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Challenges and Success Factors for SMEs in the Chemical Distribution

Industry:

A literature review

The European Chemical Distribution sector is of crucial importance as it is a major contributor to the economy and employment (FECC, 2013). Even though there is no universally agreed definition of a chemical distributor -because of the wide variety of functions performed by these companies and confusion with other types of trading in the industry - their importance is by no means diminished. Chemical distributors are a fragmented network, adding value through an extensive range of services to both customers and suppliers. In Europe alone, there are at least 10,000 companies servicing the end-users for their chemical needs, with the vast majority being small and medium enterprises with local and regional coverage (Brenntag, 2010). It is evident that SMEs have a strong presence in the Chemical Distribution Industry and play an important role in its overall growth and performance (CEFIC, 2010). Therefore, identifying and exploring the Critical Success Factors underpinning their success or failure becomes of great importance.

The purpose of this presentation is to review the current business literature and identify challenges and factors critical to the success (CSFs) of SMES operating in the chemical distribution industry. SMEs are subject to strong consolidation trends with a growing role of private equity investors in Mergers & Acquisitions activity; Introduction of more complex health, safety and environmental legislation leading to increasing compliance costs; Customers' increasing requirements for expertise, product portfolio and services; Increasing need for in-house expertise regarding technologies and management methodologies; Competition from larger distributors focussed on growth and market share; Global competition and market uncertainty (DistriConsult, 2012 and 2011; Hornke, 2013). As a result, adapting and coping with those challenges is vital to their survival and success. Business literature also reveals a number of CSFs specific to this industry with the most important being: Customer Relations Management, Financial Resources, Internationalisation, Human Capital, Market & Product Orientation and Strategic Planning (Bee & Chellia, 2013; Chemagility, 2008; Hornke, 2012; Mortelmans & Reniers, 2012).

This presentation highlights the importance of the Chemical Distribution market and present the current challenges SMEs are faced with. Most importantly, it will bring together any Critical Success factors identified in the business literature for SMEs operating in the specific industry with the scope to develop an initial framework to understand small business success and growth and increase knowledge in this business sector.

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