

Developing a new framework for small business success

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Small and medium-sized enterprises (SMEs) have long been established as an effective mechanism to generate employment and promote economic growth, and have been the focus of political, business and management research. Despite their undisputed importance and significant empirical research in this area, there is still neither a universally accepted definition for SMEs — with significant variations in different countries — nor a single agreed-upon definition of success.

A wide range of success factors, through a number of conceptual frameworks, are featured in the contemporary literature, but there is no unifying theory to incorporate all aspects of small business success. To make matters worse, their importance appears to be relative and varies with the business environment, that is, the industry and country these enterprises operate in. This means 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. Knowledge remains more fragmented than cumulative. Still, SMEs tend to exhibit high failure rates and poor performance levels, inevitably creating a need for more empirical studies to investigate the critical success factors in different business settings (industry/country) and eventually developing a unified theory for success.

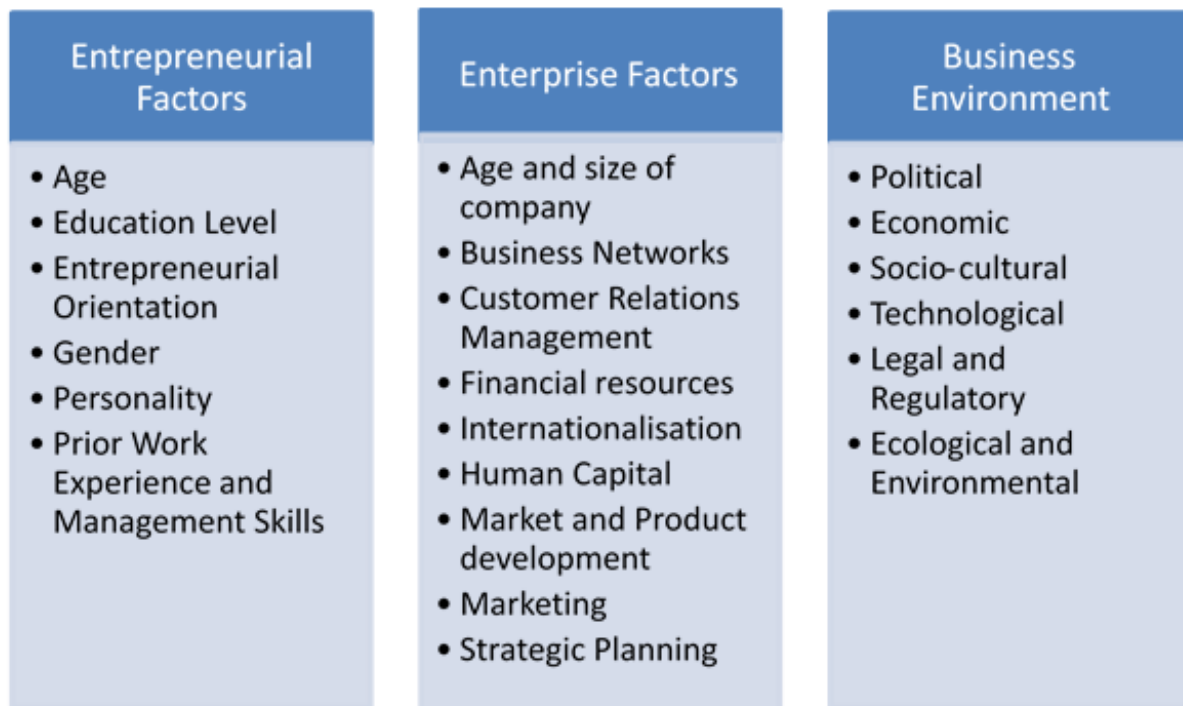
The purpose of this research is to review the academic literature and consolidate empirical contributions in the small business literature from the early 1990s, so as to offer a more integrated and holistic view of the factors contributing to SME success. Arguably, the most recent literature review on success factors was synthesized in 2007 — focusing only on one dimension of SME success, growth — , but with a dynamic and ever-changing environment and a large number of studies having been conducted since then, a further review is deemed necessary.

Based on the existing literature, we have developed a conceptual framework (shown in diagrammatic form in Figure 1), categorising success factors in entrepreneurial, enterprise and business environment. The idea is to inform the current thinking of academics, policy makers and business owners/managers and facilitate future research.

In detail, 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, which is in line with the [PESTLE](#) analysis framework.

Figure 1: Conceptual framework for SMEs success



The proposed framework includes entrepreneurship, not only SME-specific studies, and incorporates factors contributing to all aspects of small business success (that is, growth and non-growth) and failure. The basis of this review had been a number of influential studies and established models in the areas of SMEs and entrepreneurship, which then expanded into the plethora of studies that had been conducted in varied industries and geographies from the early 1990s until 2015.

Notably, this paper identifies a strong overlapping and interdependency between the identified success factors. For instance, business networks are identified as an important part of the owners/managers' prior experience. Similarly, age and education, in light of the experience, education, skills, financial and social capital accumulated over a long working career, overlap with the prior working experience and skills and human capital. Personality and in particular those characteristics required for success and sustainable development, is partly incorporated into entrepreneurial orientation. EO also includes elements of the political and socio-cultural environment. Many of the aspects of marketing are incorporated, discussed and analysed in regulatory compliance, customer relations management, market and product development and strategic planning. Internationalisation, as a way to develop and expand into new markets, is also identified as an integral part of the market and product development. The technological environment is partly incorporated into CRM as technology is found to provide a significant support role to SMEs such as ICT skills, e-CRM systems for customers and suppliers, websites, databases. Last, a significant overlap is found between the economic environment and financial resources.

Based on the above, there is strong evidence to suggest that SMEs success is indeed a multidimensional phenomenon, where both firm-internal (entrepreneurial, enterprise) and firm-external factors (business environment) need to be optimal simultaneously. In fact, it is a combination of factors and not a selected few that lead to business success; satisfying one or two factors does not necessarily guarantee success. The general view is that if small businesses strive towards satisfying the established success factors then they will be successful.

Concluding, despite the fact that the volume of empirical studies in the area of small business and entrepreneurial success has been steadily increasing, it appears that theoretical advancement towards a unified theory has been slow; knowledge remains fragmented with no consensus on SMEs success factors. Similarly, since SMEs success has been found to be dependent upon the business environment (country and industry) with many studies offering different or even contradicting results depending on their setting, the existing heterogeneity in knowledge appears to be increasing.

The proposed framework offers a more integrated and comprehensive view of the factors contributory to small business success and could well become the basis for future academic research. This research also informs current thinking and provides guidelines to various stakeholders (SMEs owners/managers and entrepreneurs, the Government, policy makers and non-government organisations) to improve strategy formulation and decision-making process in order to support SMEs.



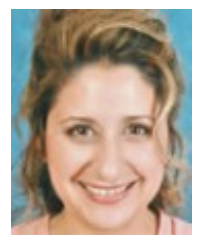
Notes:

- This blog post is based on the authors' paper [Towards a new framework for SMEs success: a literature review](#), *International Journal of Business and Globalisation*, Vol. 18, No. 2, pp. 194-232.
- The post gives the views of its authors, not the position of LSE Business Review or the London School of Economics.
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