



The CERA Project Presents:

AN INTEGRATED VALUE ADDED MODEL

Leaders International





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This paper comes as part of a series of whitepaper conducted under the Corporate Entrepreneurship Responsibility Alliance (CERA) project, that are meant to raise awareness and spread knowledge on related topics under the project's mandate. The CERA project is funded by the Embassy of Netherlands to Jordan and implemented by Leaders International. The project addresses the national imperative of promoting a transition in the enterprise ecosystem that would contribute to realizing the growth potential of SMEs. It is focused on tackling one of the key constraints that face Jordanian enterprises, namely the availability and quality of local supply chains. The project will rely on supply chain requirements and internal procurement needs of larger enterprises and will build on the concept of Corporate Entrepreneurship Responsibility as an entry point to create an alliance committed to supporting the growth of the local industry in underserved regions of Jordan.



Introduction

Globalization and digitization have resulted in the need for differentiated, modernized, and environmentally friendly techniques for manufacturing and service delivery. As competition increases, so does the need for diversification and higher efficiency of design, manufacturing and delivery, especially for growing firms.¹ Today more than ever, companies are expected not to be only efficient but also eco-friendly and continuously innovative, and invest in different streams of internal development.² This is visible among leading firms where they work towards providing comprehensive solutions to their customers, not only products or services.³ They are integrating technology, financial efficiency, sustainability and innovation in everything they are delivering.⁴ This process incorporates a holistic business model that integrates all the factors mentioned into the process and design of products and services. This approach is meant to create what is called “high-value-added products”, which are more efficient and incorporate a much more socially-responsible approach.⁵ Furthermore, the more environmentally friendly the product, the higher automatically is its added value;⁶ which has been said to lead to higher competitiveness and consumer satisfaction.⁷ Firms are expected more and more to work within this value-added model where they are presenting higher quality, better responses, and more comprehensive solutions and cost friendly solutions to their customers.⁸ Therefore, the paper sets out to explore the perception of value-added products, the value chains involved encompassing both suppliers and customers, where does CSR come-in, and how is an integrated & green model created.

¹ Judeh et al. 2011

² Topleva and Prokpov 2019

³ Brady et al. 2005

⁴ Topleva and Prokpov 2019

⁵ ibid

⁶ Claver-Cortes et. al., 2007

⁷ Topleva and Prokpov 2019

⁸ Presutti 2003



A Value-Added for Customers

Once a company pursues a value-added approach, the main aim is centered on having higher customer loyalty, satisfaction, and surely acquisition. This value in business markets is defined as: “economic, commercial, technical, and social benefits the customer receives in exchange of monetary offerings”.⁹ In the last decade this is entailing more and more an environmental and green approach that has an important factor for the added value for customers, and by extension a competitive advantage.¹⁰

Companies are creating value-added by providing packages of both products and services that are tailored to each customer; whereby a comprehensive and integrated solution is offered,¹¹ with a more customer-centric approach within the overall value-chain.¹² There is also motivation among firms to share customer interests and contribute more and more to global causes. For instance, we see more and more companies are incorporating a greener manufacturing approach and recyclable products.¹³

Role of Suppliers

Enabling a complete, integrated and strong value added model also depends greatly on the role of supplies, and the chosen suppliers by firms, as they all become part of this comprehensive model.¹⁴ Effective supply management is becoming more and more essential within this model, especially when it relies on high efficiency technologies.¹⁵ Having a solid and long-term relationship with suppliers guarantees better margins, and higher economies of scale for all parties involved, which translates into smoother and more timely offerings for customers;¹⁶ which automatically increases competitiveness.

⁹ Anderson and Narus 1998

¹⁰ Porter & van der Linde, 1995

¹¹ Brady et al. 2005

¹² ibid

¹³ Ndubisi and Nair 2009

¹⁴ Brady et al. 2005

¹⁵ Presutti 2003

¹⁶ Brady et al. 2005



On a more specific front, the long-term relationship with suppliers will enable greener and more environmentally friendly approaches. These can include Just-in-Time (JIT) inventory systems and e-logistics, for handling all kinds of raw material and storages. This will once again guarantee more timely delivery and a better ability to manage and oversee the quality that is delivered to the final consumer, entailing a more sustainable approach.¹⁷

An Integrated Solution

Integrated solutions entail the value-added transitions of the enterprises from that of product-centric to customer-centric. Here the product life cycle is extended to include suppliers, delivery, and all possible pre and post operations to ease the process and create a higher value for customers. The traditional life cycle of the product is extended backward and forward to encompass a complete value chain with a smoother operations phase.¹⁸ It involves various strategies coming together and complementing each other, such as stakeholder involvement, corporate social responsibility, and innovative project management.¹⁹ It thus creates a more integrated design that is based on a very thorough process of strategic planning to enable a very smooth production-line from raw materials to final delivery.

