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# Microbrewing in Madison County Alabama: Exploring Business Formation Strategies and Regulatory Compliance

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*Walden University*

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# Walden University

College of Management and Technology

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Luis Gely

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Walden University  
2015

Abstract

Microbrewing in Madison County, Alabama: Exploring Business Formation Strategies  
and Regulatory Compliance

by

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MS, Florida Institute of Technology, 2010

BS, Universidad Interamericana de Puerto Rico, 1998

Doctoral Study Submitted in Partial Fulfillment  
of the Requirements for the Degree of  
Doctor of Business Administration

Walden University

June 2015

## Abstract

Business leaders venturing in the microbrewing business sector experience long delays due to federal, state, and city requirements unique to this industry. The purpose of this multiple case study was to explore strategies used by microbrewers in cases bounded by the fulfillment of the same licensing requirements to launch a microbrewery in Madison County, Alabama. The dynamic capabilities framework served as the conceptual framework for this study. A purposive sampling of 4 microbrewers who possessed tacit knowledge about the microbrewery licensure process participated in face-to-face semistructured interviews providing in-depth information about their strategic approaches. The overarching research question addressed the strategic approaches microbrewers used to complete the microbrewery licensure process. Data analysis included the verbatim transcription of interviews coded for common patterns and themes. The following themes emerged from the data analysis: learning from other brewers, flexible strategic approach, establishing a brewery first, attaining licensing second, business planning strategies, and regulatory echelons for microbrewing licensing. The 4 participants reported that learning from other brewers and applying a flexible strategic approach were the preferred strategies to navigate the licensure process in becoming a commercial microbrewer. The implications for social change include reduction in gap between understanding and effective strategies to fulfill microbrewing licensing that could benefit communities by promoting business creation, employment, and added taxation revenue from craft beers produced, sold, and consumed locally.

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## Dedication

I dedicate this study to craft beer makers and connoisseurs. To the one that puts the hop into my life, Albert. To the person I enjoy drinking craft beers the most, N.D., and to Kryon of Magnetic Service.

## Acknowledgments

I want to acknowledge Dr. D. Marie Hanson, an exceptional collaborator and mentor. The professional faculty members at Walden University, especially those who provided valuable feedback to improve this study. The Veterans Administration, Department of the Army, and Department of the Navy who helped complete my graduate education. It has been a privilege working with you, thank you.

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## Section 1: Foundation of the Study

Since 2009, Alabama State legislators have adopted laws that allowed business leaders to venture into the craft beer industry by permitting higher contents of alcohol by volume (ABV), brewpubs, and home brewing (Alonso, 2011). As a result, prospective beer makers in Alabama can now participate in the craft beer market, which in the United States generates \$6.5 billion in sales annually (Murray & O'Neill, 2012). However, in spite of legislation changes regarding Alabama's beer industry, Baginski and Bell (2011) argued that, in southern states such as Alabama, beer makers confront a collective, rooted sentiment against alcohol products that has limited the craft beer industry growth. Alonso (2011) assessed the legislation to explore business opportunities for microbreweries in Alabama and noted that regardless of the concessions, the presence of regulatory hostility has created hardships for expansion. The information obtained from this study will be important for educating business leaders with a financial interest in the craft beer market prior to capital investment because the successful establishment of microbreweries is dependent on regulatory accreditation.

### **Background of the Problem**

The changes in the United States beer industry after 1940 have resulted in a noncompetitive market share amongst national and microbreweries in the United States' rural markets, with the microbreweries specializing in craft beer production (Carroll & Swaminathan, 2000). Regardless of changes in legislation or public post prohibition perception about the sale of alcoholic beverages, the South has presented a challenging environment for the industry's growth (Baginski & Bell, 2011). Baginski and Bell (2011)

ascertained that the Southern microbrewery industry ranks lowest in market maturity and presence when compared to other regions of the United States. Alonso (2011) studied Alabama's microbrewery sector and credited the late entrance and the slow growth rate of the craft beer industry to the constraints from a conservative legislative climate governing the establishment and business activities of beer makers. The business conditions in which commercial brewers operate in the southeast United States reflects the South's rooted resistance to change, as represented by the legislative and public bodies against the promulgation of alcoholic products (Jacobson, 2009). Nonetheless, to capitalize on the craft beer industry, business leaders in the rural South have persevered by venturing in the microbrew segment despite the demanding regulations of launching a microbrewery in this region (Baginski & Bell, 2011).

For this study, the choice was to explore the brewery industry of Madison County, Alabama, an area located in the southeastern region of the United States. The Alabama legislature (The Code of Alabama Title 28, Chapter 3, § 28-3-1, 1975a) defined wet counties as those that allow alcohol production and sales inside county limits, while dry counties are those where city governments prohibit all alcohol production and sales or allow limited distribution in wet municipalities. The State of Alabama has 42 wet counties and 25 dry counties (Alabama Alcoholic Beverage Control Board [ABC], 2014; Alonso 2011). In Alabama, 13 out of the 42 wet counties that allow commercial brewing permit beer production and on-site sales in brewpubs (Alabama Brewers Guild [ABG], 2014a; Alonso, 2011). The regulatory environment governing the microbrewery industry in Alabama that allows for dry counties or municipalities limits the territories available

for microbrewery localities and might influence the strategic scope that business leaders can develop prior to choosing a business location (Alonso, 2011). As a result of conservative legislative forces, business leaders seeking sites that provide optimal business conditions for microbreweries might have to limit the potential locality selection to the 13 counties that allow brewing and on-site sales.

### **Problem Statement**

Between 2009 and 2014, the Alabama State Legislature passed a series of bills that granted the microbrewery sector more favorable business conditions (Alonso, 2011). Kleban and Nickerson (2012) discovered that the U.S. craft brewery industry experienced an 18.6% increase from 2006 to 2011, and in 2010, it accounted for 1,625 independently owned breweries. The general business problem is that business leaders venturing into the microbrewery sector must expect long delays due to state and city requirements unique to this industry. The specific business problem is that some business leaders lack strategies to successfully complete licensure requirements in the microbrewery industry.

### **Purpose Statement**

The purpose of this qualitative multiple-case study was to explore what strategies business leaders use to complete licensure requirements in the microbrewery industry. Four microbrewers within Madison County limits participated in this study and helped to develop a better understanding of the business strategies deployed to confront the challenges of the microbrewery licensure process. The data from this study might contribute to social change by providing a set of strategies for business leaders to complete the licensure requirements in starting a microbrewery, which could promote

business creation, employment, and added revenue through taxation.

### **Nature of the Study**

This study comprised the qualitative research methodology and multiple-case study design. A qualitative research method can enable the encapsulation of initiatives and processes through the accounting of experiences from those involved in leading the implementation of strategies (Bahri & Ibrahim, 2013). On the other hand, researchers using the quantitative methodology, for example, can assess the frequency of experiences by categories as expressed by participants (Rowley, 2014). Conversely, researchers have the option of using a mixed-method research to embrace both qualitative and quantitative methods, with a case study potentially being one of the components as suggested by (Yin, 2014). Therefore, since the focus of this study was not to quantify participant experience but to explore the strategies used by microbrewers to fulfill licensure requirements, the qualitative research method served the purpose of this study.

Prospective microbrewers in Alabama have to comply with the licensure requirements prior to launching a craft beer business (The Code of Alabama Title 28, ch. 3, § 28-3-1, 1975a; The Code of Alabama Title 45, ch. 45, 1975b). However, this does not mean that the strategies employed by microbrewers were equally effective in accomplishing the licensing tasks. I selected the multiple-case study design to investigate how the individuals representing the licensed microbreweries in Madison County, Alabama, developed strategies to handle the licensing process required for launching a microbrewing business. A multiple-case study design occurs when, in the same study, more than a single case is present, as suggested by Yin (2014). Therefore, the multiple-

case study design allowed for collecting and analyzing data regarding the strategies from those who independently accomplished the licensure requirements to launch a microbrewery, in Madison County, Alabama.

### **Research Question**

The overarching research question for this study was the following: What strategies do business leaders use to successfully complete the licensure requirements in the microbrewery industry?

### **Interview Questions**

Interview questions play a pivotal role in conducting qualitative case studies. Yin (2010) recommended interviewers apply listening skills and follow the interview protocol. Moreover, interview questions should generate data and encourage interviewees to talk around the topic (Rowley, 2012). As a result, the questions in this study were designed to motivate the participants to reveal the circumstances that led to the development of successful strategies regarding licensure in establishing a microbrewery. The questions below composed the protocol for interviews of business leaders representing the craft beer industry in Madison County, Alabama.

1. How did you gain knowledge to develop business-planning strategies for navigating the licensure requirements of the craft beer industry in Alabama?
2. Please describe the development of any business planning strategies used to prepare for the Alabama Alcohol Board Control (ABC) licensing application.

3. What new, different strategies did you develop to persevere through the licensing requirements to start a brewing plant in Madison County?
4. Describe the frequency in which your strategies changed to adapt to the licensing process and the effect on capabilities regarding time and financial resources.
5. How did the state and city regulations influence your strategic approach to choosing a location and your investment capital amount?
6. How did the state and city regulations influence your strategic approach in choosing between a brewing plant and a brewpub as retail vehicles?
7. How did Madison County regulations influence your strategic choice over other counties for brewing plant location?
8. What resources did you find most helpful in developing business strategies (e.g., self-developed strategies, professional consulting services, and government or industry resources)?
9. Is there any pertinent information regarding business strategies that you can provide that is not included in the previous questions/answers?

### **Conceptual Framework**

The dynamic capabilities framework (DCF; Teece, Pisano, & Shuen, 1997) served as the conceptual framework for this study. Teece et al. (1997) have a two-part definition of dynamic capabilities (DCs): Dynamic refers to a manager's capacity to reconfigure expertise to confront business demands, and capabilities refer to a firm's strategic management of assets to adapt internal and external resources for achieving

business objectives. Teece et al. ascertained that the main premise of the DCF is that it provides a coherent approach to analyzing capabilities and integrates an organization's conceptual and empirical organizational knowledge to facilitate the strategic management of assets.

In 2007, Teece expanded on the DCF by disaggregating the proposed concepts into the capacities of sensing opportunities or threats, seizing opportunities, and configuring intangible and tangible assets to adapt. Moreover, in 2011 Teece replicated the strategic business management concepts of the DCF to reshape the business curriculum of higher education institutions and concluded that the DCF proved beneficial in managing capacities outside of business environments. Outside of studies of the original DCF proponents, some scholars (Kindström, Kowalkowski, & Sandberg, 2013) have expanded on the DCF by using qualitative-based research methodology to propose a set of dynamic capabilities for the service innovation industry. Moreover, Chien and Tsai (2012) applied the DCF to study issues in the hospitality industry using quantitative research methodology. For this study, the goal was to gain knowledge about how microbrewers learned about regulatory requirements (sensing), developed strategic approaches (seizing), and aligned resources (configure) to fulfill the licensure requirements.

### **Operational Definitions**

*Brewpub*: A brewpub is a restaurant-based brewery dedicated to selling beer produced on-site as well as off-premises (Alonso, 2011; Keblan & Nickerson, 2012).

*Craft brewery*: A craft brewery is one that specializes in producing all-malt styles

of beer using traditional brewing methods, independently-owned with less than 25% or less of the ownership equity belongs to another noncraft beer producer, and produces less than 2 million barrels per year (Baginski & Bell, 2011; Warner, 2010).

*Dry county:* A dry county or parish is where the law does not allow the manufacturing or sale of alcoholic beverages (Alonso, 2011).

*Dynamic capabilities (DCs):* Dynamic capabilities are a firm's potential to alter their resource base, acquire resources, and integrate and recombine them to generate new value-creating strategies (Salunke, Weerawardena, & McColl-Kennedy, 2011).

*Large brewery:* A large brewery is one with the capacity to produce up to 6 million barrels of beer per year (Keban & Nickerson, 2012).

*Microbrewery:* A microbrewery is a brewing plant that produces less than 15,000 barrels of beer per year (Keban & Nickerson, 2012).

*Niche market:* A niche market occurs when firms provide products or services for differentiation and identification with consumers (Murray & O'Neill, 2012).

*Resource partitioning:* Resource partitioning occurs when the market structure divides creating the viability of small, specialist businesses (Sikavica & Pozner, 2013).

*Small and medium enterprises (SMEs):* The growing number of researchers investigating the SME field has not concurred on a collective definition of SME. However, content analysis research on published articles regarding SMEs showed the researcher preference to define SMEs by numbers of employees ranging between two and 500 (Gilmore, McAuley, Gallagher, Massiera, & Gamble, 2013). Serra and Borzillo (2013) claimed that SMEs account for the creation of between 65 and 80% of new jobs

worldwide and are a crucial source of innovation.

*Specialist organizations:* Specialist organizations are businesses targeting a niche market, offering a narrow set of products or services, whose leaders develop skills unique to their craft (Grinstein & Goldman, 2011).

*Wet county:* A wet county or parish is where the law allows the production and sales of alcoholic beverages (Alonso, 2011).

### **Assumptions, Limitations, and Delimitations**

In this section, I disclose unverified facts about the licensure process to start a microbrewery and data collection activities used for this study. Moreover, I explain the limitations of the study's findings to the regulatory scope of starting a microbrewery in Madison County, Alabama. Lastly, I affirm that other important factors regarding new business planning activities of starting a microbrewing business did not take part in this study.

#### **Assumptions**

In qualitative research, scholars (Rowley, 2012) have suggested that researchers could benefit from identifying, acknowledging, and interpreting their assumptions or unverified facts to mitigate risks from their bias that could diminish the study's reliability. A principal assumption in this study was that the microbrewery owners would have a significant, willing interest in participating and providing thorough feedback about opening a microbrewery in Madison County, Alabama. Another assumption was that the process of opening a microbrewery in this region is lengthy, costly, and arduous, which could motivate the participants to account and share their strategic management processes

of navigating the procedural requirements. In addition, I assumed that participants would have the availability to interrupt their business activities to dedicate the time needed to take part in an interview and provide truthful, honest feedback about their activities in attaining licensing to start a microbrewery.

The Alabama Brewers Guild (2014a) reported that nine microbreweries operate in Madison County, Alabama. Therefore, the assumption was that a minimum of nine participants had eligibility and willingness to take part in this study. I mailed letters of invitation to the prospective participants. Four microbrewery owners accepted the invitation to participate in this study. In addition, one potential participant declined to participate due to conflict in schedules, and the remaining three microbrewers did not respond to the invitation. I assumed that there existed a possibility of partnership alliances during the business formation process and that more than nine participants could have participated in the face-to-face semistructured interviews, depending on the organizational structure for each microbrewery. Even though the assumption of multiple partners per business was right, the members of each microbrewery selected and referred the most knowledgeable member regarding the licensure process to participate in the study voluntarily.

### **Limitations**

Murray and O'Neill (2012) researched the craft beer niche market and asserted that it is the researcher's responsibility to identify and inform about limitations or potential research weaknesses that could affect the gathering of data and presentation of research findings. The findings of this study do not reflect a precise strategic approach to

attain licensing to operate a microbrewery in Alabama because of how the state and local government laws may differ in each county. However, the scope of the microbrewery industry in Madison County provided a rich source for exploring strategic approaches to navigating the industry's licensure requirements because this county accounts for the most microbreweries per capita in Alabama. Moreover, the focus of this study was on the manifestation of strategic decision-making and management of organizational resources in navigating the licensing process to start a microbrewery. Completing data collection within a specified period represented a limitation. In this study, the topic focused on the strategies employed to open a new microbrewery because the successful transition from entrepreneurial intention to business realization depends on attaining licensure to brew.

### **Delimitations**

Delimitation, as referred to by Yin (2014), is the researcher's responsibility in *bounding the case* to identify specifically and inform what led to the determination of the research components that will or will not comprise the study's scope. In Alabama, the successful launch of a microbrewery consists of first fulfilling state and local government regulatory requirements (The Code of Alabama Title 28, Chapter 3, § 28-3-1, 1975a; The Code of Alabama Title 45, Chapter 45, 1975b). Therefore, business leaders with a financial interest in Alabama's craft beer industry can maximize their business capabilities and resources by developing and implementing business strategies designed to more efficiently handle the initiatives of fulfilling the licensing requirements. In this study, due to the relevance of business strategies and regulatory compliance in the microbrewing business, other factors of starting a microbrewery such as capital

investment, market analysis, and marketing strategies did not take part in this exploration.

In addition, Madison County, Alabama as the geographical area for this study only represented the business leaders' strategic approaches to fulfilling the regulatory requirements to open a brewing plant exclusively for this region. As mandated by The Code of Alabama (1975), the state's counties have the legal power to enact local laws to further regulate the trade of alcoholic beverages within the municipalities in their geographical jurisdiction. Therefore, the strategic approaches that have benefited the beer makers of Madison County may not help prospective business leaders contemplating other counties for brewing plant location in Alabama.

### **Significance of the Study**

The findings from this study could be of value to would-be microbrewers because it may reduce the gap between understanding and effective strategies to handle the fulfillment of licensure requirement to launch a microbrewing business. In addition, achieving positive social change from the findings of this study played a pivotal role in accomplishing the purpose of this study. Therefore, I explained how the findings from this study could promote social change by informing prospective microbrewers about strategies to handle licensure requirements. The reduction of the gap between understanding and effective strategies could promote business creation, employment, and added taxation revenue.

### **Contribution to Business Practice**

More research targeting microbrewery businesses' needs might enhance the knowledge base of the microbrewery sector. There is a paucity of research in the

microbrewing industry from an entrepreneurial perspective (Alonso, 2011). Baginski and Bell (2011) proposed researchers interview craft brewers to increase the understanding of business aspects surrounding microbreweries in their operational regions. The increase of knowledge resources pertaining to the microbrewery business segment might provide prospective and existing business leaders with a focal point of where to access valuable information. The targeted research of business planning strategic needs, emanating from in-depth interviewing of successful, established craft brewers, may reduce the gap between available information (status quo) and the transformation of knowledge into capabilities.

### **Implications for Social Change**

The beer makers in Madison County have played a pivotal role in representing the craft beer industry's evolution in Alabama and have added local products for sale through the local hospitality industry (Berry, 2013). Berry claimed that since 2009, Madison County has accounted for the highest number of breweries per capita in Alabama. Researchers have studied how locally-made alcohol products benefit the growth of the hospitality industry (Alonso, 2011; Alonso & Liu, 2010). Moreover, Bharwani and Jauhari (2013) ascertained that the modern hospitality industry relies on value-added services and products by partnering with local providers who reflect the location's persona to create a memorable experience. As a result, Madison County's microbreweries contribute to the local community economic landscape by supporting businesses producing locally-made products with retail sales in local establishments such as hotels, locally-owned or national restaurants, drinking establishments, and community-based events. In addition, Madison

County's craft beer industry representatives produce craft beer made in Alabama by Alabamians.

