

## Shared Value and Marketing Performance in the Kingdom of Bahrain Small and Medium Enterprises

Ahmed Mohamed Arbab<sup>1\*</sup>, Ahlam Ibrahim Al-Ehtawi<sup>2</sup>

<sup>1</sup> Applied Science University, Kingdom of Bahrain.

<sup>2</sup> Applied Science University, Kingdom of Bahrain.

**Abstract:** This research aims to study the reality of the Shared Value in the Kingdom of Bahrain small and medium enterprises (SMEs) and its impact on marketing performance. The descriptive and analytical methods were used. The research community includes owners and managers of SMEs in Kingdom of Bahrain. A random sample of 30 owners and managers was selected to represent the research community. The primary data were collected using a questionnaire. The questionnaires' validity and reliability have been ascertained. The findings showed that there is an awareness of social responsibility, however its practice through the shared value was weak, and there was no significant effect for the level of achieving the shared value on marketing performance.

**Keywords:** Shared Value, Marketing Performance, Social Responsibility, Small and Medium Enterprises (SMEs), Kingdom of Bahrain.

### 1. INTRODUCTION

Small and medium enterprises (SMEs) are one of the basic components upon which the national economy of any country is based, and therefore its growth and development is linked in one way or another to this type of institutions and the extent of their ability to grow, continue and build shared value to achieve profits and at the same time achieve social responsibility.

The current research focuses on one of the modern administrative entrances, which SMEs lack in general, and among these methods and approaches is the entrance to creating shared value through integration with other small enterprises in the environment and achieving business growth as well as achieving social responsibility. As SMEs define their development goals, and assess the extent to which these goals (if achieved) can enable them to create value for all stakeholders, including the institution itself, by setting the project on the right path to be able to create shared value through growth and integration with other similar institutions.

Past studies were descriptive in nature and used a questionnaires survey for data collection that were applied in different settings of developed and developing countries, including different samples according to the area covered by each study. Despite the importance of the subject, the researchers noted that previous studies on the impact of shared value on marketing performance were limited. This study is the first survey-based research on the topic of shared value on marketing performance in the Kingdom of Bahrain. The findings contribute to the limited knowledge base in developing countries, thus presenting new empirical evidence on the shared value and marketing performance. The study of the Kingdom of Bahrain case would be valuable to the existing knowledge on shared value and marketing performance.

SMEs are considered one of the pillars of economic and social development, as they constitute a main source of income in addition to providing jobs. They constitute a source of creativity and innovation, and give it the character of flexibility that it enjoys with the

ability to face economic crises to a greater degree than large institutions. Therefore, the use of modern administrative approaches in managing these institutions has become a necessity to support them. Among the modern approaches is the shared value approach, which expresses a new concept of business management through achieving societal value and economic value simultaneously.

The importance of the research stems from the importance of its topic, as the term shared value is a relatively recent concept in Arab literature, which requires further research and analysis. The research also is one of the few local and Arab studies dealing with the issue of shared value and linking it to the topic of marketing performance in SMEs. Moreover, it provides information on the importance of shared value for enhancing marketing performance in small and medium enterprises. In addition the research helps in providing information on the level of adopting the shared value approach in attribution of marketing performance in SMEs in the Kingdom of Bahrain.

The objectives of the research were set to measure the impact of adopting the shared value approach in developing the marketing performance of SMEs in the Kingdom of Bahrain through forming a theoretical and intellectual framework to identify both the common value approach and the marketing performance in small and medium enterprises, analysing the impact of adopting the shared value approach on marketing performance in SMEs, and the possibility of reaching results that can be achieved by formulating some recommendations that help decision-makers in SMEs because of its positive impact in achieving their goals.

SMEs sector in the Kingdom of Bahrain is witnessing a rapid growth and this growth is marred by weakness in some projects that fail due to their weak marketing capacity as well as their weakness in achieving their social responsibility. Therefore, to achieve the research objectives, the following research questions were set: what is the reality of adopting a shared value approach in SMEs in the Kingdom of Bahrain? and what is the role of adopting a shared value approach in the marketing performance of SMEs in the Kingdom of Bahrain?

This study was based on the main research hypothesis that shared value impact on marketing performance in the Kingdom of Bahrain SMEs that was further divided into more detailed hypotheses.

