

**“THE IMPLEMENTATION OF CREATING SHARED VALUE (CSV) AS A
REFERENCE FOR CSR DEVELOPMENT BASED ON SOCIAL
ENTREPRENEURSHIP
(CASE STUDY AT PT NESTLE INDONESIA)”**

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Abstract

Nestle is multinational company which is very concerned with the quality and usefulness of the product with the creation. One of the main Nestle CSV programs is the Rural Development that aim to improve the quality of life Dairy Farmers. This study aims to understand the implementation of the Nestlé CSV program in rural development sector as a reference to formulate an alternative CSR activities based on social entrepreneurship.

This study use a qualitative descriptive method that using two case studies on the Nestle partner namely Jabung Agro Niaga Cooperative and Pujon SAE Cooperative. The data used for this study using primary and secondary data, such as the results of the interviews conducted with the managers of both cooperatives and corporate reports and other publication.

This study concluded that Nestle has actually implement the rural Development program to improve the quality of life of dairy farmers. And the success of the Nestle CSV can be used as guidelines for creating another CSR program based on Social Entrepreneurship.

Keywords : CSR. Creating Shared Value, Community Development, Social Entrepreneurship

1. INTRODUCTION

1.1 Background

Corporate Social Responsibility or well known as CSR is a common social activity undertaken by the company as a form of corporate social responsibility towards the environment and society. The development of CSR lately could be responded positively, which started changing paradigm of business from profit oriented to be more concerned with the environment and the society. In the area of Indonesia itself, many large companies stand either in the form of MNC (multinational corporation) as well as local companies which have implemented CSR. These companies are doing CSR in practice with a variety of activities in a variety of areas of technology, education, health and the economy. Although the activities of CSR are not all based on the awareness of the company to implement corporate responsibility, but mostly just to improve corporate performance.

The Implementation of CSR in Indonesia have been set in legislation and ministerial decrees. CSR for Limited Company set in the Law 40 2007. This regulation became effective on August 16, 2007. In Article 74 paragraph (1) stated that the company that runs its business activities in the field and or related to the natural resources required to carry out social and environmental responsibility. The explanation of Article 74 paragraph (1) explained that CSR obligation is intended to create a partnership relation harmonious, balanced, and in accordance with the environment, values, norms, and culture. But unfortunately that is not part of the rules which regard a violation of the CSR. Social responsibility to BUMN is regulated by the government through the Ministerial decree No. Kep-236/MBU/2003 about Partnership Program State-Owned Enterprises with Small business and Community Development Program . Requiring CSR is one of the government's efforts and balancing economic growth and economic equality. The government hopes that CSR is not only volunteering but it would be a legal liability and is compulsory and can be sustained.

Many companies have tried to develop the social and environmental consequences of their business activities to implement CSR activities, but their business are sometimes not running as productive as they expect. This is due to two reasons, the first they run their businesses against with the community and the environment. The second

is their company's CSR activities are normative, and are not adjusted with corporate strategy. (Porter and Kramer, 2006)

Nestle itself as one of the largest companies in the world is a company known for excellence in its CSR activities are expressed in Creating Shared Value. Nestle has the principle that long term success can only be achieved by creating benefits for stakeholders, both raw material suppliers, employees, customers, business partners, government and the community and of course to the shareholders and the company itself. Therefore, Nestle is very concerned about the development in the areas of nutrition, water and rural development. Nestle also emphasizes sustainable development as set out in the Global Reporting Index that the goal of sustainable development is to meet the needs of the present generation without compromising the ability of future generations to meet their needs. (World Commission on Environment and Development, 1987)

Creating Shared Value (CSV) is a business strategy adopted by Nestle by basing the compliance with various laws and regulations, and sustainable business practices. Nestle realized that in order to achieve long-term success, Nestle must create benefits for other stakeholders such as suppliers of raw materials, employees, customers, business partners, governments and local communities, and at the same time creating a profit for the company and its shareholders. CSV itself is a business strategy concept introduced by Michael Porter and Mark Kramer in 2006 in the article of Harvard Business Review. Creating Shared Value emphasizes the importance of incorporating issues and social needs in the design of the company's strategy. CSV emphasized the opportunities to build competitive advantage by introducing social issues as a key consideration in designing the company's strategy.

PT Nestle is not alone in building the business but also invite the cooperation that houses dairy cooperative dairy farmers in East Java. There are at least two cooperative worthy of further investigation is Pujon SAE Cooperative and Jabung Agro Niaga Cooperative. SAE Cooperative Pujon is a dairy cooperative that has been established since the 70s and was inaugurated by the President Suharto at that time. Until now Pujon SAE Cooperative has dairy farmers member of approximately 6000 per day and can

produce as much as 100 tons of milk. While Jabung Agro Niaga Cooperative a dairy cooperative that has received numerous awards both from government and from Nestle themselves. Although Jabung Agro Niaga Cooperative begin to engage in the field of dairy farm until the 1990s, but the commitment and passion to be the best of the entire board to make the cooperative a subscription to receive numerous awards.

