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**Sustainable strategies for SMEs from traditional, regional industries:  
The case of Messinian Region, Greece**

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**Euromed Conference Track:**

40. Region-based strategies of SME's from EuroMed countries: Entering new markets with products embedded in a region (such as wine, cheese, olive oil), and SME's from traditional industries

**Abstract**

**Purpose – Research questions :** Products embedded in a region (such as Products of Destinated Origin / PDOs) face significant obstacles to access remote markets, even to domestic ones, since there are a number of inherent difficulties in promoting and managing, in general, such products from the point of production to the market place.

This paper addresses to central research questions:

- how the sustainability issue relates to regional, traditional industries
- what are the prerequisites for sustainability and the corresponding barriers posed to regional food chains
- how sustainability relates to the performance of SMEs, operating in a traditional, regional industry
- what are the advantages of marketing sustainable products
- what region-based strategies could SMEs develop to transform the challenge of sustainability to opportunities ?

**Design/methodology/approach :** Development of a conceptual constructive action framework with reference to regional conditions. Focus on SMEs that produce and/or trade products in the region of Messinia, Greece . Messinian region is well-known for traditional products such as olive oil, olives, raisins, figs, etc. A survey study includes a questionnaire that aims at measuring sustainability, market access, and supply chain performance. Direct contact has been carried out with a number of managing directors of SMEs via semi-structured interviews. Using case study protocol there will be a combination of case analysis and cross-case analysis.

**Expected Findings :** Results will provide insights on how SMEs strategies can achieve sustainability requirements.

**Originality / Value :** Improving know-how by unique focus on the sustainability of regional, traditional products and its effects upon supply chain performance and market access. This study has practical implications for regional-based SMEs in the design of strategies to produce sustainable competitive advantage. Moreover, sustainability has significant direct social, economic and environmental implications.

**Keywords :** Sustainability, SMEs, Regional Food Chains, Performance.

## 1. Introduction

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## 2. Literature Review

### 2.1 Supply Chain Management and strategy : review and trends

During the last decade there has been a trend of move from firm's logistics distribution functions to increasing focus on interfirm integrated SCM in both academic and practitioner literature streams, and it evolved into a more prominent area of research (Guinipero et al., 2008). Further advance has been the holistic approach of the Business Process Re-engineering (BPR) or Supply Chain Re-engineering (SCR) (Hammer and Champy, 1993).

There is a number of literature reviews and historical studies have been published in the top scholarly journals in the fields of operations management, logistics, purchasing and SCM (e.g., Croom et al. 2000; Carter and Ellram 2003; Choi and Hong, 2002; Rungtusanatham et al., 2003; Cheng et al. 2006; Burges et al., 2006; Vlachos, 2002; Vlachos, 2004).

One source of debate concerns the **concept of SCM**. It goes as early as Forrester (1961), who suggested that the success of industrial companies hinged on the 'interactions between flows of information, materials, manpower and capital equipment.' With the re-emergence of attention to SCM since the early 1980s (Oliver and Webber, 1982): (1) only a few articles mentioned the phrase 'supply chain' between 1985 and 1997; (2) the diffusion of the theoretical and empirical investigation appeared since late 1990s (Lambert et al., 1998); (3) it has been pointed out a variety of definitions (Guinipero et al., 2008), indicatively, the SCM as the flow of goods from supplier through manufacturer and distributor to the end user (Novak & Simco, 1991), the supply chain as a system (Towil et al., 1992), actively managed channels of procurement and distribution (Cavinato, 1992); a chain linking each element of the production and supply process from raw materials through to the end customer (Scott & Westbrook, 1991); a more complex concept of entire supply chain networks as manageable sets of operational tasks performed to serve end-customer segments now and in the future (Christopher 1992; Cooper & Ellram, 1993; Vlachos, 2006; Vlachos et al. 2006). A more discussed definition of SCM stresses the set of three or more entities (organization or individuals) directly involved in the upstream and downstream flows of products, services, finances and information from a source to a customer (Mentzer et al. (2001). SCM research viewed from a network perspective, across multiple firm, in a path leading to what can best be described as the more mature SCM research, as exemplified by Lambert et al. (2005).

More recently, it has been attempted a combination of SC capabilities into SC Strategy Groups and their relationship with contextual factors, competitive priorities and performance of group members (Mckone-Swet and Yoo-Taek Lee, 2009).

