

THE SME CONCEPT OF PIERRE-ANDRÉ JULIEN: AN  
ANALYSIS IN TERMS OF PROXIMITY

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Of all the numerous studies devoted to SMEs, those of the GREPME (SME research group) at Trois-Rivières, directed by Pierre-André Julien, are of central importance for both historic and institutional reasons. The GREPME was effectively one of the very first research groups to focus on SMEs in the French-speaking world. It is also behind the creation, in September 1988, of the *Revue Internationale PME* (an academic journal with peer-review, devoted to research into SMEs) and the AIREPME (an international research association in the fields of entrepreneurship and SMEs). The AIREPME is the main French-speaking association for this field, and is composed of more than one hundred researchers from around twenty countries throughout the world. Every two years, it organises the CIFEPME (international congress for French-speakers on entrepreneurship and SMEs).

Several epistemologists (Kuhn, 1970; Chalmers, 1987 and so on) have shown that scientific research is a social activity that is subject to the effects of networks, whose structural elements are, in our opinion, the creation of a journal and the organisation of a conference. As the GREPME is behind these numerous creations, it is hardly surprising to note that the group's work is of key significance, at least in the French-speaking world.

To be considered as a world leader in research, however, it is not enough to create or manage scientific "containers" such as research associations and academic journals. The content of these containers must also be provided. This is precisely what has made Julien such a key element in research into SMEs. For example, he is the only French-speaking researcher, to our knowledge, to have been published in all the

English language or foreign journals devoted to SMEs (*Entrepreneurship and Regional Development*, *Entrepreneurship Theory and Practice*, *International Small Business Journal*, *Journal of Business Venturing*, *Journal of Small Business Management*, *Piccola Impresa/Small Business*, *Small Business Economics*, and so on). In total, Julien has published more than one hundred articles and around twenty books, most focusing on SMEs<sup>1</sup>. Looking beyond the purely quantitative aspect of his work, it should also be noted that he has obtained a variety of prizes for “Best communication”, such as at *The International Council of Small Business* in Strasbourg (France) in 1994 and Naples (Italy) in 1999, or at the *Congrès International Francophone en Entrepreneuriat et en PME* (international congress for French-speakers on entrepreneurship and SMEs) in Montreal in 2002.

According to Boissin, Castagnos and Guieu (2000), who have conducted a detailed bibliometric study on works devoted to the subject of SMEs for the period 1990-1995, one very clear result is that scientific production is concentrated on the dominant authors and centres. For example, Pierre-André Julien published the most in the period, with four works, and the GREPME was the most successful research centre, with fourteen contributions to articles. The most notable result, however, beyond the number of articles published, is that Julien is one of the most often cited authors (with Michel Marchesnay), making this author the central pivot in a network on the “polymorphic” specificity of SMEs. The network, which Boissin, Castagnos and Guieu (2000) call “the SME identity”, “gravitates around P.A. Julien.

The associated French-speaking authors are Chicha, in the role of historical initiator, the other members of the Quebec school of SMEs (Hébert, Jacob, Carrière and Filion). Marchesnay is a French partner in research into SMEs in general and “very small businesses” (VSB) in particular. [...] Marchesnay and Julien frequently work together. Works that clarify the specificity of SMEs, published in manuals (Julien and Marchesnay, *La Petite entreprise* (the small business), 1988), or those that contain a multi-criteria definition of SMEs (Julien, RIPME, 1990) are rapidly integrated into bibliographies” (Boissin *et al.*, 2000: 51-52). As an example, a survey conducted on the minutes of the 3<sup>rd</sup> CIFPME organised in Trois-Rivières in October 1996 revealed

1. Although Julien’s first works (1974 to 1982) focused essentially on prospective studies, 1982 was the start of his interest in SMEs and saw the publication of two contributions: the first with J.Chicha and A. Joyal (1986), “Les PME dans un monde en mutation” (SMEs in a changing world) and the second with B. Maurel (1986), “La belle entreprise. La revanche des PME en France et au Québec” (The beautiful business. The revenge of SMEs in France and Quebec).

that Julien's name was cited at least once in 33 communications out of a total of 71 (Torrès, 1997).

All this suggests that the conception of the specificity of managing SMEs, as described by Pierre-André Julien, as well as the multi-criteria typology that he first developed in 1982 and then reworked in 1990, which is systematically taken up in the numerous French editions (1994) *Les PME : bilan et perspectives* and English editions (1998) of the reference book, *The state of the art in small business and entrepreneurship*, can be considered as representative of the *acquired knowledge* of SMEs.

