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Heylen bvba (Belgium)

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Heylen bvba (Belgium)[1]

As Tom Heylen reflects upon his early days in business, he often wonders how his company Heylen bvba survived. He had left university after just one year of studying biology in order to pursue a business opportunity that he believed existed in the market and that needed to be acted upon without delay. About that time, nature had become modified to such an extent (particularly in Europe) that biodiversity could only be conserved through active management and restoration of the few natural areas which remained. Such management required innovation, specialised equipment, and knowledge in order to be successful. But those whom he spoke to for advice suggested that he should finish his degree first and then start the business. Nevertheless, Tom was passionate about the opportunity and wanted to pursue it immediately. He had developed a deep interest in nature at an early age, and by the time he entered university he was a volunteer project manager on two conservation projects. However, there was a significant difference between having an interest in nature and actually making a living from it through owning one's own company dedicated to natural area management.

Getting Started

The company Heylen bvba was established in 1995 by the then 20 year old Tom Heylen. Prior to starting the business he worked for a construction company for one year to save enough money to start the business. He instinctively knew that going to a bank for a loan to establish the business was not an option as who would give money to a long-haired, nature-loving, university drop-out. He did make enquiries regarding financial support from local government support agencies but at that time there were no grants available to help him. While he laboured hard on the construction sites and saved whatever he could afford, he also continued to manage the two conservation projects on a voluntary basis and to develop his business idea. At the end of the year, he had saved almost €12,500, approximately half of

[1]This case was prepared by Dr Thomas M. Cooney as the basis for class discussion rather than to illustrate either the effective or ineffective handling of a business situation. The case was first published in the report "The Working Partnership: SMEs and Biodiversity" which was written by B. Dickson, D. Watkins, J. Foxall (2007) and published by Fauna & Flora International, Cambridge, UK. The case was written as part of the EU funded Probioprise project which was undertaken by Fauna & Flora International, EFMD and the European Bureau for Conservation and Development.

what was needed to get the business started. But to his surprise, his parents (who previously had been unenthusiastic about his venture) then offered to loan him another €12,500 to help get the business started. Since there was no entrepreneurial background in his family, his father was a teacher and his mother a nurse, he had always perceived that they wanted him to get a university degree and secure a good safe job, so he was very grateful to their support.

When Tom Heylen started the business, there were a number of things of which he felt quite certain. He knew that he had a very good practical knowledge of the ecological processes, an understanding that had been cultivated over many years of interest and activity in the area. Secondly, he specified that the business would execute concrete activities only, and not become involved in other areas such as park administration, interpretation, or research. Thirdly, Tom was positive that the business should focus on the conservation and restoration of natural areas, including forests and wetlands. Finally, although he felt quite strongly about supporting the environment, he was realistic in terms of the need for the business to generate income if it was to survive. He was very clear that one of his key goals with the business would be to make money for himself and the company. These guiding principles still hold true for Tom's business practice today.

The issue of his motivations for starting the business have frequently been challenged. His commitment to ensuring profitable annual accounts has remained strong throughout the years, and he has never reduced his price for a job for emotional reasons. He believes that reducing his price structure to ensure that he gets a particular contract in order to achieve a specific conservation result will make him an easy target for clients to abuse his goodwill. He also feels that that he should charge a premium rate for the services of the company given the high-quality of the work carried out by Heylen bvba. It has frequently been suggested to him that making money out of nature conservation is 'selling out'. Tom himself believes that the ecological market is seen as a 'soft market' and that it is perceived that those who operate in it are driven more by the need to 'save the world' than to make money. Tom's ambition is to demonstrate that both can be achieved simultaneously. But there was also another reason lurking behind Tom's motivations for being a commercial success. During the first winter of the business, Tom had just enough money to buy diesel for his machines, but not enough to heat the premises in which they were housed. Neither did he have enough money to heat his own rented accommodation, so to keep warm he burned wood that he had cut for the job

during the day. He remembers well the cold of that winter and how any idealism that he might have had of ‘saving the world’ was frozen forever.

Growth of the Business

When Tom Heylen started the business he used nothing but his own manual labour and hired machinery, but since those early difficult days Heylen bvba has grown to become a profitable small business. It is now a private company 100% owned by Tom Heylen (he repaid his parents in full), employs nine people, has a turnover of approximately €1.4 million, and a healthy gross profit. Its profitability for 2005 was substantially up on 2004, but that was primarily due to the significant expenditure of moving premises in 2004 in which all of the associated costs were subsumed within that financial year. The company possesses substantial capital assets as they own most of their machinery which currently includes four crawler excavators, two adapted crawler dumpers, eight tractors, and a range of adapted smaller machines.

