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Financial Strategies for the Survival of Immigrant Latinx-Owned Small Businesses

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This is to certify that the doctoral study by

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Walden University
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Abstract

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MDY, Norwich University, 2013

BBA, University of Houston- Downtown, 2009

Doctoral Study Submitted in Partial Fulfillment

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Abstract

Latinx small business owners have the lowest rates of financial access when starting and growing their businesses in the United States, hindering national economic resilience and growth. Grounded in the pecking order theory, the purpose of this qualitative multiple case study was to explore financial strategies that six Latinx small business owners in Houston, Texas, used to grow and sustain their small businesses. Data were collected using semistructured interviews and reviewing public and participant-supplied documents such as their business plan, financial statements, and budget forecast reports. Five themes emerged from thematic data analysis: (a) filling a market gap and leveraging internal financing, (b) team development for increased profitability and business growth, (c) low debt-to-income ratio for business sustainability, (d) building financial and social networks, and (e) raising equity for business sustainability. A key recommendation for Latinx business leaders is to prioritize financing through internal sources, such as reinvested profits or personal savings, before seeking external funding options, like bank loans or equity financing, to minimize financial risk and maintain ownership control. The implications for positive social change include the potential for Latinx-owned small business leaders to create significant economic empowerment, job creation, wealth accumulation, and ecosystem development that encompasses and fosters a sustainable and equitable society in the United States.

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Dedication

This study is dedicated to my parents who has been supportive throughout my doctoral journey and motivated me even in the hardships and challenges of obtaining my highest level of education. They are one of the many reasons this topic is so important to me, because as we grew up with their entrepreneurial spirit, they have taught me how our cultural values instill a foundation of resilience and a strong work ethic that teaches me the value of persistence in the face of adversity. I also want to thank God for giving me the opportunity and privilege to continue my studies and become one of the few Latinas with a doctoral degree in this era, and I hope that this will also inspire and empower many in my community to always persevere and achieve their academic dreams. I also want to thank my husband and sisters, my in-laws and brother-in-law, who without their motivation, moral support, and encouragement, I would not have gotten this far. Lastly, to our baby Andrew, who was born in the middle of my doctoral journey; I hope that you get to grow healthy and full of happiness! Without knowing it, you were also my guiding star, a beacon of light for a brighter future, and an internal source of unwavering support throughout my academic pursuits. Ultimately, I hope that this study can drive positive change for more passionate leaders, especially in our Latino community, to continue their education and obtain solutions for the many challenges of our business community in the United States. ¡Sí, se puede!

Acknowledgement

I would like to acknowledge my Chair, Dr. Marilyn Simon, who has been a true champion and supporter of my doctoral journey and has gone above and beyond mentoring me until the final steps of this degree. It took me longer than I expected to pursue this degree, but she kept motivating me and believed in my abilities to finish my doctorates. In fact, she would not retire until I was done with my thesis! And for that I'm forever grateful, but also, I owe it to her so she can also enjoy the fruits of her labor, mentorship, and unwavering support. I would also like to thank Dr. Stella Rostkowski, my second committee member, for her guidance and contributions to the success of my study. Lastly, thank you, family and friends, my support system and village, for your influence and motivation to keep me true to myself, to delve into my genuine curiosity for an ideal world, one characterized by a prosperous, diverse, and compassionate society that fosters innovation and a sense of community and interconnectedness, with a hunger to solve our every day, and pervasive world problems. The future is too important to just wait for it!

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Section 1: Foundation of the Study

Owners of small businesses in the United States are the engine of the United States economy, and nearly 25% of new small businesses are Latinx owned. Despite being the fastest growing segment of the U.S. small business ecosystem, Latinx business owners continue to struggle to secure capital from national banks. Addressing barriers preventing Latinx small business owners from full economic participation could have a multitrillion-dollar impact (Perez et al., 2021).

Latinx are most likely sole proprietors, about 92.5% versus 83.1% of the total population, sharing a higher risk of their own savings and credit history in comparison to other population groups (U.S. Census Bureau, 2021). Small businesses in the United States face several challenges in 2023. The COVID-19 pandemic significantly affected the economy, and many small businesses struggled to stay afloat. The rising costs of labor and supplies, coupled with the increasing competition from large corporations, make it difficult for small businesses to thrive. Additionally, the rapidly changing technological landscape requires small businesses to adapt and invest in new technologies to remain competitive, which can be costly and time-consuming. In the Latinx community, owning a business is often the main source for family income (U.S. Census Bureau, 2021).

Background of the Problem

Despite numerous challenges, Latinx entrepreneurial families continue to pursue their American dream and create small businesses, either as a way for survival, or driven by opportunity in the United States. A small business owner's financing decision can also shape the survival rate of such business, so access to capital is essential for operating small businesses. Latinx-owned small businesses have the lowest rate of using bank and financial institution loans to start their businesses compared with other racial and ethnic groups—12% compared with 17% of White employer businesses (U.S. Census Bureau, 2021), and are less likely than White-owned employer businesses to receive all the funding they apply for (Robb et al., 2018). Therefore, it is important to assess the financing options Latinx business owners have, and to find ways to compete successfully in industries where the possibility for higher earnings and financial stability exists.

The owner of a small business in the startup stage, performs all the important tasks, and is the major supplier of energy, direction, and financing decisions (Saunders et al., 2019). The survival rate of a business depends on the owner's demands of navigating the starting and growth strategies of the business. For Latinx-owned small businesses, tapping into small business resources and entrepreneurial education provided by both government and community-driven efforts can enhance the social capital networks necessary to navigate the demands of a small business. This will further unleash their entrepreneurial spirit and positively impacting the U.S. economy by creating millions of jobs, driving consumer spending, and building intergenerational wealth.

Problem Statement

Approximately 1.2 million of the 12.2 million business owners in the United States are immigrant Latinx (Fairlie, 2018). There was an increase of 46.3% of immigrant Latinx-owned small businesses between 2007 to 2012, compared to a 2% small business growth during the same period for other ethnic groups (Carpenter & Loveridge, 2020).

However, Latinx-owned companies are underfunded across all sources of capital, and remain significantly smaller in annual revenues than White-owned firms after 5 years, averaging $1.2 million in revenue compared with $2.3 million from White-owned companies (Fairlie, 2018), The general business problem is that with insufficient financial funding, Latinx-owned businesses are less likely to succeed. The specific business problem is that some Latinx-owned small businesses lack strategies to finance and sustain their business beyond 5 years.

Purpose Statement

The purpose of this qualitative multiple-case study was to explore strategies Latinx-owned small business leaders in Houston, Texas use to finance and sustain their businesses beyond 5 years. The target population was 6 immigrant Latinx business leaders who own small businesses, have maintained a profit beyond 5 years, and have demonstrated success in addressing financing strategies during these first 5 years. The implications for positive social change include the potential to improve the success rate of Latinx-owned small businesses for increased employment and improve economic development for underserved communities.

Nature of the Study

The three methods available to scholarly researchers are quantitative, qualitative, and mixed (Saunders et al., 2019). I will use the qualitative method to conduct this study. Quantitative researchers statistically examine relationships between variables by testing hypotheses, and they must be verified or falsified on the basis of empirical research (House, 2018). Researchers use mixed methods approach when they combine qualitative and quantitative research to explore and examine complex phenomenon (Almalki, 2016). Since I do not plan to collect numerical data, nor test hypotheses I rejected the use of quantitative and mixed methods. Researchers use qualitative methods when there are no quantifiable responses to a research question (Yin, 2018). A qualitative method is appropriate for exploring the experiences and unique perspectives of study participants (Yin, 2018). Therefore, the qualitative method is appropriate for this research.

I considered three qualitative research designs: (a) case study, (b) narrative, and (c) ethnography. After reviewing the focus of these qualitative designs, I selected the multiple case study design. Researchers use the multiple case study design to explore a case in a real-life scenario (Rashid et al., 2019). A multiple case study provides a greater opportunity than a single case study to gain an in-depth understanding of a phenomenon for comparisons among varying conditions across differing organizations (Yin, 2018). Narrative researchers explore and conceptualize human experience as presented in storied forms (Tanenbaum et al., 2014), which is not the intent of this study. In an ethnographic study, the researcher explores a particular group to produce detailed and comprehensive accounts of different cultural social phenomena (Saunders et al., 2019). Researchers conduct ethnographic studies to explore the culture of participants (Reeves et al., 2014), which is not aligned with the study's purpose.

Research Question

The central research question for this study was: What financial strategies do immigrant Latinx-owned small business owners implement to achieve sustainability beyond 5 years?

Interview Questions

1. What led you to start your business?
2. What were the greatest challenges you faced in starting up your business?
3. What strategies did you use to achieve financial sustainability?
4. What strategies did you use to prioritize your sources of financing?
5. How did your financial strategy for your business balance profitability and debt ratios?
6. What strategies, if any, did you use to obtain internal financing?
7. What strategies, if any, did you use to obtain external financing?
8. In your financial strategy, how and when did you raise equity?
9. How does your financial strategy deal with debt accumulation?
10. What else is there that you would like to share about strategies you have used to achieve financial sustainability beyond 5 years?

Conceptual Framework

The conceptual framework that guided my study is the pecking order theory (POT). The POT addresses small and medium enterprises (SMEs) capital structure and was developed by Donaldson (1961) and modified by Nicolas Majluf and Stewart Myers (1984). The POT is used to explain how small business owners prioritize their sources of financing according to the inverse relationship between profitability and debt ratios. Financing can come from three major sources: internal funds, debt, and new equity. According to this theory, businesses prefer internal financing, then debt, and, as a last resort, raising equity. Key propositions underlying POT are (a) in the event of inadequate internal funding (liquid assets and retained earnings), a small business owner might pursue the acquisition of external financing; (b) the business owner might prefer to attract low-risk debt and share investment, and (c) an owner of an organization may attempt to reduce asymmetric information to decrease the value of their business and the cost to source additional capital (Vera & Nganso, 2015). As such, the pecking order theory may help me identify and categorize the financial strategies implemented by successful Latinx small business owners.

Operational Definitions

Bootstrap financing: A financing form, and the use of methods for meeting the need for resources without relying on long-term external finance from debt holders and/or new owners, and presumably the most widely used by businesses (Block et al., 2022).

Crowdfunding: An alternative form of business financing where business owners request the public for a type of fundraising on the internet from external sources to assist in funding a project or activity (Melton et al., 2020).

Debt financing: Borrowing a fixed sum from a lender, such as a business loan, government-backed loan, line of credit, credit cards, which is then paid back usually with interest. Presumably, the cost of debt financing is less than equity financing (Lukas & Thiergart, 2018).

Equity financing: Business owners give up a percentage of its ownership to investor(s) willing to take a risk, in exchange for capital. This can also be life insurance policies, home equity loans and venture capital funds, where creditors can also require the corporation to restructure or liquidate when they can't repay the debt (Frimpong et al., 2022).

Minority business: A minority business is one that has at least 51% ownership by one or more members of a minority group in the United /States, such as Asian-Indian, Asian-Pacific, Black, Hispanic and Native American. (National Minority Supplier Development Council, 2022).

Pecking order: Business owners prefer to first use debt, when they have moderate deficits; firms with high deficits rely much more on equity than debt (Frank et al., 2020).

Small business: A small business is a for-profit entity that is physically located in the United States, employs up to 500 employees and depending on the industry, carries a maximum of up to $7.5 million in annual revenue (Small Business Administration, 2022).

Assumptions, Limitations, and Delimitations

Assumptions

Assumptions are components of a study that are out of the researcher's control and are commonly seen as facts or truth, but if they disappear it impacts the study and could make it irrelevant (Waldkirch, 2020). I assumed that respondents would answer honestly, having given appropriate thought to the subject-matter. Since the information was confidential and only I will know the participants, this assumption was likely met. I also assumed that participants had adequate knowledge in their business operations, and great communication skills to answer the interview questions.

Limitations

Limitations are potential weaknesses that are usually out of the researcher's control and are closely associated with the chosen research design constraints, or other factors (Theofanidis & Fountouki, 2018). In this case, the limitations include the pecking order theory characteristics, to understand the level of financing used by Latinx small business owners. The results of this qualitative multiple case study might not apply to other workplaces, populations, and industries, thereby affecting the generalizability of the study findings. Another limitation was the availability of the participants given their work schedules, meetings planned, and speaking engagements committed.

