



TECHNIUM
SOCIAL SCIENCES JOURNAL



Vol. 53/2024
A New Decade for Social Changes

PLUS
COMMUNICATION P



International
Communication & PR

The implementation of creating shared value in Indonesian companies

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Abstract. Social responsibility has become a corporate obligation, which is carried out in the form of programs that participate in the welfare of the community, as well as activities that are concern for the environment. After a long time, these programs and activities were carried out, it turned out that the benefits and benefits obtained by the company were not optimal, such as the benefits that would be obtained long-term and indirect economic benefits. The concept of Creating Shared Value is a breakthrough in the implementation of corporate social responsibility, which provides mutual benefits not only to the community and the environment and all stakeholders, but also to the company itself, especially economic benefits. The concept of Creating Shared Value has been adopted and applied to several companies in Indonesia, both private companies and State-Owned Enterprise companies.

Keywords. Corporate Social Responsibility (CSR), Creating Shared Value (CSV), Sustainable Business Award (SBA), and State-Owned Enterprises (SOE)

I. Introduction

Corporate Social Responsibility (CSR) is an obligation applied by the company, as a form of responsibility for all activities of the company that have a negative impact on society and the environment (Barauskaite & Streimikiene, 2021; Fontaine, 2013; Guo, Sun, & Li, 2009), which is provided in the form of compensation and assistance as well as the return of damaged natural environmental conditions to be environmentally friendly. However, the CSR program run by the company has not provided added value and direct economic benefits for the company (Carroll & Shabana, 2010; Kanji & Chopra, 2010; Lioui & Sharma, 2012).

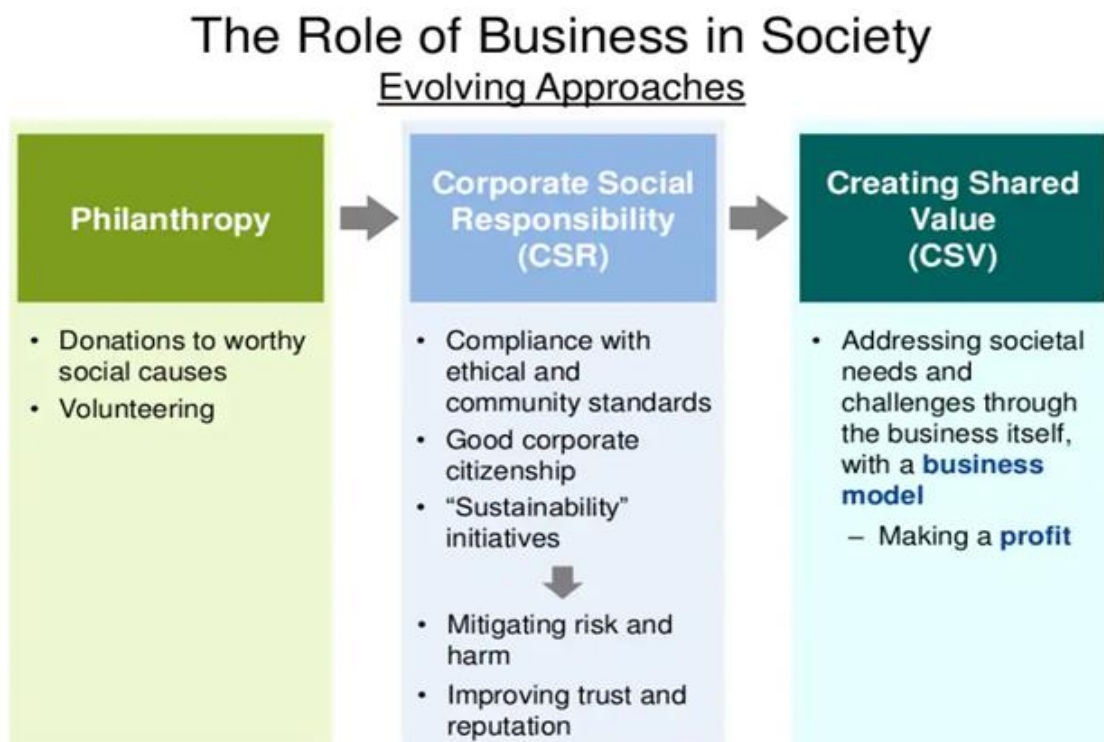
So far, the implementation of CSR Programs is only an obligation carried out to comply with the provisions of applicable laws and regulations, but has not provided an increase in profits, competitiveness and created Company advantages. For this reason, Michael E. Porter and Mark R. Kramer in 2011 proposed the concept of Creating Shared Value or CSV, which is a development of the concept of CSR or as a form of more advanced CSR implementation, which provides added value and direct economic benefits, which will also increase profits, competitiveness and excellence of the Company (Crane, Palazzo, Spence, & Matten, 2014;

Kramer & Porter, 2011; Menghwar & Daood, 2021; Michelini & Fiorentino, 2012; Porter & Kramer, 2018).

