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# Survive and thrive: an exploration of methods implemented by small businesses in the construction industry to sustain their business beyond 5 years

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# Survive and Thrive: An Exploration of Methods Implemented by Small Businesses in the Construction Industry to Sustain Their Business Beyond 5 Years

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ABSTRACT

Small businesses represent an influential portion of the American economy yet retain a high rate of closure especially in their early years, therefore; this study sought to address a lack of available research regarding small businesses in the construction industry, by investigating the methods and strategies existing small business owners use to support business survivability, in the regionally specific area of Southern California. The purpose of this study was to investigate strategies used by existing construction industry small businesses, identify the challenges experienced as a construction industry small business organization in Southern California, and determine how the small business owners define and measure success. The guiding theoretical framework for this study followed the Resource Based View, which perceives the organization as a collection of unique resources and capabilities. This qualitative case study included 8 participants who worked in the Southern California area and took part in a short recorded interview. Qualitative interview data was transcribed, coded and analyzed by the researcher. Three research questions helped guide this study: RQ1: What strategies do small businesses in the construction industry located in Southern California apply to sustain their business beyond 5 years? RQ2: What challenges do small businesses in the construction industry, located in Southern California, face? What strategies and resources are used to assist these small businesses to overcome challenges?; and RQ3: How do small businesses in the construction industry, located in Southern California define, measure, and track their organizational success?

Results found for RQ1 indicated participant utilization of specific strategies and resources such as learning orientation, human capital, and market orientation. Results for RQ2 showed participants perceived employee turnover, capital management, and internal fears/doubts as major challenges to sustaining a construction industry small business. Results for RQ3 found participants defined and measured success through achievement, employee retention, and internal feelings. Recommendations for future practice and research include the research addressing knowledge gaps for technology usage, research into women-owned construction industry small business owners, in addition to continued qualitative research performed in this subject area.

# Chapter 1: Introduction

Small businesses play a vital role supporting the growth of the United States economy (U.S. Bureau of Labor Statistics, 2016a). Economies grow when more inputs are employed and used more productively (Kobe & Schwinn, 2018; Li & Rama, 2015). Small businesses generate new jobs, employ a large portion of the private-sector workforce, and help ignite economic recovery (Laderman & Reid, 2010, U.S. Small Business Administration Office of Advocacy [SBA], 2020). California's small business sector is the backbone of the state's economy (SBA, 2020).

The Small Business Administration (SBA) defines a small business as an organization with less than 500 employees. There are 31.7 million small businesses in the United States (SBA, 2020). Given their productivity in the economy, small businesses are essential to the U.S. economy. Unfortunately, however, by the end of their fifth year in business, 50% of small businesses fail (U.S. Bureau of Labor Statistics, 2016a).

The primary purpose of this study is to discover the determinants of small business sustainability, specifically in the construction industry, exploring small business challenges and identifying strategies to overcome challenges. The study will focus on examining the factors to which small business owners in Southern California attribute their longevity. It will define organizational success from their perspective. The study will also review the challenges small business owners in Southern California can experience.

A phenomenological study offers discoveries through reflection of lived experiences (Moustakas, 1994). The results of this phenomenological study will shed light on what factors increase the chances of small business sustainability. The researcher of this phenomenological qualitative study will interview small business owners and attempt to identify the several factors that affect the sustainability of small construction businesses in California. The intention of this study is to understand determinants of small business sustainability to help construction industry small business organizations avoid failure and remain viable, contributing to the overall success of the state and national economy.

This chapter will include a brief background of the study, statement of the problem, the purpose of the study, the significance of the study, research questions, theoretical framework, assumptions and limitations of the study, and definitions of key terms.

## Background of the Study

Joseph Schumpeter was an Austrian economist who believed the economy was a moving body that depended on innovation by entrepreneurs to guide its growth (Yueh, 2018). Schumpeter (1943) saw businesses reinvent themselves, incessantly destroying the old and creating new. Schumpeter identified this process, calling it *creative destruction,* describing how entrepreneurs transform society through innovation. The U.S. economy is characterized by small businesses, some of which grow into large organizations, both of which ultimately perish in the process of creative destruction, which instigates reallocation of resources (Headd, 2000). Small businesses and entrepreneurs bring new ideas and vigor to the marketplace. Small businesses also serve niche markets or locations that are not suited for large businesses (Bridge & O'Neil, 2013).

Bridge and O'Neil (2013) described the following economic benefits of small businesses:

- Autonomy and independence, providing a productive outlet for individuals that are not suited for large corporation environments.
- Niche market supplier, supplying a specialized product or service.

- Generating competition, monopolies breed inefficiencies. Small businesses provide more competition, working the economic system efficiently.
- Consumer choice, providing consumers with choices in the market.
- Stimulating innovation and co-evolution of industries.
- Contributing to overall economic and social stability.

In the early 1970s, small organizations in the United States had created over 80% of net new jobs (Birch, 1981). Net new jobs refer to the difference between total new jobs created and the total jobs lost during the same period. During the 1998-2004 period, small businesses produced the majority of the private non-farm U.S. GDP. In 2014, small businesses created 43.5% of the $13.6 trillion private non-farm U.S. economy (Kobe & Schwinn, 2018).

The impact of small businesses on the economy did not only apply in the United States. In Europe, by 1998, 99.8% of the 20 million private enterprises were small to medium enterprises (SMEs). In 2006, SMEs accounted for 60% of the employment in 27 countries of the European Union (Kobe & Schwinn, 2018).

Growth of industries, creation, and expansion of organizations fuel social welfare (Wiklund et al., 2009). Economic benefits of small enterprises include creating competition on inefficient monopolies, generating consumer choice, and stimulating innovation (Bridge & O'Neil, 2013). Small businesses are considered to be the backbone of economic growth (Li & Rama, 2015). The need to investigate factors affecting construction industry small business sustainability is important and should not be neglected.

According to the U.S. Small Business Administration Office of Advocacy (2020), small businesses account for 99.8% of California businesses. Congress enacted the Small Business Act of 1953, creating the SBA to guide and protect small business concerns. Having congressional support provides small businesses with benefits to help them maintain their economic standing. The SBA created criteria of inclusion to determine the eligibility of organizations to be defined as small businesses. The SBA defines small businesses by the economic characteristics of the industry in which it operates, the degree of competition within the industry, average organizational size, entry barriers, and start-up costs. The SBA (2022) also considers technological advances, interaction with competing industries, historical activity within the industry, and unique factors occurring in the industry. These factors distinguish small businesses from other organizations. Typically, organizations are classified through size standards expressed in either millions of dollars of revenue or by the average number of employees. These numbers can fluctuate depending on the industry. Size standards are established for each industry under the North American Industry Classification System (NAICS). The NAICS assigns codes to all industries and includes definitions of size standards (U.S. Department of Labor, Employment & Training Administration, 2010). NAICS code 23, defined as a construction sector small business, has an annual revenue standard of $39.5 million (SBA, 2022).

California can be split into five distinct economic and geographic regions: Southern California, Northern California, the Bay Area, San Joaquin Valley, and Greater Sacramento. Southern California is the largest region filled with diverse industries. The largest industry sector in California is services which can include jobs involving computer and software, motion picture production, law, and engineering work, along with childcare, landscaping, restaurants, and hotel services. The second largest industry is the finance, trade, and manufacturing sectors, including banking, venture capital financing, and manufacturing high tech goods (Legislative Analyst's Office, 2022). In a CBS News article, Lee Ohanian, an economics professor at University of California, Los Angeles stated, "The non-coastal areas of [California] have not generated nearly as much economic growth as the coastal areas" (Associated Press, 2018, para. 9). Los Angeles produces more annually than countries such as Sweden and Taiwan (Mordechay & Orfield, 2017).

In California, small businesses employed 48.5% of the private workforce (U.S. Small Business Administration Office of Advocacy [SBA], 2020). California, New York, Florida, and Texas have the largest number of small businesses in the nation (U.S. Census Bureau, 2022). Small businesses play a critical role in California's economic sectors. Reported in 2015, small businesses produced $2.45 trillion in services and goods, ranking the state economy as the fifth largest in the world (Quirk-Silva & Allen, 2017; The World Bank, 2021). Construction industry falls within the top 10 producing industries of California (Bureau of Economic Analysis, 2022).

Organizations operate in a global environment with rapid changes in technology (Daft, 2008). Small businesses will need to adapt to these changes in order to survive. The resource base theory, a model for organizational growth, focuses on how organizations create sustained competitive advantage through their unique resources and capabilities (Penrose, 1959). Organizational information and knowledge produce capabilities. Capabilities are developed over time through experiences of deploying resources to produce the desired end objectives (Amit & Shoemaker, 1993). Over time, capabilities improve, making it even more difficult for competitors to imitate and substitute.

Organizations' assets that are unique and difficult for competitors to copy can sustain competitive advantage. Competitive advantages distinguish organizations from each other and present consumers with a unique value proposition (Daft, 2008). The resource-based theory explains that organizations gain competitive advantage to earn profit (Barney, 1991; Porter, 1980). Strategic utilization of resources and capabilities will determine organizational profitability (Amit & Shoemaker, 1993). Profit is a measure of organizational performance and success (Drucker, 1954). Developing core competitive advantages is the key to small business survival and longevity. The combination of both tangible and intangible assets has been shown to increase efficiency and effectiveness of organizations, leading to profitability (Yallwe & Buscemi, 2014).

Human capital is regarded as the most valuable investment for organizations (Davenport, 1993; Fitz-Enz, 2002; Goldin, 2016; Marshall, 1920; Waterman, 1994). Human capital is a combination of individual abilities and knowledge gained through education and on-the-job training (G. S. Becker, 1962). Organizations that pay attention to the way they recruit, reward, and retain the right people in the right positions will see a return on investment materialized through organizational efficiency and effectiveness (Annunzio & Liesse, 2001; G. S. Becker, 1962). The performance of an organization is dependent on the performance of the workforce (Drucker, 1954). High rates of turnover can cause organizational dysfunction, ultimately leading to organizational failure (Grigoryev, 2006). Human capital has a significant correlation to organizational performance (Khanna et al., 2014).

Knowledge is a lasting source of competitive advantage (Nonaka, 2008). Learning orientation, which has a positive impact on business performance (Baker & Sinkula, 1999), is a value the organization establishes to create and use knowledge (Laukkanen et al., 2013). Organizations that have an orientation to learning are on the lookout for new information sourced from the environment, modifying their behavior in response to the information gained (Garvin, 1993). This process leads to innovation of products, services, and/or processes producing competitive advantage. Commitment to learning, shared knowledge, shared vision, and open mindedness are the key components of learning orientation. In order for organizations to advance, they need to improve their organizational behavior constantly by gaining knowledge (Drucker, 1954).

The organizational life cycle model explains the birth, growth, and death of firms (Penrose, 1952). The model includes consecutive stages that start from organizational existence, advancing toward maturity, and eventually declining. The organizational life cycle model is used to provide context in which organizational activities occur as small business organizations grow. In the survival stage, organizations experience growth or experience failure. Small businesses with intentions for growth beyond survival need to gain understanding of the strategic resources that play a role in achieving growth objectives. Small businesses are often engaged in fighting fires, i.e., dealing with current situations, rather than promoting strategic long-term growth (Simpson et al., 2012). Strategy is the concept of matching organizational skills and resources with opportunities and risks that exist in the external environment (Hofer & Schendel, 1978).

In a dynamic and global environment, rapid changes in technology, increasing competition from large competitors, and evolving needs of consumers make it challenging for small businesses to survive. Small businesses contribute heavily to the United States economy, and therefore need additional support in recognizing factors that contribute to success and longevity.

## Problem Statement

Statistically, 50% of small businesses fail within the first 5 years of business (U.S. Bureau of Labor Statistics, 2016a). Small business failure can have a severe impact on the state and overall national economy. In the state of California, small businesses account for a large portion of the state economy (SBA, 2020). Given the importance of small businesses to the state and national economy, research is needed to examine the predominant causes of construction industry small business success. Survival rates improve as a small business ages (SBA, 2012). The welfare of society is dependent on the growth of its industries (Wiklund et al., 2009). Based on data from the Bureau of Labor Statistics (2022a), the construction industry has been identified as having a high risk of mortality, and being one of the most vulnerable industries (Knaup & Piazza, 2007). Therefore, it is critical to support small business sustainability and viability both on a local state level, as well as on a national level.

Small organizations are especially influenced by the external environment. When the external environment is chaotic and uncertain, small businesses are even more vulnerable to failure (Dyer & Ross, 2008). Small businesses are vulnerable in crisis when compared to larger organizations (Organization for Economic Co-Operation & Development [OECD], 2021). The recent, severe, and unexpected phenomenon of the COVID-19 pandemic rocked the world, affecting businesses of all sizes (Ducharme, 2020; Gourinchas et al., 2020; Gregurec & Furjan, 2021). Small businesses have weaker supply chain capabilities and were affected more viciously by the supply distributions and price increases during the pandemic (OECD, 2021). When normal operations are disrupted, organization leaders need to adapt and evolve in order to survive. Advancement relies on the improvement of current organizational behaviors. In his book, *The Fool,* prolific Armenian writer, Raffi (1880) showcased the importance of taking action, stating, “while the prudent man stands and ponders, the fool is already across the river” (p. 23). Taking action and making behavioral changes in response to the environment are all critical for small businesses to avoid failure, remain viable, and continue supporting the local and national economy.

Small business failure is attributed to inefficient marketing, poor people management, and financial issues (Lussier & Corman, 2015; Politis, 2005). Organizational performance is connected to the quality and skills of the workforce (Khanna et al., 2014; Oxman, 2002). Failure to invest into the appropriate resources and capabilities of an organization will ultimately lead to business failure. Key characteristics of successful small businesses include organizations with innovative products and services, quality products and services, being reliable, and overall cost (Etuk et al., 2014).

Understanding measures and determinants of construction industry small business sustainability is critical to sustain the overall success of the state and national economy. There is little research on the lived experiences of Southern California construction industry small business owners and their perspective may influence the existing research on small business success factors.

## Purpose Statement

Small businesses grow faster and are more at risk of failure than larger organizations. The efficient grow and survive, whereas the inefficient fail (Jovanovic, 1982). Small businesses play a significant role in the U.S. economy, prompting economic recovery and employing a large portion of the private sector workforce. Moreover, small businesses play a critical role in the state of California's economy. The construction industry falls within the top 10 producing industries in California. The purpose of this qualitative study is to explore the strategies construction industry small business owners in Southern California use to avoid failure rate and increase chances of sustainability and viability. The implications of the survival of small businesses could result in employment opportunities and an improved standard of living and wellbeing in society. A resource-based view or resource-based theory informs this study by helping extend existing knowledge on the investment of unique resources and capabilities with regard to supporting small business success and viability.

The resource-based view is a dominant business strategy that correlates with return on investment (A. Douglas et al., 2010). Small businesses can remain viable by investing in both tangible and intangible resources. Tangible resources are conceptualized as physical resources such as physical equipment used at the organization. Intangible resources include organizational culture, reputation, skills, and technology (Penrose, 1959; Yallwe & Buscemi, 2014).

This phenomenological study examines the predominant factors contributing to the success of small businesses using a sample of small business organizations in the state of California. This study provides an exploration into the nature of small business sustainability as it relates to specific locations or industries. The results can be used to support further research concerning small businesses. The research on small businesses will be extended through this study by including region- and industry-specific data on this phenomenon because the existing literature lacks a specific application to the population targeted in this study.

## Theoretical Framework

The resource-based view (RBV) guided this study. The RBV perspective showcases the organization as a collection of unique resources and capabilities (A. Douglas et al., 2010). Differences in organization performance are attributed to the different resources organizations have, explaining why some organizations outperform others. Resources and capabilities provide organizations with competitive advantage. If organizations plan to exist beyond survival, they will need to consider investing in the resources that will provide them with sustained competitive advantage (Barney, 1991).

The ideology of the RBV theory suggests that effective and efficient utilization of resources available to an organization will result in competitive advantage (Mahoney & Kor, 2015). The key point about RBV is that material resources, equipment, land, employee skillset and organizational capabilities, are productive. Resource deployment is the productive utilization of the resource. There are three classifications of resources: (a) physical capital, (b) human capital, and (c) organizational capital. An asset that is unique, inimitable, and difficult to substitute is a strategic resource used for competitive advantage (Barney, 1991). Distinctive resources add economic value and provide a return on investment (Barney, 1991; Oliver, 1997).

RBV provides guidance for organizational decision-making that can potentially generate advantage in the market (Penrose & Pitelus, 2009). Identifying both the tangible and intangible assets that produce organizational growth is critical for organizations to grow (Mahoney & Kor, 2015). Organizations do not exist within a vacuum; they must interact with both their internal and external environments (Dyer & Ross, 2008). Small organizations are especially likely to be influenced by their environment. As with systems theory, RBV recognizes that the whole is greater than the sum of its parts, and relies on interaction with the environment to gain information that influences decision-making (Senge, 2006; Shaked & Schechter, 2017).

## Research Questions

The following research questions will guide this study:

- RQ1: What strategies do small businesses in the construction industry located in Southern California apply to sustain their business beyond 5 years?
- RQ2: What challenges do small business in the construction industry located in Southern California face? What strategies and resources are used to help these small businesses overcome challenges?
- RQ3: How do small businesses in the construction industry located in Southern California define, measure, and track their organizational success?

Because the purpose of the research is to explore the phenomenon of small business sustainability and viability, the primary question will attempt to determine what strategies small businesses in the construction industry utilize to sustain their business. The second question will review various challenges identified by small business owners in the construction industry and what resources they have deployed to overcome various challenges. The third question will try to organize various components that small business owners determine as key performance indicators. Building upon these research questions, follow up questions will target the impact that human capital, business strategies, and competitive advantages have on small business sustainability. Demographic information about the participants—including age, location of business, size of business, business industry—will be included to understand the impact demographics have on small business success. Indeed, demographics have been a key driver in the growth of California (Mordechay & Orfield, 2017). Participants will be encouraged to share both direct experiences and indirect experiences about small business sustainability, and indirect experiences will be considered reliable in the context of this study. The interview questions will be open-ended to enable participants to elaborate on their answers (Creswell & Creswell, 2018).

## Significance of the Study

The qualitative case study adds value to the small business industry by providing small business owners' perspectives on maintaining viability beyond 5 years. Potential entrepreneurs interested in the construction industry may gain insight on the specific initiatives and strategies to utilize to achieve business longevity. Business leaders may use the findings of this study to enhance research into small businesses.

Small businesses are both the creations and expression of their owners, on whom the business's potential largely depends (Barnes et al., 2015). The decisions small business owners influence their organizations' results. Karl Weick (1995) defined strategic sensemaking as the process of the leader making sense of the information from the environment and deciding on an action in response. Leadership decisions determine the outcome of organizational performance (Hersey & Blanchard, 1969). Improved decision making, enhanced through knowledge, can increase success rates of small businesses.

Considering the significant impact small businesses have on economic stability, decisions could prove detrimental to the business, as well as to the state and national economies. There is a positive correlation between innovation and dynamic environments (Miller & Friesen, 1982). When business leaders seek information from the constantly changing marketplace, they can make decisions to improve organizational behavior (Dyer & Ross, 2008; Lang et al., 1997). Success is largely dependent on leaders' ability to adapt to dynamic changes in the marketplace (Handley & Levis, 2001).

Small businesses foster innovation, support employment, and stimulate economic growth (Gregurec & Furjan, 2021). It is critical to recognize and reflect upon experiences of small business owners who have achieved success. The findings of this study will offer business leadership enhanced clarity in decision-making regarding the factors that contribute to small business sustainability. The results will provide researchers with information to utilize when studying the phenomenon of small business sustainability. Future research is required to continue examining the factors of small business sustainability within the construction industry in different regions.

## Method

The qualitative approach allows for a diverse understanding of the research problem and questions. Qualitative researchers collect data in the field; a key characteristic of qualitative research is the method of gathering information through direct communication (Creswell & Creswell, 2018). Qualitative research will help answer *what, why, and how* questions related to small business sustainability (Yin, 2004). Phenomenological studies help provide understanding of an experience from the participant's perspective (Leedy & Ormrod, 2015). Qualitative research allows researchers to gain a unique and varied perspective of the phenomenon being studied. Exploring an issue in-depth allows researchers to identify themes or trends in quantitative data. A qualitative methodology was selected as the most appropriate approach for this study because it takes a holistic approach to understanding the phenomenon or issue (Creswell & Creswell, 2018). This kind of research confers the potential for researcher bias to influence the data, which can alter the reliability and validity of the data. Based on the specific selection criteria, there is also the potential for survivorship bias, which can taint the conclusions of this study. Triangulation helps to reduce unreliability of the data by including multiple data sources. Reviewing the existing literature, reviewing research examining small business sustainability, and analyzing the data gathered from the small business owner interviews will increase the validity and reliability of this study (Yin, 2004).

## Definition of Terms

The following terms are used as a reference guide throughout the paper. The terms are defined based on the context of this study.

- *Small business*: As defined by the Small Business Administration (2022), a small business is an independently owned organization with 500 or fewer employees.
- *Entrepreneurship*: The essential act of entrepreneurship is new entry (Lumpkin & Dess, 1996). Characteristics of entrepreneurship can include risk taking, innovative, and independent (Jansson et al., 2017).

- *Human capital*: The *Oxford English Dictionary* defines human capital as the skills the labor force possesses. Human capital is a value-creating strategy that organizations implement to create sustained competitive advantage (Oxford English Dictionary, n.d.).
- *Competitive advantage*: The unique components an organization develops through resource deployment that generates competitiveness in the market (Abdelkader & Abed, 2016).
- *Business success*: There are many definitions of success, and business success can vary individually. In general, success relates to the achievement of goals and objectives (Philip, 2011). Business success includes both financial (profit) and non-financial (e.g. independence, achievement) components (Drucker, 1954; Greenbank, 2001; Reid & Smith, 2000; Sturges, 1999; Watson et al., 1998).
- *Business failure*: Business failure occurs when business operations cease to exist (Amankwah-Amoah et al., 2018). Challenges that contribute to failure include cash flow limitations, staff turnover, and limited resources (Lussier & Corman, 2015).

## Assumptions

Five basic assumptions that will be applied to this study: The first assumption is that a qualitative case study is the most appropriate research methodology to explore the small business viability problem. The second assumption is that participants will provide honest and unbiased responses. The third assumption is that the interview questions designed to evaluate and answer the study question will provide appropriate insights into small business success. The fourth assumption is that the number of participants is enough to achieve a congruous conclusion. The fifth assumption is that the participants will meet the inclusion/exclusion criteria for this study.

