



Creating Shared Value: Turning Charity into Profit Abstract

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Abstract. “The Gade Clean and Gold” program is a Creating shared value program initiated by PT. Pegadaian applied the Triple Bottom Line principle to carry out social, economic, and environmental responsibilities and create economic value for the company. The program is run by PT. Pegadaian prioritizes balance and harmony in social, economic, and environmental aspects to build sustainability. Through the CSV Program “The Gade Clean and Gold” or “Segregating Waste to be exchanged for Gold Savings”, PT Pegadaian seeks to reduce poverty and social injustice, improve environmental conditions, and seeks to assist the government in managing waste so that life happens in the middle - the community becomes cleaner and healthier.

Keywords: Creating Shared Value · Corporate Social Responsibility · Triple Bottom Line · PT. Pegadaian

1 Introduction

Creating shared value is a concept of social responsibility by Potter and Kramer [1], published in the Harvard Business Review. This concept shows how businesses and organizations should be aware of sustainability aspects. In an article entitled “The Big Idea Creating Shared Valued – How to Reinvent Capitalism and Unleash a Wave of Innovation and Growth,” Potter and Kramer conveyed that business and social welfare must be interrelated and should not be positioned opposite each other. At first, the corporate social responsibility program was just an activity interpreted as a charity carried out by a company for the community whose funding was taken from the profits earned. In fact, these programs were often implemented because the law says so. Since then, the corporate social responsibility program has become one that the company initiates and executes without proper planning and impact.

The implementation of the CSV program, which is based on ISO 26000: Guidance on Social Responsibility, instead suggests that corporate social responsibility carried out by companies must be integrated with their business strategy. Meanwhile, the CSR program needs proper guidance to implement the program. CSR that aligns with the company’s business strategy is an absolute requirement to achieve optimal benefits for all

existing stakeholders. On the other hand, organizations are expected to solve social, economic, and environmental problems by creating shared values. CSV program also helps management to achieve goals that have been set to maximize profits and sustainability.

PT. Pegadaian is a state-owned enterprise that provides loans guaranteed by movable property, deposit services, appraisal services, and other services organized based on sharia principles. It is also one of the official places for selling gold (precious metal) produced by PT. Aneka Tambang (www.pegadaian.co.id). Concerning solving social, economic, and environmental problems, PT. Pegadaian has implemented the concept of shared value (Creating Shared Value). Creating Shared Value (CSV) is used as a basis for leveraging organizational competitiveness, improving the economy and social community, and contributing to preserving the environment. The flagship CSV program of PT. Pegadaian, which has been proven able to leverage organizational competitiveness and help solve social, economic, and environmental sustainability problems, is “The Gade Clean and Gold” program.

2 Literature Review

2.1 Triple Bottom Line

The concept of sustainable growth needs to consider aspects other than just profit. Some researchers argue that a company’s basic foundation is for shareholders’ welfare [2, 3]. This argument is also the basis for the concept of agency theory in management practice [4–6]. However, some researchers argue that to achieve sustainable company growth, it is necessary to pay attention to other aspects of the company’s stakeholders. Those aspects are government, society, consumers, and employees to the environment. This view is known as the triple bottom line concept. Elkington introduced the concept of the triple bottom line. The concept underlines that in conducting business activities, companies need to pay attention to aspects other than profit, namely people and the planet. Elkington argued that in today’s modern environment, the role of government and non-government organizations is increasingly important in the business environment. Changes to involve stakeholders in business activities are caused by several factors. These factors are markets, value, transparency, technology life cycle, partnerships, timing, and corporate governance [7]. This condition makes a company aware of non-profit growth in the company’s activities. However, the triple bottom line concept does not translate to costs for the company. According to Salim [8], profit, people, and the planet, which are values in the triple bottom line, are interrelated and create causal effects. When companies pay more attention to the values of the planet and people, the company’s profits will also increase in the long run [9, 10].

