

A PHENOMENOLOGICAL EXPLORATION OF LEADERSHIP
CHARACTERISTICS OF SMALL BUSINESS OWNER-FOUNDERS

by

Kevin Dwayne McKinney

A Dissertation Presented in Partial Fulfillment
of the Requirements for the Degree
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ABSTRACT

The low success rate of small businesses operating beyond the first 4 years in operation in the United States provided the impetus for the study. The leadership styles and techniques used by small business owner-founders affect an organization's future sustainability and survivability (Collins, 2005; Fuller-Love, 2006; Rasheed, 2005). A sample of 20 Arizona small business owner-founders participated in the qualitative, phenomenological study. The data and analysis indicated the following leadership characteristics necessitating organizational success for small business owner-founders: (a) lead by example, (b) establish positive leader–follower relationships, (c) recognize that the changing business environment will cause changes or develop new leadership characteristics, (d) understand the need for relationship building skills, and (e) know your employees. The themes interrelate to form the basis for building a solid leadership foundation for small business owner-founders to follow in leading their company successfully beyond the first four years in operation.

DEDICATION

I dedicate this dissertation to my wife, Belinda, and my children, Dwayne, Ebony, and Zsanette. I would also like to dedicate the dissertation to my late grandmother, Nellie Sanders, who always wanted the best for me. Finally, I dedicate this study to all the small business owner-founders striving to lead their organizations successfully.

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TABLE OF CONTENTS

LIST OF TABLES	xii
CHAPTER 1: INTRODUCTION	1
Background of the Problem	2
Statement of the Problem.....	5
Purpose of the Study	7
Significance of the Study	8
Significance of the Study to Leadership	9
Nature of the Study	10
Characteristics and Selection of the Sample.....	11
Data Collection and Testing the Telephone Interview Questions	11
Data Analysis and Results	14
Research Questions.....	15
Theoretical Framework.....	16
Definition of Terms.....	18
Assumptions.....	20
Scope.....	21
Limitations	21
Delimitations.....	21
Summary	23
CHAPTER 2: REVIEW OF THE LITERATURE	24
Historical Leadership Perspective.....	25
Authoritarian Leadership.....	25

Participative Leadership	26
Machiavellian Leadership.....	27
Coleadership	27
Transactional and Transformational Leadership	29
Organizational Leadership.....	30
Twenty-First Century Theoretical Leadership Perception.....	33
Transformational Leadership Theory Influencing the Business Environment	34
Team Cohesion	34
Project Management	35
Employee Relationships	35
Cultural Diversity	37
Organizational Success.....	37
Strategies Influencing the Business Environment	40
Human Resources	41
Business Process	42
Innovation	43
Flexibility.....	43
Customer Focused	44
Gender.....	44
Environmental Theory Impacting Entrepreneurial Success and Failure	45
The Entrepreneurial Factor in Business Failure.....	51
Entrepreneurship.....	53
Conclusion	56

Summary	57
CHAPTER 3: METHOD	59
Research Method	60
Appropriateness of Design.....	62
Population	63
Sampling	64
Research Bias.....	64
Consent, Confidentiality, and Geographic Location.....	66
Data Collection	67
Appropriateness of Data Collection.....	68
Instrumentation	68
Instrument Reliability	69
Internal Validity	69
External Validity.....	69
Data Analysis	70
Appropriateness of Data Analysis	70
Conclusion	71
Summary	74
CHAPTER 4: RESULTS.....	75
Demographics	76
Collection Method	76
Data Analysis.....	78
Step 1: Horizontalization	79

Step 2: Listing the Meaning or Meaning Units	79
Step 3: Clustering	80
Step 4: Textual Description of the Experiences	80
Data Clustering	80
Question 1: How Do You as a Small Business Owner Describe the Leadership Characteristics Contributing to Organizational Success?	81
Question 2: How Do You as a Small Business Owner Describe the Changes Occurring in Your Leadership Characteristics Since Founding the Company?	81
Question 3: What Role Do Critical Organizational Incidents or Issues Have in Developing or Changing Your Leadership Characteristics?	82
Question 4: How Would You Describe Leadership Experiences in Leading Your Organization During the First Four Years in Operation?	83
Question 5: What Leadership Advice, If Any, Would You Pass On to New Entrepreneurs?	84
Textual Description	85
Question 1: How Do You As a Small Business Owner Describe the Leadership Characteristics Contributing to Organizational Success?	85
Question 2: How Do You as a Small Business Owner Describe the Changes Occurring in Your Leadership Characteristics Since Founding the Company?	86
Question 3: What Roles Do Critical Organizational Incidents or Issues Have in Developing or Changing Your Leadership Characteristics?	87
Question 4: What Leadership Characteristics, If Any, Most Helped You Lead Your Organization Through the First Four Years in Operation?	88

Question 5: What Leadership Advice, If Any, Would You Pass On to New Entrepreneurs?	89
Analysis of Findings and Summary	89
CHAPTER 5: CONCLUSIONS AND RECOMMENDATIONS	91
Findings and Interpretations: Major Themes	92
Theme 1: Lead by Example	93
Theme 2: Establish Positive Leader-Follower Relationships	94
Theme 3: Recognition that the Changing Business Environment will cause Changes or Develop New Leadership Characteristics.....	95
Theme 4: Understand the Need for Relationship-Building Skills	96
Theme 5: Know Your Employees	97
Implications.....	98
Outcome of Research Questions	100
Significance of the Study to Leadership	102
Reflection on the Study.....	103
Recommendations.....	105
Recommendations for Future Research.....	105
Recommendations for Small Business Leaders.....	106
Summary	107
REFERENCES	109
APPENDIX A: INFORMED CONSENT: PARTICIPANTS UNDER 18 YEARS OF AGE	131
APPENDIX B: INTERVIEW QUESTIONS.....	133

APPENDIX C: LETTER TO REQUEST PARTICIPATION..... 137

APPENDIX D: LETTER TO PARTICIPANT..... 139

LIST OF TABLES

Table 1 <i>The Seven Steps of the Modified van Kaam Method</i>	13
Table 2 <i>The Four Critical Steps of the Modified van Kaam Method</i>	62
Table 3 <i>Demographic Characteristics of Research Participants - Gender</i>	77
Table 4 <i>Demographic Characteristics of Research Participants - Employees</i>	77
Table 5 <i>Demographic Characteristics of Research Participants – Years in Operation</i>	77
Table 6 <i>Leadership Characteristics Most Frequently Perceived as Contributing to Successful New Organizations</i>	81
Table 7 <i>Leadership Characteristics Most Frequently Perceived as Transforming Organization Successfully</i>	82
Table 8 <i>Leadership Characteristics Most Frequently Perceived as Developing or Changing Organizational Leaders</i>	83
Table 9 <i>Leadership Characteristics Most Frequently Perceived as Contributing to the Success of a New Organization</i>	84
Table 10 <i>Leadership Characteristics Most Frequently Perceived as Contributing to the Success of a New Entrepreneur</i>	85

CHAPTER 1: INTRODUCTION

Small firms in the United States accounted for 26.8 million ventures in 2006 and produced 50% of the gross domestic product (Kobe, 2007; U.S. Small Business Administration, 2007). Only 44% of small businesses succeeded beyond the first four years in operation (U.S. Small Business Administration). The leadership styles and techniques used by small business owner-founders affected the organizations' future sustainability and survivability (Collins, 2005; Fuller-Love, 2006; Rasheed, 2005). In a study involving 170 new ventures from retail and service sectors, Harris and Gibson (2006) described leadership as one of several issues affecting organizational sustainability and survivability.

Small business enterprises support the U.S. economy and warrant a closer examination to understand why only 44% of small businesses are successful in sustaining operations for four or more years (U.S. Small Business Administration, 2007). Collins (2005) noted a relationship existed between sound leadership characteristics in organizational leaders and enterprise success. Small venture leaders face leadership challenges in starting and growing a new business (Mellahi & Wilkinson, 2004).

Chapter 1 includes a discussion on the context of the problem small business owner-founders face, supported by peer-reviewed literature. The problem statement entails general and specific observations identifying the need for the study. The purpose and significant of the study outlines the methodology and the possible benefits in conducting the study. Chapter 1 also includes the theoretical framework of the study in perspective with other relevant research followed by definitions of operational terms

found in the study. Finally, chapter 1 includes the study's assumptions, scope, limitations, and delimitations.

Background of the Problem

Stinchcombe (1965) reported new ventures have fewer resources than more mature organizations, less leadership experience in operating a small firm, fewer customers, and little external support in place. Stinchcombe focused on the relationship between organizational maturity level and failure and purported the higher failure rates seen in new companies were due to the leadership learning new missions and processes, as well as conflicts and problems relating to the new leadership roles. Stinchcombe also described a lack of formal organizational structures and indicated the need to establish new customer relationships contributes to higher failure rates in new ventures. Other organizational maturity and failure relationship studies supported Stinchcombe's findings (Bruno & Leidecker, 1998; Carroll & Delacroix, 1982; Gaskill, Van Auken, & Manning, 1993; O'Neill & Duker, 1986; Swaminathan, 1996).

The focus of current literature on small business failure was the inherent risks involved with start-up companies to investors, stakeholders, and owner-founders and the suitability of the market environment for success (Gilmore, Carson, & O'Donnell, 2004; Huyghebaert, Van de Gucht, & Van Hulle, 2007). A key aspect to investors' and stakeholders' involvement with new ventures and their willingness to accept the risks of supporting a new venture depended on the owner-founder's and management team's perceived experience to lead the company during the critical infancy stages (Hindle & Mainprize, 2006). Stinchcomb's (1965) assertion that companies fail because of their leadership indicated a relationship existed between the undeveloped maturity level of a

new company and the undeveloped leadership roles and responsibilities of the owner-founder. A study involving small business owner-founders' leadership characteristics might assist leaders of new enterprises during the first four years in operation.

The owner-founder of a new small business is essential to whether the organization succeeds or fails (Collins, 2005; Rasheed, 2005). Organizational leadership is a process of communicating and inspiring others to follow a vision beyond normal commitment in an organization (Jackson, 2007). Strategic opportunities are available to small business leaders who are willing to address management issues in young organizations (Byus & Box, 2007). Managers and leaders discern internal and external behaviors as well as develop and implement a strategic plan specifically matched with the organization's people and competencies to compete in a global economy (McManus & Botten, 2006).

Individuals or partners with dreams of revenue and potential growth start many new business enterprises, but 56% fail within the first four years in operation (U.S. Small Business Administration, 2007). A comprehensive understanding of leadership characteristics affecting a successful venture versus a failed business is essential to future leaders considering new entrepreneurial endeavors (Fried, 2006; Gelderen, Thurik, & Bosma, 2005). Leadership was as imperative to small enterprises as to large corporate enterprises. Jensen and Luthans (2006) discussed leadership hardships confronting new small business owner-founders and noted leadership abilities are critical to the success of an organization to maintain competitive advantage.

Small company owner-founders develop, train, and mentor employees while providing an organizational culture and environment in which employees are empowered.

Fuller-Love (2006) wrote small business leadership involved interaction between owner-founders and employees within the organization. Leading any enterprise can be a daunting task, especially without training and support. Small enterprise leaders act and respond to leadership's internal and external issues without the support of large staffing departments (Byus & Box, 2007).

New entrepreneurs and support organizations assisting small businesses rarely consider leadership style in the early stages of a new business venture because much of the time is spent preparing business plans and finances (McKenna & Oritt, 1980). Small venture leaders share the vision of the organization, create flexibility, and nurture employees to meet organizational objectives and changes during the early growth stages of a new endeavor. Harker and Sharma (2000) explained leadership is essential to entrepreneurial success. To illustrate the relationship between leadership and the potential for successful small companies, Bhide (1994) conducted a study using the interviews of 100 founders on *Inc.*'s 500 list of organizations. Bhide revealed critical leadership elements in successful small organizational approaches involved quickly analyzing opportunities, identifying issues to focus on, and conducting flexible decision making on the move.

In a study involving organizational innovation, Napier and Nilsson (2006) focused on the leadership role of entrepreneurs in developing employee creativity. In each of the case studies, leadership by the owner-founder was instrumental in developing organizational success (Napier & Nilsson). Each case study presented different approaches and leadership styles, but the research indicated the entrepreneur as the leadership architect behind an organization's accomplishments. The success of a small

business depends on the leadership of the owner-founder in the first four years and on making the right decisions (Napier & Nilsson).

Entrepreneurs balance innovation, resources, and leadership demands of a small business during its early growth stages (McKenna & Oritt, 1980). Kirkbride (2006) noted leaders should provide a clear and concise vision and create a flexible organization. The challenge for small business leaders is to balance the core mission of the organization, caring for employees, and meeting the needs of external stakeholders while staying in control and to lead by making decisions affecting organizational success (McManus & Botten, 2006). The small business organizational environment requires leaders to develop, learn, and implement a particular leadership style or theory to lead in a continuously changing business environment and technologically advanced marketplace (Kouzes & Posner, 2003).

Statement of the Problem

A crucial issue confronting small business leaders in the first four years in operation was leadership (Collins, 2005; Gilmore et al., 2004; Huyghebaert et al., 2007; Rasheed, 2005). Mellahi and Wilkinson (2004) posited the leadership characteristics of small firm owner-founders were the direct cause of organizational failure. A problem exists with the leadership styles and techniques used by small business owner-founders given that 56% fail within the first 4 years in operation (U.S. Small Business Administration, 2007). A qualitative phenomenological study involving an investigation into the leadership characteristics of successful new small company owner-founders might contribute to a resolution of organizational failure.

Rasheed (2005) and Collins (2005) indicated strong leadership characteristics correlated with the success of an organization. Specifically, a study involving an examination into leadership characteristics used by leaders of small corporations who successfully lead their enterprises in the first four years of operation might contribute to a resolution of organizational failure. The inability of 56% of owner-founders of new small ventures to manage companies through the infancy, growth, and decline stages indicated a need for evidence-based research to assist in better understanding how owner-founder leadership characteristics might increase the chances of small business survival (Lester, Parnell, & Carraher, 2003).

The current qualitative phenomenological research study involved examining the leadership characteristics displayed by small business owner-founders of selected small businesses located in Arizona. The research and identification of leadership characteristics might improve a small business entrepreneur's chances of success (Collins, 2005; Rasheed, 2005). Owner-founders and new entrepreneurs of organizations in the infancy, growth, and decline stages (Lester, 2004) took measures to develop and practice or consider such leadership characteristics in leading their company to success rather than failure. The literature indicated an owner-founder's decisions and experiences are principal reasons for organizational failure (Collins; Mellahi & Wilkinson, 2004; Rasheed), and qualitative phenomenological research was the most appropriate methodology to inquire into and relate the unique events of a small purposeful sample of participants into theory (Cope, 2005).

Purpose of the Study

The purpose of the current qualitative phenomenological study was to examine the themes of leadership characteristics perceived by 20 owner-founders of selected small businesses located in Arizona, which might give reasons for or show patterns regarding why only 44% of new small companies survive the first four years (Moustakas, 1994; U.S. Small Business Administration, 2007). Purposeful sampling provided respondents who could best assist with understanding the problem with the leadership styles and techniques used by small business owner-founders for organizational success. The number of participants allowed for sufficient data gathered to conduct a detailed analysis for the research (Creswell, 2005). The study involved audio-taped, semi-structured telephone interviews with 20 small business owner-founders in Arizona using open-ended questions to search for potential themes in the data (Moustakas).

The list of leadership characteristics drawn from the theme development and analysis might contribute to the resolution of the organizational failure of small businesses. Specifically, the core population of the research study included owner-founders currently leading organizations operating beyond the first four years. Findings from the study might lead to considerable increases in the effectiveness of leaders' decision-making processes and to the organizational success of companies with similar qualities. The current examination of the leadership characteristics of successful small business owner-founders might result in a better understanding of the phenomenon of small business failure, which might assist new and current leaders of small businesses (Heck, Hoy, Poutziouris, & Steier, 2008).

Significance of the Study

Small businesses, entrepreneurs, and employees are important aspects of the U.S. marketplace (A. Morrison, Breen, & Ali, 2003). The U.S. Small Business Administration (2007) revealed the following statistics for small ventures: (a) small businesses' income in the United State was an estimated \$992.5 billion in 2006, (b) small enterprises employed 50.9% of the United States' nonfarm private employees in 2004, and (c) small business loans under \$1 million were valued at \$684.6 billion for 24.5 million small businesses in 2007. Nevertheless, fewer than 44% of all new entrants into small business markets succeeded in the first four years of operation (U.S. Small Business Administration).

O'Regan and Ghobadian (2004) reported small business research is insufficient and business researchers focus primarily on large organizations. Researchers of organizational leadership focus predominantly on large organizations (Ucbasaran, Lockett, Wright, & Westhead, 2003). Chua, Chrisman, and Sharma (2003) indicated that limited research existed on exploring leadership characteristics of small business owner-founders.

Steier and Ward (2006) noted academic curricula concentrate only on large corporations. The focus of small business studies was organizational survival and financing rather than understanding the factors associated with success throughout the organizational life cycles (O'Regan & Ghobadian, 2004). The results of the current study might help increase small business survival through improving owner-founder leadership skills (Collins, 2005; Rasheed, 2005).

The analysis and results of the phenomenological inquiry might encourage owner-founders of small enterprises to use the leadership characteristics described in the study to collect, analyze, and make effective decisions during the infancy, growth, and decline stages of an organization, leading to success in the future (Collins, 2005; Moustakas, 1994; Rasheed, 2005). Zaccaro and Horn (2003) posited owner-founders of any size enterprise want to learn and incorporate leadership characteristics into their organizations to facilitate survivability and sustainability. The analytical results of the study also added to the body of academic knowledge (Gelderen et al., 2005; Moustakas, 1994) and might encourage further research in the field of small business leadership.

