

The Role of Creating Shared Value in the Company

Titiek Rachmawati

Economic and Business Faculty

¹Airlangga University, ² University of 17 Agustus 1945

Surabaya, Indonesia

titiek_rachmawati@yahoo.com

Pramita Studiviany, Ida Ayu Sri Brahmayanti,

Maulidah Narastri

Economic and Business Faculty

University of 17 Agustus 1945

Surabaya, Indonesia

pramitha@untag-sby.ac.id, brahmayanti@untag-sby.ac.id,

maulidah@untag-sby.ac.id

Abstract—Creating Shared Value (CSV) is a concept yielded from company policy and activities. In this case, company is mandatory in creating economical and social value at the same time, without prioritizing at one side. CSV emerges from the expansive idea of Corporate Social Responsibility (CSR) concept. It only refers to social activity which leads to artificial positive image in terms of company responsibility to community and environment. This study aims to examine the importance of CSV implementation in a company. Profound discussion of CSV was employed by exploring related studies of CSV implementation in a company. Literature review was used as a research method. However, exploration results were demonstrated in a summary and solution suggested by researchers for CSV implementation in a company. According to the methods used, it was expected that this study could give contribution for a company, local community, as well as policy maker. This policy maker who creates the regulation was also expected to create rules and guidance concerning CSV. The policy was about the mandatory for company to implement the concept of CSV. Currently, the rules overlook CSV and only available for CSR.

Keywords—*creating shared value; corporate social responsibility; economic value; social value*

I. INTRODUCTION

Strategic position decided by a company in 21st century concerns value, creation, and ethic that affects to everyone in the world [1]. Currently, company orientation belongs to three aspects or often called triple bottom line which encompass, economical, social, and environmental aspects. The program of CSR is a result of communication between company and community. Creating corporate image and reputation is one of the social responsibility objectives. Developed social responsibility is addressed to community development in which the company supports potentiality within community. The company creates social responsibility activities which mostly prefer to aid contributions. Consequently, the company meets the good image, but lead to dependent community to a company. Then, CSR initiates the community development. Debatable opinions occur due to no correlation between programs performed and company major activities. Thus, community achievement cannot be considered as company success indicator. Conversely, company accomplishment cannot be considered as community achievement. From this

community development program, new concept emerges namely Creating Shared Value (CSV). This concept coins social value for community and economic value for company which both performed at the same time without overlooking the other. Since CSV is a policy, the advantage received by a company is company value increase, at the same time sustainable social and economic condition fostered.

One of differences between CSR and CSV is that CSR only relies on citizenship, philanthropy, sustainability [2]. Therefore, it is often misinterpreted that either CSR is an activity providing aid to community or company loyalty to regulation. However, CSV highly emphasize on joint company and community value creation. This portrays that CSV is extensively develop in terms of shared value. Eventually, CSV benefit is perceived by a company and community. The present study aims to examine the importance of CSV implementation for a company. The evolution of CSR in four main periods in Mobarakeh Steel Company (MSC) history presented and followed by a discussion of how a company changes to create shared value [3]. It revealed that CSV implementation was important for a company, eventually shared-value had been developed interdisciplinary [4].

Mutual responsibility occurs because of the involvement between community and company, therefore mutual benefit is necessary called as Creating Shared Value (CSV). CSV is a concept which requires a company to create economic and social value without overlooking the other, and jointly performed. A company creates a CSV toward three ways [2]. First, redefining market and product. Distinguish whether the product produced is highly demanded, value for targeted market, useful, or affordable for most consumers. Second, redefining productivity in the value chain. Examine whether the business is highly useful for productivity of company value chain or not. Company value chain is influenced by company environment, directly and indirectly, for instance resources utilization and logistic. Third, supporting industrial cluster development around the company. Innovation and productivity in a company also depends on where the company is placed. The three ways mentioned above are proposed by Porter & Kramer which also followed by a study of CSV as an advanced method for social responsibility [5]. Moreover, another study followed concerning the strategy of shared value in enhancing

financial and socio-environmental performance, as well as build strong relationship with clients [6].

