

Determination against all odds? A story from Waste4Change

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“... we want to create something good, in the right way ...”

[Mohamad Bijaksana Junerosano (Sano),
CEO of Waste4Change (W4C)].

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Story of idealism [1]

“This is the time to prove to ourselves that we can expand our business beyond Greater Jakarta. But how could we move on while the local government there hasn’t approved our permit application? We shouldn’t bypass the rules. Let’s stay on track. We’re never ever going to break the law!” Sano rose from his seat in the meeting and swept his gaze across his team members. Waste4Change (W4C)’s idealism was being tested.

When business idealism and pragmatism clash, it is the real show for W4C to walk their talk that managing waste is like conquering the ocean. The challenges faced can be highly unpredictable and unstable. Waves can come at any time and, crucially, must be controlled. Sano and his team believed that shared core values among the team members were the key to raising their spirit to successfully conquer that ocean.

Amid a drive to reformulate its core values, Galaxy, a multinational company that had been a client of W4C for the past three years and appeared satisfied with its work, offered W4C the challenge and support to open operational offices and manage the waste from their representative offices in several cities in Indonesia. W4C was extremely keen to take the opportunity. However, guaranteeing service excellence while maintaining compliance and ensuring sustainability was trickier than it appeared. In carrying out operational activities for waste management in each city, W4C prioritized holding the requisite operating permits for those cities before commencing activities. Such permits were normally issued by the Department of Sanitation and Environmental Services of those cities.

Sano was fully aware that without a complete set of operating permits, W4C’s commitment to always comply with applicable regulations could be in jeopardy. On the other hand, it would not be good for their business if they did not immediately seize these types of development opportunities. Successfully expanding the business would also serve as the impetus for achieving his long-term goal: going public by 2030 to increase participation from various parties through a formal “crowdfunding-like” financial channel in managing waste throughout Indonesia and hence contributing to solving the waste problem in the country.

Background

“Protecting mother nature at all costs.” Sano embraced this principle and it had inspired his steps in developing business related to nature.

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I have been involved in waste for the last 20 years. I feel lucky to have had the experience of living in a village close to nature and a city with all its rapid progress. So, I can compare the two experiences as motivation to find solutions to waste. My interest in waste began when I was about to graduate from high school. At that time, I didn't know what I wanted to do in the future. Finally, one day, I had time to pray, asking God what path I should take for a better future. Like magic, after that, I watched the news on TV about garbage. There's always something in me that pushes me to contribute to the solution of waste problem.

Prior to setting up W4C, Sano already had a track record in “nature-related” activities, some of which stretched back to when he studied environmental engineering at the Bandung Institute of Technology (ITB). In 2005, Sano and his colleagues founded U-Green ITB, a forum for all ITB students from various study programs to increase their knowledge and dedication to participate in an environmentally friendly development. In 2006, he founded Greeneration Foundation, a non-governmental organization focused on promoting waste management issues by using creative media in a bid to improve human behavior and encourage the application of the principles of sustainable consumption and production. In 2011, as the Coordinator, Sano represented the Bandung Green Forum in launching a green map of Bandung. Featuring waste as its theme, the map contained information on places related to waste processing, namely, green product businesses, thrift shops, recycling centers, composting centers, green schools and community organizations that had a focus on the environment (an example of how the map appeared is shown in [Exhibit 1](#)). The map, which was claimed as the world's first green map at that time, covered 30 sub-districts in the city of Bandung.

Sano's waste management initiatives continued. The idea of starting W4C was sparked by a series of lively discussions between PT Greeneration Indonesia (the holding company of W4C and Greeneration Foundation) and EcoBali (PT Bumi Lestari Bali) in 2014. The two organizations shared the aim of developing a waste management company that had an idealistic goal to reduce the amount of waste ending up in landfill. W4C was officially established by Sano under the name PT Wasteforchange Alam Indonesia. To realize its mission, in 2016, W4C cooperated with recycling partners providing refuse-derived fuel (RDF) technology to launch the “Zero Waste to Landfill” program. W4C also launched the Extended Producer Responsibility (EPR) program as a mechanism or policy in which producers are asked to take responsibility for the products they produce or sell (along with the packaging) when these products or materials become waste. Under this scheme, producers should bear the costs of collecting, transporting, recycling and disposing of the products or materials at the end of their life cycle. The various programs launched by W4C therefore aimed to support the “circular economy” through responsible waste management.

