




RESEARCH ARTICLE

Section: *Sociology and Community Development*

Creating shared value through sustainable partnerships: The role of CSR in the spice farming sector in Indonesia

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The primary objective of this study is to examine the operationalization of Creating Shared Value (CSV) within a Corporate Social Responsibility (CSR) partnership initiative among corporations primarily engaged in the agricultural sector, collaborating with spice farmers. A case study was employed to explore the implementation of CSV. Snowball sampling was used to select 17 informants. Data collection methods included in-depth interviews and focus group discussions (FGDs) to ensure data triangulation. The CSR programs were effectively transformed into CSV by creating economic, social, and ecological value in partnerships between farmers and companies. The success of these partnerships hinged on establishing strong relationships through CSR initiatives. Community programs were developed to enhance farmers' capacities, integrating them as suppliers within the company's business chain. This study provides novel insights into the transition from CSR to CSV, demonstrating how companies can initiate CSR as a foundation for creating shared value and evolving into sustainable partnerships. The study highlights the interdependent relationships between farmers and companies, which generate significant social, economic, and ecological benefits. These partnerships facilitate farmers' access to markets and business capital, while companies benefit from a continuous supply of high-quality raw materials and reduced production costs.

KEYWORDS: Spice farmers, CSR, CSV, partnerships

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Introduction

Spices are valuable export commodities with significant economic importance. Countries like India, Pakistan, Iran, and Indonesia are major exporters of spices (Krishnaraj et al., 2019; Lakner et al., 2018). However, the lengthy supply chain, due to the geographical distance between producers and purchasers, poses challenges for farmers in the upstream sector, who often struggle to receive fair prices for their produce. This economic, environmental, and social vulnerability is exacerbated by the unequal relationships between farmers and wholesalers, leading to price fluctuations that hinder farmers from selling their products effectively (Zuo et al., 2021; Lama et al., 2020; Saputro & Anggrasari, 2021; Zuo et al., 2021).

Indonesia, with 40% of its population engaged in agriculture (Bashir et al., 2018), faces significant challenges due to the dualism of its agricultural system, comprising both modern and traditional practices. This disparity necessitates improving the quality of human resources, particularly farmers, to reduce rural poverty (Sjaf et al., 2022). The development gap between urban and rural areas is attributed to the unequal distribution of demographics, economic capacity, and inadequate infrastructure.

Community empowerment is crucial for enhancing human resource quality. The private sector can play a vital role in this through Corporate Social Responsibility (CSR) programs, particularly those focused on community development rather than direct assistance (charity) (Fordham & Robinson, 2018). Industries in the agricultural sector have the potential to reduce poverty (Nugroho, 2021) by empowering farmers through initiatives that mobilize, motivate, and raise awareness (Suminah et al., 2023). A CSR model that fosters community development and shared value creation (CSV) is more sustainable than pseudo-partnerships that benefit only the more powerful party (Rudito et al., 2023; Sjaf et al., 2022). Companies with core businesses aligned with program targets can create shared value through strategic partnerships (de Waal & de Haas, 2020). A prominent herbal company in Indonesia exemplifies successful collaboration with farmers through its Spice Village Corporate Social Responsibility (CSR) program. This partnership guarantees a consistent supply of high-quality raw materials for the company's herbal and pharmaceutical products while simultaneously empowering local farmers. Operating within the herbal and pharmaceutical industry, this company modernizes the marketing of *Jamu*, a traditional health drink made from herbs, to compete with other health beverages. The raw materials for these herbal products are derived from indigenous medicinal plants and spices cultivated by local farmers. The company's collaboration with these farmers ensures the continuous availability and quality of raw materials. The Spice Village CSR program fosters the creation of shared value through these partnerships. The process begins with community development programs aimed at farmers, followed by formal partnerships where farmers become suppliers of raw materials. Instead of selling their products directly to the company, farmers first consolidate their produce within farmer groups.

CSR initiatives aim to improve the quality of life in communities by addressing various social issues and contributing positively to the environment (Sanusi & Kartini, 2022). These efforts are based on the stakeholder theory, which asserts that corporations have responsibilities not only to their shareholders but also to other stakeholders, including the community (Sarmila, 2020). The implementation of CSR programs has been shown to foster community development in various sectors. For instance, CSR activities in India have significantly improved socio-economic conditions, especially following the mandatory CSR spending introduced by The Companies Act (Jha & Totala, 2023). Similarly, in Thailand, community participation in environmental CSR projects, such as sustainable mangrove forest management, has been essential in ensuring the projects meet actual community needs and effectively utilize resources (Sattayapanich et al., 2022). CSR programs also play a crucial role in education and skill development. For example, initiatives in Indonesia have bridged the gap between the university, industry, and community, creating opportunities for sustainable development and skill enhancement through recognition of prior learning (Roy & Marsafawy, 2021).

Furthermore, CSR initiatives in Sarangani Province, Philippines, have been framed within the Triple Bottom Line of Sustainability—People, Planet, and Profit—showing that businesses can simultaneously address social injustice, promote environmental conservation, and ensure economic benefits (Cristobal-Cipriano, Arroyo, & Romualdo, 2022). This holistic approach underscores the strategic importance of CSR in achieving long-term sustainability and corporate legitimacy. In Ghana, CSR efforts by rural banks have complemented local government initiatives, significantly improving community health, education, and infrastructure (Avoada, Kwame, & Francis, 2022). These initiatives highlight the critical role of corporate involvement in local

development and the potential for CSR to create win-win situations for businesses and communities alike. but few have specifically delved into the implementation of CSV within CSR initiatives.

