

CREATING SHARED VALUE: RELATIONALITY PERSPECTIVE

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Abstract: *Creating shared value shows that the company is able to align the company's competitive policy, profit-oriented businesses, while improving the social and economic welfare of the communities where the company operates by incorporating social issues into the company's strategy. This is a form of connection between the company and the society where the company's daily operations are related to the society so that the company has society welfare. This literature study discusses about the creation of shared value from a relationality perspective. A harmonious relationship between the company and the society will bring advantages and benefits to the company and society, where the company will gain a competitive advantage while increasing the welfare of the society and this can improve the company's image in the eyes of the society so that it can improve the company's sustainability in the future.*

Keywords: *Creating Shared Value, Relationality*

1. Introduction

Company in running its business will not be separated from the society and the surrounding environment because the company operates from the use of resources (suppliers), production processes (factories, labor, waste), to product sales (consumers), sometimes even funding related to the society (investors). Therefore, in operating the business, company must also think about the society, one of them is in the form of social responsibility. This has also been regulated in Law number 40 of 2007 concerning Limited Liability Companies, article 74 paragraph 1 paragraph (3) which states that Social and Environmental Responsibility is the Company's commitment to participate in sustainable economic development in order to improve the quality of life and the environment beneficial for the company itself, the local society, and society in general. The term responsibility here makes it seem as if the company has an "obligation" to the society and the environment, moreover this is also regulated in the law so that it seems as if the company is forced to do, also there is a pressure from external parties. This makes social responsibility become a burden for the company. Moreover, companies in general are also more oriented towards business and profit alone, so this obligation is considered as an additional cost that must be borne and reduces the company's profit.

That kind of thought must be re-examined, where companies in running their business are always in touch with the society and get profit from the society for the business they run, they should also think about the society. The company does not only take the maximum benefit from the society but also has to give feedback to the society who have provided benefits for the company. The company in running its business should include the problems and needs of the society (social) in the business strategy, so that not only the company benefits by making a

profit, but the company can also create social welfare for the society. Business and social welfare are no longer opposite but synergize in unity. This idea was first triggered by Porter and Kramer in 2006, which is about creating shared value, and discussed in more detail in 2011, where business must be able to increase economic value and society value, be able to align company success with social well-being (Porter and Kramer, 2011).

The company's business involves the society so that the society is also part of the company, not as an outsider or the others who are used only. Human nature is not only rational but also relational (Riyanto, 2018). This should also be applied by companies where companies do not only think rationally but have a relationship with the society in their business. The company must think about the relationship with the society that is part of the company and contribute to the welfare of the society as part of its business strategy. This is also in accordance with the fifth principle of Pancasila, namely social equity for all Indonesian people with rice and cotton as symbols. Companies that run their business in Indonesia should also apply these Pancasila values in running their business and improve their relationship with the society in order to achieve mutual prosperity, namely the welfare of the company and the welfare of the society. For example, company will avoid actions and business strategies that are detrimental to the public, otherwise company cares for the interests of environment and society.

2. Literature Review

a. Creating Shared Value

The concept of shared value is how companies can harmonize competitive company's business policies while increasing the social and economic welfare of the communities in which the company operates (Porter and Kramer, 2011). The company's competitive business policy is often assumed to be the maximum profit as possible, namely how the company can reduce production costs and generate maximum profit, but companies are often ignore by not paying attention to the social and environment in where the company is located. Creating shared value tries to get rid of this thought, and incorporates social problems into the company's strategy, where the company in running its business does not only take profit, but also creates social welfare. Creating shared value emphasizes the relationship between a company's business and social welfare (Porter and Kramer, 2011).

Creating shared value has not only economic, but also societal benefits relative to cost, joint company and society value creation, integral to profit maximization, integral to competing, agenda is company specific and internally generated, and readjusts the entire company budget (Porter and Kramer, 2011). Companies can create shared value opportunities with three keyways: (1) by reconceiving products and markets, (2) by redefining productivity in the value chain, and (3) by enabling local cluster development (Porter and Kramer, 2011). Point 1 reconceiving products and markets are focuses on design and determination of new products or services that can help the needs that not yet fulfilled and reaches unserved or underserved consumers. This way can impact business result like increased market shares, increased profitability, increased revenue, and also market growth. Improvement of education and nutrition is one of the example of business performance from social side (Porter, et al., 2011). The second point, redefining productivity in the value chain addresses both environmental and social issues, and maximizes the value creating activities in the value chain that can improves the efficiency and effectiveness of business operations i.e. internal productivity (energy use, resource use, and etc). This way can lead to both business and social impacts, like increased level of productivity, improved quality and profitability, cost reduction, energy reduction, especially improved job skills of the employee. Lastly, point three enabling local cluster development deals with improving the

