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Value Engineering in SME trade through Socially Responsible Initiatives

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Abstract

The paper demonstrates that inventive business approaches to marketing can enhance business growth. It is based on small and medium enterprises (SMEs) using the concept of corporate social responsibility (CSR) to improve marketing through value engineering (VE) to increase business benefits while lowering costs. Nineteen (19) socially responsible small and medium enterprises (SMEs) operating in the West Rand area of Johannesburg, South Africa, in the years 2011 to 2014 were investigated. The purpose of the original study was to evaluate how social responsibility was related to the SMEs marketing endeavour to increase business benefits, lower costs and provide sustainable growth, among other benefits. The SME owners were sampled through purposive sampling. The study showed that social responsibility initiatives translated to word-of-mouth marketing. There were no monetary costs incurred, the SMEs gained some competitive advantage, business sustainability and enhanced profitability of the companies. The results cannot be generalised, but possibilities of benchmarks exist in the study findings. Business growth and increased profits are economic factors. Hence, the study is one method for enhancing and improving the economy.

Key Words: *Added Value, Business Sustainability, Cost Saving, CSR, Marketing, Profitability.*

Introduction

Generally, marketing a business costs money. The problem is that some money paid for marketing is wasted when no market is added. This paper shows cost saving skill of marketing while achieving marketing objectives by using CSR. Formal marketing costs money. However, successful innovative CSR can offset losses suffered through marketing. The main argument is that businesses do not necessarily have to invest money to market and receive marketing benefits. Apparently, businesses can evade marketing activities that lead to financial losses that are not accounted for (Avellaneda & Stoikov, 2008). Serving humanity/society can promote and expose companies to their taget markets. Creative approach to CSR is often applied in pioneering establishments to develop business. Discussions in this paper explain means of social responsibility that can be exploited to achieve marketing benefits without incurring marketing costs while gaining sundry benefits that paid marketing does not provide (Hunter, 2000). Some companies miss business opportunities by failing to incorporate CSR in the trade. In brief, CSR absence can lead business strength of companies to sink.

Value Engineering

Value engineering (VE) refers to a methodical technique to advance the *value* of goods or products and services by using an examination of a function while lowering costs (Steward, 2010). Value can be increased by either improving the function or reducing the costs. A crucial VE principle is that basic functions are preserved and not reduced as a consequence of pursuing value improvements, but waste is eliminated. VE reasoning argues that if marketers should design a product or service to possess the desired attributes and to only last for the required lifetime, then costs can be saved by not requiring exttra life. VE will then reduce these costs as companies classically use the least expensive components that satisfy the product's essential attributes.

Corporate Social Responsibility

Charity and social responsibility share some common portions, but are not exactly the same. Social responsibility embraces charity. Charity is a short-term (sometimes once-off) effort activity while social responsibility endeavours to empower people for the current and the future. Hazlett, McAdam and Murray (2007) and Obalola (2008) state that while many ways infer and describe social responsibility, they all state its aim as to improve society. Backman (1975) views social responsibility as business initiatives that are not directly related to corporate economic business aims. Consequently, social responsibility pressurises organisations to depart from exclusive focus on profit making to embrace legal, financial, environmental and social responsibility (among others) in their core business strategies.

Social responsibility is a business concept that requires operating a business to care for the social and environmental impact created by the business. Several authors (Jenkins, 2006; Niehm *et al.*, 2008; and Raynard & Forstater, 2002; among others) enlighten that the approach to social responsibility is founded on proper control and accounting, diversity in the company staff, compliance built on the high ethical standards of all employees, adoption of operating policies, being responsible for goods and services of the enterprise, being socially responsible, ensuring employee and customer safety in company premises, quality and control of company activities and conduct. These show that CSR offsets bad effects by improving employee working conditions, addressing some societal difficulties and enhancing the qualities of their lives.

CSR therefore leads to voluntary policy, standards and practice/actions that stretch past conservative regulatory and business requirements to achieve sustainable development objectives. Some companies lack the courage to embark on CSR activities. Therefore, only powerful and courageous companies embrace and also implement CSR. These CSR leaders can influence stakeholders such as clients, community/society, partners, and shareholders, among others, to adopt social development measures and attitude to quality and sustainable development. CSR practitioners tend to develop an operational CSR framework. They also know the CSR impact on the environment, consumers, employees, communities, and stakeholders.