The aim of this article is first to propose a reformulation of this conception and second to show to what extent proximity can be considered as the federating element behind the specificity of the management of SMEs. To highlight the central role of proximity in managing SMEs, we will use the concept of SME formulated by Julien (1982 [with Chicha]; 1990; 1994; 1998). This concept is characterised by small size, 1) centralised management, 2) a low level of labour specialisation, 3) simple, informal and direct internal and external information systems and 4) intuitive, implicit and short-term strategy. We will demonstrate to what extent each of these specificities of SME management can be analysed as a particular form of proximity.

### **1. From centralised management to hierarchical proximity**

The management style of an SME is highly centralised, sometimes exclusively concentrated on the person of the company owner-director, to such an extent that in opposition to the hyperfirm, which defines an extremely large multinational company, we can propose the term "*Egofirm*" (Torrès, 1999), to define a small, or very small, business. Although it is generally admitted that the level of centralisation depends on the size of the company, on the character of the director and on the value of his subordinates, it also depends on the conditions of the company (Kalika, 1984). The considerable centralisation of the owner-director's power can be effective only under conditions of great proximity and within the framework of a compact structure. It is because he is in close contact with his employees that the owner-director increases his hierarchical domination. The influence of the owner-director on his company depends on his omnipresence. "As it is uncommon for a small company to have several geographically dispersed sites, the

owner-director can be personally acquainted with almost every employee and is able to assess his or her qualities. Moreover, he is personally known to all of them” (Barreyre, 1967). The small dimension of SMEs thus facilitates the multiplication of direct, personal contact and a management style often directed towards tasks and people. “Better integration such as this leads to a personal valorisation for individuals and, in cases where the owner-director is the mainspring of this valorisation, centralisation will be more than accepted: it will be wished for.” (Gervais, 1978).

Ultimately, the high level of centralisation of SME management styles, as well as the weakness of their hierarchical structure, are features which can only be enhanced in a context of proximity. Proximity increases centralisation and lessens interest in creating intermediaries. This phenomenon of intensification of the centralisation of SMEs can be interpreted as a form of *hierarchical proximity*.

## **2. From a low level of specialisation to functional proximity**

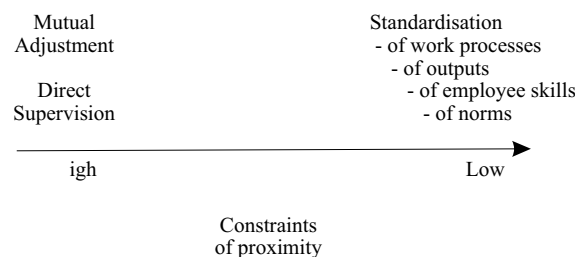
According to Capet, Causse and Meunier (1986), “in small companies, the division of work is not very intensive. Only a few services or functions are concerned. Many tasks are performed by the owner-director, who not only manages, but also plays the role of service manager, and even carries out tasks himself”. SMEs can be considered as “a whole, where all the functions are integrated or at least very highly connected, and where the owner-director controls every aspect, managing several functions and taking part personally in some of them” (Julien and Marchesnay, 1992). Generally, small companies seem to have a low level of specialisation. “At level, there is considerable interweaving between the decisions of finalisation (strategic), animation (administrative) and exploitation (operational). Here again, we can speak of a low level of specialisation, with the owner-director occupying the roles of composer, conductor and sometimes even performer” (Marchesnay, 1991). SME management is based above all on the versatility of its employees.

This versatility can only be used if the owner-director and members of the company are permanently in touch with the various problems arising in their organisation. Here also, proximity between the players makes versatility possible, turning all concerned into permanent observers of the various problems faced by the other members of the com-

pany. Sales staff are closer to the factory workers and operatives. These numerous, and repeated, contacts lead to better awareness and understanding of the various problems faced by the company. Proximity stimulates versatility and, as a result, discourages task separation within the company.

Similarly, the intensity of the constraints of proximity differ according to the coordination mechanisms implemented by the organisation. Proximity modifies both the nature of organisation relations and the efficiency of coordination modes. By taking up Mintzberg's typology of coordination mechanisms (1989) and looking at them from our viewpoint, that is, integrating the notion of proximity into the understanding of organisations, it can be considered that mutual adjustment and direct supervision are the modes that are the most sensitive to proximity, unlike others which make distance management and coordination easier, such as standardisation of work processes, outputs, employee skills and norms.