external environment of the company; and strengthening local suppliers, contractors, institutions and infrastructures, also improving available skills through the training and education of workers (Porter and Kramer, 2011). Enabling cluster development can contribute to business and social results like improved distribution flow, improved workforce access, improved health and education. This creating shared value concept is not same with corporate social responsibility (CSR). Creating shared value is not meant to replace CSR. These efforts focused on giving back a value to both society and investors or minimizing the harm or loss that a company does. Creating shared value builds on the idea by making positive actions as an integral part of a business' everyday operations (Folk, 2021). This creating shared value concept also have a strengths and weaknesses. Creating shared value does add some values to the business, environment, and society however creating shared value ignores the tensions between social and economic goals (Crane, et al., 2014).

b. Relationality

Humans are social beings who in their lives do not only think rationally, but also have the nature of relationality, namely as individuals who have elaboration with society. Human life together with each other creates dialogue. Dialogue creates conversation between humans, where humans live not only breathing, moving their bodies or just eating according to the rhythm of physical needs, but also being together with other humans. Dialogue creates friendship. Otherwise, no dialogue will cause discomfort and, in the end, see the other person as a threat or an enemy. Friendship can lead to solidarity, togetherness, harmony, kinship, neighbourhood, family, and etc. This dialogue can create good relations in human relations (Riyanto, 2018).

The emergence of "I" awareness creates the truth of self-awareness as an ethical foundation, aware of own weaknesses and strengths, aware of overall my existence and presence, aware that I am a being who seek for truth and consciousness. "I" must relate and communicate because life is not alone, so communication with others is needed that creates relationality (Riyanto, 2018). Outside of me, there is another that is different and opposite to. The others are those who are considered different and different from us, so they are separated from social interaction. The other is considered a "third person" besides "I" and "you" who are outside of relationality so that they are excluded and marginalized (Riyanto, 2018).

3. Research Method

This study uses a qualitative research design with a literature study. Literature study is a series of activities carried out about the methods of collecting library data, reading, recording, taking notes, and also managing research materials (Zed, 2014). This research literature study was conducted to discuss about creating shared values of the company and the relationality with society.

4. Discussion

Businesses in general always prioritize profit where the company manage with the as small as possible sacrifice to get the maximum possible profit. This is also supported by investors who generally judge the good and bad performance of the company only from the financial side by looking at the income statement at the bottom (profit). This condition results in a negative view that the company in running its business is only profit-oriented without thinking about the surrounding environment, even though the company operates in an environment that involves the society. The concept of the triple bottom line, namely economic, social, and environmental (Elkington, 1998) changes this view where companies are expected to be no

longer only oriented to economics but also to pay attention to social and environmental concerns, because in their operations the company also needs the society and the company's operating activities can also have an impact on the society. environment such as environmental pollution which in the end has an impact on the company's sustainability. This thinking has resulted in the emergence of corporate social responsibility where in order for the company to be sustainable, it must pay attention to the triple bottom line. Law number 40 of 2007 concerning Limited Liability Companies, article 74 paragraph 1 paragraph (3) states that Social and Environmental Responsibility is the company's commitment to actively participate in sustainable economic development in order to improve the quality of life and the environment that is beneficial, both for the company itself, local communities and society in general. This shows that the company in running its business is not only beneficial for the company, namely the pursuit of profit, but also beneficial for other parties, namely thinking about the society and the environment.

Corporate social responsibility is often considered as an obligation for companies due to provisions from the government, namely Law number 40 of 2007, Government Regulation number 47 of 2012 for companies that carry out their business activities in the field and/or related to natural resources, Law No. Law number 25 of 2007 concerning Investment in article 15 (b) stipulates that every investor is obliged to carry out corporate social responsibility, and the rules of Bapepam. The company also considers social responsibility to be a cost that reduces company profits, both costs for carrying out social responsibility activities and costs for presenting financial statements. This view, of course, must be reconsidered by the company because the company as an entity that operates in the society is certainly very interested in the society and it is time to think that the society is part of the company, thus giving rise to the concept of creating shared value.