## Limitations

Limitations can influence the findings and overall results of the study. Limitations can stem from the chosen methodology and the study population (Creswell & Creswell, 2018). Although measures will be put in place to the maximize dependability and credibility of the responses, it is possible that different researchers with different groups of participants could obtain different findings. Collection of data for this study is based on recollection and interpretation of participants' experiences, which can involve bias when interpreting the data (Janesick, 2011). The researcher must practice bracketing their personal values, beliefs, and experiences about the topic (Tufford & Newman, 2010). As such, limitations of this study may include the following:

- A limited number of small business organizations in California will participate; therefore, the results will be based on a limited number of participants. Therefore, the participant's experiences may not represent the broader population of small businesses in the nation.
- Participants must have an operational business, a limitation of this study may be survivorship bias. Survivorship bias focuses the results of the study on a group of people that passed the selection process, and overlooks those that did not. (Shermer, 2014). Companies that are no longer in existence are not going to be considered, leading to potentially optimistic results.
- Participants are from a specific geographic region; the study cannot be conducted on a greater sample due to time constraints. This may create a bias based on the participants' location, socioeconomic status, and ethnicity.
- Participants' lack of willingness to participate may create a limitation.

- Selection criteria may create a limitation.
- Having a specific number of employees may create a limitation.
- Scheduling time for interviews may create a limitation.

## Summary

Chapter 1 provided background on the impact small businesses have on the national economy. It reviewed the significant role small businesses play in California's economy, ranking within the top 10 economies of the world. It presented the problem statement, which focuses on the viability of small business organizations in California, and elaborated on the purpose of the research, along with the theoretical framework, research questions, assumptions, limitations, significance of the study, and definition of terms.

Chapter 2 presents an extensive review of literature related to small businesses, including resource-based theory, small business success, and small business failure. Chapter 3 describes the study methods by expanding upon the methodological approach and study design related to the purpose of this study, sources of data, procedures for data collection, and data analysis. Chapter 4 will describe the findings of the study. Chapter 5 will conclude with the implications of the study and recommendations for future research.

# Chapter 2: Literature Review

## Background

Small businesses generate new jobs, employ more than half of private-sector workers, and help promote economic recovery (Laderman & Reid, 2010; SBA, 2020). SMEs play a pivotal role in fostering innovation, employment, and economic growth (Gregurec & Furjan, 2021). Increasing understanding of the ways in which small businesses can be successful is critical to the sustained economic growth of the United States. In surveying the existing literature on small business success factors, this chapter will explore the organizational life cycle model, business strategy, competitive advantage, RBV, and human capital investment, along with small business failure and success.

## Small Business Impact

Small businesses are an integral component of maintaining the strength of the United States economy (Kobe & Schwinn, 2018). A small business is defined as small businesses are studied as they are more vulnerable to the environment and generally lack sufficient resources to buffer themselves (Carter, 1990). They are also smaller and less complex than large organizations, meaning their problems can be identified more easily (Dodge et al., 1994). Advantages of small businesses include flexibility to respond quickly to changes in the environment, informal management structures, and the ability to gain sustained competitive advantage through superior services and/or innovative processes (J. H. Adams et al., 2012; Levy & Powell, 2000).

There are different types of small business legal structures, including: sole proprietors, partnerships, corporations, and LLCs (Pakroo, 2020). Sole proprietorship is the most common and simplest structure for starting a business. In this arrangement, there is no distinction between the business and its owner. Sole proprietorships and partnerships constituted 94% of non-employers in 2010 (SBA, 2012). The majority of construction industry small businesses are non-employer businesses, defined by the U.S. Census Bureau as a business that has no paid employees and has annual business receipts of $1 or more in the construction industry. Generally, these are small independent contractors. Non-employers constitute 75% of all businesses but contribute less than 4% of overall sales and receipts data (U.S. Census Bureau, 2021). As of 2016, there were 70,656 construction small businesses with one to 499 employees, 90% of which have one to 19 employees (U.S. Census Bureau, 2016). Corporations have two distinctions: S corporation or C corporation.

Small businesses in California are drivers of economic growth; 99.8% of California businesses are small businesses. Small businesses in California employ 48.5% of the private sector workforce. In the fourth quarter of 2018, 47,566 organizations started up in California, creating 127,596 new jobs. During the same period, 37,602 establishments exited, resulting in the loss of 110,761 jobs (SBA, 2020).

Small businesses are major contributors to national economic growth (SBA, 2020), and successful small businesses can lead to economic development (Wiklund et al., 2009). Therefore, it is critical to understand the reasons for small business success because small business leaders can improve decision making in small businesses and avoid failure.

The business ecosystem metaphor was introduced by J. Moore (1993) to describe the competitive marketplace and understand the strengths and weaknesses of organizations. Successful businesses evolve effectively and quickly. In a business ecosystem, companies co-evolve; they work competitively to support new products, meet customer needs, and incorporate innovations.

Construction Industry

The United States Bureau of Labor Statistics (2016b) listed the construction industry as hosting 7.6 million employees, and creating $1.4 trillion worth of structures. In California, the construction industry contributed to $118.1 billion (3.8%) of the state's GDP of $3.1 trillion in 2019 (Simonson, 2020). The construction industry in the U.S. is considered the largest in the world, accounting for 25% of the construction industry globally (Enshassi et al., 2014).

In reviewing the U.S. Bureau of Labor Statistics 1998-2004 data for establishment survival, Knaup and Piazza (2007) created a chart displaying the survival rates of new establishments. The construction industry had the lowest survival rate by their fifth year in business. The data is consistent in recent years as well. The BLS produces data displaying the survival rates of major industries, with construction being one of the most vulnerable industries. Small businesses in the construction industry are at a high risk of mortality.

The construction industry environment is complex, filled with uncertainties, and highly competitive (Wai et al., 2012). There are many changes in the environment of construction industry, including laws and regulations on worker classification. In California, Assembly Bill Number 5 was passed in 2020, addressing the issue of the "gig economy" where workers are often identified as independent contractors, but may be entitled to worker protections as employees (Assembly Bill No.5, 2019). AB5 has a significant impact on construction industry, with arguments against it showcasing workers prefer independent contractor status and flexibility, AB5 may limit the skilled labor force availability and increase labor costs for contractors, which ultimately gets passed to consumers (Associated General Contractors, 2022). A construction industry organization's success depends on multiple factors that affect the performance of the business (Abraham, 2002), including: clear mission and vision, competitive strategy, organizational structure, political conditions, number of full time employees, company culture, employee compensation and motivation, quality management, training, knowledge resources, education, number of years in business, product maintenance, feedback evaluation, research and development, and market conditions/customer engagement (Abraham, 2002; Chinowsky, 2001; Lwakil et al., 2009). Small business owners in the construction industry must be adaptable and flexible, and have the ability to recognize changes in the environment in order to make decisions that help them stay competitive (Dakhil et al., 2019).

The construction industry is a slow evolving industry. Inability to increase productivity, reduce project failures, and improve performance levels slows down the progress of the industry. The construction industry's pace of change pales in comparison to the achievements of other industries (Armstrong & Gilge, 2017). Poor performance of the industry can be attributed to several factors, such as dependence on the cyclical public-sector demand and stringent regulations. The construction industry can have a significant impact on the economy by innovating productivity, estimating a 2% increase in the global GDP (Barbosa et al., 2017). There are two groups within construction; the first group is the civil and industrial construction group, including infrastructure and industrial construction. The second group encompasses the specialized trades that typically work on single family housing, refurbishment, and repair work, typically residential and commercial construction (Barbosa et al., 2017). The first group has much higher productivity than the second group, whereas the second group has to be awarded bids to grow and produce income. The construction industry has negative stereotypes and there is a potential for corruption that can distort the market, making small construction businesses vulnerable to failure (Ameyaw et al., 2017; Barbosa et al., 2017). Increased standardization and systematization of production will boost productivity.

Creative disruption transforms industries through innovation. Productivity has improved in other sectors in response to these disruptions, and the construction industry improve as well. Barbosa et al. (2017) identified the following four main disruptions: rising demand of volume, time, cost, quality and sustainability; transparent markets with disruptive new entrants; new and accessible technologies and processes; and rising wage rates and limits on migrant labor.

The most recent disruption was COVID-19. Following major disasters, the markets and procurement systems tend to get disrupted (Koria, 2009). The pandemic affected the labor market, a major factor of production, placing mental, physical and financial stress on the workforce. Millions of migrant workers, who are considered to be the backbone of the construction industry, were forced to leave the workforce and return to their homes (Nair & Selvaraj, 2021). Stay-at-home mandates and social distancing measures were introduced overnight, affecting many companies (Leite et al., 2020). Shortage of labor affects the construction industry through legal problems (when projects are not completed on schedule), material delays, and productivity (Nair & Selvaraj, 2021).

During the pandemic, companies were challenged to innovate and come up with creative solutions to stay in business. Agility and optimism are needed to survive (Nair & Selvaraj, 2021). Disruptions from the COVID-19 pandemic did not affect all companies equally. Those industries that were deemed necessary remained open, whereas others were forced to close. California's Governor Gavin Newsom declared construction projects (both housing and commercial) an essential service (Khouri, 2020). Many organizations moved their labor force to remote work, whereas other companies were not prepared to manage this significant change (Bartik et al., 2020). The disruption from COVID instigated the potential for innovation. Positive outcomes reported post-pandemic include increased technology adoption, focus on cleanliness of sites, and closer collaboration between project stakeholders (Assad & El-Adaway, 2021; Stiles et al., 2021).

## Five Stage Organizational Life Cycle Model

Adapting the biological concept of a life cycle, the organizational life cycle model explains the birth, growth, and death of organizations (Penrose, 1952). Growth of any organization typically follows a pattern that has consecutive stages, going from existence to maturity and decline. Each life cycle stage is grouped by a loose set of organizational activities and structures. Organizational activities include decision-making, processing of information, and procedures for operation. Structures include the distribution of power and organizational divisions (Lester & Parnell, 2008). The organizational life cycle model is used to provide insight into the changes in organizational structures and activities that occur when small organizations experience dramatic growth. There are five organizational life cycle stages: existence, survival, success, renewal, and decline.

1. *Existence* is the birth stage of the organization, in which enough of a target customer base is identified to support its existence.
2. In the *survival* stage, where organizations either grow large and do well enough to enter the maturity stage, or they fail to generate enough revenue for survival. Unless a business is able to survive, it will be incapable of meeting any of its stakeholders' needs (Pearce, 1982). In the survival stage, organizations seek growth. Goals are established in this stage; the primary goal is generating enough income to continue operations while staying competitive (N. Churchill & Lewis, 1983).
3. In the *maturity or success* stage, formalization and control through procedural systems are the norm. Job descriptions, policies, procedures and reporting

relationships become more formal. Top management focuses on planning and strategy, leaving daily operations to middle management. Profitability is the primary goal of a business organization, and maintaining profitability over the long term is a clear indication of the organization's ability to satisfy stakeholder needs (Pearce, 1982).

4. In the *renewal* stage, the organization desires to return to a leaner time, expense waste is minimized, with collaboration and teamwork fostering innovation and creativity.
5. Although many organizations may exit the life cycle at any stage, the *decline* stage triggers the demise. Decline is characterized by power and politics, as organizational members put personal goals over organizational goals. Desire for power can erode the organization's viability (Lester & Parnell, 2008).

Each life cycle stage includes various organizational structures and activities (Dodge et al., 1994). The organizational life stage cycle provides a context in which organizations evolve and the impediments that may come up through that growth process. Small businesses need to understand the developmental process in order to make decisions and predict opportunities that will affect their survival and growth (Hwang & Park, 2007).

In contrast, Penrose (1952) argued that the biological concept of the organizational life cycle is not a good metaphor to explain organizational development. Although the life cycle is the typical perspective of viewing organizational progress, it does not recognize the human motivation behind the organization. Humans have the ability to alter their environment or become independent of it. Animals can also alter their environment, but do so unconsciously. Humans deliberately decide on specific actions to address their environment. Innovation does not happen by chance; there are people behind the ideas and implementation of these changes that affect the environment.

Strategy

In the late 1800s, businesses were started by entrepreneurs who would act as the owner, manager, and worker of the business (Chandler, 1962; Hofer & Schendel, 1978). Organizational decisions, goals, strategies, and policies consisted of intuitive ideas about competing in the market (Ghemawat, 2002). If those intuitive ideas were accurate, organizations usually increased their volume of operations. Growth of the organization initiated formalization of organizational operations, developing objectives and goals.

Strategy is "the match an organization makes between its internal resources and skills (sometimes collectively called competences) and the opportunities and risks created by its external environment" (Hofer & Schendel, 1978, p. 12). Organizational strategy refers to a set of goals—with plans and policies to achieve those goals—that help define what the company is and what it can grow to be (Andrews, 1971; Chandler, 1962; Drucker, 1954). To make organizational strategy efficient and effective, it must comprise four components: scope, resource deployment, competitive advantages, and synergy. To accomplish its objectives, the organization must interact with the external environment (Hofer & Schendel, 1978).

Scope is the limits within which the organization interacts with the environment. Resource deployment is the utilization of resources that will help an organization reach its goals. To take any type of action, an organization must use its resources; therefore, resource deployment is an important part of organizational strategy. Competitive advantages are the unique components an organization develops through resource deployment or decisions based on environmental scope. Synergy is the joint effect of resource deployment and environmental scope decisions (Hofer & Schendel, 1978).

## Competitive Advantage

Schroeder (2004) presented three types of business strategies that organizations employ to compete in the marketplace: differentiation, catering to the target market needs, and operational efficiency (i.e., producing at the lowest cost). Competitive advantage comes from an integration and combination of strategies. Competitive advantage distinguishes organizations from each other, presenting a unique proposition to meet the market's needs (Daft, 2008). Globalization, technological changes, and responses to crises are all changing the competitive market. The fastest-growing organizations have taken advantage of changes to innovate their business models in order to compete even more effectively and uniquely (Casadesus-Masanell & Ricant, 2007). SMEs have more flexibility to carry out maneuvers and make adjustments compared to larger enterprises.

### *Differentiation*

In order to survive and thrive in a competitive marketplace, organizations must offer a product or service that is distinct or perceived as different from and superior to its competitors (A. Douglas et al., 2010). Strategies for differentiation include reputation, warranty, brand image, service, and quality (Wei-Ming & Kang-Wei, 2007). Differentiation also helps lessen direct competition, although differentiation strategies hold the risk of being imitated by competitors. Additionally, being perceived as different and unique provides the organization with the ability to charge premium prices for their services and products (Porter, 1980).

*Focusing*

Focusing on a particular niche includes understanding the organization's ideal customer. The concept of customer intimacy provides organizations with an advantage inside a limited market, or differentiation due to meeting specific market needs (Porter, 1980). Customer-intimate companies become experts in knowing their ideal customers' needs and creating solutions (Treacy & Wiersema, 1997). Organizations assemble, train, and retain talented people who will help customers until they are completely satisfied. A business must know exactly who their customer is, where the customer is located, what the customer buys, what the customer considers valuable, and what their unsatisfied wants and needs are (Drucker, 1954).

*Cost Leadership*

Organizational efficiency entails providing quality services and products at a lowest cost. The strategy has tight control over overhead, minimizing operational and labor costs. Operational efficient companies deliver products/services through a combination of reasonable price and quality service (Treacy & Wiersema, 1997). Organizations with operational efficiency focus on training their employees thoroughly, using standardized procedures, and refining processes until waste is eliminated.

Strategic Orientations

Implementing business strategies is key to survival in the competitive market environment. Business growth is attributed to four strategic orientations (SOs): market orientation, brand orientation, entrepreneurial orientation, and learning orientation (Laukkanen et al., 2013).

*Market Orientation*

Market orientation refers to the organizational culture that prioritizes profit creation and maintenance of customer satisfaction. Market orientation, which guides the behavior norms related to organizational development in response to market information, consists of three key components: customer orientation, competitor orientation, and inter-functional coordination (Narver & Slater, 1990). Customer and competitor orientation include the activities necessary to acquire information about consumers and competitors in the target market. Inter-functional coordination refers to the organization's coordinated efforts in response to the information acquired about customers and competitors. These efforts must produce a sense of superior value for consumers.

Organizations actively acquire market intelligence to ascertain current and future needs of the market (Diamantopoulos & Hart, 1993). Kohli and Jaworski (1990) described the three constructs of market orientation: intelligence generation, intelligence dissemination, and responsiveness. Intelligence generation is both the collection of information and how the information should be collected, including discussions with trade partners, sales data, and customer surveys. Intelligence dissemination is the flow of information throughout the organization and can be demonstrated through newsletter, bulletins, calls, or any other methods by which information is circulated in the business. Responsiveness is the direct action taken in response to the information collected and shared.

*Brand Orientation*

Brand orientation, which builds competitive advantage by using the brand as the central point around which all the organization's processes revolve, has a significant positive relationship on profitability (Gromark & Melin, 2011). According to Aaker (1996), "Brand equity is a set of assets (and liabilities) linked to a brand's name and symbol that adds to (or subtracts from) the value provided by a product or service to a firm" (p. 8). Investment is needed to enhance these assets in order to generate value.

Online Reputation. The internet is a critical source of communication, and organizations can reach larger audiences at low costs. Individual opinions and reactions are easily accessible to the global community of internet users (Dellarocas, 2003). Traditional word of mouth communication has been revamped into online feedback mechanisms and review systems (Resnick et al., 2000). The internet also enables bidirectional communication, wherein individuals can share opinions and experiences. The internet has transformed the traditional ways in which consumers make decisions. These type of review sites host user-generated content, providing consumers with referrals electronically. Opinions and reviews from peers, which customers consider to be reliable and trustworthy (Dellarocas, 2003; Mizruchi & Stearns, 2001), can be influential in manipulating consumers' choices. User-generated content such as review websites allow people with similar problems and experiences to communicate and interact (Mathwick et al., 2008).

Online feedback mechanisms affect organizational performance, influencing various organizational activities: building a brand, acquiring customers, developing products, quality control, and supply chain assistance (Chevalier & Mayzlin, 2003; Dellarocas, 2003). Consumer review platforms are also highly influential, and a variety of websites have been created strictly to host reviews. Yelp (2022) is one such popular review site, wherein users can review and/or rate products, services, and businesses. Yelp showcases their mission on their *About Us* web page, citing that they connect consumers with local businesses. Consumers use reviews as a way to mitigate risk. Researching and reading those reviews helps consumers reduce perceived risk by decreasing the probability that they made the wrong decision about their purchase. Consumers perceive risk in the following order, prioritized from the greatest to least importance: functional (quality and service), social (family and friends), financial (price), and physical (bodily harm; Mitchell & Greatorex, 1989). Consumers will turn to reviews to gain the information they need to reduce these perceived risks.

Consumers post reviews without a standardized format, so there is a great deal of variability among reviews. Regardless of format, reviews will influence consumers' purchasing intention. When a small business has strong quality and quantity of reviews, it wields a strong influence on the consumer. Quality reviews are specific reviews with clarified explanations of the reasoning behind the positive rating. A business with many reviews indicates that the product/service is popular (Park et al., 2007). The average numerical rating and the number of reviews are both vital predictors of sales (Dellarocas et al., 2007; Duan et al., 2008). A high proportion of negative reviews produces a conformity effect, where consumers conform to the perspective of the reviewers. With perceived consumer satisfaction, purchasing intention increases. Sahoo et al.'s (2018) research shows that the higher the volume of online reviews at the time of purchase, the lower the probability of purchase returns. Online product reviews are an essential component of generating credibility and trust in a brand (Fogel & Zachariah, 2017).

Online reviews can provide small businesses with unique advantages. Consumers are more likely to be in the habit of reviewing service businesses such as remodeling companies compared to reviewing their mortgage brokers or surgeons (Couzin & Grappone, 2013). Maintaining a positive reputation online is part of the strategy that will help small construction industry businesses sustain competitive advantage, supporting the longevity of their business.

*Entrepreneurial Orientation*

"The essential act of entrepreneurship is new entry" (Lumpkin & Dess, 1996, p. 136). Entrepreneurship means entering an established or new market, with either existing or new goods and services. Entrepreneurial orientation, which refers to how the new entry is handled, describes the organization's decision-making approach. Entrepreneurial organizations are characterized as willing to take risks, fierce against competitors, innovative, and autonomous. Entrepreneurs are described as by independent individuals venturing into new markets. The history of entrepreneurship has many stories of pioneers embarking on journeys to implement their new unique ideas, and making them into businesses (Lumpkin & Dess, 1996). There are distinguishing definitions between small business owners and entrepreneurs (Carland et al., 1984). Small business owners may be more concerned with economic income goals, whereas typically entrepreneurs are interested in organizational growth. Small business owners may act in entrepreneurial ways, making proactive, risk-taking, and innovative decisions, which encompasses an entrepreneurial orientation (Covin & Slevin, 1989).

*Learning Orientation*

According to Nonaka (2008), "In an economy where the only certainty is uncertainty, the one sure source of lasting competitive advantage is knowledge" (Nonaka, 2008, p. 2). Learning orientation refers to the influence of learning that helps create new knowledge and modify behavior (Garvin, 1993). Learning orientation has a positive impact on business performance (Baker & Sinkula, 1999) because learning helps organizations gain competitive advantage as they become more knowledgeable about their products/services, creating differentiation (Calantone et al., 2002). As an organization gains experience in the market, it begins to create rules for processing information about the external environment that influence internal and external organizational actions. Information can include market changes, competitor behavior, customer needs, and new technology (Calantone et al., 2002). Internal organizational actions may include developing norms, policies, and learning and training processes. External organizational actions may include sales tactics, pricing strategies, and advertising and promotion of products and services (Sinkula et al., 1997). Members of an organization behave as the learning agents for the organization, identifying and responding to internal and external changes in the environment and modifying behavior based on the information processed (Argyris & Schön, 1978). Organizational learning is a cyclical process (Lee et al., 1992). Foreseeing environmental and market changes, and modifying or adjusting processes is an important characteristic of organizational learning (Calantone et al., 2002).

Organizational learning is part of a set of values that influence the organization to create and use knowledge (Laukkanen et al., 2013). Organizational learning is connected to innovation (Calantone et al., 2002) because organizations require commitment to learning in order to improve continuously (Garvin, 1993). The four components of learning orientation include: the commitment to learning, building shared vision, sharing knowledge across the organization, and open mindedness.

Learning organizations are skilled at systematic problem solving, experimenting with new processes, learning from their experiences and best practices, and transferring knowledge quickly and efficiently throughout the organization. Each activity has its own pattern of behavior. Companies can learn effectively by creating systems and processes that support these activities. Systematic problem solving refers to pushing beyond shallow symptoms and assessing the true underlying issues. Systematic problem solving requires collection of evidence and information. Reflecting on the information collected can produce perspectives that solve problems. Experimentation encompasses the behavior that tests new knowledge, which is usually motivated by new opportunities. Experimentation must provide employees with perceptions of benefits; otherwise they may not participate. Reflecting on past experiences and learning from others can provide insightful perspectives, and failure provides teachable moments. In order for learning to be effective, knowledge must be spread throughout the organization. Fostering an environment that is conducive to gaining knowledge is the first step of organizational learning (Garvin, 1993).

