

CHAPTER I

INTRODUCTION

A. Background

PT Unilver is a multinational company founded in 1885 under the name Lever Brothers. The founder of the multinational company were two brothers who came from England, they were William and James Lever. The first product produced by this multinational company was laundry soap with sunlight. The laundry soap product aims to help popularize health and hygiene in Victorian England. The thing that was done by multinational companies that used to be called Lever Brothers to reach their goal was to launch a hand washing campaign. So with a campaign like that will result in their goals being achieved. After developing and rapidly washing soap products, PT Unilever again produced bath soap products with the Lux and Lifeboy brands.

To further advance its company, this multinational company joined a Dutch company founded by Jurgens and Van Den Bergh in 1927. The product they produced at the beginning of the merger between two large multinational companies in Europe was margarine. After successfully joining the Dutch multinational company, PT Unilever established its subsidiary in Indonesia. On December 5, 1933, PT Unilever Indonesia was officially established in the City of Batavia which is now better known as Jakarta. The initial name when PT Unilever Indonesia was founded at that time was Lever's Zeepfabrieken N.V, and the initial product they produced was Margarine Blue Band and Lux bath soap. Up to the year, the products produced by PT Unilever were not only that, but also reached household needs, food and skincare (Grha Unilever, 2017).

PT Unilever Indonesia can be said to be an example of a world-renowned multinational company. Multinational companies began to be known by many since the American company began to spread its corporate wings abroad in the 1890s. This was fast when the world was between I and II, which at the time after World War II had agreed to a free joint market. Therefore, American companies began to spread the wings of their companies abroad or commonly called host countries (Ilmar, 2006). Multinational corporations is a company that has more than one country and also operates in several countries as a subsidiary in the supervision of a central company (Muchlinski, 2007). The writer thinks multinational corporations are a very big company and have many subsidiaries in developing countries and developed countries. Although it has many subsidiaries in other countries, but the central company or its head office is in the country of origin or often referred to as home country.

Every company that operates will produce waste from its production activities. Likewise, PT Unilever is one of the multinational companies in Indonesia, the increasing number of products that are produced so as to increase waste. The waste is not only from PT Unilever but also from consumers who consume products from the company. The waste produced is in the form of plastic waste which is certainly difficult to decompose and if it can break down, it requires a long period of time. So that can be said to be one of the negative impacts of multinational companies on host countries. Because basically every multinational company that stands in host country will give two impacts, namely positive and negative impacts. The waste of plastic waste produced by PT Unilever can damage the environment if there is no good management, it will have a negative impact on the health of its people. This is a major concern for PT Unilever, therefore this multinational company is making a commitment namely USLP (Unilever Sustainable Living Plan).

USLP commitment was established in 2010 by PT Unilever with the aim of addressing the problems faced by Indonesia such as environmental pollution. The commitment has three main pillars,

namely the health, environment and community welfare. With the USLP, it can also be said to be a positive impact from PT Unilever to host country or in Indonesia. The existence of a Corporation for Social Responsibility (CSR) as a place to connect reciprocal partnerships between companies and host countries and or with their communities. Social Responsibility Corporation has three aspects in improving the welfare of stakeholders. This aspect is better known as the triple bottom line. Three aspects of CSR are welfare in the economic field, social justice and improving environmental quality (Ambadar, 2008).

One of PT Unilever's commitments, USLP, has been implemented in several major cities in Indonesia such as Yogyakarta. Yogyakarta as a large city with a fairly dense population also produces a lot of garbage by its residents. Waste that is left alone for a long period of time will cause adverse effects on environmental conditions. Even though there is a final dumping site (TPA) it will not be enough to hold the garbage that is continuously produced from the communities. With that reason, PT Unilever implemented the USLP commitment in Yogyakarta with the aim of reducing waste that is in the surrounding environment.

The implementation of the commitment is in the form of a program better known as a waste bank. Garbage banks are activities that occur regarding services to waste savers by garbage bank officers. Waste bank savers are all citizens individually or in groups who are members of waste savers, as evidenced by the existence of a garbage savings book and entitled to their waste savings (Suwerda, 2010). In the waste bank program, there is collective dry waste management that has been accommodated by the officers so that it can be of economic value from saving waste. The waste saved into the waste bank is in the form of dry waste which is usually in the form of plastic which is of course from the product packaging produced by PT Unilever. The plastic packaging will be used as a work that can be of economic value. The form of waste bank works is usually in the form of shopping bags that come from modified

plastic waste so as to make consumers more interested and of course also of economic value.

B. Research Question

From what the author has explained in a previous article about the role of PT Unilever which aims to improve environmental management in Indonesia through USLP. With that, the writer took the research question of the problem in his writing, "How is the role of PT Unilever in improving a good environment through the commitments of USLP?"

