

Winners and Losers in SMEs: A Conceptual Comparative Analysis Across Regions

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Abstract— *SMEs are central to employment and productivity, yet they exhibit highly uneven performance trajectories. This paper proposes a comparative conceptual framework, grounded in a configurational perspective, that interprets success and lagging performance as coherent (or misaligned) combinations of internal factors—leadership, adaptation, innovation, learning, and financial sustainability—and external factors—institutions, financing, competition, technological environment, and macroeconomic conditions—based on academic and institutional evidence. The comparison across developed economies, Latin America, and emerging Asia reveals distinct regional configurations and supports a four-archetype typology: systemic champions, resilient strugglers, local comfort, and chronic laggards.*

Keywords— *SMEs; firm performance; configurational approach; internal and external factors; regional comparison*

I. INTRODUCTION

Small and medium-sized enterprises (SMEs) constitute the majority of productive units worldwide and play a key role in employment generation and economic development [1]. However, they exhibit high mortality rates: only a proportion of new ventures manage to consolidate in the long term, while a considerable number fail in their early years, with closure rates reaching up to 50% within the first five years [2]. This situation raises a central question: what distinguishes *winning* SMEs, which grow and consolidate, from *losing* ones that remain lagging or exit the market? The importance of this issue lies in the fact that successful SMEs drive innovation, competitiveness, and employment, whereas business failure generates significant economic and social costs [3].

Despite its relevance, a conceptual gap persists in the literature. Most studies have examined performance factors in isolation or within specific contexts, with linear models focused primarily on failure or survival predominating [4–5]. This approach is insufficient to explain sustained success and to understand why similar firms achieve different outcomes under comparable conditions.

In response, this study develops a comparative conceptual framework of SME performance, emphasizing the interaction between internal and external factors. From a configurational and systemic perspective, business success or failure is interpreted as the result of specific interaction patterns between organizational capabilities and environmental conditions, rather than isolated causes. The objective is to construct a theoretical model explaining why some SMEs consolidate (*winners*) while others stagnate or exit the market (*losers*), comparing these configurations across developed economies, Latin America, and emerging Asia. The study contributes an integrative perspective that complements existing literature and provides a conceptual basis for future research and public policy analysis, grounding all claims in academic and institutional evidence. Unlike approaches that examine isolated determinants of SME performance, this study contributes a comparative configurational framework that explains business trajectories through the interaction between internal capabilities and external environmental conditions across different regional contexts.

II. METHODOLOGY

The study adopts a comparative conceptual–analytical approach grounded in a documentary review of academic literature and institutional reports. A narrative review of secondary sources was conducted—primarily articles indexed in international journals (Elsevier, Springer, Emerald, Wiley, SAGE) and publications from organizations such as OECD, the World Bank, ECLAC, and ADB—with the aim of identifying factors associated with SME performance. Consistent with its non-empirical nature, the study does not incorporate primary data collection (surveys, interviews) or original statistical estimations; instead, it synthesizes existing evidence to construct an integrative conceptual framework. The review followed a configurational logic, prioritizing studies that simultaneously examine internal capabilities and external conditions, as well as their interactions.

Recent sources (2010–2025) were included, complemented by classic works when their theoretical contribution proved indispensable and was supported by subsequent evidence. To ensure rigor, systematic reviews, meta-analyses, and multi-country comparative studies (e.g., [6–8]) were prioritized, excluding non-peer-reviewed or low-reliability sources. The analysis delimited the notion of SME considering regional variations and organized the evidence into two blocks—internal and external factors—to subsequently compare configurations across developed economies, Latin America, and emerging Asia. The scope is theoretical and exploratory: no generalizable causal relationships or quantitative predictions are sought. Among the limitations, the study acknowledges reliance on prior findings and the global heterogeneity of the SME universe; nevertheless, the configurational approach enables the integration of diverse evidence within a coherent comparative structure.

Accordingly, the study should be understood as a conceptual and exploratory first phase intended to support future empirical validation, comparative case analysis, and configurational research on SME performance.

III. CONTEXTUALIZATION AND CONCEPTUALIZATION OF SMES ACROSS ENVIRONMENTS

Before examining performance factors, it is necessary to delimit the concept of SME and recognize its heterogeneity across regions and productive environments. In general terms, an SME is defined by its size—measured by employment, sales, or assets—positioned between the microenterprise and the large firm. However, no universal definition exists; quantitative thresholds vary across countries and institutions [9]. In the European Union, SMEs are defined as firms with fewer than 250 employees, with subcategories micro (<10), small (<50), and medium (<250), alongside financial limits [10]. In the United States, the category *small business* may include firms with up to 500 employees depending on the sector [11]. In Latin America, definitions combine employment and sales, and medium-sized firms rarely exceed

200 employees [9], while in emerging Asia thresholds range between 100 and 300 employees depending on the country [12]. These differences reflect distinct productive structures and regulatory frameworks.