The aforementioned description showed that it is possible for company to implement CSV as long as the company financial performance at a good condition. This also consistent with the result in the study of excellent financial performance that more likely to focus on CSV activities rather than CSV which engages the financial outcome [7]. Further, it also similar to another result that there is a potential significant in both policy and empirical research while learning the correlation of a company attempts in CSV, which affects to company value [8]. Likewise, there is a study shows the idea of corporate shared value proposed to public; the CSV projects are conducted by employing social and financial ways [9].

Some related studies not only reveal the strength of CSV, but also the weakness. The strengths of CSV concept are able to attract practitioner and academics, improve the social objective to strategic level, articulate government absolute roles in responsible behavior, enhance the attention to the idea of capitalism awareness, and provide a guide which construct existed concepts. Nevertheless, CSV concepts weakness including determine unauthentic indication, overlook the tension between social and economic outcome, naïve when dealing with business loyalty, based on weak concept in terms of corporate roles within community [10].

CSV topic is a topic that could lower the popularity of CSR topic regarding to related studies concerning about CSV. There is a study conducted by employing database of shared value creator, which a prominent organization involving CSV practitioner in June 2015. The result highlights Porter idea of new approach to capitalism culture which deals with social culture, while at the same time targeting the company profit. Since 2011, CSV has been promoted to public and demonstrated by using social and financial ways. Among potentials area have been implemented CSV concepts, but some area such as Africa, South America, Central America, Caribbean, North America, and Asia have not been implemented [9].

Qualitative research as well as epistemological and ontological framework development has been discussed by the researchers [4]. As they develop the epistemological and ontological framework, this present study consists of 2 steps of analysis. First, identify 73 of 392 journal articles to analyze profoundly. Second, analyze those 73 articles to determine between epistemological and ontological aspects. The writer gives the systematic description and profound analysis related to shared values then focuses on the epistemological and ontological aspects. The present study showed that the shared value has been spread to linguistic issues in various field of study. However, it may present ambiguity in terms of conceptualization as illustrated while defining the operation concept. This ambiguity overlaps with many related concepts, but no empirical background explains.

Another study related to CSV reveals that there are questions which can be used as further discussion, "Does the CSR create shared value and its sustainability?" [1]. This related study concludes that company strategic position in the 21st century leads to value, creation and ethics that affect

everyone in the world. Thus, the present study explains the strategic way that may be implemented by organization. This way in order to facilitate economic growth while assure the ecological integrity and social improvement. The social improvement is expected to give benefits, so that extend the scope of organizational stakeholders. The writer suggests that no misunderstanding occurs in CSR; therefore, a company should create shared value and continuity, critical analysis, as well as determine how the strategic approach intertwined and synergize. Consequently, this kind of topic can be used as learning process and discussion in academic atmosphere.

There is another study that carries out triangulation between resources and water, resources and energy, and resources and waste through the big-data [11]. The topic is outside the topic discussed when related to the value shared. However, it can be concluded that there are prominent results in ecological aspects within economic combination and sustainability. It is important to note that to create shared value, there must be a proactive element of analysis from big-data. This may beneficial as a predictor to understand, analyze and plan the system.

Study employs quantitative method according to longitudinal approach [12]. Researcher in study conducts a small scale project and begins with interactive group between high and low ethnic diversity when collaborating time to time [12]. Both groups show the social bond and creations, by keeping their ethnicity. The low ethnic group presents attitude that reflects social norms. On the other hand, high ethnic group does not present that kind of attitude. Therefore, ethnic diversity classification is likely to influence social norms.

II. RESEARCH METHODS

Qualitative approach was employed in this present study. This due to the characteristic of data used was soft data; that was a sentence and need a creative interpretation of the researcher [13]. Data obtained from literature review was about a CSV concept. The most important in qualitative research is literature review. Literature review correlates the study with the theory, so that the relationship between research done and on-going research is revealed. The researcher considered the qualitative with literature review since description related to CSV could be analyzed profoundly by employing qualitative methods.

