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Walden University

College of Management and Technology

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Richard J. Basch

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Walden University
2017

Abstract

Capitalization Strategies for Small Business Sustainability

by

Richard J. Basch

MBA, California Coast University, 2002

BS, Santa Clara University, 1990

Doctoral Study Submitted in Partial Fulfillment

of the Requirements for the Degree of

Doctor of Business Administration

Walden University

December 2017

Abstract

Over the past 15 years, privately held small businesses generated nearly two-thirds of the net job growth in the United States, yet much of what scholars know regarding the capitalization challenges faced by small businesses is limited to data from large corporations. In 2013 alone, business bankruptcies numbered 33,212, and each year approximately 10% to 12% of U.S. small businesses close. Ineffective capitalization strategies coupled with a limited understanding of funding options frequently results in unsustainable business practices. In this multiple case study, the capital budgeting theory was utilized to explore the capitalization strategies small business owners in the greater Phoenix, Arizona metropolitan area employed to achieve sustainability beyond 5 years of business inception. Participants were purposefully selected based on their tenure in business, number of employees, and geographic location. Data were collected via in-person semistructured interviews with 4 small business owners, coupled with a review of financial archival documents. Data were analyzed using theme interpretation, data grouping, and word frequency tabulation. Three themes emerged: a preference for self-funded, personal capitalization; the leveraging of personal relationships as a primary educational strategy; and a general aversion to debt and high interest rates. Implementing sound capitalization strategies contributes to social change by improving the likelihood of long-term sustainability. Sustainable small businesses increase employment opportunities, wage growth, and community-based services while enhancing the overall quality of life for local families and the community.

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Dedication

This study is dedicated to all of the small business owners around the world who work tirelessly, day-in and day-out, to put food on the table and provide a better life for themselves and their families. In addition, I would like to thank my mother, Natalicia, and my children, Nicholas and Samantha for their endless, unwavering love and support. Through good times and bad, my family has always stood by my side and cheered me on. And finally, I owe a tremendous debt of gratitude to my late father, Professor Paul F. Basch, Ph.D., who served on the Stanford University faculty from 1970 until his retirement in 1997. I am humbled and honored to carry on the Dr. Basch legacy.

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First and foremost, I would like to acknowledge the efforts of Dr. Jamie Patterson, my Chairperson, in helping me to achieve my lifelong dream of completing my doctorate. Her kindness, empathy, and genuine interest in her students' wellbeing is boundless, and I could not have asked for a better coach, mentor, and cheerleader. I would also like to thank my Second Committee Member (SCM), Dr. Annie Brown, for her timely review of my numerous revisions and her warm encouragement and feedback during my oral defenses. Finally, I owe a significant debt of gratitude to Dr. Freda Turner, whose spirit and energy served as a beacon of light during rough seas.

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Section 1: Foundation of the Study

According to the Internal Revenue Service (IRS), as of 2006, there were over 30 million small businesses in the United States (Cole, 2013). Although privately held small businesses produced more than 50% of the nonfarm private gross domestic product (GDP) and generated nearly two-thirds of the net job growth over the past 15 years, much of what scholars know about small business capitalization challenges is limited to data from large corporations such as banks and lending institutions (Cole, 2013). While some small businesses experience capital-related constraints in the form of overdependence on bank loans, credit constraints, or the inability to monetize equity, other small businesses fare better (Cheng, Ioannou, & Serafeim, 2014). The purpose of this qualitative multiple case study was to explore the capitalization strategies used by small business owners in the greater Phoenix, Arizona metropolitan area to achieve financial sustainability. Using a qualitative, descriptive multiple case study design, I studied small business owners' experiences from a holistic perspective. Ultimately, a more thorough understanding of the correlation between small business undercapitalization and small business sustainability may result in a reduction in small business closures, job loss, and declining local and state revenues.

Background of the Problem

According to the U.S. Census Bureau, in 2012, very small, small, and medium-sized enterprises, defined as having fewer than 20, 20 to 99, and 100 to 499 employees respectively, employed a combined total of 56.10 million people, representing 48.3% of the total U.S. employment ranks (U.S. Census Bureau, 2015a). The U.S. Small Business

Administration's (SBA) definition of a small business differs slightly from that of the U.S. Census Bureau in that the SBA defines a small business as an independent business having fewer than 500 employees (U.S. Small Business Administration, 2014). To a significant extent, the U.S. economy depends on the health of small businesses (Hayes, Chawla, & Kathawala, 2015). Further, because of the important role small businesses play in the creation of new jobs, innovation, and their impact on Gross Domestic Product (GDP), small businesses serve as a catalyst for U.S. socioeconomic growth (Karadag, 2015). Notwithstanding the positive contributions of small businesses, each year approximately 10% to 12% of U.S. businesses open and 10% to 12% percent close. In 2013 alone, business bankruptcies numbered 33,212 (SBA, 2014).

For small businesses, having access to reliable sources of credit, both pre-and post-start-up, can play a critical role in their initial viability and long-term sustainability (Jing, Avery, & Bergsteiner, 2014). Unlike their larger counterparts, however, small businesses are more susceptible to market volatility, particularly during economic downturns when the relative scarcity of funding sources may result in financial distress (Haron, Yahya, & Haron, 2014). Additionally, small business owners may lack the financial education, literacy, and experience to achieve and sustain profitability (Karadag, 2015).

Problem Statement

According to the SBA, 78.5% of small businesses are nonemployer, single-operator firms (Lahm, 2015). Each year, approximately 10% to 12% of businesses open and 10% to 12% close, and only around half survive 5 years or more (SBA, 2014). The

general business problem is that the failure rate for small businesses within 5 years of inception is high. The specific business problem is that some small business owners do not have a capitalization strategy for business sustainability.

Purpose Statement

The purpose of this qualitative, descriptive multiple case study was to explore the capitalization strategies small business owners used to sustain their business beyond 5 years. The target population consisted of four small business owners in the greater Phoenix, Arizona metropolitan area who were each able to achieve sustainability by their fifth year in business. Small business owners may use findings from this study to ensure business sustainability. In turn, business owners' use of the findings may lead to an increase in employment opportunities, wage growth, and community-based services based on a decrease in small business failures.

Nature of the Study

For this study, I selected a qualitative approach. Qualitative researchers seek to provide a deeper level of understanding of how people perceive the world from their points of view (Barnham, 2015). While initially, I had considered conducting a quantitative or mixed method study, I ruled these methods out for two primary reasons. First, quantitative research has traditionally involved attempts to establish a representation of the world from an objective, factual perspective to demonstrate validity (Barnham, 2015). Second, studies by Venkatesh, Brown, and Bala (2013) and Starr (2014) indicated that a mixed methods approach can provide a broader holistic understanding when extant research is inconclusive, equivocal, and fragmented.

I thus selected a qualitative, descriptive multiple case study design. According to Turner and Danks (2014), practitioners can use case study research to better understand real-world problems and to serve as a means for identifying opportunities to improve organizational programs, processes, and procedures. While I had considered two alternative designs, phenomenological and ethnographic, both had inherent shortcomings. Using a phenomenological design would have required finding a group of individuals who had experienced the same phenomenon, which was simply not possible because I wanted to study four independent small businesses. Similarly, an ethnographic design is more appropriate for conducting analyses from an anthropological perspective and necessitates prolonged field-study and a less scientific, more literary approach (Zilber, 2014). Neither the phenomenological nor the ethnographic designs aligned with the purpose of my study.

Research Question

What capitalization strategies do small business owners use to achieve sustainability?

Interview Questions

1. What is your professional and educational background?
2. What impact did your professional and educational background have on your decision to become a small business owner?
3. What capitalization strategies do you use to achieve sustainability?
4. How did you become aware of these capitalization strategies?
5. How do you assess the effectiveness of these capitalization strategies?

6. What capitalization strategies did you reject?
7. What else would you like to share regarding your capitalization strategies that I have not asked?

Conceptual Framework

To understand capitalization strategies in relation to small business sustainability, I selected capital budgeting theory (CBT) as the theoretical framework. For small business owners, the fundamental goal of CBT is to maximize wealth by evaluating and prioritizing capital intensive initiatives (Danielson & Scott, 2006; Mao, 1970). Much of what has been written regarding CBT can be traced back to James C.T. Mao, whose analysis of capital budgeting theory and practice, which was originally published in 1970, has become a cornerstone of modern theory (Mao, 1970). According to Mao (1970), in addition to maximizing wealth, risk minimization is a central tenet of CBT.

As noted by King (1975), the application of the scientific approach is central to the concept of CBT. King described the scientific approach as a model whereby all conceivable courses of action should be considered in conjunction with the potential consequences of each action. As the perception of CBT has evolved, researchers have increasingly emphasized the importance of understanding interdependence and uncertainty in relation to an organization's financial decision-making processes (King, 1975). Additionally, scholars recognize the importance of creativity in the decision-making processes, and its impact on an owner's fundamental investment philosophy (King, 1975). This concept differs significantly from the more traditional, data-driven financial approaches promoted by Vecchi and Hellowell (2013).

Operational Definitions

Business failure: Business failure is poor financial projections and forecasts, unplanned growth, excessive investment in fixed assets, limited access to funding, weak capital management, and a lack of working capital (Karadag, 2015).

Business success: Business success is profitability, positive return on investment (ROI), employee growth, sales growth, and economic survival (Owens, Kirwan, Lounsbury, Levy, & Gibson, 2013).

Business sustainability: Business sustainability is an organization's ability to meet their long-term financial needs, while still being able to address short-term financial needs without compromising the fundamental nature of the business (Bansal & DesJardine, 2014).

Capitalization strategies: Capitalization strategies are the financial instrument or instruments selected by a small business owner to finance his or her venture with the intent of ensuring profitability and sustainability (Anginer, Demirguc-Kunt, Huizinga, & Ma, 2016).

Entrepreneurialism: Entrepreneurialism is a process by which small business owners uncover and fulfill opportunities to supply future goods and services (Sheng & Mendes-Da Silva, 2014).

Profitability: Profitability is the sales dollars remaining after all operating expenses and interest, taxes, depreciation, and amortization (Bagautdinova, Sarkin, Averyanov, & Gilmanova, 2015; Delen, Kuzey, & Uyar, 2013).

Small business: For this study, the term small business is defined based on the U.S. Small Business Administration's (SBAs) description of small businesses as independently owned and having fewer than 500 employees (SBA, 2014).

Assumptions, Limitations, and Delimitations

Assumptions

Assumptions are facts that are assumed to be true but which the researcher cannot verify (Gandy, 2015). In this study, I assumed that I would be able to locate a sufficient number of small businesses in the greater Phoenix, Arizona metropolitan area whose owners had used various capitalization strategies to achieve sustainability. Further, I assumed that the small business owners who I invited would be willing to participate in my study to the extent that I could reach data saturation. I also assumed that all participants would provide unbiased, truthful answers. Concerning my semistructured interview questions, I assumed that the questions, in combination with a review of various company documents, would enable me to gather rich, substantive data that would be sufficient to provide a comprehensive answer to my central research question.

Limitations

Limitations are issues or factors beyond a researcher's control (Yin, 2014). They include internal and external influences, deficiencies, or circumstances that constrain a researcher's work (Madsen, 2013). Additional limitations may include author bias, and lapses of accuracy and precision (Yin, 2014). In this qualitative descriptive multiple case study, I anticipated that the primary limitation would be the participants' inability to accurately recall the specific reasons for selecting a particular capitalization strategy.

Additionally, I assumed that limitations would include participant time constraints and the participants' willingness to share sensitive financial documentation.

Delimitations

Delimitations are choices made by the researcher indicating the boundaries of the study or what the researcher will and will not explore (Ellis & Levy, 2009). The first delimitation of the study was my decision to include only small business owners who had used capitalization strategies to achieve sustainability. Another delimitation was my selection of the greater Phoenix, Arizona metropolitan area as the geographical boundary for my study. A third delimitation was my decision to use a qualitative case study-based methodology instead of another methodology such as quantitative analysis, or an alternative design such as phenomenological or correlational.

Significance of the Study

This study is significant in that the results could provide critical insights and information small business owners need to avoid the potential pitfalls associated with undercapitalization. These pitfalls may include a lack of profitability, sustainability, or both, and in extreme cases, business failure. Many small business owners in the United States have indicated that insufficient working capital and lack of access to credit is a primary obstacle to their entry or growth in a market (Byrd, Ross, & Glackin, 2013).

From a macroeconomic perspective, the small business community in Arizona contributes significantly to the local and national economy. According to the U.S. Census Bureau, as of 2012 small businesses in Arizona employed 2,234,252 individuals, with an annual statewide payroll of almost $92 million (U.S. Census Bureau, 2015a). If small

business owners were better able to understand their options relative to capitalization as well as the relationship of adequate capitalization to sustainability, Arizona could potentially experience significant increases in both employment and payroll growth. As such, this may result in an increase in overall consumer confidence, which could further bolster small business growth.

Contribution to Business Practice

The findings from my research might contribute to effective business practices by providing information to business owners seeking to understand available capitalization options and the relationship between capitalization and small business sustainability. Because I expected the findings to provide practical insights that small business owners could leverage to mitigate potential losses and improve sustainability, the potential benefits to the small business community from a sustainability perspective could be significant.

Implications for Social Change

There are myriad implications for positive social change that stem primarily from enhanced employment opportunities. According to Haltiwanger, Jarmin, and Miranda (2013), in any given year, business start-ups account for roughly 3% of total employment in the United States. Additionally, although small businesses exhibit high rates of job creation, they also tend to fail at a high rate, such that approximately 40% of newly created jobs are eliminated after 5 years (Haltiwanger et al., 2013). Addressing the issue of small business undercapitalization may create more jobs and reduce the likelihood of job loss. Adding more revenue to local economies because of fewer business closures

could improve budgets and potentially increase access to capital for other businesses and local governments.

In the United States, many small business owners struggle with the costs associated with providing unemployment benefits (Farber & Valletta, 2015). Recently, state unemployment funds have experienced significant financial challenges as a result of the great recession that began in 2008 (Farber & Valletta, 2015). By improving the profitability and sustainability of small businesses, states may be able to collect additional tax revenue while spending less on unemployment benefits. As such, states may have additional financial resources to invest in programs such as the arts, transportation infrastructure, and job creation programs. Improving small business profitability may also result in improvements in the local, state, and national healthcare infrastructure in the form of increased participation in government-sponsored programs such as the Affordable Care Act (ACA), which Blumenthal, Abrams, and Nuzum (2015) posited may constitute one of the most significant outcomes of the Obama presidency.

A Review of the Professional and Academic Literature

The purpose of this qualitative multiple case study was to explore the capitalization strategies used by small business owners to achieve financial sustainability. This literature review served as the foundation for exploring small business capitalization strategies across multiple sectors including retail, service, and food. In what follows, I provide an in-depth exploration, analysis, and discussion regarding the relevant and salient research. In a literature review, a researcher examines and synthesizes previous data regarding a topic or area of interest, identifies knowledge gaps or biases, and

recommends directions for future research (Rowe, 2014). Additionally, a literature review is never complete, as new information is continually being added to an existing body of knowledge (Wolfswinkel, Furtmueller, & Wilderom, 2013). Specifically, this investigation served as a backdrop for answering the central research question: What capitalization strategies can small business owners utilize to achieve sustainability?

I organized the literature review using key themes to provide a comprehensive overview of the subject matter. I first focused on the concept of entrepreneurship as it relates to small businesses. Next, I emphasized the key elements that impact and influence small business and small business owners. Third, I examined the concept of capitalization in conjunction with specific small business funding sources. Fourth, I explored financial management challenges faced by small business owners. Finally, I focused on the concept of sustainability relative to the lifecycle of a small business. I obtained the majority of the sources by searching business and management databases including (a) ABI/INFORM Complete, (b) EBSCOhost, (c) ProQuest, (d) Emerald Insight, (e) ScienceDirect, and (f) LexisNexis Academic. Additionally, I used multiple government databases including those of the Small Business Administration (SBA) and the U.S. Census Bureau, coupled with Google Scholar, SAGE Premier, and a selection of Walden University dissertations and theses. Search terms included *entrepreneurship, qualitative research, systems theory, small business, small business capitalization, history of small business, small and medium-sized enterprises (SME), case study, small business administration (SBA), sustainability,* and *financing*. The literature review

includes 74 references. Of the references, 67 (91%) were peer-reviewed and 69 (93%) were published in or after 2013.

By applying CBT to the small business sector, I identified two critical relationships. First, I began by examining the role of small business in relation to the U.S. and world economies at a macro level, thereby underscoring the vital role that small businesses play both economically and socially. Second, I studied the role of capitalization from a micro-level perspective relative to the sustainability of small businesses in the greater Phoenix, Arizona metropolitan area. By examining small businesses from both a macro- and a micro-level viewpoint based on CBT, I developed a comprehensive understanding of the nature of capitalization strategies generally, and of the potential impact of these strategies on small business sustainability at the local, state, and federal levels.

Capital Budgeting Theory

CBT is predicated on the idea that companies make investment decisions based on wealth maximization and increasing the value of the organization (Danielson & Scott, 2006). As Mrongo, Iravo, and Nyagechi (2016) have noted, researchers using CBT have traditionally stressed the financial appraisal and selection of investment vehicles as the basis for capital budgeting decisions. Capital budgeting is the process by which organizations determine which investments will generate long-term returns (Mrongo et al., 2016). Katabi and Dimoso (2016) noted, however, that maximizing shareholder wealth cannot be the sole goal of businesses, as owners should have significant autonomy to pursue multiple objectives.