Craft beer makers hire workers to handle the operational and functional needs of managing a microbrewery. Godwin (2014) analyzed the Brewers Association economic impact data for 2012 and found that Alabama's craft beer industry contributed \$238 million to the state economy and accounted for 2,466 direct jobs generating \$73 million in paid wages. In Madison County, the direct employment from craft beer production grew from four to 85 jobs between 2009 and 2012 (ABG, 2013), with an increase from 85 to 121 in 2013 (ABG, 2014b). These figures represent a strong forecast for the craft beer industry's role in improving the local economy in Madison County with a direct positive impact on the region's social structure.

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

The reviewed literature represents a thorough assessment of information about the regulatory history governing the beer industry, the product, and market evolution leading to the analysis of the requirements needed to operate a microbrewery in Madison County, Alabama. The search included multiple sources of academic research such as peer-reviewed articles, industry data and reports, legislation regarding Alabama's craft beer industry, and publications relevant to the topic for investigation. In addition, the reviewed information embodies the presence of passion for brewing as an emotional factor motivating individuals with driven personalities and who are suitable for self-employment in the craft beer sector. The primary academic databases used in this study were EBSCO, Emerald<sup>©</sup>, LexisNexis<sup>©</sup>, ProQuest, SAGE Publications<sup>©</sup>, and

ScienceDirect®. The key terms that I searched in the academic databases were *beer, craft beer, microbreweries, brewing regulations, business formation strategies, entrepreneurial passion, SMEs, DCs, NEs, qualitative and quantitative research, case study, and niche market.*

The assessment of the reviewed literature assisted the purpose of this qualitative multiple-case study for exploring the historical, regulatory, and business factors that could influence the development of strategies to fulfill licensure requirements to launch a microbrewery. In this section, I incorporated 119 professional and academic literature sources, and 115 of the sources were peer reviewed, representing 97% of the assessed academic literature. Moreover, the reviewed academic literature corresponded with current research because I cited 99 sources published after 2011, representing 86% of all peer-reviewed sources. I used four nonacademic sources, or 3% of the total sources, to reference facts unique to the regulatory landscape governing the microbrewery industry in Alabama.

Five aspects about what motivates beer makers to venture into the craft beer business and persevere through the initial licensing process (including the continuous regulatory oversight after business establishment) became the primary focus of this review. These aspects include (a) a historical perspective of beer regulations, (b) passion for craft beer making, (c) a niche market, (d) considerations in launching a microbrewery, and (e) regulatory requirements of craft brewing in Alabama. After the study of the aforementioned literature related to these aspects, the development of a chronological-based review of the topic's literature was the best approach to represent the events

shaping today's regulatory landscape in the beer industry. The literature review starts with historical facts influencing the evolution of the beer industry through the present business landscape, including the industry's segment of craft breweries. The organization and review of the literature based on a historical timeline adds value to the ideas presented in this study because today's regulatory landscape of the microbrewery industry relates to philosophies about alcohol legislation from the 20th century.

In 1985, Carroll presented the resource partitioning theory (RPT; Carroll, 1985), which claimed that large businesses in broader markets did not suffer from the competition created by small companies specializing in targeted services. After conducting a thorough assessment of the reviewed literature, I identified that the RPT proposed by Carroll reoccurred as a conceptual or theoretical framework selected by business scholars with an interest in the microbrewery industry (Alonso, 2011; Baginski & Bell, 2011; Carroll & Swaminathan, 2000). As a result, business scholars (Alonso, 2011; Baginski & Bell, 2011; Carroll & Swaminathan, 2000) have contributed in validating the RPT for studies with business topics related to the microbrewery industry. Hence, scholars have validated the RPT, and I seek to explore the development of business strategies to fulfill the licensure requirements to launch a microbrewery, I chose to assess RPT academic literature to enhance the understanding of the microbrewery industry.

For this study, I selected the dynamic capabilities framework (DCF; Teece et al., 1997) to explore how established microbrewers learned about regulatory requirements, developed strategic approaches, and aligned resources to fulfill the licensure

requirements to launch a microbrewery. In this section, I assessed the concepts of the DCF as related to the microbrewery industry and how could they apply to exploring the development of strategies from those who handled the licensure requirements specific to microbrewers effectively. Moreover, I provided a critical analysis and assessment of the entrepreneurial passion theory (EPT) proposed by Cardon, Wincent, Singh, and Drnovsek (2009) as a supporting theory that could aid in the research of how passion could motivate would-be microbrewers to persevere in handling the licensure process.

### **Historical Perspective of Beer Regulations**

The first evidence in the history of beer production and the creation of policies controlling beer consumption dates to societies in ancient Egypt. Godlaski (2011) ascertained that in ancient Egypt, many domestic breweries existed to fulfill the demand for daily beer consumption as part of the society's diet and as a gift for the deceased in the afterlife. The first evidence of a government body regulating the consumption of beer also comes from ancient Egypt, where Egyptian soldiers could not consume beer until the end of the battle (Rosso, 2012). Inadvertently, the Egyptians created the first-known policy regulating the consumption of beer to prevent the adverse effects on soldiers while on the battlefield. This fact plays an important role for scholars studying the evolution of policies regulating alcohol consumption and production because the presence of beer in societies has engendered policies to regulate its use.

In the United States, the production of beer dates to the first societies of the colonization era. Lewis (2013a) claimed that the earliest account of beer making in the United States came from the Pilgrims, who almost immediately established local brewing

in households and taverns. In contrast, German immigrant brewers, who brought with them brewing techniques influenced by government legislation such as Reinheitsgebot, the Bavarian pure-beer law of 1516, are credited with the industrialization of beer in America (Thomas & Leeson, 2012). Lam (2014) ascertained that Germany's purity law of 1516, known today as the Provisional German Beer Law of 1993, derived from public health demands to improve the quality of the brewing process. Considering this point, government legislation of beer production has influenced the brewing practices employed by beer makers, accounting for a close relationship between brewing and policies regulating the business procedures of the beer industry. As in Germany's Reinheitsgebot, the development of the laws regulating the beer industry in the United States reflects how the health and business aspects have become part of the regulatory history timeline of the beer industry (Stack, 2010).

The laws governing today's beer making business in the United States derived from 20th century legal philosophies. The differing views from political representatives reflecting a part of the society's moral condemnation regarding the liberalization of alcohol at the time resulted in two constitutional amendments in 1919 and 1933 (Lewis, 2013b). The Eighteenth Amendment of 1919 prohibited the total production and consumption of alcoholic beverages while the Twenty-First Amendment of 1933 repealed the law and empowered a state-controlled legislation framework (Kurtz & Clements, 2014). Due to the historical importance of these amendments, for this study the pre-Prohibition era reflects the period from 1900 through 1919, the Prohibition era includes the years 1920 through 1933, and post Prohibition era from 1933 through the present day.

The presence of Prohibition-era legislative philosophies present in post Prohibition has remarkably endured in the United States' southern rural regions.

Consumers in the American rural market have long resisted the commercial liberalization of alcoholic beverage products. In the case of beer, Jacobson (2009) traced the brewery industry's efforts to increase national coverage for greater market presence after the Second World War (WWII) and characterized the American rural consumer as embedded in a sentiment against post Prohibition alcohol legalization. As a strategy to change the rural market perception against beer production, Jacobson ascertained that the brewery industry adopted marketing strategies after WWII appealing to the nonmetropolitan consumer, though some still questioned beer's respectability for household consumption. As a result, representatives from the brewery industry realized the growth opportunities available in rural markets of the United States after WWII but acknowledged the challenges presented by the market's collective attitude towards the consumption of alcohol and beer (Jacobson). Eventually, the brewing industry's marketing strategies decreased the popular resistance against beer consumption outside of drinking establishments and increased the market reach to rural America, although at a different rate than in metropolitan markets (Baginski & Bell, 2011). Business scholars using the 20th century historical timeline of alcohol regulation could identify the roles that health and business concerns had in the adoption of Prohibition and post Prohibition laws.

During the pre-Prohibition era, health-oriented legislation not linked to the control of the beer industry affected how brewers conducted business. Stack (2010) ascertained

that when President Theodore Roosevelt signed the Pure Food and Drug Act of 1906, which mandated higher standards for ingredients in packaged foods, the law affected the beer industry because the regulation included ingredients used in brewing. During pre-Prohibition, beer, as a derivative of comestible ingredients such as barley, rice, yeast, and water, became subject to quality-in-food legislation not intended to regulate the brewing industry. Brewers adapted to the new policies (Stack, 2010). Mart (2012) noted the contrast of how government officials regulate today's beer industry at the 2010 National Conference of State Liquor Administrators, in which federal government panelists spoke on behalf of the beer industry and did not present any health-related initiatives or legislation updates. The adoption of legislation based on health-related arguments causing beer industry members to change business processes has relevancy in today's industry landscape, but the changes in political opposition to apparent industry support is remarkably different in the post Prohibition era. The presence of legislation or opposition against the beer industry was relevant during pre-Prohibition and carried into the post Prohibition era.

The public health concern about the adverse effects of beer consumption has played a significant role in influencing legislators to enact more regulations against the beer industry in the modern era. Babor, Xuan, Damon, and Noel (2013) criticized the industry's self-regulated content of beer advertising during televised sporting events from a public health perspective and recommended nonindustry regulated guidelines to review and rate the commercials' potential to harm vulnerable viewers. Babor et al. identified viewers under the legal drinking age as a group more prone to harm from alcohol

marketing because self-regulated beer commercials include messages appealing to younger audiences. Conversely, Jernigan (2012) recognized the benefits of the beer industry initiatives to self-regulate and recommended a global partnership initiative with the World Health Organization to broaden the reach of public safety campaigns promoted by the beer industry. As a result, scholars (Cesur & Kelly, 2014) studying the adverse effects of beer consumption such as loss of productivity and personality deterioration can publish their work, which can influence how legislators choose to regulate or deregulate the beer industry. Scholars debating their findings and recommendations about the policies of beer making have a professional debate arena in peer review publications.

Business scholars and health scholars can contribute through scholarly research to fields outside each's other area of expertise. Nelson (2014), a business scholar, used quantitative research to study the price elasticity of beer and determined that the legislation that increases prices and taxes on beer did not reduce the demand for beer consumption or the prevalence of alcoholism. While it is the case that health scholars often focus their research to validate the potential hazards of beer consumption, Desbrow, Murray, and Leveritt (2013) selected athletes to analyze the effectiveness of consuming beer as a rehydration drink after exercise. Scholars specializing in different fields have demonstrated the capacity to use different methodologies to explore topics outside the expected norm for their areas of specialization. The scholarly research about the economic, policy, or health aspects of beer potentially benefits primary and secondary audiences alike.

Beer industry members, whether representing national breweries or

microbreweries, could benefit from academic research focusing on improving business processes related to the brewing sector. In much the same manner, legislators can use scholarly research to assist them in favoring or opposing legislative actions. For example, Ruhm et al. (2012) researched the relationship between price elasticity and demand for beer and concluded that lower prices may not increase consumption. Nonetheless, public health research from Stockwell et al. (2012) contradicted these findings because their results showed that a rise in minimum prices reduced the consumption of beer. Certainly, differing points of view among businesses and public health scholars can impact the information that policy makers need in order to evaluate proposed regulations or update existing laws. However, in the United States, business scholars researching the brewing industry face the challenge to take into account the applicability of their findings to different audiences such as other scholars, policy makers, consumers, and members of the beer industry. After all, this is because the regulatory landscape during the post Prohibition era entails federal, state, and local level legislation, resulting in scholarly studies about beer from differing perspectives and diverse applications.

Business leaders with an interest in venturing into the production, distribution, and sales of craft beer might confront the need to possess comprehensive knowledge about the regulatory forces that control this business segment. The business of beer during the post Prohibition era has become one of the most regulated industries in the United States even with a lesser regulatory role from the federal government post Prohibition era (Kurtz & Clements, 2014). Moreover, Kurtz and Clements (2014) ascertained that due to each state's governance of beer laws, business leaders must adapt

to different statutes, regulations, licensing schemes, taxes, and control processes that make it difficult for beer makers to navigate the procedural requirements. These regulatory business conditions are a direct result of the post Prohibition legislation environment that allowed the primary legal jurisdiction for states to regulate the production, distribution, and consumption of beer. Some states or counties can adopt Prohibition era legal measures. Despite the fact that the U.S. Congress repealed Prohibition 80 years ago, the beer industry's business environment reflects Prohibition and post Prohibition era philosophies in the fewer legal powers retained by the federal government after 1933.

The conditions that led to the birth of the craft beer industry in the United States demonstrate how changes in federal legislation after the post Prohibition era have impacted the manner by which states decide to regulate beer. Murray and O'Neill (2012) claimed that changes in federal law led to the commercialization of craft beer because, in 1978, President Carter repealed the federal law that made home brewing a federal felony, which resulted in states legalizing homemade beer. Scott (2013) noted that after 1980, home brewers gradually commercialized their recipes and created the craft beer industry segment in states that transitioned from Prohibition era philosophies and embraced legislation indicative of post Prohibition legal points of view. While federal law during the post Prohibition era allows states to self-regulate the production and sales of beer, changes in federal law can have a significant impact on the industry's evolution and growth. Unlike the traditional retail of nonalcoholic products or services of a small business, aspiring craft beer makers as small business owners confront regulations and

policies tailored to control all business aspects regarding the production of beer.

For example, in Alabama, microbrewery owners now have the option to expand beyond traditional retail sales settings by combining brew-on-site craft beer with a dining experience in a brewpub. In 2011, Alabama legislators approved The Alabama Brew Pub Act ch 4A, § 2 (2011), which allowed for the first time in the state's history the legal operation of brewpubs. However, the legislation limited beer production to 10,000 barrels annually and constricted the brewpub's location to historical buildings or districts or in areas designated as economically deprived within the wet county's municipality (The Alabama Brew Pub Act. ch 4A, § 2, 2011). In reacting to the concessions of this legislation, Alonso (2011) referred to Alabama's beer laws as antiquated because they reflect a legal point of view rooted in pre-Prohibition and Prohibition law. Specifically, in Alabama, all brewpubs must operate in a county that permitted brewing for public consumption prior to 1919 or the pre-Prohibition era (The Alabama Brew Pub Act. ch 4A, § 2, 2011). Alabama legislators chose the pre-Prohibition era threshold for brewpubs because the Eighteenth and Twenty-First Amendments served as the legal precedents that allow states to regulate the business of beer inside their jurisdictions during the post Prohibition era. Alabama's brewpub requirements present the need for business scholars to educate prospective microbrewers on the potential impact of public policy on their strategy development during the business formation process and the choice of sites based on state, county, or city regulations.

The role that business scholars have in enhancing new business formation knowledge is essential to creating training solutions that support prospective business

leaders in balancing public policy requirements and new business formation initiatives. The relationship between public policy education and new business leaders has relevance because as public officials generate business regulations, they also introduce and support programs to educate and train business leaders (Chrisman, McMullan, Ring, & Holt, 2012; Dennis, 2011). However, Cornwall and Dennis (2012) ascertained that combining politically-inclined business policy topics in entrepreneurial education initiatives results in a gap in understanding between the points of view of government representatives and business leaders regarding policies. Therefore, the relationship between legislators and beer makers might become constrained because of the opposition of government officials to openly support and legislate in favor of the beer industry, causing brewers to avoid benefiting from public support resources. The government's obligation to benefit the public system by expanding revenue sources and programs to support start-up businesses and the beer maker's position to assist in accomplishing those goals while profiting creates the need for mutual comprehension.

Scholars studying entrepreneurship and public policy have added to the information regarding the effectiveness of business consulting services and government-sponsored services on aspiring entrepreneurs, as in the case of studies pertaining to upcoming small-business ventures. Business researchers such as Yusuf (2012) and Delanoë (2013) noted that the use of public or private assistance programs by would-be entrepreneurs could lead to greater start-up success rate and survival, performance, and growth. In a later study, Yusuf (2014) compared the effectiveness of government-guided preparation consulting services similar to fee-based professional services for aspiring

business leaders against the traditional support system that merely informs entrepreneurs how to accomplish procedural tasks. Regardless of private or public-based consulting, the guided preparation approach assists nascent business leaders in comprehension, preparing, and handling of initiatives needed to navigate the policy requirements that may ultimately pose benefits to government and beer industry representatives. Public policy makers and beer industry representatives have different motivations to achieve each other's goals in their respective roles, but the desire for economic growth for their represented entities is a common ground for the parties' understanding.

Following the Alabama legislative decision to permit the operation of microbreweries in the state, business topics such as the nascent craft beer industry and Alabama's economic and employment growth through new small businesses are directly relevant to the new craft beer sector. As defined by van Gelderen, Thurik, and Patel (2011), nascent entrepreneurs represent those who are in the process of establishing a business. Hafer (2013) claimed that there existed a strong relationship between the levels of entrepreneurial activity and state economic growth and suggested policy changes to motivate productive entrepreneurship. The claims from Pickernell, Senyard, Jones, Packham, and Ramsey (2013) implied that the representatives of Alabama's new craft beer industry might positively influence the state's economic and employment growth and participate in public and private assistance programs. Given Alabama's craft beer industry potential to significantly contribute to the state's economy, the study of scholarly literature about the craft beer industry is essential to understanding how craft brewers adapt to the regulatory environment.

### **Passion for Brewing: The Transition From Homebrewer Into a Business Leader**

An examination of the history of the beer industry that led to the popularization of the term craft beer and microbrewery has relevance before presenting a synthesized review of the scholarly literature this study. Elzinga (2011) ascertained that after WWII, the beer industry experienced two major industry changes. The composition of the brewing industry between 1950 and 1980 consisted of many breweries producing similar types of brews, mostly lager beers (Elzinga, 2011). What followed was a partition of the industry from 1980 through the present day, when smaller, craft breweries, specializing in producing various flavors of beer, proliferated throughout the United States (Elzinga, 2011). Moreover, Reid, McLaughlin, and Moore (2014) ascertained that the demand for craft beer in the 1980s helped increase the number of craft breweries in the United States from eight in 1980 to 537 in 1994. These changes in consumers' perspectives resulted in the need for skilled beer makers to satisfy the beer drinkers' growing demand for authentic and peripheral types of craft beers. As a result, the beer drinkers' disposition to experiment and favor nonmarketed brews with significantly lower popularity than commercial beers motivated the home brewer to explore commercializing their craft beer recipes.