Social entrepreneurship became famous since Muhammad Yunus, a Nobel Peace Prize winner from Bangladesh founded the Grameen Bank. Actually, social entrepreneurship has been developed by various elements in the community, one of them is the Economics Faculty of Brawijaya University which has been concerned about the discussion of social entrepreneurship. The simple meaning of the social entrepreneur is someone who understands social problems and use the capabilities of entrepreneurship for social change, mainly covers the welfare, education and health (Santosa, 2007).

Driven by the author's desire to find a solution of this problem therefore this study took the title "**Implementation of Creating Shared Value Rural Development Sector at PT Nestle Kejayan Factory (Case Study in Jabung Agro Niaga Cooperative and Pujon SAE Cooperative as A Reference Development of CSR Based on Social Entrepreneurship)**".

1.1 Problem Formulation

Considering the background of issues described above, some problems were formulated as following:

1. How was the implementation of CSV Program at Rural Development Sector by Nestle Indonesia Kejayan Factory (Partnership with Jabung Agro Niaga Cooperative and Pujon SAE Cooperative)?
2. How are the forms of social entrepreneurship activities implemented within CSR based on the review of Nestle's CSR Program?

1.2 Research Objectives

Based on the formulation of problems above, the objectives of this research were acknowledged:

1. Implementation of CSV Program at Rural Development Sector by Nestle Indonesia Kejayan Factory (Partnership with Jabung Agro Niaga Cooperative and Pujon SAE Cooperative).
2. Formulating social entrepreneurship activities implemented within CSR based on the review of Nestle's CSR Program.

1.3 Benefits of Research

1. For the Company

Benefits for the company are, as an alternative CSR activities that can be implemented to the company. Due to the current pattern of social activities towards sustainability development or the development of sustainable communities and it can be done by the activities of social entrepreneurship which make the community become self-reliant.

2. For the Author

The author would like to explore more about the social entrepreneurship because since then and now writer is active on the activities and organizations engaged in social communities.

3. For the Other Researcher

This minor thesis can bring more information about the activities of social entrepreneurship which hopes to open a socially conscious communities to actively participate in social activities, in order to create a justice and prosperous Indonesia.

2. RESEARCH METHOD

2.1 Types of Research

The study use descriptive qualitative research methods. This study model sought to describe a social phenomenon. In other words, this study aims to describe the nature of something that is taking place at the time of the study (Maman, 2002). Qualitative methodology as a research procedure that produces descriptive data in the form of words written or spoken of the people and behaviors that can be observed (Bogdan and Taylor, 1975).

The approach that is taken suggested a number of criteria for selecting the data that is considered relevant. The approach includes standard and how to work or certain

procedures in the research process, including selecting and deciding the issue, capture data, and determine the unit of analysis that will be examined and so forth. This approach uses a qualitative approach, namely by adjusting the existing data and describe and provide interpretation to create a picture that shows systematically, factual, and accurate information on existing facts.

2.2 Research Focus

A study should focus on specific things, so the study could examine the issue more intense. This study has several focus of research, namely:

1. The implementation of CSR programs in the field of Rural Development PT Nestle Indonesia Kejayan Factory
2. Forms of social entrepreneurship activities that can be implemented in the company's CSR activities

2.3 Research Location

In order to get the data and for the accuracy of the data that will be done by the author. This study was conducted in several places, namely:

1. PT NESTLE Indonesia Kejayan Factory, Kejayan District, Pasuruan.
2. Pujon SAE Coperative, Kabupaten Malang
3. Jabung Agro Niaga Coperative, Kabupaten Malang

2.4 Sources of Data

Researchers used Primary and secondary data for the research was conducted. Primary data obtained through direct interviews with Nestle managers and cooperative managers of Nestle partners. While secondary data is used CSV reports Nestle, the profile of cooperatives, books, and scientific journals.

2.5 Data Collection Techniques

In conducting the study cannot be separated how we find the data to support the analysis. There are several techniques of data collection conducted by researchers, namely:

1. Observation

Observation is a method of collecting data through direct observation or review it is carefully and directly in the field or research location. In this case, the researcher guided the research design that it is needed to visit the study site to observe directly the various terms or conditions on the ground.

2. In-depth interview

In-depth interview is a collection data technique that is based on intensive conversation with a specific purpose. Interviews were conducted to obtain information regarding the various issues raised in the study. Interviews were conducted to the manager or the chairman of the cooperative to be a place of research. This is done to obtain primary data as material for further analysis.

3. Documentation

Documentation is seeking data about things that are needed in the study such as books, newspapers, magazines, CSR reports and so on. Documentation is used to supplement the data obtained from interviews and observations.

