

## A moral compass – competitive and ‘Fair’

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### Keywords

SME Competitiveness, Human Values, Fair trade.

### Abstract

*Reputation, relationships and trust may all be considered critical yet intangible success factors for SMEs, despite eluding formal capture on any balance sheet. Yet implicitly within this proposition lie human values, which provide both a moral compass and a ‘catalyst for action’. Human values influence organisational behaviour and decisions, fundamental to the ethos, identity and the very fabric of ethical business. These enable SMEs to build resilience to recession, operational pressures and the power of significant retail buyers who influence price, margin and profitability. This paper shows how fair trade SMEs balance values based choices with pragmatic business decisions to grow and sustain their future within what could be termed the ‘nice face of capitalism’. It shows how moral philosophy can be balanced rather than compromised to business economics. This case study research was exploratory and inductive from a position of interpretivism and social constructivism, drawing upon grounded theory to support data coding and analysis. Semi-structured interviews were carried out within 13 UK fair trade SMEs between December 2012 and June 2013. Furthermore, through a values based orientation which extended across their supply chain, it showed how ‘responsible business’ was a reality for SMEs, through the creation of ‘shared value’. However, in contrast to Porter and Kramer (2011), it demonstrated how personal values actually served to move fair trade SMEs beyond a model traditionally situated within altruistic consequentialism to one which recognised that being ‘fair’ was insufficient to secure a competitive future within a changing retail landscape.*

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### Introduction

Fair trade remains an emotive subject, with much polar opposite debate critiquing its success in terms of its broad aim to highlight the inequalities of population, exploitation, deprivation and poverty (Doherty et al 2013, Valiente-Riedl 2013, Gibbon and Silwa 2012, Griffiths 2012). However, within the retail environment, the reality of ‘fairness’ is arguably less an abstract concept and instead more a ‘felt’ experience (Harris 2010). Frankl and Scott in the early 2000s suggested a rise in demand for ethically sourced products “untainted by exploitative labour or environmental practices” (2002:29). However more recently, Goulding and Peattie (2005) highlight the paradigm shift from a product to a sales orientated context for ethical goods, with Davies (2009) indicating an increased focus upon brand and quality rather than targeting the consumer on the basis of ethical reason. Therefore, whilst the original concept of fair trade may not have changed, today it is perhaps less black and white/in or out than may have originally appeared at inception, with SMEs, just as their larger competitors, not necessarily being Fairtrade© exclusive. Certified products may be positioned alongside other complementary offerings such as fairly traded, which still offer a ‘fair’ price to farmers, but are not labelled a Fairtrade© brand certified. Indeed, the business reality for fair trade SMEs may paradoxically be situated between a values based orientation (Crossan et al, 2013) and the ability to remain competitive within a strategic and growing ethical market (The Co-operative Bank 2012).

The 21<sup>st</sup> Century phenomenon of technological advancement and globalisation may be much debated, as might supply or demand, fairness and third world economics, yet Adam

Smith (1790) in his seminal theory of moral sentiment stated: “when all this fine philosophy was over, when all humane sentiments had been once fairly expressed, he would pursue his business with the same ease and tranquillity” (2011:132) – as if nothing had happened. Indeed, business growth and sustainability requires owners/managers to find competitive ‘space’, by constantly building and adding value to the product/brand proposition. Nevertheless, ethical retail is arguably a more subtle complex relationship in which beliefs, culture, local heritage and tradition might combine to accumulate within what might be termed a ‘moral quota’ - balancing values within pragmatic decisions. This paper therefore considers Smith’s view in relation the contemporary phenomenon of fair trade by exploring how human values influence business competitiveness through its behaviour, culture and decisions. Some fair trade SMEs may be more ethically nomadic, with the reality more around financial reward than rooted in activism, or indeed vice versa. The point is not to judge, but to suggest “if we want to understand why organisations do the things they do, or why they perform the way they do, we must consider the biases and dispositions of their most powerful actors” (Hambrick, 2007:334).

SMEs certainly assisted the development of the early UK Fairtrade© to reach beyond its charity shop origins, however, within a highly competitive, increasingly mainstream market, is the ethos still grounded in doing the right thing, rather than doing things right? Fairtrade© growth is certainly accelerating, increasing both accessibility, convenience to ‘feel good’ shopping, as well as competing for space alongside other fair trade and non-fair trade alternatives. However, critically, will this growth be at the expense of the smaller fair trade business? If business values still originate within activism, will the paradox of Fairtrade© success, be to their detriment? Will SMEs fail to sufficiently consider how their business might need to adapt and respond to this changing environment, or is the competitive strategy still grounded in altruistic less profit orientated goals?

