

# Strategies for Enhancing Small-Business Owners' Success Rates

**Susan Turner**

City University of Seattle

**Al Endres**

Walden University

Small-business owners represent 99.9% of all U.S. employer firms, employ 48% of the private sector employees, and provide 41.2% of the total U.S. private payroll. However, 50% of new small-business startups fail within the first 5 years of operation. The purpose of this multiple-case study was to explore strategies three small-business coffee shop owners in Duval County, Florida, used to succeed in business beyond 5 years. Three themes emerged from semistructured interviews and methodological triangulation via websites, social media, and site visits: (a) owner networking and designing the business site as a customer networking venue, (b) business plan effectiveness in identifying and addressing initial challenges and subsequent changes, and (c) achieving marketing differentiation.

**Keywords:** *systems theory, chaos theory, complexity theory, networking, business planning, marketing differentiation*

## Introduction

Small-business owners account for a significant portion of job creation in the United States that fuels the economy yet are failing at alarming rates (Artinger & Powell, 2015; Cader & Leatherman, 2011; Small Business and Entrepreneurial Council, 2016). The U.S. Small Business Administration (SBA, 2016) noted that small-business owners comprise 99.9% of all firms in the United States, employ 48% of the private sector employees, and provide 41.2% of the total U.S. private sector payroll. The focus of this descriptive, qualitative multiple-case study was to identify and explore the strategies three small-business owners used to sustain their businesses beyond the first 5 years of operation.

## Background: History and Importance of Small Business in the United States

Small-business owners are individuals who conceive, launch, and assume the risk for new economic activities in the form of a business venture. Muhammad, Akbar, and Dalziel (2011) noted that small businesses are as old as the tradition of barter and trade. Growth has resulted from start-up business initiatives of Microsoft, Amazon, and Apple to Internet business startups generating revenues from international operations.

There are variances in the literature relating to the statistics of small-business failures. Recent information published by the SBA (2016) indicated that of the firms established in 2014, 79.9% survived until 2015, which is the highest 1-year percentage of small-business startups survival since 2005. Furthermore, between the years 2004 and 2014, only approximately 78.5% of new business startups survived their first year of operations (SBA, 2016). While the types of business and statistics vary, identifying strategies that contribute to the survival of small business and

entrepreneurial launches is necessary to assure the continuing vibrancy of the U.S. economy. Lussier and Halabi (2010) noted that there is no single theory on the cause of small-business owners' failures after launching a small-business initiative. Therefore, learning from the success of small-business owners who have sustained a small business for at least 5 years can provide insights that could be helpful for the continued growth of local economies.

## **Problem Statement**

An estimated 400,687 small-business owners in the United States failed in 2013 and had to close their businesses (SBA, 2016). Fifty percent of small-business owners close their small businesses by the 5th year and only one third of small business startups survive 10 years (Small Business and Entrepreneurial Council, 2016). The general business problem is that some individuals embark on small business initiatives without adequate preparation or information. The specific business problem is that some small-business owners lack the skills, knowledge, and strategies to succeed in business beyond 5 years (Neumark, Wall, & Junfu, 2011).

## **Purpose Statement**

The purpose of this descriptive, qualitative multiple-case study was to explore the skills, knowledge, and strategies small-business owners use to succeed in business beyond 5 years. The population for this study was three small-business owners of three coffee shops with 10 or fewer tables in Duval County, Florida, who sustained their business beyond their first 5 years of operation. The findings could contribute to social change by contributing to other small businesses' sustainability with concomitant increases in communities' employment and tax revenues.

## **Conceptual Framework**

The purpose of the conceptual framework is to provide a potential lens for understanding the context and findings of the study and to focus the literature review (Galea, 2012). Systems theory, chaos theory, and complexity theory provided the contextual foundation for this study.

### **Systems Theory**

Systems theory enables researchers to identify both distinct parts and interrelationships within the system instead of addressing only individual patterns. Ludwig von Bertalanffy used systems theory to examine relationships between events and components (Dominici & Levanti, 2011; Senge, Smith, Kruschwitz, Laur, & Schley, 2010; von Bertalanffy, 1972). Viewing systems holistically enables researchers to note interactions among elements, and to understand systemic interrelationships that business owners must understand to improve and control performance. Using systems theory thinking to include (a) financial actions, (b) internal and external stakeholders, and (c) social and environmental concerns can contribute to sustainable, systemic performance. Small-business owners are dependent on systems of activities that include marketing, networking, and technology. Therefore, understanding systems theory is helpful for understanding the study's results.

### **Chaos Theory**

In addition to systems theory, researchers also use chaos theory when seeking to explore and expand the current base of knowledge regarding management behaviors that enhance business effectiveness (Psychogios & Garev, 2012). Lorenz (1963) used the term *chaos theory*. While chaos theory primarily is associated with natural sciences, other researchers have shown that chaos theory is a relevant approach to business and organizational management (Huu & Kock, 2011).

Gleik (1987) further expanded on chaos theory and demonstrated the relevance of the theory and its applications in social science research. Chaos theory indicates systems are in constant evolution over time and undergo ongoing and unpredictable patterns of fluctuation.

There is a distinct need to develop new perspectives to understand how small businesses' owners survive in turbulent conditions (Huu & Kock, 2011). Huu and Kock conducted a qualitative multiple case study exploring the application of chaos theory to build a survival model of small- and medium-sized enterprises. Huu and Kock noted that, according to chaos theory, systems continuously self-organize to adapt and invent ways to adjust to the dynamic environment. An alteration in a system's structure, such as the structure of the business, industry/technology, or market/regulation can dramatically influence the behavior of the system. These systems do not lack order, but rather have areas where creativity and innovation happen within the edge of chaos (Huu & Kock, 2011).

