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Walden University

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Ayokunle O. Iyanda

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Walden University
2021

Abstract

Funding Strategies for Small Business Sustainability

by

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MBA, Indiana University - Bloomington, 2002

BA, Baldwin-Wallace College, 1998

Doctoral Study Submitted in Fulfillment

of the Requirements for the Degree of

Doctor of Business Administration

Walden University

May 2021

Abstract

About 50% of small businesses fail within the first five years of operation, lacking access to capital being a contributing factor. The high failure rate is of great concern to the business owners; their livelihood and employees are jeopardized. Through the pecking order theory lens, the purpose of this qualitative multiple case study was to explore strategies small business owners use to access capital to sustain the business past the first five years. Eight small business owners who successfully operated for more than five years in Georgia and Illinois participated in the semistructured interviews. Through thematic data analysis, four themes were identified: internal financing most commonly used, external funding not readily accessible in earlier years, external financing used at later and critical stages of business, and minimizing business operational costs and expenses. A recommendation is for small business owners, fund providers, and the government to better understand some issues affecting small businesses' survival and implement policies that will lead to a better ecosystem that supports small business sustainability. The implications for positive social change include the potential for small business owners to apply financial strategies for business stainability, leading to greater prosperity in the local, state, and national economies.

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Dedication

I dedicate this study to my wife, Adeola, and children, Ayokunle Jr. and Ayokunmi, for your constant prayers, support, tolerance, and motivation throughout the journey. Your love was always more than I could have asked of you. To my father, Professor Olukunle Iyanda, thank you for the inspiration and encouragement. To my sisters, Yemi and Lola, and my Uncle Jide, you have always led my group of cheerleaders, and your constant guidance has always provided me much needed direction. To my in-laws, thank you for being a part of our lives as your continued support is a source of happiness to us all. To my late mother, Omotola Iyanda, it all started with you, and I couldn’t have wished for a better introduction to this world. You were my confidante and my first love; I can’t forget that. Finally, I thank the Almighty God for his everlasting love and protection.

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Section 1: Foundation of Study

Background

The Small Business Administration [SBA] described small businesses as companies employing fewer than 500 people (SBA, 2014a). Small business is critical to the growth aspirations of most national economies. The economy of the United States largely depends on the health of small businesses (Hayes et al., 2015) and small businesses contribute disproportionately to job creation and innovation (Mills, 2018). Promoting small businesses is essential for sustained economic growth and recovery businesses due to their significant contribution to the U.S. economy (Jha & Depoo, 2017).

Regardless of the significant contributions of small businesses to economic growth, approximately 20% of small businesses fail before the end of their first year in operations (Small Business and Entrepreneurial Council, 2016). Small business owners fuel a significant portion of job creation in the United States, but they continue to fail at very high rates (Artinger & Powell, 2015; Small Business and Entrepreneurial Council, 2016). The success of small businesses is known to promote stability in local economies (Davidsson, 2015). One of the issues faced by small business owners is how to finance their ventures (Armanios et al., 2017).

Problem Statement

An estimated 400,000 small businesses in the United States closed in 2016 (U.S. SBA, 2019), representing an increase of 7% over the number of small business shutdowns in 2012. The Small Business and Entrepreneurial Council (2016) estimated a

50% rate of failure of small businesses before the end of their fifth year in operations. A major cause of small business failures is poor financial management (Karadag, 2015). The general business problem was that many small business owners lack adequate capital to sustain business operations beyond 5 years. The specific business problem was that some small business owners lack strategies to access the sufficient capital required to sustain the business past the first 5 years.

Purpose Statement

The purpose of this descriptive, qualitative multiple-case study was to explore the strategies small business owners use to obtain the sufficient capital required to sustain the business past the first 5 years. The population for this study included eight small business owners who did not operate from their homes, had between five and 50 employees, had successfully operated their businesses for more than 5 consecutive years, and had been able to turn a profit in each year of operations. The population included only companies that were operating in states within the midwestern and southeastern region of the continental United States. The findings contribute to social change by highlighting to other small business owners the strategies for sustainable business operations and an increase in community employment and tax revenues.

Nature of the Study

Qualitative methodology is more amenable to natural settings where the researcher studies participants to better understand a phenomenon or case (Saunders et al., 2015). Using the qualitative method required an inductive approach to develop or test a theory. Open-ended, semistructured questions facilitated insight and provided data to

understand the strategies for accessing finance to sustain small businesses beyond 5 years. In contrast, a quantitative methodology is typically a deductive approach using statistical analysis of data to test a theory and is not appropriate for this study. The mixed methodology combines both qualitative and quantitative methodologies (McManamny et al., 2015) in a single study (Halcomb & Hickman, 2015). There was no need to test a statistical hypothesis for characterizing or examining variables' relationships as the quantitative element of the study requires, the mixed-method was not appropriate for use in this study.

The objective of this study was to identify and describe, with depth, the financial strategies of small business owners who have sustained operations beyond the initial 5 years. Addressing this objective involved conducting interviews with the owners as well as assessing their business practices. A case study is an in-depth investigation into a topic within its natural setting (Yin, 2018). A case study design was preferable over other designs because the intent was not to develop new theories as with the grounded theory design nor to study the personal meanings of participants' lived experiences as with a phenomenological approach. Using a multiple case study affords the researcher the ability to analyze similarities and differences among the cases as evidenced in a cross-case analysis (Ridder, 2017), unlike the single case study design that focuses on one case. Evidence generated from multiple-case studies is often more reliable than evidence from single case studies (Heale & Twycross, 2018).

Qualitative Research Question

What funding strategies do small business owners use to access the sufficient capital required to sustain profitable business operations past the first 5 years?

Interview Questions

The following were the open-ended interview questions:

1. What funding strategies have you used to access the sufficient capital required to sustain profitable business operations past the first 5 years?
2. What sources of capital are you using to finance your business?
3. If more than one source is used, how and why are you using various capital sources to achieve your desired capital structure for your business?
4. To what extent have you used internal financing, external debt, or new equity in your business to sustain profitable business operations past the first 5 years?
5. What funding sources have you used at different levels of risk and profitability?
6. How, if at all, have you used external funding and/or new equity to finance your business?
7. Based on your experience, how have external funding and/or new equity affected your business sustainability and profitability?
8. What else can you share concerning the funding strategies you employed for the sustainability of your small business during the first 5 years of operation?

Conceptual Framework

Donaldson (1961) first suggested the pecking order theory in 1961 before its modification by Myers and Majluf (1984). Pecking order theorists describe how a business owner prioritizes the sources of capital available based on the associated costs. Pecking order theory indicates that the cost of financing increases with asymmetric information, where one party has more or better information than another party. Consequently, pecking order theory specifies that a company's preference for funding begins with internal financing, then external debt, and finally, new equity and applies to entrepreneurs whether debt constrains the small business (Zeidan et al., 2018).

The pecking order theory suggests that entrepreneurs have a specific preference order for funding choices used to fund their business (Myers, 1984). This preference is due to the associated risks and costs as well as the general understanding of the entrepreneur. The pecking order theory is also indicative of the capital funding strategies available in later stages of a small business life cycle; the funding requirement tends to increase as businesses mature. Pecking order theory was useful to my study because it provided a potential basis for understanding why most small business owners only prefer the first financing source according to the pecking order, but either do not or cannot access the other sources in the pecking order - external debt and new equity. There appears to be a general lack of awareness of financial strategies that can lead to entrepreneurs' disinterest in other sources of funding.

Operational Definitions

Bootstrapping: Bootstrapping is the concept of starting or growing a business without funding or support from external sources (Grichnik et al., 2014).

Collateral: Collateral is an extra form of security that a borrower can use as an assurance to a lender to secure a loan as a secondary source of loan repayment (SBA, 2015a).

Corporate social responsibility: A corporation's initiatives to assess and take responsibility for the company's effects on environmental and social wellbeing (Vitell, 2015).

Crowdfunding: Crowdfunding refers to funding a business by getting a pool of individuals to make small or significant contributions (Rossi, 2014).

Entrepreneur: An individual who organizes and assumes the risk for business (Santandreu-Mascarell et al., 2013). For this study, entrepreneur refers to a small business owner.

Positivists: Researchers who value objectivity and proving or disproving hypotheses (Ryan, 2018).

Small and medium-sized enterprises: Businesses that employ fewer than 250 employees (Chong et al., 2019). For this study, small business refers to businesses with fewer than 50 employees.

Sustainability: Sustainability refers to the ability of a business to survive in the long term (Bansal & DesJardine, 2014) and is the ability of a business to remain profitable and continue operations.

Assumptions, Limitations, and Delimitations

To enhance the credibility of the study, the researcher must acknowledge the assumptions, limitations, and delimitations of the study (Bernard, 2013). Several deficiencies may exist in research, and these have wide-reaching effects on the output of the study. These deficiencies include the use of collection instruments, time constraints, and sample size (Yin, 2018).

Assumptions

An assumption as an unproven belief of the researcher that remains unverifiable (Marshall & Rossman, 2016). An assumption can be a fact, in the opinion of the researcher, that may or may not be accurate, but treated as though it was true. In a qualitative study, the researcher must identify any biases and assumptions before commencing the study (Yin, 2018). In this study, the first assumption was that participants would respond to the interview questions truthfully and with sufficient details and accuracy. The second assumption was that the population size consisting of eight participants would be adequate to achieve data saturation regarding the financial strategies implemented by successful small business owners. The third assumption was that the semistructured interview questions would be sufficient for answering the research question. The fourth and final assumption was that the success of small businesses beyond the initial 5 years of operations has a positive impact on social change.

Limitations

A limitation as an imposed restriction that is essentially out of the researcher's control (Theofanidis & Fountouki, 2019). Researchers cannot control all elements of a

study; the identification of these elements is essential. Researchers must explore and know the limitations before starting the study (Queirós et al., 2017). The study had two limitations. The first limitation was researcher bias, which I mitigated by using an interview protocol, but I acknowledge the participants' responses also may be biased. The second limitation was the amount of time available to carry out an exhaustive study. By stating the limitations, other researchers can determine the extent to which the findings might generalize or expand the study through future research (Creswell & Clark, 2017).

Delimitations

Delimitations refer to the identification of the parameters of the research study (Creswell & Creswell, 2017). In this study, one delimitation was the restriction of participants to small businesses with fewer than 50 employees in two cities in the United States. This company size, as determined by the number of employees, and geographical location were the boundaries of the study. Excluded from this study were all other small businesses that were not within the scope of the research as determined by the researcher. Delimitations are the boundaries that are set by the researcher to limit the study and ensure the achievement of the objectives (Theofanidis & Fountouki, 2019).

Significance of the Study

Small scale entrepreneurs are facing a high rate of failure in their initial 5 years of business operations. This failure rate can be reduced through a concerted effort by the entrepreneur not taking risks blindly but instead improving the entrepreneurs' level of financial literacy to achieve new business success (Wise, 2013). The outcome of this study was descriptions of practical, real-life experiences of successful entrepreneurs that

others can use to improve business success. Small scale businesses are responsible for 49% of the total employment in the United States private sector (Petrovskaya, 2017), and they contribute positively to local communities through employment, tax revenues, and development of the communities in which they operate. Municipal government leaders do not prioritize small businesses in their economic growth plans, but rather focus on the attraction and retention of larger enterprises (Zeuli & O'Shea, 2017).

A Review of Professional and Academic Literature

The purpose of this descriptive, qualitative multiple-case study was to explore the strategies small business owners used to access funding to enable them to succeed in business beyond 5 years. The literature review provides an overview of existing literature on the topic to increase the understanding of small businesses and highlight what is already known about the types of available financing and the impact of financial strategy on the business' success. The focus of the review included various financing options promoted among small business owners. It is made up entirely of academic literature, including peer-reviewed articles, governmental publications, and books. Peer-reviewed journals are a preferred sources in doctoral studies (Ross & Mash, 2014), but addressing the quality of the information in published sources was a challenge with citations (Jomaa, 2019). This section includes a review of both the existing literature on the theory that is applied, the pecking order theory, and a review of the literature on small businesses and financing.

In a literature review, a researcher reads, analyzes, and synthesizes scholarly materials about specific topics or areas of interest (Garrard, 2016). The researcher also

identifies knowledge gaps or biases and recommends directions for future research (Rowe, 2014). The organization of the literature used funnel formatting that involved a detailed search using key terms to narrow the literature. To consider the impact of financing on the success of small businesses, the topics in the literature review include (a) a review of the theoretical framework, (b) a definition of small business and their significance, (c) an overview of internal source funding, (d) an overview of debt source funding, (e) a review of equity source funding, (f) economic importance of small businesses, (g) impact of funding on business longevity, (h) small business funding, (i) other factors affecting small business, (j) barriers to funding, business longevity, or sustainability, and (k) social impact of small businesses.

A research literature review is a systematic, explicit, and reproducible method for identifying, evaluating, and synthesizing the existing body of completed and recorded work produced by researchers, scholars, and practitioners (Fink, 2019). Literature reviews provide critical analysis and a systematic overview of the scholarship and academic discourse related to the primary research questions. I used several databases and online libraries and resources to conduct the literature review, including the Walden University library databases, Google Scholar, ProQuest Central, ScienceDirect, ResearchGate, and the U.S. SBA. To search these sources, I defined several keywords and phrases relating to the funding strategies that small business owners use to remain sustainable. Some of the keywords and phrases included *small business sustainability, small business financial strategies, small business funding, small business, entrepreneur, venture capital, crowdfunding,* and *small business failure*. I identified materials from

various sources including peer-reviewed journal articles, seminal sources, books, and dissertations. I gave preference to sources published within the last 5 years as well as peer-reviewed journal articles.

In the literature review section of the study, I used 123 references made up of 86 peer-reviewed sources, representing 70% of the total sources used in this section. Also, 108 or 88% of the references used in the literature review section were published less than 5 years ago. There are 263 references in the manuscript, and this is made up of 183 peer-reviewed sources that represent 70% of the total references. Of these 263 sources, 193 or 73% were published less than 5 years ago. Table 1 shows the sources used in this study.

Table 1

Sources Used in Study

Variable	**Age (< 5 years)**	**%** age **(<5 years)**	**Literature review**	**% Literature review**	**Doctoral study**	**% doctoral study**
Peer-reviewed articles	131	72%	86	70%	183	70%
Books	23	79%	12	10%	29	11%
Other	39	76%	25	20%	51	19%
Total	193	74%	123	100%	263	100%

Pecking Order Theory

Pecking order theory is a theory of corporate finance that provides a model for the cost of financing and models it as theoretically asymmetric (Myers & Majluf, 1984). While Donaldson (1961) first approached the concept of modeling financing in this way, the theory gained popularity because of Myers and Majluf (1984), who provided a meaningful understanding of the potential sources for financing. The model holds that

business owners gain financing from three primary types of sourcing: internal funds, debt, and new equity. Companies must prioritize how they source their funding for financial success. This prioritization includes considering the associated costs when selecting the best possible financing for the business at a given moment. companies first use internal financing before the issuance of debt, with equity as a last resort when other options are exhausted or have failed (Myers & Majluf, 1984). Equity is more expensive than debt and does not need to be repaid when earnings decline (Martinez et al., 2019).