### Literature Review

The Ethical Consumerism Report (2012) valued the UK ethical market at £47.2 billion in 2011, increasing from £13.5 billion in 1999. It shows certified Fairtrade sales a miniscule £33m in 2000, but one which has demonstrated resilience to the recent economic downturn by growing 176 per cent from £458m to £1,262m in 2011. The Co-operative bank reported business was responding to the challenge of the largest ever volume of Fairtrade conversions, with estimated retail sales rising by 24% in 2011; an increase from £1,017m in 2010 (2012:2).

Concepts around competitive advantage and the strategies to sustain them have been well established for some time, for example, Porter (2008, 1985 1980), Davidson (1987), Buzzell and Gale (1987), Barney (1991), Ansoff (1965). Porter (1980) defined competitive success in terms of creating value and a competitive strategy to deliver value, whilst operating the business effectively and efficiently. A pertinent parallel to fair trade was indirectly provided by Thompson and Martin who stated “a small competitor with a very carefully defended niche can enjoy superior margins” (2005:283). Successful businesses could offer a unique blend of products and/or services which would be hard to replicate if copied, even at the most basic level and critical for those SMEs especially competing in for example, mainstream or virtual markets. This indeed may be an important and strategic consideration for fair trade SMEs today, as they try to secure a values based approach to business and supported by Simpson et al., (2004), who made links between societal values and general competitive theory; in other words: “doing what benefits society can also be seen as benefitting the individual, the organisation and the wider environment” (2004:159). However, the increasing tension around competitiveness was more broadly addressed by Aaker (2004), around the viability of niche brands in mainstream markets, as opposed to the viability of niche companies. It also serves to highlight the increasing pressure

upon altruistic/ charitable business models within an increasingly competitive market space, where the concept of 'fair' might be viewed as too 'soft' to be resilient to for example, the power of significant retail buyers, currency fluctuations or the recent UK macro-economic climate difficulties between 2008 and 2013 ([www.ons.gov.uk](http://www.ons.gov.uk)). Nevertheless, Nicholls suggests fair trade has implications for market economics by its role as a 'cause celebre' for institutional entrepreneurship and supply chain modelling, commenting that it is "a potential catalyst of wider economic alignment around values as well as value" (2010:242).

Morris et al., (2002a,b) state ethical behaviour is not possible without ethical core values, supported by Adam and Moore (2004) who argue that social norms within an organisation reflect their values and rules. Rokeach (1973) described values as enduring beliefs, stating that they "transcendentally guide actions and judgments across specific objects and situations and beyond immediate goals to more ultimate end states of existence" (1972:160). Schwartz (2009, 2006, 1999) and Bardi and Schwartz (2001), suggest values impact upon behaviour with Scheibe much earlier stating values represent "what is wanted, what is best, what is desirable or preferable, what ought to be done" (1970:42). However, Horley (2012) suggests that there remains a lack of clarity or indeed consistency (Rohan 2000) within the terms values and beliefs. Nonetheless, Haugh and McKee (2004) state that values guide action and in turn shape attitudes, with social psychology also presenting values as the antecedent of attitudes (Bohner and Wanke, 2002, Rokeach, 1972).

Owner/managers' personal values, influence the strategies adopted in both business operations and financial performance (Sosik et al., 2009; Cohen and Kerren, 2008; Lahdesmaki, 2005; Kotey and Meredith, 1997; Quinn, 1997; Vyakarnam et al., 1997). Furthermore, other studies have examined the link between business strategy/performance and owner values, for example, Kasser et al., (2007), who linked the values of power and achievement to financial success. Other research has focussed upon achievement values, for example, Kotey and Meredith (1997), and Helmer and Olson 1987, cited in Gorgievski et al., (2011) who stated that business owner's success criteria were representative of their value base. Lachman (1980), in Wijwardena et al., (2008), though also suggested entrepreneurs had unique personal values and attitudes towards work and life, such as honesty, duty, responsibility and ethical behaviour, stating "they attach greater importance to these values and attitudes" (2008:152). Carr (2003) viewed values and ethics to be integrated, with reference to Weber and the spirit of capitalism. This is relevant for fair trade SMEs because it presents a perspective around how a business should be nurtured and developed as a statement of an individual's "conduct of life" (2003:8). The impact of human values is further illustrated by Dawson et al., (2002), within Australian micro business where entrepreneurs yield a high level of control over the values proposition of the enterprise.