Variations in definition carry analytical implications, as they delimit non-equivalent business universes. Including firms with up to 500 employees implies considering organizations with organizational and technological capacities exceeding many medium-sized firms in developing economies. In Latin America, where approximately 91% of firms are microenterprises with fewer than ten employees [13], the medium-sized firm represents units significantly smaller in economic scale than their counterparts in advanced economies. Moreover, in developing environments SMEs more frequently operate under conditions of informality and low productivity, contrasting with the innovative and export-oriented profile common in many developed countries [14]. Table 1 summarizes these structural differences across regions.

Across all regions, SMEs dominate the business landscape, although their economic contribution varies. In the European Union they generate roughly half of value added and employ about two-thirds of the private labor force [11,15]. In Latin America they account for more than half of employment but contribute around one-quarter of GDP, reflecting persistent productivity gaps [13,16]. In emerging Asia, the contribution is intermediate and heterogeneous, ranging between 30% and 50% of GDP across several countries [12,17]. These differences indicate that growth trajectories depend strongly on institutional and productive environments.

Sectoral structures also shape performance. In Europe and North America, many SMEs participate in global value chains, advanced services, or innovative niches; in Latin America, low-technology activities in commerce and traditional services predominate, with limited international integration [18]. In emerging Asia, dynamic export-oriented segments coexist with large informal sectors. Consequently, the determinants of performance tend to vary by environment: in advanced economies innovation and digitalization weigh more heavily, whereas in Latin America constraints related to financing, informality, and institutional quality play a more prominent role [16].

For the purposes of this comparative analysis, an SME is understood as any independent small or medium-sized firm according to the prevailing thresholds in its context. The key point is that each environment configures distinct opportunities and constraints for consolidation; this premise guides the examination of internal and external factors developed in the following section.

IV. INTERNAL FACTORS OF SME PERFORMANCE

Internal factors refer to resources, capabilities, and decisions under the firm's control. The literature indicates that a significant share of weak performance or SME closure is associated with deficiencies in management, organizational capabilities, and financial sustainability [19], while business failure is also shaped by firm- and entrepreneur-specific factors interacting with the institutional and structural environment [20]. Based on comparative evidence, five subfactors consistently emerge as differentiators between *winning* and *lagging* SMEs: (i) strategic leadership and

decision-making, (ii) organizational adaptation, (iii) innovation and transformation, (iv) organizational learning and knowledge management, and (v) financial sustainability. These elements operate interdependently; therefore, their effects are better understood as internal configurations rather than isolated variables.

A. Strategic Leadership and Decision-Making

In SMEs, the concentration of strategic decisions in the owner/manager tends to amplify the role of leadership in shaping business direction, as other functions (e.g., marketing) may be marginalized in the decision process [21]. Evidence links superior performance to proactive managerial postures [22] and to strategic orientation guiding direction and decision-making processes within the SME [23], as well as to an entrepreneurial orientation in which proactiveness contributes directly to performance, while risk-taking and innovation may contribute through competitive strategies such as cost leadership [22]. Empirical research shows positive associations between planning and strategic orientation with organizational performance, and between entrepreneurial orientation and growth or profitability, although these effects depend on the competitive context and tend to strengthen in environments where differentiation and internal capabilities generate sustained advantages [24]. Similarly, recent SME studies indicate that various strategic and entrepreneurial orientations—particularly those related to entrepreneurial marketing, organizational values, and resource exploitation—are associated with improved business outcomes, albeit with contingent effects depending on the environment and the firm's internal configuration [25]. In contrast, lagging SMEs often display organizational patterns characterized by difficulties aligning resources and activities with changing environments, limited adaptive strategic capacity, and constraints in management processes and resources, thereby restricting organizational effectiveness and performance [26]. Firms that ultimately fail frequently exhibit early underestimation of strategic and financial planning, increasing exposure to economic deterioration and organizational failure [27].

TABLE I
DEFINITION AND COMPARATIVE CHARACTERISTICS OF SMEs BY REGION

Region/ Country	Common SME Definition Criterion	% of Firms and Employment in SMEs	Contribution to GDP / Value Added
Europe (EU)	Micro <10; Small <50; Medium <250 employees, with financial limits.	~99.8% of firms; ~66–70% of private employment.	~50–58% of GDP.
United States	<i>Small business</i> generally ≤500 employees according to SBA (varies by sector).	~99% of firms; ~50% of private employment.	~45% of GDP (approx.).
Latin America	Heterogeneous definitions. Micro ≤10; Small ~11–50; Medium ~51–200 (approx.).	>99% of firms; >50% of total employment (high weight of microenterprises).	~25–30% of regional GDP.
Emerging Asia	Variable definitions. E.g., Malaysia ≤200; Vietnam ≤300; combined criteria.	~97–99% of firms; 70–90% of employment in several countries.	~30–53% of GDP depending on country.

Note: Authors' elaboration based on reviewed literature.