Significance of the Study to Leadership

Collins (2005) noted great leadership characteristics can lead to increased organizational success. A. Morrison et al. (2003) posited policy makers are refocusing small business research toward understanding organizational success in order to target governmental resources appropriately. Effective leadership is vital to the success of small companies (Collins; Rasheed, 2005). Support agencies target and nurture small organizations with leaders who display the leadership characteristics associated with success (A. Morrison et al., 2003).

A relationship existed between leaders who attended transformational leadership training and increased organizational performance and success, which led to trust, commitment, motivation, and team building while under duress (Bass, Jung, Avolio, & Berson, 2003; Muir, 2007; Reinhardt, 2004; Thyer, 2003). Transformational leaders gained better long-term organizational results in employee performance, creativity, and job satisfaction than transactional leaders (Chan & Chan, 2005; Lim & Ployhart, 2004).

Chua et al. (2003) noted limited research existed on exploring leadership characteristics of small business owner-founders. The focus of studies on organizational leadership involved predominantly large organizations (Ucbasaran et al., 2003).

The researchers of small business studies concentrated on organizational survival and financing rather than on understanding the factors associated with success throughout the organizational life cycles (O'Regan & Ghobadian, 2004). The current study of leadership characteristics in owner-founders of small ventures might provide further understanding of possible leadership traits to entrepreneurs who want to succeed. The potential leadership characteristics gleaned from the study might provide small business owner-founders with substantial support for the interdependence of strong leadership and success (Collins, 2005; O'Regan & Ghobadian; Rasheed, 2005).

Nature of the Study

The qualitative method was appropriate for the study because the approach supported the formulation of theories based on the research participants' perspectives and experiences investigating the phenomena (Creswell, 2005; Moustakas, 1994). The primary research design for the study was phenomenological exploration.

Phenomenological research was appropriate because a phenomenological examination of possible leadership characteristics of small business owner-founders supported the development of common leadership characteristics, which contributed to the success of small businesses beyond the first four years of operation (Collins, 2005; Moustakas; Rasheed, 2005).

The alternative to a qualitative method is a quantitative approach. A quantitative method would be appropriate when trying to find an answer using an objective scientific

approach, numerical data, and statistical analysis of the data (Creswell, 2005). Because the problem of the study involved examining participants' perceived experiences in producing theories as opposed to developing relationships between variables and difference test groups, a qualitative phenomenological exploration methodology provided a more appropriate approach (Cope, 2005; Moustakas, 1994).

Characteristics and Selection of the Sample

The U.S. Small Business Administration (2007) categorizes a small business as an organization with less than 500 employees. For the purposes of the study, a small business had a maximum of 100 employees. The number of employees provided a realistic sample of employees employed by 98% of the small businesses in Arizona in 2003 (Rex, 2006). Other criteria for inclusion in the study were that the owner-founder (a) controlled 51% or more of organizational assets, (b) made the majority of the final organizational decisions, (b) desired to share leadership characteristics, and (c) founded the organization four or more years before the telephone interviews took place. The Arizona Small Business Association (ASBA) provided sources for potential participants who met the characteristics criteria for the sample.

Data Collection and Testing the Telephone Interview Questions

Participants completed the informed consent form (see Appendix A) and returned it through the mail or as a document sent via e-mail. The objective of the phenomenological dialogue was to gain information that formed the basis for the analysis and theme development of the perceived leadership experiences as described by the participants (Cope, 2005; Moustakas, 1994). Moerrer-Urdahl and Creswell (2004) described a systematic approach to analyzing qualitative data. The study included

Moustakas' (1994) modified van Kaam method of analyzing phenomenological data (see Table 1). The use of QSR NVivo software to analyze the data aided in the research.

Table 1

The Seven Steps of the Modified van Kaam Method

Name	Description
1. Horizontalization	Inventories and assembles initial expressions germane to the experiences
2. Reduction and elimination	Categorizes the constant components by testing for necessity to understand the experience and the ability to conceptualize into a characterization
3. Clustering and thematizing the invariant constituents	Groups the constant elements of experience themes
4. Final identification of the invariant constituents and themes by application or validation	Identifies where the themes are fully expressed in the participant's transcript or compatible with the experience, otherwise delete
5. Creating individual textural description	Encapsulates each participants' experience using verbatim examples from the transcription
6. Creating individual structural description	Involves developing a vivid explanation of the underlying factors of the experience, and the connection to themes, feelings, and thoughts
7. Creating textual-structural description	Entails developing a description of the core meaning of the experience incorporating the constant elements and themes.

Data Analysis and Results

Cope (2005) reported themes in phenomenological research transpire from the experiences shared by the participants. Each participant's shared experiences formed the foundation for building themes from related occurrences (Cope; Moustakas, 1994). The goal of phenomenological research was to create new themes from the experiences described in the study in contrast to confirming or denying existing theories (Cope; Moustakas). The aim of the study was to form "bottom-up interpretive theories that are inextricably grounded in the lived-world" (Cope, p. 171).

Ryan and Bernard (2003) proposed using qualitative data to understand key social issues such as leadership in small businesses. From a phenomenological perspective, prior theme development based on previous research might support the findings but will not negate possible new theme identification and possible new theories (Ryan & Bernard). The current study incorporated Moustakas' (1994) modified van Kaam method of analyzing phenomenological data (see Table 1). Theoretical development of the data included comparing the themes with theories in peer-reviewed literature on small businesses and incorporating the results into the research findings (Cope, 2005; Moustakas; Ryan & Bernard).

A quantitative method is appropriate when a researcher is trying to find an answer using an objective scientific approach with defined collected numerical data and statistical analysis of the data (Creswell, 2005). The current qualitative phenomenological method seeks to describe and analyze the experiences of participants (Cope, 2005; Moustakas, 1994). The purposeful sampling of participants provided the basis for choosing respondents who could best assist with understanding the problem with the

leadership styles and techniques used by small business owner-founders and organizational success (Creswell, 2005). The number of participants allowed for detailed analysis of the data within the time constraints for the research (Creswell, 2005). A qualitative phenomenological approach and small purposeful sampling was appropriate for the study (Moustakas).

Research Questions

The current study included the following research questions:

RQ1. What leadership characteristics do small business owners perceive as contributing to a successful new organization?

RQ2. How do organizational incidents transform small business owners' leadership characteristics?

RQ3. What leadership model contributes to the success of new small businesses?

The intent of the qualitative study was to understand whether identifiable themes of leadership characteristics existed within the conversations of small business owner-founder research participants. The study involved exploring leadership characteristics themes from the perspectives of owner-founders in successfully operating a small business beyond the first four years in operations. Rasheed (2005) and Collins (2005) noted strong leadership was a predictor of organizational success. The telephone interview questions (see Appendix B) probed for underlying leadership characteristics supported by the literature as leadership characteristics experienced by small business owner-founders to assist in sustaining operations for the first four years.

Theoretical Framework

The study entailed an examination of both the general theories of leadership and the foundational theories supporting small business research. Gelderen et al. (2005) noted research that indicates why small businesses succeed or fail was essential to practitioners looking for an advantage in a competitive market and to academic researchers to discover new models or to add additional findings to existing research. Entrepreneurial theory originated with Schumpeter's (1982) description of the entrepreneur as an innovator and new entrant in the marketplace. From a behavioral theoretical perspective, McClelland (1961) pioneered the study of the entrepreneur. McClelland noted entrepreneurs were confident, independent high achievers with problem-solving skills and preferred situations that challenged their independent characteristics with moderate risks.

Historically, research pertaining to small business failures fell into two business environmental categories: external factors and internal factors (Rasheed, 2005). The external factors included competition and assistance support affecting sustainability and survivability (J. L. Morrison, Johnson, & Busenitz, 2004). The internal factors included resources and leadership (Mellahi & Wilkinson, 2004).

External and internal business environment factors were weighted evenly when they pertained to small business leaders' response to the factors affecting an organization. Weitzel and Jonsson (1989) noted small business owner-founders failed to successfully forecast, identify, prevent, mitigate, or adapt to the internal or external business environment. Company leaders were consistently aggressive in the start-up, growth, and decline life-cycle stages when making decisions to sustain the company or survive the competition (Lester et al., 2003).

McManus and Botten (2006) reported competitive analysis involved organizational leaders gathering industry environmental intelligence to enable the decision makers to see the competitive terrain clearly. A comprehensive understanding of issues affecting a successful venture versus a failed business enterprise is essential to future leaders considering a new business undertaking (Fried, 2006; Gelderen et al., 2005). Leadership requires continuous practice and understanding of the internal and external factors that play a critical role in dissecting the relational dynamics necessary to lead any organization (Lester et al., 2003).

Gaskill et al. (1993) posited effective leadership influences the survivability and sustainability of an organization and is the key aspect contributing to whether a business fails or succeeds. The business environment involves constant change for small businesses throughout the business life cycle. Employees and organizations require leadership characteristics that provide a means to transition smoothly through organizational transformation leading to organizational success.

Transformational leadership is one of many leadership theories researchers have studied in relationship to overall organizational success. Crawford (2005) indicated transformational leaders, as change agents, are better suited for leading cohesive technological organizations and innovative teams. Team cohesiveness is an ingredient to successful business performance in small, medium, or large businesses (Lee & Chang, 2006; Stashevsky & Koslowsky, 2006).

Organizational leaders using transformational skills assist followers and teams in believing positions are stimulating and vital to increased organizational performance (Feinberg, Ostroff, & Burke, 2005; Masood, Dani, Burns, & Backhouse, 2006; Piccolo &

Colquitt, 2006). Transformational leaders successfully decrease employees' skepticism toward organizational change and create a culture of fairness while also affecting employees and organizations beyond the business unit through social networking (Adebayo, 2005; Bommer, Rich, & Rubin, 2005; Bono & Anderson, 2005; Harland, Harrison, Jones, & Reiter-Palmon, 2005). A relationship exists among transformational leadership, trust, change, and survival strategies combating internal and external factors affecting organizations (Adebayo; Ben-Zur, Yagil, & Oz, 2005; Ferres, Connell, & Travaglione, 2005; B. N. Smith, Montagno, & Kuzmenko, 2004).

In contrast to a small business owner-founder's leadership as the primary cause for business failure, external environmental factors include high lending rates, economic conditions, taxes, governmental regulations, and competition (Rasheed, 2005; Theng & Boon, 1996; Watson, 2003). The external environmental factors form the basis for causes of operational failure that remain uncontrolled by the small business owner-founder. The top causes of small business failure are taxes, economic conditions, workforce, and high lending interest rates (Morrison et al., 2004; Rasheed, 2005; Theng & Boon, 1996).

Cope (2005) noted qualitative phenomenological research involving an interviewing technique is new and unique to understanding small business theory. The interviewing approach supplements conclusions from larger enterprise quantitative research through discovering similar experiences (Cope). The study of leadership characteristics in owner-founders of small ventures provides further understanding of possible leadership traits to entrepreneurs who want to succeed.

Definition of Terms

The following definitions of terms contribute to the context of the study:

Business environment. The business environment includes the internal and external factors that place increasing pressure on an organization to meet stakeholders' needs (McManus & Botten, 2006). The external factors include competitors and organizational support (J. L. Morrison et al., 2004), and the internal factors include organizational resources and leadership (Mellahi & Wilkinson, 2004). Leadership includes determining a strategy to leverage, work with, and satisfy internal and external forces in maintaining a competitive advantage (McManus & Botten).

Entrepreneurial risk. The probability a small business might fail to meet projected profit to meet operational and debt costs (Gilmore et al., 2004; Huyghebaert et al., 2007).

Experience. Events perceived by the participant as meaningful (Cope, 2005; Moustakas, 1994).

Leadership characteristics. Personal traits, values, and beliefs used to lead (Collins, 2005).

Organizational failure. Discontinuance of the business operations (S. Singh, Corner, & Pavlovich, 2007; Watson, 2003).

Organizational life cycle. The start-up or infancy stage involves the creation of the company; the growth stage involves the creation of a decentralized organizational structure and definite industry expertise; and the decline stage involves the creation of a centralized organizational structure, individualistic objectives, and curtailed resources to accomplish ambitions (Lester et al., 2003).

Organizational success. New business enterprise continuing business operations at or beyond the first four years of operation (U.S. Small Business Administration, 2007).

Organizational support. Financial institutions, governmental agencies, and other stakeholder organizations with a stake in an organization (Swaminathan, 1996).

Owner-founder. The leader and primary decision maker for a company. The owner-founder could be substituted for leader, manager, or entrepreneur throughout the study and only leaders described as chief executive officer, president, owner-founder, or managing partner participated in the study (Collins, 2005; Rasheed, 2005).

Small business. An independent nonfarm organization with 100 or fewer full-time and part-time employees (Rex, 2006).

Survivability. The ability to compete successfully in the marketplace (J. L. Morrison et al., 2004).

Sustainability. Sufficient revenue to support operations (J. L. Morrison et al., 2004).

Themes. Developed from the frequency of occurrence of terms or language used to describe experiences by the participants (Cope, 2005; Moustakas, 1994).

Assumptions

Research assumptions are unobservable or non-testable declarations about the study (Neuman, 2003). The assumptions for the study involved the interviewing methodology. The assumptions were that respondents would (a) truthfully answer the questions as opposed to providing what they believed to be the correct answer, (b) remember their experiences and the context, and (c) understand the questions (Neuman; Salkind, 2003). The challenge involved obtaining a detailed explanation and meaning of the experience from the participants to describe the essence of the event (Moustakas, 1994).

Scope

The scope of the study involved a restricted reachable population of small business leaders within the state of Arizona. The accessibility and selection of the participants was contingent upon meeting specific criteria. The preference factors included meeting the criteria established for the owner-founder, the number of employees, and the number of years since the company's inception.

Participant selection also depended on a willingness to share experiences relevant to the study. Audio-taped telephone interviews formed the basis for the analysis and the theme development of the perceived leadership experiences described by the participants. The study incorporated Moustakas' (1994) modified van Kaam method of analyzing phenomenological data (see Table 1). Theoretical development of the data included comparing the themes with theories in peer-reviewed literature on small businesses and incorporating the results into the research findings (Cope, 2005; Moustakas; Ryan & Bernard, 2003).

Limitations

Limitations are possible flaws identified in the research (Creswell, 2003). The limitations were issues or exclusions purposely absent from the study. The guiding principles of the study limited participants to volunteers within the state of Arizona. A specified time frame existed for completing the study. The sample size was a limitation of the findings of the study and constrained the ability to generalize the results to a larger population. Phenomenological research captures the experiences of participants at a moment in time (Cope, 2005; Moustakas, 1994). Cope also noted an inherent bias in phenomenological study was the findings are a personal interpretation of the experiences

conveyed by the respondents. Any prior opinions or preconceived hypotheses were deferred during the interviewing process to capture the participants' experiences (Cope; Moustakas). Phenomenological research is a discovery process that might result in building new theories (Cope; Moustakas).

There are also potential weaknesses to interpretation and validity of the study's data. Qualitative interpretation involves forming ideas and creating models from the experiences and perceptions of the research participants. Future studies may verify the interpretation of the data in similarities of research participant's perceptions. However, the validation or testing of the interpreted data is limited.

Delimitations

Delimitations were restricting factors narrowing the extent of the study (Creswell, 2003). The chosen population was limited to small business owner-founders in the state of Arizona, which severely limited the ability to generalize the results. The population represented small businesses with 100 employees or less and did not limit the ability to generalize to similar size companies.

The experiences and potential responses from respondents across the United States in a larger sample could be different from the finding of the current study. A review of current literature on small businesses revealed face-to-face interviews or focus groups helped to clarify research questions, thus producing extensive qualitative data and enhanced research findings (Newby, Watson, & Woodliff, 2003). While the use of face-to-face interviews or focus group methodology might have enhanced research involving small business owner-founders, the study involved telephone interviews because of time, money, and location constraints.

Summary

Given the support by small businesses in the U.S. marketplace and the 56% failure rate associated with new ventures, a comprehensive understanding of leadership issues affecting a successful venture versus a failed venture is essential to future leaders considering new business ventures (Fried, 2006; Gelderen et al., 2005). New entrepreneurs rarely consider leadership style in the early stages of a new business venture. Rather, small business leaders share the vision of the organization, create flexibility, and nurture employees to meet organizational objectives during the early growth stages of a new endeavor.

The success of a small business depends largely on the leadership characteristics of the owner-founder and employees in the first four years (Collins, 2005; Rasheed, 2005). From a theoretical standpoint, the study incorporated leadership theory as a basis to understanding the leadership characteristics of owner-founders of successful small businesses. The use of semi-structured telephone interviews using open-ended questions with new venture leaders of companies at or beyond the first four years of operation revealed common leadership characteristics contributing to the success of the organizations (Cope, 2005; Moustakas, 1994). Chapter 2 includes highlights of historical and current peer-reviewed literature relevant to leadership, transformational leadership theory, and organizational success emphasizing small business ventures.

CHAPTER 2: REVIEW OF THE LITERATURE

Chapter 2 includes a historical leadership perspective followed by 21st century theoretical management viewpoints. A review of the business environmental aspects of transformational theory provides a description of major leadership themes and characteristics affecting organizations. A closer examination of the literature on organizational failure encompassing internal and external environmental factors involves a basis for understanding the phenomenon of a 44% success rate versus a 56% failure rate in new small ventures in the United States (U.S. Small Business Administration, 2007).

Organizational ecology provides the theoretical framework for external organizational failure while upper-echelon theory provides a hypothetical basis for internal causes of company discontinuance. Entrepreneurial leadership theory provides the basis for a discussion of a prominent 21st-century theory in relationship to small business owner-founder leadership characteristics. The current examination into the leadership characteristics of successful small business owner-founders might result in a better understanding of how some small businesses succeed when most others fail, thereby assisting new and current leaders of small businesses (Heck et al., 2008).