Throughout its short history, Heylen bvba has focused on nature conservation and development. Its unique selling point is that it is one of the few companies who can carry out all of the work required in a natural area as the business undertook four different types of activities:

(1) Mowing of grasslands and wetlands to enhance plant biodiversity;
(2) Forestry of fragile ecosystems;
(3) Layout of ponds, marshes, and swamps;
(4) Technical design of infrastructure in natural areas, including fencing, drainage, and boardwalks.

One of the key environmental criteria when working on these areas is that there is a minimal amount of soil compacting and damage. In seeking to achieve this goal, Tom Heylen has been constantly innovative in the design and development of the company’s machinery. He has frequently adapted existing machinery to fit the particular needs of the environments in which the company operates. Indeed, one of the major strategic decisions taken by Heylen bvba was to enter into an alliance with a Dutch company for the design, development, and utilisation of a specially designed wetlands mowing machine. The machine cost approximately €250,000 to develop as it was built to precise specifications. The machine has rubber tracks and an aluminium build so as to reduce the impact that it has upon the ground.

The machine is patented in Europe but caters for a very small target market of wetlands and operates for only four months of the year. The alliance had considered selling the license to some machinery manufacturer such as Caterpillar but believe that the market is not big enough for such a company to get a return on their investment. They also feel that as the machine is very expensive to use, the demand for it would be extremely limited. Tom also senses that such a move would take the Heylen bvba away from its focus, and notes that a similar machine already exists in America. However, so successful has this machine been for the joint venture company that it has acquired a second machine. It has been suggested to Tom that he should not yet dismiss the notion of selling the patent under license as it may have the potential to generate additional income for the company.

But it is not just with machinery that Heylen bvba demonstrates its ability to be innovative. Another example is how it builds boardwalks, allowing the public to visit wetlands while protecting the site. Heylen bvba has experimented with a number of different wood species in order to maximize durability, and has developed an ingenious method to slow rot at the weakest link, while at the same time ensuring that the boardwalk blends in naturally with its surrounds. They use FSC (Forest Stewardship Council) certified wood to ensure minimal environmental damage and because they treat and shape the wood to a minimum level, the rough natural look blends in more effectively with its local surrounds. This solution occurred through trial-and-error, but the ability of the company to constantly innovate is based upon its desire to find the most effective environmental solutions, as well as to improve their relationship with their clients by maximising the long-term ecological benefits of their work.

The customers of Heylen bvba include national and regional government, private conservation organisations, and local authorities. Tom also has some private clients but they amount to less than 1% of his business. The bulk of his work comes from advertisements for specific jobs for which he submits a tender document. He has noticed in recent years that the bids are becoming increasingly competitive based on price, but there are few contracts where criteria are set for evaluating the quality of the finished work. These developments create two difficulties for him.

The first difficulty is that there has been a serious increase in competition for the contracts coming from companies such as those involved in roadside maintenance, who see this work as a simple extension of their current activities without appreciating the environmental issues

involved. Because they simply mow or remove trees without due respect for the soil, they can cover far more area in less time than Heylen bvba, which means that they are far cheaper in price, but the long-term consequences of their work are highly negative. However, even greater damage is done when these inexperienced companies mow more humid sites (such as wetlands) with their bigger and less adaptable machinery and the consequences of their work are immediately visible. Realising their error of judgement, these contractors depart the marketplace only to be replaced the following year by a new set of contractors who see the market as an easy money spinner.

A second difficulty arises from companies who use inexperienced, cheap labour from government assisted back-to-work programmes to get the work completed. While the government believes that they are achieving a number of objectives simultaneously by getting people working and having nature projects undertaken inexpensively, the reality is that the strategy is not sustainable in the long-term as it will not be possible to maintain highly intensive government paid labour operations to maintain the designated areas. Tom believes that the government should be offering encouragement to companies who are investing in the appropriate machinery by awarding them the contracts for the jobs. However, that is seen by many within the contract decision-making process as a challenge for another government many years from now. Tom respects all of his competitors, but prefers to lose contracts to those whom he feels will have a positive impact on the environment. However, in the meantime, Heylen bvba has recently won two new contracts, each worth more than €0.5 million. As in all markets, there are still those customers who want the best in the business and are willing to pay above the average price to get the job done properly. And he has also noticed that some of the potential clients from tenders that he lost have since come to him asking him to repair the environmental damage caused by the company who won the contract. Tom is confident that eventually the market will support his way of doing business, and that it is possible to be a commercial success while also doing the job properly as well as caring for one’s employees.