B. Organizational Adaptation

Adaptation—adjusting processes, offerings, or business models in response to technological, demand, or regulatory changes—is commonly conceptualized as a dynamic capability enabling organizations to detect environmental signals and reconfigure resources and competencies in a timely manner to sustain competitiveness [28]. Evidence indicates that resilient SMEs tend to display agile structures, workforce polyvalence, and internal mechanisms facilitating rapid change [29–30]. The pandemic highlighted these differences: some surviving SMEs reoriented channels (online sales), practices (remote work), or offerings, while others remained inert and failed to sustain operations [31]. Among *lagging* SMEs, patterns of organizational inertia emerge when firms fail to adjust structures, strategies, and processes in response to environmental change, limiting adaptive capacity and long-term performance [32].

C. Innovation and Transformation

Accumulated evidence suggests that innovation in SMEs maintains a positive association with performance, although its magnitude depends on contingencies such as the type of innovation and the organizational and cultural context [7]. In established SMEs, innovation may also take the form of business model innovation, activated through configurations of capabilities and managerial approaches oriented toward the long term [33]. In performance terms, innovation may be reflected in productivity gains, albeit with potential short-term costs in operational efficiency metrics, requiring the effect to be interpreted as multidimensional rather than linear [34]. Moreover, a positive relationship between innovation and performance has been reported, with stronger relevance in competitive environments [7].

Over the past decade, SME innovation has increasingly manifested as digital transformation—e-commerce, digital marketing, analytics, and small-scale automation—with effects on productivity and market reach [35]. By contrast, the failure of open innovation practices in SMEs is primarily linked to resource constraints and weaknesses in management processes, limiting adaptive capacity and reducing responsiveness to changing customer preferences or the emergence of more dynamic competitors [36]. In disruptive contexts, the inability to transform increases the probability of market exit [18,35].

D. Organizational Learning and Knowledge

Performance also depends on the ability to learn, share, and apply internal and external knowledge, as knowledge-based organizational capabilities strengthen intellectual capital and, through it, influence organizational outcomes, while knowledge exchange and transfer within the firm foster mutual learning and innovative performance [37–38]. In SMEs, learning orientation is associated with innovation and results, mediated by improved use of environmental knowledge and its translation into operational improvements [39–40]. Absorptive capacity—the ability to recognize, assimilate, and exploit external knowledge—is particularly relevant for adopting advanced technologies and practices, as it enables firms to identify and acquire external knowledge necessary for digital innovation processes and their integration within the organization [41], as well as to mobilize such knowledge through organizational learning mechanisms that facilitate effective application in innovation and performance [42].

Additionally, participation in networks (clusters, associations, university linkages) facilitates learning and collaborative innovation [43]. Among *lagging* SMEs, training deficits, dependence on key individuals, repeated errors, and limited attention to external signals prevail, leading to rigid routines and poorly informed decisions [4,44].

E. Financial Sustainability and Economic Management

Financial sustainability (liquidity, working capital, cost control, debt structure, and accounting records) is a recurrent predictor of survival. Consolidated SMEs tend to operate with cash discipline, proper accounting records, and financing decisions aligned with repayment capacity [45]. Empirical evidence has identified associations between performance and more balanced capital structures (including participation of external capital), as well as negative effects of excessive leverage [46]. Productivity and cost control are also linked to survival and growth [47]. Among *lagging* SMEs, insufficient capital and cash flow problems consistently emerge as causes of closure, aggravated by undercapitalization, disorderly expansion, inappropriate debt, and the absence of decision-useful accounting [44,48]. It has been noted that many SMEs fail due to liquidity constraints before consolidating operational stability, even when business demand was viable [49].

TABLE 2
INTERNAL FACTORS: COMPARISON OF CHARACTERISTICS IN WINNING VS. LAGGING SMEs

Factor	Winning SMEs	Lagging SMEs
Strategic leadership	Proactive direction, planning, and entrepreneurial orientation; agile and informed decisions.	Reactive management, lack of planning, erratic decisions.
Organizational adaptation	Flexible structure, timely reconfiguration, and resilience.	Rigidity, organizational inertia, and slow response.
Innovation and transformation	Continuous innovation, technological adoption, and differentiation.	Low innovation, technological lag, and inflexible model.
Organizational learning	Learning culture, knowledge absorption, and continuous improvement.	Weak learning, repeated errors, and unshared knowledge.
Financial sustainability	Sound finances, cash control, and prudent leverage.	Liquidity problems, decapitalization, and deficient management.

Note: Authors' elaboration based on reviewed literature.

As shown in Table 2, consolidated SMEs display a differentiated internal profile: visionary leadership, adaptive capacity, innovative orientation, organizational learning, and financial discipline. These factors interact systemically—for instance, strategic leadership fosters innovation and learning, while a solid financial position enables investment and transformation—creating favorable conditions for growth. In contrast, failing SMEs tend to accumulate weaknesses across multiple fronts, remaining vulnerable even when only one dimension fails critically—for example, poor financial management may compromise an innovative business, or rigid leadership may forgo market opportunities. Performance thus emerges from internal coherence among organizational capabilities rather than from isolated effects.

V. EXTERNAL FACTORS OF SME PERFORMANCE

Beyond their internal capabilities, SMEs operate within an institutional, economic, sectoral, and technological environment that may expand or constrain their opportunities.