Despite the importance of capital investment for small businesses, most of the researchers in this field have focused on large businesses with more than 500 employees (Danielson & Scott, 2006). Capital investment decisions in small firms differ from those of large firms in several ways. First, small business owners are concerned not only with wealth maximization but also with maintaining their independence, which may impact their investment selections (Danielson & Scott, 2006). Second, access to capital may pose an issue for small business owners, which may influence decisions regarding liquidity and maintaining cash reserves (Danielson & Scott, 2006). Third, personnel constraints and a lack of investment expertise may limit small business owners' ability to adequately analyze investment options (Danielson & Scott, 2006). Additionally, Pike (1983) found that much of the academic literature regarding CBT is focused on capital expenditure analysis versus the capital decision making process. This analytical perspective has resulted in a greater emphasis on data measurement techniques rather than small business owners' strategic decision-making processes (Pike, 1983). This viewpoint is further supported by Forrester (1993), who found that much of the extant literature on capital budgeting lacked examination of the local and regional economic factors that impact small business owners such as the overall health of the local economy, and local, regional and state budgets.

Viewing capitalization strategies from the perspective of CBT may provide insights regarding the impact of specific capital-related decisions in relation to sustainability. Additionally, by studying the specific investment choices made by small business owners, scholars are better able to understand the potential correlation between

an owner's decisions and his or her risk tolerance. Finally, the capital selections made by small business owners may shed light on the effect of a proprietor's creativity on long-term sustainability.

General systems theory. While CBT focuses primarily on companies' investment and budgeting decisions, general systems theory (GST) provides a more generalized perspective on small businesses as coordinated ecosystems based on the interaction of individual elements, and it serves as a supporting theory for CBT. Systems theory, originally developed by Austrian biologist Karl Ludwig von Bertalanffy, is based on the idea that an individual can only understand a single element in the context of its relationship to the system in which it resides (Corning, 2014; von Bertalanffy, 1972). Although originally developed in the context of biological systems, Rousseau (2014) noted that systems theory can be applied equally to social phenomena and, in particular, organizations. In organizations, events occur at every level, and their effects can impact the organizational hierarchy either up or down throughout all hierarchical levels (Morgeson, Mitchell, & Liu, 2015). In their examination of system theory, Morgeson et al. (2015) posited that whereas a traditional systems theory approach focuses on features such as environments, teams, organizations, and individuals, systems theory can be further expanded to also include events.

The term general systems theory (GST), a term popularized by Ludwig von Bertalanffy (1972), provides a means of comprehending and investigating complex adaptive systems (Montgomery & Oladapo, 2014). The primary purpose of GST is to simplify complex systems (Pearce, 2014). By dividing a larger system into smaller

elements, each element can be studied individually to determine how each is interconnected (Pearce, 2014). In the case of my study, I specifically examined the correlation between small business capitalization and sustainability, which is similar to the correlation between CBT and GST.

Corning's (2014) view of GST helped me understand two critical relationships in the small business sector: (a) the vital role those small businesses play in the social order both economically and socially, and (b) the role of capitalization in relation to small business sustainability. By examining small businesses from these two perspectives, I sought to better comprehend the critical nature of what Corning (2014) described as *the whole*. In this case, CBT is representative of the single element, *capitalization*, while business sustainability embodies the whole.

Chaos theory. In contrast to both CBT and GST, the concept of chaos theory (CT) was first introduced in the late 1800s, and further detailed by Edward Norton Lorenz in 1963 (Burns, 2016). Unlike GST, CT is defined as the qualitative study of dynamic systems that are constantly in a state of flux (Vaidyanathan, 2015). While CT, like GST, is applicable to both real-world and biological systems, CT differs in that it provides a systems-based view for analyzing the behavior of complex, unpredictable interactions (Boukas & Ziakas, 2014). Additionally, in contrast to CBT and GST, in CT external influences are considered important elements for shaping systems, where small external changes can create significant, quantifiable results that can fundamentally alter a system (Boukas & Ziakas, 2014). By understanding that both internal and external factors

can influence the sustainability of a small business, small business owners will have a broader foundation from which to make critical decisions.

Entrepreneurship

Entrepreneurialism is defined as a process by which opportunities to supply future goods and services are uncovered and fulfilled (Sheng & Mendes-Da Silva, 2014). There are myriad reasons why people seek self-employment. Some seek self-employment as means of escaping poverty or unemployment, while others aspire to earn a living with uncapped earning potential (Krasniqi, 2014). In an article examining the characteristics of self-employment, Krasniqi (2014) described two factors that impact an individual's desire to become self-employed, which he refers to as *push* and *pull*.

For Krasniqi (2014), the term *push* refers to factors such as a lack of employment opportunities or underemployment, which pushes an individual to become self-employed. He cited education as an example, whereby less-educated individuals may be disadvantaged in a tight labor market, and as such may be pushed into self-employment. Conversely, he referred to *pull* in a more positive sense, whereby enterprising, proactive individuals pull themselves toward an opportunity to better their situation (Krasniqi, 2014). In their examination of personality traits in relation to entrepreneurial success, Owens et al. (2013) noted that the top four personality-based predictors of success included emotional resilience, social networking, work drive, and goal setting.

According to Bullough, Renko, and Myatt (2014), the concept of entrepreneurship plays a critical role in economic and societal efforts. Additionally, entrepreneurial intention is positively correlated with the notion of self-efficacy, defined as one's belief

in one's ability to accomplish a specific task or to succeed in a particular situation (Bullough et al., 2014). Entrepreneurs are motivated to pursue their personal goals and aspirations for a host of reasons. Jayawarna, Rouse, and Kitching (2013) proposed several specific motives that include:

- the potential to improve one's social status,
- economic gain,
- a desire to develop personally,
- the ability to achieve independence and control,
- the opportunity to create new products and services and to innovate,
- the need to make a contribution to the welfare of a community, and
- the prospect of emulating role models.

Researchers have found that there are far more enthusiastic, would-be entrepreneurs than people may realize. According to Alstete (2014), while many prospective entrepreneurs may dream of monetary rewards, personal success, and the freedom that comes with being one's own boss, many people fail to understand the importance of strategic planning. Alstete noted that there are multiple reasons why people fail to engage in strategic planning including a lack of knowledge, a lack of trust, a perception of high cost, time scarcity, and a lack of skills. According to Block, Sandner, and Spiegel (2015), the desire to start a business is often driven by either *necessity* or *opportunity*. Block et al. (2015) defined necessity as a need to find work based on a lack of alternative employment opportunities, while opportunity refers to the desire for

material gain. Given that entrepreneurs play a critical role in creating jobs and income for their employees, understanding their motivation is essential (Allen & Curington, 2014).

The concept of entrepreneurship and risk is a topic that scholars have deliberated for years. While many researchers view entrepreneurs as a homogenous group that is frequently compared to more traditional job classifications such as employees or managers, Block et al. (2015) found that entrepreneurs are a diverse group. According to the authors, entrepreneurs' attitudes toward risk may vary significantly from both cultural and demographic standpoints.

Hvide and Panos (2014), in their study of risk tolerance and entrepreneurship, found that individuals with a higher risk tolerance are more likely to be entrepreneurial. The authors also noted that new firms started by entrepreneurs with a higher risk tolerance were more likely to underperform in comparison to similar companies started by more risk adverse individuals. Furthermore, Hvide and Panos concluded that the risk profiles of small business founders could account for differences in the performance of new companies (Hvide & Panos, 2014).

When it comes to entrepreneurial desire, risk tolerance positively correlates with the decision to become an entrepreneur and negatively correlates with business sustainability (Caliendo, Fossen, & Kritikos, 2014). The concept of high risk tolerance is associated with assertiveness and aggressiveness, both of which are common characteristics for those wishing to start a business (Caliendo et al., 2014). Additionally, researchers have found that individuals who are more optimistic tend to be more entrepreneurial (Åstebro, Herz, Nanda, & Weber, 2014). Conversely, personality traits

such as agreeableness or amicability may prove more useful for long-term sustainability (Caliendo et al., 2014).

Small Business

Over the course of the past 3 decades, small enterprises have emerged as key economic drivers in both developed and developing economies (Karadag, 2015). According to Karadag (2015), this emergence is due, in large part, to a shift toward a more globalized business climate, especially as it pertains to the information technology sector. Small businesses, defined by the SBA as ranging from zero to 499 employees, are a diverse group (SBA, 2014). In the United States, the small business sector is considered the engine of growth, innovation, and jobs (Gale & Brown, 2013). According to Top (2015), globally, small to medium-sized enterprises (SMEs) contribute 70% of the domestic national product (DNP); however, this contribution varies from country to country. In the United States, the small business sector generates a significant percentage of all new jobs, employs more than 50% of private sector workers, and accounts for approximately 50% of private sector output (Byrd et al., 2013).

Small businesses are widely recognized as key drivers of economic growth in both developing and developed countries based on their contribution to the rise in GDP, the creation of new jobs, innovation, and entrepreneurship (Karadag, 2015). After the 1980s, a shift occurred, resulting in a decrease in focus in large corporations and an increased focus on smaller sized enterprises (Karadag, 2015). As a whole, small business start-up activity, as measured by births, failures, expansions, and contractions, has been declining in recent years (Summers, 2015). According to Summers (2015), of the firms

that are started, over 50% are home-based, and most remain small. Summers found that this is true regardless of whether the business is owned by a sole proprietor or a larger conglomerate.

For most communities in the United States, economic development undertakings are centered on three primary areas: attracting new companies, encouraging business startups, and promoting business expansion and retention (Summers, 2015). According to Summers, while small businesses make up 99.7% of all employer companies, 79.9% do not employ anyone other than the owner. As such, only 20.1% of small businesses have any employees. Perhaps more concerning is the negative trend in job growth. In 2007, small businesses that were less than one-year-old averaged 5.3 employees. However, by 2014, this average had dropped to 4.4 employees (Summers, 2015).

Small business in the state of Arizona. According to the SBA Small Business Profile (2015a), small businesses have had a significant impact on Arizona's economy. In 2015, small businesses employed 955,194 residents in Arizona, representing over two-fifths of the state's private workforce (SBA, 2015a). Additionally, in 2012, small businesses, defined as having fewer than 500 employees, created 39,248 net new jobs in the state. In the period ending in October 2014, private-sector employment increased by 3%, which was .7% above the national average growth rate of 2.3% (SBA, 2015a).

Although the overall employment profile in Arizona has improved based on a decrease in the level of unemployment from 7.8% in October 2013 to 6.8% in October 2014, Arizona's employment rate is still above the national average of 5.8% for the same period (SBA, 2015a). From an industry employment perspective, three industries in

Arizona have the highest levels of small business employment based on 2012 data: (a) healthcare and social assistance with 147,965 employees (15.49%); accommodation and food services with 138,104 employees (14.46%); and construction with 93,419 employees (9.78%) of the total number of small business employees (SBA, 2015a).

Across the U.S., as of 2012, the three most common industries for small employers were professional, scientific, and technical services; other services (except public administration); and retail trade (SBA, 2015a). In comparison, in Arizona during the same timeframe, the professional, scientific, and technical services industry ranked first, while other services ranked fourth, and retail trade ranked fifth (SBA, 2015a). In contrast to the majority of the U.S., in Arizona, both healthcare and construction ranked higher than other services and retail trade, at second and third place respectively (SBA, 2015a).

Small business proprietors. Small business owners have long been recognized as key contributors to economic growth in the U.S. (Owens et al., 2013). In 2013, 11.7% of U.S. households reported having some form of business ownership, which represents a drop of 1.9% from 2007 (Summers, 2015). Based on a significant body of evidence, neither educational credentials nor household net worth is causally related to the likelihood of the formation of a small business (Lofstrom, Bates, & Parker, 2014). According to Lofstrom et al. (2014), self-employed individuals, as a group, are quite diverse, with a socioeconomic spectrum ranging from specialized professionals at one end and casual laborers at the other.

While the range of small business proprietors is quite broad, Sheng and Mendes-Da Silva (2014) found that individuals living in isolated communities tend to have less access to the knowledge, information, and capital necessary to operate successfully. Furthermore, they noted that companies not linked to other business networks and like-minded organizations are less likely to have access to existing resources and more likely to suffer from financial distress (Sheng & Mendes-Da Silva, 2014). This challenge is especially significant for those on the lower end of the economic spectrum.

Gender and small business. In their study of the factors that motivate men and women to explore self-employment, Allen and Curington (2014) sought to examine the hypothesis that women view self-employment as a means to create more flexibility at home, while men see the prospect as an opportunity to improve their financial wellbeing. According to their empirical and statistical analyses based on over 12 Likert-scale variables, Allen and Curington (2014) concluded that men and women appear to become entrepreneurs for different reasons. The authors found that while men have historically not been particularly motivated by wealth creation, financial concerns such as income and cash-flow are relatively significant. In contrast, women appear to be more interested in wealth creation than men (Allen & Curington, 2014). However, women also face greater demands on their time (Allen & Curington, 2014). Adkins, Samaras, Gilfillan, and McWee (2013) noted that women's desire to balance work and family has had a marked impact not only on the types of businesses women create but on the overall growth rate.

Between 1997 and 2007, the number of female-owned businesses increased 44% as compared to male-owned businesses which increased 22% over the same period (Mijid, 2014). Although the number of female-owned firms in the U.S. has experienced rapid growth, as a whole, female-owned businesses are still underrepresented (Mijid, 2014). Additionally, female-owned businesses have traditionally been smaller than male-owned businesses in terms of sales, equity, assets, and employee headcount (Mijid, 2014). One reason female-owned small businesses may be smaller than those of their male counterparts is that female small business owners are less likely than their male counterparts to apply for bank loans based on their fear of rejection (Mijid, 2014).

Foreign small businesses. In the European Union, companies with fewer than 200 employees comprise 99% of all businesses (Top, 2015). According to a study by Bastié, Cieply, and Cussy (2013), in 2006 the European Commission published data indicating that over the course of the next 10 years, one-third of European entrepreneurs will sell, close, or transfer their businesses. The authors determined that this will equate to the transfer of 2.8 million jobs every year, and will impact up to 690,000 small- and medium-sized businesses (Bastié et al., 2013). Moreover, Bastié et al. found that while many of these firms would, in the past, have been transferred to family members, going forward this will not be the case. Based on a steep decline in the number of children born in Western Europe, combined with more extensive career opportunities and higher levels of education, third-party buyers will purchase an increasing number of businesses (Bastié et al., 2013).

Over the course of the past few years, developed countries such as the U.S. have faced increasing challenges from emerging economies across the globe. As technology is becoming increasingly ubiquitous, entrepreneurialism in the form of innovation and internationalization are playing an increasing role in the growth of the global small business community (Hagen, Denicolai, & Zucchella, 2014). Regarding the increase of both foreign and domestic organizations internationally, as knowledge and business skills are attained, international growth will require an increased investment of time and resources (Hilmersson, 2014). When examining the global growth of SMEs, the challenge for business owners is to create an environment that is conducive to growth, while concurrently accounting for country-level differences. Such differences may include emerging versus developed economies, the availability of entrepreneurial financing, and the development and nurturing of what Wright and Stigliani (2013) referred to as the *entrepreneurial ecosystem*.

Funding Sources

The availability of financing plays a key role in entrepreneurial activities. In the small business sector, having access to reliable sources of credit, both pre- and post-start-up can play a critical role regarding initial viability as well as long-term sustainability (Dolar, 2014). According to Byrd et al. (2013), many small business owners in the United States cite inadequate access to intermediate and long-term capital as a primary barrier to entry or expansion. Geho and Frakes (2013) noted that many small business owners list maintaining their current sources of revenue as their top priority, followed by growing their business. According to Jõeveer (2013), even though smaller companies have higher

growth rates than their larger counterparts, their growth is frequently constrained by internal financial challenges.

In sluggish economies, access to capital presents a particularly severe problem, and even when small business owners qualify for financing, many avoid pursuing it (Geho & Frakes, 2013). In turn, this creates a situation in which businesses have a difficult time securing loans. Furthermore, companies with anemic sales or weak revenue are more likely to contract than expand, resulting in further reductions in demand for credit (Geho & Frakes, 2013). Per the Small Business Administration (SBA), as of February 2014, the borrowing climate for small businesses has been gradually improving (SBA, 2014). Although the lending market is still relatively tight as compared to pre-2009 recessionary conditions, commercial lenders have eased some of their lending conditions (SBA, 2014).

Small businesses seek funding for four primary reasons: (a) business expansion, (b) the purchase of inventory, (c) starting a business, and (d) to bolster the organization's strength (SBA, 2014). At its core, funding is based on a belief system where the borrower and the lender share a mutual goal of success (Peric & Wilhelm, 2014). According to the authors, in this symbiotic relationship, the lenders have the opportunity to grow their respective businesses by creating a successful investment portfolio, and the borrowers have the opportunity to succeed by having the capital to finance their dreams. In this sense, both lender and borrower establish a connectedness that helps them to evaluate risks and rewards (Peric & Wilhelm, 2014).

Between 2003 and 2007, small business lending activity increased dramatically in the United States (Byrd et al., 2013). However, during the years between 2007 and 2009, the number of loans made to small businesses dropped dramatically. From 2007 to 2009, small business loans decreased from 5.2 million to 1.6 million (Byrd et al., 2013). Moreover, the decline in access to credit was similarly dramatic as credit facilities decreased from $137 billion in lines of credit and loans in 2007 to $73 billion in 2009 (Byrd et al., 2013).

Following the recession of 1991-1992, small business leverage ratios were significantly higher than in pre-recession periods (Cole, 2013). Although an individual might reasonably anticipate a shift in the sources of credit for small businesses during recessionary times, Byrd et al. (2013) found that as of July 2009 bank loans remained the most common source of funding, with 46% of small business owners relying primarily on bank lending.