C. Theoretical Framework

1. The concept of MNC

Discussion of the relationship between multinational Corporation (MNC) and a country requires an explanation of the concept of MNC and its characteristics. After that, there will be relevance between the MNC and the national building process. Many definitions of MNC are presented by several experts, the presentation is aimed at further understanding the meaning that is intended. Here first the author writes the meaning of MNC according to Joan Spero as follows:

“A Multinational Corporation is a firm with foreign subsidiaries that extend the firm’s production and marketing beyond the boundaries of any one country. Multinational Corporations are not simply large corporations that market their products abroad, they are firms that have sent abroad a package of capital, technology, managerial talent, and marketing skills to carry out productions in foreign countries. In many cases, the multinational’s production is truly worldwide, with different stages of production carried out in different countries (Sepro, 2010).”

In the book of Introduction to International Political Economy, Multinational corporation is a national company that operates across national boundaries or more is said to go abroad.

MNC also has a great influence on the policies that affect a country. The characteristics of MNC are:

- a. MNC as a business company operates in two or more countries which is often referred to as host country but still under the supervision of home country.
- b. Research and development activities are often carried out in the host country.
- c. Operate companies in a cross-country manner.
- d. Ongoing foreign investment activities (David Balaam, 2001).

Multinational companies also often build subsidiaries in other countries for several reasons. There are four reasons why companies need to build subsidiaries in other countries, including: obtaining natural resources in other countries, protecting or expanding sales in profitable markets, seeking low-cost production for export platforms and the last is obtaining strategic assets (Cohen, 2007).

With the above reasons, there are so many multinational companies that build their subsidiaries in other countries such as Indonesia which are known as developing countries. Indeed, the fact that many multinational companies who build or create subsidiaries in developing countries. The aim of developing countries is to explore independence in meeting mineral production needs, both for domestic consumption or for export (Bosson, 1977). Nevertheless, the presence of MNCs in a country always has positive and negative side effects. When viewed from the positive side, there are three advantages of entering an MNC in a country:

1. Increase the national income

With the presence of MNC in a country will be able to increase revenue the state treasury. The state can assign taxes to MNCs that are operating in that country. The greater the state revenue obtained from the MNC, it will certainly make it easier for the state to carry out development.

2. Absorption of labor

MNCs will need workers from countries where it operates to facilitate and reduce the impact of production costs, by absorbing

labor, the number of unemployed will decrease. On the other hand there will be a technology transfer process and the introduction of a new managerial system.

3. Stimulate local industry

With the presence of MNCs in a country, it will stimulate local industries that supply production materials from these MNCs.

The existence of MNCs in a country does not always have a positive or negative impact. Both will continue to go hand in hand with time (Dunning, 2008). As well as that carried out by Unilever, they try to apply the Unilever Sustainable Living Plan in the company. Because these multinational companies are aware of the waste they have produced from the products produced. So the existence of the MNC concept here will help in answering the analysis.

2. Concept of Sustainable Development

The aim of sustainable development is to improve the welfare of the community, namely to meet the needs of human life. Basically, sustainable development is aimed at seeking equitable development from time to time or in the future. Sustainability development that is basically more economically oriented can be measured for sustainability based on three criteria, namely: (1) There is no waste of use of natural resources or depletion of natural resources; (2) No pollution and other environmental impacts; (3) Activities must be able to increase useable resources or replaceable resource (Jaya, 2004).

In line with the above concept, in Sutramihardja's book the goal of sustainable development includes the effort to realize the occurrence:

- a. Even distribution of intergenerational equity benefits which means that the use of natural resources for growth needs to pay attention to reasonable limits in the control of ecosystems or environmental systems and be directed towards replaceable natural resources and emphasize the lowest possible exploitation of natural resources unreplaceable.

- b. To protect the sustainability of existing natural resources and the environment and preventing ecosystem disturbances in order to ensure the quality of life that remains good for future generations.
- c. The utilization and management of natural resources is only for the sake of pursuing economic growth for the sake of equal distribution of sustainable use of natural resources between generations.
- d. Maintaining the social welfare that is sustainable both now and in the future (inter temporal).
- e. Maintain the benefits of development or management of natural and environmental resources that have long-term or sustainable inter-generation benefits.
- f. Maintaining the quality or quality of human life between generations according to their habitat (Sutramihardja, 2004).

With the concept of sustainable development can identify how and also the process of running USLP in Indonesia. Because in this concept there are three achievements that must be done if you want to do a program about susatainable.

3. Concept of Corporate Social Responsibility (CSR)

Corporate Social Responsibility according to the World Business Council and Sustainability Development (WBCSD) is an ongoing commitment by businesses to behave ethically and contribute to economic development while improving the quality of life of workers and their families and local communities and society in general. The four focuses in CSR include; environment, people, procurement and community.