Numerous studies have investigated community development through Corporate Social Responsibility (CSR), but few have specifically delved into the implementation of Creating Shared Value (CSV) within CSR initiatives. This gap is critical, as CSV can significantly enhance the effectiveness of CSR programs by aligning corporate practices with community needs and sustainability goals. Community involvement is essential for the success of CSR programs. Research shows that the higher the level of community involvement, the greater the success rate of CSR program implementation. This involvement leads to increased community prosperity and satisfaction, even when corporate activities might negatively impact the environment (Pratiwi et al., 2021). Moreover, CSR initiatives in the extractive sector, such as mining, have primarily focused on local social development rather than environmental sustainability. These initiatives often involve complex governance structures to manage and monitor CSR activities effectively, ensuring tighter control over spending and enhanced outcomes (Singal, 2021).

Furthermore, the role of corporate identity in CSR implementation cannot be understated. It provides a framework that integrates strategic and operational practices, helping companies to implement CSR effectively by aligning it with their core values and mission statements (Tourky et al., 2020). The concept of CSV, which emphasizes creating economic value in a way that also creates value for society by addressing its needs and challenges, has been applied successfully in some sectors. For instance, a study on the upstream oil and gas sector demonstrated that CSV through CSR implementation could generate shared value for businesses and communities, thereby supporting sustainability goals (Kurniawan & Arief, 2023). Additionally, the satisfaction of community members with CSR initiatives can vary, and continuous evaluation is necessary to meet community expectations and enhance the effectiveness of these programs.

This research aims to achieve two primary objectives: (1) to analyze the stages of Corporate Social Responsibility (CSR) implementation within a prominent herbal company in Indonesia's Spice Village program, and (2) to examine the process of Creating Shared Value (CSV) through a partnership-based CSR program. By focusing on a prominent herbal company's Spice Village program, this research provides a detailed case study of how CSR initiatives can evolve into sustainable partnerships that create mutual value for both companies and local communities. The Spice Village program not only ensures a steady supply of high-quality raw materials for the company's herbal and pharmaceutical products but also empowers local farmers by integrating them into the company's supply chain. This integration involves initial community development programs targeting farmers, followed by formal partnerships where farmers become suppliers of raw materials. Farmers' products are first consolidated within farmer groups before being sold to the company, ensuring better pricing and stability.

The implications of this research extend beyond Indonesia, offering a model for how companies globally can engage in sustainable and mutually beneficial partnerships with local communities. By implementing similar CSR and CSV strategies, companies around the world can contribute to local economic development, enhance social welfare, and ensure environmental sustainability, thereby creating a more inclusive and sustainable global economy.

Literature Review

The concept of Corporate Social Responsibility (CSR) has been variously interpreted and implemented by different companies, resulting in a range of understandings and strategies (Kumar et al., 2022). These variations often stem from differing motivations behind CSR, whether they prioritize social benefits or financial gains (Jain et al., 2020). Innovations in environmental, social, and organizational domains within CSR programs significantly affect a company's financial performance and sustainability (Gillan et al., 2021). CSR is typically perceived as a corporate endeavor to attain social legitimacy within local communities, thereby safeguarding their strategic and operational interests (Sanusi & Kartini, 2022). The CSR pyramid, as introduced by Carroll (2016), includes economic, legal, ethical, and philanthropic responsibilities. These responsibilities show considerable variation between developed and developing countries, with CSR practices in developing regions frequently emphasizing community development (Gabriel & Okwakpam, 2022).

Community development is one of the most significant factors supporting the program's implementation,

thus collaboration between various elements of society is needed through the active participation of residents to realize the program (Pamuji et al., 2023). Strengthening community capacity empower people, inspire changes in attitudes thought patterns, and increase their potential to make life choices. Empowerment and capacity to provide long-term value to society (Fordham et al., 2018). Company training and mentoring for recipients of CSR programs proves effective in building capacity to expand employment opportunities and increase income (Yadava & Sinha, 2022). Partnerships in the agricultural product supply chain are necessary for cost efficiency, increasing profits, and ensuring product quality. Partnerships involve all upstream and downstream subsectors (Dania et al., 2022). Research on partnership success is influenced by processual (trust and communication) and structural (power and resources) factors. The creation of shared value proves the partnership's success. Partnerships can lead to value creation and all partners create Value jointly, and good relationships are the key to creating value. The motive for co-creation is to improve reputations and strengthen relationships supported by trust, inclusiveness, and openness. Shared values are policies and operational practices that increase a company's competitiveness while improving economic and social conditions in the communities where the company operates. Companies can create shared values through re-understanding products and markets, redefining productivity in the value chain, and building industrial cluster support at company locations. Creating Shared Value (CSV) is a sustainable business strategy that simultaneously produces business and social benefits (Khurshid & Snell, 2022).

Research indicates that CSR strategies in developing countries often focus on strengthening human resources, such as farmers who supply industrial raw materials (Sanusi & Kartini, 2022). The CSR concept aligns with the sustainable development agenda by integrating economic, social, and environmental dimensions, known as the Triple Bottom Line (TBL) (Shayan et al., 2022). This integration is essential for achieving sustainable development goals. CSR initiatives can significantly impact sustainable economic development in villages. A green economy promotes economic growth while alleviating poverty, ensuring social inclusion, and enhancing environmental sustainability (Jain et al., 2020). Community development is a pivotal factor in the success of CSR programs, necessitating active participation and collaboration among community members (Agarwal, 2022). Strengthening community capacity can empower individuals, inspire changes in attitudes and thought patterns, and enhance their potential to make informed life choices.

