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**AN INSIGHT INTO ENTREPRENEURIAL SUCCESS FACTORS FOR SMES:  
THE CASE OF THE UK CHEMICAL DISTRIBUTION INDUSTRY**

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**ABSTRACT:** *The UK chemical distribution industry is a significant, well-established, yet fragmented and subject to strong consolidation, part of the chemical industry and a major contributor to the UK economy and employment. Despite its importance, it remains largely unexplored, with limited research in the factors contributing to the success of small and medium-sized distributors. This paper, being a part of a larger-scale study, addresses a well-established gap in the industry and provides a qualitative perspective of the entrepreneurial (relating to the individual) factors critical to SMEs success. The research is based on the opinions of owners and very senior managers, an approach extensively used by other researchers. A total of 180 SMEs fulfilling the criteria of this study were identified with 118 owners/managers participating, generating a highly satisfactory response rate of 65.5%. The paper not only informs key stakeholders and policy makers with a view to improve strategy formulation and decision-making process in supporting chemical distribution SMEs but also opens new research avenues.*

**KEYWORDS:** Critical success factors; Entrepreneurial factors; SMEs; UK chemical distribution industry; Qualitative study

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## INTRODUCTION

Despite their well-established importance, there is still no universally accepted definition for SMEs with significant variations in different countries (Smallbone *et al.*, 2010; Unger *et al.*, 2011), no single agreed-upon definition of success (Beaver, 2002; Rogoff *et al.*, 2004) and no universally accepted model to incorporate all aspects of small business success (Chawla *et al.*, 2010; Lampadarios *et al.*, 2017). Knowledge remains more fragmented than cumulative (Dobbs & Hamilton, 2007). Most importantly, SMEs tend to exhibit high failure rates and poor performance levels (Arasti, *et al.*, 2012; Franco & Haase, 2010; Gray *et al.*, 2012; Ropega, 2011) with their success and/or survival receiving an ever-increasing attention from academia and practitioners alike. Contemporary business literature features a wide range of success factors through a number of conceptual frameworks that attempt to capture aspects of SMEs success. However, their importance appears to be relative and varies with the business environment, that is the industry and country SMEs operate in; meaning that while one success factor may be of great importance in one industry or country, it may not necessarily be of equal importance in another (Benzing *et al.*, 2009; Kader, *et al.*, 2009; Krasniqi *et al.*, 2008; Lin, 2006; Simpson *et al.*, 2012). This inevitably creates a need for more empirical studies to investigate the critical success factors in each individual industry and in a specific country setting.

An industry where small businesses have a particularly strong presence is the European and especially the UK chemical distribution (BCG, 2013; Chemagility, 2012; Districonsult, 2013;

European Association of Chemical Distributors [FECC], 2013). However, very little is known about SMEs in the specific industry, their *modus operandi* and any factors contributing to their success and/or failure (Chemical Business Association [CBA], 2015; FECC, 2015). In fact, due to the wide variety of functions performed by these companies and confusion with other types of trading in the industry, there is still no universally agreed definition of a chemical distributor (Chemagility, 2012). More importantly, there has been no academic study on the success of small and medium-sized chemical distributors in the UK and even on a European level, very little research exists (Hornke, 2012); mainly attempts being made by industry consultants such as Dstriconsult and the Boston Consulting Group (BCG). Also, there appears to be no official statistical and/or financial data available on the companies operating in the industry (Chemagility, 2015). With the UK chemical distribution being an important yet understudied industry with very little known about small businesses and their success, a clear research gap is established.

This paper is part of a study conducted by Lampadarijos (2015, 2016). The primary aim of that study was to identify and investigate the factors critical to SMEs success within a specific industry and geographical context; the UK chemical distribution industry. The success factors were categorised in entrepreneurial (relating to the individual), enterprise (relating to the firm) and business environment (external). Furthermore, in order to develop a more comprehensive view of the industry and provide a richer, deeper view into the research topic, qualitative data on the individual success factors was also collected. However, due to the large amount of data and as it would not have been possible to disseminate them all together, these were presented separately. To that end, this paper reports and discusses the qualitative aspect of the entrepreneurial (relating to the individual) success factors for small and medium-sized chemical distributors in the UK.

