

## Strategic Initiatives of Multinational Corporations in Environmental Sustainability in Indonesia: Case Study of Allianz and PT Azbil Corporation

**Vivin Amalia Dwi Vandini, Janeeta Ala’aldin**

Universitas Pembangunan Nasional Veteran Jawa Timur

Email: 20044010030@student.upnjatim.ac.id, 20044010018@student.upnjatim.ac.id

### ABSTRACT

Sustainability in environmental aspects is a critical focus area that requires increased attention due to the deteriorating condition of the Earth. One of the significant impacts of environmental issues is climate change, which has prompted multinational companies to become involved in efforts toward environmental sustainability, including in Indonesia. The involvement of multinational companies such as Allianz and Azbil Corporation in environmental sustainability is driven by their desire to address environmental challenges and their social responsibility as companies operating in Indonesia. This study aims to examine the implementation and efforts of Allianz SE and Azbil Corporation in promoting environmental sustainability in Indonesia using a descriptive qualitative analysis method. The findings of this study indicate that Allianz promotes sustainability through various CSR programs, including funding organizations involved in waste management, establishing waste banks, planting mangroves in several locations, participating in global waste cleanup movements, and other successfully implemented initiatives. Azbil Corporation contributes to sustainability by providing training to partner company operators, which positively impacts both the sustainability of the partner companies and sustainable energy conservation efforts. The success of these two companies in advancing environmental sustainability in Indonesia is evident from the large number of CO<sub>2</sub> carbon emission reductions by Azbil Corporation and the various programs implemented by Allianz.

**Keywords:** Sustainability, Multinational Corporation, Transfer Technology, Corporate Social Responsibility

### INTRODUCTION

Environmental issues are a global problem that has an impact on climate change. So that overcoming climate change is an urgency that must be resolved immediately by world countries. Climate change has been included in the main political issues since 1988. Since that year, various scientific conferences have been held that have built a consensus that CO<sub>2</sub> carbon gas emissions and gases produced by humans will cause warming of the earth's surface which leads to climate change. Climate change will have substantial detrimental effects on humans such as rising sea levels, changes in rainfall and storm patterns, risks of desertification and flooding, agricultural migration, and other impacts (Paterson & Grubb, 1992). Carbon dioxide (CO<sub>2</sub>) is the main actor in



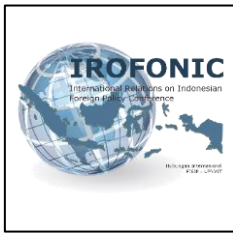
climate change that comes from the use of fossil fuel energy and deforestation. The goals of a country's economic development and the fossil fuel industry generally contribute a fraction of a percent of the Gross National Product (GNP).

The many negative impacts caused by environmental problems have become a concern for many parties. Various efforts have been made by these parties to prevent and overcome the negative impacts that have been created. For example, the state as one of the actors who also tries to create policies for citizens and their communities to protect the environment. Not only the state, many international organizations also try to play a greater role. The existence of international agreements in the field of the environment, the provision of education and training related to environmental concerns, and various efforts made by international organizations to reduce the negative impacts of environmental problems.

In addition to countries and international organizations, other actors that also participate are multinational companies or MNCs. Although as non-state actors at the international level, MNCs are also aware of the importance of finding solutions to prevent and inhibit the negative impacts of environmental problems for the sustainability of human life. As actors who run their businesses in two or more countries, MNC participation in protecting the environment is commonplace. MNCs are also one of the causes of global climate change, therefore there needs to be a commitment from MNCs to protect the environment by carrying out sustainable development (Subarkah, 2019). Not only that, but MNC participation in protecting the environment is also caused by several factors. The first is because of the need for MNCs to maintain the company's image and good name in the eyes of the world. A good image created through these positive efforts can encourage consumers to want to buy products or services offered by the MNC.

There are various ways to demonstrate MNC efforts in addressing environmental issues. One example is packaged through the concept of corporate social responsibility (CSR). One example of MNC efforts through CSR is seen from a German financial company called Allianz. The company, which also operates in Indonesia, strives to be able to carry out social responsibility programs in the countries where they operate. Examples can be seen through the implementation of Allianz's CSR programs in Indonesia, such as funding local communities that focus on the environment, participation in annual global social action programs aimed at combating waste problems, and several others.

Not only that, MNC efforts can also be seen from the procurement of technology transfer in projects that are interconnected between countries that provide encouragement for environmental sustainability. This technology transfer is carried out in the Joint Crediting Mechanism (JCM) between Japan and Indonesia. This effort can be seen from the PT Pertamina (Persero) Refinery Unit IV project established by Azbil Corporation with PT Pertamina (Persero) where Azbil Corporation provides training for local staff to operate low-carbon technology. The technology installed at PT Pertamina



(Persero) is more efficient and pays attention to the gas emissions produced than previous technologies for environmental sustainability.

Thus, this study attempts to see the role of other actors besides the state in International Relations that are involved in environmental sustainability, namely multinational companies. The existence of this study shows the contribution given by MNCs to the negative impacts of environmental damage through case studies, so that the purpose of writing it is to elaborate on the importance of environmental sustainability that is attempted by MNCs.

