

# How small medium enterprises (SMEs) create shared value (CSV)

## " Lunicore enterprise model "

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Received: 19/06/2019 Accepted: 19/12/2019

Published: 12/01/2020

### ملخص:

تهدف هذه الورقة البحثية الى توضيح كيفية خلق القيمة المشتركة في المؤسسات الصغيرة و المتوسطة، حيث قدمنا نموذج شركة Lunicore. اعتمدنا على المنهج الكيفي الخاص بدراسة الحالة المنفردة لشركة الاستشارات الطلابية Lunicore. وجدنا أن خصائص المؤسسة الصغيرة بشكل عام و مؤسسة Lunicore بشكل خاص تسمح بخلق قيمة اجتماعية لكل من طلبة الجامعة و المجتمع بالإضافة الى القيمة الاقتصادية للمؤسسات.

**كلمات مفتاحية:** خلق القيمة المشتركة، المؤسسة الصغيرة و المتوسطة، القيمة الاجتماعية، القيمة الاقتصادية، مؤسسة Lunicore للخدمات الاستشارية.

**تصنيفات** L84,M53,M14: JEL

### Abstract :

The purpose of this paper is to clarify the way shared value created in small and medium-sized enterprises (SMEs), we provide Lunicore company model to create shared value. Based on the qualitative research, the authors analyze a single case study of Lunicore Student Consulting AB company. We found that small and medium-sized enterprise Lunicore create a shared value for university students, society and business companies due to some element that characterize the small and medium-sized enterprise.. This overview may help and give ideas to owners and managers of SMEs to rethink their overall business strategy.

**Keywords:** Creating shared value, small and medium-sized enterprise, social value, business value, Lunicore company, consulting service.

**Jel Classification Codes:** M14, M53, L84

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## INTRODUCTION

Creating shared value was one of the hot topic research in the field of business management in the last few years and still in time being. After porter and Kramer wrote about this new concept it becomes one of top research interest for most of research in business management. These researchers address the concept of shared value and provided case studies for more understanding of the concept, however they focused on how big companies applied this concept such us Nestlé, DANONE, Ayala group.

A few researchers address the concept of shared value in small and medium-sized enterprises (SMEs); there is a lack of knowledge about the process of shared value application in small and medium-sized enterprises.

Most economies are based on small and medium-sized enterprises, According to porter and Kramer creating shared value could improve the society conditions and company competitiveness, so if we could apply the concept of shared value in small and medium-sized enterprises it will be the next big thing in the field of business management.

The fundamental problem of this study is related to the process and the way small and medium-sized enterprises in general and Lunicore company in particular creates business value and social value, , so the question is: **How small and medium-sized enterprise Lunicore created shared value?**

## **I- Theoretical background:**

### **1- What is shared value creation?**

Shared value links the societal agenda with the financial agenda. It's where businesses understand that their own prosperity is dependent on the surrounding socio-economic conditions, and that there may be a business case for investing in societal problems or needs (Preston.P, 2017, p4).

Shared value is about linking profitability with societal needs. Profiting from improving social outcomes is a marriage that sits uncomfortably with some people; however it is a very effective marriage because the business sustains its involvement due to financial incentive. In the same time It's embedded in core business operations and mobilizes greater resources, whereas donations and community programs come from limited 'budgets' or allocations. In addition to that it's leveraging what the business is good at or has in abundance, which maximizes social impact (Preston.P,2017, p4).

Shared value is driven by improving the competitiveness of a firm, rather than personal values (moral) or redistribution of wealth (e.g. philanthropic) considerations, like other incarnations of strategic CSR, shared value aligns CSR activities with core business activities to generate business returns and thus create a business case for sustained commitment and investment, Shared value positions social engagement as a "long-term investment that is intrinsic to business success (young, 2012).

Shared value is not just for large global consumer companies. Small and medium sized enterprises have also begun to embed Shared Value strategies into their business mandates. Put simply, solving social problems as a way of doing business is the responsibility of business of all sizes.

