



Global Compact Network  
Indonesia

# GROWING INCLUSIVE MARKETS: INDONESIA CASES

## VOLUME 1 - 2010

CREATING VALUE FOR ALL: STRATEGIES  
FOR DOING BUSINESS WITH THE POOR





## UNITED NATION MILLENNIUM DEVELOPMENT GOALS

The Millennium Development Goals (MDGs) are eight international development goals that 192 United Nations member states and at least 23 international organizations have agreed to achieve by the year 2015. The MDGs build upon a decade of major United Nations conferences and summits on various development themes.

## UNITED NATIONS GLOBAL COMPACT

The United Nations Global Compact is a call to companies everywhere to voluntarily align their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption, and to take actions in support of UN goals, including the Millennium Development Goals. Endorsed by chief executives, the UN Global Compact is a leadership platform for the development, implementation, and disclosure of responsible corporate policies and practices. Launched in 2000, it is largest corporate responsibility initiative in the world – with over 8,000 signatories based in more than 135 countries.

For more information: [www.unglobalcompact.org](http://www.unglobalcompact.org).

## INDONESIA GLOBAL COMPACT NETWORK

Indonesia Global Compact Network (IGCN) is a vibrant not-for-profit organization advocating the 10 principles of the Global Compact among Indonesia's business communities, government, local organizations and the academics. IGCN actively participates in numerous domestic and international endeavors, especially within the Asia region.

To date, IGCN has 164 Signatories comprised of major companies in the country including multi-national corporations, universities and non government organizations. The network performs increasingly important roles in rooting the Global Compact into the Indonesian corporate culture. IGCN actively recruits membership within the nation by doing proactive recruitments through co-organized briefings, seminars, conference and the all important one-on-one linkages. Recruitment to IGCN is pursued by conducting Pledge ceremony collectively through member gets members and visitation to key cities where potential members are based. IGCN strongly advocates the Global Compact principles by inclusion of topics into the agenda of likeminded venues such as the Corporate Social Responsibility (CSR) Conference, Business Ethics and Marketing Seminars, United Nation events and by inviting movers and shakers in industry, government, and social sectors to IGCN activities.

IGCN offers business networking, collaborative project opportunities, as well as sharing of lessons learned and best practices in corporate social responsibility among its members and potential inductees.

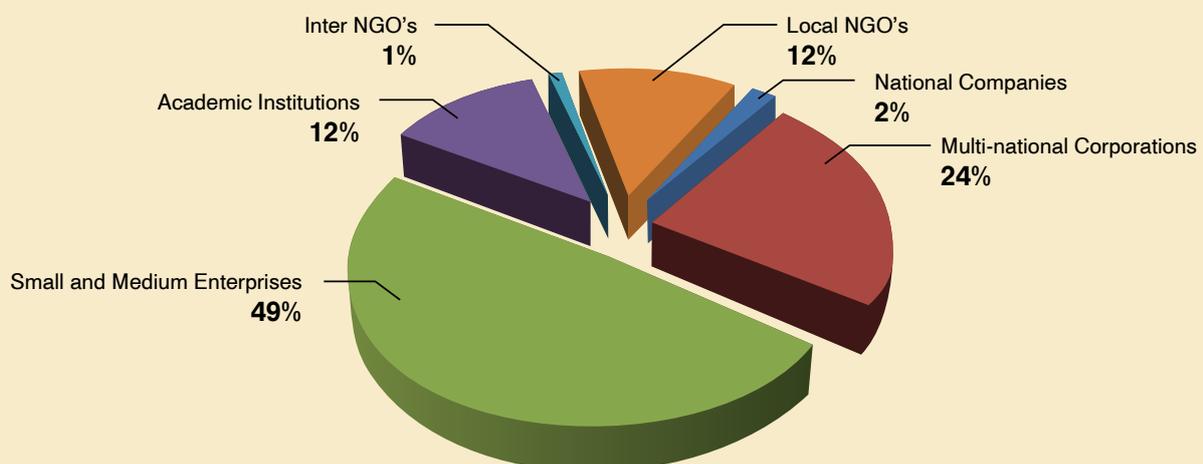
### VISION:

To be a respectable agent of change in accelerating country transformation towards the achievement of human rights, competitive labor, sustainable environment, and ethical business practices.