Delimitations

Delimitations are those characteristics that limit the scope and define the boundaries of the research (Simon & Goes, 2018). Unlike the assumptions and limitations, the delimitations are in the researcher's control, and the factors include the research question and conceptual framework adopted for this study, as well as the population chosen to investigate. The study was delimited to a group of successful Latinx-owned small businesses in Houston, Texas that have had growth and sustainability of their businesses for 5 years and beyond.

Significance of the Study

The number of Latinx business owners in the United States continues to grow faster than other ethnic groups, but the size and growth of their businesses remain much smaller when compared to similar White-owned businesses (Fairlie, 2018). The largest factor holding back business ownership among immigrant Latinx is the lack of strategies to obtaining necessary financing (Fairlie, 2018). The successful implementation of financing strategies could improve the sustainability of Latinx-owned small businesses and benefit this underserved community.

Contribution to Business Practice

Latinx business leaders may use the findings from this study to develop and implement strategies to help them remain profitable while sustaining or expanding their businesses beyond the 5 years of existence. The owners' preference for the sources to fund their businesses could explain the sustainability of small businesses in the study. Understanding sustainable finances might help Latinx business owners make investment decisions that lead to improving the performance of key business processes for improving profitability and growing and sustaining businesses' profitability.

Implication for Social Change

The findings from the study may contribute to positive social change. The sustainability of immigrant Latinx-owned small businesses will likely improve the access to service and amenities as well as the stabilization of families in under-served communities. Improving the social structure of local economies, not only benefits families and help their upward economic mobility, but also can lead to an increase in tax revenues for benefiting communities' citizens.

A Review of the Professional and Academic Literature

The purpose of this qualitative multiple case study was to identify the financial strategies that immigrant Latinx-owned small business owners implement to grow and sustain their businesses beyond 5 years. The literature review includes three main sections: a) critical analysis and synthesis of the conceptual framework, b) minority-owned small business financing strategies, and c) the barriers identified in immigrant-owned small businesses. Subtopics include studies that have relied on the conceptual framework, theories contradicting the conceptual framework, history of immigrant Latinx-owned small business in the United States, bootstrapping methodology, cash flow management, and the effects of COVID-19 pandemic. Other subtopics include building credit, debt, equity, generating wealth, creating a business legacy and establishing and maintaining a business and financial network. Exploring these themes provided the means for gaining valuable insights and understanding of successful working capital strategies that immigrant Latinx-owned small business owners in Houston implement to grow and sustain their businesses beyond the 5 years.

Primary research databases included the ABI/INFORM Collection and Business Source Complete databases available through the Walden University online library. I located peer-reviewed publications for inclusion in this literature review by searching terms such as *Latinx-owned small businesses and their financing strategies, immigrant financing decisions, working capital sources, survival of small businesses, pecking order theory, the trade-off theory, alternative theories for capital sourcing, sources of working capital, working capital strategies, impacts of COVID-19 on minority-owned businesses, and internationalization*. In my research parameters, I also used keywords to include Latino/a and Latinx-owned small business success and failure, Hispanic-owned small business, minority-owned small business owner skills, immigrant business owner, qualitative research, quantitative research, and mixed research. The literature review section includes 99 references, about 75% of which are peer-reviewed sources, with 56% sources published between 2019 and 2023.

With regards to small business finance and financial management, search terms included the crowdfunding, investment, lending, venture capital, grants, profitability, capital budgeting, capital structure and working capital management. The literature review includes a combination of seminal work, peer-reviewed journal articles, government-authoritative agency websites, and other scholarly writing published between 2019 and 2023.

Table 1 includes a breakdown of the material reviewed:

Table 1

Sources of Data for Literature Review

Publications	Published within 5 years of expected graduation date	Older than 5 years	Total	% of sources
Journal articles	39	36	75	75%
Government websites	5	2	7	7%
Seminal works/books	8	5	13	13%
Others	3	1	4	4%
Total Sources	55	44	99	100%

The Differences between Capital Structure Theories

Qualitative researchers use a conceptual framework for their studies instead of a theoretical framework (Collins & Stockton, 2018). A conceptual framework delineates what the researcher expects to find through their investigation (Adom et al., 2018). The conceptual framework for this study is the pecking order theory by Majluf and Myers (1984), which we discuss and compare with other theories in the sections below. The theory states that managers follow a hierarchy when considering sources of financing. There are various competing models of financing decisions that impact business owners, especially minority-owned, and research shows how the capital structure of small businesses are the most significant issue for the sustainability of their businesses long-term (Babanić, 2018). These various capital structure theories assume differences in the business owner's capital structure decision-making process when starting and growing their business.

There are several different theories of capital structure that showcase the small businesses' options to finance their operations, that provide their own assumptions and recommendations. This includes the free cash flow theory, the net income theory, the pecking order theory, and the trade-off theory. Each of these theories of capital structure in the context of business value creation offer various influences on small business owner's financing decisions when starting and growing their businesses. It also helps companies determine the optimal mix of debt and equity financing to use in their operations. To understand which model remains true to the competitiveness and effectiveness of Latinx-owned small businesses, it is helpful to identify the similarities and differences of financial theories mentioned below.

Free Cash Flow Theory

The free cash flow theory hypothesized by Jensen (1986) has shown that debt plays an important role in reducing the businesses' cost during an investment in the company. It showcases that the value of the business is determined by the liquidity and solvency of the business (von Beschwitz, B, 2018), and the business owners who have an excess in cash flow are pressured to pay the excess out to the investors rather than reinvesting it in the business (Smith & Pennathur, 2019). All small businesses, regardless of industry or segment, must manage their cash flows in order to survive and grow, but the free cash flow theory is really designed for more mature businesses, especially those that are prone to over-invest.

Small businesses contribute not only to the U.S. economic growth, but also to aggregate business growth operating in an environment of irregular cash flows, or with limited cash liquidity. According to a study by JP Morgan Chase, they showcase that while small businesses have the potential to contribute to broad-based economic growth, there are many important differences in outcomes dependent on owner gender, age, and community characteristics that limit the contributions and resilience of many firms in the sector (Farrell & Wheat, 2016). Therefore, the free cash flow theory may be of relevance to Latinx-owned entrepreneurs, as we could understand the financial decisions and behaviors that could drive a "cash buffer" so that small businesses can operate without interruption. Also, a combination of relatively thin cash buffers and irregular cash-flow patterns could pose a threat to the survival of small businesses (Farrell et al., 2019).

Farrell et al. (2019) found that over the first four years of operation, small businesses usually transition from less regular cash-flow patterns to more regular patterns. The businesses that continued with irregular cash flows were nearly twice as likely to exit than those that operated with regular cash flows, and for those that could transition to more regular cash-flow patterns, they obtained faster revenue growth. Further research is needed to better understand small businesses resiliency and their cash flow patterns, and how it behaves during short-term or long-term disasters.

Net Income Theory

In the net income theory, presented originally by David Durand (1952), shows that businesses can increase its value or lower the cost of capital by using debt capital. Net income, also known as the bottom line, because it is shown at the bottom of the income statement, shows whether a business has made a profit after all expenses are deducted from total revenue. So, in this theory, net income is used as a tool for investors and bankers to consider whether the small businesses is applicable to be approved a business loan, or whether it has a healthy margin to calculate net profit margins.

For Latinx-owned small businesses, the concept of net income is equally important for assessing the profitability and sustainability of the business. According to a report by the National Latino Research Center (2019), Latinx entrepreneurs are a growing segment of the small business community, and their businesses have a significant impact on the U.S. economy. Latinx-owned businesses face unique challenges such as limited access to credit and lack of access to mainstream business networks. These factors can impact net income overall, and by understanding this theory, Latinx business owners can identify areas for improvement, such as reducing expenses or increasing revenue streams.

Financial leverage for a small business is crucial. For investors to review whether to finance a particular small business, they expect higher risk as debt increases, and the cost of equity also increases (Kruk, 2021). Since the capital structure is a mix of debt and equity, the value of the company is independent of any capital structure decision, also known as financial leverage. Thus, capital costs do not change regardless of the financing sources, and it also assumes that foreign capital comes at a lower cost of acquisition than equity offers (Kedzior et al., 2020). The financial expenses are assumed to be fixed, and small businesses use this financial leverage to determine a financial break-even point (Babanić, 2018).

The Pecking Order Theory

In the pecking order theory (POT), it addresses small and medium enterprises (SMEs) capital structure and was developed by Donaldson (1961) and modified by Majluf and Myers (1984). The POT is used to explain how small business owners prioritize their sources of financing according to the inverse relationship between profitability and debt ratios. Financing can come from three major sources: internal funds, debt, and new equity. According to this theory, businesses prefer internal financing, then debt, and, as a last resort, raising equity.

The pecking order model of financing decisions suggest that businesses finance new investments first with their retained earnings, then with safe debt, then with risky debt, and finally, under pressure, with equity (Rahman, 2019). A pecking order structure can also be because of tax considerations, transaction costs, organizational relationships, contracts, and other behavioral factors (Frank et al., 2020). Although the POT mainly explains the observed financing practices of large publicly traded corporations, this theory is relevant even in the practices of start-up financing decisions as well as reflected in small businesses financing strategies. The only difference may be that small business owners might not have the additional financial support in obtaining external equity if the relationships or networks have not previously been established as in public traded corporations (Ahmad & Atniesha, 2018).

Latinx-owned small businesses can benefit from understanding the pecking order theory to help them make informed decisions about financing their operations. According to a report by the Stanford Latino Entrepreneurship Initiative (2019), Latinx-owned businesses face unique challenges in accessing capital, making it essential to understand the pecking order theory. Internal funds, such as retained earnings, as the first source of financing under the pecking order theory. By using their profits generated from the operations to finance future growth and expansion, Latinx-owned small businesses can reduce their reliance on external financing. However, by also recognizing that there are ways to leverage debt as a second source of financing, such as the use of loans, collateral, or credit lines, Latinx owners can identify the appropriate level of debt financing that they can use without putting the business at risk. In terms of equity financing, Latinx-owned small businesses face challenges in accessing those business networks from angel investors and venture capitalists. However, understanding the pecking order theory, it can help Latinx business owners evaluate how much ownership and control they can give up for choosing this type of financing.

The Trade-Off Theory

The trade-off model suggests that businesses identify their optimal leverage by weighing the benefits of additional debt with the costs of financial distress. So, the benefits of debt like tax deductibility of interest and the reduction of free cash flow problems offsets costs like potential bankruptcy or conflicts between stockholders and bondholders. Same with dividend, where businesses maximize value by selecting the dividend payout that equates the costs and benefits of the last dollar of dividends (Rahman, 2019). In the trade-off theory, the cost of debt is always lower than the cost of equity because tax can be subtracted from the interest on the debt, and the business has more control. According to Myers, the most telling evidence against the tradeoff theory is the inverse correlation between profitability and financial leverage (Danis et al., 2014).

For Latinx-owned small businesses, the limited access to debt financing due to historical and systemic barriers, the trade-off theory may not be the best capital structure available. For example, Latinx entrepreneurs may have difficulty in obtaining loans due to the lack of credit history or collateral, thus not enjoying of the tax benefits in the form of interest deductions, thus reducing the company's tax burden (Cabezas, 2019). The costs of financial distress can be significant, including bankruptcy, legal fees, and loss of asset ownership. Excessive debt can also limit a company's ability to access additional financing in the future.

The difference between these theories is that in the trade-off model's costs and benefits of debt are analyzed, whereas in the pecking order theory, the firm's net cash flows are studied. In the cash flow theory, researchers argue that it discourages investments that bring long-term profits because the financial decisions are made during the current operations of the small business. Lastly, one of the limitations in the net income theory is that the cost of debt remains constant and cannot be altered through financial leverage.

Therefore, the framework that we will focus on this study for Latinx-owned businesses is the pecking order theory because it predicts more profitability while giving them more options to have higher dividend payouts and more investment options. The pecking order theory also gives Latino owners the option to control dividends and use financial leverage to grow their business, especially as access to outside debt (such as business loans, personal loans offered by banks, business credit cards, and business lines of credit) is limited to Latinx-owned businesses (Fairlie, 2018). The pecking order theory framework is important to examine in Latinx-owned small businesses because we can identify if it's the financial decisions made throughout their business operations, or if it's the financial status that drive business success or failure.