Bank financing. Bank financing plays a critical role in small enterprises because small business owners have limited access to the corporate bond market and public equity (Mueller & Reize, 2013). The importance of the relationship between small firms and banks is well documented. Small businesses that have established strong ties to banks may have lower borrowing costs and are less credit-constrained (Santikian, 2014). Although many studies have focused specifically on bank lending practices, in addition to loans, banks provide a broad spectrum of products to small businesses including transaction services, cash and portfolio management, trust services, and pension plans (Santikian, 2014). Over the course of the last 30 years, bank income from noncredit

services has doubled in the United States, from 18% of total net operating revenue in 1979 to 36% at the end of 2010 (Santikian, 2014).

According to a 2003 survey, approximately 60.4% of small firms utilized some form of traditional credit, defined as loans, capital leases, or credit lines (Byrd et al., 2013). Of these traditional credit sources, the banking sector served as the principal loan provider for 68% of small businesses and played a critical role in funding new business startup ventures (Byrd et al., 2013). According to Mudd (2013), while large banks play a significant role in small business lending, small banks are also an important source of capital. Small banks differ from larger firms both regarding their relative lack of sophistication in data generation and analysis and their more informal, relationship-based nature (Mudd, 2013).

Mudd found that relationship lending tends to be skewed in favor of smaller banks and based more on longer-term client relationships with local bank employees and executives. Regarding a bank's willingness to lend, Mudd (2013) found that well-established firms with longer track records are more likely to be offered a loan, as more historical performance data are available for evaluation. A company's industry may also impact a bank's willingness to lend, as some sectors, such as manufacturing, are considered riskier than others (Mudd, 2013). Concerning relationship-based lending and innovation, which is critical for many start-up ventures, Brancati (2015) found no evidence to indicate a positive correlation between relationship-based lending and a company's innovativeness.

While smaller banks have an advantage regarding their ability to build local relationships, as technology improves, large banks offering a broader selection of products and services are counteracting the influence of relationship-based banking (Mudd, 2013). The dramatic growth of digital technology has served to mitigate many of the communication challenges previously facing large banks, and it has provided both lenders and entrepreneurs with more robust, consumer-centric communications tools (Peric & Wilhelm, 2014). According to International Data Corporate (IDC), a global provider of market intelligence, every 2 years between 2013 and 2020, the world's access to digital data will more than double in size. Peric and Wilhelm (2014) noted that this doubling of digital data is due primarily to the meteoric rise of cloud and mobile computing, electronic payments, social media, and big data.

SBA loans, angel investors, and venture capital. In the United States, one of the principal sources of funding for small businesses is SBA loans (SBA, 2014). An SBA loan is a loan that is available through commercial lenders and backed by the U.S. government. While the SBA does not make direct loans, it provides a partial guarantee for commercial lending institutions, which reduces a lender's risk, thereby stimulating more small business lending (SBA, 2014).

Another form of capital available to some small businesses is the venture capital market and angel investors. Angel investors are investors who, based on federal securities laws, are accredited, and tend to invest in late-stage companies (SBA, 2008). Venture capitalists are private investors who provide start-up capital typically to early-stage companies that want to expand but do not have access to the equities markets (SBA,

2014). While many small businesses have turned to equity funding via venture capital, this method of financing is suitable primarily for those businesses with significant growth potential or the ability to protect their intellectual property (Voelker & McGlashan, 2013). In the United States, several government programs are available to assist in providing education and financing for small business owners, including the Small Business Administration (SBA), the Small Business Innovation Research (SBIR) program, and the Jumpstart Our Business Startups (JOBS) Act (Voelker & McGlashan, 2013).

Bootstrap financing. While startups are largely dependent on bank credit and cash injections, the most common form of which is relatives' and owners' savings, more established businesses rely more heavily on bank loans and owner investment (SBA, 2014). Moreover, approximately 12% of employer firms and one-third of nonemployer firms use no startup capital what so ever (SBA, 2014). In response to a tightening of bank lending standards, some small business owners have opted to implement "bootstrap financing" methods (Geho & Frakes, 2013, p. 97). Small business owners use five basic forms of bootstrap financing: (a) leaseback, (b) asset-based lending, (c) nonbank loans, (d) cash advances, and (e) peer-to-peer loans (Geho & Frakes, 2013). While pessimism regarding the state of the economy can affect a small business owner's decision to avoid additional debt, companies must weigh the benefits of borrowing against their desire to expand.

Overdrafts and consumer loans. In their article regarding the role of consumer credit in funding self-employment, Kneiding and Kritikos (2013) examined the usage of

overdrafts and loans to finance business activities. The authors' findings indicated that self-employed households utilize personal overdrafts significantly more than do employee families. Additionally, the authors found that self-employed individuals routinely rely on consumer loans and personal overdrafts to finance their businesses activities. Kneiding and Kritikos (2013) noted that small business owners will utilize personal credit when access to business loans may not be available.

Unlike large businesses and corporations, small businesses owners do not have access to the same suite of customized business loans. According to Kneiding and Kritikos (2013), this is based primarily on two factors: (a) banks tend to avoid companies with high-risk profiles, and (b) banks are averse to lending to businesses with low profitability prospects. Additionally, as small businesses are not publicly traded and are therefore not required to disclose financial information, many financial institutions are reluctant to provide significant capital infusions (Kneiding & Kritikos, 2013).

Crowdfunding. As traditional credit channels tend to favor more seasoned businesses, many start-up small business owners have historically turned to friends and family or personal savings (Voelker & McGlashan, 2013). Over the course of the past several years, crowdfunding has emerged as a novel method of funding businesses for those interested in forgoing traditional capital markets. The term *crowdfunding* refers to the polling of consumers' money, usually via the internet, to support entrepreneurial efforts introduced by individuals or organizations (Voelker & McGlashan, 2013). Of the various crowdfunding platforms available, the undisputed leader has been a company called Kickstarter. Introduced in April 2009, Kickstarter has dominated the crowdfunding

landscape with almost 50,000 projects funded and over $688 million dollars generated (Voelker & McGlashan, 2013).

Peer-to-peer lending. As entrepreneurial finance continues to evolve, innovations such as peer-to-peer (P2P) lending are gaining notoriety across the globe (Bruton, Khavul, Siegel, & Wright, 2015). In P2P lending, funds are exchanged from person to person or from an individual to a business (Bruton et al., 2015). Although P2P loans are uncollateralized, they often require the borrower to personally guarantee the funds (Bruton et al., 2015).

As is the case with crowdfunding, P2P lending is experiencing significant growth on the Internet as borrowers and lenders transact business in virtual marketplaces (Emekter, Tu, Jirasakuldech, & Lu, 2015). In recent years, P2P exchanges have moved beyond finance and retail into new small business grassroots movements (Cohen & Sundararajan, 2015). In some instances, what were once small business ventures have evolved into large-scale digital platforms such as Airbnb, Uber, Etsy, and Lyft (Cohen & Sundararajan, 2015). The central tenet these businesses share is the creation of a new digital framework that is disrupting the traditional brick-and-mortar perception of a small business (Cohen & Sundararajan, 2015).

Microfinance. Microfinance refers to the stimulation of entrepreneurial activity via the granting of small business loans to lower-income individuals, typically in developing countries (Newman, Schwarz, & Borgia, 2014). From its origins in Bangladesh, India in the late 1970s, the concept of microfinance has expanded exponentially (Field, Pande, Papp, & Rigol, 2013). As of 2008, microfinance loans,

which are typically less than $100 U.S. in size, exceeded $43 billion, with an estimated 130-190 million borrowers (Field et al., 2013).

While microfinance institutions (MFIs) were originally developed to provide aid to poor small business entrepreneurs in rural communities, some have accused lenders of charging exorbitant rates (Serrano-Cinca & Gutiérrez-Nieto, 2014). Additionally, many MFIs do not offer a repayment grace period, which has caused some small business owners to engage in risky or even unlawful behavior (Field et al., 2013). Although microfinance provides much-needed resources for those lacking business experience, collateral, or access to more traditional forms of capital, the availability of microloans does not, in and of itself, create or guarantee successful enterprises (Newman et al., 2014).

Financial Management Challenges

Small business owners are typically very busy and have many responsibilities demanding their attention. Although small businesses often face numerous challenges including a lack of access to capital and business expertise, one of the most common is poor financial management, particularly with regard to cash flow and working capital (Karadag, 2015; Mazzarol, 2014). Concerning financial strategies, many researchers have concluded that the key factors contributing to failure include the inability to develop a strategic plan, managerial mistakes, and poor financial control (Karadag, 2015). Moreover, the correlation between the performance of small business enterprises and their financial strategies are well documented (Mazzarol, 2014).

Karadag (2015) defined strategic financial management as the implementation of various financial practices according to established management theories designed to maximize return on investment and profitability. From an economic perspective, the primary causes of small business failure are unplanned growth, poor financial projections and forecasts, excessive investment in fixed assets, weak capital management, limited access to funding, and a lack of capital (Karadag, 2015). Mazzarol (2014) noted that many small business owner-managers lack the skills and knowledge to implement formal accounting and financial practices. He suggested that owner-managers should seek expert advice and counsel and implement formal financial accounting systems to monitor critical elements such as budgeting and inventory control. Improved financial controls can also increase the probability of obtaining bank financing (Mazzarol, 2014).

According to Patten and Patten (2014), by using five key financial performance indicators, small business owners can remain abreast of the overall health of their business while moving beyond such traditional measurement tools as the balance sheet, statement of cash flows, and the income statement. The five financial performance indicators as defined by the authors are (a) gross margin, (b) operating profit margin, (c) free cash flow, (d) sales or operating revenue, and (e) the net operating assets turnover ratio (Patten & Patten, 2014).

In addition to the five performance indicators as noted by Patten and Patten (2014), cash flow and working capital management (WCM) in the form of accounts receivable (AR) and accounts payable (AP) also play a significant role in the profitability of small businesses. WCM and its impact on profitability, as measured by the cash

conversion cycle (CCC) and its core components, AP and AR, has been studied extensively (Tauringana & Afrifa, 2013). Tauringana and Afrifa (2013) found that the relationship between profitability and WCM is a function of a company's strategy. Businesses that pursue an aggressive WCM strategy will experience significant differences in relation to their inventory (INV), CCC, AP, and AR versus more traditional firms.

Small Business Sustainability

The term sustainability frequently refers to an organization's ability to react to both internal and external changes in the business environment (Taranenco, 2013). Small and medium-sized enterprises (SMEs) have become an integral component of the socio-economic development of countries and play a fundamental role in the creation of sustainable economic practices (Taranenco, 2013). Without the creation and sustainability of new SMEs, countries risk economic stagnation, degradation, and eventual destruction (Cant & Wiid, 2013).

Given the fact that small businesses often have unique organizational structures, are geographically and culturally diverse, are operated by owners with a broad range of skills and abilities, and are started for a multitude of reasons, sustainability can frequently present a significant challenge (Blackburn, Hart, & Wainwright, 2013). While many have attributed the challenges of creating a sustainable business to corporate myopia and profit-seeking, they fail to realize that an organization's ability to implement a robust business model is directly liked to sustainability (Aho, 2013). As noted by Aho (2013), a robust business model should (a) enable professionals to made decisions according to a

long-term growth plan, (b) provide appropriate and efficient growth incentives, and (c) provide adequate returns to support the organization's primary objectives. While sustainability can be a challenge for small businesses, several factors can contribute to their success.

Small business success factors. Concerning the concept of entrepreneurial success, while there is no widely accepted definition, economic indicators are frequently utilized as a measurement tool and include elements such as employee growth, profitability, sales growth, return on investment, and economic survival (Owens et al., 2013). According to Hayes et al. (2015), there is no simple theoretical framework or outline for success among small businesses. Furthermore, owners who do not understand which problems to avoid may quickly fail. Small business owners play a vital role in a complex set of interrelated elements that include legislative rules and regulations, the availability of capital, strategic planning, and the need for sufficient human resources (Hayes et al., 2015). According to the authors, myriad issues, considered critical success factors (CSFs), affect small businesses.

Hayes et al. (2015) broadly defined CSFs as (a) capital acquisition related, (b) environment related, (c) owner related, and (d) task related. Hayes et al. (2015) suggested that small business owners must understand how and where to obtain capital, the business environment in which their business is located, their skills and experience as an owner, and which tasks must be accomplished to be successful. More specifically, many researchers have found that business-related skills such as the ability to follow a business plan, create a budget, manage people, provide customer service, and sell products are

CSFs (Hayes et al., 2015). Hayes et al. also concluded that the experience of the business founder, the general financial environment, and core infrastructures such as information technology (IT) and a stable electrical power supply are also CSFs.

In the wake of the 2007-2010 financial crisis in the United States, numerous studies were undertaken to understand how small-business owners could better weather economic storms (Stefanitsis, Fafaliou, & Hassid, 2013). One such study, conducted from March 2009 to April 2010 by Stefanitsis et al. (2013), was based on a quantitative analysis featuring a structured online survey addressed to a sample of 352 small-to-medium sized enterprises (SMEs) located in Greece. Based on their analysis of the data, Stefanitsis et al. (2013) concluded that despite relatively healthy levels of financial knowledge in specific thematic areas, in the aggregate, the respondents failed to experience substantive gains in overall performance.

Specifically, Stefanitsis et al. (2013) found the concept of cash flow to be the weakest subject matter, followed by economic behavior and aggregate financial knowledge (Stefanitsis et al., 2013). Moreover, Stefanitsis et al. (2013) determined that the relationship between investment behavior and investment knowledge was weak, as was the relationship between loan behavior and general financial knowledge. Stefanitsis et al. (2013) concluded that owners who reported being more active on the internet, more engaged in financial conversations with family and friends, and more learned concerning financial articles, were more likely to demonstrate successful economic outcomes and behavior.

According to Krejčí, Strielkowski, and Čabelková (2015) in addition to the factors necessary to achieve economic success, researchers must measure three elements. The three elements include (a) the ratio of earnings per employee, (b) average returns measured over a 3-year period, and (c) research and development (R&D) investment (Krejčí et al., 2015). While these three elements were not the only aspects the authors examined, they represented the most significant indicators of success.

The first critical factor, the ratio of earnings per employee, was indicative of the internal efficiency of the business (Krejčí et al., 2015). The second factor, the average returns as measured over a 3-year period, accounted for two critical elements; total revenues and total costs. The third factor, R&D, indicated the extent to which a company is willing to invest in research and development (R&D). Although this study focused on the IT industry, these success factors are applicable to virtually any small enterprise.

In contrast to the study of an entire business sector such as IT, Horne and Ivanov (2015) studied a small business specialty shop in the Baltimore, Maryland area, and identified multiple challenges routinely faced by small business owners. Although specialty shops typically include businesses such as jewelry, clothes, toys, and stores that cater to a particular type of consumer such as *big and tall* or children, the solutions proposed are generalizable to a broad cross-section of small businesses. While all organizations, regardless of their size, experience challenges, the primary differentiator between successful companies and those that fail is the manner in which corporations address these problems (Horne & Ivanov, 2015).

For their research study, Horne and Ivanov (2015) utilized a qualitative approach via surveys and comprehensive discussions with all management and staff members. Of the issues observed, one of the most prominent was a lack of formal structure and protocols throughout all aspects of the organization (Horne & Ivanov, 2015). The two primary issues identified by the authors were inconsistent decision-making relative to both the employees and management team and the micromanagement of the employees by the managers. Due to these challenges, the business experienced a lack of consistent purpose, an over-emphasis on short-term profits, and a tendency only to focus on visible figures, characterized by elements of the firm that can be observed and measured.

To address these challenges, Horne and Ivanov (2015) recommended four solutions: (a) strata, (b) better planning, (c) flexibility, and (d) role definition. Concerning strata, Horne an Ivanov's (2015) first recommendation was to stratify the staff roles to allow the management team to relinquish a portion of their responsibility. Their second recommendation was to create a strategic plan detailing how they would like the business to grow and what the business would look like in one to two years. The authors' third recommendation was to build flexibility into their plan such that researchers could address both the visible figures and the invisible or intangible issues. Finally, the authors recommended that the management team create formal and well-defined roles for all employees to guide their actions and activities (Horne & Ivanov, 2015).

Small business failure factors. Small businesses fail for numerous reasons including a lack of working capital, a dearth of professional mentors, and a failure to establish critical business partnerships. According to Voelker and McGlashan (2013),

capital-related issues rank among the most common reasons for business failure. Additional principal causes of failure include a lack of business partnerships, an absence of professional advisors, and exceptionally high failure rates among minority business owners (Voelker & McGlashan, 2013). Failure is a natural component of small business ownership, and numerous researchers have found that business failures can have a positive impact on society from a wealth creation and knowledge-sharing standpoint (Ucbasaran, Shepherd, Lockett, & Lyon, 2013). While scholars have written much regarding small business failures as a valuable learning opportunity, failure can also present significant challenges from a financial, psychological, and social perspective (Ucbasaran et al., 2013). It is important first to comprehend the definition of failure to grasp the impact of business failure fully.

Although many people associate small business failure with an owner's exit, failure is not necessarily correlated with the sale or closure of a business (Ucbasaran et al., 2013). People exit organizations for a multitude of reasons including retirement, a desire to *cash out* to gain access to capital, or because they are interested in pursuing other interests. Defined narrowly, a business failure occurs when expenses increase and revenues fall to the extent that the company becomes insolvent (Ucbasaran et al., 2013). Bankruptcy is perhaps the most visible evidence of a business failure. However, a business can also close because it failed to meet the owner's expectations (Ucbasaran et al., 2013).