### MISSION:

Promote, facilitate and implement the UN Global Compact principles in Indonesia.

## CURRENT IGCN MEMBERS BY CATEGORY



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**CREATING VALUE  
FOR ALL: STRATEGIES  
FOR DOING BUSINESS  
WITH THE POOR**



# FOREWORD

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Since 2009, Indonesia Global Compact Network (IGCN) has taken the initiative to conduct a study on several Indonesian businesses implementing inclusive market approach in their strategy. Companies empower the poor in demand and supply and they enjoy mutual growth.

This initiative was inspired by the launching of the book “Creating Value for All – Strategy for Doing Business with the Poor” as a joint effort by UNDP Indonesia and IGCN in Jakarta in 2008. The study was initiated by UNDP with the premise that private sector is a great untapped resource for investment and innovation to achieve the Millennium Development Goals (MDG). These business-level case studies were conducted based on the key principles of the Growing Inclusive Markets Initiative: Focusing on how the businesses in developing countries can provide assistance and job opportunities to the poor; emphasizing business models that create value by empowering the poor rather than carrying out purely philanthropic activities; applying the human development framework that fosters economic empowerment and involving multi-stakeholders of different backgrounds to develop public-private partnership.

This report: “Growing Inclusive Markets: Strategies for Doing Business with the poor – Indonesia Cases Volume 1” describes ten Indonesia cases. The report focuses on what companies can do to involve the poor in their business supply chain, either as business partners, producers, suppliers, employees or consumers. The study does not include company’s philanthropic activities such as donation and charity that are not commercially sustainable although they are important for community development. The companies were selected from diverse industries: banking, transportation, mining, process, food, cosmetics and telecommunication. The report suggests that business, in whatever industry sector, can create opportunities to develop new market by empowering the poor. The businesses can perform the principle of “Doing good and doing well” at the same time.

These case studies were conducted and written by qualified experts from a number of universities in Indonesia, who have agreed to participate in this initiative as their contribution to IGCN. Hence, it is a three-party collaborative project – IGCN being the initiator, the selected companies as the case study resource and the participating universities as the researchers and writers.

This publication was also distributed at the “UN Global Compact Leader Summit 2010” in June 2010 and the “UN Private Sector Forum on MDG” in September 2010 both conducted in the UN Building in New York. It was also personally presented to the UN Secretary General Ban Ki-Moon and other attending key leaders during the same occasion.

In order to reach wider Indonesian business and public readers, and accommodating the recommendation we have received, we published this book in bilingual - Indonesian and English. We hope these case studies may serve a useful reference and stimulate policy makers, entrepreneurs, business leaders, civil service organizations and academic institutions to initiate similar action.

A handwritten signature in black ink, appearing to read 'Junardy', with a long horizontal stroke extending to the right.

**Y.W. Junardy**  
President,  
Indonesia Global Compact Network

Jakarta, 10 November 2010

# ACKNOWLEDGEMENTS

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The “Growing Inclusive Markets (GIM) Report: Indonesia Cases” rests on its multi-stakeholder approach, illustrated by the diversity of its highly dedicated participants. Sincere gratitude and appreciation is extended to all parties who helped to the development of this report.

