Introduction

SMALL BUSINESS DEFINED

It is difficult to determine a generally accepted definition of a small business. A consensus does not exist about a definition even when a specific statistic is considered (Curran & Blackburn, 2001). Some definitions which have been considered include market share; whether the entity is owner-managed; and if it is not part of a larger corporation. These terms are relatively vague and subject to interpretation; and, therefore, have resulted in limited use. Another consideration relates to employing some internal financial aspect directly related to the entity, such as annual sales or revenue, or total assets. However, statistics related to these terms are difficult or impossible to obtain. Most small businesses are privately held entities and are not required to publically report such statistics. Also, small business owners may consider this data more of a personal nature and are reluctant to divulge it. Further, they may be concerned that the data could become available to competitors. It is also recognized that those individuals who manage small businesses tend not to use these statistics even when the numbers are readily available (Halabi et al, 2010). Their decision making process tends to be ad hoc and based more on intuition.

The statistic that tends to be used to identify a small business is number of employees (Longnecker et al, 1997). The reporting of this number is a requirement of government income tax agencies in most countries and is easily determined within the small business payroll system.

While the use of the number of employees is the most prevalent statistic to define a small business there are concerns about some of its inherent characteristics. For instance, what may be considered small in one particular industry, may be regarded as large in another industry. Further, it may be difficult to determine how to count the actual number of employees if the small business retains a number of part-time or casual staff members who only work a certain number of hours less than the normal work period.

When reporting national employment statistics governments have developed categories of business size based upon number of employees. In Canada the number is 100 employees for goods producing firms and 50 employees for service firms (Industry Canada, 2010). In the United States a small independent business is defined
as having fewer than 500 employees (Michma & Bednarz, 2006). The most specific
definition of small business is provided by the European Parliament (2002). They
define micro businesses as having 0 – 10 employees. Small businesses include up
to 50 employees, and medium sized businesses have up to 250 employees.

Researchers encounter similar difficulties in defining small business. Burgess
(2003) surveyed a number of researchers to determine if they could agree on a defi-
nition for small business. Many responded that a common definition would be very
helpful not only for conducting their own research but also to facilitate comparisons
across investigations and between nations. Unfortunately, there was no consensus
forthcoming regarding a common definition.

Currently, the most prevalent general approach to responding to this research
problem is for the investigator, at the beginning of the research project, to develop
a specific definition of what will be considered small within the investigation. Alternatively, some researchers will initially gather data from the small businesses
willing to respond to their enquiry and then categorize the firms having adopted
one of the definitions outlined above.

**IMPORTANCE OF SMALL BUSINESS**

In many countries the small business sector is recognized as an important segment
of the economy (Curran & Blackburn, 2001). Governments recognize the important
contribution that small business makes to their country’s economic growth (Balder-
son, 2000). Further, as technology becomes more affordable and thus pervasive,
the adoption of business oriented information systems will provide the necessary
support for all aspects of small business operations (Pugsley et al, 2000).

Statistics supporting the importance of small business to a nation’s economy are
similar. Small business contributes a significant portion of the national Gross Do-
mestic Product (GDP) of many economies. For instance, in Canada small business
contributes 29% (Industry Canada, 2010) toward GDP and in the United States the
contribution is 30% (Astrachan & Shanker, 2003). Further, small business employs
a large percentage of the total workforce as shown in Table 1.

**CHARACTERISTICS OF SMALL BUSINESS**

Small businesses are unique. They are different than other businesses. Even within
the small business sector they can be different from one another.

A small business is not the same as a large corporation. Small businesses are
inflicted with resource poverty (Thong et al, 1994). This term involves having to
deal with limited resources related to time, finances, and skills. Within this context, managers of small businesses tend to avoid taking a strategic perspective (Stevenson, 1999). Instead, they focus on resolving immediate issues making a minimum allocation of scarce resources.

Because of their size, small businesses may be significantly impacted by events in the environment. These events include actions by competitors, reactions by customers, response by suppliers, and general activity in the economy, such as a downturn in activity.

Within the small business sector, the entities’ characteristics vary. The small business could be in service or manufacturing; retail or commercial; or independent or franchise. A further factor for variability is whether the small business is in its first generation or has existed for quite some time and is in a multi-generation situation.

ENTREPRENEURS

An entrepreneur requires many skills. But, an entrepreneurial perspective is more about a state of mind. That is, an entrepreneur will be more willing to take a risk than a small business manager. Further, an entrepreneur will tend to be more innovative in continually seeking out new opportunities. Eventually, however, the entrepreneur will move on to a new initiative; or to adopt the perspective of a small business manager. This chapter presents the evolving role of the entrepreneur’s involvement in small business.

Beaver and Jennings (2005) provide a differentiation between entrepreneurs and owner-managers. An owner-manager is involved with a small business in order to pursue personal goals. An entrepreneur takes an innovative approach to creating profits and growing the small business.

INFORMATION SYSTEMS

An information system translates data into information to support business decision making. Data, raw unorganized facts, are gathered relative to a business event. The resulting information, which has meaning in the hands of a user, must be complete and accurate in order to support timely decision making. The acquisition of an information system by a small business will be a relatively costly endeavor. The small business manager will tend to rely upon an internal individual or external organization for advice when acquiring and information system. Further, the information system will be employed to improve the efficiency of daily operations of a small business.
SMALL BUSINESS AND INFORMATION SYSTEMS

Above, it was shown that small business is different than large corporations. Further, small business uses information systems in a different manner than large corporations. Small business has unique issues relating to availability of time, financial resources, and skills (Belich & Dubinsky, 1999; and Pollard & Hayne, 1998). Also, Taylor (1999) determined that small business managers had difficulty matching system capability to functional requirements. While this mismatch is prevalent in many businesses (Ewusi-Mensah, 1997; and Laudon & Laudon, 1998), the relative impact on small business can be significant especially with regards to the effect on available financial resources.

Further, small business tends to focus on using information systems to support daily operations (Bridge & Peel, 1999; and Hunter et al., 2002). There is not much evidence that small business uses information systems to respond to the competitive nature of their environment (Dandridge & Levenburg, 2000).

Hunter et al. (2002) determined that the adoption of information systems increased small business dependency on either an internal or external entity. The internal entity may be a resident champion of the information system. However, because of the highly technical skills required and relatively limited need, the internal champion tended to perform the necessary tasks more in an ancillary role. The concern then is that information system may not be recognized for its potential contribution to the operations of the small business. The external entity as determined by Hunter et al. (2002) could be a supplier or consultant. Also, the external entity could be a competitor or customer whose advice may influence the small business manager. While dependency, whether internal or external, does allow the small business manager to focus upon the particular niche of the business, it remains incumbent upon the small business manager to ensure adequate knowledge of information systems and how it may be productively applied for the benefit of the business.

REFERENCES


**ADDITIONAL READING**


KEY TERMS AND DEFINITIONS

**Entrepreneur:** A business person who is innovative and willing to accept relatively high risk regarding business ventures.

**Information System:** A process to translate data into information to support decision making.

**Small Business:** Usually based upon the number of employees. But this will vary by country and even business sector.