Various practices of home brewers contributed to the market partitioning of the brewing industry and led to the popularization of the term craft beer. Bean and Rosner (2012, p. 86) defined craft in the contemporary culture as a movement to rediscover and enjoy a renaissance through experiences oriented to return to the basics of specialization. In contrast, Ambrosi, Medeiros Cardozo, and Tessaro (2014) ascertained that the

fundamentals of making beer have nearly remained the same since the invention of the beverage. As a result, the application of brewing skills evolved as the term craft beer and derived from the recipes that the home brewers experimented with after rediscovering the processes of beer making, thus, becoming craft brewers. The transition of the home brewer to craft beer maker played a pivotal role in the establishment of the independent brewery business segment.

The fundamentals of beer production for craft and large brewers alike have remained similar, but craft brewers have employed techniques aimed at creating product and persona differentiation. Jensen, Kim, and Kim (2011) claimed that craft brewers offered consumers the opportunity to rediscover tradition and authenticity through using genuine and conventional brewing methods distinctly different from those found in mass-marketed beers from large breweries. In contrast to the craft breweries' locally-owned and small enough presence, Souckova (2011) mentioned that large, global breweries invest significant resources such as capitalizing on international emerging markets for revenue growth and increased market share. Therefore, a trait that differentiates the craft from commercial breweries is accessibility to the consumer. Craft brewers operate in intimate, community-based settings where consumers might have the opportunity to learn about craft brewing practices directly from the source. For this reason, craft beer makers can share with consumers their passion for craft brewing.

The passion for craft brewing has taken an important role in motivating home brewers to venture in the business of craft brewing. Hede and Watne (2013) noted the passion craft brewers had for making specialty beers and wrote about one craft brewer in

Norway who delivered the company's signature ale personally to a remote part of the country. Conversely, McGrath and O'Toole (2013) ascertained that, unlike independent craft brewers, large breweries have dedicated a significant amount of resources for lobbying power to represent their interests in expanding their network growth. The polarity that exists between the craft and large breweries' ability to reach the network echelons differs sharply. The transition from the home brewer to full-time entrepreneur and the passion for craft brewing could raise the need for further investigation into what makes a craft beer enthusiast start a new small business.

Business scholars have comprehensively investigated the factors, motivators, and personal attributes that inspire prospective entrepreneurs to become small-business owners. Watne and Hakala (2013) partially credited the craft brewers' abilities to overcome the challenges present in starting a microbrewery, such as market demands and policies, to a passion for becoming a full-time brewer. While Kirkwood and Walton (2014) found that, in addition to the passion, ecopreneurs attributed their decision to commercialize their green-living values to a desire to earn a living self-employed and to increase the presence of ecopreneurs in eco-oriented products market. Even though there are many factors driving prospective business leaders' decisions to start small businesses, business scholars (Watne & Hakala, 2013) have found that passion for their respective fields greatly influences the decision to go into business. In addition to passion as an emotional factor in motivating aspiring entrepreneurs, the study of personality attributes in passionate individuals can provide a broader understanding of the psychological profile of would-be business leaders.

Prospective craft brewers can benefit from knowing how additional attributes besides passion for brewing could help them in the process of starting a microbrewery. For example, Cardon, Foo, Shepherd, and Wiklund (2012) referred to research evaluating business plan presentations entered for a college contest and found that participants identified as passionate showed high levels of preparedness, better quality of plans, and delivered more effective presentations. In contrast, Sandberg, Hurmerinta, and Zetting (2013) studied the personality characteristics of successful entrepreneurs and noted that they showed a high propensity for (a) acceptance of risk, (b) tolerance, (c) persistence, (d) self-efficacy, and (e) need of achievement. Therefore, passionate, would-be microbrewers can enhance the potential for success by knowing that they have the emotional inclination to prepare better for challenges and to persist during the procedural processes. An examination of the business research design or methodology approach yields a more comprehensive understanding into how to study entrepreneurial passion as a relevant factor in starting a new business.

Business scholars have used qualitative and quantitative methodologies to examine the presence or occurrence of passion as a mediator in small-business formation. For example, Houliort, Philippe, Vallerand, and Ménard (2014) used a quantitative research design to investigate the relationship between passion for a career field and job satisfaction and found strong evidence demonstrating such a positive association that could lead to positive consequences. Laaksonen, Ainamo, and Karjalainen (2011) used a qualitative case study and based the conceptual framework on EPT to explore the presence of entrepreneurial passion in the music industry. They found that passion plays a

vital role in enhancing motivation and commitment. Although Cardon et al. (2009) proposed the EPT and the instrument validation tool (Cardon, Gregoire, Stevens, & Patel, 2013) in 2009 and 2013 respectively, recent qualitative and quantitative scholarly research indicated the relevance of passion in new business formation (Houlfort et al., 2014; Laaksonen et al., 2011). Moreover, in the craft beer industry, Watne and Hakala (2013) applied the EPT and validation tool to study the passion factor as a motivating tool to aspiring beer makers and found that the emotional component played a vital role in business leaders representing the craft beer industry. Therefore, the study of EP in different stages of entrepreneurship might guide in exploring the importance of emotional investment in opening a new microbrewery.

The aspiring business leader's passion for brewing can have a vital role in the formation of a new microbrewery because of the craft beer industry's required processes for policy compliance and creation of beer recipes for mass production. Uy, Foo, and Llies (2015) described EP as nonstatic and ascertained that the motivational benefits of passion perceived in early-stage entrepreneurs predicted greater intensity of efforts towards business formation and growth. However, Park (2012) referred to the EPT and limited the scope of EP to an intrinsic motivation factor that forms part of a greater framework that encompasses the many initiatives required in new business formation. Regardless of the stages in which passion has a greater impact in motivating a nascent or established beer maker, during the compliance fulfillment or product development stages, passion serves as a source of intangible energy in business formation and growth. The emotional element of passion as a motivation factor can influence the beer maker into

researching and analyzing the demands of the regulatory environment to increase the targeted knowledge pertaining to this industry.

### **Niche Market**

Prospective microbrewers can benefit from understanding the dynamics involved in targeting a niche market of consumers who otherwise have access to similar products and services offered by generalist organizations. Li and Liu (2013) studied the effects of deregulation in the banking sector and noted the willingness of large banks to capitalize on niche opportunities due to changes in regulation and establish branded offices specializing in mortgage or investment services. In contrast, Smith (2011) claimed that large breweries did not capitalize on regulatory changes during the post Prohibition era, and craft brewers countered the large-scale commercial brewing companies by offering beer enthusiasts craft beers. In the banking sector, large business have embraced niche market opportunities by establishing dedicated sales outlets for the beer industry; the niche market of craft beers almost exclusively belongs to microbreweries. Analyzing how large breweries and microbreweries coexist in the beer market can yield an understanding of the market dynamics present in the brewing industry.

An informal review of today's beer advertising should support the idea that there is a noncompetitive landscape among large breweries and microbreweries because of the lack of marketing-based messages attacking each other's products. In 1985, Carroll presented the RPT, which claimed that large businesses in broader markets did not suffer from the competition created by small companies specializing in targeted services. To test the RPT, Carroll and Swaminathan (2000) published a study expanding on the theory

by applying the principles to the niche market of the microbrewery sector. Carroll's RPT proposed in 1985 was revalidated 15 years later by studying the craft beer industry, which provided an appropriate example to test the RPT because of the emergence of microbreweries. Therefore, the presence of large businesses in the market allowed the opportunity for business leaders to offer some of the same products or services on a smaller, targeted scale while having access to the resource providers.

The RPT offers business scholars an academic tool to investigate and understand the possible occurrences of resource partitioning during the business life cycles before or after the occurrence of the partitioning of an industry. For example, Yang, Chan, Yeung, and Li (2012) found that under resource partitioning, newcomers as small-businesses face challenges in accessing materials or ingredients because medium and large enterprises might have more access and leverage for purchasing resources. In contrast, Liu and Wezel (2014) noted that resource partitioning emerged when markets valued the perceived identity claims that led to an engagement creating greater market success. In regard to resource partitioning in the craft beer industry, aspiring brewers might have access to resources without confronting obstacles from large breweries, and the presence of more microbreweries in markets has the potential to make more resource providers available. In addition, business scholars can use the RPT to investigate how specialist organizations operating in partitioned business sectors developed a business identity in the respective niche market.

Business scholars who have used the RPT to study the attributes of organizations operating in partitioned markets have referred to the terms specialist and generalist to

define the role of stakeholders. Bruggeman, Grunow, Leenders, Vermeulen, and Kuilman (2012) selected the microbrewery industry to exemplify the role of specialist organizations and referred to them as those not depending on large audiences operating in the market's periphery. In contrast, Grinstein and Goldman (2011) explained that large businesses as generalist relied on the cost advantages of targeting and selling to larger audiences because of the benefits to cost-efficiency efforts resulting in lower unit manufacturing costs. Consequently, business scholars (Bruggeman et al., 2012; Grinstein & Goldman, 2011) who have studied the craft beer industry referred to large breweries as generalist and to craft breweries as specialist organizations. The use of the term specialist to refer to microbreweries might also apply to the organizational identity that embodies the business values of a craft brewer such as a commitment to operate distinctively different from large breweries.

In the craft beer industry, a fundamental attribute of craft brewers as a specialist organization is the commitment of being different from large breweries. As an illustration, Sallaz (2012) ascertained that the specialist organizations have created new business models intended to elicit the value of individuality in consumers for promoting peripheral products or services not available in the mass market. Specific to the craft beer industry, King and Pearce (2010) stated that craft beer makers sought an enthusiastic audience and fostered an oppositional identity to the mass marketed brew while also offering beers with a unique identity. As a result, large and craft beer breweries do not engage in competition; microbreweries operate in smaller, specialized markets while large breweries depend on mass-production and large sales volume to maintain lower

production costs. The analysis for the presence of DCs in market niche segments might provide the information needed to formulate business recommendations for business leaders in the craft beer industry.

The craft brewers representing the microbrewery industry also form part of the business segment that comprises niche market firms, such as those offering specialty cheeses, meats, and wines. Toften and Hammervoll (2013) recommended to business leaders operating in niche markets to employ DCs and develop a market position based on recommendations encompassing DCs for competitive advantage, specialization, relationship marketing, protective barriers based on DCs, and expansion. While, in this case, craft brewers can employ DCs to improve their business operations, Wry and Glynn (2011) ascertained the need for business leaders in niche markets to collectively legitimize their represented segments and attain the recognition from the consumer. The business leaders representing the craft beer industry should benefit from accessing an informed education about the applications of DCs collectively, and the peer-reviewed literature indicated that the microbrewery industry has reached a level of maturity not requiring legitimization (Carroll, Khessina, & McKendrick, 2010). A closer review of the business formation and initial entry cycles of craft breweries might give more insight into the possible challenges ahead and the strategies needed in the process of launching and opening a new brewing company.

### **Considerations in Launching a Microbrewery**

In the craft beer sector, the successful implementation of business plans and strategies to open a brewery are dependent on the accreditation procedures and

requirements to run a brewing plant. Rider and Swaminathan (2011) ascertained that in the informal formation of a new business, the unofficial, unstructured organization process might start long before the published founding date of the company. Chmelíková (2013) recommended that the craft beer industry take advantage of specialized financial models, such as the performance measurement system, to enhance a company's potential by forecasting financial figures during the early business formation or initial operational performance stages. Regardless of the level of formality or sophistication that an upcoming beer maker employs in following the intent of becoming a commercial craft beer maker, the aspiring business leader must fulfill the policy requirements applicable in launching a new microbrewery. Business scholars interested in studying how craft beer maker aficionados attempt to become business leaders could benefit from obtaining the stories from the source regarding the implementation of strategies that took place in meeting policy requirements and implementing business plans.

The intent of becoming a commercial craft brewer and the actualization of the idea have different procedural characteristics. Daniel (2013) expanded on the DCF and the resource-based perspective and suggested business scholars obtain the narrative-creative framework that energized the actualization of entrepreneurial ideas to inform more in detail about the thinking process for generating strategies. Despite the importance of uncovering the personal stories of strategies used to start a new microbrewery, Hirschi and Fischer (2013) maintained the significance of distinguishing personality traits of would-be business leaders in the detection of strategy formulation. Certainly, thriving personalities of aspiring beer makers can actualize a business idea, but

the gathering of strategic thinking in the formation of the business directly from the microbrewers can provide the necessary information to develop recommendations for scholarly research. Business scholars studying the dynamics of strategic approaches to starting a microbrewery would benefit from learning directly from those who applied and implemented strategies to meet licensure requirements.

Even though a noncompetitive environment exists between large and microbreweries despite operating in the same industry, each entity conducts business operations based on different business models. Mandal (2010) mentioned that craft brewers prefer alternatives to capitalist business models and place value on local communities and the relationship with farmers that can create an economy counter to that found in corporate globalization. In contrast, Maier (2013) analyzed the Czech brewing industry pricing through models and ascertained that the study's primary brewery as a participant belonged to a global brewing company. The identification and recognition of the industry polarity that exists between large breweries and microbreweries could help business scholars in understanding the adoption of business models particular to the craft brewing industry. As a result, the aspiring brewer's strategic thinking and decision making employed in handling the requirements to launch a new brewery reflect the industry's business model and the local-level requirements needing fulfillment to brew craft beer for commercial purposes.

Aspiring craft beer makers should create strategies by analyzing the efficacy of available capabilities against the established requirements to start a microbrewery. Ulvenblad, Berggren, and Winborg (2013) used the term liability of newness to refer to

the possible obstacles that the prospective or new business leaders might encounter, such as lack of track record and legitimacy. Wittmeyer, Russell, and Miller (2013) explored the history of a successful family-owned microbrewery and noted that one of the principal owners held an undergraduate degree in brewing from a respected institution. Aspiring beer makers might confront obstacles due to their recent arrival into the market. However, possessing an education in brewing and knowing about product development and policy compliance has the potential to minimize the effects of the liability of newness. Prospective craft beer makers should be able to know the scope of barriers related to the licensing process of operating a microbrewery.

Individuals with a financial interest in the craft beer business should also know additional factors besides licensing and permitting entailed in the process of opening a new microbrewery. Keblan and Nickerson (2012) mentioned that in addition to the brewery plant certification, craft beer makers should expect and prepare for completing requirements such as a Federal brewer's notice, labeling, trademarking, and distributor agreements, prior to official recognition. Serra and Borzillo (2013) noted that some firms have the option of selecting leadership better suited to handle challenges confronting the company more effectively because of their expertise and background. Aspiring beer makers might not have the resources to hire personnel with experience in the brewing licensing process or dealing with the stakeholders before going into business. As an alternative, they can learn how to handle these requirements prior to capital investment.

In contrast to the large breweries with mass-marketed beers, would-be craft brew makers would undergo not only the process of obtaining permission to brew but also have

the task of developing strategies for product recognition while handling barriers associated with microbrewery licensure. Carroll et al. (2010) noted that the market entry of products reduces or slows when barriers exist. Calvo Porral, Lévy-Mangín, and Bourgault (2013) used a quantitative methodology approach to study the imported and domestic beer industry of Spain and found that brand awareness played an important role in identifying factors that motivate the consumer's decision of beer preference. Consequently, aspiring craft beer makers in areas where demanding regulations might act as a barrier in launching a microbrewery should expect entry to the market at a slower pace, understanding that achieving brand awareness might take time. Business leaders in the business planning stages of starting a microbrewery should also take into account the factor of taxation.

The taxation regulations of the craft beer business have requirements unique to the business activities of this segment because of their small-business status though operating in the alcoholic beverage industry. The federal and state taxation landscape that regulates the craft beer market has caused some microbrewers to reformulate their products to avoid paying higher taxes (Hunsucker, 2013). In contrast, Wyld, Pugh, and Tyrrall (2012) referred to quantitative research about the relationship between changes in taxation regulation and the effects of the microbrewery industry and concluded there exists a greater probability of more competitors than damages to revenue. Although microbrewers could alter procedures to avoid higher tax brackets, and unless taxation legislation intended directly to affect the sector occurs, craft beer makers should expect productivity after closely evaluating the federal, state, and local taxation laws against

forecasted output. After the thorough analysis of capabilities, and during the policy compliance process, prospective beer makers could benefit from the information of research studies about the effective configuration of resources and capacities.

The DCF has evolved into a mainstream framework in management research, has offered an in-depth understanding of the contemporary entrepreneurial landscape, and has proven beneficial to substantiate strategic management based on DCs (Teece, 2011). For example, Ellonen, Jantunen, and Kuivalainen (2011) ascertained that DCs enhance a firm's ability to develop an asset base, promote the renewal of business management processes, and enact functional strategies. As a result, of the business scholars' (Ellonen et al., 2011) interest in applying the DCF in multiple business management studies, an ample amount of academic literature exists that reflects the applicability of the DCF in business research. In this study, the DCF allows the exploration of how the study's participants maximized resources and used strategic decision making as a DC and permits me to expand the DCF applications to the entrepreneurial study of microbreweries.

The business leaders handling the accreditation processes of starting microbreweries employ intangible resources such as knowledge and network connections to fulfill the licensing requirements to open a microbrewery. Although scholars have widely applied the DCF to study the production of goods in business management studies, the DCF has proven equally effective for studying DCs of intangible resources (Kindström, Kowalkowski, & Sandberg, 2013). As evidence of the DCF's resourcefulness, Chien and Tsai (2012) used the framework to study the relationship between organizational learning and performance as intangible resources. Chien and Tsai

demonstrated that the maximization of DCs benefited organization members by enhancing the firm's intangible resources, such as knowledge and knowledge transmission mechanisms. Therefore, applying the DCF to explore the strategic management of intangible resources to generate strategies to comply efficiently with the microbrewery formation requirements proved relevant for this study. Moreover, the application of DCF can assist in identifying strategic decision making as a DC in the reconfiguration of resources to navigate the ABC, state, and city licensing requirements needed to start a microbrewery.

In the craft beer business, there is an organizational difference between operational and functional resources. Operational resources pertain to the processes of production, bottling, and distribution of the craft beer. Conversely, functional resources address compliance with regulations and the enactment of business strategies. Jurisch, Palka, Wolf, and Krcmar (2014) suggested that the DCF suited qualitative studies assessing the impact of functional capabilities in business settings because it encompasses the essence of internal business procedures applied by the decision makers. Business scholars using a qualitative case study approach supported by the DCF benefit from knowing the in-depth information uncovered by the case study design, while supporting the findings of how functional capabilities dynamically evolve into competitive business strategies by the DCF. Moreover, this approach may expand the DCF by studying the dynamic capabilities of these microbreweries as small- and medium-sized enterprises (SMEs).

The entrepreneurial composition of microbreweries classifies them as SMEs.