The preference for internal funds has direct links to the associated costs and the understanding of the entrepreneur of their business-specific position in the market (Myers & Majluf, 1984). In other words, pecking order theorists assume that asymmetric information impacts managerial action because a company's prospects improve, and risk diminishes as the company manager or decisionmaker knows more about the company and its needs (Myers & Majluf, 1984). Information asymmetry influences how business owners rank the type of funding they seek and obtain (Dhaene et al., 2017). Generally, business owners use internal funds until they are no longer available and then turn to the issuance of debt to meet company needs. Business owners had a strong preference for retained profits, even over subsidized loans (Zeidan et al., 2018). When additional debt is not readily accessible, the business owners may liquidate equity assets as a last resort means of gaining the capital to stay in business.

There is no risk associated with the use of internal funds because internal funds, like profits, are intended for that purpose. Business leaders prefer debt to equity (Myers & Majluf, 1984), and equity is often related to greater risk, higher financing costs, and

less control of the company. Providers of new equity finance primarily invest for the future potential of the company, and as part-owners have some control over how the company operates (Dowling et al., 2019). Business owners do not prefer additional equity for these reasons, and as such, consider equity financing a last resort. Companies use this option to raise additional capital to sustain operations beyond the first 5 years. Concerning this broader literature review and the current research priority, pecking order theory provides definitions for the three financial areas of interest to the study: internal funding, debt issuance, and equity.

Contrasting theories. Capital structure theories have existed for many decades, but they still constitute a major puzzle in the literature. The pecking order theory and the trade-off theory (Modigliani & Miller, 1958) provide a theoretical basis for the search for an optimum capital structure composition to increase a firm's value (Myers & Majluf, 1984). Unlike the pecking order theory, which stipulates a preferred order of capital acquisition, the trade-off theory affirms a target of optimum debt level for maximum firm value. The pecking order theory suggests that increasing the market value of a firm cannot be determined by an optimal capital structure. Before 1999, scholars considered trade-off theory the best in explaining the capital structure until there was research focused on the usage of the theory (Simatupang et al., 2019).

The financing practices of Japanese firms are consistent with the pecking order theory and found that the deficit in available internal financing drives external debt financing (Jarallah et al., 2018). In Japan, firms may prefer to use internal financing, and when this is no longer available, they use external debt and then external equity once the

external debt is no longer available. The scenario emerges out of financial necessity and not necessarily maximizing firm value. The trade-off theory promotes the maximization of firm value using debt. There exists a debt target that limits the total value of debt funding that a firm may undertake, with a decreased tax and capital costs (Simatupang et al., 2019). A firm borrowing funds has the obligation to make periodic interest payments which in turn will reduce its free cash flow (Alipour et al., 2015). The interest rate includes a premium to compensate the lender for expected losses by defaulting firms (Abel, 2017).

Business owners who operate in alignment with the trade-off theory to develop their capital structure can obtain debt based on the size of their company assets (Horvatinović & Orsag, 2018). Small businesses do not have the asset base that enables them to acquire debt easily. There exists a direct relationship between the size of a company's assets and the ability to acquire debt. Liquidity ratios may have a mixed effect on making capital structure decisions (Alipour et al., 2015).

An alternate theory of capital structure is market timing theory, which suggests that firms are more likely to issue equity to raise capital when the value of the firm is high and repurchase their equity when the value is low (Baker & Wurgler, 2002). Information asymmetry among small businesses creates market timing opportunities. Small businesses have limited access to the capital market, and raising external capital is an opportunity requiring strategic timing (Iyer & Javadi, 2018), decided by the management based on current market realities.

Criticisms of the pecking order theory. The pecking order theory is popular in capital structure and has its fair share of support and criticism from researchers. Critics of the theory have stated that a company, depending on the period, will adopt a capital structure theory (Africa, 2017). For example, a small company may not be able to acquire external debt during the startup or an economic recession. business owners engage in unrealistic planning (Adomdza et al., 2016), which may lead to poor funding decisions by business entrepreneurs and them needing to raise additional funds from investors.

Many factors impact a firm's leverage ratio, and these include the size of the firm, tangibility, profitability, growth, liquidity, and operating leverage (Imtiaz et al., 2016). Profitability, liquidity, and operating leverage are negatively related to leverage, and the inverse relationship exists with tangibility, growth, and size (Imtiaz et al., 2016). This relationship means that as profitability, liquidity, and operating leverage increase, the need for external debt decreases, and vice versa. As tangibility, growth, and size increase, the need for leverage also increases. This impacts the pecking order theory as the observation suggests that the actions of firms may not be consistent with the pecking order theory.

The pecking order theory works best for mature, profitable companies and not small, new entities (Grigore & Gurau, 2019). This is due to the order of preference that prescribes the use of internal funds before any other source of capital. Most new companies, especially small businesses, are not likely to have generated retained earnings available for reinvestment. This lack of internal funds leaves the business owner no alternative but to immediately consider bank loans as the first option for raising capital.

Internal funding is also inadequate to cover investment spending as there is a significant reliance on external financing.

Researchers identified another criticism of the pecking order theory derived from the confidence level of managers and small business owners. Overconfident managers tend to prefer the use of equity when financing deficits over the use of debt or loans (Vivian & Xu, 2018). The overconfident manager believes in the overvaluation of their equity and undervaluation of their debt based on her or his underestimating the riskiness of future earnings (Vivian & Xu, 2018). In small businesses and companies with high earnings volatility, managerial overconfidence significantly weakens the application of the pecking order theory.

Small Business Overview

There is no single, uniformly acceptable, definition of a small business (Storey, 2016). Some countries use the number of employees, capital and revenue, and organization framework (Charman et al., 2017). The American Small Business Association defined a small business as a business that has 500 employees or less and not more than $7 million in revenue per year (SBA, 2014a). The specific legal standards for what defines a small business varies from state to state and nation to nation. The concept of small business has a close association with self-employment and entrepreneurship, but are technically defined by size and individual characteristics, as specifically designed in a set of standards established by the SBA (2019). The size regulations, as established in Title 13 Part 121 of Federal Regulations help to determine what government programs a small business qualifies to be a part of and relatedly, what forms of financing and

assistance for which they are eligible. This designation is not determined solely by the number of employees, but rather the total size of employment, revenue, receipts, and affiliate employment (SBA, 2019).

This realization calls into question why the government would step in and help to supplement or fund small businesses. While we often overlook small businesses, because they individually make up a small percentage of the total GDP, cumulatively, they represent most of the national economy. Small and medium-sized enterprises (SMEs) represent 46% of gross domestic product (GDP) in the United States and are responsible for 75% of new jobs (SBA, 2015b). Small businesses provide between 60 and 70% of all employment in the United States. In other words, from a global perspective, while the impact of a single business may be small, the total number of small businesses, per nation, uphold the global economy.

Regardless of the challenges faced, small and medium-sized enterprises still contribute a significant percentage of a country's GDP to its economy (Ayandibu & Houghton, 2017). SMEs warrant special interests, since SMEs positively impact economic growth, reduce poverty, and inadvertently reduce crime in society (Ayandibu & Houghton, 2017). Several authors expressed the importance of small businesses; new small businesses in most regions are essential for economic growth and innovative capacity (Ribeiro-Soriano, 2017).

Despite the shift to providing additional support for small businesses, a need for more funding remains. Small businesses are not receiving the funds that they require to stay in business long term. The SBA (2018) estimates that 80% of small businesses

successfully make it through their first year of business, that number drops precipitously across the following years of business. Only half of new businesses make it through the first five years of operation, and fewer than one in three make it through the first ten years of business (SBA, 2018). Small businesses close for several reasons including a lack of business planning, proper employee staffing, adequate capital inflows, and partnerships (Hyder & Lussier, 2016).

The most common cause of business failure is a lack of need for the product offered in the market or not identifying a target market correctly. Another prominent factor that leads to business failure is a lack of capital to fund the startup or operations of the business. It is important to consider the source or sources of funding and their use to meet the capital needs of a small business during their most vulnerable 5 years of business. Given the socio-economic importance of small businesses, and their high rate of failure, it is essential for the government to support small businesses, especially during the first 5 years.

Economic importance of small businesses. The strategic importance of small businesses cannot be over-emphasized as it is often a catalyst for development. Since 2000, the extensive literature on the importance of small businesses in the economy has consistently shown that the creation of new businesses drives economic prosperity (Ribeiro-Soriano, 2017). Small business owners are thereby an integral part of every economy by growing and sustaining economic development. Small and medium enterprises, in any country, are valuable organs of economic growth and development (Dasgupta, 2016).

Small businesses are the engine of economic growth for promoting sustainable growth (Haltiwanger, 2015). This assertion emphasizes the direct impact on the economic growth of small businesses, further highlighting the importance of governmental support for small business success and sustainability. As earlier noted, small businesses contribute considerably to job creation and employment, especially in smaller towns where large corporations do not see significant value because of the smaller market size. Small businesses play a vital role in developing any economy (Dar et al., 2017), and the U.S. government established an agency, the SBA, to promote their activities.

About the SBA. The SBA is an agency of the United States federal government established to administer several programs to support small businesses (Dilger, 2018). The SBA services include programs for loan guaranty, disaster loans, management, and technical assistance training, and federal contracting (Dilger, 2018). An example of the United States government's activities was the provision of $2.6 billion of SBA disaster loans to individuals and businesses in Mississippi after Hurricane Katrina in 2005. Also, SBA is a valuable contributor to the knowledge base for small companies and their impact on the economy.

SBA lending programs may contribute to financial growth and help with the government's policy to assist small businesses (Orzechowski, 2019). Following the global financial crisis, the US government sought to reverse the negative trend by temporarily increasing the guaranty rates and eliminate the fees for its subsidized small business loans (Choi & Lee, 2019). The government did this due to the strategic importance of small businesses to the US economy, especially concerning job creation.

Congressional interest in the SBA's programs has increased since 2013 because it is a means to stimulate economic activity (Dilger, 2018).

Financing Small Businesses

There are four primary reasons why small business owners seek funding and these are (a) business expansion, (b) the purchase of inventory, (c) starting a business, and (d) to bolster the organization's strength (SBA (2014c). Funding is essential, not only to small businesses but also to large corporations. Large corporates tend to have more funding options available to them and this tends to be less of an issue. On the contrary, funding is a major obstacle hindering the progress of small businesses (Dasgupta, 2016) and access to finance is important for the growth of small businesses (Osano & Languitone, 2016). One in four small businesses is unable to access needed capital (U.S. Small Business Association, 2017).

Whereas large corporates used business debt to fund operations, small business owners relied more on personal sources of finance (Coleman et al., 2016). The pecking order theory supports this assertion as it deemphasizes external equity as a primary source of capital, describing entrepreneurs as tending to prefer internal funding and debt. Asymmetric information makes retained earnings and debt better financing sources than new equity. Debt borrowing by a small business reduces its free cash flow due to the obligation to make repayments (Alipour et al., 2015).

In seeking funding for a small business, information asymmetry operates under the assumption that the business can access all three types of capital required for operations. This is not always the case with small businesses as they may not meet all

requirements for their preferred source of capital. This is especially so for startup companies as they typically rely on the entrepreneur's personal funds or funds from friends and family. Small businesses constantly lack financial resources due to limited personal or internally generated funds and difficulty raising borrowed funds (Morozko et al., 2018).

The significance of securing appropriate funding. Determining the financial needs of a small business is critical to the long-term business success it will experience (SBA, 2019). Funding is essential to companies because it is the source of stability, and it is critical for growth (Kuschel et al., 2017). the creation of a project, establishing the delivery of services, funding expansion, paying overheads, and other expenses relating to operating a business are uses of funds (Kuschel et al., 2017). To effectively select appropriate funding to meet the needs described above, small business owners must be knowledgeable in finance. Financial literacy is an essential resource that mitigates information asymmetry and collateral deficit (Hussain et al., 2018).

In developing economies, financial literacy and access to finance have significant and positive effects on the growth of small businesses (Bongomin et al., 2017). It is not surprising that research indicates that a lack of efficient funding sources is one of the primary reasons that small businesses fail in an otherwise healthy, developing, or established economy (Wang et al., 2017). The three primary forms of funding useful to meet the capital needs of an SME are internal funding, debt issuance, and equity, each of which forms part of the total picture of a small business' financial health and ability to meet its financial obligations. Further, different types of businesses are likely to have

different levels of internal and external financial support, directly impacting the robustness of their performance. Each of these forms of financing warrants independent consideration as it relates to business success and meeting the business's financial needs.

Internal funding. Internal funding by a business relates to the use of funds generated from normal business operations as a source of capital deployable where the business has needs. This use of funds means that profits remain in the firm for operations and growth, instead of paying out dividends. This method of funding, often referred to as bootstrapping, which Ye (2018) defined as a process through which business owners find creative ways to minimize capital requirements and reduce the need for external debt or equity. It has distinct benefits and disadvantages as it relates to the long-term growth of a company or project.

The advantages of bootstrapping include growing a business without any external funding, as described by total dependence on internal financing. This dependence protects the business from external influence, especially during the initial period of operations when it is most vulnerable (Fatoki, 2014a). Taking on partners at this early stage can undermine the direction and creativity of the brand. Owners who singlehandedly fund the business and use the business' cash flow to continue to support its growth and direction can avoid this undermining. Because a business cannot have internally generated sources before its launch, bootstrapping begins with a business that is entirely dependent on the owner's access to cash flow to supplement personal resources.

Personal resources can include liquidating stocks or bonds, taking out home equity loans, applying personal savings of the owner, and other means of generating own cash to invest in the business directly and begin operation (Winborg, 2015). The use of internal funds relates directly to reduced risk, another advantage of the internal funding approach. A small business owner has complete control over the sources of funding and the risk associated with each source. The use of the business owner's personal savings limits his or her total financial loss to the amount invested, which Fatoki (2014a) perceived as thrifty, relying on cost-cutting, and reducing the total financial risk of the business.

Access to capital has a statistically significant positive effect on small business growth in the United States (Rupasingha & Wang, 2017). Businesses that rely strictly on internal funding are essentially using a snowball technique, beginning with a small startup, and then slowly expanding, through consistent hard work. Internal funding also reduces the cost of capital because the business does not have debt to repay or interest related to their capital (Winborg, 2015). The growth of a business utilizing internal funds for expansion will only be to the extent allowed by the available capital. Financing is essential for expanding and growing a new enterprise (Obamuyi, 2017).

Debt funding. Debt is the second significant form of financing for small businesses. Debt financing refers to capital acquired from a lender that requires repayment with interest over a specific period (Obuya, 2017). Debt includes various funding options like traditional bank loans and private investor loans, both of which require repayment with interest. Also, it includes the selling of bonds, taking a secured

line of credit against given collateral or assets, and the use of credit cards as a source of capital. Debt capital is the process of taking out an established amount of money with a set repayment period and the expectations that the funds borrowed requiring repayment with interest.