### **Complexity Theory**

Complexity theory indicates that organizations reflect complex, adaptive systems with many autonomous agents interacting in a nonlinear, unpredictable, and ongoing, emergent fashion (Psychogios & Garev, 2012). Weaver (2004) pioneered complexity theory in 1948. Organizational theorists continue to strive to utilize complexity theory to aid in the understanding of organizational issues (Pollack, Adler, & Sankaran, 2014). In business, there is ongoing instability of the environments in which organizational leaders operate due to a variety of factors such as (a) socioeconomic, (b) cultural, and (c) political issues as well as (d) changing customer needs and preferences, (e) emerging competition, (f) lack of control, and (g) complex decisions (Psychogios & Garev, 2012). These factors lead to the need for small-business owners to adopt more sophisticated and structured management practices to maintain sustainability (Psychogios & Garev, 2012).

## **A Review of the Professional and Academic Literature Review**

### **Definition of Small-Business Owners**

The definition of a small-business owner varies. The most standard definition of a small-business owner is the proprietor of a firm with fewer than 500 employees (SBA, 2016). The SBA (2012) has also defined a small business as one that is independently owned and operated, organized for profit, and is not dominant in its field. While there is no one accepted definition of a small business in the literature, the range of workers appears to be from one to 500 employees. For the purpose of this study, the definition of a small-business owner was a person who begins a privately owned small business, takes on financial risks in seeking profits, and who employs 50 or fewer employees (Lawrence, 2014).

### ***Personal characteristics***

While small-business owners add strength to the U.S. economy by increasing employment opportunities, there is little information about what, if anything, characterizes successful business owners' sustainability for more than 5 years. Hansen, Shrader, and Monllor (2011) suggested that personal characteristics of small-business owners include a strong internal locus of control and the need for achievement. Additional personal attributes that could contribute to small business sustainability and growth include (a) strong negotiation skills, (b) creativity, (c) hard work, and (d) self-discipline (Surdez-Pérez, Aguilar-Morales, Sandoval-Caraveo, López-Parra, & Corral-Coronado, 2014).

### ***Establishing the work atmosphere***

Kauanui, Thomas, Sherman, Waters, and Gilea (2010) reported that employees tend to be more creative and happier within environments where the owner creates an atmosphere that incorporates play and spirituality. Kauanui et al. conducted in-depth interviews with 112 business owners and entrepreneurs to determine if a connection existed between successful owners who integrated spirituality and work with business owners who did not develop an integrated lifestyle in the workplace. Kauanui et al. concluded that entrepreneurs and small-business owners who create a holistic environment that incorporates work and play are no more successful than business owners who keep the two characteristics of work and play separate.

### ***Leadership styles***

Byrd (2010) identified that the leadership practices of successful and unsuccessful small-business owners differed significantly. The focus of Byrd's study was to examine the specific differences between the personal leadership styles of successful and unsuccessful small-business owners. The instrument used in Byrd's quantitative study was the Byrd Personal Leadership Inventory (Byrd, 2010). The Byrd Personal Leadership Inventory measured six personal leadership practices: (a) attending to judgment, (b) attending to emotion, (c) attending to physical sensation, (d) cultivating stillness, (e) engaging ambiguity, and (f) aligning with a vision. Byrd's findings demonstrated that the successful owners in the sample used the six practices more frequently than owners who were unsuccessful (Byrd, 2010).

Transformational leadership addresses creating changes in the values and goals of employees (Kao, Pai, Lin, & Zhong, 2015). Small-business owners typically have a passion that is contagious to their employees. Goal alignment is a fundamental characteristic of a transformational leader. Goal alignment is crucial, as most business leaders have to expand their influence among many areas of the organizational environment and the people within each area to ensure an appropriate span of control.

### ***Networking***

Insead (2011) identified social networking, interpersonal ties, and the ability to create new connections as essential characteristics of sustainability of a business. O'Donnell (2014) noted that networking is critical to knowledge exchange, and an increase in small-business owners' knowledge led to a higher sustainability rate in their business operations. Fifty percent of small-business owners identified their business venture came from ideas from networking contacts and/or innovations, slight variations, or creativity from existing business (Martinez & Aldrich, 2011). Most small-business owners lack experience, do not have a history of previous success, and need funding information so networking can be of value (Martinez & Aldrich, 2011).

### ***Potential Challenges to Small-Business Owners' Success***

There is no comprehensive rationale in the literature for the high failure rate of small business startups. Le and Raven (2015) noted that small-business owners develop their own definitions of success and further stated that success is a subjective concept. However, some authors have posited that business failures stem from a lack of experience of the business owner in addressing (a) competition, (b) economic factors, (c) crises, (d) shifts in priorities, and (e) varying expectations (Miettinen & Littunen, 2013). Fahed-Sreih and Morin-Delerm (2012) stressed that a lack of leadership skills contributes to small-business owners' failures in producing efficient organizations (Sakiru, D'Silva, Othman, DaudSilong, & Busayo, 2013).

Osei-Assibey, Bokpin, and Twerefou (2012) concluded the majority of small-business failures relate to the lack of capital. Furthermore, Schiff, Hammer, and Das (2010) noted that a contributing factor to undercapitalization was the failure of the small-business owner to estimate the amount of pretax

income that the business owner must generate to sustain operations and profitability. Inaccurate estimation of necessary pretax income typically results in an excessive withdrawal of funds that profits do not offset, leading to debt-threatening business survival. Conducting a financial feasibility test, which focuses the small-business owner's attention on the cash flow from pretax profit, could minimize the risk (Schiff et al., 2010). Small-business owners must maintain sufficient capital to cover start-up costs as well as for maintaining and expanding operations (Salazar, Soto, & Mosqueda, 2012). Small-business owners must concurrently manage business expenses. Too many high expenses have a negative effect on profitability and sustainability. Identifying the most cost efficient purchases is important. Blavin, Blumberg, Buettgens, Holahan, and McMorrow (2012) reported 65% of small-business owners identified health insurance costs as a serious challenge to their ability to maintain profitability. With the passage of the Affordable Health Care Act, managing health insurance costs appears to be of continuing, if not growing in importance (Mariner, Glantz, & Annas, 2012; Rosoff, 2011).

