
Simon Parry  
Newcastle University Business School  
5 Barrack Road, Newcastle upon Tyne  
e-mail: simon.parry@ncl.ac.uk

Abstract

This paper examines the development of small business accounting research over the last 20 years within the context of the neoliberal debate on government policy. The paper explores how the agenda driving small business research differs from that of mainstream accounting research. Whereas the latter tends to be concerned with new technical developments and innovation (Baldvinsdottir, Mitchell, et al. 2010), small business accounting research can be seen as typically seeking practical contribution to small business growth in the form of policy development and business support (Parry 2010).

Published research is critically examined within the context of the contemporary neoliberal economic agenda which has produced a hegemonic discourse of entrepreneurship as a significant constituent of economic contribution (Costa and Saraiva 2012). Successive governments in Europe, the US and other major world economies have turned to small businesses as the providers of economic growth (Cunningham 2011), employment (Varum and Rocha 2013) and innovation (González-Loureiro and Pita-Castelo 2012). The author finds that this research agenda, driven largely by the interests of venture capitalists, banks, major accounting firms and local authorities (Gibb 2000; Blackburn and Kovalainen, 2009) has resulted in a narrow focus and a restricted use of methodologies. A dominant feature of small business accounting studies is their normative nature, (Collis and Jarvis, 2002) and their predominant reliance on wide scale surveys (Deakins et al, 2002). The methodologies adopted are weak as a means of examining the complexities of owner-manager behaviour (Jarvis et al, 2000). A further consequence is that small business accounting research is under-theorised in comparison to its larger organisation counterpart (Perren et al, 2001). This in turn leads to a tendency amongst small business researchers to drawing uncritically upon mainstream management theory (Jarvis et al, 2000). The appropriateness of this is questionable.

The author argues that there is both an economic and an epistemological rationale for more research which focuses on the broader social and political context of accounting within small businesses, rather than a narrow focus on quick fixes for growth. When alternative methodologies have been adopted, the results have indicated that there is still poor knowledge and understanding of the financial and business performance management strategies of small business owner-managers, and still scope for further qualitative studies (Jarvis et al, 2000; Curran et al 1997).

The question of appropriate methodology for future research is raised. Two factors suggest that the predominantly quantitative, survey-based and normative approach taken by most previous studies has severe limitations. Firstly, this approach blinds the researcher to the way accounting actually enters into, and impacts on, the world of the small business. Secondly, the often tacit nature of accounting in such businesses makes access to the subject matter very difficult using a quantitative, survey-based methodology.

This paper contributes to current debates on agendas and methodologies in both small business research (Blackburn and Kovalainen 2009) and accounting research (Lukka 2010; Parker 2012) by critiquing current small business accounting research paradigms within the context of contemporary neoliberal economic policy.
Introduction

The aim of this paper is to critique current small business accounting research paradigms within the context of contemporary neoliberal economic policy. The paper seeks to reveal how small business accounting research has been subject to the hegemonic discourse of neoliberalism and how this has shaped both the research agenda and methodologies applied. This study thereby contributes to current debates on agendas and methodologies in both small business research (Blackburn and Kovalainen 2009) and accounting research (Lukka 2010; Parker 2012).

One of the problems facing the small business accounting researcher is the fact that small business and accounting are often considered separate fields of study. Mainstream accounting research tends to be concerned with new technical developments and innovation (Baldvinsdottir et al. 2010). The small business is regarded as an environment with insufficient capacity or expertise to support such developments, and is therefore seen as unfruitful soil by accounting researchers. This attitude is typified by Mitchell and Reid (2000: 386) who suggest that “Finding a rationale or purpose for management accounting research which can be met in the small firm setting is therefore one of the challenges to be faced in promoting this sector as a research focus.”

