Construction Maeconomics Conference 2015

Value engineering and corporate social responsibility

 Dvořáková Ivana1,

1CTU Prague, Faculty of Civil Engineering, Department of Social Sciences, Thákurova 7, Praha 6, 16629, Czech Republic, ivana.dvorakova@fsv.cvut.cz

Abstract

In business goes primarily on profits. To obtain profits need some basic financial capital to resources that help you in business. All devices in the course of activities introduced into production is consequently reflected in the final price for the customer. It is important to realize the difference between price and value. The value is different for each customer, because all people have not the same needs. Well functioning business is based on understanding the needs of its target customers, which he had selected. In a market economy, the inquiring person is governed by free will in choosing a qualifying products or services. The name "value" is therefore not a new concept. New products must have better features, a better value for your target group. Today, thanks to the growing demands of a man at a competitive fight and especially innovate more options to choose exactly the product for the purpose to satisfy customer needs. The second level would be a view that if you meet the needs of customers the company behaves responsibly towards the society and the people concerning him. During the manufacturing process and increase the value of the unit, very important are people. People who have the product directly producing, or performing other work process coupled, people in management positions etc. The following text will try to approach from one side to customer value as a key issue for successful enterprise able to keep their customers and thereby increase their competitiveness and efficiency and on the other side responsible for the activities of the society, although they require the insertion of finance of the profits, but also bear further expand and maintain customer portfolio.

Keywords

Value engineering, Corporate social responsibility, need for customer, business

Introduction

The main aim of every businessman is the profit. Why would a person make any effort without the vision of profit. For that, such a person need capital that would help him get started. Every means that such businessman puts into his enterprise will be reflected in the final product prices. It is important to realize the difference between the prize and the value. Value is different for each customer, because every customer has different needs.

Needs are purely subjective defined not only by the person, but also from the situation, person’s surroundings and the momentary situation. Well functional business is based on recognizing the needs of its target group it chooses. Products are adapter to the customer’s needs so that they both try to fulfill such needs and that their production is still effective and the product successful.

In the economic conception of social–market economy, the demanders are driven by free will when choosing the appropriate service or product and choose the one, that meets their needs and financial options the best. In the market full of competitors and similar products, the manufacturer need to draw attention to its own product. The customer is then satisfied that he got what he needed and the manufacturer is also happy because he sold the product and profited. One has to think about a lot of things and be able to direct those than can be controlled in order to reach the state when both the participants of the transaction (the manufacturer and the buyer) walk out from the transaction satisfied. Key point here is to clarify what the real value is for the customer.

The term value is not new and the importance of such a term has arisen in the recent times. Man is becoming more and more demanding thanks to the inventions of the modern age. New products need to have better properties and thus have a better value for the target group. Only then the demand will grow and replace the want for the older products. Nowadays, we have, thanks to the higher demand of a man in general and due to the existence of the competition, more and more options to choose the right product for us. And the development says that a customer will not become less demanding in the future. It will probably be vice versa and the only companies that will survive will be the ones that will realize what is going on and that will adapt to such a market development.

Another point of view is the one concerning the behaviour of the company in terms of the attitude towards the society and the people concerned. During the manufacturing process and during the process of improving the final value it is in the end the people who are important in the process. People making the product or doing anything else connected to the manufacturing process, such as people in managing positions and so on. Their actions are regulated by the civil scribe and by the labour code, but why would the subject couldn’t practice any other activity, possibly one that would be profitable to the whole society? What such an activity could actually be?

On one hand, the following text is trying to focus on the customer value as a key subject of a successful business that is able to maintain its customer base and one that is successfully able to grow and that is becoming more and more effective in the course of time. On the other hand, we have the activities profitable to the whole society. Such activities do require some financial resources, but they also help to maintain or they even help to the growth of the customer base.

Definitions issues

Customer value

Categories of customer value

Customer value belongs to the key aspects of the market economy. According to the ČSN EN 12 973 (Czech version of norm EN 12973:2000[1]), the customer value is characterized by the relation between the satisfaction of the customer's needs and the resources that were used for such satisfaction. One can use only the word value for such relation. And the relation can be drawn in a scheme as follows:

 (1)

The terms “needs” and “resources” mentioned in that relationship are considered to be a shared knowledge. But considering their specific use in connection to the value their meaning should be clarified.