Another potential issue contributing to small-business owners' failure relates to their common inability to utilize information technology. Nguyen, Newby, and Macaulay (2015) identified that small-business owners tend to have a low level of information technology awareness, experience, and expertise. In a study of 50 Czech small-business owners, McLarty, Pichanic, and Srpova (2012) concluded that 50% of the small-business owners did not utilize a management information system.

### **Small Business Financing**

Providing financial assistance to new small-business owners is a risky proposition for an investor. Cheng (2015) published results of bank lending processes for small businesses and concluded financiers use governance as one of many criteria to determine business credit worthiness. Therefore, new small-business owners face challenges associated with financing a new business launch (Arslan & Staub, 2013). Gartner, Frid, and Alexander (2012) noted that obtaining external financing is difficult; therefore, small-business owners typically use owner resources or bootstrap financing. Owner resources can include obtaining home equity or mortgage loans, savings, or using a personal credit card for expenses associated with the business.

Malmström (2014) discussed how small-business owners seek innovative methods of resourcing. An innovative method was using *bootstrap financing* to stretch existing resources without obtaining external financing. Bootstrapping can include delaying self-compensation and using existing household resources, as well as human capital, talent, and support from family and friends. Malmström noted that small-business owners use three main bootstrap financing strategies for resource mobilization: (a) quick-fix bootstrappers who rely on internally oriented activities to improve cash flow such as delaying or eliminating personal compensation or private savings; (b) proactive bootstrappers who focus on networking oriented means for accessing resources such as sharing, borrowing, or trading resources with other business owners; and (c) efficient bootstrappers who engage externally oriented resources by using negotiation strategies such as seeking the best possible conditions and/or delaying payments.

### **Marketing Plans**

Creating effective market plans for a new business can be both a financial and time management challenge for a small-business owner (Perry, 2014). For example, the name of the business, product, or service should be prime considerations (Hanssens & Pauwels, 2016; Perry, 2014). Box (2011) added that rather than competing directly with competitors, the new businesses owners should adopt aggressive guerrilla marketing techniques and create a niche market.

Communication strategies are influential in determining what to offer and to whom. Small-business owners need to search for new, creative ways to accomplish many tasks at limited costs due to limited financial means, as well as time constraints. Therefore, small-business owners are increasingly using social media as a platform for their marketing, advertising, and recruitment activities as well as general communications with employees, customers, and network partners (Schaupp & Bélanger, 2014). Using social media enable business owners to access a new form of communication that can provide cost-effective connections. Schaupp and Bélanger posited that social media use in marketing activities generate exposure and increases business traffic at a fraction of the cost of traditional marketing activities. Furthermore, Baird and Parasnis (2011) determined that more than 500 million domestic and international users in 2010 congregated and met on Facebook. Schaupp and Bélanger (2014) asserted there is substantial value from the use of social media, but it is not without its downfalls. Some potential weaknesses in the use of social media for a small-business owner include (a) lack of technological competence, (b) customer pressure, and (c) the characteristics of the mobile environment.

### **Strategic and Operational Business Planning**

Jackson and Jackson (2016) described a sustainable business as an entity that creates profit and typically benefits the needs of others in services or products. The challenges for many small-business owners include how to develop and integrate innovation strategies to sustain long-term growth (Adams, Kauffman, Khoja, & Coy, 2016). For the purposes of this study, sustainability includes addressing the issues that help small-business owners sustain and grow a viable business entity. Cronin-Gilmore (2012) conducted a qualitative case study design using in-depth interviews to obtain information from a purposeful sample of 20 small-business owners in the United States. The Cronin-Gilmore findings suggested owners of the small businesses require the following elements to remain sustainable (a) have a solid strategic plan, (b) conduct environmental scanning that includes competitive strategies and plans, and (c) increase stakeholder involvement approaches. Additionally, Cronin-Gilmore suggested that while small-business owners have knowledge of their product or service, they typically lack skills to develop a strategic and operational business plans. Eddleston, Kellermanns, Floyd, Crittenden, and Crittenden (2013) noted business owners who developed and updated the strategic business plans experienced fewer failures than small-business owners who had a weak business plan.

Developing and implementing strategic and operational business plans enable owners to position their businesses to outperform competitors when faced with conflicting demands and limited resources (Cordeiro, 2013; Parnell, 2013). Business leaders can achieve a higher rate of sustainability by focusing on strengths, weaknesses, opportunities, and threats (Mirzakhani, Parsaamal, & Golzar, 2014). Box (2011) conducted a qualitative case study that included 99 small-business owners and entrepreneurs in which business owners fit into three categories—differentiators, cost leaders, or stuck in the middle—when sustaining a business. To maintain a sustainable business, small-business owners must develop operational business plans for implementing the owners' key business strategies, and which are sufficiently robust to adapt to changing market conditions (Bumgardner, Buehlmann, Schuler, & Crissey, 2011; Parnell, 2013).

## Research Methodology, Design, and Rationale

The focus of this descriptive, qualitative multiple case study was to explore what skills, knowledge, and strategies small coffee shop business owners residing in Duval County attribute to their success.

### Research Method

The qualitative methodology was appropriate for conducting this study. According to Denzin and Lincoln (2011), the qualitative method is appropriate when (a) the problem requires more than a *yes* or *no* hypothesis, (b) a large sample may not be available, and (c) common themes are expected to result from exploring the data to address the research question.