This paper considers CSR as management values and principles for guiding a company's ethical relationship with its publics in establishing business goals to enhance sustainable development by preserving resources for future generations, respecting diversity, and reducing social inequalities. Topics fortifying social responsibility, thus, include *ethics*, *commitment*, *relations*, *transparent*, *sustainable development*, and *social accountability*. They show up in this CSR visualisation and are debated below:

Ethics

Succinctly, ethics are moral values that are a vital CSR driver. de Oliveira (2003) intimates that ethics is a CSR foundation for the essential principle of the actions and relations with all publics of interface with a business. These are employees, consumers, suppliers, local community and the general market, among others. Grace (2004) sees ethics as a tool to promote a transparent dialogue between business managers and company publics. Ethics are moral principles such as code of conduct that directs professional behaviour. Corporate ethics is the conduct of an establishment to act in line with moral principles and behavioural rules determined by the community (Goergen, 2012; Khalid, 2011). Hence, ethics is an appropriate mechanism for social responsibility management, sustainability, and CSR. Ethics add a sense of responsibility in the mind sets of those involved. Zoligen and Honders (2009) proved that a code of ethics executed in a company can positively influence the behaviour of employees, managers, and administrators. They also observed that the creation of integrity simulations helps employees make solid decisions during difficult work situations. Ethics also enable companies to monitor the way management serves its vision (Zwetsloot, 2003). This shows that ethics is core to social responsibility and CSR cannot be conceived without business ethics.

Commitment

Commitment is an intrinsic voluntary pledge to act. It is through personal drive that people make commitments, or commit to something. Embarking on CSR is voluntary in companies. It is the decision of a company desiring to improve society. Even when swayed by external advises, the final commitment is personal. Lack of commitment lowers performance. Companies embracing and implementing CSR are committed while others that know CSR but not incorporating it lack CSR commitment.

Dialogue and Communication

Dialogue is the exchange of ideas that happens through communication among various parties (Barnett, 2008; Foss & Littlejohn, 2008; Kory, 2008). Dialogue and communication among members of an organisation are essential because people can find a common ground and a common understanding. Maranhao (1990) states that in business, management ease implementation of ideas at operational levels by communicating through a meaningful dialogue. Dialogue is used to explain the rationale behind people thinking. If management wants something done, they obtain employees' buy-in through dialogue.

Relations

Relations are ways of association of entities, and enable interaction among them. They are created through some understanding and trust, but mainly through commitment to achieve a goal. When relationships start, companies identify each other to work together for desired common goals. After forming a relationship, it is sustained if there are reasons for the parties to continue to work together. Relations are terminated by mutual agreement when the parties do not have common desires, or cannot agree on common methods of functioning. They may also be terminated when hostilities among the parties have emerged.

Transparency

A transparent system is one where stakeholders and role players can witness all the activities (Francesch-Huidobro, 2008). Where transparency lacks, some parties expected to work on a task may have suspicions or objections as they do not know the reasons for doing that task. Lack of transparency is often interpreted as hiding the truth.

Social Accountability

Social accountability is answerability that relies on civic engagement. It is when ordinary citizens and civil society organizations participate to effect accountability (Gray, 2000). It is core to CSR. Gray, Owen and

Adams (1996) state that a business is socially accountable if it reacts to issues of citizens, communities and civil society. The core goals of social accountability are poverty reduction and effective and sustainable development. It is a way to make services work by improving governance, increasing development and empowerment. It also leads to citizen participation in public policy making, participatory budgeting, public expenditure tracking, citizen monitoring of public service delivery, citizen advisory boards, lobbying and advocacy campaigns. Mowat (2002) explains social responsibility as companies' evaluation and reporting of their environmental and social performance in response to the demands of consumers, workers, and communities.

Sustainable Development

Sustainable development entails continued advancement over a long term. According to the World Commission on Environment and Development (WCED,1987), sustainable development is that which meets current needs without blocking the future generation's ability to meet their own needs. Generally, a socially responsible entity is managed in line with the pillars of sustainable development (Wilson, 2003). A socially responsible company sustains its business by managing its assets. Hence, sustainable development strategies are important tools even for developing global business (Chou & Tsai, 2007).

Competitive Advantage

Competitive advantage is the strategic advantage that an entity has over its rivals (Porter, 2008). Achieving competitive advantage strengthens and positions a business better in business. A firm has a competitive advantage when it implements a value creating strategy that is not concurrently being implemented by other players (Barney, 1991). In order to achieve competitive advantage, Smith (2006) counsels that a firm should influence some resources over which it has direct control.