Zahra, Sapienza, and Davidsson (2006) claimed that a gap existed in DCF-based studies between nascent and established ventures because most researchers applied the DCF framework to repetitive functions involving extant resources in matured enterprises. However, in a recent study, Arend (2013) used the DCF with SMEs as participants to demonstrate the applicability of DCs to ethical business issues pertaining to SMEs. The evolution and use of the DCF as a conceptual framework has expanded to the study of new businesses managerial concerns that might benefit business scholars in exploring issues related to SMEs. In addition, the application of the DCF to studies pertaining to SMEs plays a significant role in investigating the knowledge base generated by the experiences of business leaders representing SMEs.

When studying the strategic planning in starting new craft breweries, and the employment of DCs, the most reliable source of knowledge comes from the business leaders' successful adaptations to the regulatory environment governing the establishment of microbreweries. Katkalo, Pitelis, and Teece (2010) referred to strategic assets as the firm's specialized knowledge that influenced the DCs reconfiguration. Salunke, Weerawardena, and McColl-Kennedy (2011) referred to DCs as a firm's potential to alter their resource base, acquire resources, integrate, and recombine them to generate new value-creating strategies. The established craft brewers in Madison County have adapted and solved the problems presented by the regulatory environment, and possess the tacit, limited knowledge of how to overcome the challenges of starting a craft beer brewery. The microbrewery licensing and application processes have rigid and standardized requirements. However, the DCF proposes that the reconfiguration of

resources as DCs should help the process become less burdensome and simultaneously enhance the knowledge resource.

The adoption of DCs helps business leaders confront challenges by enhancing strategic decisions. Teece (2007) examined the nature of DCs and the presence of external regulatory forces and suggested business leaders make informed conjectures about the path ahead. Kindström, Kowalkowski, and Sandberg (2013) ascertained that in the seizing concept of the DCF, a firm's attempts to exploit new opportunities could benefit from a strategic decision-making process aimed at deploying DCs throughout the organization. As supported by the literature, some academic research refers to strategic decision-making as a DC, and to the capabilities of business leaders to adapt by reconfiguring resources strategically in adapting the challenges posed by regulatory forces. As part of the capabilities configuration process, prospective craft beer makers could plan what kind of microbrewery they want to run by gaining knowledge about what other microbreweries have accomplished.

An analysis of the literature about craft beer has revealed a willingness from members of the industry to embrace corporate social responsibility (CSR) and environmental initiatives. Jones, Hillier, and Comfort (2013) noted the presence of CSR campaigns among large, international breweries, but concluded that most of the efforts concentrate on promoting responsibility in beer consumption, some of which are government mandated or self-enacted policies. Conversely, Betts (2010) and Keblan and Nickerson (2012) noted the microbrewery industry's trend regarding CSR to enact initiatives such as reducing water consumption and the carbon footprint, see these

initiatives as essential optimization drivers to maximize revenues. Whereas the large breweries have led the advertising efforts to create awareness about the responsibility in drinking, the craft brewers have shown similar initiatives in CSR by adopting added-value environmental strategies without waiting for legislative action before doing so. Another characteristic of the business models found in the craft brewing industry and CSR is the close relationship between brewers and farmers.

In the microbrew industry, commercial craft brewers rely on the local government public works to access the essential water supply to concoct beer and maintain brewing equipment. In addition, the local utility companies may increase revenue from the growth of the microbrewery industry by having a greater pool of businesses that pay for high consumption of water. Caulfield (2013) ascertained that private organizations have approached CSR as a strategic endeavor to improve the firm's financial and competitive advantages. In the public sector, Nijaki and Worrel (2012) examined how county and city government entities collaborated with local businesses to promote sustainable policies and promote buy-local marketing campaigns to bolster environmental and economic goals. Prospective and established microbrewers should enhance environmental CSR initiatives by including in the development of a strategic plan how the local government entities of potential localities take into account the collaboration with the private industry in promoting sustainable business practices. Another characteristic of the business models found in the craft brewing industry and CSR is the close relationship between brewers and farmers.

While craft brewers strategize in handling the certification process and actualize

business formation objectives, they can explore the needed resources and establish relationships with farmers who could provide vital ingredients for brewing, such as hops. Cibula (2013) ascertained that the craft brewers depend primarily on local farmers to obtain the essential ingredients needed to brew and maintain the consistency of the beer's quality and texture. However, Pavlovič and Pavlovič (2012) analyzed the statistics of hop production from 2001 through 2010 and concluded that while the number of craft breweries increased, the global hop production decreased. Aspiring craft brewers might strategize how to develop relationships with members of the agriculture industry and attempt to secure access to the resources needed for brewing. Higher demand for ingredients does not guarantee more production of ingredients. In as much, during the brewery accreditation process, craft brewers can increase their knowledge about the characteristics of the beer drinkers who are more likely to consume and remain loyal to those local craft beers.

As part of the product development strategies, craft brewers should keep in mind the importance of taste to consumers who prefer craft beers and oppose mass-marketed beers. Academic researchers in the culinary field have studied the taste preferences of beer drinkers regarding a variety of flavors ranging from strong to light tasting brews (Donadini, Fumi, & Newby-Clark, 2014). Cerjak, Haas, and Kovačić (2010) used the Conjoint Analysis methodology and included taste in testing the consumers' ability to recognize different brands of beers, and recommended the research approach in future studies investigating taste distinction of unknown beer brands. Chrysochou (2014) used a mixed-method research approach to test for preferences amongst light-beer drinkers and

concluded that participants preferred brands of light-beer with more fuller taste. Would-be beer makers can benefit from experimental research about beer, specifically those who include taste perception, because, fundamentally, the flavor of craft brews differ from commercial beers, and brewers could focus on producing better-tasting beers than competitors. In addition to formulating product development strategies to fit the craft beer market, aspiring microbrewers can learn the distinctiveness of their prospective customers because not all beer drinkers consume craft beers.

Some applications used in market research for the beer industry can help brew makers maximize initiatives that target craft brew drinkers. Lopez and Matschke (2012) ascertained that the foreign beer companies in the United States might benefit from targeting adults with higher income because this group has shown to have more enthusiasm for imported beer. In contrast, in Thailand, Sankrusme (2012) investigated how large breweries from America targeted beer drinkers and found that they prefer advertisement strategies targeting younger adults with disposable income who frequent pubs or restaurants. While large breweries in the United States do not employ the same target marketing techniques when capitalizing on foreign markets, imported beer distributors have found similar techniques in selling to the American consumer. In much the same manner, would-be craft beer makers can explore audiences to target more effectively by learning the market composition of craft beer drinkers based on data from the microbrewery industry.

Aspiring or established craft beer makers can gain knowledge from academic research in learning more about the characteristics of the consumer who prefers gourmet

brews over domestic or imported beers. Keblan and Nickerson (2012) noted that craft beer drinkers are 90% Caucasian, 70% male, 65% urban, 75% earn \$50,000 or more per year, 65% have college education, and 90% of the clientele are between the ages of 21 to 50. Some researchers such as Khmel'nyts'ka and Swift (2010) have even looked at patriotism as a factor in determining beer preferences, domestic or imported. Certainly, the academic research about craft beer can assist microbrewers in knowing the composition of their market, but additional studies could promote business ideas such as benefiting from the patriotic symbolism of consuming American craft beers. Craft beer makers can benefit from findings based on peer-reviewed studies that offer alternatives to traditional retail settings, expanding the scope of business opportunities.

Scholars specializing in studying the hospitality industry have explored business opportunities of craft beer tourism. Bizinelli, Manosso, Gonçalves Gândara, and Valduga (2013) used qualitative research to explore the efficacy of craft beer tourism in Curitiba, Brazil and, after finding productive results, recommended the expansion of this industry in the form of craft beer resorts. Cerović and Horvat (2013) used empirical analysis of hospitality industry sales data throughout the seasons of the year to determine if beer consumption remained constant, and found that other beverages such as wine had more stable sales records than beer. While not all craft brewers might see potential in partnering with other members of the hospitality industry to create opportunities such as craft beer tourism, certainly the academic research on this topic can assist in the selection of growth strategies. The successful implementation of expansion strategies resembles how advances in technology can assist business leaders in strategic decision-making.

While the brewing fundamentals and ingredients of making and selling beer have remained nearly unchanged, advances in technology could offer opportunities for the improvement of business operations of microbreweries. For example, some engineering scholars have noted the application of robotics in increasing efficiency in large brewery plants (Krantz, 2013), or the use of beer-pouring robots capable of serving brews with precision (Galamić, Thomessen, & Daniel, 2014). Microbrewers could benefit from using mobile applications designed to help them track the brewing process in a scientific manner (Wright, Short, & Parchoma, 2013). Altogether, craft beer makers could benefit by staying loyal to the business values portrayed by the microbrewing industry while embracing technologies that could provide them with improved products or more efficient business operations. Prospective craft beer makers, during the business formation process, can take into account how aspects of operating in a niche market could influence the development of strategies.

The business model of operating a craft brewery should reflect the maximization of revenue without counting on large sales volume. Chmelíková (2011) ascertained that regional breweries could enjoy higher profit margins than large breweries because of lesser marketing costs in targeting the local beer drinker, in addition to lower production costs of producing brews for local markets. However, Koontz (2010) warned that, due to the success of the microbreweries business model, large breweries have adopted strategies to counter the popularity of the alternate products by producing beers that resemble the persona and taste of craft brews. Therefore, prospective craft brewers could develop strategies to root their businesses in their local regions, enact cost-efficient

marketing campaigns targeting the local craft beer drinker, and enhance business operations to reduce costs and maximize profits. The application of this approach could result in a profitable microbrewery, with the potential to sustain competition from other microbreweries or maintain the business if large breweries decide to implement a contingent business model directly to compete with microbreweries. Nonetheless, of equal importance to the business formation strategy process, aspiring craft brewers in Alabama can benefit from learning about what factors and events have shaped the state and county requirements for launching a new microbrewery.

### **Considerations in Navigating the Requirements for Craft Brewing in Alabama**

In the rural southern United States, members of the alcoholic beverage industry have had to adapt their business strategies to a region where the population's moral values could jeopardize some of the people's choice for consumption and production of beer. Alonso and O'Neill (2012) argued that the southern United States, specifically Alabama, had a more conservative cultural setting with restrictive alcohol-related laws than other regions of the country, but Alonso and O'Neill failed to provide the causes for these conditions. Paradoxically, Baginski and Bell (2011) noted that, the South's alcohol consumption ranks second in the country, but positions in last place among microbrewery plants per capita and pointed to the South's rooted religious beliefs as a cause preventing the microbrewery industry growth. One scholar's interpretation of Alabama's alcohol industry regulations reflects the palpable reality of the constraints surrounding this business segment while another's academic perception credits the region's collective moral values as a cause limiting the craft beer business growth. However, a single

academic claim about the relationship between religious beliefs and lack of craft breweries in the South does not represent a valid assessment of this assertion.

In Alabama, there is a need to educate aspiring craft brewers about how to develop business strategies while taking into consideration the moral convictions of some members of the community to avoid risking capital investment in starting a new microbrewery. Frendreis and Tatalovich (2010) tested the relationship between religion and Prohibition era philosophies in the 21st century and concluded that Evangelicals in the rural South use the religion and morality-in-politics realms to campaign for Prohibition-style laws in dry counties. In contrast, Virden (2014) noted that historically, Catholics have had a more liberal view of drinking, and, therefore, have a lesser role in the politics of alcohol regulation. Prospective beer makers in Alabama can prepare strategies to approach the state's predominant Protestant population to use their legal rights to request laws to prohibit alcohol and perhaps campaign for the reversal of wet counties into dry counties. As a result, would-be craft brewers can balance their new business formation strategies taking into consideration the social composition of the prospective area while searching for a location with the potential to provide optimal business conditions.

In the case of Alabama's craft brewing industry, the community aspect of the selection process for brewery plant location might play a crucial role in formalizing a strategic decision plan for the establishment of a new brewing facility. Jackson and Stoel (2011) ascertained that, business leaders operating in rural markets have the potential to enhance brand recognition and increase local sales because the products or services could

have a positive position in the community's social environment. However, in the case of the microbrewery industry, this fact could have more relevance because as Maye (2012) asserted, the connotation of what local means for craft breweries play a vital role in brand recognition among the members of adjacent communities. Therefore, prospective craft brewers should develop business formation strategies that take into consideration that the long-term success of the business could depend on how members of the community can accept the microbrewery as an additional social component of the area. For aspiring craft brewers in Alabama, accomplishing the objective of ultimate brand recognition status as provided by members of the community, who reflect pride in consuming locally-brewed craft beer, partially depends on selecting the most advantageous location as allowed by Alabama's laws.

Would-be craft beer makers in Alabama in search of a microbrewery plant location can benefit from recognizing that the processes of launching a brewing facility and choosing a location could pose as inflexible. For example, aspiring craft brewers seeking the most beneficial location for business through a brewpub have the task of searching the state's historical records to determine which counties allowed commercial brewing prior to 1919 (ABG, 2014c; Alabama Brew Pub Act. Ch 4A, § 2, 2011). The nature of the demanding microbrewery policy environment present in Alabama could pose an emotional threat to the free-spirited personalities of aspiring craft brewers, which Maier (2013) noted as having creativity and flexibility in experimenting with craft beer recipes. Therefore, prospective craft beer makers can use this information to prepare for a potential psychological upset when transitioning from an environment that fosters

creativity into the processes of handling the rigid regulatory demands of becoming a commercial microbrewer. Moreover, aspiring microbrewers, seeking strategy realization through the selection of the best business location, could benefit from learning how the Alabama State legislators have conducted the task of balancing craft beer legislation with matters unrelated to the craft beer industry.

Alabama legislators have structured some aspects of the brewing laws in an attempt to extend to members of the craft beer industry additional location alternatives and to address some of the state's economic needs. For example, craft brewers have the option to operate a brewpub in an area designated by the state as economically distressed (Alabama Brew Pub Act. ch 4A, § 2, 2011). Larsen, Elle, Hoffmann, and Munthe-Kaas (2011) explained the entrepreneurial initiatives behind the urban regeneration efforts to create new economic opportunities in communities seen as unproductive areas. Williams and Huggins (2013) studied government intervention in promoting business ventures in financially deprived communities and found that the establishment of new business in these areas does not guarantee employment or economic growth for the immediate residents. Certainly, microbrewers should take into account how the regulatory forces could influence strategic decision-making because, as evidenced, Alabama's brewpub legislation could provide more options for developing strategies, as in the case of promoting brewing business in economically deprived areas. Craft brewers developing strategies have to search prospective locations with the potential for optimal conditions, such as combining culinary services with craft beer made on-site in a brewpub or a microbrewery.

Craft brewers could examine their capabilities and resources with the objectives in the business plan and select the most appropriate retail vehicle for the sales of craft beer. These sales outlets include brewery plants (a) exclusively for traditional bottling and distribution, (b) with a restaurant as a brewpub, in addition to outside retail sales, and (c) with a bar or tap-room without food service (Keblan & Nickerson, 2012). Due to the presence of new, emerging and growth industries, Barrows and Vieira (2013) advocated a stand-alone North American Industry Classification System code for brewpubs under the full-service food restaurants category. Therefore, depending on available capital in starting a microbrewery, the combination of traditional retail sales with a brewpub could maximize the profit margin potential. Conversely, owning an operational and profitable tap-room or a plant could provide the potential to develop into a brewpub if financially feasible. Nonetheless, during the business planning and strategic decision-making initiatives, aspiring craft brewers should know the licensing requirements for each sales outlet prior to forecasting profit margin figures.

In the State of Alabama, the potential retail settings for craft beer have different municipality ordinances in addition to the federal and state licensing requirements controlling the operation of microbrewery plants. Gohmann (2013) ascertained the importance of researching how local level policy could increase barriers in the new businesses creation process. The Code of Alabama (1975a) legally allows each county and their municipalities to enact and enforce local laws regulating the business processes of establishing and operating a microbrewery, in addition to the adopted State and Federal regulations. As a result, aspiring microbrewers could benefit from evaluating the

local laws of the municipalities from each prospective county prior to deciding the location and retail sales vehicle to help in determining the most suitable investment approach. Would-be commercial craft brewers in Alabama can complement business strategy plans by evaluating the legal composition of the state's wet and dry counties, areas that allow the sale of draft beer and wet municipalities in dry counties.

In Alabama, the ABC control board serves as the State's agency that enforces the laws pertaining to the licensing, manufacturing, distribution, and sales of alcoholic beverages, such as craft beer. Moeller (2012) explained some of the factors that have influenced governments to establish the structure found in today's public administration agencies, empowered with enforcing the laws pertaining to the licensing and operational requirements of alcohol production. The State of Alabama has 67 counties, 42 of which are wet with 13 of those counties allowing the sale of draft beer and brewpubs (ABC, 2014). In addition, there are 25 dry counties that do not allow the manufacturing of craft beer, 23 of those counties have wet municipalities that allow the sale of beer in containers, and two are completely dry counties (ABC, 2014). In brief, aspiring microbrewers in Alabama looking for localities that can provide optimal business conditions for the production and sale of craft beer could narrow their search to the 13 counties that allow microbrewing, brewpubs, and draft beer sales. In Madison County, Alabama, the municipalities of The City of Huntsville and The City of Madison have legal codes with independent ordinances regulating the alcoholic beverages licensing requirements.

Aspiring craft brewers should employ flexibility while developing a business

formation strategy as they compare the municipalities laws because policies could have significant differences in requirements, even in demographically adjacent areas. For example, Thach, Cuellar, Olsen, and Atkin (2013) compared the relationship of franchise laws and sales of the wine industry in Florida and Georgia and found that policies influence prices, product availability, and revenues. Sorrentino and Simonetta (2012) studied the initiatives of municipalities in combining resources to maximize the effectiveness of government functions and recommended strategies for local governments to benefit from collaboration strategies. In Madison County, the differences in policies between the municipalities can influence strategic plans, and would-be microbrewers could partner with industry members in advocating local-government partnering initiatives to create alternatives that could benefit each entity. As a result of the demands in launching a new microbrewery in Alabama, there is a need to explore how microbrewers in Madison County successfully formed their business by DC, perhaps motivated by their passionate desire for becoming a microbrewer.

### **Transition**

In Section 1, the foundation of the study highlighted how the emergence of the craft beer industry as a specialist organization has caused states such as Alabama to adopt post Prohibition era legislation to make a late entrance into this sector. The root of the problem's background dates to twentieth-century legislation that evolved to the present regulatory environment in which states self-legislate how, in this case, the beer industry should operate in their boundaries. Specifically, in the Southern United States, Prohibition-type legislation exists in the 21st century where local governments have legal

powers to prohibit the production, sale, and consumption of alcoholic beverages.