4. References Review

This study also takes the literatures which relate with problems in this study. Therefore, the references review is also necessary to determine the forms of social entrepreneurial activity as a reference in building a Social Entrepreneurship CSR program.

2.5 Research Instrument

Research instrument are needed to assist researchers in the process of collecting data in order to place a systematic, easy and effective.

The research instrument used in this study include:

1. Guidelines for interviews

It is an invaluable tool in the form of a list of questions to be asked directly to the informant. Questions addressed to the manager of the cooperative which became the research include:

- a. About cooperatives (name, date established, background of a the cooperative establishment)
- b. Cooperation between the cooperative and Nestle
- c. The advantage gained by the cooperative in partnerships with Nestle

2. Documentation guidelines

One form of tool is a note book for documenting information obtained during the conduct of research.

2.7 Data Analysis Method

Data analysis in this study was conducted to examine and analyze all data that are collected from various sources. Method of data analysis in this study is the analysis of qualitative data. The method is done by describing the object by truly condition research to determine and analyze the problems faced by the object of research, in order to provide alternative and suggestions of solving the problems faced.

This study uses the perspective of Professor Porter and Kramer about building a Shared Value in capitalism industrial (Porter and Kramer, 2006). Industry not only bring benefits to shareholders, but should also have a positive impact on the environment and society. Businesses should have a new paradigm, which is good for community is good for business too. So all the activities of the company must create Shared Value for society and environment.

Stages of data analysis in this study can be described as follows:

1. Learn about the CSV activities that have been implemented by PT Nestle Indonesia Kejayan Factory by doing an interview with Nestle manager and Cooperative manager.
2. Analyzing the CSV activity of PT Nestle Indonesia Kejayan Factory to serve as guidelines for CSR activities based on social entrepreneurship.
3. Draw conclusions based on the identification of PT Nestle Indonesia Kejayan Factory CSV activities then can be used to guide the establishment of CSR activities based on social entrepreneurship.

3. IMPLEMENTATION OF NESTLE CSV RURAL DEVELOPMENT SECTOR AT PT NESLE KEJAYAN FACTORY AS A DEVELOPMENT REFERENCE OF CSR BASED ON SOCIAL ENTREPRENEURSHIP

3.1 Nestle Profile

Nestle was founded in 1866 in Vevey, Switzerland by a German nationality nutritionist named Henry Nestle's. Beginning of Henry Nestle set up this company was when the number of babies who died before the age of one year, because women do not want to breastfeed their own babies. Then a friend came to Henry Nestle with a

premature baby to be treated. By Henry Nestle the baby is given food in the form of processed bread, milk and sugar, until the baby's condition gradually improved.

Since then Henry Nestle processed foods produced with the name "Nestle Lacte Ferine" became popular and trusted, as proven to increase nutrition and reduce infant mortality. Then Henry Nestle made the name "Nestle" which in German Switzerland means little bird nest (little nest) become a company logo. Therefore, Henry Nestle is known as the first Swiss to build modern industries concerned on the importance of brand image and company.

3.2 Vision and Mission of Nestle

PT Nestle Indonesia has a vision summarized in three points as follows:

1. Gain the trust of consumers, and become the leading food and nutrition and respected in Indonesia
2. Ensuring profitability and sustainability of long-term growth with efficient capital for the company, through a service that is able to improve the quality of consumers life
3. Being a market leader in each category

Meanwhile, PT Nestle Indonesia has a mission to realize a healthier society through its products quality, nutritious and delicious. PT Nestle Indonesia is also trying to always assume the responsibilities to the community and create benefits for others.

3.3 CSV Rural Development Sector Implementation at PT Nestle Indonesia Kejayan Factory

Nestle CSV approach to assist dairy farmers in order to be a good supplier, with better welfare conditions. Such cooperation have a positive impact in the long term sustainability and productivity to the ranchers, food security, economic development and environmental quality of life and standard of dairy farmers.

Dairy farmers is an important supplier for Nestle Kejayan Factory production process, because of the production of dairy farmers Nestle are able to get raw materials with better quality to be able to produce quality products. Therefore, Nestle keep provide guidance on good breeding and seek technical assistance on improved productivity and quality control of agricultural products.

Nestle trying to change the mindset and behavior through this program in order to meet high quality control set, not only by Nestle but by the industry at large. Birth of professionalism expected from farmers themselves can make them become a supplier of milk quality and trustworthy.

3.4 Partnership with Dairy Farmers

Long before PT Nestle Indonesia Kejayan Factory buy milk from the cattle rancher is in East Java, they have to import milk powder to meet production needs. Of course it cost to import milk is quite expensive, so it makes Nestle had to find another way to be able to provide raw milk for the benefit of their production.