## 2. Shared Value

The concept of shared value is one of the modern concepts in management, as (Porter and Kramer, 2011) proposed creating shared value (CSV) as a tool to change the capitalist idea that business is based on profit making and neglecting to enhance its community participation. This challenges the stakeholder theory that introduces a traditional concept of a company as a closed entity that works only in the interest of shareholders (Freeman et al., 2007).

The concept of shared value, in contrast, recognizes that societal needs, not just conventional economic needs. It also recognizes that social harms or weaknesses frequently create internal costs for firms—such as wasted energy or raw materials, costly accidents, and the need for remedial training to compensate for inadequacies in education. Addressing societal harms and constraints does not necessarily raise costs for firms, because they can innovate through using new technologies, operating methods, and management approaches—and as a result, increase their productivity and expand their markets (Porter and Kramer, 2011).

Corporate engagement in society — a broad field that encompasses such terms as sustainability, corporate social responsibility (CSR), corporate citizenship, and social innovation — is attracting more attention than ever before (Bockstette and Stamp, 2018; Al-Ethawi et al., 2017).

Shared value is defined as policies and practices that enhance the competitiveness of companies while improving social and environmental conditions in the regions where

they operate. It is a business strategy focused on companies creating measurable economic benefit by identifying and addressing social problems that intersect with their business. To qualify as shared value, there must be an identifiable economic benefit to the company as well as measurable impact on a social or environmental issue, (Porter and Kramer, 2011). Businesses must reconnect company success with social progress (Schmitt, 2014). Creating corporate shared value requires intentionally and directly linking business success and social impact. This relies on strengthening and enhance the corporate focus on both commercial and social goals (Bockstette and Stamp, 2018).

The debate about CSV revolves around different paradigms according to which business can gain economic returns and create value for society. Stakeholder theory, social entrepreneurship, sustainability, Bottom of the Pyramid, Blended value, CSR and CSV are clearly intermixed (Dembek et al., 2015). Stakeholder theory suggests that if we adopt as a unit of analysis the relationships between a business and the groups and individuals who can affect or are affected by it then we have a better chance to deal effectively with these problems. From a stakeholder perspective, business can be understood as a set of relationships among groups that have a stake in the activities that make up the business (Jones, 1995; Walsh, 2005, Freeman et al., 2007; Daood and Menghwar, 2019). However the shared value is a new administrative approach that supports organizations in growing and achieving economic value, as well as creating social value. This means that the organizations will achieve the goals of a wide range of stakeholders, without any costs for achieving its social responsibility projects.

The idea behind CSV is to integrate social issues into the capitalistic economic mechanism in order to enlarge benefits for both business and society, thereby enabling the reconciliation of the two separated realms. Researchers identified three ways by which companies can create shared value, namely reconceiving products and markets, rethinking productivity in the value chain, and local cluster development (Porter and Kramer, (2011); Porter, et al., 2012; Daood and Menghwar, 2017). Measuring the shared value is one of the most important procedures to verify the results of its creation and application (Greg, et al., 2013; Hamilton and Preston, 2018). They stated that executives and managers need actionable data to make a business case and inform improved business decisions, for example seeking an attractive ROI in economic terms, and in some cases, they may be willing to accept a lower level of return or a longer time to reach break-even point.

### 3. Marketing Performance

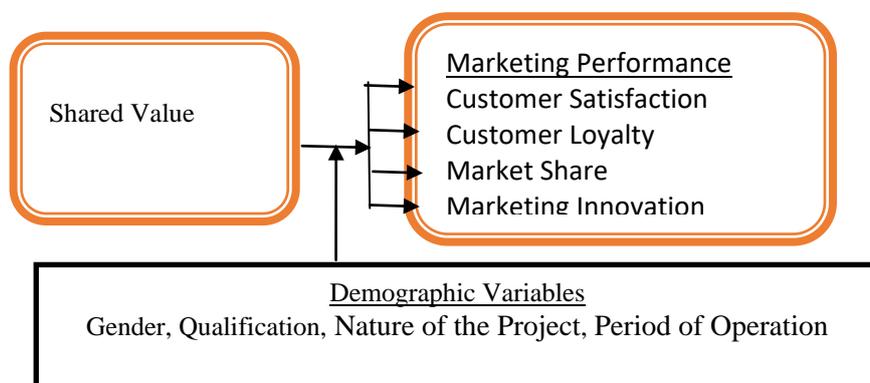
Performance is the main factor of determining the success or failure for any activity undertaken by management and workers in any system. Marketing professionals are under ever-increasing pressure to justify their firms' expenditure on marketing. Researchers in marketing have cautioned that the inability of marketing to demonstrate its contribution to firm performance has weakened its standing within firms (Gao, 2010; Ambler and Roberts 2008; Stewart, 2009).