## LITERATURE REVIEW

### Small and Medium-sized enterprises (SMEs)

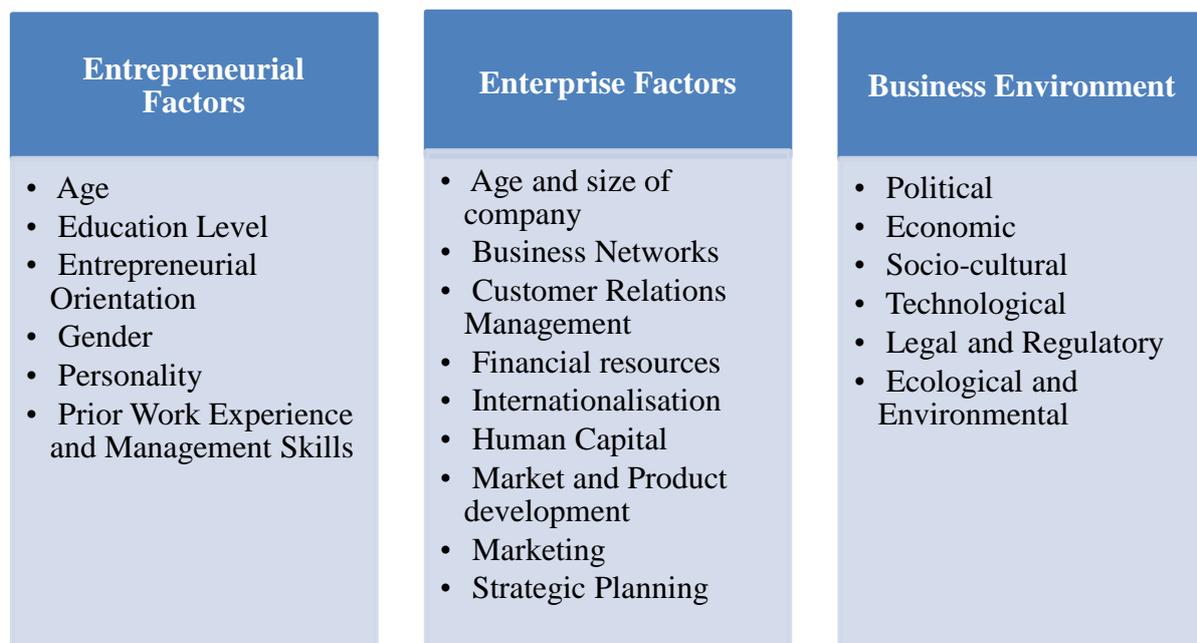
Small and medium-sized enterprises (SMEs) are the focus of political, business and management research with their benefits firmly established (Amoros *et al.*, 2013; Dobbs & Hamilton, 2007; Halabi & Lussier, 2014). These are integral to contemporary economic and social regeneration (Unger *et al.*, 2011), essential for the establishment of a solid industrial base (Smallbone *et al.*, 2010) and a key driver for innovation and R&D (European Union, 2015). In the UK, small firms are considered of core importance, an 'engine of growth' to stimulate recovery in the wake of recession (Cabinet Office, 2013). However, the single most important contribution of SMEs to an economy remains employment generation (Lussier & Halabi, 2010; McLarty *et al.*, 2012; Simpson *et al.*, 2012).

In the European Union, micro, small and medium-sized enterprises are socially and economically important as they represent 99% of all enterprises (European Union, 2015). They employ around 90m people, generate EUR 3.7tn in added value while providing 2 out of 3 jobs and contributing to entrepreneurship and innovation (European Union, 2015). In the UK, the Department for Business and Innovation (2014) reports that, at the start of 2014, small and medium-sized businesses employed 15.2m people and had a combined turnover of GBP 1.6tn; these accounted for 99.3% of all private sector businesses in the UK, 47.8% of private sector employment and 33.2% of private sector turnover. Due to the fact that SMEs are a major part

in today's modern economies, an understanding of why they succeed or fail is crucial to the stability and health of the economy and research is still needed in this field.

### SMEs success factors framework

Generally, there is no universally agreed framework for carrying out research in the area of SMEs success (Chawla *et al.*, 2010; Dobbs and Hamilton, 2007; Halabi and Lussier, 2014; Simpson *et al.*, 2012). The most recently informed and highly consolidated framework is that of Lampadarios *et al.* (2017). This is based on the extant literature, including entrepreneurship and not only SMEs specific studies while incorporating factors contributory to all aspects of small business success (growth and non-growth) and failure. The basis of this framework is a number of influential studies and established models in the areas of SMEs and entrepreneurship (e.g. Lussier, 1995; Chawla *et al.*, 2010; Ropega, 2011; Rogoff *et al.*, 2004; Simpson *et al.*, 2012; Global Entrepreneurial Monitor (GEM) and Vienna Entrepreneurial studies (VES) initiatives) which then expanded to include the plethora of studies that had been conducted in varied industries and geographies from the mid-1990s until 2014. This is shown in diagrammatic form in Figure 1.



**Figure 1: Conceptual framework (adopted by Lampadarios *et al.*, 2017)**

This framework categorises the variables of small business success into three broad categories: factors relating to the individual (personal or entrepreneurial), factors relating to the firm (enterprise) and factors relating to the external business environment. This is an approach widely used in studies investigating small business growth and success factors (Andersson and Tell, 2009; Caca, 2010; Kader *et al.*, 2009; Karpak and Topcu, 2011; Krasniqi *et al.*, 2008; Ogundele, 2007; Simpson *et al.*, 2012; Smallbone and Wyer, 2000).

The entrepreneurial (personal) factors include those variables which are considered specifically related to the owners/managers of SMEs and consist of their personality traits, characteristics and features, acquired skills, experience and background dimensions. For instance, the age and gender of owner/manager, education, motivation, personality traits and characteristics and any

prior work experience and management skills. The enterprise factors are any factors relating to the business itself; that is the structural characteristics, policies and strategies of the firm. These are the age and size of company, business networks, customer relations management capabilities, financial and human resources, internationalisation, market and product development, marketing and strategic planning. The business environment factors include any external determinants reflecting the political, legal, economic, sociocultural, technological and ecological elements. This is in line with the PESTLE analysis framework comprising of political, economic, socio-cultural, technological, legal and regulatory, ecological and environmental factors.