This paper does not have quantitative variables and does not need statistical tabulation anymore. Topic in CSV also suitable when discusses with literature review due to phenomenon emerges within companies in Indonesia which shifting in giving positive contributions to local community if keep implementing CSR concept. The development or new phenomenon, creating shared value (CSV) could give new concept and atmosphere in company environment and community. However, the shift of that concept forces most companies not to just give benefits for local community, but also beneficial for its own.

III. RESULTS AND DISCUSSION

The aforementioned literature review demonstrates the concept of CSV that is a change of existing CSR. Therefore,

little regulation existed to obligate a company to implement CSV concept, especially in Indonesia. By focusing on how the CSV concept is highly beneficial for both community and company, thus this study is expected gives an idea for authorities to create regulations and guide related to CSV. The regulation also examines company mandatory to implement CSV concept, as the CSR implementation. CSV provided both business side and community at the same time by generating sustainable economic value in a way that also produced values that beneficial for community. Hence, CSV was a concept that escalates value creation.

IV. CONCLUSION

Inadequacy in present study is there is no rules and regulation concerning Creating Shared Value (CSV). Future studies need further discussion to implement CSV in a company. The topic of CSV is also possible to be learned nationally and globally. The results suggested that there are some potential countries to implement CSV, but they had not implement yet such as Africa, South America, Central America, North America, Caribbean, and Asia.

REFERENCES

- [1] B. McIntosh, B. Sheppy, and J. D. Zuliani, "The Emperors Clothes—Corporate Social Responsibility Creating Shared Value and Sustainability," *International Journal Business Performance Management University of Bradford*, 2017.
- [2] M.E. Porter and M.R. Kramer, "The Big Idea : Creating Shared Value How to reinvent capitalism and unleash a wave of innovation and growth," *Harvard Business Review*, January-February 2011.
- [3] S. Ghasemi, M. Nazemi, and T. Hajirahimian (2014), " From Corporate Social Responsibility (CSR) To Creating Shared Value (CSV). Case Study Of Mobarakeh Steel Company," *Global Business And Management Research: An International Journal*, Vol.6, No. 1, 2014.
- [4] K. Dembek, P. Singh, V. Bhakoo, "Literature Review of Shared Value: A Theoretical Concept or a Management Buzzword?," *Journal of Business Ethics*, 2015.
- [5] I. Lapina, I. Borkus, O. Starineca, "Corporate Social Responsibility And Creating Shared Value: Case Of Latvia," *International Journal of Economics and Management Engineering*, vol.6, no.8, 2012.
- [6] H. Spitzack, S. Chapman, "Creating Shared Value As a Differentiation - The Example of BASF in Brazil," *Corporate Governance: The International Journal of Business in Society*, vol. 12, issue 4, page 499-513, 2012.
- [7] S. Jones and C. Wright, "Fashion or Future: Does Creating Shared Value Pay," *Journal of Accounting and Finance*, 2016.
- [8] C.S. Jin, K.J. Kwon, and J.S. Yoon, "A Conglomerate's Effort for Co-Prospering With Its Subcontractors and Firm Value: Evience From Korea," *Journal of Sustainability*, 2018.
- [9] Z. Kreckova, "Corporate Response to Concept of Shared Value," *European Scientific Journal*, vol. 11, no. 22, 2015.
- [10] A. Crane, G. Palazzo, L.J. Spence, D. Matten, "Contesting the Value of Creating Shared Value," *University of California Berkeley*, vol. 56, no. 2014.
- [11] V. Ongsakul and S.K. Sen, "Creating Shared Value Through Big-Data Analytics: A Conceptual Treatise on Sustainability Presence," *Journal of Business and Retail Management Research*, vol. 12, issue 4, 2018.
- [12] L. Meeussen, F. Agnessens, E. Delvaux, K. Phalet, "Ethnic Diversity and Value Sharing: A Longitudinal Social Network Perspective on Interactive Group Processes," *British Journal of Social Psychology*, 2018.
- [13] Neuman, W Laurenc, "Social Research Methods: Qualitative and Quantitatif Approaches," New York: Allyn and Bacon, 2014.