Shared value concept presented by porter and Kramer did not address the way this concept works with small and medium enterprises, in fact most of researches connect this concept with big large companies such as; Nestlé, DANONE, AIG, AYALA GROUP, there is a little research on shared value concept in small and medium enterprise and there is a lack of professional knowledge to apply this concept for SME's.

## **2- Requirements for shared value creation:**

To be able to create shared value, a company needs to have a clear understanding of its short, medium and long-term stakeholders. A company should monitor stakeholders for the emerging matters, which might affect them; the external environment can also have an effect to the stakeholders. By constantly monitoring the environment with the help of the five forces; threat of new entrants, threat of substitutes, bargaining power of supplier, bargaining power of buyers and industry rivalry, the company is able to be proactive with the stakeholders (Ilmarinen.p, 2017, p39).

Defining the primary stakeholders can be difficult, and depending on the industry, they can include shareholders, customers, employees, partners/ suppliers, and communities/ societies. A company should realize, which are the needs and motivations for their primary stakeholders, and turn them into a stakeholder value. Stakeholders can bring attention to critical societal issues, which a company might otherwise ignore. Close co-operation with stakeholder can also increase the level of trust and respect (Ilmarinen.p, 2017, p39).

Defining the primary stakeholders can be valuable for company: (Preston.P, 2017, p4)

- Businesses can develop profitable solutions to social and environmental problems.
- Charities can access resources residing in the private sector to make an bigger Impact.
- Government can save money by becoming enablers of deeper partnerships between businesses and community organisations.

### **3- Ways to Create Shared Value:**

Porter and Kramer summarized the three core pillars of shared value, first; reconceiving products and services, Companies can meet social needs while better serving existing markets, accessing new ones, or lowering costs through innovation. Secondly; by redefining value chains, Companies can improve the quality, quantity, cost, and reliability of inputs and distribution while they

simultaneously act as a steward for essential natural resources and drive economic and social development. Thirdly strengthening local clusters to compete, companies need reliable local suppliers, a functioning infrastructure of roads and telecommunications, access to talent, and an predictable legal system (young, 2012).

#### **4- Can SME's create shared value?**

The companies used by Porter and Kramer to explain how this pillar of shared value creation works are all large multinational companies with great market power and financial capital, while the companies in this research are mostly small and medium sized enterprises with little market power which are often price takers. This does not mean that SMEs cannot create shared value.

SMEs are more agile and can quickly adapt and incorporate new practices, whereas larger organizations often struggle to make meaningful change at scale. For a small or medium-sized enterprise, it is also easier to get a full picture of their footprint: in the case of a large company with an extensive supply chain, it is hard to establish if their sourcing practices are sustainable every step of the way, down to their last contractor. Companies are also likely to succeed at using business as a force for good if they start measuring and managing their impact when they are just forming, plan around their findings, and then continue to track environmental, social, and governance metrics as they grow. SMEs also have the unique opportunity to engage their entire team in

impact awareness and communicate their mission and goals throughout the organization, creating a culture of ownership and accountability amongst employees (Ennes.N, 2014).

As porter and Kramer showed that shared value creation requires three main steps; reconceiving products and markets, redefining productivity in the value chain, Enabling the development of local clusters. SMEs tend to be relatively more dynamic and agile than larger organizations, and more ready to learn (I Wang.M.H, Yang.T.Y, 2016, p80).

SMEs can leverage shared value to drive innovation in their own product and service and create competitive advantage. For business-to-consumer, this may include reconsideration of existing business models to build a platform or bookend business model where high-value activities such as R&D and design are matched with increased customer engagement (Young, 2012).

For reconceiving products and markets; SMEs often show great flexibility, especially with regard to the modification of their products and services. This ability to innovate because of their lack of resources. This flexibility and this ability to reconceive products and markets is increasingly reflected in changes in the practices of SMEs due to the Pressure of social and environmental concerns (Gautier.A, Badea.A, Douce.S.B, 2014, p6).