Business failure is often the result of overconfidence and poor judgment regarding one's business skills (Sarasvathy, Menon, & Kuechle, 2013). Former owners may

experience financial challenges in the form of personal debts that may take years to erase (Ucbasaran et al., 2013). Additionally, failure can lead to the loss of important social networks and a negative stigma, which could affect career options and access to capital (Ucbasaran et al., 2013). While the failure of a business provides tangible evidence that something went wrong, it is important for entrepreneurs to reflect on their experiences, and to understand that a business failure is not tantamount to an indictment of their value as a person or of society as a whole. According to Sarasvathy et al. (2013), the termination of a business is not necessarily a failure, as approximately one-third of firms are profitable when they fail.

While companies frequently fail based on a lack of resources, few studies have considered this concept relative to the size of the organization. According to Williams (2014a), while larger firms are more likely to survive based on their access to greater resources, empirical evidence indicates that companies of all sizes fail. Williams found that when companies reached a particular level of maturity, even those with significant resources were not immune to failure.

Furthermore, it was not the financial resources in the form of capital or access to credit and funding that was the primary differentiator, but rather the quality, intelligence, and strategies of the management team (Williams, 2014a). Concerning smaller firms, Williams found that the sector in which the company did business had more of an impact on the organization's survival than its revenue. However, small businesses that generated less revenue were less likely to survive than firms with greater resources (Williams, 2014a).

In an attempt to cope with financial distress, small businesses may resort to unconventional and sometimes illegal methods. According to (Rotem, 2013), such tactics may include voluntary capital restructuring and an informal bankruptcy proceeding referred to as the *Phoenix Syndrome*. In a typical Phoenix Syndrome scenario, the owner of a business transfers the assets of his or her company to another company via what is widely considered a fraudulent conveyance (Rotem, 2013). While the business transfer may enable the business owner to continue operating their business without creditor pressure, this *homemade bankruptcy* scheme is tantamount to fraud. Its primary intent is not to form another business or to split the company among several entities, but rather to defraud unsecured creditors who are often unaware that the transaction has taken place (Rotem, 2013).

According to Rotem (2013), the state of affairs in which small business owners experience financial distress due to wealth constraints and even bankruptcy is quite common across all sectors. Lending options for small firms are often limited in comparison to those of larger companies, with bank and government-backed loans playing a disproportionate role (Rotem, 2013). As such, in challenging financial times, a small business's survival may depend on their lending bank's willingness to continue to extend credit and supply financing (Rotem, 2013).

As a small enterprise gradually experiences increasing financial distress, owners typically seek additional sources of funding in the form of credit lines, commercial loans, or personal finances or loans. Owners who are extremely wealth-constrained may attempt to execute a phoenix syndrome-type strategy, thereby exposing themselves to a multitude

of penalties and sanctions ranging from compensating damaged creditors, to disqualification from further corporate activity, to civil and criminal penalties (Rotem, 2013). While the failure rate for entrepreneurial ventures is significant, a wealth of opportunities exists including websites, books, small business development centers, and multiple undergraduate and graduate-level courses (Alstete, 2014).

Transition

Section 1 began with an introduction of the problem statement, along with a brief overview of the background the problem. The introduction was followed by a purpose statement, along with a description of the nature of the study, which justified my usage of a qualitative descriptive multiple research design. Additionally, Section 1 included my research question along with (a) interview questions (Appendix A), (b) a description of the conceptual framework, (c) operational definitions, (d) a summary of the assumptions, limitations, and delimitation,; and (e) an overview of the significance of the study.

The conclusion of Section 1 included a detailed analysis of the professional and academic literature based on a critical analysis and synthesis of multiple sources. The literature review includes (a) a review of the general systems theory conceptual framework, (b) an examination of the concept of entrepreneurship, (c) a definition and analysis of a small business, (d) small business capitalization and financing, and (e) small business sustainability. Each of these elements includes multiple viewpoints along with an investigation of the research relative to previous studies and findings.

Section 2 begins with a restatement of the purpose statement followed by a transition to (a) the role of the researcher, (b) a description of the study participants, (c)

an expansion of the discussion in section 1 regarding the research method and research design, (d) an overview of the qualitative population and sampling, (e) a discussion regarding ethical research, (f) an analysis of the data collection instruments, techniques, and organization, (g) the data analysis process, and (h) an examination of reliability and validity. Section 3 begins with a restatement of the purpose of the study followed by (a) a presentation of the findings, (b) the potential application to professional practice, (c) implications for social change, (d) recommendations for action, (e) recommendations for further research, (f) reflections, and (g) a final concluding statement.

Section 2: The Project

Section 1 served as an introduction to the concept of small business capitalization strategies in relation to small business sustainability. Given the fact that during the first quarter of 2014 in Arizona alone, 6,867 small business establishments opened and 6,865 closed, better understanding the correlation between capitalization and sustainability is of paramount importance (SBA, 2015a). In the second section of this study, I provide valuable information regarding my role as the researcher, the purpose of the study, and the criteria for selecting prospective participants. Section 2 includes a discussion of the research project and an explanation of various design approaches and research methods, including key methodological and design considerations. I also address the reasons for selecting a qualitative methodology and multiple case study design to explore effective capitalization strategies used by small business owners to achieve financial sustainability. Additionally, I include a discussion of population and sampling, the process of ensuring ethical research, and the tools I used during the data organization, collection, and analysis process. Finally, Section 2 includes a discussion regarding my plan to ensure the reliability and validity of my findings.

Purpose Statement

The purpose of this qualitative, descriptive multiple case study was to explore the capitalization strategies small business owners used to achieve sustainability. The target population consisted of four small business owners in the greater Phoenix, Arizona metropolitan area who were each able to achieve sustainability by their fifth year in business. Small business owners may use findings from this study to promote business

sustainability. In turn, this may lead to an increase in employment opportunities, wage growth, and community-based services based on a decrease in small business failures.

Role of the Researcher

The role of the researcher is multifaceted and requires collaboration with colleagues, institutions, research participants, and others (Kyvik, 2013). Additionally, researchers must conduct, manage, evaluate, and publish research (Kyvik, 2013). In a qualitative study, the primary role of the researcher includes the collection and organization of data, followed by an analysis of the findings (Collins & Cooper, 2014).

Using a multiple case study design, I designed the study, recruited participants, and collected data from study participants via semistructured face-to-face interviews. Additionally, I reviewed secondary data sources including monthly cash-flow statements, annual profit and loss (P&L) reports, and balance sheet financial documents. Bourke (2014) noted that in qualitative research, the researcher becomes the data collection instrument. In this study, I served as the sole data collection instrument.

As a long-time resident of the greater Phoenix, Arizona metropolitan area and a former small business owner with over 2 decades of experience working with both franchised and nonfranchised small businesses, I have a robust understanding of the small-business community. In her examination of reflexivity in qualitative research, Berger (2015) found that researchers who have extensive personal experience with their research subject matter must be particularly vigilant regarding the potential impact of their experiences, beliefs, and ideological stances in relation to their findings. Concerning the focus of my research, small business capitalization, I have assisted hundreds of

business owners in obtaining financing, with an emphasis on *bootstrap financing*. Neely and Van Auken (2012) defined bootstrap financing as financing used by companies that are unable to access traditional forms of capital such as bank debt (loans) or government-backed programs. Although I have had both personal and professional relationships with many small business owners in Arizona, to avoid potential bias, I interviewed four business owners who, for the most part, were wholly unfamiliar to me. By controlling for relationship bias in which the positive or negative relationship between the researcher and the participant may consciously or unconsciously impact the results, I reduced the risk of researcher bias (de Haan, Duckworth, Birch, & Jones, 2013).

When people hear or read the word *ethics*, they often define the term as a set of rules that defines right and wrong (Stichler, 2014). From a research perspective, the concept of ethics refers to the norms of action and conduct, which promote truth, knowledge, and the avoidance of error (Stichler, 2014). The Belmont Report (1979), one of the cornerstones of ethical research, was originally written by The National Commission for the Protection of Human Subjects of Biomedical and Behavioral Research to summarize the core ethical principles regarding the conduct of behavioral and biomedical research involving human subjects. Throughout my research, I adhered to the protocols and standards as described in the Belmont Report (1979) as boundaries between practice and research, basic ethical principles, and applications. Ethics plays a critical role in human research and is equally applicable to the researcher and the research participants (Guraya, London, & Guraya, 2014). A researcher's primary moral obligation is to not only design a study that answers the research question but also to adhere to key

tenets such as informed consent, confidentiality, privacy, privileged communication, and respect without exposing participants to undue risks (Guraya et al., 2014). I ensured that I adhered to strict ethical standards throughout all aspects of my study.

Bias is defined as any deviation from the truth when collecting, analyzing, and interpreting data, which can result in incorrect conclusions (Simundic, 2013). Bias in research can take many forms. For example, social desirability bias occurs when respondents answer questions based on their need to be accepted and liked (Kaminska & Foulsham, 2013). Bias in data analysis occurs when a researcher introduces data to support a particular hypothesis (Simundic, 2013). Publication bias arises when a publication favors positive results over negative results (Simundic, 2013). In general, researcher bias can lead to the asking of inappropriate questions and irrelevant issues, which may, in turn, negatively impact data analysis and coding (Doody & Noonan, 2013). To minimize the potential for bias, I created a rigorous research framework based on four elements including dependability, credibility, confirmability, and transferability (see Houghton, Casey, Shaw, & Murphy, 2013). Additionally, I incorporated methodological triangulation, which entailed using at least two data collection methods to study a single phenomenon (Houghton et al., 2013).

In qualitative research, interview protocols are necessary to support validity, achieve consistency, and maintain reliability in critical datasets (Foley & O'Connor, 2013). The use of interview protocols includes the application of open-ended questions to generate information sharing and narrative accounts regarding particular phenomena (Brown et al., 2013). My interview protocol, as described in Appendix B, served as a

guide for all research interviews. I used the interview protocol throughout my research to ensure rigor, which, in turn, helped to ensure validity and reliability.

Participants

Qualitative research requires researchers to create a plan of action for selecting participants (Marshall & Rossman, 2016). Additionally, participant recruitment strategies must be relevant to the research methodology and population being studied (Newington & Metcalfe, 2014). Concerning multiple case studies, participant selection must be consistent with the conceptual framework, and the output must incorporate a synthesis of all cases (Cleary, Horsfall, & Hayter, 2014; Munn, Porritt, Lockwood, Aromataris, & Pearson, 2014; Yin, 2014). The reliability and validity of a researcher's findings can be negatively impacted by the researcher's failure to select appropriate participants (Barry, Chaney, Piazza-Gardner, & Chavarria, 2014).

The participants in this descriptive multiple case study were four small business owners in the greater Phoenix, Arizona metropolitan area. As of 2014, Arizona businesses employed in excess of 2.2 million individuals with an annual statewide payroll of almost $96.8 million, so an ample pool of participants was available (U.S. Census Bureau, 2015b). The SBA (2014) characterizes a small business as an independent business having fewer than 500 employees, which served as the definition of a small business for the purpose of this study. All study participants met the following eligibility criteria: (a) their small businesses were located in the greater Phoenix, Arizona metropolitan area, (b) their small businesses had been in operation for at least 5 years, (c)

each was the owner of the small business, and (d) each had experience using capitalization strategies to achieve sustainability.

To conduct my study, I located individuals who, as described by Brown et al. (2013), were accessible, willing to provide feedback, and could provide a deeper understanding of the issue of small business capitalization and sustainability. Specifically, I contacted small business owners, primarily via word-of-mouth referrals, to obtain permission to conduct on-site research, which provided direct access to relevant information. Regarding contacting potential study participants, Gandy (2015) found both in-person and email communications to be effective. Additionally, Mitchelmore and Rowley (2013) suggested that researchers seek assistance from an organization's human resource department. Wise et al. (2016) proposed that researchers consider recruiting study participants via the Internet, using such tools as search engines, social media, and online classified postings based on researchers' abilities to target a broad audience geographically.

Establishing working relationships is central to the data gathering process (Yin, 2014). I began by following formal protocols and guidelines as established by the Walden University Institutional Review Board (IRB). Walden University protocols require strict confidentiality for all study participants. As such, I used an approved participant consent form, which, as Lewis (2015) noted, helps to build rapport. Akhavan, Ramezan, and Yazdi Moghaddam (2013) reported that researchers should use a password-protected computer and destroy all interview data and documents after 5 years to safeguard the confidentiality of study participants. I adhered to these standards. Finally, I focused on

building trust with all participants. McDonald, Kidney, and Patka (2013) noted that researchers have a higher probability of success if they focus on enhancing participant autonomy and personal comfort while engendering trust.

To ensure that all study participants would provide usable data to answer the overarching research question, I prequalified all interviewees by ensuring that each participant had owned and operated a business in the greater Phoenix, Arizona metropolitan area and had achieved sustainability by being continuously operational for at least 5 years. Additionally, I confirmed that all participants had used at least one method of business capitalization and had reviewed the participant consent form in detail. Once the parties acknowledged that they had met the study criteria and had agreed to move forward, they received a phone call in which I explained the specifics of the study.

Research Method and Design

According to Venkatesh et al. (2013), quantitative, qualitative, and mixed-methods methodologies provide much-needed diversity when conducting scientific research. While there has been much debate in the scientific community regarding the differences among methodologies and epistemologies, methodological diversity serves to enhance the collective body of knowledge (Venkatesh et al., 2013). Based on an in-depth analysis of quantitative, qualitative, and mixed-methods, I determined that the combination of a qualitative methodology in conjunction with a descriptive multiple case study design provided the optimal foundation.

Research Method

According to Barnham (2015), quantitative research traditionally has been perceived as providing factual or hard data grounded in the physical sciences and includes well-documented tools such as statistical analysis. In contrast, qualitative research is considered more subjective, interpretive, and insightful (Barnham, 2015). Qualitative researchers seek to provide a deeper level of understanding and to go beyond absolute objectivity to better understand how people perceive the world from their points of view (Barnham, 2015; Habibi, Sarafrazi, & Izadyar, 2014). Furthermore, much like quantitative researchers, qualitative researchers can demonstrate rigor by providing detailed findings regarding their sources (Leedy & Ormrod, 2013).

Venkatesh et al. (2013) provided another perspective regarding qualitative research by suggesting that the dependability and consistency of data are two concepts that are similar in nature to quantitative studies. They noted that in the context of a qualitative study, researchers define validity as the extent to which the data are trustworthy, credible, and plausible. Additionally, Venkatesh et al. identified three types of validity: (a) *descriptive*, which the authors described as the accuracy of the data being reported; (b) *interpretive,* which the authors defined as the participants' experiences, views, thoughts, and feelings and the degree to which the researchers are able to accurately interpret what is going on in the participants' minds; and (c) *theoretical*, which the authors indicated is the extent to which the foundational theory is applicable to the data and is therefore credible and defensible (Venkatesh et al., 2013).

Freeman, Gergen, and Josselson (2015) noted a growing scholarly acceptance of qualitative research in psychology and related fields. The authors posited that the qualitative research movement serves to enrich and enhance the field of psychological inquiry. Further, they argued that defining *science* narrowly in terms of prediction, experimentation, and measurement fails to take into account the ways in which the qualitative movement enriches the discipline of psychological research (Freeman et al., 2015). From a legitimization standpoint, the American Psychological Association (APA) division formerly known as Evaluation, Measurement, and Statistics has since been replaced with the Division of Quantitative and Qualitative Methods (Freeman et al., 2015). This recognition of qualitative inquiry as an officially sanctioned APA division is tantamount to the sanctioning of pluralism, which the authors defined as various practices and visions of inquiry (Freeman et al., 2015).

In contrast, the authors defined quantitative research as a methodology that describes phenomena based on numerical data using mathematical methods, primarily statistics, to test a specific theory or theories (Yilmaz, 2013). Quantitative research has been closely affiliated with the tradition of psychology and represents an attempt to establish a representation of the world from an objective, factual perspective to determine validity (Barnham, 2015). According to Gioia, Corley, and Hamilton (2013), quantitative analysis tends to focus too much on construct elaboration and on what scholars already know, while qualitative analysis encourages originality.

In mixed methods research, qualitative and quantitative methods are combined in the same research inquiry and can be used either concurrently or sequentially (Venkatesh

et al., 2013). According to Venkatesh et al. (2013), mixed methods has been referred to as the *third methodological movement (paradigm)*, following the quantitative and qualitative movements. The authors posited that the decision of whether to utilize the mixed methods approach should be based on the purpose of the study, along with the research question and the context. Additionally, they suggested that a researcher should utilize the mixed methods approach when extant research is inconclusive, equivocal, and fragmented, to provide a broader holistic understanding (Venkatesh et al., 2013).

Research Design

For my qualitative research study, I selected a descriptive multiple case study design. A research design allows the researcher to collect, analyze, and interpret data while drawing inferences regarding the relationships between variables (Dasgupta, 2015). The case study design is most appropriate for answering questions where a researcher is striving to understand a particular phenomenon versus merely measuring it over a period of time (Dasgupta, 2015). Additionally, a case study design allows the researcher to examine events and behavior related to a phenomenon that cannot be manipulated (Vohra, 2014). Furthermore, a case study design is useful for studying a complex phenomenon, whereas quantitative, fact-based, statistical methodologies are unable to capture interpersonal behavior adequately, nor can they document organizational relations from a holistic perspective (Vohra, 2014).