The literature review involved examining gaps in studies pertinent to small business research (Chua et al., 2003; O'Regan & Ghobadian, 2004; Ucbasaran et al., 2003). Steier and Ward (2006) noted academic researchers concentrated on large corporations with more than 500 employees. The focus of studies on small business with less than 500 employees was organizational survival and financing rather than understanding the factors associated with success throughout the organizational life cycles (O'Regan & Ghobadian). The results of the study might increase small business

survival rates by providing perspectives on leadership from successful small business owner-founders (Collins, 2005; Rasheed, 2005).

Historical Leadership Perspective

A study of past and present leadership models was imperative to research on developing skills, knowledge, and a foundation from which to lead organizations into a new millennium. According to Kezar, Carducci, and Contreras-McGavin (2006), leadership is a process concentrating on employees' involvement and on accomplishing the mission of an organization. Jacobs, Guopei, and Herbig (1995) noted scholars and practitioners can find usefulness and value in the form of positions with a structured organization in early leadership models such as Confucianism, implemented by Chinese emperors, which maintained peace for Chinese society for many years. Jacobs et al. posited Confucianism involves a hierarchy of fixed leadership structure from which Chinese society operates and provides followers opportunities to participate and achieve goals alongside leadership.

Authoritarian Leadership

The form of authoritarian leadership known in Confucianism as *rule by man* simply means the highest-ranking official makes the final decision and followers obey without question (Jacobs et al., 1995). Confucianism encourages education through examinations to select officials, which presents prospects for all Chinese to obtain positions of authority, wealth, and power (Jacobs et al.). Confucianism introduces principles of honesty, responsibility, and dedication to organizations and society (Jacobs et al.).

While Confucianism exhorts human values and ethics from a leadership perspective, the theory encourages against profit-making ventures for selfish reasons (Chan, 2008). Confucianism mentions profit and inferior individuals within the same context, leading to negative reviews from business leadership (Chan). The 21st century corporate scandals led business researchers to reconsider Confucianism within the context of business ethics (Chan).

Participative Leadership

Another early leadership model scholars and practitioners found useful to organizations and society was Taoism. Unlike Confucianism, which involves leadership authority and hierarchy, the focus of Taoism is relationships and leadership. Pheng (1994) posited Taoism teaches individuals how to live within a social structure and how to have respect for others. Taoism teaches leading by example, selfless service, team building, conflict resolution, self-assessment, self-development, creativity, and mentoring (Pheng).

Taoism also emphasizes the leader–follower relationship of dependence on each other to accomplish the mission while recognizing, understanding, and providing enough leadership to meet the needs of every employee (Pheng, 1994). A Taoist leader respects all persons and has a comprehensive knowledge of the organization, but refrains from making assumptions about people and conceding to dishonesty (Pheng).

Taoism challenges leaders to self-evaluate in the context of the natural world but therein lays the difficulty with understanding Taoism in the business environment (Durlabhji, 2004). Taoism inspires leaders, but as a theory does not provide logical instruments to assist business leaders (Durlabhji). A need exists for researchers to

validate Taoist theories in the business environment, specifically in assisting leadership beyond self-evaluation and providing useful tools to meet business challenges (Durlabhji).

Leadership models from Chinese history introduced organizational leadership structure and moral obligation to self and society as seen from the standpoint of which leadership functions lead to a better organization versus how leadership functions (Jacobs et al., 1995; Pheng, 1994). Leadership models in Western history revealed a different approach based on heroism, where senior officers were born or were associated with their position or rank in society (Wren, 2005). The management models fit among leadership styles of rulers, kings, and religious chiefs of the time. The 16th century Machiavellian model fit into this category.

Machiavellian Leadership

Buttery and Richter (2003) contended Machiavelli's advice to the Italian chief was necessary to retain control and to fortify governance. Machiavelli advised the ruler to build rock-solid defenses in castles if the prince could not raise large armies, cautiously choose a support staff, avoid possible competitors, accept advice, and implement policies resolutely (Buttery & Richter). The Western leadership model placed the burden and responsibilities of success or failure solely on leaders of the era (Harrison, 1999). The negative side to Machiavellian theory was leadership pursuits follow selfish ambitions even if the design includes unethical or unjust behavior by managers (Buttery & Richter).

Co-leadership

In contrast, scholars reported a period in Roman history without an emperor, which led to the Roman Republic being under co-leadership to govern the vast territory

of the republic. Sally (2002) contended because of difficulties facing the republic, co-leadership had a number of directives, standards, and organizational structures and required performance from the co-leaders. Co-leaders assumed and relinquished control jointly. No opportunities occurred for one leader to stage a coup, and each leader's objectives were important to the Republic so as not to bring undue attention to one leader (Sally).

The leaders represented one office only, while the process allowed for the distribution of power equally for each principal. Sally (2002) wrote each chief could reject any decision of the other and the process prohibited public discredit of a co-leader. Each co-executive used the partnership to his advantage. Co-leaders applied selfless service and humility to the benefit of the partnership and the Republic (Sally).

A negative side to co-leadership involves the pairing of the leaders (Alvarez, Svejnova, & Vives, 2007). The proper coupling of co-leaders involves trust, comfort, complement, and compatible commitment on the part of each leader (Alvarez et al.). Another negative side effect to co-leadership involves the employees and their clarity in understanding the co-leaders as one executive with one voice and one objective (Alvarez et al.).

Western leadership models from the early 16th to the 18th centuries were similar in providing a base of power to one individual or a powerful coalition to make decisions for society. Western leadership models historically moved toward addressing leader-follower interaction as a new leadership paradigm. The new paradigm introduced transactional and transformational leadership models. Humphreys and Einstein (2003) posited the transactional leadership model involves a bartering between the leader and the

follower, whereas the transformational leadership model involves the leader's personal ideals and viewpoints in the leader–follower relationship without trading possessions.

Transactional and Transformational Leadership

Sarros and Santora (2001) indicated transactional leadership requires leaders to direct followers and reward them for following and achieving directives. Razi (2006) noted employees' needs involved more than directions and rewards creating organizational competition for their skills. Transformational leadership requires leaders to respect individual involvement in organizational tasks, requires leaders to inspire innovation, and requires followers to follow the leader's example (Sarros & Santora). Transformational leadership develops the leader–follower relationship through listening, mentoring, and inspiring, whereas transactional leadership develops leaders and followers intent on achieving a goal through the organizational structure of compensation, tactics, techniques, and procedures (Sarros & Santora).

Stone, Russell, and Patterson (2004) noted transformational leadership involves a leader–follower relationship in terms of managerial goals, whereas servant leadership involves leaders caring more for their followers' welfare. Weiskittel (1999) described a variety of leadership models or styles to fit all occasions and situations but noted leadership involves more than just the leader. Leadership is more than a process; leadership involves relationships developed and maintained between the leader and the follower (Stone et al.). Harrison (1999) wrote leadership transpires within teams of competent individuals prepared to build associations with team members to achieve goals.

Organizational Leadership

A historical perspective of leadership was pertinent to the study. Fennell (2005) posited leadership entails a broad perspective of theories and practical knowledge from domestic and global analysis. Finnie and Abraham (2002), in an interview with Jim Collins, posited leadership was necessary to transition an organization to meet the challenges of industry changes. According to Collins, every successful organization has superior leadership who led the organization through the transition from good to successful. Small businesses require superior leadership as well (Finnie & Abraham).

Beaver and Jennings (2005) noted a relationship exists between the owner-founder leadership style and organizational success. To lead an organization successfully, leaders must understand the organization as a whole system encompassing the relationships among the organization's structure, culture, spirit, and the various leadership styles (Finnie & Abraham, 2002; Pennington, 2003). Comprehensive knowledge of the organization's structure might assist small business leaders and followers in accomplishing their objectives.

Pennington (2003) contended a keen awareness of an organization's core principles, ethics, and convictions as part of its spirit and culture defines how leaders and followers conduct business. Pennington also posited organizations in trouble had the following tendencies: employees resign or lack confidence in themselves and the organization; organizations had no clear objectives or quick-fix strategies, low customer satisfaction ratings, and fiefdoms within the organization. The relationships among an organization's structure, culture, spirit, and leadership style contribute to the success of its leaders and followers.

De Pree (2003) wrote leadership is helping to enrich the lives of those who allow leaders to lead. Human behavior requires conviction, standards, loyalty, interaction, compassion, problem-solving, advising, and listening from leaders (Stone et al., 2004). Wheatley (2003) indicated leaders consider the whole system to understand the effects of change on individuals and consider individuals to understand the effect of the whole system during change.

People transition and organizations change (Bridges & Bridges, 2003). From a leadership standpoint, more time is required to allow people in organizations to absorb changes internally and externally in direct relationship to their position within organizations (Bridges & Bridges). Individuals are the sum of the environment, education, and cultural upbringing, which requires continuous reevaluation by leaders (Bolman & Deal, 2003).

The current study's evaluation might assist leaders in planning and implementing organizational change and caring for employees' needs during transitioning. Kouzes and Posner (2003) noted to lead well, leaders lead by example, motivate others to see the future, question the status quo, mentor, and cheer on the team. Kouzes (2003) posited leadership can be learned through practice and going through change. Leadership begins with knowing oneself and one's own values.

Leadership is complex and appears to require continuous external and internal examination. Collins and Porras (2003) compared leadership to the difference between constructing a clock and a clock conveying what time it was. Collins and Porras described time telling as a wasteful endeavor compared with building clocks of genuine artisanship to stand the test of time. Just as the artisans prepare the timepiece, leaders

endeavor to learn and grow as leaders. Bolman and Deal (2003) noted no one style of leadership fit all types of situations.

Leaders are effective through self-assessment, analysis, and the implementation of multiple leadership styles in individuals as well as in teams. Badaracco (2003) described defining moments as having to prioritize values and beliefs when facing leadership dilemmas. Each leadership experience is an opportunity to learn from the situation to become a better leader. Badaracco posited leaders learn to analyze each dilemma with questions appropriate for the individual, the team led, and the corporate leader, which creates equilibrium between the profession and values and beliefs.

The examples described by Badaracco (2003) are issues faced by leaders on a daily basis. From a practical standpoint, traditional U.S. businesses still lean toward transactional leadership. Humphreys and Einstein (2003) wrote the transactional model involves a bartering between the leader and the follower, whereas the transformational model involves the leader's personal ideals and viewpoints in the leader-follower relationship without trading possessions.

A review of current leadership literature from 2003 through 2008 was pertinent to the study and provided the reader with sense of real-world leadership issues facing organizational leaders. Fennell (2005) posited the study of multiple leadership theories in relationship to practical leadership experience in organizations increases knowledge of leadership characteristics in changing environments and assists in creating new leadership paradigms.

Twenty-First Century Theoretical Leadership Perception

The concentration of transformational leadership characteristics formed the basis for 21st century theoretical leadership studies. Bass et al. (2003) reported transformational leadership characteristics included the following concepts: (a) idealized influence, in which followers appreciate and trust leaders who showed concern for their well-being, creating a lasting relationship of mutual respect and camaraderie; (b) inspirational motivation, in which leaders' actions motivate and challenge followers, create esprit de corps, and foster a positive view of the future; (c) intellectual stimulation, in which followers are nurtured in an environment that fosters debating alternatives, creativity, and innovation; and (d) individualized consideration, in which followers feel the leader genuinely cares, mentors, and coaches based on an individual need to succeed and grow.

In the classical theory of leadership, leaders maintain power and control of a hierarchical organization structure to dominate all communications and control all resources (Visser, Coning, & Smit, 2005). However, small business survival depends on quick analysis, planning, and the creation of products or services to revolutionize the marketplace. Such an environment requires transformational leadership (Visser et al.). Matzler, Schwarz, Deutinger, and Harms (2008) noted transformational leadership characteristics influence employees to create and innovate and in turn allow organizations to compete and survive in a hostile marketplace.

Visser et al. (2005) posited leaders could develop transformational leadership characteristics through behavioral processes. Transformational leadership theory addresses each of the business leadership tasks through idealized influence, inspiration,

individualized consideration, and encouragement (Matzler et al., 2008; Visser et al.).

With limited resources, small business owner-founders rely on employees to innovate and sustain growth, and transformational leadership characteristics empower and create an organizational culture conducive for employees to reach their potential in contributing to the company's success (Matzler et al.; Visser et al.).

Transformational Leadership Theory Influencing the Business Environment

The business environment constantly changes for large, medium, and small businesses. The needs of employees and organizations require leadership characteristics that provide a means to transition smoothly through organizational transformation to organizational success. A review of the literature spanning 2003 through 2008 revealed a variety of studies testing transformational theory hypotheses ranging from innovation, team cohesiveness, project management, employee relationships, and technology leading to organizational success (Keller, 2006; Krishnan, 2005; Prabhakar, 2005; C. Smith, 2007; Walumbwa, Orwa, Wang, & Lawler, 2005). The literature review provided a glimpse of 21st century peer-reviewed articles, journals, and research on transformational leadership theory and its potentially positive effects on business success.

Team Cohesion

Successful innovation is why most entrepreneurs start new ventures (C. Smith, 2007), but successfully developing the idea into a small business product or service requires assistance from a team of individuals. New entrepreneurs also rely heavily on family, friends, or a business partner. Transformational leaders build relationships and perform well within groups (Berson & Linton, 2005; Krause & Weekley, 2005). Team

cohesiveness is a main ingredient to successful business performance in small, medium, or large businesses (Lee & Chang, 2006; Stashevsky & Koslowsky, 2006).

Project Management

Leading and operating a new venture requires the ability to use project management skills to analyze, plan, implement, and adjust based on customer feedback. Project managers who use transformational leadership techniques are successful in completing their projects (Keller, 2006; Prabhakar, 2005). When technology can sometimes devastate or enhance an organization, transformational leadership appears to help with transitioning organizations through technological advances. International industry project leaders using transformational leadership were more successful within team performance than leaders using laissez-faire leadership styles (Schepers, Wetzels, & Ruyter, 2005; Strang, 2005).

Employee Relationships

Small business leaders require employees with the necessary skills and, in turn, the owner-founders create an environment to hire and retain these employees. Transformational leadership also enhances organizational relationships, which leads to employees feeling connected with organizations, enhanced jobs performance, and organizational success. Transformational leaders enhance employees' identification, professional fulfillment, and commitment to the organization (Krishnan, 2005; Walumbwa, Orwa, et al., 2005). Transformational leadership and self-worth play a positive role in influencing followers' organizational feelings positively (Gaur, 2006; Ilies, Judge, & Wagner, 2006; Walumbwa, Lawler, Avolio, Wang, & Shi, 2005).

Hope is a fundamental process of leadership, and transformational leaders inspire and motivate subordinates to accomplish organizational goals (Barbuto, 2005; Helland & Winston, 2005). Ethical and moral leadership is pertinent to organizational success, as demonstrated by the corporate accounting scandals of the 21st century where executives at Enron, WorldCom, and Arthur Andersen lied to investors through accounting and auditing failures (Bayou, de Korvin, & Reinstein, 2007). Sendjaya (2005) purported transformational leadership theory does not acknowledge ethics as a principal aspect to leadership; however, transformational leadership theory factors provide leaders with a basis to handle ethical issues as long as leaders place others and the organization ahead of themselves.

A relationship exists among transformational leadership, trust, change, and strategies to survive organizational change internal and external to the organization (Adebayo, 2005; Ben-Zur et al., 2005; Ferres et al., 2005; B. N. Smith et al., 2004). Employees' trust and loyalty to the organization were more evident even during recruitment, reorganization of personnel, closing of facilities, and easing employee transitions during organizational transformations as evidenced in organizational leadership appraisals (Ferres et al.; Hautala, 2005). A relationship exists between transformational leadership and an optimistic employee facing organizational transformations (Aldoory & Toth, 2004; Felfe & Schyns, 2004).

A relationship exists between transformational leadership characteristics and employees' trust, commitment, organization satisfaction, and environmental knowledge (Hetland & Sandal, 2003; Kark, Shamir, & Chen, 2003; Murphy & Drodge, 2004). A relationship also exists between employee empowerment, contentment, innovativeness,

and organizational success with transformational leadership (Boerner & von Streit, 2005; Kark et al., 2003; Korkmaz, 2007; Tarabishy, Solomon, Fernald, & Sashkin, 2005).

Boerner, Eisenbeiss, and Griesser (2007) conducted a study of German companies and concluded transformational leaders enhanced employees' performance by inspiring innovation and trust to deliberate issues and provide solutions.

Cultural Diversity

As leaders of small businesses began to face the possibility of entering the global economy, leadership researchers began to address cultural issues leading to organizational success. From a cultural perspective, transformational leadership styles created trust in employees and shaped employees' attitudes through consistency, proficiency, and leadership buoyancy (Casimir, Waldman, Bartram, & Yang, 2006; Kejriwal & Krishnan, 2004; Shin & Zhou, 2003; N. Singh & Krishnan, 2005).

Transformational leadership appears to play a critical role in developing subordinates' trust, at the same time helping employees cope with the stressors of organizational life.

Organizational Success

Organizational leaders using transformational skills assist followers and teams in believing positions are stimulating and vital to organizational success (Feinberg et al., 2005; Masood et al., 2006; Piccolo & Colquitt, 2006). Transformational leaders successfully decrease employees' skepticism toward organizational change and create a culture of fairness while also affecting employees and organizations beyond the business unit through social networking (Adebayo, 2005; Bommer et al., 2005; Bono & Anderson, 2005; Harland et al., 2005). Transformational leadership enhances organizational success

in facing any change in the 21st century, sustaining strategic advantage, and creating a global presence.