Small business owners have managed to trade successfully for long periods without seeking debt financing (Mazzarol & Reboud, 2020). The pecking order theory describes the predominance of lower-cost internal funding over external financing like debt issuance (Myers, 1984). Small businesses that are profitable and able to access various financing options are more likely to seek debt financing (Wasiuzzaman & Nurdin, 2019). One advantage of debt funding is that the risks are determined and known to the borrower before accepting the debt. Though some lenders require collateral, the primary obligation of the borrower is repayment of the loan amount with the agreed interest.

Higher interest rates may be a more substantial growth constraint than the access to capital issues that are more prevalent in academic literature to date (Rostamkalaei & Freel, 2015). Traditional bank loans are not an essential source of funding for small businesses in their first 5 years of business; banks are typically not risk funders and, therefore, averse to risk (Rostamkalaei & Freel, 2015). This results in a small business funding gap that limits SME growth and development and demonstrates the need for increased government support of traditional lending programs (Industrial Systems Research, 2018). Another form of debt financing is through a bond, which is a debt issued by a borrower, for example, a small business, to raise short or long-term capital.

These are like a series of mini loans from private investors that the business must repay (Franke & Krahnen, 2017). A gradual debt funding shift, the rebalancing towards bonds occurring due to relatively higher costs of bank loans (Chang et al., 2017).

Debt issuance is an external source of funding that provides a fast cash infusion into the business but saddles the business with debt repaid by the borrower. The use of bonds has associated risks because it increases the cost of capital through related interests and fees. Bonds provide a meaningful source of funding for a business that is trying to stay afloat during its first five years. Another form of debt typically used by small businesses is trade credit. Trade credit applies to small and large businesses; large corporates also use this form of financing to fund their working capital and inventory (Aktas et al., 2015). Trade credit is essentially a debt owed to a supply for goods supplied; small businesses have funding constraints with other formal sources of funding not readily available leading to the use of trade credit, which accounts for significantly more than bank loans (Barrot, 2016). Depending on their bargaining power, suppliers use trade credit as a competitive device in the product market (Fabbri & Klapper, 2016). Trade credit, though strategic, is not without cost, as it provided as an alternative to loans with terms and conditions that are typical of any other debt offering.

Importance of collateral. Small business owners cannot copy the financing theories used by large enterprises or listed companies (Jiang et al., 2018). This is due to several reasons including the issues of collateral, lending history, and company balance sheet size. Most small businesses begin with personal funds or funding from friends and family. Once internal funding is exhausted, the pecking order theory suggests seeking

debt. The most common funding for startups is short-term loans and overdrafts from commercial banks, and these debts often require the provision of collateral (Buchanan, 2017).

Loans do not typically use collateral for low success probability projects, but rather with high success probability projects, which then attract lower interest rates. Some small businesses lack collateralizable business assets but will instead use the personal assets of the entrepreneur as collateral. Requiring security for a loan in the form of collateral may indicate a high risk or probability of default. Collateral is associated with lower financing costs, but with higher expected default rates (Berger et al., 2016). The provision of collateral and the rate of default in loans to small businesses were positively correlated (Duarte et al., 2017).

Equity funding. The third and final form of financing, as outlined in the Pecking order theory, is equity. In accounting, equity is the difference between the assets and the liabilities of a business. The decision by a small business owner to raise capital through external equity requires trust, due to the good intentions of the parties involved (Dowling et al., 2019). Equity by its very nature is the acceptance of joint ownership of a business, and this sometimes may mean joint decision making. Where there are no internal funds, and a small business does not have access to debt financing, the only other option is to seek external equity. Venture capitalists or private equity (PE) firms, rather than individuals, typically provide this equity, PE is an ownership interest in a company not owned publicly, quoted, or traded on a stock exchange (Dhankar, 2019).

There is an unfounded fear that PE firms tend to take over from other stakeholders of their portfolio companies, but this is untrue (Huang et al., 2016). Equity financing generally strengthens a business' credibility to honor promises made to its managers and employees, but they highlight that debt is likely to have an adverse effect (Fahn et al., 2018). This may have to do with the focus of the capital which is growth for equity holders but repayment for debt holders. Small businesses in the United States registered as C corporations have a significantly higher probability of obtaining new external equity than S corporations (Chen & Qi, 2016). The legal form of the small business is critical to determining the likelihood of attracting equity funding. Other types of equity include angel investing and crowdfunding.

Equity crowdfunding. Equity crowdfunding is a new form of entrepreneurial finance where investors participate in the future cash flows of a firm but do not receive rewards or engage in pre-purchase of the product (Hornuf & Schwienbacher, 2018). The financial services industry has been experiencing the recent emergence of new technology innovations and process disruptions (Gomber et al., 2018). Crowdfunding is a new way to finance new ventures and small businesses, adopting technology to broaden capital raising by entrepreneurs. Leveraging the internet allows a small business owner to receive small contributions from a relatively large number of individuals without investment bankers. Small businesses will typically require funds for the startup or operations of their business, which fits squarely within the remit of crowdfunding.

Equity-based crowdfunding, in which the investor receives equity rather than goods or services, is a relatively new method to obtain capital for start-ups (Hagedorn &

Pinkwart, 2016); geographic locations of investors is not a limitation because the funding platform resides on the internet. Equity-based crowdfunding involves small contributions from many investors over a fixed period (Kuppuswamy & Bayus, 2018). Crowdfunding platforms have emerged over the years to link potential investors with small business entrepreneurs and have proven to be benefiting both parties, in most cases. Entrepreneurs are using crowdfunding as an option for financing their creative ideas (Kuppuswamy & Bayus, 2018). Through crowdfunding, firms can obtain a reliable proof of concept early in their production cycle (Chemla & Tinn, 2020).

Business Longevity and Sustainability

Firms lacking resources are more susceptible to failure (Williams, 2014). Business failure is a result of a lack of resources and a lack of efficiency (Williams, 2014). This assertion suggests that a business must have the resources necessary to achieve profitability and must then remain profitable to survive long-term. It is essential to have substantial capital assets, or resources, upfront, to ensure that the business can reach the point that it is profitable and can generate enough income to sustain itself (Williams, 2014).

Capital is an essential resource in any business venture; adequate capital inflows as one of the critical factors for the viability and success of small businesses (Hyder & Lussier, 2016). Funding is essential for both startups and existing businesses, also for small businesses and large corporates. Funding appears more critical to small businesses because they typically have fewer options for financing relative to large corporates. The pecking order theory stipulates that internal funding is the first option in the quest to fund

business operations. Large corporations would typically have greater access to internal funds by virtue of their size and scale of operations, so this realization further increases the challenges faced by small businesses.

Several factors contribute to business longevity and sustainability. A lack of funding is one factor for startup failure; the lack of a structured business strategy is another factor (Cantamessa et al., 2018). A third factor contributing to business longevity is strategic innovation - an important driver of sustainable competitive advantage for small businesses (Taneja et al., 2016). Small businesses could rapidly adapt to change (Taneja et al., 2016). The application of funding strategies and how to raise funds for business operations are essential to small business success and sustainability.

Financial Strategies

Financial strategies used for small businesses may differ from those used for large corporates, and these strategies are dependent on the company's life cycle. Startups are essential for job creation and economic growth (Cheng, 2015). Considering the importance of small businesses to their macro economies, financing of small companies is a policy concern for governments across the world (Krishnan et al., 2015). The matter centers around the enabling role that small businesses play in their local economies by creating jobs and spurring growth.

There are various strategies available to small business owners looking to raise capital for startups or existing operations. They may obtain alternate funding sources that are, in many cases, risky and ambitious (Herciu, 2017). In contemporary business practice, other than the use of personal funds, Drover et al. (2017) classified venture

capital (VC), venture capital (CVC), angel investment, crowdfunding, and accelerators as five primary funding sources. Angel investors are wealthy individuals who invest in startups using their funds and typically invest before venture capitalists and take smaller equity stakes than venture capitalists (Ramachandran, 2019).

An entrepreneur must assess the value that an angel investor will bring to bear on his firm as the benefits can be significant with the right investor on board. Angel investors may also take on co-investment and assume the decision-making role of management teams (Crick & Crick, 2018). Angel investors are known to change their minds about investments when they perceive the entrepreneur as trustworthy (Imhof & Collewaert, 2018).

Most small business owners may not have the internal capacity to fund their businesses, and given the size or age of the company, may not have internal funds. Small businesses are usually not able to secure significant funding from banks or to access the capital markets, a funding opportunity typically enjoyed by large corporations (Herciu, 2017). These funding strategies remain consistent with the pecking order theory because the use of angel investors, or other similar sources, derives from necessity rather than preference. The business strategy can also dictate the adopted funding strategy.

Business strategy. One contributing factor to the ability of a small business to raise the required capital for startup and operations is the business plan containing the business strategy, the overemphasis of which is not possible. The process of creating a business strategy involves identifying the critical success factors and setting objectives before developing an implementation plan (Mazzarol & Reboud, 2020). A business

strategy or plan is also not a static document but rather its use should be adapted to the environment and present situation. The use of adaptive plans enables flexibility in adapting to changes in the environment (Taneja et al., 2016).

Small business owners could benefit from strategic planning (Mazzarol & Reboud, 2020). Entrepreneurs' implementation of a comprehensive strategy enhances small business performance (Rehman & Anwar, 2019; Williams et al., 2018). Superior performance would typically lead to increased profitability and better cash flow that a small business can deploy to financing its operations without external debt or equity. Increased cash flow improves the opportunity of the company to secure bank loans.

Venture capitalists are known to help entrepreneurs develop and implement their business strategies as a part of their investment program. In addition to infusing capital, venture capitalists guide their portfolio companies, leading to a reduction in information asymmetry (Drover et al., 2017). The nonfinancial value the investors bring to a small business can help provide the entrepreneur with the experiences and guidance of an investor that is typically better versed. As part of their strategy, there is also an opportunity for greater cooperation among portfolio companies as they share the same investor.

Financial management and literacy. A proper grasp of financial management practices is a core resource that aids effective decision making by owners of small businesses (Hussain et al., 2018). Capital acquisition is the foremost issue that entrepreneurs seeking to start a new business face. The question of funding decisions remains throughout the business lifecycle; any small business's success is associated with

the owner's financial literacy when managing financial matters (Ali et al., 2017). Small and medium-sized enterprises are more likely to go out of business or remain stunted due to financial literacy problems (Eniola & Entebang, 2015). Given the strategic importance of small businesses in any local economy, it is essential for governments to enable small businesses through effective policies and support.

Rauf (2016) recommended that governments become more vested in providing financial training programs for small businesses. These training programs will better prepare small business owners to manage their companies during the capital raising and financial management phases of the business's life. Entrepreneurs require a good understanding of the financial management process, which gives them increased confidence when dealing with the issues they face. Optimistic entrepreneurs have better access to credit (Dai et al., 2017). Optimism indicates confidence, often derived from having adequate knowledge of a subject matter. Likewise, improved financial literacy will lead to better decision making on the part of the entrepreneur and increased access to capital for business expansion (Musah et al., 2018).

Risk Management

Risk management is a set of procedures and methodologies used by the managers of a company to identify, measure, monitor, and control risks arising from business operations (Ukhriyawati et al., 2017). An organizational framework must support the risk management process as the process cannot take place in isolation (Hopkin, 2018). A small business owner needs to be aware of the benefits of implementing a risk management framework. Most small businesses follow either an active or passive risk

management approach where the former is an offensive, and the latter is a defensive strategy (Brustbauer, 2016). The essence of this statement suggests that a small business owner can use risk management to increase profitability or to defend its profit level.

Different levels and types of risk affect capital structure adjustments disproportionately (Rashid, 2016). Capital is a vital determinant of the business establishment because it influences the firms' ability to operate within the market and the company's performance (Loukil, 2019). The capital structure of most organizations will include debt and equity, and the pecking order theory suggests a preference for acquiring either form of capital. Likewise, the trade-off theory suggests an optimum debt level that maximizes the value of the firm. Firms with an extensive risk management framework could endure higher debt levels in the capital structure, thereby working as a substitute for equity (Joshi, 2018).

The macroeconomic situation of the country where they operate exogenously affects an institution (Caro, 2017). For example, a macroeconomic factor like the gross domestic product (GDP) has a significant impact on companies' ability to pay their loans (Bhattarai, 2018). This statement is evidence that macroeconomic factors can impact a company's financial health, which, in turn, affects its ability to acquire its required capital.

Macroeconomic Factors

Small businesses, like any other business, operate within the broader economic environment of a country; both microeconomic and macroeconomic factors impact the performance of a company (Issah & Antwi, 2017). Several factors can either positively or

negatively impact a company's performance and profitability. For the most part, unfavorable macroeconomic conditions will hurt a company's performance, while favorable conditions will typically lead to a positive effect.

Four macroeconomic factors affect entrepreneurship; demand, unemployment, financial development, and institutional framework (Makosso, 2013) Demand and financial development are two determinants that have stimulated a lot of theoretical and empirical attention and affect new business formation (Loukil, 2019). Demand is a vital factor because it is the essence for the company existing, which is to fill a need.

There are a lot of inherent risks with an entrepreneur's inability to understand and react to the macroeconomic environment. Enhancing macroeconomic factors like technology, power generation, trade openness will boost entrepreneurship, especially in emerging economies (Dutse & Aliyu, 2017). Entrepreneurs need adequate education and preparation to respond to external factors, which they cannot control, as these may often limit their options for capital acquisition. For example, following the global financial crisis of 2008, banks in the United States reassessed their credit supply to small businesses (Cortés et al., 2020), in response to the expected increase in risk.

Barriers to Small Business Funding

Financing is a significant issue affecting the success and survival of business ventures (Hogan et al., 2016). In line with information asymmetry, external equity is the last resort in funding options for a business. Small businesses often face greater challenges when raising internal funding. Especially startup small businesses because they have not started generating any income and have no retained earnings. Small

businesses need external finance because of usual limitations on and insufficiency of the personal resources of an entrepreneur. Small business owners tend to have difficulty obtaining debt for various reasons linked to their size, age of the business, and associated risks. Small business owners typically do not wish to dilute their ownership interests in a business and may not have access to equity markets, including stock markets. Small businesses often rely on support from government agencies based on policies established in most countries. In the United States, the SBA promotes and supports the activities of small businesses due to their strategic importance to the nation's economy (Orzechowski, 2019). Another alternative discussed under debt funding is trade credit. There are often barriers to assessing trade credit from suppliers as the supplier may also conduct due diligence like banks and some of the barriers faced with banks may exist with suppliers. Trade credit is a strategic tool used by the supplier, and overlooking some of these barriers may be in the supplier's business's greater interest.

Several barriers to equity funding hinder its use by small business owners. Despite the seeming unattractiveness of equity, since most small business owners wish to maintain full control of their businesses, it is often the only means available for significant capital injection into a business. The equity markets are highly regulated and the rules for participation may be prohibitive. The effects of reducing equity issuance barriers in the United States have benefitted issuers (Gustafson & Iliev, 2017). The share of small business equity is small when compared with that of large corporates.

Impact of Funding Availability

Various funding options, each with its advantages and disadvantages, are potentially available for businesses depending on their stage and rate of growth (Moraczewski, 2017). Funding is critical to the establishment and survival of any business. Small businesses tend to have increased difficulty obtaining financing through traditional funding options; entrepreneurs may easily spend a significant amount of their time fundraising (Henry, 2016).