II. Literature Review

Creating Shared Value or CSV is a policy and operational technical process that increases the company's competitive values and simultaneously advances social and economic conditions (Kramer & Porter, 2011; Menghwar & Daood, 2021; Porter & Kramer, 2018; Wójcik, 2016). Porter and Kramer argue that all profits are not equal, that profits involving shared value or benefit allow society to progress and the company will grow rapidly (Crane et al., 2014; Kramer & Porter, 2011; Porter & Kramer, 2018; Wójcik, 2016). They predict that incorporating social issues into strategy and operations is the next major transformation in management thinking.

From the above opinion, it can be concluded that CSV is a concept of community approach where each company must form an economic and social benefit value together. The role of business in society has evolved rapidly with different approaches and having different goals. The philanthropy approach is to make a worthy contribution to a social cause on a voluntary basis. If CSR (Corporate Social Responsibility) by creating or building a positive image of the company, then CSV (Creating Shared Value) integrates societal issues and challenges into the creation of economic and social value or benefits. The process of change that gave birth to the CSV concept is illustrated in figure 1 below.

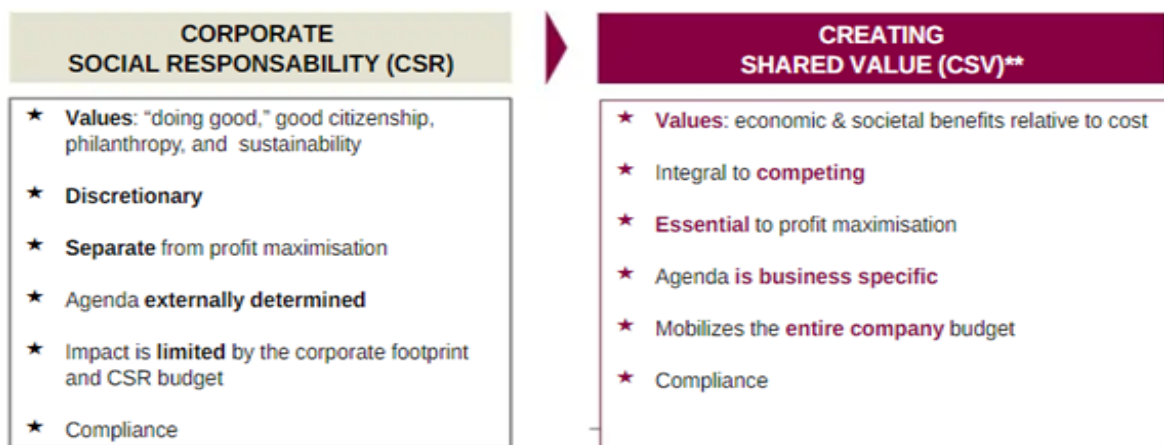


Source: Business Harvard Review

Figure 1. Creating Shared Value Concept Development Process

The CSV concept has been applied to several large companies on a national scale such as PT Pertamina (Persero), PT Taspen (Persero), PT Semen Indonesia, PT PLN Pembangunan Jawa-Bali, PT Pupuk Kalimantan Timur, PT Pupuk Kujang Cikampek, or on an international scale such as Nestle, IBM, Google, Walmart, Intel, Western Union, Novartis, Coca-Cola and many more companies that cannot be mentioned one by one. Many companies including several state-owned companies are implementing CSV, because the application of the CSV concept is a continuation and development of the application of CSR.

CSV is different from CSR, where CSV prioritizes the creation of economic and social benefits simultaneously, while CSR is more about accountability and compliance with laws and regulations (Kramer & Porter, 2011; Menghwar & Daood, 2021; Michelini & Fiorentino, 2012; Porter & Kramer, 2018). In responding to social responsibility, the two concepts have different motivations, CSV is driven by internal factors and companies must be proactive, while CSR is driven by external factors and companies are responsive. The CSV concept places the community including other stakeholders as partners, fellow subjects, while in the CSR concept it tends to place stakeholders as objects. If CSV aims to win the business competition, then CSR is more about reputation. One of the goals of the CSV concept is to form a new capitalism and make social responsibility not a burden, but as a long-term investment that will benefit companies in the future (Crane et al., 2014; Kramer & Porter, 2011; Menghwar & Daood, 2021; Michelini & Fiorentino, 2012; Porter & Kramer, 2018). The picture of the difference can be shown as shown in figure 2 below.