2.2 Stakeholder Theory

Stakeholders, by definition, are parties involved in a business activity or project. However, experts need help finding a standard definition of stakeholders [11]. Stakeholder theory emerged when the capitalist system was too focused on shareholders as the company’s primary goal. As a result, some companies should have stayed within the ethics

code and good corporate governance that has been established. Poor implementation of Good Corporate Governance causes an economic crisis in Indonesia and Globally. This caused some experts to accept stakeholder theory as a solution in everyday business activities. Stakeholder theory emphasizes activities that have an impact on one another. When the company's partners can positively or negatively impact the company, then the company must collaborate. This pattern underlies the activities of stakeholder theory. When company partners impact the company and vice versa, cooperation is needed to create value for both parties. In the end, stakeholder theory is a solution to sustainable business activities.

2.3 Creating Shared Value (CSV)

Companies have realized the importance of implementing social responsibility activities towards the community for the company's overall performance. Companies hope to contribute more to solving social, economic, and environmental problems [12]. It can be said that implementing corporate social responsibility toward the wider community indirectly has a strategic role and is considered an organizational competitive advantage, where it can generate consumer confidence in the organization. However, for the CSR program to be implemented accordingly and directly impact the organization, it is necessary to create shared value (CSV).

There are ways to maximize the role of shareholders in the company's business process activities. In the stakeholder theory, maximizing the role of company stakeholders can create value for both parties. This is because each stakeholder can have an impact on the company. The next question is how each party in the stakeholder can be maximized. Creating Shared Value (CSV) facilitates fulfilling social needs in company activities. Companies are starting to identify that social society at the macro level can create profits or costs for the company. Potter and Kramer [1] argue that creating shared value is a business strategy that accelerates a company's competitive advantage. However, at the same time, it also allows companies to contribute to solving social, economic, and environmental problems which exist in society. Creating shared value is not social responsibility, philanthropy, or even sustainability but a new way to achieve economic success. The CSV concept makes companies more actively involved in social and environmental issues, aiming to create better innovation and creativity for the products produced [13]. Unlike traditional CSR, the CSV concept involves investment to solve social and environmental problems while ensuring the realization of sustainable corporate competitiveness and creating a balance between economic and social.

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3 Research Methodology

The research method used in this article is descriptive qualitative. A qualitative descriptive approach is a research approach without using statistical figures, but through descriptive explanations or descriptions, by describing an event or condition that occurs, which is the main point of research, to be further described as it is [14]. The data used are secondary, namely, data obtained indirectly or from existing sources and literature studies by searching for supporting literature relating to the researched topic. Then the analysis used in this study was qualitative analysis, with the method of analyzing and reviewing the qualitative data that has been obtained, then summarizing it (generalizing) systematically to obtain a clear picture of the theme of the problem under study.

4 Discussion

The private sector is becoming crucial as the government's partner in solving issues of the Sustainable Development Goals, such as; increasing the economy and social welfare of the community and protecting the environment. With competitors and a more informed society, consumers want a company to do more than sell a product or service. Companies are required to "doing good," with the implementation of corporate social responsibility (CSR), which impacts all existing stakeholders. Therefore, companies need to continue the responsibility toward stakeholders and achieve company interests to achieve profit. This concept is known as Creating Shared Value (CSV). Creating Shared Value is a sustainable business model. CSV is an extension of CSR (Corporate Social Responsibility).

The difference between CSR and CSV is that CSV involves both social and economic values. Therefore by implementing CSV, companies can increase social and economic value. Creating shared value is a concept that collaborates businesses and society to benefit citizens in local communities through company activities [15]. To sum up, Creating shared value (CSV) is a method that requires business entities (companies) to carry out multiple roles, which creates good economic value for the company and creates social value simultaneously.

PT. Pegadaian has implemented the concept of shared value (Creating Shared Value). Creating Shared Value (CSV) is used as a basis for leveraging organizational competitiveness, and improving the economy and social community, and contributing to preserving the environment. CSV program is making a positive contribution to society through economic growth, both for the company and the community. The flagship CSV program of PT. Pegadaian, which has been proven able to leverage organizational competitiveness and help solve social, economic, and environmental sustainability problems, is "The Gade Clean and Gold" program (www.pegadaian.co.id). 2018 was the beginning of PT. Pegadaian's initiation of "The Gade Clean and Gold" program. This is a form of embodiment of the Corporate Social Responsibility of PT. Pegadaian in the social and community development field, carried out through Partnership and Community Development Program (PKBL) activities, as stated in the Regulation of the Minister of State-Owned Enterprises Number PER-09/MBU/07/2015, and lastly amended by Permen BUMN No. PER-02/MBU/04/2020 concerning the Partnership Program and

