sustainable public health and education (family health program worked with The Healthy Indonesia Coalition). In 2003, the total expenditure Unilever Indonesia allocated for The CSR program is around 8,616 million rupiah<sup>7</sup>.

The CSR programs from ULI Peduli Foundation are:

### **1. Sustainable Clean Brantas River Project**

This project started in August 2001, with a pilot project, and continued until 2006. Location of this project was in Brantas and Cipinang river, and Jambangan district in Surabaya. The program was designed and those areas were chosen because of their (geographical) closeness to Unilever Indonesia's Rungkut<sup>8</sup> factory. And the aim of the program was to contribute to communities in which Unilever Indonesia operates. Unilever Indonesia as a part of the solution to the environmental was initiated with this project. This project was designed to improve the quality of Brantas River through promoting healthy lifestyle and environmentally oriented social economic development, to improve

the quality of life for the local population by reducing river pollution, hygienic living condition (fishing and recreation), and to promote other industries along the Brantas river to follow Unilever Indonesia's step in conserving the environment. And this program turned out to have its own ways to reach the target like clean environment management (waste management, sanitation, cleaning water), health education, tree planting (greening), and even new development of micro industry such as fish farming. The project also involve both government and governmental bodies.

## 2. Sustainable Small-Medium Enterprises Development

In improving the prosperity of society and stakeholders, Unilever Indonesia focuses its efforts on its core business. This program gives ordinary Indonesians encouragement, skills, access to finance and connection to market place by forming partnerships in the area of new channels, commodity supply and finished goods. The business benefits to the SME partners are substantial such as job creation, skill development, upgraded equipment, better quality, consistently produced goods, and greater efficiency. All of those benefits are for customers.

## 3. Sustainable Fishing

As one of the largest buyers of frozen fish, Unilever Indonesia joined in a unique partnership with the World Wild Fund for nature (WWF) to establish the Marine Stewardship Council (MSC). This relationship is to ensure the long-term future of fish stocks and the health of the marine environmental or safeguarding the marine ecosystem.

## 4. Sustainable Public Health Education

Unilever Indonesia works together with the Indonesia National Family Planning Agency (BKKBN) to introduce the importance of hygiene education from early age with a family approach (healthy lifestyle), such as free dental check up program and an oral care education program (pepsodent village), promote the hand washing campaign and the Integrated Community Health Posts (Posyandu), etc.

### **The ULI Peduli Foundation CSR Program on Environment in Surabaya**

ULI Peduli Foundation program on environment in Surabaya was initiated with a hope from Unilever Indonesia to preserve the water source in Surabaya. Clean water is one of the basic needs of life, whether it is the life of the people, or the life of industries. The city of Surabaya has several rivers, to name one is the big river Brantas, as the source of water for its population. However the quality of water in those rivers had been so low, that some people had thought that the quality of water had been beyond repair. The main cause of the low quality of water in those rivers had been related to the problem of waste. The city of Surabaya produces no less than 8,700 m<sup>3</sup> of waste. 80% of this is piled in the city's waste disposal area, and the rest is scattered anywhere throughout the city, including in the riverbanks of Brantas river<sup>9</sup>.

Based on its initial hope of preserving water resource, in August 2001 Unilever Indonesia through its ULI Peduli Foundation launched an independent waste management program in the level of household. The program itself has the objective of improving the quality of river, by promoting healthy lifestyle and promoting environmentally oriented socio-economic development<sup>10</sup>. As mentioned before, ULI Peduli has a project which is sustainable clean Brantas river project, which includes clean environment management program. This program consists of several smaller programs, and one of them is waste management. The one launched in August 2001 belongs to this program. For the program, a district called Jambangan district<sup>11</sup> was chosen as the pilot project due to its geographical closeness to one of Unilever's factory.

#### **Profile of Jambangan District**

Jambangan district is a densely-populated residential area of mostly middle and low income people<sup>12</sup>, consisting of 1,542 households<sup>13</sup>. People who live in this area, are mainly those who migrated to Surabaya from various rural areas in east Java, or those who once lived in the heart of the city, but were being pushed to move to the south. Yet, the population of Jambangan district is not only comprised of people of east-Java ethnic group<sup>14</sup>. There are people of origin of other ethnic groups, such as Kalimantan ethnic group or Flores ethnic group<sup>15</sup>. There are also people originating from a closer areas, such

as from the island of Bali, from central Java and from west Java. Since the district is near the newly developed industrial area in the south of Surabaya, the coming of the people in the area contributes much to the rapid change of the area<sup>16</sup>.