Need is a feeling of shortage of something especially needful, something necessary for certain actions or essential for the satisfaction of specific interests. Saturation of needs is influenced, apart from the motivational aspects of a subject, mainly by the availability of resources as a means of satisfying needs. The process of satisfaction manifests itself in the form of a feeling of usefulness and on the degree of saturation necessary for the user (consumer).[2]

Sources represent all tangible and intangible assets needed to sate the needs. The process of sating the needs might be the one-time consumption of the product or service, or process and their long-term use. Sources in the context of value categories may take on more specific forms. Otherwise it may not be so. The categories of time as the speed of delivery of the product or services to be rendered, which is one of the fundamental factors of the competitive ability of both the seller and the buyer. For all these and other specific forms of resources is common that they can be expressed in economic (monetary) units, and in costs. Mostly it will be the costs to manufacture it (providing services), purchase costs (price) or the cost of recovery and eventual disposal of the product.[2]

In recent years, a trend has been emerging. The trend is abandoning mass production and starting the production of bespoke (custom-made) products and services, for usually a small segment of customers (or even individual customers). The purpose of segmentation is to identify customers with similar behavior in a particular market. The result of sorting in groups of customers produce more or less homogeneous market segments. If the segment is homogeneous, then the purchasing behavior of consumers included in this group is very similar. Ideally segment would have been exactly the same group of consumers, because that segment would allow, on the one hand, cheaper production, distribution, and on the other hand would be rigorously respected the needs and the degree of saturation with respect to the purchasing power of each individual customer.[2]

The mission of the company is meeting the needs of customers and revenue meeting the needs of people involved in the business, ie. stakeholders (interest groups), which can be further divided into internal (which are the owners and employees) and external (suppliers, investors, customers, community and state), which logically implies that the value for the customer in amount affects the size of the revenue from which will then satisfy the needs of people associated with the company. Therefore, without any pretense to claim that the supreme interest of the company (and thus the people associated with the business) is currently the highest possible customer value.[1]

The notion of stakeholders is very important in the theory of stakeholders who will be in the context of explaining the concept of social responsibility is more distributed.

Customer value in times of globalization

In connection with the age of globalization allow unrestricted flow of goods and services across national borders, the customer tends to develop in ever more challenging with more specific requirements. On the supply side and growing pressures primarily at achieving comprehensive benefits, adaptation to the specific requirements of individuals, shortening delivery times, adaptability, and innovation efforts over reliability. Quality satisfy these requirements is sometimes referred to as creating added value for the customer.[1]

Globalization formulates newly promotes the concept of managerial thinking, challenges and opportunities for the massive support of information and communications technology known as the new economy. Major, what the new economy goes, the customer, which is needed in order to effectively utilize the benefits of globalization, shrink and bring a huge global world. Efforts of manufacturers to quickly and efficiently satisfy the customer, wherever he is in the world, because in the age of electronic commerce, competition is just a mouse click away.[1]

Innovation Enterprise

J.A.Schumpeter in his studies dealt reason whatsoever businesses innovate. The main motive leading to technical changes is to achieve a steady income, because new materials, equipment and technological processes for the enterprise resource advantages. Innovation activities through greater productivity, reduce costs, and enable to achieve a monopoly position (in case the new product patent), which enables the higher price. Thus, innovation can achieve competitive advantage, which essentially arises from the value that the company is able to create for its customers. Have a competitive advantage is to be competitive.

In order to adequately understand the nature and benefits of innovation activities, it is necessary to define some basic terms and processes. These activities are important and are a major stimulus to maintaining and increasing the value of the product.[1]

Innovation can be defined in many ways. For example, there is mentioned definition of a national innovation strategy Czech Republic that it complies with the European Commission interprets: *"Innovation is the renewal and expansion of the range of products and services and related markets, creating new methods of production, supply and distribution, the introduction of changes in management, organization work, working conditions and skills of the workforce."*[3]

The need for innovation as a stimulus

What actually encourages the emergence of innovation? It's a problem that causes something to change the momentum (upgrade). Behind all this lies the need, as a real stimulus inducing thought processes resulting in inventiveness, which is precisely the spiritual source of innovation.[1]

To be able to this initiative closer we look, we realize that the need for the concept of subjective meaning, therefore, must be seen in terms of the needs of various groups having an influence on an undertaking and its proper operation. These groups are meant specifically for the internal and external customers of the company and its stakeholders.[1]