Case study research (CSR) varies between individual researchers and disciplines and has continued to evolve over time (De Massis & Kotlar, 2014). While historically, some quantitative researchers have contended that CSR lacks reliability and validity,

others have suggested that it provides a holistic, empirical approach to understanding a phenomenon within the context of real life (Cronin, 2014). In its most basic sense, the term CSR can be used interchangeably to describe both single and multiple case studies involving multiple variables (Cronin, 2014). Case study research has been proven as an effective means of identifying the strengths and opportunities of an organization in a real-world setting (Turner & Danks, 2014).

While I had considered an ethnographic design for this study, I did not choose it. In a somewhat related research design, ethnographic research involves the scientific observation of peoples and cultures. From an organizational perspective, since the 1950s, ethnographers have been interested in understanding the dynamics of people and organizational interactions from both intra- and extra-organizational perspectives (Zilber, 2014). An ethnographic approach is suitable for studying complex human responses from both internal and external perspectives (Lopez-Dicastillo & Belintxon, 2014). To conduct ethnographic research, ethnographers often live and work in the groups they are studying and spend a considerable amount of time with them (Zilber, 2014). In recent years, nontraditional ethnographic research methods have come to light, such as the study of virtual digital communities via emergent technologies (Murthy, 2013). While this mode of information gathering is beginning to gain traction, particularity in relation to virtual networks such as Facebook and Twitter, it is still relatively new and poses methodological and ethical questions (Murthy, 2013). For my study, working and living with each small business owner and their stakeholders was not a feasible option.

I also considered a phenomenological design for this study but did not ultimately select this strategy. The concept of phenomenology refers to both a research method and philosophy. During the 20th century, researchers introduced phenomenology as a means of exploring the real world and life experiences (Tuohy, Cooney, Dowling, Murphy, & Sixsmith, 2013). Phenomenology is unique in that the interpretation and description of particular phenomena are based on the lived experiences and perspectives of the individual experiencing the events (Tuohy et al., 2013). One of the hallmarks of phenomenological study is a researcher's ability to remain curious, empathetic, and open minded while immersing him or herself in the phenomenon itself (Finlay, 2014).

The primary challenge with phenomenological study is that the researcher must personally experience the phenomenon. Additionally, the researcher must also have the ability to observe a phenomenon without impacting its outcome, which can pose a challenge (Tuohy et al., 2013). Furthermore, phenomenologists are primarily interested in understanding an individual's experience as the primary object of investigation versus the story of their experience (Gill, 2014). In contrast, I based my study on understanding the specific capitalization strategies small business owners selected to achieve sustainability. That is, I focused on the history of how each was able to attain sustainability through the lens of capitalization. Had I decided to study the experiences of small business owners relative to capitalization and sustainability, a phenomenological study would have been appropriate. Because I was interested in exploring capitalization strategies used by a group of small business leaders bound by place and time, a descriptive multiple case study design was most appropriate for this study.

Population and Sampling

The population for my study consisted of small business owners within the greater Phoenix, Arizona metropolitan area who had achieved financial sustainability by the end of their first 5 years in business. According to the Small Business Administration (SBA), as of 2016, there were 519,504 small businesses in Arizona encompassing 45.1% of all Arizona employees (SBA, 2016). This population is of sufficient scale to answer my overarching research question based on determining what capitalization strategies small business owners utilize to achieve sustainability. According to Yilmaz (2013), purposeful sampling is useful in qualitative research, as it allows the researcher to gain a deeper understanding of a specific case based on the selection of a small number of participants. Unlike random sampling where each participant is selected entirely by chance from a given population, in purposeful sampling, participants are selected based on the judgment of the researcher in relation to the study criteria (Leedy & Ormrod, 2013; van der Velden & El Emam, 2013).

Obtaining an adequate sample is one of the most fundamental aspects of conducting credible research. In qualitative studies, there is no universally accepted sample size, as the optimal sample is a function of the research questions asked, the robustness of the data, and the purpose of the study (Elo et al., 2014). The sample universe serves as both a practical boundary and a definition of who or what is being studied (Robinson, 2014). Marshall, Cardon, Poddar, and Fontenot (2013) cited three potential methods a researcher can cite for justifying sample size: (a) a qualitative methodologist's recommendations, (b) sample sizes or precedent based on similar

studies, and (c) internal statistical methods that can be utilized to demonstrate saturation. The size of a sample is a reflection of both the realistic and theoretical elements of a study, and in case study research, the size is related to the format, defined as single or multiple case (Robinson, 2014). I based my study on a sample size of four small businesses in the greater Phoenix, Arizona metropolitan area. A small sample size enabled me to facilitate what Crouch and McKenzie (2006) describe as an in-depth, detailed inquiry in a naturalistic setting.

When conducting qualitative research, researchers must estimate sample sizes based on the goal of achieving data saturation (Bornstein, Jager, & Putnick, 2013); Marshall et al., 2013). While achieving data saturation is the key to conducting high-quality qualitative research, one of the primary challenges researchers encounter is a lack of published guidelines or rules (Marshall et al., 2013). As noted by Ando, Cousins, and Young (2014), the absence of a clear, universal definition of data saturation is due, in part, to the distinct differences in the size and scope of qualitative studies. Time constraints can also impact a researcher's ability to achieve data saturation (Wolfswinkel et al., 2013). To address the differences in qualitative studies as well as time constraints, researchers must use good judgment and apply rigor based on the nature of the study (O'Reilly & Parker, 2013). To ensure data saturation, I confirmed that I had collected adequate and quality data such that no new information could be gleaned.

The criteria I utilized for selecting participants included a geographic component based on small business owners in the greater Phoenix, Arizona metropolitan area who were over the age of 18 and who had achieved sustainability beyond 5 years of business

inception. The interviews were conducted in a private setting at a location that was convenient for each participant. Such venues included a conference room, private office, or a conference or meeting room at a local hotel. Each site was reasonably insulated from ambient noise and had a door that could be closed. According to Doody and Noonan (2013), researchers should always conduct interviews in a safe location that is free from disruptions and that is mutually convenient for both interviewer and interviewee.

Ethical Research

This study was conducted based on receiving prior approval from the Walden University Institutional Review Board (IRB), with approval number 05-16-17-0573554. According to Nijhawan et al. (2013), informed consent is the process by which a study participant voluntarily confirms his or her willingness to participate in a study based on comprehensive, standardized information provided by the researcher. Informed consent should be provided in writing and should be approved willingly by the participant (Harriss & Atkinson, 2013). To participate in this study, all participants received a letter of invitation detailing the nature, intent, and extent of the research (Appendix C). The invitation included a Participant Consent Form, that participants needed to review and sign. I notified all participants that they could withdraw from the study at any time without penalty or consequence by indicating their desire to do so in writing. No incentives or compensation were offered, and I indicated that access to all study results would be granted upon request. From an ethical standpoint, study participants must be informed if incentives or compensation will be offered, and that they may withdraw from the study at any time (Macklin & Shepherd, 2013). Additionally, Macklin and Shepherd

(2013) noted that researchers must disclose whether participants in a study were compensated and that participants were properly notified that they may withdraw from a study at any time.

The concept of ethics serves as the basis for understanding the relationship between right and wrong according to the norms and values of a society (Baral, 2016). While some researchers have attempted to define ethical behavior in terms of laws, beliefs, cultural norms, and religion, ethics are more accurately defined as moral principles that govern behavior (Baral, 2016). Institutional Review Boards (IRBs) play an important role in formalizing a participant protection program, and their function defines the ethical standards of research (Ghooi, 2014). Each participant received a written invitation to participate in this study (Appendix C), which included an explanation of the study objectives and an informed consent form. The consent form disclosed relevant study information such (a) as any known risks, (b) the participants' right to withdraw from the study at any time for any reason, (c) any ethical matters, (d) the purpose of the research, (e) how the data will be stored, and (f) participant expectations, as detailed by Mealer and Jones (2014). Study participants did not receive financial remuneration compensation or incentives of any kind. According to Downey and Chang (2013), introducing payments or incentives could lead to ethical challenges based on influencing participants' feedback. Participation in the study was strictly voluntary, and participants were informed that they could withdraw at any time by notifying the researcher via phone or email.

Every effort was made to ensure the preservation of the participants' rights, privacy, and ethical protections at all times. All data has been stored electronically on a password-protected, personal external digital flash drive in a locked, fire-resistant safe along with all related written documentation. As noted by Mitchell and Wellings (2013), only the researcher should have access to participants' personal information. After 5 years, all physical, written data will be shredded, and all digital data will be permanently erased. Additionally, at no time will the names of any individuals or organizations be published or shared in any format, and participants were identified only as Participant 1, 2, 3, and 4 (P1, P2, P3, and P4). The confidentiality of participants can be protected by not publishing the participants' names (Beskow, Check, & Ammarell, 2014).

Data Collection Instruments

The nature of qualitative research is such that the researcher becomes the data collection instrument (Bourke, 2014; Chan, Fung, & Chien, 2013). In qualitative research, the researcher, while acting as the data collection instrument, serves as a lens, and as such cannot separate him or herself from the research (Fusch & Ness, 2015). In this qualitative descriptive multiple case study, I served as the data collection instrument.

According to Yin (2012), case study data have six origins and researchers much collect information from at least two of the following six sources: (a) direct observations, (b) interviews, (c) physical artifacts, (d) participant observations, (e) archival records, or (f) documentation. In addition to conducting semistructured interviews, I collected data in the form of cash-flow, profit and loss (P&L), and balance sheet statements, to be analyzed in conjunction with open-ended, semistructured interviews. I analyzed the

aforementioned documents for the purpose of determining whether each small business has achieved financial sustainability. In qualitative research, semistructured interviews are the most common format (Doody & Noonan, 2013). The purpose of semistructured interviews is to determine participants' perspectives regarding their experiences in relation to the research topic (McIntosh & Morse, 2015). Semistructured interviews require the respondents to answer predetermined, open-ended questions in either an individual or group format (Jamshed, 2014).

A qualitative study dictates a thorough member checking process, which improves reliability (Harvey, 2015). Member checking is a process whereby the precise description or final material is provided to the study participants so they may confirm that the data accurately reflects their perspectives (Loh, 2013). Additionally, member checking enhances the credibility of results by demonstrating rigor and adherence to recognized protocols (Birt, Scott, Cavers, Campbell, & Walter, 2016). For my research, I provided study participants with copies of their interview responses and all analyzed data so they could confirm the accuracy of the data. By providing participants with the opportunity to validate their data, I further enhanced the trustworthiness of my study results. I based my interview process on the interview protocol I developed (Appendix B), as well as my interview questions (Appendix A). My protocol was developed based on the four protocol components described by Yin (2014) as (a) a case study overview, (b) the development of data collection questions, (c) formalized data collection procedures, and (d) a case study guide.

Data Collection Technique

To collect data, I utilized semistructured interviews in conjunction with the collection of specific financial documents including balance sheets, profit and loss statements (P&Ls), and statements of cash flow. Semistructured interviews allow for flexibility regarding the interview questions while providing a solid foundation (Schaupp & Bélanger, 2014). Additionally, semistructured interviews are the most common format utilized in qualitative research and include predetermined questions whereby the researcher may seek further clarification (Doody & Noonan, 2013). The primary advantage of the semistructured interview approach is that it allows the researcher to vary the wording and order of questions and to explore new topics that may not have been considered previously (Doody & Noonan, 2013). Disadvantages of the semistructured interview approach may include reliability, stability, accuracy, and reproducibility based on the way in which the coding and thematic analysis are complete and the experience of the researchers (Campbell, Quincy, Osserman, & Pedersen, 2013).

To accommodate the needs of the survey participants, I arranged a mutually convenient time and place to meet. To account for any unforeseen events such as traffic or interruptions, I allocated a longer period than necessary to complete the interviews. As described by Cronin-Gilmore (2012), the length of each interview will depend on the participants' willingness to share their experiences and perceptions. Before conducting the interviews, I called to confirm the date, time, and location, along with the anticipated length of the interview.

When I arrived at the meeting place, I noted the date, time, location, surroundings, demographics, and any participant interactions with other parties. Before conducting my interviews, I handed each participant a copy of their electronically signed Participant Consent Form for them to review one final time before commencing the interview while providing additional reassurance regarding participant confidentiality. Reassuring and comforting participants helps to establish rapport and may result in higher quality responses because of increased confidence and trust (Mealer & Jones, 2014). During each interview, I was especially cognizant of nonverbal communication, as, per Comi, Bischof, and Eppler (2014), facial expressions, body posture, and unconscious movements can play an important role in understanding participants' perceptions. Qualitative interviews can involve arduous transcription processes and can be laborious (Doody & Noonan, 2013). Once I received the participants' consent, I utilized my iPhone to record the interviews in a private setting with only the participants present.

When all questions had been asked, I concluded the interview. According to Fusch and Ness (2015), data saturation is reached when (a) the ability to obtain new data for a study has been attained, (b) the study can be replicated, and (c) further coding is no longer possible. Immediately following the interviews, I collected the balance sheet, cash flow, and P&L documents from the participants for further review.

According to Loh (2013), member checking involves providing all participants with the final material, a precise description, or themes, so they may confirm that the data reflect their viewpoints. Member checking improves the accuracy, credibility, validity, and reliability of a qualitative study (Hudson, et al., 2014; Mero-Jaffe, 2011).

Furthermore, member checking involves reporting the preliminary results to study participants and asking for feedback and comments which are incorporated into the final analysis (Mosadeghrad, 2013). To ensure the credibility and dependability of a study, researchers must utilize a variety of approaches such as triangulation and member checking (Carter, Bryant-Lukosius, DiCenso, Blythe, & Neville, 2014). Once I had completed my preliminary analysis, I reported the results to study participants and asked them to provide feedback and comments. I then incorporated all responses into my final analysis.

Data Organization Technique

The organization of data can be divided into three elements, including (a) data examination and analysis; (b) the creation of a conceptual map and guidelines; and (c) the utilization of data coding, or the search for related ideas, categories, and themes (Kastner et al., 2013; Pierre & Jackson, 2014). I maintained a master journal which included all interview questions, participant responses, as well as label headings based on a coded participant numbering system as indicated by Houghton et al. (2013). Additionally, I maintained folders containing all documents regarding each participant including financial documents and field notes. Gibson, Benson, and Brand (2013) suggested the use of folder coding labels versus participant names to ensure confidentiality and enhance security. As such, folders were coded as P1, P2, P3, and P4.

Once all data were collected and appropriately cataloged, I entered the data into the cloud-based software application Dedoose to be analyzed and coded. I was the only person to have access to the data, as suggested by Check, Wolf, Dame, and Beskow

(2014). All data was then stored on a password-protected, personal flash drive, which I will erase after 5 years. According to Anyan (2013), in order to maintain the integrity of all interview data, a suitable data storage strategy must be employed. I have stored any physical, non-electronic data in a secure safe, and will shred all after 5 years. All collection and data storage processes are in alignment with IRB standards and requirements.

Data Analysis

In qualitative research, a case study design allows for a detailed investigation of a real-life phenomenon, while accommodating multiple variables and sources of evidence (De Massis & Kotlar, 2014). From a data analysis perspective, researchers conducting multiple case study analysis frequently employ a *cross-case* analytic technique, which provides for the evaluation of themes across multiple cases (Houghton, Murphy, Shaw, & Casey, 2015). For my study, I selected methodological triangulation, which entails collecting data from multiple sources such as observations, interviews, documents, and questionnaires. Methodological triangulation, which is the most common type of triangulation utilized in case studies, can be used to broaden a researcher's insights and enhance the interpretation and analysis of the findings (Anney, 2014; Heale & Forbes, 2013). Additionally, the combination of conclusions from two or more credible sources can minimize the limitations of each source while providing a complete representation of the overall results (Heale & Forbes, 2013).

According to Yazan (2015), one of the most robust epistemological perspectives was developed by Yin (2014), who is a proponent of distinct and highly structured data

analysis procedures. Specifically, Yin (2014) described five sequential stages of data analysis: (a) data collection, (b) data grouping, (c) the regrouping of data into themes, (d) data analysis and assessment, and (e) the researcher's conclusions and qualitative data analysis. Although a researcher's experience and background will invariably influence the outcome of a study, adherence to rigorous data collection procedures will help to minimize bias (Weaver, Salamonson, Koch, & Jackson, 2013).

In compliance with Yin's (2014) suggested sequential stages of data analysis, I entered all data collected into the Dedoose analysis software to be coded, mind-mapped, and assigned to themes. Dedoose is a computer-assisted qualitative data analysis software (CAQDAS) program that facilitates the coding and analysis of both qualitative and quantitative data via *data visualization* tools. The Dedoose software features tools for transcribing audio to text, as well as data cleansing. According to Sotiriadou, Brouwers, and Le (2014), researchers must closely examine their choice of data analysis software based on the dataset being studied, and the researcher's competence and experience in analyzing data.

I coded all documents based on emergent themes from participant interviews and developed categorical structures (Shen & Varvel, 2013). I correlated key themes with the research as referenced in the literature review, as well as my conceptual framework based on CBT. Qualitative studies share similar goals in that they seek to understand a particular phenomenon based on the perspectives of those who have experienced it (Vaismoradi, Turunen, & Bondas, 2013). My research focused on key themes such as the specific capitalization strategies small businesses used to achieve financial sustainability.

Additionally, the key themes were correlated with my literature review as well as my conceptual framework. As qualitative research methods are based on understanding experiences and meanings, they can provide important insights into complex or misunderstood areas of study (Colquhoun et al., 2014; Crowe, Inder, & Porter, 2015).