From the institutional literature, firm performance is interpreted as the result of the interaction between firm capabilities and external *rules of the game* [50–51]. In comparative terms, five dimensions recur most frequently: (i) institutional and regulatory environment, (ii) access to finance, (iii) competition and sectoral structure, (iv) technological and digital environment, and (v) macroeconomic context.

A. Institutional and Regulatory Environment

The institutional environment encompasses the legal framework, regulation, government quality, and public policies that influence business creation, operation, and expansion. When rules are clear, stable, and proportionate to firm size, SMEs tend to operate formally and reallocate resources toward productivity and growth rather than compliance costs [50,52]. Cross-national evidence links higher institutional quality—rule of law, lower corruption, and regulatory stability—with greater SME dynamism, formal employment, and relative economic contribution [53–54]. In such environments, support instruments such as training, public procurement, or promotion agencies are typically leveraged more consistently by higher-performing firms [52].

Conversely, frameworks characterized by costly bureaucracy, legal uncertainty, or complex regulatory pressure tend to incentivize informality and limit scalability, a phenomenon widely documented in Latin America [16,55]. Corruption and regulatory uncertainty distort competition and reduce investment incentives, disproportionately affecting SMEs lacking influence capacity [56]. However, the effect is not purely contextual: the firm's ability to manage compliance and regulation also shapes outcomes, reinforcing the internal–external interaction.

B. Access to Finance

External financing (credit, guarantees, public programs, and investment) is among the most frequently cited determinants of SME development. *Winning* SMEs typically overcome financial constraints through timely access to capital—in terms of amount, maturity, and cost—or through strategies that reduce dependence on large-scale investment without renouncing growth. The literature shows that access to credit is positively associated with sales growth and employment expansion in small firms [57], and that access to diverse financing mechanisms—grants, venture capital, angel investors, or crowdfunding—is linked to consolidation trajectories characterized by progress in development stages, revenue growth, and subsequent employment expansion, especially among innovative SMEs in *Widening* countries [58]. In advanced economies, a broader diversification of instruments (banking, leasing, venture capital, and tailored mechanisms) expands financing options for SMEs with viable projects [59]. In emerging economies, by contrast, *take-off* often depends on special programs—guarantee schemes, public banking, or microfinance—and on informal networks that compensate for banking system failures [16].

Within the *lagging* group, lack of financing is associated with undercapitalization, early mortality, and stagnation: collateral barriers, high interest rates, banking exclusion, and costly procedures restrict investment in technology, talent, and inventory, increasing vulnerability to shocks [45,60]. Regional evidence from Latin America reports credit underprovision to SMEs despite their numerical weight, reproducing low

productivity and informality [16]. During crises, the differential becomes more visible: firms without financial backing or liquidity access tend to close earlier [13]. This pattern connects with internal financial management: part of the constraint is external, but informality, low accounting traceability, or insufficiently *bankable* projects also play a role, reinforcing the configurational logic.

C. Competition and Sectorial Structure

Sectoral structure and competitive intensity shape margins, differentiation opportunities, and survival probabilities. *Winning* SMEs tend to position themselves in defensible competitive spaces—niches, specialization, customization, or flexibility—avoiding exclusive price competition in homogeneous markets, a strategy associated with better outcomes and greater competitive sustainability [8]. They may also consolidate as specialized suppliers within value chains when they maintain standards of quality, cost, and compliance, strengthening their positioning and resilience [14]. A relevant external mechanism is productive agglomeration: participation in clusters or business networks facilitates external economies, knowledge diffusion, and market access, and is linked to improvements in productivity, innovation, and firm survival [43,48].

Lagging SMEs, by contrast, often operate in saturated markets with thin margins, dominance of large players, scale and capital barriers, or the presence of informal competition. Recent evidence shows that informality may function as unfair competition by evading fiscal and regulatory obligations, generating cost advantages that distort competition, compress prices, and weaken the viability of formal firms [61–62]. In sectors with pronounced economies of scale or high concentration, the absence of differentiation tends to relegate SMEs to residual segments, increasing their probability of exit [63]. Likewise, intense rivalry in weakly differentiated markets is associated with higher firm mortality, where only a more efficient subset manages to survive [64].

D. Technological and Digital Environment

The technological environment includes infrastructure (connectivity, digital payments, platforms) and the ecosystem available for SMEs to adopt digital tools. *Winning* SMEs tend to turn the digital environment into a competitiveness lever: cost reduction, market expansion, productivity and coordination gains, particularly through accessible platforms and technologies [35,65]. Digitalization can partially offset scale disadvantages through digital marketing, e-commerce, cloud software, and light automation [35].

Lagging firms often fall behind due to the digital divide and/or deficient infrastructure. The OECD reports that SMEs adopt fewer advanced technologies than large firms, and this gap translates into disadvantages in efficiency and market reach [35]. The pandemic amplified the effect: firms lacking the capacity to digitalize sales and operations suffered severe losses and closures [31]. In productive sectors, technological lag operates through productivity: without process modernization and efficiency gains, total factor productivity (TFP) does not improve and competitiveness deteriorates [66]. In environments with limited connectivity—common in rural areas or less developed countries—the barrier is structural: even SMEs willing to innovate face external constraints.