Small and medium-sized businesses are the driving force in an economy (Staniewski et al., 2016). Consequently, several government-based financing measures are in place to facilitate small business access to financing; still, access remains difficult (Oricchio et al., 2016). For an entrepreneur to get an individual to invest in a business, he or she needs a credible business plan that highlights the company's growth potential (Herciu, 2017). Business plans also provide potential investors with an indication of the funding plans, sources, and uses. These details are fundamental to the decision-making process of investors.

The highest preference for funding consistent with the pecking order theory is the use of internal funds. A new business may not have retained earnings based on the length of time it has been in operations. Debt funding from banks may be difficult to acquire due to the inability of entrepreneurs to meet the stringent requirements of a bank. Banks' credit supply to small businesses has been most affected by stress tests leading banks to reallocate credit from riskier markets to safer ones (Cortés et al., 2020).

Growth and Sustainability of Small Businesses

Higgins (2015) discussed the looming challenge of sustainability, which suggests that businesses always must adapt their models to current environmental, ethical, and social parameters. From an ecological perspective, sustainability refers to conservation and self-preservation, often in the face of extraordinary natural challenges. From a business perspective, sustainability also has to do with the management of ever-growing populations (Higgins, 2015), which require sustenance and survival provisions. As services and products increase and expand in range and scope and enter new global market regions, companies need to learn how to manage, which includes environmental parameters as well sustainably.

Customer demands and needs are always changing, particularly as the world becomes more interconnected than ever. The practice of Total Quality Management (TQM) can help businesses understand how to tackle growth while remaining profitable in the long-term (Khan & Naeem, 2018). Service organizations can achieve sustainable business operations if they integrate business sustainability and innovation models into their existing repertoires (Khan & Naeem, 2018). Effectively, the authors imply that companies cannot manage growth unless they innovate and produce new strategies for survival. Organizations should be prepared to plan for improvements to TQM, as well as to business processes and practices (Khan & Naeem, 2018). The assertion here is that, due to the vastly different character of the market today, which includes more global competition and increasing customer volumes and demands, organizations should be aware of how TQM and innovation play a role in discovering solutions to problems.

Small business growth, as shown by previous research, may be the consequence of the strategic choices of the small business owners (O'Gorman, 2001). These strategic choices include financial strategies used by business owners who have the ultimate responsibility for ensuring growth and sustainability. These strategies require customization to meet the financial situation, skills, resources, and sustainability challenges faced by the small business (Placet et al., 2005).

Other Factors Affecting Small Business Sustainability

A range of factors generally influences small businesses (Di Patti & Gobbi, 2001), including previous experience in entrepreneurship, leader characteristics, size of the firm, and reputation (Jean Vasile & Nicolò, 2017). As such, some businesses may have a more difficult time adjusting to sustainability parameters, particularly if these involve complex environmental and ethical initiatives with large initial investments (Jean Vasile & Nicolò, 2017). Larger firms will naturally have higher profits and better economic and physical infrastructure in place.

Leadership is an essential feature for either the failure or success of small businesses, with special emphasis on companies operating in developing economies (Jardon & Martínez-Cobas, 2019). This statement is particularly true as leaders dictate the culture and values of the organization. A major factor affecting smaller ventures and their capacity to adapt to sustainability is leadership. Poor leadership may lead, for instance, to lower interest in sustainable initiatives if long-term gains are more difficult to immediately envision or realize.

Strong leaders who embrace and promote sustainability may present more opportunities for exploring innovation, and for adjusting to new challenges in ethics and the environment. Small businesses are generally based on local customs and traditions (Jardon & Martínez-Cobas, 2019). Behavioral factors, business factors, ethical principles and values, and competitive intelligence are factors that lead to sustainability (Tur-Porcar et al., 2018).

Human capital is a vital challenge for small businesses because they must compete with larger companies, which often have better access to resources. Identifying, attracting, and retaining skilled employees continues to remain challenging (Lampadarios, 2016). Small businesses are not likely to be able to offer growth within a formal structure for employees by virtue of their size. The lack of a formal structure may be a deterrent to some potential recruits in discussions with a large corporation. Small businesses are also not likely to have redundancies built into their structure resulting in significant cost implications.

Social Impact of Sustainable Small Businesses

Small businesses are vital to the community, as they foster economic resilience. Small businesses were valuable tools for promoting and sustaining economic viability and resilience in post-trauma disaster situations (Sauser et al., 2017). The National Economic Council states small and medium enterprises have over the last 20 years been responsible for creating two out of every three net new jobs and about 50% of the total employment in the private sector of the United States (Sauser et al., 2017). These are

clear indications as to the importance of small businesses in promoting social and economic development in a community.

Unemployment has an adverse effect on health, a fact that remains even when adjusted for social class, poverty, age, and pre-existing morbidity rates (Wilson & Walker, 1993). Sustainability is becoming increasingly important for society, and the creation of business ventures is one area where sustainability is critical (Tur-Porcar et al., 2018). Through small businesses, millions of people participate in the economic and social mainstream of the United States and make an important contribution to the country's role in the international community (Acs, 1999). Small and medium-sized enterprises are the main channel to solve the problem of unemployment and have made important contributions to social stability (Jiang et al., 2018).

In 2020, there is a global shift away from measuring success in terms of profit alone, but corporate social responsibility and sustainability are also important measured and reported factors. This approach is based on the links between long-term success and the equitable balance of all stakeholders' interests (Salvioni & Gennari, 2016). The new emphasis on the other stakeholders is not to diminish the importance of profitability or return to shareholders, but to emphasize the interdependence among stakeholder relation management, economic and socio-environmental responsibility (Salvioni & Gennari, 2016).

Conclusion

The pecking order theory holds for small businesses, as supported by the larger body of literature. Noting the economic importance of small businesses and how they

contribute to local, state, and national economies, this motivates governments to ensure an enabling environment for small businesses to thrive. Funding is a major concern for small business owners; it is essential to assess their requirements. There are several factors that a small business owner or entrepreneur should consider before deciding on how to fund both startup and operations of the business. The development and assessment of a financial strategy should precede a startup.

As part of the financial strategy, it is important to consider three of the primary modes of financing; internal funding, debt funding, and equity funding, as feasible options for a business looking to raise capital. It is essential when deciding the best or most appropriate form of funding, to consider the pros and cons of all available sources. The pecking order theory establishes a hierarchy for available funding preference; internal financing is typically used until such resources are exhausted. Then debt funding is used to the extent that it is available and the company can meet its repayment obligations. The pecking order theory places new equity issued to investors as the last resort for funding.

Several other factors can affect the capital structure or impact the capital acquisition priority of a small business, with classification into two broad categories, microeconomic or internal factors and macroeconomic or external factors. The potential impact of the individual factors is disproportionate and may depend on the company's age. When combined, these factors affect the performance of the company. They may affect the broader community, given that small businesses are critical to the development of the local and national economies.

Transition

This section introduced the topic of research by presenting the problem statement, and the lack of financial strategies of how small business owners sustain their operations beyond the initial 5 years. The section covered the fundamental elements for the research including the Problem Statement, Purpose Statement, Nature of the Study, Research Question, Conceptual Framework, Significance of the Study, and the Review of Professional and Academic Literature. The literature review included an analysis and synthesis of multiple academic sources. Topics covered in this section include (a) a review of the pecking order theory, (b) a definition and analysis of a small business, (c) an analysis of the economic importance of small business, (d) small business financing and funding sources, and (e) social impact of small business.

The results from the study may highlight the impact of successful financial strategies small business owners have adopted to sustain profitable operations. Section 2 of the study begins with the restatement of the purpose statement and a detailed analysis of (a) the role of the researcher; (b) the participants; (c) the research method and design; (d) the population and sampling methods; (e) ethical research; (f) data collection sources and technique; (g) data organization and analysis; and (h) reliability and validity. Section 3 includes a detailed presentation of the findings, the study’s applications to professional practice, the implications for social change, recommendations for action, and for further research, reflections, and conclusion.

Section 2: The Project

Purpose Statement

The objective of this descriptive, qualitative multiple-case study was to explore the strategies small business owners use to sufficient capital that is required to sustain the business past the first 5 years. The population for this study included eight small business owners who did not operate from their homes, had between five and 50 employees, had successfully operated their businesses for more than 5 consecutive years, and had been able to turn a profit in each year of operations. The population included only companies that were operating in states within the midwestern and southeastern region of the continental United States. The findings could contribute to social change by highlighting to other small business owners the strategies for sustainable business operations and an increase in communities' employment and tax revenues.

Role of the Researcher

In qualitative research, a researcher's role is to act as the primary instrument in the collection and analysis of data (Collins & Cooper, 2014; Karagiozis, 2018). An important function of the researcher is the organization and presentation of the collected data. During the collection phase, otherwise known as the interview sessions, active participation, interaction, and communication with participants occurs (Karagiozis, 2018). A researcher must be cognizant of the ethical dimensions in research from the formulation of questions to the presentation of results (Cumyn et al., 2018).

The primary function of a researcher includes the following steps: the collection of data by conducting interview sessions with selected participants, the organization and

analysis of the data to identify themes, the interpretation of the results, and the presentation of the data, each carried out within the strictest ethical guidelines for conducting qualitative research. Ethics in qualitative research is essential to the reliability and validity of the study. The Belmont Report provides a summary of the ethical principles and guidelines for the protection of humans (National Commission for the Protection of Human Subjects of Biomedical and Behavioral Research [NCPHSBBR],1979). In conducting my research, I adhered to the three principles of The Belmont Report, namely (a) respect for persons, (b) beneficence, and (c) justice (see NCPHSBBR, 1979). A researcher must ensure the protection and privacy of the research subjects. the importance of confidentiality by a researcher to ensure the nondisclosure of participants' identities (Giordano et al. 2007). It is crucial to develop a sense of trust with the participants for research and to show sensitivity toward them to be gain a connection and the ability to view the world through their lens (Park et al., 2016).

Several factors are known to influence the role of a researcher in a qualitative study. One factor is researcher bias, which could affect the credibility of a study (Yin, 2018). Bias as any influence that provides a misrepresentation in the results of research (Polit & Beck, 2014). An interview protocol is a procedure that can mitigate bias by ensuring consistency in the treatment of all participants during the data collection stage. A qualitative researcher must develop an interview protocol to ensure adequate mitigation of any bias.

As a business school graduate, I have been involved in the startup of small businesses in the United States and Nigeria several times during my career. Capital

requirements to start and sustain business operations was always a recurring challenge for entrepreneurs. As a strategy consultant in Nigeria, I provide advisory services to small business owners on the most efficient ways to commence and operate their businesses. Nigeria has a very limited financial market, and this does not give entrepreneurs many funding options. As an aspiring entrepreneur in Atlanta, I have investigated the area of funding strategies and gained additional insight through my research.

Participants

The eligibility criteria for selecting participants from the target population included (a) four business owners operating in Atlanta, Georgia, and four business owners operating in Chicago, Illinois, (b) businesses with more than five but fewer than 50 employees, and (c) business owners who had operated successfully for more than 5 years. Researchers use the eligibility criteria to aid in the selection of experienced participants that can provide useful data (Latiffi et al., 2016; Sowman et al., 2014). The process used in the selection of participants for this study was nonprobability sampling, the choice of participants nonrandomly from a target population (see El-Masri, 2017). The selection of participants in qualitative research requires a plan of action (Marshall & Rossman, 2016).

Early planning benefits the study's conclusion by predicting areas of design weakness and bias before the commencement of the study (Knechel, 2019). When selecting participants for the research study, the strategy was to establish connections with a minimum of eight small business owners operating in either Atlanta or Chicago. I contacted potential participants primarily by relying on referrals from colleagues and

friends. Researchers can rely on acquaintance networks to gain access to participants (Van den Brink & Benschop, 2014). I started with a list of prospective participants from my network and the first participants I interviewed referred me to other small business owners. Upon identification, prospective participants received letters of introduction (see Appendix A) individually by email requesting that they indicate an interest to take part in the research study. The confirmation process conformed with the protocols and guidelines of Walden University's Institutional Review Board.

Gaining access to participants is an important step to conduct research (Peticca-Harris et al., 2016). Once the prospective participants had indicated an interest by email to be part of the study, the next step was to communicate the research process to participants to gain their trust, understanding, and expectations. Establishing good working relationships is central to the data gathering process (Yin, 2018). Both email and in-person communications are useful for contacting potential study participants (Gandy, 2015).

I communicated with each participant a minimum of 10 instances throughout the data gathering process to build and earn their trust. The communications included prospecting, formal invitation, acceptance, scheduling, interview, member checking, and several other discussions to conclude the process. The number of times I communicated with each participant varied according to their responsiveness. A few participants required multiple calls and reminders while others did not.

In a bid to ensure that the participants' characteristics aligned with the research question, it was valuable to confirm the eligibility of all the prospective participants. To

ensure eligibility, I conducted a prequalification process consisting of a phone call or email to ascertain that the small business in question had been in continuous operations for more than 5 years and had used more than one source of capital to fund operations. I also confirmed that the business had been in operation in either the greater Atlanta or Chicago areas. Once the potential participants had met the criterion, I progressed with scheduling the more detailed interview.

Research Method and Design

Research Method

Deciding on a method in advance of conducting a study is essential (Cypress, 2018). To understand the perspective of a phenomenon, the qualitative method aids a researcher to gather information from observations of participants' experiences in real-life settings (Fassinger & Morrow, 2013). When studying research strategies for sustaining small businesses for more than 5 years, the use of qualitative methodology has been because the intent is often to study the actions of business leaders and not the financial results of the business.

Predetermined categories of analysis do not constrain qualitative methods; in contrast, quantitative methods require the standardization of data related to the experiences of participants and predetermined analyses (Coll & Chapman, 2000). Qualitative methods allowed for deeper depth to analyze a phenomenon, while quantitative methods were not best suited for exploratory research. The use of quantitative methods is to test the hypotheses statistically (Yusup et al., 2019). Qualitative analysis aligns better with answering specific types of research questions and

allows the researcher to generate and evaluate specific themes based on the responses given by the participants.

While quantitative methods generate data in numerical form (Brannen, 2017), qualitative methods generate data in a text or recording form and allow an in-depth analysis of the data to explore nuanced or minute details about the topic (Choy, 2014). For this study, the semistructured interviews included open-ended questions, which questions allowed the participants to provide and expand on their opinion instead of just saying yes or no. An in-depth evaluation of topics uses open-ended questions alone or with other interviewing techniques to understand processes (Weller et al., 2018). The qualitative analysis can further allow the business leaders to expand on the issue and provide possible recommendations that can bring future improvements.

Qualitative analysis can consume significant time as compared to quantitative research, primarily because interviews are conducted in a way that allows the participants to also comment and expand on the questions, including follow-up questions, and the nature of the study (Landrum & Garza, 2015). Qualitative analysis encourages the respondents to shed light on their personal experiences. Using interviews, it would be possible to determine how the participants feel about an issue and whether they have encountered it in the past. The use of qualitative analysis is justified, which would more likely result in desired outcomes.