Leaders using a transformational leadership style increase employees' organizational success, problem-solving skills, and commitment to the organizational culture (Masood et al., 2006; McGuire & Kennerly, 2006). Transformational leaders gain superior long-term organizational results in employee performance, creativity, and job satisfaction compared to transactional leaders (Chan & Chan, 2005; Lim & Ployhart, 2004; O'Regan & Ghobadian, 2004).

O'Regan and Ghobadian (2004) also indicated a correlation subsisted between organizations mandating the use of transformational leadership and long-term organizational success, forecasting, decision making, and navigating potential business dilemmas. A relationship exists between leaders who attend transformational leadership training and increased organizational success, instilling trust, commitment, motivation, and team building while under duress (Bass et al., 2003; Muir, 2007; Reinhart, 2004; Thyer, 2003). Muir also indicated organizational leaders who provide a cultural environment in which leaders from the top to the bottom of the organization adhere to the transformational leadership style were successful.

Transformational leaders who enhanced the learning environment and the management of organizational knowledge assist organizations with a sustainable strategic advantage at the individual and group levels, versus transactional leadership, which operates at the executive level (Boerner et al., 2007; Bryant, 2003). Transformational leadership style possibly enhances organizational relationships and provides leadership during technological transitions. The relationship between transformational leadership

and organizational success existed in literature from 2003 through 2008.

Transformational leaders were aware of employees' and organizations' needs; by inspiring, empowering, and motivating employees to succeed in accomplishing the organization's mission, leaders who study and use transformational leadership characteristics in an organizational setting succeed more than leaders espousing transactional or other types of leadership characteristics (Kezar et al., 2006).

Love, defined by being legitimately interested in people, is an essential component in transformational leadership and a relationship exists among transformational leadership style, personality traits, and emotional intelligence (Miller, 2006; Rubin, Munz, & Bommer, 2005). Leaders who are optimistic and compassionate more often demonstrate transformational leadership characteristics by setting boundaries, making policies, and empowering employees in leading successful organizations (Garman, Davis-Lenane, & Corrigan, 2003; Rubin et al., 2005). Tucker and Russell (2004) contended transformational leaders are necessary in a changing organization and environment.

Knight and Bowerman were examples of 20th century entrepreneurial leaders who changed their organization and environment. The owner-founders of Nike, Inc. innovatively challenged the traditional athletic shoe industry leaders (Carducci, 2003). Knight and Bowerman changed the athletic shoe industry by successfully introducing a cheaper Japanese-manufactured running shoe into the U.S. markets, competing against industry-leading German companies (Carducci). The leaders of Nike, Inc. also challenged the traditional corporate structure by spending less revenue on infrastructure and more on marketing through outsourcing manufacturing and distribution (Carducci).

Strategies Influencing the Business Environment

Performance metrics are crucial tools for small business leaders wanting to maximize organizational operations while ensuring strategic alignment with organizational goals and objectives (Allio, 2006). Barth (2003) conducted a study on the relationship among competitive strategy, managerial skills, and organizational structure with small firms' performance that demonstrated no significant performance results in small firms with or without an established relationship among the three variables. Wolff and Pett (2006) suggested developing innovations in new products, technology, or human resources that lead to successful performance by small businesses and contended further research would be useful that includes an examination of when leaders should implement strategies to improve performance.

The implementation of new product, technology, or human resource strategies involves planning by small business owner-managers. In a study on planning and performance, Yusuf and Saffu (2005) concluded when leaders of international small businesses facing economic hardships used planning, performance did not increase, except in the manufacturing industry. Wijewardena, DeZoysa, Fonseka, and Perera (2004) provided a correlation analysis of small manufacturing companies in Sri Lanka and revealed companies with complex planning and control processes experienced an increase in organizational performance compared to companies with less complex plans and processes.

Allio (2006) noted small organizations should develop concise measurements imperative to the organization and align the measurements with stakeholders. Haber and Reichel (2005) posited small firms across industries should concentrate on short- and

long-term performance planning involving customer satisfaction and finance to increase performance based on conclusions from a study within the tourism industry. Any short- or long-term planning in small business should consider what personnel are necessary to plan, implement, and complete the business task, which might increase the overall performance of the organization.

Allio (2006) explained leaders should translate organizational qualitative measures into quantitative measures to limit misinterpretation and should define organizational terms to ensure measurement clarity. To illustrate, Allio identified creativity as a subjective measurement for an organization, measured objectively by the number of new products successfully making production. Allio suggested creating a balance of internal and external measurements specifically linked to customer relationships and organizational strategy.

Human Resources

Carlson, Upton, and Seaman (2006) described five human resource activities considered essential practices that positively affected U.S. small business performance. The human resource actions were education, evaluation, employment benefits, esprit de corps, and compensation (Carlson et al.). H. Payne (2005) posited a relationship existed between the high performance of employees and communication motivation skills and recommended organizational leaders should invest in training and techniques for employees. In a study of Belgian small businesses, Sels et al. (2006) determined a relationship existed between human resource management and performance.

Small business leaders consider human resource management an important area in which to improve organizational performance and obtain employee involvement. For

example, leaders at Motek, Inc., a warehouse management software company in California, had no problem in retaining information technology employees while other companies lost information technology personnel to the highest bidder (Spragins, 2002). The key to Motek's success was the chief executive officer's priority on people and key human resource initiatives (Greengard, 2006). Konrad (2006) noted companies whose leaders fully involved their employees in all aspects of the organization built cohesion and increased performance. Organizational culture nurtures an atmosphere of empowerment and emotional intelligence, although more employee involvement can improve cohesion and increase performance. Abraham (2004) noted companies with organizational cultures in which emotional intelligence and empowerment grow experienced an increase in employee performance.

Business Process

Small business success also depends on subjective business processes that challenge internal and external factors. Small business leaders create flexible organizational structures that allow and reward innovation to increase performance. Organizational leaders looking to optimize operations define parameters or trigger mechanisms as well as accountability and validation for staff at each level of operation. According to Allio (2006), "Linking metrics directly to rewards is one way to encourage and reinforce the kind of [organizational] behavior you would like to elicit from staff" (p. 263). To increase performance in a constantly changing environment, small business leaders must identify, plan, and adjust quickly to transform business processes to meet customers' needs.

Innovation

In a study of small business farmers, Verhees and Meulenberg (2004) concluded leadership from an innovation perspective and performance were essential variables in determining whether the farm was a success or a failure. Innovation requires owner-managers of small enterprises to analyze the environment for changes, necessitating a transformation of the organization to meet the new challenges. Bhaskaran (2006) reported small firms in concentrated industries increase performance based on incremental organizational changes rather than by introducing radical innovations to increase performance. Because markets and environments change constantly, small business owner-managers create flexibility in their processes and organizational structures (Bhaskaran).

Nike, Inc. for example, challenged the traditional corporate structure by spending less revenue on infrastructure and more on marketing through outsourcing manufacturing and distribution (Carducci, 2003). Nike, Inc. owned no manufacturing plants or distribution warehouses, but delivered a brand-name, quality, customer-focused product to partner stores (Carducci). Westhead, Ucbasaran, and Wright (2005) concluded first-time entrepreneurs' firms did not perform well because of a lack of leadership skills in responding to internal and external changes compared to seasoned small business veterans. The successful performance of small businesses involves change as well innovation (Bhaskaran, 2006; Westhead et al.).

Flexibility

Verdu-Jover, Llorens-Montes, and Garcia-Morales (2006) examined the relationship between flexibility and success in European large and small businesses and

indicated leadership in fiscal flexibility in small firms played a critical role in performance. In a study of small firms in Scotland, Power and Reid (2005) noted a relationship existed between flexibility and success when adapting to change in the marketplace. For organizations to meet the challenges of a changing environment, owner-managers should lead while focusing on the objective and subjective performance parameters and measurements.

Customer Focused

Frigo (2003) noted organizational leaders increase success through customer-focused strategies. In a case study of three small or medium companies, Gumbus and Lussier (2006) contended entrepreneurs increased performance by using a balanced scorecard, which assisted the organizational leaders in implementing organizational strategies and measuring if companies were reaching organizational goals. A changing environment involves taking some risk on the part of small organizations. Because technology is advancing so quickly and organizations may not have assets or revenue to keep pace in a competitive market, partnerships are an option that allows organizations to compete and share the risk (Rijamampianina & Carmichael, 2005).

Gender

The gender of small business owner-managers appears to have no effect on organizational objective and subjective success. In a controlled study, Collins-Dodd, Gordon, and Smart (2004) revealed gender did not play a role in small business success for small public accounting practices. Owner-managers of small businesses who valued family relationships outside of the organization appeared to have no effect on organizational objectives and subjective performance.

Shelton (2006) explained participative leadership enhances a small firm's success while increasing growth when the owner-manager wants to enjoy work and family. Beaver and Jennings (2005) posited small business leadership involves establishing an entrepreneurial culture and communicating values, and ethics increases the chances of success. An analysis of the literature presented in the study indicated transformational leadership theory characteristics were a viable leadership solution to increasing organizational success by establishing better employee relationships, which in turn created the right organizational environment for strategies leading to achievement.

Environmental Theory Impacting Entrepreneurial Success and Failure

Historically, research pertaining to small business failures fell into two business environmental categories: external factors and internal factors (Rasheed, 2005). The external factors affecting sustainability and survivability included competition and assistance support (J. L. Morrison et al., 2004). The internal factors included resources and leadership (Mellahi & Wilkinson, 2004). Barriers to entry, lack of external business relationships, an inability to attract and retain skilled employees, and internal organizational struggles determined the chances of survival in a new company, similar to the analogy in nature where animal species' survival rates increased with adequate sources of food and water (Swaminathan, 1996).

Mellahi and Wilkinson (2004) posited external and internal environmental factors forced or constrained business leaders from implementing organizational strategies leading to success. The external and internal business environmental factors were weighted evenly regarding small business leaders' response to the factors affecting the organization. Weitzel and Jonsson (1989) reported small business owner-founders failed

to forecast, identify, prevent, mitigate, or adapt to the internal or external business environment successfully. For example, company leaders were consistently aggressive throughout the organizational life cycle stages when analyzing and making decisions to sustain the company or survive the competition (Lester et al., 2003).

Small business leaders' failure to handle internal and external threats was a key aspect in the literature. From the organizational ecology perspective, Mellahi and Wilkinson (2004) reported the research of organizational failures assumed external environmental factors such as market conditions and financial support caused owner-founders to make bad decisions, which led to organizational failure. Organizational behaviorists noted entrepreneurs are the principle decision makers and as an internal factor are responsible for the failure of the company (Mellahi & Wilkinson).

The 21st century business environment is constantly changing, which requires organizational leadership to analyze and reevaluate relationship strategies to handle internal and external environmental factors (Payne, Ballantyne, & Christopher, 2005). Nature exemplified the principles of internal and external aspects to survival. Similar to pack animals, organizational survival depends on strategies influencing leadership in the internal group and tactics affecting external decisions. Bourne and Walker (2005) posited that information concerning the changing business environment along with key internal and external environmental factors was critical to leaders making good decisions and maintaining a competitive advantage. Leaders face the complexity of deciding which internal and external environmental factors were affecting organizational strategy in sustaining competitive advantage.

Small business leaders considered internal and external environmental factors when developing a model. A. Payne et al. (2005) noted the model provided identification of key internal and external environmental factors, indicated potential internal and external environmental factors and issues, and assisted with the distribution of resources. The use of a model to assist small enterprise owner-founders to make decisions affecting internal and external environmental factors could eliminate environmental factors of business failures (A. Payne et al.).

Environmental factors affect new and established small companies. An owner-founder's lack of knowledge of the internal and external factors affecting the new venture creates risks in making business life-cycle stage decisions (A. Payne et al., 2005). The study of organizational entry and exit in the marketplace began with Carroll's (1988) research concentrating on the founding and failure of companies. The study of new ventures in organizational ecology focused on companies successfully producing products or services and customers making purchases (Amburgey & Rao, 1996). The primary concentration of organizational ecology research on the failure of enterprises is the financial aspects of the company through mergers or bankruptcies (Amburgey & Rao).

The focus of the organizational ecologist argument is the process of elimination in that only the strongest organization survives the competitive environment, similar to the survival process in nature (Pedraja-Rejas, Rodriguez-Ponce, Delgado-Almonte, & Rodriguez-Ponce, 2006). An example from nature illustrates organizational ecology. Animal species' survival rate depends on the environmental conditions at birth. An adequate food and water supply near the birthplace is paramount for the survival of an

animal species. Similarly, organizational ecologists argue the survival rate of new ventures depends on the market conditions at start-up (Swaminathan, 1996). Barriers to entry, a lack of external business relationships, an inability to attract and retain skilled employees, and internal organizational struggles determine the chances of survival in a new company, similar to the analogy in nature with adequate sources of food and water (Swaminathan).

In upper-echelon theory, in contrast to organizational ecology, the leadership style of the company management predicts whether the venture succeeds or fails (Pedraja-Rejas et al., 2006). Hambrick (2007) noted organizational leaders operate based on how they perceive a situation and experiences, beliefs, and characteristics create the perceptions. Hambrick, an upper-echelon theorist, noted to understand business failure; researchers need to examine the owner-founder's perceptions and character influencing the actions of the organization.

Organizational leadership, employees, and company resources play a vital role in influencing the external and internal factors affecting the survival of small enterprises (Mellahi & Wilkinson, 2004). Nature also exemplifies the principle of placing emphasis on the leadership and members of the pack or group. Theng and Boon (1996) noted small businesses fail because of internal environmental factors related to leadership. Organizational leaders respond to the business environment based on their personal interpretation of the conditions using past knowledge, ideals, and personal characteristics (Hambrick, 2007).

Rasheed (2005) noted entrepreneurial leadership involves innovation and creativity in creating new ventures, but requires a different leadership strategy in growing

and sustaining the new company, and owner-founders fail to make the transformation from aggressive visionary to inspirational, systematic leaders and decision makers. The internal factors include resources and leadership (Mellahi & Wilkinson, 2004). With limited resources available to owner-founders, strategic options regulating internal organizational changes are the only options further alienating leadership if incorrect decisions lead to enterprise failure (Rasheed). A failure to forecast, identify, prevent, mitigate, or adapt to the internal or external business environment leads to failure (Weitzel & Jonsson, 1989).

Leadership is one of the internal environmental factors forming the theoretical framework in the upper-echelon theory. Hambrick (2007) noted the basis of the upper-echelon theory is that the owner-founder's leadership characteristics directly influence the future of an enterprise through direction, analysis, and course of action selection based on the leader's perception and interpretation. McClelland (1961) noted high achievers prize challenging responsibilities because the tasks provide opportunities to excel at completing a difficult job and create feelings of accomplishment. However, leaders with the need to achieve did not excel when given less challenging tasks (McClelland).

McClelland (1961) reported entrepreneurs' need to achieve relates to the goal of excelling in personal and professional aspects of their lives and eventually leads to entrepreneurship and the burden to create superior products or services to compete with traditional industry standards. Small business owner-founders often operate the enterprise without constraints, and Hambrick (2007) noted the upper-echelon theory provides predictive analysis into whether an organization fails or succeeds because of the influence

on the company's strategy by leaders. Effective or ineffective resource allocation decisions illustrate how owner-founders increase or decrease the chances of a new venture surviving the first four years in operation (Rasheed, 2005).

For example, owner-founders who decide to overspend during the early organizational life cycle stages while trying to implement initial products or services without adequate revenue to sustain operations might lead the organization to failure. A strategic decision by an owner-founder to overextend the use of credit and the risks associated with the credit plan is an illustration of upper-echelon theory leadership. In contrast to the upper-echelon theory where leaders influenced organization outcomes through personal perceptions and characteristics, critics contend organizations select leaders for their specific leadership characteristics to lead a company (Hambrick, 2007).

An expectation of specific organizational outcomes exists based on the leadership characteristics of the chosen executives. Small business owner-founders choose the type of enterprise to lead and operated based on personal experiences, values, and personal characteristics, thereby making strategic decisions that affect the future survivability of the venture. For example, an owner-founder likely starts a new venture in a familiar industry as opposed to an unfamiliar marketplace with no established business relationships. Hambrick (2007) reported leaders' decisions directly affect others but imperfect individuals make the decisions. Leadership characteristics are learnable through the behavioral process (Visser et al., 2005).

The owner-founder's influence on entrepreneurial success and failure points to the environmental theory. Whether an organization selects a leader or the leader chooses the organization, the leadership characteristics of the individual based on his or her

experience, beliefs, and perceptions influence decision making and lead to success or failure (Hambrick, 2007; Lester et al., 2003; Rasheed, 2004). Company leadership decisions on external and internal environmental aspects influence organizational survival rates. Weitzel and Jonsson (1989) posited effective leaders forecast, identify, prevent, mitigate, and adapt to the internal and external forces affecting business survivability. Successful business leadership requires adjustments to the market environment and Lester et al. (2003) noted small venture leaders do not effectively adjust to the organizational life cycle stages to remain successful.

The Entrepreneurial Factor in Business Failure

Leadership requires continuous learning and understanding of the internal and external factors that play a critical role in dissecting the characteristics necessary to lead any organization (Lester et al., 2003). Theng and Boon (1996) reported failures of small business were due to internal factors controllable by organizational leadership. The list of internal factors includes (a) high operation cost, (b) lack of financial resources, (c) short-term strategies, (d) lack of cash flow controls, (e) lack of organizational knowledge, and (f) a poor marketing plan (Bruno & Leidecker, 1988; Theng & Boon).

Gaskill et al. (1993) noted effective leadership influences the survivability and sustainability of an organization and is a key aspect contributing to whether a business failed or succeeded. O'Regan, Ghobadian, and Sims (2005) explained effective or ineffective business strategies were not devised or implemented without organizational leadership involvement. A relationship exists between leadership, strategy, and performance, which lead to the success or failure of a venture (O'Regan et al.). Nature

exemplifies the changing ecosystem and the requirement for animal species to adapt to the natural world.