*Fig. 1 - Mintzberg's coordination mechanism and proximity constraints*



*Source:* Torrès, 2000)

It can nevertheless be seen that SMEs are generally characterised by coordination mechanisms that are highly constrained by proximity. The small size of the businesses makes it pointless turning to standardised mechanisms. Given that SMEs are generally characterised by a compact structure, it can also be considered, however, that this characteristic favours the implementation of proximity-based coordination mechanisms. If internal communication is barely formalised and most often verbal, this is because the proximity conditions required for this

type of communication are effective. Once again, proximity appears as the mechanism that explains the coordination modes that are specific to SMEs and that define their framework of validity.

Finally, if SMEs are a management model with little structure, this is because they correspond to a compact spatial configuration. Low levels of task specialisation are highly conditioned by a context of proximity. Proximity amplifies low levels of specialisation and lessens the interest in creating more elaborate task divisions.

To summarise our argument, we have retained the notion of *intra-functional proximity* as a description of the reinforcement of the SME's low level of specialisation, and the notion of *coordination proximity* as a description of the preference of SME directors for mutual adjustment and direct supervision.

### **3. From simple and informal internal and external information systems to proximity information systems**

The main characteristic that defines the internal information systems of SMEs is simplicity and low structuring. The literature dealing with this specific field has often highlighted the preference of SME managers for the most informal media, and verbal information (Fallery, 1983). According to Julien (1998), "small companies function by means of dialogue or direct contact. Conversely, large-scale organisations have to set up a complete formal (and written) mechanism to ensure that information is transmitted whilst simultaneously minimising rumours and encouraging control. Very large-scale organisations even publish an "in-house newspaper" to broadcast general information and prevent rumours from interfering with the company's efficiency". This preference for direct contact and verbal communication characterises the traditional operation of SMEs.

The external information systems of SMEs are also usually very simple because of a "relatively close market, either geographically or psychologically (...). This is how managers attentive to the slightest change in a market can rapidly become aware of changes in the local or regional traditional market; up to a certain point, this may offset their limitations in terms of expertise or the time available for thinking" (Julien and Marchesnay, 1988). In small companies, the owner-director functions by means of dialogue and direct contact with members of the staff as well as with his clients and suppliers, thus gaining direct know-

ledge of their needs and tastes, or explaining the different aspects of his products (Julien, 1998). The information systems are simple because they are based on close physical proximity between the SME's owner-director and the main leading players in the SME environment. Thus, through the study of the operation of a very small innovative business during its start-up phase, Planque (1987) shows that "the means of obtaining information are a group of interpersonal and informal relationships which are non-institutionalised and unstructured. Given the communication type used, the localisation of network "junctions" is mainly restricted to the area in which the prospective innovator might easily move around". This type of behaviour is directly linked to the characteristics of small organisations: the relational aspect is more important than the organisational aspect. Generally speaking, the direct link between spatial configurations and the firm's information capacities can be seen quite clearly here (Léo, 1993 ; Michun, 1994).

All in all, information systems in an SME context seem undersized. This characteristic is often interpreted as the consequence of the little interest certain company executives generally show in the strategic value of information (Chapellier, 1995). However, this undersizing may also be considered as the result of a concentrated spatial configuration favouring the setting up of direct, flexible and informal information systems. The proximity of the players facilitates direct and verbal communication; formalisation and writing are not essential. The often-observed link between proximity and a minimalist information management policy is thus understandable. We will adopt here the idea of *proximity information systems*.

#### **4. From intuitive, short-term and barely formalised, strategy to temporal proximity**

"The cycle of strategic decision, in which SME time schemes are often short-term, is based on reaction rather than anticipation. Moreover, these companies use few management methods and techniques such as forecasting, financial analysis and project management. The decision-making process of SME managers is considered more intuitive, "informed guesswork", and less dependent on information and formal models of decision making" (Blili and Raymond, 1998). In SMEs, "the decision-making process usually works according to the intuition-decision-action pattern. The strategy is above all implicit and

very flexible” (Julien and Marchesnay, 1988). Considering P.A. Julien’s comments, the informal and intuitive characteristics that make up the specificity of SME strategy are explicitly founded on proximity: “Whereas large-scale companies have to draw up relatively precise “plans” for forthcoming actions that the company executives can refer to, the owner-managers of small companies are close enough to their key employees to explain every change of direction when necessary”.

Similarly, the notions of reactivity, flexibility, interactivity and adaptability – qualities generally associated with SMEs - can be interpreted as being derived from a strong temporal proximity as well. These characteristics, specific to small companies, have “advantages of their own, such as rapidity for decision implementation, market proximity as well as a greater potential for adaptation and change of orientation in the short term” (Blili and Raymond, 1998). “The efficiency of SMEs is based on knowing how to take advantage of all local opportunities and resources in order to exploit market changes. For this very reason, production flexibility is inherently a matter of local flexibility. Organisational flexibility is “fundamentally local” as the different forms of flexibility are based more on tinkering than on standard and acknowledged know-how” (Courault, 1993).