Besser introduces an added dimension by suggesting business success is "inextricably linked to the overall welfare of the community (2013:131), in other words balancing business success with moral obligation. Belak and Rozen (2012) propose compatibility between the concept of 'doing good' and 'virtue' in business decisions and motivations, referring to 'good profit'. Choi and Wang (2007) demonstrate how benevolence and integrity contribute to credibility and trust, although Gorgievski et al., (2011) propose that traditional business goals actually conflict with benevolence and universalism (Schwartz and Bardi, 2001). Indeed it serves to highlight the tension around whether fair trade SMEs can even actually achieve 'balance' between business and values based decision making. Yet, beyond fair trade, Hatten (2006) linked ethical issues to strategic planning because these decisions were fundamentally affected

by human values. Furthermore, Maister (2007) further emphasized the importance of consistency between mission, vision, enterprise values, and culture.

Empirical research into values and entrepreneurial goals has often linked business owner values with competitiveness and success (Ajzen, 2002; Kotey and Meredith, 1997; Corman, et al., 1988), however, little research has been carried out within fair trade intermediaries within the global north (Karlajainen and Moxham 2013). Sosik et al., (2009) stated the relevance of ethical values, because of their influence on behaviour, such as in how organisational goals were judged as appropriate or right, plus the effort exerted to pursue them. Burnes and Todnem By (2012), provided examples from historical research which drew attention to value alignment, leadership behaviours, goal achievement and even employment commitment in accord with Cohen and Keren (2008), Elizur (1996), Dubin et al., (1975), Rokeach (1973) and Herzberg et al., (1956). Indeed, de Dreu and Nauta (2009), Sosik et al., (2009); Schwartz (2009, 2005) and Bardi and Schwartz (2003) all stated behaviour was motivated by values based decision making, which was furthermore stable over time (Bardi et al, 2009). Fassen et al., (2010), introduced the notion of business risk viewing ethics (or values as often these are used interchangeably) as something personal that belonged to the individual rather than the business, with Roccas et al., (2002) viewing human values as deeply relevant to motivation.

According to Belak and Rozman "moral motivation emanates from good character of a person: from the virtues and/or moral horizons (values) to which a person is devoted to" (2012:1613). Baden et al., (2009) support the view that the business owner's intrinsic motivation is a key factor in ethical or responsible business, but also considered it from the perspective of 'duty', distinguishing duty from right. De Colle and Werhane (2008), suggested motivation could include actions which aligned with duty, but rather than done from duty, were actually a means to a further end. For example, fair trade but profit-making, but with the foundation of morality and motivation still connecting to others in society. Sampaio et al, viewed business motivations separately to values and beliefs, stating they were "complex, heterogeneous and probably varied over time" (2011:235). Much earlier, Jones (1991) introduced the concept of six moral intensity factors, namely, magnitude of the consequences; social consensus; probability of effect; temporal immediacy; proximity and concentration of effect - relevant to fair trade business and 'feel good' consumer targeting. However, Friedman (1970) suggested small business owner managers had a right to link business related decisions with their own motivations, although Goffee and Scase (1995) more recently concluded, that profit maximisation was not necessarily the 'key' motivator, despite the business reality at times necessitating pragmatic trade-offs.

Trevino et al., (2000) highlighted two key aspects of ethical leadership; firstly in doing things the right way, by making decisions that incorporated values and secondly in relation to being a role model for others. Nonetheless, whilst Hunt and Vitell (1986) suggested entrepreneurs needed to recognise the importance of both ethics and social responsibility elements within their decision making processes, Vitell et al., (2000) however, referred to the conflicts between personal values and business needs. Nevertheless, whilst human values may be deemed intangible on the balance sheet, business benefits described by Jenkins (2006) included high employee morale and increased staff retention, less absenteeism and lowering of recruitment costs, also supported by Perry and Towers (2009).

