Searching the SME "ordinaire": the need for a taxonomy

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Abstract:

Purpose – Small to medium sized enterprises (SMEs) comprise the majority of all firms across most economies and generate much of the employment and value added. Despite their importance much of the research literature has focused on high technology or high growth firms, which ignores the vast majority of low to mid-tech firms that grow more slowly. This paper seeks to provide a classification framework of what we call the "SME Ordinaire".

Methodology – a review of the extant literature on SME taxonomy and typologies was undertaken using as a framework the proposed methodology for developing taxonomy originally suggested by Webster and Watson (2002). A total of 20 potential classification systems were identified. While each had strengths none were sufficiently comprehensive to encompass all possible attributes. It was decided to classify on what an "SME Ordinaire" wasn't rather than what it is.

Findings – What emerges from the analysis is an initial taxonomy that identifies the "SME Ordinaire" against criteria associated with 11 key variables: technology, growth, internationalisation, financing, governance, innovation, alliances and networks, formality, complexity, strategy and resources.

Research limitations – the study is a first step towards a more comprehensive taxonomy.

Practical implications – research into SMEs is often constrained by a lack of clear definition and classification. This study offers researchers and those working with SMEs and opportunity to better understand the majority of small firms not otherwise well classified.

Originality/Value – the study makes a contribution to filling the gap in the definition and classification of SMEs and assists in theory development.

Keywords SMEs, taxonomy, typologies, growth, classification, ordinaire.

Paper type: Literature review.

Introduction and problem formation

It is widely acknowledged that the majority of businesses within most economies are small to medium sized enterprises (SMEs). For example, SMEs comprise 99 per cent of all firms in the OECD group of countries (OECD, 2010b), around 98 per cent of all firms in the APEC group of nations (APEC, 2003) and 99.8 per cent of non-financial sector firms in the EU-27 in 2007 (European-Commission, 2010). Such firms are also major contributors to employment and employment growth, which has made the SME sector of interest to public policy makers since at least the 1980s (Birch, 1987). Despite the importance of the SME – defined as a firm with fewer than 250 employees and annual turnover of below €50 million (OECD, 2004) – the majority of management theories and research still focus on large firms.

Since the 1980s attention by the academic community has attempted to improve understanding of SMEs including their characteristics and dynamics (Storey, 1982, 1994); Robinson and Pearce (1984); Gibb and Scott