### Research Design

A case study design is an adaptable approach for analyzing societal and developmental disciplines (Yin, 2014). Using a case study provides a means for collecting information from individuals and groups to describe and understand phenomena. Yin noted that the case study could be a single case or multiple cases bounded by time and location. For this study, I utilized a multiple-case study approach, as obtaining information from more than a single participant provides additional insights, understanding, and assurance of validity in identifying strategies small-business owners use to increase success rates (Denzin & Lincoln, 2011). Case study researches require the researcher to obtain two or more types of data (Yin, 2014). Semistructured interview questions and archival records were the key data sources for the present study.

### Participant Selection

The population for this study was three small-business owners of three coffee shops with 10 or fewer tables in Duval County, who sustained their business for a minimum of 5 years. Therefore, using the Duval County directory, a purposeful sample of three such coffee provided the population for the case study. Face-to-face semistructured interviews and records provided the data for answering the research question. An audio recording of the interviews was to ensure accuracy. Scheduling of the face-to-face semistructured interviews occurred at times the participants selected. Member checking preceded conducting follow-up interviews with the participants to ensure the accuracy of the interpreted participants' meaning and for achieving data saturation (Denzin & Lincoln, 2011). Data saturation occurred when no new or relevant themes or supporting information emerge during the data collection process (Denzin & Lincoln, 2011; Walker, 2012).

## Findings

The primary research question that guided this study was as follows: What skills, knowledge, and strategies do small-business owners use to succeed in business beyond 5 years? Three themes emerged from the collected data: (a) owner networking and the business as a customer-to-customer networking venue; (b) business plans, addressing initial challenges, and subsequent changes; and (c) marketing differentiation. After review and comparison, the findings aligned with both the literature and conceptual framework.

### Theme 1: Owner Networking and Designing the Business Site as a Customer Networking Venue

Each of the three participants discussed how others within the community, such as family and friends, assisted with financial resources, local retailers offered discount opportunities in purchasing of supplies, and networking opportunities were available through the SBA. Each storeowner (SO),

acknowledged the importance and value of resources provided by the SBA. All three participants had been or are currently members of the local Chamber of Commerce, attended the small-business owners' meetings and socials, and received mentoring services from the local chapter of SCORE. Members of SCORE are experienced business mentors who have retired and enjoy consulting. SCORE members provide coaching and workshops to help small business owners in the development of a business plan and strategy for sustainability (SCORE, 2014). SO1 asserted that "attending specific networking events sponsored by local business groups and associations was challenging due to long hours and daily *hands on* involvement in the efficient running of the business," but expressed interest in more involvement with the SBA and other small business programs in the near future.

Robb and Watson (2012) concluded that business owners could learn how to increase profitability and sustainability by gaining knowledge from other small-business owners at social and professional events. Evidence of community networking, involvement, and engagement were visible in all three coffee shops during site visits in terms of signed photographs of homegrown celebrities, the artwork of local artists, and flyers of upcoming community events. Each of the three participants acknowledged obtaining their initial business loans from local banks and SO2 was a member of the Jacksonville Downtown Investment Authority, from whom she received grant money for *build out* expenses.

The business venues were also important in the community for customers to network as well. All three participants provided seating inside and outside the building. While each of the three shops was very small, several groups of individuals appeared to be networking. For example, a group of individuals discussing an upcoming veterans gathering was present in SO1. Another group consisted of mothers who arrived with children in baby strollers. Other guests had their dog with them and appeared to enjoy the coffee shop as a meeting place to network and a place to sit outdoors to chat to network informally. During a site visit, it was observed that SO1 had a flyer displayed on the front door and numerous postings on Facebook advertising an upcoming open microphone night event where local singers, songwriters, and musicians can display their talents. Each SO stated that the geographical location of their business contributed to small groups of customers who enjoyed networking at the coffee shop early mornings before work and in the afternoons after work or before/after the numerous beach activities. SO1 also allowed groups to hold meetings during the business day for small events or to rent out the space after hours for meetings or shows as indicated on the business website. All three of the participants noted the importance of community involvement.

Each of the three owners referred to their own networking with community businesses that included the local Costco for food/supplies, banking services, laundry amenities, and floral services as well as enlisting the services of a local coffee roaster. SO3 reported using a local thrift shop to purchase coffee mugs. In the coffee shop of SO3, no two mugs looked alike, and this added charm to the environment. SO1 shopped at the local Goodwill for items that enhanced the "shabby chic" yet cozy environment. In addition, each of the three participants noted the importance of social media with networking and advertising and utilized social media platforms such as Facebook, Instagram, and Twitter. SO1 asserted that the use of social media platforms was an initial challenge due to a lack of familiarity with social media and sought guidance from friends, family, and younger employees to gain a more technological and competitive advantage. The pervasive networking aligned to the literature and systems theory in that networking involves many aspects of the daily business operations between internal and external customers and the environment. The implications of these findings center on the interrelations of business needs and activities for sustainability of the business.



## Theme 2: Business Plans' Effectiveness in Identifying and Addressing Initial Challenges and Subsequent Changes

All three participating store owners confirmed they did have a business plan when they launched the business and that they learned from trial and error as well as from suggestions of (a) friends, (b) bankers, (c) family members, (d) the SBA, and (e) members of SCORE that the initial business plan and strategy needed modifications. Each of the participants indicated a very basic knowledge of accounting procedures and financial planning in the initial stages of business ownership and sought help from family and friends to learn how to become more adept in these planning areas. Two of the three participants (SO1, SO2) expressed concern over initial low profitability the first 2 years as a challenge mainly resulting from the economic downturn. SO3 noted a larger issue with maintaining a failing business while launching a new venture, which led SO3 to close their first business.