Marketing performance assessment systems are a form of organizational control that incorporates formalized routines and procedures that use information to maintain or alter goal oriented patterns in organizational activity (O'Sullivan and Abela, 2007). Marketing performance is somewhat surprising that a review of the literature has failed to unearth a clear and explicit definition of the term 'marketing performance', even though research on marketing performance is well established (AMA, 1959; Bonoma and Clark; 1998; Gao, 2010). There are many classifications for the marketing performance measuring indicators. Grønholdt and Martensen, (2006) stated that the key marketing performance measures categorized according to the marketing value chain include mental consumer results, market results, behavioural customer results and financial results.

#### 4. SMEs

One of the main challenges in developing a cross-country analysis the lack of a universal definition of what constitutes an SME (Ardic et al., 2011). According to the Ministry of Industry, Trade, and Tourism (2020) of the Kingdom of Bahrain SMEs is define according to the no. of employees and annual turnover (BD). Micro enterprises that has up to 5 employees and from 1 to 50,000 annual turnover, Small enterprises that has 6 to 50 employees and from 50,001 to 1 Million annual turnover, Medium enterprises that has 51 to 100 employees and from 1,000,001 to 3 Million annual turnover.

In sum, relevant literature was reviewed on shared value and marketing performance and related topics in order to enrich the theoretical framework of the research and identify the relevant issues related to shared value and marketing performance. Based on the reviewed related literature, the below conceptual framework is introduced. Figure 1 illustrates the research framework.



*Figure 1: The Conceptual Framework*

Based on the above conceptual framework, the following research hypotheses were developed and formulated that:

H1: There is statistically significant impact on the level of adoption of shared value on customer satisfaction in SMEs in the Kingdom of Bahrain.

H2: There is statistically significant impact on the level of shared value adoption on customer loyalty in SMEs in the Kingdom of Bahrain.

H3: There is statistically significant impact on the level of adoption of shared value on market share in SMEs in the Kingdom of Bahrain.

H4: There is statistically significant impact on the level of adoption of shared value on marketing innovation in SMEs in the Kingdom of Bahrain.

#### 5. Research Methodology

The study employed a descriptive analytical approach using questionnaires for data collection. The research community consists all owners and managers of SMEs that registered (Incubated) at Bahrain Business Incubator Center (BBIC) during the period of the research, which was 70 projects according to the latest statistics in 2019. This number represents the target population. A random sample of 59 owners and managers was selected to represent the research community. 59 questionnaires were distributed and 30 of them were valid for this study. The questionnaire's validity and reliability have been ascertained.

## 6. Findings

In answering the research questions 1&2, the arithmetical average and standard deviation of respondents' responses were calculated for all the dimensions. The result shows that weighted average of the responses of the respondents about the shared value was (3.8) out of 5, with high level of agreement. It also shows that weighted average of the responses of the respondents about adopting a shared value approach in the marketing performance (3.8) out of 5, with high level of agreement. This indicates that the research sample answers agree on the existence of interest in the shared value and also indicates that the research sample answers agree on adopting a shared value approach in the marketing performance.

For testing research hypotheses, the simple and multiple linear regression analysis were used for testing the research hypotheses as in the following Table.