Reliability and Validity

Qualitative researchers are concerned with understanding individual's experiences and the meanings attached to them via the collection and analysis of data from a naturalistic perspective (Yilmaz, 2013). Strategies for ensuring reliability and validity include accounting for and acknowledging personal biases, keeping detailed records, including thick and rich participant descriptions, requesting participant comments to validate transcripts, data triangulation, and comparing similarities and difference across multiple cases (Noble & Smith, 2015). Additionally, reliability and validity are determined by ensuring that a study is credible, that the data collected are dependable, that the data can be confirmed, and that the study data are applicable to similar studies (Cope, 2014).

Reliability

Reliability refers to the consistency employed by a researcher concerning established analytical procedures and applies to data not to measurement instruments (Noble & Smith, 2015). Dependability is defined as the constancy of data over comparable research conditions whereby the study findings can be replicated with similar participants in comparable conditions (Cope, 2014). Dependability and reliability are related in that they are both based on a researcher's ability to clearly explain procedures

such as justification, selection, and strategy application, which may be further validated by an auditor (Yilmaz, 2013). To ensure dependability, I adhered to the interview protocol (Appendix B). Further, I utilized member checking, transcript review, and triangulation to ensure rigorous quality control and comparisons in data collection. Combining member checking, transcript review, triangulation, and a rigorous adherence to interview protocol is considered robust, credible, and high-quality research according to Yin, 2014).

Validity

Validity in quantitative research refers to the relationship between the primary research question and the degree to which the sample size, methodology, data collection techniques, and results of the study relate to the primary research question (Leung & Tse, 2017). As noted by Houghton et al. (2013), to ensure validity, researchers must examine four elements: (a) credibility, (b) transferability, (c) confirmability, and (d) data saturation. In a rigorous qualitative study, the term credibility refers to the participants' perception of the study as credible (Yilmaz, 2013). The credibility of a qualitative study is ultimately a function of the credibility of the researcher based on his or her experience, training, status, and track record (Yilmaz, 2013). Additionally, the extent to which the researcher utilizes robust methodological strategies such as member checking, transcript review, triangulation, and multiple sources of data all contribute to the credibility of the study (Noble & Smith, 2015). To be considered credible, qualitative research must produce valid results and be able to withstand scrutiny in the face of independent evidence (Vaismoradi, et al., 2013). As I served as the data collection instrument for this

study, credibility was determined based on the procedures and protocols that I applied, as well as my training, methodologies, and consciousness regarding any personal biases. I ensured credibility by implementing member checking, transcript review, triangulation, and a detailed review of multiple financial documents including monthly cash-flow statements, annual profit and loss (P&L) statements, and balance sheets.

Transferability in qualitative research refers to the extent to which the data can be extrapolated and applied to other groups or settings while preserving the original inferences and meanings (Elo et al., 2014; Houghton et al., 2013). One strategy I employed to establish transferability was to provide a detailed description of the population to be studied, including geographic and demographic data (Thomas & Magilvy, 2011). Ultimately, the reader must be the judge regarding the transferability of the data (Elo et al., 2014). I ensured that my findings were transferable and replicable by providing detailed population descriptions and including specific geographic and demographic data.

Confirmability is one of the key elements to developing trustworthiness in qualitative research studies (Cope, 2014). According to Cope (2014), confirmability refers to a researcher's ability to demonstrate that his or her personal viewpoints and biases did not unduly influence participants' responses. Additionally, the concept of confirmability is a correlate of the extent to which a researcher's conclusions are an accurate and truthful interpretation of the data collected (Garside, 2014). A number of strategies are routinely employed to assist in establishing confirmability, including triangulation and reflexivity (Moon et al., 2013). To ensure confirmability, I employed

both reflexivity and triangulation and conducted a detailed review of all data to ensure that my findings were not unduly influenced by my personal biases.

Although there is no single definition of data saturation that fits all research methods, data saturation is a term used in qualitative research when a researcher cannot uncover any new data, themes, or coding (Morse, 2015). These samples are collected and analyzed via the lens of a researcher's understanding of his or her theoretical framework and the supporting literature (Finfgeld-Connett, 2014; Fusch & Ness, 2015). To ensure data saturation, I interviewed participants until no new data could be gleaned. I then analyzed both the interview transcripts and individual financial statements including monthly cash-flow statements, annual profit and loss (P&L), and balance sheet financial documents, using the Dedoose software to organize the data and ensure that my research met the broadly accepted standards for qualitative reliability and validity.

Transition and Summary

In Section 2, I began by restating the purpose of the study and the problem I addressed. My goal in this section was to detail the specific methodologies and approach employed to conduct the study. Specifically, I described (a) the role of the researcher; (b) the participants; (c) the research method; (d) the research design; (e) the population and sampling methods; (f) ethical research; (g) the data collection instruments, technique, organization, and analysis; and (h) reliability and validity. Section 3 will begin with a review of the purpose of the study, followed by a presentation of my findings. I will then discuss the potential applications to professional practice, implications for social change, recommendations for action, and recommendations for further research.

Section 3: Application to Professional Practice and Implications for Change

Section 3 includes (a) a detailed presentation of the findings, (b) a discussion regarding the study's applications to professional practice, (c) a discussion of implications for social change, (d) recommendations for action, (e) recommendations for further research, (f) reflections, and (g) a conclusion. Also included in Section 3 is a discussion regarding the ways in which the findings confirm and extend current knowledge published in peer-reviewed studies. Finally, I discuss how the findings in this study relate to the CBT theoretical framework and provide a rich argument for why and how the findings can lead to improved business practices.

Introduction

The purpose of this qualitative, multiple case study was to explore the capitalization strategies that small business owners use to achieve sustainability. I conducted face-to-face interviews with four small business owners who (a) owned a small business; (b) were located in the greater Phoenix, Arizona metropolitan area; (c) had achieved sustainability beyond 5 years of inception, and; (d) had used various capitalization strategies. Other sources of data included financial archival data. Using Mao's (1970) CBT as a theoretical framework, I identified three themes during data analysis, which all positively impacted sustainability: (a) personal capitalization, also known as self-funding; (b) personal relationships and word-of-mouth; and (c) a general aversion to high debt and interest rates. My discussion of each of these themes includes examples, which demonstrate the multifaceted nature of the findings.

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Presentation of the Findings

The overarching research question guiding this qualitative, explorative multiple case study was: What capitalization strategies do small business owners use to achieve sustainability? To answer the overarching research question, I conducted semistructured interviews with four small business owners at their respective businesses. Additionally, I incorporated Yin's (2014) five sequential stages of data analysis when drawing my conclusions, including (a) data collection, (b) data grouping, (c) the regrouping of data into themes, (d) data analysis and assessment, and (e) the researcher's conclusions and qualitative data analysis. I also leveraged Dedoose, a computer assisted qualitative data analysis system (CAQDAS), to facilitate coding and analysis of the qualitative data. Finally, I used what Shen and Varvel (2013) described as categorical structuring processes to code my documents based on emergent themes. Following the coding and triangulation process, three themes emerged: (a) self-funded, personal capitalization augments sustainability; (b) personal capitalization augments sustainability, and (c) debt and high interest negatively impacts sustainability.

Emergent Theme 1: Personal Capitalization Augments Sustainability

The first theme that emerged from the data analysis was that personal capitalization augments sustainability (see Table 1). All four owners (P1, P2, P3, and P4) shared the belief that personal capitalization, also referred to as self-funding, underscored the importance of leveraging whenever possible for capitalization purposes. While each owner employed their own unique capitalization strategies, all four indicated they believed there was a link between personal funding and long-term sustainability. For

example, P1 shared that, from her perspective, the key to sustainability is to seek out income sources such as real estate equity or rental property income to become self-funding. P1 stated, "I reject getting ahead of myself and spending money that I don't have." In a related statement regarding self-capitalization, P3 remarked, "I am a saver…we saved a lot." As noted by Geho and Frakes (2013), small business owners may avoid debt-based financing in an uncertain economy. Such was the case for all four study participants, as each began to consider their financing options around 2008. This period is frequently referred to as the beginning of *the great recession* (Bitler, Hoynes, & Kuka, 2017). Additionally, it is worth noting that three of the four study participants (P2, P3, and P4) opened their small businesses in the 2010 to 2012 timeframe.

Each study participant leveraged a variety of personal capitalization sources. Specifically, P1, P3, and P4 used either personal savings, real estate equity, or both to provide startup capital. Additionally, P3 and P4 leveraged income streams from existing small businesses. Furthermore, P2 and P3 relied on spousal income to supplement their initial cash flow.

Of the four study participants, P2 was the only one to use more conventional debt financing. While P2 expressed a strong preference for funding his small business with cash, he shared that he took out a short-term conventional personal business loan from a bank out of necessity. P2 remarked,

> When I first started out I had to leverage my personal credit to get a personal loan…I tried getting a business loan, but due to the economy, banks saw [my business] as high-risk and they weren't willing to loan on it, but the lender told

> me I've got great credit and I could probably get a personal loan for the exact same amount.

As evidence of P2's distaste for debt, P2 indicated that the personal loan was paid back "sooner than it was required."

Table 1

Capitalization Preferences and Selections

Participant capitalization preferences	Number of participants	Percentage of total
Preference for personal capitalization	4	100.0%
Leveraged personal savings	3	75.0%
Leveraged real estate equity	3	75.0%
Leveraged additional small business income	2	50.0%
Leveraged spousal income	2	50.0%

Personal savings. Three of the four participants reported using personal savings as a means of financing their small business ventures. P1 indicated that she only dipped into her personal savings during times of financial crisis, while P3 and P4 used their personal savings in a manner similar to a line of credit (LOC), whereby the LOC is used to fund current cash flow needs. Robb and Robinson (2014) noted that funding such as personal savings is referred to as *inside debt*, and is typically provided as a personal loan to the business by the owner. Furthermore, the authors noted that inside debt is not common in new small business ventures (Robb & Robinson, 2014).

According to Voelker and McGlashan (2013), many small business owners leverage their personal savings because traditional lenders shy away from lending to new business ventures. This aligns with P1's statement,

> I have borrowed from my own savings [and] IRA. I've always had an IRA, and over the years I would be diligent about putting some money into savings and into an IRA for myself…I would borrow from that but only on, I think, it's a 60 or 90-day rollover, so maybe on two occasions. In order to not pay any interest and not pay any fees or taxes, I would put that money right back in and fortunately I was able to do that.

Additionally, P4 indicated that while he would have preferred to leverage more traditional, debt-based funding, multiple lenders had refused to provide capital, so he had no alternative but to use his personal savings.

Real estate equity. One somewhat surprising finding was that three of the four participants had used real estate equity as a means of funding their small businesses. Both P1 and P3 indicated that they had a professional background in real estate. P1 is a licensed realtor who has purchased and sold several properties for a profit. P3 referred to himself as a former *house flipper*, who early on in his career began remodeling and selling individual properties and eventually became a professional with a significant portfolio of rehabbed houses. P3 said, "In the house flipping market. . . .we built up a team of 20 staff and another 80 or so subcontractors, and we [did] $400 million dollars of real estate business." Purchasing houses in need of remodeling and selling them for a profit tends to take place in sluggish markets (Leung & Tse, 2017). Although the four

participants were generally risk averse regarding the funding of their businesses, their propensity to leverage real estate equity indicates a modicum of risk tolerance. Speculative real estate investing involves risk in that the anticipated appreciation of the property value may or may not occur, or may happen much later than anticipated (Anacker & Schintler, 2015).

Supplemental spousal and small business income. P2 and P3 both indicated that their risk was reduced based on income generated by their spouses, especially during the startup phase of their respective small businesses. P2 shared, "my wife is a nurse practitioner and she makes a good living, so we didn't need to worry about how we were going to pay the bills." The participants' experiences regarding alternative sources of income are similar to what Geho and Frakes's (2013) findings revealed, which was that for many small business owners, maintaining current sources of income is essential. Although P3 did not share any specifics regarding his spouse's occupation, he stated that had she not been employed, he would not have been able to obtain the necessary funds to start his various small business ventures, as his credit record was not sufficiently established. P3's experiences are consistent with the findings of Byrd et al. (2013) who found that many U.S. small business owners cited poor capitalization options as a primary deterrent to starting a business.

Although all four participants used some form of personal income to fund their respective businesses, in contrast to P2 and P3, P1 and P4 leveraged their previous small business ventures until they could divest themselves and commit fully to their new ventures. P4's solution was somewhat creative in that he was able to obtain significant

discounts on the equipment he needed to operate his business. He stated, "while I was going to [two] schools, I went and got a job at Guitar Center, and that allowed me to not only network and build clientele, but also get a massive discount on all the equipment." In both instances, the participants mentioned that although they had friends who were willing to lend them money, they declined. This appears to support the SBA (2014) findings that one-third of nonemployer firms do not use debt-based startup capital.

Debt-based capitalization. While, as a whole, the four participants were averse to using traditional capitalization sources such as banks and government loans, this was not universally the case. P1 indicated that she had used several credit cards to finance her business for a brief period, based on a special interest-free grace period for each. P2 mentioned that even after he had paid off his initial loan, he had secured a line of credit from a traditional banking institution to smooth out the ups and downs of his monthly cash flow. Although P3 did not leverage traditional credit to capitalize his business, his perspective is germane to the discussion. He said, "I wasn't really interested in playing the credit game until I said I need some money to get going on this business and started asking around. [I found] nothing but shut doors."

Byrd et al. (2013) found that approximately 60.4% of small businesses used some form of traditional credit such as leases, loans, or lines of credit to fund their business. It is important to note that both P1 and P2 used these noncash-based strategies in conjunction with risk minimization practices. P1 only used credit cards that offered a special zero interest financing rate for a fixed period, and she paid off each before any interest was due. P2 only obtained a line of credit after his cash flow was established, and

each time he dipped into his credit line he paid back the money as soon as he was able to do so. Bromiley, McShane, Nair, and Rustambekov (2015) referred to the risk minimization process as enterprise risk management (ERM), which they define as the process by which organizations control, exploit, and monitor financial risks with the goal of maximizing long-term stakeholder value.

Methodological triangulation, which, according to Heale and Forbes (2013), is the most common type of triangulation used in case studies, served as an additional method of confirming the accuracy of the findings. To gain an understanding of the participants' capitalization strategies, I reviewed the participants' archived financial data from 2012 through 2016. The data in Figure 1 shows the cumulative debt levels for all four study participants in relation to income. The data shows that debt-to-income levels were highest during the initial business start-up phase, and declined over a 5-year period. The data in Figure 1 shows that the performance in 2012 was 28%. In 2013, the performance was 23%, which was a decrease of 5%. In 2014, the performance was 18% which was a decrease of 5%. In 2015, the performance was 12%, which was a decrease of 6%. In 2016, the performance was 10%, which was a decrease of 2%. The overall decrease in the debt-to-income ratio was 18% over the period from 2012 to 2016. The decrease in the debt-to-income ratio over the 5-year period represents the participants' decreased reliance on debt as the participants' businesses matured. Additionally, at no point did the debt-to-income levels exceed 50%, which is well below the 50% threshold described by Yazdanfar and Öhman (2015) as high debt.

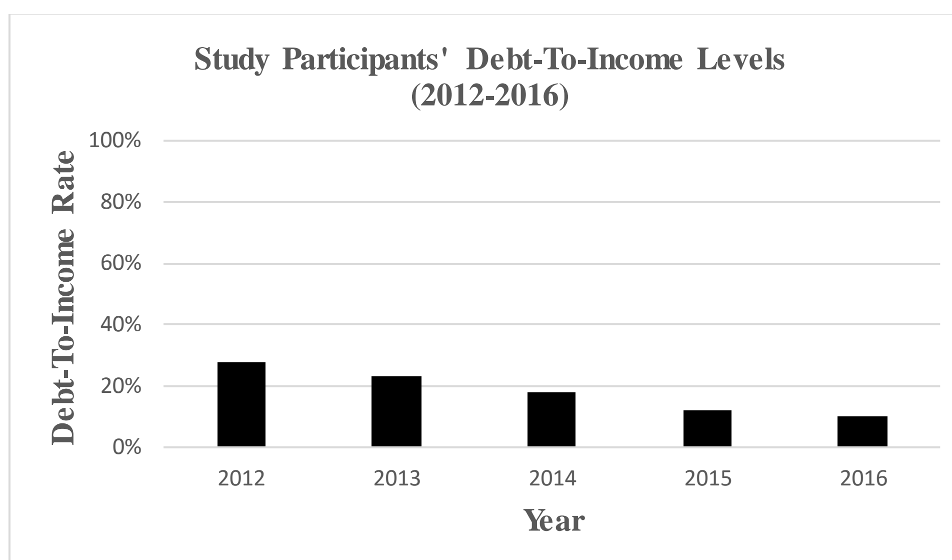

Figure 1. Participants' cumulative debt as a percentage of annual income (2012-2016).

A further review of the participants' financial documents served to support a universal preference for personal capitalization. Although all four participant's balance sheets (P1, P2, P3, and P4) included multiple line-items detailing various sources of debt, only P2's balance sheet indicated a more traditional debt source; a line of credit. P2 stated that "it is really more of an emergency fund, and I've only used it once." According to Dahmen and Rodríguez (2014), an organization's balance sheet is one of the primary financial statements used in business, and an understanding of the balance sheet is critical for small business owners. A balance sheet includes a business's assets, liabilities, and equity, essentially, the business's net worth, expressed as the owners' investment plus retained earnings at a specific point in time (Dahmen & Rodríguez, 2014).

Emergent Theme 2: Personal Relationships Influence Capitalization Strategies

The second theme that emerged from the data analysis was that personal relationships influence capitalization strategies. All four study participants indicated a

strong predilection for world-of-mouth based capitalization recommendations and insights from friends, mentors, personal networks, and clients. Only one participant (P2) mentioned alternative resources such as the Internet or classroom-based learning (see Table 2).

