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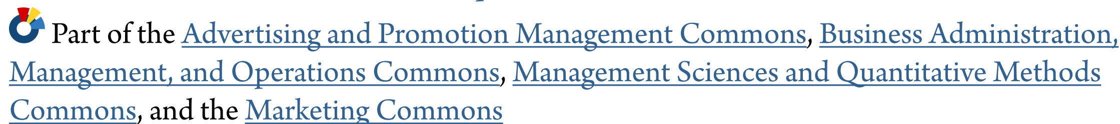

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Walden University

College of Management and Technology

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Emmanuel Ekop

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Walden University
2018

Abstract

Funding Strategies for Small- to Mid-Sized Enterprises

by

Emmanuel Ekop

MBA, Morgan State University, 1989

BSc, Morgan State University, 1986

Doctoral Study Submitted in Partial Fulfillment

of the Requirements for the Degree of

Doctor of Business Administration

Walden University

August 2018

Abstract

Small firms struggle to survive competition with limited resources, and about 50% of start-up organizations fail after 5 years. The purpose of this qualitative multiple case study was to explore the strategies some beauty salon owners in the mid-Atlantic region of the United States use to access financial resources to support growth for longer than 5 years. The conceptual framework for the study was the resource-based view theory of the firm. Data were collected from 6 beauty salon owners who had succeeded for longer than 5 years. Semistructured face-to-face interviews and review of archival and transcript data yielded data saturation in combination with member checking. Data analysis was conducted using methodological triangulation with keyword-in-context analysis, comparison analysis, and content analysis. The 4 emergent themes from the study were personal savings, formal education and professional training as keys to funding, funding strategies, and small business challenges in acquiring funding. Findings from this study may contribute to social change by providing best practices and funding strategies that leaders of small- to mid-sized enterprises may use to access funding to ensure business survival for longer than 5 years. In addition, the findings in this study may reduce small business failure rate, increase sales revenue for the government, and increase employment in the region.

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Dedication

This study is dedicated to the memory of my father, Mr. Effiong Ekop Bassey, and my mother, Mrs. Afianwan Effiong Ekop. Your endless sacrifices inspired me in the quest for knowledge. I would also like to dedicate this study to my uncle, Obong, Ndarake Ekop Bassey, without whom I would not have attained any of my educational goals. I am confident you are watching this accomplishment with great pride from above. Your memories live in me forever. I miss you so much mom, dad, and my uncle. To my immediate family, I thank you for the sleepless nights and enduring support during this journey. Imaobong, thanks for your technical assistance during the study. I also dedicate this study to Professor Akaninyene Mendie, former Dean, Department of Urban and Regional Planning, University of Uyo, Akwa Ibom State, Nigeria for your unwavering support and kindness in my academic pursuits. May God prosper your ways in the years ahead.

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Table of Contents

List of Tables iv

Section 1: Foundation of the Study 1

Background of the Problem 1

Problem Statement 2

Purpose Statement 3

Nature of the Study 3

Research Question 4

Interview Questions 4

Conceptual Framework 5

Operational Definitions 6

Assumptions, Limitations, and Delimitations 7

Assumptions 7

Limitations 7

Delimitations 8

Significance of the Study 9

Contribution to Business Practice 10

Implications for Social Change 10

A Review of the Professional and Academic Literature 11

The Resource-Based View Theory and Small Business 13

Tenets of the Resource-Based View 15

Assumptions of the Resource-Based View Theory 20

Supporting RBV Theories 21

Alternate Theories to RBV 24

Competitive Advantage and Sustained Competitive Advantage 28

Criticisms of the Resource-Based View Theory 33

Funding Strategies for SMEs 38

Summary 62

Transition 63

Section 2: The Project 65

Purpose Statement 65

Role of the Researcher 65

Participants 67

Research Method and Design 68

Research Method 69

Research Design 70

Population and Sampling 72

Ethical Research 74

Data Collection Instruments 75

Data Collection Technique 77

Data Organization Technique 79

Data Analysis 80

Reliability and Validity 82

Reliability 82

Validity 83
Transition and Summary 84
Section 3: Application to Professional Practice and Implications for Change 86
Introduction 86
Presentation of the Findings 86
Emergent Themes 87
Theme 1: Personal Savings 87
Theme 2: Formal Education and Professional Training as Keys to Funding 89
Theme 3: Funding Strategies 94
Theme 4: Small Business Challenges in Acquiring Funding 97
Applications to Professional Practice 101
Implications for Social Change 102
Recommendations for Action 103
Recommendations for Further Research 105
Reflections 106
Conclusion 106
References 108
Appendix A: Introductory Letter 142
Appendix B: Interview Questions 143

List of Tables

Table 1. Source Material 13

Table 2. Participant Responses on Funding Strategies 97

Table 3. Participant Responses on Small Business Challenges in Acquiring Funding 99

Section 1: Foundation of the Study

Effects of globalization include aggressive competition, increased customer demand, and changes in the macroeconomic environment of small businesses (Milani & Park, 2015). The U.S. economy progressively relies on the performance of small businesses (Cook, Campbell, & Kelly, 2012), and small business ventures in the United States receive recognition for their impact on economic development concerning wealth generation, jobs, and industry leadership (Karadag, 2015). However, small business managers increasingly operate in highly competitive environments, even with limited resources and the difficulty of pursuing competitive advantage (Sui & Baum, 2014). Large businesses enjoy growth spurred by ample resources, but small firms struggle to survive competition with limited resources (Cowling, Liu, Ledger, & Zhang, 2015). Given the importance of small businesses to the U.S. economy and local communities, the general survival rate of approximately 50% after 5 years remains a concern for economists, politicians, and researchers (Dahmen & Rodríguez, 2014). The strategies for access to financial resources that support growth beyond 5 years constitute the reasoning for this qualitative study. The results of the study may broaden the scope of understanding in the literature by exploring strategies that some Central Maryland beauty salon owners use for access to financial resources that support growth beyond 5 years.

Background of the Problem

There is general agreement among economists, politicians, researchers, and the business community that small businesses create most of the new jobs in the United States (Klein, Siegel, Wilson, & Wright, 2014). The estimated total number of U.S. small

businesses in 2012 was over 28 million, with more than 20 million of those classified as nonemployers (U.S. Small Business Administration [SBA], 2014). A nonemployer business is one in which the owner works but has no employees or payroll (U.S. Census Bureau, 2013). Over three-quarters of the remaining 7 million employer businesses account for 63% of net new jobs in the United States (U.S. SBA, 2015).

Despite research efforts supporting small business success (Lechner & Gudmundsson, 2014), discrepancies exist in the literature regarding the causes of business failure (Wennberg & DeTienne, 2014). Identified causes of business failure include inadequate human capital, lack of entrepreneurial experience, attitudes, nature and extent of networks, lack of strategy, and insufficient planning (Wennberg & DeTienne, 2014). The U.S. SBA (2014) reported that about 50% of all new businesses survive beyond 5 years. The rate of business failure negatively affects the U. S. economy. Small businesses may see the findings of the study valuable by understanding the strategies that some Central Maryland beauty salon owners used for access to financial resources to support growth beyond 5 years.

Problem Statement

Small- to mid-size enterprises (SMEs) represent 46% of gross domestic product (GDP) in the United States and contribute 75% of new jobs (U.S. SBA, 2015). Of new SME businesses, 50% survive beyond 5 years (U.S. SBA, 2014). A lack of adequate financing contributes to 11.4% of those reported failures (Dahmen & Rodríguez, 2014). The general business problem is that some small business owners lack the financial resources to sustain the company. The specific business problem is that some Central

Maryland beauty salon owners lack strategies to access financial resources to support growth beyond 5 years.

Purpose Statement

The purpose of this qualitative multiple case study was to explore strategies some Central Maryland beauty salon owners use to access financial resources to support growth beyond 5 years. The target population for the study consisted of six beauty salon owners in the mid-Atlantic region of the United States. The beauty salon business owners had applied for and successfully obtained loans from financial institutions and have been in operation for at least 5 years. The implications for social change include the reduction of failure rates for small businesses, increased sales and tax revenue for the government, and increased employment in the region.

Nature of the Study

I used a qualitative method for the study. The qualitative method is used to uncover the meaning of a phenomenon for the population studied (Yin, 2014). The justification of the qualitative method results from the need to understand how people interpret their experiences, how they create their worlds, and what meaning they ascribe to their experiences (Castillo-Page, Bodilly, & Bunton, 2012; Merriam, 2014). Researchers employing the quantitative method use descriptive and inferential data to describe the population and infer sample results for the population (Orcher, 2014; Yilmaz, 2013). A mixed-method design includes both qualitative and quantitative methods in a single study (Bryman, 2017). A mixed-method was not suitable for the

study since there are no variables to survey and compare. A quantitative method was also not appropriate for the same reason.

I adopted a multiple case design for the qualitative research. Case studies are the preferred strategy researchers use when asking how or what questions (Cronin, 2014; Yin, 2014). These types of cases reveal complementary aspects of the phenomenon in which cases are treated as inspections, with each serving to confirm or reject inferences drawn from the others (Almutairi, Gardner, & McCarthy, 2014; Morse & McEvoy, 2014). In a case study, researchers identify operational links among events over time (Yin, 2014). Case studies may be descriptive, explanatory, or exploratory and may involve one organization and location. Case studies may also include multiple agencies and locations for relative case studies (Yin, 2014). The multiple case study provided an appropriate design to address the phenomenon, as it enables a more comprehensive strategy of inquiry to gather the information from small business leaders (Yin, 2014). Qualitative research designs may be ethnographical or phenomenological (Lewis, 2015). I reviewed ethnography and phenomenology designs but eventually decided against their selection because of the prolonged period of observation and on-site data collection, which were not the goals of the study.

Research Question

What strategies do some Central Maryland beauty salon owners use to access financial resources that support growth beyond 5 years?

Interview Questions

1. How did you finance your business?

2. What role did your formal training and business education play in your choice of a financing strategy?
3. How did advice from family or friends influence your choice of a financing strategy?
4. What financing strategy did you utilize to access financial resources for your business?
5. How did you manage your finances in the first 5 years of your business?
6. What obstacles, if any, did you encounter in obtaining loans to sustain your business?
7. How did you overcome the obstacles in obtaining loans?
8. How did you use professional advisors in the first 5 years of your business?
9. What other pertinent information do you believe is beneficial for small business owners to be successful beyond 5 years?

Conceptual Framework

I used the resource-based view (RBV) theory as the conceptual framework for the study. The RBV is a framework for managers to define and estimate a firm's competitive basis and effectiveness (Barney, 2014). The RBV theory dates to the prominent work of Penrose (1959), and since then researchers have used the RBV to evaluate resources in studies. Penrose observed that in applying the RBV concept, researchers have connected the essence of a firm to the concept of resources and determined the choice of different uses for resources over time.

Wernerfelt (1984) extended the RBV theory on the premise that the internal sources of a firm's state facilitated its sustained competitive advantage (SCA). The performance and sustainability of an organization rest on the resources owned and controlled by the organization. Inherent in Wernerfelt's theory is the explanation that a firm's success depends on its ability to acquire and control valuable, rare, and nonsubstitutable resources and capabilities. The tenets of the RBV provide a conceptual framework that SME owners who efficiently use their resources may apply to succeed, which was used in this study to have beauty salon owners in Central Maryland describe what strategies have supported their financing needs and could contribute social change.

Operational Definitions

Bootstrapping: A funding strategy in which an entrepreneur uses his or her money or resources to start a venture (Abdulsaleh & Worthington, 2013).

Competitive advantage: A business advantage over competitors in adapting, integrating, and reconfiguring skills, resources, and functional competencies (Kull, Mena, & Korschun, 2016).

Resource-based view (RBV): An approach for small firms to accumulate and use valuable resources that other firms do not have, to create quasimonopolist rents (Jang, 2013).

Small business or small enterprise: An independently owned and operated entity organized for profit with fewer than 500 employees (U.S. SBA, 2014). The U.S. SBA (2014) determines the eligibility of the size of the small business based on the average

number of employees for the previous 12 months or sales volume averaged over a 3-year period.

U.S. Small Business Administration (SBA): A U.S. governmental agency that has resources to assist small business owners in operating the business at start-up and growth phases (Harris & Patten, 2014).

Assumptions, Limitations, and Delimitations

Assumptions

Assumptions in research are beliefs that establish the basis of a study and are not tested or supported by observable or experiential data (Kouchaki, Okhuysen, Waller, & Tajeddin, 2012). This study consisted of four assumptions. I assumed that the qualitative, explorative, multiple case study would be an appropriate approach for this phenomenon. I also assumed that participants provided honest, detailed responses to interview questions free of intentional bias. I assumed the data obtained was dependable, transferable, confirmable, and reliable within the scope and demographics similar to participants in the study. Finally, I assumed that participants' responses would be a complete and accurate description of their experiences. For saturation and sufficiency, the sample of participants in the study was representative of the small business population throughout the area under study. The results of my study may transfer to the population of small businesses in Maryland, especially those businesses similar in scope and demographics.

Limitations

Research limitations frequently originate from the study of one geographical area, a small sample size, or limitations in data availability (Yin, 2014). Each study has

limitations and inherent weaknesses that affect the study's outcome, no matter how well conducted (Marshall & Rossman, 2016). The limitation of the study may be its applicability to only the six beauty salons in Maryland. Although findings may not be transferable to other firms or industries, the study may yield overlapping features and strategies that may apply to other businesses. The inability of participants to accurately recall and articulate chronological events may lower the quality of the information provided during the interview.

Participants may have been uncomfortable discussing matters of success or failure of their financial strategies. I provided a comfortable interview atmosphere and asked participants to be honest and thorough in their responses to the interview questions. The lack of access to financial records, such as profit and loss statements, restricts validation of business success stories.

Delimitations

The delimitations of the study relate to boundaries that researchers establish to limit the study (Marshall & Rossman, 2016). The delimitations of this study included the participants, the type of business, and age of the beauty salons. The participants consisted of beauty salon owners who have been in operation in Maryland for a minimum of 5 years. The use of small business classification as defined by the SBA (U.S. SBA, n.d.) may limit the generalizability of the study results. The SBA defines a small business as an independently owned and operated entity in the United States, organized for profit, with fewer than 500 employees (U.S. SBA, 2014). The geographical area of Maryland is

large enough to provide meaningful insight into similar areas in the United States. The study did not include businesses in finance, food service, or the banking industry.

Significance of the Study

In this qualitative multiple case study, I explored financing strategies for some beauty salon owners operating businesses in the mid-Atlantic region of the United States. By exploring strategies that affect access to financial resources and survival of these businesses, I revealed relevant strategies that SMEs may apply to their businesses regardless of field or industry. Many small businesses point to inadequate financial resources as a related cause of business failure (Williams, 2014). Small business owners may increase their odds of success by finding effective approaches for access to financial resources. Such strategies may include the establishment of financial networks, venture capital connections, applying for U.S. SBA loans, and establishing a rainy-day fund. Additional benefits of the study may include the provision of steady cash flow for operations, the acquisition of business skills, and the ability to apply for and secure required funding for the business. The resource-based view (RBV) theory may offer effective approaches to funding sources needed to sustain small businesses (Hong, & Lu, 2016; Williams, 2014). The results of the study may affect small business practices by increasing their success and survival beyond 5 years. The exploration of successful financing strategies for beauty salons in the mid-Atlantic region of the United States may improve business practices and management and yield positive implications for social change.

Contribution to Business Practice

A lack of financing contributes to 11.4% failure of small businesses (Dahmen & Rodríguez, 2014). Financing affects the growth and sustainability of small businesses (Afolabi, Odebunmi, & Ayo-Oyebiyi, 2014). Results of the study may provide insights helpful to beauty salons in identifying financing strategies for success.

Small business leaders employ 59% of the U.S. workforce (U.S. Census Bureau, 2012), create 86% of new jobs, and account for 52% of the U.S. gross national product (U.S. SBA, 2012). However, in 2012, over 700,000 small businesses closed in the United States alone (U.S. Bureau of Labor Statistics, 2014). The high failure frequency of new small businesses during the first 5 years suggests threats to family units, communities, and the U.S. economy (El Kalak, & Hudson, 2016). The problem addressed in this study is the high failure rate of entrepreneurs within the first 5 years of operation and the funding strategies that contribute to the success of small businesses in the mid-Atlantic region of the United States. The results of this study might reveal entrepreneurial strategies to access finance through venture capital connections, business angels, bank financing, nonbank financing, trade credit and financial networks. The results of the study could have an impact on entrepreneurial practice and increase the small business success rate in the mid-Atlantic region of the United States beyond the initial 5 years of operation.

Implications for Social Change

On average, from 2004 to 2013, a small business established in 2004 had a 78.9% of surviving 1 year and a 48.4% chance of surviving 5 years (U.S. SBA, 2015). Many

firms mention the lack of adequate financing as the reason for failure (Lee, Sameen, & Cowling, 2015). The impact of business failures points to lost jobs and sales, both of which impact local, state, and federal tax revenues (Zhao, 2014). Small business owners frequently must deal with the stigma of business failure (El Kalak & Hudson, 2016), which can lead to employment discrimination and access to future resources (Coco, 2014). Availability of financial resources ensures SME survivability (Jones-Evans, 2015; Lee, Sameen, & Cowling, 2015). Successful small businesses can create jobs, provide products and services for customers, and contribute to social services through taxes. The study findings may foster increased survival rates of SMEs and growth of the U.S. economy.

