

Creating Shared Value By Integrating Sustainable Objective To The Next Level For The Kimia Farma Pharmaceuticals Firm

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DOI: 10.47750/pnr.2022.13.509.793

Abstract

Kimia Farma always strives to create shared values in order to become a company that is able to provide more value for social development and environmental sustainability, ensure long-term success for the business and at the same time support the company's contribution to achieving the Sustainable Development Goals (SDGs). This article tries to explain the value of creating shared value that exists in a company in the pharmaceutical industry, namely Kimia Farma, as well as understanding the role of implementing creating shared value as a corporate strategy and identifying the impact of implementing creating shared value for the company. This study uses a literature review technique research method to collect information from the Annual Report, the latest Sustainability Report and several similar studies that have been conducted by other researchers. and conclusions drawn from the theoretical analysis and discussion results. This research will add deeper insights about creating shared value in the pharmaceutical industry.

Keywords: Creating Shared Value, Corporate Social Responsibility, Integrating, Sustainable Objective, pharmaceutical companies.

1. INTRODUCTION

Sustainability is usually defined as a way to meet the needs of the present without compromising the needs of future generations (Brundlant, 1987). A serious challenge to achieve the vision and mission of society and a sustainable earth. These challenges grow into various problems related to social and environmental issues that are haunting our current situation. Increasing world population, increasing economic inequality widened as well as increasingly rampant interracial conflict. According to Bergengger and Praauer (2016), simultaneously the world's resources are limited and used at a faster rate than their recovery. This has resulted in several problems such as climate change, destruction of ecosystems, and scarcity of water sources that can no longer be monitored.

With the emergence of these problems, thinkers call for the use of business power to solve these problems by adopting a mission to create shared value (Porter and Kramer 2011 and Zufrizal, 2021). Instead of using or questioning the division of responsibility, many thinkers are more of the opinion that integrating sustainability with business strategy to create shared value has more benefits from both sides between the business world and society or the environment (Li et al., 2022).

To be able to create this shared value, a concept called "Creating Shared Value" is needed. The CSV concept itself argues that social problems are actually a company opportunity. Where it can produce positive supporting factors and can be a measurable solution to experiencing social problems (Porter and Kramer 2011). Porter and Kramer argue that all benefits are not the same. Benefits that involve shared values enable society to progress and companies to grow rapidly. They predict that incorporating social issues into strategy and operations is the next major transformation in management thinking. Companies can be sure that they will get extraordinary benefits if they are able to solve social problems, which can increase the competitive advantage of the company itself (Muda et al., 2018).

From the above opinion, it can be concluded that CSV is a community approach concept in which every company must jointly form an economic and social value (Siahaan et al., 2019). The role of business in society has developed rapidly with different approaches and have different goals. One example of a company that has implemented a CSV system is Kimia Farma. Where is the result of their sustainability report, which explains that during 2021 they were able to maintain excellence with the several programs they had implemented.

Kimia Farma strives to always create shared value with stakeholders, not only as a corporation but also to make a company capable of providing added value for social development and environmental sustainability while at the same time ensuring long-term success for the company's business and while at the same time supporting the company's contribution to achieving sustainable development goals. Even though it is still in the middle of the recovery period from the Covid-19 pandemic, Kimia Farma remains committed to creating value and benefits for all stakeholders, being part and playing an active role in presenting integrated health services, and trying to make a positive impact on the environment and socially so that we are able to work together, grow and develop sustainably to a higher level. This study aims to provide an understanding that the concept of shared values is able to make a company a better competitive advantage in a sustainable manner.

2. LITERATURE REVIEWS

2.1 CSV concept

The CSV concept is a differentiation strategy that creates business value by overcoming social problems or transforming social problems into real business opportunities using 3 pillars, namely: (i) re-understanding market products, (ii) redefining productivity in the value chain and, (iii) allows the use of local clusters (Porter and Kramer 2011). Pillar one focuses on designing and defining new products/services that have not been served or underserved, resources, and procurement (Irawan, 2022). Finally, the third pillar relates to improving the company's external environment: increasing the skills available for job education and training; and strengthening local suppliers, contractors, institutions, and infrastructure (Porter and Kramer 2011).