As an illustration, 25 of Alabama's 67 counties have *dry* sales legislation (ABC, 2014), 13 counties prohibit the sale of draft beer (ABC, 2014), and brewpubs can only operate in 13 counties (ABG, 2014b). Therefore, business leaders with the financial interest in Alabama's microbrewing industry have to develop business formation strategies that incorporate the regulatory forces from federal, state, county, and city government entities. Regardless of the level of preparedness and access to capital that the prospective craft brewers have to launch a brewery, the business realization process depends on meeting licensing and certification requirements particular to this industry.

The reviewed literature provided information on five aspects that elucidate the challenges that prospective business leaders could have when venturing into Alabama's craft beer industry. These aspects included (a) regulatory history, (b) entrepreneurial passion, (c) niche market, (d) industry considerations, and (e) strategies in starting a microbrewery in Alabama. As suggested by Teece, Pisano, and Shuen (1997), the analysis and synthesis presented in the literature review section reflected how aspiring craft brewers could maximize available resources through strategic management in handling the licensure requirements of launching a microbrewery. In addition, the information presented on entrepreneurial passion reflects some elements of the EPT as a motivating factor for would-be microbrewers in the process of starting a microbrewery as ascertained by Cardon et al. (2009) and Watne and Hakala (2013).

I chose to explore the microbrewery industry of Madison County, Alabama because it has the most microbreweries per capita in the State (Berry, 2013). The

Alabama Brewers Guild (2014a) supports this claim by reporting that Madison County has nine microbreweries. In addition, the prospective participants for this study were located within a 50-mile radius of Madison County limits. Therefore, this area served the purpose of exploring and capturing detailed information about how members of the nine firms developed strategies, used dynamic capabilities in handling the licensing requirements, and remained steadfast through the process motivated by a passion for brewing.

Section 2 gives an overview of the qualitative methodology and multiple-case study design used for this study. In Section 3, I provided an overview of the study and findings. The findings from the research have the potential to benefit the craft beer and hospitality industry in Madison County, Alabama. Therefore, in Section 3 of this study, I included a reflection on the possible implications of professional practice and social change and recommendations based on the research and the implication of the findings regarding the professional and social implications.

## Section 2: The Project

Section 2 addresses the rationalization for using qualitative research to explore the strategies used by business leaders for the successful completion of licensure requirements in the craft beer industry of Madison County, Alabama. The purpose of this study was to explore and present an assessment of the strategic decision-making that established microbrewers used in handling the licensure requirements process for establishing a new microbrewery. The research of how to strategically handle licensure requirements in starting a microbrewing business has relevance because The Alabama Legislature has adopted regulations that allow the establishment of microbreweries but with strict licensure requirements (Alonso, 2011). To answer the overarching research question for this study, I intended to encapsulate how participants learned about requirements and developed strategies to handle the licensure requirements to launch a microbrewery in Madison County, Alabama. In this section, I provided an academic rationale for selecting the qualitative research methodology as well as details on the multiple-case study research design.

### **Purpose Statement**

The purpose of this qualitative multiple-case study was to explore what strategies business leaders use to complete licensure requirements in the microbrewery industry. Four microbrewers within Madison County limits participated in this study and helped to develop a better understanding of the business strategies deployed to confront the challenges of the microbrewery licensure process. The data from this study might contribute to social change by providing a set of strategies for business leaders to

complete the licensure requirements in starting a microbrewery, which could promote business creation, employment, and added revenue through taxation.

### **Role of the Researcher**

This study comprised face-to-face interviews with business leaders representing licensed microbreweries in Madison County, Alabama. Onwuegbuzie, Leech, and Collins (2010) ascertained that the individual conducting the research represents the primary data collection instrument. In this multiple-case study, as a researcher using the qualitative research methodology, I was the main instrument for data collection, analysis, and presentation of findings. To assert the absence of bias for this study, I did not have a personal or professional connection with any of the prospective participants, did not consume the locally made beer, and did not follow the businesses' promotional activities through any form of media. As a resident of Madison County from 2007 through 2015 and a craft beer aficionado, I had occasionally engaged in home brewing after the State of Alabama legislature (Alabama Home Brewing Act. ch 4B, § 1, 2013) allowed residents to make beer at home in 2013. The overall plan was to collect, organize, review, and analyze the data, and to provide findings and recommendations in Section 3 of this study.

As the primary instrument for data collection, I adhered to the ethical guidelines published in the Belmont Report (Sims, 2010) for interacting with participants during and after the data collection process. As suggested by Qu and Dumay (2011), I designed and strictly followed an interview protocol where participants had the opportunity to answer the same questions, in order to help mitigate risks to the study's reliability and validity. The process for conducting this research consisted of establishing an evidentiary trail that

followed Walden University and Institutional Review Board (IRB) guidelines for conducting ethical research.

### **Participants**

As suggested by DeFeo (2013), for this study I used the purposive sampling method to identify the participants representing the homogeneous population of the nine microbreweries in Madison County, Alabama. I sent a letter of invitation via certified mail to the nine microbreweries in Madison County, Alabama. Prior to conducting interviews, there was a need to identify the individual(s) in the organization most informed about the initial compliance of the licensing procedures to ensure attaining the most reliable data. The owners of the four microbreweries who participated in this study referred the most knowledgeable member of the organization in handling the strategic process of attaining licensing. To establish and enhance rapport with prospective participants, I informed them that they were the focus of the study and that their experiences were valuable for research.

I used the disclosure and consent form for signature prior to commencing the interview. The disclosure and consent form included a notice to each participant about the purpose of the study and the commitment to adhere to confidentiality terms. In addition, I allowed participants to withdraw from the study at any time without penalties and ensured to keep their personal identifiable information confidential and not include it in the study reports.

I digitally recorded and transcribed each interview verbatim. The data collected from each participant's interview was put for safety in a safe deposit box. Per

requirements of the Institutional Review Board (IRB), the collected data is available for a period of 5 years. At the end of this period, I will destroy all hard and soft copy materials using the standard methods for the academic industry at that time.

### **Research Method and Design**

The qualitative research and multiple-case study design served to uncover the strategic approaches used by business leaders representing the microbrewery industry in Madison County, Alabama, in the successful fulfillment of licensure requirements in launching a microbrewery. Alonso (2011) used a qualitative case study approach to explore the business of craft beer tourism in Alabama and conducted semistructured interviews with six participants who own or were working towards the establishment of a microbrewery or brewpub in Alabama. Maye (2012) applied a case study design and conducted interviews with the representatives of six microbreweries, thereby gaining an understanding of the supply chain structures regarding this industry. Therefore, the qualitative research method and multiple-case study design used in this study corresponded with current research.

### **Research Method**

This study comprised the qualitative methodology approach. I used the qualitative research method to explore in-depth how microbrewers accomplished the licensure requirements needed to launch a microbrewing business. Ahrens and Khalifa (2013) claimed that using quantitative research methodologies could assist in generalizing the meaning of findings while the qualitative method can assert the significance of events on an individual basis. Conversely, Ivankova, Creswell, and Stick (2006) ascertained that the

use of mixed-methods could help researchers to support findings obtained from numerical data by explaining them with findings from textual data collected through qualitative research techniques. Since the goal of this study was to explore in-depth the microbrewers' strategic development and not quantify the strategic approaches, the quantitative research or mixed methods did not serve the purpose of this study. The qualitative research methodology served best in obtaining the details regarding the strategic approaches employed by the participants in this study in fulfilling the licensure requirements for a thorough, individual approach to enable the formulation of conclusions.

### **Research Design**

The use of the multiple-case study design allowed participants to express in their terms the aspects of employing strategic decision-making in starting a microbrewery. In the multiple-case study design, the individual conducting the research needs to identify the population that will participate in the study. The population for this study entailed the primary owners of the microbreweries licensed to operate in Madison County. The Alabama Brewers Guild (2014b) records indicated that nine microbreweries operated in this region. Yin (2011) ascertained the value of conducting intrinsic case studies that allow researchers to gain detailed, in-depth understandings of aspects and perspectives of the unique, inherent interest to participants. The multiple-case study design supported the purpose of this study of providing detailed information from participating participants about their strategic approaches in navigating the microbrewery licensing process. As suggested by Kautz (2011), for this multiple-case study, the face-to-face interaction with

participants through semistructured, open-ended interviews provided the best method in obtaining the information directly from the sources.

For this study, the multiple-case study design approach provided more benefits in exploring the participant's preferred strategies for navigating the licensure procedures for launching a microbrewery than the ethnography, grounded theory, narrative, or phenomenology designs. The ethnography approach requires the researcher's close observation of and involvement with people in a particular setting for providing the account of the event as it happened (Jaimangal-Jones, 2014; Watson, 2012). In this case, the researcher accounts for the time and resources needed to complete the study because the data collection process depends mostly on the participant's availability for observation or interview questioning (Goulding & Saren, 2010). Evans (2012) claimed that business researchers applying the ethnography approach could develop studies to investigate the business leaders' behaviors by observing them perform their managerial tasks. However, the intent of this study was to probe for the selection and application of business strategies that can reveal the in-depth information needed to develop conclusions not possibly attainable by merely observing participants.

The grounded theory design was not appropriate for accomplishing the purpose of this study exploring the preferred strategies for starting a microbrewery. Manuj and Pohlen (2012) ascertained that the grounded theory fits better for researchers aiming at developing a theory for business applications based on research. However, the objective of this study was to explore the preferred strategic approaches to accomplishing the licensure procedures for launching a craft beer business and not the development of

business theory based on research findings.

The narrative design could assist in collecting data about previous events by obtaining the participant's recollections. In the management field, researchers investigating organizational change benefit from using the narrative design because it allows them to deconstruct and reconstruct events that led to changes (Hawkins & Saleem, 2012; Larty, 2011). In this approach, after analysis of data, researchers develop a single account of the narratives and construct knowledge based on conjecture developed from the narrative's essence (Hansen, 2011). Therefore, the narrative design is limited to the accounts narrated by participants and may not reflect the in-depth information about the details embedded in the recollected experiences fulfilling the licensure requirements of starting a microbrewery business.

The phenomenology design could assist researchers who aim at providing a detailed description of the participants lived experiences. Phenomenologists must accept their role as data collectors without judging the answers, continuously focusing on the study's issue and conducting the research using the first-person version of events (Tomkins & Eatough, 2013). For example, researchers in the marketing field benefit from applying phenomenological design concepts because this allows them to gather consumers' experiences (Wilson, 2012; Ziakas & Boukas, 2014) and adapt strategies based on first-person feedback (Tomkins & Eatough, 2013). The purpose and research question of this study aimed at exploring the strategies used by business leaders who have formed a microbrewery to inform about the selected strategic approaches based on the successful completion of the licensure process. Therefore, the phenomenology could help

in recounting the how of the business leaders completed the licensing process, but it may not provide the tacit, detailed information about which strategies proved more effective in accomplishing the licensure process.

To conduct this multiple-case study design, as a researcher, I served as the primary collection data instrument by interviewing four participants using the semistructured, face-to-face interview approach. The data collected from interviews served as the primary source of data. As a secondary source of data, I used data from the Alabama Brewers Guild (2014a) and Brewers Association (2014) about support resources available to prospective microbrewers to learn, understand, and handle the licensure requirements to launch a microbrewery. Ellonen et al. (2011) recommended the use of data triangulation to verify the primary data. I used the secondary data to complement the primary data to account for methodological triangulation and to mitigate risks of the study's validity and reliability.

In summary, this qualitative multiple-case study allowed collecting and analyzing in-depth data regarding the strategies used to fulfill the licensure requirements to start a microbrewery by the business leaders representing the microbrewery industry in Madison County, Alabama. Samujh and El-Kafafi (2010) noted that, in using qualitative research for the investigation of business topics, the semistructured interview enables scholars conducting the interview to explore differing expectations, perceptions, and preferences by conducting the session through flexible, unbiased open-ended questions. To investigate how entrepreneurs strategized to navigate the licensing requirements for microbrewing, the multiple-case study design with the face-to-face semistructured

interview approach provided the best vehicle in collecting differing experiences for accomplishing the same licensure requirements.

### **Population and Sampling**

There are nine microbreweries in Madison County, which represents 31% of all microbreweries in the State of Alabama (ABG, 2014b). The purposeful population for this study encompassed, at a minimum, the business leaders representing these nine microbreweries. DeFeo (2013) mentioned that the purposive sampling approach identifies the most relevant participants who can best serve the research objectives. Moreover, in purposive sampling, DeFeo described homogeneous sampling as having participants with similar characteristics. As a result, purposive sampling provided the best method of selecting participants because each operated under similar conditions and could reflect the richest source of information. In this study, the primary goal of using the purposeful, homogeneous sampling approach was to gather the most in-depth information with a relatively small sample size.

The combination of a small sample size with an open-ended, semistructured interview format provided the most in-depth information about the study's topic. In quantitative research, determining the appropriate population sample is a crucial factor that could have serious ethical implications (Burmeister & Aitken, 2012). In qualitative research, the size determination depends on the study's research question for investigation (Marshall, Cardon, Poddar, & Fontenot, 2013). In qualitative research sampling, researchers could benefit from smaller samples because of the potential to access more detailed, in-depth information about the study's problem (Trotter, 2012). As a result, the

sample size of four participants in this qualitative multiple-case study served best to fulfill the goal of this study. The business leaders representing the microbrewery industry of Madison County, Alabama had the characteristics needed to represent the homogeneity of the sample size.

The craft beer makers who have formed a microbrewery or brewpub in Madison County, Alabama started the business formation initiatives with the requirement of complying with the law under Alabama's alcoholic beverage legislation. Therefore, the participant eligibility requirements for this study were (a) owning a licensed brewery located within the limits of Madison County, Alabama and (b) consenting to the interview. The interview setting was in each participant's brewery because this unburdened the participants from having to travel to another location and interrupt business activities. I conducted all interviews face-to-face using the semistructured interview approach.

I used software tools to process and prepare the data for analysis after completing the data collection phase. Kikooma (2010) suggested that the use of computer-assisted qualitative data analysis software (CAQDAS) could assist researchers in handling data for analysis. Even though CAQDAS could potentially offer tools to manage more efficiently and process textual data, researchers continue to play a pivotal role in preparing, entering, and importing, analyzing, and interpreting data. I used NVivo<sup>®</sup>, a CAQDAS tool, to identify themes pertaining to strategies used by microbrewers in fulfilling the licensure requirements to launch a microbrewery to determine the presence of data saturation.

In this study, I interviewed four microbrewers who completed the licensure requirements successfully to brew for commercial purposes in Madison County. Chenail (2011) ascertained that researchers have charge in identifying data saturation during the interviewing cycle when no new questions, modifications, or biases occur. As suggested by Marshall, Cardon, Poddar, and Fontenot (2013), researchers could benefit from bringing new participants continually into the study until the data set completion, as indicated by data replication or redundancy. For this study, I determined the achievement of data saturation when the participants consistently reported exact or similar development of strategies to accomplish the licensure process to launch a microbrewery. The achievement of data saturation occurred at the fourth interview, when the responses from the participant representing Brewery # 4 demonstrated a pattern regarding the selected strategic approaches similar to those reported by the representatives from Brewery # 1 through Brewery # 3.

### **Ethical Research**

As part of ethics in research, compliance steps took place prior to interacting with participants. I used member data from The Alabama Brewers Guild (2014b) and electronic business listings to identify the participants by name and address of each of the nine microbreweries in Madison County. Furthermore, for this study, trade or business names were held confidential. Each invitation request for an interview included the consent form in Appendix A, which included information about the participant's right to consent, decline, or withdraw from the study without penalties.

As suggested by Qu and Dumay (2011), prior to conducting interviews, I briefed

and disclosed to participants the intent of the research and their role in the study. I asked the participants if they wanted to participate in the interviews and gave them the opportunity to express their desire not to participate in the research, verbally. I addressed each participant's questions or concerns about the interview or study prior to conducting the interview and asked them if they understood the consent form. Each participant received a copy of the signed consent form prior to initializing the interview. As recommended by Qu and Dumay, having the signed consent form ensures that each participant provides written approval acknowledging that they understood the briefed information.

I safeguarded all data collected from each participant's interview in a safe deposit box. Per requirements of the Institutional Review Board (IRB), I will keep this data for a period of five years. At the end of this period, I will destroy all hard and soft copy materials using the standard methods of the academic industry at that time.

### **Data Collection Instruments**

In this section, I discuss my role as the primary data collection instrument for this multiple-case study. I explain how the face-to-face, semistructured interview fit appropriately as the data collection technique. I provide information about the data organization techniques to prepare for data analysis and ensure the safe keeping of data.

In this qualitative multiple-case study, as the interviewer conducting semistructured face-to-face interviews, I was what Onwuegbuzie, Leech, and Collins (2010) referred to as the primary data collection instrument. The semistructured interview has open-ended questions with the flexibility of including minor divergences to elicit

more descriptive responses to gain the in-depth information needed to answer the research question (Kingsley, Phillips, Townsend, & Henderson-Wilson, 2010). The participants needed 20 to 60 minutes to complete eight interview questions and an additional open-ended question that invited the participant to mention any other relevant matters not covered in the previous questions.

I adhered to an interview protocol to ensure the reliability of the study's findings. Prior to conducting interviews, I provided each participant the consent form in Appendix A, to provide them the opportunity to become familiar with the sample interview questions. I conducted the interviews by asking each participant the same questions in exact order to enhance the study's reliability.

Appendix C includes the interview questions designed to capture how the business leaders strategized in navigating the licensure requirements of starting a microbrewery. Even though all prospective microbrewers have to comply with licensing requirements, there was a possibility that the interviewed business leaders applied strategies and managed resources differently in completing the licensure requirements. The application of this semistructured interview approach allowed modifying interviews to capture specific information about how each microbrewer strategized to accomplish the licensing procedures before starting business operations. I digitally captured the interviews, as recommended by Carr (2014), using a smart pen voice recorder. As recommended by Carr, the smart pen technology assisted me in capturing digital images of handwritten notes taken during interviews, allowed for the transfer of data to software for instant retrieval, and permitted the transcription of handwritten notes to text.

Furthermore, the addition of computer-assisted qualitative data analysis software (CAQDAS) designed and used for the appropriate analysis of data in qualitative research (Kikooma, 2010) assisted me to organize and prepare for analysis of the collected data.