Small to medium businesses, particularly those that operate in a business-to-business model, will come under increasing pressure to

meet social and environmental criteria from their larger clients. While SMBs are less likely to face the same degree of reputational risk as larger multi-nationals, moves by larger players to address such risks are likely to ripple up through the supply chain (Young, 2012).

The redefinition of the value chain is also mobilized by SMEs that are increasingly aware to take into account the environmental impacts on their value chain. This sensitivity of SME managers is explained in different ways: institutional pressures, values of the leader, but also belonging to the value chain of a large company. Thus SMEs are among the key players in the creation of shared value described by Porter and Kramer, even if it is the initiative of a large company. Finally, the local embedding of SMEs with their stakeholders leads managers of this type of organization to have a particular approach to their value chain (Young, 2012). SMEs can also redefine the productivity in the value chain by using the research and development service in order to reduce CO<sub>2</sub> emissions, water use pollution and electricity use.

Small to medium businesses play a central role in the definition and health of clusters. New businesses, which are typically smaller, may be able to identify opportunities that create regional advantage, relative to incumbent businesses. Participation in a cluster has the potential to drive the uptake of social innovations through more rapid diffusion of innovations and new norms. Clusters can also



increase the likelihood of SMBs recognizing CSR issues as being important to their business, Participation in a cluster also provides opportunities to share resources and costs related to CSR initiatives across multiple businesses this can help reduce the inherent "limitations and risks associated with pursuing the CSR agenda by SMEs on their own (Young, 2012).

We see that SMEs have strong links with their economic network and more tightly connected with their local community. In addition, clusters are often composed by a majority of SMEs. So this lever seems quite appropriate for this type of organization. It is precisely this last lever that we propose to observe as potentially discriminating among SMEs in the context of this study. SMEs contribute also in the cluster development by partnering with universities, labor association, non government organizations and with every effective part in business.

## **II- Research methodology**

We used the qualitative research. The qualitative research can be defined as an approach that seeks to describe, decode and translate phenomena in terms of meaning rather than frequency .Qualitative research allows the researcher to gather information and do an in-depth exploration of issues, and therefore follows a less structured format with fewer respondents than quantitative methods (Bellenger, DN, Bernhardt, KL & Goldtucker, JL, 1989, p14).

Furthermore, qualitative research uses words, sentences and paragraphs rather than numbers. Unlike the quantitative methods used to test a theory and make generalizations about populations, qualitative methods are used for gathering deep and rich information. Summarized the advantages of qualitative research as follows: ( Sen.S, 2011)

- A method enabling the researcher to understand and explain the personal experiences of individuals.
- Emphasises people's understanding and interpretations, and can be used for very narrow studies as well as holistic studies that examine the totality of a situation.
- Allows the researcher to experience research issues from a participant's perspective.
- Uses a combination of techniques and may even invent methods to provide a broad understanding of a social situation and tends to focus on human interest issues that are meaningful to everyday managers.

This qualitative research approach is appropriate for our study because this kind of study required a lot of information and high understanding for the situations, initiatives and social activities of this small and medium enterprise. In addition to that there are a lack of studies and research on this topic when it comes to SME's.

Within the qualitative research, we use a case study approach to investigate the idea of shared value in SME's. We aim to provide a

theoretical and practical contribution to enhance the understanding of how SMEs engage in the concept of CSV.

We collect data and information based from Lunicore reports, online meeting with Lunicore founders, and observations; the authors analyze a single case study of Lunicore company. The objective is showing how shared value concept applied in small and medium enterprises.

This paper is organized as follows; the first chapter contains three sections: The first section gives a brief overview of Shared value and entrepreneurship, the second section examines the process to create shared value and the third section examines the level of shared value. In the second chapter a case study is presented.

### **III-CASE STUDY:**

#### **1-Lunicore Student Consultant**

Lunicore is a limited liability company run by students with Lund University as majority hareholder and with a turnover of approximately SEK 6 million. Lunicore have 80 employees who all share the values of the drive, professionalism and innovation . The employees are represented by 40 different educational programs, which means that Lunicore can build interdisciplinary teams. This in turn means that Lunicore constantly get new perspectives, are challenged and developed. Lunicore work towards the goal of being twice as large by 2020, with the aim of even more students being

able to build the bridge between the academy and the business community ([www.lunicore.se/om-oss](http://www.lunicore.se/om-oss), 22/05/2019).