But then it changed since Agronomy team of experts who analyzed that fresh milk can be produced in East Java. This could happen if the guarantee of the quality and quantity of the supply chain (from the cow to the Nestle factory) improved quality. Starting from here, Nestle has indirectly applied the concept of Creating Shared Value is called, the author can describe below:

1. Nestle provide soft loans to the dairy cooperative in each region so that they can buy refrigeration equipment that is useful to ensure that the milk from farmers remain in the best quality.
2. Agro Service Department provides assistance to farmers related to good farm management techniques for the preservation of the quality of milk to be supplied to Nestle and also to maintain the health of their livestock.
3. In order to better meet the interests of dairy farmers, Nestle overhaul the Agro Service Department to the Procurement Milk and Dairy Development Department (MPDD). The focus of this department is to improve the quality of milk produced by the farmers.
4. Nestle through MPDD department facilitating soft loans for the improvement of milk collection and transportation center, providing staff training cooperatives to apply standard operating procedure throughout the supply chain, compliance checks to ensure milk quality standards have been set.
5. Providing soft loans to farmers to increase the number of cows, as well as give briefing on cattle management.

This is what the past thirty years has been made by Nestle and continues to do so would achieve a joint usefulness Nestle, dairy farmers, and other stakeholders.

Creating usefulness together in the long run will make the community (society) become more independent and empowered economically, this will be the goal of Creating Shared Value. Because the theory of capitalism that favors only the advantage of the shareholders is no longer relevant in today's world. Michael Porter argues that by empowering the community's economy also means creating a better business world anymore - certainly for the benefit of the company as well. Due to the success of a business is not going to happen without a healthy economic climate in society.

4.3.2 Interview Result with SAE Cooperative Pujon and Agro Niaga Cooperative Jabung

To complete the author analysis of the CSV which has been applied by Nestle Kejayan Factory, the author also conducted interview with the dairy cooperative partner of PT Nestle Indonesia. This needs to be done as a comparison between Nestlé CSV reports with information obtained from the Cooperative Dairy. So it will obtain a comprehensive understanding of both parties relating to the partnership program that has been forged over the years.

The author choose two cooperatives that will serve as a place of research and data search is Pujon SAE Cooperative and Jabung Agro Niaga Cooperative. Two cooperatives are a cooperative that have its own unique traits. Pujon SAE Cooperative is one of the cooperative was established in the 70's and has worked with Nestle over 20 years. And now Pujon SAE Cooperative have a member of 6000 dairy farmers and sent about 100 tons of milk per day to the Kejayan Factory. While Jabung Agro Niaga Cooperative is a cooperative that has featured many innovations and often awarded both local and national level.

Here is an author interview with one of Pujon SAE Cooperative manager:

Topic 1 : About The Cooperatives

Researcher : When this cooperative was established?

Manager : Pujon SAE Dairy Cooperatives was founded in 1975. The establishment of this cooperative was established as a forum for dairy farmers in Pujon area. The number of dairy farmers in the Pujon

increasing from year to year, and therefore need a cooperative to organize the dairy farmers.

Researcher : How is the conditions in dairy farm lately?

Manager : To be honest there is decrease in the number of dairy farmers by 10 percent. Because fresh milk prices may not currently meet the cost of production, so inevitably forcing farmers out of business. This is the average experienced by large-scale dairy farmers who have to pay for food, pay employees, and other operational costs. Unlike the case with a small breeder who only has 3-4 cows are still able to survive because they do not exit costs for feed and labor.

The need for increased milk and natural conditions are suitable, make Pujon suitable as milk producing region. Therefore, founded a cooperative which contain thousands of dairy farmers in the Pujon area. With careful consideration, Nestle eventually formed a partnership with the Pujon Cooperative as a supplier of fresh milk to Nestle until this day.

Cooperation that has been established since long ago, is still running to this day and continues to grow as long as no one injured party. Because for Nestle could manage the conflict of interest that occurs, the cooperation among cooperatives will still be done. Although the condition of the farm for several years is not good, but because of the business relationship runs long enough, both sides could find the best solution.

Topic 2 : The Partnership Form between Cooperative and Nestle

Researcher : What are the forms of cooperation between Nestle and Pujon SAE Cooperatives?

Manager : The main form of cooperation is the buying and selling fresh milk between SAE Cooperative with Nestle. Every day as many dairy SAE cooperatives depositing approximately 100 tons of milk to the Kejayan factory. Deliveries are made twice a day, the morning and evening. Dairy milk is obtained from dairy farmers SAE Cooperative members that amounted to 6000 farmers. Approximately dairy farmers deposit by as much as 16 liters.

Then Nestle also provides free interest loans to SAE cooperatives to add amenities such as transport refrigeration and milk (in the form of milk tank trucks).

Business relationship that managed with a good management could make both parties equally benefit. In this case Nestle as a business entity has successfully developed business relationships become more developed. Not only in terms of quantity of milk demanded, but also in terms of quality of service. Nestle continues to provide guidance, training and supervision so that the quality of the milk produced by the farmers in Pujon nice stay.