More recently, Porter and Kramer (2011) present their 'Creating Shared Value' theory (CSV) as the new CSR, suggesting it could "enhance competitiveness of a company whilst simultaneously advancing the economic and social conditions in the communities in which it operates" (2011:66).

They suggest that businesses can succeed and achieve sustained long term competitiveness and innovation by understanding the links between business and society and suggested that economic and business goals could be fundamentally interconnected. Nevertheless, they discounted the role of personal/human values commenting only from a corporate context, yet Schmitt and Renken (2012) applied the concept of shared value within German fair trade apparel SMEs, to conclude that personal/human values do tangibly shape business strategy and decisions. This research aims to contribute to this debate by furthering understanding into human values and competitiveness within UK fair trade SMEs, to explore whether the notion of shared value can move beyond abstract conceptualisation to tangible business reality, supporting business alliances, reputation and trust which taken together could potentially contribute to competitive advantage (Ahmad and Ramayah, 2012).

## Methodology

The research is an exploratory and inductive from the epistemological and ontological perspective of interpretivism and social constructivism. Empirical research was carried out using a case study approach with 13 fair trade SMEs within Yorkshire, Lancashire, Cumbria and London between December 2012 and June 2013. The European SME definition was adopted 'employs fewer than 250 employees and has an annual turnover not exceeding 50 million Euros and/ or an annual balance sheet not exceeding 43 million Euros, [http://ec.europa.eu/enterprise/policies/sme/files/sme\\_definition/sme\\_user\\_guide\\_en.pdf](http://ec.europa.eu/enterprise/policies/sme/files/sme_definition/sme_user_guide_en.pdf)

The decision to adopt Porter's (1980), generic competitive strategies as a tool to frame the data collection tool indirectly resulted from two conceptual papers by Mentzer et al., (2000) and Varadarajan and Cunningham (1995) and Campbell-Hunt (2000), who maintained the view that the Porter framework was among the most influential contribution to explore strategic and competitive behaviour in organisations.

A purposive snow ball sampling approach was adopted, supported by an initial pilot with two SMEs to 'pre-test' the data collection framework and the field procedures and protocols that would maintain a chain of evidence (Yin 2009). Each SME was alphabetically coded from TA-TN, as a means to ensure the anonymity offered ahead of consent to interview. The research aimed for analytical rather than statistical generalizability, but within a design, which ensured transparency, credibility, transferability, dependability and confirmability of the findings (Lincoln and Guba 1985).

For example, interviewees were afforded the narrative 'freedom' within a revelatory approach to tell their story in their way, but were supported through a prompt framework based upon Porter's (1980), generic competitive strategies. This allowed the 'natural conversation' to be focussed around business operations and the subsequent triangulation with other sources of data, including for example, social media, competitive and brand strategies. However, methodology was not mutually exclusive and therefore the research drew upon grounded theory and the cross comparative method (Corbin and Strauss, 2008), to support the approach to data analysis and interpretation. A concept card approach (Prasad, 1993) usefully supported the identification of human values and themes, through both open and axial coding to iteratively develop both primary and secondary concept cards/templates of analysis to enable a robust critical evaluation of the data including peer review to examine rival explanations and reduce the potential for error and bias.

Other considerations included social desirability bias (Dalton and Ortegran, 2011; Chung and Poon 1994; Randell and Fernandes, 1991), that could still potentially contribute to values and motivations being reported more positively than actual behaviour (King and Bruner, 2000); power asymmetry in interviews (Kvale 2005); attribution theory (Heider 1958), 'confirmatory

bias' (Kahneman, 2011). In other words, communicating views or making interpretations that simply 'confirm' any pre-existing assumptions/beliefs around fair trade and human values. The design mitigated the risk of interview transcripts that simply reflected the individual's perception of 'what is the right thing to say', rather than the business reality.