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# GROWING INCLUSIVE MARKETS – CREATING VALUE FOR ALL

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The Growing Inclusive Market Initiative was conceived by UNDP in 2006 in response to a need for better understanding of how private sector can contribute to human development and Millennium Development Goals (MDGs). The initiative's broad aims are:

- Raising awareness by demonstrating how doing business with the poor can be good for poor people and good for business.
- Clarifying the ways that business, governments and civil society organizations can create value for all.
- Inspiring the private sector to action

Turning the ideas into action, research and dialogue with private sector, government and civil society were conducted. The report: “Creating Value for All: Strategies for Doing Business with the Poor” was published in July 2008 and was launched in Indonesia jointly by UNDP Indonesia and Indonesia Global Compact Network (IGCN) in August 2008. The report comprises of 50 business-level case studies selected from various countries and industrial sector that involve the poor in various strategic methodology.

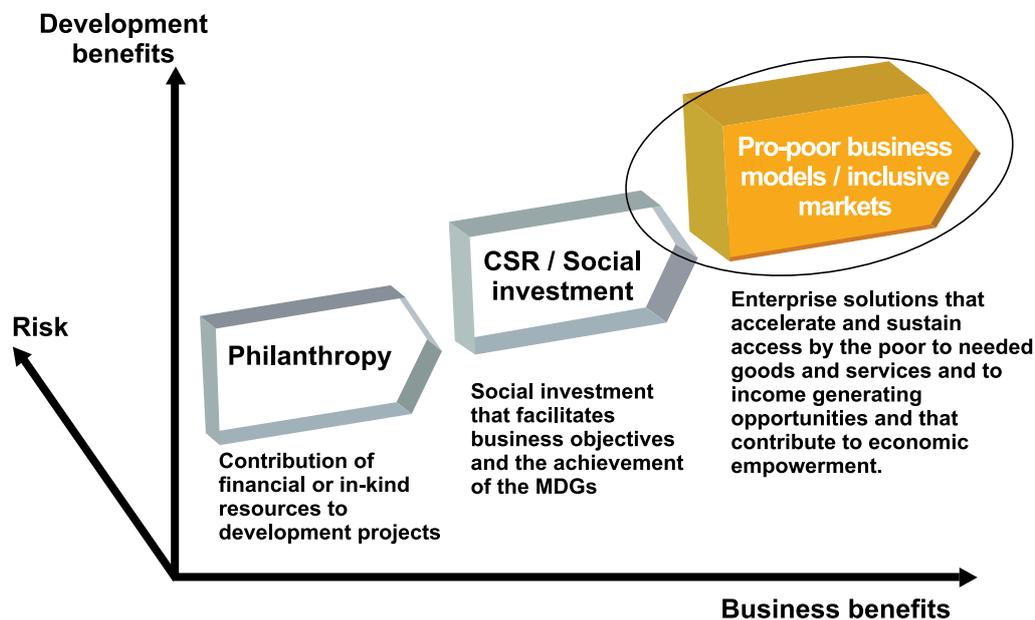
Inspired by the ideas, Indonesia Global Compact Network undertakes the initiative to conduct similar study for Indonesia cases. While the world report can be used as reference, the Indonesia cases may reflect a more real situation.

## What are “Inclusive Business Models”?

“Inclusive business models” are ways of doing business that build bridges between business and the poor for mutual benefit. They include the poor on the demand side as clients and customers and on the supply side as employees, producers and business partners at various stages in the value chain.

Businesses are engines of growth, and have the potential to help improving the lives of people through their investments and activities. Inclusive Business is beyond philanthropy and traditional corporate social responsibility. They create and grow inclusive markets.