E. Macroeconomic Context

The macroeconomic framework (business cycle, inflation, exchange rate, interest rates, aggregate demand) affects SMEs particularly strongly due to their lower diversification and limited financial *buffer* [52]. Relatively stable environments tend to increase survival rates and facilitate planning and investment, whereas inflation and macroeconomic volatility raise uncertainty and pressure working capital [67]. Some *winning* SMEs develop resilience strategies—reserve accumulation, market diversification, and operational adjustments—that mitigate their exposure to economic cycles [59].

At the *lagging* pole, recessions and macroeconomic shocks increase firm closures due to falling demand and tighter credit conditions, with disproportionately stronger effects on small firms [68]. High inflation tends to tighten monetary policy and financial conditions, restricting credit and increasing financial stress [69]. Exchange-rate volatility particularly affects importing or exporting SMEs without hedging mechanisms. Macroeconomic stability thus operates as an enabling condition: it does not determine success, but it reduces the likelihood of collapse due to exogenous factors. As shown in *Table 3*, external conditions may either stimulate or constrain SME performance and rarely operate in isolation, as they tend to appear in interrelated configurations. Favorable institutional environments often coexist with better access to finance and macroeconomic stability, whereas weak institutional contexts tend to be associated with economic instability, less inclusive credit markets, and technological lag. Consequently, SMEs in developed economies face, on average, a more favorable set of external conditions, while those in emerging economies operate under simultaneous constraints. Even so, divergent trajectories are observed in both contexts: some SMEs consolidate under adverse environments, whereas others fail under apparently favorable conditions, reinforcing the configurational nature of firm performance.

VI. REGIONAL COMPARISON: DEVELOPED ECONOMIES, LATIN AMERICA, AND EMERGING ASIA

Once internal and external factors have been delineated, it becomes pertinent to observe how they combine—and with what intensity—across three regional environments: (1) developed economies (Western Europe and the United States as benchmarks), (2) Latin America (middle-income economies with high productive heterogeneity), and (3) emerging Asia (East, Southeast, and South Asia with diverse trajectories of industrialization and digitalization). This comparison shows that the same internal capability does not generate equivalent outcomes when the external set of institutions, finance, competition, technology, and macroeconomic stability varies.

A. Developed Economies

In Europe and North America, SMEs generally operate within solid institutional frameworks, extended technological infrastructure, and relatively predictable markets, reflected in a significant contribution to employment and value added [11]. In this context, *winning* SMEs tend to sustain their advantage through specialization, quality, and niche-oriented innovation rather than cost competition. Recent evidence on highly specialized medium-sized firms shows that these organizations maintain leadership in micro-segments through continuous investment in technological capabilities, incremental innovation, and selective internationalization [70]. This performance is associated with the alignment between robust internal capabilities and external environments providing

finance, innovation networks, and industrial clusters that facilitate productivity and market access [71–72].

TABLE 3
EXTERNAL FACTORS: COMPARATIVE CONDITIONS FOR WINNING VS. LAGGING SMEs

External Factor	Typical context of Winning SMEs	Typical context of Lagging SMEs
Institutional / regulatory environment	Functional institutional framework: relative ease of formal operation, size-proportionate regulation, legal stability. Effective existence and use of support policies (training, advisory, public procurement). Low corruption and manageable bureaucracy, enabling focus on growth.	Restrictive or unstable institutional framework: complex procedures, heavy regulatory burden, frequent rule changes. Corruption and informality distorting markets. Limited or ineffective public support, increasing formalization costs and constraining expansion.
Access to finance	Credit and capital available at reasonable cost; access to formal instruments (banking, public programs, investors, seed capital). Balanced financial structure combining internal and external funds, enabling investment and scaling.	Severe financial constraints: limited access to formal credit, high costs, or lack of collateral. Dependence on own resources or costly informal finance. Structurally limited liquidity restricting investment, growth, and shock absorption.
Competition and sectoral structure	Markets with differentiation opportunities or specialized niches; manageable competition. Integration into networks or clusters generating collaborative advantages. Ability to sustain profitable share without direct competition with large firms.	Saturated or large-player-dominated environments; price-based competition with thin margins. Presence of informality or unfair competition. Lack of sectoral networks increasing vulnerability and eroding economic viability.
Technological / digital environment	Access to technological infrastructure and connectivity; adoption of digital tools (e-commerce, management software, digital marketing). Technical-support and training ecosystem enabling technology leverage for productivity and market reach.	Technological lag or digital divide: limited infrastructure, low digitalization, scarce technical support. Difficulties incorporating innovation, reducing productivity, competitiveness, and market access.
Macroeconomic context	Stable or expanding macroeconomic environment: growth, controlled inflation, credit access, and predictability. Conditions facilitating planning, investment, and sustained growth.	Volatile or contractionary macroeconomic environment: recessions, high inflation, credit restrictions, and uncertainty. Demand decline and rising costs undermining business sustainability.