Like any other cities in Indonesia, people who migrated to the city from rural areas brings with them their own way of life, which are often different from people of other rural areas, even if their homelands is in the same island, let alone if they came from other islands. Concerning their religions, Jambangan district is not very different from Indonesia in general, which means that most of the people are Moslem<sup>17</sup>, with very few other religions believers, such as Christians or Catholics, Budhists or Hinduists. Concerning average age of the heads of households in the area, about 60% are in their 30s or 40s, and most of them have lived in Surabaya for about 25 years. There are even those who were born in the area.

#### **Lesson from a failure in CSR program: from charity approach to local knowledge approach**

Having chosen 5 sub-districts in Jambangan, ULI Peduli began with contacting the head of the Jambangan district who contacted heads of sub-districts and hold a meeting with the heads of sub-districts and staffs from ULI Peduli, to identify the needs of the district concerning their waste management. From the meeting, they decided that the district needs more large-size dust bins and more dustcarts. ULI Peduli then donated large-size dust bins and dustcarts to the districts. Apart from this donation, ULI Peduli also conducted a door-to-door campaign to introduce the concept of sorting waste and grouping the waste into organic and non-organic waste. For the door-to-door campaign, ULI Peduli recruited 3 field assistants. And for the campaign, ULI Peduli also worked together with two university lecturers who live in the district and who already were doing activities of waste management in the district, as part of a program from their university. Heads of local neighborhood associations were also included as ULI Peduli's partners in the process of the door-to-door campaign for waste management.

Towards the end of the second year of the program that is in 2003, ULI Peduli conducted an internal evaluation of the house-hold level waste management program in Jambangan district. The result of the evaluation was far from satisfying, since it turned out that very few people in Jambangan knew about new large-size dust bins or dustcarts donated by Unilever. The dustcarts were also not used to the maximum. Several new dustcarts were not even being used at all. And to make it more discouraging to ULI Peduli, some of the dustcarts from their donation had been broken into pieces and the parts had been sold. When it comes to door-to-door campaign of waste management, ULI Peduli could not claim it a success either, since no significant result could be seen. Even if the activities of sorting and grouping waste and then processing the organic waste into fertilizer were in motion, these were more due to the existing program from the two university lecturers. In other words, the program of house-hold level waste management from ULI Peduli in Jambangan district that should have been corporate social responsibility program, turned out to be a program that could not touch the people at all. To put it in simple words, the program that started in August 2001 and being evaluated in 2003 proved to be a failure.

Learning from their failure, in 2004 ULI Peduli then shifted their strategy. Instead of emphasizing their CSR program as Unilever's program, ULI Peduli tried to convince the people of Jambangan district that the program is their own (the community people's) program, by applying "body system" for the program. By applying "body system", the people of the community will play more active role for the program. It is no longer Unilever's staffs or recruited field assistants who invite or push the people to take parts in the program, but it is the people themselves who actively invite their neighbors to participate. To start this strategy, ULI Peduli recruited again six more field assistants, so the total number of field assistants reached nine people. Most of the field assistants are university fresh graduates or university students in their final years. And for the 'first engine' of the "body system", ULI Peduli invited 44 people who live in Jambangan district.

The 44 people of the community were being called cadres (or *kader*, in Indonesian language). The word 'cadre' has been used since the regime of Soeharto for the people of

community who are voluntarily and actively participate in various programs in the community, mainly programs which involve women, such as family welfare group, integrated services for children – expecting mothers – old citizens, and so on. For a certain period of time, mainly during 1970s and 1980s, people who are cadres of the community had some pride on themselves since they had participated in various training programs held by the government so they had knowledge and competencies that non-cadres did not have. In a certain degree, they were considered as leaders of the community. ULI Peduli called these 44 people “cadre for environment”.