Effective CSR necessitates partnerships throughout the agricultural product supply chain to improve cost efficiency, increase profits, and ensure product quality (Gillan et al., 2021). The success of these partnerships is influenced by processual factors (trust and communication) and structural factors (power and resources), culminating in the creation of shared value (Amah, 2022). Partnerships can enhance reputations and strengthen relationships through trust, inclusiveness, and openness (Amah, 2022). Despite extensive research on CSR practices and their impacts, there remain gaps in understanding the specific stages and strategies of CSR implementation in various contexts. This study seeks to address these gaps by analyzing the CSR practices of a prominent herbal company village program and the implementation of Creating Shared Value (CSV) through partnership CSR programs.

Method

This study employs a case study approach focusing on the largest herbal medicine company in Indonesia, which collaborates with farmers supplying raw herbal medicine materials through farmer groups across several regions in Central Java Province to explore the integration of CSR and CSV programs through partnerships with farmers, specifically focusing on the cardamom spice village program in Banyumas Regency.

Established in 1951, this company stands as Indonesia's largest herbal medicine industry. The company's facilities span 367,041 square meters, with factory buildings covering 136,776 square meters, supporting buildings occupying 16,774 square meters, agrotourism land comprising 20,554 square meters, and the remaining land serving as ancillary areas. The company sources its production raw materials from both local suppliers and imports, establishing partnerships that integrate spice farmers into the supply chain. The business strategy includes forming partnerships with farmers to secure agricultural products, particularly spices such as ginger, turmeric, and cardamom, which are essential for the herbal medicine industry.

The company's aim is to engage and develop local farmers to ensure a sustainable supply of high-quality raw materials. Partnering with local farmers enables shorter delivery times and more manageable quality control

from upstream to downstream, ensuring the provision of quality-guaranteed raw materials. The company's Corporate Social Responsibility (CSR) initiatives focus on community development, evolving into partnerships that generate economic and social value, known as Creating Shared Value (CSV). This transformation from CSR to CSV exemplifies an inclusive business model, which involves managing resources through partnerships between commercial entities and small farmers or low-income communities. This model integrates low-income communities into the commercial agricultural value chain, promoting sustainability and mutual benefits.

The research is based on both primary and secondary data. Primary data was collected through in-depth interviews and focus group discussions (FGD). Interviews were conducted with key informants including CSR managers, senior public relations officers, junior partnership coordinators, community development facilitators, farmer group leaders and administrators, collectors, village officials, agricultural service extension workers, and partner farmers. The interviews lasted between one to two hours per informant. All respondent names and group names listed in this data use pseudonyms. Secondary data was obtained from recent sustainability reports, company annual reports, and other relevant documents. These sources provided additional context and supported the analysis of the company's CSR strategies and Creating Shared Value (CSV) practices.

The sampling method employed was snowball sampling. Initial contacts were made with CSR employees, followed by interviews with recommended informants who met the study criteria. The informants included one Senior Public Relations Officer, one Junior Partnership Coordinator, three Community Development Facilitators, three Farmer Group Leaders and Administrators, two Collectors, two Village Officials, one Agricultural Service Extension Worker, and four Partner Farmers. The selection of this village was based on its successful transition from a disadvantaged to a developed village, with a Developing Village Index (IDM) value of 0.72, as assessed by the Ministry of Villages of the Republic of Indonesia in 2023.

The data analysis followed the steps outlined by Miles and Huberman (2014), which include data reduction, data display, and conclusion drawing. Triangulation of sources was employed to ensure data validity. This involved cross-verifying information from company documents with findings from in-depth interviews and FGDs. FGDs were conducted with stakeholders including company representatives, government officials, heads of partner farmer groups, and farmer representatives. The FGDs lasted two hours, focusing on the Spice Village program. Triangulation was used to enhance the validity and reliability of the findings. By reviewing company documents, conducting in-depth interviews, and organizing FGDs, the study ensured that the data collected was comprehensive and accurately reflected the real conditions in the field.

The methodology employed in this study was designed to provide an in-depth understanding of CSR and CSV implementation in the context of a major herbal medicine company in Indonesia. By integrating various data sources and employing rigorous analysis techniques, the study aims to contribute valuable insights into effective CSR strategies and their impact on community development and sustainability.

Result and Discussion

The research findings indicate that the herbal company's Spice Village program has successfully operationalized Creating Shared Value (CSV) through robust Corporate Social Responsibility (CSR) partnerships. This success is demonstrated by the program's capacity to align its business objectives with community development goals, thereby fostering mutual benefits. Below is a detailed explanation.

1. Operationalization of CSV through CSR Partnerships

The case study demonstrated how the herbal company successfully integrated its Corporate Social Responsibility (CSR) initiatives into Creating Shared Value (CSV) through strategic partnerships with local farmers. By incorporating these farmers into its supply chain, the company not only ensured a reliable supply of high-quality raw materials but also significantly enhanced the farmers' capabilities and livelihoods. The Spice Village program exemplifies this integration, focusing on economic, social, and ecological value creation. Economically, the program provides fair trade opportunities and stable income for the farmers. Socially, it offers training and development programs to improve agricultural practices and boost local employment. Ecologically, the program promotes sustainable farming methods, ensuring the preservation of natural resources. This holistic approach to CSV not only benefits the company by securing quality supplies but also positively impacts the surrounding communities, demonstrating the profound potential of aligning business practices with community

development.

“We have seen a significant transformation in our operations since we began integrating our CSR initiatives with the concept of Creating Shared Value (CSV).”- Senior CSR Manager

This program forms strategic partnerships with local farmers to guarantee a consistent supply of high-quality raw materials. It simultaneously focuses on enhancing the farmers' capacities through various initiatives, such as training and development programs, ultimately improving agricultural practices and ensuring the sustainability and quality of the supply chain.