*Innovation*

Innovation is the acceptance and utilization of a new product, process, or service, producing perceived benefits from economic stakeholders (customers) and generating differentiation from competitors (Tidd & Bessant, 2020). Innovation stimulates growth; if organizations do not change what they offer and how their solutions are created and delivered, they risk business failure. As Austrian American management consultant Peter Drucker (1993) said, "innovation is the specific tool of entrepreneurs, the means by which they exploit change as an opportunity for a different business or service," (p. 17). Joseph Schumpeter (1934), an Austrian economist, described innovation as the primary action that most characterizes entrepreneurs. Schumpeter viewed entrepreneurs as revolutionary risk-taking innovators. A business organization exists to serve a customer, and has two basic functions: marketing and innovation (Drucker, 1954). Marketing is the vehicle by which an organization creates differentiation and branding. Innovation is the development of better products and services. Innovative organizations tend to engage in and support experimentation, new ideas and processes that could produce new products, services, or processes (Lumpkin & Dess, 1996). Organizations may vary in their level of radical change and innovation (Hage, 1980).

Advancement describes the constant improvement of organizational behavior by applying increased knowledge (Drucker, 1954). There are two types of innovation in every organization: innovation of products and services, and innovation of skills and activities needed to supply the products and services. Innovation can be a response to the market, or it may develop through the advancement of technology, skills, and knowledge in society. According to Hage (1980), throughout history, there have been periods of time where the economy was booming and anything seemed possible, after which the pendulum would swing to a more conservative era with less experimentation and more distrust of change. Similarly, organizations also experience periods of innovation in which they undergo change and growth.

Mental models are deeply held assumptions, generalizations, or images that influence how people understand the world and take action. Failures and successes in the past support the creation of mental models about how the world works. Although some mental models may no longer hold true, organizations may still hold onto them. Therefore, it is critical to practice open-mindedness to question mental models that may hold organizations back from learning and innovating (Senge, 2006).

Building a shared vision is different from commitment to learning and open-mindedness to combat mental models, in that it guides the direction of the learning. It refers to the capacity to hold a shared vision of the future, binding people together around a common identity (Senge, 2006).

Understanding sources of competitive advantage for organizations offers them information to implement strategies that respond to environmental opportunities, develop internal strengths, and neutralize external threats (Barney, 1991). Value creating strategies include physical capital resources (organizational equipment, geographic location), human capital (training, experience, relationships), and organizational capital resources (organizational culture, structure; Barney, 1991; Martín de Castro et al., 2006). Establishing effective strategies is the key to small business survival in a competitive and dynamic market environment. Sustained competitive advantage is linked to customer satisfaction, which leads to customer loyalty, displayed by customer behavior with intent to re-purchase or customer referrals (Jones & Sasser, 1995).

## Resource-Based View

One of the dominant views of business strategy is the RBV, or resource based theory of organizations. The RBV provides organizations the perspective of identifying resources that can generate competitive advantage. RBV views the company as a collection of unique resources and capabilities that implement the business strategy and produce the return on investment (A. Douglas et al., 2010).

There are two main components of RBV; the first argues that different resources are distributed among organizations, which explains differences in organizational performance (Martín de Castro et al., 2006). The second component of RBV is that owning or controlling superior resources allows the organization to sustain competitive advantage. Barney (1991) identified four key characteristics a resource must possess to yield sustained competitive advantage; a resource must be rare, valuable, imperfectly mobile (cannot be bought, sold, or imitated), and unique (Amit & Shoemaker, 1993). Resources that are particularly difficult to copy or acquire are highly valued (Lippman & Rumelt, 1982). Small businesses can improve their competitiveness through focusing on tangible and intangible resources. Tangible resources can be conceptualized as the equipment used at the organization, whereas intangible assets are knowledge and skills (Penrose, 1959). Intangible assets are also known as intellectual capital, and include reputation, culture, and technology. Intangible assets need to be invested, rather than viewed as expenses (Yallwe & Buscemi, 2014).

*Dynamic Strategic Fit*

Skills and capabilities are a source of competitive advantage (Amit & Schoemaker, 1993). Vasconcellos and Hambrick (1989) conducted a study to test the strategy hypothesis that an organization finds success based on the match between its strengths and key success factors in the environment. The researchers organized a table of 17 key success factors grouped into five categories: (a) information and communication, (b) product, (c) product cost, (d) product delivery, and (e) production. The study was conducted on mature industrial product industries, and their findings showed that organizations that had high ratings on the industry key success factors outperformed competitors. The essence of a successful business strategy is the "dynamic strategic fit" (Itami, 1987, p. 1). Strategic fit can happen on passive, active, and leveraged levels. Passive fit occurs in response to the environment (fulfilling consumer needs). Active fit occurs when the organization develops a strategy that molds and changes the environment (convincing consumers a new product is what they need). The third level is leveraged fit; beyond anticipating and responding to environmental changes, the organization uses its assets to make the strategy effective. Itami (1987) offered the example of the environmental characteristics of people resisting personal computers because of the learning curve associated with technology. Instead of viewing this environment as limiting, an organization like Microsoft may be inspired to develop an operating system that would address the problem. This example highlights an organization experiencing a bottleneck in the environment, yet leveraging strategic efforts for further development.

Resources are developed into products or services by a combination of assets, including, but not limited to, technology, incentive programs, and trust between the workforce and management. There is a distinction between an organization's resources and capabilities. Capabilities refer to the organization's ability to deploy resources. Using organizational processes and systems, resource deployment is initiated to produce a desired end objective. Capabilities encompass organizational information and processes that are developed over time through experiences with resource deployment. Through continued use, capabilities improve, becoming even more difficult for competitors to imitate. Capabilities are based on the organization's human capital and exchange and development of information (Amit & Shoemaker, 1993). Information-based capabilities are invisible assets (Itami, 1987).

Organizations' strategic assets are the set of difficult to imitate, rare, and developed specialized resources and capabilities that produce competitive advantage. More so than the material concepts of resources and capabilities, it is their transformational characteristics that generate competitive advantage (Dierickx & Cool, 1989). The RBV is that utilization of organizational resources and capabilities will determine the organization's profitability. The value of an organization's strategic assets varies with changes in the relevant industry factors such as customers, competitors, suppliers, and environmental factors (Amit & Shoemaker, 1993). Making investment decisions on strategic assets requires overcoming organizational stagnation, consideration of the possible future, and assessment of the competitive interaction in the projected future. Intangible assets are not stand-alone products like equipment, and do not generate growth by themselves. Organizations need to combine all assets, both intangible and tangible, to increase efficiency and effectiveness (Yallwe & Buscemi, 2014).

Human Capital

Land, labor, capital, and entrepreneurship are recognized as the four factors of production (Brun, 2007). Land represents nonhuman natural resources. Labor can generate a surplus profit over costs in many industries. Capital includes investments, property, technology, or even acquired skills capable of producing services and products for consumers.

According to Fitz-Enz (2002) the term human capital originated with Theodore Schultz, a 1979 Nobel Prize winning economist. Shultz was determined to end the suffering of underdeveloped nations and believed it could not be aided by land, equipment, or energy, but rather through human knowledge. He called this knowledge human capital. According to the *Oxford English Dictionary*, human capital is defined as the labor force, or the skills it possesses, regarded as an asset or resource (Oxford English Dictionary, n.d.). Human capital encompasses the idea that investment into people (training, education, health) will increase individual productivity, which will trickle down to organizational efficiency and effectiveness (Goldin, 2016). Human capital may be the most valuable investment (Marshall, 1920).

Waterman (1994) suggested that *high performing* organizations are those that focus on what their employees need. Such companies have earned great reputations as flexible workplaces and have attracted intelligent people who want to perform well. An organization's success depends on its intangible assets and its continued investment in those assets—particularly human capital (Bassi & McMurrer, 2008).

In the latter part of the 1990s, an increasing number of companies began spending money on their people. "In the closing years of the twentieth century, management [came] to accept that people, not cash, buildings, or equipment, are the critical differentiators of a business enterprise" (Fitz-Enz, 2002, p. 1). At the time, technology was cheap and widely accessible, no longer considered a unique differentiator, and there was a new need for talented individuals with new and innovative ideas. With an increased awareness of the role people play in organizations, there was a shift in paying attention to people, leading to a focus on talent and development (Evans et al., 2000). Regardless of organization size, investing in practices that enhance workforce development and sense of purpose produces a group of people committed to meeting organizational goals (Amit & Shoemaker, 1993; Meyer & Allen, 1997). Human capital investment in businesses has led to organizational effectiveness and growth (Davenport, 1993). Human capital is a combination of natural abilities, knowledge and skills gained through education, and the experiential learning gained through on the job learning (G. S. Becker, 1962).

Organizations must pay attention to the way they recruit, reward, recognize, and retain the best people for the right positions (Annunzio & Liesse, 2001). In a study Ann Bartel (1994) conducted with 495 manufacturing organizations, the researcher found a positive correlation between the implementation of private training programs and increase in sales per employee. Investing in job training may be a way to improve the skills and knowledge of the workforce. Business success can be increased through educational opportunities for the workforce. Human capital investment produces various returns for organizations. Investment in developing skills and knowledge can contribute to organizational growth (G. S. Becker, 1962). Meyer and Allen (1997) described the benefits and costs of employee commitment in the workplace. Costs on the employer side include blind commitment and acceptance of the status quo, preventing the organization from making innovative changes. Costs on the employee side include expenditure of time and energy that they could have invested elsewhere, such as in their family. Benefits of a committed employee include loyalty, protection of assets, and shared vision.

Employees and the skills they bring to an organization are viewed as valuable assets; a strategic approach is required in order to effectively manage this human capital resource (Amit & Shoemaker, 1993). Strategically recruiting, training, developing, and rewarding employees can produce the desired outcomes of the organization (Ozlen, 2014). There are three pillars to managing human capital effectively: talent acquisition, development, and retention (Odden, 2011). Talent acquisition is the process that connects job seekers and employers with the opportunity to interact together (Phillips-Wren et al., 2016).

*Human Capital Theory*

Human capital theory encompasses the idea that individuals and society gain economic benefits from investments in people (Sweetland, 1996). Increasing training and education as it relates to the development of an individual's capabilities, skills, and knowledge makes it possible to elevate an organization (G. S. Becker, 1962). Small business leaders can utilize human capital theory to increase their organization's competitive advantage (Lampadarios, 2016).

Some activities implemented by organizations may have an effect on the present day, whereas others may affect the organization's future well-being (G. S. Becker, 1962). Investment in human capital will influence future income generation. There are four key components of HCT: (a) on the job training, (b) schooling, (c) other knowledge, and (d) wage increases.

*On the Job Training*

Individuals can increase their productivity by learning new skills and improving old skills while on the job. On the job training is implemented as both an investment to future skills and productivity. On the job training may be required in some industries as the existing training and education systems are lagging behind the rapidly evolving skills required for most jobs in the 21st century (World Economic Forum, 2017). Organizations typically expend resources to help new employees gain an understanding of the organization and its processes. Operationally excellent organizations train their employees thoroughly so that they know exactly what role they play in the organization (Treacy & Wiersema, 1997).

*Schooling*

A school is defined as an institution that specializes in the production of training. Some schools specialize in one skill, such as trade schools. Other schools, such as universities, offer a large and diverse set of learning (G. S. Becker, 1962). Skills accumulated in school can determine wages and employment opportunities (Oxman, 2002).

*Other Knowledge*

Increasing knowledge will increase understanding and influence decision-making. G. S. Becker (1962) offered the example that a person could recognize the prices charged by different sellers, and would make an informed decision on which seller to choose, potentially selecting the lowest priced seller.

*Productive Wage Increases*

Human capital investment is investment in people. Organizations can invest in improving employees' emotional and physical health. Examples such as providing additional breaks, or higher wages may influence productivity and morale (G. S. Becker, 1962).

Organizations can both purchase and develop their human capital (Lepak & Snell, 1999). Purchasing human capital exists in the form of recruitment. Poor hiring decisions can lead to frustration, wasting of time and energy, and poor motivation, influencing the climate and culture of the organization (Deters, 2017). Depending on the level of the employee, poor hiring decisions can yield both soft and hard costs for the organization, in addition to affecting organizational effectiveness. Soft costs may not be as apparent as hard costs, but can significantly influence the organization, such as destabilization of the team, inciting problems of morale and motivation, and even setting the organization back instead of moving it forward (Grigoryev, 2006). Hard costs include the salary wasted on the employee as well as the salaries and time spent on training the employee. Making the right hiring decision, combined with developing the employee's skills and assets, will lead to sustained competitive advantage for the organization.

An organization is a community of human beings. The performance of the organization is based on the performance of the community (Drucker, 1954). There is evidence in the literature that human capital investment produces various returns for organizations, including high performance and commitment to the organization (Barney, 1991; Bartel, 1994; Davenport, 1993; Holbeche, 2005). Under pressure to minimize costs, human capital is typically underinvested (Bassi & McMurrer, 2008).

Systems Theory

Ludwig von Bertalanffy (1967) an Austrian biologist developed general systems theory (GST); his research showed that everything is either an open or closed system with interrelated parts. Systems depend on the environment to satisfy needs and work to achieve a relationship with the environment to meet needs and survive. Open systems theory views organizations as living systems with interrelated pieces that interact and are influenced by the external and internal environment (Albright, 2004; Senge, 2006). Organizations are embedded within and dependent on a larger system for the resources and feedback required for survival. Systems rely on feedback information to manage their processes. In only looking at individual parts, one cannot understand or explain the whole (Burnes, 2004). Systems thinking examines the whole and disengages from the idea that the world is created of separate and unrelated forces (Senge, 2006). Understanding GST offers a way for small businesses to recognize relationships between components that make up their organization, producing results that may improve business processes and confer competitive advantage (Shaked & Schechter, 2017).

Organizations must interact with their internal and external environment to survive and grow (Dyer & Ross, 2008). The smaller the organization, the more likely it is to be influenced by its environment. Organizations interact with their environment by providing products and services and interacting with employees and suppliers. Suppliers, competitors, the government, and employees can, in exchange, exert environmental influences on the organization. When there is increased environmental uncertainty with rapid and dynamic changes, small business owners must pay attention to identify potential opportunities or obstacles that may influence the survival and prosperity of the organization (Dyer & Ross, 2008; Lang et al., 1997). There is a positive correlation between a dynamic environment and innovation (Miller & Friesen, 1982). Successful innovation and overall business success require active seeking of information from the marketplace, focusing on competitor behavior, and consumer preferences.

One hundred eighty-five small business owners from Canada participated in a study to identify the connection between seeking information and perceived business success. The study found that small business owners whose organizations existed in a dynamic environment were more likely to seek marketplace information. Business owners may be proactive and take risks, but they make calculated decisions based on information gathered (Morris, 1998). Systems theory can potentially help small business owners seeking ways to increase organizational sustainability and longevity. Systems thinking can help organizations identify internal organizational issues and focus on stakeholder exchanges to improve organizational processes (Gabriel et al., 2016).

Operational and strategic change is an ever-present part of organizational life (Burnes, 2004). Organizations need to identify the vision of the future and create action steps to manage the changes needed to achieve that vision (By, 2005). Organizations can consider how to change by conducting an environmental scan to avoid being blindsided by external challenges. Environmental scanning is the process of collecting information about problems that might influence an organization's decision-making. In monitoring both the internal and external environment, organizations can make adjustments as needed to survive and thrive (Albright, 2004).

Bolman and Deal (2008) developed the four-frame model of understanding the external and internal environment. A frame is a mental model or a set of ideas and assumptions that provides meaning. Utilizing frames can help provide a holistic view of the situation. The four frames are structural, human resource, political, and symbolic.

The structural frame is the organizational design for how the firm coordinates the delivery of products, services, and goals. The human resource frame is related to understanding people's desires, strengths, and weaknesses. The human resource frame highlights the importance of communication, which is especially critical during an unexpected crisis. It provides the context for understanding where people are coming from. The political frame relates to power distribution, competing interests, and resource allocation. The fourth frame is the symbolic frame, which helps create meaning out of symbols. The four frames are utilized in understanding information from both the internal and external environments.

## Small Business Failure

The mortality rate of new organizations is very high (SBA, 2020). Business failure occurs when business operations cease to exist, or when the organization is unable to govern itself

(Amankwah-Amoah et al., 2018). Small businesses, especially new small businesses, are often especially vulnerable and at a high risk of failure (Watson et al., 1998). Identifying and understanding potential factors that are correlated with business failure may help small businesses prepare against threats.

Artinger and Powell (2016) identified two types of entrepreneurial failure: statistical and behavioral. The statistical hypothesis explains that entrepreneurship exists in uncertain environments, so wrong decision-making (fallible judgment) can cause failure. The behavioral hypothesis explains that psychological factors (e.g., overconfidence) influence business failure (Ucbasaran et al., 2010).

The typical challenges small business organizations experience include limited access to resources, limited cash flow, limited customers, and high staff turnover (Lussier & Corman, 2015). Small businesses are generally engaged in *putting out fires*, concentrating on current situations and performance instead of strategic long-term focus (Simpson et al., 2012). Financial problems, inefficient marketing, and people management challenges are the common threats of new organizations (Lussier & Corman, 2015; Politis, 2005). Organizations that survive the initial years must stay alert of innovation within their industry because failure to innovate may lead businesses to exit the market (Coelho & McClure, 2005).

Small businesses are especially vulnerable in crisis situations (OECD, 2021). The severe, unexpected, and shocking phenomenon of COVID-19 rocked the world, affecting individuals, communities, and businesses of all sizes (Ducharme, 2020; Gourinchas et al., 2020; Gregurec & Furjan, 2021). In a few months, COVID-19 went from a public health emergency to a pandemic (Ducharme, 2020). Consequences of COVID-19 have been reported on economic, political, and psychosocial levels (Gregurec & Furjan, 2021).

They have weaker supply chain capabilities and were impacted more viciously by the supply chain disruptions and price increases during the pandemic. Technological advancements are also behind for SMEs, which can help build resilience in a pandemic crisis. These vulnerabilities caused many SMEs to drop revenue faster than they could innovate, leading to closures.

COVID-19 is regarded as one of the largest economic and public health crises, producing a decline in both consumption and consumer confidence (OECD, 2021). COVID-19 affected all types of SMEs and vastly altered how organizations run business (Amankwah-Amoah et al., 2021; Wenzel et al., 2020). As a result of the pandemic, organizations were forced to explore emergency plans and revise their processes; if they did not do so, they were forced to close down their operations.

Organizational outcomes are influenced by the quality of the workforce (Oxman, 2002). Failure to invest in personnel without the right quality and skills will negatively influence the organization (Lampadarios, 2016). Avoiding business failure is connected to hiring the right employees (Guion, 1976). In a study of 650 companies, Khanna et al. (2014) found a significant correlation between organizational performance and human capital.

A high rate of turnover may reflect dissatisfaction among the workforce (Wendsche et al., 2017). Employees can leave organizations voluntarily for a variety of reasons, but it is especially important to consider the distinction between functional and dysfunctional voluntary turnover. Dysfunctional turnover harms the organization, such as departures of high performers. In contrast, functional turnover would not harm the organization, such as the departure of a low performer. Turnover is expensive, and can produce various costs for the organization, setting the organization back rather than propelling it forward. It could even include advancing the competitive advantage of industry competitors that acquire the trained and developed employee (Grigoryev, 2006).

Firm resources include assets, capabilities, organizational processes that enable the organization to implement strategies that improve efficiency and effectiveness (Daft, 2008). Some of the organization's capabilities may be subject to market failure, meaning the organization is unable to trade these resources in the market (Amit & Shoemaker, 1993).

Coelho and McClure (2005) argued that failure is essential to achieve overall success, "failures may lead to ultimate success in both nature and business. Just as dynamic ecosystems depend on death to replace senescent organisms with vigorous growth, the termination of uneconomic activities is essential to wealth creation" (p. 13). Failure can teach and guide the way towards subsequent success (B. E. Becker et al., 2001). Failure could potentially motivate entrepreneurs to seek new ventures and opportunities, utilizing the learning and skills from the previous failure (Mueller & Shepherd, 2015). Small business organizations may improve their chances of success and sustainability by understanding the factors that cause failure.

## Small Business Success

Small business success is a multifaceted phenomenon with many interrelated factors (Watson et al., 1998). Many components should exist simultaneously at an optimal level; however, there is no set of key indicators that guarantees the success of an organization (Ray, 1993; Rogoff et al., 2004). Internal and external elements both affect small business success. Key strategic characteristics of successful small businesses include innovative products, quality, cost, and reliability. Through access to knowledge and skills, small businesses can improve the likelihood of business sustainability, success, and longevity (Etuk et al., 2014). Rogoff et al.

(2004) surveyed 425 small business owners and experts in the United States using open-ended questions to identify a list of factors that were perceived to contribute to business success.

Small business owners tend to define success in a variety of individual, personal ways. Many small business owners run their businesses to support a certain lifestyle, along with profit maximization (Jarvis et al., 1999). Measurement of performance can be a combination of financial and non-financial indicators that relate to the small business owner's definition of success (Reid & Smith, 2000; Watson et al., 1998). Independence, achievement, and recognition were identified as common non-financial success criteria (Greenbank, 2001; Sturges, 1999). Profit serves to measure the effectiveness of organizational effort; it is the ultimate test of business performance (Drucker, 1954).

Establishing a small business is both a creation and expression of its owner, upon whom the potential for the organization's growth and performance depend (Barnes et al., 2015; Bridge & O'Neil, 2013; Pearce, 1982). The small business owner is involved in all aspects of the organization, including personnel, business finances, marketing, and operations. They wield great influence over the decisions that impact the overall success of the organization. Large organizations may be able to sustain a short period of time without effective leadership, but small businesses would not be able to survive (Hutchinson, 2018; Perry, 2001). Resilience refers to entrepreneurs' ability to proceed forward toward the future despite the market's challenges and instability. Developing innovative processes and strategies, learning new skills, and adapting to the environment require courage and optimism (Ayala & Manzano, 2014).

The success factors of small businesses also depend on the type of industry and environment in which the organization operates (Watson et al., 1998). In Gadenne's (1998) study of 169 organizations in three industries, he found specific success factors that were unique to each industry. In the manufacturing industry, pricing strategy and competitor knowledge served as critical success factors. In retail service, success factors were related to competitive pricing and quality of products/services. In the service industry, employee training and development along with job satisfaction were related to success. Motivation for starting a business will also have an impact on survival. Watson et al. (1998) suggested that small businesses are pushed or pulled into existence by either external negative reasons (e.g., recession, exploiting a market opportunity) or positive internal reasons (e.g., lifestyle). Survival of the organization is connected to the internal reasons of starting the organization, rather than the external factors (Simpson et al., 2012; Watson et al., 1998).

