

Chapter 79

Startup Success Trends in Small Business Beyond Five–Years: A Qualitative Research Study

Alvin Perry

Claremont Lincoln University, USA

Emad Rahim

Bellevue University, USA

Bill Davis

Ashford University, USA

ABSTRACT

While entrepreneurs help to drive venture growth through business development in their respective cities, approximately 50% of new business ventures fail within the first 5 years of operation. Boss concluded that over 60% of entrepreneurs and small business owners fail within the first 6 years of doing business. This article examines some of the main factors that support early growth stage entrepreneurial sustainability for small business startups. In this article, entrepreneurship success factors, failure rates and sustainability are examined through qualitative research, expanding on factors identified in previous studies and applying them to different geographical areas. The results of this study can help reduce the number of small business failures by providing actionable knowledge to entrepreneurs in the start-up and early growth stages of business development.

INTRODUCTION

Entrepreneurs recognize opportunities and work to commercialize their ideas for new products and services. In doing so, they create hundreds of thousands of new business startups every year. According to the U.S. Small Business Administration (2008), while there were 597,000 small business startups in 2008, 641,000 small businesses closed that same year. Further, there is a recurring trend of small businesses

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opening and closing in the same year (U.S. Small Business Administration, 2008). This study examined entrepreneurship success factors, sustainability, failures, and new knowledge gained through qualitative research. What are some factors that create successful entrepreneurs? How does an entrepreneur sustain their success over a period of five years? Why do some entrepreneurs fail in the first year? In this paper, questions such as these and others are explored.

FOUNDATION OF THE STUDY

The driver of commerce in the United States is entrepreneurship (U.S. Department of Commerce, 2009). Entrepreneurs create small businesses and drive venture growth, which is vital for developing a strong and growing economy (U.S. Department of Commerce, 2009). One major challenge that entrepreneurs still face in the United States is a high failure rate.

Approximately 50% of new businesses fail within the first 5 years of operation (U.S. Department of Commerce, 2009). Boss (2010) concluded that over 60% of entrepreneurs fail within the first 6 years of doing business. This study used qualitative methods to examine factors that contribute to sustaining a business from startup through the growth stage. Few researchers have conducted studies on entrepreneurship failure, as most available studies have focused on success (see, for example, Byrd, 2010; Chupp, 2010; Johnson, 2010; Osbourne, 2009; Reaves, 2008; Schorr, 2008; Valdez, 2009; Weinberger, 2009; and Busenitz, Page West, Shepherd, Nelson., Chandler, & Andrew, 2003). As a follow-up to previous studies, this study addresses how some entrepreneurs are able to sustain their businesses beyond the first 5 years.

The target group for this study consisted of 20 hair salon owners in the state of New Jersey who had been in business for a minimum of 5 years. This research was necessary to expand sustainability knowledge derived from previous studies to different geographical areas. The results of this study may support entrepreneurs in the startup and growth stages of development in New Jersey.

BACKGROUND

The United States is currently recovering from the largest economic downturn since the Great Depression (Semoon, 2010). The government has had to step in and provide public funds to save big banks (Verschoor, 2010). The current and future economic environment may present a great opportunity for entrepreneurs to start businesses and sustain them, as there are always business problems to solve.

The issue addressed in this qualitative, phenomenological study is the high failure rate of small business entrepreneurs. All of the factors needed for success after 5 years in business was investigated. According to a report issued by the U.S. Department of Commerce (2009), 30% of startups fail in the first 2 years. Despite favorable research that may have supported small business success, the rate of failure is still rather high. Similarly, Boden and Headd (2002) noted that businesses fail 50% of the time after the fourth year of operations. The problem of small business failure has negatively affected the U.S. economy. This study may help to remedy the situation by providing new knowledge on sustainability that can reduce the number of small business failures.

The U.S. Department of Commerce (2009) found that the rate of small business failure at the 5-year mark was 49%. According to Song, Podoyunitsyna, van der Bij, & Halman (2008), failure beyond the

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