## METHODS

The research method and data analysis technique used in this study is a qualitative descriptive method. Briefly, it can be explained that qualitative descriptive is a research method and data analysis technique that moves on a simple qualitative approach with an inductive flow. This inductive flow means that qualitative descriptive research begins with an explanatory process or event which can finally draw a generalization which is a conclusion from the process or event (Yuliani, 2018). Not only that, according to Kim et al., (2017), the descriptive qualitative method is recognized as an effective and suitable approach for research that aims to explore the "who," "what," and "where" of events or experiences, and to gain valuable insights from participants about phenomena that are not well understood. Thus, it can be understood that the descriptive qualitative research method and data analysis is a method that seeks conclusions or answers to a phenomenon.

The data collection technique used in this study is to use secondary data. Data collection with this technique requires rich and diverse data from various sources that can be found, such as books, journals, and others. According to Fadilla & Wulandari (2023), secondary data is data obtained indirectly from the object of research. Researchers obtain finished data collected by other parties in various ways or methods, both commercially and non-commercially. Secondary data can be obtained from various sources, such as the Central Bureau of Statistics (BPS), books, reports, journals, and other data sources.

## RESULT AND DISCUSSION

### **Allianz In Environmental Sustainability in Indonesia**

The German-based company Allianz, operating in the financial services sector, is present in more than 70 countries, including Indonesia. The efforts of this multinational corporation to promote environmental sustainability in order to mitigate the adverse effects of environmental issues are pursued through various means, one of which is corporate social responsibility (CSR). The concept of CSR refers to all the relationships between a company and its stakeholders, including customers, employees, communities, owners or investors, governments, suppliers, and even competitors,



reflecting the company’s concern for broader interests beyond its own (Ernawan, 2014). In other words, MNCs also strive to show care for the surrounding environment where they operate, including addressing environmental problems that frequently arise and pose risks to the sustainability of life in the future, through various initiatives.

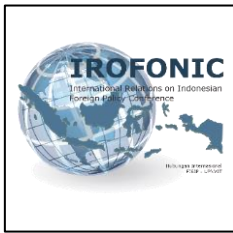
The corporate social responsibility programs carried out by Allianz in Indonesia are focused through the establishment of a foundation called Yayasan Allianz Peduli in 2012. Allianz pays attention to various social areas, one of which is the Environment & Natural Disasters sector. Furthermore, Allianz collaborates with the government, local organizations, communities, and other parties to ensure the success of its social programs. Therefore, the efforts of this multinational corporation to maintain environmental sustainability in Indonesia can be observed through the case study of Allianz’s company and the environmental-related social programs they implement.

### **Allianz CSR Programs in Indonesia for Environmental Sustainability**

#### **a. Social Innovation Fund**

One of Allianz's CSR programs in the environmental sector was implemented in 2020 in the form of a competition titled the "Social Innovation Fund 2020" (Yayasan Allianz Peduli Report, 2020). The competition aimed to find solutions to various social issues such as economic and environmental problems, with numerous enthusiastic participants submitting program proposals. The competition then determined the winner based on considerations of many things such as reach, impact generated, and innovation with prizes in the form of funding and mentoring. The winner of the competition was an organization called the Get Plastic Foundation which is active in carrying out a plastic waste-free movement and also developing innovations in making machines to convert plastic waste into diesel fuel. However, it did not stop there, the mentoring provided by Allianz for the Get Plastic Foundation organization also continued until 2021, where in that year the reach of benefits provided by the Get Plastic Foundation expanded to the creation of a Learning Center. The Learning Center was built with the aim of being an education center related to waste. This can be linked to the issue of plastic waste which is one of the problems with quite a bad impact, including in Indonesia. In 2021, the total amount of Indonesian waste was estimated to reach 68.5 tons with a tendency for the composition of national waste to increase from plastic waste with a total of around 11.6 million tons (CNN Indonesia, 2022). The results obtained from the manufacture of plastic waste processing machines into fuel that were innovated in 2021 were then also donated to underprivileged communities who needed assistance, such as farmers and fishermen in Bali, Indonesia.

#### **b. World Cleanup Day**



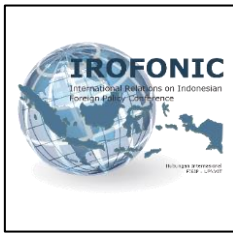
Another program carried out by Allianz to reduce the negative impact of environmental damage is by participating in a global social event called "World Clean Up Day" for several consecutive years (Allianz Peduli Foundation Report, 2020). The movement is an annual global initiative that focuses on addressing the problem of poorly managed waste around the world, including marine pollution caused by waste. In 2020, Allianz Indonesia participated in World Cleanup Day (WCUD) which takes place in September every year. That year, Allianz Indonesia collaborated with the Semesta Mangi Lestari organization to plant 2,000 mangrove trees, and collect garbage on Pramuka Island on September 11-12, 2020. This activity was then documented in the form of a virtual tour so that it could be accessed by the public with a wider reach. The virtual tour was then broadcast together with the WCUD Webinar on September 21, 2020 in collaboration with a youth environmental community called Kebun Kumara. Not only that, but Allianz also participated again in World Cleanup Day 2021 to encourage the entire community to take action to preserve the environment. Slightly different from the previous year, Allianz showed its responsibility in participating in World Cleanup Day by planting 4,400 mangrove trees on Harapan Island, Seribu Islands. Around more than 150 Allianz Indonesia employees participated as volunteers in the program to help implement the CSR program for environmental sustainability.