Small business owners with intentions of growth need support regarding the recruitment, training, motivation, and leadership of people (Watson et al., 1998). Additionally, understanding the environment and how to respond to changes is critical for organizational growth and longevity. Karl Weick (1995) defined strategic sensemaking as the leader's process of making sense of sudden shifts in the environment and developing appropriate actions in response. Strategic sensemaking is triggered when an organization is experiencing a complex issue that disrupts normal operations. Once the problem is defined, choices need to be made to acquire results that produce benefits with the least associated costs (DeKrey & Portugal, 2014). Sensemaking is the process of understanding what is going on in the environment that can help the organization seize new opportunities (D. T. Moore, 2013).

There are four assumptions in sensemaking (Brockmann & Anthony, 2002): human beings search for sense, all individuals have the capability to make sense, humans are social beings and have accumulated sets of norms and values, and culture is a system of norms and values. These assumptions provide the framework for leaders to process their sensemaking (Brockmann & Anthony, 2002; DeKrey & Portugal, 2014).

Weick (1988) brought up the challenge of sensemaking in crisis conditions, identifying the line between dangerous actions that may produce understanding against safe inaction that may produce even more confusion in the crisis. Action can provide feedback and information and help build an understanding of the unknown, whereas inaction may produce less understanding. The choice to act can intensify or deescalate the crisis being experienced, but Weick suggested that it can bring an awareness of the crisis to identify opportunities in which they could intervene and make a difference. Strategic risk taking, combined with the appropriate level of organizational competence, is connected to innovation and growth (Hofer & Schendel, 1978).

Small business leaders may be able to increase their organization growth rate through provision of training and educational opportunities for the workforce. The strategic use of human capital may lead to an increased rate of small business success. Additional education and skills can affect the effectiveness of the employee's services, contributing to the company's overall success (G. S. Becker, 1962). In the time period following the 1980s, companies began to pay attention to the quality of skills of their workforce, and found significant benefits in terms of performance, efficiency, and consistency (Dearden et al., 2006). Intangible assets such as knowledge and skills are critical to the growth and success of an organization (Mahoney & Kor, 2015). There are four main components of human capital theory: (a) on the job training, (b) schooling, (c) additional knowledge, and (d) economic growth. Because levels and types of skills are not equally distributed, some organizations may have talent that others do not; human capital is a source of sustained competitive advantage. As Oxman (2002) stated, "the caliber of people makes an enormous difference to the inherent value of an enterprise" (p. 79). Understanding the RBV can help small businesses identify and invest in the resources and capabilities that will help them achieve growth and increase chances of success.

In an environment where intangible capabilities are often measured as costs, recognizing the value creation and competitive advantages these resources create is integral for small business success (B. E. Becker et al., 2001). It is critical to understand what factors contribute to small business success and share that knowledge with society to develop solutions that generate economic and social benefits (Ucbasaran et al., 2010). Resources are limited; therefore, it is integral to develop skills and knowledge of the workforce to create unique assets that drive competitive advantage (Garavan et al., 2016). Increasing the knowledge of the workforce will increase the intellectual value of the resources within the company (Yallwe & Buscemi, 2014), and increased intellectual value can inspire innovation and produce higher wages, leading to a more committed workforce and overall higher profitability (Bassi & McMurrer, 2008).

### Small Business Leadership

It is important to recognize the influence of leadership on organizational development. Leaders who want to lead knowledge workers effectively need to create and develop a supportive atmosphere that promotes openness and trust to fully guide their workers' capabilities. Effective leadership produces better results in productivity and return, creating opportunities for growth (Hutchinson, 2018).

Leadership theory is used within the context of the small business industry to identify tactics, techniques, and styles that can benefit the organization. Effective leadership can be found in the form of transformational leadership, which is the process of leaders and followers helping each other advance to a higher level of progress and development (Burns, 1978; Stone et al., 2004). The leader transforms and motivates followers through four primary behaviors: charismatic or idealized influence, intellectual stimulation, individual consideration and inspirational motivation (Bass & Avolio, 1994; Bass & Bass, 2008).

In charismatic leadership or idealized influence, trust and respect are built between the leadership and followers (Bass & Avolio, 1994). Bass and Bass (2008) noted that charismatic leadership will likely be transformational, but it is also possible that leadership can be transformational without being charismatic. Leaders model the way to act, do the right things, and demonstrate the standards of conduct (Bass & Avolio, 1994).

Inspirational motivation is utilized in developing the vision from which the organization will operate. Transformational leadership influences the organization by exuding energy and optimism, creating team spirit by getting the organization employees to be involved in the desired future state (Bass & Avolio, 1994). Despite short-term pressures that can distract the organization's members, transformational leadership needs to keep the attention on the big picture; "a leader should operate as both architect of the future and keeper of the vision" (p. 134).

Leadership should support intellectual stimulation of its members by encouraging them to take risks and questioning the way things have always been done. Leaders want to avoid having their employees feel as if their intellect is underutilized. Leaders should also encourage the concept of continuous improvement, which can lead to innovative ideas in processes and systems (Bass & Avolio, 1994).

Individualized consideration is a combination of seeing people holistically, appreciating them as human beings, and developing them within a team that can accentuate their strengths and support limitations. Leadership supports building individual confidence to take on more responsibility by knowing who the individual is, listening actively, and identifying their needs (Bass & Avolio, 1994).

Small business leadership can utilize transformational leadership theory and work to mobilize high performing teams, create a results-based culture that is open to innovation and new ideas, stimulate learning, and build upon the goals set forth by the mission and vision of the organization. Transformational leaders are more likely to be seen as satisfactory and effective to employees and colleagues (Bass & Avolio, 1994).

## Summary

In the present global and highly competitive marketplace, small businesses have many vulnerabilities. The framework for this study is based on the concept that the resources, or capabilities, that an organization possesses influence organizational survival, performance, and growth. This chapter provided an overview of the literature on the importance of developing strategic resources as assets in promoting organizational success. The literature reviewed addressed the organizational life cycle, competitive advantage, RBV, systems theory, and small business failure and success. The reasoning behind the proposed research study is to enhance the body of knowledge on small business success factors based on resource allocation and deployment strategies.

# Chapter 3: Methods

Small businesses make up a critical component of the United States economy. In California, almost half of the private sector workforce is employed by small businesses (U.S. Census Bureau, 2020). However, 50% of small businesses fail after their fifth year in business (U.S. Bureau of Labor Statistics, 2016a). The construction industry was identified as having one of the lowest survival rate by their fifth year in business (Knaup & Piazza, 2007; U.S. Bureau of Labor Statistics, 2022b). Identifying the ways in which small businesses in the construction industry located in Southern California can overcome challenges, remain viable, and sustain their business beyond 5 years is integral information to add to the body of knowledge on small businesses.

## Re-statement of the Research Questions

This chapter describes the research methods that will be applied to achieve the objectives of this study, which are to answer these three research questions:

- RQ1: What strategies do small businesses in the construction industry located in Southern California apply to sustain their business beyond 5 years?
- RQ2: What challenges do small businesses in the construction industry, located in Southern California, face? What strategies and resources are used to assist these small businesses to overcome challenges?;
- RQ3: How do small businesses in the construction industry, located in Southern California define, measure, and track their organizational success?

## Nature of the Study

This study will utilize a qualitative approach to determine the best practices to increase small business viability and success. A research design is the preparation of the guide in exploring research questions (Kumar, 2011). Rather than deductive reasoning, qualitative research is built on inductive reasoning, drawing conclusions from observations (Williams, 2007). The inductive approach makes a plan to collect and analyze data to find relationships between variables (Gray, 2013). Qualitative research starts with a set of assumptions, strives to put them to the side, and aims to explore the perceptions of a group of people (Creswell, 2013; Kumar, 2011). Qualitative researchers do not begin with their own hypotheses but instead seek to explore patterns in the data collection and analysis (Hill et al., 1997). The following section provides the reasoning for choosing this research method.

Qualitative research is typically utilized when there is a problem that needs to be understood (Creswell, 2013). It is identified with contact within a field or real-life setting. The researcher's role is to gain an integrated understanding of the study, with the main focus of research on understanding the ways in which people behave and take action (Gray, 2013). The focus of the research is to answer the problem through participants' perceptions based on their experiences (Leedy & Ormrod, 2015). The qualitative approach uses interviews and observations, whereas the quantitative approach uses statistical interpretations (Gray, 2013). Four paradigms guide the inquiry of the qualitative research approach: positivism, postpositivism, critical theory, and constructivism (Guba & Lincoln, 1994). A paradigm is a system of beliefs based on ontological (the nature of reality) and epistemological (how we know things) assumptions. There are five methods for conducting qualitative research: case study, ethnography, grounded theory, content analysis, and phenomenological study (Leedy & Ormrod, 2015; Williams, 2007).

- *Case Study*: A particular individual, program, or event is studied in depth for a defined period of time (Leedy & Ormrod, 2015).

- *Ethnography Study*: A study of a certain group, specifically one that shares a common culture, observing their activities and communication among the group members (Leedy & Ormrod, 2015; Moustakas, 1994). Ethnography is associated with anthropological studies, and came to be used to describe participant observation studies in social and organizational settings. The typical approach to data collection is overt or covert participant observation (Gray, 2013). Prolonged engagements in a group's natural environment give ethnographic researchers time to observe and record information that would not be possible to extract with other methods (Leedy & Ormrod, 2015).
- *Grounded Theory Study*: Refers to the concept that theory is developed from data that has been collected in the field, rather than literature research (Leedy & Ormrod, 2015). In examining people's behaviors and interactions, the researcher attempts to create a theory that is grounded in the views of the participants (Creswell, 2013). It focuses on a process related to a topic, with the goal of developing a theory about that process (Leedy & Ormrod, 2015).
- *Content Analysis Study*: The detailed examination of a particular body of information to identify patterns, themes, or biases (Leedy & Ormrod, 2015).
- *Phenomenological Study*: Attempts to understand people's perspectives regarding a particular situation or problem (Leedy & Ormrod, 2015). Human consciousness actively constructs the world as it perceives it (Gray, 2013). Phenomenology is the search for meaning in people's experience (Creswell & Creswell, 2018; Smith, 2018). Phenomenological ideas were applied to social science research by philosopher Alfred Schutz, who argued that social reality is ascribed meaning and relevance for

those experiencing it (Gray, 2013). The challenge with phenomenology is that the researcher has some connection to the research problem. The researcher must therefore work to transcend past knowledge and experience to understand the phenomenon (Merleau-Ponty, 1959).

The typical approach to phenomenological study is conducting interviews, with the researcher doing more listening than speaking. Creswell (1998) recommends conducting the interviews, analyzing the data to find common themes in people's perceptions of their experiences. The goal is to further understand the shared experience or phenomenon under investigation.

Bracketing is setting aside all prejudgments and preconceptions to understand the world from the participant's point of view (Creswell & Creswell, 2018; Gray, 2013; Leedy & Ormrod, 2015). Researchers use bracketing to minimize and avoid detrimental influence on the data collection process. The process of bracketing involves outlining the researcher's relevant knowledge, beliefs, and values about the phenomenon (Chan et al., 2013). Documentation of the researcher's perspective provides the ability to examine and exclude biases, becoming more open to the phenomenon as described by the participants (Colaizzi, 1978; Darling, 2012).

To address the research questions posed in this study, the researcher applied the phenomenological approach to explore how a sample of small businesses in California achieve organizational success. The researcher collected descriptive data from the study participants related to their small businesses. Then, the researcher will explore and identify common themes among the descriptions of the small business experiences that lead to organizational success and viability. A qualitative approach will enable the researcher to identify best practices and strategies used by successful small businesses through open-ended interview questions. The methodology of the research study will be discussed in the following section.

## Methodology

A phenomenological approach will be used to explore the strategies of successful small businesses in Southern California. Phenomenological researchers view human experiences in high regard because they connect to the world and relate to others (Polit et al., 2008). The researcher will collect data from participants who have experienced the phenomenon to identify common themes and patterns from their experiences. This phenomenological study aims to understand and identify the methods by which small businesses implement to stay in business and define success. There are six features of a phenomenological study:

1. Emphasis on a phenomenon.
2. An identified group that has experienced the phenomenon.
3. Bracketing, or disclosing personal biases of the phenomenon by the researcher.
4. Interview with people who have experienced the phenomenon.
5. Data analysis outlining what each participant experienced, and how they experienced it.
6. A final synthesis of the data that describes the participants’ experiences.

A phenomenological study was deemed the most appropriate method to gain knowledge about the strategies to increase small business viability and success from the perspective of small business owners in California. Specifically, the researcher will be able to understand the lived experiences of successful small businesses through semi-structured interviews. After interviewing all participants, the researcher will transcribe the responses and highlight significant statements to create common ideas and patterns (Moustakas, 1994). The researcher will then use the patterns to describe participant experiences.

*Process of Phenomenology*

According to Leedy and Ormrod (2015), "a phenomenological study tries to answer the question, *What is it like to experience such and such?"* (p. 273). By collecting multiple perspectives on the same situation, a researcher can make generalizations based on an insider perspective. The first procedural step in launching a phenomenological study is to verify that the research problem is suitable for the phenomenological study. The second step is for the researcher to identify and describe the shared phenomenon the participants experienced. The third step is to distinguish the philosophical assumptions of phenomenology through bracketing and detailing the researcher's own experiences and biases related to the phenomenon. The researcher collects data from individuals who experienced the phenomenon, typically through interviews (Gray, 2013; Moustakas, 1994). The researcher identifies patterns from the data by finding recurring themes. After generating the main themes, the researcher uses textural (what was experienced) and structural (how it was experienced) descriptions to convey the overall essence of the phenomenon (Creswell, 2013; Williams, 2007).

*Appropriateness of Phenomenology Methodology*

The goal of this study is to explore a phenomenon of small business success with small business owners who had similar experiences; therefore, the researcher determined that a phenomenological approach was best suited for this study. Through open-ended interview questions, the researcher will be able to extract information about the lived experiences of small business owners and the best practices, strategies, and challenges they encountered and overcame. The researcher will be able to describe the phenomenon through an insider perspective. Exploring perspectives of successful small business owners is critical to understanding how to increase small business viability in California to support economic development, both locally and nationally.

## Research Design

The research design is the plan and overall structure for conducting the study (Creswell & Creswell, 2018; Leedy & Ormrod, 2015). The research design includes data collection, analysis, interpretation, and the final report (Creswell & Creswell, 2018).

### *Analysis Unit*

The unit of analysis in the case of phenomenological study is studying several individuals who have experienced the phenomenon (Creswell & Creswell, 2018). For this study, the unit of analysis is the small business owner with a NAICS code 23 small business located in Southern California.

### *Population*

The population is small business owners in Southern California who own a construction industry business. By observing a sample of small business owners, the researcher can draw conclusions about the larger population from which the sample has been taken (Leedy & Ormrod, 2015). This may impact the results on only focusing on surviving businesses that are currently operations, skewing the data based on survivorship bias. The small business owners selected will have a presence on social media, a use of technology that is still behind for many construction industry businesses, skewing the data based on a specific group of people, and ultimately not considering the ones that do not fit the specified criteria.

### *Sample Size*

The population sample size for this study will be eight to 10 participants. In order to develop enough data, it is recommended to interview between five to 25 individuals (Polkinghorne, 1989).

### *Purposive Sampling*

The researcher selects participants for the study because they can purposefully provide an understanding of the research problem and the essence of the phenomenon in the study (Creswell, 2013). Purposive sampling utilizes pre-selected criteria related to the research problem. A purposive sample is a non-probability sample, participants are selected to serve the purpose of the study (Churchill & Iacobucci, 2002). The sample of participants should be fairly homogenous and share key similarities (DiCicco-Bloom & Crabtree, 2006).

### Participant Selection

To identify and select the individuals who met the criteria to participate in this study, the researcher will utilize a screening process that involves creating a master list of all individuals who meet the criteria. The researcher will create criteria for inclusion and exclusion to further reduce the number of qualified participants.

### *Sampling Frame*

The eligibility criteria for selecting participants for the sample includes small business owners located in Southern California in the construction industry who have operated their businesses continuously for at least 5 years. Small business owners or managers could be selected for the sample; the participant must know the business processes and strategies used in the operation of the business. Participants will be selected based on the expectations that the participants can inform and understand the research problem for this study (Sargeant, 2012). A search was conducted on small business directories such as the Better Business Bureau, Contractors State License Board, and Yelp. Application of the criteria of inclusion helped narrow the list of potential participants down further.

*Criteria of Inclusion*

The criteria of inclusion for this study will contain (a) a small business owner (b) can be male, female, or gender non-conforming; (c) between the ages of 30-65 (d) must have a registered small business under NAICS code 23; (e) must have a registered small business that can be found through local entities including local directories, (f) must have a social media or online presence;  (g) must have a positive reputation online, (h) employs up to 19 employees, (i) has owned their small business for five or more years, (j) owns a small construction industry business in Southern California, (k) agrees to be recorded and (l) is willing to participate in the study.

*Criteria of Exclusion*

The criteria of exclusion for this study contained (a) any factors that do not meet the aforementioned criteria of inclusion, and (b) not available to be interviewed in (April to October) 2022.

*Purposive Sampling Maximum Variation*

Maximum variation is a sampling strategy that is used to differentiate the participants and to select a variety of individuals (Creswell, 2013).

Protection of Human Subjects

The researcher completed the CITI program curriculum for Human Subjects Training (see Appendix A). The Institutional Review Board (IRB) reviewed and approved the methodology before the researcher began the recruiting process (see Appendix B). The IRB acts as a protective wall between researchers and potential study participants. Research should avoid harm to participants, gain informed consent, and respect the privacy of individuals. The IRB wants to be certain that participants are not individuals from vulnerable populations and will not be at risk as a result of the research. Marginalized groups can include homeless people, drug addicts, incarcerated individuals, or institutionalized individuals (Gray, 2013). There is no inherent risk to the prospective participants of this study as they are not part of a vulnerable population.

The following steps were implemented to address any ethical concerns and protect human subjects: the researcher obtained IRB approval for review and approval of the study. The application will contain an informed consent form that reviews the protection of their human rights, including the right to withdraw, the purpose of the study, protection of anonymity, known risks, and expected benefits of the study (Creswell, 2013). Selected participants will receive a recruitment form via email inviting them to participate in the study. The participants' identities will be kept anonymous via the use of pseudonyms. Transcripts and all data pertaining to the study will be stored on a USB drive with password protection, which only the researcher can access. The USB drive will remain in a locked office space cabinet in the private workroom the researcher utilizes for study and work. All participants will be informed that the data from the study will be deleted permanently from the researcher's USB drive within 2 years.

## Data Collection

The semi-structured interview process will be recorded and transcribed. The researcher will use video conferencing to conduct the interviews. The researcher will contact participants by email to recruit them through the IRB approved recruitment script (see Appendix C). Once the participant agrees to participate, the researcher will send a copy of the consent form and interview questions. The researcher will ask each participant if they are comfortable with the recording of the meeting.

## Interview Techniques

Qualitative research can use unstructured interviews, semi-structured interviews, and structured interviews (Corbin & Strauss, 2015). This study uses a semi-structured interview format with key questions guiding the conversation. Participants will be asked directly relevant follow up questions and questions asking for additional clarity. Icebreakers will be used to develop rapport before starting of the interview questions.

Qualitative research has three types of interview techniques (Patton, 2002): informal or unstructured, semi-structured, and full or structured. Unstructured interviews are similar to conversations; they are controlled and tend to conform to the researcher's interest. Interview questions using unstructured technique are unplanned, generated spontaneously throughout the interview. Unstructured interviews spawn from the tradition of anthropology, with ethnographers gathering data through field observation and participation (Agar, 1980; DiCicco-Bloom & Crabtree, 2006). Unstructured interviews provide authentic responses, but may also provide unexpected responses across the participants, making it difficult to analyze responses to identify patterns and themes (Kvale, 1996). For unstructured interviews, rapport is traditionally developed over time.

A semi-structured interview process allows the interviewer to ask questions to help facilitate deep discussion. Pre-selected interview questions act as guides for the conversation, efficiently using the interview time to focus on the results of the responses (DiCicco-Bloom & Crabtree, 2006). The interviewer has the flexibility to elaborate and engage more in deeper participant responses as the conversation flows to ensure the participants' experience is revealed completely (Hill et al., 1997). The process of establishing rapport is an essential part of the interview (J. Douglas, 1985). Rapport involves trust and respect of the participant and the information they share. It includes creating a comfortable and safe environment conducive for sharing the participant's lived experiences (DiCicco-Bloom & Crabtree, 2006; J. Douglas, 1985). Semi-structured interview techniques will be selected for this qualitative phenomenological study. Virtual interviews will be offered to all participants in an effort to stay conscious of time. The researcher will schedule specific interview dates and times with the participants and email the participants a unique Zoom link from the researcher's university-provided email account to utilize for their interview.

Interview Protocol

Table 1 shows the relationship between each research question and the corresponding interview questions. The interview questions were developed from a review of literature, personal experiences, and a three-step process to ensure validity. The researcher decided on each question with the intent to gather information of the collective experiences of the participants who experienced the phenomenon under study. The interview is meant to be a personal experience, where open and direct questions are utilized to draw stories of lived experiences (DiCicco-Bloom & Crabtree, 2006). Researchers are to maintain a neutral face throughout the interview, neither agreeing nor disagreeing with the participant (W. Adams, 2015).

Table 1

*Research Questions and Corresponding Interview Questions*

| Research Questions | Corresponding Interview Questions |
|---|---|
| RQ1) What strategies do small businesses in the construction industry located in Southern California apply to sustain their business beyond 5 years? | Icebreaker Q1: Can you tell me how you started your business?<br>IQ1: What strategies do believe enabled you to sustain your business for more than 5 years?<br>IQ2: What, if any, additional information would you like |

| Research Questions | Corresponding Interview Questions |
|---|---|
| | to share about successful innovative strategies that you implemented to successful maintain operations during your first 5 years in business? |
| RQ2) What challenges do small business in the construction industry, located in Southern California, face? What strategies and resources are used to assist these small businesses to overcome challenges? | IQ3: What are the main challenges you face as a small business owner in Southern California within the construction industry?<br>IQ4: How did you overcome challenges you experienced in the first 5 years of opening your small business?<br>IQ5: If you were starting over, what different strategies would you use to avoid challenges that came up during the first 5 years of being in business? |
| RQ3) How do small businesses in the construction industry, located in Southern California define, measure, and track their organizational success? | IQ6: How do you define success within your business?<br>IQ7: How do you measure that success? |

*Validity of the Study*

Qualitative research needs validation to assess the accuracy of the findings. There are various ways to validate the qualitative study (Creswell, 2013). In this study, the researcher will utilize triangulation to help increase validity and reliability of the data collection. Triangulation involves reviewing multiple sources of data, including the existing literature, reviewing research on small business success, and analyzing the collection of data from the interviews.

