

Overview of Creating Shared Value Background

The concept for a century of sustainable development, originated in the late 1980s is a signaling of the end of capitalist-based systems that has sought profits to restricted sharing among shareholders, executives, and employees of a particular group, in the form of dividends, value compensation and salaries, etc. This was the origin of idea of development to understand the interconnections between environmental problems, economic growth, and society along with economic development. This concept has been accepted and vigorously developed in various fields such as Triple Bottom Line, Corporate Social Responsibility, Social Entrepreneurship and Creating Shared Value. Sustainable development is a key component of the transition from the 20th century to the 21st century, coupled with the new potential of the internet, network technology and news information.

Creating shared values of business and society is the subject that has been continuously interested by Michael E. Porter (Michael E. Porter) and Mark R. Kramer since 2002. The article on "The competitive advantage of corporate philanthropy" and "Strategy and society: The link between competitive advantage and corporate social responsibility, were published in 2006. The essence of the idea that creating shared values of business and society is about proposing capitalism to change business management strategies by considering economic and social issues even though they are directly relevant to business or not. The idea is to change "Social needs" to "Demand" of the market and "Business opportunities", then develop into products, services including creating a new economy within Corporate assets.

New products and services created based on this framework will naturally create "Values" for society and generate new revenue for the company at the same time. There are 3 general strategies to capitalize on the benefits of Creating Shared Values for business and society. These three are 1) Reconceiving products and customers 2) Redefining productivity in value chain and 3) Enabling local cluster development (Porter & Kramer, 2011).

Creating shared value in industrial businesses that use underground resources

There is a case study of Creating Values of business and society by reviewing social problems, product features and benefits of consumers. The case of the Anglo American company which has shut down a water treatment system in Mpumalanga in the South Africa. The site is shut down while it needed

to maintain 140 million cubic meters of water quality under government's acid based standard. And to ensure that the mining does not effect to nearby groundwater and public surface water systems.

The company has foreseen that during dry season each year, the city of Mpumalanga with approximately 80,000 populations will face the shorten of raw water for water supply system. It has a plan to procure raw water from other sources to support. Then the company has offered raw water from mining that has already been improved quality to the city. It had installed water improvement system, as its new product to serve city's water supply up to 25-30 million liters per day. About 12% demand of raw water for the city. On one hand, the improvement of raw water quality from mining for water supply system of Anglo American Company in Mpumalanga is the solution of water supply problem for the city. But on the other hand, it's the activity that can generate new income for the company, instead of expenditure. (Shared Value Initiative, 2020)

There is also a case study of value chain productivity management to create shared value for business and society. The training to improve quality of labor skills of contractors in the World-Class Supplier project that's initiated since 2008 by BHP Billiton, a leading Australian mining company in Chile. It has foreseen opportunities of future expansion in telecommunication networks. This opportunity will boost up the world economy growth and more requirements of raw materials for minerals and other resources accordingly. By 2020, there will be more demand in exploration, drilling and mining industry. The increasing of 250 companies will lead opportunities to mining industrial suppliers and related business. The company has invested 50 million USD in the World-Class Supplier until 2012. 36 suppliers that are related to 5,000 employees have been trained and have capacity to work internationally. These companies can apply certified knowledge and skills from this project to compete their auctions at 400 million USD value. At the same time what BHP benefits directly from working with these new qualified suppliers is the reduction of maintenance costs by 121 million USD. (Barnett & Bell, 2011)

The Creating Shared Values of business and society that created new values to corporate as above case is not only giving, donation or philanthropy activities, neither of job that needs to be complied under social responsibility regulation that limited scope of creativity for business and corporate strategy. Whether the changing of water quality in water supply system of Anglo American or the improvement of BHP value chain, both are crucial samples for corporate management.

PTTEP and the CSV initiative

PTT Exploration and Production Public Company Limited or PTTEP, a leading company in the Thai energy industry. The company's mission is to operate globally to provide reliable energy supply and sustainable value to all stakeholders. It has defined framework and philosophy of Sustainable Development on Business Growth, Environmental Stewardship and Social Development along with High Performance Organization (HPO), Governance, Risk Management and Compliance (GRC) and Stakeholder Value Creation (SVC). The Share Value of business and society is one of company's strategy in sustainability and SVC.

The company has developed activities in accordance with the social activities project in its operation areas both local and international. The corporate sharing value of PTTEP are founded in 3 projects as follows;

(1) Technical Capability Building and Development in Myanmar Project, a joint activity with the Ministry of Labor of Myanmar to organize training program of technical knowledge and skills for welders, air conditioning installers and maintenance technicians. 80% of trained technicians have already been employed. In future, the technicians under this project may be considered to work for PTTEP. The project can be determined as the implementation to solve employment problems and shortage of skilled workers of the company and Myanmar simultaneously.

(2) The Flare Gas Utilization for Community Agricultural Product and Environment Project, a project in cooperation with the Department of Mineral Fuels, Ministry of Energy and Nong Toom Community in Kong Krailat District, Sukhothai Province located in Sirikit Field area, the biggest onshore oil field in Thailand. PTTEP is implementing a corporate social development project to strengthen villager career, increasing community income and supporting quality of life improvement for people in the community.