Consequently, the preference for the short term, the intuitive aspect of strategic formulation and the qualities of flexibility and reactivity shown by SMEs are all characteristics based on the effects of proximity. To qualify this phenomenon, we will use the notion of *temporal proximity*.

## **5. Conclusion: From management specificity to proximity management**

All the characteristics showing the specificity of SME management mentioned above can be considered as a particular form of proximity. The concept of SME defined by Julien (1990; 1998) can be understood as a *proximity mix* (Table 1).

Hierarchical, intrafunctional, temporal and spatial proximity (to name but four) make up a coherent framework producing the conditions required for action and reflection within a centralised and non-specialised organisation, which consists of simple internal and external information systems and which favours informal and intuitive strategies. It is in this sense that proximity management, as we see it, is



not confined to simple metric measurement. It is the choice-making principle for owner-managers. All other things being equal, the SME manager will opt for what is both geographically and temporally closer to him. This preference for proximity, and the ensuing management, is a strategic and organisational construction enabling the SME manager to keep control of his firm and its development.

This reformulation enables us to move from a descriptive approach (a mere listing of characteristics) to an explanatory approach (highlighting a superior principle). The latter combines all the features of SMEs around a federating mechanism (proximity) and transforms this mechanism into the essential requirement for the standard operation of an SME. In other words, our perspective is that of a specific management style for SMEs that obeys a *proximity principle* (Torrès, 1999, 2003).

Tab. 1 - SMEs as a proximity mix

<i>From management SPECIFICITY... (According to Julien, 1990)</i>	<i>...to PROXIMITY management (According to Torrès, 2000)</i>
Small size	<i>Spatial proximity</i>
Centralized management	<i>Hierarchical proximity</i>
Low level of specialization	<i>Intrafunctional proximity Coordination proximity</i>
Simple and informal information systems	<i>Proximity information systems</i>
Intuitive and short-term strategy	<i>Temporal proximity</i>

Source: Torrès (2000)

Emphasising the *proximity principle* as an operative and explanatory approach to SME management is the foundation of a genuine research programme in all fields of management: what is the role of proximity in marketing, in finance, in HRM, in the strategic management of SMEs? What is the influence, role and significance of the effects of proximity on small-sized companies? What is the limit of proximity effects in high-tech SMEs, start-up companies? Do the effects of proximity play the same role, and with the same intensity, in all business sectors? What is the role of the different types of proximity in innovative *milieu*, in industrial districts, in clusters, in *Système Productif Local*? Can the effects of proximity be seen in the hiring decisions, choice of countries for exports, financing methods and strategic orienta-

tions of SMEs? It is easy to imagine that this type of research programme could cast considerable, and innovative, light on SME management practices (Torrès, 2003). If SME management specificity does exist, it must have a name. For our part, we call it “proximity”.

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### **Abstract**

The aim of this article is to propose a reformulation of the specificity of managing SMEs, based around the key notion of proximity. Using the concept of SMEs developed by Pierre-André Julien and the GREPME, the author shows that all the standard characteristics of SMEs can be interpreted as a particular form of proximity: *hierarchical proximity, functional proximity, spatial proximity, temporal proximity, coordination proximity* and so on. Proximity creates the conditions needed for action in a centralised organisation that has a low level of specialisation, simple internal and external information systems and intuitive, or barely formalised, strategies. The reformulation task thus makes it possible to move from a descriptive approach to an explanatory approach based on a *principle of proximity*.

### **Résumé**

Le but de cet article est de proposer une reformulation de la spécificité de gestion des PME à partir de la notion clé de proximité. En s'appuyant sur le concept de PME développé par Pierre-André Julien et le GREPME, l'auteur montre que chacune des caractéristiques de gestion propres aux PME peut être interprétée comme une forme de proximité : proximité hiérarchique, proximité intrafonctionnelle, proximité temporelle, proximité spatiale, coordination de proximité, systèmes d'information de proximité... La proximité crée les conditions nécessaires à l'action dans les organisations fortement centralisées, faiblement spécialisées, dotées de systèmes d'informations internes et externes simples et directs et dont la stratégie est intuitive et à court-terme. Cette reformulation de la spécificité permet de passer d'une approche descriptive à une approche explicative fondée sur un *principe de proximité*.