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## Editorial

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**Biographical notes:** Brian Gibson is a Professor of Accounting at The University of New England in Armidale, NSW, Australia. His major research interests are in entrepreneurship and small firm financial management. He has contributed to two books on small firm finance related issues and has published in the *Journal of Small Business Management*, *Small Business Economics*, *Small Enterprise Research*, *The Journal of Small Business Finance*, *Contemporary Accounting Research* and *Accounting and Business Research* as well as having an extensive conference and other publications list. He is a Past President and Wilford White Fellow of the International Council for Small Business.

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Accounting and finance are integral activities in all firms. In small to medium sized enterprises (SMEs), they represent a unique challenge because of differing organisational contexts and differing owner objectives (as discussed, for example, by Cosh and Hughes, 1994). They also represent a unique research opportunity because they are sufficiently diverse to enable confirmation of size effects related to accounting and finance (see, for example, Cassar and Gibson, 2008). In such contexts, accounting and finance in the SME sector are not, never have been, and never will be, able to be defined and understood exclusively in terms of our understandings of what makes large firms work. Unique organisational contexts, differing owner objectives and diversity of practice continue to give rise to a growing body of literature that both challenges and informs mainstream understandings of accounting and finance activities.

In this special issue, authors were invited to share their interpretation of these diverse circumstances through contributions based on empirical data or by taking a more conceptual and theoretical perspective. The final selection sees six papers across a broad spectrum of issues all of which, in their own unique way, contribute to that growing body of literature that enhances our understanding of the importance and uniqueness of accounting and finance in SMEs.

Two of the papers have an accounting focus, more specifically in the management accounting domain. The paper by Nilson provides a strong conceptual argument that positions management control in SMEs from the perspective of a dynamic conception of balance. In a rigorous theoretical framework, a synthesis is explored for contemporary balanced approaches to management control such as the balanced scorecard, the levers of control framework and the performance management framework. At the other end of the spectrum, Chand and Dahiya provide an empirical analysis of the management accounting techniques relied on by SMEs in the hospitality sector in India. Their results confirm the diversity hinted at in the opening paragraph above and also highlight the influence of costs and unique firm demographics on management accounting technique utilisation.

The remaining four papers are concerned with finance. Hall provides a macroeconomic evaluation of the declining shift in bank debt funding to SMEs across APEC economies and suggests the problems banks have in accounting for intangibles and hence assessing collateral under Basle II requirements may be a contributing factor. On the other hand Rowe, Christie and Hoy look more closely at the bank client relationship in respect of micro finance (size of loan) lenders and the importance of vision sharing and cooperation to maximise the explication of tacit knowledge. Continuing the bank (or debt) theme, Benkraiem and Gurău conduct empirical analysis that takes a new look at theories of financial structure in SMEs in France. Their focus is on the integration of debt and equity and verifies several predictions of trade-off and pecking order theories identified in similar studies in other countries. Finally, Seet and Graves present exploratory research results that concentrate on the equity aspect of finance by identifying challenges faced by family owned SMEs in engaging with the private equity sector in Australia.

This small collection of papers are examples of conceptual theory building and applied research relying on both qualitative case analysis and a number of differing quantitative analysis approaches. Regions used for empirical analysis include Australia, the Asia Pacific, India, North America and France with authors from those regions as well as Sweden. I commend to you this eclectic coverage of issues associated with accounting and finance in SMEs.

## **References**

- Cosh, A.D. and Hughes, A. (1994) 'Size, financial structure and profitability', in Hughes, A. and Storey, D.J. (Eds.): *Finance and the Small Firm*, Routledge, London.
- Cassar, G. and Gibson, B. (2008) 'Budgets, internal reports and manager forecast accuracy', *Contemporary Accounting Research*, Vol. 25, No. 3, pp.707–737.