### **UK chemical distribution industry**

Chemical distributors are a fragmented network, positioned between chemical producers and their customers, adding value through an extensive range of services to both customers and suppliers such as managing complexity, accessing markets, providing financing and support etc. (Chemagility, 2008; FECC, 2011). Even though chemical distribution is a well-established practice in the UK, it is severely understudied both on an academic and business level with the majority of information originating from the study of the European chemical distribution industry (Districonsult, 2013; Jung *et al.*, 2014; Hornke, 2013; Mortelmans & Reniers, 2012). Similarly, there are limited statistical data available on the industry and information such as turnover, sales and margin growth, performance and future trends are drawn from industry reports (for instance Chemagility).

The UK chemical distribution industry is a growing, well-established, significant part of the chemical industry (Chemagility, 2008) and remains a significant contributor to the economy and employment (European Chemical Industry Council [CEFIC], 2012; FECC, 2013; Hornke, 2013). According to the latest data available from Chemagility (2015), in 2014 the UK chemical distribution market was worth GBP 4.42bn (EUR 5.44bn), employing circa 6,800 employees and representing 10% of the total European chemical distribution market worth EUR 52bn. With the total number of chemical distributors in the UK being 280 and with over 75% of them being small or micro-sized enterprises (210 companies if subsidiaries of larger international groups are excluded), it is evident that SMEs have a very strong presence in the specific industry. Despite major challenges due to increasing compliance costs, reduced margins, global competition and uncertainty, the UK distribution market achieved a 6% annual growth rate between 2005 and 2010, a 5% growth between 2011 (GBP 4.1bn) and 2014 (GBP 4.5bn) and is anticipated to grow further to GBP 5.6bn by 2020 at a rate of 3.6%, which is higher than expected the GDP growth (Chemagility, 2015).

However, the industry, like the rest of Europe has also experienced significant industry consolidation resulting in the overall reduction of the number of companies present and increasing even more the pressure on the survival of SMEs (Chemagility, 2012; Key Note, 2011; Kronimus *et al.*, 2009; Plimsoll, 2013). It is worth noting that in 2014, large enterprises and multinationals held 67% of the total UK chemical distribution market value, leaving a smaller share of 23% (GBP 1.47bn) to small businesses (Chemagility, 2015).

## METHODOLOGY

To achieve the aim of the study, a survey strategy was utilised and self-administered questionnaires -incorporating open questions- were used to collect the views of owners/managers. As the collection of data -qualitative in nature- was based on pre-determined themes (success factors) the use of more sophisticated methods of analysis (for instance quantitative content, thematic) was not deemed necessary and thus this research drew upon the basic principles of qualitative content analysis. This is a well-established, flexible and straightforward qualitative data analysis method (Fingeld-Connett, 2014; Krippenforff, 2013; Polit and Beck, 2012; Vaismoradi *et al.*, 2013) that represents a systematic and objective means of describing and quantifying phenomena (Bloor and Wood, 2006; Gbrich, 2007; Pope *et al.*, 2006; Powers and Knapp, 2006; Schreier, 2012). In line with content analysis, during this study data were collected, collated under the pre-determined categories, reduced, summarised and finally reported.

All participating companies were SMEs as defined by the European Union, that is enterprises employing fewer than 250 people and with an annual turnover not exceeding EUR 50m (European Union, 2003); located in the UK; not part of a another organization or belonging to a larger corporation and without any manufacturing activity and capability.

Due to the fact that there had been no official statistical data on the total number of SMEs operating in the UK chemical distribution industry, a combination of industry reports (Plimsoll, Chemagility, Key Note), business associations (the British Association of Chemical Specialties, the Chemical Business Association, the European Association of Chemical Distributors, the National Association of Chemical Distributors, the North East Process Industry cluster), internet sources (the Chemagility Online Database of Chemical Distributors and ICIS magazine, were utilised to produce a comprehensive list and thus determine the target population for this study. Each of the identified SMEs was individually checked at a later stage to ensure they fulfilled the criteria of the study. However, lack of official statistical data on the target population means that allowances should be made for omissions due to human error and for the fact that the total number of SMEs operating in this industry may have changed since the time of the study.

The total number of SMEs in the UK chemical distribution industry satisfying the criteria was 180. No sampling technique has been used but instead a census was conducted. Owners and very senior managers (CEOs, Managing Directors-MDs and Directors) of SMEs in the UK chemical distribution industry were the key informants, an approach extensively used by other researchers (for instance Keskin, 2006; Lee and Cheung, 2004; O'Cass and Weerawardena, 2009; Ojala, 2009; Revell, 2007; Wilson *et al.*, 2012). A total of 118 SMEs responded positively by returning the questionnaire, in a usable and valid form for statistical analysis, generating an overall response rate of 65.5%. Thus, it can be argued that the findings of this study offer a reliable representation of SMEs operating in the UK chemical distribution industry.