Thus, in order to achieve competitive advantage, an organisation should acquire or develop attributes that permit it to surpass competitors. Such attributes may include access to new technologies and access to highly trained and skilled personnel. Hence, competitive advantage is the ability gained through attributes and resources to perform better than others in the same industry or market (Kay, 1994). Successfully implemented strategies may improve a firm to superior performance by facilitating it with competitive advantage to outclass rivals (Pohle & Hittner, 2008). Superior performance outcomes and superiority in production resources reflect competitive advantage.

Corporate Social Responsibility in South Africa

Basically, incorporating CSR in business is to deliberately inculcate public interest into corporate decision-making while maintaining a business's bottom line. In South Africa currently, there is improved importance and mounting responsiveness of CSR for rural, urban, small and large corporations even though they occur dissimilarly (Fernando, 2007). There is more CSR exposure and more resources in urban areas and in larger corporates (D'Amato, Henderson & Florence, 2009). Therefore, generally, small companies are low in CSR, and rural are lower than urban practices. This has resulted in an increase in the number of studies on the significance and benefits of implementing local CSR systems (Weyandt**,** da Costa, Nunes & Gaspar (2012).

Methodology

The paper focuses on identified businesses that operate within various locations in the West Rand area of Johannesburg. Purposive sampling was used to select the sample, which is a method that selects respondents by virtue of their adequacy in providing the required responses (Greene & Jane, 1984). This method points only to the respondents who have the required answers. Nineteen (19) SME owners/managers participated in the study. They were selected to participate in the study due to their sustainability and the fact that they were serving humanity through CSR initiatives. The companies dealt in businesses that sold basic items known to be appealing to the communities involved. They offered lower prices than other shops. These SMEs involved local people to incredibly effect marketing. These attributes ignited this study. The SME reputation for perceived remarkable performance was a criterion used for inclusion in the sample.

The companies that could secure an appointment for interviews were visited at their physical premises to seek their permission and commitment to assist by participating in this study. The ones that could not have time for face-to-face interviews with the researcher were asked to respond by email. The respondents were the SME owner/manager. The study was conducted in 2011 September to December 2013. During the visits, the owner-managers of the companies were interviewed using open-ended questions written on the interview guide. The questions asked required information on human resources, marketing, and quality management. Thematic content analysis was used to analyse the data, which, according to Anderson (2004), themes are to be extracted from the deliberations made by the respondents.

The questions were as follows:

Table 1

1.	Please explain your SME staffing
2.	Can you tell about your involvement of society in your business
3.	Please explain how you manage to attract so many customers to your business
4.	Please explain how you manage to serve so many customers
5.	How do you ensure quality in the work you do?

The study adhered to ethics of research by taking the following measures:

- The respondents were informed adequately about this study;
- They were not allowed to participate if they did not give their written consent;
- They were promised confidentiality and anonymity; and
- Participation was voluntary and withdrawal at any time of the study was permissible without contempt.

Results

The questions yielded themes that show how relationships among the parties involved benefitted the interaction. The following themes were extracted from the deliberations made by the respondents.

Respondents' Experiences

Nineteen SMEs owners/managers responded to the study. Fourteen (73.7%) indicated that their businesses were collapsing prior to engaging in CSR. Their SMEs benefited from the new arrangement with society by recovering. The other five (26.3%) stated that their SMEs were doing well before the arrangement. However, they also claimed that more benefits (specifically more markets at no cost) emerged from the arrangement. They unanimously stated that having the business spaces within communities have boosted their businesses in several ways. The highlights of the benefits were hugely increased market without paying for marketing, and escalated profits.

Business Status

The respondents indicated that the relations with the various communities enhanced more business stability. They insist that their agreement with the communities helped them to monitor themselves each time they visited locations. They also consciously accounted socially. As a result this monitoring was extended to other clients and became common practice. Consequently, these SMEs improved in almost all the business aspects.

SRC and Campus Management

The respondents indicated that they respected and valued the communities and their various leaders. They indicated that they valued the stakeholders highly in their SMEs. The stakeholders were key to their SME successes. They then indicated their readiness to involve more stakeholders when opportunity can arise.

Securing Buy-in of Communities

The SME owners informed of the manner in which they shared information with the local leaders and how the SMEs involvement could benefit all the parties. The SMEs requested trade to be tested on an annual basis, and every agreement made be for that one year. They offered to allow to be dismissed if their plans failed to work for each year.

These SMEs offered the communities in which they trade financial support towards education to deserving needy students identified by the community. They also offered to employ the sponsored youth at the leisure of the youth. Therefore the opportunity was also giving the youth some working experience and a wage.