Here we come to the connection between the world of corporate social responsibility and value engineering. Interest in meeting the needs of external customers based on the actual mission of the company. Have a direct impact on the sales of products and the associated income. These customers are the ones who decide the success or failure of the company, because their needs are often the priority initiative of its innovative activities.[1]

These are the pulses coming from the market, evolving from the demand. With this related to two basic trends - the constantly increasing demands and requirements of this group needs a new (as yet unimagined and unregarded) that occur in connection with the supply of new and innovative products and services. These trends confirm a relationship of market indicators of supply and demand, which interact with each other.[1]

Internal customer may be relatively autonomous in-house department or production unit having an objective which needs to be achieved. Of these objectives, thus derives its requirements for eg. The quality, economy, information, timely flow of products or semi-finished products, services and cooperating processes (manufacturing, secretarial, administrative, operating and administrative activities). Internal customers are satisfying two ways. Without changing the production function of the upgraded units (manufacturing or otherwise), or more often in a way that changes the function of a particular subsystem manufacturing enterprise.[1]

For a focus on meeting the needs of stakeholders stands the principle of corporate social responsibility, in which the companies report to the wider impacts of its business and liabilities that they do not impose legal standards. According to this principle, so doing something beyond the law, thus voluntarily. Modern businesses feel this responsibility and act in accordance with the requirements of rational and ethical behavior.[1]

Are there any innovative action that lead basic ideas for change.

"Doing good things" should be the result of innovation, the focus of which affect external customers and stakeholders. Their needs are caused by product and technological innovation. Buyers are information that encourage the emergence of new and innovative products. The main tool for collecting this information is in addition to the legislation of the country and internal standards and regulations also strategic and marketing management.[1]

"Doing well", ie. economically, efficiently, productively and simply appropriate manner is desirable for innovative operations related to the second group. At its core is an answer to the very diverse requirements of manufacturers seeking to reduce labor intensity, improved material utilization, increased productivity, improved business organization as a whole, and others. The source of this information is in addition to the marketing management of various analyzes, studies and knowledge on the development of science and technology.[1]

The result of the harmonization of innovation satisfying the needs of major enterprise aforementioned interest groups is "a good thing to do well". This harmonization is the main task of management innovation.[1]

Corporate social responsibility

In the book "Corporate Social Responsibility - Business Ethics and Social Responsibility in Practice" [4] can read that CSR does not have a uniform definition. The European Commission called. Green paper defined CSR as "the voluntary integration of social and ecological aspects into everyday corporate operations and interactions with the company's stakeholders." This is a concept whereby companies decide voluntarily to contribute to a better status in society and a cleaner environment.

CSR brings a wide range of indisputable advantages primarily nonfinancial form, which may increase the company's reputation, values, brand visibility, establish new partnerships and increase confidence in the company. Corporate social responsibility is not only concern the private sector. The concept can easily be applied to the civil sector in which we are referring primarily non-profit organizations, schools, the state apparatus, government. All these entities should operate with complete transparency. CSR strategy is not new, companies are always involved in solving social problems. Now, however, corporate responsibility and sustainable business increasingly becoming the center of business strategy. Important value is the reputation of the organization, and this is what can society through CSR projects to develop. Increasingly, CSR now implement its social responsibility to protect and maximize their core values - an employee, a good reputation or social role in existing and new markets. [4]

Within the application strategy in society are respected and basic characteristics. These are voluntary - the company in charge of all activities exercised voluntarily, beyond their legal obligations; Dialogue with stakeholders - the involvement of stakeholders, which strongly influence the company; long-term nature - CSR activities are realized in the long term and do not end when a company finds itself in a worse economic situation; credibility - CSR contributes to strengthening confidence in the company; However, such activities must be transparent, consistent and non- exaggerated. [5]

Stakeholders

Within the definition we should clarify the concept of stakeholders. With him we meet when called. The theory of stakeholders [4] in which society can not exist without regard to the right stakeholders. Their versatile nature arises from interest. As part of the CSR talk about open dialogue with stakeholders, ie. with all organizations and persons that have an impact on your business, or are affected by its activities. Stakeholders can be divided into three groups - the company (internal dimension), the economy and society (external dimension).

In connection with the value engineering of the stakeholders considered as entities, which is required to meet and maintain them in satisfaction.