The business environment is one of constant change for small businesses throughout the business life cycles. The needs of employees and organizations necessitate leadership characteristics in setting the course to transition successfully through organizational changes (O'Regan et al., 2005). Small business leaders fail to make the tough decisions necessary for new ventures to survive and grow (O'Regan et al.).

Owner-founders of new ventures are the focal point for organizational culture. Organizational culture plays a significant role in relationship to the internal environment in creating an optimal setting for innovation and creativity leading to success (Rosenthal & Masarech, 2003). Sopow (2006) posited trust begins with the leadership through communication and shared organizational behavior, which includes ethical standards, professionalism, and controls.

Collins (2005) provided an example of how leadership characteristics affect the survival outcome of enterprises. Collins posited Level 5 leadership characteristics of business executives were predictors of successful organizations. A 5-year study by Collins found leaders with the Level 5 characteristics of humility and willpower turned their companies into successful organizations. An organization led by Level 5 leaders outperformed the competition and produced four times more on stock returns than market competitors (Collins).

A study that included examining the leadership characteristics of small business owner-founders of successful ventures could prove beneficial to practitioners wishing to learn successful leadership traits to increase their organization's chances of survival. The

review of literature discussions pointed to external and internal factors affecting organizational success or failure (Mellahi & Wilkinson, 2004; Morrison et al., 2004; Rasheed, 2005). Small business owner-founders cannot change the external environment and can only influence the internal factors. But small business owner-founders could directly change their leadership characteristics in deciding and directing a venture toward success (Gaskill et al., 1993; O'Regan et al., 2005).

Entrepreneurship

The study of the entrepreneur and the examination of entrepreneurial behavior from a psychological perspective investigating possible leadership characteristics could assist owner-founders to lead organizations successfully. Entrepreneurial theory originated with Schumpeter's (1982) description of the entrepreneur as an innovator and new entrant in the marketplace. Schumpeter described the entrepreneur as an action-oriented individual; the entrepreneurial leader resists internal and external factors to transform the marketplace. In contrast to entrepreneurial theory, leaders who adhere to the status quo or equilibrium theory resist industry changes to accept or follow the way others in the market competed (Swedberg, 2006).

Schumpeter (1982) wrote entrepreneurship involves the changing of traditional behaviors of conducting business with new and creative activities. Innovators generating new processes, services, or products challenging the status quo sustained competitive advantage in the marketplace (Kiessling, 2004). The small business owner-founder contributes to society by providing new products or services that contrast with marketplace norms (Kiessling; Swedberg, 2006; Van Praag, 2003).

Schumpeter (1982) purported competition in the retail market does not come from more of the same existing retailing concepts but from dissimilar, novel, or unique vendor concepts (e.g., malls, mail order, Internet portals, or supermarkets). An example from entrepreneurs of the 21st century illustrated the changes made to the retail landscape using the Internet and e-commerce by competing for customers domestically and abroad (Afuah & Tucci, 2003). Creative destruction by new venture owner-founders via the Internet has changed the retail industry, forcing traditional companies to use e-commerce strategies to remain competitive (Afuah & Tucci).

According to Schumpeter's (1982) theory of entrepreneurship, individuals of action oppose traditional methods of business or leadership behavior by finding alternative approaches to meeting the customer's needs. McClelland (1961) pioneered the study of the behavior of entrepreneurs. McClelland noted entrepreneurs were confident, independent, high achievers with problem-solving skills who preferred situations that challenged their independent characteristics with moderate risks.

As previously illustrated, Knight and Bowerman changed the athletic shoe industry by successfully introducing a cheaper Japanese-manufactured running shoe into the United States markets in competition with industry-leading German companies (Carducci, 2003). Knight and Bowerman also challenged the traditional corporate structure by spending less revenue on infrastructure and more on marketing through outsourcing manufacturing and distribution (Carducci). Entrepreneurial leaders possess certain characteristics that enable professional success in accomplishing organizational and personal goals (Langan-Fox & Roth, 1995; McClelland & Boyatzis, 1982; McClelland, Koestner, & Weinberger, 1989).

Langan-Fox and Roth (1995) posited entrepreneurs with a high need to achieve are likely to challenge existing standards and are not satisfied with the status quo. In a 1958 study, Atkinson (as cited Langan-Fox & Roth) purported that participants with a high need to achieve accept challenging tasks but become bored and lose interest after mastering the activity. McClelland (1961) explained leadership characteristics such as the need to achieve predicted entrepreneurial behavior in relationship to decisions and situations experienced by business leaders.

The four congruent opinions in (a) organizational ecology theory, (b) upper-echelon theory, (c) entrepreneurial theory, and (d) entrepreneurial behavior theory provided the theoretical framework for the research that involved examining small business owner-founder leadership characteristics. Each of the theories provided a view of entrepreneurship and of the challenges facing organizational leaders navigating the treacherous business environmental landscape similar to the natural world. According to organizational ecology, the owner-founder as the pack leader contends with external factors such as adequate food and water or revenue and assets (Mellahi & Wilkinson, 2004).

In the upper-echelon theory, organizational executives and animal leaders compete with others as well as the environmental conditions and market competition for their position (Hambrick, 2007). Finally, the focus shifted to the pack leader in the animal kingdom and the entrepreneur in the business world. According to the entrepreneurial and entrepreneurial behavior theories, the entrepreneur, similar to the pack leader, is an aggressive, high-achieving individual of action seeking challenges and exploitable opportunities to succeed (Kiessling, 2004; Langan-Fox & Roth, 1995; McClelland &

Boyatzis, 1982; McClelland et al., 1989; Swedberg, 2006; Van Praag, 2003). The current examination of the leadership characteristics of successful small business owner-founders might result in a better understanding of how some organizations succeed when most others failed, thereby assisting new and current leaders of small businesses (Heck et al., 2008).

Conclusion

Historically, research on small business failure concentrated on internal and external factors leading to enterprise failure (Mellahi & Wilkinson, 2004; J. L. Morrison et al., 2004; Rasheed, 2005). Small businesses provide employment for 50.9% of the U.S. population, yet small businesses have a 44% failure rate within the first four years (U.S. Small Business Administration, 2007), Mellahi and Wilkinson posited the direct cause of organizational failure is owner-founders' leadership characteristics. Entrepreneurial theorists purported the small business owner-founder resists existing standard business processes for new and innovative means to satisfy the customer and to earn profit (Van Praag, 2003).

Small business leaders facing internal and external environmental issues rely on their leadership characteristics to contend with and sustain competitive advantage in a hostile marketplace (Collins, 2005; Rasheed, 2005). Schumpeter's (1982) entrepreneurial theory and McClelland's (1961) entrepreneurial behavioral theory formed the basis for small business owner-founder concepts influencing success or failure. Organizational ecology and upper-echelon theory framed the context of the study of leadership as the basis for organizational failure (Amburgey & Rao, 1996; Hambrick, 2007).

The focus of the theories was the owner-founders of small businesses and the external environment as causes of organizational discontinuance (Amburgey & Rao; Hambrick). The research involved transformational leadership theory and the focus of the literature review of the theory was the leadership characteristics identified in studies pertinent to small business owner-founders (Bass et al., 2003). The four transformational leadership characteristics were (a) idealized influence, (b) inspirational motivation, (c) intellectual stimulation, and (d) individualized consideration (Bass et al.).

Summary

Chapter 2 contained a discussion and analysis of the peer-reviewed literature related to entrepreneurship (Kiessling, 2004; Swedberg, 2006; Van Praag, 2003), small business internal and external factors (Mellahi & Wilkinson, 2004; Rasheed, 2005), leadership (Hambrick, 2007), and potential organizational success strategies. The historical overview included a presentation of the development of the field of entrepreneurship and an exploration of the internal and external causes of small firm failure. The overview also included past research on leadership theories and characteristics relating to small venture success or failure.

The theoretical framework included theories and past findings related to small business failures, entrepreneurial theories, transformational leadership theory, organizational ecology, upper-echelon theory, and organizational factors (Crawford, 2005; Gaskill et al., 1993; Lester et al., 2003; Rasheed, 2005). The chapter included information from peer-reviewed literature published between 2003 and 2008 pertaining to successful leadership characteristics influencing innovation, team cohesion, project

management, employee relationships, cultural diversity, strategy, business processes, flexibility, customer focus, and leadership gender.

Chapter 3 includes a discussion of the method for the study and the appropriateness of the examination's design, as well as the research question. A discussion of the population, sampling, informed consent, confidentiality, and geographic data follows. Later sections include a review of the data collection procedures, instrumentation, analysis, and data reliability and validity.

CHAPTER 3: METHOD

The purpose of the qualitative phenomenological study was to examine the perceived leadership characteristics of 20 small business owner-founders and develop major themes from the research data. The owner-founders of the selected small businesses located in Arizona indicated contributing factors or showed patterns why only 44% of new small companies survive the first four years (U.S. Small Business Administration, 2007). Purposeful sampling was the basis for selecting respondents who would best assist with understanding leadership styles and techniques used by small business owner-founders for organizational success (Creswell, 2005). The number of participants allowed for a detailed analysis of the data within the time constraints (Creswell, 2005). The study included audio-taped, semi-structured telephone interviews with 20 small business owner-founders in Arizona using open-ended questions to search for potential themes.

The list of potential leadership characteristics drawn from the theme development and analysis might contribute to a resolution of small business failure. Specifically, the core population of the study included owner-founders leading organizations operating longer than four years. Findings from the study might lead to increases in the effectiveness of leaders' decision-making processes and to the success of companies with similar qualities. The current examination of the leadership characteristics of successful small business owner-founders might result in a better understanding of the business failure phenomenon and assist new and current leaders of small businesses (Heck et al., 2008).

Chapter 3 includes a discussion on the method for the study, the appropriateness of the examination's design, and the research questions. The chapter also includes a discussion on the population, sampling, informed consent, confidentiality, and geographic data. Later sections include the data collection procedures, instrumentation, analysis, and data reliability and validity.

Research Method

The qualitative phenomenological design elicited a detailed understanding of the experiences of small business owner-founders. The selection of the qualitative method over a quantitative approach provided the formula for capturing, analyzing, and expounding on possible successful leadership characteristics. Cope (2005) posited quantitative research methods could not scientifically uncover an individual's perceived experiences. Shinebourne and Adams (2007) wrote, "Phenomenological methods . . . [seek] meaning through exploring subjective accounts of business failure phenomena from participants' perspectives, attempting to identify broad categories and common themes and a commitment to a collaborative engagement with participants" (p. 104).

Martin Heidegger's Hermeneutics or interpretative phenomenological design provided the basis for the methodology of the study in interpreting and understanding the experiences and perceptions of the research participants (McConnel-Henry et al., 2009; Johnson, 2000). The design of the hermeneutic research method for investigation of the small business leaders focused on the interpretation and understanding of the experiences and perceptions in organizational leadership from the interview text (McConnel-Henry et al., 2009). The interpretative phenomenological design assisted specifically in focusing

on the participant's definition of leadership characteristics necessitating business success beyond the first four years in operation.

The qualitative phenomenological study involved an examination of leadership perspectives of small business owner-founders to determine common leadership characteristics of successful small businesses at or beyond the first four years of operation. The research questions for the study were as follows:

RQ1. What leadership characteristics do small business owners perceive as contributing to a successful new organization?

RQ2. How do organizational incidents transform small business owners' leadership characteristics?

RQ3. What leadership model contributes to the success of new small businesses?

Successful small business leadership practitioners of companies with 100 employees or less answered telephone interview questions, providing data to assist in the determination of successful leadership characteristics from the perspective of the successful performance of small businesses beyond the first four years of operation. The telephone interview questions probed for underlying leadership characteristics supported by the literature as potential leadership characteristics perceived by small business owner-founders that contributed to sustaining operations for the first four years. The study included Moustakas' (1994) adaptation of the van Kaam technique for analyzing phenomenological data. Table 2 details the critical steps in the seven Modified van Kaam Method identified in organizing and analyzing participants' transcribed data.

Table 2

The Four Critical Steps of the Modified van Kaam Method

Name	Description
1. Horizontalization	Inventories and assembles initial expressions germane to the experiences
2. Listing the meaning or meaning units	Categorizes the constant components to understand the experience
3. Clustering common categories or themes	Groups the constant elements of experience themes
4. Develop the textual description of the experiences	Develop a description of the core meaning of the experience

Appropriateness of Design

The qualitative method was appropriate for the study because the method enabled the use of participants' perspectives in seeking to understand a phenomenon and to formulate theories based on experiences (Creswell, 2005). The primary research design for the study was phenomenological exploration. Moustakas (1994) noted the objective of phenomenology was to identify the meaning of the experience from the participants who lived the event and to provide a thorough description. Phenomenological research was suitable for examining possible leadership characteristics of small business owner-founders (Collins, 2005; Rasheed, 2005). The study supported the development of common leadership characteristics and might contribute to the success of small businesses beyond the first four years of operation (Collins; Rasheed).

The quantitative method contrasts with the qualitative method. A quantitative method is appropriate when trying to find an answer using an objective scientific approach by defined collected numerical data and statistical analysis of the data (Creswell, 2005). Because the study problem involved the examination of participants' perceived experiences in producing theories as opposed to developing relationships between variables and different test groups, a qualitative phenomenological exploration methodology provided a better approach (Cope, 2005; Moustakas, 1994). Groenwald (2004) conducted a qualitative phenomenological study on cooperative educational programs, and the data on the increased aptitude and involvement phenomenon in the cooperative educational programs resided within the perspectives of the program participants.

Population

The U.S. Small Business Administration (2007) categorized a small business as one with less than 500 employees. For the purposes of the current study, a small business had a minimum of two employees and a maximum of 100 employees. The number of employees provided a realistic sample of employees employed by 98% of the small businesses in Arizona in 2003 (Rex, 2006). Other criteria for inclusion into the study were the owner-founder (a) controlled 51% or more of organizational assets, (b) made the majority of the final organizational decisions, (b) desired to share leadership characteristics, and (c) founded the organization four or more years before the interviews took place. The ASBA was the source for potential participants who met the characteristics criteria for the sample.

Sampling

The qualitative phenomenological study involved evaluating the leadership characteristics of successful small business leadership practitioners of companies with 100 employees or less using telephone interview questions to gather data on the leaders' perceptions of the successful performance of their small businesses beyond the first four years of operation. A population of 20 small business leaders throughout Arizona participated in a 1-hour initial telephone interview and a follow-up telephone interview regarding perceptions of leadership characteristics that helped in leading a small business successfully for four or more years that was in operation from 2004 to 2008. Purposive non-probability or nonrandom sampling provided the basis for choosing 20 participants who met the specific criteria. Each participant was the organization's leader at the time of the study as defined by the respondent's position in the company as the manager and primary decision maker. Each participant served in the leadership role of a small business, defined as (a) an independent organization with 100 employees or less and (b) a business enterprise operating at or beyond the first four years of operation. Letters were sent to 103 owner-founders of small businesses requesting participation in the research to ensure the sample comprised the minimum experiences of 20 interviewees (see Appendix C).

Research Bias

Qualitative research seeks to explore and understand why a phenomenon occurs through the participant's experiences and perceptions while quantitative research inquires into how events, actions, or occurrences happen through experimentation. In a qualitative study, the closeness to the research subjects, the situation, or the environment involves a

personal bias (Neuman, 2003). The qualitative researcher maintains closeness to the study's audience in hopes of helping to understand the phenomenon (Neuman).

A follow-up telephone interview provided clarity to the data by clearing up any questions and cross-checking with the interviewees regarding the meaning of their experiences in running a small business successfully during the first four years in operation (Neuman, 2003). The interview-based qualitative methodology had inherent biases. By examining only successful owner-founders, the study introduced a design bias of the regression effect because it did not include unsuccessful owner-founders (Cope, 2005).

Another design bias within the study was not taking into consideration participant attrition or the effect of terminating participation in the study. Because the qualitative study was inquiry-based and involved describing the experiences of successful owner-founders, the discontinuance of participants did not void the study. Every attempt occurred to conduct the telephone interview under favorable conditions to avoid introducing procedural bias into the study (Neuman, 2003).

The participants' perceptions of leadership characteristics introduced personal biases in seeking to understand and describe the leadership experiences. The researcher acknowledged interest and personal bias toward the subject of the study and the methodology chosen (Donalek, 2004). The study involved presenting the leadership experiences of small business owner-founders to provide new and current small business owners with successful leadership characteristics from the perspective of the participating owner-founders.

Consent, Confidentiality, and Geographic Location

Participants received a letter requesting participation in a 1-hour initial telephone interview and follow-up telephone interviews (see Appendix C). Each participant responding to the letter received a second letter to validate the desire to participate (see Appendix D). Each respondent then completed and returned an informed consent form (see Appendix A). Each participant acknowledged the following statement with a signature: By signing this form, I acknowledge that I understand the nature of the study, the potential risks to me as a participant, and the means by which my identity will be kept confidential. My signature on this form also indicates that I am 18 years old or older and that I give my permission to voluntarily serve as a participant in the study described. A space for an ink signature from the participant followed the statement.

All data collected from the participants remained confidential throughout the research process. All documentation from each candidate received a reference number to ensure organization of the data and confidentiality (Walker, 2007). To protect the participants' ethical rights, the owner-founders' names and the names of their organizations do not appear in the study (Walker).

All interviewees' information remained in strict confidence. The study materials were stored securely in locked file boxes (Walker, 2007). The signed consent forms were stored separately from the completed telephone interview transcripts. The study material will be stored for 3 years after the completion of the research and destroyed via a crosscut shredder.