### **Data Collection Technique**

Even though each craft beer maker in Madison County, Alabama had to comply with the licensure requirements prior to launching a craft brewing business, this does not mean that the strategies employed by the participants were equally effective. Therefore, the open-ended interview questions using the semistructured interview style helped elicit those strategic approaches that were most effective in navigating the licensing process to start a brewing plant. Yin (2014) recommended establishing a collaborative rapport with participants to help elicit more detailed answers. The use of open-ended interview questions and establishing a collaborative rapport with participants, assisted in motivating the participants' to provide extensive, detailed answers about their strategic approaches to maximizing available resources to accomplish the licensure requirements.

Yin (2014) identified interviews and documentation as two potential sources of evidence for data collection. I used the face-to-face semistructured interviews as the primary source of data. I treated each participant equally during the interviewing phase of this study. To ensure equal treatment of participants, I designed an interview protocol in which they had equal opportunity to answer the same questions, in order. To enhance the reliability of the primary source of data, I referred to the secondary sources of data to complement the information obtained from interviews. The secondary sources of data consisted of documentation from government websites (Alcohol and Tobacco Tax and

Trade Bureau [TTB], 2015a; ABC, 2014), and independent microbrewery support organizations (ABG, 2014a; Brewers Association, 2014), pertaining to the echelon structures to handle the microbrewery licensure process.

I conducted four interviews and stopped because no new information emerged in the final interview. After the interviewing process had concluded, I transcribed each interview verbatim and prepared the data for analysis. Subsequently, I used the analyzed data in generating themes derived from the participants responses. The interview data analyzed for Brewery # 1 through Brewery # 4 yielded information that I used to develop interpretations obtained from the participants responses. This approach is what Stuckey (2014) referred to as the transmission of meaning to the text, whereby the researcher generates ideas resulting from the analyzed data that goes beyond interview transcription and CAQDAS analysis. After data analysis, I constructed ideas organized by the order of the nine interview questions asked to each participant based on the reported information. Onwuegbuzie, Leech, and Collins (2012) suggested that conducting member checking could assist researchers in assessing the data saturation determination. I obtained validation from each participant about the meaning of the interpretations derived from their reported data, without adding new information. Therefore, the attainment of validation from the participants through member checking helped in supporting the determination of data saturation for this multiple-case study.

### **Data Organization Technique**

The preparation for data organization began prior to conducting interviews by ensuring that the instruments and materials performed as expected. I applied the same

principle to organize the data sets obtained from the secondary sources of data. I tracked and organized the data of this study with the assistance of NVivo® to analyze the transcribed data. For data safekeeping, I kept all hard and soft materials in a safe deposit box and will destroy them after five years of the study's approval by using the standard practices of the time.

### **Data Analysis**

Four semistructured interviews of business leaders representing the microbrewery industry in Madison County, Alabama, provided the primary data for this study. The secondary data source (ABG, 2014a; Brewers Association, 2014) included information pertaining to resources available to individuals needing help to navigate the licensure requirements to launch a microbrewing business. The digital record and verbatim transcription of each interview served as the foundation for data transferring into the NVivo® software, which assisted in the data analysis of this qualitative research. The participants' responses addressed the overarching research question of this study as supported by the interview questions in Appendix C and as follows:

1. How did you gain knowledge to develop business-planning strategies for navigating the licensure requirements of the craft beer industry in Alabama?
2. Please describe the development of any business planning strategies used to prepare for the Alabama Alcohol Board Control (ABC) licensing application.
3. What new, different strategies did you develop to persevere through the

- licensing requirements to start a brewing plant in Madison County?
4. Describe the frequency in which your strategies changed to adapt to the licensing process and the effect on capabilities regarding time and financial resources.
  5. How did the state and city regulations influence your strategic approach to choosing a location and your investment capital amount?
  6. How did the state and city regulations influence your strategic approach in choosing between a brewing plant and a brewpub as retail vehicles?
  7. How did Madison County regulations influence your strategic choice over other counties for brewing plant location?
  8. What resources did you find most helpful in developing business strategies (e.g., self-developed strategies, professional consulting services, and government or industry resources)?
  9. Is there any pertinent information regarding business strategies that you can provide that is not included in the previous questions/answers?

Business scholars can benefit from software tools to assist them in analyzing the data collected from using the qualitative methodology and case study design approach. Kikooma (2010) ascertained the benefits of using computer-assisted qualitative data analysis software (CAQDAS) for researchers that used the case study design with interviews designed to collect in-depth information about participants' entrepreneurship experiences. As an example of one of the multiple features found in CAQDAS tools, business scholars can import the transcribed interview data into the software qualitative

research analysis (Baron & Harris, 2010). As a key feature of some CAQDAS programs, users can expect after performing data analysis to have access to results categorized by theme coding to ensure thorough data analysis as noted by Klaus and Maklan (2012). In summary, after data collection and transcription processes, I used NVivo® to import, analyze, and codify the data for this study to look for patterns in the information provided by participants.

The participants representing Brewery # 1 through Brewery # 4 had the common goal of completing the microbrewery licensure process to begin brewing for commercial purposes and reported about selected strategies to fulfill the licensing requirements. In this multiple-case study, to keep the participants' identities confidential, the substitute names of Brewery 1 through Brewery 4 replaced the individual names of the participants and the businesses that they represented. After the verbatim transcription phase, each transcribed interview included the participants' substitute names for import into the NVivo® software database. To prepare the data for analysis, the use of NVivo® as the selected CAQDAS tool, proved reliable for uploading the audio and transcribed data. After the upload of the audio and transcript files from each interview, I proceeded to use the software to identify and code meaningful patterns emerging from the continuous playback of audio files as suggested by Yin (2014).

The next phase of the data analysis entailed the coding process. Stake (2013) referred to coding as classifying or sorting, a common feature found in all qualitative analysis and synthesis. As recommended by Yin (2014) before beginning the data analysis process, I selected the pattern-matching analytic technique in attempting to

identify and analyze patterns of the explanations reported by each participant. Therefore, in this multiple-case study, I pattern-matched the reports from each case to develop a strategic set derived from those who completed the microbrewery licensure process successfully. I sorted the data from each case by enumerating the questions and matching the participants' responses in order to identify topics, themes, and issues relevant to this study as suggested by Stake. Moreover, Yin recommended the cross-case synthesis for the analysis of multiple-case studies to treat each case as separate study. I used NVivo® to assist in the coding process and organized the analyzed data into spreadsheet format to display the data from each case to perform cross-case synthesis. This analytic approach assisted in identifying five themes derived from the reported data and contributed in accounting for high-quality analysis that helped develop the strategic set in Appendix D designed to answer the overarching research question for this multiple-case study.

The answers obtained from the interview questions assisted in finding the presence of dynamic capabilities in the licensure process of starting a microbrewery in Madison County, Alabama. Question 1 of the interview questions pertains to what Teece (2011) referred to as the *sensing* phase present in the dynamic capabilities framework, and questions 2 through 8, relates to the *seizing* or development of strategies. The possible manifestation of dynamic capabilities in navigating the microbrewery licensure process began by identifying how the participants reconfigured their knowledge after learning about the regulatory requirements and continued by exploring how they strategically managed to fulfill the licensing requirements.

## **Reliability and Validity**

In this section, I discuss the reliability and validity measures present in this study to ensure trustworthiness in qualitative research. I describe initiatives to enhance the study's reliability by creating a database to establish a chain of evidence for the handling of data pertaining to this study. I explain the adherence to the model of trustworthiness to enhance the study's validity.

### **Reliability**

In qualitative case study research, the presence of consistency in the selected data collection, organization, and analysis techniques and the creation of a database for the study's data, would benefit in increasing the study's trustworthiness. The presence of reliability in qualitative research studies provides confidence in findings and is useful in establishing consistency to provide an accurate representation of the population studied (Thomas & Magilvy, 2011). The rigor of this qualitative multiple-case study about the strategies used to fulfill the licensure requirements in launching a microbrewery came from strict adherence to demonstrate consistency in data handling techniques.

As suggested by Yin (2014), the creation of a database for the study's data, markedly increased the study's reliability. In this multiple-case study, the reliability in data collection initiatives came from ensuring the application of the interview protocol where the individual conducting the research asks each participant the same interview questions, in exact order. The organization and analysis of data by using NVivo® to create a repository for the collected information strengthened the reliability of this study by providing access to what Yin (2014) referred to as chain of evidence.

## **Validity**

In qualitative case studies, the use of models could assist business scholars in strengthening the validity of the study (Yin, 2013). The four criteria in the model of trustworthiness serve as a tool to verify the soundness in qualitative research present in this study as recommended by Lincoln and Guba (1985). These four criteria include (a) credibility, (b) transferability, (c) dependability, and (d) confirmability (Thomas & Magilvy, 2011).

Ghrayeb, Damodaran, and Vohra (2013) ascertained that methodological triangulation remains as one of the prominent methods in the evaluation of research because researchers can support statements by using different methods to validate findings. To address the credibility criteria in strengthening the validity of this multiple-case study, I obtained data from four interviews regarding the business problem and research question in this study to account for triangulation of data as recommended by Yin (2014). In addition to conducting interviews, I examined documentation pertaining to the microbrewery licensure process from the ABG, Brewers Association, TTB, and ABC to perform the methodological triangulation. The methodological triangulation process for this multiple-case study included the thorough analysis of the face-to-face, semistructured interviews and documentation to substantiate the study's findings.

Barusch, Gringeri, and George (2011) recommended the member checking technique to strengthen the credibility of qualitative research. I shared my interpretations of the analyzed data with the study's participants to obtain what Yin (2010) referred to as respondent validation to lessen the misinterpretation of the self-reported data. No new

information resulted from performing member checking. The consistent validation from respondents by applying the member checking technique ensured that I captured the meaning of responses as verified by the determination of achieving data saturation.

Thomas and Magilvy (2011) ascertained that transferability in qualitative research pertains to how findings in a particular study have applicability to transfer research methods or findings into other contexts or different participants. Moreover, to enhance the transferability criteria in qualitative research, the researcher must provide detailed information about the design and findings to allow the audience to determine a study's application for another research, as suggested by Marshall and Rossman (2010). To account for the transferability criteria, I provided sufficient explanation of data about the findings in this study in the context of strategies used to fulfill the licensure requirements to launch a microbrewery in Madison County, Alabama. As suggested by Lincoln and Guba (1985), transferability criteria could allow other researchers with an interest in microbrewery business topics, to transfer the results into other research contexts.

Thomas and Magilvy (2011) mentioned that, in qualitative research studies, the dependability criteria is established through data saturation when other researchers can replicate an author's methods to arrive at similar findings. For this study, I determined the achievement of data saturation when the participants consistently indicated exact or similar development of strategies to accomplish the licensure process to launch a microbrewery. The achievement of data saturation occurred at the fourth, final interview that confirmed a pattern in strategic approaches selected by the participants. In addition, to enhance the validity of this study by accounting for the dependability criteria, I

followed Walden University requirements in sections 1 and 2 and provided in-depth information about the research methods for this study. Moreover, as suggested by Thomas and Magilvy, in section 3 of this study, I provided a detailed presentation and interpretation of findings. A researcher could audit the research methods of this study by following the format and information encompassing each section.

Lastly, regarding the confirmability criteria of this multiple-case study, I documented the procedures chosen to enhance the study's credibility by performing methodological triangulation. As suggested by Thomas and Magilvy (2011), I conducted a thorough analysis of data from interviews, obtained validation from participants' about the interpretations of the data, and analyzed documentation from secondary sources with reflexivity pertaining to the microbrewery licensure process. To enhance the confirmability criteria, as recommended by Thomas and Magilvy, I requested participants during the interview to clarify words or statements that I may not have understood to reduce confusion. After each interview, I reviewed the interview notes to ensure the exclusion of personal opinions or insights derived from the interview sessions to reduce any bias threats.

### **Transition and Summary**

In Section 2, I reinstated the purpose statement and explained my role as the researcher of this study. Section 2 reviewed the study's (a) participants, (b) research method and design, (c) population and sampling, and (d) ethical research compliance. In addition, in Section 2 I explained the study's data collection (a) instruments, (b) collection, (c) organization techniques, (h) data analysis technique, and (i) reliability and

validity. I Section 3, I provide a detailed overview of the study and discussed (a) presentation of findings, (b) applications to professional practice, (c) implications for social change, (d) recommendations for action and further study, (e) reflections, and (f) the study's summary and conclusions.

### Section 3: Application to Professional Practice and Implications for Change

In Section 3, I provide a description of the study's findings. Section 3 includes the overview of the study, presentation of findings, applications to professional practice, and implications for social change. Moreover, I provide recommendations for action, recommendations for further study, reflections, and summary and study conclusions.

#### **Introduction**

The purpose of this qualitative multiple-case study was to explore what strategies business leaders used to complete licensure requirements in the microbrewery industry. The reduction in the gap of available information on effective strategies for would-be microbrewers obtained from those who have successfully completed the licensure process could prove beneficial to business leaders who need to comply with microbrewery licensure requirements. Presenting a set of strategies for handling the licensure requirements to launch a microbrewery could empower prospective microbrewers in formulating effective strategic approaches to more efficiently managing the licensing process by reducing delays or costs. The application of proven strategies for microbrewery licensure could affect social change by empowering microbrewers to enhance local economic landscapes by adding jobs and a source of revenue to government entities in the form of taxation.

The population of this multiple-case study comprised four business leaders representing the licensed microbreweries in Madison County, Alabama. The collection of data through face-to-face, semistructured interviews by using open-ended interview questions assisted in the thematic identification of strategies used by participants who

accomplished the licensure requirements successfully. As recommended by Battistella, Biotto, and De Toni (2012), this approach assisted in the reconstruction of elements that allowed the stratification of different meanings regarding the strategic approaches selected by the participants that represented Brewery # 1 through Brewery # 4. These participants provided tacit knowledge of learning about regulations, strategic development, and resource alignment to accomplish the licensure requirements.

The data analysis phase included the transcription of each interview verbatim and uploads the audio and transcript files into NVivo® to assist in the identification of themes. As suggested by Yin (2014), for this multiple-case study, I examined the data, categorized themes to develop interpretations, and compared each of the participants' explanations to draw conclusions. This approach accounted for pattern matching and cross-case synthesis, two strategies used to analyze multiple-case studies as suggested by Yin.

After the analysis of data, I found that the participants' invested themselves in the strategic development process to fulfill the licensure requirements needed to launch a microbrewery. The findings showed that the regulations in place to permit the legal operation of a microbrewery in Madison County, Alabama influenced the participants' strategic development and alignment of resources to fulfill the licensure requirements. The findings from this study reflected the presence of sensing, seizing, and resource configuration, concepts from the DCF used in the conceptual framework for this study.

### **Presentation of the Findings**

The overarching research question for this study was the following: What

strategies do business leaders use to successfully complete the licensure requirements in the microbrewery industry? The population of this study consisted of four microbrewery owners who successfully completed the licensure requirements to launch a brewing business operating within Madison County, Alabama limits. I discussed with each participant the consent form in Appendix A, the confidentiality agreement in Appendix B, and the list of interview questions in Appendix C. Moreover, I provided each participant enough time to read and ask questions about the forms prior to obtaining consent to conduct the interview. The interviews took place after the participant and I signed one copy each of the consent form and the confidentiality agreement to retain for each other's records.

I used semistructured, face-to-face audio-recorded interviews and took notes during the interviews, aided by nine open-ended interview questions designed to gain in-depth knowledge about how established brewers handled the regulatory requirements to launch a microbrewery. Following the interviews, I proceeded to upload the digital audio-recorded, password protected file into NVivo® to begin the verbatim transcription and theme coding from the collected data. To protect the participant's identities, I replaced the name of the brewery owners and that of their firm's by replacing each name with Brewery # 1 through Brewery # 4 in the order in which each interview occurred. After the completion of the verbatim transcription and thematic coding from each interview, I performed member checking by requesting participants to validate the veracity of the interpretations and findings derived from the data as disclosed in the consent form. I provided each participant a tabulated spreadsheet with the interview questions in the

same order asked that included notes and the interpretations that helped in generating the answers for each response drawn from the analyzed data. I received validation from participants without adding new information and proceeded to the completion of this section. I stored a hard copy file from each interview in a safe box to follow the privacy requirements disclosed in the signed consent form.

I interviewed four participants and finalized interviews because the information shared by the final participant did not add new knowledge. I conducted four face-to-face semistructured interviews at each of the microbrewer's facilities. To triangulate the analyzed data, I researched information published by the Alabama Brewers Guild (2014a) and Brewers Association that could prove beneficial to prospective microbrewers in navigating the licensure process to open a microbrewing business. In addition, I relied on information from government websites (ABC, 2014; TTB, 2015a) to triangulate analyzed data pertaining to the applications, permits, and regulations procedures.

Five themes emerged from the thematic coding process. The themes tied to the DCF concepts while the last theme emerged from the in-depth information obtained from conducting the semistructured interviews. These themes included (a) learning from other brewers, (b) flexible strategic approach, (c) establishing a brewery first, attaining licensing second, (d) business-planning strategies, and (e) regulatory echelons for microbrewing licensing.

### **Theme 1: Learning From Other Brewers**

In the first question of Appendix C, I asked participants how they gained knowledge to develop business-planning strategies in analyzing the regulatory

environment of the craft beer industry in Alabama. Each participant's response denoted that all participants invested themselves personally in the process of acquiring the specific knowledge needed to develop strategies to navigate the licensure process as part of business formation strategies. As a two-part strategic approach, established microbrewers researched published material about regulatory compliance to gain knowledge about the licensing process, but the most effective strategy was to request guidance from established, licensed brewers in Alabama. Brewery # 1 reported,

To gain knowledge to develop the business planning strategies was word-of-mouth.

This strategic approach corresponds with current research from Kotter (2014), who ascertained that modern organizations should employ a secondary, alternative approach to creating agility and speed to seize opportunities or avoid threats. In the case of Brewery # 2, Brewery # 3, and Brewery # 4, the most effective approach resulted in requesting information directly from those who experienced the licensing process. Table 1 provides the participants' supporting statements.

Table 1

*Theme 1: Learning From Other Brewers*

| Participant | Participant comment  |
|-------------|--|
| Brewery # 2 | We learned about the efforts from other brewers and helped each other.                               |
| Brewery # 3 | We reached out to another brewer who had gone through the process prior to the alcohol level change. |
| Brewery # 4 | We leaned heavily on established breweries to gain knowledge about licensing.                        |

The strategic approach to obtaining first-hand experiences helped in replicating or enhancing previously deployed strategies to handle the licensure requirements and to avoid potential threats by not relying only on other, self-conducted approaches. In addition, the participants' responses demonstrate the presence of a collaborative culture in the microbrewing industry to assist and mentor prospective microbrewers. The existence of an organized, industry-oriented support system (Alabama Brewers Guild, 2014a; Brewers Association, 2014) that provides educative resources for would-be microbrewers and obtained from the learned experiences by other brewers and industry examinations validates the participant's responses.