“By partnering with local farmers, we have not only secured a steady supply of high-quality raw materials but also enhanced the farmers' capacities.” - Senior CSR Manager

The operationalization of Creating Shared Value (CSV) through Corporate Social Responsibility (CSR) partnerships exemplifies a strategic alignment where CSR initiatives transcend philanthropy to generate mutual benefits. The Spice Village program provides a clear illustration, as the herbal company collaborates with local farmers to secure high-quality raw materials, thereby ensuring a steady supply while enhancing farmers' livelihoods and capacities. This partnership exemplifies a successful CSV model, coupling economic gains with social and ecological benefits to promote sustainable development.

The CSV approach aligns the company's operational goals with broader societal and environmental objectives, reinforcing sustainability and community empowerment. By investing in local farmers and communities, the herbal company enhances the reliability and quality of its supply chain, which is crucial for business sustainability. Research shows that socially responsible behaviors foster higher performance and competitiveness, benefiting both businesses and communities (Fontoura & Coelho, 2021). These initiatives demonstrate how CSR can evolve into CSV, resulting in mutual benefits such as improved economic stability for farmers and reduced production costs for companies (Taghipour et al., 2023).

2. Community Empowerment and Development

The research identified community empowerment programs as essential to the success of the Spice Village initiative. These programs, which included targeted training and mentoring for farmers, played a pivotal role in enhancing their skills and knowledge

“Through targeted training and mentoring sessions, we have been able to equip the farmers with essential skills and knowledge.”- Community Development Facilitator

By equipping farmers with the necessary expertise, the initiative enabled them to become reliable suppliers, significantly contributing to the overall success of the supply chain. The training sessions focused on best practices in sustainable farming, resource management, and advanced agricultural techniques. These efforts not only improved the quality and consistency of raw materials supplied to the herbal company but also empowered farmers economically and socially. The reliability of farmers as suppliers ensured a steady and high-quality supply of raw materials, which is crucial for the company's operational efficiency and sustainability.

The program imparts essential skills and knowledge to farmers through targeted training and mentoring, enhancing their capabilities and ensuring they become reliable suppliers. This approach not only improves the quality of raw materials but also empowers farmers, contributing significantly to the success of the supply chain.

“This has enabled them to become more reliable suppliers, contributing to the overall success of our supply chain and enhancing their livelihoods.” – Community Development Facilitator

Community empowerment through targeted training and mentoring programs equips farmers with essential skills, enhancing their reliability as suppliers. This initiative not only bolsters the overall success of the supply chain but also significantly improves the economic conditions of the farmers. The structured programs emphasize

skill development, which is crucial for maintaining the quality and consistency of raw material supply.

Empowering local communities is a cornerstone of sustainable business practices. By investing in the capacity-building of farmers, the herbal company secures its supply chain and promotes economic development within the community, thereby reducing poverty and improving living standards. For instance, membership in herbal medicine planting cooperatives has been shown to significantly improve household income and assets among forest farmers in China (Wang et al., 2023). Additionally, community empowerment programs based on green economy principles have been effective in preserving local wisdom and promoting health independence through herbal plant cultivation in Indonesia (Sulaiman et al., 2022). Furthermore, partnerships between farmers and the herbal medicine industry can enhance productivity and quality of medicinal plants, fostering sustainable economic growth (Daru, 2021). These initiatives underscore the significance of community development within Corporate Social Responsibility (CSR) programs, illustrating how educational and capacity-building efforts can lead to sustainable economic growth and social enhancement. Such programs are vital for achieving long-term sustainability and community well-being, aligning with broader sustainable development goals.

3. Impact on Economic, Social, and Environmental Sustainability

The company's Corporate Social Responsibility (CSR) activities have had a profound impact on the local community by advancing a green economy. This approach has effectively contributed to poverty reduction, social inclusion, and environmental sustainability. Through various initiatives, the company has supported economic development, facilitated access to essential services, and promoted sustainable practices, which collectively fostered the village's transition from a disadvantaged to a developed status.

“Our CSR activities have had a profound impact on the local community, particularly in promoting a green economy.” – Agricultural Service Extension Worker

The village's significant improvement, as evidenced by an Incremental Development Measure (IDM) value of 0.72, underscores the effectiveness of these CSR efforts. By prioritizing poverty alleviation, promoting social inclusion, and enhancing environmental sustainability, the company has demonstrated a commitment to comprehensive community development. These activities highlight the transformative potential of integrating CSR into core business strategies, illustrating how targeted initiatives can drive substantial socio-economic progress and environmental stewardship within local communities.

“The transition of the village from a disadvantaged status to a developed one, as evidenced by an IDM value of 0.72, is a clear testament to the positive changes brought about by our CSR programs.” – Agricultural Service Extension Worker

The Corporate Social Responsibility (CSR) activities of the herbal company have exerted a considerable positive impact on local communities by fostering a green economy and ensuring the adoption of sustainable practices. The enhanced Incremental Development Measure (IDM) value reflects the improved development status resulting from these initiatives. The CSR programs play a pivotal role in reducing poverty, enhancing social inclusion, and maintaining environmental sustainability, all of which are essential indicators of sustainable development. The multifaceted impact of these CSR activities—encompassing economic, social, and environmental dimensions—demonstrates the effectiveness of the company's programs. By addressing various aspects of sustainability, the herbal company significantly contributes to comprehensive community development and environmental preservation.