Ahead of the primary data collection within fair trade SMEs, two key philosophical perspectives were considered that could also influence the very essence of human decision and actions, namely consequentialist (teleological) and non-consequentialist (deontological). Firstly, deontological supporters would consider the intentions behind the action, so that right or wrong is determined not by its positive or negative consequences. Alternatively, a teleological philosophy would view ethical values as irrelevant unless they were actively promoted and adopted within this paper. Thiroux and Krasemann (2007), deconstructed consequentialism into three subsections; arguably relevant to fair trade SMEs. These key themes are briefly considered in order to frame and contextualise the research ahead of the data collection and analysis. Firstly, altruistic consequentialism, with its association with the 19<sup>th</sup> Century philosopher Auguste Comte (1875), could arguably be aligned with early the fair trade heritage SMEs, where the role of leaders would be to act in the best interest of everyone but themselves. This would be therefore incompatible with any notion of profit and competitiveness. Secondly, utilitarian consequentialism, with its origins in the early philosophical work of, for example, Jeremy Bentham (1748-1832), or John Stuart Mills (1806-1873), was based upon "the idea to orient the individual desire towards the care of others, so the search for personal happiness and the quest for other's good merge" (Renouard, 2011:89). Whilst this may resonate with the social responsibility agenda, more pertinently, it may present an interesting paradox if the fair trade SME, through its inability to achieve the economies of scale of its larger rivals (Smith, 2010), or through a failure to create value within a highly competitive environment, becomes an inadvertent casualty to the 'greater Fairtrade© good'. Finally, at the other end of the spectrum and perhaps fitting with Smith's (1790) theory of moral sentiment is egoistic consequentialism, which considers it ethically right if it benefits the instigator. The philosophy could align to those interested in a profitable fair trade business without the values based dimension. Furthermore it highlights that it is dangerous to assume that fair trade SMEs would necessarily share the same value base, because it is possible that they may simply be responding to a perceived gap in the market. The design therefore highlights this in order to reduce the risk bias during the data collection and both the credibility and reliability of the findings and analysis. Furthermore, this research considers not only exclusive Fairtrade© brand SMEs, but also those who had decided to pursue fairly-traded or mixed economy model and who by choice or necessity have to balance values/ethics with pragmatism and survival.

### **Analysis and Findings**

Human values emerged as a significant intangible factor for business competitiveness, success and sustainability, integrating within all aspects of business operations including, but not limited to, reputation management, brand identity, social media, managing costs, quality, market orientation and supply chains/alliances and networks. Human values provide the interconnecting thread to shape the vision, strategy and culture within these organisations, despite the fact that direct, tangible monetary value was difficult to attribute or quantify as an asset or liability on the balance sheet. However, a common theme emerged to suggest that human values provide the moral compass that steers and shapes the fundamental ethos, identity and fabric of the business and furthermore the determination and tenacity to achieve business goals: "*we owe it to the farmer to make the coffee to come out as best we can*" (TA). Moreover, a values based orientation enables SMEs to build resilience to manage situational and operational

pressures beyond their control, for example the power of significant retail buyers, cost of raw materials, currency fluctuations and the UK economic recession 2008-2013. This was achieved through purposeful supply chain relationships and networks built upon trust that achieved both economies of scale and managed the cost and quality of raw materials:

*"We trade fairly with larger families and estates, where we might have a direct relationship. In Panama for instance, buying coffee directly, agreeing prices and coffee quality", (TD), or "we have direct contact with the people who are making the products for us, so the supply chain is very small...we use our market knowledge and be responsible about it" (TJ).*

Furthermore, 11/13 SMEs recognised that simply being 'fair' was not guarantee of future business sustainability:

*"You have to have a great product, great new products and a great front end experience. Without that it is not going to work at all" (TM).*

The findings within the fair trade sector indeed align with Crossan et al., (2013), Sosik et al., (2009), Thiroux and Krasemann (2007), Hambrick (2007), in terms of the way ethical values influence behaviour and the effort to pursue those goals. It highlights that any research within the ethical retail sector which did not consider the power of human influence upon business operations would be limited, static and one dimensional, particularly when values and motivations are intrinsic:

*"The company values – the six Ps – run through all its operations and practices including shaping its relationships with suppliers and ethical trade. It's very much the way the company does business" (TN).*

The findings certainly agree with Hayward et al., (2006) about passionate individuals with a desire to make the world better, illustrated by comments such as: *"our mission statement is preparing people to take steps to change the world" (TC).* Personal values, beliefs and motivations were business critical to every fair trade SME, because they underpinned the foundations of the business agenda, acting as an informal 'moral compass' and modus operandi, for example:

*"Fairtrade© is a fundamental part of our strategy. If there is a Fairtrade© alternative, we would always buy it because we want to support those farmers overseas....once you've taken that step there is no going back from it because you are committed if that is part of your ethics" (TH).*