All three of the coffee shop owners initially lacked financial resources to advertise their business in local papers and flyers and had to rely on patrons' initial curiosity when seeing the coffee shop. SO1 had worked at the business before taking over and changed the name. SO1 had struggled to rebuild the customer base as many of the original customers had stopped frequenting the establishment due to "lack of interest and dedication of the previous owner." Word of mouth was one of the primary sources of initial advertising for all three participants. Each of the three participants noted overcoming the challenge of how to attract customers after they established credibility as a legitimate business, built up the brand, and gained the trust of the local community. SO1 and SO2 had addressed the challenges of rebuilding the customer base and attracting new customers by utilizing social media in marketing and advertising efforts.

Each of the three participants mentioned that initial challenges involved a high rate of employee turnover and hiring the right people. SO1 noted that the coffee shop industry is a transient business and tends to attract younger workers or those that do not have a commitment to stay for a prolonged period, resulting in the loss of time and financial resources involved with recruiting efforts and training. SO1 employs family members. Martinez and Aldrich (2011) noted that family members typically have higher levels of commitment to the family-owned business. All three owners expressed a need to improve their interview process to make better hiring decisions and get the *right fit* of employees for the job as well as the culture of the business. SO1, SO2, and SO3 asserted that coaching and mentoring services provided through SCORE and other business organizations were valuable resources for improving their hiring processes.

All three participants noted the importance of the challenge of keeping staff motivated and happy. SO2 shared that "open dialog and clear communications of expectations are critical." SO2 also asserted that being involved on a personal level and being supportive of employees reduces turnover as the employees feel personally invested in the business. SO2 offers motivational rewards and incentives as well as celebrating holidays with the employees. Each of the participants asserted that teamwork is very important in keeping employees motivated and happy. Each SO spends protracted time at the business working alongside their employees and sharing the responsibility of everyday duties from preparing drinks and food to cleaning and stocking. The SOs also spend time conducting ongoing training for employees. Each coffee shop owner believed that while running an efficient business is important, it should also be fun.

During the member checking process both SO2 and SO3 related that a business challenge was that they were initially unaware of who their niche customers were. After opening their businesses, they started defining their niche market. Owners SO1 and SO2 are somewhat similar in that their client base includes working adults in an industrialized area or students who stop by the coffee shop with their laptop using the coffee shop free Internet. SO3 noted a larger volume of bicycle riders, mothers with strollers, adults interested in music, local art, and consumers who are attending local beach

events. SO1 and SO2 reflected that, after some time of being in business, they were able to capitalize by adjusting hours and days to when they might expect the most clientele. Parnell, Lester, Zhang, and Mehmet (2012) concluded that small-business owners with niche markets have the most success.

Another key challenge for SO1, SO2, and SO3 was the small sizes of their coffee shops. SO1, SO2, and SO3 stated that they lacked sufficient refrigerated and dry storage space for the consumables and necessary stock. SO1 identified that it was “more cost effective to make regular trips to Costco for supplies rather than to attempt to stock inventory.” SO3 had a self-serve table enabling customers to obtain coffee and unlimited refills, cream, plastic forks, napkins, spoons, and coffee mugs from the dining room rather than using precious space for storage of these types of items. The noted advantage was the customers could order at one location, pay at the cash register in another location, and obtain their coffee and condiments in a separate location that could decrease service cycle time.

Each of the three participants related increased awareness of seasonality after opening their businesses. SO3 asserted that because the location is a Florida-based beach community, many of the customers walked their dogs, biked, or pushed strollers during nice weather. Therefore, it was imperative to have both outside and inside seating. All three of the participants indicated that they needed to make changes in menu offerings as the seasons changed such as salads and lighter fare in the summer and hearty soups during the cold, rainy months. I noted changes in menu offering on upgraded menu boards during site visits as well as updates posted on the business website and various social media platforms.

SO2 upgraded equipment to offer a larger variety of hot and cold beverages as well as increasing menu items such as salads for the hotter months and hot sandwiches and soup during the cooler months. Each of the store owners had an extensive menu with offering of pastries, muffins, and sandwiches and a variety of hot and cold beverages. SO1 realized the cost and time of ensuring adequate ice production was a challenge, which led to using plastic, reusable ice cubes in an ice water container as noted by reviewing the owner’s Facebook page. Each participant indicated the need to include healthier options such as gluten-free and low-calorie products because many individuals are now becoming more health conscious. Offering specialty coffees and teas for holidays helped attract additional business in the cooler months associated with rain. The participants’ descriptions of having to adapt to the constantly changing environment aligned with von Bertalanffy’s (1972) systems theory, Lorenz’s (1963) chaos theory, and Waldrop’s (1992) complexity theory. Each of these innovative strategies helped the coffee shop owners acquire an identity and attract customers for sustainability. The owners’ awareness of the types of customers who are attracted to their business is consistent with Hunter’s (2011) publication that business owners need to stay involved, know their customers, and be aware of the cycles and trends affecting their business.

### **Theme 3: Achieving Marketing Differentiation**

A business owner can achieve differentiation by ensuring that their product or brand is unique and is difficult to replicate by competitors (Alstete, 2014). Box and Miller (2011) concluded the most successful business strategy for small companies is *focused differentiation*. SO1, SO2, and SO3 reported they were initially fearful of the big chain coffee shop competition. Within 5 miles of the three coffee shops are two major coffee shop chains. Unlike the chain coffee shops, SO1, SO2, and SO3 used innovative marketing and advertising strategies to attract customers and enhance customer involvement over time. For example, SO1 adjusted the original name of the business to include coffeehouse to set the shop apart from the more prevalent *grab and go* type coffee shops. SO2 achieved product differentiation from the large chain coffee shops through using e-mail lists and offering frequent coffee customer cards. SO2 advertises a coffee subscription opportunity for roasted

beans delivered to home or office as well as gift cards. SO2 also engages in face-to-face marketing with local businesses by handing out menus and samples for a more hands-on approach. In addition, SO2 partners with the local arena football teams, providing bagels and tea in exchange for advertising on billboards at games. SO2 has coupons printed on the backs of season ticket for the various local sporting events as this is more visible than newspaper ads.