Creating shared value is how companies can implement competitive business policies while at the same time improving the social and economic welfare of the communities where the company operates (Porter and Kramer, 2011). Creating shared value incorporates social and society issues into the company's strategy, trying to harmonize the relationship between the company's business and social welfare where in running the business, apart from maximizing profit, it also maximizes social welfare (Porter and Kramer, 2011). This is done by the company based on the relationship between competitive advantages and social issues which can be seen in the image below:

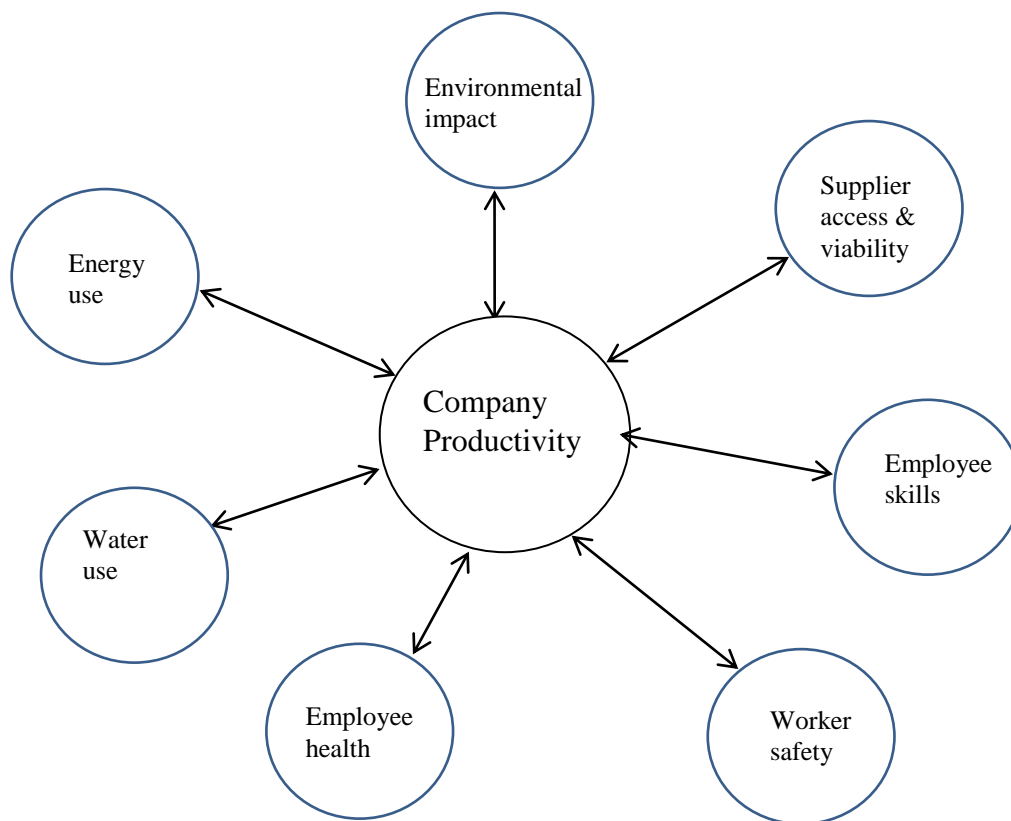


Image 1. The Connection between competitive advantages and social issues

Source: Porter and Kramer (2011)

Image 1 shows that in carrying out the company's operations, it is inseparable from social problems which include energy use, water use, impact on the environment, supplier access and viability, and employees, both employee skills, worker safety and employee health. The resulting impact should be able to make the company think about the social issues that exist around the company and incorporate this into the company's strategy so as to create shared value for both the company's welfare and social welfare. This is also suggested by Awale and Rowlinson (2014), the purpose of this framework is to help constructors apply the concept of CSV and develop their competitiveness companies in terms of success, development, and growth in the future. Initiate measurement of social and business values together rather than focusing on the two values separately as was done in previous studies. However, many different problems may occur by considering of many factors like company size, market difference, geographical conditions, and other factors and that is why the model needs to be further refined. Despite the idea that companies can achieve long-term competitiveness and sustainable growth caused by social issues, companies give relatively low priority to social issues when assessing their competitiveness. So many attentions have been paid to the same power economy perspective until now, whereas social issues are treated separately apart from business values or apart from core company's business strategies. Otherwise, this is criticized regarding the conditions that only emphasized the market and product sides of CSV. About demand conditions for creating CSV, Porter and Karmer only emphasized the product/service and market sides. Although there are other opportunities for CSR at all four corners of the diamond model, however these opportunities were not incorporated in the CSV framework. Also their cluster concept is too

narrow, only focused on the development of local clusters. Besides that, it's important for company to focus on configure the area of social activities. The company should carry out its CSV in its area of expertise. By doing that, it can be more effective for the company in competing the same activity with the other companies in the same or even with other fields of business. This rivalry conditions should be first considered among others for effective CSV activities (Moon, et al., 2011). Business needs an ethical mission statement on the basis of which they understand themselves not only as economic, but also as societal actors instead of the functional concept of CSV like their fundamental values or their contribution to society. Such a mission statement lays the normative foundation on which businesses can act responsibly. This does not exclude profit maximization. On the contrary, it is the normative foundation that renders profits legitimate in the first place. This legitimacy, and with it the recovery of public trust, is essential for the promised reinvention of capitalism (Beschoner and Hajduk, 2016).