Ethics and Social Responsibility

Some respondents indicated that they were ethical in approach. This seems to have enticed communities. According to the respondents, the stakeholders were impressed with the way the SMEs were socially responsible. This social responsibility was the change made by giving youth opportunities to study (i.e. bursary) and empowerment (part-time jobs).

Transparency

The SMEs stressed that the leaders must inform their constituencies about why they were in the communities. The youth leaders then drove community leaders to accept the offers, and to form relations with the SMEs. People were impressed with the transparent manner of these SMEs. People trusted the SMEs for being transparent and caring. Community and youth leaders were responsible for overseeing the SME activities and contributions. This shows that the SMEs permitted full transparency in managing their services.

Empowerment of Bursars

One aspect that pleased societies was the empowerment through education opportunities. Other societal benefits were money to the bursars during studies and the experiences acquired from part-time work. In addition, when space was available due to high workload, more people were involved. This allowed empowerment to more people.

Marketing

The respondents informed that the communities supported their SMEs. This enabled the SMEs to raise funds for more bursaries and more jobs. During less work, bursaries and part-time jobs were fewer. Also, since these SMEs were relatively cheaper when compared with their rivals, residents were encouraged to give them more business. These initiatives translated into marketing without incurring costs.

Communication

Communication between the SMEs followed the right channels, and paid off. Relevant parties dispersed information across societies reasonably well. Moreover, communication was made in good faith and no one was undermined, even those who lacked business understanding.

SME Supporting Youth

The SMEs saw an opportunity to support the youth to pursue education as noble. It was also a platform to create and also entice leaders who wished progress for their constituencies. The locals as a result were the ones marketing these SMEs without extra costs for the SMEs. The bursaries were the only cost the SMEs incurred. They were, however, much less than direct marketing expenses. Also, the support given to the SMEs by the locals paid off as a marketing tool.

Quality as Agreed Service Levels

Quality, as the SMEs indicated, was never considered static. At the beginning of every term when the businesses were engaging with people, leaders and SME managers sat to discuss and update the quality standards as required by the communities.

Diversification in Business

The SMEs were regularly requested to increase their offerings. Examples included requests to stock airtime, ice cream during hot seasons, and other items from time to time. In some cases it would be fruits and sweets.

Business Sustainability

The social responsibility initiatives introduced showed to pay off for these SMEs. Also, diversification of products and services at reasonable prices enhanced the SME growth. Tractability in use of local youth on programmes and not using them, and the latitude to involve more locals, served as a platform of strength for the SMEs' constant growth. Hence, the SMEs were proving to be sustainable.

Profitability and Growth

These SMEs were undoubtedly profitable, even when competitors intensified rivalry. To the communities, these SMEs were favoured as worthy of support and partnership. The SMEs benefited from cost savings and unlimited benefits.

Competitive Edge

These SMEs profited an abundant competitive advantage over rival companies that attempted to conduct businesses at the residential areas involved. Even though no formal study was conducted, this revelation of competitive advantage was determined by instabilities and early departures of the rival companies from the localities.

Value Engineering

Marketing was increased, business boomed, SMEs growth was enhanced, more jobs were realised, more students were sponsored, cheaper quality products and services were offered at lower prices, and competitors were beaten, among others. These are increased value at reduced cost, which is VE.

Discussion

The companies benefited from their investments on society. They had ready-made markets that were supportive of the businesses. The drivers of the markets were the markets (i.e. buyers) themselves. The main benefits were cost saving and benefits that are normally obtained through formal marketing (which requires payment). The themes that emerged were:

- Buy-in (cooperation) of stakeholders
- Ethics in business
- Transparency in processes
- Empowerment of individuals
- Marketing of the businesses
- Communication in business
- SME supporting youth and community development
- Employment
- Agreed quality standard
- Diversification
- Business sustainability
- Profitability and business growth
- Competitive advantage over rivals
- VE attainment

In recapping, the SMEs enjoyed business benefits without paying for it. The business benefits were business space, increased markets, more profits and competitive edge. These were gained at almost no charge. All these improved the businesses to higher business status. These constitute a form of VE.

Conclusion

Operating within society gave the SMEs VE through an edge over rivals and saving the marketing costs as no SMEs incurred direct marketing costs. Society benefited through social responsibility using a VE approach since the SMEs gained additional customers and profited more. The social responsible approach carried no expenses. It could upgrade SME business in a way that traditional paid marketing is commonly used. In addition to the bursaries, work experience was also given together with pocket money in wages. Sometimes more locals benefitted from part-time jobs. Also, the societies got cheaper products.

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