Research Design

While the case study, narrative, ethnography, grounded theory, and phenomenology designs were available for the research study, a case study design was

the most useful in understanding the past experiences of a participant in situations where the researcher does not have control (see Yin, 2018) and provided a more in-depth understanding of a research problem than other qualitative research designs (see Marshall & Rossman, 2016). The narrative research design has a historical focus on the life of an individual or individuals (Lewis, 2015). A narrative research design was not appropriate for studying the strategies used by business leaders to sustain their business operations because the focus of the study was not on the business leader but rather the strategies they used. Likewise, a significant drawback of phenomenology was that a researcher cannot be certain if a participant understands the question and is expressing their perspectives accurately (Lewis, 2015). Phenomenological research is error-prone, time-consuming, and not cost-effective (Yin, 2018).

For this study, a case study design was employed to gain maximum knowledge of the topic. The exploratory case-study design provides an opportunity for the researcher to examine and explore the participants' perceptions and experiences in-depth (Tetnowski, 2015). In a case study, the researcher generally depends on various data sources, including observation, documents, and interviews, for facilitating in-depth exploration in the context of the real-world over a specific period. The case study design played an important role to answer the research question and problem as compared to other designs. In this study, the data collection was conducted through methodological triangulation, which involves gathering data from multiple approaches to enhance the validity of the research findings and answer the research question (Baskarada, 2014). Multiple sources

in methodological triangulation can increase the validity assurance of the case-study results.

The use of case study design is justified because it is best suited for analyzing a phenomenon. Researchers use case study design when the study requires an in-depth and extensive description of a social phenomenon (Yin, 2018) and better understand real-world problems (Turner & Danks, 2014). I sought to explore small business owners' perceptions regarding the financial strategies they used to acquire capital that was sufficient to sustain their businesses past the first 5 years. Also, the case study design is inexpensive and consumes less time than other designs (Harrison et al., 2017). Methodological triangulation helped validate the findings from the three sources of data which were the interview, internal company documents, and external reports. The company documents indicated the performance of the firm, which can eventually help to determine the role of business leaders and whether the firm focuses on maintaining employee work-life balance. The use of case-study design can help explore the negative aspects of a firm, which can include poor financial situations or poor focus on sustainability.

Data saturation as the point in the data collection process at which no new or relevant data emerges (Fusch & Ness, 2015). Saturation exists when the collection or analysis of additional data is unnecessary based on the collected or analyzed data (Saunders et al., 2018). To collect data, I interviewed eight participants and ensured that I utilized clarifying questions to get detailed responses. To ensure data saturation, I reviewed available company records, including equity and debt financing documents, to

gain additional insight. Researchers should use a minimum of two data sources, for example, interviews and relevant company records (Yin, 2018). Researchers can achieve data validation by conducting member checks with the participants (Le Roy, 2008). Researchers can achieve data validation by conducting member checks with the participants (Le Roy, 2008). I provided the eight participants with opportunities to review and correct my interpretations, as noted in my transcripts. Corrections included clarifications and changes to statements made during the interviews.

Population and Sampling

I selected my population from small business owners in the states of Georgia and Illinois, both in the United States of America. The number of small businesses in Georgia and Illinois is approximately 1 million and 1.2 million, respectively, representing 99.6% of the number of businesses in their respective states (SBA, 2018). The selection of an appropriate sample size increases the dependability of the findings of the study (Cohen et al., 2013). Selecting eight companies out of approximately 2.2 million to explore a specific phenomenon would be best accomplished through a nonrandom sampling method - purposeful sampling. In homogenous purposeful sampling, the researcher can select participants that provide in-depth knowledge of the research phenomenon (Patton, 2015). Purposeful sampling is appropriate when selecting participants for a multiple case study (Robinson, 2014).

Determining the sample size for the interviews is an important part of the research process (Rosenthal, 2016). I used a purposeful sampling method to select a total of eight participants for this study. Researchers use purposeful sampling when they purposely

select locations, individuals, or documents because of their potential bearing on the dimensions, groupings, or properties of the phenomena under study (Aguirre & Bolton, 2014). Qualitative researchers commonly use purposeful sampling to identify and select participants with valuable information on cases related to the phenomenon (Palinkas et al., 2013). Selecting the right sample size helps assure the dependability of the findings of the study (Cohen et al., 2013). Selecting the eight companies from different industries ensured diversity in the collected data and uncover similarities across different small businesses. A vital feature of the target population is that their length of successful business operations must exceed five years from inception, and the companies must have used a minimum of two sources of capital over the 5 years.

In management research, sample sizes with a single case could be highly informative and meaningful (Boddy, 2016); therefore, saturation is not dependent on the number of participants but on the quality of information collected (Morse et al., 2014; O'Reilly & Parker, 2013). Asking the interview questions with probing clarifying questions ensured that adequate knowledge is gained from the participants on the topic. This led to saturation, defined as when no new information emerges from additional participants (Yin, 2018).

I was unable to conduct in-person face to face interviews because of the worldwide COVID-19 pandemic. In place of in-person face to face interviews, I conducted all interviews via video conferencing utilizing the Zoom video communications platform. Many researchers contend that face-to-face interviews are the gold standard in qualitative research, but many research projects are based on conducting

interviews via telephone (Oltmann, 2016). The natural setting of face-to-face interviews allows participants to be more comfortable answering questions (Pierre & Jackson, 2014).

Ethical Research

Ethics are moral principles that govern behavior (Baral, 2016). Researchers, when conducting interviews, must adhere to ethical standards (Patton, 2015; Yin, 2018). In undertaking a research study, several ethical issues require consideration concerning the target population. Privacy was one ethical issue; protection of the privacy of all the study participants from the target population is essential (Lewis-Beck et al., 2004). It is essential to preserve the participants' privacy and protect their rights by exercising caution when gathering, storing, analyzing, and destroying data (Beskow et al., 2014; Yin, 2018). I will store the data in a safe and secure place for 5 years following the interview, following which time it will be destroyed by shredding all paper documents and permanently deleting data from hard drives using Permadelete software. The integrity of the researcher directly affects the trustworthiness of the study (McLaughlin & Alfaro-Velcamp, 2015).

I obtained Walden University's Institutional Review Board approval with number 2020.08.1915:08:55-05'00' before starting my study. At the start of the interview, participants signed an informed consent form for the interview to begin. Informed consent is the process by which a participant voluntarily endorses their willingness to participate in an interview after the researcher duly informs the potential participant of all facets of the proposed study (Dal-Ré et al., 2017). The participant must give consent after

the researcher informs them about the purpose of the study so that they can agree to participate in it knowing what it aims to achieve (Cohen et al., 2013). The purpose of the consent form is to document the researchers' intention in obtaining the highest level of integrity and confidentiality of the participants' identities (Marrone, 2016). Informed consent is an implied social contract between a researcher and a participant (Kaye et al., 2015).

Participants had the option to withdraw from the interview or the study at any time by notifying me verbally or in writing of their desire to withdraw. The right to withdraw is stated on the Consent Form; I communicated the right to withdraw to the participant at the start of the interview, as stated in the Interview Protocol (see Appendix B). Withdrawal from the study did not attract any penalties and none of the eight participants withdrew from the interview or study. There were no incentives or compensation provided to the participants for their participation in the study, as it was strictly voluntary. I discussed the Consent Form, which contains information about incentives and aligns with the Interview Protocol (see Appendix B), at the start of the interview. I emailed the Consent Forms to the participants and held a minimum of one telephone conversation to address their concerns. Participants gave consent by either signing the Consent Form and emailing the scanned copy to me or responding with the phrase "I consent" to the email containing the Consent Form.

The protection of the participant was critical to guarantee ethical research (Roets, 2017). To understand better how to ensure the ethical protection of participants, I completed the National Institute of Health (NIH) Protecting Human Research Participants

course. Also, the Informed Consent Form details the rights of the participant, and I provided clarification to the participant before the interview commences, in line with the Interview Protocol (see Appendix B). In addition to using pseudonyms in place of real names, I will safely store all data collected from participants for 5 years, after which I will destroy all the data. The destruction is inclusive of transcripts, recordings, and data received from participants. These steps will ensure the adequacy of the ethical protection of participants.

Data Collection Instruments

In this study, I used multiple sources of data, including semistructured interviews (see Appendix B), company records, and external reports in the collection of data, and conducted the interviews in strict adherence to the interview protocol (see Appendix B) and, except for probing clarifying questions, only questions laid out in the interview questions list (see Appendix B) were asked. The company records used included company financial reports and company profiles that were volunteered in support of some of the responses of the participants. High-level strategies and financing procedures provided insight into how the leaders managed the organization. Assertions in external records like Dunwoody Reporter, a local magazine, provided an insight into the public's opinion on the small business.

I used the three sources of data to complement one another by using the information gained from one source to support other sources. researchers may choose to use several data collection techniques to ensure the reliability of data collected (Yin, 2018). When participants were addressing the research question, the interview questions'

structure allowed the participants to express themselves and provide useful information freely. Also, reviewing several works of literature can provide helpful information to support the concepts and ideas presented by participants. Reviewing company records may be useful in further supporting the information given by participants. Interviews are a primary source of data in qualitative case studies (Neusar, 2014).

In the study of financial strategies for small business sustainability beyond five years, the researcher is the primary source of data collection as the researcher conducted all interviews. The study used semistructured interviews. Other than the use of semistructured interviews in qualitative research, a researcher may also use unstructured or structured interviews (Yin, 2018). The semistructured interview is reflective; it is a conversation with the opportunities for intervention and clarification as the participant reflects on the topic (Vila-Henninger, 2019). Member checking improves the credibility of results by demonstrating rigor and adherence to established protocols (Birt et al., 2016). The reflective nature of the interview provides an opportunity for clarification; respondents reviewing the transcripts upon concluding and transcribing the interview improves the accuracy and credibility of the study (Marshall & Rossman, 2016). The review presented an opportunity for the respondent to ascertain the accuracy of what the researcher captured by them confirming the text in the transcript.

One tool for conducting interviews is a recording device, used by permission of the participant. I was able to replay conversations from the interview wherever I was unclear about the content of the transcript. Other sources of evidence used during the data collection process depend on the research scenario, and these include the use of

documents and records (Yin, 2018). As a researcher, I also collected data from existing company data from websites, publications, and marketing documents. Researchers can use a review of company records to gather historical data on its activities (Marshall & Rossman, 2016).

Data Collection Technique

Interviewing is the most common form of data collection used in qualitative research (Jamshed, 2014). The used data collection technique was a semistructured interview of the eight participants who were engaged using a well-defined interview protocol (see Appendix B). Semistructured interviews are in-depth interviews where the participants must answer preset open-ended questions (Jamshed, 2014), and semistructured interviews allow for follow on questions based on responses to the open-ended questions. Selecting a suitable location is a vital aspect of an interview process (Gagnon et al. 2014). The interviews, conducted via videocall on the Zoom platform, were held in places convenient for the participants ensuring that they were comfortable and relaxed. The locations of the Zoom videocall interviews were conducive to enable full concentration with minimal distractions. Seven participants preferred to conduct the interviews from their offices or private study, while one participant preferred to conduct the interview from the garden. Understanding the significance of interview sites is important; participants will choose the interview location so that they may feel more empowered in their interaction with the researcher (Elwood & Martin, 2000).

Face-to-face interviews tended to be more interactive and for a longer duration than telephone interviews (Irvine, 2011); these factors indicate a potential increase in the

volume of data gathered in a face-to-face meeting. face-to-face interviews were better suited for more in-depth conversations (Irvine, 2011). Generally, face-to-face interviews provided the opportunity for a more natural discussion with participants that I was meeting for the first time. A deterrent of conducting face-to-face meetings may be the potentially higher cost, as face-to-face interviews are labor-intensive (Marshall & Rossman, 2016). For my study, I conducted virtual interviewing using video conferencing technology on the Zoom platform and this negated the need for me to incur travel costs to interview eight small business owners located in Atlanta and Chicago.

I used the Zoom recording functionality to record all conversations, with the permission of each participant, during the interview to assure accurate capturing of the data. A researcher is better able to focus on the interview content and the generation of a verbatim transcript when recording an interview session (Jamshed, 2014). Storage of the recordings is on my password-protected laptop computer and a four-gigabyte hard drive device used solely for the exercise. Testing the Zoom recording functionality assured the necessary audio quality of the recording and utility for transcription. I developed and used a file-naming convention to ensure participant confidentiality.

A face-to-face interview is a common data collection method (Moser & Korstjens, 2017). In collecting data through company records, the business owner granted me access to view relevant company records to support a response and confirm accuracy. The participants provided several documents, including equity and debt financing documents, that aided in understanding some of the financial strategies deployed by the leadership of the small business to achieve continued growth. I gathered information from external

reports such as credit reports and local news magazines available to the public on the small businesses. Analysis of the provided company records and external reports before the interviews assisted me with crafting probing questions.

Member checking, also referred to as participant or respondent validation, involves returning the transcripts of an interview to the participant to check for accuracy (Birt et al., 2016). Upon successfully analyzing each interview, I shared the results with the participants via email to confirm that my interpretations are consistent with the views they expressed. I followed up with each participant and received feedback in fewer than 3 days stating that they were satisfied with my interpretations and no changes were necessary. Member checking is the coordination and solidification of information collected from respondents (Marshall & Rossman, 2016). Participants advised there were no changes to the interpretations and I concluded the member checking process and used previously collected data and is used in the final analysis.

Data Organization Technique

Data organization techniques include data storage, data categorization, and data cleaning (Soares et al., 2015). I used an online electronic video recording functionality available on the Zoom platform to record and store the interview so that it can be replayed at any time to ensure accuracy in the transcription of the information provided by the participants. A computer-assisted qualitative data analysis software [CAQDAS] program, NVivo, helped analyze the information. Researchers can use a software program to organize and manage data (Hashem et al., 2015). CAQDAS are data management packages that support the researcher during analysis noting that using

NVivo improved the accuracy of the qualitative study (Zamawe, 2015). The software ensured proper cataloging of records. To protect participants' confidentiality, Marshall and Rossman (2016) advocated labeling and categorizing data for consistency.

Data organization can assist a researcher in the creation of an audit trail and in cross-referencing with other sources of data (Soares et al., 2015; Yin, 2018). I stored recordings electronically on my computer memory and an external hard drive, and have sole access to all the data. I will delete all recordings stored on the recording device, the laptop, and the external hard drive within 5 years of completing the doctoral study by using the calendar feature on both my phone and laptop to set reminders that will prompt the removal of the files. In addition to the electronic copies, I will shred all hard copies of documents stored in a locked container. The shredding of physical data assures confidentiality in the research process (Jao et al., 2015).

Data Analysis

The objective of carrying out this study was to determine the funding strategies used by small business owners that have sustained profitable operations for more than 5 years. Small business owners may employ several strategies, but this study focused on the impact of funding strategies. This study's conceptual framework was the pecking order theory, and the proposition was that small business owners lack strategies to access sufficient capital required to sustain their businesses beyond the first 5 years. The questions I generated for the interviews were based on the conceptual framework of pecking order theory. I analyzed the data collected to sufficiently address the central research question through the lens of the pecking order theory. Researchers should

carefully analyze the data collected by reviewing and generating theories (O'Reilly & Parker, 2012; Yin, 2018).