A young, nature-idealist CEO should be accompanied by a team that shares the same level of idealism. This is what happened at W4C. As a start-up, the company has a streamlined structure consisting of young and idealist managers and employees. Ever since its inception, the founders have resembled a “troop” who are prepared to sacrifice their own interests for the growth of the company. At one stage, they took no salary for three months as all funds were reinvested for the company's benefit. Their sacrifice was not in vain as W4C is now one of the biggest waste management companies in Indonesia. It has a well-defined vision to “become a leader in providing responsible waste management solutions.” It has a clear strategy: “Making changes in the responsible waste management ecosystem based on collaboration and technology towards implementing a circular economy and a waste-free Indonesia.” W4C has positioned itself as an organization that complements and supports the role of the government within the waste management ecosystem. [Exhibit 2](#) contains an overview of the solid waste institutions in Indonesia.

Waste management problem in Indonesia

Waste has become a national problem that requires holistic, systematic and integrated management. It was also the cause of a disaster that befell Indonesia, when, on February 21,

2005, the Leuwigajah TPA in Bandung, West Java collapsed triggering a catastrophic avalanche of waste that caused 143 deaths and erased two villages from the map. Since then, February 21 has been designated National Waste Awareness Day in Indonesia. In 2019, the Indonesian Ministry of Environment and Forestry recorded total waste generation of 67.8 million tons/year consisting of organic, plastic and paper waste (this equates to around ten times as heavy as The Great Pyramid of Giza or around 2,500 times as heavy as The Statue of Liberty!) [2]. Of this total waste, only 7.5% is processed into compost or recycled, with 69% continuing to end up in landfill; of this, 10% is buried in the ground, 5% is burned and the remainder is left unmanaged, with some of it contaminating the ocean (see [Exhibit 3](#)). Among the causes of the difficulty in managing waste in Indonesia is the behavior of the Indonesian people, who do not take waste into account. Data from the Central Bureau of Statistics in 2014 showed that 81% of Indonesians did not sort waste, another 10% sorted waste but then mixed it again, while only 9% sorted waste and then recycled it.

The government continues to make efforts to manage waste through various policies, namely, Law Number 18 of 2008 concerning waste management; Government Regulation Number 81 of 2012 concerning management of household waste and types of household waste; Government Regulation Number 27 of 2020 concerning specific waste management; Presidential Regulation No. 97 of 2017 concerning JAKSTRANAS (national policy and strategy); and Minister of Environment and Forestry Regulation No. 75 of 2019 concerning roadmaps for reducing waste by producers. Furthermore, in 2020, the government issued a Joint Decree between Three Ministerial Institutions and the Indonesian Police concerning Non-B3 Waste as industrial raw materials, which was signed by the Ministry of Environment and Forestry, Ministry of Industry, Ministry of Trade and the Indonesian Police. It was hoped that the issuance of this joint decision decree (SKB – Surat Keputusan Bersama) would incentivize various players to better manage waste by providing raw materials for the recycling industry and build a circular economy in which domestic waste can be used as industrial raw materials. [Exhibits 4](#) and [5](#) display the composition of waste by their type and source.