All three participants used social media platforms and websites to advertise and share new coffee, tea, and cold beverage offerings. SO1 has a staff favorite pick of the month. SO1's selections include unique names that she has chosen for the beverages to gain a competitive advantage through product differentiation. Complexity theory was determined as being appropriate for exploring the theme a need for differentiation regarding factors that contributed to the success of small-business owners, as the small-business owners were aware of the need to operate in a complex, nonlinear, and often unpredictable manner and offer difference of services while operating in a competitive environment.

### **Other Relevant Findings**

SO1, SO2, and SO3 all had very similar ideas regarding what leads to small business success. All three participants described customer service and a sense of community as being the most critical elements in their ability to sustain the coffee shop business longer than 5 years. SO1 described customers as *family*, knowing most, if not all, regular customers by name as well as their usual order. All three owners appeared to have close customer relationships that perhaps a larger chain store could not achieve. Two of the three coffee shops owners, SO1 and SO3, had a sitting area with sofas and chairs for establishing a cozy environment for customers who sit inside to chat. Some of the customers had their laptops and appeared to be conducting business or perhaps doing school work. Regular communications with customers through emails and by recognizing them contributes to strong relationships. Each of the three participants reported the importance of support of family and friends, involvement of family members in the business, and encouragement. All three participants asserted that while a business background is very helpful, friendliness, hospitality, and a welcoming spirit were key catalysts for achieving customer satisfaction.

When asked what the best advice they could offer to future small-business owners, the participants responded as follows:

SO1: "Have a good attitude and radiate your passion and dedication to your business and the customers" (SO1's motto is "The start to a great friendship begins with a cup of kindness").

SO2: "Do not offer what everyone else is offering. Set yourself apart from the crowd. Keep it local with great products and fresh quality."

SO3: One should "learn from your mistakes. Just because something did not work out the first time, do not give up. Give the customer what they want and a great experience and they will return with friends."

### **Recommendations for Further Study**

Recommendations for further research include focusing on different sizes of small business in different industries and varying geographical locations. Future researchers should also consider studying small-business owners who have increased profitability and examine the relevance of gender and age variances of the small-business owners through quantitative designs. Moreover, focusing on each of the specific themes identified within this study would provide more detailed areas for additional research.

## Summary and Study Conclusions

The purpose of this descriptive, qualitative multiple case study was to explore what skills, knowledge, and strategies small-business owners use to succeed in business beyond 5 years. The data sources for the study included (a) participant interview data, (b) information from the participants' websites and social media, (c) archived data from local newspaper and magazine clippings from the business owners, and (d) observations from site visits of the the business practices and processes at the coffee shops. Three primary themes were apparent: (a) owner networking and the business as a customer to customer networking venue; (b) business plans, initial challenges, and addressing subsequent changes; and (c) a need for marketing differentiation to sustain a small coffee shop business longer than 5 years. Key elements of systems theory, chaos theory, and complexity theory aligned with the findings of this study.

## References

- Adams, J., Kauffman, R. G., Khoja, F. M., & Coy, S. (2016). Looking at purchasing development through the lens of small business. *Journal of Managerial Issues*, *28*, 145–170.
- Alstete, J. W. (2014). Strategy choices of potential entrepreneurs. *Journal of Education for Business*, *89*, 77–83. doi:10.1080/08832323.2012.759094
- Arslan, A., & Staub, S. (2013). Theory X and theory Y type leadership behavior and its impact on organizational performance: Small business owners in the Sishane lighting and chandelier district. *Procedia – Social and Behavioral Sciences*, *75*, 102–111. doi:10.1016/j.sbspro.2013.04.012
- Artinger, S., & Powell, T. C. (2015). Entrepreneurial failure: Statistical and psychological explanations. *Strategic Management Journal*, *37*, 1047–1064. doi:10.1002/smj.2378
- Baird, C. H., & Parasnis, G. (2011). From social media to social customer relationship management. *Strategy & Leadership*, *39*, 30–37. doi:10.1108/108785711111161507
- Blavin, F., Blumberg, L. J., Buettgens, M., Holahan, J., & McMorrow, S. (2012). How choices in exchange design for states could affect insurance premiums and levels of coverage. *Health Affairs*, *31*, 290–298. doi:10.1377/hlthaff.2011.1049
- Box, T. M. (2011). Small firm strategy in turbulent times. *Academy of Strategic Management Journal*, *10*, 115–122.
- Box, T. M., & Miller, W. D. (2011). Small-firm competitive strategy. *Academy of Strategic Management Journal*, *10*, 55–59.
- Bumgardner, M., Buehlmann, U., Schuler, A., & Crissey, J. (2011). Competitive actions of small firms in a declining market. *Journal of Small Business Management*, *49*, 578–598. doi:10.1111/j.1540-627X.2011.00337.x
- Byrd, W. (2010). *The personal leadership practices of successful entrepreneurs* (Doctoral dissertation). Available from ProQuest Dissertations and Theses database. (UMI No. 3412018)
- Cader, H. A., & Leatherman, J. C. (2011). Small business survival and sample selection bias. *Small Business Economics*, *37*, 155–165. doi:10.1007/s11187-009-9240-4
- Cheng, S. (2015). Potential lending discrimination? Insights from small business financing and new venture survival. *Journal of Small Business Management*, *53*, 905–923. doi:10.1111/jsbm.12112
- Cordeiro, W. P. (2013). Small businesses ignore strategic planning at their peril. *Academy of Business Research Journal*, *3*, 22–30.