Community Development Program for State-Owned Enterprises. The Creating Shared Value Program “The Gade Clean and Gold” is a program to sort waste into gold savings. The breakthrough made by PT. Pegadaian was very warmly welcomed by the Indonesian people. This program applied the Triple Bottom Line principle. The Triple Bottom Line approach created by Elkington [7] has become a practical approach worldwide [16]. The Triple Bottom Line approach focuses on balance and harmony in economic, social, and environmental aspects for sustainable development.

Program Creating shared value “The Gade Clean and Gold,” is a serious effort to reduce poverty, and social inequality, restore environmental conditions, and assist the government in managing waste. There are 4 (four) types of waste that are targeted to be exchanged for gold in “The Gade Clean and Gold” program, namely plastic waste, paper waste, cardboard waste, and metal waste. Based on data from the Ministry of Environment and Forestry of the Republic of Indonesia quoted from dataindonesia.id, in 2020, the total national waste production reached 32.82 million tons, an increase of 12.63% compared to the amount of national waste in 2019, which reached 29.14 million tons. The high amount of waste generated each year is a severe problem faced by Indonesia. Therefore, solemn handling is needed, as well as involving various groups to resolve this problem.

PT. Pegadaian with the program “The Gade Clean and Gold”, has made people excited to sort and select waste so that it can be exchanged for gold savings. Through the “The Gade Clean and Gold” program, Waste Banks have been established in various regions in Indonesia. It is hoped that people will become aware of how important it is to keep the environment clean by managing waste properly. The Garbage Bank itself is a place for collecting and sorting waste that can be recycled and reused in the form of a new product, so that the community gets additional economic value. The principle of obtaining additional economic value is what is termed the word “gold”. The “waste bank” initiated by PT Pegadaian is very different from the other waste bank concepts that we usually we know. Usually, when people bring garbage to the trash bank, they will generate/exchange it for money, but the Garbage Bank initiated by PT. Pegadaian will produce gold savings, even if it reaches a certain amount required, you can get a package to carry out the Umrah or Hajj pilgrimage. With “The Gade Clean and Gold” program, PT. Pegadaian invites the public to maintain the cleanliness of the surrounding environment so that it becomes tidier, more organized, and also healthier.

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Gade Clean and Gold”, PT. Pegadaian invites the public to maintain the cleanliness of the surrounding environment so that it becomes tidier, more organized, and healthier.

By collaborating the implementation of social responsibility obligations with the company’s core business, this activity is not considered a burden but instead benefits the company. CSV programs can be a powerful relationship-building strategy to create mutual benefits for both societies by providing sustainable and viable solutions and for organizations by increasing their competitive advantage [17]. Meanwhile, Awale and Rowlinson [18] stated, “Through the CSV concept, companies can turn social problems into business opportunities that are measured together in terms of social and business value.” This will ultimately lead to the company’s competitiveness. In terms of sales of precious metals (gold), PT. Pegadaian has a positive value or gets a high level of trust from the public because it is directly appointed by PT. Aneka Tambang as an official place to sell these products to the public, equipped with a certificate of authenticity for the gold it sells. With “The Gade Clean and Gold” program, PT. Pegadaian succeeded in creating shared values between the company and stakeholders and overcoming social, economic, and environmental problems in society.

5 Conclusion

Companies must not see the responsibility to social and the environment as a cost. CSR is no longer a charity program that only enhances the company’s reputation rather than benefiting the company enough. Companies must be able to align social, economic, and environmental responsibility programs with the creation of economic value for the company. “The Gade Clean and Gold is a CSV program initiated by PT. Pegadaian has triple bottom line values (profit, people, and the planet). The program is to exchange waste for gold savings. With this program, PT. Pegadaian has created economic value for the company and has successfully solved social problems by increasing the economic level of the community and helping keep the environment clean.

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