A Review of the Professional and Academic Literature

The key effort in the literature review is to analyze and summarize the literature from sources to assist the reader in analyzing relevant literature that describes the research question. The purpose of a literature review is to identify new areas of research in line with ongoing research (Aquilani, Silvestri, Ruggieri, & Gatti, 2017). The purpose of the literature review in this study was to help explore what strategies Central Maryland beauty salon owners may have used to obtain financial resources that support growth beyond 5 years. A lack of financing contributes to 11.4% failure of small businesses (Dahmen & Rodríguez, 2014), and of new SME businesses, 50% survive beyond 5 years (U.S. SBA, 2014). The knowledge gained from the study may benefit small businesses and communities in which the organizations reside by reducing business failure.

The review of the literature consisted of scholarly peer-reviewed research on RBV. The literature review contained scholarly books and information from government agencies and resources. In identifying relevant literature, my primary sources included ProQuest Central, Business Source Complete, ABI/INFORM Complete, Sage Premier, Emerald Management Journals, the National Bureau of Economic Research, the United States Small Business Administration, and Sage Stats.

Other literature sources included Science Direct, EBSCOhost, Entrepreneurship Journals, Management & Organizational Studies, LexisNexis Academic, and Academic Search Complete. The Walden Library also served as the primary sources for the content of the literature review using key phrase Boolean searches such as *small business in the United States*, *strategic competitive advantage*, and *competitive business environment.* Other keyword searches included *business failure, business survival, entrepreneurship, financing strategy, Resource-Based View, Resource-Based Theory, and Small Management Enterprises.* Additional database searches included Google Scholar and ProQuest Dissertation.

The literature review for the study consisted of 246 articles, books, and government sources. From the list of references, 221 or 89% had publication dates inside 5 years (see Table 1). The references total used for each category include (a) 152 journals articles, (b) 10 academic books, and (c) ten government websites. The multiple sources consisted of peer-reviewed articles published within the last 5 years.

Table 1

Source Material

Sources of Content	Total Sources	Total sources within 5 years of graduation date	Peer reviewed articles, books and government sources	% of peer reviewed articles and government sources
Articles	221	156	133	89%
Government websites	10	10	0	
Books	16	10	0	
Total sources	247	176	133	89%

The Resource-Based View Theory and Small Business

Previous research indicates that small businesses compete more effectively and efficiently than large businesses in the use of their resources and capabilities. Scholars have used the RBV as a deliberate management tool to analyze firm assets, routines, and capacity as fundamental elements for competitive advantage (Ketokivi, 2016). The RBV has also been used to explain the different performance of firms in various economic or industry environments (Almarri & Gardiner, 2014). For example, in explaining and predicting the basis of a company's competitive advantage and performance, Barney, Ketchen, and Wright (2011) used the RBV as an essential framework for analysis.

A firm's resources remain an important research subject in management and organizations. The RBV requires that small firms possess different bundles of resources to achieve certain activities. In the seminal work that produced a significant shift in RBV

practice, Penrose (1959) analyzed the linkages between firm resources and firm growth. Penrose focused on firms as administrative entities made of bundles of resources which limit the growth of the firm. Penrose viewed resources as intrinsically different in the range of potential services they provide (Nason & Wiklund, 2015). Versatile resources enable managers to undertake a broader set of strategic actions (Kim & Bettis, 2014; Penrose, 1959, 1995). By this means, versatile resources increase a firm's combinative opportunities and expand its productive capacity (Penrose, 1959). In this situation, Wilson (2012) argued a firm's internal and external growth through mergers, diversification, and acquisitions results from the manner of resource exploitation.

A defining feature of the RBV is that it provides a resource-level premise for explaining sustained performance differences among firms. Organizational resources consist of the practices, the systems, and the associations within the firm (Ketokivi, 2016). The RBV provides an explanation of competitive heterogeneity founded on the idea that close competitors differ in resources and capabilities in significant and enduring ways (Helfat & Peteraf, 2015). Firm managers strengthen competitive advantage by identifying and manipulating organizational resources and systems using the RBV conceptual principles (Kozlenkova, Samaha, & Palmatier, 2014). By increasing the economic value of resources, SMEs may attain a competitive advantage.

As a source of competitive advantage, the RBV requires firm resources to be unique, strategic, valuable, and challenging to reproduce. Scholars have used the diverse nature of resources and the uneven distribution amongst competing firms as a foundation of the RBV (Barney, 1991). The RBV concept is also a useful idea for scholars to

acknowledge the superior performance and strategic uses of resources by business leaders (Jensen, Cobbs, & Turner, 2016). Under the concept of RBV of a firm, business leaders maintain diverse resource endowments that create the inconsistency in firm performance (Lonial & Carter, 2015). The concept of RBV remains a crucial context for analysis of firms' competitive advantage and performance. This type of framework includes the close exploration of the plans associated with each firm's competitiveness and survival.

Tenets of the Resource-Based View

Many scholars have explored how businesses accumulate and deploy resources to create new value. The RBV perspective is centered around competitive interaction and entrepreneurial actions used to manipulate the market environment (Eloranta & Turunen, 2015). The RBV suggests that differences in firm performance stem from differences between firms regarding their endowment with resources (Barney 1991; Peteraf; 1993; Wernerfelt, 1984). Business leaders' decision in the acquisition, integration, and deployment of resources also accounts for differences in firm performance (Teece, 2014). The competitive advantage lies in the upstream anchored in the firm's distinctive and difficult-to-imitate resources (Eloranta & Turunen, 2015).

Many scholars have used the competitive advantage to describe the relative performance of rival firms in a product or market. As one of the most cited theories in management theorizing, scholars have used the RBV to describe the internal sources of a firm's SCA (Kull, Mena, & Korschun, 2016). To achieve SCA, a firm must obtain and control valuable, rare, inimitable, and nonsubstitutable (VRIN) resources and capabilities. Business leaders must maintain the organization in place to absorb and apply resources

and capabilities (Barney, 1991, 2002). According to Gouillart (2014), resources and capabilities that constitute the basis for competitive advantages and superior profitability demonstrate the following properties:

Valuable resources. One of the crucial tenets of the RBV is the requirement that resources are *valuable.* A valuable resource enables the company to exploit an external opportunity or to neutralize an external threat (El Shafeey & Trott, 2014). This attribute may lower the firm's net cost and increase the firm's net revenues beyond attainable limits without the valuable resource. A valuable resource attracts a higher price in the marketplace (El Shafeey & Trott, 2014). A resource is valuable not only to the firm but also valuable to society in the short and long run (Glavas & Mish, 2015). Porter and Kramer (2018) described resource value as the willingness to invest in building a resource internally. This definition is consistent with Barney's (1986) original argument that firms will acquire or build those resources that they expect will make them better in a product market.

Value represents the perceived difference in benefits and economic costs. The value of resources allows firms to create new economic value (El Shafeey & Trott, 2014). However, Bromiley and Rau (2016) criticized the RBV construct of valuable resources as problematic. Bromiley and Rau argued that the RBV construct remains deficient because conditions rule out the possibility that one could directly market a resource independent of the rest of the firm (see also Barney, 1991).

Other scholars (Bromiley & Fleming, 2002) have argued that the determination a firm has an RBV resource depend on firm performance amount to redundancy. In

reaction to these criticisms, Barney (1991, 2001) suggested that a resource exists if it met the VRIN conditions. Barney (2001) acknowledged evidence of tautology when the same resources that can generate a sustained strategic advantage demonstrate their ability to generate sustained competitive advantage. Eliminating the criticism of tautology in the RBV requires that resources remain undefined by outcomes such as performance or SCA (Kozlenkova, Samaha, & Palmatier, 2014).

Valuable resources must be defined regarding exogenous attributes that are separate from the dependent variables of interest (Kozlenkova et al., 2014). For example, in a study of the individual characteristics of resource value, Nason and Wiklund (2015) found that valuable resources have a positive effect on growth, but inimitable resources have a negative impact. They argued that the opposing effects of separate VRIN characteristics undermine RBV approaches by treating VRIN features as positively covarying and additive. VRIN resource features can have opposing implications for the same performance outcome (Nason & Wiklund, 2015).

Rare resources. Another important element of the RBV is the concept of rare resources. The existence of rare resources implies that perfect competition for these resources has not yet set in. Current and potential rival firms may not possess the rare resource (El Shafeey & Trott, 2014). Under the VRIN construct, Barney (1991) proposed that rare resources foster competitive advantage. Glavas and Mish (2015) in their qualitative study found that triple bottom line companies avoided manipulating rare resources that could lead to their reduction. In some instances, these companies avoided a rare resource even when evidence showed the opportunity to profit from it (Glavas &

Mish, 2015).

Imitable and nonsubstitutable resources. Imitable resources are imperfectly imitable and nonsubstitutable. In this situation, competitors face a cost disadvantage in imitating of substituting these resources (El Shafeey & Trott, 2014). Other firms encounter difficulty in duplicating imitable resources on their own and in developing strategically comparable resources (Khanchanapong et al., 2014). El Shafeey and Trott (2014) claimed that a resource might be imitable for one or more reasons that include (a) resource accumulation depends on unique historical conditions, (b) the resource is socially complex, and (c) the connection between this resource and the firm's superior performance is causally ambiguous.

Many scholars have criticized the RBV based on imitable resources. For instance, Bromiley and Rau (2016) differed with the RBV definition of imitable resources and questioned the inimitability of resources. Barney (1986, 1991) and Peteraf (1993) also postulated that resources that provide a company sustained competitive advantage must be imitable. Peteraf observed that although valuable resources allow firms to create new streams of value that enhance growth, inimitability may lock in streams of rent by limiting competition. This limitation on competition may obstruct flexibility and future resource arrangement. Nason and Wiklund (2015) also noted that resource features that increase profitability might be bad for growth. Business leaders must develop resource groups that match their performance outcomes.

Imperfectly imitable resources stem from historical conditions, causal ambiguity, or social complexity (Barney,1991). Other scholars have argued that the RBV stipulate

sustained advantage come from resources that must be difficult to copy (Hitt, Carnes, & Xu, 2016). For SCA, both businesses with resources that generate a competitive advantage and the companies that do not maintain these resources but seek to imitate them must confront the same level of causal ambiguity (Barney, 1991). According to Bromiley and Rau (2016), causal ambiguity means that the firm that possesses the resource must also not understand how it works. In this situation, if a business leader understood the underlying logic of the resource, other companies could duplicate the resource by hiring the business leader.

Organized resources. Another important attribute of the RBV rests in the organizational processes of the firm. The firm must be organized to exploit these resources based on its aligned structure and control mechanisms. In today's competitive marketplace, firms confront an intense operating environment where maintaining and improving market share and profitability remains an ongoing challenge (Lonial & Carter, 2015). Organizational orientations remain the most important of intangible resources that a firm possesses (Lonial & Carter, 2015). El Shafeey and Trott (2014) suggested that resources must be managed to exploit the full competitive potential of these strategic (valuable) resources and capabilities. Neither the strategic resources and capabilities offer a source of competitive advantage by themselves, nor will corresponding resources and capabilities create sustained competitive advantage in separation (El Shafeey & Trott, 2014). In this way, organizational processes provide the necessary conditions for SCA. These skills set being deeply fixed into the daily routines of the firm pose serious challenges for competitors to copy (Zhou, Li, Zhou, & Su, 2008).

Assumptions of the Resource-Based View Theory

Understanding the RBV theory requires an examination of the underlying assumptions. Competitive advantage results from a firm's ability to generate more economic value than the marginal participant in its product market (Peteraf & Barney, 2003). A company achieves SCA when it is creating more economic value than the marginal firm in its business and when other firms are unable to replicate the benefits of such strategy (Barney & Clark, 2007). The RBV theory rests on two main assumptions in describing firm-based resources. It explains how firm resources generate SCA and why some businesses may perpetually outperform others (Kozlenkova et al., 2014).

Firms possess different bundles of resources, even within the same industry (Peteraf & Barney, 2003). Although Wernerfelt (1984), Barney (1991), and Peteraf and Barney (2003) suggested that some firms possess superior skills in attaining individual production goals arising from their ownership of unique resources. Le Breton-Miller and Miller (2015) acknowledged challenges to the sustainability of resources that fulfill these conditions. Le Breton-Miller and Miller argued that the very qualities of some resources that are purported to yield sustainable rents, nevertheless, also may make them less viable. As a strategy, the RBV must consider such threats and consider preservation, connoisseurship, and orchestration in reducing threats to the resources.

The differences in resources may linger because of the difficulty of trading resources across firms. This resource immobility fosters benefits of heterogeneity to endure over time (Barney & Hesterly, 2012). According to Ritthaisong, Jori, and Speece (2014) when firm resources are mobile and homogenous, the competitive advantage of a

business becomes unsustainable, because competitors can duplicate such resources.

The RBV remains an influential theory across many areas of management. Many scholars concede the RBV is the core of theory in the strategic human resource management field (Kaufman, 2015). Following Wernerfelt's (1984) RBV introduction into the strategy literature, other authors offered supporting views of the theory.

Supporting RBV Theories

Three key RBV theories require further examination. They include the strategic factors markets model, the relational view, and the dynamic capabilities view. Scholars in this research stream focus on how firms accumulate and articulate value to create their unique value (Jang, 2013).

The strategic factors markets model. The essential point in strategic factors markets model is that business leaders are profit-optimizing units, seeking above average profits. Wernerfelt (1984) and Barney (1986) offered the strongest arguments for RBV based principally on the strategic factors markets model. Barney (1986) asserted that when strategy implementation requires the acquisition of resources, a strategic factor market emerges where business owners buy and sell resource requirements to implement their policies.

Warnier, Weppe, and Leccocq (2013) argued that the strategic resource is rare and a potential source of rents. Any strategy a firm may consider requires human and non-human resources to implement (Kaufman, 2015). Such resources exist in a factor market like capital equipment market, financial market, or labor market. The actual creation of rents results correspondingly from the strategic action of the firm and not from the core

characteristics of the resource (Warnier et al., 2013). Firms have no prospect of competitive advantage where strategic factor markets yield perfect competition (Kaufman, 2015). In line with the strategic factors markets model, Barrick, Thurgood, Smith, and Courtright (2015) suggested that firm performance consists of firm level and external factors and the misfit between external moderating factors and firm level factors affects the degree of a company's performance. In the context of strategic factors markets model, the value which leaders generate in the future is a part of developed resources (Barrick, Thurgood, Smith, and Courtright, 2015).

Relational view. Dyer and Singh (1998) proposed the relational view from a theoretical perspective. The relational view enhances resource-based and dynamic capabilities-based approaches (Eloranta & Turunen, 2015). The theory assumes that the sources of competitive advantage may span firm borders, much the same as interdisciplinary and cross-functional strengths lead to competitive advantage within the company (Chen & Miller, 2015). Rather than create a new paradigm, the relational view focuses on the most significant concepts in the networked environment (Eloranta, & Turunen, 2015).

The change in the unit of analysis under the relational view extends the firm's boundaries by focusing on interfirm network relationships (Eloranta & Turunen, 2015). A company's critical resources include firm boundaries, interfirm routines, and processes (Dyer & Singh, 1998). According to this view, besides knowledge sharing methods, complementary resource endowments, effective governance mechanisms, and relation-

specific investments yield necessary conditions that create value in exchange relationships (Eloranta & Turunen, 2015).

The relational view also stresses that firms may generate relational rents from complementary resource endowments that they cannot make independently (Dyer & Singh, 1998). Proponents of the relational view posit that the fundamental assumption of the resource-based view can be gained by spanning firm boundaries and rendering inter-organizational networks more efficient than private companies (Chen, & Miller, 2015). In this situation, innovation is no longer limited to resource bundles present in businesses since external inputs complement them. The relational view emphasizes the significance of personal relationships and specific inter-firm coordination mechanisms (Reypens, Blazevic, & Lievens, 2016).

Dynamic capabilities view. Scholars use dynamic capabilities view (DCV) to describe a weak extension of the RBV (Marzo, 2014), with roots dating back to the seminal work of Penrose (1959). According to Lin and Wu (2014), dynamic capabilities are a firm's attempt to incorporate, study, and reconfigure internal and external resources. Arend (2014) suggested that researchers use DCV to describe how current business leaders gather quasirents through efficient redeployments of a firm's unique resources to match changing environments.

When combining RBV and DCV, business leaders guiding firm strategy must further discover the relationship between resources and dynamic capabilities to accomplish defined resource allocation and dynamic capability development (Lin & Wu, 2014). Distinctive capabilities allow each firm to make better use of its available

resources (Hemmati, Feiz, Jalilvand, & Kholghi, 2016). In dynamic and fast-changing environments, DCV explains firm competitiveness more efficiently than RBV (Lin & Wu, 2014).

The inherent assumption of DCV is that business leaders sense new opportunities, reconfigure resources and capabilities in line with known opportunities and environmental change, may create and sustain a competitive advantage (Breznik & Lahovnik, 2014; Eriksson, 2014). Dynamic capabilities view requires business leaders to develop value from common inputs in a specific and path-dependent way. Firms that possess dynamic capabilities can improve their competitive advantage notwithstanding highly volatile environments (Kim, Song, & Triche, 2015). Lin and Wu (2014) argued that coordination and orchestration represent critical sources of sustainable competitive advantage. Other recent contributions have built on dynamic capabilities and concentrated on the role of technology in the development of dynamic capabilities (Bernroider, Wong, & Lai, 2014). Clarification of cross-organizational boundaries of dynamic capabilities building (Cheng, Chen, & Huang, 2014), and the international aspects of dynamic capability formation (Sambharya & Lee, 2014), demonstrate additional research contributions in dynamic capability. Despite the research contributions of scholars in the field of dynamic capabilities, other authors offer alternative viewpoints on the concept of RBV.

Alternate Theories to RBV

Many reviews and criticism create an alternative paradigm frame that is evident in alternate theories to RBV. When examined through the lens of economic theory, the RBV

allows room for scholarly development (Kaufman, 2015). These theories include the capability-based view and the knowledge-based view.