Small business owners' financial decisions can make or break the future of the business. The capital structure decisions, mainly due to an increased risk aversion, and the desire to maintain control over the firm, affects how small business owners leverage their financing options (Burgstaller & Wagner, 2015). The effect of the capital structure made at the beginning of forming a small business, or at the time of expanding the business, can make an impact on the long-term sustainability of that business. The use of external equity as the main source of start-up financing decreases the chances of closing the business, and it also demonstrates that external equity decreases as the ownership shares of the founding team increase (Hechavarría et al., 2016).

Further, the assumption of investors obtaining the same information on the business operations of companies as their managers, also known as the symmetry of information, can have a significant impact on the financing decisions made for the small business (Babanić, 2018). So, the relationship between investors and owners of small businesses can influence whether debt or equity will be used to finance the equipment, assets, and other capital needs of the small business.

Characteristics of Minority-Owned Small Businesses

The characteristics of minority-owned small businesses have increased exponentially in the United States since the 1970s. It was in 1977 that the adoption of the Community Reinvestment Act (CRA) allowed the U.S. Small Business Administration to create policies that helped open guaranteed bank loans to minority businesses (Bates et al., 2022). According to the 2020 Annual Business Survey (ABS), approximately 18.7% (1.1 million) of U.S. employer businesses were minority-owned (U.S. Census Bureau, 2021), and 99.9% of minority-owned businesses with employees are small businesses (Small Business Administration, 2022). The importance of minority-owned small businesses can be attested to their share of total receipts jumping from $907 billion in 1997 up to generating $1.3 trillion every year since 2019 (U.S. Census Bureau, 2021). They help create jobs, where now 1 out 10 Americans are employed by a small minority-owned business. Therefore, there is an emphasis on supporting these small businesses' sustainability, as it impacts more of our current American economic output.

Latinx-owned small businesses have many advantages to grow their market share. For Latinx entrepreneurs, the high rates of business experience, increasing educational attainment, and high unemployment rates contribute to the increased number of Latinx-owned small businesses (Siles & Martinez, 2021). Using bilingual skills also open more business opportunities that addresses the needs of the growing Latino population customer base. However, the challenges delineated in the literature from decades ago (Bates et al., 2018) still exist. Some of these barriers include the inequities in accessing finances, government procurement obstacles, and the inability to adopt technological advances that could give them a competitive advantage to a bigger market reach. Factors such as work experience, experience in the industry, age, and education often adversely affect business credit scores for minority-owned businesses and drives many to open their own businesses as a self-employment solution. In fact, small businesses in majority-Black and majority-Hispanic communities and communities with lower home values and few college graduates often also generate lower profits (Farrell et al., 2019).

Latinx-owned small businesses are often family-owned and operated, reflecting the cultural value of familial ties and entrepreneurship. According to a study by the Stanford Latino Entrepreneurship Initiative (2019), 75% of Latinx-owned small businesses are family-owned, compared to 57% of non-Latinx owned businesses. The family ownership structure can pose some advantages, such as a sense of ownership and purpose to the business, however, it also limits access to external resources and capital, or provide the expertise per role in the business model.

Also, the limited number of entrepreneurs possessing the expertise to utilize financing effectively to build viable businesses is one of the greatest barriers for minority entrepreneurs (Bates et al., 2022). Lastly, the location in which a minority business owner operates impacts the survival and sustainability of their business but becomes less important as the owner's business experience and industry are taken into consideration (Farhat et al., 2018). Below we will explore further on how and why the barriers to accessing finance exist for Latinx-owned businesses.

Barriers to Accessing Finance

Access to finance is a critical factor in the success and growth of a small business, but Latinx-owned small businesses face significant barriers in accessing capital. A study by the Stanford Latino Entrepreneurship Initiative (SLEI) found that Latinx entrepreneurs are less likely to receive bank loans than non-Latinx entrepreneurs, with only 18% of Latinx business owners receiving bank loans compared to 35% of non-Latinx business owners (U.S. Hispanic Chamber of Commerce, 2019). This disparity is due to various factors, including discrimination, lack of credit history, and limited access to networks and resources.

As an example, credit history can affect the growth of a small business. Minority business owners appear to be penalized in the determination of credit scores when accessing credit lines and in the process of lenders' determining credit scores in lending decisions (Robb & Robinson, 2018). In small business owners' audit studies, business credit impacted the approvals or denials of business loan applications. For white and minority applicants seeking bank loans, researchers often found that Black and Latino applicants at the loan inquiry stage were treated differently, and most often denied in comparison to white applicants (Bates et al., 2018). Other research also shows lender's unequal treatment are compounded by the level of minority entrepreneurs' discouragement to apply for business loans or build their business credit (Neville et al., 2018).

In addition to business or personal credit score household wealth is a factor that hinders many minority business owners in obtaining approvals for their loan applications. In a study done by the Kauffman Foundation, it shows that 68% of White owners that have personal wealth of at least $250,000, in comparison to 61.7% of Black and Latino owners, were more likely considered as low risk in their loan applications (Bates et al., 2022). Leveraging personal tangible and intangible assets like real estate, vehicles, inventory, and accounts receivable assures lenders that the business owner is unlikely to go bankrupt or abandon their business endeavors. Therefore, the concept of ownership is important for Latinx small business owners, whether is owning a house, or the equipment and other components of their business; in the long-term it can support the growth of racial wealth and economic development in minority neighborhoods. For many immigrant Latinx business owners, this is also comparable to achieving the American Dream (Cervantes et al., 2021).

Changes in financial institutions and educational programs targeting minorities have improved and decreased barriers toward minority entrepreneurship, but many more are still in need, as disparities continue to grow during the pandemic. Financial education programs, both in English and Spanish, for Latinx-owned small businesses should include details on how to develop and understand financial statements, balance sheets, and income statements, as well as support in creating business plans that are acceptable in financial institutions (Siles & Martinez, 2021). Also teaching on financial risk tolerance and how financial institutions and investors measure entrepreneurs by assessing available assets, need for income, willingness to sustain market volatility and net worth.

The combination of all financial options assists with the growth of a small business. Fisher (2016) highlights that financial literacy significant, but also teaching on wealth generating habits and risk tolerance can help Latinx founders understand their options to leverage capital to grow their investments. This includes not only on how to operate their business wealth, but rather focusing on their family legacy with estate planning, succession plans and exit strategies, life insurance, retirement accounts, and other wealth-generating assets. Financial institutions can go further in teaching how to build an emergency fund, strategize leveraging debt to build wealth, and look for ways to improve financial standing with minimal risk. This will allow for many Latinx-owned businesses choose long-term investment tactics over favoring liquidity and short-term success.

Longer-term business plan can support Latinx business owners understand their financial options. Minority-owned businesses struggle with the disparities in savings and intergenerational wealth that could help buffer emergency situations or unanticipated job loss (Darity & Mullen, 2020), especially during a crisis like the COVID-19 pandemic that affected many Latinx-owned family businesses. To effectively support SMEs during a financial crisis there is a need to develop business regulations that encourage longer-term business planning and incentives, rather than providing short-term credit to SMEs via grants or subsidized loans (Arrieta-Paredes et al., 2020). Encouraging business networking events to increase social capital networks for small business owners can often create more awareness of alternative financing opportunities and provide a safe platform to connect with like-minded professionals that can become business providers, partners, or associates that help with business growth. Also, providing more opportunities for government and private funding programs that cater to Latinx-owned small businesses can diminish this barrier to more financing options.

Barriers to Accessing Procurement, Supply Chain Opportunities and Government Programs

Entrepreneurs with greater product market access and supply chain advantages have more opportunities for the volume of materials needed for their business operations, as well as can distribute their products to a wider range of customer networks. The high-costs barriers to entry such as hiring consultants and legal advisors to assist with contracting are often difficult for minority entrepreneurs. Historically, entrepreneurs have been excluded from key networks and information, and have also experienced overt and covert discrimination from resource providers, customers, banks, and financial institutions (Bates & Tuck, 2014). However, preferential procurement programs available from government and commercial networks support minority entrepreneurs with rapid business expansion and resource support (Shelton & Minniti, 2018).

Government contracting experience has strengthened relationship building with corporations that open diversity equity and inclusion opportunities to provide long-term training for internal management skills and processes that enhance minority-owned businesses' viability and sustainability (Pan et al., 2022). In Houston, there has been tremendous growth in construction companies that meet the 50% and above minority-owned rates, as well as professional services for engineering and architecture opportunities due to policies provided by the City of Houston to stimulate the growth of small, minority, women-owned and disadvantaged business enterprises (The City of Houston, 2022).

These practices encourage minority-owned companies to fully participate in all phases of its procurement activities, affording them with full and fair opportunities to compete for government contracts, whether local, state, or federal levels. Yet, one of the major obstacles reported by Latinx-business owners as vendors for procurement and supply chain needs, is overcoming the public's preconceived notions that the quality of a minority-owned business is poor or inferior in the market (Coronado & Martinez, 2018). It's not just the opportunity identification that is an issue for minority entrepreneurs, but there needs to be fair assessments of the quality of products delivered by vendors so that there is no favoritism or elitism created by race stereotypes. Shelton and Minniti (2018) recognized this as opportunity evaluation and opportunity exploitation where preferential procurement programs also often provide certification processes to ensure the quality of products and services given by minority entrepreneurs.

Overall, government entities such as the Minority Business Development Agency (MBDA), and other city-led procurement and supply chain programs allow for sufficient product market access for minority entrepreneurs, not only to establish viable businesses, but also grow by serving in larger government and commercial contracts. Another opportunity that is available for small businesses given the Tax Cuts and Jobs Act of 2017, a federal initiative administered by the U.S. Department of Treasury to spur economic development and job creation in distressed neighborhoods (Texas Economic Development, 2022). This allows small businesses to apply through the opportunity zones programs, where small businesses are given tax breaks for investing and doing business in under-served communities.

Harris County contains 105 opportunity zones, and over 16% of the zones are designated in Texas (The City of Houston, 2019). In the opportunity zones program, the qualified business must maintain 70% of its assets within an opportunity zone and get a temporary deferral of taxable income for capital gains reinvested in an Opportunity Fund (The City of Houston, 2019). This allows business owners to not only grow in their communities, but to also create wealth generating businesses that invests back to their communities.

Slow Adoption of Technological Advances

The adoption of technological advances in small businesses is crucial for the growth and sustainability of the business. Research suggests that technology adoption is vital for business growth, performance, productivity, competitiveness, and building customer relationships, all of which drive high performance and sustainability (Gavino et al., 2019). The use of social media can also support a scalable model to reach markets outside the local size of customers, and minority-owned business owners can leverage this type of technology with an affordable budget and low risk.

A major concern of an SME is the ability to adapt quickly to these technological changes, as the digital divide grows within minority communities. Research also suggests that technology adoption by minority small business owners may be dependent on the attitudes of their social network, of the social norms and attitudes toward technology, and the awareness and access to technological devices that can enhance sales, branding, and enhanced customer experience (Rugova & Prenaj, 2016). This technological adoption gap stems from mindsets and perceptions that small businesses can't afford to invest in new technologies because it is too expensive for the business. However, the benefits that could bring the small businesses with efficient support to generate revenue faster, maximize capacity, could prove otherwise.

The slow adoption of technological advances by Latinx-owned small businesses has been a longstanding issue, hindering their growth and competitiveness. According to a report by the U.S. Hispanic Chamber of Commerce (2019), only 20% of Latinx-owned small businesses use digital tools for marketing and sales, compared to 30% of non-Latinx owned small businesses. This lack of adoption is due to various factors, including limited resources, lack of awareness, and language barriers. Furthermore, Latinx-owned small businesses are more likely located in low-income or underserved areas, with limited access to broadband and technological infrastructure.

Others fear that operation changes may freeze up the business habits already developed and could bring up more costs to the business for adopting new technologies. Yet, digital integrations such as social media accounts that are free could be the answer to growing Latinx-owned businesses, not only for new opportunities to enter national and international markets that they haven't tapped before. Also, hyper-connectivity and digital integrations, as well as high-tech devices such as augmented and virtual reality, machine learning, and blockchain technology could contribute to digitalization and creation of new business models for Latinx-owned small businesses (Hoerlsberger, 2019). Also, a study by the Latino Donor Collaborative found that if Latinx-owned businesses adopted the same level of technology as non-Latinx owned businesses, it would add up to $1.4 trillion to the U.S. economy (Garcia et. al, 2019).