Nestle realized that to get a good quality milk, they must continue to pay attention to how the milk produced by the farmers. Because Nestle as a reputable company should keep the quality of the milk as the main raw material. Here is the beginning of Nestle role to participate in developing the quality of farmers life. Nestle took part in the upstream process, namely by providing supporting resources for farmer and cooperatives.

Topic 3 : The Advantages of Partnership between Cooperative (Farmers) and Nestle

Researcher : What are the advantages from cooperation with PT Nestle?

Manager : The first, of course facilitate the marketing of our milk production, which we deposited nearly 97.5 percent to Nestle Kejayan factory. With this cooperation, cooperatives and farmers no longer need to market the production of fresh milk produced.

Then a soft loan will also help us to invest for appliances such as refrigeration trucks to transport milk and milk to the Kejayan Factory.

Researcher : What are the benefits obtained by farmers from partnerships between cooperative and Nestle?

Manager : The benefits for the farmer is the ease for marketing their milk production, and Nestle also provide counseling to farmers on how to raise a well in order to get the maximum quality of the milk, nestle also provide free interest loans to farmers to increasing the number of their cattle, the latter is a program biogas facilitated by Nestle and NGOs from the Netherlands Hi-Fos by providing loans to farmers through SAE

cooperative to build biogas plant in their homes. Biogas program is very beneficial for the farmers, because it could reduce costs for purchasing requirements or gas fuel

Researcher : What do you think in collaboration with Nestle over this?

Manager : During this cooperation between SAE cooperatives and Nestle is fine at the level of the business. In a sense we are selling fresh milk from farmers to nestle at agreed prices.

Business relationships between cooperatives and Nestle are trading relationship. And the cooperative is a party that need this business relationship. Causing cooperative bargaining power is low enough to Nestlé.

In a business relations of course the main thing is the financial benefit obtained between both parties. Usually the corporate is the most advantaged in a business partnership. This is what trying to convert from CSV concept applied by Nestle. By paying close attention in the form of financial and non-material support to business partners Nestle, namely dairy cooperatives and dairy farmers.

Benefits of the application of CSV concept is increasing the quality of life of society (business partners), and the activities of the company will also increase. This has been proved by Nestle, by providing support to business partners to continue to keep evolve, the Nestle business will also continue to run well. Because the gains not only belong to Nestle, but also felt by the community it self.



Pict 2 : One of the Manager's in Pujon SAE Cooperative

Interviews the author conducted on Friday, December 7, 2012 held at the headquarters of Pujon SAE Cooperative. Interviews were conducted with one of the managers of the Pujon SAE Cooperative. This interview lasted for approximately 30 minutes, beginning at nine o'clock and ends at nine-thirty o'clock. This interview focuses on partnerships between Pujon SAE Cooperative and Nestle.

Then below is an author interview with the Jabung Agro Niaga Cooperative. :

1. Interview with Manager 1

Topic 1 : About The Cooperatives

Researcher : How is the history of this cooperative establishment?

Manager 1 : This cooperative was formed in 1980 with a very simple condition. After a few time of the management changes, the cooperative is still not develop any significant change. Even in 1984, the cooperative is no longer able to pay its obligations. Then in 1985 the Jabung Agro Niaga Cooperative has new management that made the condition of the cooperative is much better.

Researcher : What are the activities undertaken by the cooperative nowadays?

Manager 1 : The main activities of the cooperative at the moment is producing cow milk that is produced by dairy farmers, then the milk was collected and remitted to the PT Nestle. Other activities undertaken by cooperative activities mostly are supporters of our main activities. Savings and loans unit to providing farmers needs before the payment day from Nestle, the store building as a provider of building materials for the construction of biogas, and so forth.

The establishment of Jabung Agro Niaga Cooperatives that is very difficult at the beginning become a valuable experience for the future of the cooperative. With the bitter experience at the beginning, making the cooperative to be more careful and always maintain professionalism and innovation. This attitude becoming a basic capital of cooperative management until now, so the Jabung cooperative can growing rapidly like nowadays.

Jabung Agro Niaga Cooperative as one of the best cooperative in Indonesia has various businesses of mutual support with the main activity. This things is very helpfull

to be able to survive and continue to develop cooperative activities. Chain of interrelated activities could create new job opportunities and of course be able to make a greater cooperative.

2. Interview with Manager 2

Topic 2 : The Partnership Form between Cooperative and Nestle

Researcher : How is the beginning of Jabung Agro Niaga Cooperative working with Nestle?

Manager 2 : Jabung Agro Niaga Cooperative began working with Nestle in 1998. At first time, Jabung Agro Niaga Cooperative was a forum for sugarcane farmers. However sugar business gradually less so prospectively, so the cooperative have to find another alternative business. So Jabung Agro Niaga Cooperative business turned into producing fresh milk, and began working with Nestle.