Tom Heylen runs his business with a much different philosophy than found with the companies that operate at the cost leadership end of the market. One year after the business was founded, Tom Heylen hired his first employee. Since then he has added a further eight personnel to his staff. Up to now the manual jobs have been done by men with the sole female employee working in the office. Getting the right people for the job is always a

difficult proposition for any owner-manager and Tom was no exception. Three of the people that he employed had ecological backgrounds and were known to him personally, but were not close friends. He was familiar with their interests and particularly with their commitment to environmental issues and their continual involvement with nature projects. These three employees have been the bedrock of the business because they also act as team leaders, project managers, and training instructors to new staff.

The need for education and the subsequent sustainment of employees are considered to be key issues for the successful growth of Heylen bvba. When Tom was looking to employ more people he opted for young, inexperienced people whom he believed could be taught about the importance of using the machinery in an environmentally friendly fashion. He did not want someone with many years experience using machinery in some industry such as construction whose primary job was to dig quickly and move on. He needed someone who appreciated the subtle requirements of the job and who would understand that every centimetre of soil removed influenced the ecological make-up of what was left behind. Since there are no specific training programmes on the environment available for machine operators, all of the training had to be done on the job. Through using the knowledge and experience of his first three employees, Tom has been able to create an organisation whereby environmental education is an ongoing process for everyone. Tom suggests that there is a positive peer group influence taking place and he was particularly delighted to notice recently that one of his new, young employees had taken an interest in bird watching and was reading field guides during his lunch breaks. But Tom also understands that, just like himself, people are not motivated by nature alone and so he pays his employees above average wages for their work. If the organisation is about high-quality work then he needs high-quality motivated people to undertake that work. He also believes that when discussing a job with an employee, it is not enough to simply describe the work that needs to be carried out but that one should paint a future picture for them of how the environment will look once they have completed the job. This visualisation technique helps the employees to develop their own guidelines on how the job should be undertaken and how best to maximise the environmental benefits. It also makes them feel part of the solution and allows them to be innovative within their own set of responsibilities.

A key strength of Tom’s entrepreneurial nature is his ability to network. He is a member of many nature associations and this helps him to keep up-to-date with legislation and other

related matters. It also enables him to monitor his competitors and to identify new trends in the marketplace. He strongly believes that networking has enabled him to pursue a number of profitable opportunities before other companies recognised what was happening. It has also helped him to keep abreast of environmental issues and become well acquainted with those who influence such matters. In this way, Tom takes primary responsibility within the business for keeping the company up-to-date with relevant legislation and ensuring that Heylen bvba meets all of the relevant standards. He is also very active in passing this information on to his employees so that they are also familiar with the legal responsibilities of the company. However, instead of viewing this work as time-consuming or a nuisance, Tom has always taken a positive, proactive approach to it and views it as a method of keeping ahead of his competitors.

Future Challenges and Opportunities

One area of weakness that Tom has identified within the company is the management structure. He likes to visit each of the bigger sites between two and three times per week. He also tries to control all of the operations of the business and has been slow to delegate responsibility to his staff. However, as the business grew it became necessary for him to allocate some of the responsibilities to his most senior staff, those three people whom he knew from earlier days. His office administrator manages the paperwork and keeps his financial affairs in an orderly fashion. However, he recognises that he is far happier dealing with technical or environmental issues than being asked to address business issues. Tom has received no formal business or management training and readily acknowledges that he has made many mistakes over the course of his management career, but then what entrepreneur could honestly say otherwise. He often wonders would he have made less mistakes had he finished his university degree, but it is arguable that his own on-the-job training has been of greater benefit. A greater concern is that he has no management team, nor any advisory board or mentor to whom he can turn for advice. He knows that something must be done about this situation if the business is to develop beyond an owner-manager situation but has yet to address the matter. Once he has dealt with this issue, he has identified the need to build a reserve of money and to invest in specialised machines for the forestry work as the next most pressing concerns for the business. He had once believed that growing the business to its current level would give him stability, but now recognises that the type of problems simply change and the skills required to manage the business become more sophisticated. He had

never realised that such transitions were necessary until he was forced to confront them in recent times.

Another challenge for the company is to identify ways of measuring the improvement that their work brings to the environment. As highlighted earlier, Heylen bvba now has more competitors for its work but many of them have little knowledge, experience, or appreciation of the environmental issues surrounding the work that they undertake. Tom Heylen stresses that there is a significant difference in ecological terms between removing a layer of 5 rather than 10 centimetres of soil, but to some competitors it is all just earth. Heylen bvba have started to examine what set criteria should be laid down in contracts and how these could be measured. They have also started discussing ways in which their own work can be measured just to demonstrate the quality of their work to their client which would help build repeat business. The difficulty with many of the projects is that it will be many years before the true benefits of their work will come to fruition and that is too distant for easy measurement. One possibility is to enter into an alliance with some university or research institute and become involved in long-term ecological studies using the work sites of Heylen bvba as field laboratories. This would require the support of the clients but it would offer the opportunity at a future date for a 'book of evidence' to be presented to the client regarding the benefits of the work carried out by Heylen bvba. However, it would also mean that the company would be participating in an area of activity that Tom Heylen had ruled out when he started the business.