The agenda driving small business research on the other hand, is typically one of practical contribution to small business survival and growth in the form of policy development and business support (Blackburn and Kovalainen, 2009). The current study found small business accounting research to be firmly embedded within this agenda. It has been observed that one consequence of this difference between mainstream and small business research is that small business research is under-theorised in comparison to its larger organisation counterpart (Gibb, 2000; Perren et al, 2001). This in turn leads to a tendency amongst small business researchers to draw upon mainstream management theory. Jarvis et al (2000) point out that larger firms are more accessible to the researcher than small firms. This means that larger firm accounting practices have been more extensively examined and are better documented. This in turn has had a methodological impact on small business accounting researchers, in terms of ‘an uncritical acceptance of a narrow view of large enterprise practices as the model to which small firms should aspire if they are to prosper’ (Jarvis et al, 2000:124). This is unfortunate, considering small firms are actually the major part of the business constituency. The result is that small business accounting studies largely followed similar patterns: they are survey based, use a deductive approach and take idealised (i.e. large business) practices as the basis for the propositions they seek to test.

Research has taken many forms and this reflects, on one level, the continuing lack of certainty about what sort of research best informs policy and support for small businesses. In particular, the identification of a suitable methodological approach is regularly problematized (Watson et al, 1998; Blackburn and Kovalainen, 2009). The differing approaches to studying small firm growth have been examined and categorised in previous studies. O’Farrell and Hitchens (1988) identified five main perspectives in explaining small firm growth: an industrial economics perspective; stochastic models; stage models; a strategic management perspective and social and personality approaches. Storey (1994) classified the major determinants of small firm growth into three categories: entrepreneurial characteristics; features of the business; and business strategies associated with growth performance. Orser et al (2000) determine four approaches: biological models of growth; growth and decision making; social psychology; and integrative (multi-disciplinary) studies. Grant and Perren (2002) surveyed and categorised articles published in 2000 using Burrell and Morgan’s (1979) taxonomy of subjective/objective, radical/regulation paradigms. More recently Blackburn and Smallbone (2008) and Blackburn and Kovalainen (2009) have provided
extremely useful insights into how approaches to small business and entrepreneurship research have developed in the UK over the last 30 years.

These previously published analyses are helpful in understanding the paradigms guiding small business research. However, none look specifically at the small business accounting literature. Furthermore, it is recognised that entrepreneurship is not well researched from a critical standpoint (Garud et al., 2007; Khan et al., 2007; Ogbor, 2000). This paper therefore looks specifically at small business accounting research and is based upon an analysis of 118 articles published over the last 30 years. Initially the scope of the study was limited to ABS listed journals. However, this was extended to include some books and publications made through government and other bodies (such as professional accounting bodies or banks), as it was found, significantly, that these were important publication outlets for academics researching aspects of small business accounting. The scope of papers covered includes some which are not looking explicitly or exclusively at matters of accounting. It was found that small business accounting research is by no means homogenic. It is underpinned by a diversity of knowledge interests including the role of business advisors, the information needs of owner-managers, methods of financial decision making, the needs of finance providers, the impact of regulation and business success factors.

The influence of neoliberal ideologies

Within this paper the term “discourse” is used to refer to an ideology which encompasses generalised ideas, beliefs and assertions. Neoliberalism is seen as an ideological discourse, one which emphasises a market based competition regime, the prevalence of private rather than public actors and decreased or voluntary regulation in a quest for a "level playing field" of free markets. It is argued that this neoliberal discourse has systematically penetrated small business accounting research, thereby influencing agendas and methodologies.

The neoliberal economic agenda which has provided the foundation for economic policy in the UK, the US, Europe and increasingly throughout the world over the last 30 years has redefined the discourse of business, giving emphasis to innovation, creativity, flexibility and the ability to take advantage of opportunities (Short et al, 2010). The neoliberal ideologies of reduced control and decentralisation have positioned entrepreneurship as a key means of insertion into global markets which are increasingly unpredictable and competitive (Lumpkin and Dess, 1996). This in turn has produced a hegemonic discourse of entrepreneurship as a significant constituent of economic contribution (Costa and Saraiva 2012) and small business entrepreneurs as the cornerstone of economic growth (Audretsch and Keilbach, 2006). Successive governments in Europe, the US and other major world economies have turned to small businesses as the providers of economic growth (Cunningham 2011), increased income (Parker, 2006), international competitiveness (Howard, 1990), employment (Varum and Rocha 2013) and innovation (González-Loureiro and Pita-Castelo 2012). It is therefore not surprising that small business accounting research has tended to focus on the relationship between accounting practices and business growth.