### **c. Digital Waste Bank**

Allianz Indonesia held a CSR program in the form of a waste bank for environmental sustainability by encouraging people in the area around the Allianz Indonesia head office to be able to sort their own waste through empowerment (Allianz Life 2021, 2021). This program has been implemented by Allianz Indonesia since 2018 so that not only the community can participate, but the company's employees can also participate. Approximately 250 people as customers weigh their waste regularly. The participants were very enthusiastic about this program, which can be seen from the total average amount of waste saved of around 7 tons per year.

In 2021, this waste bank program was developed in collaboration with application developers to be able to provide a Digital Waste Bank so that waste that has been successfully sorted by the community can be taken directly to their respective homes. In that year, approximately 820 kg of inorganic waste was successfully sorted to reduce the negative impact of waste on the environment. In the following year, Allianz Indonesia did not stop there and opened a new collaboration with Rekosistem. The collaboration aims to increase awareness of waste management and minimization, especially inorganic waste in households. The availability of dropbox and rebox facilities at several points in Jakarta is provided to support the sustainability of the Digital Waste Bank program.

### **Azbil Corporation and PT. Pertamina (Persero) Technology Transfer in Environmental Sustainability**



The JCM program involving Japan and partner countries aims to spread leading low-carbon technologies, products, systems, and facilities among developing countries to reduce carbon emissions. The PT Pertamina (Persero) Refinery Unit IV project uses Azbil's control technology operating in a power plant that aims to optimize boiler operation. Where this technology can reduce CO<sub>2</sub> emissions significantly beyond the initial target. The utility plant in the oil refinery consumes approximately half of the fuel used in the entire refinery.

Azbil calculated the oil and gas ratio, built a control system that functions to distribute gas to high-efficiency boilers, and achieved significant energy savings compared to previous technologies. The Engineering and Development Manager of PT. Pertamina (Persero) explained that previously PT. Pertamina (Persero) allocated fuel to each boiler manually through a distributed control system (DCS). After the technology transfer which then obtained advanced control technology from Azbil Corporation, fuel was automatically allocated which increased system efficiency and reduced CO<sub>2</sub> emissions. Nanda Dharma Parayana, a Senior Specialist in the Purification Process Solutions Department, said the initial target for CO<sub>2</sub> reduction was 20,000 tons per year, but with this technology, PT. Pertamina (Persero) managed to reduce 35,000 tons of CO<sub>2</sub> in 10 months, which fuel reduction was worth more than 300 million yen.

In line with the sustainable goals of PT. Pertamina (Persero), Azbil participates in depth in the training of operators and other personnel on site when the technology is installed. Operators at PT. Pertamina learned Azbil's advanced control technology and other boiler operations through training conducted by Azbil. With in-depth knowledge of the installed technology, the operation of the technology can be carried out optimally and work efficiently. The training for operators at PT. Pertamina has a positive impact on the sustainability of PT. Pertamina, especially in sustainable energy conservation efforts. Azbil's alertness in assisting operator training can be seen from Azbil's responsiveness if there is a communication error between advanced control technology and the existing control system. First, Azbil Berca Indonesia will handle the problem that occurs, then Azbil Corporation identifies the root of the problem and resolves the problem by accessing the system remotely. From this project, Azbil has achieved two of its targets, namely reducing fuel and CO<sub>2</sub>, and personnel training.

## CONCLUSION

Based on the previous paragraphs, it can be concluded that environmental damage has an impact that threatens human survival. The most impactful impact is climate change. Industrialization is the main factor driving climate change. Where in general developed countries with significant industrialization produce CO<sub>2</sub> carbon which has a major impact on the environment. So that various actors such as countries, international organizations, to multinational companies or MNCs must strive to minimize the impact of climate change and environmental sustainability. MNCs' efforts in the environmental ecosystem can be seen from the programs organized by Allianz and projects implemented by Azbil Corporation with PT. Pertamina (Persero). CSR programs



organized by Allianz such as funding, provision of waste banks, company participation in environmental movements that contribute to environmental desires because they have succeeded in increasing awareness and implementation of environmentally friendly in the surrounding community. Then the technology transfer was carried out by Azbil Corporation with PT. Pertamina (Persero) is also involved in environmental sustainability which can be seen from the reduction in CO<sub>2</sub> carbon produced by PT. Pertamina (Persero). This reduction in CO<sub>2</sub> carbon is the result of Azbil's sophisticated technology which works more efficiently because it allocates fuel automatically, thereby reducing CO<sub>2</sub> carbon. This study has not reviewed in depth the impact of environmental damage due to CO<sub>2</sub> carbon emissions, so it is hoped that further research can elaborate more deeply on the impact of environmental damage due to CO<sub>2</sub>.

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