In multiple case study analysis, researchers frequently employ a cross-case analytic technique that provides for thematic evaluation across multiple cases (Houghton et al., 2015). A theme as a summary of the thematic statements, significant factors, and revealed similarities and differences in the text (Cronin, 2014). I used thematic content analysis, a class of qualitative descriptive analysis (Vaismoradi et al., 2016), in this study to analyze the responses from semistructured interviews with previously identified participants. Researchers use thematic analysis to identify, explore, examine, and record meaningful themes in the data (Teruel et al., 2016). Researchers have shown a broad interest in the process of data analysis, but not in how they identify themes (Vaismoradi et al. 2016).

Triangulation is appropriate in case study research to strengthen the validity of data (Yin, 2018). There are four types of triangulation, which are (1) data triangulation, (2) investigator triangulation, (3) theory triangulation, and (4) methodological triangulation (Denzin & Lincoln, 2017). Methodological triangulation enhances credibility with the use of multiple data sources to confirm data (Houghton et al., 2013). In the case of study research, I used various sources of data, including semistructured interviews, company documents and records, and external publications. Methodological triangulation provides the researcher with a more comprehensive picture than a single data source (Heale & Forbes, 2013). In methodological triangulation, the use of

interviews and other data collection methods to analyze a company’s internal and external documents aids the analysis technique (Mata & Portugal, 2015).

Rigorous and systematic analysis of qualitative data is integral to the production of high-quality research (Green et al., 2007). Five sequential stages of data analysis are (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 (Yin, 2018). Upon completing the interviews, transcription, and member checking processes, I imported the data into the NVivo 12 software analysis program using the import functionality. Using NVivo, a researcher can analyze open-ended responses to interview questions (Feng & Behar-Horenstein, 2019). I then used the software to code and analyze the data, later searching for emerging themes for synthesis with existing literature and the conceptual framework. Organizing the data into a specific order to create fragments and labels, and then reassembling it into sequences and groups can enable a researcher to form interpretations and conclusions (Yin, 2018).

Computer-assisted qualitative data analysis is now an important part of research projects (Tesch, 2013). NVivo, a computer-aided qualitative data organization software, provides the functionality for a researcher to interpret, code, segment, and organize data (Bazeley & Jackson, 2013; Kirby et al., 2014). Researchers should use thematic analysis to identify, explore, examine, and record meaningful themes in the data (Teruel et al., 2016). I used thematic analysis, along with the NVivo 12 software to analyze the themes with the conceptual framework and several identified existing literature on the pecking order theory.

Reliability and Validity

Quality research is one that provides information that is valid and reliable (Saunders et al., 2015). Both reliability and validity are vital components of a research study (Konradsen et al., 2013). Reliability refers to the consistency of a measure, while validity refers to the test result's accuracy. An instrument should accurately and dependably measure what it ought to measure. Its reliability can help a researcher have a valid assessment, while its validity can provide a researcher with confidence in making a prediction (Green & Salkind, 2017). The reliability and validity of a qualitative study are questioned by some researchers who believe that every assertion can be justified scientifically. Positivists often question the trustworthiness of qualitative research because of the inability to address their concepts of validity and reliability in the same way as with naturalistic work (Taheri et al., 2018).

Reliability

In quantitative research, reliability refers to the exact replicability of processes and results (Leung, 2015). Reliability in qualitative research refers to how a researcher has addressed dependability (Bailey & Bailey, 2017; Hancock et al., 2016). It is the extent to which researchers consistently produce stable and dependable findings (Zohrabi, 2013). Dependability is the constancy of data enabling replication of the study findings with similar participants in comparable conditions (Cope, 2014). To assess the credibility of a qualitative research study necessitates evaluating the reliability of the study's findings to support the soundness and integrity of the conclusions (Noble & Smith, 2015). There are several types of reliability tests, but the two main types are

reproducibility and internal consistency (Tang, 2015). The essence of reliability for qualitative research lies with internal consistency (Grossoehme, 2014).

Triangulation is one method that helps increase reliability, which encompasses the dependability of research findings (Moon, 2019). Multiple data collection methods included collecting data from the semistructured interviews, unpublished business documents, and researchers used member checking to allow methodical triangulation to improve the reliability of the study (Park et al., 2016). Data saturation is the gold standard in qualitative research, reached when no new substantive information is acquired from additional sources (Hancock et al., 2016). Data saturation is achievable through the interview method and the number of interviews determined by the quality of responses received (Fusch & Ness, 2015). In qualitative research, the occurrence of data replication is a signal of data saturation (Morse, 1995).

Researchers use member checking to allow a participant to approve, authenticate, and explain the accuracy of the data collected and verify its credibility (Nelson et al., 2013; Vance, 2015). Member checking enabled the respondents to analyze the results and make comments on them critically. The results are returned to participants to check for accuracy and resonance with their experiences (Birt et al., 2016); participants either affirm that the results reflect their experiences, feelings, and views or they reject and revise the data. If the respondents focus on affirming the completeness and accuracy, then the study will be said to achieve credibility. Member checks may be faulty, but they reduce the incidence or chance of incorrect data interpretation (Birt et al., 2016).

The objective of the member checking focuses on generating results that are reliable, original, and authentic. The use of member-checking will yield beneficial results, and it will enable the participants to criticize different aspects of the interview (Birt et al., 2016). I ensured member checking of data collected by sending the results to participants for confirmation and approval. The reliability of the study was necessary as it encourages future research.

Validity

Validity refers to the degree to which an instrument measures what it intends to be measuring (Messick, 1998). In qualitative research, the hallmarks of validity are consistency and trustworthiness about the activities and events that the phenomenon tries to explore (Singh, 2014). There are various types of validity measures, but construct validity is one of the most common. Construct validity is the evaluation of the extent to which a measure assesses the construct deemed for measurement (Strauss & Smith, 2009). Content validity focuses on the measurement of how solid the representative sample is.

To ensure validity in qualitative studies, experts disagree on the criteria researchers should adopt. Creditability, transferability, and confirmability are the criteria for demonstrating validity (Cope, 2014). The measurement or assessment is successful under the umbrella of content validity when the sample must cover an adequate amount and quality of the information it is presenting. Researchers must examine four elements: (a) credibility, (b) transferability, (c) confirmability, and (d) data saturation, to ensure validity (Houghton et al., 2013). The term credibility denotes that the participants'

perception of the study is credible (Yilmaz, 2013). A researcher's credibility based on his or her experience, training, a record of accomplishment, and status ultimately impacts the credibility of the qualitative study (Yilmaz, 2013).

Rigor is a quality that increases the credibility of a study (Black et al., 2013). A researcher may use methodological triangulation to enhance the credibility of a study by using multiple data sources (Heale & Forbes, 2013), including interview transcripts, company documents, and external publications. Member checking is a technique used by researchers to help improve the accuracy, credibility, validity, and transferability of participants' responses (Leonidou et al., 2015). In qualitative research, transferability refers to the extent of the data extrapolation and application to other groups or settings while preserving the original inferences and meanings (Elo et al., 2014; Erlingsson & Brysiewicz, 2013; Houghton et al., 2013). Transferability necessitates a researcher to provide vivid explanations of every research process from data collection, the context of the study, and the finalization of the report (Soares et al., 2015). The reader is the final arbiter on the trustworthiness of the data (Elo et al., 2014).

Confirmability, an important element in developing trustworthiness in qualitative research, refers to a researcher's ability to establish that his or her viewpoints and biases did not influence participants (Cope, 2014; Hussein, 2015). Triangulation and reflexivity are strategies to establish confirmability (Cohen & Crabtree, 2008). Researchers link confirmability to dependability in referring to the neutrality and accuracy of the data (Houghton et al., 2013). In this study, I evaluated confirmability through triangulation and the use of an audit trail.

Data saturation is a term used in qualitative research to describe when a researcher cannot uncover new data, themes, or coding (Morse, 2015). Data saturation occurs when (a) the ability to obtain unique data for a study is attained, (b) the study can be replicated, and (c) further coding is no longer possible (Fusch & Ness, 2015). Time constraints could impact the attainment of data saturation by a researcher (Wolfswinkel et al., 2013). The researcher will ensure data saturation by observing the point after which there will be no possibility of further coding (Aldiabat & Le Navenec, 2018). It is important to understand that if a researcher does not achieve data saturation, it will affect the findings in one way or another. I achieved data saturation by continuing to collect data until no new information emerged.

Transition

The purpose of this descriptive, qualitative multiple-case study was to explore the strategies small business owners use to access funding to enable them to succeed in business beyond 5 years. My goal was to detail the specific methodologies and the approach employed in the conduct of the study. Specifically, the section includes the restatement of the purpose of the study, and described (a) the role of the researcher; (b) the participants; (c) the research method and design; (d) the population and sampling methods; (e) ethical research; (f) data collection sources and technique; (g) data organization and analysis; and (h) reliability and validity. Section 3 includes a detailed presentation of the findings, the study’s applications to professional practice, the implications for social change, recommendations for action and further research, my reflections, and conclusion.

Section 3: Application to Professional Practice and Implications for Change

Introduction

The purpose of this descriptive, qualitative multiple-case study was to explore the strategies small business owners use to access sufficient capital to sustain the business past the first 5 years. In this section, I present my findings and themes that were identified. The data were collected from interviews with four small business owners in Atlanta and four small business owners in Chicago. The findings showed strategies that the small business owners used to finance their business operations to sustain their businesses beyond the initial 5 years. I also discuss applications to professional practice, implications for social change, personal reflections, recommendations for action and further research, and my conclusions.

Following the analysis of the data based on the pecking order theory, four themes emerged relating to financial strategies for sustaining small businesses. These themes are internal financing most commonly used, external funding not easily accessible in earlier years, external financing used at later and critical stages of business, and minimizing business operational costs and expenses. The themes are based on participants' views, experiences, and perceptions regarding successful financial strategies used to sustain a small business.

Presentation of Findings

The central research question that guided this study was: What funding strategies do small business owners use to access sufficient capital required to sustain profitable business operations past the first 5 years? I used a qualitative research method and a

multiple case study design to provide the insight needed to answer the research question. I interviewed eight small business owners, and to ensure confidentiality in the data collection and analysis, I assigned unique alphanumeric codes for participant identification, for example, P1, P2, and P3. I was limited in my review and analysis of company records due to the COVID-19 restrictions that were in place. Participants shared documents via the Zoom Screen Share functionality in support of some statements, but I could not review the documents in detail. I used the NVivo 12 software program to identify and link similarities in the data and manually review the data for redundancy, accuracy, and identification of themes.

Combining this approach with a multiple case study design, I was able to gain an enhanced understanding of the phenomena and the participants' experiences. Following the coding process, four major themes emerged, and themes and corresponding subthemes are discussed below.

Emergent Theme 1: Internal Financing Most Commonly Used

Each of the eight participants interviewed in this study stated that internal financing was the most common option in financing their businesses. Most of them used this option to finance their businesses and borrowed as little as possible, especially in the first 5 years. P8 remarked, "So the first 5 years was personal funding, mainly personal funding." Two participants, P2 and P4, specifically stated that they used 90% internal financing, incurring as little debt as possible. P2 also stated, "I use 90% of internal financing and 10% of external financing."

The internal financing option was the most accessible and least-cost source of funds; small business owners considered it the first option. The bureaucracies attached to the accessibility of external financing sources are not present in internal funds. With low or zero interest, the internal funds had the least risk and were the first choice of small business owners to finance their businesses. P3 stated,

> Each of these funding sources has associated costs and one cost more than the other. So, what I try to do is first utilize the cheapest one, of course, the cheapest one is my capital, so we use that first.

They stated that they tried to stay out of debt and used a variety of internal funding options. P8 noted, "We didn't refinance our house like some entrepreneurs do, we chose not to do that. We used personal savings, withdrew from our 401k, and any other funds we could get." The different sources used were personal funds, family-spousal savings, profit generated from the business, debt-based internal financing, and franchising and payment plans. Table 2 shows the emergent subthemes within Theme 1.

Table 2

Emergent Subthemes Within Theme 1

Theme	Number of participants noting the theme (*N* = 8)	References
Floor plan	1	2
Franchising	1	2
Installment payment plan for high-cost purchases	2	2
Taking money from IRA, 401K, credit cards	5	9
Use of personal money	2	2
Contribution funds with colleagues	1	1
Family-Spousal savings	4	6
Salaries from side jobs	2	4
Use of profit generated from business	5	8

Personal Funds

One of the most common and easy internal funding strategies is the use of personal funds or savings. All the participants had used their funds to finance their businesses. The business owners reported using their investments, savings, salaries from the company, and other jobs. P4 stated, "It was mostly savings. I utilized my saved funds." At the earlier stages of their businesses, some participants had side jobs, and salaries from these side jobs used to finance their businesses. P1 remarked,

> For the most part, the way that I have funded my business to minimize debt is to work extra hours or take on side jobs. Because of my training as a physician, I'm a high-income earner, so it's easy for me to raise funds by working extra hours.

One of the participants stated that they used contribution schemes with colleagues. P1 shared that he is involved in several monthly contribution schemes with several colleagues where contributors take turns in collecting the lumpsum cash

contributed each month. This contribution scheme has enabled him to have continued access to capital funding for purchases of high-cost equipment.

Family-Spousal Savings

Four of the participants mentioned using their family or spousal savings to fund their businesses in the early stages. P2 remarked, "I actually tried to get a loan, but I didn't succeed. So, in my first year or so, I relied on family money." P6 also stated, "I guess I can start from the beginning, we commenced operations in 2013 utilizing initial equity from family. So about 40% of startup capital was from family funds."

Profit Generated from the Business

The use of revenues or profits generated from the business was also commonly reported by the participants. Most of the participants reinvested the monies generated into the business to improve the businesses' performance or fund the business needs. P5 stated, "We haven't borrowed any money. We have always reinvested the profit from the business." P1 also remarked, "Most of our capital has been self-funded. We also reinvest our earnings from payments received for services we provided to clients." A business owner stated that he used all his business's profit and revenue to fund it. P2 noted, "I'm just reinvesting profits into the business. Any profits I earn are put back without taking any money out of the system. I'm not trying to immediately make a profit. I just sustain myself with own funds for now."

Debt-Based Internal Financing

Five of the eight participants interviewed in this study stated that they used internal financing options that required personal borrowing. These borrowings included

withdrawals from their retirement plans, including 401K and Individual Retirement Accounts. Other debt sources of debt include credit cards and home equity loans. Compared to borrowing from banks and traditional money lenders with high-interest loans, these five participants instead accessed funds through their funds. P1 stated, "When I have needed to fund anything, I've taken out money from my IRA and my 401K accounts."

In some situations, the business owners used their credit cards and those of family members. P2 stated, "When I have required short-term funds, I have used my son's credit to access funding." P3 also remarked, "So we didn't borrow much. It was just personal savings, taking money out from our 401K accounts, using simple stuff like credit cards to purchase items that were required to operate the business." One participant, P3, mentioned accessing funds from his home equity to finance his business. He remarked, "We have used, within the last 3 to 4 years, refinancing of our assets such as accessing a home equity loan."