## FINDINGS AND DISCUSSION

Based on Lampadarios' (2015 and 2016) study, Entrepreneurial Orientation and Prior Work Experience and Management skills are identified as the most important entrepreneurial success factors for SMEs in the UK chemical distribution industry and are thus considered critical. These factors and their importance are investigated further through the collection of qualitative data from the participating owners/managers, providing a richer, deeper view into the research topic.

### Entrepreneurial Orientation

Owners/managers identify Entrepreneurial Orientation - EO referring to the decision-making styles, practices, processes and behaviours that lead to entry into new or established markets with new or existing goods or services as per Lumpkin and Dess, (1996)- as one of the most critical factors in the success of SMEs in the UK chemical distribution market. There is a general agreement with 55.9% of the total population (66 out of 118) arguing that EO is an antecedent of business success that provides a small business with a significant competitive advantage and has an overall positive effect on the performance of the firm. This conclusion appears to be consistent with business literature where EO is identified as one of the main drivers of growth in small businesses and a prerequisite to achieve a sustainable competitive advantage and business excellence (Islam *et al.*, 2011; Kraus *et al.*, 2011; Mitchelmore and Rowley, 2010; Rauch *et al.*, 2009).

Most importantly, the vast majority of respondents (50%, 59 out of the 118) comment that the EO does not only concern the birth of a business venture (self-employment and business start-ups) but it affect a business throughout its life. Therefore, it is a firm-level phenomenon and as such very much relevant to all the managers and employees in a company. Regarding the effect of Entrepreneurial Orientation on new business ventures, the views of the respondents are very clear: '*EO is the beginning of all*' (R26); '*...it is the fuel to start any new business*' (R47); '*EO is the foundation of any new business venture and the fuel to sustain it*' (R116); '*...it is having the courage to take the first step*' (R69). EO is seen as the single most important and influential factor in starting up a new business in the UK chemical distribution industry with 48 respondents out of the total population of 118 (40%) arguing this case. Taking into account that EO refers to the decision-making styles, practices, processes and behaviours that lead to entry into new or established markets with new or existing goods or services, the fact that it is considered such an important influencing factor to small business success in the specific industry is fully substantiated. In fact, many respondents (35 in number, 30%) comment that prior work experience, skills and expertise - even though they are also invaluable in business success - are not sufficient for a successful start-up without the presence of an entrepreneurial spirit. In other words, '*...skills and expertise will only take you so far... you have got to want to do it...*' (R84); '*...you have to have the willingness to go out there, create a business and follow it through...*' (R96); '*EO is all about acting upon your eureka moment...*' (R101).

Apart from being a prerequisite of success for new business ventures, Entrepreneurial Orientation is also considered a firm-level phenomenon, with many owners/managers arguing that it is relevant to all managers in a company (36 respondents out of 118, 30.5%). Further supporting this argument, Andersson and Tell (2009), in their review of earlier research, conclude that there is a positive relationship between managerial intention to grow - through entering new and existing markets utilising new and existing products - and small business

growth. Wang (2008) argues that the entrepreneurial spirit needs to be shared at different levels within the firm and to that end, developing a shared vision is particularly important. In fact, many owners/managers (32 out of 118, 27%) express the view that all businesses, irrelevant of their size, need a vision in place communicating its objectives. This is needed to give them a strong sense of purpose and direction and act as a point of reference for any activity. They further argue that the company's vision, which is normally expressed through a mission statement, needs to originate from the owner/entrepreneur and is seen as critical in the success of the firm. '*Without a purpose, the business will wither and die*' (R32); '*...lack of drive will lead your business into stagnation*' (R57); '*vision is essential to keep business going*' (R45); '*without a point of reference, your business will drift to failure*' (R79) are some of the more distinctive quotes reflecting the views of the respondents.

Several owners/managers (26 respondents, 22% of the population) also highlight a number of personal traits and characteristics a successful entrepreneur is expected to have, further supporting the argument that certain entrepreneurial characteristics affect business success (i.e. Bonet *et al.*, 2011; Kristiansen *et al.*, 2003). First of all, the aspiration and commitment to achieve superior performance, capital accumulation and business growth are mentioned. The willingness - drive - motivation of the owner/manager to succeed is considered by many respondents as the 'soul' of the business, without which the company would never survive in the long term. In the words of R115 '*...the stronger the (entrepreneurial) spirit and more active (the owner/manager), the better chances you have to succeed*'. Further supporting, R41 argues that '*...by far the most important factor of a successful SMES is the 'get up and go' factor*'. Innovativeness, proactiveness and risk-taking are also among the most important entrepreneurial characteristic mentioned. A successful entrepreneur is seen as a source of innovation and fresh ideas to the business - '*...thinking outside the box*' (R3); '*being restless and inquisitive*' (R62) - being able to understand and capitalise on future market trends and with an element of risk taking. Being sharp and reacting with speed and decisiveness are also identified as distinctive personality traits.