Capability-based view. The capability-based view (CBV) is a useful alternative theory for the proposed study, which anchors the generic competitive strategy and RBV. Scholars of CBV theorize that firms will develop specific capability through path dependent processes by effective efforts of continuously gathering experiences (Helfat & Peteraf, 2015). This approach of CBV attempts to describe a firm's greater ability to adapt to environmental conditions by modifying its resource base in at least a minimally satisfactory manner (Nieves & Haller, 2014). Consistent with the tenets of RBV, capability means organizational capability, but in CBV, capability means dynamic capability which includes other entities like individual employees, organization, and teamwork (Helfat & Peteraf, 2015).

The RBV primarily focuses on resources as assets or inputs to production, whether tangible or intangible. Organizational capability under RBV is the ability of an organization to perform coordinated tasks using organizational resources to achieve a certain goal (Baker, Bundorf, & Kessler, 2014). At the center of CBV remains the business leader's ability to improve by an evolutionary process that requires several development stages. Another primary emphasis of the CBV involves the capability of a firm's lifecycle. In contrast to the RBV, scholars of the CBV maintain that firm's capability developments remain counterparts of individual capacity and organizational capability (Baker, Bundorf, & Kessler, 2014). In contrast, Hemmati et al., (2016),

asserted that resources alone are not the only prerequisite element in building competitive advantage.

Knowledge-based view. An additional alternative theory for the study is the knowledge-based view (KBV). An extension of the RBV, the knowledge-based view of the firm proposes that knowledge-based resources such as customer orientation, internal orientation and information technology complement one another impact the products and services produced by management (Akhavan, & Pezeshkan, 2014). According to the knowledge-based view, the firm's knowledge base provides the business a resource advantage that helps it create a strategic competitive advantage (Pollitte, Miller, & Yaprak, 2015). Knowing that knowledge is often tacit, context-specific, and perishable, scholars of the KBV posit that firms profit efficiently from explicit knowledge (Lichtenthaler, 2016). The ease of copying and imitating precise knowledge reduces the gains from innovative strategic moves. In contrast, challenges remain for managers who seek to capture, share, articulate, or transfer tacit knowledge (Lichtenthaler, 2016). Ignoring the complementarities of these resources can undervalue the impact of knowledge assets entrenched in the firm's recovery competency (Akhavan, & Pezeshkan, 2014).

The KBV also holds that knowledge assets may produce a long-term sustainable competitive advantage for the organization because knowledge-based resources are socially complex and difficult to imitate (Lichtenthaler, 2016). The RBV portrays firms as a collection of resources and capabilities required for product or market competition. The KBV of strategy differs from other approaches because its intent deals with

knowledge as the driver of strategy (Hörisch, Johnson, & Schaltegger, 2015). RBV scholars argued that knowledge exists as a nonspecific means with distinct characteristics making knowledge the most significant and valuable resource (Wu & Chen, 2014). The KBV of strategy is useful to researchers for inserting new thinking along three dimensions that embrace (a) treating strategy as a dynamic process, (b) placing humans at the center of strategy, and (c) maintaining a social agenda. The explanation of knowledge as a resource creates the logical connection between the RBV and the knowledge-based view of the firm (Nyberg, Moliterno, Hale, & Lepak, 2014).

The RBV of the company shares a common thread with knowledge as a universal resource and most strategically unique resource of the enterprise. The RBV of the firm, on the other hand, fails to align with the assumption of particular characteristics of organizational knowledge-based capabilities (Nyberg et al., 2014). The capabilities of a firm involve the combination of multiple knowledge bases, which comprise multiple bundles of skills and accumulative knowledge, through organizational methods that ensure superior commercial performance. Firm production requires knowledge acquisition, transformation, and exploitation of the company's expertise under the RBV (Jang, 2013).

Superior performance has become a priority for competitive firms, with knowledge as the most important resource of business. Knowledge resources increase with use over time, while tangible assets decrease when used. According to De Luca et al. (2014), intellectual assets and knowledge expertise remain key drivers of superior performance in the information age. Superior performance attracts priority in competitive

firms, with knowledge as the most significant resource of the enterprise (De Luca et al., 2014). Competitors view product resources, technology, or market share easier to imitate whereas knowledge presents a real challenge for competitors to copy. A critical knowledge-based view of the firm centers on the organization's sole purpose to create, transfer, and transform knowledge into a competitive advantage (Akhavan & Pezeshkan, 2014). The selection of resource-based view over knowledge-based view of a firm for the study finds support in knowledge as the most significant deliberate resource with KBV of the firm.

Competitive Advantage and Sustained Competitive Advantage

Scholars have used the RBV during its history in theorizing linkages between causes and effects. Recent research has adopted the RBV to explain major differences in company performance, both at the individual and industry level (Hitt et al., 2016). Organizational researchers acknowledge that the connection between competitive advantage and corporate performance requires further scrutiny (J. Gouillart, 2014). Recent research has used the RBV to explain major differences in performance of firms at the individual and industry levels.

Competitive advantage. A firm has a competitive advantage (CA) when its leaders implement a value creating a strategy with resources and capabilities not concurrently implemented by competitors (Kull, Mena, & Korschun, 2016). A competitive advantage occurs when a firm can create more economic value than the marginal, breakeven competitor in its product market (El Shafeey & Trott, 2014). Peteraf and Barney (2003) postulated that the economic value created by a firm in the process of

providing a good or service is the difference between the apparent benefits gained by consumers of the product and the economic cost to the firm. A firm's competitive advantage can originate from both resources and capability (Rothaermel, 2016). Such resources and capabilities establish valuable, rare, inimitable, and non-substitutable (VRIN) characteristics. Possession of resources with some or all the VRIN attributes may not guarantee firm-level competitive advantage unless the business leader has capabilities to compose and deploy resources in an efficient manner (Rothaermel, 2016).

Managers may draw basic resources in combination with superior firm capabilities of coordination, orchestration, and deployment to achieve superior performance (Rothaermel, 2016). A competitive advantage requires that a firm exhibit one or all attributes of the VRIN and the capability to organize these resources. Alternatively, a firm may achieve a competitive edge with basic resources and superior capabilities through effective deployment and orchestration (Rothaermel, 2016). The continued shortage of a superior resource or capability necessitated by a market would yield Ricardian rent generation (Peteraf & Barney, 2003). This condition characterized, for instance, by the presence of complete entry barriers within an industry deemed structurally beneficial for existing firms (Liao, Rice, & Lu, 2015). Ricardian rent generation resides in ownership by a firm or firms of unique resources or capabilities that elude duplication.

Bromiley and Rau (2016) opined that the absence of clarity regarding resources obstructs the ability to develop RBT. Hitt et al. (2016) shared this concern but argued that the varied viewpoints that populate RBT research demonstrate the development and

refinement of RBT rather than its weakness. Despite clear definitions of resources and capabilities developed in RBT research and dynamic capabilities, Hitt et al. pointed out that researchers in operations management continue to use resources and capabilities interchangeably.

Business leaders achieve a competitive advantage in several ways that determine and distinguishes their strategies (Eloranta & Turunen, 2015). A firm's management consists of competitive advantage when its resources and capabilities address unmet customer needs in market areas large enough to cover the company's fixed costs (J. Gouillart, 2014). From the viewpoint of the RBV, business leaders achieve competitive advantage by the ability to acquire and accumulate strategic resources (Rothaermal, 2016). Creating competitive advantage requires operational effectiveness and a strategic posture relevant to its unique set of core competencies (Rothaermel, 2016). A sustainable strategic posture requires trade-offs with other positions.

The nuanced perspective of the relationship between slack resources, firm performance, and firm survival extends the resource-based view. Firms with discerning constraints that combine a lack of financial resources with constraints in human resources exhibit higher performance without decreased survival prospects (Paeleman, & Vanacker, 2015). Consistent with Barney (1991) and Wernerfelt (1984), Paeleman and Vanacker (2015) posited that firms could combine more of a distinct resource with less of another resource to achieve superior performance. In this situation, the performance effects of distinct bundles of slack resources require careful consideration (Paeleman, & Vanacker,

2015). The next assumption centers on the productive resources that may not transfer from one firm to another without cost.

The two assumptions for categorizing a firm's valuable resources rests in its diverse distribution across the firms. These two assumptions led to the formulation of two key arguments concerning firm resources. Managers use both rare and valuable resources to produce a competitive advantage (Barney, 1991). Managers also contribute to firm efficiency and effectiveness using the organization's valuable resources (Grace, Leverty, Phillips, & Shimpi, 2015). The next argument holds that resources must have certain features to produce enduring advantage. Such features include the difficulty of swapping resources across firms, which allows the benefits of different resources to continue over time (Barney & Hesterly, 2012). Most RBV researchers agree that employee knowledge and skills represent the most valuable human resource (Sui & Baum, 2014). Albrecht et al. (2015) observed that human resource practices built on organizational engagement and human capital could lead to sustained competitive advantage when the resource is specialized and rare. These conditions create difficulty as other firms attempt to reproduce such knowledge (Ahammad, Tarba, Liu, & Glaister, 2016).

Sustained competitive advantage. Resource theorists opined that a firm's unique features distinguish sustained competitive advantage from a competitive advantage. A firm's competitive advantage (CA) becomes sustained competitive advantage (SCA) only when competitors fail to readily imitate the advantages (Barney, 1991). The unique advantage and strategic orientations create differences among firms (Sui & Baum, 2014). The determinants of SCA suggest the current leadership of a firm within its industry

(Liao et al., 2015). Such leadership advantage enjoys operational competence of relevance to its market engagement and position fitness. SMEs secure economic performance by enhancing and shifting their competitive, economic positions through pioneering activities on an enduring basis (Liao et al., 2015). A firm's SCA denotes a series of short-term competitive advantages that receive continuous renovation buoyed by the existence of desirable processual capabilities (Liao et al., 2015). These capabilities relate to innovation and market transformation.

The features of sustained competitive advantage of companies comprise of sufficient valuable resources for functioning strategies, improving efficiency and effectiveness, and generating a sustained competitive advantage. Such resources should be scarce since competitive advantages will sustain for a limited time and lose value as managers share resources with competing firms. Even when organizational resources are rare and valuable, resources lose value and rarity if competing firms can easily duplicate the resources. Gligor and Holcomb (2014) suggested that resources should remain valuable, irreplaceable, rare, with non-replaceable alternative resources. A firm will not maintain sustainable competitive advantage regardless of its valuable, rare, and imperfectly replaceable resources if competitors develop unique strategies of equivalent value (Gligor & Holcomb, 2014). Business leaders can potentially produce sustainable competitive advantage by implementing attributes of resources and retaining permanence and separation.

Scholars stressed the significance of a firm's resources in small enterprises, suggesting that consciously generating and coalescing resources generate sustainable

competitive advantage. The variations of knowledge-based resources in SMEs received critical considerations by Liao et al. (2015). Liao et al. argued that as firms compete with incumbent firms, their competitive advantage varies substantially. Such variations may be spurred, in part, by internal issues and changes in the external environment. Managers of SMEs enjoy both advantages and disadvantages over larger firms (Breznik & Lahovnik, 2014). The key question in the strategic management field is how SME managers achieve and sustain competitive advantage.

The persistence of competitive advantage over a short to medium term period offers the valuable suggestion to the SCA of the firm (Liao et al., 2015). Firms must also innovate and effectively disseminate their innovations to achieve competitive advantage. Business leaders may address the need for strategies in SMEs to compete with large firms by increasing resources for effective business performance and prevention of failure (Dahmen & Rodríguez, 2014). SMEs may also secure economic performance by enhancing and shifting their market positions through innovative activities on an ongoing basis (Liao et al., 2015). The experiences and knowledge of SME managers may not be replicable, immobile, and remain potential critical forms of sustainable competitive advantage. Following the RBV attributes, a firm needs only those resources that are valuable, rare, inimitable, and non-substitutable to acquire competitive advantages (Gligor & Holcomb, 2014).

Criticisms of the Resource-Based View Theory

Several reviews and criticisms of the RBV exist in the literature. Many research scholars remain skeptical about the use of RBT in empirical studies (Barney, 2014; Day,

2014; Hitt et al., 2016; Nyberg et al., 2014; O'Donnell, 2014). A reoccurring criticism of Barney's (1991) original RBT work stems from time. RBT fails to address time adequately and thus offers a static rather than a dynamic view. This concern led to the introduction of dynamic capabilities within the RBT framework designed to describe the constant reorganization and expansion of a firm's routines and strategies (Hitt et al., 2016). They opined that addressing the static flaw in RBT with dynamic capability creates still more opportunities to consider the time-based nature of resources and their influence. The kind of resources and control could assume the form of varying life cycle effects or the amplification of firm resource heterogeneities over time (Hitt et al., 2016).

Many scholars criticized RBT generally and challenged the suitability of its application in operations management (Hitt et al., 2016). Other scholars view RBT as suitable for multidimensional, conceptual, and multidisciplinary studies (Barney, 2014; Day, 2014; Kozlenkova et al., 2014; Nyberg et al., 2014). The application of RBT to applied business research remains a challenge due to the multifaceted nature of strategy management. Knowing this, Barney (2014) suggested further research create models for the best use of RBT.

Beauty salon business owners may profit from RBT if they can adhere to the concept, and promote firm survival. RBT continues to be valuable and relevant for business owners, in particular with the knowledge of current research and extensions, with sensitivity to its limitations (Hitt et al., 2016). While Porter (1991) argued that industry-level factors determine a firm's profit potential, other researchers (Wernerfelt,

1984) observed that internal factors of the firm such as resources and capabilities truly determined its profits.

Barney (1991) posited that small business leaders could earn sustainable rents if they have resources. Maintaining those resources with some form of appropriating maneuver positioned the flow of resources as limited uses within the company (Day, 2014). The RBV enjoyed high popularity as business scholars examined sources of continued possible advantage. Building on earlier works of scholars such as Ricardo in 1817, Porter in 1980, and Nelson and Winter in 1982, Barney deliberated further on the resource-based view of the firm (Barney, 2014). Earlier scholars sought to establish the economic value of resources and forecast the potential of resources that support successful small companies (Barney, 2014). In the past century, management scholars have focused on the notion of organizational value and assets as critical factors for firm success. Central to the RBV is the proposition that achieving a state of sustained competitive advantage (SCA), requires a firm to acquire, control, and organize valuable, rare, inimitable, and non-substitutable (VRIN) resources and capabilities (Barney & Hesterly, 2012). From this perspective, businesses include the motivation for economic success, which promotes resource management, organizational conduct and firm performance (Rothaermel, 2016).

Significant features of RBV correspond with cost-effective evolutionary theory (Barney, 2014). Scholars of evolutionary economics focused on the situational effect of appropriate changes in the business environment. Barney (2014) suggested behavior that might lead to long-term competitive advantages. Evolutionary economists used many

models to determine which practices resulted in possible success ventures (Kozlenkova et al., 2014). When built on the results of these types of simulations, Barney (2014) suggested small business owners could exploit effective procedures and avoid undesirable outcomes. As the tenets of evolutionary economics, Barney (1991) used RBV to connect the interrelationships between many aspects of business management. Knowledge of resources acquisition becomes crucial to the success of beauty salon businesses. My study focused on strategies Maryland beauty salon owners use to access financial resources that support growth beyond 5 years.

Developing and sustaining competitive advantage requires that firm managers recognize the consequence of resource divergence and fixity. In their view, Ritthaisong et al. (2014) asserted that managers develop firm resources that competitors cannot imitate. Individual business leaders offer a variety of management styles and strategies in dealing with obstacles to resource acquisition for successful operations. Economic contributions and vulnerability to market imperfections demand that small business leaders seek and obtain support from external sources (Ramli, Zain, Razik, & Yaacob, 2017). Such external sources provide strategies, knowledge, competence, and financing resources than firms may generate internally (Ramli et al., 2017). RBV's underlying premise suggests that external sources provide a significant impetus to small firms with limited resources. The RBV advanced several perspectives in explaining financial strategies used by beauty salons to survive the competition.

Managers of beauty salons operating in a competitive environment can integrate external source financing as operational strategies in enhancing their long-term survival

(Ramli et al., 2017). Such funding strategies managers need to operate small businesses beyond 5 years, is a contribution to the study. The RBV provides a useful framework and application in case studies of small businesses as theorists seek to explain differences in performance within an industry (Jang, 2013). Given the role of resource differences in competitive environments, the RBV focuses on how successful firms accumulate and use their valuable resources that other firms do not have, to create quasi-monopolist rents (Jang, 2013).

The RBV framework allows measurement of the internal abilities of a business leader while accounting for variations in the manager's capability (Barney, 1991). The manager's application of individual resources coupled with the heterogeneity of a small firm's core assets can augur well towards building a competitive advantage for the firm. Barney (2014) concentrated on the individual characteristics of the small business. The standards of RBV suggest that the controlled tactical resources of the firm were heterogeneous to competitor resources. A firm might be so extraordinary that competitors might not instantaneously imitate them (Barney, 1991).

The ability to differentiate one's business from competition remains a desirable strategy in the quest for business success. Many scholars (Andersson & Evers, 2015; Day, 2014; Rice, Liao, Galvin, & Martin, 2015) applied varying business management models such as contestability theory and competitive dynamics to evaluate small business roles within a similar environment. These firms controlled related resources where one business environment differed from that of competitors. The focus in RBV concentrated on internal attributes of the small business in areas of steady cash flow, business skills,

and the ability to secure the required funding (Day, 2014; O'Donnell, 2014). In Barney's (1991) view, strategic resources were heterogeneous to those held by competing firms, and strategic resources were not replicable.

Barney (1991) suggested that business leaders had to optimize resources to achieve and preserve a competitive advantage. Second, the business leader had to apply resources to increase economic advantages. Economic advantages occurred when some business leader provoked strategies that competing firms could not replicate rapidly. Business leaders may remain effective, efficient and profitable by maintaining the competitive atmosphere in balance (Barney, 1991; Lonial & Carter, 2015). The success of small business practice depends on the business leader's ability to organize and preserve a steady flow of resources for successful business outcomes.

