



AFRICAN AMERICAN SMALL CONSULTING BUSINESS SUSTAINING STRATEGIES

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Abstract

More than 80% of small consulting businesses fail within the first 5 years of operation. Small consulting company owners are concerned about failing within the first five years because they lack innovative strategies. Grounded in the resource-based view theory, this qualitative multiple case study aimed to explore strategies African American consulting company owners use for longevity beyond 5 years. The participants comprised African American owners of three consulting businesses located in the northeast region of the United States who successfully sustained their business beyond 5 years. Data collection included semi-structured interviews with consulting company owners and reviewing company documents. A key recommendation includes conducting feasibility screening and designing and using a strategy canvas to identify opportunities.

Keywords: Human capital theory, Resource-based theory, Business ownership, Financial literacy, Business knowledge

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1.0 INTRODUCTION

In a business environment, many uncertainties exist, and business leaders need help from consultants who are professionals in their field to improve business performance. However, many management consulting businesses that many small business owners depend on struggle to survive. According to the Bureau of Labor Statistics (2017), more than 80% of consulting companies fail within 5 years of operation. The management consulting industry has received little attention among academic scholars because of being fragmented (Srinivasan, 2014). This qualitative multiple case study aimed to explore innovative strategies that African American consulting company owners use for longevity beyond 5 years.

2.0 LITERATURE REVIEW

2.1 Consulting Companies

In a business environment, many uncertainties exist, and business leaders need help from consultants who are professionals in their field to improve business performance. Consultants assist in solving issues and moving people or corporate entities from their current state to their preferred state; so, businesses continue operating profitably. The consulting companies incorporate industry or business-specific experts to address business issues (Wandiga, Kilika & James, 2019). Management consults help fill a gap in asymmetric information, identify problems, find solutions and manage risk (Pereira, Jerónimo & Ramos, 2017). Therefore, seeking help from management consultants could result in business sustainability and growth. Consultants eliminate doubts, help expand ownership, help decision-making, expose overlooked problems, analyze systems and compare business practices with competitors to maintain business continuity (Vukotic, Anicic & Vukotic, 2017). However, many management consulting businesses struggle to survive. According to the Bureau of Labor Statistics (2017), more than 80% of consulting companies fail within 5 years of operation. Consulting businesses could fail for many reasons such as lack of techniques and methodologies, poor communication, project-focused rather than client-focused, no brand name and lack of networking.

2.2 Factors Contributing to Consulting Business Success

2.2.1 Strategic Alliances

In the business world, strategic alliances could bring additional partnerships to improve business cash flow. The strategic alliance enables business leaders to discover value creation strategies with firm-specific assets. Overseeing strategic alliances is an essential task of a business leader to gain and maintain a competitive advantage and simultaneously create value. Alliances could be a quick means of accessing outside resources to maintain business continuity.

A strategic alliance is an act in which two or more business leaders voluntarily agree to unite for a mutual goal to achieve a more significant advantage compared to competitors (Russo & Cesarani, 2017). Business leaders must create a strategic alliance with other business leaders to utilize their resources to improve business performance and competitiveness (Dasgupta, 2018). Some scholars referred to business alliances as businesses coming together to collect knowledge and resources (Fang, Kotlar, Memili, Chrisman, & De Massis, 2018).

2.2.2 Technology

Modern technology systems could be valuable resources for business. Modern technological systems could enable companies to remain productive (Ferreira & Fernandes, 2017). The development and implementation of modern technology allow business leaders to improve performance and become profitable through added sales (Mohr & Batsakis, 2018). Business leaders use technological tools as recourses to sustain themselves in the market (Cembrero & Sáenz, 2018). Progressive technologies are business resources that could enable a company to sustain while maintaining a much superior strategic position when matched to its rivals (Bilkova, Greco, Palmigiano, Tzimoulis & Wijnberg, 2018). Integrating progressive technologies could help business leaders to meet a specific goal which could be long-term business continuity.