The main method of achieving a value-added model, and by extension sustainable manufacturing, relies on the enterprise's choice of an innovative business model. The business model set forth is meant to propose steps for the value-added model with a special focus on the customers' needs, where it transforms the strategic orientation of companies to better cater for their customers' tailored needs.²⁰

The integrated business model can be further broken down to encompass more environmentally friendly design and manufacturing processes, this is said to enhance the competitiveness of the

¹⁷ Sarkis et. al., 2004; Ndubisi and Nair 2009

¹⁸ Brady et al. 2005

¹⁹ Topleva and Prokpov 2019

²⁰ Ndubisi and Nair 2009



firm and improve its brand image.²¹ In the long run these types of models are said to incorporate better environmental risk management and increase customer loyalty, strategic partnerships, and surely as a cumulative value-added.²²

These models can additionally incorporate a corporate social responsibility (CSR) component. As CSR is becoming one of the main tools for sustainability achievement, and a very integral part of businesses. Enterprises can follow suit in obtaining an ISO26000 on corporate responsibility to thoroughly implement this approach.²³

Green Value-Added

One very specific and important business model is the Green Value Added (GVA). It is especially essential today, with the environmental crisis and global warming concerns. As each company is expected to do its part for a better future. A comprehensive approach, incorporated early on within the business model, is said to add value to the organization and stakeholders. This model generally consists of the basic value-added model, introduced above, merged with eco-efficient business manufacturing and practices.²⁴

As an introductory step within this model, businesses are expected to induce recycling in their value chains, including reuse of raw materials in their manufacturing, and creating eco-friendly designs.²⁵ At later stages companies should adopt additional environmental activities including waste minimization and pollution control mechanisms. This should become part of the firm's culture and strategy. Once it is immersed, practices such as green procurement, human resources and technology should be considered.²⁶

²¹ Topleva and Prokpov 2019

²² Schaltegger et al., 2012

²³ Topleva and Prokpov 2019

²⁴ Ndubisi and Nair 2009

²⁵ Dalhammar, 2016

²⁶ Ndubisi and Nair 2009



More specified solutions can entail a green human resource management (GHRM).²⁷ In addition to specific certifications including the regulation of ecodesign practice are the International Standard ISO 14062-2002 “Environmental Management, Integration of Environmental Aspects in Product Design and Development”.²⁸ The approach can also incorporate an environmental management system (EMS) standard like ISO 14001, to incorporate environmental management into the company's daily operations.²⁹

Stakeholders’ Involvement and Value-Added

A main aim behind an integrated value-added solution with the incorporation of a green approach, is for corporations to become part of the community, become more efficient and effective, and increase customer satisfaction. What is also important about this approach is that it creates a more transparent business-model aligned with the needs of stakeholders. Stakeholder satisfaction is said to improve the perception of the company, and by extension contribute to the actual value they are creating. This in turn establishes higher trust and a competitive advantage.³⁰ In the long run, such approaches are set to reduce transaction costs and improve overall product portfolio. A tailored approach will as well, increase environmental efficiency of productions, quality, and safety within the manufacturing process.³¹

These kinds of approaches become especially important for small and medium enterprises, experiencing high cost and facing large competition, as it automatically increases their innovation, and leads to more attractive products. Especially when it comes to more environmentally friendly

²⁷ *ibid*

²⁸ Topleva and Prokpov 2019

²⁹ Chavan, 2005

³⁰ Topleva and Prokpov 2019

³¹ *ibid*



approaches and eco-designs.³² As studies reflect a positive direct proportionality between the two,³³ even if it increases costs early-on, it will lead to cost efficiency as the process takes-off.³⁴

Next Steps

There are various steps business can carry forth to enable a successful integration of a value-added model, especially in developing countries. This can also be carried forth for Jordanian companies. The steps are introduced below:

- ◆ Conduct a study to assess the firm's internal environment and the effects exerted by exogenous market factors on daily operations and long-term objectives.
- ◆ Re-engineer corporate activities of the firm to incorporate more corporate social responsibility (CSR) components.
- ◆ Prepare a strategic management plan, including clearly outlined sustainable corporate development objectives.
- ◆ Create and implement a monitoring mechanism for the integrated business model.
- ◆ Increase the usage and integration of digital innovation in the manufacturing process.
- ◆ Conduct a study on the effects of the implementation of the business model on stakeholders.
- ◆ Re-orient over all strategic goal to focus on value added, consumer satisfaction and sustainable development.

³² Birkin et al., 2009

³³ Ndubisi and Nair 2009

³⁴ Porter & van der Linde, 1995



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