Nestle is one of the companies that has implemented creating shared values where in the context of business activities and the desire to become a leading company in the fields of nutrition, health and wellness, it has determined areas that can optimize mutual benefits with the society, namely in the fields of water, development This is done so that the company's business can be successful in the long term, as well as create benefits for the shareholders, it must create benefits for the society (<https://www.nestle.co.id/csv/apaitucreatingsharedvalue>). Another company, Ajinomoto, also applies the concept of Ajinomoto Shared Value (ASV) using the uniqueness and advantages of the Ajinomoto Group to create value together with Economic value (business profit) and Social value (solution of social issues) through Ajinomoto's business development. ASV will continue to be carried out in line with Ajinomoto's business growth. (<https://www.ajinomoto.co.id/id/ajinomoto-shared-value-id>). Pertamina also has implemented creathing shared vale. The creating shared value program is run with two main programs, namely the Enduro Student Program/Enduro Entrepreneurship Program and the Bright Gas Village. Enduro Student Program/Enduro Entrepreneurship Program targets high school students who are given training and entrepreneurship education. The hope is that, together with Pertamina, these students can have practical and real experience as mechanics in the field, as well as have an entrepreneurial spirit, which after graduation can open a workshop and become an Enduro sales agent. Pertamina also initiated the development of creative economic centers in various areas with Bright Gas Village. This is also part of educating the public to use Pertamina's superior products, so that they can develop together with Pertamina (<https://www.pertamina.com/id/csv>).

Awards for companies that have created shared values have also been carried out, one of which is INFOBRAND.ID, TRAS N CO Indonesia in collaboration with the Management Department, Faculty of Economics and Business, Universitas Airlangga who held the TOP CSV Award 2021 to assess and give award to all companies that have successfully implemented the program creating shared value. Creating shared value is applied by the company as a manifestation of competitive advantage where social problems are included as part of the company's strategy, because the company has an understanding that companies have a dual role, namely creating social and economic value together, and to provide solutions to social, environmental and corporate problems. The assessment is carried out referring to three aspects, namely the CSV Concept aspect (weight 30%) which assesses the CSV concept applied as a competitive advantage by including social issues in designing the company's strategy, the CSV impact aspect (weight 50%) assesses the positive impact caused by CSV activities both for the society and companies, and the CSV Branding aspect (20% weight) assesses the number of reviews and reports related to CSV activities carried out by the company through digital media and or assessed based on the presentation of the CSV program branding activities carried out

(Isnaini, <https://ekbis.sindonews.com/read/528876/34/top-csv-award-for-a-successful-running-company-creating-shared-value-1630501755?page=1>).

Creating shared value is basically a form of relationship between the company and the society, where social exchange theory states that individual interactions on social exchange and resources where if the individual feels that he receives good (fair) treatment and resources, he will reciprocate by giving treatment and good resources (reciprocal), and vice versa, if individuals provide good treatment and resources, individuals also expect to receive good treatment and resources, resulting in a balanced exchange of relations (Lai, 2015; Wulani, et al., 2021). In creating shared value this reciprocal relationship can also be applied between companies that have received welfare from the society (employees, suppliers, customers, and others). Social exchange theory could influence to how beneficiary business partners responses to inter-firm CSV investment by a benefactor firm. Cost benefit analysis is very rational judgement for human being choose or determine an activities and relationships. Of course, most probably human being will choose something if the rewards or gain is so greater than the cost itself. In Business-to-business relationships, responses can be classified into three types: attitudinal performance, behavioral performance and economic performance. The three types relate to the responses that might be given by the beneficiary firm to the benefactor firm (Yoo and Kim, 2017).