To further give the sense of ownership to the program, ULI Peduli held a training program for these cadres of environment. Even though Unilever’s CSR program in Jambangan district deals with waste management at household level to preserve the environment, the content of the first training held by ULI Peduli for 44 cadres was not on waste management nor on environmental issues. The training was aimed at giving more confidence to the cadres, so that later on they can be the active actors for the program, not only that they do the waste management in their own houses, but they can also influence other people in the community to do the same thing. Since the training was to give confidence to the participants, it was focused in giving soft skills to the 44 cadres, such as how to influence other people and public speaking. Having finished their first training, the cadres then went through a ‘graduation ceremony’ attended by the wife of mayor of Surabaya city. The ‘graduation ceremony’ was designed by ULI Peduli to give a sense of pride of being ‘cadre for environment’<sup>18</sup>. And to give knowledge on waste management and environmental issues to the cadres, ULI Peduli holds a monthly meeting for them. And for day-to-day activities, the field assistants give their support to the cadres.

During monthly meetings, ULI Peduli started again with introducing the concept of sorting waste and grouping the waste into organic and no-organic waste into the people at the level of household. Organic waste is then processed into fertilizer using simple technology. For waste-processing, there are waste-processor (composter) for households, and a common composter for the entire community.

In the whole process of implementation of the program, ULI Peduli established partnerships with local government, non-government bodies<sup>19</sup>, academic world, and the people of the area. Local government involved in the project was East Java Provincial Government, Surabaya City Administration, East Java Public Works Department, the Navy, Jasa Tirta I (water authority), East Java Environmental Impact Management Agency, and Environmental Agency. Whereas the academic world was represented by Surabaya State University who gave technical assistance, and a number of university graduates who worked as field assistants to the community.

The evidence proves that since 70% of household waste is organic waste, the implementation of the project could reduce the volume of waste that used to piled up in the city waste disposal area, or waste that were thrown into Brantas river. After the implementation of the project, the frequency of dumping waste in the city waste disposal area was cut into half. It used to be everyday, but now it is only once in every two days. As the result for the community, Jambangan which is used to be a crowded and dirty area, has turned into an orderly and clean residential area, due to the effort of the people with their new life style that is environment-conscious. At the same time non-organic waste can be sold to scavengers. Therefore, the concept of sorting waste turned out to have economic advantages for households. And as the result for the company, Unilever Indonesia, in 2005 the company won the first prize in International Energy Globe Awards 2005, in the category of water. Unilever is the only company from Indonesia that can achieve the award. Besides, the company is also gaining a more positive image from the people of the community<sup>20</sup>. To add to this success, at present there are now a total of 499 cadres in various districts in Surabaya, who continue working voluntarily and keenly to implement the concept of waste-sorting in their area, which shows that the program is now sustained by the people of the community.

### **Concluding remarks: significance of understanding the local**

Unilever Indonesia through its ULI Peduli Foundation has proved to be successful in introducing new life style, i.e. environment-conscious life style, to urban community of

middle and low income residents. In the case of Surabaya city, there are internal and external factors that can be said as the keys to Unilever's success.

The shift of strategy inside Unilever Indonesia for the implementation of CSR program can be considered as the internal factor. When the multi national corporation only concentrated itself on stressing the 'corporate' side of its corporate social responsibility program, without giving more consideration to the local people, the program failed to reach the community and the money being poured for the program only evaporated. It is exactly when the multi national corporation no longer put emphasis in itself, and tried instead to understand local ways of doing things, to give consideration to local knowledge, and to give the community a sense of ownership to the program, so that the community tends to think the program as their own, success begins to appear. Even when the community then claims the success as theirs, the multi national corporation still gains better approval from the community. In Unilever Indonesia's case in Jambangan district in Surabaya, the multinational corporation did not only let the community 'owned' the CSR program, but the multinational corporation also cultivated confidence, pride and knowledge of the people, through what they called as "body system". Partnership established by Unilever Indonesia with local community through this "body system" also contributes much.

