

# Exploring Factors Required for Small Business Success in the 21st Century

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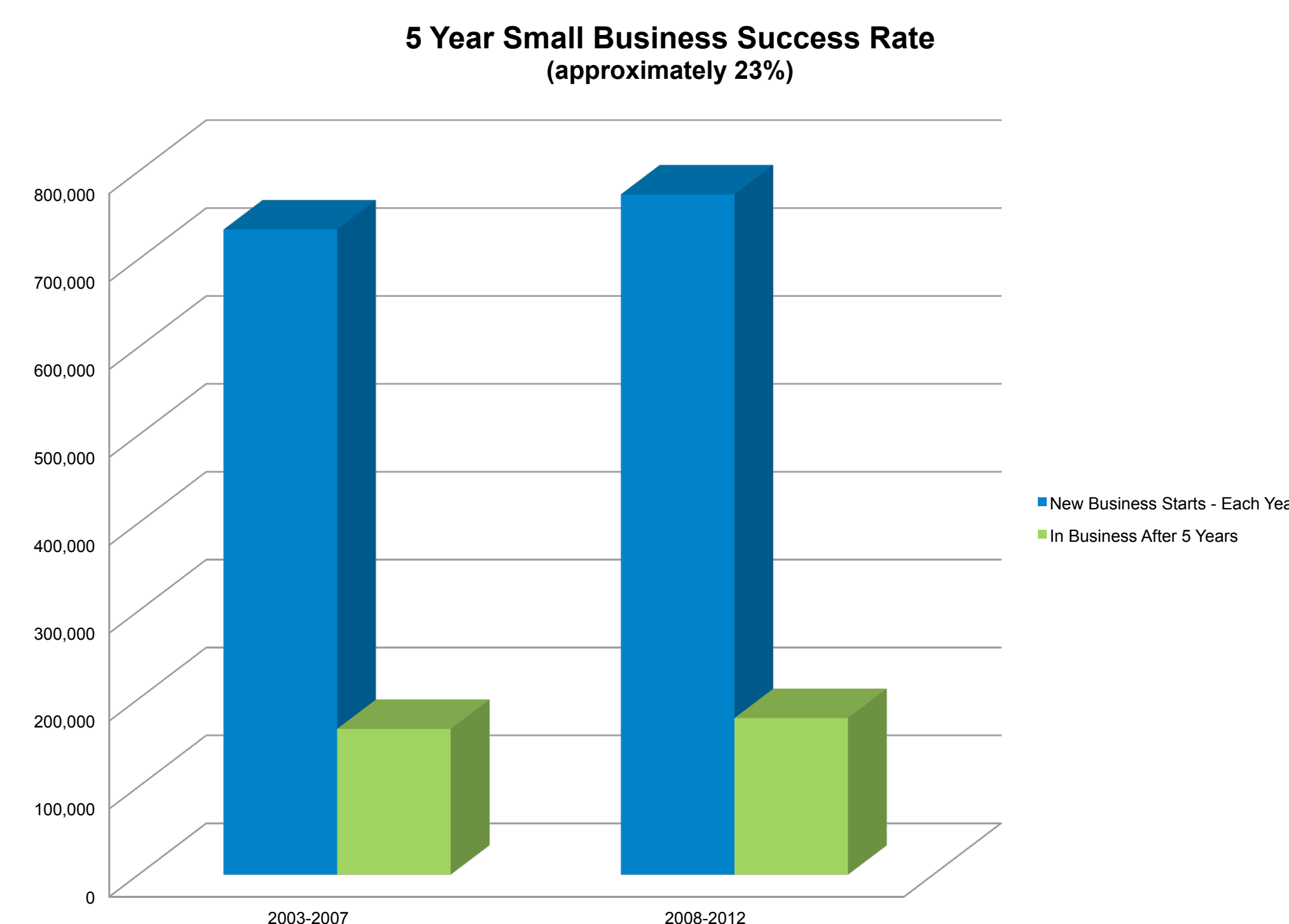
## Abstract

In the U.S., new small businesses have had a high failure rate in their first 5 years of operation. Small businesses create jobs and drive innovation that is critical to the economy. The purpose of the study was to explore factors that could improve the small businesses survival rate.