Note: Authors' elaboration based on reviewed literature.

Lagging SMEs in developed economies are often concentrated in mature or weakly differentiated sectors—such as traditional retail, low-productivity local services, or low value-added manufacturing—where they face pressure from large chains, platforms, and international competition. In such contexts, a favorable institutional environment does not compensate for internal deficits in strategic adaptation—risk aversion, short-term orientation, knowledge limitations, and decision rigidity—which hinder organizational transformation

and increase exit probability [73]. Nevertheless, competitive dynamics in these economies tend to favor the entry of new SMEs in emerging sectors, sustaining continuous processes of business renewal.

B. Latin America

Latin America exhibits a segmented productive structure: a small group of highly productive large firms coexists with a broad base of micro and small enterprises oriented toward domestic markets, with persistent productivity gaps, informality, and limited technological incorporation [16]. Although SMEs account for a large share of employment, their contribution to GDP is comparatively lower, often interpreted as evidence of structural constraints to scaling [13].

Latin American *winning* SMEs more frequently appear as exceptional cases: firms that succeed in entering international markets, integrating into value chains, or capturing high-value niches despite institutional and financial constraints. Comparative evidence identifies successful trajectories associated with productive integration and participation in regional networks or clusters [74], accumulation of managerial human capital and strategic use of organizational knowledge [75], along with improvements in quality standards and selective use of public instruments. These SMEs tend to compensate for the environment through stronger internal capabilities—planning, quality, incremental innovation, and networks.

At the *lagging* pole, the dominant configuration corresponds to low-productivity microenterprises embedded in the informal economy, characterized by limited access to finance, weak technological accumulation, and high structural vulnerability. Evidence indicates that informal firms tend to remain small, with restricted credit and low growth, reducing aggregate economic potential and reinforcing cycles of informality. In contexts of macroeconomic instability or crisis—such as the pandemic—these units face greater fragility and closure risk. Consequently, business performance in developing economies depends not only on internal capabilities but also on the capacity to operate under more severe institutional, financial, and structural constraints than in advanced economies [76].

C. Emerging Asia

Emerging Asia displays marked heterogeneity: economies with institutional and technological capabilities near the frontier coexist with countries and territories where informality and low productivity prevail. In several cases in East and Southeast Asia, a stronger articulation of SMEs with industrialization processes, exports, and global value chains is observed, supported by active productive-linkage policies [77–78]. In these contexts, SME contribution to GDP is typically intermediate to high and their role in employment significant, though with wide cross-country variation [52,79].

Winning SMEs in emerging Asia tend to benefit from rapid-growth environments and productive learning mechanisms, including export subcontracting, technology transfer linked to foreign investment, manufacturing clusters, and, more recently, scaling processes associated with digital platforms and ecosystems of capital, talent, and infrastructure that foster productivity and business growth [77–78,80]. Comparative evidence in countries such as India also shows that microenterprises account for a very large share of employment within the MSME universe and face substantial productivity gaps, with pronounced sectoral and territorial differences [80].

Lagging Asian SMEs include a broad segment of traditional and informal microenterprises—particularly in

South Asia and rural areas—facing structural constraints similar to those observed in Latin America, including infrastructure gaps, financial limitations, and weak technological capabilities [81]. Even in more advanced Asian economies, pockets of lag persist—associated, for example, with succession problems, demographic aging, and low productivity in traditional SMEs—highlighting the heterogeneity of the external environment even within a single country [82].

As summarized in *Table 4*, this regional comparison highlights differentiated patterns of SME performance across developed economies, Latin America, and emerging Asia.

Comparative evidence suggests three patterns. In developed economies, the institutional, financial, and technological environment raises growth potential but also intensifies competitive selection: survival increasingly depends on innovation, differentiation, and organizational adaptability [83–84]. In Latin America, the coexistence of informality, technological gaps, and structural constraints limits scaling trajectories, leading higher-performing SMEs to concentrate in niches, value-chain integration, or selective internationalization [85–86]. In emerging Asia, the pattern is heterogeneous: dynamic SMEs emerge in economies with industrial integration and rapid digitalization, while segments of low productivity persist in contexts with high informality and uneven infrastructure [87–88]. Across all three regions, firm performance reflects the alignment between internal capabilities and environmental conditions rather than a universal trajectory of success [89].

The regional categories used in this study are analytical rather than homogeneous representations, particularly in Latin America and emerging Asia, where substantial institutional, productive, and technological heterogeneity exists across countries.

VII. INTEGRATED ANALYTICAL TYPOLOGY (INTERNAL + EXTERNAL FACTORS)

By integrating internal and external factors, a conceptual typology can be proposed to classify SMEs according to the combination of (a) internal robustness (high vs. low) and (b) environmental quality (favorable vs. adverse). The objective is not to establish linear causal predictions, but to clarify plausible performance configurations: why some SMEs consolidate while others remain stagnant or exit the market, in line with institutional and configurational approaches that interpret performance as the result of coherences—or misalignments—between capabilities and context [85–86]. Under a two-axis scheme—internal factors (strong/weak) and external environment (favorable/adverse)—four analytical archetypes emerge. The value of the typology is twofold: (1) it organizes the *winners vs. losers* comparison without reducing it to a single variable, and (2) it enables the interpretation of change trajectories (movements across quadrants) resulting from both internal improvements and environmental transformations (see *Table 5*).