Kindly general, various issue social like impact social generic, impact social chain mark, and dimensions social from impact context competition which affect Public and environment, related with company (Fajrina, 2022). Draft CSV focus especially on issues in context business which impact significant to power competitive company, that is dimensions social from impact competitive context'. Company need identify, prioritize, and resolve problems which Very relevant and the solution will give impact biggest and Upgrade superiority competitive for company (Porter and Kramer 2006). CSV is about create mark social and business in a manner together. Second mark relatively to benefit cost, and in a manner together be measured for understand total mark together which created. Social values refer to positive improvements in targeted social issues by company, and results social or change social which need in achieved. Mark business is benefit economy actual for company (Portertal. 2012). Picture 1 under this show draft CSV.

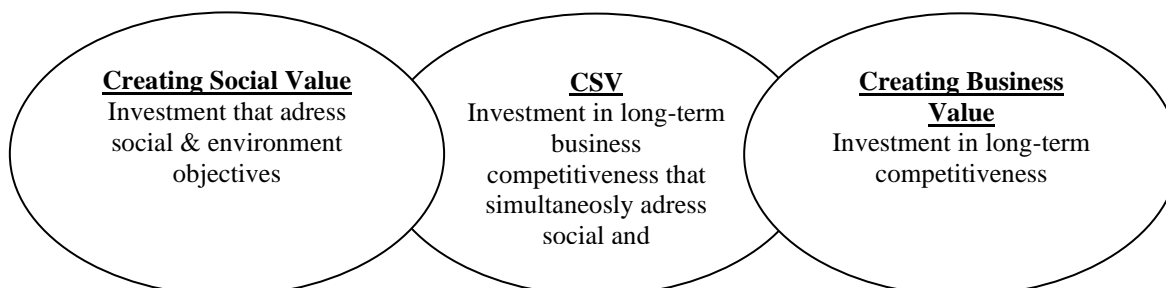


Figure 1: Draft create mark together (Bockstette and Stamps 2011)

2.2 CSR Traditional VS CSV Concept

Regardless from contribution outside normal from pharmaceutical industry against growth and development economy, impact negative environment and social no could denied (Welford et al. 2007). For resolve and neutralize impact the, pharmaceutical companies adhere draft not quite enough answer social company (CSR). CSR state that company must profitable, obey law, ethical, and Becomes inhabitant company which good (Carroll 1991, Afzalia et al., 2022). Though,

company use up many money through charity, philanthropy, or gift company, stakeholders interest still criticize company because no ethical and responsible answer (Porter and Kramer, 2011). CSR limited for react to pressure external, especially for Fulfill need stakeholders interest and maintain reputation company (Canter 2011).

By because that, CSR usually is afterthought about how business operate. Company often try for manage impact to Public and environment after process business they walk. By because that, CSR often permanent is at side operation business (Porter and Kramer 2011). On the contrary, company which adhere CSV concept approaches business operations in a different way. instead Becomes afterthought about how business operate, draft CSV put problem social and environment as the core of business operations. Even though CSR and CSV are based on the same concept - "do good by doing good", the first is about responsibility, while the second about create values new. CSR generally succeed in reach efficiency project and satisfaction client but no always lead on success business and facilitate future growth and development of the company.

2.3 Challenges faced and strategies implemented in 2021

The ongoing spread of the Covid-19 pandemic has created many challenges, namely a decline in global economic activity which has impacted several aspects of the operation and distribution of Kimia Farma's products, and the frequency of customer visits to outlets has also decreased. In addition, the challenges of realizing pharmaceutical industry independence, climate change control and the application of increasing environmental standards is also a challenge for the company that must be handled properly.

to-end integrated healthcare business chains , Kimia Farma takes a role in fulfilling the binding demand for products related to Covid0-19, to involvement in the vaccination program (Cui et al., 2022). Then to respond to the challenges of climate change, Kimia Farma is implementing an air emission management program including using low-carbon technology, replacing diesel fuel with Compressed Natural Gas as boiler fuel and conducting external air and ambient air emission tests, this is a manifestation towards a green industry.

2.4 Commitment and Implementation of Economic Performance

Creating the development of an environmentally friendly pharmaceutical industry towards realizing a green industry has become Kimia Farma's commitment to this day. Good. Kimia Farma is committed to running a business that goes hand in hand with community service and community economic empowerment. Kimia Farma has provided easy access to capital for MSMEs.

