

Sustainable Strategic Performance Management in SMEs: Tilman SA, a Belgian Case Study

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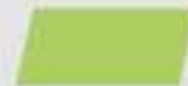
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Introduction

- Increasing interest for concepts such as Sustainable Development and Corporate Social Responsibility (CSR)
 - More and more firms elaborate and implement strategies in order to develop environmental and social activities beside their classical economic activities
- Two observations in the dedicated literature:
 - Predominant large-scale corporation orientation and limited scientific research on CSR in SMEs while they are crucial actors in the world economy (Jenkins, 2006; Del Baldo, 2010)
 - Increasing tendency towards the integration of CSR into SMEs (Jenkins, 2006; Echo, 2010; Del Baldo, 2010)
- Objective of this paper = to better understand (case study analysis)
 - Why CSR strategies are elaborated, or not, in SMEs
 - How the CSR strategy is elaborated and deployed in this kind of firms
 - Then, how the sustainable performance is managed there.



Agenda

“Sustainable Strategy and Related Performance Management in SMEs”

- **Key concepts**
- **Literature**
- **Tilman SA, a Belgian Case Study**
- **Discussion and Implications for Future Research**



1. Key concepts

a. SME

- European Commission's Definition:
 - Less than 250 workers
 - Turnover \leq 50 million euros
 - OR Balance Sheet \leq 43 million euros
- Specific characteristics (Keats and Bracker, 1988; Julien, 2005) :
 - The quantity of available resources (immaterial, human, technical and financial resources) is small compared to larger firms.
 - They are generally under the influence of one individual who is at the center of the firm (Mintzberg, 1979; Keats and Bracker, 1988; Julien, 2005).
 - Due to their small size, they are 'structurally simple' in Mintzberg (1979) sense
 - They are particularly dependent on their external environment

b. Sustainable Development and CSR

- Sustainable Development = A new macroeconomic goal
 - “A development that *“meets the needs of the present without compromising the ability of future generations to meet their own needs”* (Brundtland, 1987)
 - Three interrelated principles of sustainability = 3P’s: People (Social), Planet (Environmental) and Profit (Economic).
- Corporate Social Responsibility
 - Firms’ contribution to the macroeconomic objective of Sustainable Development
 - CSR is the voluntary integration, by firms, of social and environmental considerations into their commercial activity and into their relationship with their stakeholders (European Commission, 2005).
 - An increasing number of firms are thus getting involved in CSR strategies for diverse reasons (Jenkins, 2006; European Commission, 2009; Weltzien Hoivik, 2009; Del Baldo, 2010).