Funding Strategies for SMEs

The strategies used to access financial resources that support growth became crucial to my research efforts because future business leaders might benefit from the findings. Cavusgil and Knight (2015) tested entrepreneurial capabilities and used RBT to support their argument. Similarly, Barney (2014) used RBT to verify the relationship between a business leader's ability to start and successfully grow the business and internal resources of the firm. Cavusgil and Knight established a relationship between business capabilities and firm outcomes. Business leaders with skills might find, nurture, and harmonize business resources to change the competitive environment for their businesses. Both Barney and Carvusgil and Knight cautioned business leaders in the application of RBT arising from the uncertainty in assessing the internal resources of the

firm. Debt, equity sources, and bank loans make up external financing for borrowers. Venture capital and business angels constitute other financing options. Other debt sources include trade credit and non-bank lending (Abdulsaleh & Worthington (2013).

Venture capital. Venture capital is a type of financing in which professional investors fund portfolios of potentially high-growth ventures (Drover et al., 2017). Venture capitalists provide equity funding for businesses with the intent of making a profit on their investment (Rupeika-Apoga, 2014). Often provided to early-stage, high-potential and growth start-up companies, venture capitalists focus on innovative sectors or knowledge-based industry sectors (Rupeika-Apoga, 2014).

The venture capitalist makes money in innovative business or technology industries such as software, biotechnology or information technology by owning equity in the portfolio company (Rupeika-Apoga, 2014). Snyman, Kennon, Schutte, and Von Leipzig (2013) noted that the definition of venture capital differs between countries. Such variations in interpretation stem from the inclusion of angel financing in venture capital before the maturity phase.

Rupeika-Apoga (2014) observed that the essence of venture capital is on early-stage funding. Such early-stage funding occurs after the seed financing round. The growth funding round follows the early-stage round to generate a return through an eventual sale or exit of the company (Rupeika-Apoga, 2014). To Snyman et al. (2013) venture capital financing stretches into the early-stage firm expansion with the remaining private equity phase continuing from late stage expansion. Rupeika-Apoga agreed that while venture capital is a subset of private equity, not all private equity is venture capital.

In addition to capital infusions, venture capitalists influence portfolio firm efficiency by devoting time, attention, and resources to partner firms (Drover et al., 2017). The impact of venture capital on firm development extends beyond financial support (Snyman et al., 2013). They added that the contribution of business training, business expertise, networks, and skills transfer to increase the efficiency of the sector funded. Venture capitalists provide strategic guidance to partner firms, thus reducing information asymmetry which minimizes access to external funding (Drover at al., 2017).

Part of the added value of venture capitalists includes improving governance and active monitoring of portfolio companies (Gompers, Gornall, Kaplan, & Strebulaev, 2016). In a survey of 885 institutional venture capitalists, Gompers et al. (2016) found that added value activities often require replacing portfolio companies that fail to grow. Tian, Udell, and Yu (2016) concluded that the market disciplines VC firms when they fail to monitor portfolio firms effectively. Tian et al. (2016) observed no clear evidence on how the banking market disciplines VC firms. They suggested that reputation-damaged VCs receive punishment from peers. Underwriters and other VCs interact differently with VCs perceived as ineffective monitors. Consequently, reputation-damaged VCs undertake more conservative investments, they team up with less reputable VC firms and face greater difficulty in taking future portfolio companies public (Tian et al., 2016). Amornsiripanitch, Gompers, and Xuan (2016) observed that venture capitalists provide critical aid in hiring outside key managers and board of directors.

Venture capitalists also help portfolio firms establish agreements with valuable partners (Colombo, Cumming, Mohammadi, Rossi-Lamastra, & Wadhwa, 2016). In the

study of a large panel of unlisted Spanish firms in low and medium technology sectors, where both venture capitalist (VC) and private equity (PE) firms are active, Drover et al. (2017) found a reduction in the financial constraints which hampered the growth of investee companies. Venture capitalists decide the form and timing of investment in addition to their role in screening, monitoring, and contracting for the firm (Abdulsaleh & Worthington, 2013). Strategic planning and decision making are two key areas that venture capitalists help small business owners. In addition to financing, venture capitalists assist portfolio companies with increased efficiency and value creation through increased contact with suppliers, product markets, and customers (Dutta & Folta, 2016).

Another central aspect of venture capital is staged financing. Staged financing refers to that mode of funding in which venture capitalists gradually fund an investment to avoid agency difficulties, retain control, and reduce moral hazard (Lukas, Mölls, & Welling, 2016). To Sahaym, Cho, Kim, and Mousa (2016) staged financing is the stepwise provision of several rounds of VC financing rather than one upfront investment of necessary capital. Venture capital financing occurs in the seed stage, start-up stage, expansion stage, and the late stage (Blum, 2015). Staged financing yields two core benefits to VC investors (Burchardt, Hommel, Kamuriwo, & Billitteri, 2016; Drover et al., 2017).

The staged investment enables venture capitalists to collect pertinent information to ensure suitable investment level and failure risk (Drover et al., 2017). This analysis allows the venture capitalist the option to abandon the project in the face of unattractive information about the investee company (Abdulsaleh & Worthington, 2013). Staged

financing also mitigates the agency costs arising from the opportunistic behavior of the investee companies as the VC investor reserves the option to abandon the venture if investee company fails to attain established benchmarks (Colombo et al., 2016).

A syndication is a common form of VC risk reduction when two or more VC investors share in the same entrepreneurial venture (Colombo et al., 2016). Abdulsaleh and Worthington (2013) provided evidence that syndication is used to reduce problems of adverse selection through the participation of a co-investor sharing the investment risk. Gompers et al. (2016) suggested that VC firms routinely adopt syndication for many reasons such as (a) risk sharing, (b) reputation, and (c) capital constraints of investors.

Colombo et al. (2016) agreed that syndication allowed VCs to reduce the total risk of their investment portfolio through diversification of the investment but added that complementary skills, network linkages, and specialization are important factors in syndication decisions. In a survey, Gompers et al. (2016) provided evidence that reputation, track record, and capital were consistently significant for about 60% of venture capitalists in choosing a partner. Crowdfunding is another alternative source to SMEs seeking external financing (Belleflamme, Lambert, & Schwienbacher, 2014).

Crowdfunding. Crowdfunding represents efforts by businesses and groups to fund their ventures by drawing on small contributions from many individuals using the internet, without standard financial intermediaries. Mollick (2014) identified four contexts in which entrepreneurs' finance projects to include (a) a patronage model, (b) a lending vehicle, (c) the reward-based crowdfunding, and (d) crowd donors as investors.

In the patronage model, individual funders act as philanthropists with no expectation of reward for their donations.

In the lending model, individuals offer funds as a loan in the hope of a return on capital invested. The reward-based model allows funders to receive a reward for supporting a project. The reward-based crowdfunding treats funders as early customers, allowing them access to the products produced by funded projects at a previous date, better price, or with some other unique benefit (Mollick, 2014). In the investors model, equity crowd funders receive stakes in exchange for their funding.

Belleflamme et al. (2014) agreed with Mollick (2014), adding that crowdfunding helps entrepreneurs manage new ventures by involving ordinary groups as active investors, consumers, or both. They described crowdfunding as an open call, often through the Internet, to secure financial resources in donation or exchange for a future product or some reward to support specific initiatives. Concurring that crowdfunding is central to the broader concept of crowdsourcing, Courtney, Dutta, and Li (2017) described crowdfunding as a means of using the crowd to develop new ideas, solutions, and feedback for corporate activities. Venture capitalists provide an alternative source of SME funding by increasing the financial flexibility of SMEs from other channels to include business angels (Abdulsaleh & Worthington, 2013).

Business angels. Angel financing is an open source of direct finance (Drover et al., 2017). Business angels (BAs) are high net worth individuals who invest their money, either alone or with others, directly in privately held businesses in which there is no family connection (Mason & Botelho, & Zygmunt, 2016). Distinct from other external

sources of financing, business angels represent vastly particular wealthy persons who invest in high growth start-up SMEs through equity agreements (Kerr, Lerner, & Schoar, 2014). Business angels increasingly provide a significant funding source for small businesses due to the reduction in capital investing and subsequent decline in bank lending (Mason & Harrison, 2015).

In contrast to venture capitalists, business angels are patient; long-term investors unconstrained to exit their investment within a limited and predefined period (Croce, Guerini, & Ughetto, 2016). As principals, BAs face less pressure in building their reputation than VCs and are more likely to engage in ex-post monitoring actions by building closer relationships with the entrepreneur (Bammens & Collewaert, 2014). Macht (2016) opined that business angels play a substantial role in the growth of small firms by providing access to funding, business expertise, and personal networks. Macht suggested that by participating in the activities of portfolio companies, business angels contribute business skills and expertise needed for the firm.

Business angels enable the creation of many SMEs by eliminating the credit gap between external and internal sources of funding. Business angels play an increasing role in the transformation of the angel market (Teker, & Teker, 2016). Unlike venture capitalists, business angels prefer to invest in local economies where most of the SMEs operate (Abdulsaleh & Worthington, 2013).

Business angels influence portfolio firms by furnishing enhanced activities that support growth in the firm. In mentoring and monitoring of investee firms, BAs contribute to growth and development of funded companies (Macht, 2016). BAs also take

part in financial and non-financial contributions which include business management and introduction to BA's personal and qualified network (Macht, 2016). Abdulsaleh and Worthington (2013) suggested non-financial contributions of business angels include general administration, networking, and marketing, strategic and financial advice.

Angel groups are high net-worth investors who finance start-up companies with own funds (Kerr et al., 2014). In their study of angel groups, Kerr et al. collected data at the deal level from two traditional angel investment groups in the United States from 2001 to 2006. They found that funding by angel groups (a) improved the likelihood of survival for 4 or more years, (b) create higher levels of employment, and (c) enable a higher likelihood to undergo a successful exit through initial public offering or acquisition.

In an earlier study of 1,746 technology business angel backed start-ups, Werth (2017) found that firms funded by better connected BAs are more likely to receive subsequent funding by VCs and are more apt to reach acquisition successfully. In examining data from 1933 high-tech start-ups that received initial funding from a business angel, Croce et al. (2016) opined that the experience in early stage investments is positively related to a better interim performance particularly in follow-on rounds of financing and subsequent capital infusions from VCs. These findings yield valuable signals to entrant investors in early stage funding (Croce et al., 2016).

A significant advantage of business angels is the assumption of costly due diligence of prospective investments (Kerr et al., 2014). Agreeing with Kerr et al., (2014), Croce et al. offered attributes business angels seek in scrutinizing investment

proposals. These attributes cover geography, investment amount, the product or service, the industry or market, and the exit strategy for the BA. Compatible with Croce et al.'s attributes, Macht (2016) established angel investor motives as comprising economic, altruistic, and hedonistic reasons.

In addition to these attributes and motives, BAs evaluate the entrepreneur behind the firm (Croce et al., 2016). Hsu, Haynie, Simmons, & McKelvie (2014) signaled that finding the right entrepreneur could create agency problems associated with market risks. Mason, Botelho, and Zygmunt (2016) agreed that business angels focus on a true and .competent entrepreneur as the best means of reducing market risks. Once selected the investee company that generates the greatest interest moves to the due diligence review and investment stage. Data collected by Kerr et al. (2014) suggested that entrepreneurs prefer angel financing over venture capital funding notwithstanding the value-added contribution of the success of the firm. The justification for this selection may be that BAs fund start-up companies with lower investment needs (Kerr et al., 2014; Rupeika-Apoga, 2014).

Additional contrasting features between VC and BA includes the capital funding source. Venture capitalists undertake to finance from other sources (Drover et al., 2017), in contrast to angel investors who invest own funds (Chemmanur & Chen, 2014). Additionally, few BAs maintain interest in offering additional funding once the portfolio company can access external financing (Werth, 2017). Both BA and VC financing require the use of debt instruments (Shane, 2013; Werth, 2017).

Debt financing. Debt financing is also critical to the growth of private firms. Debt financing is another source of funding for SME's (Haw, Lee, & Lee, 2014). Ownership control of SMEs makes debt funding an attractive option for small businesses (Block, Colombo, Cumming, & Vismara, 2018; Abdulsaleh & Worthington, 2013). In their seminal work, Modigliani and Miller (1963) argued that firms favor debt over equity funding since debt funding is less costly than equity funding. Unlike managers of large firms with a choice of extensive debt financing resources, SMEs managers tend to favor commercial, institutional lenders for short-term financing (Abdulsaleh & Worthington, 2013). These short-term instruments are convertible to long-term debt. Also, information asymmetry issues are more severe in SMEs than in large firms due to internal agency costs associated with long-term relationships.

In examining the relationship between debt level and performance among SMEs, Yazdanfar and Öhman (2015) found that debt ratios negatively affect the profitability of firms. High debt ratio increases agency costs and loss of firm control. They explained that SME performance tends to suffer as owners and managers look to finance their businesses with equity capital. Yazdanfar and Öhman suggested that SME managers and owners' ability in determining the appropriate level of debt stand to improve the firm's performance, value, and survival.

Debt financing includes short and long term capital (Abdulsaleh & Worthington, 2013). Short-term debt represents a funding source with the outstanding debt that is payable within 1 year (Lin, 2015). A firm's decision to use short-term debt centers on advantages that include adaptability to the company's financial needs (Kwenda &

Holden, 2014). Abdulsaleh and Worthington (2013) added that other benefits of short-term debt include (a) zero to the nominal interest rate in cases of trade credit, and (b) lower cost of floating the debt than those typically associated with long-term loans. They added a third benefit includes an efficient way of dealing with asymmetry information issues as repayment of debt occurs over a shorter period.

Kwenda and Holden (2014) opined that although short-term debt may reduce the firm's credit expenses, there exist risks associated with its use. Abdulsaleh and Worthington (2013) agreed that the major drawback of short-term debt rests in the higher level of risk. Lin (2015) acknowledged two main risks to include default and interest rate risks. Default risk occurs when the firm has insufficient capital to pay off the debt if the lender decides against a refinance of the loan. Interest rate risk occurs where the refinancing interest rate increases the interest expenses (Lin, 2015). Trade credit and nonbank financial institutions comprise of debt funding.

Trade credit. Trade credit is financing proferred to firms by other companies with deferred payment options on accounts payable. Trade credit represents a crucial avenue for outside funding for SMEs (Abdulsaleh & Worthington, 2013). Dass, Kale, and Nanda (2014) described trade credit as bundling the sale of goods with credit to downstream firms. Many firms use trade credit funds as working capital and inventory control (Aktas, Croci, & Petmezas, 2015). SMEs with financing constraints use trade credit in the absence of institutional funding (Barrot, 2016). In analyzing who uses trade credit, Carbó-Valverde, Rodríguez-Fernández, and Udell (2016) suggested that even large, creditworthy firms use trade credit and secure favorable conditions from suppliers.

Barrot (2016) agreed that the increase in trade credit volume accounts for more than three times the amount of bank credits. A key reason for financing credit-constrained trading partners is that suppliers possess valuable information about their partners (Dass et al., 2014). With this crucial information about their partners, suppliers are better situated than banks to offer customers with short-term funding in the form of trade credit.

In a study of 40,000 Spanish firms from 1994 to 2010, Carbó-Valverde, Rodríguez-Fernández, and Udell (2016) found credit constrained SMEs to depend on trade credit rather than bank loans. The degree of dependence on trade credit increased during the financial crisis that began in 2007. Using firm-level data from 2500 Chinese firms, Fabbri and Klapper (2016) analyzed the effects of a supplier's bargaining power on trade credit supply. The data revealed that vendors with weak bargaining power towards their customers are more likely to (a) extend trade credit, (b) maintain a large share of goods sold on credit, and (c) offer a longer repayment period before imposing penalties. By extending the payment period beyond supplier's payment period, valuable customers generate overdue payments.

Additional findings suggested that weak bargaining power suppliers are less likely to offer trade credit when credit-constrained by banks. Dass et al. (2014) developed and tested a model about the effects of the relationship between vertically related firms, their bargaining power, and the precise nature of the transacted goods on the provision of trade credit. Results of a study suggested that on average, trade credit is affected by the firm's negotiating power and by the specific nature of goods transacted. Breza and Liberman (2017) disagreed that trade credit is a manifestation of a financing advantage for

intermediation. To Breza and Liberman, trade credit is used as a lever to eliminate contracting frictions. Delaying trade credit may afford buyers enough time to evaluate product value. This delay in payment gives borrowers incentives to perform an unobserved investment that increases the value of the product (Chen, Cárdenas-Barrón, & Teng, 2014).

Martínez-Sola, García-Teruel, and Martínez-Solano (2014) studied the profitability implications of providing trade credit to a sample 11,337 Spanish manufacturing firms from 2000 to 2007. Martínez-Sola et al. found that SME managers may improve firm profitability by increasing their investment in receivables. For larger, liquid firms, companies with volatile demand, and businesses with a larger market share, the effect is greater (Martínez-Sola et al., 2014). Trade credit assumes an important role in SMEs sized firms because most of their assets exist in current form. In the case of the Spanish SMEs, Martínez-Sola et al. established a positive linear relationship between the investment in trade credit and firm profitability. Consistent with this finding, Martínez-Sola et al. concluded that the benefits of trade credit exceed the costs of vendor financing.

Bank funding. Banks play an important role in the development of the economy. The development, growth, and success of SMEs depend on the availability of finance (Abor, Agbloyor, & Kuipo, 2014). From the viewpoint of banks, SMEs represent a strategic part of bank business (Abdulsaleh & Worthington, 2013). Cowling, Liu, and Zhang (2016) reasoned that bank funding generates a higher rate of return for SMEs aside from the high cost of borrowing when compared to other sources of financing. They concluded that bank finance could assist SMEs managers to achieve higher performance

levels than other sources of funding. Cowling, Liu, and Zhang suggested that SMEs leaders employ the funds more efficiently when they answer to bank monitoring.