Researcher : What are the forms of cooperation between Nestle and KAN Jabung?

Manager 2 : The first form of cooperation, every day we stock milk to Nestle by about 31 tons. Milk delivery done twice a day. That every morning and afternoon. For the payment of freight is carried by Nestle milk once every 10 days to cooperatives, and cooperatives distribute payments to farmers.

Then Nestle also provide free interest loans to the Jabung Agro Niaga Cooperative to supply cooling equipment investment and transport milk delivery.

Nestle provide interest-free loans to farmers through Jabung Agro Niaga Cooperative for biogas development in each and every home breeder. To date 390 homes have been fitted biogas farmers. The collaboration system is Jabung Agro Niaga Cooperative implement biogas installation in every home and Nestle lend the installation. And also Jabung Agro Niaga Cooperative working with the Dutch NGO Hi-Fos which provides a subsidy of 2 million farmers to install biogas.

Accordance with the CSV principle introduced by Porter (2006), the business must provide added value to the community. Therefore, Nestle has also adopted the concept of trying to keep the business chain that being operated could be worth more either to the company or the community. Nestle is not only buying milk from the farmers, but also trying to participate and develop their quality of life.

Creating a good relationship between the company and the community (business partners) will be good for the company too. Nestle to adopt the concept of CSV knew this, so the business always account the impact to the community and the environment. Such as sewage treatment actually administered, it can even be used as irrigation by farmers around the Nestle factory.

3. Interview with Manager 3

Topic 3 : The Advantages of Partnership between Cooperative (Farmers) and Nestle

Researcher : What are the advantages from cooperation with PT Nestle?

Manager 3 : The cooperation with Nestle is our inspiration in running the cooperatives. Nestle in the early cooperation applying very strict SOP, to the extent that we think that it could not implement the SOP. But with a strong determination to go forward, then we would not want to follow the standards set by Nestle. It's not easy to change behaviors and habits that dairy farmers in this Jabung. Originally they know just flushed and sent milk, but with Nestle standards farmer should change the last habits. Alhamdulillah with the training and development continuously until now we have been able to meet the Nestle SOP. This is what motivates us to continue to improve the quality of our milk is deposited, and develop our other business lines to support the well-being of members of Jabung Agro Niaga Cooperative itself.

And cooperation with Nestle also inspires us to continue and develop this Jabung Agro Niaga Cooperative to be more evolved and more useful for the dairy farmer. Since the purpose of the Jabung Agro Niaga Cooperative is also not solely the business, but also for the advancement of members which is actually a dairy farmer. With inspiration partnership with Nestle, we are now able to develop multiple lines of

business, namely mini market, hardware store, processing plant fertilizer, and etc. That all these business lines are connected to the cooperation between farmer-cooperatives-Nestle. Such minimarket that we built as a store to supply the basic needs of farmers for 10 days before they receive milk payment from Nestle. With the system take first - pay later, farmers greatly benefited by the existence of this minimarket. Then building store owned by Jabung Agro Niaga Cooperative which is its main purpose is to supply the building materials used for the construction of biogas.

Researcher : What are the benefits obtained by farmers from partnerships between cooperative and Nestle?

Manager 3 : The farmer was initially very difficult to the cooperation with Nestle for the first time. Due SOP requested by Nestle is tight and is something totally new for the farmer. Not only do they have to change habits in producing dairy cows, but they also need to invest into equipment that has been set by Nestle. But over time could eventually benefit farmers with strict SOP, the quality of the milk they became good. Because Nestle is also providing training and supplies to farmers on how to be able to produce milk with good quality.

Nestle is also providing financial assistance to farmers in the form of loans for the construction of biogas installations in homes breeder. Nestle as consumers of fresh milk farmers are always on time on payments day. In the last 10 days, Nestle always pay on time milk purchased from farmers through Jabung Agro Niaga Cooperative.

Researcher : How is the origin of the biogas program "Olah Limbah Jadi Berkah" in cooperation with Nestle?

Manager 3 : The first time we tried to figure how to keep of the cow can be used for other purpose. Then we find out from students and academics who are KKN in our place. Until we invited Professor Yunus from UB Malang to present Biogas program. But biogas presented by Professor Yunus is very expensive to manufacture that is cost equal to 16 million rupiah's. So we think it is impossible for farmers to implement biogas at their homes.

Alhamdulillah our Cooperative members named Mr. San, who served as a second Chairman design a biogas based on the presentation of Profesor Yunus but with the cost of making that much cheaper. Since that time we began to socialize the program, until finally Nestle was interested in biogas which we developed and began to participate in collaboration to develop biogas as it is now.