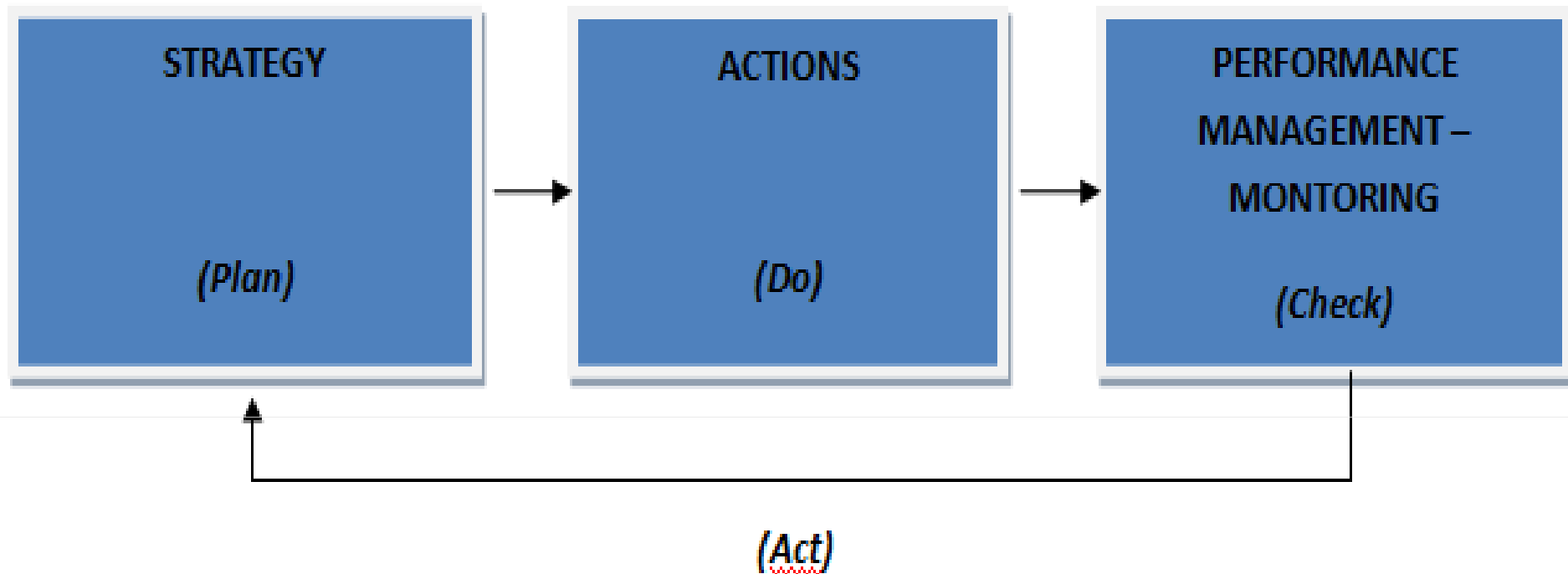


c. Sustainable Strategy

- *"Strategy is the direction and scope of an organization over the long-term, which achieves advantage for the organization through its configuration of resources within a challenging environment, to meet the needs of markets and to fulfill stakeholders' expectations"* (Johnson et al., 2010)
- A Sustainable **(CSR or Responsible)** Strategy = A Business Strategy which is elaborated and implemented by a firm in order to meet (a part of) the requirements of the Sustainable Development and which is fully in line with the definition of CSR (European Commission, 2003).
- It includes a strategic vision consistent with the principles of the Sustainable Development and specific strategic objectives combining **economic**, **environmental** and/or **social** dimensions



d. Strategy and Performance Management

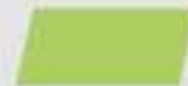


f. Sustainable Performance Management

- Progressive evolution :
 - From traditional performance management: Economic or financial (often quantitative) measures/indicators such as EBIT, profitability, solvency, liquidity or productivity
 - To sustainable/global/CSR performance management : Environmental/social (qualitative) measures/indicators such as gas emissions, recycling or staff well-being.
- Appearance of new tools and adaptation of existing ones such as environmental accounting, social accounting, green budgets, and sustainable (balanced) scorecards including social and environmental indicators (Abbot and Monsen, 1979; Gray et al., 1996; Adams and Harte, 2000; Christophe, 2000; Everett and Neu, 2000; Hockerts, 2001)

2. Literature

- *Why SMEs may engage in such strategies (motivations, obstacles, enablers)*
- *The **specificities** of a Sustainable Strategy in an SME and of the related performance management*



a. Context

- Weak understanding of small business CSR because:
 - A large-scale corporation orientation persists in the CSR literature (Chrisman and Archer 1984)
 - Regarding their specific characteristics, SMEs tend to lack sufficient influence or resources to adequately address environmental and/or social issues (Spencer and Heinze 1973; European Commission, 2007)
 - Small businesses have been encouraged to overlook social activism and to concentrate instead on avoiding irresponsible behavior (Van Auekn and Ireland 1982; Thompson and Smith, 1991)
- Nevertheless, SME's are the predominant form of enterprises in the European Union (Jenkins, 2006) → it is vital to make sure that SMEs are fully engaged and that what they do is fully recognized
- In this sense, researchers are now also recognizing the importance of CSR in smaller firms (Tilley, 2000; Spence and Rutherford, 2000; Spence et al., 2003; Jenkins, 2004 and 2006) and some recent research demonstrates a tendency towards the increasing integration of CSR into SMEs (Jenkins, 2006; Echo, 2010; Del Baldo, 2010)



b. Motivations, obstacles and enablers

- Internal and external motivations

- Staff well being, cost savings, innovation
- Better reputation, better relationships with stakeholders, networking opportunities, etc.

- Obstacles

- Limited available resources (time, money and people)
- More immediate pressure for daily-struggle to survive commercially
- Lack of awareness of business benefits (not enough communication)
- Reluctance to external help
- Existing CSR tools and guidelines are oriented towards large business

- Enablers

- Flexibility
- Proximity to stakeholders
- Flatter hierarchy and faster decisions-making process



c. Specificities of small firms

- Sustainable Strategy

Little dedicated research but two interesting specificities can be drawn from Graalmal et al. (2003) and from the strategy literature:

- **Intuitive and informal strategic process**
- As the entrepreneur has a predominant role in small firms (Julien, 2005), the sustainable strategy is often based on the **personal values of the entrepreneur**

- Sustainable Performance Management

Any previous published research → assumption:

Due to the limited amount of resources at their disposal and their frequent short-term pressure to survive, the performance management system related to the sustainable strategy, **if it exists**, should be **little formalized and implemented in small firms** (Julien, 2005)



3. A Belgian Case Study

Deeper understanding of :