Data Collection

The data collection phase consisted of conducting in-depth initial and follow-up telephone interviews with 20 small business owner-founders. A recording device connected to the telephone allowed for creation of accurate transcripts. The study included Moustakas' (1994) adaptation of the van Kaam technique for analyzing phenomenological data (see Table 2). The use of a phenomenological inquiry enabled owner-founders of small enterprises to use the leadership characteristics described in this study to make effective decisions during the infancy, growth, and decline stages of the organization, which led to success in the future (Collins, 2005; Rasheed, 2005).

Contrary to the group interview technique that produces group interaction data and experiences, the objective of the phenomenological dialogue was to gain information from the audio-taped transcripts to form the basis for the analysis and theme development of the perceived leadership experiences as described by the participants (Cope, 2005; Moustakas, 1994). The collection phase also included transcribing the recorded telephone interviews into Microsoft Word documents for analysis using QSR NVivo software. QSR NVivo software assisted in coding the similarities and differences in the transcripts from the initial telephone interviews and the follow-up telephone interviews. QDA software also helped manage the data collected. Detailed descriptions and analyses provided the frequency of similarities and differences in the interviewing data. Labels created from the major and minor themes developed from the data assisted in the systematic coding procedure (Neuman, 2003).

Appropriateness of Data Collection

The use of phenomenological interviews to collect data resulted in obtaining vivid experiences from the participants (Cope, 2005; Moustakas, 1994). The choice to interview rather than observe or survey participants provided the basis for gathering, analyzing, and explaining leadership characteristics experienced by the research participants (Cope; Moustakas). The list of leadership characteristics drawn from the theme development and analysis might contribute to the resolution of small business failure. The current examination of the leadership characteristics of successful small business owner-founders resulted in a better understanding of the phenomenon of business failure, which might assist new and current leaders of small businesses (Heck et al., 2008).

Instrumentation

The initial telephone interview and follow-up telephone interview included a checklist of questions and clarification questions (see Appendix B). The telephone interview involved audio tape-recording the event and transcribing the recordings with permission from the participant to ensure validity and reliability of the data. A recording device connected to the telephone assisted in creating accurate interview documentation. The phenomenological interview as a qualitative methodology instrument assisted the researcher in obtaining vivid experiences from the participants (Cope, 2005; Moustakas, 1994). The choice to interview rather than observe or survey provided the basis for gathering, analyzing, and explaining leadership characteristics experienced by the research participants (Cope; Moustakas).

Instrument Reliability

As a qualitative methodology instrument, the phenomenological interview transcripts assisted in obtaining vivid experiences from participants (Cope, 2005; Moustakas, 1994). The study involved explaining the phenomenon of the leadership experience of 20 successful small business owner-founders using broad descriptions of the similarities and differences noted by the participants. The data collection technique of audio tape-recording the telephone interviews ensured the accuracy and reliability of the data and transcriptions in describing the experiences of the interviewees (Moustakas). Creswell (2003) also suggested the use of research themes that reflect different or opposite perspectives to add credibility.

Internal Validity

The initial telephone interview and follow-up telephone interview included a checklist of questions (see Appendix B). The telephone interview included audio tape-recording and transcribing the event with permission from the participant to ensure the validity and reliability of the data. All telephonic interviews were conducted, and transcribed immediately following the interviews by a single researcher for dependability. The researcher has observed leadership characteristics extensively during a 20-year military career and member checking was integrated into interviews and transcription for credibility.

External Validity

Cho and Trent (2006) proposed validity exists in research of personal experiences, possibly leading to new paradigms enticing leaders to contemplate innovative models. The study involved conducting audio-taped, semi-structured telephone interviews with 20

small business owner-founders in Arizona using open-ended questions. The list of leadership characteristics drawn from the theme development and analysis might contribute to a resolution of small business failure. Specifically, the core population of the research paper was owner-founders who were leading organizations operating beyond the first four years. Findings from the study might lead to important increases in the effectiveness of leaders' decision-making process and to the organizational success of companies with similar qualities. The current examination into the leadership characteristics of successful small business owner-founders resulted in a better understanding of the phenomenon of small business failure and might assist new and current leaders of small businesses (Heck et al., 2008).

Data Analysis

Data analysis consisted of collection, coding, and analyzing the data from the interviewees. The study included Moustakas' (1994) adaptation of the van Kaam technique for analyzing phenomenological data (see Table 2). Data analysis included collection from the initial and follow-up telephone interviews using a checklist of questions and clarification questions. The telephone interview included audio tape-recording and transcribing the event with permission from the participants to ensure validity and reliability of the data.

A coding procedure of the telephone interview transcripts provided the basis for identifying research data used in the analysis. Theoretical development of the data included comparing the themes with theories in peer-reviewed literature on small businesses and incorporating the themes into the research findings (Cope, 2005; Moustakas, 1994). The data analysis procedure included reducing coded information to a

smaller list of categories by making correlations with like or similar facts (Creswell, 2003). The use of QSR NVivo software augmented the manual coding process by assisting in systematically analyzing and identifying similarities in collected data from the transcripts of the recorded telephone interviews (Moerrer-Urdahl & Creswell, 2004).

The data collection, coding and analysis were continuously conducted during the research. With each interview, data was collected and transcribed. The transcriptions were then coded to identify major themes. The code data was then analyzed and interpreted in gaining an understanding of the phenomena from the perspectives and experiences of the research participants. The collection, coding and analysis procedure was repeated throughout the research process in creating a model.

Appropriateness of Data Analysis

The list of potential leadership characteristics drawn from the theme development and analysis might contribute to a resolution of small business failure (Moustakas, 1994). Findings from the study might lead to increases in the effectiveness of leaders' decision-making processes and to the organizational success of companies with similar qualities. The current examination of the leadership characteristics of successful small business owner-founders might result in a better understanding of the business failure phenomenon, which might assist new and current leaders of small businesses (Heck et al., 2008).

Conclusion

The primary research design for the study was phenomenological exploration. Phenomenological research was appropriate for the study because an examination of possible leadership characteristics of small business owner-founders supported the

development of common leadership characteristics that might contribute to the success of small businesses beyond the first four years of operation (Collins, 2005; Rasheed, 2005). The objective of the phenomenological dialogue was to gain information that would form the basis for the analysis and theme development of the perceived leadership experiences as described by the participants (Cope, 2005; Moustakas, 1994).

Moerrer-Urdahl and Creswell (2004) proposed a systematic approach to analyzing qualitative data. The use of QDA software to analyze the data systematically aided the researcher. Each participant's experiences formed a foundation for building themes from related occurrences (Cope, 2005; Moustakas, 1994). Themes in phenomenological research emerged from the experiences shared by the participants in the study (Cope; Moustakas). The objective of phenomenological research was to create new themes from the experiences described in the study rather than confirming or denying existing theories (Cope; Moustakas).

The qualitative phenomenological method sought to describe and analyze the experiences of the participants (Cope, 2005; Moustakas, 1994). The qualitative approach was appropriate for the study because the examination of possible leadership characteristics of small business owner-founders supported the development of common leadership characteristics in contributing to the success of small businesses beyond the first four years of operation (Collins, 2005; Rasheed, 2005). The literature indicated the owner-founders' decisions and experiences were principal reasons for organizational failure (Collins; Mellahi & Wilkinson, 2004; Rasheed) and qualitative phenomenological research was the appropriate methodology to inquire and relate the unique events of a small purposeful sample of participants into theory (Cope; Moustakas).

Because the study problem involved examining the participants' experiences in producing theories rather than developing relationships between variables and difference test groups, a qualitative methodology provided the appropriate approach to the phenomenological exploration (Cope, 2005; Moustakas, 1994). The goal of the telephone interview was to gain information that forms the basis for the analysis and theme development of the perceived leadership experiences as described by the participants (Cope; Moustakas). Qualitative phenomenological research involving discussion is new and unique to understanding small business theory (Cope; Moustakas). The telephone interviewing approach supplemented conclusions from large business (more than 500 employees) quantitative research by discovering similar experiences (Cope; Moustakas).

From a phenomenological perspective, prior theme development based on previous research supported the findings but did not negate the identification of possible new themes and possible new theories (Ryan & Bernard, 2003). Cope (2005) noted themes in phenomenological research transpired from the experiences shared by the participants in the study. Each participant's shared experiences formed the foundation for building themes from related occurrences (Cope; Moustakas, 1994). The aim of the study was to form "bottom-up interpretive theories that are inextricably grounded in the lived-world" (Cope, p. 171).

The phenomenological study captured the experiences of each participant at a moment in time (Cope, 2005; Moustakas, 1994). The research was a discovery process of building possible new theories (Cope; Moustakas). The unique discovery analysis and the results of the inquiry might encourage owner-founders of small enterprises to use the leadership characteristics described in the study to collect, analyze, and make effective

decisions during the infancy, growth, and decline stages of the organization, leading to success in the future (Collins, 2005; Rasheed, 2005).

Summary

Chapter 3 included a description of the research methodology for the study and reiterated the purpose of the research. The study involved an attempt to understand the phenomenon of why fewer than 44% of all new entrants into small business markets succeed in the first four years of operation by exploring leadership characteristics of small business owner-founders in the United States (Collins, 2005; Rasheed, 2005; U.S. Small Business Administration, 2007). Chapter 3 also included a discussion on the design appropriateness, rationale for the population, sampling, and data collection procedures for examining the phenomenon from the aspect of successful small businesses in operation four or more years from 2003 to 2008 and the perceptions of owner-founders' leadership characteristics. Chapter 3 included a discussion on the validity and reliability of the telephone interviewing research methodology used in the qualitative phenomenological study and the data analysis, organization, and clarity of the research design (Cope, 2005; Moustakas, 1994; Neuman, 2003). Chapter 4 contains the study's data and analysis.

CHAPTER 4: RESULTS

The purpose of the qualitative phenomenological study was to examine the themes of leadership characteristics perceived by 20 owner-founders of selected small businesses located in Arizona. The study provided reasons for and showed patterns why only 44% of new small companies survive the first four years (Moustakas, 1994; U.S. Small Business Administration, 2007). Purposeful sampling provided the basis for choosing respondents who would best assist with understanding the problem with the leadership styles and techniques used by small business owner-founders for organizational success (Creswell, 2005).

The number of participants allowed for sufficient data gathered to conduct a detailed analysis for the research (Creswell, 2005). The study involved audio-taped, semi-structured telephone interviews with 20 small business owner-founders in Arizona using open-ended questions to search for potential themes in the data (Moustakas, 1994).

The list of leadership characteristics drawn from the theme development and analysis might contribute to the resolution of organizational failure of small businesses. Specifically, the core population of the research study included owner-founders currently leading organizations operating beyond the first four years. Findings from the study could lead to important increases in the effectiveness of leaders' decision-making process and to the organizational success of companies with similar qualities. The current examination of the leadership characteristics of successful small business owner-founders might result in better understanding the small business failure phenomenon, which might assist new and current leaders of small businesses (Heck et al., 2008).

Chapter 4 contains the demographics of the study participants and a discussion of the collection method. The chapter also includes a description of the data analysis technique along with the major themes and text descriptions from the interview transcription. The chapter concludes with an analysis of the findings and a summary.

Demographics

The demographic profile of the participants appears in Table 3. The accessibility and selection of the participants was contingent upon meeting specific criteria. The preference factors included meeting the criteria established for the owner-founder such as the number of employees and the number of years since the company's inception.

Collection Method

The ASBA membership listing was the principle source of qualified research participants contacted via written correspondence (see Appendix C). Respondents who agreed to participate in the study received a subsequent letter (see Appendix D) and a consent form (see Appendix A). Of the 103 letters sent to contacts on the ASBA membership listing requesting small business owner-founders to participate in the research, only 7 responded. Two letters were returned undeliverable and only 4 respondents met the study's criteria. Three of the 4 small business owner-founders comprised the ASBA sampling and 17 participants were solicited using snowballing, a referral process where study participants enlist their peers as possible research participants (Creswell, 2005).

Table 3

Demographic Characteristics of Research Participants - Gender

Gender	
Female	6
Male	14

Table 4

Demographic Characteristics of Research Participants - Employees

Number of Employees	
2 – 10 employees	13
11 – 20 employees	6
21 or more employees	1

Table 5

Demographic Characteristics of Research Participants – Years in Operation

Years in Operation	
4 – 10 years	5
11 – 20 years	11
21 or more years	4

For the purposes of the current study, a small business had a maximum of 100 employees. The number of employees provides a realistic sample of employees employed by 98% of the small businesses in Arizona in 2003 (Rex, 2006). Purposive non-

probability, also known as nonrandom sampling, formed the basis for choosing the participants based on the specific criteria. Each participant was an organization's leader at the time of the study. Each participant served in the leadership role of a small business, defined as (a) an independent organization with 100 employees or less and (b) a business enterprise operating at or beyond the first four years of operation.

Letters were sent to 103 owner-founders of small businesses requesting participation in the research, 7 responded to the ASBA solicitation, and only 4 respondents met the study's criteria (see Appendix C). Three of the 4 small business owner-founders comprised the ASBA sampling and 17 participants were solicited using snowballing (Creswell, 2005). Each participant responding to the letter received a second letter to validate the desire to participate (see Appendix D). Participants completed the informed consent form (see Appendix A) and returned it through the mail or as an attachment sent via e-mail.

The data collection phase consisted of conducting initial and follow-up telephone interviews with 20 small business owner-founders. A recording device connected to the telephone allowed for the creation of accurate transcriptions. The study included Moustakas' (1994) adaptation of the van Kaam technique for analyzing phenomenological data (see Table 2). The collection phase also included transcription of the recorded telephone interviews into Microsoft Word documents for analysis using QSR NVivo software.

Data Analysis

Data analysis consisted of collecting, coding, analyzing, and reporting the data gathered from the interviewees, which included Moustakas' (1994) adaptation of the van

Kaam technique for analyzing phenomenological data (see Table 2). Data collection included an initial and follow-up telephone interview using a checklist of questions and clarification questions. Participants provided permission to audio tape-record and transcribe the telephone interview to ensure validity of the data.

The telephone interview questions (see Appendix B) contributed to the investigation of leadership characteristics experienced by small business owner-founders that might assist an organization to sustain operations for the first four years. A coding procedure of the telephone interview transcripts provided the basis for research data analysis. Theoretical development of the data included comparing the themes with theories in the peer-reviewed literature on small businesses and incorporating the themes into the research findings (Cope, 2005; Moustakas, 1994). The data analysis included Moustakas' adaptation of van Kaam's technique of using four critical steps to organize and analyze participants' transcribed data.

Step 1: Horizontalization

Horizontalization involves making an inventory of and assembling each participant's initial expressions germane to the participants' experiences. Moustakas (1994) noted that each horizon provided a clear view into the phenomenon. In the study, participants provided a clear view into small business leadership of successful companies.

Step 2: Listing the Meaning or Meaning Units

Step 2 of the data analysis process included listing the meaning or meaning units from the data (Moustakas, 1994). Every phrase or illustration described by respondents was recorded to create meaning or meaning units of the small business leadership

phenomenon. Step 3 involved using the meaning or meaning unit 3 to group similar experiences (Moustakas).

Step 3: Clustering

Clustering involved associating the constant elements of themes and eliminating redundant and overlapping experiences. Moustakas (1994) posited the grouping or clustering of similar experiences created underlying themes of the participants' leadership experiences. The clustering of meaning or meaning units provided the foundation for developing the textual description of the experiences from the relevant themes.

Step 4: Textual Description of the Experiences

Step 4 of the data analysis involved creating a textual description from the grouped themes and meanings. Moustakas (1994) reported, "From the textual descriptions, structural descriptions and an integration of textures and structures into meanings and essences of the phenomenon are constructed" (pp. 118-119). The list of potential leadership characteristics drawn from the theme development and analysis might contribute to the resolution of small business failure. Finally, QSR NVivo software assisted in coding similarities and differences from the Microsoft Word documents of the telephone interview and follow-up telephone interview transcriptions.

Data Clustering

Data clustering involved grouping the constant elements of experience themes expressed by participants (Moustakas, 1994). The data from the five interview questions (see Appendix B) were analyzed and grouped into similar themes. Core themes surfaced from the clusters and elements of common leadership experiences. The core themes were then placed in order by the number of participants' responses from the highest to the

lowest. The highest response number identified the core themes chosen for the study's analysis.

Question 1: How Do You as a Small Business Owner Describe the Leadership Characteristics Contributing to Organizational Success?

To answer Question 1, participants described the leadership characteristics associated with organizational success. The responses to the question allowed for an analysis of the perceived leadership characteristics that contributed to the success of small businesses. Table 4 depicts the words and phrases most commonly used by the participants when describing leadership characteristics experienced as contributing to organizational success.

Table 6

Leadership Characteristics Most Frequently Perceived as Contributing to Successful New Organizations

Constant element	Number of responses	% of participants
Leading by example	5	25
Dedication	3	15
Empowering	3	15
Trustworthiness	3	15
Focused	3	15

Question 2: How Do You as a Small Business Owner Describe the Changes Occurring in Your Leadership Characteristics Since Founding the Company?

To answer Question 2, participants described the leadership characteristics associated with founding and growing the company. The responses to the question

allowed for an analysis of the perceived leadership characteristics that transformed the small business into a successful organization. Table 5 depicts the words and phrases most commonly used by the participants when describing leadership characteristics experienced as transforming the organization successfully.

Table 7

Leadership Characteristics Most Frequently Perceived as Transforming Organization Successfully

Constant element	Number of responses	% of participants
Positive leader/follower relationships	7	35
Creativity	3	15
Maturity	2	10
Flexibility	2	10
Growth	2	10
Organization	2	10
Trust	2	10
Better communicator	2	10

Question 3: What Role Do Critical Organizational Incidents or Issues Have in Developing or Changing Your Leadership Characteristics?

To answer Question 3, participants described the leadership characteristics associated with developing new or changing old leadership characteristics due to critical organizational incidents or issues. Table 6 depicts the words and phrases most commonly used by the participants when describing leadership characteristics experienced as contributing to organizational success.