## From Philanthropy to Inclusive Markets



### Value for business

- Generating profits
- Developing new markets
- Creating innovation
- Expanding the labour pool
- Strengthening supply chains

In summary, it ensures business sustainability

### Value for the poor

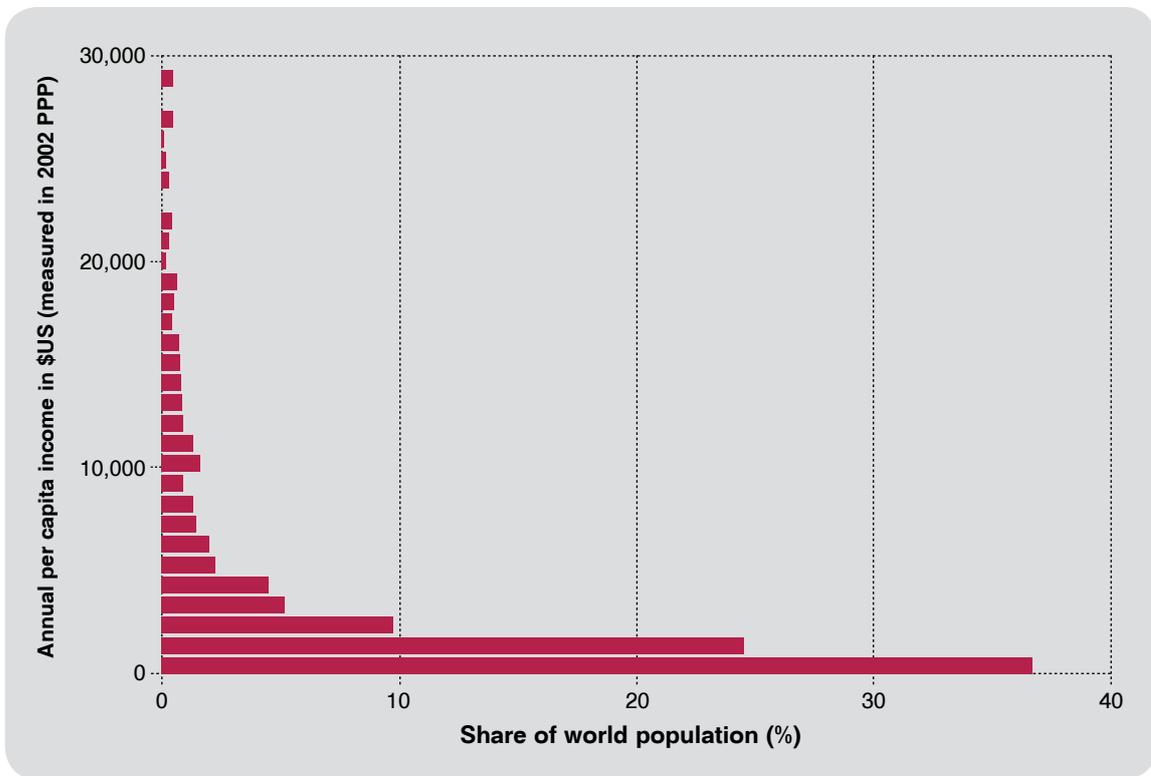
- Meeting basic needs not by charity donation
- Enabling them to be more productive
- Increasing their incomes
- Empowering communities

This not only improving their quality of life, but also reducing the potential of having social conflict and unrest

Hence, inclusive business is a pro-poor business approach, not only exploring new opportunities by growing inclusive market, but also making ending poverty part of their daily business. It shows how including the poor in their strategies is not just good for businesses; it is good for the world's poor too.

## Poverty

Poverty can be defined as lacking of opportunity to lead a life one values



- Lack Access to Financial Facility
- Lack Access to Market
- Lack Access to Skill
- Lack Access to Essential Goods and Services:
  - No clean water
  - No adequate sanitation
  - No electricity
  - No internet

*In his famous book “The Fortune at the Bottom of the Pyramid: Eradicating Poverty through Profits” (2004) CK Prahalad, a Professor of the Corporate Strategy and International Business, introduced the need to have a new paradigm, by viewing “the bottom of the pyramid” or “the poor” as a potential resource in enhancing business profitability. They are not incompetent people to whom we give charity and donation. They are the “underserved consumers and markets” which in fact need to be empowered. There should be new creative approach and strategy to transform the poor to be an “active market”. As a result, business is developing and at the same time poverty is reduced.*

## How to Support the Development of Inclusive Business Models

The report suggests that business can build foundation to create new market and help the achievement of MDGs through the implementation of Inclusive Business. But no different from MDGs, it requires broad support and collaboration amongst business, government, civil society and the community to make it work effectively. Each has their role to perform.