**Theme 2: Flexible Strategic Approach**

In Questions 2, 3, and 4, I explored the participants' selected strategic approaches in handling the state and city-level licensing processes and the frequency in which the strategies changed due to regulatory demands. In the second theme, due to the nature of

the licensure requirements, participants denoted the deployment of flexible strategic approaches to navigating the demanding licensure process. Moreover, the participants reported that a significant portion of the licensure process requires face-to-face interaction with government officials involved in overseeing the licensing issuance that requires the careful selection of strategic approaches different from those used in Theme 1. The processes conveyed in handling the state and local level requirements, as reported by participants in Questions 2 and 3, resulted in frequent changes to strategic approaches as reflected by their responses to Question 4. Each participant reported frequent changes in strategic approaches that caused handling the licensure process with flexibility to adjust to the requirements after formally submitting the necessary forms. Brewery # 2 reported,

Strategies changed almost daily. Everything we dealt with was as if it was being invented new. They just said you are going to have to do this or that, and then somebody else will tell you, no you do not have to do that.

Sullivan and Ford (2014) researched how resource networks in the early development of business ventures changed and ascertained the significance of identifying the frequency of strategic changes during new business formation to explore abilities to adjust to evolving requirements. From the participant's responses, I discovered that during the licensing process, the participants could not measure the efficiency of selected strategic approaches because they had to employ flexibility to adjust their strategies throughout the licensing process. Table 2 provides the participants' supporting statements.

Table 2

*Theme 2: Frequent Changes in Strategic Approaches*

| Participant | Participant comment   |
|-------------|---|
| Brewery # 1 | I say quite a bit... everything was, you talk to one person, and they will send you to somebody else... So, it took a while to get finally in touch with somebody that can get us going through the process.  |
| Brewery # 3 | Yes, when you are licensing, no matter what you give them you will have at least five items to fix. Then you go back again and then you may have a few more items to fix.   |
| Brewery # 4 | We changed strategies a lot making the licensing process one of the biggest headaches because there is no feedback to you from the state regulatory agencies. When the applicant fills out the forms, do fingerprinting, wait for background checks, and submits the paperwork it becomes a black box. It took us about eight months to accomplish licensing. |

**Theme 3: Establishing a Brewery First, Attaining Licensing Second**

In Question 5, I explored how the regulatory environment influenced the selected strategic approaches for business location and investment capital amount. In the third theme, participants reported that the microbrewery licensure process required them to invest in equipment and build facilities first, and the licensing process followed. Kumar (2015) explained the Seven Stroke Strategic Analysis by expanding on Porter's

competitive forces model and reiterated that government policies may represent a threat of new entry to aspiring business leaders. The participants of this study reported that before starting brewing for profit, the regulatory bodies required an operational brewing plant for inspection purposes before attaining the license to brew. This process includes leasing a commercial building in a location designated by the respective municipalities of Madison County as light industrial zone, investing and installing brewing equipment, and preparing the facilities to meet regulatory codes prior to beginning the licensing application process. The presence of new entry conditions influenced by government regulations such as owning a brewery without any revenue for an undetermined amount of time until accomplishing licensing revalidates Kumar's assertions regarding the threat of new entry. Brewery # 1 reported,

We had to have an actual physical address with a rental agreement or leasing agreement that says that we are, in fact, the lessee of this place before we could even go through the process.

In the establishing a brewery first, attaining licensing second theme, participants reported that after leasing an authorized business location, forming the brewing plant, and preparing for licensing and inspection, it took more financial resources to adjust to additional requirements. Table 3 provides the participants' supporting statements.

Table 3

*Theme 3: Establishing a Brewery First, Attaining Licensing Second*

| Participant | Participant comment   |
|-------------|---|
| Brewery # 2 | We invested a lot of money and efforts to meet requirements because they were not going to let us open unless we did all of that  |
| Brewery # 3 | You have to put the hardware first, we could not get a license until the hardware was sitting in place, and you effectively had a brewery ready to go, and then you could ask for a license |
| Brewery # 3 | You are supposed to have a brewery in place so they can inspect it, and you do not know how long you have to sit on a loan before you get operational.                                      |

**Theme 4: Business-Planning Strategies**

In Questions 6, 7, and 8, I explored how the regulatory environment influenced the participants' business-planning strategic approaches in selecting a retail vehicle, choosing Madison County, Alabama over other counties, and the resources utilized to support the selected strategies. The exploration about how microbrewers strategized to transition from noncommercial brewers into commercial microbrewers could build on research (Thurnell-Read, 2014) about the craft brewers identity that embodies specialized skills and passion for producing craft beers. The participants' responses to Questions 6 and 7 demonstrated that the regulations influenced the decision to select a retail vehicle, but not the decision to select Madison County over other counties in Alabama. In

addition, the participants' reported in question 8 that the self-developed strategy of seeking support from other brewers to handle the official application process served as the most beneficial resource. Table 4 provides the participants' supporting statements about business-planning strategies and resources.

Table 4

*Theme 4: Business-Planning Strategies*

| Participant | Participant comment   |
|-------------|---|
| Brewery # 1 | We knew when we first started it was just a brewing plant.  |
| Brewery # 2 | We always intended to be a brewery, not a brewpub. The issues involved in opening a facility like that making food, staff, and all the things, we are brewers we just want to brew beer package it and ship it, that's all we ever planned to do. |
| Brewery # 4 | In Alabama, if you become a brewpub you can no longer package beer, it did not make sense, so we decided to stick to a taproom.   |

In selecting a viable business-planning strategy, the participants analyzed the regulations and determined that a brewpub did not fit the desired goals to succeed as a commercial brewer. Specifically, Brewery # 3 reported,

When we did it, part of the issue of having a working brewery manufacturing versus a brewpub is the initial outlay, dollar outlays. The regulations are similar, but in a brewpub they are more restricted because your primary sales are in your brewpub they limit the sales is in your brewpub.

The participant's responses to Question 6 denote a careful strategic approach based on the analysis of the regulations and the internal organizational analysis. Conversely, in Question 7, the participants did not rely on the regulation analysis when choosing Madison County for the microbrewery location. The consensus obtained from the responses demonstrate that the microbrewers remained closed to their geographical location and chose to handle the regulatory process in Madison County whether other counties in Alabama offered better business conditions. Table 5 provides the participants' supporting statements about county selection.

Table 5

*Theme 4: Business-Planning Strategies*

| Participant | Participant comment   |
|-------------|---|
| Brewery # 1 | We strictly focused on Madison County, Huntsville area so no other counties regulations were evaluated. |
| Brewery # 2 | We had no intent in choosing other place but Huntsville.  |
| Brewery # 3 | We were never going to go anywhere else but Madison County.   |
| Brewery # 4 | Madison County made the most sense.   |

In Question 8, I asked the participants what resources proved more beneficial to help them generate business strategies to navigate the licensure requirements. The in-depth understanding of specific business topics pertaining to the craft beer industry is relevant to uncover opportunities unique to this industry (Francioni Kraftchick, Byrd, Canziani, & Gladwell, 2014). The participants' responses showed that they applied self-

developed strategies to handle the requirements of the licensure process by preferring to seek help from other brewers and industry resources for support. Table 6 provides the participants' supporting statements about preferring self-developed strategies.

Table 6

*Theme 4: Business-Planning Strategies*

| Participant | Participant comment   |
|-------------|---|
| Brewery # 1 | What I found to be most beneficial was actually finding someone to talk to that knew the real way to go, talking face-to-face is easier to get what you need to do across as oppose as reading a form and misinterpreting it. |
| Brewery # 2 | We made phone calls to the various bureaus some of which were helpful.  |
| Brewery # 3 | Government industry resources, Brewery Association for high-level, federal side, and ABC website and their agents were helpful.   |
| Brewery # 4 | Reaching out to the other brewer, by far.   |

**Theme 5: Regulatory Echelons for Microbrewing Licensing**

In Question 9, I asked participants about any pertinent information not included in the previous eight questions. Moreover, the application of the semistructured interview style allowed probing further into the details surrounding the microbrewery application process. As a result, using a final, open-ended question and the semistructured interview approach, I discovered that the microbrewery licensure process entails various license

applications at different regulatory echelons leading to the final license that allows for microbrewery operation. Table 7 provides the participants' supporting statements about the application requirements.

Table 7

*Theme 5: Regulatory Echelons for Microbrewing Licensing*

| Participant | Participant comment  |
|-------------|--|
| Brewery # 1 | The federal license, when we started it was all paper, then they moved to online, and we happen to fall out right after they started the online application. |
| Brewery # 2 | One of the biggest pitfalls that we had was the fire department.   |
| Brewery # 3 | When you open a business the first time, they have a whole, huge checklist of all these different people.  |
| Brewery # 4 | We have to do the health department inspection.  |

The analysis of theme 5 resulted in the identification of regulatory echelons provided by the participants' responses. The participants ascertained that without the complete fulfillment of all licensing and inspection requirements, the state's final licensing authority, the ABC, does not grant a microbrewing license. Therefore, prospective microbrewers could benefit from knowing the different regulatory involved in the microbrewery licensure process, where applicable. The regulatory echelons for the microbrewery licensure process in Alabama include:

1. The Alcohol and Tobacco Tax and Trade Bureau (TTB)

2. The Alabama Alcoholic Beverage Control Board (ABC)
3. County licenses or inspections
4. City municipalities within county limits
5. Fire department inspection
6. Health department inspection
7. Public works (electrical and plumbing)
8. Occupational Safety and Health Administration (OSHA) Inspection

The different requirements of the application process develop as the applicant receives feedback from the respective regulatory oversight entity on the determination of deficiencies, as requested. At a state level, the regulatory echelons to attain microbrewing licensing is consistent with the perspectives of Reid, McLaughlin, and Moore (2014), who ascertained the relationship of legislative negotiations and the growth of the microbrewing industry in southern states. At the federal level, applicants must receive approval before the respective state determines to approve or disapprove the prospective microbrewer application, and the state boards ultimately can approve, decline, or reject the application regardless of federal approval. The changes in legislation that allowed microbrewing in Alabama and the inclusion of inspections and license applications based on federal, state, and local level policy demonstrates how the legislative bodies compromised to adopt regulatory oversight for the microbrewing industry.

**Findings related to the conceptual framework.** Teece (2007) identified sensing, seizing, and resource configuration as the three foundation concepts of the Dynamic Capabilities Framework (DCF). Teece (2011) explained the micro-foundations of the

three DCF concepts and identified learning as part of the sensing concept, by which business organizations gain knowledge. Second, the seizing concept corresponds with the selection of decision-making protocols. Third, the resource configuration denotes a firm's initiatives to align tangible and intangible assets to adapt to business challenges. I formulated the first five interview questions in Appendix C with the semistructured interview approach, to resemble the three concepts and micro-foundations of the DFC. The application of the DCF to navigate the licensure process in the microbrewery industry, derived from the analyzed data, helped in generating a set of strategies directly from those who accomplish the process successfully.

**Learning (Sensing).** The first interview question was designed to identify what business strategies established microbrewers used to gain knowledge about handling the licensure process. The responses from Brewery # 1, # 2, # 3, and # 4 demonstrated that, within the microbrewer community in Madison County, Alabama, existed the presence of collaboration amongst current and prospective business leaders regarding the handling of licensure requirements. These responses confirmed the presence of the learning (sensing) concept from the DCF and assisted me in developing a proven, effective set of strategies based on the analyzed data. Table 8 provides the first strategy to learning (sensing).

Table 8

*Strategy # 1*

| DCF          | Learning (Sensing)  |
|--------------|---|
| Strategy # 1 | In addition to the self-conducted research, prospective brewers should contact established, licensed brewers or seek support from industry sources to gain first-hand experience specific about the requirements to handle the licensure process. |

**Strategic development (Seizing).** Business leaders can rely on intangible assets, such as tacit knowledge, to enhance the firm's competencies and capabilities (Martínez-Cañas, Sáez-Martínex, & Ruiz-Palomino, 2012). The transitioning from knowing about the licensing process to the formal application process with government entities represents the strategic development (seizing) phase that allows prospective microbrewers to employ selected strategies. As part of the nature of the application process for alcohol-related products in Alabama, the participants reported structured guidelines designed to ensure the adherence to government regulations by government officials. Therefore, as part of the strategic development, prospective brewers should consider the implications of dealing face-to-face with government bodies and officials.

In interview questions, number 2 and 3, I gave participants the opportunity to inform about specific strategies developed to handle the licensing requirements from the ABC and municipal regulatory bodies. In each instance, all participants reported a face-to-face licensing application process with government entities at their offices and on-site

visits to the brewery for inspection. The participants' reported that, in addition to the ABC Board and Municipalities of Madison County application process, the regulations included certifications from the local fire department, health department, public works (water and electrical), and Occupational Safety and Health Administration (OSHA) inspectors. Therefore, the strategy development initiatives transferred from self-conducted research and information from other microbrewers to collaborating with government officials as required by the licensing regulations. Table 9 provides the second and third strategies for strategic development (seize).

Table 9

*Strategies # 2 and # 3*

| DCF          | Strategic development (Seizing)  |
|--------------|--|
| Strategy # 2 | Before formally starting the licensure process, prospective microbrewers could benefit from identifying and meeting face-to-face with individuals representing the various government entities and attempt to establish a collaborative rapport. |
| Strategy # 3 | Prospective microbrewers should develop business-planning strategies by consulting the requirements needed to fulfill license applications from the different government-entity echelons.  |

**Resources Alignment and Realignment (Configure).** In Question 4, I asked participants to describe the frequency in which they changed their strategic approach to adapt to the licensing process and how the changes affected time and financial resources.

I formulated Question 4 with the purpose of gaining information pertaining to the micro-foundation resource alignment from the third concept of the DCF, managing threats and resource reconfiguration, and explore the flexibility of the selected strategic approaches. Wang, Senaratne, and Rafiq (2015) studied the role of dynamic capabilities and success traps in firms', and suggested that managers should adhere to flexible approaches to avoid the exclusive deployment of proven strategies in changing business environments. Arend (2014) researched dynamic capabilities in small, medium enterprises and ascertained that firms benefited from the flexibility and fit to adjust to evolving business requirements. Each participant reported constant changes in the strategic approaches because of the frequent changes of requirements from the state-level governing body because of the strict, structured nature of the state licensing requirements. Nonetheless, each brewer adapted to the regulatory environment and configured resources accordingly in the successful accomplishment of the licensing process.

The participants expressed that the licensing process was lengthy. For Brewery # 4, the process took eight months, and for Brewery # 1 lasted 16 months. In each case, they had to commit to significant investments such as a building lease and equipment purchase during the inspection process without any manufacturing capabilities to generate profit. Therefore, prospective microbrewers should plan an initial investment budget by taking into consideration that the governing bodies may require them to have a brewing plant ready for inspection prior to receiving a license for commercial brewing. Table 10 provides the third and fourth strategies to resource configuration (configure) to adjust to the demand of the licensure requirements.

Table 10

*Strategies # 4 and # 5*

| DCF          | Resources alignment and realignment (Configure)  |
|--------------|--|
| Strategy # 4 | Prospective microbrewers should employ a flexible strategic approach that can embrace the demands of the licensing process to minimize procedural delays and align tangible and intangible assets more effectively when handling the different echelons of licensure requirements. |
| Strategy # 5 | In regards to financial and time resources strategies, prospective microbrewers should not officially start licensing applications unless sufficient resources can sustain a nonoperational brewing plant for the lengthy application process.                                     |

**Findings related to existing literature on effective business practice.** The strategies (a) learning from other brewers and (b) applying a flexible strategic approach proved to the participants representing Brewery # 1 through Brewery # 4 as the most beneficial in navigating the licensure process to become a microbrewer. Some of the academic literature on knowledge management (KM) and personality traits of nascent entrepreneurs tied into these two themes. Gera (2012) referred to KM as a firm's processes to develop, organize, and share knowledge that could lead to competitive advantage. Pietrzak, Paliszkiewicz, and Brzozowski (2015) ascertained that business entities often generate knowledge from the alliance with partners and that strategic

knowledge acquisition plays a pivotal role in creating superior performance. Conversely, Rangarajan and Lakshmi (2013) noted in their research that nascent entrepreneurs possessed great degrees of perseverance, innovative skills, and willingness to take calculated risks to handle business challenges. The presence of strategic knowledge acquisition by this study's participants' and their strategic approach to persevere through a demanding, lengthy licensure process supports academic literature on KM dimensions and personality traits of nascent entrepreneurs. The KM approach used by the participants' of reaching out to established brewers to gain first-hand experience about the licensure process denotes the application of strategic knowledge acquisition.

The strategy of learning directly from other brewers helped the participants' representing Brewery # 1 through Brewery # 4 in navigating the licensure process more effectively. In their initiatives for strategic knowledge acquisition, business leaders frequently try to extend their organizational boundaries to access multiple actors such as competitors because learning from external sources could assist in increasing the firm's flexibility and adaptation (García-Granero, Vega-Jurado, & Alegre, 2014). Chatterjee (2014) explained that the acquisition of tacit knowledge could assist in dealing with challenging, specialized contexts. As denoted by the theme *Learning from other Brewers* (Table 1), the participants' sought the guidance from competitors within their geographical area to acquire tacit, specialized knowledge to assist them in the strategic development to handle the microbrewing licensure process. After knowledge acquisition and strategic development, the participants' deployed strategies to accomplish the licensure process successfully.

The participant's representing Brewery # 1 through Brewery # 4 reported that they persevered through a demanding, lengthy licensure process. Miller (2015) ascertained that aspiring business leaders have personality characteristics of elevated needs of achievement, autonomy, and passion for mission that may explain how they can handle business challenges effectively, such as dealing for the first time with institutional authorities. Owens, Kirwan, Lounsbury, Levy, and Gibson (2013) researched the relationship between personality traits of small business owners' and their success, and determined that emotional resilience played a pivotal role in positive business performance. The representatives from Brewery # 1 through Brewery # 4 dealt with the microbrewing institutional authorities for the first time in each case, and their willingness to persist in accomplishing the licensure process could add knowledge to academic research pertaining to the personality traits of business leaders. Therefore, the results from this study could benefit research in the topic of KM, more specifically strategic knowledge acquisition, and personality attributes of business leaders who employ emotional resilience and entrepreneurial passion.