The rise in the research on SCM, especially over the last decade, has been accompanied by clear paradigm shifts. It has been maintained that special attention to realignment in the '**strategy-structure relationship**' and further connection among strategy, structural planning and operational processes at supply chain level may lead to maximum improvement of the financial performance (Galbraith and Nathanson, 1978; Lynch et al., 2000; Chopra and Meindl, 2001; Rodrigues et al, 2004; Vlachos et

al. 2009). Further on, it has been recognized that there is a conceptual framework concerning the relationship of corporation strategies, structural and organizational planning and operational processes (Chow et al., 1995) and that all depends on the connection and alignment between structural relationships and strategic choices (Dalton et al. 1980; Rodrigues et al, 2004; Miller, 2004). More specifically, it has been supported the existence of ‘**relational flows**’ of planning and measurable integration of the structural, technological and operational flows, including all activities that touch the product or add value by the time of delivery to the end users (Bowersox et al., 1996; Miller, 2002). However, although the application of strategic theories in the SCM, there still remain significant possibilities for research (Cheng et al. 2006).

The role of strategy and strategic planning has an increasing merit in the literature on SCM / SCR (Blankenburg et al., 1999; Rodrigues et al., 2004; Burges et al, 2006; Cheng et al., 2006). Parallel, it has been maintained that an organization's intended strategy is not often realized to actual strategy (Mintzberg, 1994; Morash et al., 1996). Reconsideration of the system concept goes back to 1934 (Bertalanffy, 1962; Boulding, 1956). The change in the system in network terms of the supply chain is incorporated in the broad framework of change to face a variety of challenges, against the piecemeal approaches traditionally used to initiate and manage change (Forrester, 1961; Houlihan, 1988). The integration of the supply chain includes learning organization (Senge, 1990), in a process and growth along with the perspectives of financial, customer, internal business processes, to provide a better linkage between strategic goals and operational processes (Kaplan and Norton, 1996). The choice is depending on the mapping profiles of the participant firms for the formation of strategic partnerships, alliances etc. to become dominant player in the supply chain; the overall strategic push is supported by various ‘models’ and is determined where the evaluation points and emphasis occur in value adding activities on performance criteria (Gaiardeli et al., 2007; Barber, 2008).

In general, most of the literature reviews have only been descriptive (offering basic frequencies for topics covered etc.) or normative (proposing an outline of how research should be approached). Moreover, the research on SCM is still very fragmented and although several studies purport to discuss supply chain issues, most of the existing research only examines one link of the chain, or more importantly only focuses on one ingredient in the supply chain performance mix (Lynch et al., 2000; Rodrigues et al., 2004; Burgess et al., 2006; Cheng et al., 2006; Guinipero et al., 2008). Although the literature concerning SCM refers to the research methods, data and level of analysis involves a diversity modeling methodologies, it is questionable if these are as diverse as those in related fields (Guinipero et al., 2008).

The literature review has, in addition, shown that e-SCM has been acknowledged as an outstanding topic in the supply strategies field, especially after year 2000. The main topics have been e-procurement, e-fulfilment and information flows (Gime´nez, 2008).

Finally, interest **in green and now sustainable supply chains** has been growing for over a decade and the topic is becoming mainstream (Corbett and Kleindorfer 2003; Corbett and Klassen 2006). However, the environmental issue has been lagging in the SCM literature. Meanwhile, there is coverage of green supply chains and in carbon footprint (Cooling, 2007; Plambeck, 2007). Going forward, this topic area is expected to receive increased attention from academics (Guinipero et al., 2008). In general, there are still fundamental issues researchers need to address in order to offer

managers prescriptive models of how to create sustainable supply chains (Pagell and Zhaohui, 2009).

## 2.2 The Sustainability issue

Sustainable development was **defined** as an ongoing process of evolution in which people take actions leading to development that meets their current needs without compromising the ability of future generations to meet their own needs (WCED, 1987).

While diverse comprehensions of sustainability exist, one central concept helping to operationalize sustainability is the triple bottom line approach, where a minimum performance is to be achieved in the environmental, economic and social dimensions (Elkington et.al, 2002).