A focus on growth

Growth has become a trope at the nexus of neoliberal small business economic policy. However, there is a paradox to this focus on growth. Although there is a clear rationale for such research in terms of the economic importance of small businesses, it has legitimised certain forms of ‘worthy’ enterprise as idealised policy subjects and in turn has marginalised alternative conceptions of entrepreneurship. In particular, non-growth-oriented or so called ‘lifestyle’ businesses are marginalised in the neoliberal discourse of ‘worthy’ business enterprise that stresses economic growth.
Not only are ‘lifestyle’ micro-firms economically important in their own right, regardless of growth, but they are also significantly different to growth-oriented businesses. Within the broad category of small and medium sized enterprise, micro-level businesses are by far the largest element. Of the 4.8 million businesses in the UK, 3 million (or around 63%) are sole traders (BIS, 2012). This represents 23% of all UK employment (SBS, 2004). Over 90% of SMEs employ less than 50 people, and over 95% employ less than 20 people. There are over 2.3 million ‘size class zero’ (no employees) businesses in the UK. (DTI, 2000). In the European Union over 20 million small businesses have under 50 employees. These account for 40% of all employment and 66% of employees work in businesses with less than 10 employees. (Commission of the European Communities, 1999).

This economic importance of micro-firms, coupled with the fact that the majority of their owner-managers have no growth orientation means that a significant proportion of the business community is ignored by a research agenda which is preoccupied with growth. There is an emphasis on the quantitative and economic to the detriment of the social and qualitative aspects of small business. Not only is growth orientation not found in the majority of small businesses (Gray, 1999), but success for the small business cannot be simply equated with growth (Watson et al. 1998). In fact, research has shown that small businesses pursue a range of goals other than growth (Scase and Goffee, 1987; Jarvis et al, 2000) and that these goals change over time (Bellamy et al, 2003). Furthermore, there is an aesthetic rationality to small business ownership which becomes invisible through a purely economic lens.

The preoccupation with growth has also led to a bias towards studying new businesses. This is because a business still at the micro level after more than 5 years is ipso facto not a growth firm. The problem is that looking at new small businesses does not necessarily tell us about older businesses. Research that has looked at older small businesses underlines the importance of the differences between the two categories. For example, studies by McChlery and Meechan (2000) and McKinstry and Wallace (2004) identify important differences in the management accounting systems and financial practices of new and older small businesses. A widespread survey of small business owner-managers conducted by the Small Business Research Trust (Gray, 1999) shows that 78% of ‘life-style’ owner-managers are reluctant to delegate. The neoliberal discourse problematizes this as something which needs to be ‘fixed’. However, for a ‘lifestyle’ owner-manager, holistic control of can be an important attraction of having your own business (Parry, 2010). This in turn has implications for accounting needs. A lack of delegation negates the need for formalised and explicit management information and thereby significantly influences the type of accounting routines found in small businesses.

Furthermore, Gibb (2000) points out that there is an assumption that businesses not growing in terms of turnover, profit or employment are not dynamic. In fact, it may be problems in dealing with dynamic situations which lead to a lack of growth. Such firms might actually be in greater need of support. Gibb concludes that ‘steady state businesses or indeed survival businesses…cannot necessarily be associated with poor management’ (Gibb, 2000:26).

A frequent and still popular approach to studying small business growth has involved the use of growth models. In studies that employ such models, accounting is seen as an indicator of the stage of the firm’s development (c.f. Churchill and Lewis, 1983; Robinson et al, 1984; Kazanjian, 1988a, 1988b; Dodge and Robbins, 1992; Churchill, 1997; Moores and Yuen, 2001; Hui-Hong and Tan, 2004; Davila, 2005).

Although such studies can yield some useful findings, a weakness in the use of growth models is that they presuppose some linear development of accounting within a small business as it grows, and that there is a degree of uniformity in this process across different types of business. Critics of growth models have argued that small firm growth is neither
linear nor best described by biological paradigms (Orser et al, 2000) and that the presuppositions of such models are misguided (Holmes et al, 1991).

A second problem with this approach to research is that it treats the small business as some autonomous entity that is separate to the owner-manager. In contrast, several studies have shown that, with micro-firms in particular, a study of the business cannot be separated from a study of the owner-manager (O’Farrell and Hitchens, 1988; Boden, 1999; Ritchie and Richardson, 2000). Furthermore, Gray (1999) found that the majority of small business owner-managers have no growth orientation. This makes the assumptions surrounding growth models inappropriate for study of lifestyle business.