*Epoche and Bracketing*

The state of epoche means being present consciously, while simultaneously suspending bias and judgment. Reflecting on the responses, and documenting notes throughout the interview process will help the researcher identify assumptions that may hinder the study. The researcher will designate 10 minutes before and after each interview to reflect on any prejudgments that had the potential to taint the process (Tufford & Newman, 2010). The researcher will write down any ideas on what she considers constitutes a sustainable small business, and attempt to reduce her influence on the data collection process.

## Statement of Personal Bias

Personal bias must be set aside to protect the integrity of this study and to best understand the participants' experiences. The researcher has over 10 years of experience working in a small business. Therefore, because the researcher's experiences likely affected the research design, it was critical for the researcher to bracket her personal biases. The researcher understands the responsibility of assessing and reporting on biases that might have an impact on the study (Merriam & Tisdell, 2015).

## Data Analysis

Qualitative data will be collected from eight to 10 interviews. Each interview was recorded and transcribed. The researcher read through the transcripts to find and highlight any words that resonated with the interview question that was posed. In reading and highlighting key phrases, the researcher reflects on the overall meaning the interviewee was describing. The key phrases that were underlined were then read through to create categorical themes and begin the coding process. Emergent themes were identified through this process. The categories were identified and counted, then organized in a table format. Coding a phenomenological study includes codes for epoche or bracketing, significant statements, meaning units, and textural and structural descriptions (Creswell, 2013).

## Summary

In this study, phenomenological research will be conducted on a group of small business owners with a construction industry businesses in Southern California, using the qualitative method of research to determine the factors of small business sustainability and viability beyond 5 years. Small business organizations have an economic impact across the state and nation. Contributing to the body of knowledge, this study will produce information that reviews determinants of Southern California-based construction industry small business sustainability and viability.

# Chapter 4: Findings

In the U.S., 50% of small businesses fail after their fifth year in business (U.S. Bureau of Labor Statistics, 2016a). Construction industry small businesses are among the top 10 industries with the lowest survival rate by their fifth year in business (Knaup & Piazza, 2007; U.S. Bureau of Labor Statistics, 2022). The goal of this qualitative, phenomenological study was to explore considerations for small businesses in the construction industry to achieve longevity. The research was designed to explore and understand the methods that could be implemented to help sustain construction industry small businesses. The purpose of this study was to determine: (a) the strategies and practices small businesses in the construction industry located in Southern California apply to sustain their business beyond 5 years, (b) the challenges small businesses face and the strategies and resources used to help these small businesses overcome their challenges, (c) how construction industry small businesses define and measure the success of their organization. The following research questions were explored:

- RQ1: What strategies do small businesses in the construction industry located in Southern California apply to sustain their business beyond 5 years?
- RQ2: What challenges do small businesses in the construction industry, located in Southern California, face? What strategies and resources are used to assist these small businesses to overcome challenges?
- RQ3: How do small businesses in the construction industry, located in Southern California define, measure, and track their organizational success?

To examine the research questions, the researcher posed the following seven semi-structured, open-ended interview questions to each participant:

- IQ1: What strategies do you believe enabled you to sustain your business for more than 5 years?
- IQ2: What, if any, additional information would you like to share about successful innovative strategies that you implemented to maintain operations during your first 5 years in business?
- IQ3: What are the main challenges you face as a small business owner in Southern California within the construction industry?
- IQ4: How did you overcome challenges you experienced in the first 5 years of opening your small business?
- IQ5: If you were starting over, what different strategies would you use to avoid challenges that came up during the first 5 years of being in business?
- IQ6: How do you define success within your business?
- IQ7: How do you measure that success?

The results from the interview questions served as the source of data for this study, providing an in-depth understanding of the best practices for sustaining construction industry small businesses in Southern California. This chapter provides a description of each participant, as well as a detailed discussion of the data collection and analysis processes. The subsequent sections present the findings from the data collection and analysis processes.

## Participants

The researcher utilized a purposive sampling approach in reaching out to 167 potential participants who met the criteria for inclusion:(a) a small business owner; (b) can be male, female, or gender non-conforming; (c) must have a registered small business under NAICS code 23; (d) must have a registered small business that can be found through local entities including local directories; (d) must have a social media or online presence; (e) must have a positive reputation online; (g) must employ up to 19 employees; (h) has owned their small business for 5 or more years; (i) owns a small construction industry business in Southern California; (j) the business generates between $1 million to $39 million and has a gross margin between 17% to 23.53%; (k) agrees to be recorded; and (l) is willing to participate in the study.

The researcher aimed to interview 8 to 10 construction industry small business owners with businesses in Southern California. Table 2 presents further details about each participant, including the age of their business, revenue, and number of employees.

Table 2

*Participant Demographic Information*

| Participant | Gender | Age of Business | $ Revenue | # of Employees |
|---|---|---|---|---|
| P1 | M | 12 | $4-6 Million | 15-19 |
| P2 | M | 37 | $7-10 Million | 15-19 |
| P3 | M | 30 | $11-20 Million | 15-19 |
| P4 | M | 7 | $1-3 Million | 10-14 |
| P5 | F | 5 | $1-3 Million | 6-9 |
| P6 | M | 15 | $4-6 Million | 10-14 |
| P7 | M | 42 | $7-10 Million | 15-19 |
| P8 | M | 10 | $11-20 Million | 1-5 |

Data Analysis

The researcher began recruiting participants on August 20, 2022 after obtaining full IRB approval on August 19, 2022. The researcher created a contact list of the eligible businesses and used a multilevel communication strategy to connect with the business owners. The contact list was developed using directory listings for small businesses including LinkedIn (https://www.linkedin.com), Better Business Bureau (https://www.bbb.org), Contractor State License Board (https://cslb.ca.gov/), and Yelp (https://www.yelp.com). In an initial email message, the researcher called the list of businesses and sent 10 potential participants who expressed interest an invitation to participate in the study, as outlined in the IRB approved recruitment script (Appendix C). A majority of participants did not respond to the initial message. Seven days after the initial message, a second message was sent to the non-responders, which yielded one additional response. Because only two of the eight participants expressed interest in participating, the researcher revisited the master list and reached out to an additional 15 participants using the social media platform Instagram (www.instagram.com) and the researcher's personal contacts in the industry including vendors, suppliers, and business colleagues. This process yielded eight additional participants. A total of 127 phone calls were made and 22 recruitment emails were sent, yielding a total of eight completed interviews.

Once the business owner expressed willingness to participate in the study, the researcher and participant exchanged back-and-forth emails to schedule a time and date for the interview. The researcher accommodated participants' schedules and allowed them to choose between a recorded phone call or video Zoom meeting. Once a meeting day and time was agreed upon, the researcher sent participants a copy of the informed consent form (Appendix D), which included the interview questions. The researcher addressed any questions participants had before the interviews. On the day of the interview, the researcher reviewed highlights from the informed consent form with each participant and asked if they had any clarifying questions. The researcher also reminded each participant of the processes to ensure confidentiality throughout the study. Once the researcher verified that there were no further questions, she informed the participant that the recording was going to begin and proceeded to ask the pre-determined seven interview questions.

As mentioned in Chapter 3, the interview questions were open-ended and allowed for follow-up questions. Additionally, the interview questions were designed to identify the participants' descriptions of their lived experiences of running their business. Although up to 45 minutes was requested per interview, interview times ranged from 16-55 minutes, with an average of 26.5 minutes. Although Zoom and phone call options were offered, two of the interviews were conducted in-person at the participants' place of work, whereas the remaining six interviews were conducted via audio-recorded phone call.

The eight interviews were the primary source of the data for this phenomenological study; each interview was audio recorded and transcribed. Before each interview and throughout the process, the researcher bracketed her own experiences and set aside any prejudgments associated with running a small business in the construction industry, using epoche to eliminate suppositions and raise knowledge above anything that might have caused any doubt (Moustakas, 1994). The data captured from the interviews were analyzed by utilizing a qualitative research procedure known as coding. The researcher took notes throughout each interview and recorded each interview for further review.

After the researcher set aside personal and previous assumptions about the phenomenon, she began the data analysis process. As discussed in Chapter 3, the first step in data analysis involved listening to the audio-recordings and transcribing the interviews into a Microsoft Word document. To enhance the credibility of the data, once the transcripts were complete, the researcher read through the interviews and took notes, highlighting key words and phrases (Janesick, 2011).

The transcriptions were reviewed two times for accuracy. Before analyzing the data, the researcher made sure to bracket her personal biases and thoughts associated with strategies that support business longevity. Implementing the bracketing allowed the researcher to analyze and interpret the data more objectively (Moustakas, 1994). After the transcriptions were reviewed, the researcher was able to pinpoint the general concepts and capture the codes and themes from the responses. The themes that emerged during the interview responses were color-coded to assist with differentiation.

Once the interviews were transcribed, the researcher created a Google Sheets file, which was organized by the interview questions and participants. The researcher then re-read the transcripts and created codes for each interview question, which was added to the Google spreadsheet. The codes were then analyzed and grouped into three to seven common recurring themes. When completed, the spreadsheet included tables grouped by each interview question with the appropriate codes and themes for all eight participants. The themes were developed by utilizing descriptive wording from the transcripts.

Data Display

The data in this study was organized and presented based on the research question and corresponding interview questions. Common responses are grouped together for each research question. Each interview question is accompanied by a frequency chart to provide a visual representation of the results. Furthermore, accompanying each frequency chart is a description of each theme, supported by direct participant quotes. To preserve the integrity of the data, statements are reported verbatim and may include incomplete sentences and conversational language. The researcher also references the interviewees in order, with the first interviewee labeled as P1, the second interviewee as P2, and so on through P8. Doing so allowed the researcher to ensure that the participants' intent was communicated clearly while maintaining anonymity.

*Research Question 1*

The first research question (RQ1) asked, What strategies do small businesses in the construction industry located in Southern California apply to sustain their business beyond 5 years? The researcher asked a total of two interview questions of the participants in order to answer RQ1. The two interview questions related to RQ 1 were:

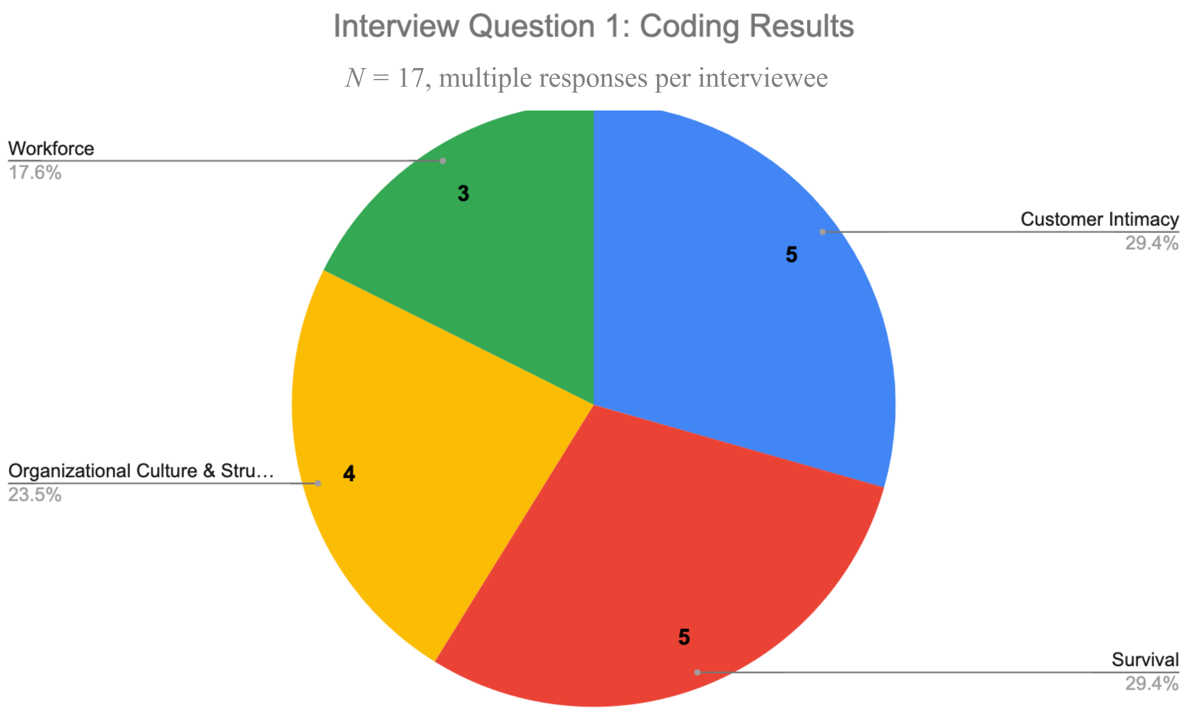
1. What strategies do you believe enabled you to sustain your business for more than 5 years?
2. What, if any, additional information would you like to share about successful innovative strategies that you implemented to successfully maintain operations during your first 5 years in business?

To understand the strategies and practices that small construction business owners employ to sustain their businesses, the researcher analyzed the responses from the participating business owners and identified recurring themes and similarities in their responses.

Interview Question 1. IQ1 asked, What strategies do you believe enabled you to sustain your business for more than 5 years? After an analysis of all interview responses to IQ1, a total of 17 responses were related to strategies used to sustain business. The responses were grouped into five corresponding themes. The themes that emerged were: (a) customer intimacy, (b) survival, (c) organizational culture and structure, (d) workforce (see Figure 1).

Figure 1

*The Most Common Strategies Employed by Small Business Owners in the Construction Industry*




*Note.* This figure demonstrates the four themes that emerged from the responses to IQ1. The data being represented is in a decreasing order of frequency. Each number represents the number of participants who made statements that fell into the respective theme.

*Customer Intimacy.* Of the 17 responses to IQ1, five (29%) related to the strategy of customer intimacy, representing 63% of the participants. The responses that related to customer intimacy included the following phrases: exemplary customer service, communication, understanding people, and being selective with customers. P1 shared, "Being specialized in a field gave me an advantage when clients were searching for reliable contractors." P3 emphasized the importance of "finding a niche to get into and being selective on what clients we will work for." P4 stated, "When you start a brand, people don't know you, you are judged by the service you provide. I gave a lot of importance to customers, they felt special and felt that the company is going above and beyond." P5 shared, I definitely recommend if anybody goes into this type of business that you choose your customers, you're not gonna just take every job to take the job and you kind of get that gut feeling of who's going to be a good customer and who's going to be a pain in your butt and you're just not going to want to work for them.

*Survival*. Of the 17 responses to IQ1, five (29%) related to survival. The theme of survival included keywords such as: perseverance, improving, and adapting. For example, P8 advised, "when times are tough, you have got to ride it out." P2 stated, "I was hungry. I was prepared to provide them with any service to make sure that they were satisfied so we can earn their business." To explain further the concept of survival, P7 shared,

Well, the only strategy I can think of for the first 5 years was about survival, was about making it, it was about, you know, working hard against all odds. And the first 5 years, we'll bring out all the odds against you because you're learning, obviously, the first 5 years is a huge learning experience for any business owner where you have no idea what you're going into and you have no idea about the different intricacies that evolve running a small business. It's always important to remember that the first initiative of any person that starts a business is the most critical one. It's the most gutsy one. It takes a lot of, let's say, you know, vision and guts to jump out and start something without the certainty if you're going to succeed or not. If you're scared, you shouldn't do that. But if you're not scared, then you really want to improve your life. That's the only way you can it. And that's why a lot of people fail. A lot of people make it, those who make it will persevere and they'll be, you know, they'll be trying again and again and again, eventually will make it. So the 5-year target you're talking about is critical because in those 5 years, those who will persevere will make it because they will do their best to succeed.

*Organizational Culture and Structure*. Of the 17 responses to IQ1, four (24%) related to developing organizational culture and structure to sustain business operations. The theme of organizational culture and structure included keywords such as developing the right mindset, the culture at the company, and creating structures. P2 shared, “I began creating structures and specific tasks for specific individuals.” P3 stated, “The biggest single strategy that I can tell you that is making the wheels turn here today is the culture that we have created.”

*Workforce*. Of the 17 responses to IQ1, three (38%) related to developing and retaining a workforce. P6 elaborated further on the strategy of developing and retaining a workforce by stating,

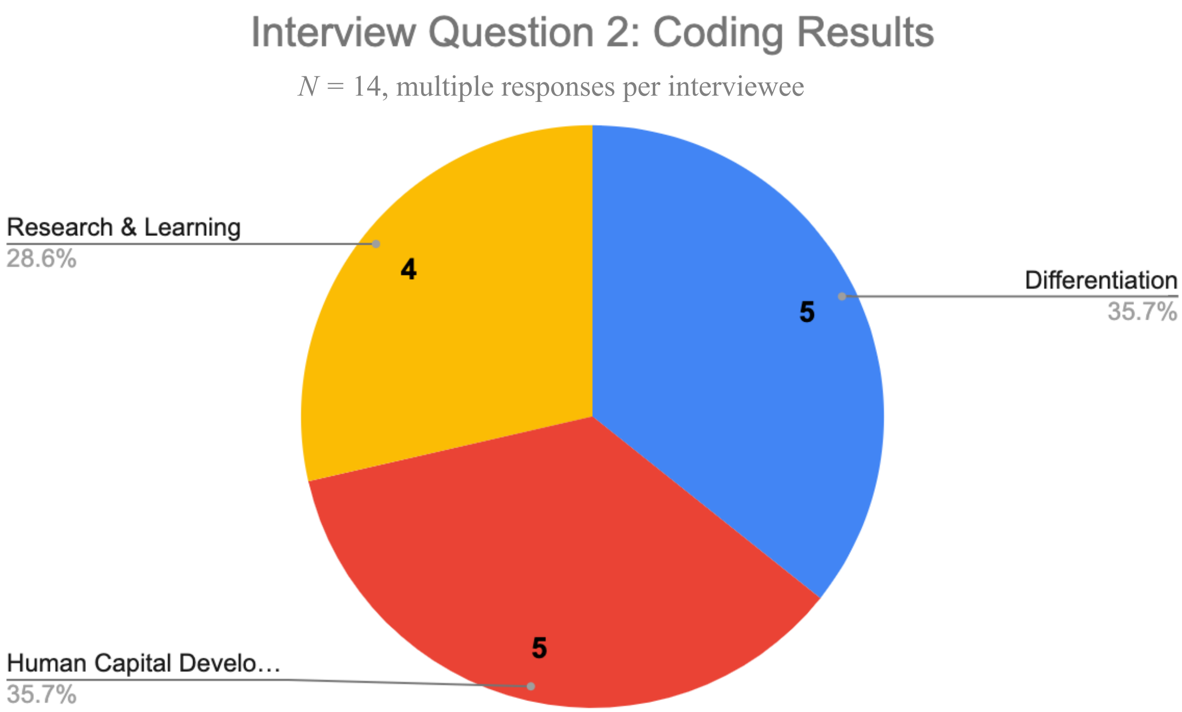
> I also wanted to make sure that we build a strong foundation in regards to the team that was going to be going to customers’ houses. We only hired the employees that fit our company’s values, and didn’t cut corners.

The responses to IQ1 allowed for an understanding of the specific strategies construction industry business owners utilized while running their organizations.

Interview Question 2. Similar to IQ1, IQ2 asked, What innovative strategies were implemented to sustain the construction business beyond 54 years? This question compelled participants to reflect further on the innovative strategies they utilize to sustain their organizations successfully. IQ2 yielded a total of 14 responses that identified innovative strategies to sustain construction industry businesses, which the researcher grouped into three different themes: (a) differentiation, (b) human capital, and (c) learning orientation (see Figure 2).

Figure 2

*Innovative Strategies Utilized by Small Business Owners To Help Sustain Organizational Operations in Southern California*




*Note.* This figure demonstrates the three themes that emerged from the responses to IQ2. The data being represented is in a decreasing order of frequency. Each number represents the number of participants who made a direct or indirect statement that corresponded to the respective theme.

*Differentiation*. The first theme, differentiation, shared by 63% of participants, yielded a frequency of five (36%) responses out of the 14 phrases related to IQ2. The phrases that related to differentiation included branding, online reputation, and offline reputation. As explained by P6, "I was able to recognize very early on that marketing and advertising online was going to be the key to our company's longevity and success." P8 shared, "I have the best customer service out there and I think I have all the best products out there. I just learned, you just built the best product and it'll come back to you." P4 elaborated on the strategy of differentiation, stating:

> Our strategy was for our vehicles to use a very distinctive color. We originally started off with a teal green, very shiny color. And then of course I went through a split up with my business partner and then transferred over to a very bright, sort of a highlight orange. So whenever our trucks are being driven around town, they're not like a typical red, white and blue color plumbing truck because the first thing you can think of construction is always either an American flag or a red, white and blue color. Our trucks are orange.

*Human Capital Development*. Of the 14 responses to IQ2, five (36%) related to human capital development. The phrases related to human capital development included valuing, helping, and developing people. P3 shared the importance of finding the right people to develop:

> It's more finding the traits, certain traits in people and understanding that we can teach them, you know, strategically teach them anything that we need to teach them to become whatever they want to become. We're very intentional about developing people.

P5 elaborated on the importance of valuing the workforce:

> One of the biggest things that is different for me than another contractor boss, is that most contractor bosses treat their employees like crap, I'm serious. Like, they're just really mean to them. They treat them like they don't have value and that they can be replaced, like instantaneously. I really value my workers. And I'm always doing something fun for them. I bring them lunch, you know, we'll do a celebration after a big job.

*Research and Learning*. The last theme of IQ2, representing four (29%) of the responses, related to learning orientation. The phrases related to learning orientation included strategizing with other business owners, aspirations based on success, researching, and learning. P1 emphasized the importance of "Being able to stay on the trends, modernizing my company, and strategizing to attract different types of clients, young and old." P5 shared about overcoming challenges by researching, “YouTube university, terrific. Okay. You can learn so much from YouTube. Do your research, talk to people. Don’t be shy. And I always think the stupidest question is the one you didn’t ask, you know.”

*Summary of RQ1*

RQ1 sought to identify the strategies and practices construction industry small business owners in Southern California employ to help sustain their organization’s longevity. A total of seven themes were identified by analyzing phrases, viewpoints, or responses related to the first two interview questions. Responses to this question identified the strategies on which construction industry small business owners relied when starting and sustaining their organizations beyond the first 5 years. The seven themes identified were as follows: (a) customer intimacy, (b) survival, (c) organizational culture and structure, (d) workforce, (e) differentiation, (f) human capital development, and (g) research and learning.

*Research Question 2*

The second research question (RQ2) asked, What challenges do small businesses in the construction industry, located in Southern California, face? What strategies and resources are used to assist these small businesses to overcome challenges? The three interview questions related to RQ2 were:

3. What are the main challenges you face as a small business owner in Southern California within the construction industry?