Dyllick and Hockerts (2002) have framed the three dimensions of sustainability as the business case (economic), the natural case (environmental), and the societal case (social); the so-called triple-bottom lines (3BL), succinctly describing the triple bottom lines and the goal of sustainability (people, planet and profit) . However, it has been considered as an inadequate, and perhaps detrimental, representation of 'organizational sustainability' (Lemonic, 2009; Fauzi and Rahman, 2010). There are also '10 Top Myths' about sustainability since even advocates for more responsible, environmentally benign ways of life harbor misunderstandings of what "sustainability" is all about (Lemonic, 2009).

Seuring and Muller recently (2008) attempted to **combine sustainability and supply chain management goals** under a new definition : *sustainable supply chain management is the management of material, information and capital flows as well as cooperation among companies along the supply chain while taking goals from all three dimensions of sustainable development*, i.e., economic, environmental and social, into account which are derived from customer and stakeholder requirements. Instead of 'customer' it would be alternatively used the term 'value-adding', met very often in the modern supply chain and logistics bibliography.

Sustainability has been subject of increasing attention and a steady stream of policy forums. Interest in green and now sustainable supply chains has been growing for over a decade and the topic is becoming mainstream (Corbett and Kleindorfer 2003; Corbett and Klassen 2006). Purchasing and supply chain managers have seen the integration of environmental and social issues, including those embedded in related standards (e.g., ISO 14001) into their daily tasks (Beske P. et.al, 2008). Such triggers have increased interest in green/environmental or sustainable supply chain management.

The design of a sustainable world will depend on the operating set of values, values which will shift over time and will vary within communities and from place to place. Today, communities, governments, businesses, international agencies, and non-government organizations are increasingly concerned with establishing a means to monitor performance and to assess progress toward sustainable development. But change is only possible with the broad **involvement** of the general public and decision-makers in government and across civil society. And because of the need for this involvement, care must continually be taken to ensure that substantive **conceptual** and **technical** issues are considered within the context of the delicate value-driven processes of real, day-to-day decision-making. In this way, new insights can effectively be fed to decision-makers and conversely, the processes of assessment and decision-making can enhance technical and public inquiry. The process is a two-

way street. Moreover, the literature review has shown that knowledge, experience and skills on management are critical for reaching sustainable development (Esquer-Peralta et al., 2008).

There are still fundamental issues researchers need to address in order to offer managers prescriptive models of how to create sustainable supply chains (Pagell and Zhaohui, 2009). **The literature is still limited in quantity** and a review from Seuring S. and M. Muller, (2008), related to 191 papers published from 1994-2007 in significant scientific journals, revealed a clear deficit in supply chain management and purchasing literature on social issues as well as on the amalgamation of all three dimensions of sustainable development. The understanding of sustainable development is often fragmented and mostly one-dimensional, i.e. environmentally based (140 out of the 191 papers). An integrated perspective is required therefore for future research incorporating the interrelation of the three dimensions. Moreover, most of the papers (70) examined in the above-mentioned survey, refer to case studies and only relatively few (21) to models. Empirical research as carried out in cases studies needs to build on a stronger theoretical basis (Seuring S. and M. Muller, 2008).

There is an increasing admission that: (1) the firm performance and competitive advantage will be linked to performance at supply chain level; (2) there is inadequacy in providing suitable guidance via empirical studies, construct development and theory building in academic publications (Cooper et al., 1997; Lambert et al., 1998; Croom et al., 2000; Gunasekaran et al., 2001; Elmuti, 2002; Cheng et al., 2006; Burges et al., 2006); (3) attention to human resource issues and to networking activities are lacking in the literature (Harrald et al., 2001).

In brief, the literature converges to suggestions that empirical research for increasing collective capabilities has to obey to the principles of the SCM and of Sustainability (Bellagio Principles), in building-up a business plan and adopting a strategy of performing implementation. The ‘make-or-buy’ question has to consider thoroughly the possibilities of ‘outsourcing’ or otherwise third party logistics (3PL) and it has been criticized from various respects (Baitheimy, 2003; Artunian, 2006; Munasinghe and Najam, 2010).

### 3. Methodological framework

#### 3.1 Qualitative Research

#### 3.2 Methodological Review and Issues

Although the methodology issue of the empirical research concerning the SCM is critical the literature shows relatively low rating of the research to the methodology issue. However, *‘few companies take the right approach’* when it comes to improving their supply chains (Lee, 2004), although ‘there are hardly any publications on methodological questions in the field’ (Kotzab et.al., 2005). Actually, operating today ‘a chaos-tolerant supply chain in a world of increasing uncertainty’ is an impossible mission unless the triple of ‘agility, adaptability and alignment’ is ensured and business-specific SCM software solutions that help management complexity and increase profitability, competitiveness, and growth.