However, the CEO of W4C, Sano, states that despite the issuance by the government of various regulations and policies aimed at tackling the waste problem, sanctions for violations are usually absent or insufficient to act as a deterrent. In reality, waste is just the tip of a much bigger iceberg that extends across other, larger aspects of life. Tracing the problem of waste back to its root cause, the problem stems from the absence of law enforcement. First, while there are laws and regulations in place, there is no enforcement. Second, there is a lack of clarity and a partnership system between parties, notably concerning the relationship between the roles of the private sector and the government in providing solid waste solutions. Third, there is no financing mechanism in place, meaning waste budgets are never a priority. Central and local governments typically prioritize the economy or education over waste. Additionally, the government provides only limited waste management services as not all areas can be covered, and there is only limited technology involved in minimizing the amount of waste sent to landfill. On the flip side, behavioral and cultural factors stem from low levels of education among the population, with ignorance only further exacerbating the waste problem. In recognizing these issues, W4C plays a significant role in complementing the types of waste management services not yet provided by the government and educating clients and communities on what they can do to manage their waste. W4C has identified five aspects of waste management that must be implemented simultaneously so that the waste problem can be solved collaboratively. These five factors are stakeholder participation, institutions, finance, operational technique and policy and regulations (see [Exhibit 6](#)).

Services offered by Waste4Change

W4C offers services for two types of customers: companies and individuals. For companies, W4C provides five different service types, namely, waste collection, extended producer

responsibility, solid waste management research, community development and training. However, for individuals, they offer only one type of service: waste recycling. The complete list of services is depicted in [Exhibit 7](#).

All of the services are aimed not only at managing waste but also at educating clients and the general public. For instance, for waste collection, clients have the option of reducing the amount of waste sent to landfill. If a corporate client chooses this option, then they should also make an effort to sort their waste into organic and inorganic waste to facilitate the recycling process. Only the waste residue will then end up in landfill. Clients who use this service receive a periodic waste report as a form of W4C accountability (a sample is presented in [Exhibit 8](#)). The success of this service is reflected in the following data: 53 clients handled, 133.823 kg of recycled trash and 10 cities served.

Another service, this time focusing on community-based implementation, assists corporate clients in conducting CSR activities to encourage communities to act and make a real contribution to the waste management crisis in Indonesia. There are two types of services offered in the community engagement program. The first is Community Assistance, where W4C provides operational planning and assistance for a minimum of six months to ensure the sustainability of the program in a certain area. The program also encourages the aspirations of local communities and helps them to take concrete action in responsible waste management programs within their respective environments. The second program is Community-based Capacity Building, which comprises a three-day training course for waste organizations at the local level. This program aims to deepen their understanding of the concept of institutional management in the solid waste sector and help them to create sustainable action plans. It was designed to empower waste activists, waste banks, governments, civil society groups and educational institutions to participate in implementing responsible waste management in their communities.

In running its business, W4C also collaborates with local recyclers by distributing the waste it collects for them to manage. W4C also empowers traditional waste pickers to have a better life. Martinus Devy Adrian Manorek, Head of Operational Services at W4C, said:

Waste operator, from the past until now, has been an unprestigious position. Many of them are ashamed of their profession. But now, those who work with us, our waste hauling drivers, are quite proud of their profession. They have good motorbikes and a neat appearance. When on duty picking up waste from our clients, they wear uniform shirts, safety shoes, and ID cards like expedition couriers, not like traditional garbage collectors. We instill in them that they are not waste collectors but responsible waste managers.

Through this mutual collaboration, W4C claimed that waste collectors earn two to three times more and that their income is more stable. They also enjoy better working conditions.

Meanwhile, in terms of profit distribution, W4C cooperates with local recyclers who do not yet possess the same waste collection technology as W4C. Saka Dwi Hanggara, W4C's Campaign Manager, said: "Our waste recycling partners include conventional recyclers. We enable the waste we collect for them to recycle."

In pursuit of CHANGE

The complexity of the waste management problem in Indonesia prompted Sano and the top management at W4C to sharpen their strategies. Instead of becoming overly concerned with attempts to manage external challenges that were beyond their control, they considered that better use of their energy would be to focus on strengthening the internal capabilities of their team. They found the midst of the COVID-19 pandemic to be a good time to renew their company core values. Input to the internal discussions and the new core values was also provided by their consultants and business coaches. The new set of six

core values is represented by the acronym CHANGE (see Exhibit 9). Regarding these six values, Ridho Malik Ibrahim, Head of Strategic Service at W4C, explained,

Because Waste4Change has values, and our values are CHANGE, the people in it are the Changers. Our mission is to make a change, and the people in it want to be passionate about change. What changes? Surely, a change for better waste management in Indonesia.