Large firms are more likely to obtain finance; a result of their greater informational transparency and consequent reduction of information asymmetries (Bliss, Cheng, & Denis, 2015). Using data from UK firms, Hall, Moncada-Paternò-Castello, Montresor, and Vezzani (2016) analyzed information on firms' performance, innovation performances, and finances. They established substantial evidence on the links between innovation, its process and output dimensions, including the demand for external funding and its supply. McCarthy, Oliver, and Verreynne (2015) agreed that SMEs are less open with imperfect information to those not involved within the firm. The absence of financial data creates a situation of information asymmetry, in particular between less involved banks and the borrowing firm. Compared to large enterprises, less information is available about smaller companies (McCarthy et al., 2015).

In their analysis of data from the Kaufman Foundation, Robb and Robinsin (2014) established that banks remain the largest source of financing for small businesses. The study showed that bank funding is seven times greater than other funding instruments, even as banks are hesitant to grant small business credit. Information asymmetry and the lack of collateral by small business leaders account for banks' reluctance in extending credit (Blazy & Weill, 2014). In a related study, Barron and Qu (2014) described information asymmetry as the departure from precise information where a party to a contract is unaware of related information needed to make a cultivated decision relevant to the transaction.

Adverse selection occurs when banks are unable to distinguish among different firms (McCarthy et al., 2015). This situation, they contended, creates an incentive effect and moral hazard for the bank that results in credit rationing. Beck, Degryse, De Haas, and Van Horen (2018) disagreed that information asymmetry creates credit rationing and fails to restrict bank lending to SMEs in emerging markets. Fredriksson and Moro (2014) differed with Beck et al. and argued that in a market characterized by small, local banks with strong community ties, and little competition, SMEs encounter difficulties in switching to other competing banks. They asserted that the smaller the SME, the greater the information asymmetry faced by a competing bank. Locked in this relationship with its current bank, SME leaders may pay more premium for financing (Fredriksson & Moro, 2014).

Collateral is an asset guaranteed on debt (Lin, 2015). Collateral represents an entrepreneurs' confidence in and commitment to their success (Rostamkalaei & Freel, 2016). Using data from 12,666 credit approvals by one major Portuguese commercial bank, Duarte, Matias Gama, and Esperança (2016) found that small business borrowers with good credit scores have (a) a high degree of confidence about their probability of success, (b) are unlikely to default on their loan obligations, and (c) are more likely to pledge collateral in return for a lower interest premium. Faced with the uncertainty about the creditworthiness of the borrowers, banks often require collaterals from borrowers (Blazy and Weill (2014). Duarte et al. agreed, adding that lender banks tailor the specific terms of the contract to include collateral requirements and interest rate premium from known risk for borrowers with less credit and riskier industries.

Cassar, Ittner, and Cavalluzzo (2015) agreed that collateral could reduce information asymmetry by minimizing adverse selection. They added that collateral provides an incentive for borrowers to minimize the probability of shifting from low-risk to higher-risk projects. Cassar et al. acknowledged that despite these possible benefits, research evidence on the value of the collateral as an information asymmetry minimizing tool remains inconsistent.

Bank financing to SMEs involves the adoption of mechanisms, instruments, and models developed to aid in lending (Abdulsaleh & Worthington, 2013). Such tools include (a) relationship lending, (b) scoring, and (c) factoring. Relationship-based technology is a powerful tool used to minimize problems of opaqueness in small firms (Abdulsaleh & Worthington, 2013).

Kysucky and Norden (2015) agreed that relationship-based technology involves the use of soft qualitative information gathered by the financial institution through continuous contact with the firm in the provision of financial services. This report serves to assist the bank in evaluating the creditworthiness of the entrepreneur to ensure the loan will be repaid (Abdulsaleh & Worthington, 2013). Cassar et al. (2015) concurred and explained that soft information such as a loan officer’s knowledge of the borrower’s character, ability, and trustworthiness might be difficult to quantify. Also, communicating and verifying soft information to external agencies may present significant difficulties for banks.

Using data from ten early stage SME startups, Bruton, Khavul, Siegel, and Wright (2015) examined the relationship between banks and entrepreneurs. They sought to assess

how the relationship impacted the financial support entrepreneurs received at start up. They concluded that communication, trust, and full exchange of information were critical in the bilateral relationships between banks and entrepreneurs. Bruton et al. and Kysucky and Norden (2015) agreed that relationship technology yields great value for SMEs with information asymmetry. Cassar et al. (2015) opined that the influence of banking relationships on loan decisions remains unclear, particularly considering other sources of credit information. Rostamkalaei and Freel (2016) concurred that there is no general agreement on the effect of relationship banking.

Credit scoring is another leading technology used by banks to evaluate loan applications from opaque firms (Abdulsaleh & Worthington, 2013). Credit scoring is the process of gathering information to numerically rate customers before loan approval or denial (Lin, 2015). Unlike soft information in relationship lending which requires a long time to accumulate, the hard information required by credit scoring technology is now readily available from a consumer reporting credit agencies and commercial credit bureaus (Abdulsaleh & Worthington, 2013). Cassar et al. (2015) added that the broad set of information on history for many SMEs are available for purchase from credit rating agencies such as Experian, and Dunn and Bradstreet. Aside from the increase in the volume of credit extended, credit scoring enables banks to offer loans to low-income borrowers with an extended maturity date.

Factoring is a short-term method whereby clients pledge accounts receivables as collateral for a pre-arranged fee plus interest (Abdulsaleh & Worthington, 2013). This process involves the exchange of account receivable of a firm for cash. The specialized

bank assumes control and management of the debtor portfolio firm. Koch (2015) agreed that businesses use factoring as a short-term credit management tool, adding that other firms use factoring to diversify their financing mix in equity ratios. Koch concluded that factoring remains a primary source of working capital funding for certain industries, such as manufacturing and wholesale.

Non-bank financial institutions. Non-bank financial institutions (NBFIs) are fiscal houses that do not perform the core of banking business (Hassan, 2015). These organizations offer financial services without a banking license, and may not accept deposits from the public (Casey & O'Toole, 2014). NBFIs include merchant banks, insurance companies, securities houses (Fischer, 2015; Hassan, 2015), as well as pension funds, credit unions, brokerage and investment trust companies (Abdulsaleh & Worthington, 2013). In their study on the non-bank industry, Casey and O'Toole (2014) used firm data from SMEs to establish whether bank lending constrained firms turn to alternative funding in times of crises.

Nassr and Wehinger (2014) suggested that NBFI’s funding mechanism enables small business leaders to tailor their credit needs in specific areas. In this way, NBFIs play a vital role in filling the gap in financial services that not provided by the banking industry (Hassan, 2015). NBFIs broaden access to SMEs by granting microloans to women and the poor. NBFIs accommodate the cost of screening and monitoring SME borrowers to reduce information asymmetry and facilitate access to credit. Ibe, Moemena, Alozie, and Mbaeri (2015) agreed that NBFIs assist in improving system-wide access to

finance, facilitating longer-term investments, and providing competition for bank deposits.

Bank-lending constrained SMEs are more likely to apply for alternative funding including trade credit, loans from other companies, and state grants (Allen, Jackowicz, Kowalewski, & Kozłowski, 2017; Casey & O'Toole, 2014). Using data of over 30,000 SMEs, Cowling, Liu, and Zhang (2016) found that old firms with a high-risk rating, and a record of financial delinquency, showed a stronger demand for external finance. Women-led SMEs and businesses with real profits showed a decrease in the demand for external funding (Cowling et al., 2016). Through financial consulting, risk pooling, and brokering, NBFIs offer non-bank services that commercial banks are reluctant to assume (World Bank, 2015).

Abdulsaleh and Worthington (2013) observed that NBFIs provide a shorter procedure for SME credit application and a longer loan maturity period than banks. Such risk management efforts help to minimize systemic risk by (a) aggregating resources, (b) allocating the risk to willing participants in the market (c) and applying other techniques that spread the risk across the financial system (World Bank, 2015). Nassr and Wehinger (2014) agreed that NBFIs increase access to small business funding, improve the flow of credit, enhance diversity in credit issue, and broaden participation in SME financing. The World Bank (2015) stated that NBFIs tailor their services to sectors of the economy and groups by unbundling their services. This specialization promotes financial industry competition, minimizing shocks in periods of economic uncertainty. The unique challenges of SME financing impose key constraints on commercial bank lending (Nassr

& Wehinger, 2014). They added that SMEs diversity and limited credit information implies that banks undertake the fixed cost of sourcing and monitoring small and local firms. Kucera (2015) observed that NBFIs constitute over $70 trillion in global loans. This preference for non-bank loans is further evidence that NBFIs dominate the SME financial market.

Bank loans. The decision to raise capital and select investment tools rest on the capital structure of the firm (Elsas, Flannery, & Garfinkel, 2014). Debt represents obligations that businesses pay back within a period (Lin, 2015). Abor et al. (2014) argued that the most notable institutional weakness facing SMEs be their lack of access to external finance. Xiang and Yang (2015) suggested that SMEs may eliminate financing constraints through an equity-for-guarantee swap. This way, the firm could adopt an optimal capital structure to maximize company value and pay the equivalent guarantee costs. Robb and Robinsin (2014) revealed that SMEs hold nearly 25% of firm capital in the form of external debt that comprises lines of credit and bank loans.

In examining the demand for bank debt, Mol-Gómez-Vázquez, Hernández-Cánovas, and Koëter-Kant (2018) noted that creditworthy SMEs encounter difficulty in accessing bank loans at any price. Luo, Wang, and Yang (2016) concurred that SMEs incur more financial obstacles than large firms due to SMEs' low credibility and information asymmetry between banks and borrower firms. They developed a model that disclosed that credit guarantees improved SMEs' credibility and information disclosure. In a study of credit rationing determinants of SMEs in Bangladesh, Hoque, Sultana, and Thalil (2016) identified four groups of SME borrowers comprising of (a) unconstrained

non-borrowers, (b) unconstrained borrowers, (c) quantity rationed borrowers, and (d) risk rationed borrowers. Data from Hoque et al.'s study revealed that the outcome of who needs credit and who receives credit is subject to who applies for credit. Another aspect of debt financing is the line of credit.

The line of credit. The line of credit is a debt contract that allows a firm to access a pre-committed credit limit (Acharya, Almeida, Ippolito, & Perez, 2014a). Through this pre-commitment, the bank creates value for the lines of credit as a liquidity management tool for the firm. Shenoy and Williams (2017) explained that the line of credit establishes the maximum credit available to the enterprise for cash needs.

Bank lending standards and non-financial covenants determine the availability and access to the lines of credit (Berger, Cerqueiro, & Penas, 2015). Acharya et al. (2014a) suggested that high exposure to systematic risk increases the cost of available lines of credit, and reduces the dependence on lines of credit as a source of liquidity. In studying firms' use of a line of credit as a liquidity management tool, Acharya et al. opined that lines of credit do not require the firm to maintain liquid assets on hand. They explained that in the presence of a liquidity premium, businesses find it costly to hold cash. In this situation, businesses may opt to manage their liquidity needs using bank lines of credit, without the attendant requirement for liquid assets.

Lines of credit provide businesses with additional capital in the face of a financial shortfall (Acharya et al. (2014a). Berg, Saunders, and Steffen (2016) argued that a line of credit constitute a poor substitute for cash from the viewpoint of the borrowing firm and lenders due to the significant commitment fees. Both Berg et al. (2016) and Acharya et al.

(2014a) agreed the lines of credit represent an insurance contract that yields revenue to the lender when the borrower firm may not draw on the credit line. Acharya et al. (2014a) acknowledged that the major drawback of credit lines is that banks may be unable to offer liquidity insurance for all firms in the economy.

Regulatory data presented in Berg et al.'s (2016) analysis of credit lines and risk ratings from 1997 to 2007, showed that over 70% of corporate bank lending constituted lines of credit. Other results from the study identified three elements of the lines of credit. First, borrowers pre-empt banks by overdrawing the line in anticipation of adverse business conditions. Second, the bank will not restrict limits on the lines of credit, except for unacceptable risk exposure, or excessive use of the line. Finally, banks permit firms with untapped capacity to draw more from existing lines of credit.

Chaderina and Tengulov (2016) agreed with Berg et al.'s (2016) conclusions about the extent to which banks preserve access to credit lines following covenant violations. A covenant violation, Chaderina and Tengulov explained offers banks the legal right to revoke the credit line access. For businesses, access to credit lines assumes new importance when their financial performance weakens (Acharya, Almeida, Ippolito, & Perez-Orive, 2014b). They argued that although banks maintain a discretionary choice to waive or restrict credit line access, two key questions remain (a) how reliable are credit lines as a liquidity source for businesses, and (b) to what extent access to the credit depends on the financial health of the lenders.

Government backed loans. Governments use various loan programs to bridge the gap in small business financing. Lack of access and availability of funds remain a

common impediment to small business growth, expansion, and survival (Cardone-Riportella & García-Mandaloniz, 2017). The consensus belief is that loan guarantees can address SMEs credit constraints through improvements in access to credit and credit terms (Gurmessa & Ndinda, 2014). Agnese, Rizzo, and Vento (2018) opined that governments worldwide employ credit guarantee schemes to reduce credit restrictions on SMEs and increase lending to small businesses. They asserted that credit guarantee schemes also minimize the risk of borrower default. In their study of government credit guarantees for small farmers in developing countries, Gurmessa and Ndinda (2014) suggested there is no consensus on the role and effects of credit guarantee schemes in minimizing credit constraints.

Briozzo and Cardone-Riportella (2016) analyzed the effects of two Spanish loan programs that provide financial assistance to SMEs during normal times and economic crises. They found that under normal circumstances, these loan programs affect assets and sales growth, and sales to asset ratio. These effects extend to include employment growth and sales to employee ratio during periods of recession (Briozzo & Cardone-Riportella, 2016). In studying the policy implications of government relationship with small business growth in the United States, Cardone-Riportella and García-Mandaloniz (2017) agreed with Wang, Robson, and Freel (2015) on the credit constraints facing SMEs.

During periods of financial crises, the uncertainty in the lending market forces banks to place more emphases on relationships when granting bank loans. Cowling, Liu, and Zhang (2016) investigated UK credit and discouraged entrepreneurs. They found that

discouraged borrowers appear riskier than other firms that apply for bank loans. The resulting reduction in credit may lead to under-investment, lower job levels, lower economic growth, and lower profits for banks and businesses (Cowling et al., 2016). Despite the common objective of improving access to SME credit (Gurmessa & Ndinda, 2014), loan guarantee schemes encourage lenders to provide external financing to SMEs (Becker & Ivashina, 2014). Manova, Wei, and Zhang (2015) agreed, adding that loan guarantee programs increase availability and access to SMEs. The Small Business Administration administers the loan guarantee program in the United States (U.S. SBA, 2016).

Securing a U.S. SBA loan requires borrower firms to complete a mandatory application with a participating bank. Created to assist SMEs access to credit, the financing programs of the U.S. government consist of the Small Business Innovative Research (SBIR) and other programs that support loan guarantees to U. S. SMEs (U.S.SBA, 2016). The lender must prove that borrower firm could not secure favorable terms without U.S. government guarantee. Participating banks in the U.S. SBA program must also agree to SBA regulations on loan conditions (U.S. SBA., 2016).

While there may be differing opinions on the success of loan guarantee programs (Gurmessa & Ndinda, 2014), evidence shows that SMEs derive positive benefits from government assistance and intervention. Ndungo, Tobias, and Florence (2016) suggested that credit guarantee programs support the financial health of SMEs.

Bootstrapping. Business leaders may use bootstrapping as an alternative capital funding mechanism. Miao, Rutherford, and Pollack, (2017) found no significant overall

relationship between bootstrapping and SME performance. Their study revealed a negative relationship in SME profitability performance and owners' age. Additional findings suggested firm age, social capital, customer-related methods, delayed payments, human capital, and joint utilizing methods have a positive relationship with bootstrapping (Miao et al., 2017). They further stated that business leaders' credit worthiness and timeliness determine the appropriateness of each bootstrapping mechanism. In their study of SME financing techniques in Nigeria, Afolabi et al. (2014) found that bootstrapping techniques minimized the external financing gap for SMEs. The real benefit for SMEs using bootstrapping exists in increased production and services, increased business sales, and additional investments.

Summary

A review of existing literature began with an analysis of the resource-based view theory including articles that demonstrate RBV's applicability to small businesses. Both Penrose's (1959) and Barney's (1991) RBV logic formulate the dominant conceptual approach to understanding firm growth and competitiveness. The central tenets of RBV concern resources that conform to valuable, rare, inimitable, and nonsubstitutable criteria. Two key assumptions of the RBV theory explain how firm resources generate sustained competitive advantage and why some businesses may perpetually outperform others. Supporting RBV theories include the strategic factors markets model, the relational view, and the dynamic capabilities view. Alternate theories to RBV comprise of capability-based view and the knowledge-based view. Scholars have adopted the RBV to explain differences in company performance at individual and industry levels. Competitive

advantage involves value creation with resources and capabilities not possessed by competitors. Sustained competitive advantage occurs when competitors cannot immediately imitate the advantages. Criticisms of the RBV theory include its inability to address time adequately. Other scholars introduced dynamic capabilities to address the time static flaw in the RBT framework. Many scholars argued in support of the RBT as appropriate for conceptual, multidisciplinary, and multidimensional studies. The core proposition of the RBV in achieving a state of sustained competitive advantage requires that firms acquire, control, and organize valuable, rare, inimitable, and non-substitutable resources. The review of literature included common themes and strategies small businesses used to access financial resources to support growth beyond 5 years. Strategies for small business financing include venture capital, crowdfunding, business angels, debt financing, trade credit, bank and non-bank funding. Government-backed loans and bootstrapping concluded alternate financing methods for small businesses.