The neoliberal discourse of growth carries the implication that lifestyle small businesses are somehow lacking. There is a need to improve the quality of financial information or decision making in order to contribute towards greater growth and increases in employment. Hence, much research is normative either in its inherent design or in the conclusions which are derived from exploratory findings. There is an implication underlying the rationale of the majority of studies that small businesses could do better because poor accounting is hindering growth (c.f. Gul 1991; Leonidou 2004). Research is concerned with identifying what small businesses ‘should’ be doing. This normative approach frequently involves exploring the imposition of large business accounting systems such as activity based costing (Janka and Silvola 2012) or total quality management (Kober et al. 2012).

**Growth and accounting information**

A major group of studies can be characterised by their attempt to establish a positive link between small business growth and the use of accounting information (c.f. Romano and Ratnatunga, 1994; Gul, 1991; Lybaert, 1998; Orser et al, 2000). For example, small business accounting, or a lack of it, has been identified as a barrier to growth (Hutchinson and Ray, 1986; Reid, 1995; Leonidou, 2004) or as a direct factor in the failure of the business (Ezzamel and Bourn, 1990; Hall and Young, 1991; Pompe and Bilderbeek, 2004). These studies largely fall into two groups: Some have looked at the provision and use of financial statements in small businesses; others have focused on internal accounting procedures.

The group of studies looking at financial accounting have been concerned with what financial information is used in the management of small businesses (Jarvis, 1996; Pratten, 1998; Marriott and Marriott, 1999, 2000; Collis and Jarvis, 2002; Collis et al, 2004). This group of studies includes those that looked at the use of formal financial analysis such as financial ratios (Wootton and Templeman, 1985; Lewis and Toon, 1986; Holmes and Nichols, 1989; McMahon and Davies, 1991) The interest of these studies has been in establishing a correlation between the use of financial information and the success of the business (Carsberg et al, 1985; Thomas and Evanson, 1987; Romano and Ratnatunga, 1994; McMahon, 2001; Pompe and Bilderbeek, 2004).

These studies, based mainly on large-scale surveys of small companies by postal questionnaire, are of limited help in understanding the complexities of small firms (Watson et al, 1998) and the heterogeneous nature of the small business sector (Smallbone et al, 1995). Their vision of ‘success’ is narrow as, by necessity of the methodology they isolate and focus on selected variables. The prevalent discourse of ‘success’ is one which privileges neoliberal values of economic growth and increased employment to the detriment of the social and qualitative aspects of small business ownership. Hence, much research is focused on identifying and lifting the ‘barriers’ to growth which are stopping small businesses becoming what they ‘should’ be.
This conceptualisation of success also defines, by implication, a lack of success. The neoliberal discourse of globalisation, deregulation, marketization and privatisation positions the successful entrepreneur as one who seizes the entrepreneurial opportunities afforded by such an agenda. Many studies therefore use discourses which mobilise accounting as a factor hindering success. A lack of accounting information is leading to missed entrepreneurial opportunities (Schafer 1990; Duan and Kinman 2000); Poor accounting in small businesses is a barrier to export development (Leonidou, 2004) or the source of missed financing opportunities - with the implication of missed growth opportunities (Stanga and Tiller, 1983; Mitchell et al., 1995; Chittenden et al., 1996; Berry et al., 2004).

Financial information and decision making

Another significant area of knowledge interest is the qualities and decision-making ability of owner managers. Research in this area mobilizes dominant representations of entrepreneurship which produces an idealised neoliberal entrepreneurial subject position privileging innovation, creativity and growth orientation. Entrepreneurial qualities are valued primarily in terms of their contribution to economic growth. Studies looking at the management practices of small businesses have sought to establish a correlation between financial expertise, planning ability and growth of the firm (c.f. Cragg and King 1988; Seamon 1994; Maes et al., 2005). For example, Lybaert (1998) found a positive link between the performance of small businesses and the use of accounting information. Orser et al (2000) linked growth with the financial expertise and planning ability of the owner and found that the presence of a business plan was highly correlated with performance. Huang and Brown (1999) defined and classified problems faced by small businesses. Their classification shows that many problems could be alleviated by better accounting information. Joyce et al (1997), Bridge (1998) and Rue and Ibrahim (1998) all found a positive connection between planning and performance.