**Table 1: Research Hypotheses Testing**

H1: Impact on the level of adoption of shared value on customer satisfaction								
Variance Source	Freedom Degrees	Correlation Coefficient R	Determina'n Coeffi't R <sup>2</sup>	Test Value F	Sig level F	Beta Coefficients		
						B	T Value	Sig level F
Between Groups	1	0.107	0.012	0.35	0.863 <sup>b</sup>	0.107	0.418	0.704
Within Groups	3							
Total	4							
H2: Impact on the level of shared value adoption on customer loyalty								
Variance Source	Freedom Degrees	Correlation Coefficient R	Determina'n Coeffi't R <sup>2</sup>	Test Value F	Sig level F	Beta Coefficients		
						B	T Value	Sig level F
Between Groups	1	0.885 <sup>a</sup>	0.783	7.226	0.115 <sup>b</sup>	0.885	2.688	0.704
Within Groups	2							
Total	3							
H3: Impact on the level of shared value adoption on market share								
Variance Source	Freedom Degrees	Correlation Coefficient R	Determina'n Coeffi't R <sup>2</sup>	Test Value F	Sig level F	Beta Coefficients		
						B	T Value	Sig level F
Between Groups	1	.512	0.262	1.065	0.378 <sup>b</sup>	0.885	2.688	0.378
Within Groups	3							
Total	4							
H4: Impact on the level of shared value adoption on marketing innovation								
Variance Source	Freedom Degrees	Correlation Coefficient R	Determina'n Coeffi't R <sup>2</sup>	Test Value F	Sig level F	Beta Coefficients		
						B	T Value	Sig level F
Between Groups	1	0.716 <sup>a</sup>	0.512	3.148	0.174 <sup>b</sup>	-	-	0.174
Within	3					0.716	1.774	

Groups								
Total	4							
Main research hypothesis: Impact of shared value on marketing performance								
Variance Source	Freedom Degrees	Correlation Coefficient R	Determina'n Coeffi't R <sup>2</sup>	Test Value F	Sig level F	Beta Coefficients		
						B	T Value	Sig level F
Between Groups	1	0.207 <sup>a</sup>	0.43	0.404	41.5	0.207	2.588	0.029
Within Groups	9							
Total	10							

H1: Shared Value and Customer Satisfaction. Table 1 shows a low value of calculated (F) equal to 0.35 which is not significant at the level of significance (0.05), and confirmed by the value of correlation coefficient 0.107 which is a very week correlation. Based on the value of the coefficient of determination  $R^2 = 0.012$ , the level of adopting a shared value explains 0.12% of the variation in customer satisfaction in SMEs in the Kingdom of Bahrain. Therefore, the hypothesis 1 is rejected.

H2: Shared Value and Customer Loyalty. Table 1 shows a low value of calculated (F) equal to 7.226 which is not significant at the level of significance (0.05), although the value of the correlation coefficient 0.885 which is a very high correlation. Based on the value of the coefficient of determination  $R^2 = 0.783$ , the level of adopting a shared value explains 7.83% of the variation in customer loyalty in SMEs in the Kingdom of Bahrain. Therefore, the hypothesis 2 is rejected.

H3: Shared Value and Market Share. The table shows a high value of calculated (F) equal to 1.063 which is not significant at the level of significance (0.05), and confirmed by the value of the correlation coefficient 0.512 which is a very week correlation. Based on the value of the coefficient of determination  $R^2 = 0.262$ , the level of adopting a shared value explains 2.62% of the variation in market share in SMEs in the Kingdom of Bahrain. Therefore, the hypothesis 3 is rejected.

H4: Shared Value and Marketing Innovation. The table shows a high value of calculated (F) equal to 3.148 which is not significant at the level of significance (0.05), and confirmed by the value of the correlation coefficient 0.716 which is a high correlation. Based on the value of the coefficient of determination  $R^2 = 0.512$ , the level of adopting a shared value explains 5.12% of the variation in marketing innovation in SMEs in the Kingdom of Bahrain. Therefore, the hypothesis 4 is rejected.

Main H: Shared Value and Marketing Performance. The table shows a low value of calculated F equal to 0.404, which is not significant at the level of significance (0.05), and confirmed by the value of the correlation coefficient 0.207 which is a very low correlation. Based on the value of the coefficient of determination  $R^2 = 0.043$ , the level of adopting a shared value explains 4.3% of the variation in marketing innovation in SMEs in the Kingdom of Bahrain. Therefore, the main research hypothesis is rejected.

## 7. Discussion

The purpose of this paper is to study the impact of shared value on marketing performance (customer satisfaction, customer loyalty, market share, and marketing innovation) in SMEs in the Kingdom of Bahrain. The findings related to respondents' perceptions towards the shared value got a high levels of respondents' responses and the findings related to respondents' perceptions towards the dimensions of adopting a shared value approach in the marketing performance indicated that four dimensions of the marketing performance got high levels of respondents' responses.