CSV adopted by Nestle has proven to improve the quality of life for dairy farmers and participate in developing cooperatives. Because the implementation of CSV is not just aid or donation at a time. But also develop a dairy farmers that become Nestle supplier. With the assistance and the implementation of strict standards, resulting in changes in work patterns to be more professional. So it will create a reciprocal relationship mutually beneficial, especially for dairy farmers and cooperatives.

Corporate Social Responsibility made by Nestle when seen from the classification of CSR by Professor Porter, that Nestle has done "Socially Responsible Business Practice". Where CSR activities has exceeded of what should be done. So that the positive impact of the program is very beneficial, it also can even create a domino effect that led to other positive impacts. If this things calculated, then the multiply effect generated from Nestle Activities will be much greater.

Nestle has managed to build a mutually beneficial relationship between the stakeholders, the public and the government. Nestle minimize conflict of interest in a business relationship, by creating a system that not only bring benefits to Nestle, but also to the community. So that the relationship created not only buying and selling relationships, society that became a partner of Nestle could increase the quality of life.

Nestle provide more benefits from the cooperation with the community, in the form of improved quality of life and opening up business opportunities in the community. This makes Nestle also benefit as well, by applying a good CSR then automatically generated reports will be more qualified. And also the image displayed to the public against Nestle will also be positive. Nestle realized that building a good relationship with the community it will be good impact for the company as well as the Professor Porter said "Good for community, is also good for business".



Pict 3 : Interview with Manager's of Jabung Agro Niaga Cooperative

The author conducted interviews with the heads of the four cooperatives who turns answering questions from the author. Interviews were conducted on Saturday, December 8, 2012. The author conducted interviews with the heads of the cooperative for more than an hour which is housed at the headquarters of Jabung Agro Niaga Cooperative. From the interviews, author get information about the history of the Jabung Agro Niaga Cooperative and history of collaboration with Nestle. Then also the development of Jabung Agro Niaga Cooperative after a partnership with Nestle.

4.4.3 CSR Based on Social Entrepreneurship

CSR is one tool that can be utilized and maximized to improve people's live. Since the development and empowerment is not just the responsibility of the State alone, but also of all parties in the State. Therefore, the company as one of the interested parties should take part in it. The idea that business just business should be abolished and replaced that businesses should bring benefits to the community. Therefore, in addition to the company's operating profit for the shareholders shall also bring benefits to society. One way is to implement CSR programs for such companies.

There have been many methods developed by the company in the development and implementation of their CSR. Start of activities are generosity (accounted for

orphanages, street children sympathize) to implement sustainable community development. Companies can adopt the method of social entrepreneurship into their CSR activities. By taking and applying the principles of social entrepreneurship and then applied in a company's CSR activities.

Social entrepreneurship identify social problems that are happening in the community, and try to find a creative solution and solutions. Various social problems that exist in the community is an area for social entrepreneurship to be taking part in the finish. As one of the alternative methods of solving social problems lately being widely talked about, then there is no harm to the company through its CSR using social entrepreneurship as a real contribution form for society.

Therefore, the author wrote some of the topics that contains about social issues, challenges, and a few things that need further development. The author summarizes the topic of a book entitled "Social Entrepreneurship - How to Start successful CSR" and other literatures, as well as the author's personal experiences during become a social activist. The hope with the list of topics could inspire companies to develop CSR is based on Social Entrepreneurship.

1. Alternative energy

Just as has been done by Nestle Kejayan Factory, by changing the usage of fuel oil into gas. Other companies may also replace fuel for their industries to more environmentally and friendly fuel. Today the use of fossil fuels has been proven to contribute in the global warming that cause climate change drastically. So, make it a good many scientists, government and the business world who care about the environment to try to replace the use of fuel fossil.

The use of alternative energy such as natural gas and bio-diesel are more environmentally friendly, or the use of solar energy as an energy source. In some States have developed power plants using wind power or water, and even some prototype energy from seawater.

The company can also develop new technologies for the efficient use of fossil fuels if it feels impossible to replace. With the technology expected use of fossil fuels can be reduced as low as possible to minimize its effect.

2. Education

Education in Indonesia is one of the things that kept coming up new issues and problems in every decade. Ranging from inadequate infrastructure, which is not the same quality of education between urban and rural, and various other issues. Nestle Kejayan Factory has also developed a pilot school located in the surrounding factories.

Since education is a gateway for people to become more civilized, the company also must pay attention to this sector. As said Porter (2011) from Harvard University, that the condition of the people of good will has a positive impact on the business world (Porter, 2011).

Companies can invest their CSR funds to build both educational infrastructure as well as develop and improve the quality of education. Not only could help the education of children with special needs by building schools or providing equipment for them.

The company can provide skills training that will help students when they have graduated and ready to work. Or create an internship program within the company that could be an addition to the experience for students as well as students.

3. Health and Nutrition

Health also is the most need attention, especially in a third country such as Indonesia. Problem costly access to health care, inadequate equipment in areas far from urban areas, and insufficient medical personnel become common problem in this country.