Several owners/managers (22 participants, 19%) also recognise the fact that developing a small business and making it successful requires periods of review, reflection and change of direction. As a result, maintaining a flexible entrepreneurial orientation is considered vital in generating new business ideas required to keep the businesses developing and growing. This finding is also reflected in the definition of EO in the business literature, where EO refers to the decision-making styles, practices, processes and behaviours that lead to entry into new or established markets with new or existing goods or services. In addition, many respondents (19 respondents, 16%) argue that the entrepreneurial orientation of the owner/manager enables the right types of innovation and entrepreneurial activities in the company thus facilitating product development and new market entry. In other words, respondents believe that entrepreneurially oriented firms are more likely to venture into new or existing markets, with innovations that are based on new or existing products and services: '*EO will open up new markets for existing products or new products for existing markets..*' (R39); '*EO will generate more 'blue sky' ideas*' (R108). This finding is consistent with the view that entrepreneurial orientation is positively associated with opportunity recognition and alertness and high performing, entrepreneurial-oriented firms are found to be successful in exploiting new business opportunities and developing new products (Islam *et al.*, 2011; Kraus *et al.*, 2012).

A number of owners/managers (22 participants, 19%) also view EO as a means to identify and exploit the right opportunities subsequently driving the business forward. In addition, the view that entrepreneurially oriented owners/managers are able to recognise threats and opportunities in order to make sure that the firm continues to exist in the future, is also expressed by 12 participants. This is consistent with Kraus' *et al.* (2011) findings, who argue that entrepreneurially oriented companies maintain and even improve business performance under conditions of high market turbulence because they possess the ability to react to the constant shifts taking place in the environment by exploring and exploiting new opportunities. In contrast, firms without an entrepreneurial orientation do not benefit from changing market conditions as they lack the ability to reconfigure their resources and knowledge (Wiklund and Shepherd, 2005).

Inevitably, respondents identify a strong relationship between EO and the longevity and long-term performance of the business: '*EO can deliver sustainable growth*' (R73); '*EO enables correct prioritising of enterprise related areas*' (R107); '*...it has all to do with the ability to innovate to meet emerging opportunities and threats*' (R29). Business literature further supports that entrepreneurial orientation is an antecedent of growth and sustainable competitive advantage for enterprises, especially when operating in rapidly changing, competitive and 'hostile' environments (Antoncic and Hisrich, 2001; Chandler *et al.*, 2000; Kraus *et al.*, 2011). At the same time, owners/managers comment that maintaining an entrepreneurial outlook also means gaining a better understanding of the market and prevailing trends, being able to anticipate changes and responding to them, thus further contributing positively to business longevity. In agreement, Atuahene-Gima and Ko (2001) conclude that EO drives exploration within a firm and allows the reconfiguration of resources and knowledge into better product-market solutions to meet anticipated change. Similarly, Hughes and Morgan (2007) argue that proactiveness is a critical activity, not only in the start-up stage but throughout the life of the business.

Following a period of economic recession in the UK (2008 onwards), many respondents (24 out of 118, 20%) comment on the effect and importance of EO during periods of economic decline. '*A good idea is always a good idea despite market conditions*' (R83); '*...thinking outside the box and providing innovative solutions will increase your chances of surviving a recession*' (R91); '*...react quickly and you will survive*' (R116). In fact, 15 respondents (13%) concur that the entrepreneurial orientation of the owners/managers and more specifically their ability to manage uncertainty and tolerate risk while exploring and exploiting new opportunities, positively influences business performance under conditions of high market turbulence.

### **Prior Work Experience and Management Skills**

Owners/managers consider prior working experience and acquired management skills very important in the success of small businesses in the UK chemical distribution and concur that the accumulation of relevant experience and skills brings many benefits to their businesses (43 out of 118 respondents, 36%). Prior work and industry experience, management know-how, product and market knowledge, training and qualifications of the owner/manager are deemed beneficial and contributory to SME success.

Many respondents (32%, 38 owners/managers) comment that prior experience in the industry facilitates the generation of new business ventures and increases their chances of success. In

fact, 25 owners/managers (21%) report that a number of new business ventures originated from people already working in the industry who, due to their experience and knowledge of the industry, have been able to identify a business gap in the market. Several of the respondents (15 participants, 13%) in this study started their own business on that very principle and have been trading successfully during the time of this study. In their words, experience in the industry ‘...helped me identify an opportunity to fill a gap that no one had noticed before...’ (R52) and ‘...facilitated the process of generating new, simple and practical business ideas’ (R8). In addition, ‘...the more experienced you are, the more opportunities you identify and the easier it becomes to come up with ideas that are missing from the market’ (R90). Prior experience and management skills further allow the building up of extensive market and customer knowledge that is used to start up and sustain a new business venture. In simple terms, the argument that owners/managers put forward (38 in total, 32%), is that prior experience and skills (entrepreneurial and general management) enhance entrepreneurial activity, stimulate the formation of new business ventures and increase chances of survival in this industry. This finding is in line with a number of prior studies reporting that individuals with prior entrepreneurial experience have significantly higher entrepreneurial intentions than those without such experience and thus instigating business start-ups (Alfaadhel, 2010; Islam *et al.*, 2011; Ramana *et al.*, 2008). Business literature further supports the argument that businesses which have been set up to exploit an opportunity in the market are expected to have a high propensity to grow and be successful (Barth, 2004; Hamilton and Lawrence, 2001; Smallbone and Wyer, 2000).