This holistic approach highlights the company's commitment to not only advancing local socio-economic conditions but also promoting long-term ecological stewardship, thereby reinforcing the broader goals of sustainable development and responsible business practices. By integrating capacity-building initiatives for farmers, the herbal company secures its supply chain and fosters community economic development, as demonstrated by herbal medicine cooperatives in China, which have significantly improved household incomes and assets (Wang et al., 2023). These initiatives exemplify the critical role of community development in Corporate Social Responsibility (CSR) programs, illustrating how educational and capacity-building efforts can achieve sustainable economic and social benefits, aligning with broader sustainable development goals.

4. Role of Partnerships in CSR and CSV Success

The study underscored that the efficacy of the Corporate Social Responsibility (CSR) programs was significantly contingent upon robust partnerships with a diverse array of stakeholders, including farmers, government officials, and community leaders. It was observed that the success of these programs was largely attributed to the establishment of trust, the maintenance of effective communication, and the strategic sharing of resources among these stakeholders. Trust facilitated collaborative efforts and fostered a sense of mutual commitment, while effective communication ensured alignment of goals and expectations. Additionally, resource sharing enabled the equitable distribution of benefits and supported the successful implementation of CSR initiatives. The study highlights that these critical factors—trust, communication, and resource sharing—are essential for the realization of successful and sustainable CSR programs. This comprehensive approach to stakeholder engagement is pivotal in achieving the desired social and developmental outcomes of the CSR activities.

“The success of our CSR and CSV initiatives is heavily reliant on the strong partnerships we have established with various stakeholders..... Trust, effective communication, and resource sharing are key elements that have contributed to these successful collaborations.” – Junior Partnership Coordinator

Effective partnerships are pivotal to the success of Corporate Social Responsibility (CSR) and Creating Shared Value (CSV) initiatives. The establishment of trust, effective communication, and resource sharing among stakeholders—such as farmers, government officials, and community leaders—creates a synergistic environment that significantly enhances the efficacy of these programs. Such collaborations enable the seamless integration of CSR and CSV objectives with business operations, thereby ensuring mutual benefits for all parties involved. The cooperative approach inherent in CSR and CSV initiatives not only amplifies their impact but also contributes to their sustainability. By fostering strong partnerships, the herbal company ensures the successful execution and continuity of its programs.

This collaborative framework supports long-term community development and delivers enduring business benefits, underscoring the importance of stakeholder engagement in achieving both social and economic goals. Research indicates that effective stakeholder engagement can lead to more ethical management practices, improved innovation, and better business outcomes (Mitchell et al., 2020). For instance, integrating stakeholder perspectives into decision-making processes has been shown to enhance the development and implementation of community energy initiatives, fostering local economic growth and sustainability (Ishida & Haga, 2021). Furthermore, businesses that adopt a structured stakeholder engagement strategy tend to achieve higher performance and greater community trust, as seen in multisector collaborative partnerships (Ring, 2021). These findings emphasize that engaging stakeholders not only benefits the community but also strengthens the company’s strategic position and long-term viability (Leonidou et al., 2020).

5. Inclusive Business Models

This section explores the mechanisms and impacts of inclusive business models, highlighting their role in achieving both business success and community upliftment. The company’s business model is fundamentally built on partnerships with supplier farmers, known as an inclusive business model. This model transforms Corporate Social Responsibility (CSR) into Creating Shared Value (CSV) through the generation of shared value. According to Chamberlain and Anseeuw (2019), inclusive business represents a complex partnership between commercial entities and small-scale farmers or low-income communities, integrating these communities into the commercial agricultural value chain. This approach not only offers income opportunities for both partners but also empowers small farmers and communities. These models are designed to enhance income for both business partners and small farmers or communities by integrating them into the value chain, thus providing mutual benefits. As emphasized by one of the company’s managers,

“Inclusive business models can increase income for both partners while empowering small farmers or communities by creating shared value....Inclusive business models can increase income for both partners while empowering small farmers or communities by creating shared value....The policy of PT Sido Muncul Herbal Medicine and Pharmacy Industry Tbk supports the implementation of CSR and CSV.”

This herbal company implements the Five Pillars within their operations, which encompass environmental preservation, inclusive business practices, employee welfare, product integrity, and a sustainable supply chain. These pillars are designed to fulfill their Corporate Social Responsibility (CSR) objectives, contributing to sustainable development with both direct and indirect impacts through their strategic sustainability initiatives. The Spice Village program specifically addresses multiple Sustainable Development Goals (SDGs): eradicating poverty (SDG 1), ending hunger (SDG 2), ensuring good health and well-being (SDG 3), fostering economic growth (SDG 8), and promoting partnerships for the goals (SDG 17). This program is a form of CSR aimed at empowering farmers in regions with the potential to produce spices as raw materials for the herbal medicine industry. The Spice Village program, which has been operational since 2014, identifies villages capable of producing these essential raw materials and focuses on their development.

“The Spice Village program has been a cornerstone of our CSR initiatives, significantly improving the livelihoods of local farmers. By providing training in modern agricultural practices and ensuring access to financial resources, we have enabled these communities to produce high-quality spices that meet our industry standards. This not only boosts their income but also promotes sustainable agricultural development in the region.”-CSR Manager

The program involves collaboration with farmers, local institutions (such as farmer groups, cooperatives, and associations), agricultural extension agents, and financial institutions (banks and cooperatives) to provide business capital. Farmers receive training and support in cultivating spice plants to meet company standards, including guidance on plant cultivation, post-harvest processes, and farm business management. The economic, environmental, and social contributions of this CSR initiative align with SDGs 1, 2, 3, and 8. Additionally, the company’s broader CSR efforts encompass various forms of social responsibility, including charity (educational scholarships, disaster relief, free cataract and cleft lip surgeries, and infrastructure support for places of worship), capacity building (training in durian and avocado cultivation, farmer field schools, food safety, and machine maintenance), and community empowerment (fruit tourism villages, spice villages, rice inspiration villages, and partner farmer programs).