Based on these core values, W4C likens jumping straight into the waste management ecosystem to conquering the vast ocean. So the first value, “C,” Conquer the Ocean, prepares the changer of W4C to face the various challenges posed by dynamic change. As for the second value, “H” aims to empower the changers to harness resilience. Ridho reflects:

We take this value from our CEO who doesn’t give up easily with the existing situation. When we talk about waste issues, we don’t want to lose. We want to clear up a problem. Whatever happens, we want to be thorough in solving the problem. We want to have an impact. The Changers of W4C must have the spirit to not give up easily. They must uphold the faith. Like a basketball that can bounce back, the Changers are strong people in every situation. The harder they are thrown, the higher they will bounce. If someone is easily deflated, once they are thrown, they will never bounce back.

The goal of the “A” value, Assure Sustainability, is to encourage sustainability across the various efforts in the struggle for better waste management. Thus, in every part of its operation, all W4C personnel must fully comply with the applicable rules. This value gives rise to the next one, “N,” Nurture Mutual Partnership, which in turn helps to achieve “G” – Guarantee Service Excellence. Ridho boldly asserts:

If we want to go far, we must go together. Indeed many people found that it’s easier to work alone because we can speed up our walk, we don’t have to coordinate here and there. But working alone can only accelerate our speed but cannot bring us to go any further. So, this spirit of collaboration is a must-have value for any Changers of W4C.

The final value, “E,” Excel in Work Sportsmanship, is intended to ensure that the previous five values are continuously upheld. W4C wants to emulate the value of sportsmanship often seen in sports clubs, which are solid as a family but still maintain a spirit of professionalism. “Family spirit sometimes makes us less assertive towards people who are no longer performing. This toxicity creates difficulties for us to grow. For example, in the soccer team, the best players of the past can somehow be replaced if they don’t perform. This is the spirit that we want to build at W4C to remain professional in achieving the goals that we’ve set,” explained Ridho.

Expansion idealism at a crossroads

When Sano, Ridho, and their strategic team members met to discuss the final plan to launch the core values, Sano received a call from Dina Andromeda, Sustainability Manager at Galaxy.

Sano, after observing W4C’s report on the management of our waste, we have decided to support you and W4C to grow further. We want W4C to handle the waste management of all our offices in Indonesia. If your business is strong, W4C can make a wider social impact. You’re such a bright young man. You are very passionate about the world. You also have a solid team. Our company shares the same passion as you. So, we are looking forward to your positive response within the next two weeks.

After ending the call, Sano smiled at his professional companions and said: “Teams, Galaxy is offering us the opportunity to manage their offices’ waste across Indonesia. It’s time for us to fly.”

The operational team moved quickly to prepare a feasibility checklist. Among the first points was ensuring that W4C had the correct operating permit from each local government that would enable it to legally carry out waste management activities in their respective areas. Despite applying for operating permits from the six cities put forth by Galaxy, the team secured permits from only two local governments and had no visibility on their progress with the other four cities.

Another big dream

There is more to expanding the business than securing operating permits. Sano has remained sure about his big dream and the 2030 target for realizing it: to take W4C public, to be listed on the Indonesia Stock Exchange, following the initial public offering (IPO) steps previously taken by startups such as Bukalapak (and soon to be taken by other unicorns). Sano perceived the need to develop the organization's capabilities and capacities so that it could be in a position to manage and solve the waste problem in Indonesia, which is only predicted to become more complex in the future.

A bigger organization with greater capabilities can also effect a greater impact. This is the ideal goal for W4C: expansion means not only greater funds but also, more importantly, a greater chance to lead the waste management industry and create a big impact on the environment and the environmental ecosystem. It also means more parties can be invited to participate in solving waste problems in Indonesia through funding contributions. Funds are needed to invest further in waste technology and infrastructure such as RDF systems, where technology is used to convert waste into an environmentally friendly energy source as a substitute for coal. Also essential are funds to educate clients and communities, purchase waste carrier trucks and develop hub points closer to clients. The latter will help to reduce transportation costs and further lower the total costs of waste management charged to the client.