### **Business**

- Create capacity and space for innovation (technology, process, financing, skills, etc)
- Develop specialized investment tools
- Deepen community engagement
- Build capacity for collaboration
- Engage in policy dialogue with government

### **Government**

- Review the policy and regulation to remove constraints in the market environment
- Provide support and finance inclusive business models
- Provide infrastructure, basic utilities and human capital development (health, education, skills)
- Strengthen institutional capacity for collaboration
- Establish dialogue platforms to engage business and community

### **Community Service Organization and Others**

- Communities can organize to make it easier for businesses to engage
- NGOs can facilitate private sector engagement with communities, governments and other organizations
- Donors can raise awareness and provide funding

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## CASE STUDIES

No.	Company	Industries	Case (Tittle)	MDGs								
				1	2	3	4	5	6	7	8	
1.			BNI Village: An Integrated Dairy Cattle Husbandry & Community Development									
2.			CIMORY Dairy Products: Empowering Poor Dairy Farmers to Do a Sustainable Business									
3.			Improving Traditional Market Community Welfare Through Waste Management Program									
4.			Nemangkawi Mining Institute Prepares Papuans to become members of a Modern Industrial Workforce									
5.			YES! Program									
6.			Transforming Traditional Housewives into Domestic Entrepreneurs to Elevate Household Welfare by Retailing SEV (System Electronic Voucher) Indosat									
7.			Women Empowerment Through Spa Therapist Scholarship Program									
8.			Rajawali's Express Taxi: Working with Taxi Drivers as Business Partners in Indonesia									
9.			Tjiwi Kimia Cares on HIV/ AIDS Program In Indonesia									
10.			Growing Together in Partnership: The Case of Unilever and The Black Soybean Farmers in Indonesia									





Kampoeng BNI or BNI Village is part of the implementation of the Program Kemitraan & Bina Lingkungan (PKBL), or the Partnership and Environment Development Program. It is a special program designed to support and increase Micro Business's capability to be independent through fund utilization of State-Owned Company's net profit. To access the services under the PKBL, it has to be a small business that has never acquired a loan from any bank and has been operational for one year with the prospect for growth. Priority users of PKBL are micro businesses and cooperatives that have no bank access (not yet bankable) and not having enough collateral. Every Indonesian stated-owned company is responsible to allocate two to four percent from its net profit for PKBL.

This case highlights BNI's program of BNI Village. It is an example of how a bank helped reduce poverty by creating a mutually beneficial business partnership between the core business activity (farm breeder) and local actors (farmer) from a remote village and with village communities. BNI provides easy access to capital for needy farmers in remote villages to expand their micro businesses. The case examines the challenges and opportunities of such development in the context of income generation for the poor.



**Topic:**

BNI Village: An Integrated Dairy Cattle Husbandry & Community Development

**Author(s):**

- Popy Rufaidah  
Padjadjaran University

**MDG's addressed:**



1 Eradicate extreme poverty and hunger



CIMORY Dairy Products:  
Empowering Poor Dairy Farmers  
to Do a Sustainable Business

Author(s):

- Antonius Suhartomo
  - Yosef Manik
  - T. K. Gan
  - Dian T. Siahaan
- President University

MDG's addressed:

Eradicate extreme poverty and  
hunger



Reduce child mortality



Develop a global partnership for  
development



PT. Cisarua Mountain Dairy or “Cimory”, a producer of dairy products in Indonesia, was built in 2006 as a subsidiary of Macro Group, which owns several companies producing and distributing daily consumption products. The director of the company, Mr. Bambang Sutantio, is a philanthropist and is well known for his passion, devotion and contribution towards public health. He helps Indonesians consume healthy and nutritious food for a healthy life. This case highlights Cimory as an example of how a company helps alleviate poverty by forging a mutually beneficial business partnership between the core business activity (Cimory), and local actors (dairy farmers). Drawing from the philosophy of enlightened marketing, Cimory engages the supplier and redefines the traditional business models between large companies and local dairy farmers into a business-to-business partnership. The case examines the challenges and opportunities of such a partnership in the context of a) additional income generation for the poor, b) in improving the standard of living within the community, as well as c) becoming an innovative model for doing business with lower-income households.





Ninety (90) percent of the Indonesian traditional markets are in critical condition. There are many factors contributing to this situation, starting from the poor management system of traditional markets, increasingly competitive environment as a result of the expansion of the modern retail industry, hygiene issues and poor waste management.

In this case, it is shown how “Danamon Go Green” program enhances the traditional markets as well as the community welfare. Direct benefits can be felt by traders and consumers where markets are cleaner, healthier and convenient. In addition, the farmers benefitted from the availability of high-quality compost that is relatively less expensive than chemical fertilizer. Meanwhile, compost-making facilities and compost business activities provided employment. Regional governments see their region cleaner and efficient as wastes are managed properly. Positive result is also felt by PT Danamon Indonesia Tbk, particularly because ‘Danamon Simpan Pinjam’, one of Danamon’s business units, is designated for consumers using the traditional market.



**Topic:**

Improving Traditional Market Community Welfare Through Waste Management Program

**Author(s):**

- Andrianto Widjaja  
LABORA School of Management

**MDG’s addressed:**



1 Eradicate extreme poverty and hunger



7 Ensure environmental sustainability



8 Develop a global partnership for development



Topic:

Nemangkawi Mining Institute Prepares Papuans to become members of a Modern Industrial Workforce



Author(s):

- Ramelan PPM Manajemen

MDG's addressed:

Eradicate extreme poverty and hunger



Achieve Universal Primary Education



PT Freeport Indonesia processes and explores ore containing copper, gold and silver for worldwide marketing. The company operates in the remote highlands of Papua Province in the eastern part of Indonesia. For its operation PT Freeport Indonesia needs highly competent employees who are recruited from all over Indonesia, including Papua. In 1996, the Government of Indonesia required PT Freeport to add the number of local people to its workforce. To meet this requirement, PT Freeport Indonesia made a commitment to double the number of Papuan employee in the company's Workforce by the year 2001 and again by the year 2006. As literacy and level of education is low in Papua, this is no easy task. Local people continue to live in their traditional ways of hunting and food gathering and planting as a source of food. The challenge is how to enable the Papuans acquire the necessary skills needed by the growing PT Freeport business. This case highlights how PT Freeport Indonesia helps Papuans enter the modern industrial workforce at the same time meeting its need for competent employees. To meet its commitment to hire skillful and competent employees, in 2003, PT Freeport Indonesia established the Nemangkawi Mining Institute (NMI) or Institut Pertambangan Nemangkawi which is located in Kuala Kencana, Mimika, Papua. The institute offers pre-apprentice, apprentice, adult education, and advanced career program primary education for Papuans.



Like other developing countries, the people of Indonesia are still facing a chronic problem on unemployment. In the past three years there are a growing number of people in Indonesia who believe that creating small business is the feasible solution for unemployment as well as strengthening the economic foundation of Indonesia. This means building a cadre of entrepreneurs. Along with that optimism, many institutions and individuals are developing some activities and programs to introduce and encourage people to be entrepreneurs. In 2003, Indonesia Business Links (IBL) initiated the Young Entrepreneurs Start-Up (YES) Program. Its mission was to facilitate entrepreneurship awareness and to assist young entrepreneurs to establish successful and sustainable businesses. Targeting the young people ranging from 18 to 32 years old, this program focused its efforts into inspiring, encouraging, equipping and connecting the young entrepreneurs through workshops, seminars and consultations. This program has successfully raised new young entrepreneurs, some of them women.