Transition

Section 1 of the study dealt with the research problem. I explained the origin of small business failure in the United States in the foundation and background of the study. The problem statement comprised of a statement of general and specific business problem. The purpose statement covered a rationale for the research method, design, and sample size. The selection of the qualitative design stemmed from three likely existing methods. The resource-based view theory (RBV) formed the conceptual framework for the study.

Section 2 of the doctoral study focused on the purpose and my role as the researcher in the data collection process. A detailed description of the research components of participant selection, a full dialogue on data collection instruments, research methodology, and design also followed. The chapter consisted of population and sampling, and analysis and process used to support the reliability and validity of the study.

Section 2: The Project

Section 2 includes a definition of the methods and techniques applied in the research. My account of the study includes the purpose statement, the role of the researcher, the participant selection, research method and design, population, and sampling technique. Other elements of Section 2 include ethical research, data collection technique, and analysis. A discussion of the validity and reliability concludes Section 2 of the study.

Purpose Statement

The purpose of this qualitative multiple case study was to explore strategies some Central Maryland beauty salon owners use to access financial resources to support growth beyond 5 years. The target population for the study consisted of six beauty salon owners in the mid-Atlantic region of the United States. The beauty salon business owners had applied for and successfully obtained loans from financial institutions and have been in operation for at least 5 years. The implications for social change include the reduction of failure rates for small businesses, increased sales and tax revenue for the government, and increased employment in the region.

Role of the Researcher

The researcher's role is to follow the phenomena from the viewpoint of the participants (Wisdom, Cavaleri, Onuegbuzie, & Green, 2012). My role as the researcher was to undertake the primary instrument for data collection, screen study participants, conduct semistructured face-to-face interviews, and write the results of the study. Qualitative studies require that the researcher assumes the role of research instrument in

data collection and communication with study participants (Phillips, Kenny, Esterman, & Smith, 2014). I asked each question and participants offered answers based on decisions they made. I treated each participant with respect and afforded them the opportunity and time to decide whether to participate.

My relationship with this topic stemmed from being an emerging business leader since 1995. I have experience with the various challenges that small businesses face when seeking financial resources for their ventures. As the sole owner of a small business in Maryland, I know the reality of applying for and receiving business funding. I set aside my experience with business loan denial and focused on being an interviewer for the study. I did not ask leading questions that would influence the participants in any way. By being a keen observer, I captured all data that resulted from the interviews and disclosed all verbal and nonverbal signals during the interview. Firms with which I have a business relationship did not participate in the study.

The Belmont protocol explains the fundamental ethical codes that guide researchers' conduct in studies involving human participants. I followed the ethical guidelines of the Belmont protocol by (a) treating each participant fairly and equally, (b) minimizing any potential risk to participants, and (c) giving each participant the right to withdraw from the study at any time. Data collection for the study occurred after I secured approval of Walden University's Institutional Review Board (IRB; approval # 01-16-18-0328569).

To reduce bias in the research process, I kept a journal to determine, manage, and reduce any potential bias that might affect the study data collection and analysis. An

interview protocol was also used to mitigate biases based on recommendations from research (see Bryman, 2017). Gaining knowledge of the perceptions of the participants requires the use of predetermined questions. Open-ended interview questions allow the researcher to offer the participants opportunities to share their viewpoints without restrictions (Bryman, 2017). One central research question and several semistructured, open-ended interview questions guided the study. Asking the participants to respond in a detailed manner provided me opportunities for follow-up questions that facilitated the discovery of additional details about the participants' experiences. The emerging themes and essence of the interview added articulation to the lived experiences of the study participants.

Participants

The target population for the study consisted of beauty salon owners in Maryland. To identify each participant's eligibility criteria for the study, I used the Maryland-State Board of Cosmetologists database system to review a list of current beauty salon owners. From that population, six owners in operation for at least 5 years were selected to participate in the study. The beauty salon businesses consisted of those participants in Central Maryland who applied for and successfully obtained loans from financial institutions and have been in operation for at least 5 years. The selection of six business salon owners from the database contact list ensured that I had enough participants that aligned with my research question. The chosen sample size was consistent with planning a case study research as suggested by Yin (2014).

I contacted the participants for the study through the telephone. During the call, I advised participants of the study, implications, and its importance. I offered participants a one-page summary of the study results. In introducing myself following the initial phone call to all participants, I confirmed participation in the study by e-mail. Each participant submitted a signed consent form before the face-to-face interview. I included a formal letter of introduction and an invitation letter (see Appendix A) detailing the research purpose and informed consent for each participant. Each participant had at least 5 or more years of sustainable operations and had applied for and received loans for business operations. I gave participants 72 hours to return the informed consent form by e-mail following their review and signature. Once the informed consent form was received, I called the participants to set up the interviews. The interviews ocurred in person and audio documented with two recorders. I protected the identity of the participants by not disclosing their names in my study. The audio recording, a signed consent form, all documents, and research notes will remain in a safe until the 5 year expiration date. To maintain the confidentiality of the participants, I will destroy the evidence after 5 years. I advised the participants that there is no payment, in cash or kind, for participation in the study.

Research Method and Design

I selected a qualitative, explorative, multiple case method and design for this research. This research method was appropriate because of the nature of the study, the multiple units of analysis, and the need to explore the phenomenon. Dominant research methods include quantitative, qualitative, and mixed methods, each with varying design

options (Lewis 2015). In the following subsection, I discuss the rationale for the selection of a qualitative multiple case study.

Research Method

Researchers use three methods of research: qualitative, quantitative, and mixed methods. Following the advice of Bristowe, Selman, and Murtagh (2015) to understand respondent's beliefs, behavior, experiences, and interactions revealed during an interview process, I chose the qualitative methodology. The use of the qualitative method enabled me to add participant's voices to the study. I chose the qualitative method over quantitative method because the purpose of the study was to understand the informed decision-making, strategies, and preferences for small business owners and not the mathematical results of the data and additional methods. Neuman and Robson (2014) reasoned that the quantitative method orients to numbers as a tool to evaluate variables and verify existing relationships among data points. In line with the stated objective of the study to explore strategies and experiences of small business owners rather than the mathematical results of the data, I rejected the quantitative methodology. A mixed methods study embodies the combination of the theoretical features of the qualitative research with the technical parts of quantitative research (Bristowe et al., 2015). I decided not to use mixed methods because it forces the quantitative and qualitative research to use the same research questions, collected data, and analysis. The mixed method approach was not appropriate for the study because the goal was not to verify or mix the results.

The qualitative method is suitable for exploratory research when the objective is to describe and generate in-depth information that would be difficult to quantify

(Bristowe et al., 2015). Many researchers use the qualitative methodology to gather information from the lived experiences of the participants (Bailey, 2014). For example, using a qualitative case study method, Williams (2014) identified reasons for business failure. Williams argued that the essence of the qualitative case study rests in a better appreciation for respondents' experiences. The qualitative case study extends knowledge in small business financing in the study. In keeping with Humphrey's (2014) suggestion regarding the significance of acquiring a deeper perception of small business funding strategies, I chose the qualitative methodology as most suitable for the study.

Research Design

Three main research designs for a qualitative method include phenomenology, ethnography, and case study. In a phenomenology design study, the researcher seeks to examine the lived experiences of individuals that apply to an event (Lewis, 2015). Researchers in phenomenology studies seek to understand the unique experiences, attitudes, behaviors, processes, and opinions of the participants in the study (Cleary et al., 2014). Phenomenology researchers also focus on describing the details and meanings of personal experiences (Moustakas,1994). Phenomenology partially met the research criteria related to the participants' lived experiences; however, the phenomenology research design was not the most effective design option for my study given the desired in-depth inquiry of study participants working for one company.

The ethnographic design requires longer periods and direct observation of participants in the field (Yin, 2014). The ethnographic design is explanatory and classifies the group-shared form of beliefs and attitudes over extended periods of time

(Cincotta, 2015). Ethnographic researchers focus on a specific cultural group over an extended period using primarily observational and interview data (Cincotta, 2015). A mini-ethnographic study could have potentially satisfied the purpose of this study; however, the intent was not to study the day-to-day interactions and lives of a specific group. The use of the ethnographic design for a research study would not have been appropriate because ethnography involves researchers immersing in the daily activities of participants, by delving into the daily lives, activity, and behaviors of a community. In this study, I focused on exploring the strategies used by small business owners. The selection of a case study design conformed to the focus of the study.

A qualitative case study is appropriate when seeking in-depth knowledge of a phenomenon in its natural settings or when attempting to make sense of or to interpret, based on meanings people bring to them (Neuman & Robson, 2014). Case study designs may be single or multiple. A single case study was not appropriate for the study because a single case may not be characteristic of other businesses in the area or industry (Yin, 2014). A single case study was also not suitable for the study because the design requires cautious examination of the subject to reduce distortion of the outcome. The multiple case study design requires comparison in cases where the researchers need to replicate the context under which successive research may repeat the outcome (Yin, 2014). The multiple case study also allows the researcher to select the cases that enhance detailed investigation of the phenomenon (Onwuegbuzie & Leech, 2007). Therefore, I used a multiple case study design.

To ensure credibility in the study, I continued to conduct participant interviews until data saturation. Data saturation improves the quality of a study. According to Fusch and Ness (2015), data saturation ensues when continued research yields no new information. Researchers also attain data saturation as a strong path to the study outcome emerges during data analysis (Malterud, Siersma, & Guassora, 2015). I continued to interview participants until no new information emerged and became repetitive.

Population and Sampling

Researchers use sampling from a population to manage the scope of a study. The population and sampling criteria are useful in ensuring that participants represent the events under study (Cleary, Horsfall, & Hayter, 2014). The research population includes a distinct group of respondents with similar characteristics that remain the focus of the research (Cleary et al., 2014). Sampling defines the process of selecting study participants with similar characteristics. The sampling process must assure that the participants' experience represents the population of the study (Cleary et al., 2014). I adopted a purposive sampling technique to select the respondents. Purposeful sampling was the optimal sampling method for a multiple case study (Yin, 2014). Many researchers use purposeful sampling as a technique to make a connection between previously invisible reports (Suri, 2011). The method allows researchers to select suitable respondents capable of providing relevant information to the research question (Anney, 2014). Purposeful sampling also assures that participants receive relevant research information (Forero et al., 2018) and enables researchers to exercise judgment in choosing respondents who meet the study's criteria (Lewis, 2015). Purposive sampling is

used to target a population that meets certain criteria established by the researcher to identify a sample of participants in the phenomenon (Suri, 2011). Researchers often develop a pool of participants based on the investigator's evaluation regarding the participant's ability to answer the research question.

Six beauty salon owners in Central Maryland who have been in business for at least 5 years with fewer than 100 employees made up the population. In addition, these beauty salons had been successful in obtaining funding from financial institutions in Maryland. According to the U.S. Census County Business Patterns, there are approximately 1,540 beauty salons in Maryland (U.S. Census Bureau, 2015). The local U.S. SBA office had the listing for beauty salons that participated in the study. The selected area of Central Maryland had suitable small business owners who were available and willing to take part in the study.

Researchers choose samples based on the research design and method for the study. Onuegbuzie and Leech (2007) suggested that sampling in qualitative research ensures the adequacy of the sampling approach. Additionally, a maximum variation strategy assumes greater relevance in a case study given that researchers may not adopt a common sampling plan (Yin, 2014). A maximum variation sampling strategy is optimal when researchers seek to acquire many viewpoints in a case study. To achieve maximum sampling plan in the study, I selected beauty salon owners from different small business groups. The groups included (a) woman-owned beauty salon shops, (b) male-owned beauty salon shops, (c) veteran-owned beauty salon shops, and (d) minority-owned beauty salon shops. The criteria for choice of participants required a minimum of 5 years

in business operations and application for financing from financial institutions. The collective voices created by the respondents and broad sample size in the study enhance credibility and data saturation (Cleary et al., 2014). The essence of data saturation in qualitative studies rests on data saturation (Malterud et al., 2015). I continued to interview participants until no new information emerged and became repetitive. Data saturation occurs when adequate information to reproduce the study and obtain supplementary new information results and further coding is no longer feasible (Fusch & Ness, 2015). I continued to interview participants until the attainment of study replication data, and further coding was no longer feasible.

Ethical Research

The treatment of research participants remains a critical concern and must be central to all research decisions and considerations (Ferreira, Buttell, & Ferreira, 2015). The ethical completion of the study required each beauty salon owner who met the participation criteria to receive an informed consent form by e-mail. The consent form contained relevant facts sought by the Walden University IRB for respondents' participation in the research. The consent form also specified that participation is entirely voluntary, and, at any time, the participant could withdraw from the study without penalty or duty to the study. A telephone call or e-mail would indicate withdrawal from participation in the study. The use of a consent form is common in studies involving human subjects (Dekking, van der Graaf, & van Delden, 2014). Participants took part in the study only after signing the informed consent form.

There were no financial incentives for participants in the study, and participants may receive a copy of the completed study if they desired. Steps were taken to ensure protected participants included labeling them as participants with assigned numbers (i.e., Participant #1, Participant #2) instead of the business name. Ferreira, Buttell, and Ferreira (2015) suggested measures that aid in the ethical protection of participants must include the use of pseudonyms protect the identity of participants protection and the use of distinctive codes for data identification. Use of pseudonyms and unique codes ensured that names of individuals and businesses remain confidential. Using pseudonyms and unique codes to protect participants remains consistent with Marshall and Rossman's (2016) view that only researchers should have access to participants' information. The adoption of ethical standards in maintaining and using collected data for the study remained a priority. Interview transcripts remain in a password secured file saved on an electronic flash drive. Exclusive access to the transcripts and other information relating to the study rests with the researcher. The transcripts remained secured for 5 years and destroyed after the same period.

Data Collection Instruments

Each area of data collection instruments is crucial to the study and addressed the thoroughness of data collection and analysis in the research. I selected the qualitative case study method because it allows the researcher the opportunity to make a significant contribution to the study. Semistructured interviews served as the main data collection instrument in the study. Ferreira et al. (2015) noted that the researcher is the principal data collection instrument in a qualitative inquiry. While interviews concentrate on

current cases in research, semistructured interviews with open-ended questions guide the process, allowing respondents to express their perceptions and viewpoints (Yin, 2014). Interview questions also enable the researcher to ask the how and the why questions in the small business funding strategies phenomenon (Yin, 2014). According to Williams (2014), other researchers used interviews to explain participants' personal views and insights. I used face-to-face semistructured interviews with salon business owners to collect data. Also, the semistructured interviews included intensive listening, thorough note-taking, and adequate preparation. Semistructured interviews questions allow the researcher to ask open-ended questions in a comfortable setting (Yin, 2014).

To ensure reliability and validity, I recorded the interviews with two tape recorders. The use of two tape recorders guaranteed accuracy and complete documentation of participants' responses during data analysis. After the interviews, accurate transcription and review ensured the responses were valid and reliable. In line with Anney's (2014) suggestion, I used member checking to ensure participants validate responses for accuracy and interpretation of collected data. Member checks imply that data and interpretations receive continuous testing and derivation from various audiences and groups. The follow-up interview with participants assisted in closing any gaps that may have emerged between the interviewees and the researcher (Thomas, 2017). The interview questions ensured the identification of concepts relevant to strategies for small business funding. Data scoring formed the foundation for participants' responses to elements of the funding strategy, including data analysis.

In addition to semistructured interviews as the primary data collection instrument, archival data was the second data collection instrument in this study. Archival data is the collection of preexisting information from records that pertain to an individual, group, or entity (Rabinovich & Cheon, 2011). I examined available archival data such as published company brochures and websites, and news articles to gain an in-depth understanding of the strategies used by participant beauty salon businesses. The archival data was organized into themes and categories and transcribed into NVivo 11 qualitative research software for analysis.

Data Collection Technique

Information for the study derived from a collection of peer-reviewed journals, books, mass media, dissertations, and seminal works. When conducting a qualitative study, the researcher must adequately plan, intensely listen to interviewees, act respectfully, and take good notes (Cairney & St Denny, 2015). Face-to-face semistructured recorded interviews and archival data constituted data collection for the study. Nine open-ended questions guided the in-depth interview. As Yin (2014) noted, researchers use interviews in case studies to explain the phenomenon and offer a detailed account of the understanding of respondents' experience. Researchers use interviews to understand better complex issues concerning participants' experiences, participants' perspectives, and the qualities of participants' stories (Bryman, 2017). Semistructured face-to-face interviews enable researchers to ask follow-up questions (Yin, 2014). A central weakness in conducting interviews is that the technique may present bias in the

research (Yin, 2014). Also, interviews allow researchers to affect data in the phenomenon under study (Neuman & Robson, 2014).

The data collection process began after I received IRB approval. I began to schedule interviews having verified potential participants in the study. Participants signed and returned the informed consent form to qualify for inclusion in the study. To ensure reliability, each participant received the consent form during the interview to ensure clarity of the purpose, privacy guidelines, and procedures of the study. Each interview took place in a secure and suitable public office for each participant lasting no longer than 60 minutes. I recorded each interview and transcribed the responses, and returned the interpretation of the transcript to each participant for member checking. In line with Honan's (2014) suggestion, a transcription service company transcribed the interview to increase the dependability of the data.