At present, the organization attracts investment in the form of angel investors, fundraising and local venture capital firms. In 2020, W4C received funding from three investors, namely, Agaeti, East Ventures and SMDV. As reported by various online news providers [3], investment reached US\$3m or around Rp 42.7bn. The fresh funds will be used to increase waste management capacity to 2,000 tons per day by 2024.

The currently limited range of investors does not pose any challenge for W4C as all share the same values or idealism; however, as the plan to go public materializes, so the investor type is expected to vary along a continuum. Some investors may wish to invest as a representation of their environmental, social and governance (ESG) values and include waste management within their investment preferences. Others, meanwhile, may be driven by the potential profits to be earned from a green investment. Here, the risk is that the latter diverts W4C away from its idealism in pursuit of the economic motive.

The road ahead: would it be “a road less traveled”?

There is the possibility that conducting business ethically with idealism could become “a road less traveled” for ordinary businessmen. The CEO and management team of W4C have tried their best to preserve their idealism while running the waste management business, but the journey is indeed arduous. The dilemmas outlined in this case demonstrate the choice of paths available. Should W4C accept a waste management contract even though four out of the six regional governments have not yet granted a permit? Would going public be a good move for W4C, or are there any funding options that would provide the dual benefits of delivering funds without conflicting with the organization's idealism? Should they become less idealistic and more realistic to grow? How can W4C become a sustainable and profitable business?

Keywords:
Social enterprise,
Environmental education,
Financial investment

Notes

1. XX and YY wrote this case solely to provide material for class discussion. The author does not intend to illustrate either effective or ineffective handling of a managerial situation. The author may have disguised certain names and other identifying information to protect confidentiality.
2. www.themeasureofthings.com/
3. See, for example, www.ekrut.com/media/waste4change-raih-pendanaan