Cadres who are the partner of Unilever Indonesia for the so called "body system" can be said as the external factors for the successful program. The fact that Indonesia in general and Jambangan district in particular already have this cadre system in its neighborhood is significant. Even though this cadre system had been fading-out along with the ending of Suharto regime who established the system, in the case of Unilever Indonesia CSR in Jambangan district proved that the system can be absorbed into a more recent program such as corporate social responsibility programs. It is therefore necessary to identify and acknowledging the existing system or associations in the neighborhood, whenever making an attempt to introduce a CSR program, since it can be the key factor to success of the program. In other words, in the external factors that lead to success of CSR program, local ways and local knowledge also become the points not to be neglected. The further question

is how a multi national corporation can identify such system and whether the MNC is willing to spend abundant amount of money and its precious time for such CSR program.

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<sup>3</sup> Monopolies are in the hand of the so-called conglomerates since Soeharto regime in the end of 1960s to 1998.

<sup>4</sup> From the declaration of independence of Indonesia on August 17, 1945 until early 1966.

<sup>5</sup> According to a in-depth interview done by Indonesia Business Link on 20 COEs in Indonesia, 7 believe that the CSR law will help improve the quality of CSR activities, but 13 said it would decrease the efforts by the company. Even though they believe that the majority of companies will increase their spending in CSR, they still do not think that a separate law will help to guarantee that CSR is mutually beneficial for the corporations and local communities (Sedyono, 2007)

<sup>6</sup> Internal data from Unilever

<sup>7</sup> Internal data from Unilever Indonesia

<sup>8</sup> Rungkut is a relatively newly developed industrial area on the southern part of Surabaya. Industrial area had been mostly concentrated in the northern part of the city

<sup>9</sup> Internal data from Unilever Indonesia

<sup>10</sup> Based on interview with key persons at ULI Peduli

<sup>11</sup> The term 'district' is used in this paper is actually 'kelurahan' in Indonesian language. It is a lowest administrative unit in Indonesian city. 'Kelurahan' usually consists of several sub-district, which in the case of Surabaya sometimes known as 'kampung'

<sup>12</sup> Some of people of low income in Jambangan district had been known for their ignorance of hygiene and environmental issues. Since not every house of these low-income people has its own bath room or toilet, it had been the habit of those people to do their activities of bathing-washing-toilet in the river. They had built small boxes made of woven rattans or iron sheets above the river. Each box can contain one adult to finish his/her nature's call. It had not been unusual to see such boxes in row on Surabaya's rivers. It is known as 'helicopter toilet' since it looked like a box flying low over a river. People's activities of bathing-washing-toilet in the river, plus the so-called 'helicopter toilet' also contribute to the pollution of river water in Surabaya.

<sup>13</sup> Data as of 2003

<sup>14</sup> Findings from field research

<sup>15</sup> Kalimantan is one of islands in Indonesia. North-west part of Kalimantan island belongs to Malaysia, and usually known as Borneo. Flores is a small island in the eastern part of Indonesia. Each has its own culture and local language which are different from east-Javanese people

<sup>16</sup> For a more detailed process of development of the area, see Funo (1991)

<sup>17</sup> In the case of Surabaya which is situated in east Java, the city faces migrants with Islamic background of belief, but they are not necessarily agree on the same interpretation of the religion. According to Clifford Geertz, there are at least three types of Javanese muslim. Geertz uses the word: *santri*, *abangan*, *priyayi*. *Santri* refers to those who practice the religion according to the teaching, whereas *abangan* refers to people who interpret the Islamic teaching through native point of view. *Priyayi* refers to muslims of noble background.

<sup>18</sup> Based on a statement of a cadre, it appears that they are really proud of being one of cadres for environment. They are even called 'warriors of environment'.

<sup>19</sup> Non governmental bodies in this case also refer to urban neighborhood associations known as Rukun Tetangga (RT). The present form of neighborhood association in Indonesia finds its origin during the occupation of Japan in the second world war. For more detailed explanation see Dwianto (2001). At present, this neighborhood association tends to be considered as pre-modern and undemocratic. Among its other characters, neighborhood associations in Indonesia can be said to have 'character of community cooperative management' and 'character as representative for the community'. These characters are also often seen as old-fashioned. However, in the implementation of the CSR program, this neighborhood association has proved to be effective in some ways.

<sup>20</sup> From notes added by cadres who were informants for this paper field research shows that now they consider Unilever as a company who is aware of environmental issues, who motivates people to live a healthy-clean-independent life.