Apart from the generation of new business ideas and subsequent start-ups, prior skills and experience are also seen as ‘...the foundations to build upon and succeed’ (R114). According to the respondents (32% of the population), much of the success of small businesses in the chemical distribution industry has been the consequence of the experience and managerial skills of the senior management. In fact, 15% of the respondents comment that the impact of human factor in smaller businesses is more significant than in larger businesses, meaning that even one senior level manager can have a significant influence on the business and its success: ‘...give the management of your company to the wrong person and you are guaranteed failure...’ (R46). As such, the management skills of the senior management team are also considered influential on the success of SMEs in this industry.

Another aspect of prior experience as identified by owners/managers is that of business networks, contacts and connections. There is general agreement (30% of respondents) that the use of business contacts – ‘...people that you have met in your professional life and have developed a good relationship on a business or even personal level’ (R71 and R56) - further instigates and/or facilitates new business venture creation. In fact, several respondents (10% of population) report using old business contacts as business partners when starting up. Combining that with prior knowledge of products, markets, customers and their needs provides a solid basis upon which one can build a successful business that survives and prospers in the long term. In addition, respondents (15 owners / managers, 13%) argue that anything from formal arrangements (i.e. joint ventures, alliances and distribution agreements) to informal networking (i.e. business clusters, business incubators, entrepreneurship clubs) benefits the business by providing access to business ideas, resources, knowledge and capital while reducing risks.

There is a general agreement (40 respondents, 34%) that small chemical distributors operate in a very complex environment and have to face many challenges on a daily basis. Regulatory pressures (compliance and costs), product sourcing, logistics, human resource management among others, inevitably create the need for '*...experienced people to lead the business and make it grow*' (R75). Experience incorporates a good understanding of the business and the industry, knowledge of the products and their applications, raw materials, regulatory requirements but most importantly '*...an educated view on future trends*' (R85). '*Being able to anticipate changes in the market and following future trends are critical to the survival of small businesses*' (R100). Owners/managers with a solid outlook for the future can '*...steer the company in the right direction and capitalise on new markets and applications*' (R35). Many authors express the view that owners/managers with experience in the same industry as their business are more capable in understanding the subtleties of their respective business environments and coping with their challenges (Dobbs and Hamilton, 2007; Lussier and Halabi, 2010; Lussier and Pfeifer, 2001). Eacott (2014) and Flavell-While (2012) further argue that the chemical distribution industry requires high levels of expertise, a deep knowledge of the current legislation and an understanding of future trends. Whyte (2012) also stresses the need for good management skills and careful handlings on behalf of the owners/managers so as to cope effectively with the regulatory requirements and financial impact of REACH compliance on their businesses.

Last, prior experience is also considered invaluable in shaping the strategy of the business and '*avoiding costly mistakes*' (R34). A good understanding of business systems and people management is important as it improve efficiency and '*...leads to better coverage of customer needs, which is the reason why a business exists in the first place*' (R66). The general feeling as expressed by 35 respondents, (30%) is that 'seasoned' senior managers are more likely to avoid common pitfalls, guide the company through difficult times and recognise the threats and opportunities in the environment in order to make sure that the firm continues to exist in the future. This finding is further supported by a number of studies where management 'know-how' and experience facilitate the adoption of better strategies or management methods (Amaral and Baptista, 2007; Ryan and Power, 2009; Van Teeffelen and Uhlaner, 2013).

## CONCLUSION AND RECOMMENDATIONS

This study establishes Entrepreneurial Orientation (EO) and Prior Work Experience and Management skills as the most important entrepreneurial (relating to the individual) success factors for SMEs in the UK chemical distribution industry. On the basis of the above findings, several conclusions are drawn and a number of recommendations are made.

### Entrepreneurial Orientation

EO is identified as a significant antecedent of business growth, a factor that has an overall positive effect on business performance and a source of differentiation or competitive advantage for SMEs in the UK chemical distribution industry. In fact, this study establishes a very strong relationship between EO and the longevity and long term performance of the business. Conversely, a lack of entrepreneurial orientation and attributes are further established as common reasons for small business failure and low entrepreneurial activity. In other words, should SMEs in the specific industry lack entrepreneurial behaviour - in means of risk-taking,

innovativeness and pro-activeness - they are faced with stagnation and eventually failure, affecting the whole industry.

In fact, EO is established as the single most important and influential factor in starting up a new business in the UK chemical distribution industry, with owners/managers stressing the fact that without the presence of an entrepreneurial spirit and outlook, a successful start-up is extremely difficult. This is no different to other start-ups (i.e. in other industries and countries) but reinforces its importance in the specific industry. Notably, the findings further reveal that EO does not only concern the birth of a business venture but is a firm level phenomenon and as such, is very relevant to all the managers and employees in a small business. Therefore, it is highly recommended that all SMEs develop and maintain a strong entrepreneurial orientation and behaviour. Owners/managers need to constantly engage in those decision-making styles, practices, processes and behaviours that lead to entry into new or established markets with new or existing goods or services. They are also strongly encouraged to embrace innovation, become proactive and learn from crises and difficulties. A need for achievement, the motivation to create growth and a strong sense of purpose and determination are also essential elements and need to be developed.