Small businesses need to understand tools like cost-benefit analyses, decision matrices, and risk assessments before adopting new technologies for their business operations. This could help them identify the gaps that could be improved. Business owners could save from those efficiencies rather than incurring costs that could be avoided by adopting new technologies. It is also important to celebrate small businesses who benefitted from technology adoption, to normalize the digital changes that helped them grow and sustain their businesses. Moreover, the pandemic has highlighted the urgent need for Latinx-owned small businesses to adopt digital tools and e-commerce platforms to survive and thrive in the post-pandemic economy.

To address the slow adoption of technological advances by Latinx-owned small businesses, policymakers and stakeholders must work together to provide access to resources and information. This can include initiatives to increase digital literacy, partnerships with technology providers, and funding for technological infrastructure in low-income areas. Additionally, cultural and linguistic considerations must be considered to ensure that Latinx-owned small businesses can effectively adopt and utilize technological advances.

Human Capital and Factors in Integrating Family Members

Another important factor to consider in the small business owner's capital structure decision-making process is its relationship to its hiring practices. For Latinx-owned businesses and other minority-owned businesses, one of the barriers is that majority of those small businesses hire less experienced personnel, especially family members or close friends. This hiring decision, although perhaps an easier process to deal with, influences the financial decisions and operations on how to start and grow their business.

Shinnar et al. (2013) found the relationship between family involvement in a small business for minority-owned businesses and its business success differs according to the race and cultural nuances of the family members. For Mexican American families especially, hiring family members translated into better financial performance in comparison to White and Korean American owned businesses (Shinnar et al., 2013). While family-owned businesses often have drawbacks of hiring family members due to the intertwined personal and professional pressures, and the reliance on family financing, for Latinx-owned businesses it is almost an integral component and had a positive impact on the success of the business. Other research shows that having family members as employees and managers may add to management difficulties because boundaries may become blurred between business ownership, family concerns, and difficulty in managing personal and professional issues (Cater et al., 2019).

Other reasons why Latinx-owned small businesses hire family members is the perceived control over the family's financial stability. Two of the motivations for Latinx business owners in starting a business ranked family's financial stability and self-realization of being able to utilize their skills and abilities (Martinez & Avila, 2019), in comparison to self-realization and a sense of freedom ranked by white counterparts. It is easier to hire someone that you already know and that is personally invested in the success of the business operations.

Formal vetting mechanisms of hiring the best person for the role rather than because they are a family member, can dampen the success of the business management. Research suggests that Latinx-owned small businesses should adopt HR practices to select, train, and have compensation practices that are equal to family and non-family members to maximize the effectiveness of the small business (Cater et al., 2019). Formalizing the HR practices provides the small business structure that can be scalable and replicable that is needed when growing the business.

Entrepreneurship gives the freedom to Latinx business owners that often they can't find in corporations or established jobs. Recent studies demonstrate that a higher rate of Latinx business owners opt for self-employment so that they can earn more by working for themselves than in the work sector, while also helping their families given their work flexibility (Fisher & Lewin, 2018). Entrepreneurship is used as an upward mobility tool that is controlled by their own decisions, networks, and accomplishments rather than limited professional growth opportunities, especially for those workers with limited English proficiency. In minority neighborhoods, business owners are more likely to be college graduates with slightly less work experience in the specific industry in which their firm is operating (Bates et al., 2022). Yet, results also suggest that workers that go into self-employment are often college-educated business owners that have higher rates of survivability, a higher likelihood of hiring employees, and about 25% higher sales than the businesses of owners without a high school diploma (Coronado & Martinez, 2018). Therefore, research like the one led by Fisher and Lewin (2018) have also uncovered stratifications across Hispanic origin groups that own businesses in the United States, given the differences in gender, education, personal wealth, and immigration status that allows them to be self-employed.

Further research on this topic should integrate the different impacts of culture and ethnic factors that cause for self-employment or creating paid and unpaid positions for family members that affect financial business decisions, business performance and business sustainability (Wang & Hanna, 2019). As studied by Maria Leta-Leroux (2019), cultural factors of Latinx-owned businesses have similarities to other ethnic groups and gives them advantages to accommodate to a larger market access. It also provides Latinx business owners with a significant level of resilience that overcomes language barriers, bureaucratic processes, and procurement and supply chain issues. Other studies from Marlene Orozco (2020), shows that Latinx-owned businesses have the greatest profitability selling Latino products, but see a greater profit in serving mostly non-Latino customers. Orozco's findings suggest ethnic economies are not geographically bounded, as previously theorized, but rather culturally based.

Disasters and COVID-19 Pandemic Effects on Latinx-Owned Small Business

The COVID-19 pandemic affected all industries and all small businesses across the United States. However, minority-owned businesses, especially Latinx-owned businesses, have been impacted more than most other businesses. According to the Census Bureau statistics, Latinx-owned businesses had major losses, dropping from 2.1 million to 1.4 million (32%) of business owners halting activity between February and April 2020, and continued to drop in second and third months after widespread shelter-in-place restrictions to 19% of business owners becoming inactive in May and 10% inactive in June. Immigrant business owners suffered a large drop of 36% in business activity, and female business owners suffered a disproportionate drop of 25% (Fairlie, 2020). Furthermore, due to the social-distancing policy mandates and demand shifts, most major industries were faced with large drops in the number of active business owners in the construction industry, restaurants, hotels, transportation, and personal/laundry services, all of which are highly represented by Latinx-owned small businesses.

The Stanford Latino Entrepreneurship Initiative (2021) is a seven-week immersive program providing Latinx business owners with education, enhanced networks, personal mentorship, and a better understanding of how to access and manage capital. The program is based on a survey of 224 high-revenue Latinx-owned businesses that found 86% of respondents reported immediate negative effects, such as delayed projects and closure from the pandemic (Fairlie, 2020). The findings suggest that the traditional supply chain of capital is still broken for Latinx-owned businesses, even though Latinos are contributing increasing amounts of capital to the financial system in the United States. Given their smaller size, Latinx-owned small businesses tend to be rather flexible when opportunities or threats arise, such as the COVID-19 pandemic showcased (Eggers, 2020). So, although the pandemic showed a transitional challenge, this flexibility and frugality can provide Latinx business owners with valuable opportunities to quickly react and resolve during the crisis.

A large percentage of Latino businesses were impacted by the pandemic, and about 33% of Latino parents/primary caregivers have either closed their businesses or have experienced significant drops in revenue (Vargas & Sanchez, 2020). Their findings also suggest the needs for regulation on predatory short-term lending that impacts many Latinx-owned businesses, and to ensure a decrease in financial ruin during economic and health crises. From a survey developed by the Hobby School of Public Affairs at the University of Houston (2020), and in partnership with the Houston Hispanic Chamber of Commerce, they implemented and studied a series of surveys targeting vital local Latinx-owned businesses to assess the effects of the pandemic in 2020. As a result, they showcased that more than half of Latinx owners experienced sales losses, and more than one third had furloughed or laid off more than 80% of their workforce, which overall, affected the capacity to continue their usual business operations (Watson et al., 2020). About 69% expanded their businesses online, or created an online presence, and more than half of businesses studied said they would apply to the federal government's

Paycheck Protection Program relief plan, yet few of them got approved (Watson et al., 2020).

The main challenges to their businesses include delay or cancellation of projects, which was selected by 47% of respondents. The lack of customer demand (selected by 29% of respondents) was also one of the main challenges highlighted given the limited personal contact allowed in the state at the beginning of the pandemic. Access to capital, which was chosen by 10% of those surveyed, was their third biggest challenge (Watson et al., 2020). Other challenges like availability of workers, equipment, supplies, logistical problems, and delays in obtaining permits were less of a concern, but still negative implications to their business operations and sustainability.

The COVID- 19 pandemic was not the only time that Latinx-owned businesses suffered the most in comparison to other ethnicities during an economic crisis. From a Pew study in 2019, Latinx business owners faced a similar business ownership loss during the Great Recession and the 2007 market crash (Bennett & Kochhar, 2019). Other studies such as the Stanford Latino Entrepreneurship Initiative also highlight the financial impact of Latinx small business owners due to the COVID-19 pandemic, such as lack of access to PPP funding in time to continue their business operations (Orozco et al., 2020).

Natural disasters and political crises also pose significant challenges to Latinx-owned small businesses. A study conducted by the National Bureau of Economic Research (Autor et al., 2022) found that natural disasters have a negative effect on small businesses, leading to decreased revenues and increased likelihood of bankruptcy. When natural disasters occurred in Houston, for instance, after Hurricane Harvey on August 25, 2017, and Hurricane Irma hit Miami, Florida on September 10, 2017, business owners' cash balances declined by just under 8% (Farrell & Greig, 2018). These declines were the combined result of revenue declines by 63% and 82% percent in Houston and Miami, respectively, partially offset by corresponding drops of 54 % and 62% in expenses. These disruptions were temporary, and twelve days after they reached their lowest point, cash inflows again showed increases compared to the previous year in that same period. By four weeks after landfall, few businesses appeared to suffer continued cash-flow impacts directly related to the storms (Farrell & Wheat, 2016). Small business resiliency in Houston is often undermined but bounces back no matter the natural or economic disasters small business owners endure.

Overall, we should keep this in mind as we continue to monitor the implications of the COVID-19 pandemic and the barriers enhanced towards Latinx-owned small businesses. The rising number of COVID-19 cases and deaths have forced consumers and businesses alike to change their financial saving and spending habits, further creating uncertainty about the future economic outlook. Now, three years after the pandemic began, consumer confidence and spending, as well as business operations has increased. However, the supply chain challenges and continued high unemployment rates, small businesses in Houston, especially Latinx-owned, still need the financial support to be able to fully operate.

Despite these challenges, Latinx-owned small businesses have shown resilience and adaptation during the COVID-19 pandemic and other disasters. They have pivoted their business models, increased online presence, and relied on community support to survive. However, long-term solutions are needed to address the systemic challenges that Latinx-owned small businesses face. Policymakers and community leaders must work together to provide resources, information, and opportunities to support Latinx entrepreneurship and promote economic development.

Policies that boost cash liquidity and support small businesses in developing and maintaining a cash buffer may allow firms to better weather financial shocks (Farrell et al., 2019). In the face of COVID-19, for example, small business revenue losses caused bankruptcies, particularly those with more limited cash liquidity, but especially those that could not make payroll in time, or pay their bills, and cover outstanding liabilities. Policymakers can consider increasing liquidity for small business owners through grants and loans during economic downturns and periods of uncertain demand, especially targeting minority-owned businesses, which often are communities with lower amounts of human and financial capital, and businesses with irregular cash flows could help to bolster the most affected.

Transition

Section 1, I included the foundation of the study, the background of the problem, a general and specific statement of the business problem, the purpose statement, and nature of the study. The section also contained the research and interview questions, conceptual framework, operational definitions, assumptions, limitations, delimitations, and significance of the study. Section 1 concluded with a review of the professional and academic literature, exploring the pecking order theory selected as the conceptual framework, the trade-off theory, and the barriers identified in minority-owned small businesses overall.

Section 2 included the purpose statement, the role of the researcher, participants, research method and design, population and sampling, ethical research, data collection instruments, data collection technique, data organization technique, data analysis, and reliability and validity. In section 3, I presented an overview of the study, a presentation of the findings, applications to professional practice, implications for social change, and recommendations for action and further study. The section concluded with the researcher reflections and final recommendations for immigrant Latinx-owned small business owners in Houston implementing financing strategies to achieve sustainability beyond 5 years.

Section 2: The Project

The intent of this qualitative multiple case study was to explore strategies Latinx-owned small business leaders in Texas use to finance and sustain their businesses beyond 5 years. This section includes a restatement of the purpose statement, the role of the researcher, participants, method and design, population, and sampling. It also involves information on ethical research, data collection instruments, data collection technique, organization, and analysis. For the concluding subsections, reliability and validity of the study and a summary of the section was added.

Purpose Statement

The purpose of this qualitative multiple-case study was to explore strategies Latinx-owned small business leaders in Texas use to finance and sustain their businesses beyond 5 years. The target population was six immigrant Latinx business leaders who own small businesses, have maintained a profit beyond 5 years, and have demonstrated success in addressing financing strategies during these first 5 years. The implications for positive social change include the potential to improve the success rate of Latinx-owned small businesses for increased employment and improve economic development for underserved communities.