More fundamentally, it also appeared to contrast with Adam Smith's (1790), Theory of Moral Sentiment, where moral philosophy was considered separate from business economics, because here, values and beliefs were fundamental and intrinsic to the very fabric of their existence: *"we will not compromise our principles to make a little bit extra money" (TA)* and further underlined during the recent 2008-2013 UK economic downturn, where raw materials were not compromised for cheaper alternatives in an effort to reduce costs or increase competitiveness:

*"We are bound to buy our ingredients Fairtrade©...it's more challenging if that is what you are committed to, but that is what we are committed to" (TM).*

Nevertheless, whilst human values certainly shape the business, they are difficult to quantify within traditional measures of business including profitability, financial ratios etc. However, they are a fundamental and critical success factor, indeed representative of the 'catalyst for action', or indeed even the very interpretation of success itself, for example: *"we judge the success of our business not on products sales and profit" (TK).*

This research concurs with Bates (2005), and Bardi and Schwartz (2003), because human values and beliefs offer 'meaning' as well as purpose and personal satisfaction:

*"Trading ethically is what we do because it's rooted in our business values, rather than*

about generating sales" (TN).

*"That is our whole philosophy of life. It is intrinsic" (TF).*

However, the values proposition is not confined to the pure fair trade ideology within the certified brand, but extended to those within the fairly traded domain and illustrated by the care and self-generated guiding principles in seeking new fairly traded business opportunities:

*"We wanted to have a brand which actually encompassed a lot of our values because we were going down the route of sourcing ..... whether it was Fairtrade© or directly sourced, or rain forest sourced coffee... These were the credential which we needed to work back into our business as well as sourcing and quality ....An understanding of hard work and heritage at origin"(TD).*

SMEs offering fair trade products balance personal, business and community values but the majority (11/13) could not be simply categorised as altruistic in focus, where competitiveness and profit were overtly pursued alongside the fair trade ethos. This is illustrated by the spectrum of commitment to Fairtrade© certified ranged from that identified within altruistic consequentialism for example:

*"We knew some people wanted it and some were willing to pay the premium for it, but we didn't mark it up on that basis" (TG).*

to egotistical consequentialist perspective or arguably more pragmatic choices linked to business opportunity:

*"Fairtrade© is secondary for our customers, yet I know we identify it as a unique Selling point. It ticks a box really" (TL).*

Nevertheless, 'fairness' principles also extended to local issues, concurring with Quinn (1997), and individual vision of both right and wrong: *"there is no conflict between supporting local and Fair-trade©"* (TA); *"locally they should be paid fairly too"* (TC) and indeed the commitment to source locally, combined with social responsibility applied to local as well as fair trade farmers. However, even when a fair trade exclusive SME identified the brand only as a useful USP, human, socially responsible values were still apparent through an independent commitment to support their own community projects in Africa. Therefore the findings concur more broadly with Wijardena et al., (2008) that for owners and employees, the prioritisation and importance placed on these values and beliefs was a fundamental aspect of organisational culture. There was little satisfaction in achieving economic success without human or social value. Indeed, there was a consistent message and often united front, where principles were not compromised for advantage:

*"The company who owns xxx, sold the brand onto another company which is owned By xxx. There is a very specific boycott against xxx products that has been going On since the 1970s and we have boycotted products in the past because of this Boycott" (TJ).*

All SMEs recognised the need to survive, but findings largely agreed with Walker et al., (1999), about the key role of non-financial elements, in particular human values (Horley 2012) and their complex interconnection, yet, whilst the findings agreed the role of owners and managers was critical, it was not simply confined to business leadership, but further illustrated by employee contributions, offering loyalty, commitment and in some cases, trading higher wages for values based benefits: *"its minimum wage for most of our team and yet we are so blessed with their loyalty" (TL).*

## Discussion and Summary

Creating Shared Value suggests that businesses can succeed and achieve sustained long term competitiveness by understanding the interconnections between business and society

(Porter and Kramer 2011). More widely however, this is a missed opportunity if personal/human values are disconnected from further consideration within a debate that to date is largely confined within a corporate context. Indeed, the importance of SME operations across multiple sectors cannot be ignored when 99.8 % of businesses in Europe are SMEs and crucially 92.1% of firms actually have fewer than 10 employees (Annual Report of Small and Medium Sized Enterprises in the EU 2013).