## Problem

The statistics regarding small businesses include:

- 76% of new businesses fail within the first 5 years
- 99.7% of the 28 million U.S. businesses are small businesses
- Approximately 785,000 new small businesses are started each year (SBA, 2011)
- Small businesses employ 59% of the U.S. workforce, create 86% of new jobs, account for 52% of the gross national product, and are critical to the U.S. economy (Yallapragada & Bhuiyan, 2011)
- Small business owners do not know the factors required to build a small business that survives beyond the first 5 years of operation



## Purpose

The purpose of this qualitative phenomenological study was to explore the factors for success required for new small businesses to survive beyond the first 5 years of operation in the 21st century.

## Relevant Literature

### Conceptual Framework

**Systems theory** (Drack, 2009; Senge, Smith, Kruschwitz, Laur, & Schley, 2010; von Bertalanffy, 1972; von Bertalanffy, 2009)

### Supporting Research

- New businesses fail at a significantly higher rate than existing business, and small businesses fail at a significantly higher rate than large corporations (Philip, 2011)
- Existing small business research was inconsistent and focused on various factors, in random order and without consideration of possible interaction or relationship between factors (Metz, 2010; Valdiserri & Wilson, 2010)
- The **Lussier Model** was the first that collectively studied all factors identified in existing research as possibly contributing to small business failure (Teng et al., 2011)
- Lussier suggested a systems approach to study small business failure because they are complex and the identified factors could interact and contribute to the failure of small businesses (Merz et al., 2010; Teng et al., 2011)
- The 15 factors identified by Lussier and Halabi (2010) were: (a) industry experience, (b) capital, (c) partners, (d) education level, (e) age of the owner, (f) planning, (g) management experience, (h) record keeping and financial controls, (i) economic timing, (j) family business experience, (k) staffing, (l) marketing skills, (m) minority owned, (n) used of professional advisors, and (o) product/service timing

## Research Questions

How would business owners describe the success factors required for new businesses to survive in the 21st century?

## Procedures

### Participants

- **20 participants** were successful business owners from Pennsylvania in the manufacturing, technology, sciences, construction, and services industries, with annual sales between \$1 million and \$50 million. The participants were purposefully selected from the Pennsylvania Chamber of Business and Industry membership database.

### Data Collection

- **Interviews** were face-to-face and audio taped
- **17 Semistructured Questions** were designed to explore and prioritize the factors that could contribute to the success of new small businesses in the 21st century, by modifying Lussier's survey questions (Lussier, 1995; Lussier & Halbi, 2010).

## Data Analysis

Data organization involved the following steps:

- a. data checking
- b. maintaining and reviewing a reflective journal throughout the study
- c. entering raw data into qualitative data analysis software,
- d. reviewing researcher notes

Using ATLAS.ti, the coding steps included initial coding, axial coding, and theoretical coding.

I identified themes, patterns, trends, and dominant topics that emerged and noted conflicting participant interpretations, alternative perspectives, and critiques

## Findings

**Four (4) primary themes emerged:**

- Dynamic strategizing
- Adaptable financial capital management
- Market positioning and sales
- Human capital development

**Three (3) secondary themes emerged:**

- Professional advisors
- Adaptation to change
- Behavioral assessments

## Limitations

Possible participant bias or inability to accurately recollect events (none was observed or noted)

Results may not be generalizable to all small businesses

Studies in other industries or in different regions of the U.S. could produce different results

Overlapping factors or characteristics could apply to other business inside and outside of the U.S.

## Conclusions

Business success is not dependent upon prior industry experience or prior business ownership

Businesses created with a vision of sustainability and a focus on economic efficiency, social equity, and environmental accountability are resilient and may have an increased rate of survival

Business success factors are interdependent which could provide unanticipated results

The factors that contribute to new business success in the 21st century are interrelated and require strategic implementation

## Social Change Implications

An increase in the success rate of small businesses will serve to create positive social change by increasing jobs, increasing sales revenue, increasing tax revenue, and reducing the unemployment rate, and thereby creating successful, sustainable, and resilient businesses benefitting employees; their families; other businesses; communities and the local, state, and federal government.