Source: Business Harvard Review

Figure 2. From CSR to CSV

Because the CSV concept is used as a means of increasing competitiveness and creating company advantages, which requires a revenue and profit from CSV programs that are run, CSV programs automatically enter the company's strategic planning and have revenue and profit targets that must be achieved. CSV programs are different from CSR programs that are not required to bring income and profits, so CSV programs become corporate investment programs, especially as long-term investments.

Creating Shared Value opens up new needs, new markets, new value chain configurations, and new ways of thinking about business, creating new opportunities for strategic positioning and new competitive advantages, in which case companies must include a social dimension in their value proposition (Beschoner, 2014; Crane et al., 2014; Kramer &

Porter, 2011; Menghwar & Daood, 2021; Porter & Kramer, 2018). Adding a social dimension makes strategies more sustainable in the face of competitors than conventional costs and quality advantages (Porter & Kramer, 2018; Wójcik, 2016). The CSV program is the company's mainstay and flagship to increase competitiveness and create new advantages.

The opportunities and benefits obtained by companies by applying CSV are illustrated in figure 3 below.



Source: Business Harvard Review

Figure 3. Opportunities and Benefits of CSV Implementation

In the implementation of CSV with its programs has 3 (three) levels, namely: first, Reconciliation of Customer and Product Needs, second, Redefining Productivity in the Value Chain, and third, Improving the Local Business Environment. The three levels are shown in figure 4 below.



Source: Business Harvard Review

Figure 4. Shared Value Tiers

III. Discussion

An example of a company that has successfully implemented the CSV concept is Nestlé. Nestlé's commitment to be a leading company in the field of food and beverage products is also balanced by the company's efforts in addressing environmental and social issues. Nestlé is looking for the right opportunity to connect all its business activities in order to contribute to efforts to improve the welfare of society.

The successful implementation of CSV can be seen from Nestlé's collaboration with 33 thousand dairy farmers in Kejayan District, Pasuruan, East Java. This area located in Pasuruan Regency is the main supplier of raw materials for Nestlé Indonesia's milk production. Through the CSV program, Nestlé provides technical and financial assistance to dairy farmers so that they can improve the quality of their milk. In the end, the concept initiated by Nestlé can help increase the income of farmers and the welfare of their families.

Furthermore, the CSV concept has finally come to fruition. Many business actors highlighted the success of CSV, until finally it was able to lead Nestlé Indonesia to win the Sustainable Business Award (SBA) for several times. This makes Nestlé Indonesia President Director, Rashid Qureshi, expressed high hopes that the SBA acquisition can be proof that the environment, society, economy, and healthy business performance can strengthen each other in the long run.

The SBA award itself is given to companies that are considered capable of being pioneers in sustainable business practices and successfully incorporating them in long-term strategies in their business. Through the award received by Nestlé Indonesia, Rashid said that other business people can understand if the empowerment and improvement of community welfare and the company's profit achievement can be carried out together.

The next example of a company that has succeeded in implementing the CSV concept is PT Ajinomoto Indonesia. The CSV concept was adopted into Ajinomoto Shared Value (ASV), which aims to improve the company's image through the creation of shared value from the company's business (economic value) to solve social issues (social value).

ASV is the creation of shared value to society using the principle of Ajinomoto's Way. Ajinomoto Shared Value (ASV) uses the uniqueness and advantages of the Ajinomoto Group to create shared value Economic Value (business benefits) and Social Value (solving social issues) through Ajinomoto business development. ASV will continue to be carried out in line with the growth of Ajinomoto's business.

With business activities, Ajinomoto has created new value through solving problems faced by society and has realized growth as a company by increasing economic value. Ajinomoto has adopted ASV as a term that describes the process, and ASV itself is a core concept of the Ajinomoto Group that has existed since the beginning of the establishment of this company.

Social problems change constantly, and there may be more than one way to solve them. As ASV is practiced, it is important to keep a close eye on global issues and focus on using the company's unique strengths, technology, and values. Ajinomoto Shared Value (ASV) represents the company's unchanging commitment in solving social problems in society and at the same time leads to the creation of economic value.

PT Ajinomoto Indonesia runs 2 programs related to Ajinomoto Shared Value (ASV) in answering global social issues of Health and Well Being. The two programs, namely the School Lunch Program (SLP) and the Winning Meal Project in Indonesia, are both related to improving community nutrition.

IV. Conclusion

There are already several companies in Indonesia, both private companies and State-Owned Enterprises (SOEs), which adopt and apply the concept of Creating Shared Value (CSV) instead or development of Corporate Social Responsibility programs. The application of the CSV concept turned out and proved to provide greater benefits and benefits to the company compared to the Corporate Social Responsibility program that had been run before.

It is expected that the CSV concept will be more widely adopted and applied by companies in Indonesia, by emulating the implementation of CSV that has been carried out by companies that have successfully implemented the CSV program. It is also expected that this paper material will provide enlightenment and new knowledge, especially for sectors outside the business world.

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