Porter and Kramer make specific reference to fair trade stating that whilst a noble sentiment that it is “mostly about redistribution rather than expanding the amount of overall value shared” (2011:65). They propose a shared value perspective would involve improving growing techniques, strengthening supplier clusters to improve efficiency and yields, product quality and sustainability (2011:65). However, this paper challenges Porter and Kramer (2011), assumption because empirical evidence from fair trade SMEs shows that shared value can be realised through both certified and non-certified routes. For example, TD, TK, TM and TN working with farmers in Panama, Peru and Bolivia and Kenya to support the production of high quality raw materials and products, subsequently delivered through exemplary service, brand, reputation and trust, all the way through to the customer experience. Indeed even on a much smaller scale, this is also evident within for example, TA, TL. Furthermore, this shared value extends not just to the developing country farmer in for example, South America or Africa, but also within local communities via employment opportunities and welfare, to support for local farmer producers from for example, in rural Cumbria to Lancashire and Yorkshire, who complement fair trade by supplying the local organic milk, that forms part of the fair trade latte or cappuccino. Shared value is triangulated across a whole supply network for mutual benefit; a purposeful business alliance that increases efficiency, quality and production effectiveness. For indeed increased demand and satisfied consumers ripples positively to increase the very ‘revenue pie’ Porter and Kramer (2011), describe. Whilst one-size does not fit all, it is however, possible within this exploratory research, to identify a core group of fair trade SMEs that could indeed be described as unassuming champions of socially responsible business, practising a SME version of shared value. They live and breathe a business reality that their larger competitors would find difficult, if not impossible to replicate. This is their unique value, the ‘je n’est ce quoi’ of the competitive strategy, where supply networks and business cannot simply be replicated, but one which is underpinned by human values, with the ability to flex and respond swiftly to new market developments. This may even be the difference between success and survival within an increasingly savvy consumer society. This is mutually beneficial trade, not aid, in ‘real time’; making on-going sustainable difference to local and overseas suppliers across their entire supply chain and without doubt is not simply representative of fair trade markets simply ‘redistributing value’ (Porter and Kramer, 2011).

The retail environment is undergoing a metamorphosis, in part resulting from advancements in social media that assist ethically nomadic, but technologically competent consumers. Therefore the benefits of a product proposition based upon the unique strengths of human values, resilience, relationships can be combined with tangible factors such as cost and quality management, to demonstrate not only a “nice face of capitalism’, but build brand identity, reputation and loyalty in both face to face and virtual retail environments. This perhaps contrasts with Smith (1790) and his views around authority and conscience but he nevertheless succeeds in highlighting the tension between moral intuition and reflexive human selfishness. Nevertheless, this presents a business opportunity to turn passivity into a felt and expressed need, leading to the purchase a fair trade product, because as Harris (2010) suggests, human nature genuinely wants ‘fairness’ and to leave the world a better place. Therefore, values and

beliefs present a powerful motivating force underpinning fair trade SMEs by shaping a competitive strategy that balances personal ethics with business pragmatism. Furthermore, the interconnectivity of human values with for example, supply chain alliances and networks assists to build reputation and trust, enabling SMEs to resist short-term alternatives (Darabi and Clark, 2012) in some cases to group together to achieve economies of scale, whilst in others withstand what Wyld et al., (2012) describe as the ability of powerful buyers ability to control and exploit SME suppliers:

*“Big retailers who we have big volume can make sudden decisions, and then we are clawing back for over a year following this decision. It is a bit like a rollercoaster” (TM).*

This paper proposes that only by listening to business and increasing insight into the human factors that contribute to success will academic research advance knowledge and understanding into business competitiveness. It concludes that whilst there is no such thing as a secure, successful altruistic business, it is possible to balance profit with principle to yield mutual, positive benefits across the supply chain. Indeed, a key success factors is the ‘will to succeed; driven by intangible human values, beliefs and personal accountability. It is possible to achieve business sustainability and survive in a highly competitive market, by creating and promoting a strategy and brand identity that respects human and organisational beliefs, avoids the commoditisation of the workforce and provides the ingredients for growth profit and personal satisfaction; in effect an ‘unsung hero’ of the local economy. However, this paper suggests that this is not a time for complacency or ideology, because the business environment is fluid and changeable; highlighted by new virtual technologies and retail practices that will fundamentally impact on both businesses and consumers going forward.