Member checking provides respondents the opportunity to assess the accuracy of data and its results in the study and to establish the essence of participants' responses (Thomas, 2017). Thomas added that member checking might also be useful for securing respondent approval for using quotations or case studies. After the transcription of each interview, I completed member checking by sharing a summary of the transcribed interview with the respondents. Checking for accuracy of each participant's meanings and interpretations ensured reliability and viability of data collected. Each respondent each answered the exact interview questions. Using the exact interview questions reduced differences in the responses and created similar themes from the transcript (Neuman & Robson, 2014). Each participant is a small business case, thus preserving the

individuality was crucial to ensuring the interviews focused on the participants' unique views rather than being influenced by others. If respondents disagreed with transcribed responses, notes on the transcript showed how the responses changed.

I collected archival data from published financial information, company websites, annual reports, and news articles on participating businesses. The archival data followed themes and categories. Transcribed data, interview notes, and archival records formed the basis for data triangulation. Coding, categorization, data clarification, and node development occurred using NVivo 11 qualitative research software.

Data Organization Technique

To achieve data integrity and validity through data organization techniques, I organized data collected in this study to assist in the review, analysis, and reporting of the information. This approach was consistent with Flannery and Gormley's (2014) suggestion concerning the categorization of information by theme, participant or application for easy access. All data was organized using NVivo 11 qualitative research software and an Excel sheet for theme coding and categorization. NVivo 11 qualitative software is equipped with a feature to assist users in transcribing recorded audio during the interview (Castleberry, 2014). Each process of electronic and paper copies was categorized using designated codes for each respondent. Passwords were used to protect all electronic data, audio, and transcribed data on a thumb drive safely secured for 5 years. Deletion of all information on the thumb drive, files, and paper notes will occur after 5 years.

I reviewed and organized archival data of participant businesses by theme, application, and date for information extraction and convenience. Scanning each company's internal documents included policy documents, annual reports, and other archival records. The scanned documents remain in folders categorized by theme, participant, or application. Once the organization process was complete, then importation of the scanned information and literature into NVivo 11 qualitative research software occurred. Data analysis, coding, and placement into the appropriate nodes and categories followed as they emerged. Destruction of all data stored on an encrypted, password-protected external drive will follow in 5 years.

Data Analysis

In using a data analysis technique, researchers should ensure the technique maintains the accuracy of each participant's perspective (Miles & Huberman, 1994). The data analysis process enables researchers to acquire a comprehensive knowledge of a problem by categorizing shared themes and patterns relating to respondents' experiences (Lewis, 2015). The data analysis technique in the study was methodological triangulation. Methodological triangulation with keyword-in-context, comparison analysis and content analysis formed the basis for data analysis. Methodological triangulation allows a researcher to combine multiple methods for depth and collaboration in data collection (Yin, 2014). In evaluating the data analysis process for case studies, Yin (2014) stipulated methodological triangulation, data triangulation, theory triangulation, and investigator triangulation. Multiple methods of data collection in methods triangulation served to articulate the comprehensive view of the study participants.

In addition to semistructured interviews, I analyzed the company's internal and external documents. A company's internal documents include policy documents, continuing education certificates, academic degrees, award letters, archival documents, and company-maintained websites. External documents included published news and announcements. I used the data from semistructured interviews to validate archival documents to ensure confirmation of reliability and validity in the study. The use of multiple sources provides evidence, verification, and validity while allowing the researcher to address a broader spectrum of issues (Yin, 2014).

Also, the multiple case study findings will be convincing to any researcher if interviews, notes, observations, documents, and other data sources complement the study (Miles & Huberman, 1994). In using multiple sources of observations, and notes, the study benefits in rich data that might foster transferability of the research findings (Gheondea-Eladi, 2014). Using NVivo, a code such as PS1and PS2 was created to ensure the confidentiality of respondents. NVivo 11 qualitative software also aided in organizing, coding, managing, and analyzing the research data (Castleberry, 2014). The coding process began with data transcription and categorization into emergent themes. The codes detected repeated terms used by respondents that produced themes for analysis. The emergent themes matched the research problem, the conceptual framework, and the review of the literature. I used the business problem, conceptual framework, and research question in NVivo 11 qualitative research software to compare codes with new and existing literature. In line with Tsang (2013), comparing the codes and themes in the study ensured valid and credible interpretation. Lastly, a review of the study findings

ensured alignment with the conceptual framework and existing body of knowledge to increase validity.

Reliability and Validity

Researchers use reliability and validity to evaluate the quality of data collected and analyzed during the research (Yin, 2014). Yin (2014) conceded the quality of the qualitative study is not similar to a quantitative inquiry. Consideration for detail assumes increasing importance since it enhances best practices in research and yields a deeper understanding of the phenomenon under review (Grossoehme, 2014). The tools in reliability and viability that ensure trustworthiness in the study follow.

Reliability

A researcher can establish the reliability of data by consistently repeating the data multiple times in the study (Yin, 2014). Consistency enhances the credibility of data while eliminating doubt from the research (Bryman, 2017). Reliability pertains to researchers' attainment of comparable decisions following the same protocols employed by a predecessor researcher (Grossoehme, 2014). The goal of maintaining reliability remains the minimization of errors and biases (Yin, 2014). Member checking enhanced dependability and reliability in the study. Returning to each participant with the interpretative analysis of each interview enabled a review of all responses for accuracy and credibility of data presentation (Grossoehme, 2014). In line with Yin (2014), I used the exact interview questions to promote consistency and ensure an audit process capable of producing the same result from the same procedure.

Validity

A qualitative study comprises many elements that demonstrate the researcher's description of the phenomenon. To many researchers, dependability, credibility, transferability, and confirmability are rigorous tools used to evaluate qualitative studies (Anney, 2014). The validity of research represents accuracy, quality, and integrity (Miles & Huberman, 1994). Sources of validity include documentation, archival records, observation, interview, and other data sources.

Dependability. Dependability in qualitative studies refers to the permanency of data and the trustworthiness of the study based on the process used to derive the result (Elo et al., 2014). Dependability ensures that the findings of the qualitative study remain repeatable if the study occurred within the same cohort of participants and context (Forero et al., 2018). To reduce bias and increase accuracy, I kept an audit trail of all decisions throughout the research process. Data collection notes and analysis process included the audit trail for the study.

Credibility. Credibility in qualitative studies is determined when the researcher returns to participants to confirm the researcher has accurate representations of each participants' experiences through the process of member checking (Anney, 2014). Member checking requires that the researcher offers respondents a chance to reassess the interview interpretation to confirm the accuracy of data collected (Anney, 2014). Credibility denotes the believability of the research findings and involves conducting the study in a manner consistent with credibility (Anney, 2014). Use of methodological

triangulation validated the findings. All sources and questions triangulated on the same set of research questions.

Confirmability. Confirmability refers to the degree to which corroborated research results occur with other researchers (Anney, 2014). Confirmability establishes that data and interpretations of the findings are rooted in the data. Confirmability occurred when no new information ensued. In achieving confirmability, I conducted member checking to confirm data collection and ensure rigor of data interpretation. Finally, data saturation occurs when researchers can no longer obtain new themes and measurements from the study (Fusch & Ness, 2015). I continued the interview process until saturation, recorded all information gathered, and carefully followed the process outlined in the study.

Transferability. Transferability refers to the extent to which the results of qualitative inquiry can be shifted to other contexts with other respondents (Anney, 2014; Forero et al., 2018). Transferability occurs when the researcher provides a detailed description of the study with purposively selected participants (Anney, 2014). In line with Anney's (2014) suggestion, I provided an audit trail, a thick description of the research methods, data collection, and analysis process. The readers will decide the extent to which the findings support transferability.

Transition and Summary

I outlined the purpose, the role of the researcher, the participants, the research method, and the study design in section 2. I also explained the reason for selecting a qualitative case study, including details concerning the population choice and the

sampling method. The section ended with a review of ethical research, the data collection instrument, technique, organization, and analysis. The section ended with the reliability and validity of the study findings. In Section 3, I presented the findings of the study, described the application of professional practice, and examined the practical implications of the study for social change. The real benefit for small business owners is to determine the strategies required for financial resources that support their business beyond 5 years. I also provided a discussion of the recommendations for action, recommendations for further study, and included a summary of the study and conclusions.

Section 3: Application to Professional Practice and Implications for Change

Introduction

The purpose of this qualitative, multiple case study was to explore the strategies that some beauty salon owners use to obtain financial resources to support growth beyond 5 years. The specific problem addressed in the study was that some Central Maryland beauty salon owners lack strategies to access financial resources to support growth beyond 5 years. The findings can be summarized by the themes that developed from the data collection with nine open-ended interview questions. The findings revealed four themes: (a) personal savings, (b) formal education and professional training as keys to funding, (c) funding strategies, and (d) small business challenges in acquiring funding.

Presentation of the Findings

In this subsection, I discuss and present findings of the study with a summary addressing the research question. The primary research question that guided this study was the following: What strategies do some Central Maryland beauty salon owners use to access financial resources that support growth beyond 5 years? The goal of the study was to explore the strategies that would help beauty salon owners access financial resources that support growth beyond 5 years, reduce failure rates for small businesses, increase sales and tax revenue for the government, and increase employment in the region.

Four findings emerged from the study that informed the strategies adopted by the participants in funding their business. Many of the responses from participants supported the two main assumptions of the RBV theory regarding firm resources. The RBV theory assumptions explain how firm resources generate SCA and why some businesses may

perpetually outperform others. Implicit in the themes developed in the study is the assumption in RBV theory that managers concentrate on developing diverse critical resources to attain a SCA. Business leaders may gain practical insights from the results of the study regarding the identification, evaluation, and management of the firm's resources. The findings were (a) personal savings, (b) formal education and professional training as keys to funding, (c) funding strategies, and (d) small business challenges in acquiring funding.

Emergent Themes

The first finding that emerged from the collected data was personal savings as a source of funding. Small business owners use personal savings to fund their operations at start-up (Augustine & Asiedu, 2017). Other SMEs explore external sources during the growth phase of their business (Abe, Troilo, & Batsaikhan, 2015). Formal education and professional training emerged as the second finding. The third finding of the study was funding strategies. Small business challenges in acquiring funding emerged as the fourth finding.

Theme 1: Personal Savings

The first finding from the study was the role of personal savings as a source of funding. Access to financial resources is crucial to business survival. Access to capital is critical for SMEs (Augustine & Asiedu, 2017). Lack of capital inhibits the development of new products or services and growth to meet customer demand. The participants placed great value on the importance of their strategy in raising funding from personal savings to start and continue their business. Consistent with the RBV theory's tenet of

competitive heterogeneity, participants acknowledged that close competitors in the beauty salon industry differ in resources and capabilities in significant and enduring ways. All six participants described using personal savings as a funding strategy in the early stage of operation. Asked how they financed operations, PS1 stated, “We financed our business solely based on the personal savings of the three partners. We brought our money together, and that’s how we financed our business.”

The findings supported Calopa, Hovart, and Lalic’s (2014) suggestion that most small business owners launch businesses with personal property. Mikic, Novoselec, and Primorac (2016) also found that although small business owners may have a wide source of financing including private equity, business angels, and public finance, in practice entrepreneurs often depend on their assets. Prominent in the RBV theory is the concept that the internal features of a firm such as an owner’s ability to raise required capital create strategic resources in business success (Wernefelt, 2014). Also responding to Interview Question 1, PS6 declared,

> We achieved financing through our personal savings. Over the years, we used the funds we accumulated to finance our business. In other circumstances, we used our personal funds as the need arose to meet our financing needs. We used our money to finance our business.

The RBV perspective is centered around competitive interaction and entrepreneurial actions used to manipulate the market environment (Eloranta & Turunen, 2015). The RBV theory suggests that differences in firm performance stem from differences between firms regarding their endowment with resources (Barney 1991;

Peteraf; 1993; Wernerfelt, 1984). In this study, personal savings dominated the responses on how participants financed their business (with PS4, PS5, and PS6 in agreement), which supported Teece's (2014) position that business leaders' decision in the acquisition, integration, and deployment of resources also accounts for differences in firm performance.

Access to funding remains a major impediment to the growth and sustainability of small businesses. Banks' reluctance in extending credit creates difficulties for small businesses that need the resources to grow (Berger, Goulding, & Rice, 2014). PS2 decided against a bank loan at start-up due to the absence of business collateral. Knowing the business would not be eligible for bank financing, PS2 deployed personal savings as the immediate option to fund the business. PS2 stated, "I financed my business basically with my savings. I did not get any loans." Banks' reluctance in credit extension is founded on the lack of collateral to pledge towards the loan (Liu, 2015). Banks also decline to fund when collateral appears too small or risky (Abe et al., 2015).

Theme 2: Formal Education and Professional Training as Keys to Funding

The second finding in the study was formal education and professional training as tools of strategy in selecting funding. The finding of *formal education and professional training* originated from Question 2 in which I explored the participants' choice of a funding strategy as influenced by their education and training. RBV scholars argued that knowledge exists as a nonspecific means with distinct characteristics making knowledge the most significant and valuable resource (Wu & Chen, 2014). Company records including degrees, awards, certificates, resumes, and participant responses showed salon

owners' understanding of the importance of education and training in the success of their business.

Participants stated that they attend mandatory state continuing education classes each year as a condition to maintain their cosmetology license. The State of Maryland House Bill 1600 established continuing education requirements for cosmetologists as follows: "The State Board of Cosmetologists shall require a licensee renewing a license to complete at least six credit hours of continuing education approved by the Board to qualify for the renewal of a license" (Maryland State Board of Cosmetologists website, 2018). A review of the Maryland State Board of Cosmetologists' website (https://www.dllr.state.md.us/license/cos/coslic.shtml) aligned with study findings and participants responses (State Board of Cosmetologists website, February 12, 2018). Five of six participants had a bachelor's degree in business, accounting, or management. PS5, being the only respondent with an MBA in marketing, expressed how the advanced degree helped in running the business. PS5 stated,

> Formal education played an important role in my ability to run the business. I have a master's degree in business administration. In addition to my formal education, I started out watching my previous employer during my training years. I copied everything she did a little bit at a time until I became proficient in the trade. Following my success as an apprentice, I decided to go out and open my shop.

This finding is consistent with Barrett's (2015) study that appropriate training and education may assist business owners in developing and maintaining the necessary skills

for business success. This finding is also supported by the Maryland State Board of Cosmetologists licensing requirement that,

> The apprentice cosmetologist is limited to a two-year original license and one two-year renewal; Must complete an application and sponsorship form which must be signed by a senior cosmetologist; Must complete 24 months of training with at least 20 hours per week; Licensees are required to mail monthly training reports to the Board each month. (Maryland State Board of Cosmetologists website, 2018).

According to the knowledge-based view, the firm's knowledge base provides the business a resource advantage that helps it create a strategic competitive advantage (Pollitte, Miller, & Yaprak, 2015). Parboteeah, Hoegl, and Muethel (2015) found that to build and maintain a competitive advantage, businesses increasingly depend on effective learning processes. Education and training strengthen entrepreneurs' skills and knowledge. On the value of business education and formal training in the choice of a financing strategy, PS2 offered the following response: "I studied business management at school. I studied accounting, finance, and management courses that helped me manage my business properly."

Knowing that knowledge is often tacit, context-specific, and perishable, knowledge-based view scholars posit that firms profit efficiently from explicit knowledge (Lichtenthaler, 2016). Prospective business owners with basic education and training may develop effective strategies in funding their business. Georgiadis and Pitelis (2016) observed that education and training remain powerful tools for the development and

sustainability of small businesses. They added that training increases a business's success rate while business failures remain attributable to poor management skills. PS1 offered the following insight about the role of formal training and business education in selecting a financing strategy,

> Because I've been in the hair industry for a while before opening my own business, I knew some ins and outs of the industry. My prior employer was a salon owner and hair stylist, and I worked very closely under her, handling social media advertising and newsletters. Also, my partner has a business degree which helped in our business decision-making.

All participants suggested that their education played an important role in understanding the business, industry, and customer needs. A review of the respondent's website showed that PS1's patrons had favorable opinions of the beauty salon as demonstrated by customer recommendations in such declarative statements as, "This is a beautiful upscale salon . . . all of the stylists are skilled in their craft." Another customer added, "A total professional atmosphere with talent out the roof." PS6 offered her bachelor's degree in accounting and previous work experience in a pharmaceutical company as crucial tools in running the beauty salon. Specifically, PS6 said, "My accounting degree helped in inventory control and other support services for the beauty salon. Additionally, confidence in analyzing business documents and tax issues for the salon came from my background in accounting."

Small business owners with superior knowledge, skills, and capabilities attain a competitive advantage. Nakhata (2018) suggested that successful entrepreneurs have

relatively high levels of human and entrepreneurial competencies regardless of available resources. In addition to formal education, all participants stated that professional training, while under the employment of the business owner, provided the tools to manage their own business. Additionally, the Maryland State Board of Cosmetologists (https://www.dllr.state.md.us/license/cos/coslic.shtml) requires that " applicants for cosmetologist, esthetician, nail technician, and senior cosmetologist must pass an examination in order to qualify for a license." This requirement from the state board further demonstrates the importance of education in the success of beauty salons in the state. PS4 explained the importance of education and training in the success of the business: "As a cosmetologist, working with various hair products requires education beyond high school to ensure essential skills, training, and proper service offering for customers. PS4 added "My wife is a hairstylist, and all staff members come from a business background." Further review of PS4's website supported the belief that education plays a key role in the success of the operation as shown in the following:

> We are proud members of the professional beauty industry, continually looking for ways to better our skills and learn new techniques. When you visit us, our friendly, helpful staff will answer your questions and make suggestions on how to best serve you. We feel confident that when you schedule an appointment with one of our staff that you are getting the best of the best!

This finding is consistent with Apostolico et al.'s (2015) finding that education is crucial for young cosmetologists seeking entry into the expanding beauty salon industry.