This study further reveals that there is also a need to engage all employees in entrepreneurial styles, practises, processes and behaviours and encourage them to think and behave in novel ways on a continuous basis. The process of developing such an orientation should be properly managed, meaning allocation of time and resources. EO needs to be embedded deeply in the company and be part of the culture and day to day activities and not just a senior management activity. Establishing formal company processes and practises and providing training either through formal (for instance, external training courses through consultants, universities or colleges, government organisations etc.) or informal routes (internal training by more experienced and qualified employees) are highly recommended. It is also important that EO is expressed and communicated through the vision of the company and its mission statement, which, in the case of SMEs, originates from and reflects the vision of the owner/manager.

However, it appears that many small businesses lack a vision and a mission statement and stress the need for all SMEs in the selected industry to have one in place, even if that is on an informal basis. The vision and mission statement are the elements that bring all employees together, give them a strong sense of purpose and direction and act as a point of reference for any business activity. It is this study's recommendation that SMEs develop a strong vision and subsequently a mission statement reflecting and communicating the aims and objectives of the business. The need for clear business objectives, a focus on growth and strong initiative to drive the business forward are prerequisites for success throughout the life of the business. This vision needs to be communicated by the owners/managers and prospective entrepreneurs in a clear and effective way so as to be understood and accepted by all employees to maximise its impact.

This study further acknowledges that maintaining a flexible entrepreneurial orientation is vital in generating new business ideas and identifying new business opportunities in achieving long term sustainable growth. Findings suggest that entrepreneurially oriented firms are more likely to be innovative and venture successfully into new or existing markets. In other words, the entrepreneurial orientation of the owner/manager enables the right types of innovation and entrepreneurial activities in the company thus facilitating product development and new market entry. Furthermore, entrepreneurially oriented owners/managers are in a position to identify

and exploit the right opportunities and recognize threats and opportunities, positively affecting business continuity. Similarly, their ability to manage uncertainty and tolerate risk positively influences business performance under conditions of high market turbulence.

Overall, SMEs in the UK chemical distribution industry are faced with business stagnation and inevitably failure, if they fail to develop an entrepreneurial orientation and behaviour, with the main elements being risk-taking, innovativeness and pro-activeness. In fact, the findings strongly suggest that entrepreneurially oriented businesses are more innovative and venture more successfully into new or existing markets. This research further concludes that EO is indeed a firm level phenomenon, not just a senior management activity and thus relevant to all employees in a small business. A clear need for EO to be embedded deeply in the company culture and day to day activities, - as it does not only concern the birth of a business venture but affects a small business throughout its life- is also established. Similarly, a further conclusion of this study is the need for SMEs to develop a strong vision and subsequently a mission statement communicating the aims and objectives of the business and reflecting its entrepreneurial orientation.

### **Prior Work Experience and Management Skills**

Concluding, an owner/manager's prior work and industry experience, management know-how, training and qualifications are beneficial and contributory to SMEs success operating in the UK chemical distribution industry. All these contributing factors in conjunction with prior knowledge of the products and their applications, raw materials, suppliers, regulatory requirements but most importantly customers and their needs, provide a solid basis upon which one builds a successful and sustainable business in the specific industry.

The findings suggest that prior experience is invaluable in shaping the strategy of the business. Experienced senior managers are more likely to avoid common pitfalls, have a solid outlook for the future, guide the company through difficult times and recognise the threats and opportunities in the environment in order to ensure sustainable growth. In fact, this research reveals that part of the success of small businesses in the chemical distribution industry is attributed to the experience and managerial skills of the senior management. Many senior managers started their businesses (and became owners in the process) based on ideas originating from their experience and their skill to identify gaps in the market. This study establishes a strong relationship between prior experience and skills (business ideas) and entrepreneurial activity (business creation) in this industry.

In further support, the findings suggest that the use of business contacts also instigates and facilitates new business venture creation. In fact, anything from formal arrangements (i.e. joint ventures, alliances and distribution agreements) to informal networking (i.e. business clusters, business incubators, entrepreneurship clubs) benefits the business by providing access to business ideas, resources, knowledge and capital while reducing risks. Based on the findings, chemical distribution SMEs are strongly urged to utilise every available business networking channel, engage in formal and informal networking and seek advice again in both formal and informal ways. Participation in any type of joint ventures, alliances, collaborations and formal distribution agreements; participating in industry specific conferences, business clusters, business incubators, university hubs and platforms, entrepreneurship clubs; becoming members of industry specific organisations i.e. the European Federation of Chemical Distributors (FECC), the UK Chemical business association (CBA), the British Association of

Chemical Specialties (BACS); working closely with government support organisations i.e. the Chamber of Commerce and UK Trade and Investment (UKTI) and utilising business advisors and support personnel working with SMEs are strongly recommended. Furthermore, the use of informal sources of advice such as business friends, customers and suppliers also make a contribution to the business at no extra financial cost. Similarly, a long presence in the industry also boosts a person's credibility when dealing with other companies and financial institutions and potentially generates new opportunities.