Nevertheless, whilst it is important to look forward, it is arguably also relevant to reflect back and learn lessons from the past, for example, how the values led businesses of the 19<sup>th</sup> Century, balanced human value with extraordinary business success and profitability (Vernon, 1987). In other words, this paper concludes that this style and business practice philosophy is neither revolutionary, nor indeed that ‘new’, but perhaps in the past was not sufficiently acknowledged or afforded the recognition it deserved. Therefore, in the quest for business competitiveness and profitability, akin to Darwinian style survival, perhaps fair trade SMEs represent a beacon for future business practice, which should neither be ignored, nor demeaned as a soft option. The fair trade sector demonstrates that it is indeed possible to present the ‘nice face of capitalism, with a values based orientation that perhaps achieves more than any 20<sup>th</sup>/21<sup>st</sup> Century political ideology. However, fair trade is therefore not presented as a ‘hippy’, quasi alternative, but a sector which has the drive, irrepressibility and ability to achieve profit. Indeed, some SMEs extend Porter and Kramer’s (2011), theory of shared value into an SME context, to one which also attaches importance to the role of personal values in business decision making. The result is the provision of a secure, sustained opportunity for economic stability for not only its own business community, but other local firms and third world communities.

This paper aimed to explore human values in relation to business competitiveness, however, the natural caveat and caution for any SME trading on altruistic principles alone, is that it will remain vulnerable if a current ‘value-added’ activity becomes a ‘so what’ factor in the future. Nonetheless, this research also suggests that the majority of the UK fair trade SMEs appeared to have grasped the metaphorical ‘nettle’, recognising that to trade upon fair trade, altruistic credentials alone is simply not enough to secure a competitive future. Yet, this journey is not undertaken in isolation, because it is also underpinned by a workforce with similar values and beliefs that recognise the implication for business success whether in relation to their third world partners or to their own well-being and local economy. A committed workforce ‘goes the

extra mile' in terms of effort and creativity; often adding intangible value to the business. Whilst the bottom line is important, the businesses appear to bring out the best in individuals through shared core values that are both fulfilling and satisfying. Perhaps, these inter-connecting elements in fair trade SMEs reflect what Frankl (1946), referred to as a search for meaning and cognitive resonance; to change and stand by one's own practices, despite the challenges and pressures from external factors that alone cannot be changed.

In summary, the fair trade SME is special because it provides a liberating bridge between conceptual notions of socially responsible business and the viable reality, to demonstrate that shared value is possible within an SME context and as a result moves academic debate beyond simply a redistribution of value, to create a mutually beneficial increase in the "revenue pie" (Porter and Kramer 2011:65). There is a strong incentive to work together and in alliance with international suppliers to build growth for mutual benefit far beyond charity or superficial notions around socially responsible business. Whilst it would be relatively easy to be overly ideological, it is important to state that cost management and profit remain critical to business health, however, some fair trade SMEs have advanced to offer a success model which achieves the delicate balance between margins, values and personal satisfaction. Fair trade therefore is not simply about the virtuousness of firms, because today they compete for survival within increasingly competitive national and international markets, but human values and principles 'can' and do count within an uncompromising 'real-time' business environment to illustrate a 'nicer face of capitalism'. These lessons echo back in history to move beyond the perception that 'greed is good' and indeed where Roosevelt himself commented "we have always known that heedless self-interest was bad morals; we now know that it is bad economics....in the long run economic morality pays" (20<sup>th</sup> January 1937, Second Presidential Inaugural Address, cited in Burnes and Todnem-By 2012). After all in the final analysis, it is indeed: "reason, principle, conscience.....(which are), the great arbiter of our conduct", (Smith, 1790, cited in Smith 2011:133).

### **Directions for Future Research**

This paper presents an exploratory study into human values within the fair trade sector, but demonstrates that they are a valid, albeit intangible factor for sustained competitiveness and performance. However, it would be useful to undertake further empirical longitudinal studies to track the resilience of fair trade SMEs across time to further knowledge into both competitiveness and the longer term impact of human values on business operations. Furthermore, within a mixed economy fair trade model, further transnational research is required to extend knowledge of a values based competitive paradigm. Finally, further studies are required to build the case for a hybrid model of shared value within SME supply chains to offer further insight into how shared value could offer a 'different way' to create and build value within the product proposition to create competitive advantage within niche or mainstream strategies in response to a changing, virtual but inextricably interconnected supplier/retail/consumer environment.

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