Relationality arises because not only humans are social creatures, but companies also carry out social activities that must be able to relate to the environment and the surrounding society. Living together between the company with the local society and good dialogue will lead to a harmonious relationship. The company does not only think rationally to seek as much profit as possible and maximize its own welfare, but the company also thinks about its relationship with the society that the company cannot live without the society, so that the company also improves the welfare of the society. This is in accordance with the concept of dialogue, where dialogue creates friendship, in this case the company's friendship with the surrounding society. On the other hand, the absence of dialogue creates discomfort and ultimately views the presence of other people as threats or enemies where in this case the company is considered negative, namely only taking profits without thinking about the society, even though the company operates and makes profits all of which intersect with the society. Friendship can lead to solidarity, togetherness, harmony, kinship, neighbourhood, kinship, and the like. This dialogue can create good relationality in human relations (Riyanto, 2018) which, when applied to the concept of creating shared value, is a good connection between the company and the society. This can be seen from Nestle's successful implementation of CSV by collaborating with 33 thousand dairy farmers in Kejayan, East Java, which is the main supplier of raw materials for Nestlé Indonesia's milk production, where Nestlé provides technical and financial assistance to dairy farmers. so that they can improve the quality of their milk, so that it can help increase the income of farmers and the welfare of their families. This has resulted in Nestlé Indonesia being successful in winning the Sustainable Business Award (SBA) for the third time (<https://temannestle.co.id/content/variety/creating-shared-value-csv-important-key-behind-business-success-nestle.html>). This kind of relationality is expected to be created in a business, where the company not only prospers its business, but can also prosper the society.

The company should not view the society as a third party or the other which is only used to achieve the company's welfare. The company's awareness of its existence should not make the company think of itself. Companies should not only think about how to minimize the costs incurred, such as moving the factory location from an area with a high regency or city minimum wage to another location with a lower regency or city minimum wage, but rather think about how

the company's strategy can create mutual prosperity, both for the company and for the company. Public. The company's awareness of its existence should actually be able to create the truth of self-awareness as an ethical foundation, aware of one's own weaknesses and strengths, aware of the whole existence and existence, aware that the company must pursue truth and goodness. Companies must be able to communicate with the public which creates a relationship (Riyanto, 2018). The society is not the other that is different and opposite to the company, so the company alienates the society. Economic and business life must be freed from human egoism and egocentrism, and aimed at human welfare, and the economy is carried out as a responsibility to the oikoumene, namely the world of shared peace, a prosperous oikoumene. There is a positive basic assumption that the economy will be able to be implemented as stewardship and bring prosperity, but there is also a negative basic assumption, the reality is that human egoism is actually needed in carrying out the economy. Therefore, as a way out, dialogue and adjustments are needed to obtain the optimum point, and there are developments that are getting fairer and better (Darmaputra, 2021).

The company's relationship with the society is also a manifestation of the fifth principle of Pancasila, namely social justice for all Indonesian people, which is a form of local wisdom of companies in Indonesia that must be applied as the company's foundation in carrying out corporate strategy. Local wisdom is a philosophy that lives in the hearts of people in the form of wisdom about life, way of life, traditional rites, and the like, which has a beautiful depth and real spark in the form of relationships with God, relationships with nature or the world, relationships with others and living together, also how the concept of humanity grows and develops, how the notion of unity is lived and lived, how togetherness in wisdom and wisdom is arranged, and how the picture of justice is manifested (Riyanto, et al., 2015). This understanding of local wisdom must be applied by the company in carrying out its strategy so that there is a good relationship between the company and the society, and mutual prosperity. This harmonious connection between the company and society will make the company's image better in the eyes of the society and this can increase the sustainability of the company's business in the future because of the support from the society.

5. Conclusion

Companies in running a business should not only think about the welfare of the company because in the business process the company has relations with the society such as employees, suppliers, customers, the environment, and others. Therefore, the company must also think about the welfare of the society by incorporating social issues into the company's strategy, namely creating shared value. The existence of creating shared values by the company is expected to create a harmonious relationship between the company and the society so that the company and the society can contribute to each other in a balanced way. The company's actions by implementing creating shared values can make the company gain a good image in the eyes of the society and the company's sustainability will be more secure, at the same time the society will also become more prosperous. The relation that occurs between the company and the society is expected to bring prosperity together.

Suggestion

Creating shared value has been implemented by several companies in Indonesia and this has brought good benefits, both for the image and sustainability of the company as well as for the welfare of the society. This is very necessary especially in the current pandemic conditions, where companies and the society are in difficult economic conditions, so that the application of

creating shared value in companies is expected to alleviate the difficulties of the current economic conditions. Good relations between the company and the society through creating shared values are expected to help each other for the welfare of both parties.

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