First, the environment is one of the most important things in this world. In the CSR program, preserving the environment has become commonplace. Reducing waste, recycling waste from multinational companies, and managing waste well are examples of CSR programs that focus on the environment. The second focus that exists in CSR programs is people, what people use here are human resources, health and well-being. In this focus CSR can help people

to get jobs according to their abilities. With that health and welfare will increase.

Third, procurement that deals with finance and purchases. Finding the most profitable procurement route for the life of a project. This means that 90% of our supply chain contracts are through government frameworks, where suppliers have been tendered, audited and examined against important criteria such as financial stability and environmental compliance. The last is the community, in this case multinational companies will do some positive things which are also known by CSR. Like fundraising, things like this will reflect the positive role of multinational companies that are on the host country (House, 2018).

With the concept of Corporate Social Responsibility can help people in getting reciprocity from multinational companies and also can provide a positive role for multinational companies in the host country. This Corporate Social Responsibility acts as the person in charge of the existence of multinational companies in which the CSR program is also in accordance with what the community wants. Like, companies must pay attention to the surrounding environment and social.

D. Hypothesis

From the explanations above, it can be proposed a hypothesis that the reason PT Unilever Indonesia in an effort to improve environmental management in Indonesia is;

1. The Unilever Sustainable Living Plan (USLP) is one example of the responsibility and positive role given by PT Unilever to the community. In this case, CSR also helps the community in supervising the reciprocity of multinational companies such as PT Unilever.
2. Engage PT Unilever Persada to work together to deal with the garbage problem in the surrounding environment through the waste bank program.

E. Research Methodology

This study aims to achieve an analysis of the role of PT Unilever in improving environmental management in Indonesia through the Unilever Sustainability Living Plan and is also one of the programs established by PT Unilever Indonesia. Thus, the author uses two methods. The first method is explanative, which will explain the roles that have been taken during the formation of USLP by PT Unilever and also the obstacles faced when conducting the program.

Then the second method is data collection, which will help in the data collection process. This data collection will be taken from the facts that occurred. Researchers use books, journals, articles and also news from various media and official reports from PT Unilever Indonesia on the official website of PT Unilever. The author will also examine directly to the place that is targeted as a reliable source of data. This is done with reason to strengthen data collection in this writing.

F. Research Period

The writer sets out the range of research in this paper in 2017. This is due to the existence of a new program and of course also supports the Unilever Sustainable Living Plan. In fact, the Unilever Sustainable Living Plan was established in 2010, from year to year the development of PT Unilever in the implementation of sustainable living has increased. The addition of the program and also a strong commitment to make all of this achieved until 2017 new programs appear but still use USLP for the guidelines.

In 2017 a new program appeared at USLP which is zero to waste with the aim of no more waste being thrown into nature. In the program there is a new technology known as CreaSolv, this technology was inaugurated in May 2017. With this new technology, it can greatly help the waste bank program which is also a focus on the commitment of USLP. The number of waste bank fostered by PT Unilever in 2017 increased significantly.

G. Organization of Writing

This thesis consists of 5 chapters and the explanation of each chapter will be elaborated in detail through sub chapters. The case is elaborated thoroughly in chapter I as the case of attempting to write a coherent and systematic paper. The writing systematic of the research is as follows:

CHAPTER I contains the background of the problem, the formulation of the problem, the theoretical framework, the hypothesis, the research method, the research boundary and also the research systematics.

CHAPTER II in this chapter the author will discuss more deeply about the historical background of PT Unilver. It will tell about the begining of this company in Indonesia, vision and mission, purpose and structure of organization. In this part will explain about the programs that made by PT Unilever.

CHAPTER III in this chapter will discuss about commitments formed by PT Unilver known as the Unilever Sustainable Living Plan. Which will begin regarding the history of the formation, objectives and functions carried out by USLP. Then about environmental conditions in Indonesia before the implementation of the commitment from PT Unilever and the reason Yogyakarta was chosen as one of the cities used as the application of USLP.

CHAPTER IV for this chapter, the author will explain the role of PT Unilever in improve environmental management in Indonesia through USLP in 2017. This chapter will explain the effort of PT Unilever as multinational company in Indonesia in handling the waste. The Unilever Sustainable Living Plan (USLP) is one example of the responsibility and positive role given by PT Unilever to the community, thus this chapter will give the explanation on how USLP helps the community in supervising the reciprocity of multinational companies such as PT Unilever.

CHAPTER V in this chapter contains the overall conclusions from the results of research on the reasons why PT Unilever's role in improving environmental management in Indonesia is by using the Unilever Sustainable Living Plan.