### Topic:

YES! Program

### Author(s):

- Deddi Tedjakumara
- Cheulie
- Idris Marsudhy
- Jane Tandra

Prasetiya Mulya Business School

### MDG's addressed:



1 Eradicate extreme poverty and hunger



8 Develop a global partnership for development



Transforming Traditional Housewives into Domestic Entrepreneurs to Elevate Household Welfare by Retailing SEV (System Electronic Voucher) Indosat

Author(s):

- Antonius Suhartomo
  - Yosef Manik
- President University

MDG's addressed:

Eradicate extreme poverty and hunger



Promote gender equality and empower women



After three decades of growth, the economic crisis in mid-1997 reversed the gains the nation had made in its efforts to alleviate poverty. In 1996, only 11% of the population was classed as poor. In 2004, this proportion rose to 16.6%. The problem was compounded by catastrophic events such as natural disasters, disease outbreaks, and unsustainable resource use that degrade the environment. The rural population, whose livelihood depends on agriculture and forestry, is the worst affected and most economically marginalized with 76% of Indonesians living below the poverty line in 1999.

Participating in the United Nations Millennium Development Goal of halving the percentage of people living in extreme poverty by 2015, PT. Indosat, a communications company, implemented a program of improving the health of the community. It provided free health services to the poor through its mobile health clinic visiting areas covered by its cell phone markets. Hand in hand with this health effort, Indosat enabled mothers from poor households to be distributors of its cell phone vouchers generating supplemental income to families. This is a case where a company found balance of enhancing the health of communities, providing additional income to households and at the same time meeting some of its business needs.



## Martha Tilaar Group



MARTHA TILAAAR

As a developing country, Indonesian GDP per capita was US\$2,030 in 2009. This nominal figure reflects the economic condition of Indonesian people with 14.15% of people living in poverty. While a number of women were struggling to find proper jobs, Dr. Martha Tilaar, the founder of Martha Tilaar Group established a business unit—PT. Cantika Puspa Pesona in 2003. This company managed the spa products and its related businesses, including the Balisari Spa Center as beauty and spa training center in Kuta, Bali.

Continuously incorporating the social values into her business ventures, in 1990, the Martha Tilaar Group launched a scholarship program for teenage girls coming from rural marginal families. The scholarship program provides training of holistic beauty treatment skills training and the opportunity to work as a spa therapist. The training participants undergo a unique training program that combines physical skills as well as building inner positive attributes. They learn all holistic spa and beauty treatments and healthy physical exercises. They also learn personality development skills and attitudes that make them better persons as well as meeting the needs of spa clients. Upon completion of the scholarship program, some of the graduates established their own beauty salons or continued their career as professional spa managers.



### Topic:

Women Empowerment Through Spa Therapist Scholarship Program

### Author(s):

- Dianne Frisko
- Ria Sandra Alimbudiono

University of Surabaya

### MDG's addressed:



1 Eradicate extreme poverty and hunger



3 Promote gender equality and empower women



**Topic:**

**Rajawali Express Taxi**

Rajawali's Express Taxi: Working with Taxi Drivers as Business Partners in Indonesia

**Author(s):**

- Elvie Grace A. Ganchero
- Chrysanti Hasibuan-Sedyono

**MDG's addressed:**

Eradicate extreme poverty and hunger



Develop a global partnership for development



The 1997 Asian financial crisis created a job vacuum in Indonesia, with companies forced to lay off 1.4 million workers. A decade later, unemployment rates continue to rise and poverty defines the context for Indonesia's economy, social relations and security. Express Taxi, a subsidiary of the diversified conglomerate Rajawali and the second-largest taxi operator in Indonesia, launched a new Taxicab Ownership Scheme where drivers lease their taxis and build ownership. Express Taxi uses the company reputation and assets to back the loans. The drivers gain by earning more take-home income. The company profits from drivers who treat vehicles responsibly and bring more stable cash flows. The community benefits from drivers who drive more safely with their own cars, with added support from company-provided safety courses. The case highlights how a company can help fight poverty by forging a mutually beneficial partnership with employees from poor urban and rural communities.