Role of the Researcher

The role of a researcher is to design, collect, explore, and interpret data in a structured manner to minimize and mitigate academic bias and maintain strict adherence to ethical guidelines (Yin, 2018). To meet my obligation as a researcher, I used an interview protocol, conducting member checking to validate the summary of all responses and to reach data saturation. In addition, I reviewed the following documents: financial and legal documents, receipts, bank statements, and other relevant documents shared by the interviewees. To mitigate personal bias, I created an interview protocol (see Appendix B), member checking, data saturation, and other strategies to mitigate the use of one personal lens during the data collection process of my doctoral study. As such, prior to starting the participant interviews and collecting archival data, I obtained a signed informed consent form from each participant on their awareness of my study's purpose, their role as participants, and their willingness to participate in my study. I then provided an opportunity for participants to read the transcripts of their interviews, as well as an executive summary, ensure accurate details, while retaining reliability and validity of participants' interview data as recommended by Saunders et al. (2019).

The *Belmont Report* includes ethical principles a researcher should abide by when researching human participants and includes safeguarding the respect of vulnerable populations, avoiding deceptiveness, and providing uniform handling for all participants (U.S. Department of Health and Human Services, 1979). I adhered to the ethical principles set forth in the *Belmont Report* and applied the ethics training I obtained from the National Institutes of Health (NIH) (see Appendix A). This also included the shared information from all participants, the interview protocols that contained the procedures for the interview, a summary of participant consents, and uniformed interview questions to ensure all information is congruent with all participants.

In my role as Director of Economic Development, I have had the privilege to interact with many local Latinx small business owners. I often partner with local organizations, non-profits, governmental entities, and financial institutions that address the needs of this population. These experiences have prepared me for the qualitative interviews I conducted during this study. As part of my efforts to deliver entrepreneurial initiatives in under-served communities, I have previously reviewed business plans, financial statements, and developed business workshops in English and Spanish to support the needs of Latinx small business owners. These activities have heightened my understanding of the challenges and opportunities they often face.

As part of this research methodology, I conducted one-on-one interviews with Latinx-owned small businesses in Houston, that have sustained their business for more than five years. I provided each study participant with the interview protocol and open-ended interview questions, to serve as guidelines and establish rapport with them. This will also mitigate bias keeping the interviewer on track throughout the study (Yin, 2018). A copy of this interview protocol can be found in Appendix B.

Participants

When selecting participants, a key component I considered was selecting in an equitable manner, ensuring that the population who understand the phenomenon in this study was properly represented (Yin, 2018). The participants in this study consisted of six Latinx-owned small business owners that have sustained their businesses for more than five years, and that have immigrated to Houston from Latin America or are first or second-generation. Interviewing this group of participants will fulfill the requirement of the research question: What financial strategies do immigrant Latinx-owned small business owners implement to achieve sustainability beyond 5 years?

To gain access to my study participants, after IRB approval, I used digital listings to seek small business owners that met the study criteria. I contacted potential participants and prescreened them by asking them to probe questions, such as if they founded their businesses in Houston, and have more than 5 years of existence and operations. I also reviewed successful Latinx-owned business owners in the Houston Small Business Administration database and used professional databases such as LinkedIn search that incorporated the qualifications of Latinx-owned businesses in Houston that have been established for more than 5 years. Given the COVID-19 pandemic, I followed the IRB rules governing the conduct of face-to-face research interview (Walden University, 2022), and informed my participants through a formal invitation by e-mail, attaching consent forms to conduct virtual interviews using a video conferencing tool and phone.

Through these interactions, I explained the purpose of the study and made a request for voluntary participation, and after gaining consent from business owners, I sent an email describing the interview protocol. The participants sent an email back to verify that they have reviewed the interview protocol and sent an agreed confirmation. I then contacted the participant to set up a date and time for a Zoom meeting of 60-to-90-minute interviews. For two of the six participants, I conducted the interview on the same day, and the other participants were scheduled in various days.

For this study, I provided participants with a disclaimer outlining the purpose of the interview and the opportunity to withdraw from this study during their interview sessions. I also gave participants time to review the concept and interview process so that it would not impact the success of the interview and ultimately drive for faulty results (Spatz et al., 2016). Sending the consent form immediately after a participant agreed and providing 10 days for review provided the participants with enough time to fully consider the risks and benefits and to seek alternatives to the procedure (Spatz et al., 2016). Thus, informed consent was obtained immediately after the participants agreed to voluntarily participate in the study to ensure the participant's autonomy remained at a high level. To establish a good working relationship with the potential participants, I asked them to select the date and time for their Zoom or other videoconferencing interview. I relayed to the participants that data collection was not used for any other purposes than its intended use. I also assured them of confidentiality and privacy of any personal information collected.

Research Method and Design

Research Method

The three methods available to scholarly researchers are quantitative, qualitative, and mixed (Saunders et al., 2019). I used the qualitative method to conduct this study. Quantitative researchers statistically examine relationships between variables by testing hypotheses, and they must be verified or falsified based on empirical research (House, 2018). Researchers have also used the mixed methods approach when they combine qualitative and quantitative research to explore and examine complex phenomenon (Almalki, 2016). Since I did not collect numerical data, nor tested hypotheses, I rejected the use of quantitative and mixed methods. Researchers use qualitative methods when there are no quantifiable responses to a research question, and when the research aims to explore business processes (Yin, 2018). Therefore, a qualitative method is appropriate for exploring the experiences and unique perspectives of study participants and was most appropriate for this research.

Research Design

I considered three qualitative research designs: (a) case study, (b) narrative, and (c) ethnography. After reviewing the focus of these qualitative designs, I selected the multiple case study design. Researchers use the multiple case study design to explore a case in a real-life scenario (Rashid et al., 2019). A multiple case study provides a greater opportunity than a single case study to gain an in-depth understanding of a phenomenon for comparisons among varying conditions across differing organizations (Yin, 2018). Narrative researchers explore and conceptualize human experience as presented in storied forms (Tanenbaum et al., 2014), which was not the intent of this study. In an ethnographic study, the researcher explores a particular group to produce detailed and comprehensive accounts of different cultural social phenomena (Saunders et al., 2019). Researchers conduct ethnographic studies to explore the culture of participants (Reeves et al., 2014), which was not aligned with the study's purpose.

To achieve data saturation in a case study, Guest et al. (2020) pointed out that data saturation may be attained by as little as six interviews depending on the sample size of the population in a research study. It is however noted that studies are different and hence sample sizes required to achieve data saturation will be different from one study to the other (Fusch & Ness, 2015). The researcher should however be convinced that he has chosen the best sample size and quality from the population available to him that will guarantee data saturation.

I interviewed six immigrant Latinx-owned small business owners in Houston to ensure data saturation. Once I was unable to get any new information by interviewing an additional Latinx- business owner I knew I had reached data saturation. If, however, data saturation was not met from interviewing the intended participants, I would have increased he sample size until saturation was achieved.

Population and Sampling

The population for this qualitative multiple case study was immigrant Latinx owners of small businesses operating in Houston, Texas and that have been sustainable for at least 5 years. Participants will be selected through purposeful sampling. Purposeful sampling is important and lies in selecting information-rich cases to the purpose of the inquiry, yielding insights and in-depth understanding instead of empirical generalizations. (Staller, 2021). Researchers who use purposeful sampling select participants based on their judgment on the best respondents who can explain, describe, and interpret this information richness (Moser & Korstjens, 2018). By using purposeful sampling, I identified six immigrant Latinx small business owners in Houston, who could answer the research question most effectively.

The selection criteria for the participants in this study included: (a) being an immigrant Latinx business leader in Houston, Texas and (b) having responsibility for developing business models and financing strategies for their company. These requirements met the study's focus on immigrant Latinx small business owners who could discuss their financing strategies that has made them successful to make a profit and sustain their business beyond 5 years. As discussed earlier, I used video conferencing tools to interview the participants. This enabled the study participants to choose their location of choice, and guarantee confidentiality. It was also expected that because the online interview format, the respondents would feel comfortable to express themselves freely about the research study (Birt et al., 2016).

The sample size for this study consisted of six immigrant Latinx owners from different small businesses in Houston, Texas. I selected the sample size that I believe would provide adequate information required for this study. If data saturation was not achieved, I planned to interview more immigrant Latinx business leaders. After the completion of these interviews, I conducted member checking as noted in the interview protocol (see Appendix B). Member checking is often used to verify data accuracy through semi-structured interviews and relying on the information provided by the participants, and after the researcher has completed collection and data analysis overall (Naidu & Prose, 2018). This process involves writing each interview question first, and then writing down the researcher's interpretation of the interviewees' responses (Birt et al., 2016). I followed up with my study participants to validate my interpretations of the interview data and to gather additional insights. Other documents like organization's financial reports, bank documents, or anything relevant to the study were included for the analysis, yet the main focus were the responses to the semi-structured interview questions included in this study.

Ethical Research

Ethical research involves the application of ethical principles to research activities including the design and implementation of research, respect of participants, and the regulation of research (Chatfield & Schroeder, 2020). Ethics in research dictates how researchers conduct their work, how they manage their participants, how the results are extracted, and how the principles are followed in regard to informed consent and confidentiality (Drolet et al., 2022). I followed ethical procedures for this study by ensuring that I did not start data collection processes until I obtained permission from the Walden University Institutional Review Board (IRB) to conduct the study. After IRB's approval to proceed, I applied the guidance of the *Belmont Report* (U.S. Department of Health and Human Services, 1979) on basic ethical procedures that requires researchers to follow research procedures, respecting participants' opinions and choices in their responses (Vanclay et al., 2013).

Following the Belmont Report procedures (U.S. Department of Health and Human Services, 1979), I informed all participants about the research techniques. Informing and soliciting participants' voluntary contribution about the research procedures helped them decide whether participating in this study is beneficial for them (Yin, 2018). Since immigrant Latinx business owners were the target for this study, all potential participants for this study were individuals who are 18 years and older. I notified all participants before their interview through email or phone to secure their written and informed consent before confirming and conducting their interview (See Appendix A). The consent form clarified the boundaries of the research study to the participants and guaranteed them of data protection (Saunders et al., 2019). Also, the consent form indicated no compensation for participants in this study, and they had the option to withdraw from the study at any time, without penalties, by contacting me via e-mail or phone (See Appendix A).

I followed the ethical procedures to protect participants' privacy when conducting this research case study. Both participant names and the names of their organizations remain confidential. Ensuring the confidentiality of data and assuring participants confidentiality are ethical concerns during the research process (Saunders et al., 2019). If there were no written consent from the participants, I did not reference their organization and individuals' names, demographics, or other identifiable information in the case study data. Lastly, to protect their identity, I used a logical sequence of the research participants, for example, participant 1 (A), participant 2 (B), and participant 3 (C). Also, all consent forms and case study data, both hard and soft copies, have been kept safe and stored for the next 5 years.

Data Collection Instruments

I was the primary data collection instrument to find answers to the research question: What financial strategies do immigrant Latinx-owned small business owners implement to achieve sustainability beyond 5 years? Qualitative research approaches are commonly used when there is little current understanding of a research problem and cannot simply be addressed by taking physical measurements, if an issue is being considered from a new perspective, or if current knowledge is fragmented (Kyngäs, 2020). In comparison, quantitative researchers use data collection instruments such as surveys and questionnaires to collect data (Saunders et al., 2019). As such, as a qualitative researcher, I collected data by conducting interviews, and documented the reviews and observations from each of the study participants (Yin, 2018). For this study, I collected data using semi-structured interviews and business documents provided by the participants.

I enrolled six Latinx-owned small businesses in Houston, Texas, and conducted semi-structured interviews with them. These business owners are responsible for crafting and implementing financing strategies that ensure the profitability and sustainability of their respective businesses. I started the interview by asking a few warm-up questions and then using a semi-structured interview protocol with a set of pre-planned interview questions for each study participant (see Appendix B). Motulsky, S. L. (2021) explains that member checking is a method through which researchers share their interpretation of the participants' interview responses to mitigate bias ensuring the credibility and consistency of the interpreted data. I used member checking to enhance the reliability and validity data collected.

Researchers conducting qualitative studies often combine document analysis with other data collection methods to study and explore their topics, as part of their triangulation process (Natow, 2020). During the interviews, I recorded the interviews via videoconferencing software using the software's in-build recording features and kept a reflective journal to keep track of my thoughts while interacting with participants. This way, I reviewed the semi-structured interview responses from each of the Latinx-owned business participants, and other documentation like organization's financial reports, bank documents, or anything relevant that was shared by them. Participants received a copy of the summarized interview transcript and double-checked its accuracy. Triangulation in qualitative research confirms credibility, reliability, and accuracy in the study as it allowed different data collection instruments to minimize bias (Farquhar et al., 2020). This member checking strategy can help limit bias and confirms the accuracy and authenticity of the participants' recorded responses. It also allowed me as a researcher to achieve reliability and validity by gathering data using multiples sources (Yin, 2018).

