

Success Factors of Small Business Owners of Independent Financial Planning Firms

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Abstract

Small Business Administration (SBA, 2014) statistics indicate 20% of small businesses fail within 2 years and 50% fail within 5 years. Interviews with 12 successful small business owners of independent financial planning firms revealed these success factors: (a) training in business operations, (b) business differentiation, and (c) website marketing.

Problem

Small businesses are crucial for new job creation and economic growth, and a decline in small businesses has a negative effect on national economy (SBA, 2014).

Small business owners of independent financial planning firms often lack information about success factors and strategies that could enable them to maintain profitability, thus avoiding failure within the first 5 years.

The research problem was to explore success factors used by business owners who survived the financial recession of 2008-9.

Purpose

The purpose for this research was to understand success factors and strategies financial planning business owners used to maintain businesses in a volatile economy.

Study results may:

- provide information for entrepreneurial startups
- assist managers in recruitment and retention, and
- provide policy makers information about mitigating small business failure rates.

Relevant Literature

The basis for this study was the **theory of entrepreneurship** combined with **Porter's model of competitive strategy**.

Entrepreneurs exhibit these characteristics: autonomy, passion, innovation, need for achievement, and persistence (Caliendo & Kritikos, 2012).

Successful entrepreneurs have human capital, financial capital, and planning skills (Unger, Rauch, Frese, & Rosenbusch, 2011).

Small business owners need to overcome **5 forces** in order to survive (Porter, 1980):

- entry barriers,
- supplier power,
- buyer power,
- substitutes, and
- competition.

Strategies for **business survival** include:

- cost leadership,
- differentiation,
- focus,
- or, a combination of these

Research Question

What are the success factors and strategies of independent financial planning small business owners who have achieved profitability and have been in business for more than 5 years.

Procedures

The research design was a qualitative **case study**.

Purposive sampling was used to identify participants

The **sample** included **12** financial planning business owners of financial planning firms in the New York City metropolitan area who had been in business 5 years or more. The sample consisted of 7 females and 5 males. Firm size varied from 1 to 5 employees.

I conducted face-to-face, in-depth interviews, transcribed the conversations, and sent transcriptions to participants for member checking.

I also reviewed organizational brochures and literature as well as additional artifacts such as company websites and newsletters.

Data Analysis

Using an inductive, iterative process for each interview, I partitioned statements into units, grouped units into subcategories, and summarized common headings into categories.

These procedures helped to identify common themes and differences among the participants.

Findings

Coded responses produced these major themes: the need for **training in business operations and marketing**, the need for and benefits of **differentiation**, and the **use of websites** as a marketing tool. Briefly, the 12 participants' stated:

- 12 Credentials are crucial
- 12 Differentiated business by customized services & unique fee structures
- 12 Websites are important marketing tools
- 9 Expressed desire for autonomy
- 8 Cited need for marketing training
- 8 Focused on market niche
- 8 Engaged in networking
- 6 Grow by Referrals
- NONE Mentioned Financial Rewards as a Motivator*

Limitations

The sample of business owners was not geographically diverse. The results may not apply to other business owners or other geographic areas.

Participants described their experiences in their own words. Their responses may not have revealed all of the factors that influenced them, but included those factors they deemed to be most significant.

Conclusions

Financial planners must acquire business marketing skills, strong communication abilities, and technical knowledge.

Success requires differentiation or focus on a market niche.

Regular communication with clients is essential for client retention.

Professional organizations should combine with governmental leaders and educational organizations to recruit and develop entrepreneurial talent, and create mentoring opportunities for new planners.

Social Change Implications

Advice from financial planning firms contributes to the economic well-being of individuals, helping them to build sound financial futures for themselves and their families. As individuals achieve financial independence, they become their own source of financial security, thus benefiting households, businesses, and the economy as a whole.

The findings of this study could help meet the increasing need for financial planning firms by providing information about strategies contributing to success. The results may have positive effects for present and future generations.

Kevin J. Davies – Committee Chair