4. How did you overcome challenges you experienced in the first 5 years of opening your small business?

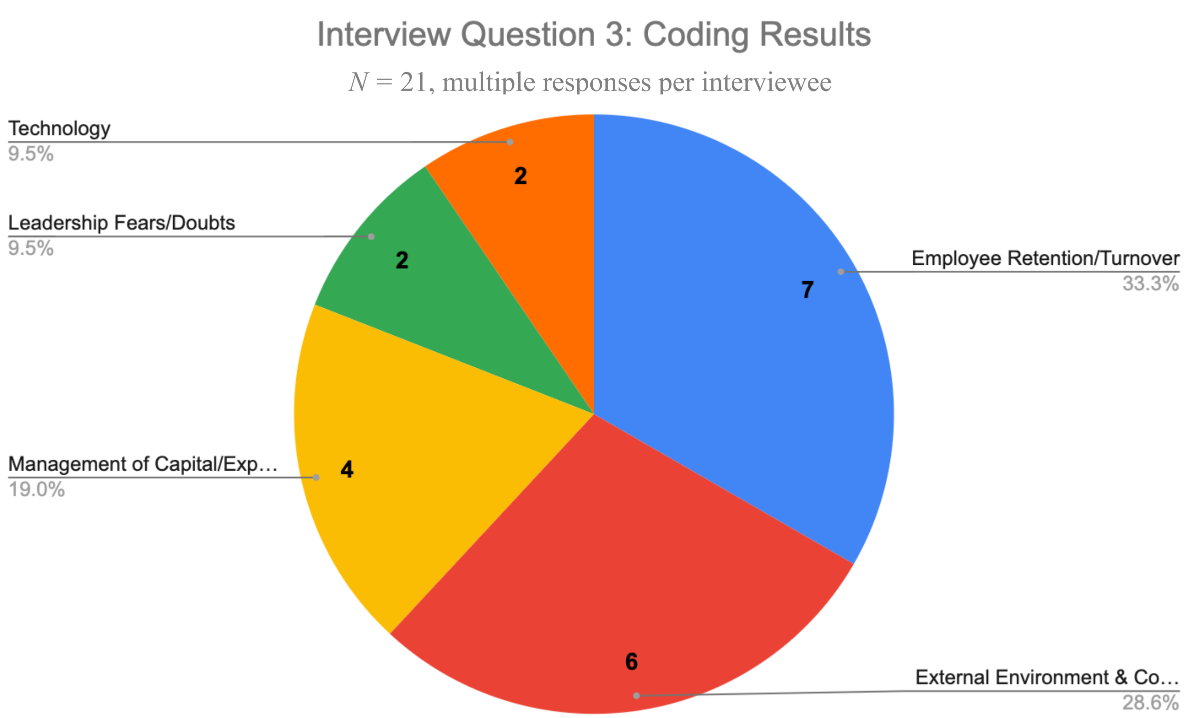
5. If you were starting over, what different strategies would you use to avoid challenges that came up during the first 5 years of being in business?

To understand the challenges construction industry small business owners face and they strategies they used to overcome challenges while running their organizations, the researcher analyzed the responses from the two interview questions and identified recurring themes and similarities in their responses.

*Interview Question 3.* IQ3 asked, What are the main challenges you face as a small business owner in Southern California within the construction industry? A total of 21 responses to IQ3 were related to the challenges encountered as a construction industry small business owner in Southern California. The responses were grouped into five different themes: (a) employee retention/turnover, (b) external environment and compliance, (c) management of capital/expenses, (d) leadership fears/doubts, and (e) technology (see Figure 3).

Figure 3

*The Main Challenges Faced by Participants*



*Note.* This figure demonstrates the five themes that emerged from the responses to IQ3. The data being represented is in a decreasing order of frequency. Each number represents the number of participants who made a direct or indirect statement that corresponded to the respective theme.

*Employee Retention/Turnover*. The theme of retention/turnover of employees was the most common response regarding challenges faced as a small business owner in Southern California within the construction industry, with seven out of eight participants (88%) mentioning the challenge, yielding a frequency of 7 (33%). The responses included finding reliable long-term employees, finding trustworthy employees and staff, dealing with turnover, and lack of experienced/skilled workers. P3 shared the challenge of finding skilled workers due to the push toward college education:

> One of the challenges is also just people, right? Today more than ever, everyone wants their kid to go to college. That's kind of a big push. And it's been a big push for a while now, which is part of why we've gotten to a point where we don't have as many people in the industry that are skilled anymore. Because there's a gap, you can see where you don't have a lot of young people coming out of high school that say, "You know what? I don't want to go to college. I want to be an electrician, a plumber, carpenter," uh, you know, which you can make a good living, very good living doing it, whether you're an employee or you end up becoming a business owner. And so I think, one of the challenges is just a lack of skilled tradesmen and that really has to do with the push in our society of this high value in college.

P4 shared frustration with employee turnover, noting the challenge of finding trustworthy employees that can keep the business running. P4 stated,

> The biggest challenge I had was to find trustworthy employees. We did go through a lot of turnover with employees, whether they were quitting or not showing up to work or not

> feeling motivated enough or getting fired or whatever the case was. I would say within the last seven years, we've, probably not as much as other companies, but we've probably gone through about 30 people. Considering that of course, it's not as much as most companies. I like to build trust and relationships with my employees. Cause I don't like to hire and fire and I don't like to hold interviews because it's not only time consuming, you're not being productive while you're interviewing and, you know, the business is kind of stopping. It's always good to have a good staff where you can rely on just so that you can make sure the company's running as smoothly as possible.

*External Environment and Compliance*. The second most common challenge was dealing with the ever-changing external environment, at a frequency of six (29%). The theme of external environment included keywords and phrases such as ever-changing economy, saturation of contractors, and impact of economy ebbs/flows on small business health. For example, P1 shared that it was difficult to "[keep] up with the ever, ever-changing economy, especially as a Southern California business owner, ever changing construction laws, permit processing, and safety requirements." Small businesses are affected by the external environmental changes, as P7 explained, "But as you know, small business thrives in a good economy and a small business will suffer in a bad economy or a recession." P8 shared a more recent challenge with COVID-19 challenges, stating,

> What's today's price is not tomorrow's price. So these suppliers and what's happening in China, et cetera, it's really killing me. So, steel, wood, copper, these prices are being changed daily. So how do you bid for a job today with the price changing tomorrow?

*Management of Capital/Expenses*. The third most common challenge expressed by the participants was managing capital and expenses related to their business, yielding a frequency of

4 (19%). This theme included keywords and phrases such as, keeping overhead low, financial challenges, anticipating larger expenses. P6 shared the challenge of management of capital/expenses, “There was also a learning curve when it came to budgeting and funding the precise formula to ensure profitability long term.” P7 expressed a similar sentiment:

> Well, the biggest challenge ever in a small business is financial. Because without money, business cannot thrive. So capital is indeed the most important catalyst in the survival and success of a business. Without capital, it’ll be extremely difficult for any business to thrive or even survive.

*Leadership Fears/Doubts*. The fourth challenge was identified as internal fears/doubts related to small business leadership, shared by 25% of the participants, yielding a frequency of 2 (10%). The theme of leadership fears/doubts included keywords as phrases such as beliefs, fears, and feelings of security. P2 shared, “The main challenges were the beliefs and fears. Whether or not this could be done, if I could earn a living, there was no plan B.” P4 elaborated with a metaphor, “The challenge was being in an open sea, an open body of water with a small canoe versus an actual large boat, one small wave that came in could easily knock you over and drown you.” P8 shared, “It’s very easy to quit and buckle and become an employee. It’s hard to run it as an owner you face every day.”

*Technology*. The fifth common challenge was identified as the construction industry being behind in technology, yielding a frequency of 2 (10%). Technology was categorized based on keywords and phrases such as technology is a challenge for the industry, making mistakes using technology, and not understanding how to use technology. P3 made the following comment about the overall construction industry being behind in technology:

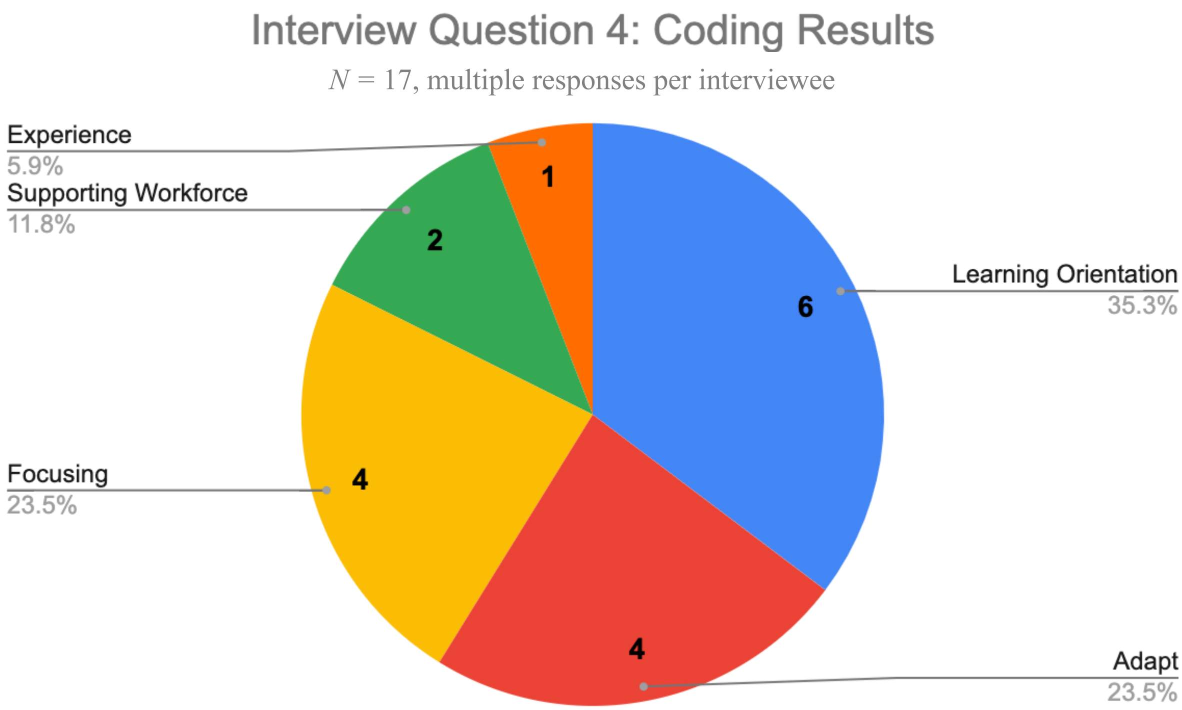
> As you know, the construction industry is a very old industry. There's a low level of formal education. And so some of the biggest challenges are as a result of that, like technology, you know, most companies are so behind in technology and just the ability to use technology and integrate it into the business world. I mean, we live in 2022, and there are companies that still operate like we were living in 1934. That's the way they run. And this is a lot of construction companies, right? I think overall technology is just a big challenge in the industry.

Interview Question 4. IQ4 asked, How did you overcome challenges you experienced in the first 5 years of opening your small business? After an analysis of all interview responses to IQ4, a total of 17 responses related to overcoming challenges encountered as a construction industry small business owner in Southern California. The responses were grouped into seven different themes. The themes emerged were as follows: (a) learning orientation, (b) adapt, (c) focusing, (d) hiring the right people, (e) marketing orientation, and (f) experience (see Figure 4).

*Learning Orientation*. The first common theme identified was learning orientation. This theme was shared by 75% of participants, yielding a frequency of 6 (35%). Learning orientation was categorized based on keywords and phrases that included research, learning from mistakes, talking to people, and updating equipment. P8 explained, "You have to, if something goes wrong, if you know that you got hurt doing one thing, you gotta make sure to stay away from it or, or account for it next time around." P6 shared, "There was a lot of researching and picking people's brains involved." P4 elaborated, "You just have to kind of observe, you have to study, you have to do research, you have to maybe talk to people that are more successful than you or they have achieved other things."

Figure 4

*The Strategies Implemented by Participants To Overcome Challenges*




*Note*. This figure demonstrates the seven themes that emerged from the responses to IQ4. The data being represented is in a decreasing order of frequency. Each number represents the number of participants who made a direct or indirect statement that corresponded to the respective theme.

*Adapt*. The second common theme identified was the ability to adapt. This was shared by 50% of participants, and yielded a frequency of 4 (24%). This theme was grouped by keywords and phrases that included overcoming challenges, adapt and move forward, and failure was not an option. P1 explained, “The only thing you can do, adapt and keep moving forward to learning what works for you.” P2 shared, “You’ve got all these costs coming at you, you’ve got your personal expenses, you’ve got the business expenses, that fear drives you.” P6 shared, “I never let the fear of failure paralyze me. Failure was never going to be an option.” P8 stated, “If I lost money on one job, I made sure I made it up on another job.”

*Focusing*. The third common theme identified was the strategy of focusing to overcome challenges experienced as a construction industry small business. The theme was shared by 50% of the participants and of the 18 responses, yielding a frequency of 4 (24%). The theme had keywords and phrases such as finding the right niche, being selective with clients, paying attention to quality versus quantity, and focusing on delivering value to the target audience. P2 stated that his experience post survival was "figuring out what products to go in with to focus on delivering value." P3 shared that finding a niche was integral to being able to "[be] selective on what clients we will work for." P4 elaborated and said, "We're not going to be servicing everybody because not everybody was a good fit for our business."

*Supporting the Workforce*. The fourth theme identified was supporting the workforce. The theme was expressed by 25% of the participants, yielding a frequency of 2 (12%). P3 stated, "We've created our own apprenticeship program within the company." P5 shared,

> I always think it's really important to uplift your employees and tell 'em they're doing a great job. And thank them for their service. I think it's really important to meet people halfway and to really appreciate your employees, you know, and try to make the environment a warmer environment.

*Experience*. The fifth theme in overcoming challenges was identified as experience. The theme was expressed by 13% of the participants, yielding a frequency of 1 (6%). P8 shared,

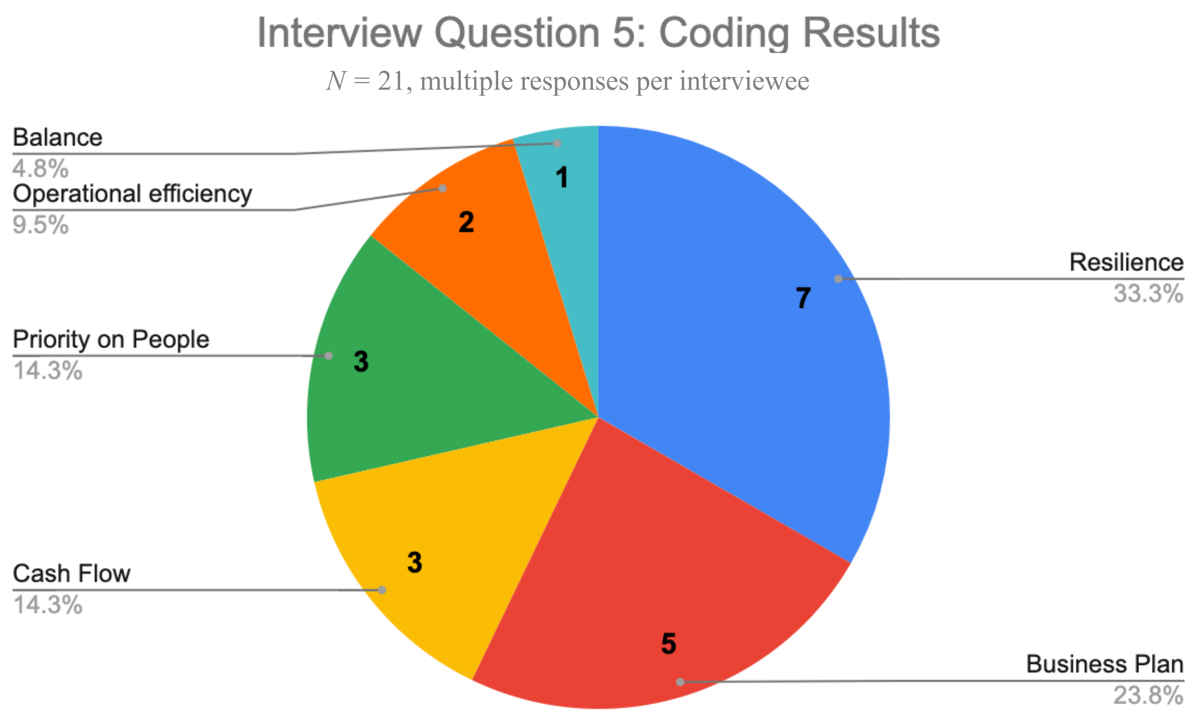
> I think after all these years, I finally got it on lockdown. You learn as you go. Until now I still learn something every day. Before I used to go buy a house and people used to out bid me and you didn't get any credit until you built it.

Interview Question 5. IQ5 asked, If you were starting over, what different strategies would you use to avoid challenges that came up during the first 5 years of being in business?

After an analysis of all interview responses to IQ5, a total of 21 responses were identified. The responses were grouped into seven different themes: (a) resilience, (b) develop business plan, (c) proper cash flow, (d) priority on people, (e) operational efficiency, and (f) balance (see Figure 5).

Figure 5

*The Themes of Strategies Based on What Participants Would Implement if They Were To Start Over*




*Note.* This figure demonstrates the six themes that emerged from the responses to IQ5. The data being represented is in a decreasing order of frequency. Each number represents the number of participants who made a direct or indirect statement that corresponded to the respective theme.

*Resilience*. The most common theme shared by the participants was to face challenges as they come and stay resilient. There was a general consensus that challenges in this industry and as a small business owner are not avoidable. Eighty-eight percent of participants shared this sentiment, yielding a frequency of 7 (33%). Keywords or phrases that describe the theme include you cannot avoid challenges, learn as you go, learn from mistakes, hit speed bumps, and difficulties are learning experiences. P4 shared the experience of being a first time business owner,

> When you start the company, it’s like walking in a black, in a dark tunnel. You really don’t know if there’s a wall in front of you that’s turning left or it’s turning right. Unfortunately, being a part, being a business owner, you find out and you learn things as you go, especially if it’s your first business.

P6 said,

> I don’t think I would be successful if I didn’t hit the speed bumps that I did. Every difficulty was a learning experience. I don’t believe in shortcuts, so the easy way would not have been the best way for my company.

*Develop a Business Plan*. The second theme that emerged from responses to IQ5 was to develop a business plan as a strategy to help avoid challenges. Sixty-three percent of participants offered phrases that were combined into the theme, yielding a frequency of 5 (24%). Keywords that fit into this theme included planning ahead, strategically planning and making decisions, having a plan, and developing mission and vision early on. P2 shared, “Instead of going into the business and then saying, okay, now how, how do I do this? Planning ahead I think would’ve been helpful.” P7 shared about the importance of developing a business plan, stating:

> I’d have a business plan. Now, of course, when you’re starting a business, you have no idea. So how can you put a business plan? It’s a good question. What you do is you study, and right now there’s an abundance of literature information on the internet. You can go ask people, you can really do a lot of research where you can come up with a good solid business plan as much as you can, of course, cause you’re not an expert in the field. But coming out with a good business plan requires that you do your due diligence, your

homework, ask questions, read, read about the business. You want to get in, read about the bad and good news about, you know, where mistakes could happen. How to, let's say circumvent mistakes, How to eliminate mistakes, avoid mistakes, or increase the chances of success. So you have to do all that homework and do diligence and come up with a business plan. And it's okay if you go and consult with some, you know, experts in the field, but you come up with the best business plan you can.

*Proper Cash Flow*. The third theme that was identified in responses to IQ5 was that having proper cash flow would help avoid challenges. This sentiment was shared by 38% of the participants, yielding a frequency of 3 (14%). Proper cash flow was described using the following keywords and phrases: setting aside cash/capital and bringing about capital. P2 reflected, "I think if I did that again, I would do it [independent sales] a little bit longer so we can set aside some cash and then take the next step." P6 shared, "Cash flow is the gasoline or the fuel that drives the business. Without cash flow, you can't drive too far. Right. So that's the first thing I would do." P8 said, "You gotta pay to play."

*Priority on People*. The fourth common theme shared by participants was putting a priority on the people of their organization. This sentiment was shared by 38% of the participants, yielding a frequency of 3 (14%). This theme was expressed through keywords and phrases such as hiring the right people and putting a high value on people. P3 stated,

> When I got here, the turnover rate in this company was probably 60, 70%, you know, year-to-year. I mean, think about that. And this was the journey all the way from inception that just could not keep people around and like a lot of the industry people, developing people and having strategic plans to develop people in your business is

> nonexistent. And so, I know for a fact, [name redacted] would say that if they had to do it over, they would have put a high priority on people.

*Operational Efficiency*. The fifth theme that emerged from responses to IQ5 was operational efficiency. Twenty-five percent of participants expressed phrases that were organized into the theme, yielding a frequency of 2 (10%). This was defined through keywords like paying attention to overhead, minimizing overhead, and controlling overhead. P2 reflected, “I would pay attention to the overhead for sure. I would minimize my overhead.” P7 shared, “So overhead is extremely important as important as cash flow. Maybe even more important than cash flow, because overhead eats up your cash flow. If you cannot plan your overhead and control your overhead, then your cash flow will be extremely weak to maintain that.”

*Balance*. The final theme that was identified from IQ5 was balance. Thirteen percent of participants shared this strategy if they were to start over, expressing the theme in phrases such as not being busy all the time and balancing time. P4 reflected,

> I wouldn’t want to be busy at all times because one thing a lot of business owners tend to forget, and I tend to forget myself, is life outside of business. We have a family, I have a two and a half year old son that just started school. So when I look back into the last 2 years of my life, life has been nothing but work. We have so much commitment into our business that sometimes it becomes very difficult to find that perfect balance between work and life.

*Summary of RQ2*

RQ2 sought to identify the challenges construction industry small business owners experience, and strategies implemented to overcome those challenges. A total of 16 themes were identified by analyzing phrases, viewpoints, or responses related to IQ3, IQ4, and IQ5. The 16 themes identified were as follows: (a) employee retention/turnover, (b) management of capital/expenses, (c) external environment and compliance, (d) leadership fears/doubts, (e) technology, (f) learning orientation, (g) adapt, (f) focusing, (h) supporting workforce, (i) experience, (j) face challenges, (k) business plan, (l) cash flow, (m) priority on people, (n) operational efficiency, and (o) balance.