Data Collection Technique

After obtaining Institutional Review Board (IRB) approval from Walden University, I began the data collection process. Walden University's Institutional Review Board's approval number is 09-15-23-1014876. This qualitative multiple case study aims to explore the financing strategies that immigrant Latinx owners of small businesses in Houston, Texas use to obtain appropriate financing to promote the growth and survival of their businesses. I used semi-structured interviews through videoconference as the primary data collection technique and complemented the data sources through the business documents provided by participants to ensure reliability through methodological triangulation.

Before the interviews, I emailed the consent forms to the study participants selected and request that they complete and return prior to their interviews conducted. I followed up with a phone call to let them know of their processes and necessary submission of consent forms. Participants also received a reminder prior to their interviews along the interview protocol, interview processes, and answer any questions they may have. Due to the COVID-19 pandemic, I limited the use of face-to-face interviews for precautions, and since this type of research is not considered mandatory. One of the advantages of this data collection technique is the flexibility of interviews that allows extended interaction between the interviewer and interviewees, and which reduces the risk of bias (Yin, 2018). I began the interview by introducing myself and reminding participants of the purpose of this study. I then showed the participants their signed consent form and ask if they require clarifications or have any questions based on the form, they signed prior to conducting their interviews. I then let the participants know that the session will be recorded for the purpose of further transcribing and analyzing the data.

After the recording and further collecting the data, I summarized the responses and conducted member checking of the data interpretations. Using a computer and digital voice software such as Teams or Zoom, can accurately capture the participants' responses (Pal et al., 2021). I shared the interview data with the interviewees who participated in the semi-structured interviews to confirm its accuracy. Thereafter, I analyzed and summarized the information, and shared my interpretations of the interview communicated to the study participants for further discussions and clarification. Lastly, I thanked them for their participation and asked them to further participate throughout the member checking process.

For other sources of data, I asked the participants to provide relevant business documents, such as financial statements, loan agreements, and any of their organization policies and procedures that may provide further sources of evidence. The use of multiple data analysis can encompass a different unit of analysis than the first source data provides and can further the investigation in finding another data set or introduce an underexplained theme (Madden & Tarabochia, 2021). This widens the scope of the participants' responses and is a recommended technique for further triangulation (Farquhar et al., 2020). It is also a source of evidence that allows the researcher to review them as much as needed, and to obtain further data that can showcase a longer period for business details and accuracy (Yin, 2018).

Data Organization Technique

Data organization is essential for streamlining the data analysis process (Yin, 2018). I organized the data by first creating a spreadsheet in Microsoft Excel containing important information about my six interviewees. The important information collected included the names of the participants, the names of their organizations, and their contact information such as their e-mail addresses, phone numbers, business addresses, etc. To ensure the privacy of my participants, the spreadsheet is password-protected and will be kept confidentially and stored in my password protected external hard drive. All data and information, either hard copies or electronic files, will be securely stored in labeled and password-protected files for 5 years. After that time, all data will be destroyed.

Using Microsoft Excel also helped with coding anonymously, and I replaced the participants' names with a combination of letters and numbers to identify the participants, such as Participant A, B, C, D, E, and F to protect their privacy. I labeled each audio recording with the interview code designation as well and used tags to label interviewees and organizations as recommended by Yin (2018).

I also used coding as a technique to further organize and analyze the collected data with NVivo software. Coding for qualitative studies allows the researcher to manage the information in manageable pieces by reading the interview transcripts, cross-referencing data and being able to edit and modify notes gathered (Saldana, 2021). Thereafter, I used manual coding with notes and comments that I took while the recorded videos were being transcribed. Leedy et al. (2019) showcases that creating a codebook for how to plan and conduct research can help with sorting for emerging themes, patterns, trends, and dominating topics, as well as identifying conflicting participant interpretations, alternative perspectives, and critiques.

Data Analysis

After collecting data from semi-structured interviews, pertinent business documents, gathered, and conducting member checking, I proceeded to data analysis. I used methodological triangulation to reduce personal biases, and to ensure appropriate data triangulation. Triangulation in qualitative research confirms credibility, reliability, and accuracy in the study as it allows different data collection instruments to minimize bias (Da Silva Santos et al., 2020). Other researchers have used multiple case studies and mixed methods to collect, analyze, and test data related to a research problem (Saunders et al., 2019). For this research qualitative study, I adopted a similar approach by conducting semi-structured interviews with participants and asking for their additional business documents and information that will ensure the credibility of my study. Furthermore, I used the conceptual framework in the study as a foundation throughout this study for analyzing data, interpreting data, and developing themes. The framework for the study is the pecking order theory. I explored the financing strategies used to maintain business sustainability after 5 years of immigrant Latinx-owned small businesses in Houston, Texas.

After compiling the data, l used the five stages of qualitative data analysis, (a) preparing and organizing the data collection and data logging, (b) disassembling data such as coding to categorize the research data into groups, then (c) reassembling the data which includes fragmenting and classifying the data to explain the themes formed from all the information gathered (Yin, 2018). The process of data coding allowed me to secure themes, related topics, and other significant data from the interviews and documents obtained through the data analysis progression. Once themes were extracted, I assembled relevant information from the decoded phase. I also reviewed the interview data, documents, and results of member checking to corroborate or rectify data and compare emerging themes with the current literature and the conceptual framework for this study. The last two steps included the (d) interpretation of data, such as evaluating the themes to make a comprehensive explanation, and finally (e) concluding for this research in relevance to the pecking order theory found in this study.

Reliability and Validity

Reliability and validity are necessary components in assuring accurate analyses for qualitative research (Yin, 2018). Reliability refers to the consistency, stability, and the ability to achieve recurrent results no matter the angle studied (Da Silva Santos et al., 2020). One of the ways to achieve reliability in data collection is to develop structured interview protocols, and record participants' answers during case study engagements

(Saunders et al., 2019). I used semi-structured interview questions, including warm-up questions for each study participant (see Appendix B).

Validity

To ensure the validity of the study, I focused on credibility, confirmability, and transferability. I engaged this research in a multi-case study with six Latinx-owned small businesses in Houston, Texas, through a semi-structured interview protocol, and collecting business documents provided by each participant. I ensured validity by engaging in member checking by asking the participants to review and confirm my interpretations of the interview data; a technique for validating the response of the participants and exploring the credibility and validity of the results (Motulsky, 2021).

Credibility

Credibility in research indicates the trustworthiness and integrity of the study's results. Its robustness is conducted through meticulous data records gathered in the qualitative study process, accounting for personal biases that may influence findings, and triangulating and cross-checking each participant interviewed (Abdalla et al., 2018). For this study, I maintained this study's credibility by using the approved and standard semi-structured interview questions, including warm-up questions for each participant (see Appendix B). This reinforces the validity and consistency of the participants' data, and its reliability is enhanced with the collected documents and other types of information shared by the small business owners interviewed.

Confirmability

Confirmability in a qualitative study is the neutral degree of the findings, and could be repeated (Abdalla et al., 2018). Researchers may conduct member-checking with the study participants and compare to other similar individuals. Confirmability is also achieved through peer-debriefing with other qualitative researchers, so that it prevents personal biases and obtains other researcher's perspectives.

Transferability.

Transferability refers to the applicability of the study's findings in other types of research contexts, situations, times, and populations (Ferrando et al., 2019). For this study, the detailed descriptions of the research conducted verifies the integrity of the findings and assures transferability by stating any underlying assumptions. In a qualitative study, to promote transferability is significant, and comprehensive details in the research setting, methodology, design, and supporting data facilitates other researchers on determining how transferable it is for other studies.

Data Saturation

Data saturation includes collecting and evaluating the data until no new topics emerge in the information amassed. Data saturation is a topic of deliberation among scholars, and most scholars cannot ensure data saturation before info gathering (Henink & Kaiser, 2022). A researcher must have customary information, but this single-handedly is not adequate to guarantee saturation and is first enabled by sampling (Morse, 2015). I used an interview protocol (see appendix B) and probing questions to confirm data saturation for this single case study until no new themes emerged and no new conclusions are obtained. The data coincided with the documents reviewed.

Transition and Summary

Section 2 included the purpose statement, the role of the researcher, an overview of the participants, and the research methodology and design for this study. Next, I presented the population and sampling method, ethical research, data collection instruments and technique, data organization technique, and data analysis. This section concluded with a discussion of qualitative reliability and validity.

For Section 3, I provided an introduction of the purpose statement and overview of the study. This section also contained the presentation of findings to include the research question, themes, and the relation of the themes to the conceptual framework. It further included the narratives on applications to professional practice, any implications for social change, and recommendations for further action and continuation of this study. Lastly, Section 3 concluded with the researcher's reflections, appendices, and table of contents.

Section 3: Application to Professional Practice and Implications for Change

Introduction

The purpose of this qualitative multiple case study was to explore the financial strategies that Latinx entrepreneurs in Houston, TX owners achieve sustainability beyond 5 years of operations. Participants for this study included six Latinx small business owners located in Houston, TX in various industries, and who have implemented strategies to achieve sustainability beyond 5 years of operations. In a study created by the UCLA Latino Policy & Politics Institute shows that Latinx small business owners experiences challenges in obtaining funds or capital for their business, including low or poor credit scores (44%), unaffordable interest rates (62%), and insufficient forms of capital (61%) (Majano et. al, 2023). This showcases the high rates of business unsustainability, and the need to further their financial strategies to continue and grow their businesses.

The findings from this qualitative multiple case study revealed the need to for Latinx small business owners to engage in various financing strategies they can leverage throughout their business operations phases. The data I collected originated from semi-structured interviews and a review of the company and public documents. I recorded and transcribed their interviews, as well as used hand notes and Microsoft Excel to transcribe, organize, code, and analyze the data. Five themes emerged from these data: (a) filling a market gap and leverage internal financing, (b) team development for increased profitability and business growth, (c) low debt to income ratio for business sustainability, (d) building financial and social networks, and (e) raising equity for business sustainability. I applied member checking to achieve validation, confirmation, and data saturation and identified these common themes. The results showed that these Latinx small business owners in Houston, TX followed the first stage of the conceptual framework, but depending on their relationships and how extensive their social capital was in the field, it allowed them to leverage and use different financial strategies that helped them grow their business beyond the 5 years of operation.

Presentation of the Findings

The central research question for this study was: What financial strategies do immigrant Latinx-owned small business owners implement to achieve sustainability beyond 5 years? I conducted semi-structured one-on-one interviews via face to face, phone call, and zoom with six Latinx small business owners to identify the financial strategies they implemented to sustain their businesses beyond 5 years of operations. I asked the participants of my study the interview questions in Appendix A, which were designed to prompt answers to this research question. I also reviewed participants' financial documents, business documents and meeting notes, as well as awards and recognition they have received throughout their business operations. The six participants were in Houston, TX and had sustained their businesses for more than 5 years.

To protect participants' privacy, I labeled participants as Participant A, B, C, D, E, and F. All six participants responded to the same interview questions aligned with the research question, and 5 common themes appeared. These themes included beyond financial strategies shared, but all relevant to the financial growth of their businesses. These themes include: (a) filling a market gap and leverage internal financing, (b) team development for increased profitability and business growth, (c) low debt to income ratio for business sustainability, (d) building financial and social networks, and (e) raising equity for business sustainability. This section includes the findings and alignment of each theme with the pecking order theory analysis. However, when comparing the findings to existing literature, Latinx small business owners have not fully explored all the financial strategies available to them. Table 1 shows the occurrence of frequency of the main themes.