Exhibit 1. Bandung green map

Figure E1



Exhibit 2. Overview of solid waste institutions in Indonesia

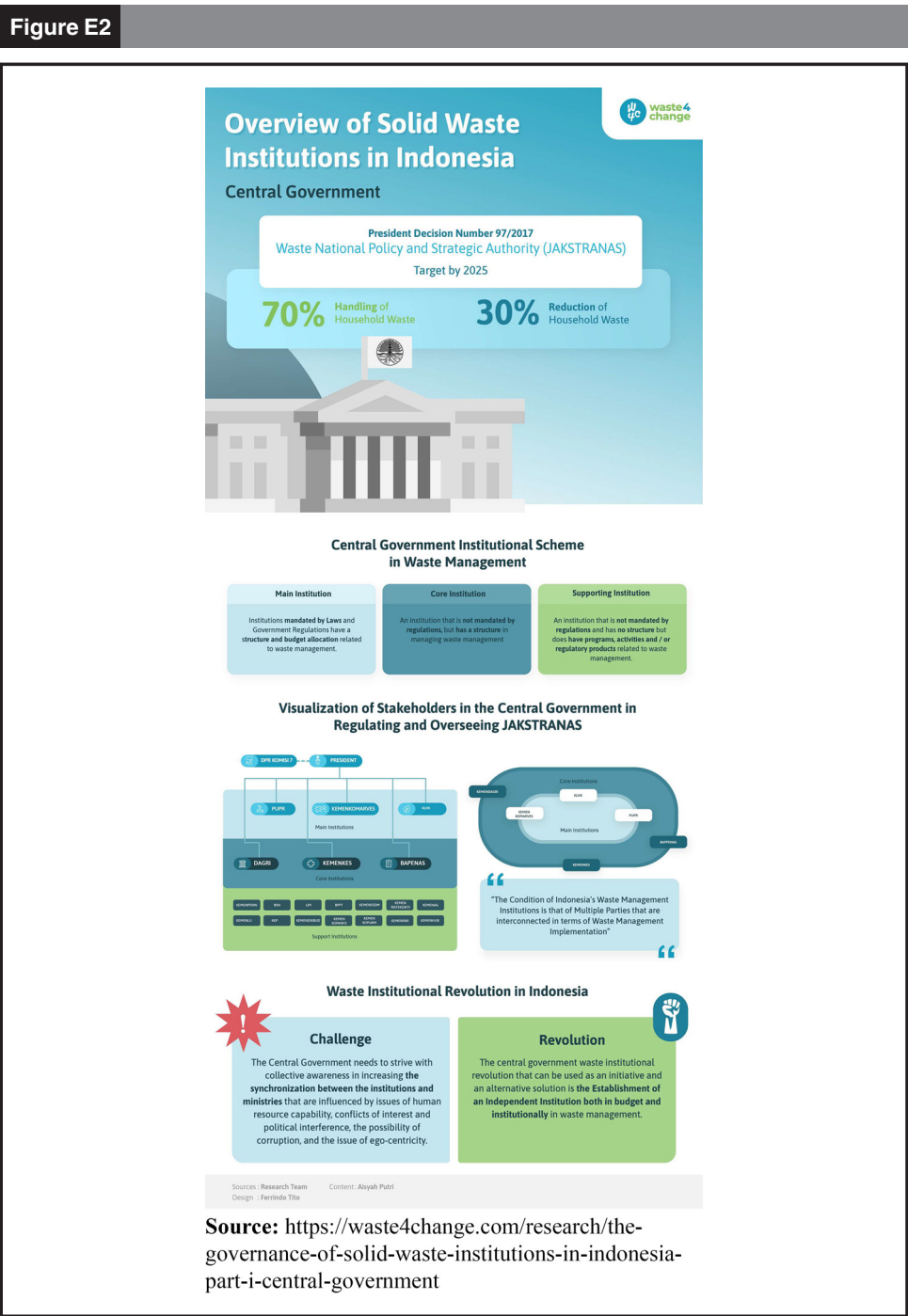


Exhibit 3. Indonesia waste management situation

Figure E3

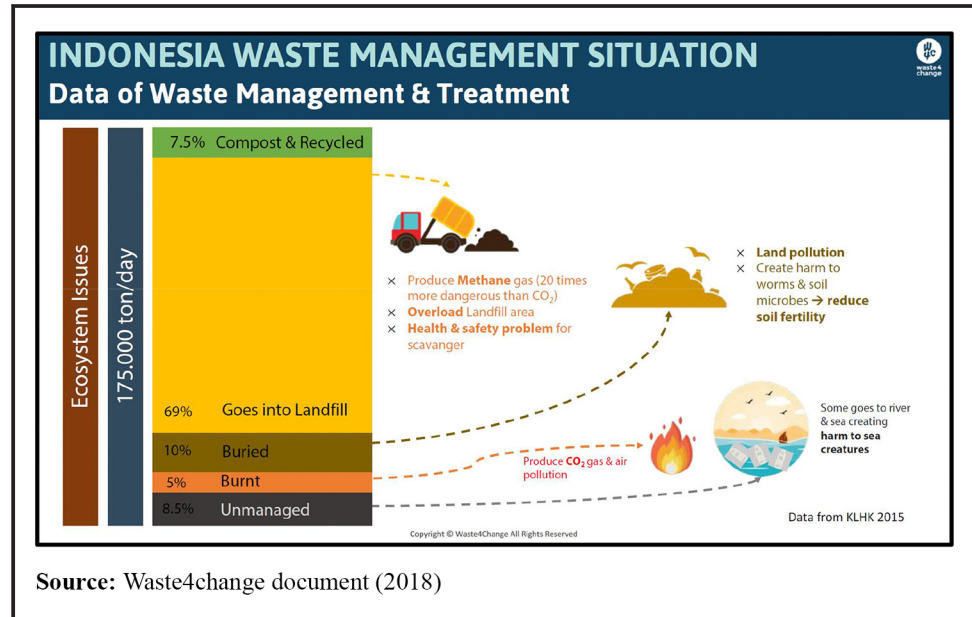