Main points in interchange, for filling these gaps are the following:

- Research up to the frontiers of the knowledge (Kuhn, 1970) and zero start concerning the fundamentals and the new environment, in view of the historical challenge of adjustment to it.
- Multidisciplinary approach to achieve effective synthesizing and increasing capabilities of creating value adding at supply chain level.
- Rethinking of the terminology issue, for overcoming the long use of relevant concepts within the past business environment.
- Step-up the time-horizon issue and the priorities re-ordering from short-term priorities to the sustainability issue.
- Critical role of information system, flow and control for accessibility to reduce 'asymmetric information' against equal treatment, market competition and efficiency.
- New philosophy and thinking of searching for new ideas and innovations, in place of long lasting practices and attitude of self pride, inertia and postponement of action, sticking to the success in the past.
- High-tech possibilities and choice of proper modern technology and techniques.
- Design of the proper interfirm network and partners at value supply chain level for knowledge and information sharing to achieve collective total synergy effects.
- Taking into account the institutional variation and flexibility, frictions and rigidities, in relation to the physical climate diversity in terms of products quality, health, etc. (e.g. Mediterranean area).
- Awareness and human resource development for effective combination of all available capabilities.
- Necessity of choice the most appropriate research and application method which is unique to case study level (hence an increasing trend in the use of direct observation methods like case studies: Sachan, 2005).
- Use of the available Know-How (KH) and the experience acquired, for avoiding the pitfalls of coming back to conventional practices against the efficient use of the possibilities of the SCM for attaining sustainable competitive advantage.

Single examination of any of the indicative referred issues degrades the trade-offs among them, in view of their interrelations. An integrated business plan based on dynamic cost-benefit analysis has to incorporate altogether the abovementioned aspects in network sense and formulate a holistic supply chain strategy for performing implementation.

Porter's (1980) has proposed a five-forces model (competitive rivalry; barriers to entry; threat of substitutes; the power of buyers and the power of the suppliers), and value system notion that substantiated three 'generic strategies' (cost-leadership, differentiation and focus), in pursuing to achieve competitive advantage (Porter 1985). The Porter's influencing approach to firm strategy formation has accepted criticism from different respects. Companies as institutions have primary mission to create value, but they lose their source of legitimacy unless managers accord the same priority to the collective task of rebuilding the credibility and legitimacy as they do to the individual task of enhancing their company's economic performance. The social responsibility of the management is to articulate a moral corporate philosophy and not to think about companies in very narrow terms and to weaken their ability to create value for the society (Ghoshal and Moran, 1999). On the other hand, strategic

planning has fallen from the pedestal it once occupied in the 1960s, because it may harm strategic thinking, causing managers to confuse real vision with the manipulation of numbers and information. This confusion lies at the heart of the issue: the most successful strategies are visions, not plans (Mintzberg, 1994). Therefore, the choice of methodology, including a menu of methods and techniques, has critical role to the planning process and strategic performing implementation.

### **3.3 Sustainability conceptual framework and principles**

The debate regarding what might be a broadly accepted way of measuring, monitoring, and assessing progress to sustainable development has deep roots. Some suggest that the issue is none other than the age old question “What is the good life?” evoked by the ancient Greeks.

A number of approaches to assessing progress toward sustainable development are currently being developed, often with emphasis on choosing appropriate measures in a meaningful way. A dominant concern is to effectively communicate the result to the general public, as well as to decision-makers in society and government.

The modern era of assessing progress began in the late 1940s when systems of national accounts and the annual calculation of gross domestic (or national) product (GDP or GNP) were introduced. These measures were designed to allow national governments to track the flow of goods and services in the economy through a calculation of national income. In time, the ease by which the simple numbers could be communicated, their usage in many countries, and the appeal of comparative assessment led to the popularization of GDP/GNP as an indicator of the overall wellbeing of a given nation. Although many have offered lists of indicators that would supplement the GDP in an overall assessment of progress, consensus has not emerged. Many question whether or not a common list is even possible, given the wide variety of natural conditions and the differences in values apparent from place-to-place. In addition, many researchers consider that sustainability derives more from value-adding processes than the increase in the quantity of production factors. In other words ‘development’ and ‘progress’ are broader terms, that, according to Pearce, Markandya and Barbier (1989), incorporate the three above-mentioned dimensions altogether.