A further group of related studies look at information systems in small businesses. McChlery and Meechan (2000) looked at types of accounting information used by businesses in an attempt to benchmark financial management systems in small firms and understand why some are good and some are weak. Raymond and Magnenat-Thalman (1982), Holmes et al. (1991), Gul (1991), and Lybaert (1998), while not explicitly looking at management accounting, have looked at the relationship between business success and information systems. Information inadequacy is associated with business distress and failure (Storey et al, 1987) and better information has been associated with success and survival (Jones, 1985; Hutchison and Ray, 1986) and business growth (Street and Meister, 2004; Davila, 2005). Although these studies cover a range of knowledge interests, all are complicit in maintaining a narrow focus on growth and the properties (good accounting information used well) which contribute towards growth. This focus serves to reinforce and reproduce the neoliberal discourse of entrepreneurship.

Accountants and business advisors

There have been many studies looking at the accounting services provided to small businesses by accountants or business advisors in an attempt to find ways in which this service can be improved (c.f. Lewis and Toon, 1986; Midland Bank, 1993; Lawson, 1995; Kirby and King, 1997; Marriott and Marriot, 1999; Duan and Kinman, 2000). Marriott and Marriott (2000) undertook a qualitative study that aimed to determine the management information needs of small business owner-managers, the type and frequency of information preferred and the capacity of professional accountants to contribute to these needs. They conclude that there was considerable potential for the provision of accounting information,
but that small business owners attribute low value to accounting information. This suggests a need for a better understanding of how accounting fits into the small business owner-manager’s world. Perren et al (1999) went some way to addressing this issue in a longitudinal study of information use and decision-making in four small service sector businesses. They found that small business managers need to understand what accounting information can do before they use it effectively. These studies highlight the need for investigation of owner-manager behaviour in relation to accounting. This cannot be understood without investigation of the meaning and values which owner-managers attach to accounting and the issues and concepts that underpin accounting.

Reducing regulative burden

The final area covered by the research examined in this study is regulative burden. Productive deregulation is a core theme of neoliberalism and this theme is found echoed in small business research. Studies have looked at a wide range of issues that are perceived to represent a burden to small businesses and hence a barrier to growth. These include the burden of audit requirements (Collis et al., 2004), PAYE compliance (Chittenden et al., 2005), reporting and filing requirements (Keasey and Short, 1990; Eierle, 2008), tax levels (Chittenden et al., 2000; 2003; Chittenden and Sloan, 2007), VAT accounting (Chittenden, 2001). The focus of these studies is either in understanding the impact of regulation on small businesses or establishing how the burden of regulation could be reduced. One explanation for the numerousness of such studies is that accounting requirements represent the area of small business accounting most directly accessible in terms of policy making. Policy makers are able to attend to small businesses in terms of alleviation of financial reporting requirements (for example the FRSSE), VAT thresholds and audit requirements, and fiscal measures such as R&D tax credits and the Phoenix Fund.

Discussion

A dominant feature of the studies examined in this paper is their normative nature. This is part of the institutional infrastructure and ideological apparatus that legitimates the hegemony of neoliberal economics. Certainly it seems that, despite the issue of identifying accounting practices in small businesses being a problem, some researchers (c.f. McChlery and Meechan, 2000) have seen this as an opportunity to identify those accounting techniques and procedures which might best benefit small businesses. A normative approach which benchmarks accounting systems enables the researcher to make recommendations about how advisors can step in and provide support to the small business. Indeed, Smith (1997) has suggested that a predominance of studies sponsored by government funding agencies has led to research offering neat, easy technical solutions to small business problems. These solutions have focused to a large extent on reducing burdens of accountability and regulation. This agenda carries with it the presumption that there is a relationship between accountability and enterprise, and that reduced regulation will liberate small business enterprise. Not only does this involve a presumption that small business equates enterprise, it also ignores the complexity of small business. Importantly, it assumes that accountability is linked to internal accounting in small businesses in the same way as it is in larger businesses. This link has been questioned (Jarvis et al, 2000; Collis and Jarvis, 2002), and suggests there is a need for more research that looks more clearly at the fluidity and complexity of accounting and management control within small businesses.