Kimia Farma always strives to always create shared value with stakeholders, not only as a corporation but also to make a company capable of providing added value for social development and environmental sustainability which at the same time ensures long-term success for the company and at the same time supports the company's contribution towards achieving the Sustainable Development Goals (SDGs). As a state-owned pharmaceutical company, history records from time to time. Kimia Farma has gone through many changes, now in its 50th year, the collaboration between Kimia Farma and its Subsidiary, the Company's Subsidiary has produced innovations that have a real impact on the company's achievements not only in terms of business but also socially and environmentally. Carrying out a social mission, in 2021, Kimia Farma is again presenting Floating Clinic health services that sail in archipelago areas and areas with minimal health facilities. Apart from that, the Inspiring Midwife program also makes an important contribution to public health, especially saving mothers and toddlers in preventing stunting. .

Kimia Farma upholds fair competition, sportsmanship and professionalism, as well as the principles of good corporate governance to create a healthy business climate, avoiding actions, behaviors or actions that can lead to conflicts of interest, corruption, collusion and nepotism. In 2021, Kimia Farma has implemented an anti-bribery management system and carried out socialization of gratuities and prevention of corruption which was attended by directors and employees. With these efforts, during 2021 there were no acts of corruption or fraudulent violations committed by corporate individuals. With a strong commitment and implementation of sustainability performance, Kimia Farma is confident and optimistic that it will be able to face various future challenges by seizing various positive opportunities and will continue to grow to make a real contribution so that it can provide more benefits and positive impacts for the country.

3. METHODS

3.1 Research Design

This study uses a qualitative approach. Qualitative research is research that is descriptive in nature and tends to use analysis. Process and meaning (subject perspective) are emphasized in qualitative research. The theoretical basis is used as a guide so that the research focus is in accordance with the facts in the field.

This study uses the method of literature review or literature review. Where researchers collect sources from the Kimia Farma Sustainability Report and several similar studies. The type of writing used is a literature review study that focuses on writing results related to writing topics or variables. The author conducts this literature study after determining the topic of writing and determining the formulation of the problem, before starting to collect the necessary data. The data used in this research comes from the results of research that has been conducted and published in international online journals.

3.2 Data Collection Method

Kimia Farma has published its second sustainability report this year, after previously the first sustainability report was published in April 2021. Henceforth, Kimia Farma is committed to publishing this report annually along with the annual report. This report is a medium of communication to stakeholders regarding performance and commitment sustainability of the company and the impact of the company's existence in achieving sustainable development during the period January 1 - December 31 2021. In determining the content and quality of sustainability reports, Kimia Farma applies the principles of sustainability reporting in the GRI Standard, namely: Stakeholder involvement , context of sustainability , materiality , completeness , Clarity , Comparability , Balance , Accuracy and Reliability .

There are also five steps to preparing a sustainability report, namely:

1. Setting priorities and developing strategies
2. Build structures and collect data
3. Develop and revise content
4. Finalizing and communicating to company stakeholders
5. Conduct learning reviews and repetition

Based on the results of distributing questionnaires to stakeholders, Kimia Farma's sustainability report this year has not changed from the previous year's 15 topics, but the information presented in this report is more comprehensive and reveals material for creating shared value on each sustainability topic. The material topics presented in the sustainability report include performance information and sustainability impacts carried out at the company's head office and factories.

4. RESULTS AND DISCUSSION

4.1. Results

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Kimia Farma also carries out several activities which cover the 5 (five) steps above. Such as the creation of floating clinics, waste management efforts, child immunizations, the Herd Immunity acceleration program , and assistance to several disaster-affected areas. Which also received several awards from the Government and several other NGO organizations

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4.2. Discussion




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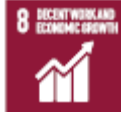

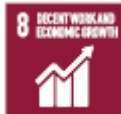
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Table 1 Integration of the Achievements of the Kimia Farma Sustainability Program with the SDGs

Issues and Strategy Continuity	Initiative Program Superior	Program Achievements in 2021	GRI Standards	SDGs	Page
Value Increase Sustainability For State Development	Distributing economic value resulting from to the caretaker interest	- A total of IDR 4,613,578 million distributed by Kimia Farma to stakeholders, grew 4.90% compared to 2020	GRI 201-1		50
	Provide roles and contributions to the country	- Carry out R&D in the supply of quality medicines where in 2021 develop and produce 10 items of Medicinal Raw Materials (BBO) in accordance with national priority needs to realize pharmaceutical industry independence - Fulfillment of tax payment obligations to the state of IDR	GRI 201-1 GRI 203-2	 	51