**Note:**

*Taken from Growing Inclusive Markets' Creating Value For All: Strategies For Doing Business With The Poor (2008) P.125*





PT Pabrik Kertas Tjiwi Kimia Tbk. (PTTK) is a non-integrated paper mill near Mojokerto, East Java, Indonesia and directly employs around 12,900 staff members. PTTK produces a wide variety of paper and finished products, such as books, shopping bags, calendars, posters and other paper-based products. PTTK has a significant role in influencing economic and social environment, both nationally and locally.

In order to contribute to a better workplace and the local community, while maintaining the company's competitive edge, TJIWI KIMIA CARES ON HIV/AIDS program was developed with the principle of being independent, sustainable and competitive. This program was formed by creating a partnership with Yayasan Mulia Abadi (Mulia Abadi Foundation) – a non-profit organisation in Surabaya, East Java – the PTTK Labour Union and the PTTK management. The partnership is a stepping stone toward a series of continuous programs, aimed to raise awareness to the local community, of the dangers of AIDS and to significantly decrease the infection rate.

In improving the workplace for employees and enhancing the local community's livelihood, PTTK also arranged for 'blue bike sellers' to come into the mill area during lunch time to sell food and beverages to the employees. The sellers are sent by local entrepreneurs, who used to penetrate the mill area illegally during lunch time. After a period of training on food security, PTTK provided them with blue boxes and IDs allowing them to enter the mill area legally.

Topic:

Tjiwi Kimia Cares on HIV/AIDS Program In Indonesia

Author(s):

- Achsan Permas
- Yudith Dwi Anggraeni

PPM Manajemen

MDG's addressed:



1 Eradicate extreme poverty and hunger



6 Combat HIV/AIDS, malaria and other diseases



**Topic:**

Growing Together in Partnership:  
The Case of Unilever and The  
Black Soybean Farmers in  
Indonesia



**Author(s):**

- Chrysanti Hasibuan-Sedyono  
Binus Business School

**MDG's addressed:**

Eradicate extreme poverty and  
hunger



Promote gender equality and  
empower women



Ensure environmental sustainability



The financial crisis in Indonesia began in June 1997 when the Indonesian Rupiah plunged in value, and many banks were forced to close. The private sector was immediately placed under great financial pressure, and many firms ceased trading or even went out of business as a result. Unilever Indonesia (ULI) had then identified six specific factors that helped to respond to the crisis, three of which were relevant to the case, i.e. consumer access, brand acquisition and strategic joint ventures, and focus on the local market. In 2001 ULI acquired a company (PT Anugerah Setia Lestari) which had been producing and selling Kecap Bango, a specialty sweet soy sauce made from black soybeans for two generations, since 1928. The acquisition had accelerated Kecap Bango market expansion, but ULI had been faced with the problem of obtaining black soybeans of the quality and quantity required. Importing was no option for ULI given that it was part of the Kecap Bango brand to be “local”.

Hence ULI decided to develop new suppliers among the farmers in Java, and partnered with Gajah Mada University (UGM) which had the expertise in agriculture to develop the farmers. The cooperation led to the discovery of a new variety of black soybeans (called Mallika) and the partnership had grown to a three way synergy between ULI, UGM and the cooperatives of farmers. UGM provides agricultural knowledge and expertise, the farmers had the land and grow the black soybean crops, and ULI provides capital and guaranteed market for the crops. The case examines the challenges and opportunities of such partnership in the context of income generation for the poor, which also address environment issues and women empowerment in the process.