Table 2

Thematic Analysis: Frequency of Participants' Responses Related to Financial Strategies

	Participant A	Participant B	Participant C	Participant D	Participant E	Participant F	Frequency
Filling a gap in the market and become their own CEO	Y	Y	Y	Y	Y	Y	6
Leveraging internal funds & retained earnings	Y	Y	Y	Y	Y	Y	6
Prioritized team development	Y	Y	Y	Y	Y	Y	6
Building financial networks and social capital	Y	Y	Y	Y	Y	Y	6
Furthering their education and expertise	Y	Y	Y	Y	Y	Y	6
Leverage debt financing	Y		Y	Y	Y	Y	5
Raise & seek equity					Y		1

Theme 1: Filling a Market Gap & Leverage Internal Financing

All participants noted they had a particular expertise that could fill a gap in their market and had the drive and need to have the independence of becoming their own CEO. Transitioning from a corporate career to entrepreneurship requires resilience, determination, and a willingness to embrace the challenges and uncertainties that come with building a business, and all the participants in this study demonstrated those skills throughout their interview. But starting a business also comes with the need for financing the costs of their business operations, team development, and, or the social network to get business leads that could generate enough revenue to continue their business. As such, their entrepreneurial journey involved continuous learning and adaptation as they navigated the dynamics of the market and worked towards filling their identified market gap.

Participant A claimed that the frugality mentality instilled by family values growing up is what helped them save enough money during their corporate career to then use those funds saved to start their business. This was a similar trait shared by Participants C and D, in which both also saved about 6 months' worth of income to start and file their businesses and be able to run it for the first few months until they had created enough business revenue.

When comparing this to the pecking order theory, frugality is closely tied to the idea of maximizing internal funds. Entrepreneurs that prioritize frugality are likely to retain a higher portion of their earnings, contributing to internal financing, thus aligning with the most preferred source of financing due to their low cost and minimal information asymmetry. In contrast, participants B, E, and F mentioned that their business models didn't require much of a financial cost to start, but they saw a high potential to leverage this low cost into high earnings, all while having the independence to become their own CEO. This approach also aligns to the first stage of the pecking order theory, where starting a business with minimal costs often involves reinvesting profits generated by the business and relying on internal funds for a cost-effective source of financing. All participants started with the first stage of the pecking order theory, and neither relied on debt financing nor raising equity at the beginning of their entrepreneurial journey.

Although entrepreneurs often face challenges in securing external financing in the early stages when their ventures might be considered riskier, neither of the participants in this study sought to get funds to start their businesses. They all preferred to use their internal funds start a business that was low cost to maintain their financial flexibility, as well as retain control of their time and independence that a corporate career did not satisfy. This was also a relevant approach throughout their growth of their businesses, avoiding equity financing to maintain business ownership control.

Bootstrapping was part of their business model, leveraging the revenue generated by the business and deciding for cost-effective strategies to keep the business running without relying on external financing. Participant A, C, D, and F for example, all adopted a frugal approach in business operations, minimizing overhead costs, and working from home for the first few years, until they saw the need to have an office to meet with clients. Participant B and E businesses required them to meet their clients at their location, so they never had to lease an office or set up a brick-and-mortar establishment, which is often an expensive overhead cost. All these participants also operated online, communicating with their team and clients using technology, and reducing these overhead costs substantially.

Since all the participants were Latino immigrants, of varied degrees of U.S. family generations, some had the advantage in using their Spanish expertise to expand business opportunities with a diverse group of clients. For participants A and D, this was of upmost importance because they were able to focus on an untapped market with the Latino community that could only speak in Spanish. For these small business owners, being able to communicate in another language was a unique selling point, and it gave them a competitive advantage for their commitment to customer engagement, and an understanding of the local context, culture, and need of their services. On the other hand, for participant B, although fluent in both English and Spanish, their approach was to focus on the marketing materials and branding messages that could attract employees, not necessarily clients. The use of their bilingual skills allowed them to attract the talent they were seeking to expand their business services and fill a market gap, which otherwise could have been limited if only speaking one language.

Theme 2: Team Development for Increased Profitability & Business Growth

While growing their business operations, all participants found the need to recruit talent and hire employees that could help expand their business. Team development is often a different domain from the pecking order theory, yet the overarching theme to business growth models was that all participants built a team to achieve business sustainability and success. A well-developed team can positively influence financial performance, reduce the need for external financing, and enhance the company's ability to achieve long-term growth objectives.

Participants B, C, and E shared that team development was crucial to the success of their businesses. In particular, Participant B shared that their business is very people-centered, and so if they took care of their employees, the employees could then take good care of the clients. Participant C shared a similar approach, however, she leveraged hiring the staff that culturally and physically looked different than them, so that they could tap to markets were minority entrepreneurs were not often invited. This participant faced unique challenges because she entered a male-dominated industry in the early 90s, thus hiring a team strategically to cater to that market. For Participant E, they indicated that hiring and taking care of the staff is one ingredient for business success, but also offering a piece of ownership to the company allowed for the team to take serious decisions for business growth.

This well-developed and motivated team was able to contribute to the company's financial success, aligning with the principle of relying on internal resources before seeking external financing. In this structure, as the business grows and becomes more valuable, the ownership stake of employees also increases in value. Thus, this provides employees with the opportunity for wealth accumulation over time, creating a potential financial reward for their contributions to the company's success. Overall, the conceptual link between team development and certain aspects of the pecking order theory is that effectiveness of a cohesive team development that can enhance internal efficiency and productivity, leading to increased profitability, and generate internal funds.

Theme 3: Low Debt to Income Ratio for Business Sustainability

All participants prioritized financing methods that allowed them to retain control and flexibility, aligning with the theory's emphasis on avoiding external financing and obtaining a low debt to income ratio. All participants were prudent with their budgets, and only spent on essential business needs. When these small business owners considered on taking debt to finance their ventures further during for their business growth stage, they started with a low-risk type of debt such as lines of credit, business credit cards, and governmental grants. Debt involves bank loans or other financial institutions, and governmental loan funds that had no interest rate or very low rates. This was aligned with the pecking order theory, since debt is considered a less preferred source of financing compared to internal funds, but it may be utilized if internal funds are insufficient.

Participants A and B opted for no debt throughout any of their business stages. For participants C, D, E and F all leveraged business credit cards to enhance their small business's creditworthiness. Lenders and creditors view businesses with lower debt levels as less risky borrowers, making it easier for them to access credit when needed, and this can result in more favorable loan terms and interest rates. Also, businesses with low debt levels are better positioned for long-term sustainability, since they are less vulnerable to economic downturns and better equipped to navigate challenges, contributing to the longevity and resilience of their small business.

Managing cash flow was another technique used by all participants. For a small business, efficiently managing cash flow can provide ample cash liquidity to cover its operational needs, yet other strategic methods shared, especially by Participant C, was timely invoicing and effective receivables management with vendors can also help when managing cash flow. For example, when they invoiced a governmental entity, they knew that their pay cycle would take from 60 to 90 days to receive the funds, which would affect the monthly payroll for Participant C's employees. So Participant C worked with their banker at Frost Bank, and they suggested creating a certificate of deposit (CD) that earned favorable interest rates so that for future months. A CD is a type of time deposit where the business owner agrees to leave a specific amount of money deposited with the bank for a fixed period, and in return for keeping your funds locked in for that period, you receive a higher interest rate compared to regular savings or checking accounts. As such, Participant C's account earned them a bit more money that they used for whenever they were waiting for the revenue to hit their account. This creative, low-risk investment option can be leveraged more often by small business owners who are usually pressured each month to pay their employees. Other participants share that they had called their bankers for different financing terms available for their business credit cards, that also gave them more time to manage their cash flow.

During COVID-19, the Small Business Administration (SBA), provided several financing programs for economic relief, and for small business owners to continue their business operations during the mandated government shutdowns. In this study, Participants A, C, D, and E shared that they obtained the Paycheck Protection Program (PPP) loans, that were obtained to keep the workforce employed during the pandemic. For Participants C and D, they also obtained the COVID Economic Injury Disaster Loan

(EIDL), a federal loan program with low interest rates and a 30-year repayment term that provided business owners control of cash flow during the pandemic.

Theme 4: Building Financial and Social Networks

Every participant discussed their need and use of a financial and social network that allowed them to learn and find various opportunities for their businesses, and overall, crucial for long-term success. Financial networks involve connections with individuals, businesses, and institutions that can provide financial support, advice, and opportunities. Whereas social capital, refers to the relationships and networks that contribute to the overall well-being and effectiveness of a business. Participants A, C, and D had various relationships with local bankers, credit unions, and other financial representatives, and they regularly communicated with them to learn what was the financial products available. Mainly, these services also helped the business owners' clients, so they were thorough in understanding the step-by-step process to apply for financing options.

For participant E and F, attending industry-specific events, conferences, and networking gatherings helped find a social network that allowed them to meet clients, lenders, and other business owners who could offer financial insights or partnerships significant to their business industries. Participant D also had various memberships in business associations and chambers of commerce to network with potential clients, to create presentations about their services, and find ways to get leads from individuals that shared pain points that their business could solve. Participants A and D also shared that by participating in community events, it allowed them to build genuine relationships that helped them get approached for a service they provided.

Building financial networks and social capital is an ongoing process that requires authenticity, active engagement, and a genuine interest in fostering meaningful relationships. For these participants, it provided them with the opportunity to find business sustainability. It's not just about what you can get from others but also about what you can contribute to the broader business community. Building financial and social networks is also aligned with the pecking order theory such that business owners can build on trust and credibility that helps them to reinvest in their businesses, either by creating revenue, by networking with lenders, or becoming more efficient with accessing to the information that otherwise they would have not gotten by this network.

Theme 5: Equity for Business Sustainability

Out of the six participants, only one participant shared that they raised equity for their business, also aligning to the preferences of business owners with the pecking order theory. Raising equity for a small business involves selling ownership stakes in the company to investors in exchange for capital, and many were not willing to dilute their business ownership. For all participants except for Participant F, they started their business to be their own CEO and have more flexibility with their lives. Participant F also shared they wanted both to be an independent business owner and have the time flexibility, but also wanted to do it quickly and to start another business. So, they used equity financing not only as an alternative to debt financing, but as an exit strategy to invest and start another business, and ultimately become a serial entrepreneur. A private placement of equity is the sale of stock to individual investors that is sold privately and not in a public offering (Prisciotta & Weber, 2005). This is generally an inexpensive and fastest way to raise capital, but business owners have to ensure that there is compliance with the SEC and other documentation requirements must be met (U.S. Securities and Exchange Commission, 2022).

Summary of the Findings

The overarching research question for this study was: What financial strategies do immigrant Latinx-owned small business owners implement to achieve sustainability beyond 5 years? I conducted semi-structured one-on-one interviews via face to face, phone call, and zoom with six Latinx small business owners to identify the financial strategies they implemented to sustain their businesses beyond 5 years of operations. The participants were identified as Participant A, B, C, D, E, and F for their privacies, and to avoid any data biases. All six participants responded to the same interview questions aligned with the research question, with the data collected from video conferencing and transcription. I also uploaded the recorded data into a qualitative software, NVivo, to observe the patterns and themes that were raised from all transcripts, and to detect the aspects of the pecking order theory. Data collected, besides the semi-structured interviews, included public and participant-supplied documents that I reviewed, such as their business plan, financial statements and budget forecast reports. These documents were in accord with the interview data.

Participant A stated that their overall strategy was to be financially frugal when starting and growing their business. They had experience in working with financial institutions, but found a gap in the market, and decided to dedicate their career move to serving the Latino community. While it requires discipline and careful decision-making, this approach can lead to a resilient and financially sustainable business over the long term and using the bootstrapping methodology to preserve business ownership. Bootstrap sources of financing commonly do not require a business plan or collateral and can be used as a creative method to deal with the financial vulnerability of MSMEs, especially during a pandemic like COVID-19 (Mittal & Raman, 2021). Therefore, being financially frugal is an approach that small business owners can leverage to carefully manage their expenses, prioritize cost-effectiveness, and make strategic financial decisions to optimize resources before considering the second stage of the pecking order theory.

Participant B’s strategy to finding financial stability was to obtain all the support and mentoring possible to find efficiencies in their business. When they changed their pricing strategy, it allowed them to grow their revenue, hire more staff, and operate most efficiently with the same amount of fixed costs. They also ensured that there was no debt incurred, and hiring a good CPA also ensured they put the strategies in place throughout the year to save enough and not pay the higher rates in taxes.

Participant C, on the other hand, implemented several financial strategies in their 20 years of operating their business, but the most important of was their approach to diversifying their investment strategies that was allocated back to their company. This particular interviewee shared working with the bankers most closely and leveraged debt strategically. They also grew their revenue not only through their services’ pricing model, but also by taking on various grants that allowed them to be a contractor or sub-contractors to service governmental agencies. The choice of pricing model depends on factors such as the nature of the service, the target market, competitive dynamics, and the company's objectives. Companies often experiment with different pricing models or combine multiple models to find the most effective approach for their business.