The most important part within the internal dimension (companies) are employees who are also within the external dimensions can be customers or members of the society in which the company operates. The government is only one of the social stakeholders, has no ties, but completes the formal part of the organization. The transition between the spheres of the economic stakeholders, the most representative customers. Not part of the corporate dimension, but the whole society. They are key tools for communication with the company.

For the company it is also important in the context of the specification determine the so-called stakeholders. Key stakeholders. Those are the most important to her sphere of influence and should be targeted all activities. During their determination is important to the industry. In every sector, these key stakeholders will vary. For their discovery is needed with them to establish and maintain dialogue already mentioned that the company provide necessary feedback. The result of dialogue is a win-win situation. [4]

The basic sphere of CSR

If a company applies CSR fully respecting the three spheres (called. Triple-Bottom Line. The spheres are economic (profit), social (people) and environmental (planet).

Economic sphere includes strategies applied in the context of compliance to the requirements in the implementation of the principles of management and control of the organization, the fight against the abuse of confidential information, the fight against corruption, poverty and money laundering. Also included here is the payment discipline, respect for contracts, data protection, fulfillment of obligations, intellectual property protection and compliance with established codes of conduct. In this sphere also includes the behavior of the group of stakeholders (ie. Stakeholders) - customers, investors and suppliers.

The social sphere falls corporate philanthropy and volunteerism, employment policies, employee health and safety, promoting education and retraining, employment of minority and vulnerable groups, gender equality, protection and respect for human rights, accountable and layoffs.

Within the environmental sector should identify the impact of production on the surrounding environment. This group includes the protection of natural resources, investments in environmental technologies, energy conservation, environmental policy and many others. [6]

Conclusion

Every entrepreneur wants to earn as much money and still wants to be in a "plus numbers". In order to keep pace with the market, it needs to constantly innovate its products, introducing or tampering with services to satisfy the demanding needs of the customer. It placed great emphasis on that business entity held all these steps responsibly. Stakeholders must have any changes of maximum benefit, it must address. But that must be seen (maybe even feel) that even though their business caters to their products, they are not indifferent to what is happening around him. Operates transparently, complies with the payment discipline, employs beyond the legal disadvantaged groups and is environmentally friendly by minimizing waste production and it also uses and offers as well as products made from recycled materials.

If the entrepreneur decided to go for innovative strategies to bringing a regular newsletter as well as through corporate responsibility strategy, and therefore applied the strategy of CSR into management processes, will be rewarded with an even greater increase in their profits. The reason is that the company hears voluntary activities carried beyond. The question for the controversy to some extent remains whether socially-responsible behavior (and ev. subsequent promotion within the PR business) is based on inner conviction that take actions beneficial to the neighborhood is correct, or is only mentioned a marketing gimmick leading targeted to maximize profits.

References

[1] MALINSKÁ, Petra. *TVORBA HODNOTY PRO ZÁKAZNÍKA V KONKRÉTNÍM PODNIKU*. Brno, 2009.Bakalářská práce.Masarykova univerzita, Ekonomicko-správní fakulta.Vedoucí práce Ing. Viliam ZÁTHURECKÝ, MBA.

[2] VLČEK, Radim. *Hodnota pro zákazníka*.Vyd. 1. Praha: Management Press, 2002, 443 s. ISBN 80-726-1068-6.

[3] VLČEK, Radim. *Management hodnotových inovací*.Vyd. 1. Praha: Management Press, 2008, 239 s. ISBN 978-80-7261-164-5.

[4] KULDOVÁ, Lucie. *Společenská odpovědnost firem: [etické podnikání a sociální odpovědnost v praxi]*. 1. vyd. Kanina: OPS, 2010, 189 s. ISBN 978-80-87269-12-1.

[5] DVOŘÁKOVÁ, Zuzana. Řízení lidských zdrojů.Vyd. 1. V Praze: C.H. Beck, 2012, xxvi, 559 s. Beckova edice ekonomie. ISBN 978-80-7400-347-9.

[6] SCHNEIDEROVÁ HERALOVÁ, Renáta a DVOŘÁKOVÁ Ivana. *Nové aspekty stavební ekonomiky 3: Veřejná správa v oblasti CSR*. Vyd. 1. Praha: České vysoké učení technické v Praze, Fakulta stavební, 2014. ISBN 978-80-01-05640-0.