Implementing inclusive business models is a strategic move that benefits both the company and the community. By addressing key Sustainable Development Goals (SDGs) and promoting sustainable practices, herbal companies enhance their corporate responsibility and support global sustainability efforts. Research has shown that integrating SDGs into business practices can lead to significant improvements in corporate performance and competitiveness (Chen, 2023). Specifically, companies that align their business strategies with SDGs not only fulfill their social and environmental responsibilities but also achieve economic gains through increased efficiency and stakeholder engagement (Blagov & Petrova-Savchenko, 2020). Moreover, SMEs that adopt sustainable business models can address resource inadequacies and enhance their social license to operate, thus contributing positively to community welfare (Nygaard et al., 2022). In summary, the adoption of inclusive business models in the herbal industry not only fosters corporate growth but also promotes broader societal benefits, reinforcing the interconnectedness of corporate success and community well-being.

6. Value Creation

The generation of shared value through CSR partnerships between the herbal company and supplier farmers involves incorporating small-scale farmers into the commercial value chain, providing mutual income opportunities, and empowering communities. The specifics of this value creation within these partnerships are detailed below.

Economic Value

Farmers who previously employed traditional farming methods with minimal emphasis on product quality are now required to adhere to industrial quality standards to ensure their harvests meet the necessary specifications. This shift necessitates significant changes in their farming practices, including the implementation of rigorous standards. For instance, cardamom, a valuable commodity used in various culinary and medicinal applications, exemplifies the benefits of adhering to these standards. Cardamom farmers receive comprehensive technical

support throughout the production cycle—ranging from seeding and planting to fertilizing and post-harvest processing.

By improving the quality of their cardamom, farmers can achieve higher added value and command better market prices. However, cardamom is collected by a designated supplier, specifically the management of the Kridoyuono farmer group, rather than being sold directly to the company. This arrangement introduces price fluctuations based on market dynamics, impacting the farmers’ income. Despite these fluctuations, cardamom cultivation offers several economic advantages over traditional farming methods. These include greater market certainty, more stable prices, and improved skills in producing high-quality products that meet company standards. The subsequent sections provide detailed information on the price and volume of cardamom sales achieved by partner farmers over the past three years.

Table 2. List of Cardamom Production and Farmer Revenues

Year	Wet Cardamom		Dried Cardamom	
	Production (Kw)	Revenue (Rp)	Production (Kw)	Revenue (Rp)
2020	98	313,600,000	14	336,000,000
2021	112	190,400,000	16	200,000,000
2022	118	263,200,000	27	275,400,000

Social Value

The shared value generated through CSR partnerships leads to improved product quality, enhanced cooperation, and mutual trust within farmer groups. To ensure the quality of raw materials available for marketing to companies, farmers are increasingly integrated into these partnerships. The company employs rigorous quality controls to verify the cleanliness and moisture levels of agricultural products supplied by farmers before delivery. If the products meet the required quality standards, they are accepted and sent back to the farmers. These strict quality standards compel farmers to be meticulous and maintain high-quality ingredients consistently.

Farmers engage in discussions and address common issues in farmer group forums, fostering a collaborative environment. To produce acceptable products that meet the company’s standards of excellence, farmers place a high value on cooperation, mutual trust, and solidarity. One farmer elucidated the impact of these partnerships, stating:

“The SROI value obtained from this partnership program is 13.85, meaning that every Rp. 1.00 invested in the Spice Village program generates a social return of IDR 13.85.”

Through the CSR initiatives of the Spice Village program, the company fosters increased trust within the community, as this program significantly impacts socio-economic conditions. By integrating corporate social responsibility with the fulfillment of industrial raw material needs, the company engages farmers as key suppliers within its supply chain. This collaboration helps address social issues, particularly the low welfare levels of farmers, which often stem from insufficient market information and resulting low prices.

The company mitigates these issues by equipping partner farmers with the skills necessary for cultivating high-quality cardamom. As one manager noted,

“The training and support provided through the Spice Village program not only ensure a steady supply of quality raw materials for our production but also significantly uplift the socio-economic status of our partner farmers, creating a win-win situation for both the company and the community.”

Ecological Value

The shared value generated through CSR partnerships has significant ecological impacts for farmers. By integrating sustainable agricultural practices, farmers engage in cardamom cultivation without contributing to forest destruction. This approach preserves biodiversity and maintains ecological balance. Additionally, farmers utilize micro-hydro power for drying cardamom, reducing reliance on non-renewable energy sources and minimizing environmental impact. One farmer highlighted the benefits of these practices, stating,

“The adoption of sustainable cultivation techniques and the use of micro-hydro power for drying have not only preserved our local forests but also provided us with a reliable and eco-friendly energy source. These initiatives have transformed our farming practices, making them more environmentally sustainable while still producing high-quality cardamom.”

The shared value generated through CSR partnerships extends beyond economic and social benefits to encompass substantial ecological impacts. For the company, these partnerships are instrumental in minimizing environmental impact and enhancing sustainability practices. By collaborating with farmers to implement eco-friendly agricultural techniques and renewable energy sources, the company actively reduces its ecological footprint.

The company’s commitment to environmental stewardship has been recognized through accolades such as the Gold Proper Award for environmental compliance. This prestigious award underscores the company’s adherence to stringent environmental standards and its proactive approach to sustainability. One manager remarked,

“Our CSR initiatives, particularly those involving sustainable farming practices and the use of renewable energy, have been pivotal in reducing our environmental impact. Receiving the Gold Proper Award is a testament to our ongoing commitment to environmental compliance and sustainability. These efforts not only benefit the environment but also reinforce our position as a responsible and forward-thinking company.”