Participant D also grew their business with the support of the SBA offerings during the pandemic, but their key financial strategy was to be in control of the cash flow, and never had a negative cash balance. Besides taking advantage of the governmental grants, they also decided to become a subject expert to be able to support their customers with this knowledge. This participant also opened their market with bilingual services, so targeted customers that wanted to get the SBA support but could not understand fully when it wasn’t given in Spanish.

Participant E was the only participant that raised equity for their business, by providing a piece of their organization to a loyal customer and making them an equity partner. Their financial strategy included a solid idea on the revenue they wanted to achieve each quarter, and involving the entire team with the projections of the company to ensure everyone knew of the targeted income they had to achieve.

Participant F’s strategy involved managing debt so that they could max out their lines of credit, and that way build up their financial statements. However, they always had an emergency fund saved, and always have the cash available to pay back on time. They also focused on creating a lean and efficient operational structure, minimizing unnecessary expenses, streamlining processes, and avoiding overstaffing to maximize productivity without incurring excessive costs.

The findings from all participants details are in accord with the literature of the pecking order and as expected, they have implemented healthy habits and business efficiencies that allowed them the long-term financial sustainability many entrepreneurs seek to achieve. While the pecking order theory primarily addresses capital structure decisions, its principles align with a cautious and internally focused financial strategy that can contribute to the overall sustainability of a business. Avoiding excessive reliance on debt can protect a business from financial distress during challenging economic conditions, and business owners can apply these principles to strike a balance between internal and external financing, adapting to market conditions, and make informed decisions to ensure long-term sustainability.

Applications to Professional Practice

The applications from this research findings are relevant to providing a platform and a structure social network that allows for Latinx business owners grow their business practice. All the participants shared that they found those social connections in the field, not necessarily from chambers of commerce, but by becoming known in the services or products they offer. This is important to business owners because it shows them that there must be a value proposition to find financial sustainability. Each participant found their niche market, and invested in increasing their services as they learned new technologies or knowledge that they could leverage at a price.

Roughly about 38% of Latinx-owned businesses closed during COVID-19 in Houston (Hobby School of Public Affairs, 2020) but it was businesses like the participants in this study owned that demonstrated a resiliency by enacting the five themes: (a) filling a market gap and leverage internal financing, (b) growing a healthy team for increased profitability and business growth, (c) managing low debt to income ratio for business sustainability, (d) growing financial and social networks, and (e) raising equity as an exit strategy if need be. Ultimately, this mix of financial decisions and strategies can make a difference when it comes to business sustainability after 5 years of operations, regardless of market disruptions that could impact your business operations or clientele.

Implications for Social Change

Providing Latinx-owned small business leaders with proper funding for entrepreneurship can lead to significant positive social change, including economic empowerment, where Latinx entrepreneurs get to establish and grow their businesses, contributing to increased business ownership that can lead to job creation, and providing employment opportunities and fostering economic self-sufficiency in underserved communities. It can also generate wealth accumulation for Latinx-owned small businesses and their families or even broader community, leading to ecosystem development as well. Successful businesses contribute to asset building, helping entrepreneurs build financial stability and accumulate assets over time.

It is important to recognize that providing proper funding alone may not address all social challenges, and a holistic approach that considers education, mentorship, and systemic support is essential for long-term impact. Additionally, understanding the specific needs and context of each community is required for effective and sustainable social change. Diversity and representation can bring forth the opportunity for minorities to create a pathway for social mobility, and overall improve the socioeconomic status for future generations. A diverse business landscape fosters innovation and offers a variety of products and services that cater to a broader range of consumer needs, furthering community engagement and cultural enrichment for underserved communities.

Recommendations for Action

To help Latinx small business owners obtain finances and sustain their businesses, several recommendations for action can be implemented. First, there needs to be an expansion of financial resources tailored specifically to meet the needs of Latinx entrepreneurs. This includes increasing access to microloans, grants, and low-interest loans targeted at minority-owned businesses. Governments, financial institutions, and nonprofit organizations should collaborate to develop and promote financial programs that provide flexible terms, bilingual support, and culturally sensitive services to Latinx entrepreneurs. Additionally, initiatives that provide financial education and training on topics such as budgeting, financial management, and accessing capital should be implemented to empower Latinx business owners with the knowledge and skills necessary to navigate the financial landscape successfully.

Furthermore, fostering partnerships between Latinx business owners and established financial institutions can enhance access to capital. Financial institutions should proactively reach out to Latinx entrepreneurs, build trust within the community, and offer personalized financial solutions that meet their unique needs. This can involve establishing bilingual support services, simplifying application processes, and providing mentorship programs to guide Latinx entrepreneurs through the financing process. Additionally, advocating for policies that promote diversity and inclusion within the financial sector, such as incentivizing investment in minority-owned businesses and increasing transparency in lending practices, can help address systemic barriers and ensure equitable access to financing for Latinx small business owners. By implementing these recommendations, stakeholders can work together to create a more inclusive and supportive environment where Latinx entrepreneurs have the resources and opportunities they need to thrive and sustain their businesses.

Recommendations for Further Research

Further research on this topic can enhance the understanding of the relationship between the pecking order theory and the financial decisions that Latinx small business owners make that could impact their long-term business sustainability. This study provided a diverse perspective for Latinx-small business owners in various industries located in Houston, Texas, but it may be of interest to also understand if Latinx-owned businesses follow the pecking order theory when they are serving from the same industries. Future studies could determine if location has an impact on the financing decisions to Latinx-owned small businesses, or to see if other cities cater different solutions to this population. Lastly, another focus could be comparing the financial decisions made by Latinx-owned small businesses in comparison to other minority ethnic groups, and understand how the pecking order theory aligns, or not, to other groups. However, if the findings are similar when comparing to other minority ethnicities, it could help identify the systematic challenges in the financing sector, governmental programs and grants, or also in the social networks that can provide connections to business leads to these small business groups.

Reflections

My experience in the DBA Doctoral study journey has given me the opportunity to identify the importance of advocating for the Latinx entrepreneurial communities that are often marginalized from the social connections that leads them to business sustainability. In particular, I enjoyed connecting with local successful Latinx entrepreneurs, and it was a truly interesting experience to understand the different financial decisions that helped make them successful. My interest in identifying the challenges and opportunities came after learning that lack of access to capital for minority-owned businesses hindered sustainability.

This journey led me to question the current financial barriers or systematic challenges that may exist in the financial sector that could impede Latinx small businesses get to their next level. And throughout the years in this program, it has truly challenged my perspectives, and it made me closer to understanding that Latinx small business ownership is a holistic approach of various decisions, not only financial. It incorporates factors such as the approach to team development and management, or the type of marketing and pricing models that can provide a business with a niche market. I learned how when businesses diversify their revenue streams, it reduces their dependence on a single source, thus enhancing their financial stability and reducing the need for external financing during challenging times. As well as how to leverage cultural nuances that makes them unique in the market and fosters cross-cultural collaboration, new market opportunities, and innovative solutions to various dynamic communities.

Conclusion

Completing this study made me appreciate the opportunity to make meaningful contributions to my discipline in business administration and helped me address the gaps in our current academic research on the financial decisions for Latinx-owned small businesses. Latinx-owned small businesses have unique financial strategies that they adopt to ensure business continuity and long-term stability, including embracing their culture and sense of business resilience. It is of no surprise that well-funded businesses are more resilient during economic downturns or emergencies like the COVID-19 pandemic, contributing to the overall resilience of the Latinx community against external market shocks.

There is an opportunity to serve many niche markets that are currently not appropriately or fully being served, since Latinx-owned businesses cater to the needs and preferences of diverse consumer groups. For example, there is a growing demand for eco-friendly and sustainable products within Latino communities, yet there is a lack of options that serve specifically to their cultural preferences and values. Successful Latinx businesses contribute to the overall economic activity and GDP, leading to increased spending and consumption rates. Supporting and solidifying the vendor and procurement opportunities targeted to Latinx small business owners, can grow their supply chain participation and increase the goods and services to other businesses, snowballing to the interconnectedness that can significantly contribute to the overall economic ecosystem in this nation. Lastly, within the Latinx culture, each group has its unique traditions, history, and cultural nuances, and understanding and appreciating this diversity is key to appreciating the richness and vastness of Latinx cultures that can bring in capital and that can be used for business expansion, innovation, job creation, international trade, and inclusive economic growth that is essential for fostering a sustainable and equitable society.

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Appendix A: Interview Protocol

The guiding research question for the study is as follows: What financial strategies do immigrant Latinx-owned small business owners implement to achieve sustainability beyond 5 years?

The following interview protocol contains the questions used to explore the central research question.

Interview Protocol	
What I will do	**What I will say—script**
Warm-up questions	The following warm-up questions will be asked: ● What year did you start your business in Texas? ● What led you to start your business? ● What were the greatest challenges you faced in starting up your business?
Introduce the interview and set the stage—often over a meal or coffee or at a private location.	Good morning or afternoon! I want to first thank you for taking the time to participate in this research study. The purpose of this qualitative study is to understand the financial strategies immigrant Latinx small business owners implement to achieve sustainability beyond 5 years. The outcome may produce an understanding of what strategies other small business leaders can adopt to become profitable when they are having challenges to break even and become profitable. As the researcher, I wanted to assure you that the information provided will be kept confidential as indicated in your signed consent form. The qualitative research data are collected using interviews to understand the experiences and processes from the perception of the participant. These questions are presented in an open manner to encourage you to answer as openly as possible. The interview will last approximately 30 to 60 minutes with an additional 20 minutes at an established date to review the synthesized data captured during the initial interview.

	Before we proceed are there any questions concerning the intent of this study or anything that I have stated?
• Watch for non-verbal queues • Paraphrase as needed • Ask follow-up probing questions to get more in-depth	1. What year did you start your business?
	2. What led you to start your business?
	3. What were the greatest challenges you faced in starting up your business?
	4. What strategies do you use to achieve financial sustainability?
	5. What strategies do you use to prioritize your sources of financing?
	6. How does your financial strategy for your business balance profitability and debt ratios?
	7. What strategies, if any, do you use to obtain internal financing?
	8. What strategies, if any, do you use to obtain external financing?
	9. In your financial strategy, how and when do you raise equity?
	10. How does your financial strategy deal with debt accumulation?
	11. What else is there that you would like to share about strategies you have used to achieve financial sustainability beyond 5 years?
Wrap up interview thanking participant	This concludes the interview and I want to thank you again for your participation.
Schedule follow-up member checking interview	The follow-up meeting to discuss the synthesis of the information interpreted from each question should last approximately 20 to 30 minutes. What date and time frame would you like to be scheduled?
Follow–up Member Checking Interview Member checking involves the process of checking with research participants whether the identified concepts and codes fit one’s personal experience (Carson, 2010).	
Introduce follow-up interview and set the stage	Thank you for this follow-up member checking meeting to review for validity that the synthesized data represent the correct answers. If I missed anything or you like to

	add anything, please feel free to add that information as we review.
Share a copy of the succinct synthesis for each question Bring in probing questions related to other information that you may have found—note the information must be related so that you are probing and adhering to the IRB approval. Walk through each question, read the interpretation, and ask: Did I miss anything? Or, is there anything you would like to add?	Question and succinct synthesis of the interpretation
	1. Question and succinct synthesis of the interpretation—perhaps one paragraph or as needed
	2 Question and succinct synthesis of the interpretation—perhaps one paragraph or as needed
	3 Question and succinct synthesis of the interpretation—perhaps one paragraph or as needed
	If there is no additional information that you would like to add, this concludes the follow-up meeting. Thank you for your contribution of time and knowledge to this study.

Appendix B: Interview Questions

The following warm-up questions will be asked:

- What year did you start your business?
- What led you to start your business?
- What were the greatest challenges you faced in starting up your business?

This will be followed by the interview questions:

1. What strategies do you use to achieve financial sustainability?
2. What strategies do you use to prioritize your sources of financing?
3. How does your financial strategy for your business balance profitability and debt ratios?
4. What strategies, if any, do you use to obtain internal financing?
5. What strategies, if any, do you use to obtain external financing?
6. In your financial strategy, how and when do you raise equity?
7. How does your financial strategy deal with debt accumulation?
8. What else is there that you would like to share about strategies you have used to achieve financial sustainability beyond 5 years?