Therefore critical questions arise : how do we measure sustainable development? How do we know when economic, social and environmental policies are helping us to achieve sustainability? How do we know when policies set us back? What are the true measures of progress are and how they can transform decision-making and governance, down to the organizational and even individual level ? Anyway, measurement derives from the need to acquire knowledge about our world and respond to that knowledge in ways that empower and enrich us as individuals, organizations and societies.

An increasing number of organizations are looking for going farther than alternative metrics and working through their implications for specific decisions, whether resource use efficiency, poverty or climate change. The most critical commitment governments around the world could make to sustainability is to commit to the establishment of a real wealth balance sheet that would account for the physical, qualitative and monetary well-being conditions of the five capital assets of a nation: human, social, natural, built and financial capital (M. Anielski, 2010). Currently, nations operate without a proper balance sheet, focusing on GDP instead as the



singular instrument to guide the economic journey. Sustainability should be defined and measured in broader terms of whether the five capital assets are in a flourishing condition providing benefits to current and future generations, while also accounting for unfunded liabilities to current and future well-being. An even more sophisticated opinion is expressed by L. Pinter (2010), saying that measurement methods should be advanced towards not only helping the economy, society and the environment get back on track, but in redefining what the right track is!

Developing and using a **clear conceptual framework** for guiding the assessment process is very important, since indicators emerge more naturally, and can be adjusted to the needs of a given locale or set of decision-makers. Any framework that is chosen reflects some sort of conceptual model against which the real world can be set. An effective framework accomplishes two important goals : firstly, the determination of priorities in the choice of indicators and secondly, the identification of indicators which may be more important in the future.

In response to the need for improved indicators, the sustainability issue earmarked by the Brundtland Commission, headed by Dr. Gro Brundtland, in the World Commission on Environment and Development, put on the world stage in 1987. Sustainable development issues are founded on the so called '**Bellagio Principles**' (Hardi and Zdan, 1997); overarching principles were sought that would provide a link between theory and practice.

These ten principles deal with four aspects of assessing progress toward sustainable development. Principle 1 deals with the starting point of any assessment - establishing a vision of sustainable development and clear goals that provide a practical definition of that vision in terms that are meaningful for the decision-making unit in question. Principles 2 through 5 deal with the content of any assessment and the need to merge a sense of the overall system with a practical focus on current priority issues. Principles 6 through 8 deal with key issues of the process of assessment, while Principles 9 and 10 deal with the necessity for establishing a continuing capacity for assessment. The so identified sustainability issue may be integrated with SCM through amendments to the purchasing process and other opportunities (Min, and Galle, 2001; Carter and Jennings, 2004; Storey et al., 2006).

Bellagio principles serve as practical guidelines for the whole of the assessment process from system design and identification of indicators, through field measurement and compilation, to interpretation and communication of the result. With broad acceptance, it is expected that a common foundation will emerge, even though details of system design and indicator choice might vary greatly in any given application.

**Five groups of models** appear to be emerging as influential in assessing progress toward sustainable development. These include: (1) models with roots in economics; (2) stress and stress-response models; (3) multiple capital models; (4) various forms of the three-part or theme "social, economic, environment" model; and (5) the linked human-ecosystem well-being model. The first two of these are considered partial system models. The latter three are full system models that try to capture all aspects of the system, including people and the environment.

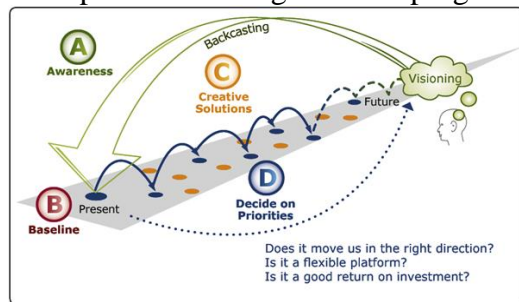
**Some of the most important models or methodological frameworks** that have been developed internationally for the sustainability goal, are the following:

The **Dashboard of Sustainability** is a tool, developed by the International Institute for Sustainable Development (2001), in order to allow presentation of the complex relationships between economic, social and environmental issues in a communicative

format aimed at decision-makers and citizens interested in Sustainable Development. It is based on over 60 indicators for more than 200 countries.