		482,011 million, grew 6.07% compared to 2020			
	Presenting benefits or economic impact indirect for stakeholders interests that create well-being and independence Public	<p>Floating Clinic Program for improve the quality of public health in Indonesia</p> <ul style="list-style-type: none"> - Take part in the role of even distribution of vaccinations in the Gotong Royong Vaccine program - Availability of medicinal products and health services that are evenly distributed to all people, including low-income communities in all regions including underdeveloped areas so as to meet the health needs of the public at all levels - Investing in infrastructure development in supporting public services for the community - Community Development Programs for the creation of community economic development including the MSME Academy and Village Industry Development Program / Friends Village 	GRI 203-1 GRI 203-2 GRI 413-2	    	52 - 55
Value Increase Continuity For Sustainability Environment	Management Use and Energy Efficiency	<p>Energy efficiency efforts that also create cost efficiency include:</p> <ul style="list-style-type: none"> - Use of solar street lights - Use of motion sensors in the warehouse area boiler fuel 	GRI 302-1	 	59 - 61
	Management and Emission Control	<ul style="list-style-type: none"> • Efforts to reduce emissions to prevent pollution and environmental pollution include: - Use of low carbon technology - Replacing diesel fuel with Compressed Natural Gas (CNG) as boiler fuel - Conduct external air and ambient air emission tests 	GRI 305-1 GRI 305-2		62 - 63

		where in 2021 the results meet the quality standard requirements			
	Management Water Use and Water disposal Waste	<ul style="list-style-type: none"> • Efforts to manage water and wastewater to ensure the availability of clean water and sustainable sanitation include: <ul style="list-style-type: none"> - Carry out wastewater testing/measurements where in 2021 the results meet the quality standards of all measured wastewater parameters - Conducting the Reuse Reduce Recycle (3R) program for waste water - Making process changes disinfection from a chemical process to a more efficient and environmentally friendly physical process 	GRI 303-2 GRI 303-5	 	64 - 65
	Waste Management	<ul style="list-style-type: none"> • Waste management efforts to prevent and minimize generation wastes include: <ul style="list-style-type: none"> - Conducting Reuse, Reduce, Recycle (3R) Programs - Using environmentally friendly chemicals - Make investments for processing of domestic organic waste into fertilizer 	GRI 306-1 GRI 306-2 GRI 306-3		66 - 68
Value Increase Sustainability For Public	Responsibility Program Social Answer to Public	<ul style="list-style-type: none"> • The total distribution of social responsibility programs in 2021 is IDR 10.53 billion, with details: <ul style="list-style-type: none"> - UMK Funding Program of IDR 3.59 billion - Non PUMK Program of IDR 6.94 billion • Implementation of the Featured MSEs program, namely MSME Upgrading Classes • Implementation of Leading Non-PUMK programs, namely: <ul style="list-style-type: none"> Kimia Farma Batch 2.0 Project Camp (Basecamp) Social Scholarship Program Kimia Farma's Great Generation Program Floating Clinic Program 	GRI 413-1 GRI 413-2	     	74 - 80

		<ul style="list-style-type: none"> - Kimia Farma Inspirational Midwife Program - Village/Friend Village Industry Development Program - MSME Academy 2.0 program Webinar Series Program 		 	
Value Increase Sustainability For Employee	Education programs and training employee	- The average employee training hours per participant reached 24.02 hours per Participants - Implementation of Leader Development Program (LDP) employee training programs, Professional Skill Academy , Management Development Program (MDP), Public training , scholarships and certification	GRI 404-1 GRI 404-2	 	93 - 94
	Commitment diversity and equality HR management	<ul style="list-style-type: none"> - The composition of female employees is 52% greater than male employees - The wage ratio of female employees and male employees is 1:1 - 100% of employees receive career appraisal - A total of 41 female employees and 48 male employees received promotions 	GRI 102-8 GRI 405-1 GRI 405-2 GRI 404-3	 	85 - 94

5. CONCLUSION

Assuming that the Kimia Farma Company can achieve long-term competitiveness and sustainable growth that emphasizes social sustainability, construction changes give relatively low priority to social issues when accessing their competitiveness. Until now, many opinions have separated the discussion on competitiveness and social issues. However, with the CSV concept, Kimia Farma Company is able to analyze competitiveness issues, social issues and business values in detail. However, remember complexity company condition market and geographical which different, and factors other possible produce problem different which formulate power competitive company; by because that, model need improvement more carry on. Expected study this could contribute on theory management strategic with added strategy business new (Creating shared value) for increase n power competitive company. Priority in study period front is for test model in a manner empirical, investigate tension and exchange Among creation mark economy and social, and develop tool which strong for measure mark social and business together.

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