Table 8

Leadership Characteristics Most Frequently Perceived as Developing or Changing Organizational Leaders

Constant element	Number of responses	% of participants
Changing environment	8	40
Less trusting of people in general	4	20
Creative thinking	3	15
More relaxed	3	15
Setting employee boundaries	3	15
Continuous professional education	2	10
Increased business professionalism	2	10

Question 4: How Would You Describe Leadership Experiences in Leading Your Organization During the First Four Years in Operation?

To answer Question 4, participants described the leadership characteristics associated with leading an organization during the initial four years after inception. Table 7 depicts the words and phrases most commonly used by the participants when describing leadership characteristics experienced as contributing to organizational success.

Table 9

Leadership Characteristics Most Frequently Perceived as Contributing to the Success of a New Organization

Constant element	Number of responses	% of participants
Positive relationship building skills	11	55
Leading by example	4	20
Listening skills	2	10
Patience	2	10
Honesty	2	10
Flexible	2	10
Dedicated	2	10
Reliable	2	10

Question 5: What Leadership Advice, If Any, Would You Pass On to New Entrepreneurs?

To answer Question 4, participants described the leadership characteristics they perceived as necessary to start a new small business. Table 8 depicts the words and phrases most commonly used by the participants when describing leadership characteristics experienced as contributing to organizational success.

Table 10

Leadership Characteristics Most Frequently Perceived as Contributing to the Success of a New Entrepreneur

Constant element	Number of responses	% of participants
Know your employees	9	45
Know your customers	7	35
Know your product/service	5	25
Except challenges	4	20
Build relationships	4	20
Be creative	3	15
Take calculated risks	2	10
Have a backup plan	2	10
Learn from your mistakes	2	10

Textual Description

Question 1: How Do You As a Small Business Owner Describe the Leadership Characteristics Contributing to Organizational Success?

Participant 1 stated,

You have to be permanently cheerful, realistic, and with that I also want to add not just realistic about what is but about what could be, what sort of goals, what can we obtain, can we move quickly enough to obtain it, can we think creatively, I think creativity is another big one, I do believe.

Participant 2 replied, “Being trustworthy to begin with, without it there is no chance in being a leader.” Participant 3 noted,

I think that I tend to be a kind of hands-off leader and the reason I say that is because I like to hire people that I can, you know, kind of have some confidence that they can do I need them to do and let them do their thing.

According to Participant 4,

One of the important characteristics is not how much one can do technically but how much you can manage by being focused and having a vision. Something else is also being able to make the customer happy. They have to feel good, that has to be the results.

Participant 6 stated, “I am very much a hands-on leader and trust is very important to me.” Participant 7 noted,

A successful small business owner must have constant individual initiative, personal initiative in place, a small businessperson does not have a boss, and he is the boss and that individual must be able to get started every day and tackle difficult tasks without anybody telling him or her to do it.

Question 2: How Do You as a Small Business Owner Describe the Changes Occurring in Your Leadership Characteristics Since Founding the Company?

Participant 1 replied, “These are the main ones: Creativity, energy, high ethical and promote that throughout and as seen to be it as well.” Participant 2 stated, “The basis of setting the foundation of trust and building on it.” According to Participant 6, “As a leader, you have to present trust as a good impression with employees so that they will follow your lead.” Participant 7 noted,

I have always believed one thing from a business standpoint of view is that “cash is king, period.” In a small business, cash is king, even if your accountant has you

on an accrual basis from an accounting standpoint, always think and operate in as much as you can based upon cash accounting, cash basis. Cash is king, restrict purchases, and don't buy things just to make you look good.

Participant 8 stated,

We put a lot of training and time and faith into our staff. We try to share our goals and passion with them. If they meet those criteria, then we give them a position of authority and trust then they basically do our job for us.

According to Participant 13, "It's technology. I think that the advancements in technology, whether it is computers or communications, radio systems."

Question 3: What Roles Do Critical Organizational Incidents or Issues Have in Developing or Changing Your Leadership Characteristics?

Participant 1 stated,

I started here being really serious, then after awhile I was confusing professionalism with seriousness, and so I actively said that to several people and became much more relaxed again, but for a while there I took on this manner of being too serious.

Participant 6 replied, "I am dependable and focused and I expect my employee to also be dependable and stay focused." According to Participant 7,

What I am leading up to is one thing: in the beginning, with a new business, what you want to do is not trust people as much as you might think you can. Trust but verify! Don't trust people based upon either past or existing experiences because you can be sadly disappointed like I was.

Participant 8 noted, “Well of course, because every decision you make when it comes to people, some of them are going to be good decisions and some of them are going to be mistakes. We all learn from our mistakes.” According to Participant 10,

I guess if there is something that doesn't work; you definitely try something else by trying to find another avenue to make it work better the next time. And even if you have something that works for you are definitely trying to improve on them.

Participant 13 replied,

It's the old school, that's the biggest obstacle you got. People don't want to conform, conformity. I've done it this way for so many years why should I change. The change requires leadership in guiding the organization and people to change. You have to show them the benefits.

Question 4: What Leadership Characteristics, If Any, Most Helped You Lead Your Organization Through the First Four Years in Operation?

Participant 1 replied,

So what I found I had to do, first of all, was to, I had to listen. I had to take a great deal of note about people's concerns about the leadership and not act precipitously with respect to that particular prior leader, so what carried me through was listening and gaining the trust of the other staff members.

According to Participant 2, “Establishing organizational trust through leading by example.” Participant 3 noted, “You can't dwell on the past; [you] have to improve on the future. I do believe [there is] no point in rehashing things too much.” Participant 6 stated, “I am reliable and expect my employees to be reliable so that we can provide the best products to the customers.” Participant 8 reported, “I am very calm and very

trusting.” Participant 14 noted, “Being compassionate helped me early in starting my business and being understanding.”

Question 5: What Leadership Advice, If Any, Would You Pass On to New Entrepreneurs?

Participant 1 stated,

Be ready and willing to take on the challenges and also to take on new ventures with an eye to the problem but don't let the problem overwhelm you in other words forge ahead with whatever creative idea you got going.

Participant 2 described “establishing two-way trust between employees and leaders.”

Participant 3 noted,

Well, I think you have to deliver a good product and your employees have to deliver a good product and you as the boss need to make sure they deliver the product. I kind of tell them that to pretend this is your grandmother and this is how you're going to leave your grandmother set up here, and how you treat people.

According to Participant 6,

As a leader, I think ahead, and planning is very important in sustaining a small business. As a leader, I always like to use evaluations to let my employees know how they are doing and where they stand within the organization.

Participant 7 stated, “Train and retrain your employees.” Participant 8 noted, “Know your business and your employees having trust in you.”

Analysis of Findings and Summary

The telephonic interview consisted of five focus questions to explore the characteristics that small business owners recognize as being vital to achieving success in

leading their companies beyond the first four years in operation. The questions elicited leadership characteristics from the experiences of the participants. The following core themes emerging from the five focus questions on the leadership characteristics of successful small business owners: (a) lead by example, (b) establish positive leader–follower relationships, (c) recognize that the changing business environment will cause changes or develop new leadership characteristics, (d) understand the need for relationship building skills, and (e) know your employees.

CHAPTER 5: CONCLUSIONS AND RECOMMENDATIONS

The purpose of the current qualitative phenomenological study was to examine the themes of leadership characteristics perceived by 20 owner-founders of selected small businesses located in Arizona, which might give reasons for or show patterns why only 44% of new small companies survive the first four years (Moustakas, 1994; U.S. Small Business Administration, 2007). Purposeful sampling resulted in 20 respondents to assist with understanding the problem with the leadership styles and techniques used by small business owner-founders for organizational success (Creswell, 2005). The number of participants allowed for sufficient data gathered to conduct a detailed analysis for the research (Creswell, 2005). The study involved using open-ended questions during audio-taped, semi-structured telephone interviews with small business owner-founders in Arizona to search for potential themes in the data (Moustakas).

The list of leadership characteristics drawn from the theme development and analysis might contribute to the resolution of organizational failure of small businesses. Specifically, the core population of the research study included owner-founders currently leading organizations operating beyond the first four years. Findings from the study could lead to increases in the effectiveness of leaders' decision-making process and to the organizational success of companies with similar qualities. The current examination of the leadership characteristics of successful small business owner-founders might result in a better understanding of the small business failure phenomenon, which might assist new and current leaders of small businesses (Heck et al., 2008).

This chapter contains the interpretation of the findings presented in chapter 4. Chapter 5 includes a presentation and discussion of the five themes that emerged from the

Arizona small business owners' responses to the five interview questions regarding the experiences of the participants (see Appendix B). Chapter 5 includes a summary of the interpretations of the data analysis presented in chapter 4, as well as the research findings, implications, leadership significance, reflections, and recommendations for further research.

Findings and Interpretations: Major Themes

The qualitative method was appropriate for the study because the method enabled the use of participants' perspectives in a search to understand a phenomenon and to formulate theories based on experiences (Creswell, 2005). The primary research design for the study was phenomenological exploration. Moustakas (1994) noted the objective of phenomenology was to identify the meaning of an experience from the participant who lived the event and to provide a thorough description. Phenomenological research was suitable for examining possible leadership characteristics of small business owner-founders in the study (Collins, 2005; Rasheed, 2005). The study might support the development of common leadership characteristics and might contribute to the success of small businesses beyond the first four years of operation (Collins; Rasheed).

The phenomenological study consisted of five focus questions to explore the characteristics that small business owners recognize as being vital to achieving success in leading their companies beyond the first four years in operation. The core themes emerging from the five focus questions on the leadership characteristics of successful small business owners were (a) lead by example, (b) establish positive leader–follower relationships, (c) recognize that the changing business environment will cause changes or develop new leadership characteristics, (d) understand the need for relationship building

skills, and (e) know your employees. The data from the five interview questions (see Appendix B) were analyzed and grouped into similar themes.

Core themes surfaced from the clusters and elements of common leadership experiences. The core themes were then placed in order by the number of participants' responses from the highest to the lowest. The highest response number identified the core themes chosen for the study's analysis. The current examination of the leadership characteristics of successful small business owner-founders might result in a better understanding of the business failure phenomenon, which might assist new and current leaders of small businesses (Heck et al., 2008).

Theme 1: Lead by Example

According to Kezar et al. (2006), leadership is a process that includes concentrating on employees' involvement and on accomplishing the mission of an organization. Setting an example by completing organizational tasks prior to asking employees to do the same is a leadership characteristic used to inspire respect and motivate others to trust a leader's vision (Kouzes & Posner, 2003). The highest response from the participants or five participants (25%) indicated leading by example was a characteristic that contributes to organizational success.

The findings indicated that small business leaders must show their willingness to perform organizational tasks to gain trust and build esprit de corps in their employees. Many Arizona small business owner-founders mentioned the need for employees and themselves to handle multiple tasks. If the leader is not willing to prove their worth to the organization, then leaders should not expect their employees to undertake the hard tasks during the difficult periods in starting and sustaining a new venture.

Successful small business owners participating in the study revealed the need to lead by example to succeed beyond the first four years in operation. Participant 18 noted

I lead by example more than by telling them how to do things. I mean I tell them how to do things but I get out there and show them how it needs to be done first and then I kind of expect them to follow what I did.

Participant 20 described, “I think it’s the understanding of teamwork and I think it’s the understanding of not asking your people to do something that you wouldn’t do yourself.”

Westhead et al. (2005) concluded first-time entrepreneurs’ firms did not perform well because of a lack of leadership skills in responding to internal and external changes compared to the firms of seasoned small business veterans. Whereas entrepreneurial behaviorists focus on small business leaders, organizational ecologists feel environmental factors prevent business owner-founders from implementing strategies that lead to success versus a leader’s characteristics (Mellahi & Wilkinson, 2004).

Theme 2: Establish Positive Leader–Follower Relationships

Small business owner-founders with limited resources must rely on employees to innovate and sustain growth, and transformational leadership characteristics empower and create an organizational culture conducive for employees to reach their potential in contributing to the company’s success (Matzler et al., 2008; Visser et al., 2005). The highest response from the participants or seven participants (35%) indicated a positive leader–follower relationship assisted in founding and growing a company through the first four years in operation. Theme 2 is in stark contrast to the classical theory of leadership in which business owners are to maintain power and dominance rather than

build positive leader–follower relationship to achieve organizational success (Visser et al.).

The finding indicates the need for small business owners to develop the necessary relationship skills in building a positive leader–follower connection. A positive rapport or bond between employee and leader is vital to the survival of a small enterprise during the initial and growth stages of the company. Many of the study’s participants noted a prerequisite for success was hiring and sustaining quality employees.

Participant 5 noted, “I was able to bring in people that were better able to do those jobs than I was and then that contributed a great deal to the growth of the company.”

Participant 8 stated, “We put a lot of training and time and faith into our staff, we try to share our goals and passion with them. If they meet the criteria then we give them a position of authority and trust.” Developing relationship skills that lead to positive leader–follower interactions starts with a leader’s ability to nurture an organizational culture suitable for building camaraderie.

Theme 3: Recognition that the Changing Business Environment will cause Changes or Develop New Leadership Characteristics

A constantly changing business environment requires continuous analysis and reevaluation of relationship strategies by small business leaders to handle the environmental changes (A. Payne et al., 2005). Participant 13 described employees as stating, “I’ve done it this way for so many years why should I change. The change requires leadership in guiding the organization and people to change. You have to show the benefits to employees who have done it the same way for years.” Participant 19 commented, “Flexibility. I’ve become a lot more flexible in my organization.”

The highest response from the participants or eight small business owner-founders (49%) indicated recognition of a changing business environment as a critical incident or issue changing and/or assisting in developing new leadership characteristics. Bourne and Walker (2005) noted that information concerning the changing business environment as well as key internal and external environmental factors were critical to leaders making good decisions and maintaining a competitive advantage. In contrast to organizational ecologists, upper-echelon theorists propose the success or failure of a small business depends solely on the owner-founder's decision-making process, which involves the owner-founder's perceptions created from experiences, beliefs, and character (Hambrick, 2007).

The finding denotes the transformational ability of the small business owner-founder to change. The research participants cited the continuously changing business environment as the most likely cause affecting leadership characteristics. The capacity of the organizational leader to predict, analyze, and make decisions is vital to the survival of a company through the first four years in operation.

Theme 4: Understand the Need for Relationship-Building Skills

New entrepreneurs rely heavily on family, friends, or a business partner. Transformational leaders build relationships and perform well within groups (Berson & Linton, 2005; Krause & Weekley, 2005). Team cohesiveness is a main ingredient to successful business performance in small, medium, and large businesses (Lee & Chang, 2006; Stashevsky & Koslowsky, 2006).

The highest response from the participants or eleven participants (55%) indicated the necessity for relationship building skills in successfully leading an organization

during the initial four years after inception. Participant 12 noted, “I would say getting along with other people.” Participant 14 described, “Being compassionate helped me early in starting my business and being understanding.”

Transformational leaders understand employees’ and organizations’ needs by inspiring, empowering, and motivating employees to succeed in accomplishing the organization’s mission. Leaders who study and use transformational leadership characteristics in an organizational setting succeed more than leaders espousing transactional or other types of leadership characteristics (Kezar et al., 2006). Relationship-building skills can have a negative effect on organization success, as evidenced by the corporate accounting scandals of the 21st century where leaders at Enron, WorldCom, and Arthur Andersen lied to investors through accounting and auditing failures (Bayou et al., 2007).

The theme discovery demonstrated the necessity for small business owner-founders to develop and implement human interaction skills early in the organization-building process. Human interaction skills are invaluable leadership characteristics in creating the long-term customer and employee relationships necessary to sustain organizational growth. As long as small business owner-founders build relationships with stakeholders and place the organization ahead of self, this leadership characteristic will provide the basis for success.

Theme 5: Know Your Employees

Small business leaders require employees with the necessary skills and, in turn, the owner-founders create an environment to hire and retain the employees. Participant 6 described, “As a leader, I always like to use evaluation to let my employees know how

they are doing and where they stand within the organization.” Participant 2 noted, “Establishing two-way trust between employees and leaders was important.”

The highest response from the participants or nine Arizona small business owner-founders (45%) indicated knowing your employees is a perceived new entrepreneur skill needed to start a small business. The finding indicated that participants’ certainty that hiring and sustaining quality employees will lead to success is the first function in knowing your employees. Further, an understanding of employees’ quality-of-life requirements is equally essential to maintaining employees’ support to the organizational mission.

Transformational leaders enhance employees’ identification, professional fulfillment, and commitment to the organization (Krishnan, 2005; Walumbwa, Orwa, et al., 2005). Transformational leadership and self-worth play a positive role in influencing followers’ organizational feelings positively (Gaur, 2006; Ilies et al., 2006; Walumbwa, Lawler, et al., 2005), contrasting with the perceived leadership characteristics of the research participants, which aligned with upper-echelon theorists’ belief that the leadership style of the company leaders predicted whether the venture succeeds or fails (Pedraja-Rajas et al., 2006). Organizational ecologists contend the survival rate of new ventures depends on the market conditions at start-up and not the owner-founder’s leadership characteristics (Swaminathan, 1996).

Implications

The small business owner-founders in the study responded to telephonic interview questions based on their perceived reflections of their leadership experiences. The 20 participants expressed their perceptions of the leadership characteristics needed to lead

their organization successfully beyond the first four years in operation. Based on the data gathered from the interviews, five core themes emerged from the Arizona small business owner-founders participating in the study. The results of the study indicated small business owner-founders need to exhibit the leadership characteristics necessary to inspire and motivate employees, to build positive relationship with employees and customers, to lead organizational transformation in a changing business environment, and to know and meet the needs of their employees as described by transformational leadership theorists to achieve organizational success (Bass et al., 2003).