Theme 3: Funding Strategies

The responses to Interview Questions 1, 3, 4, and 5, identified effective strategies salon owners used to access financial resources. Participants shared their thoughts about strategies that were effective in securing loans and other financing options for their business. Inherent in this theme, I found two dominant strategies revealed by company documents, participant responses, and confirmed by previous studies. Prior research identified, among other causes of small business failure, a lack of funding strategy (Wennberg & DeTienne, 2014). The two strategies were (a) sales revenue and (b) external funding including home equity and merger loans. PS3 indicated on their company website that they used sales revenue to fund their business during the initial start-up phase. Participant PS3 expressed the adopted strategy in the following response: "I did not get any extra financial resources. So, once I opened the business, I just used revenue from the business to finance anything I needed for the business."

PS3 adopted a strategy consistent with Barney's (2014) finding that the manager's application of individual resources coupled with the heterogeneity of a small firm's core resources can augur well towards building a competitive advantage for the firm. PS3 applied sales revenue as a funding strategy to increase economic advantages and remain effective, efficient, and profitable in a competitive advantage atmosphere. The second finding following the funding strategy theme centered on external funding sources by respondents. PS4 stated on their company website that they adopted a strategy of external funding based on home equity loans. PS4 indicated,

> There were times when we expanded to a second location. Again, we used equity we had built in our home to get a bank loan to help finance our business. From time to time, we looked at short-term solutions to get financing. Places such as XXX Capital lent us money against our receipts. While that's something that has worked for us, it is a very expensive way to get money to fund your business.

In this response, PS4 noted the short-term debt financing against receipts is a costly strategy, thus contrasting Modigliani and Miller's (1963) seminal finding that firms favor debt over equity because of the low cost associated with debt financing. Similarly, PS5 responded to the question of a funding strategy with the following:

> After a year, we did a merger loan. You have to make a certain amount within a year and a certain amount each month like $10,000. So, you are essentially doing a loan against your merchant services, and you pay a small amount every day.

Knowing that debt financing is critical to the growth of private firms, Block et al. (2018) suggested that ownership control of SMEs makes debt financing an attractive option for small businesses. In taking merchant loans, PS5 indicated on the company website that they favored commercial lenders for short-term debt because of the lender's adaptability to the SMEs financial needs. This strategy is also consistent with Abdulsaleh and Worthington's (2013) finding that information asymmetry in SMEs remains a serious concern as repayment occurs over a shorter period.

In contrast to PS4 and PS5, one participant (PS2) adopted a strategy of purchasing supplies with promotional discounts in advance to save money (PS2; sales brochure from merchants, January 30, 2018; archival data, January 30, 2018). PS2 stated,

> I had to learn how to buy hair products. I had to wait until products were on sale and then try to buy as many products as I would need on a regular basis. That helped me save a lot of money. Also, I tried to order my products in advance.

A key component of the RBV focuses on the internal characteristics of the small business like steady cash flow and owner's ability to secure required capital (Wernerfelt, 2014). Two of the participants (PS5 and PS6) confirmed similar strategies and PS5 stated that they took merger loans, home equity loans, and loans against receipts to fund their business during growth (see Table 4). In particular, PS4 cited loans against receipts, in addition to home equity loans during their expansion to a second location (see Table 4). While loans against receipts worked for PS4, they added it is a costly source of funding for a small business This strategy is consistent with Barney's (2014) findings on the relationship between a business leader's ability to start and successfully grow the business and the internal resources of the firm. Barney argued that to achieve success during start-up or growth phase in a small business, managers must use internal resources efficiently to develop strategies that avoid obstacles and ensure success.

Table 2

Participant Responses on Funding Strategies

Emergent theme	Participants in agreement	% of responses
Sales revenue	PS3, PS4, PS5	50
Home equity	PS4, PS6	33.33
Merger loans	PS5	16.67
Advance purchase of supplies	PS2	16.67

Theme 4: Small Business Challenges in Acquiring Funding

The fourth finding from the study was *small business challenges in acquiring funding.* There is general agreement that small businesses have difficulties obtaining loans from external sources (Liu, 2015). Other researchers pointed to variations in access to funding independent of the capital structure of the small business (Koropp, Kellermanns, Grichnick, & Stanley, 2014). Although some participants were able to obtain loans to fund their business, other respondents indicated difficulty in obtaining loans. The study finding revealed two challenges faced by SMEs in acquiring funding to include (a) lack of collateral, and (b) information asymmetry. PS1 described the difficulty in acquiring funding:

> It is hard to get a business loan if you haven't had your business for so long. I can remember going to the Small Business Administration trying to get a loan for

> Women in Business, and nothing came through. It turned out to be a blessing because we came in debt-free.

PS1 explained that the business had no collateral in the early years of operation and the bank offered no details regarding their adverse decision. PS1 presented to the researcher a brochure with some of the U.S. SBA loan requirements that advised borrowers to prepare financial statements and be ready to demonstrate creditworthiness (PS1, U.S. SBA brochure, January 30, 2018). Further review of the loan application for small business owners revealed other conditions borrowers must meet to receive loans. In making a case for a loan from the U.S. SBA, the brochure specified that applicants must, “prove your financial responsibility with a business credit report . . . display that your business is doing well with financial history statements.” PS1 stated that angel investors declined the offer to invest in their salon thereby causing the partners to seek bank financing through a local office of the Small Business Administration. Similarly, PS2 expressed initial difficulty in qualifying for a bank loan because of inadequate collateral. The second finding in the study centered on information asymmetry. The body of literature supported the finding concerning banks’ reluctance to lend to SMEs based on lack of information about borrower firm. McCarthy, Oliver, and Verreynne (2015) found that SMEs are less open with imperfect information to those not involved within the firm. The absence of financial data creates information asymmetry between the bank and the borrower firm. Blazy and Weill (2014) found that banks often require collaterals from borrowers when faced with the uncertainty about the creditworthiness of the borrowers. Except for PS3, other respondents considered bank loans after the early start-up phase.

The bank recommended credit counseling before loan approval and PS2 complied as a condition for the loan. PS2 stated,

> I am currently working on my credit now as we speak. I have been qualified to get a little bit of a loan, but I want to get a little bit more than the amount the bank has given me. The bank also helped me with steps to take to obtain a higher loan amount than what I had initially.

PS2's response confirmed Bliss, Cheng, and Denis' (2015) finding that large firms are more likely to obtain finance as a result of their information transparency and consequent reduction of information asymmetry (see Table 5). They stated that merchant loans had higher interest rates but served their financing needs well. Two participants mentioned that the established working relationship with merchants made it easier to secure funding for growth. All respondents confirmed lack of collateral and information asymmetry as prominent challenges in their quest for funding: some owners during the start-up phase and others during the expansion period.

Table 3

Participant Responses on Small Business Challenges in Acquiring Funding

Emergent theme	Participants in agreement	% of responses
Lack of collateral	PS1, PS2, PS3, PS4, PS5, PS6	100
Information asymmetry	PS1, PS2, PS3 PS4, PS5, PS6	100

The findings from this study's data and analysis explain the strategies that small business owners in central Maryland use to access funding and survive beyond 5 years. The conceptual framework underlying this study was the RBV theory by Penrose (1959). The study findings conform with the RBV literature supporting the position that financial resource is crucial to business survival and competitiveness (Sui & Baum, 2014). Wernerfelt (1984) extended the RBV theory on the premise that the internal sources of a firm's state facilitated its sustained competitive advantage (SCA). The performance and sustainability of an organization rest on the resources owned and controlled by the organization. All participants indicated that it was difficult to obtain bank loans in the early stage of their business as banks insisted on collateral as a condition for approval. Banks' reluctance to lend to small business based on lack of collateral finds support in Liu's (2015) study. Inherent in Wernerfelt's theory is the explanation that a firm's success depends on its ability to acquire and control valuable, rare, and nonsubstitutable resources and capabilities.

The tenets of the RBV provide a conceptual framework that SME owners who efficiently use their resources may apply to succeed. In exploring the research topic using the RBV theory as the conceptual framework, I identified strategies used for access to funding for beauty salons in central Maryland. The outcome of the financial resource as a crucial element of business survival and competitiveness is consistent with the essence of the RBV theory. Concurring with the literature, all respondents acknowledged that finding capital to open their shop compelled them to reckon with the scarcity of capital. The salon owners' ability to acquire and control valuable and rare capital supports the

RBV conceptual framework as theorized by Wernerfelt (1984). In the view of many scholars, financial resources may promote small business growth and sustainability. The study findings and the essence of RBV indicated in the research provided guidance in the professional application for beauty salon owners to access funding for their business.

Applications to Professional Practice

Access to financial resources for business survival remains a major challenge facing small businesses. Identifying strategies to minimize the challenge is an ongoing concern in business research. There is value in identifying funding strategies for small businesses to reduce the small business failure rate in central Maryland. These strategies are crucial to the growth of small firms and the economic development of the United States. Khan (2015) identified three principal funding sources that small businesses use to access capital for sustainability. The funding sources include (a) retained earnings, internal funds, and equity; (b) formal sources from banks and nonbank financial institutions; and (c) advances from customers, credit from a supplier, and informal sources from friends and family.

The qualitative multiple-case study centered on interviews with six beauty salon owners in central Maryland who had been in business for at least 5 years. The objective was to explore the strategies used by these businesses in central Maryland to access financial resources that would sustain them beyond 5 years. Consistent with existing literature, participants identified the financial resource as vital to small business success and growth. The study found personal savings as a dominant funding source for all participants. Salon owners utilized their internal resources from savings to fund

operations at start up, and other owners continued to utilize internal sources even in the growth stage. For many respondents, bank loans and other forms of external funding were not the answer to resolving funding needs, particularly at startup. All respondents acknowledged experiencing poor access to finance to sustain their businesses. Sui and Baum (2014) noted that businesses gain a competitive advantage given access to internal and external funding. The most significant contribution of this study to professional practice may be the identification of potential financial strategies that small business owners may use in gaining access to funding. The strategies are

1. Accumulate and use personal savings in the early phase of operation.
2. Recognize that education and training represent internal resources that ensure sound decision-making and effective management of the business.
3. Maintain adequate business records to demonstrate sound financial practices and business policies before approaching a bank for business loans.
4. Use sales revenue loan to fund growth, when banks refuse to lend.

Tactically implementing any of the stated strategies may contribute to the success and survival of the small business. The results of the study may assist beauty salon owners in their effort to remain competitive in a growing competitive market environment. Policymakers may use the study findings in policy decision making.

Implications for Social Change

The implications for social change for the study include the potential to develop strategies for small business growth and sustainability in competitive environments through effective business practices. Small business owners face difficulties in access to

suitable and adequate means of finance (El-Said, Al-Said, & Zaki, 2015). Access to finance can improve business productivity, profitability, and sustainability (El-Said et al., 2015). Inadequate access to funding sources for SMEs creates business failure, which in turn causes lost income for the employees, firms, and the government. Successful business owners contribute to bolstering the U.S. economy through the growth and profitability of the SME sector. Identifying strategies for access to funding resources might help small business owners obtain loans and increase their success rate. Successful businesses may create positive social change through innovation, job creation, crime reduction, and economic growth that benefits small businesses, employees, local, state, and the U.S. government.

Recommendations for Action

The purpose of the study was to explore strategies some central Maryland beauty salon owners used to access financial resources to support growth beyond 5 years. Access to capital remains a crucial requirement for SME growth and profitability. The findings of the study indicated four emerging themes: (a) personal savings, (b) formal education and professional training as keys to funding, (c) funding strategies, and (d) small business challenges in acquiring funding. These findings should be of particular interest to current and future beauty salon owners as a means to start and grow their business, improve profitability and sustain their operations. Penrose (1959) analyzed the linkages between firm resources and firm growth. Penrose found that growth rules the creative and dynamic interface between a firm's productive resources and its market opportunities. Available resources can limit expansion, stimulate and largely control the direction of

growth (Penrose (1959). In applying the RBV concept, Penrose (1959) observed that firms do well in connecting the concept of resources and the choice of different uses for resources over time.

Penrose focused on firms as administrative entities with bundles of resources which limit firm growth. Additionally, versatile resources increase a firm's combinative opportunities and expand its productive capacity (Penrose, 1959, 1995). In this way, versatile resources allow firms to recombine resources in novel ways to create growth. Based on the study findings, and consistent with Penrose's (1959) finding that versatile resources increase a firm's combinative opportunities and expand its productive capacity, the recommendations for small business owners are

1. Identify personal savings as crucial tools for achieving a competitive advantage and survival.
2. Recognize that formal education and professional training may be the keys to an effective funding strategy and business growth.
3. Maintain adequate business records to demonstrate sound financial practices and business policies before approaching a bank for business loans.
4. Use sales revenue loans to fund business growth, when banks refuse to lend.
5. Use home equity for larger loan amounts during business expansion. In line with Kumar and Rao's (2016) suggestion, small business owners should explore additional sources of capital to minimize dependence on bank loans.

I will disseminate the study findings through scholarly journals and professional periodicals. The U.S. SBA office, the Maryland Chamber of Commerce, and the SCORE

office of central Maryland will each receive findings of this study upon request. The goal in disseminating the study findings is to provide these new findings to the academic and business communities. I will also present the findings at small business workshops and conferences to assist small business owners in increasing access to funding.

Recommendations for Further Research

I adopted a qualitative multiple-case study approach to explore the diverse strategies of beauty salon owners in central Maryland used to access funding. The study findings indicated that a variety of strategies were adopted to enable small business owners to succeed beyond 5 years. My recommendations for further research include undertaking a quantitative study to determine the relationship between the emergent themes of strategies used by small business owners. Conducting quantitative studies could reveal a different perspective on the relevance of these strategies on small business survival and growth. The study focused on beauty salon owners in central Maryland, and the outcomes for this geographical area may not be typical for other areas in the United States. Further research may focus on the addition of other types of small businesses to determine if the results are industry-specific or applicable to other industries. Enlarging the target areas and sample size in future research may yield additional data in finding other financing tools. In line with Robinson’s (2014) suggestion, I recommend the use of a larger sample size that might generate different themes. Focusing on the themes identified in this study might benefit future research effort in identifying financial resource challenges faced by small business owners.

Reflections

My doctoral experience at Walden University provided a unique opportunity to learn from my study participants. I had the pleasure of interviewing beauty salon owners in business for more than 5 years in central Maryland. Conducting the study increased my appreciation and understanding of doctoral research. The initial attempt at recruiting participants seemed more difficult than I earlier anticipated, perhaps because the participants are busy, self-employed individuals. Some business owners were reluctant to participate fearing the interview questions might be too intrusive.

Despite the challenges, I secured enough willing participants to complete the data collection. The study provided an opportunity to research a topic of great interest in both the academic and business communities. I followed the interview protocol throughout the data collection process thus minimizing error and bias in the study. I received with surprise the wealth of knowledge that the participants possessed and their willingness to share the important details about their operations. All respondents answered the interview questions and shared their perspectives on funding tools for their business. My experience as a small business owner was only confirmed as participants enumerated their difficulties in accessing loans for their business. I came away from this study with a heightened sense of awareness of the passion and dedication to success that these participants bring to customers, families, and employees.

Conclusion

The common challenge that small business owners in central Maryland have is in the limited access to financial resources from banks and other financial institutions. This

difficulty has the potential impact of inhibiting the growth and profitability of small businesses that lack collateral in the early stages of operation. The purpose of this qualitative multiple-case study was to explore the strategies that small business owners used to access financial resources to support growth beyond 5 years. Identifying these strategies may assist future entrepreneurs to reckon with the inherent challenges of the small business owner. The study findings may also serve as a foundation for the development of the small business sector in the United States.

I conducted semistructured interviews to gain insight into strategies that small business owners used to access financial resources to support growth beyond 5 years. Participants were six beauty salon owners in central Maryland who had sustained their businesses beyond 5 years. Each participant responded to nine interview questions about their experiences in financing their business. The conceptual framework for the study was the RBV theory of the firm. Data collection from the interview yielded four emergent themes including (a) personal savings, (b) formal education and professional training as keys to funding, (c) funding strategies, and (d) small business challenges in acquiring funding. I analyzed the existing literature and associated the emergent themes to the conceptual framework about the small business funding strategies. The study findings suggest that participants acknowledge financial resources as crucial to the business survival and a competitive advantage. This conclusion is consistent with Barney's (1991) and Green et al.'s (2015) views that achieving a competitive advantage requires necessary financial resources for business sustainability.

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Appendix A: Introductory Letter

Date:

Dear (Participant Name)

Emmanuel Ekop
[address redacted]

January 28, 2018

Dear Sir/Madam:

As part of my doctoral study research at Walden University, I would like to invite you to participate in a research study I am conducting to explore the strategies used by beauty salon owners to obtain financing.

I contacted you to participate because you are a beauty salon business owner in Maryland and have been in business beyond 5 years. The data collected will be confidential and participation is voluntary.

If you agree to participate in the study, please review the enclosed consent form carefully and ask any questions you feel is necessary, part of my role as a researcher is to ensure aspects of the research are clear to each participant before the participant consent to the interview. The interview should last approximately 60 minutes and will include questions about your strategies and experiences as a small business owner. I will record the interview and you will have the opportunity to review the transcribed interview for accuracy prior to inclusion in the study. Your participation is valuable for the success of the study. Thank you for your time and cooperation.

Appendix B: Interview Questions

1. How did you finance your business?
2. What role did your formal training and business education play in your choice of a financing strategy?
3. How did advice from family or friends influence your choice of a financing strategy?
4. What financing strategy did you utilize to access financial resources for your business?
5. How did you manage your finances in the first 5 years of your business?
6. What obstacles, if any, did you encounter in obtaining loans to sustain your business?
7. How did you overcome the obstacles in obtaining loans?
8. How did you use professional advisors in the first 5 years of your business?
9. What other pertinent information do you believe is beneficial for small business owners to be successful beyond 5 years?