Exhibit 4. Waste composition based on type

Figure E4

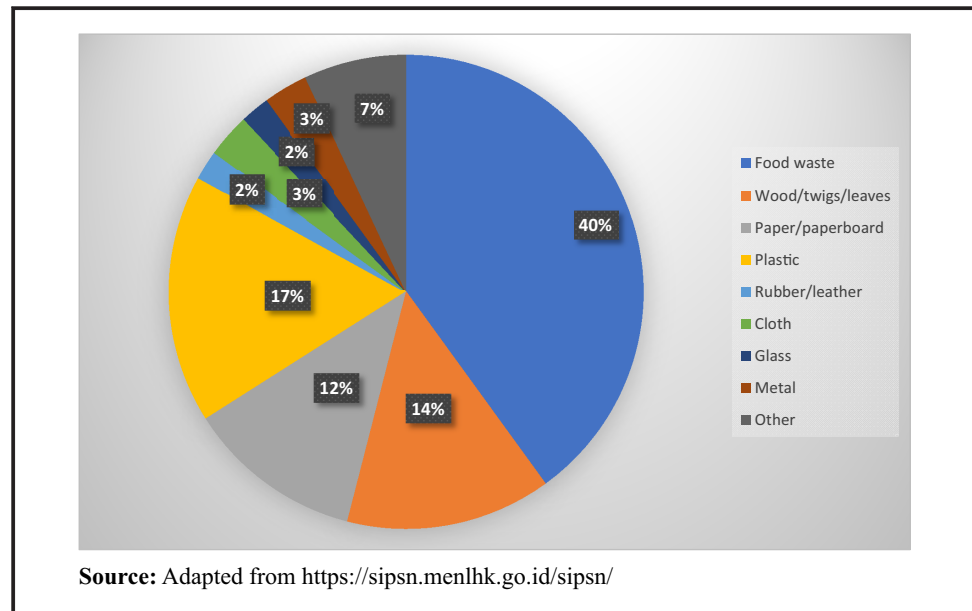


Exhibit 5. Waste composition based on source

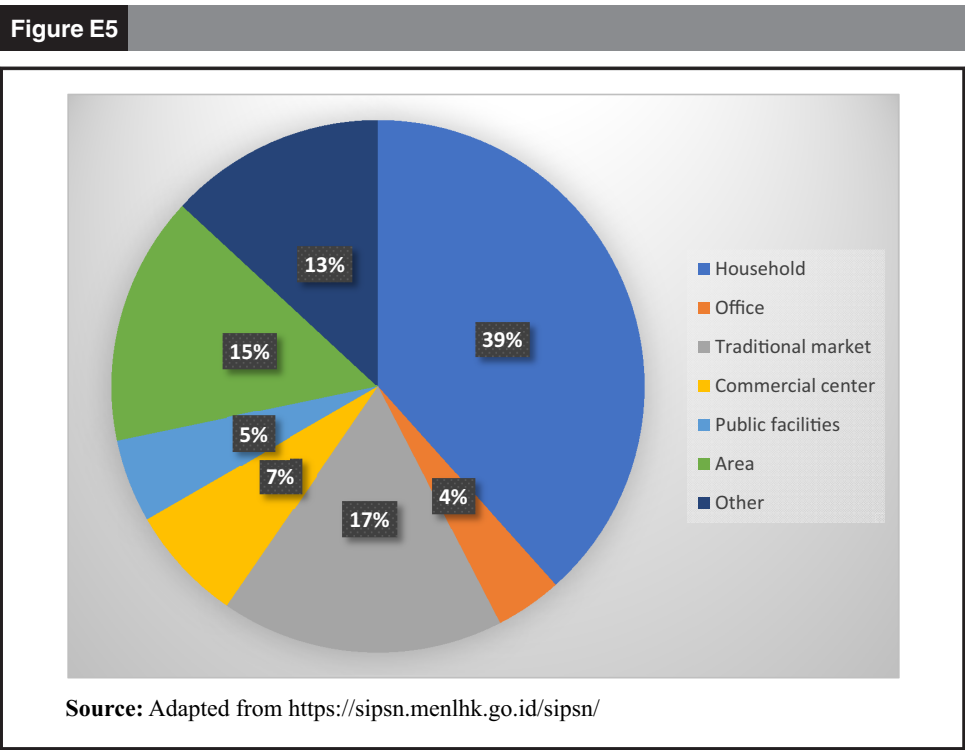


Exhibit 6. Five aspects in managing waste

Figure E6