The partnership with local farmers generates substantial economic, social, and ecological value. Through training and adherence to quality standards, product quality and marketability are significantly enhanced, resulting in increased incomes for farmers. The Social Return on Investment (SROI) value reflects a high return on investment in terms of social benefits, underscoring the effectiveness of the Spice Village program. Research indicates that similar programs in agricultural communities have demonstrated significant SROI, with returns up to 1.76 times the initial investment, benefiting both the farmers and the community through improved economic outcomes and social well-being (Novia et al., 2021). Value creation through strategic partnerships is essential for sustainable business growth. The high SROI value highlights the substantial social and economic returns from these initiatives, reinforcing the importance of continued investment in community and environmental sustainability (Basset, 2023).

7. Continuity and Sustainability

The herbal company has implemented its Corporate Social Responsibility (CSR) program in accordance with the policies and regulations stipulated by the Republic of Indonesia Law No. 40 of 2007 concerning Limited Liability Companies, which mandates corporate obligations to conduct CSR activities, as well as the ISO 26000 guidelines on Social Responsibility. In fulfilling its CSR commitments, the company incurs expenses to fund various activities and address social issues, which also require financial resources for resolution. By adopting sustainable business strategies, this company leverages the concept of creating shared value as a means to address social challenges while generating economic benefits. This partnership program has demonstrably increased company profits and enhanced the incomes of partner farmers.

Through its partnership program, the herbal company has successfully established collaborations with local institutions, specifically farmer groups. These local institutions serve as suppliers of raw materials directly linked to the company and act as aggregators for the products produced by partner farmers. The company facilitates easy payment methods for farmers’ product sales and enhances their capital through cooperatives established by the herbal company in cooperation with financial institutions or banks. Figure 1 illustrates the procurement flow of industrial raw materials from partner farmers.

The sustainability of the partnership between spice farmers and the herbal company continues to thrive, as evidenced by the increasing number of farmer group partners participating in the Spice Village program. The company is committed to enhancing the quality of superior seeds to strengthen its supply chain. In 2021, the

herbal company began collaborating with the Research Institute for Spices and Medicinal Plants and the Center for Agricultural Biotechnology and Genetic Resources Research, both under the Research and Development Agency, to develop prime seeds through innovative methods. As one manager of the herbal company stated,

“The sustainability of the partnership between spice farmers and our herbal company will continue; this is supported by the increase in farmer group partners who are members of this program.”

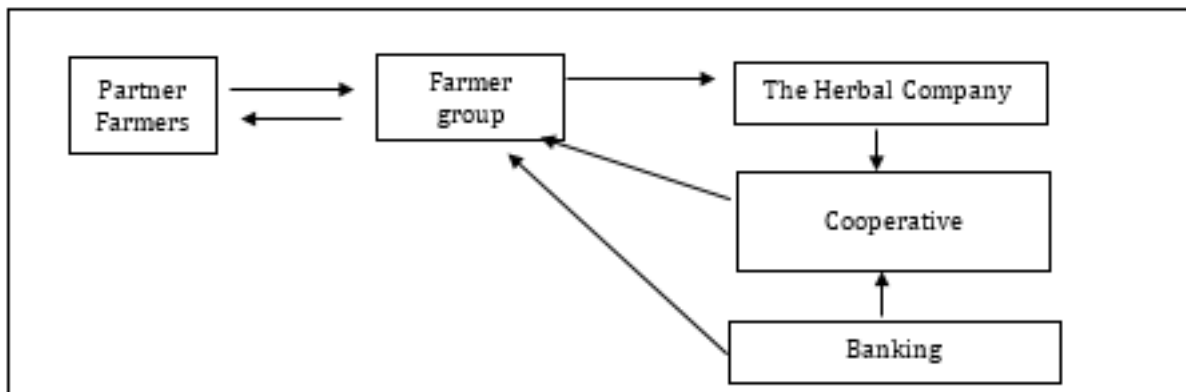


Figure 1. The flow of purchasing industrial raw materials from partner farmers

Figure 1 depicts the flow of raw materials from partner farmers to suppliers, specifically farmer groups. These farmer groups engage directly with the company, collecting spice harvests from their member farmers. Financing for farmers’ capital is provided through cooperatives established by the herbal company and financial institutions, such as banks selected by the company to collaborate with the farmer groups. The farmer groups serve as intermediaries, managing interactions between partner farmers and the company concerning sales and capital matters. Presented below are the detailed data for the farmers’ groups.

Table 1. The Herbal Company CSR Partner Farmers

No	Farmers Group	Location	Commodity Type	Partner Category
1.	Kridoyuono	Banyumas	Cardamom	Independent
2.	Artha Farma	Semarang	Ginger	Established
3.	Serbamulya	Wonogiri	Chili Java	Established
4.	Subur Agung	Karanganyar	Stevia leaves	Independent
5.	Marsudi	Boyolali	White turmeric	Start-Up
6.	Ngudimulyo	Magelang	Tribulus leaves	Established
7.	Kobapto	Karanganyar	Stevia leaves	Independent
8.	Tayub	Kendal	Ginger	Established
9.	Barokah	Pati	Ginger	Established
10.	Mulya	Pati	Sembung leaves	Established

The herbal company categorizes its partners into three distinct groups: startup partners, established partners, and independent partners. The progression begins with startup partners, with all partners ultimately directed towards achieving independent status.

Startup Partners. The company targets startup partners, specifically farmers who belong to groups that cultivate commodities necessary for the company’s operations. These farmers, through their affiliated groups, propose to supply raw materials to the herbal company.