Gibb (2000) speculates that the policy focus on growth businesses and the type of research which this produces may be a result of the influences of external stakeholders upon government. He suggests that ‘there is no doubt that the venture capital companies, the

banks, the major accounting firms, and the local authorities (in developing even more speculative incubator facilities) all nurture this particular typology of business' (Gibb, 2000:26)

The normative approach to accounting research has led to a portrayal of the small business (and owner-manager) as lacking. For example Nayak and Greenfield (1994) suggest that small businesses have little management information and poor control; Hankinson (1987) found small firm costing to be poor; Joyce et al (1997) found formal strategic planning to be poor. These findings create a contradiction with other areas of small business literature, which praise the small business owner-manager. Jarvis et al (2000) contrast the apparent contradiction of condemnation of small business owners for poor financial management skills (Hall and Young, 1991; Keasey and Watson, 1993) with representations of them that praise the small business owner for entrepreneurial flair, creativity and major economic contribution (Thatcher, 1984; Lang, 1989).

One of the greatest problems with normative studies is the mistake of treating the small business simply as a scaled down version of a large business. The reality is that the nature of small businesses in general, and the micro-firm in particular, is very different to that of the large business. The most important difference lies in the role and influence of the owner-manager. This difference is highlighted by Ritchie and Richardson (2000), who undertook a single firm case study analysing the social dynamics within the firm and the way these interacted with performance, monitoring, control and reporting. They suggested that it is ‘difficult to disentangle the person from any abstract entity which can be called ‘the business’.’ (Ritchie and Richardson, 2000: 455). Similar conclusions were drawn by Boden (1999) and O’Farrell and Hitchens (1988). Such a realisation has profound implications for research methodology: The study of a micro-firm cannot be separated from a study of the owner-manager. This is particularly the case with accounting research, if much of the control and planning of the business is tacit, informal and directed by the owner-manager in their day to day involvement in the business.

A deductive approach which starts with presuppositions about what constitutes good accounting practice blinds the researcher to the actual role played by accounting in the owner-managers’ running of the business. Aldrich (1999) suggests that standard organisational theories do not fully grasp the implications of the differing attitudes to growth in small businesses for governance, accountability and enterprise. Holmes et al (1991) make a similar claim regarding informational and accounting life-cycle theories. This would suggest that such prescriptive approaches to the subject cannot possibly succeed in revealing the real complexity of accounting in the small business.

A further feature of the research analysed in this study is the view of accounting as a functional means to an end. Accounting is generally seen as having a practical function of guiding decisions towards an increased economic efficiency. This functional view of accounting does not consider the social and organisational context within which accounting is produced. In particular, it is blind to the extent to which accounting defines or at least plays a role in the definition of the very ends it is trying to further (Hopwood, 1983).

A significant problem for the researcher looking at accounting in the micro-firm is identifying the subject of study. There is a problem of identifying and accessing accounting practices in small businesses. Diversity in approaches to accounting and control is not easily captured through typical survey based methodologies (Curran et al, 1997). Day to day control by the owner-manager and a lack of delegation found in micro-firms results in undocumented and informal systems and measures which are difficult for the researcher to capture (Jarvis et al 2000). There is also a problem in establishing an appropriate measure of the impact of accounting on a business for which traditional measures such as increased turnover may not be valid (Watson et al, 1998; Bellamy et al, 2003).
These problems have resulted in criticism of small businesses for poor financial management practices (Lewis and Toon, 1986; Storey et al., 1987). They have even led to a perception among some researchers that internal accounting procedures in small businesses are not actually well enough defined or tangible enough to be a subject of study (c.f. Nayak and Greenfield, 1994). If this perspective is taken up, financial accounting, in the form of financial statements, becomes the only aspect of small business accounting that is available to study.

It may therefore be suggested that this difficulty in identifying or measuring internal accounting procedures has led researchers to a normative approach which attempts to address the question of what accounting procedures should be found in the small business. Many studies have been critical of the small business owner-manager, finding fault in the lack of ‘good practice’ as promoted by a management and accounting literature that is in turn based on large organisation practices (c.f. Lewis and Toon, 1986; Storey et al., 1987; Holmes and Nicholls, 1989; Nayak and Greenfield, 1994). Unfortunately, any attempt at a prescriptive answer, usually based upon the preconception that a small business is a scaled down version of a large business, comes up against the heterogeneity of small businesses and their managers (Birley and Westhead, 1990; Jarvis et al., 1996). This means that, as Jarvis et al. (2000:124) suggest: ‘assuming a single, unambiguous model, which small firms should be admonished to follow or be judged by, is highly suspect’.