The **Sustainability Assessment Model (SAM)** which was developed for the oil and gas industry, in order to assess whether or not a project can be said to be “sustainable”, assesses the social, environmental, economic and resource usage impacts of a project over its full life cycle (T.Baxter et.al, 2002). In the case of a hydrocarbon development this includes the design, construction, installation and commissioning of the facilities, the production of oil and gas and the eventual decommissioning of the facilities.

The **Natural Step Organization**, a not-for profit organization founded in Sweden, developed a framework based on ABCD method which consists of four steps which are repeated as an organisation progresses towards sustainability.



Step A (Awareness and Visioning) builds a common language around sustainability as well as creating a vision of what that organisation would look like in a sustainable future. During the visioning process, people are encouraged to set ambitious goals which may require radical changes in how the organization operates. Some goals may take many years to achieve. This is where businesses often begin to identify the service they provide independent of any one product (for example, providing energy services versus oil). Incorporating this awareness into the visioning process unleashes innovation and releases the company from preconceived limitations.

Step B (Baseline Mapping) conducts a sustainability ‘gap analysis’ of the major flows and impacts of the organisation to see how its activities are running counter to sustainability principles. The analysis includes an evaluation of products and services, energy, capital and human resources from 'cradle to cradle'. This allows the organisation to identify critical sustainability issues, their business implications, any assets they may have and opportunities for change.

Step C (Creative Solutions) armed with their vision of success and potential actions, organisations look backwards from the vision to develop strategies toward sustainability, preventing people from developing strategies that just solve the problems of today. Instead, they begin with the end in mind, moving towards a shared vision of sustainability, with each action providing a platform for further improvement.

Step D (Decide on Priorities) the group prioritises the measures that move the organisation toward sustainability fastest, while optimising flexibility as well as maximising social, ecological and economic returns. This step supports effective, step-by-step implementation and action planning. At this stage, organisations can pick the 'low-hanging fruit' - actions that are fairly easy to implement and offer a rapid return on investment in order to build internal support and excitement for the planning process.

The frameworks, the categories of data and information that are included, and the choice of specific measures, all **reflect** the values, biases, interests, and insights of

their **designers**. Sometimes these are explicit in the form of sets of principles that guide the application of a given framework and set of indicators, sometimes they are not expressed at all. In addition, value-driven principles are often developed as part of strategic planning exercises linked to such interests as sustainable communities, healthy communities, sustainable or environmentally sustainable economic development, human centered development, corporate sustainability, and so forth. The various initiatives and interests noted above represent a tremendous pool of experience and insight from which to draw.

Literature review has shown that knowledge and skills are critical for reaching sustainable development (Esquer-Peralta et al., 2008). Hence, companies have searched for management mechanisms or developed tools that have helped them in the administration of the activities they perform but without generating unacceptable pollution. However, implementing the sustainability concept has been very challenging for practitioners (Bagheri and Hjorth, 2007), perhaps because this is a term which meaning varies according to the interest, needs, and values of different societies. In this sense, Prugh and Assadourian (2003) affirm that *'sustainable development and sustainability itself are about collective values and related choices and are therefore a political issue.'* Under this context, it is necessary to consider sustainable development as an integration of both conceptual (subjective) and practical (objective) dimensions, in which the first, referring to the principles and values, should trigger the second, referring to specific actions to solve current problems (Frankel, 1998).

To avoid the risks of trap into past practices and methods: (1) it is useful a framework of SCM for research and planning process purposes; (2) it is recognizable the critical role of the acquired experience and KH in the challenge of sustainability in today's world.

To reveal the best solution, it seems useful an operational research framework (ORF) and a reliable alliance of all partners in the challenge of sustainability (Shafia et al., 2009). This is related with the problem of convergence between cost (sacrifice) and the benefits (rewards), in a dynamic perspective. It seems to be realizable with a proposal of choice of method at case level that expresses the **'constructive participatory action'** (CPA) methodology. It is specified as a paradigm of participatory action, plus constructive character, which enables an appropriate menu of mixed methods. Participatory action research may enable researchers to penetrate into the change process, on close relationship and collaboration between practitioners and researchers, based on sufficient identification of the networks of interrelationships (Collins and Sadeh, (2009; Seuring and Muller, 2008; McCathy & Golicic 2005, Ho et al., 2002, etc). More specifically, successful experience may be powerful to overcome the risks of return to the conventional partial, fragmented methodology, including single logistics processes, 'from the back door'.

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