Companies can provide assistance to hospitals or government-owned health facilities around the company doing the activity. With the donated funds and the purchase of medical equipment are adequate.

Nourishment to children perceived lack of food intake four of five perfectly healthy can company do if company's location close to the poor area. By providing special assistance to severely malnourished children or to provide additional nutritious foods on the sidelines teaching and learning activities in schools.

4. Environment

Consumers are now starting to realize the importance of protecting the environment and prefer environmentally friendly products. Consumer awareness should be anticipated and appreciated by the company with the company's policies that promote the protection of plant waste management and nature conservation.

Nestle has a excellent wastewater treatment system, with the end result of such waste can be utilized to irrigate paddy fields farmers in surrounding factories. Waste production is very harmful to the environment, processed accurately and carefully to produce water that is not at all harmful to the environment.

Waste treatment and waste production is an important thing that sometimes many companies do not want to know about it. Certainly one reason is a good sewage treatment will cost quite a bit as well, so many companies are reluctant to invest in it. Though the problem is not only wastes the company's image could drop if not treated properly, but the most important is the condition of the ecosystem and the surrounding environment.

Companies should focus first on the company's strategy on waste treatment is good for preserving the environment and public health around.

5. Caring for People with Disabilities

People with physical disabilities are often difficult to gain access to employment and other public facilities. Due to their competitiveness of those who do not like a normal human being like others. But sometimes their morale is high but not matched with opportunities. Similarly, in this country facilities for the disabled are considered very less when compared to any other country.

Companies can build a business entity or foundation fund that aims to help people with disabilities to be self-supporting, because it helps them to get the money by the sweat of their own are more meaningful than giving cash donations.

The company can also build facilities for the Disabled in the company or in public places. Or donate assistive devices for people with disabilities such as wheelchairs, Braille books, artificial limbs, and etc.

6. Protection of Employees

Employees are often underestimated by the management and shareholders. Because the mindset is already inherent in the capitalist business world that only the maximum profit without regard to the social and human factors. So sometimes employee rights are often ignored by the company.

Porter (2011) from Harvard in Rethinking Capitalism said that good business will bring usefulness for all parties, not least by the employee. As well as that made by Nestle with the business principles that give awards to employees. The company policy was in favor of the employee from working hours, workplace safety facilities, lunch, bonus, and activities outside the production activity as a means to get closer to the employee and the company.

4. CONCLUSION

4.1 Conclusion

Based on the result of study, the research questions were answered and then, it was concluded that :

1. The implementation of Nestle Indonesia Kejayan Factory's CSV Program at Rural Development Sector was useful to support the milk breeder and the milk cooperative because it provided the funding and training that were required for the improvement of life quality of milk breeder and for the development of milk cooperative. The implementation of Nestle CSV Provides some real benefits for dairy farmers and dairy cooperatives, namely:
 - a. Quality life improvement of dairy farmer
 - b. Business relationship between Nestle, cooperatives and dairy farmers has been improved
 - c. Providing easy marketing of milk
 - d. Dairy cooperatives become more developed

- e. Changing the mindset of rural communities becoming more advanced
2. Nestle's CSV Program was a fundamental step stone for the development of other CSR Program based on social entrepreneurship theory. It might be obvious if it was seen from the complexity of CSV activities conducted by Nestle, which always related to the economic development, the environmental conservation, the increased public health, and the education. So the CSR activists in the future can create CSR activities based Social Entrepreneurship which focus on the development of community self-reliance, environmental conservation, public health, improving the quality of education, and caring people with disabilities.

4.2 Limitation

During the course study, some limits were challenging the author, such as:

1. Data of research were obtained from interview with some sources such as Nestle Manager and some Cooperative Managers, but excluding milk breeders. Only examining the cooperation program between Nestle and Cooperative, therefore, was not enough because milk breeders were also the interested parties in the rural development program.
2. Literature that was discussing Social Entrepreneurship was very few. Therefore, the author found difficulty in exploring the discussion about social entrepreneurship theory and its implementation in the field.

4.3 Suggestion

Taking account the results, some suggestions were given to Nestle, Cooperative and the future researcher:

1. Cooperative should be proactive and creative to develop other work line as the supporter for the main work, which was milk ranch. Milk price was unstable and therefore, it was worrying to find any milk breeders to go bankrupt if cooperative as the host of milk breeder did not take any necessary actions.
2. To obtain deeper result of research, interview was better conducted with the parties with real interest to the milk production, not only company executive, but also milk breeder. Only interviewing the executive did not represent the parties who were engaged directly with Nestle's CSV Program at Rural Development Sector.

3. Social Entrepreneurship Program was easier developed not from scientific literature, but from field practice by social activist. Therefore, for the next researchers who wanted to explore social entrepreneur, the investigation through biography or story might be useful.

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