Franchising and Payment Plans

Four participants used other internal financing options to fund their businesses. P8 mentioned joining a franchise as one of the strategies she used to finance her business. Franchising is described as an attractive means of growing a business (Watson, 2008). This enabled the business owner to easily procure inventory and lease a lot of the equipment she required. P1 and P6 developed a payment plan with other companies to purchase high-value equipment, and they were given the option to pay in installments. They agreed with the suppliers to spread their repayment over a period so they would not

be required to apply for bank loans. P1 also remarked that stretching out their payments over a period enables repayment by using internally generated cash flow. P1 stated,

> It's only when we need to make a capital purchase that we seek external funding sources. One source we have used to finance such purchases is vendor finance. This way, we repay in monthly or quarterly installments. For example, we've been working on implementing a new software for the business and the developer was kind enough to work with us by spreading the payment terms over a one-year period. So, we are using our cashflow to service the debt commitment.

Another participant, P3, mentioned Floor Plan as a source of funding and further remarked,

> The Floor Plan is like a loan company that provides funds to car dealers. The dealers can access the required capital for purchasing vehicles at an auction or other market. For example, the loan company made available funds up to $300,000 for the purchase of inventory. However, another company under a different Floor Plan provided an additional $100,000. So, with the Floor Plans, we were able to bid for vehicles at the auction and put the purchases on either Floor Plan.

Emergent Theme 2: External Funding Not Easily Accessible in Earlier Years

The second theme that emerged from this study was that external funding was not readily accessible in the early years of business. The business owners stated that it was challenging and sometimes impossible for small businesses to access loans and external funds. The external sources of capital were said to be limited for small companies, and in

situations where they are available, they are believed to be very expensive. Most small business managers apply bootstrapping methods instead of external finance for their resources (Winborg & Landström, 2001). Financial bootstrapping is the use of methods for meeting the need for resources without relying on long-term debt or new equity (Winborg & Landström, 2001).

While some participants were not interested and were skeptical of loans, others tried to get loans but were unsuccessful. P2 stated, "I actually tried to get a loan, but was unsuccessful. So, I mostly used family money during my first year of operations." They stated that their credits as a new business were not enough to access capital. P2 also provided a letter from the bank detailing a lack of credit history as the primary reason for the request denial. Those participants interested in the SBA loans also stated that the questions asked were cumbersome, and they could not handle going through the process at that time. The rates provided by the banks to the new businesses were also not favorable, which further dissuaded them from accessing the funds. As capital and sales rise, debt is rapidly retired, except when interest rates on debt are low (Reid, 2003). Only two of the participants had gotten loans from banks within their first 5 years. Table 3 shows the emergent subthemes within Theme 2.

Table 3

Emergent Subthemes Within Theme 2

Theme	Number of participants noting the theme (*N* = 8)	References
External financing is not readily accessible in earlier years	7	16

Those who used it within the first 5 years stated that the likelihood of getting a loan with favorable interest rates increases with the number of years the business had been in existence. P6 remarked,

> Following the first few years of operations, it became easier to access bank loans with more favorable interest rate, terms and conditions. We have learned that obtaining bank loans in the first few years was more difficult than it was in the later years, especially if seeking favorable interest rates.

P7 also stated, "So after the first 3 years, I was able to get a loan from the bank, though not much, but it helped me with my business." This was supported by the issuance of a loan offer letter to the company.

Emergent Theme 3: External Financing Used at Later and Critical Stages of Business

It has been established in this study that internal financing as a strategy was more commonly used in the earlier stages of small businesses. Most of the small business owners that used external financing did so after the first 5 years of their operations. Only two business owners (P6 and P7) used external financing options like bank loans in the first 5 years. P2 believed that it was better to start a business with his funds to ensure its profitability. He stated that starting a business is a risk, and an entrepreneur should know how to trade with personal funds before seeking external loans. Table 4 shows the emergent subthemes within Theme 3.

Table 4

Emergent Subthemes Within Theme 3

Theme	Number of participants noting the theme ($N = 8$)	References
Careful consideration for new equity	1	2
External funding should be cautiously taken	6	21
Accessed grant	1	2
No use of new equity	5	7
Not used loans	2	2
Use of American Express	0	0
Use of money lenders	1	3
Use of multiple sources	1	1
Used bank loans	2	8
Used new equity	1	1
Used SBA loans	2	5

External Financing is Often Used at Critical Stages of Business

Asides from using external funding in later years, the small business owners also stated that they used external funding to survive during difficult times. This was done after careful consideration and exhausting all other internal financing options. P3 used external funding after the first 5 years and stated,

> Well, we used external funding in my business to sustain operations during a very difficult period. At a time when we had nowhere to turn or had no hope of survival, external funding really helped us sustain our operations and keep our doors open for business. External funding may sometimes be expensive but that is the cost of keeping the business open.

The external financing option was also considered when the business was not generating enough revenue for effective business operations. P5 notably remarked that when her business was generating revenue, she used the profits earned to run it. She

noted that the advent of the COVID-19 pandemic had reduced the business' profitability, and she planned to take out a loan. P5 remarked,

> The use of bank loans would be at a period when we are not profitable, which is the situation right now. When the business is profitable, we reinvest our funds and this is when we purchase new equipment. We purchase a new piece of equipment every year.

Careful Consideration of External Debt Before Use

Most of the small business owners who participated in this study felt that although external financing could benefit the business, it had to be carefully and thoroughly considered before utilization. The business owners interviewed said consideration should be given to the cheapest source in the choice of which external funding sources should be used. P2 stated,

> So, I utilize external debt according to the associated cost of the funds. I utilize the loans with lower associated costs before the ones that have higher costs. However, I try not to drawdown on the loans I consider to be expensive.

Two participants, P4 and P7, also considered all the available sources' interest rates before making a choice. P7 had access to a bank loan, SBA loan, and credit, all with varying interest rates. He stated that he would consider the kind of operation he required funds, select the source with the lowest interest rate for a long-term opportunity, and use any other source for a short-term business opportunity. P4 stated that loan providers' interest rates have to be reasonable for her to take the loan. Most business owners agreed that it was better to avoid high-interest loans. Low-interest rates and extended repayment

periods were stated as preferences for securing external funding sources. P4 provided several loan offers and credit card approval letters that she had not used due to what she considered unfavorable terms. The interest rate charged on a loan has a significant impact on its value and attractiveness. P7 noted that it was better to pay off the loan over a short period even though a long repayment term was given, and any loans taken should be repaid within 1 year.

In addition to the interest rate, the terms and conditions attached to the loans were also considered. P7 stated,

> It is important to note the terms and conditions stated in loan documents and a borrower needs to be very careful as there are lots of details in the fine prints. Not paying attention to these terms and conditions can be very costly if issues arise in the future.

He further stated that he paid attention to predatory lenders who don't give all the details of the lending conditions before it was too late. This statement underscores the importance of understanding financial capital and seeking professional advice when taking out loans.

Participants also shared that external funding should improve and expand the business and not to run the business or pay bills. P5 stated that "Well, we've used loans to fund improvements in our business, but not finance regular business operations." He opined that any business that needs loans to pay operational bills or for sustenance should be closed as it is not a successful business. Although expanding the business is beneficial, most participants still felt that one has to be careful so that significant debt would not be

incurred to the business's detriment. P7 remarked that taking loans and amassing debt to expand the business might negatively affect the business because the profit generated would be used to service the debts. The participants felt that external financing sources should be avoided altogether or used as little as possible. The risk of repayment defaults is present with external financing; therefore, entrepreneurs must be cautious when assuming debt.

Use of New Equity

The use of new equity was not common among small business owners in this study, as only one of them had used new equity as a source of funding. Raising new equity is not typically attractive to small business owners during the early stages. Equity providers had approached two of the participants, but they were skeptical and concerned. P1, a clinical services provider, believed that the private equity company would be too profit-focused, affecting the quality of services and goodwill being offered to clients. He said,

> We are currently negotiating potential equity investment from a company now, but I am not sure we will accept their investment offer. This is because we have concerns as to the quality of care with will be provided by these investors should they assume ownership of the company.

This statement was supported by the provision of an email from the prospective investor and addressed to P1 regarding their interest in acquiring a controlling stake in the clinic.

P3 used the new equity option but stated that it was used at a difficult time in his business and helped sustain the business. He said that the reason the business is still open is because of the new equity plan. P3 further stated,

> New investors have really helped the business, especially in difficult times, even though their support tends to be expensive, they keep the business open. Had it not been for new equity and debt, the business would have been closed due to a lack of inventory. The only asset the company would then have is the building and that would have gone into foreclosure without any earnings.

External Sources of Financing

There were several sources of external funding mentioned by business owners in this study. External sources of funding include debt funding that is provided by a third party. Few participants had access and have used several external funding sources. P7 stated that he had access to and preferred to use various external funds as he did not want to "Put all his eggs in one basket." He further stated that he used different financial institutions and "Spread things" around to sustain his business. P7 provided two loan approval documents and pointed out the differences in some of the terms and conditions. His ability to choose between the providers allowed him greater access to funds.

Regarding Small Business Administration (SBA) loans, two of the participants mentioned that they had access to SBA loans. P7 stated that the SBA loan has been beneficial to his business. P8 also opined that the SBA loans were the best as they offered the lowest interest rates without using property as collateral. SBA loans are unique because these are subsidized loans with favorable terms hinged on assisting small

businesses to grow. He stated that unlike the big banks that would not lend to him, the SBA provided loans with which he could run his business. He remarked,

> So, I was able to get in on the SBA train. The best thing for any small business is to engage with the SBA to access subsidized loans. I don't know what is happening in America regarding loans, but SBA is still the best source for loans.

Small businesses, unlike larger more established companies, face severe disadvantages while trying to obtain financing (Hossain, 2013). Although bank loans were not common, two clients (P6 and P7) used bank loans to finance their businesses during the first 5 years of operations. P6 stated that "To fund our business, we've maintained a 60/40 split between bank debt and internal cash." P6 stated that the equipment was expensive, and the business' internally generated cash was insufficient for the purchases. Therefore, he used loans received from the bank to acquire the equipment. He further stated that the interest rates were favorable and low at the time of data collection, and he was using it to purchase his equipment.

P7 also shared that after 3 years of keeping his business records, a bank finally approved his loan request. These two participants opined that the bank loans they received impacted their businesses positively and that they could repay the loans they took. P7 stated that there is only a problem when a business is unable to repay the loans received. Only one of the clients (P1) had received a grant from the government to provide services to the local county jail. A grant is similar to a loan that does not need to be repaid. Also, only one of the business owners (P3) mentioned that he borrowed from a

moneylender who was able to finance at a lower interest rate than what the banks offered but with a shorter repayment period.

Emergent Theme 4: Minimizing Business Operational Costs and Expenses

The last emergent theme from the analysis was the business's management in a manner that reduced operational costs. It has been discussed from prior themes that internal funding was the most used and that external funding was not readily accessible in the first 5 years of business operations. Consequently, a financial strategy adopted by five of the eight participants was the operation and management of their businesses to reduce the funds expended on the business to a minimal level. The length of time a company has maintained a relationship with a bank directly affects its ability to obtain bank loans (Erdogan, 2018). These five small business owners did not have access to bank loans in the first 5 years of business operations. Some of the strategies adopted are described in Table 5 which shows the emergent subthemes within Theme 4.

Table 5

Emergent Subthemes Within Theme 4

Theme	Number of participants noting the theme (*N* = 8)	References
Giving company shares to employees as payment	1	3
Leveraging relationships	1	1
Minimizing business expenses	4	13
Not paying self	3	4

Giving Company Shares to Employees as Payment

One of the participants (P3) reported that he gave out company shares to essential and valuable employees. P3 noted that he allowed them to use part of their earned salary

to buy shares in the company, thereby reducing their salaries by "short-paying" them. He mentioned the case of his assistant manager, whom he gave a 30% equity stake in his company. The manager's input was of great value, and P3 could not afford to pay him what he deserved. Rather than have the manager quit, P3 offered him 30% shares of the company, which enabled him to achieve some other business goals. He stated, "Short paying, was like underpaying the staff for a share of the company. I did this for the most valuable members of my team."

Minimizing Business Expenses

The business owners used various strategies to minimize their business expenses. P1 stated, "So, the main thing for us was to ensure we didn’t accumulate so much debt that would now begin to threaten our survival. And to achieve this, we kept our operational expenses to a minimum." Four of the business owners minimized expenses by reducing the number of employees, overworking themselves, and taking up multiple roles to minimize the total payroll cost. P2 stated that she overworked herself as she was acting as the office manager, instructor, and coordinator, all at the same time. She noted that hiring other teachers or coordinators would have increased her expenses, so she took up the roles herself. P2 remarked, "I didn't even feel the pain of working long hours. I'll be in the office from about seven in the morning until 11:30 pm. I did that consistently throughout the year. I just spent my sweat and blood."

Regarding office space, P2 stated that she was very conservative with her requirements. She did not use any fancy or extravagant décor; instead, she kept the environment basic and clean. She mentioned that her late husband had ordered several

items to beautify the office space, but she returned everything. P8 noted that all equipment in the office was leased by her to keep costs minimized. Leasing was preferred over purchasing the required items and equipment, thereby managing her cash flow. In a lease-financing contract, the financier retains ownership of the asset and the lease payment can be tailored to correspond with the cash flow of the lessee's business (Gallardo, 1999, Hossain, 2013). P8 stated that "I leased everything minus my Lexmark printer and Brothers fax machine. Other than those, all my other equipment was leased."

Leveraging Relationships

Other strategies used to minimize expenses included leveraging on relationships and sharing of office space. P2 stated that she leveraged her relationship with a friend to get a space for her business. She remarked,

> So, my friend allocated me a space within her office and I pay her for that space monthly without the burden of a lease. I probably happened to be in the right place at the right time. Also, I am surrounded by the right people.

P1 also stated that he shared office space with other physicians at the time of starting his business to keep his costs at a minimum. As the company progressed, he then began to expand operations.

Not Paying Self

Participants P1, P2, and P8 also denied themselves payment of salaries from their businesses for the first few years of business operations. P2 stated, "So, what I did in terms of raising funds was that I did not earn a salary in the first few years. I took on the role of the main instructor." P8 also stated that he did not pay himself at some points and

took pay-cuts at some other period. He said that he had a long-term vision, so he did not take out a lot of money as payment. P1 remarked that "Well, we still use a lot of sweat equity. I have other sources of income, so I don’t always earn a salary." Sweat equity is worker-owners financing a venture by allocating time to their business and receiving compensation at less than their market rate (McGrattan & Prescott, 2005).

Connecting Emergent Themes to the Conceptual Framework and Literature

Emergent Theme 1: Internal Financing Most Commonly Used

Emergent Theme 1 mostly supports the pecking order theory, which states a preference for internal funding. Myers (1984) described the use of lower-cost internal funding over external financing. Some participants indicated that they used all types of internal funds before accessing external sources of funds. Small business owners manage to operate successfully for extended periods without debt financing (Mazzarol & Reboud, 2020). Given the cost implications of different funding sources, small business owners would typically prefer to use lower-cost funds in line with the pecking order theory's order of preference for funding sources.