Established Partners. The company identifies established partners as farmers who exhibit potential for becoming reliable suppliers. These farmers are enrolled in a CSR program designed to foster community development. This program encompasses comprehensive training, technical assistance, and the provision of high-quality medicinal plant seeds that are well-suited to the agricultural potential of the region.

Independent Partners. The company designates independent partners as farmers who have advanced

through the previous stages of partnership and have demonstrated the capability to operate autonomously. The Spice Village CSR program aims to enhance these farmers' skills in producing medicinal plants that adhere to industry standards. This program supports their development, enabling them to manage their operations independently while consistently meeting the company's quality requirements.

The sustainability of the partnership programs is reinforced through ongoing collaboration with research institutions and the development of superior seeds. These initiatives are designed to sustain and improve the quality of raw materials, thereby ensuring a reliable supply chain. The partnership model supports the establishment of long-term relationships with farmers, fostering mutual growth and sustainability. Collaboration with the Agricultural Development Ministry of Agriculture of the Republic of Indonesia and the Center for Agricultural Biotechnology and Genetic Resources Research is aimed at disseminating technological innovations from the Center. This involves research, development, and the release of high-quality local and national varieties of cardamom plants that yield substantial and superior harvests. The partnership is centered on the reproduction and distribution of these certified seed varieties to partner farmers, thereby guaranteeing an enhanced and consistent quality of simplicia raw materials.

Additionally, the collaboration with the Agricultural Development Ministry involves conducting research and utilizing agricultural genetic resources for spice and medicinal plants, including breeding through in vitro culture (tissue culture) for ginger, lempuyang, and cardamom plants. These seeds will be developed, distributed, or sold to partner farmers to produce high-quality simplicia as raw material for the herbal company. As the manager elucidated,

“Collaboration with Balitro aims to disseminate Balitro’s technological innovations through research, determination, and release of superior local and national varieties of cardamom plants that can provide high-quality and quantity harvests.”

The Spice Village program serves as a model for the shift from Corporate Social Responsibility (CSR) to Creating Shared Value (CSV), focusing on generating mutual benefits for both the company and the community. The shared value concept is a strategic approach designed to boost a company's competitiveness while concurrently enhancing the economic and social conditions of the surrounding community. The process is outlined below:

Planning with Local Farmers. The initial phase involves meticulous planning with local farmers, incorporating a comprehensive needs analysis, social mapping, and Focus Group Discussions (FGDs). This process ensures that the program is tailored to address the specific requirements and conditions of the community.

Training and Technical Guidance. The program provides partner farmers with extensive training and technical guidance on the cultivation of spice plants, such as ginger, cardamom, and Java chili, which are vital industrial raw materials. From the cultivation phase to harvest, continuous support is offered to ensure that the produce meets the quality standards required by the company.

Strengthening Local Institutions. Local institutions are reinforced by organizing farmers into groups, which serve as platforms for learning, discussion, and business operations, facilitating effective partnerships with the company. Institutional management training is conducted, involving farmer group administrators, company CSR divisions, village government officials, and representatives from banking and agricultural services. This training aims to enhance the governance and operational capabilities of the farmer groups.

Annual Evaluations. At the end of each year, thorough evaluations are conducted to assess the progress of farmers in producing market-ready products that align with company standards. The evaluation outcomes determine the sustainability of the cooperation with farmers, their ability to meet the product quotas required by the company, and the specific types of training needed to address their challenges and improve their skills.

The herbal company's CSR initiative effectively transitions from traditional corporate social responsibility to Creating Shared Value (CSV), enhancing both community welfare and company profitability. By adhering to Indonesian regulations and ISO standards, the program not only addresses social issues through targeted investments but also strengthens the supply chain by partnering with local farmer groups. These groups act as intermediaries, ensuring a steady flow of high-quality raw materials while benefiting from financial support and technical guidance provided by the company. Research shows that such collaborations with local farmers enhance the quality of raw materials and increase marketability, leading to higher incomes for farmers and

stronger supply chains (Khurshid & Snell, 2021). The collaboration with research institutions further ensures the development of superior seed varieties, which supports sustainable agricultural practices and enhances economic outcomes for farmers. This strategic approach demonstrates how integrating community development into business operations can achieve long-term, mutually beneficial outcomes (Yang & Yan, 2020).

Conclusion

The primary aim of this study was to investigate the implementation and impact of the Creating Shared Value (CSV) framework through Corporate Social Responsibility (CSR) partnerships in the spice farming sector in Indonesia. The findings reveal that the CSV approach, when integrated with CSR initiatives, can lead to the creation of significant social, economic, and ecological value. Specifically, the partnership between companies and local farmers has been shown to enhance productivity, improve product quality, and foster sustainable community development. The processes involved in re-understanding products and markets, redefining productivity in the value chain, and building supportive industrial clusters have been crucial in realizing these benefits.

The implications of this research are substantial, suggesting that companies can achieve long-term sustainability and business success by embedding CSV principles into their core strategies. By prioritizing capacity building, strategic planning, and local institution strengthening, businesses can create a positive impact on both their supply chains and the communities they engage with. This approach not only secures a reliable supply of quality raw materials but also contributes to the socio-economic advancement of local farmers. However, the study acknowledges certain limitations, including the potential challenges in generalizing the findings across different sectors and regions. Additionally, the variability in local contexts and the dynamic nature of market conditions may affect the replicability of the results. Future researchers are encouraged to explore the application of CSV and CSR frameworks in diverse settings and industries to validate and expand upon these findings. Further studies could also investigate the long-term impacts of such partnerships on both corporate performance and community development, providing deeper insights into the mechanisms of shared value creation.

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