*Research Question 3*

The third research question (RQ3) asked, How do small businesses in the construction industry, located in Southern California define, measure, and track their organizational success? The two interview questions related to RQ3 were:

6. How do you define success within your business?

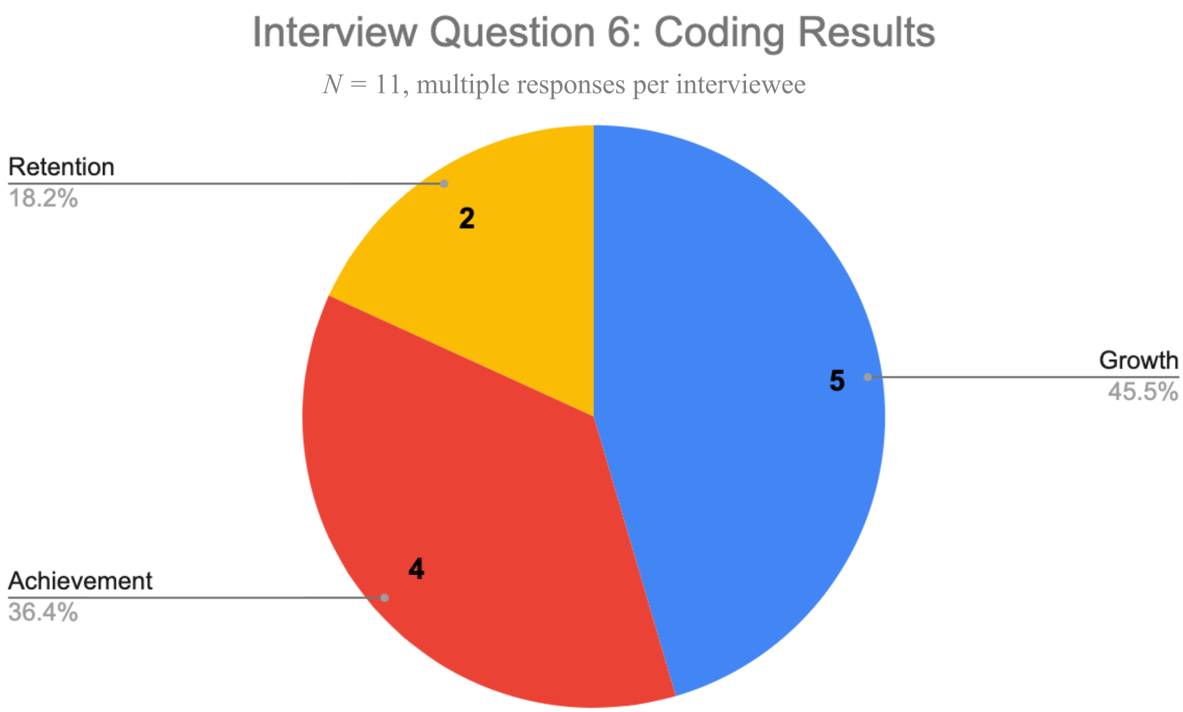
7. How do you measure that success?

To identify the ways in which construction industry small business owners define and measure success, the researcher analyzed the responses from the participating business owners and identified recurring themes and similarities in response to the two interview questions.

Interview Question 6. IQ6 asked, How do you define success within your business? Through an analysis of all responses to IQ6, a total of 11 phrases and responses were identified regarding the definition of success by a small business owner within the construction industry. The responses were grouped into the following three themes: (a) growth, (b) achievement, and (c) retention (see Figure 6).

Figure 6

*The Ways in Which Construction Industry Small Business Owners in Southern California Define Success*




*Note.* This figure demonstrates the three common themes that emerged from the responses to IQ6. The data being represented is in a decreasing order of frequency. Each number represents the number of participants who made a direct or indirect statement that corresponded to the respective theme.

*Growth*. Growth emerged as the highest-ranking theme for the definition of success for small business owners within the construction industry. Of the 11 phrases or responses, five (45%) of the responses collected were related to growth. The theme of growth included the following: hitting key performance indexes, continuous growth and evolution, and profit. P6 shared, “Success in terms of my business is about continuous growth and evolution.” P5 offered similar sentiments, stating, “it’s not about the money, it’s just about the continuity.”

*Achievement*. Achievement was the second theme produced from IQ6. Of the 11 phrases, 50% of participants shared information that related to achievement, yielding a frequency of 4 (36%). The theme of achievement included the following: making concepts come to life, track record, reputation, and showing others it is possible. This was explained by P8, who stated, “I would say success is defined by the reputation you have in, within the neighborhood that you build the homes in, and you just go bigger and bigger.” P7 provided an explanation of defining success through achievement:

> In my business, success is really a track record. It’s about reputation, it’s about integrity, it’s about respect in the community. Success is doing something good for humanity. Success is about, of course, having money, making money, enjoying life and helping people. And of course, doing things that are going to benefit others. And of course, when you sleep at night, you think about yourself as a good person who has done something good.

P5 elaborated on the definition of success through achievement:

> So my success is, as a woman going into a field that I was not reared for learning from zero, putting it together and, and still being in business 5 years later and having enough to have a team of like, you know, eight people and feeding their families and contributing to my family, that’s huge for me.

*Retention*. Retention was the third theme related to IQ6, with 25% of participants sharing information regarding retention of their workforce, yielding a frequency of 2 (18%). Retention included keywords and phrases such as leading the team and helping our people grow, P3 stated:

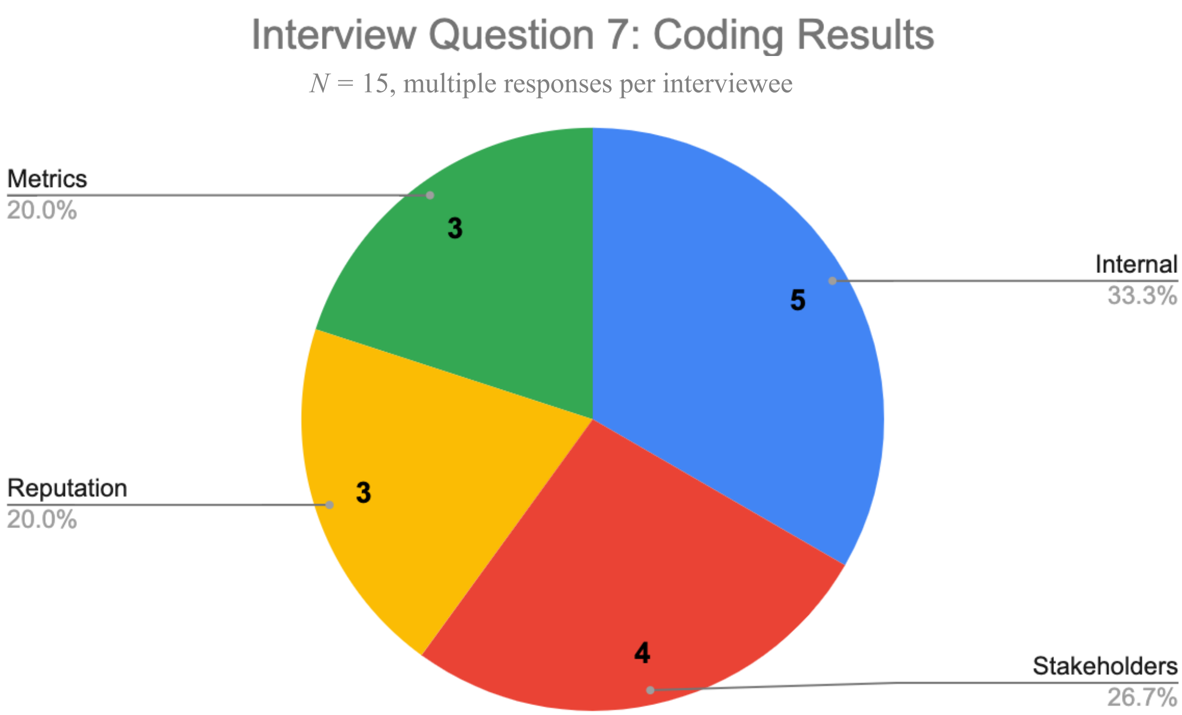
> Most companies are only worried about the brick and mortar, you know, and getting the job done. And they forget that, you know, that can only take you so far. You know, at the

end of the day when you work, if the people with the company are growing, are fulfilled, all the other stuff will work itself out.

Interview Question 7. IQ7 asked, How do you measure success within your business? Through an analysis of all responses to IQ7, a total of 15 phrases and responses were identified regarding the measurement of success as a small business owner within the construction industry. The responses were grouped into the following four themes: (a) internal feelings, (b) stakeholders (c) reputation, and (d) metrics (see Figure 7).

Figure 7

*The Ways in Which Construction Industry Small Business Owners in Southern California Measure Success*




*Note.* This figure demonstrates the three common themes that emerged from the responses to IQ6. The data being represented is in a decreasing order of frequency. Each number represents the number of participants who made a direct or indirect statement that corresponded to the respective theme.

*Internal Feelings*. When asked how small business owners measure their success, 63% of the participants shared information that was related to how they internally felt, producing a frequency of 5 out of the 15 phrases (33%). Internal feelings included phrases and keywords such as how I feel, mentally, tenacity, internally, respected, and ego. P2 reflected that they measure success in terms of internal feelings, “How I feel, if mentally, I feel successful.” P5 agreed by stating, “I measure the success in my business with my tenacity, you know, just not quitting. And, I measure my success not financially, but internally.” P7 shared, “When you feel good about yourself, you’re making money, you’re well respected. And that all together is success, and so that you can be proud to pass on to your next generation as well.” P8 concluded, “Whoever builds the baddest, best house, the most expensive house is the winner at the end of the day. There’s an ego amongst us.”

*Stakeholders*. Stakeholders ranked as the second most frequent theme in response to IQ7. Of the 15 phrases and keywords, 4 (27%) were related to stakeholders. This theme included the following: the team/employees and clients. P3 shared that success was based on internal teammembers as well as their clients, “not just the people internally, but even our clients, that vision that we have gives me a place to get feedback, which become my metrics for whether we’re successful or not.” P6 concluded that “my employees have to feel motivated to work.”

*Reputation*. Reputation ranked as the third most common theme in response to IQ7. Of the 15 phrases and keywords, 3 (20%) were related to reputation. Reputation included the following keywords and phrases: word of mouth and good reputation.  P1 emphasized the importance of reputation as a measure of success, stating, “So whenever I get recommended to a job, the new customer doesn’t even worry about you, worry about any questions. They just say, You came so highly recommended. Okay. Just do the job. They, they barely ask how much." P7 shared,

> I would measure my success with the deeds and accomplishments that I have come up with and, you know, done good for the community. My case, my success is building beautiful buildings that stand the test of time and giving people a quality of life. all of that brings about, you know, a good reputation. People talk good about you.

*Metrics*. Metrics ranked as the fourth common theme in response to IQ7. Of the 15 responses, 3 (20%) were related to metrics. Metrics included the following keywords: key performance indexes, make money work for itself, and retention rate. P2 shared,

> So each component of the business has its own KPIs, key performance indexes. So whether it's the number of leads that we generate, and whether it's the number of sales, our closing percentage, whether it's the number of project coordinators, how many jobs they can close, whether it's the administrative, the payroll, human resource division. So each division is a part of the business. Each division should be run as its own business and has its own measurements. And then the way we define success is if we hit those measurements.

*Summary of RQ3*

RQ3 sought to identify the definition and measure of success from construction industry small business owners. A total of seven themes were identified by analyzing phrases, viewpoints, or responses related to IQ6 and IQ7. The seven themes identified were as follows: (a) growth, (b) retention, (c) achievement, (d) internal feelings, (e) stakeholders, (f) reputation, and (g) metrics.

Chapter 4 Summary

The purpose of this study was to identify the best practices 5+ year old construction industry businesses employ to sustain their business, the challenges business owners face within the construction industry, and the definition and measurement of success. After the eight semi-structured structured interviews, the data was coded. The researcher used phenomenological techniques outlined in Chapter 3 to analyze the data. The participants answered seven semi-structured interview questions that were related to the following three research questions:

- RQ1: What strategies do small businesses in the construction industry located in Southern California apply to sustain their business beyond 5 years?
- RQ2: What challenges do small businesses in the construction industry, located in Southern California, face? What strategies and resources are used to assist these small businesses to overcome challenges?;
- RQ3: How do small businesses in the construction industry, located in Southern California define, measure, and track their organizational success?

Data for this study was collected through eight semi-structured interview questions that the researcher transcribed and coded. The codes for each interview question were then grouped into themes. Furthermore, data analysis was conducted by employing the phenomenological approach discussed in Chapter 3. The data yielded a total of 30 themes. Table 4 provides a summary of the themes that were identified through the data analysis process. Chapter 5 presents a discussion of themes, along with implications, recommendations, and conclusions of the study.

Table 4

*Summary of Themes for Research Questions*

| RQ1. Strategies implemented to sustain business | RQ2. Challenges faced by small businesses and strategies to overcome | RQ3. Defining and measuring success |
|---|---|---|

| RQ1. Strategies implemented to sustain business | RQ2. Challenges faced by small businesses and strategies to overcome | RQ3. Defining and measuring success |
|---|---|---|
| Customer Intimacy | Employee Retention/Turnover | Growth |
| Survival | External Environment and Compliance | Achievement |
| Organizational Culture & Structure | Management of Capital/Expenses | Retention |
| Workforce | Leadership Fears/Doubts | |
| | Technology | |
| | | |
| Differentiation | Learning Orientation | Internal |
| Human Capital Development | Adapt | Stakeholders |
| Research and Learning | Focusing | Reputation |
| | Supporting Workforce | Metrics |
| | Experience | |
| | | |
| | Resilience | |
| | Business Plan | |
| | Cash Flow | |
| | Priority on People | |
| | Operational Efficiency | |
| | Balance | |

*Note.* This table summarizes all of the 30 themes discovered during the data analysis process.

# Chapter 5: Conclusions and Recommendations

The role small businesses play in the U.S. economy is vital (U.S. Bureau of Labor Statistics, 2022b). Small businesses help ignite economic growth and recovery, employ a large portion of the private workforce, and generate jobs (Laderman & Reid, 2010; U.S. SBA Office of Advocacy, 2020). Small businesses account for 99.8% of California businesses (SBA, 2020). Construction industry small businesses are among the top 10 industries with the lowest survival rate by their fifth year in business (Knaup & Piazza, 2007, U.S. Bureau of Labor Statistics, 2022a). However, survival rates improve as a small business ages (SBA, 2012). Given the importance of small businesses to the state and national economy, research is needed to examine the predominant causes of construction industry small business longevity. The purpose of this study was to determine key strategies to help small businesses in the construction industry achieve longevity, the challenges they encounter, strategies implemented to overcome challenges, and methods by which to define and measure success. The small business owners who participated in this study qualified under the phenomenon of sustaining their business for over 5 years. Their willingness to share their knowledge, expertise, experience, and suggestions provided a rich source of data that led to insight into how construction industry small business could sustain themselves for over 5 years.

The findings of this study contribute to the existing literature on best practices and strategies relating to small business longevity by specifying the construction industry and selecting participants from a specific geographic region. This chapter commences with a brief summary of the data presented in Chapter 4, followed by a discussion of the key findings from the study. Additionally, this chapter explores the implications of the study and provides a framework for construction industry small businesses to follow to increase their chances of business sustainability and longevity. The framework includes the set of strategies and practices that were identified through the data collection and analysis process. Lastly, Chapter 5 concludes with recommendations for future research.

## Summary of the Study

This qualitative phenomenological study investigated the problem of small business longevity beyond 5 years, specifically: (a) the strategies utilized to sustain businesses, (b) the challenges experienced and strategies used to overcome challenges, and (c) how construction industry small businesses in Southern California define and measure the success of their businesses. The following three research questions were posed to understand the phenomenon of construction industry small business longevity:

- RQ1: What strategies do small businesses in the construction industry located in Southern California apply to sustain their business beyond 5 years?
- RQ2: What challenges do small businesses in the construction industry, located in Southern California, face? What strategies and resources are used to assist these small businesses to overcome challenges?;
- RQ3: How do small businesses in the construction industry, located in Southern California define, measure, and track their organizational success?

The qualitative research utilized a phenomenological design wherein the researcher developed a combined representation of the participants by collecting data from people who have experienced the same phenomenon (Creswell, 2013). The literature review provided the context in which the three research questions were developed. The researcher sought a population of small business owners within the construction industry located in Southern California. The researcher reached out to 167 potential participants, and eight were selected and interviewed. Participants were recruited from construction industry businesses that ranged from plumbing to general contracting to public development, and varied in annual revenue from $1-39 million. Both women and men were represented in the study. All participants agreed to participate in the study and consented to be recorded.

The three research questions and seven related interview questions were validated through triangulation reviewing multiple sources of data in existing literature, reviewing research on small business longevity, and analyzing the data collected from the interviews. A total of eight small business owners across Southern California provided the data, gathered through semi-structured interviews. The researcher audio recorded the interviews and later transcribed them into a Microsoft Word document. The transcribed data was then analyzed and coded to determine common themes. After coding each interview, the researcher summarized the findings of the study into 11 bar graphs that identified the frequency of key phrases and responses.

## Discussion of Findings

The findings of this study identify how to increase the likelihood of longevity for construction industry small businesses located in Southern California. The study attempted to explore the best strategies and practices construction industry small businesses can employ to increases their chances of longevity, identify the challenges small businesses in the construction industry can experience, highlight the best strategies to overcome challenges, and explain how construction industry small business owners define and measure success. The results will be compared to existing literature. Each section will identify whether the themes concur with, contradict, or contribute to existing research and literature on small business longevity. The data analysis yielded 30 significant themes. This section provides a summary of the general findings that emerged in response to the interview questions.

As an icebreaker, the researcher asked the participants how they started their businesses. Overall, the participants shared experiences that included themes of learning, encouragement from friends and family, and connections to family legacy. Moreover, a universal theme that emerged from the icebreaker was the act of taking a risk to start their business. Although the researcher's intent was to determine strategies to support small business longevity, the interview questions were intended to probe participants to discuss their experiences in running their businesses.

## Results for RQ1

RQ1 asked, What strategies do small businesses in the construction industry located in Southern California apply to sustain their business beyond 5 years? A comprehensive analysis of participant responses to IQ1 and IQ2 generated seven themes. IQ1 yielded the following themes in response to the question of best strategies that enabled small business sustainability: (a) customer intimacy, (b) survival, (c) organizational culture and structure, and (d) workforce. Responses to IQ2 revealed innovative strategies implemented, including: (a) differentiation, (b) human capital development, and (c) research and learning.

## Discussion of RQ1

The data gathered on RQ1 identified the strategies construction industry small businesses implemented while running their business. Presented subsequently are all the strategies that were noted in response to this question and the corresponding literature that applies to the participants' responses.

- *Customer intimacy.* The participants noted the importance of customer intimacy. The concept of customer intimacy provides organizations with an advantage inside a limited market, or differentiation due to meeting specific market needs (Porter, 1980). Customer-intimate companies become experts in knowing their ideal customers' needs and creating solutions (Treacy & Wiersema, 1997).

- *Survival.* Participants felt that survival was part of the strategy to keep the business going. The assumption was that failure was not an option. Watson et al. (1998) suggested that small businesses are triggered into existence by either external negative reasons (e.g., recession, exploiting a market opportunity) or positive internal reasons (e.g., lifestyle). Survival of the organization is connected to the internal reasons for starting the organization, rather than the external factors (Simpson et al., 2012; Watson et al., 1998). There are five organizational life cycle stages: existence, survival, success, renewal, and decline (Lester & Parnell, 2008). Following the birth stage, organizations either do well enough to enter the maturity stage or fail to survive (Pearce, 1982).
- *Organizational culture and structure.* Participants shared that a critical strategy of running an organization was the culture and dedicated structure of the organization. Strategy is "the match an organization makes between its internal resources and skills (sometimes collectively called competences) and the opportunities and risks created by its external environment" (Hofer & Schendel, 1978, p. 12). Internal resources and skills include the company culture and organizational structure.
- *Workforce*. The participants shared that their workforce, hiring the right people, and developing them based on organizational culture were part of the strategy that supported their organization's survival. Human capital is a value-creating strategy that organizations implement to create a sustained competitive advantage (Oxford English Dictionary, n.d.). Employees and the skills they bring to an organization are viewed as

valuable assets; a strategic approach is required in order to manage this human capital resource effectively (Amit & Shoemaker, 1993).

- *Differentiation.* The participants shared that they implemented the strategy of differentiation to sustain business operations. Schroeder (2004) introduced three types of business strategies that organizations implement to compete in the market: differentiation, operational efficiency, and catering to target market needs. Differentiation occurs when organizations offer a product or service that is perceived as different from or superior to its competitors (Douglas et al., 2010).
- *Human Capital Development.* Sources of competitive advantage for organizations include the strategy of human capital development (Barney, 1991; Martín de Castro et al., 2006). The *Oxford English Dictionary* defines human capital as "a labour [sic] force, or the skills it possesses, regarded as a resource or asset" (Oxford English Dictionary, n.d.). Human capital encompasses the idea that investment into people (training, education, health) will affect organizational efficiency and effectiveness (Goldin, 2016).
- *Research and learning.* Participants shared that research and learning were core components and strategies that supported their businesses. Learning helps create new knowledge and modify behavior (Garvin, 1993).

### Results for RQ2

RQ2 asked, What challenges do small businesses in the construction industry, located in Southern California, face? What strategies and resources are used to assist these small businesses to overcome challenges? Analysis of the data from the eight participants' answers to IQ3, IQ4, and IQ5 yielded 16 themes. The answers to IQ3 indicated that the participants' major challenges experienced as construction industry small business owners included: (a) employee retention/turnover, (b) management of capital/expenses, (c) external environment and compliance, (d) leadership fears/doubts, and (e) technology. The answers to IQ4 related to strategies and resources the construction industry small business owners utilized in overcoming challenges, including : (f) learning orientation, (g) adapt, (f) focusing, (h) supporting workforce, and (i) experience. Responses to IQ5 offered strategies that construction industry small business owners would use if they were to start over again, including: (j) face challenges, (k) business plan, (l) cash flow, (m) priority on people, (n) operational efficiency, and (o) balance.

Discussion of RQ2

The responses generated in response to RQ2 offered data regarding challenges, strategies to overcome challenges, and strategies to avoid challenges as construction industry small business owners in Southern California. Presented subsequently are all of the challenges and strategies noted in response to this question, and the corresponding literature that applies to the participants' responses.

- *Employee retention/turnover.* Participants expressed that employee retention and turnover was a major challenge of running their business in the construction industry. Employees and the skills they bring to an organization are viewed as valuable assets, and it requires a strategic approach to manage this human capital resource effectively (Amit & Shoemaker, 1993). High staff turnover is a typical challenge for small business organizations (Lussier & Corman, 2015). Turnover is expensive and produces various costs for the organization, potentially setting it back rather than propelling it forward (Grigoryev, 2006).
- *Management of capital/expenses.* Participants shared that management of capital/expenses was a challenge in running a small business in the construction

industry in Southern California. Existing literature concurs that typical challenges for small businesses include limited cash flow (Lussier & Corman, 2015).