- Cronin-Gilmore, J. (2012). Exploring marketing strategies in small businesses. *Journal of Marketing Development and Competitiveness*, *6*, 96–107.
- Denzin, N. K., & Lincoln, Y. S. (2011). *The Sage handbook of qualitative research* (4th ed.). Thousand Oaks, CA: Sage Publications.
- Dominici, G., & Levanti, G. (2011). The complex system theory for the analysis of interfirm networks: A literature overview and theoretic framework. *International Business Research*, *4*, 31–37. doi:10.5539/ibr.v4n2p31r.com/dictionary/disaster
- Eddleston, K. A., Kellermanns, F. W., Floyd, S. W., Crittenden, V. L., & Crittenden, W. F. (2013). Planning for growth: Life stage differences in family firms. *Entrepreneurship: Theory & Practice*, *37*, 1177–1202. doi:10.1111/etap.12002
- Fahed-Sreih, J., & Morin-Delerm, S. (2012). A perspective on leadership in small businesses: Is the need for achievement a motive in predicting success? *International Journal of Entrepreneurship*, *16*, 1–23.
- Galea, S. (2012). Simplicity, complexity, and conceptual frameworks. *Psychiatry: Interpersonal & Biological Processes*, *75*, 223–226. doi:10.1521/psyc.2012.75.3.223
- Gartner, W., Frid, C., & Alexander, J. (2012). Financing the emerging firm. *Small Business Economics*, *39*, 745–761. doi:10.1007/s111187-011-9359-y
- Gleik, J. (1987). *Chaos: Making a new science*. New York, NY: Penguin Group.
- Hansen, D. J., Shrader, R., & Monllor, J. (2011). Defragmenting definitions of entrepreneurial opportunity. *Journal of Small Business Management*, *49*, 283–304. doi:10.1111/j.1540-627X.2011.00325.x
- Hanssens, D. M., & Pauwels, K. H. (2016). Demonstrating the value of marketing. *Journal of Marketing*, *80*, 173–190. doi:10.1509/jm.15.0417
- Hunter, M. G. (2011). Understanding the common causes of small business failures: A qualitative study. *Journal of Applied Management and Entrepreneurship*, *16*, 87–104.
- Huu, L., & Kock, S. (2011). Managing SMEs' survival from financial crisis in a transition economy: A chaos theory approach. *Journal of General Management*, *37*, 31–45.
- Insead, L. C. (2011). Competitors' resource-oriented strategies: Acting on competitors' resources through interventions in factor markets and political markets. *Academy of Management*, *33*, 197–121. doi:10.5465/AMR.2008.27745499
- Jackson, E. A., & Jackson, H. F. (2016). The role of corporate social responsibility in improving firms' business in directions of sustainable development, accountability and transparency. *Economic Insights – Trends & Challenges*, *68*, 39–50. Retrieved from <https://doaj.org/toc/2284-8584>
- Kauanui, S. K., Thomas, K. D., Sherman, C. L., Waters, G. R., & Gilea, M. (2010). An exploration of entrepreneurship and play. *Journal of Organizational Change Management*, *23*, 51–70. doi:10.1108/09534811011017207
- Kao, P., Pai, P., Lin, T., & Zhong, J. (2015). How transformational leadership fuels employees' service innovation behavior. *Service Industries Journal*, *35*, 448–466. doi:10.1080/02642069.2015.1015519
- Lawrence, J. (2014). *Entrepreneur: Business owner or innovator?* Retrieved from <http://www.asbc.gov.au/blog/entrepreneur>
- Le, A. V., & Raven, P. V. (2015). Woman entrepreneurship in rural Vietnam: Success and motivational factors. *Journal of Developing Areas*, *49*, 57–76.

- Lorenz, E. N. (1963). Deterministic nonperiodic flow. *Journal of the Atmospheric Sciences*, *20*, 130–141. doi:10.1175/1520-0469(1963)020<0130:DNF>2.0.CO:2
- Lussier, R. N., & Halabi, C. E. (2010). A three-country comparison of business success versus failure prediction model. *Journal of Small Business Management*, *48*, 360–377. doi:10.1111/j.1540-627X.2010.00298.x
- Malmström, M. (2014). Typologies of bootstrap financing behavior in small ventures. *Venture Capital*, *16*, 27–50. doi:10.1080/13691066.2013.863064
- Mariner, W. K., Glantz, L. H., & Annas, G. J. (2012). Reframing federalism: The Affordable Care Act (and broccoli) in the Supreme Court. *The New England Journal of Medicine*, *367*, 1154–1158. doi:10.1056/NEJMhle1208437
- Martinez, M. A., & Aldrich, H. E. (2011). Networking strategies for entrepreneurs: Balancing cohesion and diversity. *International Journal of Entrepreneurial Behaviour & Research*, *17*, 7–38. doi:10.1108/13552551111107499
- McLarty, R., Pichanic, M., & Srpova, J. (2012). Factors influencing the performance of small to medium-sized enterprises: An empirical study in the Czech Republic. *International Journal of Management*, *29*, 36–47. Retrieved from <http://www.internationaljournalofmanagement.co.uk/>
- Miettinen, M., & Littunen, H. (2013). Factors contributing to the success of start-up firms using two-point or multiple-point scale models. *Entrepreneurship Research Journal*, *3*, 449–481. doi:10.1515/erj-2012-0012
- Mirzakhani, M., Parsaamal, E., & Golzar, A. (2014). Strategy formulation with SWOT matrix: A case study of an Iranian company. *Global Business & Management Research*, *6*, 150–168.
- Muhammad, A., Akbar, S., & Dalziel, M. (2011). The journey to develop educated entrepreneurs: Prospects and problems of Afghan businessmen. *Education & Training*, *53*, 433–447. doi:10.1108/00400911111147730
- Neumark, D., Wall, B., & Junfu, Z. (2011). Do small businesses create more jobs? New evidence for the United States from the national establishment time series. *Review of Economics & Statistics*, *93*, 16–29. doi:10.1162/REST\_a\_00060
- Nguyen, T. H., Newby, M., & Macaulay, M. J. (2015). Information technology adoption in small business: Confirmation of a proposed framework. *Journal of Small Business Management*, *53*, 207–227. doi:10.1111/jsbm.12058
- O'Donnell, A. (2014). The contribution of networking to small firm marketing. *Journal of Small Business Management*, *52*, 164–187. doi:10.1111/jsbm.12038
- Osei-Assibey, E., Bokpin, G., & Twerefou, D. (2012). Microenterprise financing preference: Testing POH within the context of Ghana's rural financial market. *Journal of Economic Studies*, *39*, 84–105. doi:10.1108/01443581211192125
- Parnell, J. A. (2013). Uncertainty, generic strategy, strategic clarity, and performance of retail SMEs in Peru, Argentina, and the United States. *Journal of Small Business Management*, *51*, 215–234. doi:10.1111/jsbm.12010
- Parnell, J. A., Lester, D. L., Zhang, L., & Mehmet, A. K. (2012). How environmental uncertainty affects the link between business strategy and performance in SMEs. *Management Decision*, *50*, 546–568. doi:10.1108/00251741211220129
- Perry, M. (2014). Market orientation in small businesses: Creative or lacking? *Marketing Management Journal*, *24*, 96–107.