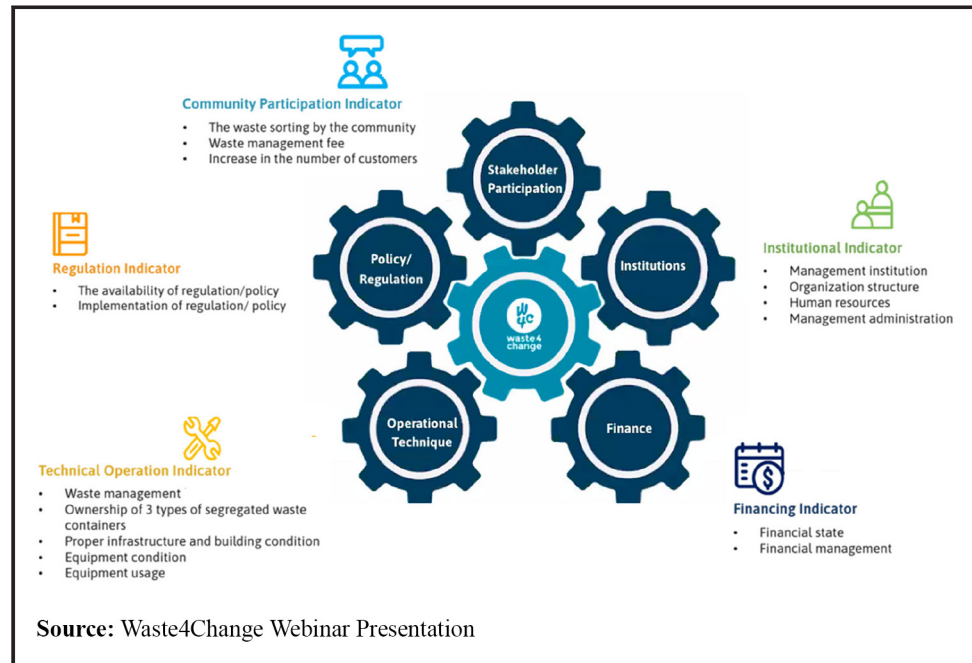


Exhibit 7. W4C services

Figure E7

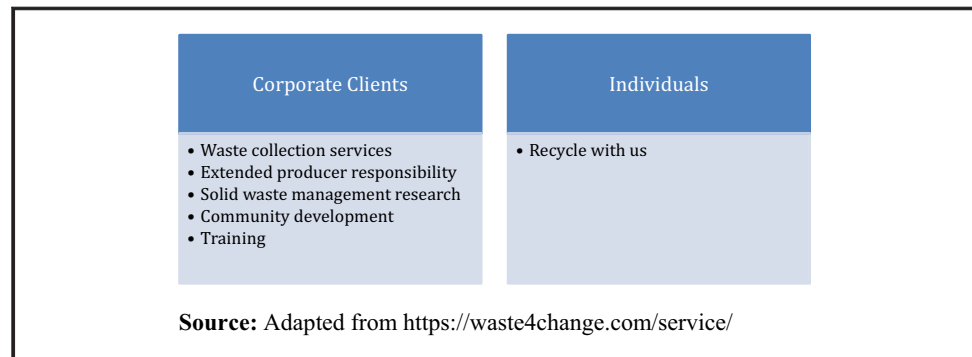


Exhibit 8. CHANGE – the new core corporate values of W4C

Figure E8



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