There were instances where small business owners indicated a preference for debt financing due to their inability to raise funds from other sources. Some sources used by the participants include installment payments, credit cards, and contributory schemes. All three listed sources are variations of debt funding because the baseline remains an advanced payment repaid in the future whether or not it attracts interest. Debt is often challenging to obtain in the early stages of a small business because it is not likely to have underlying assets to serve as collateral. This realization suggests that internal

funding may not always be the preferred source, but instead, a necessity based on availability. An alternate capital structure theory, trade-off theory, promotes the maximization of firm value using debt. the pecking order theory might not apply to small businesses and new entities (Grigore & Gurau, 2019); the preference indicated by the pecking order theory is not always available to small businesses and new entities.

Emergent Theme 2: External Funding not Easily Accessible in Earlier Years

The second emergent theme correlates with the pecking order theory by highlighting some difficulties faced by small business owners. The inability of entrepreneurs to access external funding sometimes results from information asymmetry, a short of credit history, and lack of access to collateral. Banks in the United States reassessed their credit supply to small businesses following the global financial crisis of 2008 (Cortés et al., 2020). These are some of the issues faced by small business owners that may also contribute to the pecking order theory's integrity. Where entrepreneurs cannot easily access debt, internal funding tends to be the primary source of financing their business.

This emergent theme reflects a desire by small business owners to seek external debt as a preferred funding source. This emergent theme contradicts the pecking order theory in that it follows a different order of preference for funding sources. This is an indication that small business owners may prefer debt over equity but are unable to access debt funding sources. The restricted access is due in large part to a lack of collateral, credit history, and increased risk associated with small businesses. Unlike the

pecking order theory, which stipulates a preferred order of capital acquisition, the trade-off theory affirms a target of optimum debt level for maximum firm value.

Emergent Theme 3: External Financing Used at Later and Critical Stages of Business

The findings leading to the third emergent theme indicate a lack of external financing by small business owners, especially during the early stages of business. This realization is further evidence that the pecking order theory may apply to small businesses, but not in all lifecycle stages. At different points in the life cycle, different capital structures are optimal (Berger & Udell, 1998). Given the high failure rate of small businesses and their implied level of risk, banks have previously had to reallocate credit from riskier markets to safer ones due to stress tests (Cortes et al., 2020). This scenario decreases external debt availability to small business owners, as stated in the findings, and results in small business owners' preference for internal funding.

The participants also highlighted caution when considering external funding sources. One of the participants had issues with a lender where they believed the lender was predatory and trying to take advantage of them. Likewise, another participant was reluctant to consider equity participation from a larger company as they had concerns about losing control. Providers of new equity are given some control over the operations of the businesses in which they invest (Dowling et al., 2019). Internal funds are the only source that guarantees that the small business owner retains full control of the business. The market timing theory suggests that firms are more likely to issue equity to raise capital when the firm's value is high, usually the case at a later stage (Baker & Wurgler, 2002).

Emergent Theme 4: Minimizing Business Operational Costs and Expenses

The findings leading to the last emergent theme support the conceptual framework by utilizing equity as a last resort where both internal financing and debt were no longer available. Companies first use internal financing before issuing debt, with equity as a last resort (Myers & Majluf, 1984). Researchers can consider small business owners' actions like giving equity to employees or not paying wages to oneself as issuing equity. This action grants an ownership status to the recipient in place of actual cash payouts. Giving equity is similar to the employee reinvesting his wages in exchange for an equity stake in the company. Equity is the most expensive funding source but does not need to be repaid when earnings decline (Martinez et al. 2019).

External equity is particularly essential for unprofitable businesses with limited cash flows or a high risk of failure (Vanacker & Manigart, 2008). Given that small businesses have a high failure rate and limited cashflows in the early stages of operations, the expectation is that equity will be a preferred source of funding. This expectation contrasts with the pecking order theory, suggesting equity as a last resort for funding small businesses.

Applications to Professional Practice

This research study aimed to explore the strategies small business owners used to access sufficient capital required to sustain their business past the first 5 years. The findings include four themes as follows:

- Internal financing most commonly used.
- External funding not readily accessible in earlier years.

- External financing used at later and critical stages of business.
- Minimizing business operational costs and expenses.

The findings could help the knowledge base for potential entrepreneurs to start a sustainable small business that achieves a longer than a 5-year life span.

The lack of strategies to access sufficient capital hinders the sustainability of some small businesses. SMEs are faced with several constraints, including limited finances and low entrepreneurial knowledge (Nkwabi & Mboya, 2019). The findings highlighted in this study are useful to small business owners. They provide insight into some strategies to access sufficient capital for sustaining small businesses past the first 5 years. As suggested in the pecking order theory, business owners would typically use their internally generated money or own savings before seeking external debt and, finally, new equity (Myers & Majluf, 1984). The participants all indicated deference to the pecking order theory in their funding choices. This deference may also be a consequence of information asymmetry. Banks and other lenders do not have all the relevant information to enable a favorable lending decision, forcing entrepreneurs to rely on internally generated funds.

Entrepreneurs seeking to start a small business may devise useful capital sourcing strategies from the themes that have emerged from this study. Lack of finance was a critical external factor hindering small businesses' sustainability (Fatoki, 2014b). The strategies identified can be applied by entrepreneurs to ensure that their small businesses are sustainable and remain in operations beyond 5 years. Likewise, business leaders can use the applications of this information to devise financial strategies to ensure that they

are prepared for some of the funding challenges that await entrepreneurs starting a new business.

Implications for Social Change

Small businesses are an essential part of an economy's ecosystem, and the SBA (2014d) notes that small businesses are critical to a growing economy. The importance of small businesses is multidimensional. It includes providing jobs in communities where they operate and paying taxes to the local government of jurisdiction. The information provided in this study can help small business owners' knowledge of funding strategies to adopt toward sustaining business operations beyond the first 5 years. This study's potential social impact is that the findings can provide relevant financial strategies to small business owners to help them sustain their businesses.

Entrepreneurs are an essential part of job creation and economic development (Allen & Curington, 2014). Small businesses' failure rate in the first 5 years of operations is 50%, and small businesses account for about 41% of private payroll in the United States (Turner & Endres, 2017). The social impact and contributions of small businesses have been noted by several authors in numerous publications. All four identified themes impact the success of a small business. Therefore, small businesses' sustainability has a significant social impact on citizens' livelihood in a community and the local economy.

Recommendations for Action

The sustainability of small businesses beyond the first 5 years is critical to their long-term survivability. Given the high rate of failure of small businesses, entrepreneurs need to increase their financial knowledge and strategy understanding. Small businesses

are not a homogenous entity and, by their very nature, are differentiated by unique characteristics, objectives, and qualities (Beaver, 2003). Financial understanding is a requirement for entrepreneurs to better position themselves to access capital. A financially literate entrepreneur has a higher probability of sustainability (Wise, 2013).

As enumerated in this study, the findings provide insight into some of the strategies used by successful entrepreneurs to access required capital and sustain their operations past the first 5 years. The findings included internal financing and personal funds as a primary source, external funding at later stages of the business, and minimization of business operational costs. It is essential for an entrepreneur to plan according to their unique situation, just as every individual and small business is unique. Some of the small business owners also leveraged existing relationships to either raise or reduce capital requirements. To the findings, the pecking order theory is valuable in that it provides a guide for intending entrepreneurs to better prepare them for capital raising and acquisition. It suggests that internal capital is a preferred source over external debt, which is preferred to new equity (Myers & Majluf, 1984).

My recommendation for action is for small business owners, government agencies, and fund providers to review this study to better understand the needs of small businesses. The government needs to understand the growth stages of small businesses and entrepreneurs' issues to design policies (Gobble, 2016). Such actions would lead to a better ecosystem that can support entrepreneurs and improve their survival chances beyond the first 5 years. I will distribute this research study to the eight participants,

banks, private equity firms, and regulators that are involved in the governance or provision of funds to small businesses.

Recommendations for Further Research

The recommendations for future research in this study of strategies small businesses owners use to access capital to sustain their businesses past the first 5 years can be split into three broad categories: (a) increasing the number of participants, (b) widening the geographical spread of the participants, and (c) using a mixed-method approach. Recruiting the required number of participants is essential to a research study's success (Newington & Metcalfe, 2014). This study involved eight participants from diverse industries and sectors and the sample size guaranteed that the experiences of the participants were different. This presents an opportunity for future research that has a narrow scope and is focused on the perspectives of successful small business owners in a single sector or industry.

Likewise, my focus in this qualitative research study was on successful small businesses operating in Atlanta, Georgia, and Chicago, Illinois. Another recommendation for future research is to conduct a similar study in other cities across the United States or other countries. This geographical spread can potentially lead to an improvement in reliability and validity. The third and final recommendation for future research is to use a mixed-method. Researchers select methods suitable for the research purpose and consider alternative methods like the mixed methodology (Venkatesh et al., 2013).

Reflections

In this research, I explored the strategies small business owners used to access sufficient capital required to sustain their business past the first 5 years. Looking back to my enrollment in the Doctor of Business Administration program, I had expected the journey to be uncomplicated but challenging. I am grateful the program exceeded my expectations and the University afforded me the rare privilege of meeting and discussing with classmates, faculty, and inspiring small business owners. My initial selection of small business owners to participate in the study was a challenge as I began to develop the criteria for selecting participants. I eventually narrowed down the list and was able to identify eight small business owners that were interested in participating in the study. My choice of a qualitative method was also deliberate, as it was initially to be less complicated. I quickly realized the rigor and depth of insight gained from the qualitative research method.

Being a business major in both my bachelor's and master's degrees, I have previous exposure to business theories and, as such, expected to complete the course with ease. I was unprepared for the rigor and technicalities involved in conducting academic research. Through my studies, I have learned how to conduct interviews, gather and analyze data, and ensure my research study's credibility and validity. I created a term plan that helped drive me to achieve the most that I could. I initially overestimated my weekly deliverables but eventually got better at preparing for and understanding the process. Throughout the research, I found that a realistic term plan with identified stretch targets was a good motivator.

In completing my research, I am now conversant with academic research processes and aware that these skills are transferable across different study areas. Specifically, I learned the importance of peer reviews and why they are necessary. Finally, I was able to broaden my understanding of operating and sustaining small businesses through interviews with participants where I learned from their experiences. My doctoral journey has been an invaluable experience, and I intend to continue to imbibe the spirit of learning by regularly researching and writing articles in my area of study.

Conclusion

That small businesses play an important role to develop every economy is now widely accepted as fact (Ayandibu & Houghton, 2017; Dar et al., 2017; Mills, 2018; Ribeiro-Soriano, 2017). The high failure rate experienced by a more significant small business population negatively impacts an economy's development. Information provided in this research sought to explore the strategies used by entrepreneurs to sustain their business operations beyond the critical 5-year period. This study focused on how small business owners could access finance, which is a significant contributor to their sustenance. I highlighted several strategies identified during the interviews and data gathering phase used by successful small business owners.

Large corporations and small businesses face the challenge of raising adequate capital, but the latter often has a more arduous task of accessing capital. This challenge underscores the importance of understanding financial strategies when starting and operating a small business. Using the right strategy can significantly impact the

profitability of a business. using the appropriate financing source can also contribute to the success or failure of a business. The pecking order theory is one strategy developed that highlights the hierarchy of funding sources considered by business managers.

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Appendix A: Invitation to Participate in Study

Dear ________________,

My name is Ayokunle Iyanda, and I am a doctoral candidate with Walden University's Doctor of Business Administration (DBA) program. In fulfillment of the degree requirements and completing my doctoral study, I will be conducting my research on "Funding Strategies for Small Business Sustainability" and will like to request your participation through an interview.

To accomplish this, I seek to interview small business owners that have sustained business operations for more than 5 years, and you have been identified as a potential participant. Participation in the interview is voluntary and you may withdraw from the interview process at any time. All interviews will be conducted in line with specified guidelines that guarantee complete anonymity and data protection of work products. The attached consent form and interview questions contain additional information.

If you would like to accept or decline to participate in the study, please reply with your decision to this email. In the case of an acceptance, you will be required to sign and return the attached consent form, and I will be in touch to schedule a convenient time for the interview. Should you have additional questions, please feel free to contact me via email at xxxxxxxxxxxxxxxxxxx or telephone on xxx-xxx-xxxx.

Thank you in advance for your time, and I look forward to speaking with you soon.

Yours sincerely,
Ayokunle Iyanda
DBA Candidate
Walden University

Appendix B: Interview Protocol and Questions

1. I will introduce myself to the participants as a Walden University DBA doctoral candidate: "Good day <name of participant>, my name is Ayokunle Iyanda and I am a doctoral candidate at Walden University. Let me begin by thanking you for accepting to participate in this research study. Before we begin, I will explain the purpose of the interview and go through the consent form. I expect the interview to last between 40 and 60 minutes. Do you have any questions?"
2. I will provide a brief description of the purpose of the interview and highlight the research question: "The purpose of my research is to evaluate the funding strategies small business owners use to access sufficient capital that is required to sustain profitable business operations past the first 5 years. My goal is to explore these strategies used by successful business owners so that others may learn from them or conduct future research to deepen financial and business knowledge. Next, I would like to review the mandatory consent form with you."
3. I will present and review the contents of the consent form with the participant; emphasize the confidentiality of the participants' information and address the participants' questions and concerns: "Before we begin, a signed consent form is required. I may be taking notes during the interview but will like to record our conversations today. Please note that I will be the only person with access to the recordings and notes, and these

will be destroyed after they are transcribed. Essentially, the consent form states that all information will be held confidential, your participation is voluntary and you may discontinue the interview at any time if you so choose, and finally, that I do not intend to inflict any harm.. Do I have your permission to begin the interview?"

4. With the approval of participant, turn on the audio recorder and begin recording.
5. Introduce the participants with coded/pseudonym identification; note the time and date.
6. Commence the interview with the first question and continue through to the last question. Also, take brief notes of pertinent information during the interview process.
7. Probe and ask clarifying questions to clarify any vague statements.
8. I will end the interview and discuss contact information for any concerns or follow-up questions the participants might have. Express appreciation to the participants for participating in the study: "Dear <name>, we have come to the end of the interview. I enjoyed the exchange and would like to express my sincere gratitude for your time and participation. Should you need to reach me, please feel free to send me an email at xxxxxxxxxxxxx. Once the data is transcribed, I will forward same to you for your comments and validation. Once again, thank you for your time and I look forward to speaking with you soon."

9. Turn off the recording device and end the protocol.
10. Return to the participants later for member checking.

Interview Questions

1. What funding strategies have you used to access sufficient capital required to sustain profitable business operations past the first 5 years?
2. What sources of capital are you using to finance your business?
3. If more than one source is used, how and why are you using various capital sources to achieve your desired capital structure for your business?
4. To what extent have you utilized internal financing, external debt, or new equity in your business to sustain profitable business operations past the first 5 years?
5. What funding sources have you utilized at different levels of risk and profitability?
6. How, if at all, have you used external funding and/or new equity to finance your business?
7. Based on your experience, how have external funding and/or new equity affected your business sustainability and profitability?
8. What else can you share concerning the funding strategies you employed for the sustainability of your small business during the first 5 years of operation?