Concluding, chemical distribution SMEs need to utilise the experience and acquired skills of their owners/managers to the fullest. Management know-how, prior product, market and industry knowledge, training and qualifications should be capitalised to increase their chances of survival and success and identify new business opportunities as a route to sustainable growth. In order to do so this study recognises the need for owners/managers to commit to personal and employee development, consider the provision of formal training from external companies or government programmes and invest resources accordingly. A further implication for them - and a significant responsibility at the same time - is to pass on any relevant experience, knowledge and transferable skills to their employees. This can be achieved through formal or informal ways.

At this point, a distinction should be made between micro - small and medium size businesses as the first rely more heavily on individuals and have limited human resources while the latter have a management structure in place hence the impact of single individuals could be considered minimal. In the case of micro and small firms, owners/managers should assume responsibility and take a more active role in passing on any relevant experience, knowledge and skills through informal and/or formal ways to their employees. A further complication for micro and small businesses is the lack of time on the owner/manager's side and lack of company resources, usually financial, that inevitably restricts the provision of informal internal training and professional development. However, regardless of the size of the business, owners/managers should commit to personnel development, consider the provision of formal training from external companies or government programmes and invest accordingly. A strong commitment into personal and professional development is essential for sustainable growth. Management skills, product and market specific training, professional and academic qualifications through internal and external sources should be taken into consideration to increase employee's skills and maximise their impact on the business. This further highlights the need for owners/managers to be up to date with market requirements, trends and challenges and develop their own existing skills and acquire new ones.

## **IMPLICATIONS TO RESEARCH AND PRACTISE**

This paper addresses a well-established gap in the UK chemical distribution industry and provides a qualitative perspective of the entrepreneurial (relating to the individual) factors critical to the success of small and medium-sized distributors. Based on the findings, there are several implications to various stakeholders in the industry.

SMEs owners/managers can utilise the findings of this study to strategize, run their businesses more efficiently and effectively - by concentrating their efforts and resources to the areas that

really make a difference in their business -, plan and prepare for the future - including challenges in their planning process and addressing any issues in the very early stage -, improve their decision-making process and uncover and address training requirements such as strategic and financial planning skills, lack of technical and regulatory expertise, recruitment etc.

The Government, policy makers and financial institutions may utilise the findings of this study to develop and implement policies directed at SMEs in the specific industry; improve and develop the necessary support infrastructure; extend the nature and the range of advice and offer training and education for SME owners, managers and employees.

Non-Government, industry specific organisations such as the European Federation of chemical distributors (FECC), the Chemical Business Association (CBA) and the British Association of Chemical Specialties (BACS), also benefit from this research as it increases their understanding of the industry, especially from a small business perspective. It also provides the knowledge for these associations to approach and recruit new members, especially SMEs that have always been difficult to approach or the ones that did not see a value in joining before.

Last, chemical manufacturers and suppliers are able to get a deeper, more complete understanding of the market and SMEs operating in it. Therefore, they would be in a position to evaluate, formulate and implement their distribution channel strategy in a more efficient and effective way.

## **FUTURE RESEARCH**

This study opens new research avenues and through successful dissemination may motivate others to work further in small and medium-sized enterprises (SMEs) and the chemical and chemical distribution industry.

First of all, as the identification of the critical success factors was based on the perception of owners/managers (non-financial measure), consideration should be given to conducting a future study based on an objective measure of success (financial measures). Independent growth measures, such as increase in turnover and/or profitability should be used once financial data become available.

Even though this study identifies the critical entrepreneurial success factors for small businesses in the selected industry and offers a more in depth view on their importance, the researcher recognises that investigating the mechanics of each success factor individually and in more depth would certainly be of academic value. As this research employs content analysis, which is a purely descriptive method and one that does not reveal any underlying motives, utilising more advanced qualitative methods (i.e. thematic analysis) that could produce richer data and offer a deeper view, would be highly recommended. Furthermore, due to the dynamic nature of the industry and the presence of strong globalisation and consolidation trends, it would be very interesting to investigate whether success factors would change with time. Longitudinal studies can be conducted to explore further.

Furthermore, as the basis of this study has been the fact that CSFs are dependent upon the industry and country SMEs operated in, it is certainly worth investigating whether there would

be any differences (if any) in CSFs for small and medium-sized chemical distributors operating in different geographical areas or between SMEs operating in different industries. With the trend towards increasing globalization, cross-national CSFs-SMEs models become more valuable. This would be an opportunity to test the success factors in other countries and industries to further examine the predictor variables on a cross-national and cross-industry scale. An excellent starting point would be investigating CSFs for SMEs in different countries within the European Union -with it being a well-established and mature market- perhaps expanding the same research into the emerging markets such as Brazil, Russia, India, China and South Africa (BRICS) where future growth is expected. Similarly, comparing and contrasting SMEs operating in different industries but in the same country (for instance the UK) would also be of interest.

Overall, it is the researcher's view that deploying qualitative methods to get more in-depth information on the specific success factors, comparing CSFs between different countries and perhaps conducting a longitudinal study to establish whether these factors change over a period of time, would also be avenues of research worth exploring.

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