- ***Why** a SME may engage in such strategies (motivations, obstacles, enables)*
- *The **specificities** of a Sustainable Strategy in a SME and of the related performance management*



a. Methodology

- One case study: Tilman SA

Characteristics	Firm's information
Age	More than 50 years
Legal form	Public Limited Company
Industry	Pharmaceutical industry
Location	Walloon Region
Family firm	Yes
Size (number of workers in 2009)	About 85 workers
Size (Sales in 2009)	+/- 12.000.000 Euros
Size (Balance Sheet in 2009)	+/- 8.000.000 Euros



a. Methodology

- Data Collection
 - Primary data : (*semi-directive*) interviews (interview of the CEO and of the financial director)
 - Secondary data: website information and internal documents given by the CEO (code of conduct, reports written during specific conferences, results emerging from an internal survey about Sustainable Development's activities within the firm)
- Data Analysis
 - In-depth qualitative analysis (Yin, 1988; Huberman and Miles, 1991) – qualitative content analysis (interviews + document analysis)



b. Motivations, obstacles and enablers

- Two major motivations
 - Real convictions of the **CEO**
 - His perception of the positive impact on the economic performance
 - Cost and efficiency savings
 - Better competitiveness and reputation
 - Attraction, the retention and the development of motivated and committed workers
- Two major obstacles
 - Limited amount of available **resources**
 - Time
 - Money
 - Human Resources
 - Difficulties to **involve the workers** in the process and to make them adhere to the project: conferences, informal meetings and oral communications are frequently organized but it is difficult to motivate the workers to participate to these events

c. The Sustainable Strategy

- The CEO considers that environmental and social dimensions are essential for the future strategic development of the firm and he is convinced that including Sustainable Development considerations in a firm's strategy leads to a WIN-WIN situation
- Since 2006, the sustainable strategy of the firm is based on three pillars :
 - Economic development (constant innovation, high quality products)
 - Environmental protection (energy savings, waste reduction and recycling)
 - Social well-being (staff well-being, pleasant work climate, humanitarian projects to help external communities)
- Confirmation of small firms's specificities
 - **Intuitive and informal strategic process**
 - Based on the **personal values of the entrepreneur**

d. The Sustainable Performance Management

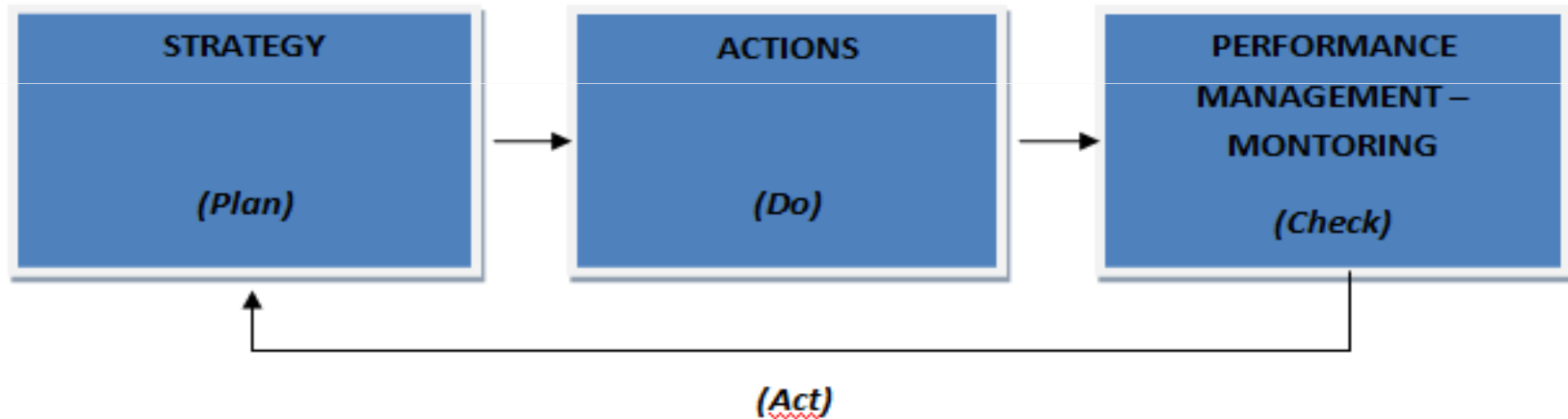
- Up to now, the performance of the firm is not piloted and monitored thanks to specific indicators or scorecards
- Nevertheless, the respondents are conscious that, as the firm is growing (15%), it is essential to implement such a performance management system.
 - Since 2009, development of a series of economic/financial indicators
 - Due to a lack of resources, societal performance management was not a pressing priority. However, thanks to the present research, real willingness to progressively formalize the (global) performance management system
 - BUT importance to develop a tool which is “*not too complex and time-consuming*”

→ Confirmation of the literature:

“Due to the limited amount of resources at their disposal and their frequent short-term pressure to survive, the performance management system related to the sustainable strategy, if it exists, should be little formalized and implemented in small” firms (Julien, 2005)

4. Discussion and implications for future research

Sustainable Strategic Process of the Case Study



Implications - Summary

- Strong consistence with previous, but limited, amount of research

Motivations – Obstacles - Specificities of a Sustainable Strategy in a Small firm and the related performance management

- Two major recommendations for the development of Sustainable Strategy and of a related performance management in small firms:
 - Need for scientific research and practical **development of specific and adapted (strategic and performance) management tools** (simpler, easier-to-implement and easier-to-use tools)
 - Importance of **external support**
- Future research – **Preliminary Research !!**
 - Other case studies OR larger-scale analysis
 - Longitudinal research on how to develop an adequate sustainability performance management tool within a small firm



Thank you for your attention



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