Table 2

Capitalization-Related Education and Strategy Sources

Capitalization strategy influencers	Number of participants	Percentage of total
Friends & mentors	4	100.0%
Personal networks	3	75.0%
Clients	2	50.0%
Internet or school	1	25.0%

Friends and mentors. Concerning the question of how the study participants became aware of the capitalization strategies they ultimately employed, all four indicated that they had consulted with friends and mentors. For example, P1said,

> I had a friend who started a business. We used to work at a restaurant together, and he had his own interior plant design business. And he's a small business owner, very successful for many, many years here in the valley. And I kind of looked at him and thought, well if [he] can do it, I can do it. He was a huge inspiration and ended up becoming a very valuable mentor. I run all of my financial decisions by him.

P2 shared a similar story in that he had developed a strong connection with several prominent real estate professionals in the greater Phoenix metropolitan area who suggested that he consider a career in home inspection. P2 shared that, "when I have a question about my finances, I always pick up the phone and give them a call. Being able to bounce ideas off of these guys has been invaluable." P3 mentioned that he had an extensive network of personal friends, which grew exponentially when he married. He also indicated that he became extremely close with one of his original business partners, who eventually became a trusted advisor and mentor. P3 remarked,

> I learned really early from this mentor who was pretty instrumental to my education. He said, don't worry about recalling and regurgitating facts and figures; the recall of information is not important like it once was. It's formulating a query. That's the most important thing.

P4 made the statement that he had developed several long-term relationships with former military comrades, which ultimately influenced his decision to become a small business owner. P4's close friends shared with him that, "Millennials are not materialistic oriented, as gen X and all of the rest of us. They are experience oriented. Invest in experiences, not things."

Seeking advice from friends is thought to be the result of trust derived from long-term relationship-based interactions (Kuhn, Galloway, & Collins-Williams, 2016). Furthermore, informal advisors such as unpaid, nonprofessional mentors may also influence business owners' decisions (Kuhn et al., 2016). Voelker and McGlashan (2013) found that one of the principal causes of small business failure is an absence of advisors.

The fact that all four participants indicated that their capitalizations selections were influenced by friends or mentors, in conjunction with the fact that all four businesses are sustainable, lends credence to the notion that friends and mentors play an important role in terms of both capitalization strategies and business sustainability.

Personal networking. Three of the four participants (P1, P3, and P4) indicated that personal networking played an important role in their awareness of various capitalization strategies. P1 and P4 shared that they routinely engage in personal networking and that their personal network provides valuable real-world data. P4 went so far as to share a philosophy that, "your network is your net-worth." P3 mentioned his personal network twice during his interview and indicated that he frequently consults with his network when making financing related decisions. As P3 noted, "I find the banking program a total scam. Everyone told me no, so I found that by formulating queries and networking, I was able to raise the necessary capital and implement my strategies."

As success in business is defined, at least in part, in terms of sustainability, Owens et al. (2013) found that one of the top predictors of success was an owner's ability to develop and maintain a strong social network. While the study participants did not elaborate on the specific methods they employed to maintain their social network, each participant utilized a smartphone both prior to, and following the interview process. While further research could potentially shed additional light on this topic, given that all four participants were heavily reliant on their smartphones for communication, it is safe to assume that their networking was not limited solely to face-to-face interactions. There

is an increasing body of research indicating that social capital is critical to entrepreneurial success (Smith, Smith, & Shaw, 2017). Smith et al. (2017) defined social capital as the ability of entrepreneurs to leverage relationship-based resources to achieve desired outcomes. This concept is equally applicable to both digital and human interactions (Smith et al., 2017).

Clients. When discussing how the participants became aware of their chosen capitalizations strategies, both P1 and P2 mentioned current clients. P1 indicated that she had developed numerous long-term client relationships over the years that have each resulted in multiple business transactions. Additionally, she shared that many of these clients have become trusted friends and advisors with whom she regularly consults regarding business-related matters such as capitalization. Interestingly, several of these advisors had suggested that P1 had been too conservative in her approach to capitalization and that her lack of additional investment could hamper her ability to sell her business in the future. Danielson and Scott (2006) found that self-imposed constraints, coupled with a lack of investment expertise, could limit a small business owner's ability to sufficiently analyze investment options. P1 remarked,

> I've talked to many people about how to maximize the value of my business. I spoke to an attorney who's a client of mine who said that I need more working capital to hire people if I'm ever going to be able to sell my business.

While P2, like P1, also mentioned that clients were an important source of information regarding his capitalization-related decisions, P2's relationship with his clients was much more narrowly defined. Given the fact that P2's business transactions

were short-term in nature and did not lend themselves to long-term relationships, his conversations tended to be skewed more toward clients with a specific connection to his profession. As such, the advice he received may not have represented the full spectrum of potential capitalization options. Additionally, P2 indicated that his decision to become a small business owner was largely motivated by his desire to be in business "for himself, but not by himself," which is a trait that he actively sought out in his client-based relationships. Danielson and Scott (2006) determined that a small business owner's desire to maintain their independence may impact their investment selections.

Internet or school. While P2 shared that he had sought counsel from both friends and specific clients, he also was the only participant to indicate that he had conducted Internet-based research regarding his capitalization options. Stefanitsis et al. (2013) found that owners who were more active on the Internet were more likely to achieve successful economic outcomes. Additionally, in a recent Federal Reserve survey, 18% of small business owners indicated that they had sought financing online, of which 38% had received loan approval versus a 31% approval rate from large national banks (SBA, 2015b). Given the increasing proliferation and utilization of the Internet, an increasing number of small business owners may explore funding options online.

With regard to school, P1 was the only participant to indicate that she had become aware of various capitalization strategies through formal business classes. Interestingly, she was also the only participant who had not attended college. While at this point it is not possible to draw a correlation between attending business courses and a participant's propensity to select specific capitalization options, it is worth noting that in the United

States there are a number of non-college-based government programs available to assist in providing education and financing for small business owners. Such programs include the Jumpstart our Business Startups (JOBS) Act, the Small Business Administration (SBA), and the Small Business Innovation Research (SBIR) program (Voelker & McGlashan, 2013). Karadag (2015), noted that small business owners may lack the literacy, experience, and financial education to achieve and sustain profitability. While personal relationships may impact small business owners' capitalization strategies, a formal college education may also serve to increase awareness of capitalization-related options.

Emergent Theme 3: Debt and High Interest Negatively Impact Sustainability

The third theme that emerged from the data analysis was that debt and high interest rates negatively impact sustainability. Although only one specific lending product was mentioned by name, an SBA loan, the participants once again demonstrated their disdain for debt and interest payments based on their collective lack of interest in these products. Although P3 expressed a preference for not paying high interest rates as well, he specifically stated that he would have considered an SBA loan had he qualified.

P3 was not opposed to funding his business via more traditional debt-based products. Rather, he was frustrated because traditional lenders classified him as a high-risk candidate based on his prior business failures and limited credit history. Caliendo et al. (2014) found that assertiveness and aggressiveness were both traits closely correlated with high risk tolerance, both of which P3 displayed during his interview. Finally, although P1 and P2 had both leveraged debt-based financial products on a limited basis,

both paid off their loans early to avoid paying additional interest. P4 did not utilize debt financing, as he had existing working capital.

Table 3

Primary Capitalization-Related Preferences

Participant feedback	Number of participants	Percentage of total
Rejection of debt/high interest	3	75.0%
Rejection of SBA loans	2	50.0%
Pro-early loan payoff	2	50.0%

Rejection of debt and high interest. Based on my findings, three of the four study participants (P1, P2, and P4) specifically rejected high interest and debt as a means of capitalization. P1, the most conservative of the four participants, stated that she would rather modify her lifestyle to accommodate a reduction in revenue than assume any debt. P2 shared that although he took out a small, non-SBA loan to fund his venture, he paid it off well in advance of the maturity date because he did not want to pay what he perceived to be high interest rates. The bulk of P4's capital came from various real estate and medical ventures, and as such, he did not need to utilize debt to fund his business. Contrary to popular assumptions that all small business owners have a high tolerance for risk, Hvide and Panos (2014) found that although individuals with a higher risk tolerance were more likely to be entrepreneurial, they were also more likely to underperform relative to similar businesses started by more risk adverse individuals. Of the four participants,

High debt levels, along with excessive expenditures, insufficient inventory, and selling goods and services below cost, are all causes of business failure (Miles, 2014; Williams, 2014b). High debt levels are typically defined as those above 50% based on total debt divided by total assets (Yazdanfar & Öhman, 2015). In contrast to the preferences of the four participants interviewed, Dai, Ivanov, and Cole (2017) noted that small businesses tend to borrow substantial amounts of money. Further, the authors noted that approximately 50% of small firms' financing comes in the form of debt, with the majority of that debt in the form of business credit lines, business bank loans, and owner-backed back loans (Dai et al., 2017). Although the sample size of this study is small, it is notable that all four participants achieved sustainability while universally indicating a rejection of debt and high interest rates. P1 stated, "I am debt phobic and always have been." P3 stated, "I've seen too many people go out of business by paying ridiculously high interest rates on debt. Especially credit cards." Given the fact that approximately 50% of small businesses fail within 5 years of inception (SBA, 2014), a correlation could reasonably be drawn between sustainability and a rejection of debt and high interest rates.

Rejection of SBA loans. Although both P1 and P2 indicated that they had initially considered an SBA loan, they found the repayment terms and interest rates unpalatable. Interestingly, although they both were comfortable assuming the risks inherent in small business ownership, neither wanted to be saddled with a loan that required a personal guarantee, which they perceived as unduly burdensome. According to Armstrong, Craig, Jackson, and Thomson (2014), since 1953 almost 20 million small businesses have received assistance from the SBA, which accounts for approximately

10% of the total outstanding commercial small business loan volume in the United States. Interestingly, the rate of SBA lending within the small business community sharply contrasts with the preferences of the study participants.

While P3 had considered an SBA loan, after making multiple inquiries he determined that he was ineligible. The lenders' unwillingness to assume the risk supports the findings of Peric and Wilhelm (2014), who found that lenders must have a reasonable opportunity to grow their business by creating an investment portfolio wherein both lender and borrower can be successful. In relation to the three other study participants, overall, P3 demonstrated a higher risk tolerance, and a greater propensity to utilize conventional financing such as bank loans.

Debt reduction via early loan payoff. While overall the study participants tended to be debt and interest averse, all were aware of various traditional bank financing options. Of the four, P1 and P2 had both utilized bank loans to fund their businesses. However, they both stated that their goal was always to pay off the loans as soon as possible; which they did. P1 stated, "I have never paid interest on a credit card," and P2 remarked, "I paid back my loan sooner than what was required." Both P1 and P2 stated that debt should be leveraged "only for emergencies." While P1's balance sheet did not indicate any sources of current debt, P2's balance sheet included a line item for a business line of credit. P2 indicated that he, "only dipped into his credit line to smooth out payroll, and always paid it back."

Personal and business debts may take years to erase, and business failure can lead to a negative stigma and the loss of critical social networks (Ucbasaran et al., 2013). This,

in turn, could negatively impact career options and future access to capital (Ucbasaran et al., 2013). A review of P2's financial statements indicated that the personal loan had been paid off early. Additionally, P1's balance sheet did not include any line-items for credit card interest payments. P1 stated that she was raised in a fiscally conservative household and that she was taught from a very early age that debt leads to insolvency. She stated, "I believe the reason my business has been sustainable is because I am debt-free."

Adopting specific strategies such as increased cash holdings or debt reduction can potentially reduce liability exposure (Hamelin, 2013). Additionally, companies with greater debt may experience difficulty in obtaining new debt, which could ultimately impact their sustainability (Hamelin, 2013). By adopting a conservative financial stance and paying off their loans early, P1 and P2 potentially improved their probability of sustainability, while simultaneously preserving their option to seek additional debt financing should the need arise in the future.

Analysis of Findings In Relation to CBT

One of the central tenets of CBT is the maximization of wealth via the evaluation and prioritization of various capitalization strategies (Danielson & Scott, 2006). Further, Mrongo et al. (2016) described CBT as a process by which specific capital investments are analyzed to determine which will maximize long-term returns. King (1975) noted that to understand CBT, every possible course of action should be considered, along with an examination of the consequences of each action, which he referred as the *scientific approach*. CBT provides a conceptual framework which serves as a lens, through which the study findings can be viewed.

Perhaps one of the most intriguing aspects of CBT is that it can be interpreted both from a quantitative and a qualitative perspective. For example, from a quantitative perspective, Rossi (2015), in his examination of capital budgeting techniques, found that CBT favors the use of discounted cash flow (DCF) techniques in relation to the time value of money. Mrongo et al. (2016) referred to these financial appraisal techniques as a more traditional approach to CBT. Interestingly, while Rossi noted that quantitative techniques are most appropriate for interpreting capital budgeting decisions from a statistical perspective, he also noted that many entrepreneurs preferred to use their intuition. As my study was qualitative in nature, I found that a broader interpretation of CBT was more appropriate. As Yin (2014) concluded, in contrast to quantitative research, which focuses more on the observation of phenomena from a mathematical, statistical, and computational perspective, qualitative research seeks to understand *why* and *how* decisions are made.

In analyzing the results of the participants' answers to the interview questions, the first theme to surface was a strong predilection for personal capitalization, also known as self-funding. Specifically, all four of the study participants indicated a preference for leveraging personal income, while three of the four referenced personal savings and real estate equity. Additionally, the study participants' financial documents included line items indicating specific sources of personal funding such as cash, real estate holdings, or retirement assets. While these findings do not, in and of themselves, suggest that these are the only or the best means of achieving long-term business sustainability, they do indicate a correlation between personal financing and wealth maximization, which Mao

(1970) noted is a cornerstone of CBT. Additionally, while only P3 indicated that he had attempted to secure more traditional debt-based financing, it is worth noting that one potential reason for small business owners' preference for personal financing may be that fact that, as Miller, Hoffer, and Wille (2016) found, in recent years traditional forms of financing have become more challenging for small business owners to obtain, especially in the wake of the 2008 financial crisis.

Concerning the second theme regarding the influence of personal relationships and word-of-mouth awareness on capitalization strategies, all four study participants indicated a preference for human interaction versus computer- or classroom-based research. When viewed from a CBT perspective, this suggests that, whether consciously or unconsciously, the participants viewed human interaction as less risky and more likely to maximize wealth than other investigative methods. There are several reasons why this perspective is appropriate. In contrast to the more prevalent conception of financial capital as the primary means to accumulate wealth, Bongomin, Ntayi, Munene, and Nabeta (2016) noted that the concept of *social capital*, defined as the networks of relationships of people who live in a society, can play an equally important role in relation to wealth maximization. Specifically, the authors found that in social structures, people learn from one another through modeling, imitation, and observation (Bongomin et al., 2016). From a financial perspective, social networks may improve financial literacy in that the sharing of experiences and outcomes may increase financial knowledge, which in turn, may impact attitudes, choices, and decisions (Bongomin et al., 2016).

The third theme to emerge, which was a broad-based aversion to debt and high interest rates, is tangentially related to CBT in that too much debt and overhead is negatively correlated with small business sustainability. Based on the study participants' financial documents, each had debt levels, defined as debts divided by assets, well below the 50% threshold described by Yazdanfar and Öhman (2015) as high debt. According to Karadag (2015), business failure can be attributed to several factors, which include poor capital management and a lack of working capital. Additionally, Williams (2014b) noted that in addition to a lack of financial resources in the form of capital or access to credit, the quality, intelligence, and strategies of the management team can also negatively impact wealth maximization. As such, it is not enough to simply examine a small business's debt and financial structure from a statistical perspective; researchers much also consider the background and experience of the business owners themselves. This need to examine small business owners' backgrounds supports King's (1975) findings that as the concept of CTB has evolved, researchers have increasingly stressed the importance of examining owners' financial decisions based on the interdependence of multiple variables.

Findings Related to the Extant Literature

Although the extant literature regarding capitalization strategies is quite broad, much of what has been written focuses on quantitative strategies. Examples include a study by Anginer et al. (2016) based on an analysis of corporate governance and bank capitalization strategies; and Townsend and Busenitz's (2015) research regarding dynamic capabilities in early-stage capitalization processes and causal explanations

detailing the importance of management teams in early-stage capital investment. While qualitative studies provide valuable insights from a quantitative, data-centric perspective, they lack the perspective of an *interpretivist* worldview. Packard (2017) noted that an interpretivist perspective allows the researcher to investigate phenomena based on his or her prior insights and knowledge, and it assumes that the researcher cannot develop a full understanding without further investigation into the motives, thought processes, and perspectives of the subjects.

Given my qualitative, interpretivist perspective, there is a significant body of existing literature that supports my findings. First, as noted by Alstete (2014), many prospective entrepreneurs fail to understand the importance and significance of strategic planning. Based on my findings, each of the participants interviewed was actively engaged in strategic planning and were heavily influenced by a distaste for debt and a propensity to seek advice from clients, friends, and mentors.

Second, Block et al. (2015) found that as a group, entrepreneurs are not homogeneous. This is evidenced by the diverse educational and experiential backgrounds of the study participants. These findings are further substantiated by Lofstrom et al. (2014), who found that neither household net worth nor educational credentials are correlated with the establishment of a small business.

Third, as described by Geho and Frakes (2013), many small business owners noted that maintaining their existing sources of revenue was a top priority. Correspondingly, each of the study participants noted that maintaining their existing revenue sources was a top priority, particularly in the start-up phase of their respective

businesses. It is worth noting that while the specific sources of revenue differed, which included working spouses to additional sources of employment, this was a key factor nonetheless.