A second methodological issue lies in equating success with growth. It is widely recognised that the aspirations of small business owners are not always growth related. Rather, they have a variety of reasons for going into business (Gudgin, 1984; Kelly, 1987; Mason, 1989; Monck et al., 1990; Hussey and Hussey, 1994). Moreover, many owner-managers actively avoid growth in favour of other ‘lifestyle’ rewards (Buttner and Moore, 1997). This means that a research methodology which correlates accounting practices with performance measures such as increased turnover is inappropriate for examining non-growth ‘lifestyle’ businesses.

CONCLUSION

This study has sought to contest the hegemony of certain forms of ‘worthy’ enterprise, namely those with a growth orientation, which arises out of the neoliberal discourse which dominates the research agenda. The study has pointed to a number of problematic issues within existing small business accounting literature in terms of agendas, perspectives and methodological approach. These include the scope of focus which dominant methodologies allow, and the resultant depth of understanding and conflicts between findings revealed by different approaches. These problems indicate a need for a different epistemological perspective and methodology, particularly for researching ‘lifestyle’ micro-firms. Such a perspective needs to be sensitive to the close personal involvement of the owner-manager in the micro-firm, the range of objectives and definitions of success in ‘lifestyle’ businesses, the informal, often tacit nature of accounting in such an environment and the impact of external influences.

The economic significance of micro-firms, together with their lack of growth orientation, means that such businesses and their owners are alienated or simply ignored by most small business research. Bank of England statistics (2003) show that around 400,000 UK SMEs cease to trade each year, and that a typical SME has a ‘half-life’ of around three and a half years. This would suggest that the major issue is sustainability rather than growth. More research is needed which can inform support for sustainability for lifestyle businesses. This research clearly needs a different methodological perspective.
The critique above has been directed at those studies adopting a normative approach. However, there have been a growing number of studies that have reacted against the shortcomings discussed and have adopted a more exploratory approach, with a subjective perspective on the small business owner-manager. For example Jarvis et al. (2000) used grounded theory to examine performance measurement in small firms; O’Brien (2001) and Ritchie and Richardson (2000) used single firm case studies to look at the role of accounting control systems in the start-up and survival of a small firm; Perren et al. (1999) created a cross-case causal network of management information development from longitudinal comparative case studies. These studies illustrate a healthy opening up of methodologies, as researchers draw upon a wider range of theoretical frameworks. Curran and Blackburn, (2001) and Blackburn and Smallbone (2008) provide more comprehensive summaries of the theoretical frameworks drawn on by wider small business research.

One approach which offers great potential is social constructionism (Berger and Luckmann, 1966). Curran et al. (1997) and Jarvis et al. (2000) conducted studies that demonstrated the value of a grounded approach which starts with no suppositions of what should be found in addressing issues of small business accounting. Perren and Grant (2000) developed this approach further in reviewing the development of accounting routines within four small businesses by taking a social construction perspective. Their study re-examined data previously analysed using a functional analysis (Perren et al., 1999) and thereby demonstrated that a social construction perspective has the potential to overcome the problems detailed above. Parry (2010) used a linguistic based social construction approach which demonstrated how this can provide a means of penetrating the often informal and idiosyncratic world of the small business owner-manager. As Perren and Grant (2000:392) explain, it is a perspective that ‘allow[s] the evolution of idiosyncratic management accounting, in the ‘micro-world’ of the owner-manager’s business, to be explored at the same time as considering the possible influence of macro-level objectified management accounting ideas’.

The social construction perspective also gives full recognition to the subjective processes which shape and control meaning and to the ways that the realities of business life are socially constructed. Such realities include issues of power relations within and outside the business, what constitutes appropriate business conduct and actions, what is deemed to be ethical, what is important and what is not important. These are exactly the type of issues which need to be better understood if appropriate support is to be provided to lifestyle micro-firms.

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