Another area of activity that Tom Heylen had discounted when he established the business was in nature reserve or park administration. However, he has recently been involved in detailed discussions with a well-known conservation organisation regarding the development of a private nature reserve. There are currently no nature reserves within his region to which one pays an entry fee, yet the concept is very popular elsewhere. The consortium identified and discussed successful business models from other countries, and then debated the positives and negatives of such a project within their region. The two strongest negatives that they acknowledged were that such attractions may have a negative affect on the ecology of the reserve (although that can be minimised through zoning), and that the income potential does not make it look feasible. As with everything else that Tom had done in his business career, economic viability was paramount in his concerns and so the project has quietly faded into the background without yet having been completely eliminated.

The biggest business opportunity for Heylen bvba in the coming years according to Tom comes through a change in legislation that was announced recently. Although Belgium is a very well-developed country, water standards remain quite poor and the government has sought to improve this situation. Houses that currently do not receive purified water are required by law to install their own purification system. This requirement would particularly affect houses in rural areas that are outside the main water treatment systems. Because of its expertise in ponds, marshes, and swamps, Heylen bvba have designed a natural purification system by using layers of plants and sand through which the water is filtered. The cost of this system is €7,000, although Tom has also designed a more compact system for a reduced price. As part of his attempt to build business for this new product, Tom had a brochure developed specifically for this activity (at a cost of €3,000) and the company sent it by post to targeted households. The company has also contacted the environmental officers for every district within its region to discuss the current position inside their area. His conclusion is that the legislators are not yet enforcing the legal requirements and so householders are slow to install any system of purification. Tom feels that he is currently about three years ahead of the market. The question now is should he wait or should he continue to work against the tide to achieve first-mover advantage?

Tom has also noted a number of other environmental issues that need more attention, in particular the problem of invasive alien species such as rhododendron which are taking over nature reserves. Invasive species can be dealt with manually, or by using herbicides or biological control, but more work is needed before determining what common methods and norms should be used on invasive species across the European Union. However he has observed that the manner in which European countries deal with ecological matters is highly diverse, ranging from some examples of good practice to others having complete disregard for the environment. Tom has minimal hopes of positive government intervention with regard to environmental management as he has noticed in his own country how difficult it is to get change in such matters. He firmly believes that government should give more responsibility and accountability to the private sector in terms of environmental protection, as he feels that companies such as his own are best placed to effect positive environmental change. The role of the government and the European Commission should be to make the ecology markets bigger and then allow the private sector to maximise its environmental potential. This policy would also have strong economic benefits as the continued success of his own business

demonstrates that one can achieve financial and environmental goals at the same time. He also feels that by enlarging the market and allowing the private sector to flourish within it, that such a policy would attract outside investment and so reduce the dependency on government to fund such work. He suggests that this option is certainly a more feasible option in the long-term than having people on back-to-work programmes cleaning out large tracts of land without understanding the environmental nuances of their work. It is free market economics being promoted by someone with a passion for the environment.

Conclusion

It could be argued that Tom Heylen is both similar to any other entrepreneur, and yet is quite different in many ways. He started a business because of his love of working outdoors and he is happiest when developing machines and solutions for the jobs being undertaken for clients. He has an interest in the marketplace that goes far beyond the immediate needs of his business and takes his work home with him every night. He is also very similar to many entrepreneurs in that he is uncomfortable with business issues and delays important business decisions that need to be taken because he prefers to spend his time outdoors. He again shows many of the characteristics of an entrepreneur by having difficulty in delegating responsibility to his employees as he feels a strong need to control all aspects of the business.

But Tom Heylen is unlike many environmentalists; while he is passionate about his work, he also believes that he can achieve commercial success from it. He does not see himself as operating in a 'soft market' but considers that the normal rules of commercial engagement should apply. Indeed he has gone much further than that and argued for the market to be enlarged and for it to be opened to the private sector as a free market economy. This opinion would probably not find favour with many environmental groups but demonstrates the singular mindset that Tom brings to his business.

Tom Heylen is a very good example of business and the environment meeting each other in a win-win situation. But Tom is a reluctant role model as he feels that 'high trees attract high winds'. He wants to concentrate on his own business and not become some unappointed spokesperson or evangelist for the 'business meets environment' group. Below the radar he continues with his philosophy in a quiet way.