TABLE 4
REGIONAL COMPARISON OF SME PERFORMANCE FACTORS

Aspect	Developed economies (Europe, U.S.)	Latin America	Emerging Asia
Institutional environment	Strong institutions, demanding but functional regulation, high legal stability. Robust support policies for production, innovation, and public procurement.	Institutions with structural weaknesses, bureaucracy, and inconsistent rule enforcement. Limited support and high informality linked to formalization costs.	Heterogeneous: advanced frameworks in leading economies, persistent bureaucracy in others. Active support policies with institutional obstacles in less developed contexts.
Access to finance	Developed and diversified financial systems; relatively broad credit and capital access, though microenterprises still face barriers. Moderate financial costs.	Limited and costly credit; concentrated financial systems. Dependence on own or informal financing; uneven financial inclusion.	Intermediate and heterogeneous; presence of development banks and microfinance. Fintech expansion gradually improves access, though constraints remain.
Innovation and technology	High technological level and digitalization; strong innovation ecosystems (R&D, universities, clusters). Competition based on differentiation and innovation.	Low average innovation; predominance of traditional activities and significant digital gap. Limited innovation ecosystem with isolated success cases.	Increasing technological adoption; dynamic innovation hubs in leading economies. Uneven digitalization with territorial and sectoral gaps.
Competition and markets	Mature and competitive markets; SMEs specialized in niches or integrated into global value chains. High export integration.	Uneven domestic markets; concentrated structures in key sectors. Price-based competition and limited international insertion.	Expanding markets with growing middle class; integration into global manufacturing chains. High competition in traditional sectors and presence of conglomerates.
Macroeconomy	High macroeconomic stability; low inflation and predictable growth. Favorable environment for long-term investment.	High macroeconomic volatility; inflation, devaluations, and recurring cycles affecting planning and investment.	Mixed: stability in some countries, volatility in others. More dynamic growth than other regions, relatively rapid post-crisis recovery.
Typical <i>winning</i> SMEs	Export-oriented medium firms, technological or highly specialized companies; global startups; professionalized family firms. Sustained innovation and international positioning.	Firms integrated into value chains or external markets; occasional technological startups; regionally scaling firms. Minority cases with above-average management.	Dynamic firms in export manufacturing, digital services, and fintech; some scale toward large corporations, sometimes supported by industrial policies.
Typical <i>lagging</i> SMEs	Traditional retail displaced by large chains; non-innovative manufacturers; family firms without succession. Lack of differentiation in competitive markets.	Subsistence microenterprises and persistent informality; businesses affected by macro volatility and technological lag. High structural vulnerability.	Low-productivity microenterprises; small industries displaced by large producers; rural firms disconnected from value chains with financial and infrastructural constraints.

Note: Authors' elaboration based on reviewed literature.

Dynamics Across Quadrants: Plausible Trajectories

The typology is not static. Mobility may occur through two main pathways:

- *Internal improvement (vertical movement)*: an SME may transition from *chronic laggard* to *resilient fighter* by professionalizing management, finance, learning, and innovation; or from *local comfort* to *systemic champion* if it transforms its capabilities before environmental protection fades.

- *Environmental change (horizontal movement)*: regulatory reforms, credit expansion, digital infrastructure, or greater macroeconomic stability may shift *resilient fighters* toward *systemic champions*; conversely, macroeconomic shocks or competitive disruptions may push *local comfort* toward *chronic laggard* when internal weaknesses become exposed.

TABLE 5
INTEGRATED TYPOLOGY OF SME PERFORMANCE (INTERNAL + EXTERNAL)

External Environmental / Internal Factors	Strong (leadership, adaptation, innovation, learning, finance)	Weak (management deficits, low innovation, financial fragility, etc.)
Favorable	<i>Systemic champions. Virtuous</i> configuration: solid internal capabilities aligned with relatively supportive institutions, finance, technology, and incentives. High potential for scaling (including internationalization) and accumulation of advantages. Example: well-managed technology SME in an ecosystem with clusters and support instruments; specialized manufacturer integrated into export value chains.	<i>Local comfort</i> . Survival and even rents derived from a benign context (stable demand, protected niches, contracts) despite internal weaknesses. High vulnerability to shocks or rising competition; performance tends to be moderate and environment-dependent.
Adverse	<i>Resilient fighters</i> . Robust internal capabilities that buffer institutional, financial, technological, or macroeconomic constraints. Often exceptional; progress through differentiation, networks, rapid learning, and financial discipline despite high transaction costs. Example: innovative SME growing in bureaucratic or volatile environments through quality, exports, or alliances.	<i>Chronic laggards. Trap</i> configuration: internal weaknesses combined with an adverse environment. Low probability of consolidation; stagnation, persistent informality, and high mortality under shocks predominate. Typical in saturated low-productivity markets with strong financial and regulatory barriers.