The study's limitations impacted the interpretation of the results. By using only participants from Arizona, interpretation was limited to experiences and perceptions of conducting business leadership in Arizona. The interpretation of the results was also limited to the experiences and perceptions conveyed at the moment in time of the interview.

Several of the emergent themes corresponded with research on transformational leadership theory. The four transformational leadership characteristics are (a) idealized influence, (b) inspirational motivation, (c) intellectual stimulation, and (d) individualized consideration (Bass et al., 2003). The transformational leadership studies illustrated a relationship existed between transformational leadership and organizational success through inspiration, motivation, empowerment, awareness of employees' and organizational needs, and as change agents as themes. Findings from the current study might be of value and benefit to current and new small business owner-founders seeking to lead their company beyond the first four years in operation.

The findings relate to the stated purpose and significance of the study. Small businesses are important aspects of the U.S. business environment in providing jobs and innovative ideas. However, the failure rate in the first four years in operation of new ventures reflects the need for this study. The examination of the leadership characteristics of successful small business owner-founders has led to the development of leadership model (See Figure 1).

The results of the study correspond with current literature identified in chapter 2. The results of the study indicated small business owner-founders need to exhibit similar leadership characteristics necessary to inspire and motivate employees, to build positive relationship with employees and customers, to lead organizational transformation in a changing business environment, and to know and meet the needs of their employees as described by transformational leadership theorists to achieve organizational success (Bass et al., 2003). Implication of the findings might encourage current and future small business owner-founders to assess and re-assess their leadership characteristics against those of successful entrepreneurs in Arizona.

Outcome of Research Questions

The analysis from the study assisted in answering the research questions as follows:

RQ1. What leadership characteristics do small business owners perceive as contributing to a successful new organization? Small business owners perceived (a) lead by example, (b) establish positive leader–follower relationships, (c) recognize that the changing business environment will cause changes or develop new leadership characteristics, (d) understand the need for relationship building skills, and (e) know your

employees as contributing to a successful organization. The results of the study indicated small business owner-founders need to exhibit these leadership characteristics to succeed.

RQ2. How do organizational incidents transform small business owners' leadership characteristics? Small business owners perceived organizational incidents do transform their leadership characteristics. The participants specifically distinguished the changing environment as contributing to transforming leadership characteristics.

The environmental changes revolved around internal and external factors faced by the small business owner. The internal factors associated with the changing environment highlighted the leader/follower relationship within human resources and the hiring practices employed by small business leaders. The participants expressed leadership changes in early recognition skills to ascertain whether a new employee would be successful within the organization.

The external factors addressed by participants' experiences revealed early decisions in transactions with stakeholders. The participants articulated leadership changes in trusting stakeholders' word of mouth to fulfill business agreements. The participants conveyed changing leadership characteristics in trust but verifying stakeholder arrangements with written, contractual supporting documentation.

RQ3. What leadership model contributes to the success of new small businesses? A leadership model was developed from the study's data analysis of the experience perceived by the participants (see Figure 1). The model forms the basis for building a solid leadership foundation for small business owner-founders to follow in leading their company successfully beyond the first four years in operation. The model depicts the leadership characteristics in building a strong leadership pyramid based on four of the

core themes while the fifth themes relates to the necessity of a constant vigil by leaders on the changing environment.

Significance of the Study to Leadership

The current examination of the leadership characteristics of successful small business owner-founders might result in a better understanding of the small business failure phenomenon in which only 44% of new small companies survive the first four years (U.S. Small Business Administration, 2007), which might assist new and current leaders of small businesses (Heck et al., 2008). The results of the study could help increase small business survival through improving owner-founder leadership skills (Collins, 2005; Rasheed, 2005). Providing information to current and aspiring small business owner-founders on which leadership characteristics might help to increase their chances of success beyond the first four years.

The need for relationship-building skills is an important factor in successfully leading a small business. The findings of the current study indicated that 55% of the participants perceived the leadership characteristic as essential to leading an organization during the initial stages of a new small business. Bass et al. (2003) reported transformational leadership characteristics include the following concepts: (a) idealized influence, in which followers appreciate and trust leaders who show concern for their well-being, creating a lasting relationship of mutual respect and camaraderie; (b) inspirational motivation, in which followers are motivated and challenged by the leaders actions, creating esprit de corps and fostering a positive view of the future; (c) intellectual stimulation, in which followers are nurtured in an environment that fosters debating alternatives, creativity, and innovation; and (d) individualized consideration, in which

followers feel the leader genuinely cares, mentors, and coaches based on the followers' individual needs to succeed and grow.

The study is also significant to the discipline of entrepreneurial behavior and entrepreneurship because investigating possible leadership characteristics could increase the success rate of entrepreneurs who contribute to the U.S. economy. Collins (2005) presented a compelling case, noting great leadership characteristics can increase organizational success. A. Morrison et al. (2003) posited policy makers are refocusing small business research toward understanding organizational success in order to target governmental resources appropriately. Effective leadership is vital to the success of small companies (Collins; Rasheed, 2005). Support agencies can target and nurture small organizations with leaders who display the leadership characteristics associated with success (A. Morrison et al., 2003).

The current research is significant to the body of knowledge because of the use of a qualitative, phenomenological design and analysis of telephonic interviews with 20 Arizona small business owner-founders to explore perceived leadership characteristics from experiences contributing to organizational success beyond the first four years in operation. The study might also contribute to the body of knowledge because the findings fill a gap in the literature on exploring leadership characteristics of small business owner-founders (Chua et al., 2003).

Reflection on the Study

The low success rate of small businesses operating beyond the first four years in operation in the United States provided the impetus for the study. The support to the U.S. economy by small businesses warranted a closer examination in an attempt to understand

the relationship between leadership characteristics and success. Mellahi and Wilkinson (2004) posited the leadership characteristics of small firm owner-founders were the direct cause of organizational failure.

Small firms in the United States accounted for 26.8 million ventures in 2006 and produced 50% of the gross domestic product (Kobe, 2007; U.S. Small Business Administration, 2007). Only 44% of small businesses succeed beyond the first four years in operation (U.S. Small Business Administration). The leadership styles and techniques used by small business owner-founders affect an organization's future sustainability and survivability (Collins, 2005; Fuller-Love, 2006; Rasheed, 2005).

Stinchcombe (1965) purported the higher failure rates seen in new companies were due to the leadership learning new missions and processes, as well as conflicts and problems relating to the new leadership roles. Stinchcomb's assertion that company failures were due to leadership indicated a relationship existed between the undeveloped maturity level of a new company and the undeveloped leadership roles and responsibilities of owner-founders. The inability of 56% of owner-founders of new small ventures to manage companies beyond the first four years in operation required evidence-based research to assist in better understanding how owner-founders' leadership characteristics could increase the chances of small business survival (Lester et al., 2003).

The current research illustrated an area of exploration related to the leadership characteristics of current and future entrepreneurs and organizational success. The data from the study underscore the participants' perceptions regarding which leadership characteristics lead to organizational success. The findings include five leadership

characteristics perceived by 20 Arizona small business owner-founders as necessary to leading their companies successfully beyond the first four years in operation.

Recommendations

The current study might help personnel at the federal and state government small business administration improve leadership training and awareness during the entrepreneurial initial stages of small businesses. According to the U.S. Small Business Administration (2007), small business owner-founders provide a vital source of income and employment to the U.S. economy. Personnel at the federal and state small business administration should develop a leadership program to assess and assist small business owner-founders in the development or transitioning of leadership characteristics necessitating organization success beyond the first four years of operating a small business. Current small business owner-founders should develop personal action plans for the long-term development of their leadership characteristics and their employees.

Recommendations for Future Research

The current study indicated that small business owner-founders should possess transformational leadership characteristics. Therefore, future research could include a comparison of the transformational leadership characteristics needed by industry. Such research would be beneficial to all entrepreneurs aspiring to be successful small business owner-founders and provide an understanding of which leadership characteristics lead to organizational success for small business owner-founders across industries.

A comparative study of male and female small business owner-founders might provide an inclusive perception of which leadership characteristics affect the success rate of small enterprises according to owner-founders' gender. The study might include small

businesses headed by male and female owner-founders. The recommended study might serve as a developmental guide for federal and state small business administrations.

Recommendations for Small Business Leaders

The core themes emerging from the five focus questions on the leadership characteristics of successful small business owners were (a) lead by example, (b) establish positive leader–follower relationships, (c) recognize that the changing business environment will cause changes or develop new leadership characteristics, (d) understand the need for relationship building skills, and (e) know your employees. The themes interrelate to form the basis for building a solid leadership foundation for small business owner-founders to follow in leading their company successfully beyond the first four years in operation (see Figure 1). The diagram in Figure 1 depicts the leadership characteristics in building a strong leadership pyramid based on four of the core themes while the fifth themes relates to the necessity of a constant vigil by leaders on the changing environment.

The model depicted in Figure 1 can also be of use to the federal and state small business administration as a tool to assist new entrepreneurs in developing or transitioning their leadership characteristics during the initial stages in starting and operating a small business. The leadership program should include developing positive relationship building skills. Training should include techniques in getting to know your employees. Examples of positive leaders/follower relationship establishment and sustainment should be a part of the small business leaders' curriculum. The important of leading by example strategies should be incorporated into the course. Finally, assist small business leader in recognition that the changing business environment will change or

develop new leadership characteristics that need to be assessed and re-assessed in leading an organization to success.

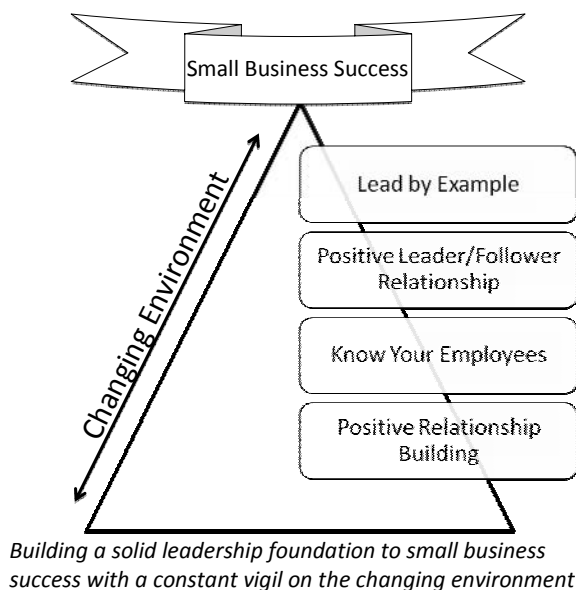


Figure 1. Small business leadership characteristics model for success.

Summary

The current qualitative, phenomenological study involved exploring the phenomenon of a small business success rate of only 44% through the first four years in operation (U.S. Small Business Administration, 2007). Small businesses, entrepreneurs, and employees are important aspects of the U.S. marketplace (A. Morrison et al., 2003). The literature included several reasons for the limited number of successful small businesses. Organizational ecologists posited environmental factors while upper-echelon theorists pointed to organizational leadership.

The results of the study indicated five perceived leadership characteristics necessitating small business success: (a) lead by example, (b) establish positive leader–

follower relationships, (c) recognize that the changing business environment will cause changes or develop new leadership characteristics, (d) understand the need for relationship-building skills, and (e) know your employees. The results of the study indicate the need for small business owner-founders to exhibit transformational leadership characteristics necessary to inspire and motivate employees, to build positive relationship with employees and customers, to lead organizational transformation in a changing business environment, and to know and meet the needs of their employees to achieve organizational success (Bass et al., 2003).

Chua et al. (2003) noted limited research existed on exploring leadership characteristics of small business owner-founders. The study fills a gap in the body of knowledge on small businesses. Recommendations provided could help personnel in federal and state small business administration assist current and new entrepreneurs to succeed. The data from the research might provide a foundation for others conducting studies in the area of small business.

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APPENDIX A: INFORMED CONSENT: PARTICIPANTS UNDER 18 YEARS OF
AGE

Dear Participant,

I am a student at the University of Phoenix working on a Doctorate in Business Administration. I am conducting a research study entitled *Small business leadership: A phenomenological exploration of leadership characteristics*. The purpose of the research study is to describe the lived leadership experiences of 20 small business owner-founders. Specifically, the study will describe common leadership characteristics of successful small business owner-founders.

Your participation will involve two one-hour audio taped interviews to answer 10 questions regarding your experience with small business leadership. Your participation in this study is voluntary. If you choose not to participate or to withdraw from the study at any time, you can do so without penalty or loss of benefit to yourself. The results of the research study may be published but your name will not be used and your results will be maintained in confidence.

Each participant must sign and acknowledge the following statement: By signing this form, I acknowledge that I understand the nature of the study, the potential risks to me as a participant, and the means by which my identity will be kept confidential. My signature on this form also indicates that I am 18 years old or older and that I give my permission to voluntarily serve as a participant in the study described.

Participant Signature

In this research, there are no foreseeable risks to you: None

Although there may be no direct benefit to you, the possible benefit of your participation is to share common leadership characteristics from the perspective of small business owner-founders and to add to the body of knowledge.

If you have any questions concerning the research study, please call me at xxx-xxx-xxxx.

Sincerely,

APPENDIX B: INTERVIEW QUESTIONS

The interview questions are as follows:

1. How do you as a small business owner describe the leadership characteristics contributing to organizational success? This question proposes to gain experiences from the participant in describing the leadership characteristics associated with organizational success.
 - a. In what specific areas has your business excelled? To what do you attribute these successes?
 - b. Does your business have a business plan or a strategic plan? (If so, describe key leadership attributes of the strategy or plan)
 - c. What leadership characteristics do you feel are important for success within your organization?
 - d. How well do you feel that you exemplify these characteristics?

2. How do you as a small business owner describe the changes occurring in your leadership characteristics since founding the company? This question proposes to gain experiences from the participant in describing the leadership characteristics associated with founding and growing the company.
 - a. In what specific areas have, you excelled in leadership. To what do you attribute these successes?
 - b. Did you have a leadership strategy or plan? (If so, describe key attributes of the strategy or plan)
 - c. What leadership characteristics do you feel are important for your success within your organization and the marketplace?
 - d. How well do you feel that you exemplify these characteristics?

3. What role do critical organizational incidents or issues have in developing or changing your leadership characteristics? This question proposes to gain experiences from the participant in describing the leadership characteristics associated with developing new or changing old leadership characteristics due to critical organizational incidents or issues.
 - a. In what specific areas has your leadership changed? To what do you attribute these changes and were they successful?
 - b. If you have a leadership strategy or plan, did you change due to critical organizational incidents or issues?
 - c. What leadership characteristics do you feel are critical and beyond changing for success within your organization and the marketplace?
 - d. How well do you feel that you exemplify these characteristics?
4. How would you describe leadership experiences in leading your organization during the first four years in operation?
 - a. What leadership lessons, if any, did you learn in leading your organization through the first four years in operation?
 - b. How would you describe your leadership style?
 - c. What leadership characteristic, if any, most helped you lead your organization through the first four years in operation?
 - d. What one leadership experience, if any, from your past made you the successful leader you are today?
5. What leadership advice, if any, would you pass on to new entrepreneurs?

- a. What one human emotion, if any, helped you lead your organization successfully?
- b. What leadership training did you receive prior to starting a new business, if so was it useful?
- c. What leadership experience, if any, did not help you successfully lead your organization?

After the interview question, participants were asked the following demographic questions:

1. What industry category does your organization belong to?
2. How many numbers of years has your company been operating?
3. How many employees (full-time and part-time) currently work at your organization?

APPENDIX C: LETTER TO REQUEST PARTICIPATION

Company Name & Address

Dear _____,

Hello, my name is _____. I am a doctoral student at the University of Phoenix in the Doctor of Business Administration (D.B.A.) program. I have chosen to write my research paper on small business leadership. Specifically, I want to conduct research on your experiences as a leader in operating a small business. I value the unique contribution that you are making to your community and I am excited about the possibility of your participation in my study.

The purpose of this letter is to invite you to participate in a small business leadership study. Your organization and you as a leader play an important role in providing jobs and creating innovative products and services. I believe the study of leadership characteristics in owner-founders of small ventures may provide further understanding of possible leadership traits to current and future entrepreneurs who want to succeed. The potential leadership characteristics gleaned from the study may provide small business owner-founders with substantial support for the interdependence of strong leadership and success.

If your organization meets the following criteria and you wish to participate in two one-hour telephone interviews, please contact me using the information below.

- (a) Have 100 employees or less
- (b) Controls 51% or more of organizational assets
- (c) Makes the majority of the final organizational decisions,
- (d) Desires to share leadership characteristics
- (e) Founded the organization 4 or more years before 2008.

Researcher's Contact Information

With warm regards,

APPENDIX D: LETTER TO PARTICIPANT

Dear Participant,

Thank you for your interest in my dissertation research on the experience of leadership characteristics in operating a small business. I value the unique contribution that you can make to my study and I am excited about the possibility of your participation in it. The purpose of this letter is to reiterate some of the things we have already discussed and to secure your signature on the consent form that you will find attached.

The research model I am using is a qualitative one through which I am seeking comprehensive depictions or descriptions of your experience. In this way, I hope to illuminate or answer my questions:

RQ1. What leadership characteristics do small business owners perceive as contributing to a successful new organization?

RQ2. How do organizational incidents transform small business owners' leadership characteristics?

RQ3. What leadership model may contribute to the success of new small businesses?

Through your participation, I hope to understand the essence of leadership characteristics in operating a small business as it reveals itself in your experience. You will be asked to recall specific events that you experienced in leading a small business beyond the first four years in operation. I am seeking a comprehensive portrayal of what these experiences were like for you.

I value your participation and thank you for the commitment of time, energy, and effort. If you have any further questions before signing the consent form, I can be reached at xxx-xxx-xxxx. Please return the consent form in the self-addressed stamped envelope.

Once I received the returned consent form, I will contact you to schedule the telephone interviews.

With warm regards,