## **2- Lunicore consulting team: Mission and vision**

Lunicore often work in interdisciplinary teams where students from different educational programs are hand-picked to suit the project's character. The opportunity to mix different competences and educations creates innovative solutions where the project team can analyze problems from several angles. Lunicore has 80 of Lund University's most driven students and represented 11,000 project hours for 2017 in term of education programs ([www.lunicore.se/om-oss](http://www.lunicore.se/om-oss), 22/05/2019).

Lunicore's business concept is to offer qualified and cost-effective consulting services provided by students at Lund University. Lunicore mission is to create a bridge between the business sector and the public sector in southern Sweden and students at Lund University. Lunicore vision is to be involved and contribute to a more innovative and innovative southern Sweden ([www.lunicore.se/om-oss](http://www.lunicore.se/om-oss), 23/05/2019).

## **3- Lunicore services and initiatives for shared value creation:**

Lunicore provide a lot of servises in deferent business field such us Management, communication, information technology:

### ***3-1-Management:***

Management is lunicore widest business area. The field contains four different areas: technology, market , operational development

and sustainable business. Lunicore interdisciplinary expertise helps us strengthen your company's efficiency, product development and competitiveness. From current situation analysis to establishment: ([www.lunicore.se/om-oss](http://www.lunicore.se/om-oss), 23/05/2019).

### *3-1-1-Technique*

Having the latest technology is a prerequisite for being a market leader. It is not the easiest today, considering how quickly demand and supply change. Through our methodological work with interdisciplinary teams from, among others, Lund University of Technology we help you with your product development. We evaluate your products based on the requirements specifications your business requires. In addition, we help you to develop 3D modeling and excell programming, which produces calculations. This type of project is usually carried out in interdisciplinary teamwork within business leg management.

### *3-1-2-Market:*

lunicore help companies to analyze the market you are in through a market analysis.

### *3-1-3- Operational development*

In order to streamline and develop an operational activities, lunicore provide help by identify problems and then evaluate the strengths and weaknesses of different solution options. This type of project is often done by breaking down processes and investigating processes, for example through process mapping and process optimizations.

### *3-1-4-Sustainable business*

lunicore help companies with, among other things, CSR strategies , life cycle analysis (LCA) and salary surveys .

### *3-2- Communication*

Digitization and corporate communication are becoming increasingly important. As a result, organizations increasingly need external help to meet their communicative goals. Lunicore's various types of expertise enable us to offer advice that is tactical, strategic and creative in equal measure. We help you with communication strategies, graphic design and social media: (www.lunicore.se/om-oss, 229/05/2019).

#### *3-2-1- Web Design*

Lunicore help companies by developing and design a website from scratch. If a company already have a website, lunicore provide help to search engine optimize (SEO) it, make it more user-friendly (UI / UX) for the visitor or to create good content .

#### *3-2-2- Visual communication*

By arranging pictures and texts in a manner that facilitates the recipient, the chances of a company message landing as desired increase. The visual communication is therefore a prerequisite for creating a dialogue with a company audience. lunicore offer graphic design services , where we also produce visual content such as photo and moving image . To know which guidelines a company should relate to, lunicore can help you develop a graphic profile .

### *3-2-3- Strategic communication*

Lunicore offer guidance on both the development and implementation of communicative strategies in a number of areas: social media , change , gender equality and sustainability . In addition, lunicore can also develop communication policies and communication plans .

### *3-2-4- Brand management*

lunicore help companies with employer branding as well as corporate branding . This through services such as brand positioning , storytelling , launch , target group analysis , as well as event and influencer marketing.

## ***3-3- Information technology***

Lunicores always strive to work agile during the project. Lunicores performs, with access to a wide range of excellence, projects for both start-ups and larger companies. Lunicores carry out projects within everything from web and app development to AI and more advanced analyzes of different data: ([www.lunicore.se/om-oss](http://www.lunicore.se/om-oss), 29/05/2019).