- Pollack, J., Adler, D., & Sankaran, S. (2014). Mapping the field of complexity theory: A computational approach to understanding changes in the field. *Emergence: Complexity & Organization*, *16*, 74–92.
- Psychogios, A., & Garev, S. (2012). Understanding complexity leadership behavior in SMEs: Lessons from a turbulent business environment. *Emergence: Complexity & Organization*, *14*, 1–22. Retrieved from <https://journal.emergentpublications.com/article/understanding-complexity-leadership-behaviour-in-smes-lessons-from-a-turbulent-business-environment/>
- Robb, A. M., & Watson, J. (2012). Gender differences in firm performance: Evidence from new ventures in the United States. *Journal of Business Venturing*, *27*, 544–558. doi:10.1016/j.jbusvent.2011.10.002
- Rosoff, A. J. (2011). Of stars and proper alignment: Scanning the heavens for the future of health care reform. *University of Pennsylvania Law Review*, *159*, 2083–2209.
- Sakiru, O. K., D'Silva, J. L., Othman, J., DaudSilong, A., & Busayo, A. T. (2013). Leadership styles and job satisfaction among employees in small and medium enterprises. *International Journal of Business and Management*, *8*, 34–41. doi:10.5539/ijbm.v8n13p34
- Salazar, A. L., Soto, R. C., & Mosqueda, R. E. (2012). The impact of financial decisions and strategy on small business competitiveness. *Global Journal of Business Research*, *6*, 93–103.
- Schaupp, L., & Bélanger, F. (2014). The value of social media for small businesses. *Journal of Information Systems*, *28*, 187–207. doi:10.2308/isys-50674
- Schiff, A., Hammer, S., & Das, M. (2010). A financial feasibility test for aspiring entrepreneurs. *Entrepreneurial Executive*, *15*, 33–38.
- SCORE. (2014). *About SCORE*. Retrieved from <https://www.score.org/about-score>
- Senge, P. M., Smith, B., Kruschwitz, N., Laur, J., & Schley, S. (2010). *The necessary revolution: How individuals and organizations are working together to create a sustainable world*. New York, NY: Doubleday.
- Small Business and Entrepreneurial Council. (2016). *Small business facts and data*. Retrieved from <http://sbecouncil.org/about-us/facts-and-data/>
- Surdez-Pérez, E., Aguilar-Morales, N., Sandoval-Caraveo, M., López-Parra, M., & Corral-Coronado, Z. (2014). The relationship between company performance and owner characteristics: Evidence from Mexico. *Global Journal of Business Research*, *8*, 13–22.
- U.S. Small Business Administration (SBA). (2012). *Growing your business*. Retrieved from <http://www.sba.gov/content/ideas-growing-your-business>
- U.S. Small Business Administration (SBA). (2016). *Frequently asked questions*. Retrieved from [https://www.sba.gov/sites/default/files/advocacy/SB-FAQ-2016\\_WEB.pdf](https://www.sba.gov/sites/default/files/advocacy/SB-FAQ-2016_WEB.pdf)
- von Bertalanffy, L. (1972). The history and status of general systems theory. *Academy of Management Journal*, *15*, 407–426. doi:10.2307/255139
- Waldrop, M. M. (1992). *Complexity: The emerging science at the edge of order and chaos*. New York, NY: Simon & Schuster.
- Walker, J. L. (2012). The use of saturation in qualitative research. *Canadian Journal of Cardiovascular Nursing*, *22*, 37–46.
- Weaver, W. (2004). Science and complexity. *Emergence: Complexity & Organization*, *6*, 65–74.
- Yin, R. K. (2014). *Case study research: Design and methods*, (5th ed.). Thousand Oaks, CA: Sage Publications.

The *International Journal of Applied Management and Technology* (IJAMT), sponsored by Walden University's School of Management, is a peer-reviewed, online journal that addresses contemporary national and international issues related to management and technology. The objectives of the IJAMT are to: (a) encourage collaborative and multi-disciplinary examinations of important issues in business and technology management, and (B) engage scholars and scholar-practitioners in a dynamic and important dialogue.

**Walden University Publishing:** <http://www.publishing.waldenu.edu>

---