- *External environment and compliance.* Participants shared that another major challenge was dealing with the ever-changing external environment, and the changing laws and regulations that would affect compliance. Small businesses are especially influenced by the external environment (Dyer & Ross, 2008).
- *Leadership fears/doubts.* Participants shared that a challenge they needed to deal with was their own internal fears and doubts as a leader of their organization. Small businesses result from both the creation and expression of their leadership (Barnes et al., 2015). The decisions the leaders made determined the outcome of their organizations (Hersey & Blanchard, 1969).
- *Technology.* Technology was brought up as a challenge specifically within the construction industry. There is a learning curve associated with technology usage (Itami, 1987). Small businesses, as a whole, are behind in technological advancements (Gregurec & Furjan, 2021).
- *Learning orientation.* Participants shared that the most critical component of overcoming challenges was knowledge and learning. Knowledge is a source of competitive advantage (Nonaka, 2008). Learning orientation is a value set by the organization to create and use knowledge (Laukkanen et al., 2013).
- *Adapt.* Participants described adaptability as a strategy in overcoming challenges. Organizational longevity is dependent on the ability to adapt to dynamic marketplace changes (Handley & Levis, 2001). Small businesses within the construction industry

must stay flexible and adaptable to the changing environment and make decisions to help sustain their competitiveness (Dakhil et al., 2019).

- *Focusing.* Participants shared information that was consolidated into the strategy of focusing. Focusing helps organizations understand who their ideal customer is, where they are located, and what they want and need (Drucker, 1954).
- *Supporting the workforce.* Supporting the workforce was presented as a strategy that helped the participants sustain their organizations. The outcomes of the organization are influenced by the quality of the workforce (Oxman, 2002).
- *Experience.* Participants shared that experience developed through the years of running their organization yielded ways in which to overcome challenges. As organizations gain experience in the market, they begin to develop rules for processing information about the external environment, influencing internal and external actions (Garvin, 1993). Capabilities are developed over time through experiences of deploying resources (Amit & Shoemaker, 1993).
- *Resilience.* Participants expressed that challenges are unavoidable. Resilience is a characteristic of entrepreneurs, helping them proceed toward the future regardless of challenges and the instability of the market. Adapting to the environment requires courage and optimism (Ayala & Manzano, 2014).
- *Business plan.* Participants noted that having a business plan to help guide operations would have been helpful in overcoming challenges. Organizations that plan to exist beyond survival will need to plan ahead and consider investing in the right resources that will provide  sustained competitive advantage (Barney, 1991).

- *Cash flow.* Participants shared that challenges could be overcome with the proper cash flow and cash flow management. Cash flow limitations can serve as a challenge that contributes to business failure (Lussier & Corman, 2015).
- *Priority on people.* Participants expressed that making the people of their organization a priority is a strategy that would help support business operations. Human capital investment is a value creating strategy (Barney, 1991; Martin de Castro et al., 2006).
- *Operational efficiency.* Participants shared that it is critical to pay attention to the waste and expenses that come up while running an operation. Operational efficiency means producing at the lowest cost (Schroeder, 2004).
- *Balance*. Participants shared that it is critical to balance time because, as a small business owner, time management is set aside as the small business is prioritized. Expenditure of time and energy that could be invested elsewhere such as with family is a challenge for small businesses (Meyer & Allen, 1997).

Results for RQ3

RQ3 asked, How do small businesses in the construction industry, located in Southern California define, measure, and track their organizational success? Identifying the data from the eight participants' answers to IQ6 and IQ7 generated seven themes. IQ6 found that participants defined success as: (a) growth, (b) retention, (c) achievement, and (d) internal feelings. IQ7 found that participants measured that success through: (e) stakeholders, (f) reputation, and (g) metrics.

Discussion for RQ3

The data collected in response to RQ3 revealed that construction industry small businesses in Southern California define and measure the success of their business in the following ways. Presented are the responses to these questions and the corresponding literature that applies to the participants' responses.

- *Growth.* Participants shared that organizational growth is a key component of how they define success. Within the organizational life cycle, organizations seek growth once they pass the survival stage.
- *Retention.* Participants shared that retention rates would be a definition of success for their business. Effective human capital management includes retention (Odden, 2011). High staff turnover is a major challenge for small businesses (Lussier & Corman, 2015).
- *Achievement.* Participants noted various experiences that define success that were categorized as achievement. Success relates to the achievement of goals and objectives (Philip, 2011). Business success includes non-financial components such as achievement (Drucker, 1954; Greenbank, 2001; Reid & Smith, 2000; Sturges, 1999; Watson et al., 1998).
- *Internal feelings.* Participants shared that success is defined by how they feel internally. The potential for the organization's growth and performance is dependent on the owner (Barnes et al., 2015; Bridge & O'Neill, 2013; Pearce, 1982).
- *Stakeholders.* Participants noted that they define and measure their success in terms of retaining both internal and external stakeholders. A business must survive to be able to meet its stakeholders' needs (Pearce, 1982).

- *Reputation.* Participants shared that they define and measure success for their organization in terms of both perceived and recognized reputation. Managing both online and offline reputation is a strategy for differentiation and a way to sustain competitive advantage (Couzin & Grappone, 2013; Wei-Ming & Kang-Wei, 2007).
- *Metrics.* Participants have different metrics by which they measure success. Entering the maturity or success stage represents the organizational stage during which formalization and procedural systems are the norm (Pearce, 1982).

## Implications of the Study

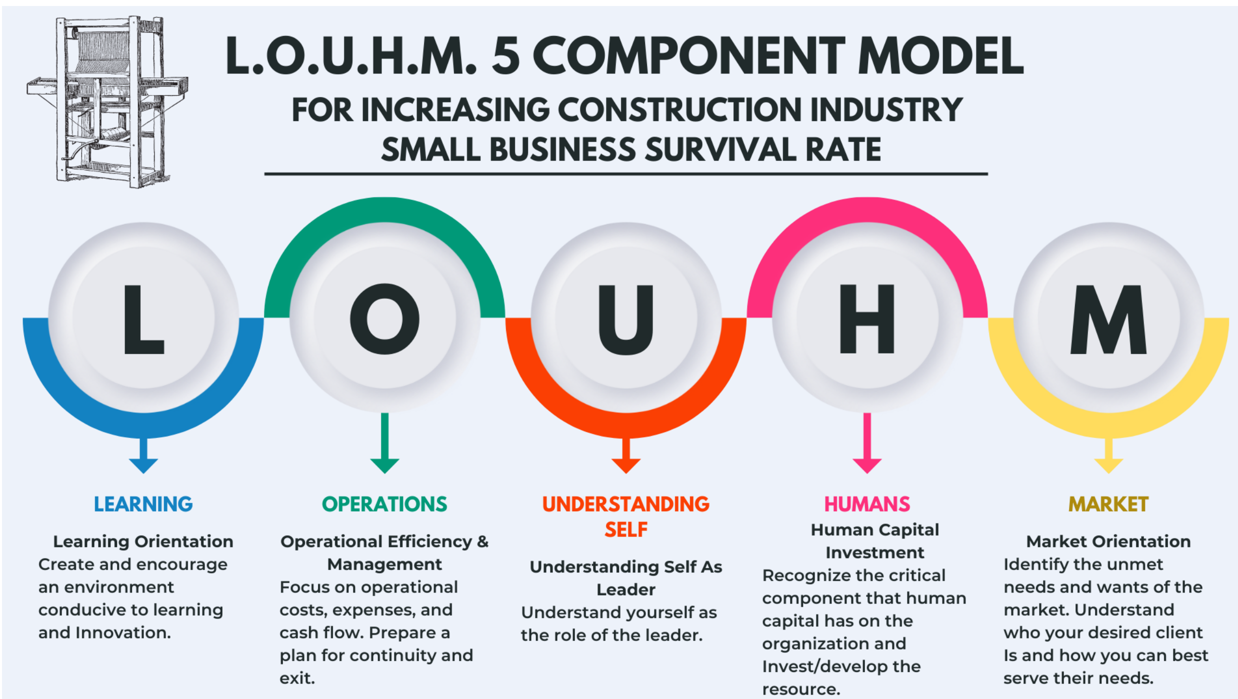
The purpose of this qualitative study was to investigate the methods implemented by small businesses in Southern California within the construction industry to sustain their businesses beyond 5 years. A phenomenological study was utilized to create discoveries in the reflection of lived experiences (Moustakas, 1994). The gender participation in this study was 87.5% male versus 12.5% female. Based on the findings, the study revealed the top five methods implemented by small business owners in the construction industry to sustain their organization beyond 5 years in Southern California: (a) learning orientation, (b) human capital investment and management, (c) market orientation, (d) understanding of self as leader (fears/aspirations), and (e) operational efficiency and management. The findings in this study may be utilized to establish and improve survival rates of construction industry small businesses in Southern California.

## Application

As a result of this study, a set of best practices and strategies were identified in sustaining construction industry small business organizations in Southern California. These practices and strategies were identified by interviewing construction industry small business owners who have run their businesses in Southern California 5 or more years, with revenue between $1-$39 million. The findings led to the development of Tamar Barsoumian's L.O.U.H.M. Five Component Funnel for Increasing Construction Industry Small Business Survival Rate (see Figure 8).

Figure 8

*Tamar Barsoumian's L.O.U.H.M. Model for Increasing Construction Industry Small Business Survival Rate*




This L.O.U.H.M. model provides a foundation for small business owners or entrepreneurs to identify methods in which they can use to support and sustain their small business. The acronym was influenced by the word "loom" which is the tool used to interlace two or more sets of yarn to form a cloth (Merriam-Webster, n.d.). Interlacing the strategies discovered through the phenomenological study will help support small business longevity. The first component, learning orientation, provides suggestions regarding creating an environment that promotes learning and engagement across the organization. The second component, human capital investment and management, provides suggestions regarding the prioritization of internal stakeholders, developing their skill set and knowledge, and valuing their contributions. The third component, market orientation, provides small business owners within the construction industry the strategies that have proven effective in sustaining competitive advantage. The fourth component, understanding of self as leader, focuses on providing entrepreneurs and potential small business owners with the tools needed to reflect upon and engage in thinking about themselves, their role as leader, and the impact they make on organizational performance. Lastly, the fifth component of the model, operational efficiency and management, promotes the critical need to manage cash flow and expenses that can get out of control while running a business. It is integral for entrepreneurs and small business owners to consider the challenges of running a small business, and recognize that starting a business has many obstacles and challenges that contribute to high failure rates of small businesses. This model has practical applications that entrepreneurs may use. First-time entrepreneurs or business owners would benefit most from these findings. Because entrepreneurs with multiple businesses have gone through the learning curve of starting a business, this would help those who want to learn from others who have had success in sustaining their business over 5 years.

## Conclusion

Concerned with the high failure rate of small businesses, specifically in the construction industry, the researcher began this study with the desire to contribute to the existing body of literature on the best practices and strategies to sustain construction industry small businesses beyond 5 years. To accomplish this task, the researcher bracketed her personal biases and experiences on the strategies to which she has been exposed in working with a construction industry small business. After interviewing eight construction industry small businesses who had experienced the phenomenon of sustaining their small business 5 or more years, the researcher coded and analyzed the results to seven questions pertaining to small business sustainability and longevity. The results informed three research questions that addressed the strategies, challenges and measures of success from the perspective of construction industry small businesses. The literature review and the findings from the study served as the foundation for the five-component small business sustainability model.

## Recommendations for Future Research

Although this study explored methods implemented by businesses in Southern California, the complexities of this region may not necessarily be applicable to wider populations or communities in different areas. Future studies should be conducted in other regions of California, and can even be conducted nationwide to examine different strategies and challenges that affect small business longevity within the construction industry. Future research can unpack the makeup of construction industry businesses by region. According to the U.S. Bureau of Labor Statistics (2022a), 60% of employed people within the construction industry are white, and 30% are Hispanic. In California, almost half, 46.7%, of employed people within the construction industry are Hispanic (U.S. BLS, 2022). Future research can delve into the differences between ethnic background within region specific data.

Future studies could investigate what technology is used, if any, by small business owners within the construction industry to help them sustain their business over 5 years and overcome challenges. Participants shared a learning curve with technology, gaps that could be overcome by learning or knowledge regarding certain tools that exist that could help improve their competitive advantage. This study focused on participants that met the criteria of inclusion which included having a presence online and/or on social media. This does not consider the population of construction industry small businesses that do not have social media presence, future research can consider the impact social media/online presence has on the longevity of a construction industry small business.

Another recommendation would be to focus on women-owned construction industry businesses because they may encounter additional challenges and strategies. According to the BLS, 11% of total employed within the construction industry are women (BLS, 2022). This study focused on operational businesses within a specific revenue cap, and may have skewed the data towards results based on survivorship bias.

## Final Thoughts

As an individual working in a construction industry small business, the researcher genuinely enjoyed conducting this study. The literature review was eye opening and enlightening. Most importantly, the participants provided insight from multiple perspectives that served as assets to this study. The diverse backgrounds, ethnicities, and levels of expertise from each participant provided rich data that was crucial to determining the best practices to sustain construction industry small business longevity in Southern California.

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APPENDIX A:

CITI Human Subjects Training Certificate

CITI PROGRAM

Completion Date 25-May-2022
Expiration Date 24-May-2025
Record ID 49111579

This is to certify that:

**Tamar Barsoumian**

Has completed the following CITI Program course:

Not valid for renewal of certification through CME.

**Graduate & Professional Schools HSR**
(Curriculum Group)
**Graduate & Professional Schools - Psychology Division Human Subjects Training**
(Course Learner Group)
**1 - Basic Course**
(Stage)

Under requirements set by:

**Pepperdine University**

CITI
Collaborative Institutional Training Initiative

Verify at www.citiprogram.org/verify/?w4e331bed-0e8f-4249-8829-a51606153f29-49111579

# APPENDIX B:

## Approval for Human Research

**Pepperdine University**
**24255 Pacific Coast Highway**
**Malibu, CA 90263**
**TEL: 310-506-4000**

### NOTICE OF APPROVAL FOR HUMAN RESEARCH

Date: August 19, 2022

Protocol Investigator Name: Tamar Barsoumian

Protocol #: 22-06-1861

Project Title: Survive and Thrive: An Exploration of Methods Implemented by Small Businesses in the Construction Industry to Sustain their Business Beyond 5 Years

School: Graduate School of Education and Psychology

Dear Tamar Barsoumian:

Thank you for submitting your application for exempt review to Pepperdine University's Institutional Review Board (IRB). We appreciate the work you have done on your proposal. The IRB has reviewed your submitted IRB application and all ancillary materials. Upon review, the IRB has determined that the above entitled project meets the requirements for exemption under the federal regulations 45 CFR 46.101 that govern the protections of human subjects.

Your research must be conducted according to the proposal that was submitted to the IRB. If changes to the approved protocol occur, a revised protocol must be reviewed and approved by the IRB before implementation. For any proposed changes in your research protocol, please submit an amendment to the IRB. Since your study falls under exemption, there is no requirement for continuing IRB review of your project. Please be aware that changes to your protocol may prevent the research from qualifying for exemption from 45 CFR 46.101 and require submission of a new IRB application or other materials to the IRB.

A goal of the IRB is to prevent negative occurrences during any research study. However, despite the best intent, unforeseen circumstances or events may arise during the research. If an unexpected situation or adverse event happens during your investigation, please notify the IRB as soon as possible. We will ask for a complete written explanation of the event and your written response. Other actions also may be required depending on the nature of the event. Details regarding the timeframe in which adverse events must be reported to the IRB and documenting the adverse event can be found in the *Pepperdine University Protection of Human Participants in Research: Policies and Procedures Manual* at community.pepperdine.edu/irb.

Please refer to the protocol number denoted above in all communication or correspondence related to your application and this approval. Should you have additional questions or require clarification of the contents of this letter, please contact the IRB Office. On behalf of the IRB, I wish you success in this scholarly pursuit.

Sincerely,

Judy Ho, Ph.D., IRB Chair

cc: Mrs. Katy Carr, Assistant Provost for Research

APPENDIX C:

E-mail Invitation Recruitment Script

Dear [name],

My name is Tamar Barsoumian, and I am a doctoral student in the Graduate School of Education and Psychology at Pepperdine University. I am conducting a research study examining the experiences of small business owners in the construction industry. I would like to invite you to participate as you meet the interview criteria set in this study. Participation is voluntary and interviews will be conducted online, via Zoom at the mutually agreed upon time. Anticipated length of the interview is 30-45 minutes. The interview will be recorded and transcribed for research purposes only.

Participation in this study is voluntary, and your identity as a participant will be protected before, during, and after the time that study data is collected. Strict confidentiality procedures will be in place during and after the study.

Risk of participation is minimal, and it will be no greater than that which you experience during your usual routine daily activities. We can adjust our interview length time if at any point you deem the process too long or experience fatigue. Since we are using technology, breach of confidentiality is another risk. To mitigate the risk of breach of confidentiality, numeric codes will be assigned to each participant to conceal identifiable information (e.g., Jane Doe will be P1). Please note that this is an academic study and you will not be compensated for participating in the research.

If you are willing to participate in this study, please respond by email to following e-mail address: tamar.barsoumian@pepperdine.edu.
I will follow up with a consent form, a copy of the interview questions, and arrangements for the interview time. Please note that you can withdraw your participation in the study at any time.

If you have any questions, please feel free to contact me at your earliest convenience.

Thank you for your consideration,

Tamar Barsoumian
Pepperdine University
Graduate School of Education and Psychology
Professional Status: Doctoral Candidate

APPENDIX D:

Participants' Informed Consent Form

IRB Number #22-06-1861

Formal Study Title: Survive & Thrive: An Exploration of Methods Implemented by Small

Businesses in the Construction Industry to Sustain their Business Beyond 5 Years

Authorized Study Personnel
Principal Investigator: Tamar Barsoumian, MS

Key Information:
If you agree to participate in this study, the project will involve:

- One 30-45 minute semi-structured interview with the primary researcher.
- There are minimal risks associated with this study.
- You will be paid $0.00 amount for your participation.
- You will be provided a copy of this consent form.

Invitation
You are invited to take part in this research study. The information in this form is meant to help you decide whether or not to participate. If you have any questions, please feel free to ask.

Why are you being asked to be in this research study?
You are invited to participate in this research study because you are a small business owner with a construction industry related small business based in Southern California, and will be able to provide valuable and useful insight for the purposes of this study. Please read the information below and ask questions about anything that you do not understand before deciding whether to participate. Please take as much time as you need to read this document.

What is the reason for doing this research study?
50% of small businesses fail after their 5$^{th}$ year in business. The statistics are even worse for construction industry small businesses, having the lowest survival rate by their fifth year in business. The research is designed to explore and understand the methods that could be implemented to help sustain construction industry small businesses.

What will be done during this research study?
You will be invited to a Zoom meeting, where a discussion will be guided with semi-structured interview questions. You do not have to answer questions you do not want to answer. You are asked to answer honestly and to the best of your knowledge.

How will my data be used?
Your answers will be collected, coded, and analyzed. Your data will be kept confidential. An alpha-numeric code will be assigned to each participant to protect participant identity.

Aggregated with others, the data from your answers will be used to generate the findings of the study. Your name, address, or other identifiable information will not be disclosed.

What are the possible risks of being in this research study?
This study qualifies for an exempt review, as the risk of participation is minimal. It represents no greater risk than that one incurred in daily routine. The interviews will typically take about 30 to 45 minutes. Some participants may experience fatigue and to reduce this minimal risk, the interview time will be flexible, and it can be terminated if the participant is uncomfortable at any point.

What are the possible benefits to you?
Potential benefits to the participants may include gaining a better awareness of their organizational practices related to the study through the interview questions.

What are the possible benefits to other people?
Your participation will be greatly appreciated as it will inform and contribute to the general study of small business sustainability within the construction industry.

What are the alternatives to being in this research study?
Your participation is voluntary. Your refusal to participate will involve no penalty. You may withdraw your consent at any time and discontinue participation without penalty. You are not waiving any legal claims, rights, or remedies because of your participation in this research study. The alternative to participation in the study is not participating or completing only the items which you feel comfortable completing.

What will being in this research study cost you?
There is no cost to you to be in this research study, except investment of time spent in the 30–45-minute interview.

Will you be compensated for being in this research study?
No compensation will be provided for participation in this research study.

What should you do if you have a problem during this research study?
Your welfare is the major concern of every member of the research team. If you have a problem as a direct result of being in this study, you should contact the researcher. If you have questions, concerns, or complaints about your rights as a research participant or research, in general, please contact Dr. Judy Ho, Chairperson of the Graduate & Professional Schools Institutional Review Board at Pepperdine University 6100 Center Drive Suite 500 Los Angeles, CA 90045, 310-568-5753 or gpsirb@pepperdine.edu.
By signing this form, you are acknowledging you have read the study information. You acknowledge that your participation in the study is voluntary, that you serve as the leader of your small business organization in Southern California, and have sustained your business for 5 or more years. You are also aware that you may choose to terminate your participation in the study at any time and for any reason without penalty.

How will information about you be protected?
Reasonable steps will be taken to protect your privacy and the confidentiality of your study data. The data will be stored in a password-secured external drive connected to the researcher's personal computer. External computer drive will be kept in a locked cabinet in the home office and will only be seen by the researcher during the study. The data will be destroyed within three years of the study's completion according to IRB policies.
The only persons who will have access to your research records are the study personnel, the Institutional Review Board (IRB) of Pepperdine University, and any other person, agency, or sponsor as required by law. The information from this study may be published in scientific journals or presented at scientific meetings but the data will be reported as group or summarized data and your identity will be kept strictly confidential.

What are your rights as a research subject?
You may ask any questions concerning this research and have those questions answered before agreeing to participate in or during the study. For study related questions, please contact the investigator(s) listed at the beginning of this form.

For questions concerning your rights or complaints about the research contact the Institutional Review Board (IRB):
Phone: 1(310)568-2305
Email: gpsirb@pepperdine.edu

What will happen if you decide not to be in this research study or decide to stop participating once you start?
You can decide not to be in this research study, or you can stop being in this research study ("withdraw') at any time before, during, or after the research begins for any reason. Deciding not to be in this research study or deciding to withdraw will not affect your relationship with the investigator or with Pepperdine University.

Documentation of informed consent
You are voluntarily making a decision whether or not to be in this research study. Signing this form means that (1) you have read and understood this consent form, (2) you have had the consent form explained to you, (3) you have had your questions answered and (4) you have decided to be in the research study. You will be given a copy of this consent form to keep.

Participant Name:

___________________________
Name of Participant: Please Print

Participant Signature

___________________________ _______________
Signature of Research Participant Date

A copy of this INFORMED CONSENT FORM has been provided to the participant.

Print Name of Researcher taking the consent______________________________

Signature of Researcher taking the consent_______________________________

-Date __________________________________