Conceptual note: Strong and favorable do not imply absence of problems, but rather the relative predominance of enabling conditions over constraints. The typology is analytical (not normative): it describes configurations without assuming a single path to success.

This framework helps explain why isolated interventions often yield limited effects: improving only the environment (e.g., through credit programs) does not necessarily transform SMEs with deep internal deficiencies; similarly, strong internal capabilities may erode if the environment imposes severe and persistent constraints. Recent evidence indicates that firm performance emerges from the interaction between productivity, market-selection mechanisms, and structural conditions rather than from isolated interventions. From this configurational perspective, different combinations of resources and context may lead to comparable outcomes, provided there is alignment between internal capabilities and environmental opportunities—or compensatory mechanisms [84,88].

From this standpoint, the typology functions as a bridge between the *winners vs. losers* comparison and the evidence of multiple performance configurations: some SMEs achieve superior outcomes through innovation and international orientation; others through specialization and service in dynamic local markets; and others through integration into value chains or territorial networks, without implying a single trajectory or dominant causality [8].

VIII. DISCUSSION AND CONCEPTUAL IMPLICATIONS

This conceptual-comparative analysis of *winners and losers* among SMEs offers several implications for the theoretical understanding of firm performance and for the design of strategies and policies. First, the findings reinforce the multidimensional and configurational nature of SME success: performance does not depend on a single factor, but on the coherent interaction between organizational elements and environmental conditions. This is consistent with recent reviews showing that critical success factors operate in combined configurations rather than in isolation [8]. From this perspective, the logic of contingency is reaffirmed, whereby the effectiveness of any given factor depends on its articulation with others. For instance, technological innovation tends to produce positive outcomes when combined with organizational capabilities, learning, and access to resources, whereas in the absence of these conditions its impact may be limited or unstable [70–71].

Second, the study highlights the relevance of regional and institutional context in theories of the small firm. Management approaches developed in advanced economies—such as those concerning leadership or strategic planning—do not always yield equivalent results in emerging environments unless adapted to their structural conditions. Contemporary entrepreneurship research converges on the view that firm performance is strongly conditioned by institutional, economic, and social context; therefore, conceptual models must incorporate variables such as institutional quality or macroeconomic stability to maintain analytical validity [90]. The comparison conducted indicates that the meaning of *business success* varies across regions: in European economies it may imply leadership in global niches, whereas in Latin

American contexts sustained formalization and operational continuity already represent significant achievements given structural constraints. Consequently, theories should not apply uniform performance thresholds without considering these contextual differences.

From a policy and practice perspective, the findings suggest the relevance of integrated approaches to SME development. Promoting high-performing firms requires coordinated interventions across multiple fronts. International experience indicates that the most effective policies combine environmental improvements—regulatory simplification, promotion of fair competition, and macroeconomic stability—with direct support for strengthening internal SME capabilities—incubation, managerial training, and technology co-financing [52]. Cases from emerging Asia, where industrial policies facilitated SME integration into global value chains alongside investments in infrastructure and education, illustrate the importance of such synergy. At the firm level, entrepreneurs must adopt an integrated strategic perspective: having a strong product (internal factor) is insufficient if regulatory compliance or market opportunities (external factors) are neglected, and vice versa. This conceptual framework can function as a diagnostic checklist for entrepreneurs and policymakers: *How does my SME perform in leadership, adaptation, innovation, learning, and finance?* and *What is the state of the environment in regulation, finance, competition, technology, and macroeconomics?* Identified weaknesses in this matrix should be addressed to move the firm toward a more robust configuration.

Moreover, the analysis leads to a more nuanced interpretation of the concept of *success* in SMEs. Success is not a binary state but a continuum relative to context. A firm may be considered successful if it consolidates within its specific conditions; for example, remaining operational and profitable for a decade in a recessionary environment represents significant performance, whereas in expansionary contexts the absence of growth may signal relative underperformance. This perspective opens avenues for future research, such as the development of composite indicators of relative performance that incorporate environmental conditions to enable more consistent cross-country and cross-sector comparisons [91], as well as configurational studies examining how different combinations of factors lead to distinct trajectories of consolidation or failure.

Future studies may operationalize the proposed framework through comparative indicators related to innovation, managerial capabilities, digital adoption, liquidity, institutional quality, access to finance, or technological infrastructure, facilitating empirical examination of the proposed typology across different environments.

The interaction between internal and external factors described in this study provides a comparative conceptual framework to understand why some SMEs consolidate while others remain lagging across different environments. The central implication is the need for integrated, context-sensitive approaches in the study of firm performance. No factor

operates in isolation, and linear explanations are insufficient when contingencies are ignored. For academic research, this implies designing studies capable of capturing such complexity—such as configurational approaches, multilevel analysis, or contextual comparisons—while for business practice and public policy it entails recognizing that strengthening the SME sector depends both on the development of internal capabilities and on the quality of the environment in which these firms operate.

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