Further, regarding the impact on the level of adoption of shared value on customer satisfaction, the findings revealed that there is no significant impact of adoption of shared value on customer satisfaction (Table 1). With reference to the impact on the level of adoption of shared value on customer loyalty, the findings revealed that there is no significant impact of adoption of shared value on customer loyalty (Table 1). Pertaining to the impact on the level of adoption of shared value on market share, the findings revealed that there is no significant impact of adoption of shared value on market share (Table 1). With regard to the impact on the level of adoption of shared value on marketing innovation, the findings revealed that there is no significant impact of adoption of shared value on marketing innovation (Table 1).

Overall, this study provides explanations of respondents' views about adoption of shared value and their impact on marketing performance (customer satisfaction, customer loyalty, market share, and marketing innovation). The results indicated that there is no effect on the level of achieving the shared value of SMEs in the Kingdom of Bahrain on (customer satisfaction, customer loyalty, market share, and marketing innovation) because this type of project focuses on profit and aims to continue and survive.

The research sample has an awareness of social responsibility, but its practice through shared value is generally weak, and this was confirmed through the interviews that took place with a number of owners and managers of these projects. Moreover SMEs are fully aware of the importance of measuring marketing performance, because it is closely linked to profits and sustainability.

The level of adopting shared value had no effect on marketing performance, because SMEs are mainly in the formative stage and depend in their management of their projects on business incubators' advisors, the Ministry of Labor and Social Development and the United Nations program who support them in planning and decision-making, and they mainly aim from the establishment these projects to achieve economic stability and thus secure the social aspects in their surroundings.

We would argue that there is a need to raise awareness about the importance of shared value and marketing performance, in addition to creating appropriate regulatory environment to allow for the adoption of shared value approach in SMEs in the Kingdom of Bahrain. We would suggest benefiting from experiences of other countries in the subject, in addition to establishing reward system such as presenting prizes to outstanding SMEs in the Kingdom of Bahrain.

The necessity to educate the owners of SMEs about the importance of achieving shared value as it is the main driver of marketing performance, even if the results indicate the opposite, because this type of institutions as a whole are unable to bear the cost of achieving responsibility, however if sufficient awareness of shared value is provided, it became possible to achieve economic returns through projects that concerned with social responsibility. SMEs should use administrative methods that make the process of achieving social responsibility economically inexpensive, such as the shared value approach. SMEs contribute to achieving social responsibility through achieving social security and creating employment which participate in community development.

## 8. Conclusion

The study is conducted in SMEs in the Kingdom of Bahrain and examined the impact of the shared value on marketing performance in the Kingdom of Bahrain SMEs. The findings revealed that the shared value has on significant impact on marketing performance marketing performance dimensions (customer satisfaction, customer loyalty, market share, and marketing innovation). The findings do not support the hypothesis as the data present weak evidence of the hypotheses. Consequently, shared value adopted in Kingdom of Bahrain SMEs does not significantly affect marketing performance. Thus, the paper contributes to literature and bridges the gap between theory and practice in identifying new empirical evidence on shared value and marketing performance.

The study has implications for both the small, medium and large enterprises in attaining in the Kingdom of Bahrain. For example, the study found that the shared value was not based on appropriate shared value policies and procedures. Further, there is a great variation in shared value indicating lack of consistency. SME'S owners and managers, therefore, should aim to build solid and refined policies and procedures for shared value. The study also benefits academics, managers, consultants and practitioners in terms of educating, providing support, and raising awareness on the impact of shared value on marketing performance in Kingdom of Bahrain, and in countries that have similar features to those of Kingdom of Bahrain or can be useful to those interested in understanding more about Kingdom of Bahrain.

This research has the following limitations: Firstly, only two method was used for primary data collection in this paper. As such, future researches in this should use more than two method for data collection such as peer reports and surveys. Secondly, the results of this study are related to the sample studied and may possibly not be related to the total population of SME'S in Kingdom of Bahrain. Consequently, the results cannot be generalized to all Kingdom of Bahrain. Thirdly, this research did not cover all dimensions, leaving open the possibility for other studies to deal with new dimensions related to research variables such as internal operations, learning and growth, efficiency, effectiveness, and balanced scorecard (BSC).

This paper focused on owners and managers of SME'S from Kingdom of Bahrain. Researchers should consider owners and managers from large organizations. Future research should be undertaken to integrate other approaches when researching the relationship between shared value and marketing performance. Identifying SME'S barriers that limit the adoption of shared value is suggested.

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