PTTEP has invested in construction of Product Processing Buildings along with an installation of gas transportation system for the Nong Toom Agricultural Product Processing Center. The excess associated gas which is sold to the Nong Toom Banana Processing Cooperative at the lower price than

market rate of Liquefied Petroleum Gas (LPG) serves the Community's need of large amount of cooking gas to process their agriproducts, such as bananas, pumpkins, potatoes and taro, etc.

In addition to saving cost of community product development, this project also helps the community in providing a center for production, distribution, future product development and management as well.

From the output record in the year 2018, the Nong Toom Banana Processing Cooperative has saved the cost up to 34 million baht (compared to selling price of LPG). At the same time, PTTEP can reduce carbon dioxide emissions from incineration instead of releasing pollution into the atmosphere.

(3) Hospital Capacity Building project by supporting Songkhla Hospital in construction of operation room with medical equipment for patients who suffer from serious burn of fire or hot water, or "Burn Unit". The Songkhla Hospital has a capacity of 500 beds, managed by the Ministry of Public Health, serving more than 2 million people in 4 provinces in the lower southern region such as Songkhla, Yala, Pattani and Narathiwat. The hospital served at least 1,500 people from 5 districts of Songkhla province, Muang, Sathing Phra, Ranot, and Chana, as well as the Singha Nakorn district where the PTTEP Petroleum Development Support Base is located. PTTEP is also considered as one of the populations in the service area of the Songkhla Hospital.

When PTTEP found that the hospital had only 10 operating rooms, not enough to serve people in this area, includes family of PTTEP employees, PTTEP contractor employees and PTTEP staffs, itself. PTTEP then has supported to construct 7 specialized operating rooms with medical equipment. It's an ongoing project from year 2018-2021 with 55 million- baht. The construction of surgery operating room and ophthalmologist room have been completed and delivered in 2019.

Construction of general operating room and specific operating services for specialist to elevate hospital capacity under this project can be considered as mutual values sharing. Benefits are delivered for both general public in the 4 southern provinces and PTTEP staff with their families, including subcontractors. This is an example that shows the creating shared value between business and social.

Besides supporting in medical and public health program activities, PTTEP also has exemplary social activities that have been initiated in accordance with the principles of creating shared values. Such as the S-1 Project has generated 20 million baht budget to support the construction of 10 special patient

rooms with medical equipment for upgrading services of Lan Krabue Hospital. And another project is the modified motorcycle as ambulance vehicle with mobile first aid kit in case of emergency. And in normal situations, the motorcycle ambulance is also used to support mobile medical team for 10 Hospitals. These 2 projects are regarded as the projects that people in the operating area of the company including staffs, contractors working for PTTEP and their families benefit from special patient room building and medical equipment of Lan Krabue Hospital. And they all also benefit from the motorcycle ambulance with mobile first aid kit of the sub-district health centers.

The development of activities under 5 social contribution projects that resulted as above, is an indicator of achievement in Stakeholder Value Creation or SVC under PTTEP corporate strategy on one side, and it is an outcome of project and business management on the other. While communities in Myanmar benefit from Technical Capability Building and Development project in Myanmar, people can earn a stable income from employment that benefits to both individual household and local economy. Meanwhile, the company benefits from people knowledges and skills that are important driving forces for business productivity development.

Similar to Hospital Capacity Building project, PTTEP supports the construction of the Burn Unit operating room and medical equipment for the hospitals in Songkla and Lan Krabue. It is an increasing of hospital service capability for local people. And in case of accident occurred from PTTEP's operation, its employee or its contractor's employee will also get the opportunity to access those services.

While the Flare Gas Utilization for Community Agricultural Product and Environment Project for the Nong Toom Agricultural Product Processing Center is the result of changing carbon dioxide emissions, that is by-products of the production platform into the fuel for agricultural product processing factories of farmer housewife groups. It is a transition from company's regular environmental management to be activity that supports and helps community.

The Stakeholder Value Creation process of PTTEP in its operating area can be considered as an initiative to elevate Corporate Social Responsibility (CSR) to Corporate Sharing Value (CSV) which is an important strategy in transition of CSR in developing countries recently.

The important characteristics of the transition are as follows: (1) Developing from supporting budget upon community request to be the activities that serve community economic development strategy in long

term. (2) Improvement from uncooperative work to be collaboration with other parties, such as, the Ministry of Education of Myanmar, Management team of Songklha hospital, Lan Krabue Subdistrict Health Promoting Hospital. And working with Nong Toom Banana Processing Cooperative that supported by Department of Mineral Fuels can be defined as working with the government sector. (3) Changing the key success indicator from budget expenditure measurement to be achievement of Corporate Shared Value. And (4) Developing internal working process for closely cooperation between the field working team of support unit and the team in operations unit. And considering the support unit as a part of the company's business development team.

The PTTEP social work transformation process from CSR to CSV as mentioned above is an initiative of the company with intention to develop its social responsible strategy to be SVC and strengthen its collaboration and widen partnership with other parties. This is a turning point of industrial sector which benefits from underground resources that started to build Creating Shared Value for society and community directly.