### *3-3-1- System and web development*

In order for a system or a web page to work well, it needs to be properly built from scratch. But there also needs to be a good idea about the flow from the start. With understanding of a company business, lunicore create systems that can relieve your administrative burden, improve internal communication and

simplify relationship management with your stakeholders . Lunicore develop user-friendly front-end and reliable back-end .

### *3-3-2- App development*

Lunicore develop mobile applications for both iOS and Android. We then use iOS native , Android native and cross platforms like React native .

### *3-3-3- Mapping System*

A mapping project involves a mapping of a company's IT systems and processes. Many times companies have more systems than they need, or unnecessary manual steps that can be automated. By identifying which systems can be removed and how a company systems can be centralized to the greatest possible extent, a company saves on unnecessary costs and manual working hours. Lunicore will be happy to help you make this so-called system mapping .

### *3-3-4- Analytics*

Lunicore help you with projects that include everything from business intelligence to AI . With the help of our interdisciplinary consulting teams, Lunicore have a combined competence in mathematics, statistics and programming . Just the combination needed to give a company the insight needed to optimize the business.

## **4- How Lunicore created shared value:**

Lunicore student consulting AB hires top students at Lund University to perform consultancy services. The business idea of



Lunicore is to sell qualified consultancy services to a lower price than their competitors and at the same time function as a bridge between the students and the labour market. Lunicore was founded in 2001 when two students identified a problem in the form of a gap between the university and real work life. Too often students do not get the practical experience and network that is expected from them by future employers (Aru.S, Waldenström.L, 2014, p41).

### **5- Lunicore strategy and value creation:**

Lunicore strategy is based on using Internal resources to gain a competitive advantage and create value for stakeholders, Lunicore takes responsibility for students' need for practical and relevant experience during their education. They also match the knowledge and skills demanded by future employers by arranging education and training programs in for example excel, case interview skills, programming of different apps, which functions as complement to their education from the university. Having Lund University as their owner, gives strength and legitimacy to their business idea. Lunicore uses this legitimacy together with knowledge of what skills the labor market demands, to advocate for and influence what is being taught at the university. This improves the education and hence also the University's ranking. While building a business model around a social issue they simultaneously create value for a two social groups, the university and its students, and generate profits for the company (Aru.S, Waldenström.L, 2014, p42).

The competitive advantage of Lunicore is linked to their students consultants, they are a very clever students with a high motivation and aspiration , these students consultants provide a very high quality consulting services because they want to make relationships and contacts with corporations to be the best available in labor market (Skype and phone calls with Lunicore founders, 01/06/2019).

Lunicore provided a social value for their own consultants by providing wages and valuable experience in addition to network or relationship with companies and possibility of recrutement. Lunicore also created a business value by making profit from selling consulting services (Skype and phone calls with Lunicore founders, 01/06/2019).

### **Conclusion:**

The new idea shared value provide a big opportunity for small and medium-sized enterprises to make more profit and achieve growth, in the same time solving a social problems and create value for society, Lunicore have already start to change the way of doing business and apply the concept of shared value.

The paper makes a number of significant theoretical contributions to the literature. First, we make useful analyses for shared value creation and corporate size. Second, this study demonstrates why small is matter for shared value creation.

The results of this study enrich the shared value creation literature by suggesting that small and medium-sized enterprises could have an influences on society and environmental and are appropriate to create shared value for several reasons; SMEs could define a social need, Measuring it and create an optimal innovation structure.

SMEs are more agile and can quickly adapt and incorporate new practices, it is also easier to get a full picture of their footprint, and to engage their entire team in impact awareness and communicate their mission and goals throughout the organization in addition to ability for innovate because of their lack of resources.

In addition, we make a number of empirical contributions; Lunicore provided a set of consulting services in many business fields; Management, communication, Information technology. Gathering value creation from all of these deferent fields and the small size of lunicore lead to shared value creation in high degree. Lunicore social and business services provided value for university students, society and business companies.

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