Finally, while each of the study participants indicated a strong preference for what Geho and Frakes (2013) referred to as bootstrap financing, two of the four had, at one point or another, leveraged traditional banking products. Byrd et al. (2013) found that bank loans in the form of traditional credit such as loans, credit lines, or leases accounted for 60.4% of all small business lending. This is in line with the experiences of the study participants.

Applications to Professional Practice

The findings in this study are applicable to the professional practice of business from a number of perspectives. First, they provide valuable insights regarding the educational and professional backgrounds of the participants. Second, they shed light on the thought processes and mindset of a group of small business owners who have achieved sustainability. As such, the findings are based on real-world experiences versus theory. Third, they provide specific examples of successful capitalization strategies that could be implemented to achieve sustainability. Finally, they demonstrate the value of personal relationships and word-of-mouth communication.

Educational and Professional Background

According to Summers (2015), in 2013, 11.7% of households in the United States reported having some form of business ownership. Lofstrom et al. (2014) noted that as a group, self-employed individuals span the socioeconomic spectrum, and neither

household net worth nor educational credentials are factors that impact the likelihood of small business formation. These findings are consistent with those of my study in that the participants' educational and professional backgrounds varied significantly.

There are numerous reasons why individuals seek self-employment. Some are pushed into self-employment by a lack of opportunities, while others are pulled into business ownership by a desire for independence or to better their situation (Krasniqi, 2014). While some people believe that in order to be successful small business owners must receive formal business education and training, the findings of my study demonstrate otherwise. Researchers have found that personality traits such as amicability and sociability are more closely tied to small business sustainability, as are optimism and a propensity for risk tolerance (Åstebro et al., 2014; Caliendo et al., 2014; Hvide & Panos, 2014). Additionally, cultural and demographic aspects may also play a role (Block et al., 2015). My findings indicate that from an educational and professional background, there is no single combination of education, background, and skills that will ensure small business sustainability. This is relevant to improved business practice in that it demonstrates that virtually anyone with a willingness to assume a degree of risk, an optimistic perspective, and a propensity for sociability can be successful.

Owner Mindset

While it is not uncommon for people to perceive small business owners as mavericks or individuals with a high propensity for risk-taking, my findings indicate otherwise. Based on my participant sample, although all of the participants were willing to accept some modicum of risk in becoming small business owners, their collective

mindset regarding specific capitalization strategies was decidedly conservative. This outlook is supported by the findings of Hvide and Panos (2014) who noted that individuals with a greater tolerance for risk were more likely to be entrepreneurial. In addition, Geho and Frakes (2013) found that some aversion to debt may be a function of an uncertain economy. Given these findings, it is worth noting that all four study participants rejected debt financing during the startup phase of their respective businesses, and they all expressed an aversion to paying high interest rates.

According to Geho and Frakes (2013), many small business owners in the United States cited indicated that maintaining their current courses of revenue was a top priority. These findings were consistent with the responses of my study participants, as all four indicated that they leveraged personal income streams during the start-up phase of their businesses. Additionally, while two of the four participants eventually leveraged more mainstream financing methods, one selected interest-free credit cards and the other a line of credit, both paid off their debts early. This serves to underscore the fiscally conservative nature of the study participants, which is supported by the findings of Mazzarol (2014), who noted that financial management, and, in particular, the management of working capital and cash flow is one of the most critical challenges facing small businesses.

Again, while there is no single entrepreneurial mindset that can guarantee small business sustainability, the results of my study suggest a strong correlation between debt minimization and sustainability. These findings are further supported by Miles (2014) and Revilla, Perez-Luno, and Nieto (2016), who posited that small business owners must

have the ability to minimize risks by assessing and governing threats such as debt. While some degree of risk is inherent in small business ownership, the findings suggest a correlation between sustainability and calculated risks.

Successful Capitalization Strategies

There are numerous strategies for capitalizing a small business including bank financing, SBA loans, angel investors, venture capital, bootstrap financing, overdrafts and consumer loans, crowdfunding, peer-to-peer lending, and microfinance, all of which are detailed in this study. While no single formula or combination of strategies exist that will ensure small business sustainability, Hayes et al. (2015) suggested that small business owners must understand where and how to obtain business capital, as well as the general financial environment in which they operate. The findings of my study indicate a strong preference for cash-based financing including personal income, personal savings, and equity generated from real estate ownership.

According to Danielson and Scott (2006), small business owners must balance their desire to maximize wealth with other objectives such maintaining their independence. Further, while larger businesses tend to employ more sophisticated capitalization strategies such as discounted cash flow, small business owners frequently cited *gut feel* as their primary decision criterion (Danielson & Scott, 2006). While the study participants I interviewed did not specifically indicate the use of gut feel as a criterion for selecting their capitalization methods, their general aversion to debt is suggestive of something akin to a gut feeling.

In terms of the specific capitalization methods selected, the results of my study indicate a strong preference for bootstrapping methods. Grichnik, Brinckmann, Singh, and Manigart (2014) found that the propensity for bootstrapping is closely correlated with a business owner's background and that an entrepreneur's preference for bootstrapping is not necessarily a function of his or her inability to obtain traditional, debt-based financing. These findings are particularly relevant to this study in that three of the four participants indicated that they specifically selected bootstrapping methods. These findings are relevant in that they suggest that nontraditional (i.e., non-debt-based) capitalization strategies can play a role in achieving business sustainability.

Word-of-Mouth and Social Networking

When the study participants were asked about how they became aware of the capitalization strategies they employed, all four indicated that their primary influencers were friends and mentors. This selection of friends and mentors as primary influencers was followed closely by personal networking as secondary influencers and client interactions as tertiary influencers. The commonality all of these perspectives share is a strong preference for human interaction.

In a world that is increasingly reliant on technology to provide answers to all manner of questions, I was surprised by the fact that of the four study participants, only one had utilized means other than word-of-mouth to conduct research regarding capitalization options. While in many parts of the world small business owners are simply unable to access technology due to a lack of infrastructure, which Qureshi (2014) referred to as the *digital divide*, that was not the case with these study participants, as all four had

virtually unlimited access to the Internet and other digital resources. Kuhn et al. (2016) determined that trust plays a significant role in an owner's propensity to seek advice from friends and mentors, as does a desire to speak with an individual who has personal experience in the subject matter. With the advent of *fake news*, described by Berkowitz and Schwartz (2016) as existing within a *hyper-real* context by parodying traits of real news, it is entirely plausible that in spite of the ubiquitous presence of the Internet, small business owners may continue to rely on friends, mentors, advisors, and clients with whom they have established a trusted, mutually-beneficial relationship.

Implications for Social Change

Between 1992 and 2013, the small business sector in the United States accounted for 50% of the total workforce, and 63% of all new jobs created (SBA, 2016). Although in any given year new small business ventures account for approximately 3% of total employment in the United States, approximately 40% of all newly created jobs are eliminated after 5 years (Haltiwanger et al., 2013). For context, between January 2008 and December 2009, a period often referred to as *the great recession*, employment in the United States fell by more than 8 million, and unemployment rose to a peak of 15.6 million (Bitler et al., 2017). Improving the sustainability of small businesses in the United States could positively impact millions of individuals and families.

Entrepreneurs play a vital role in job creation and economic expansion (Allen & Curington, 2014). While Block et al. (2015) found that the motivation to start a business is often a function of necessity or opportunity, by providing small business owners with new perspectives and equipping them with additional capitalization-related strategies and

tactics, it is possible that more people would be willing to become small business owners. Furthermore, an increase in the number of small business start-ups and a decrease in failure rates may provide additional benefits such as improved social interaction, enhanced social equity, a reduction in crime rates, an increase in diversity, and improvements in self-confidence and optimism (Beltrán, 2015). Finally, by increasing small business sustainability rates, many communities could experience increases in household income and spending, which may, in turn, generate more revenue for local, state, and federal programs. While a decrease in business failures is by no means a panacea, even a modest increase in sustainability could have a positive impact on millions of families.

Recommendations for Action

This qualitative multiple case study involved an examination of the capitalization strategies employed by small business owners within the greater Phoenix, Arizona metropolitan area that had achieved sustainability. The intent of this study was to provide small business owners with specific resources, approaches, and practical insights that could increase the probability of business sustainability beyond 5 years of inception. As noted by Solomon, Bryant, May, and Perry (2013), 50% of all small businesses fail within the first 5 years of operation. The study yielded several conclusions regarding the concepts of capitalization strategy and sustainability, which are consistent with the findings of Alstete (2014), who noted that many people fail to comprehend the importance of strategic planning for a host of reasons including a lack of skills, knowledge, trust, and time.

Based on my findings, I recommend that small business owners consider the following capitalization strategies to increase the likelihood of sustainability. First, consider personal financing sources such as savings, alternative income streams, and real estate equity whenever possible. All four study participants (P1, P2, P3, and P4) leveraged one or more of these personal capitalization strategies, with an emphasis on minimizing or eliminating debt. This debt minimization or elimination perspective is supported by the findings of Hamelin (2013), who determined that companies with debt may experience cash-flow challenges or difficulty in obtaining additional debt, which could negatively impact their sustainability (Hamelin, 2013); Second, develop personal relationships with mentors and advisors, and routinely engage in face-to-face dialogue to increase awareness and understanding of various capitalization strategies. While the study participants' relationships with mentors and advisors varied based on individual experiences, as a group it was evident that these types of relationships played an important role in each participant's capitalization strategies. In turn, these advisor and mentor relationships had a positive impact on the participants' sustainability. Third, adopt a conservative stance relative to debt and high interest rates by employing approaches such as early loan payoff and limited usage of traditional funding products such as SBA loans and lines of credit. As noted by Karadag (2015), high debt levels are negatively correlated with sustainability. Karadag's findings are further bolstered by the fact that all four study participants elected to implement conservative debt strategies which resulted in business sustainability.

To ensure the dissemination of my study results, my strategy is to distribute copies of this study at various small business industry events, conferences, and trainings. Additionally, I intend to publish my findings in various trade and industry magazines, newspapers, journals, periodicals, websites, blogs, and newsletters. Finally, I will pursue the inclusion of my study in multiple databases including (a) EBSCOhost, (b) ABI/INFORM Complete, (c) ProQuest, (d) LexisNexis Academic, and (e) Emerald Insight, among others.

Recommendations for Further Research

The central tenet of CBT, popularized by Mao (1970), is to assess and prioritize capital-related opportunities with the objective of maximizing wealth and minimizing risk in the business environment. While much has been written regarding capitalization strategies and practices from a quantitative standpoint, the number of qualitative studies concerning CBT has been low. For example, in his study of capital budgeting systems and corporate performance, Pike (1983), noted that for more than 30 years, researchers had focused on developing sophisticated CBT models, with few studies devoted to understanding the relationship between an organization's performance and capital budgeting practices.

In addition to studying small business capitalization from a theoretical perspective, further research is called for including: (a) involving additional researchers, which could mitigate the risk of author bias while enhancing the accuracy and precision of the data; (b) replicating this study using a larger sample size, which could enhance the applicability and generalizability of the data; and (c) adding additional participant

screening criteria, which could improve the quality of the participants' feedback. Perhaps the most significant contribution that additional research could make would be to shed additional light on the concept of small business capitalization via alternative theories. While I chose to focus specifically on CBT, examining small business capitalization strategies through the lens of GST, for example, could result in a host of new data.

Reflections

My journey as a Doctor of Business Administration (DBA) scholar has been one of self-discovery and enlightenment. Although I have been actively involved in the small business community for over 20 years, my knowledge of small business capitalization strategies was largely anecdotal and experiential in nature. While I had witnessed many small business owners struggle due to a lack of adequate or appropriate capitalization, I had not realized the depth and breadth of information available regarding this topic.

As a former small business owner, I have always believed that a strong capitalization strategy was one of the most critical foundational elements of a sustainable small business. As such, it is entirely possible that my personal bias and preconceived notions regarding this concept could have influenced my findings. Throughout my course of study, I was particularly cognizant of my biases and preferences, and as such, I did everything possible to mitigate any undue influence. Leedy and Ormrod (2013) referred to an awareness of potential biases as demonstrating rigor in the judgment of the researcher. In particular, when interviewing the study participants, I adhered to all interview protocols (Appendix B) and interview questions (Appendix A) and made a conscious effort to monitor and control my voice, posture, and body language.

Since completing my research, my perspective regarding capitalization strategies has changed. Whereas previously I had relied solely on research and data when making capitalization-related decisions, today my thought processes are more holistic. Specifically, based primarily on the results of my study, I have concluded that the opinions and experiences of friends, mentors, clients, and colleagues must be considered. Additionally, while my experience with various capitalization strategies had been limited to more traditional products such as SBA loans, home equity lines of credit, and personal savings, I now realize that there are a host of funding options available that can, and in most cases, should be considered.

Conclusion

Previous researchers have noted that in the United States, half a million small businesses are created monthly, representing 99.9% of all employers, 48% of private sector employees, and 39% of the total U.S. gross national product (Gandy, 2015; Sellers, 2017; Turner & Endres, 2017). Of particular concern, however, is that 50% of new small businesses fail within the first 5 years of operation (SBA 2014). This failure rate, in my estimation, is far too high.

Using data collected from semistructured interviews and archival financial data, I found that small business owners employed a host of strategies to increase the likelihood of sustainability. The findings from this qualitative, multiple case study revealed a distinct preference for (a) self-funded capitalization, (b) personal relationships and face-to-face interactions when researching capitalization options, and (c) a rejection of high debt and interest rates.

Although there are myriad conventional and unconventional capitalization options ranging from bootstrapping, to bank and consumer loans, to crowdfunding, it is noteworthy that the findings of this study suggest a correlation between conservative, conventional funding strategies and small business sustainability. While it was not possible to conclude definitively that all small businesses could achieve sustainability based solely on the strategies employed by the small business owners in my study, I believe it is reasonable to surmise that the probability of sustainability could be improved. While small business owners are increasingly inundated by digital advertising touting the latest financial products and services, my findings indicate that a conservative, low-debt approach coupled with relationship-based, non-digital research may lead to enhanced small business sustainability.

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Appendix A: Interview Questions

1. What is your professional and educational background?
2. What impact did your professional and educational background have on your decision to become a small business owner?
3. What capitalization strategies do you use to achieve sustainability?
4. How did you become aware of these capitalization strategies?
5. How do you assess the effectiveness of these capitalization strategies?
6. What capitalization strategies did you reject?
7. What else would you like to share regarding your capitalization strategies that I have not asked?

Appendix B: Interview Protocols

1. I will begin by introducing the interview and setting the stage over a meal or coffee. Additionally, I will watch for verbal cues, paraphrase as needed, and ask probing follow-up questions.
2. I will begin by introducing myself as follows: "Good morning/afternoon (first name). My name is Richard Basch and I am a doctoral student at Walden University. As you are aware, I am conducting a study regarding capitalization strategies small business utilize to achieve sustainability, and I very much appreciate your participation."
3. I will then ensure that I have obtained informed consent as follows: "Before we begin, I would like to present you with a signed copy of your consent form for your records. It is my understanding that you have read and understood the informed consent document. However, should you have any questions or concerns, I would be happy to address these with you before we proceed."
4. I will then discuss the interview time-frame as follows: "I estimate that this process should take approximately 30 minutes, however, I have reserved one hour in the event you have questions or would like more time."
5. I will then discuss the recording of the interview as follows: "Although I will be recording our conversation, I would like to remind you once again that your answers will be treated as strictly confidential, and you and your business will not be identified in any way."
6. I will then review the interview questions as follows: "I will be asking you seven pre-scripted questions, which I have prepared in advance. There are no right or wrong

answers, so please feel free to speak freely and provide as much information as you wish."

7. I will then review the process at the conclusion of the interview as follows: "At the conclusion of our interview I will answer any additional questions you may have, and I will collect the financial documents you agreed to provide including your annual profit and loss statements, balance sheets, and cash flow statements since the inception of your business."
8. I will then proceed to ask each of the seven interview questions (Appendix A)
9. I will then proceed to finalize the interview as follows: "That is all I have for you today. I would like to take this opportunity to thank you again, and share how much I appreciate and value your input."
10. I will then describe the next steps as follows: "My next steps will be to transcribe the interview data and return a copy to you within 5 days to ensure that I accurately captured your feedback. This is known as member checking. Once you have had a few days to review the transcript, I will call you to schedule some time to conduct a member checking review. The purpose of the member checking review is to ensure that I have accurately captured your feedback and to provide an opportunity for you to make any corrections or modifications. The review will also provide an opportunity for me to probe a bit deeper if I have any additional questions regarding the information you shared. I anticipate that the member checking interview will take no longer than 10 minutes unless you have significant revisions to discuss. Once this

we conclude our member checking interview, I will have sufficient information to complete my data analysis and finalize my doctoral study."

11. Once I have completed the member checking, I will synthesize the information and conclude my study. Upon receiving formal approval from the CAO, I will share the approved copy of the doctoral study with each participant via email.

Appendix C: Invitation to Participate in Study

Dear (Potential Participant First and Last Name),

My name is Richard Basch, and I am a doctoral student at Walden University. I am currently conducting a research study regarding small business owners in the greater Phoenix, Arizona metropolitan area that have achieved sustainability based on their business capitalization strategies. If you are interested in participating in this study, please review the attached Consent Form, sign and date it accordingly, and return it to me at your earliest convenience.

Thank you in advance for your time, and I hope to have the opportunity to work with you as a participant in this important study.

Sincerely,

Richard J. Basch
richard.basch@waldenu.edu
C: XXX-XXX-XXXX

Attachment: CONSENT FORM