### **Applications to Professional Practice**

From the research findings, in the theme *Learning from other Brewers*, 100% of participants reported the use of self-guided strategies in seeking guidance from other microbrewers to handle the microbrewery licensure process. In addition to self-guided strategies, prospective microbrewers could benefit from using the assistance of consulting services specializing in the microbrewery industry to educate and assist them in navigating the licensure process and other relevant tasks of establishing a new

microbrewery. The collaboration between business consultants and nascent entrepreneurs could help reduce the gap in understanding between procedures and practices through educative means (Schiff & Szendi, 2014). The business professionals representing the consulting services field can seize the opportunity to collaborate with prospective microbrewers contemplating to join a growing, profitable industry segment (Reid, McLaughlin, & Moore, 2014). Therefore, in an industry where the regulatory landscape requires prospective microbrewers to invest and form a microbrewery (Table 3), without guarantees of license approvals, the reduction of mistakes through education could prove mutually beneficial to consultants and prospective microbrewers.

From the research findings, in the theme *Regulatory Echelons for Microbrewing Licensing*, 100% of participants reported having to fulfill multiple licensing applications prior obtaining final approval to establish a new microbrewery. Nascent entrepreneurs may face numerous, unexpected obstacles and difficulties in the process of establishing a new business because of government regulations (van Gelderen, Thurik, & Patel, 2011). Dennis (2011) ascertained that government entities could make regulatory structures more efficient by reducing administrative burdens to promote new businesses creation, for example. As a two-part example of microbrewery licensing regulations and the government's attempt to make licensure process more efficient, the TTB publishes the average processing times to process microbrewery applications (TTB, 2015b). The presence of federal regulations and licensing for new microbreweries as one of the eight regulatory echelons identified in Theme 5 of this study may represent an obstacle to prospective microbrewers handling the licensure process. Conversely, measuring the

services performance by which the public sector serves business leaders could improve the organizational capacity of government entities servicing the private industry (Björk, Szücs, & Härenstam, 2014). Therefore, prospective microbrewers could benefit from the government's published data to assist them in creating effective strategies.

### **Implications for Social Change**

The establishment of microbreweries could benefit communities by having craft beers produced, sold, and consumed locally by community members. In this study, I explored the strategic approaches that established microbrewers used to navigate the licensure process and developed a set of strategies that could educate prospective microbrewers with a financial interest in this sector. Prospective microbrewers could apply the strategic set in Appendix D to develop effective strategies and avoid shortcomings that other brewers may have experienced while handling the microbrewery licensure process. From the research findings, in the *Resources Alignment and Realignment (Configure)* section, 100% of the participants reported handling a lengthy, unstructured licensure process that caused them to adopt flexible strategic approaches (Table 2). Prospective microbrewers empowered with the information in Appendix D could handle the microbrewery licensure process more efficiently and shorten the period between application submission and approval. Therefore, by reducing the time from application submission to approval for commercial brewing purposes, prospective microbrewers could create employments, generate revenue to government entities through taxation, and provide retail sales of craft beers through local establishments faster.

### **Recommendations for Action**

The identification of themes derived from the semistructured interviews conducted in this multiple-case study and the analysis of government and industry resources pertaining to the microbrewery licensing applications helped in formulating five strategies to navigate the licensure process more effectively. Johansson, Sudzina, and Pucihar (2014) recommended the appropriate alignment of business strategies could lead better business performance. In theme 5, I enumerated eight regulatory echelons derived from the analyzed data from the semistructured interviews. Building on the theme *Regulatory Echelons for Microbrewing Licensing*, prospective microbrewers could benefit from the tacit knowledge of the requirements entailing the microbrewing licensure process to align the business strategies more effectively. Prospective microbrewers could benefit from the following recommendations for action:

1. The TTB provides information and tutorials to educate prospective microbrewers about the requirements for the federal license application online (TTB, 2015a).
2. The state alcohol boards may require information different from the federal level. Prospective microbrewers should research the applicable state regulations (TTB, 2015c).
3. Depending on the selected county or parish, applicants should analyze the requirements that counties have for permitting the production of beer. For example, in Alabama, all applicants must submit to extensive background checks, fingerprinting, and submit a hard copy applications because the state

does not provide online application services (ABC, 2015).

4. Prospective microbrewers should learn about the regulations that the municipalities or cities have to allow or control the production of beer in their jurisdiction. For example, in Madison County, Alabama, established microbrewers in the City of Huntsville produce beer in areas registered as light industrial zones (Code of Ordinances of The City of Huntsville, Ord. No. 11-654, § 1, 2011).
5. Prospective microbrewers should learn about the requirements needed to meet the fire inspection codes before turning the facility into an operational brewery. For instance, some states may require in their brewing plant permit application, the local fire marshal's approval embedded in the process and not as a separate requirement (State of Connecticut Department of Consumer Protection, 2015).
6. Prospective microbrewers should contact their local health inspector to learn about the health codes applicable to this industry and prepare the facilities for inspection. The government of Madison County, Alabama, oversees the Environmental Health Division, which inspects and approves permits for beer production (Madison County, Alabama, 2015).
7. Prospective microbrewers should learn about the requirements needed to make the facilities viable for beer production, which entails the use and disposal of large amounts of water and industrial brewing equipment that requires electricity. For example, the City of Huntsville oversees these

inspections under the same department (City of Huntsville, Alabama, 2015).

8. Prospective microbrewers should prepare their facilities to meet the OSHA codes for the safety of employees and patrons, and know about recognitions given by OSHA to members of the microbrewery industry for surpassing workplace safety benchmarks (Occupational Safety & Health Administration, 2015).

The recommendations for useful action presented above resulted from the knowledge obtained from this multiple-case study as each participant's responses helped developed understanding about the echelons for the microbrewery licensure process. The stakeholders that might benefit from the study's results include:

1. *Prospective Microbrewers*: Those who aspire to become part of the microbrewing business.
2. *Established Microbrewers*: Those who can mentor aspiring microbrewers and provide first-hand knowledge about the licensure process.
3. *Brewers' Organizations and Guilds*: Those national and state organizations formed by members of the microbrewery industry to help the industry as a whole.

The participants' of this study, established microbrewers, would receive the study's results and could serve as the primary vehicle to disseminate the findings to prospective microbrewers and in industry conferences.

### **Recommendations for Further Research**

I limited this study to Madison County, Alabama and one specific, relevant issue,

the microbrewery licensure process because in the microbrewery industry licensing must take place before microbrewers can carry out other pertinent business strategies.

However, the context of this research could benefit by exploring topics relevant to this industry outside of Madison County. The first recommendation for further study is to conduct qualitative research with microbrewers located in other counties in Alabama to explore opportunities for building craft beer tourism in the state. Alonso (2011) suggested that Alabama's craft beer industry could grow by developing strategies design to promote craft beer tourism in the state. Komppula (2014) researched the role of micro industries in providing the competitiveness to increase rural tourism destinations. Conversely, Francioni Kraftchick, Byrd, Canziani, and Gladwell (2014) researched some of the factors that motivate tourists interested in the niche market of beer tourism and confirmed the existence of growth opportunities for this segment. The economic development derived from the microbrewery industry could assist in the growth of rural tourism and the craft beer industry by creating strategies to offer tourists microbrew destinations or beer tasting experiences, for example.

The second recommendation for study is to expand research on craftwork business leaders providing specialized products using rustic methods of production with unique expertise. Thurnell-Read (2014) research small-scale breweries to research occupational identities of craft beer makers and suggested that research on this segment could serve as a foundation to develop more research in additional industries. For example, researchers could replicate this study's research methodology and design to explore more complex business needs of other craftwork segments such as small and

medium scale wineries (Alonso, Bressan, O'Shea, & Krajsic, 2014). Research into the labor skills of craft beer makers could help in increasing explicit and tacit knowledge of the business motivators in other craftwork segments such as specialty cheese and meats from the small farming segment. In addition to expanding research on craft industry segments, the combination of research methodologies could prove beneficial to researchers interested in conducting more in-depth studies.

For example, applying a mixed-method research approach into this study's overarching research question could help uncover more information pertaining to quantifiable topics relating to the microbrewery licensure process. Denzin (2012) ascertained that the use of multiple methods could assist researchers in securing an in-depth understanding of the research problem. In a mixed-method research approach, this study's methodology, design, and findings represent the qualitative portion of the research. To expand on this research by using a mixed-method approach, a researcher could ask questions about application processing times, initial capital investment, and actual amounts needed to fulfill licensing requirements, for example. The analysis of the data using a mixed-method research approach could complement and strengthen the findings by providing a set of strategies that includes estimates about licensing processing time and investment capital needed to accomplish the licensure process successfully.

### **Reflections**

For this study, I chose the qualitative multiple-case study design with semistructured interviews to explore in-depth how established microbrewers gained knowledge to handle the microbrewery licensure process. The study's findings confirmed

that, in much the same manner, the participants' used a similar approach to exploring the requirements of the microbrewery licensure process. In each case, the participants' contacted microbrewers with first-hand experiences and used the face-to-face approach to gain tacit knowledge about the licensure requirements. The participants' reported gaining knowledge directly from those who accomplished the licensure process and the research approach used in this study, confirmed that the qualitative multiple-case study design served the study's purpose.

The interaction with the participants' and the knowledge that I gained from the data analysis was the most rewarding experience as an aspiring researcher. The participants were courteous, supportive, and showed high levels of passion for their craft as beer makers. I sensed that, after the participants had completed the licensure process, they began to enjoy the process of making beer for a living. Nonetheless, the participants' aspirations of becoming commercial microbrewers came at the expense of doing so as secondary labor. One prospective participant did not take part in the study because of a conflict with a full-time job and could not interrupt the brewing process to participate in the interview. The four microbrewers that participated in this study indicated that they were available outside of business hours because they had other work responsibilities outside the brewing business. The growth of the participants' microbreweries could allow them to hire employees to replace their duties or provide enough revenue to allow them to become full-time microbrewers.

The completion of this study was my first experience in following research protocols of interacting with participants. This experience allowed me to gain more

confidence in my research skills because after the first interview I felt more self-assured about the research process. It was an absolute privilege to interact with individuals passionate about craft beer, that materialized their recipes and their goals into businesses, and championed initiatives that could help prospective microbrewers have fewer challenges in accomplishing the licensure requirements.

### **Summary and Study Conclusions**

The purpose of this qualitative multiple-case study was to explore what strategies business leaders use to accomplish the microbrewery licensure process in Madison County, Alabama. The information provided by the participants was pivotal in developing a set of strategies to navigating more efficiently the licensure process. Five themes emerged: (a) learning from other brewers, (b) flexible strategic approach, (c) establishing a brewery first, attaining licensing second, (d) business-planning strategies, and (e) regulatory echelons for microbrewing licensing. The strategic set consisted of five strategies consistent with the study's conceptual framework the dynamic capabilities framework.

The findings revealed the presence of dynamic capabilities in the strategies developed to navigate the microbrewery licensure process (see Appendix D). The participants reported that they learned (sensed) about the licensure process primarily from other who accomplished the process, developed strategies (seized) based on the acquired information, and adjusted (configured) resources accordingly to complete the licensure process. The in-depth exploration of strategic approaches selected by the participants' allowed the development of eight recommendations for action designed to inform

prospective microbrewers about the different levels of the requirements needed to brew for commercial purposes.

The implications for social change from this study's findings include the reduction in the gap between understanding and knowledge about the strategies needed to accomplish microbrewing licensing. Prospective microbrewers informed about proven strategies to navigate the microbrewery licensure requirements, could reduce applications processing time and attain licensing to brew commercially faster. The effective handling of the microbrewery licensure process could empower prospective microbrewers in establishing a microbrewing business faster and employ individuals that produce craft beers for sale in local establishments and consumed by members of the community.

In conclusion, research into the microbrewery licensure requirements is relevant because without licensing prospective microbrewers cannot share their recipes with consumers. Accomplishing the microbrewery licensure requirements more efficiently could serve as the foundation for the long-term success of microbrewing businesses. The application of the information and strategies in this study could assist prospective microbrewers achieve their goal of becoming a microbrewer.

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## Appendix A: Consent Form

Dear potential participant,

You are invited to take part in a research study on how craft beer makers in Madison County, Alabama, strategized in successfully completing the licensure process to start a microbrewery. The researcher is inviting the owners of microbreweries located within Madison County limits that are licensed by the State of Alabama and Madison County to produce craft beer to be in the study. This form is part of a process called informed consent to allow you to understand this proposed study before deciding to take part. A researcher named Luis Gely, who is a doctoral student at Walden University, is conducting this proposed study.

### **Background Information:**

The purpose of this proposed study is to explore the strategies used by craft brewers in Madison County, Alabama to navigate the state and local government licensing requirements to start a microbrewery. The data derived from this proposed study may provide insight about how prospective craft beer makers strategized to fulfill the regulatory requisites before becoming microbrewers.

### **Procedures:**

If you agree to participate in this proposed study, you will be asked to:  
Take part in a face-to-face interview with the researcher, to respond to nine questions regarding strategic processes used in accomplishing the licensing requirements for starting a microbrewery.

Here are some sample questions:

1. How did you gain knowledge to develop business-planning strategies in analyzing the regulatory restrictions of the craft beer industry in Alabama?
2. Please describe the development of business planning strategies to prepare for the Alabama Alcohol Board Control (ABC) licensing application.
3. How did you adapt the initial strategic approach after officially submitting the ABC license application in preparation to fulfill Madison County's additional licensing requirements?

Prior to beginning the interview, I will disclose the information in this consent form to you, and provide you enough time to discuss any concerns or questions you may have about this study. I estimate that the face-to-face interview will last between 30 to 60 minutes. Possible locations for the meeting could be in an office space at your place of business or public library, for example. I intend to audio record the face-to-face interview to ensure data accuracy. After finalizing the interview, I will transcribe the audio recording, analyze the data, and request you to validate the veracity of the findings derived from your participation in this study, to account for member check. I estimate that the member checking session should last between 15 to 30 minutes.

**Voluntary Nature of Study:**

This study is voluntary. The researcher will respect your decision if you decide not to participate in the study. If you decide to participate, you can still change your decision later. During the interview, you may request the researcher to stop. After the interview, you may also contact the researcher if you wish to withdraw from this study.

**Risks and Benefits of Being in the Study:**

Being in this type of study involves some risk of the minor discomforts that can be encountered in daily life, such as stress. Being in this study would not pose a risk to your safety or well-being. The benefit of this study is to inform audiences interested in the business of craft beer making about how microbrewers in Madison County, Alabama, strategized to maximize capabilities and resources after the legalization of craft beer production in Alabama.

**Payment:**

Participation in this study is voluntary; there is no form of payment to take part in this study.

**Privacy:**

Any information you provide will be kept confidential. The researcher will not include your name, name of your microbrewery, or personal information for any purpose outside this study. The presentation of findings from this study will be coded in place of the participant's or firm's name. In addition, the researcher will not include your name or anything else that could identify you in the study reports. Data will be kept secure by the researcher in a safe deposit box for a period of at least 5 years from completion of the study.

**Contacts and Questions:**

You may ask any questions you have now. If you have questions afterward, you may contact the researcher via phone at (XXX)-XXX-XXXX or mailing address at XXXX. If you want to talk privately about your rights as a participant, you can contact

the Research Participant Advocate of Walden University at XXX-XXX-XXX or email at irb@waldenu.edu. Walden University's approval number for this study is 12-19-14-0338715 and it expires on December 18, 2015. The researcher will give you a copy of this form to keep.

**Statement of Consent:**

I have read the above information, and I feel I understand the study well enough to make a decision about my involvement. By signing below, "I consent," I understand I am agreeing to the aforementioned terms.

Printed Name of Participant and Name of Firm:

Date of Consent:

Participant's Signature:

Researcher's Signature:

## Appendix B: Confidentiality Agreement

Name of Signer:

During the course of my activity in collecting data for this research:

Microbrewing in Madison County, Alabama: Exploring business Formation Strategies and Regulatory Compliance, I will have access to information that is confidential and should not be disclosed. I acknowledge that the information must remain confidential and that improper disclosure of confidential information can be damaging to the participant.

By signing this Confidentiality Agreement, I acknowledge and agree that:

1. I will not disclose or discuss any confidential information with others, including friends or family.
2. I will not in any way divulge, copy, release, sell, loan, alter or destroy any confidential information except as properly authorized.
3. I will not discuss confidential information where others can overhear the conversation. I understand that it is not acceptable to discuss confidential information even if the participant's name is not used.
4. I will not make any unauthorized transmissions, inquiries, modification or purging of confidential information.
5. I agree that my obligations under this agreement will continue after termination of the job that I will perform.
6. I understand that violation of this agreement will have legal implications.
7. I will only access or use systems or devices I am officially authorized to access, and I will not demonstrate the operation or function of systems or devices to

unauthorized individuals.

Signing this document, I acknowledge that I have read the agreement, and I agree to comply with all the terms and conditions stated above.

Signature:

Date:

## Appendix C: Interview Questions

1. How did you gain knowledge to develop business-planning strategies for navigating the licensure requirements of the craft beer industry in Alabama?
2. Please describe the development of any business planning strategies used to prepare for the Alabama Alcohol Board Control (ABC) licensing application.
3. What new, different strategies did you develop to persevere through the licensing requirements to start a brewing plant in Madison County?
4. Describe the frequency in which your strategies changed to adapt to the licensing process and the effect on capabilities regarding time and financial resources.
5. How did the state and city regulations influence your strategic approach to choosing a location and your investment capital amount?
6. How did the state and city regulations influence your strategic approach in choosing between a brewing plant and a brewpub as retail vehicles?
7. How did Madison County regulations influence your strategic choice over other counties for brewing plant location?
8. What resources did you find most helpful in developing business strategies (e.g., self-developed strategies, professional consulting services, and government or industry resources)?
9. Is there any pertinent information regarding business strategies that you can provide that is not included in the previous questions/answers?

## Appendix D: Set of Strategies

Table 11

*Set of Strategies*

|              | Strategy   |
|--------------|--|
| Strategy # 1 | In addition to the self-conducted research, prospective microbrewers should contact established, licensed microbrewers or seek support from industry sources to gain first-hand experience specific about the requirements to handle the licensure process.                        |
| Strategy # 2 | Before formally starting the licensure process, prospective microbrewers could benefit from identifying and meeting face-to-face with individuals representing the various government entities and attempt to establish a collaborative rapport.                                   |
| Strategy # 3 | Prospective microbrewers should develop business-planning strategies by consulting the requirements needed to fulfill license applications from the different government-entity echelons.  |
| Strategy # 4 | Prospective microbrewers should employ a flexible strategic approach that can embrace the demands of the licensing process to minimize procedural delays and align tangible and intangible assets more effectively when handling the different echelons of licensure requirements. |
| Strategy # 5 | In regards to financial and time resources strategies, prospective microbrewers should not officially start licensing applications unless sufficient resources can sustain a nonoperational brewing plant for the lengthy application process.                                     |