2.2.3 Human Capital

Human capital is an essential resource that business leaders could utilize to meet business objectives. The two types of human capital are positive-sum capital and zero-sum capital. A positive-sum capital concept supports the notion that an employee could gain knowledge through learning. Learning is about building tacit and explicit knowledge. The two categories of zero-sum capital are past experiences and social capital. The past performance refers to a person's accomplishments throughout life (Wilfahrt, 2018). Social capital relates to people interacting with others to acquire knowledge and resources for business continuity (Glanville & Story, 2018). Business leaders who could utilize zero-sum capital successfully create a business alliance to acquire resources needed for business continuity.

2.2.4 Training

The modern-day business environment is quite complicated, fragile and competitive. According to Boyd (2015), business owners, particularly in the consulting sector need the necessary skills, competencies and knowledge to manage business operations. Blum (2015) strongly asserted that adequate training positively affects young firm profitability and survival.

Higher education in a chosen field enables employees to reason and comprehend topics or themes that are intricate or complex (Bowen & Fincher, 2018). Besides higher education, companies' leaders could develop their human capital through seminars and workshops (Cairó & Cajner, 2017). Business skills and company knowledge assimilation result in strategic advantage (Salunke, Weerawardena & McColl-Kennedy, 2019). Educated and experienced employees could improve business productivity resulting in business growth.

2.2.5 Leadership

A leader plays a significant role in business continuity. Consulting business leaders adopting a transformational leadership approach could maintain business continuity through employee empowerment. Empowered employees possess a high motivation to succeed in business (Minbaeva, 2017). In the transformational leadership approach, leaders do not govern or manage followers or employees as the manager does. Instead, the leader inspires and motivates followers to be the highest version of themselves to accomplish their own goals (Mo & Shi, 2017). A transformational leader's characteristics include self-awareness, integrity, equality, innovativeness, determination, interest, knowledge and endurance (Doppelt, 2017). A transformational leader attempts to inspire followers to

increase employees' productivity to enhance enterprise performance, leading to long-term business continuity.

2.2.6 Business Financing

Many businesses fail because of a lack of financial resources (Byun, Han, Kim, & Centrallo, 2020). Access to financial resources can be challenging. A business with poor business credit could struggle to access loans (Cole & Sokolyk, 2018). Financial knowledge is essential to making a well-versed and active decision about business finance, investments and credit (Drever, Odders-White, Kalish, Else-Quest, Hoagland & Nelms, 2015). If a business leader has an excellent financial management strategy, financial institutions favour lending as the strategy shows that the business can generate income to pay back the borrowed funds (Cosenz & Noto, 2018). Access to funds could improve sales and revenue and decrease costs. Financial support enables businesses to grow, expand and survive (Knezevic & Lukic, 2017). Economic growth needs an adequate cash stream to endure development (Abbasi, Wang & Alsakarneh, 2018). There is a very close association between financial resources and business growth. The shortage of funds for growing companies could affect business survival (Justo, DeTienne & Sieger, 2015).

2.3 Theoretical Framework

The conceptual framework of this study included the resource-based theory (RBT). Barney (2001) developed RBT to support the notion that strategic resources' knowledge and possession could provide a business with a competitive advantage over opposing markets. RBT's key constructs are that the firms' ability to acquire and manage rare, valuable and non-substitutable resources could result in business success. RBT theorists embody planned choice, charging the business management with the significant responsibilities of classifying, procuring and organizing essential resources to take full advantage of potential returns from unique resources (Hitt, Xu & Carnes, 2016). RBT was a suitable conceptual framework for the current study because RBT's key constructs provided a lens for foreseeing and utilizing businesses' resources for business continuity.

3.0 METHODOLOGY

The purposeful sampling resulted in identifying three African-American-owned consulting businesses located in the Northeast region of the United States. Researchers regularly use purposeful sampling in qualitative research to identify and identify information-filled cases linked to the phenomenon (Hammarberg, Kirkman, & de Lacey, 2016). In purposeful sampling, a researcher sets participant selection criteria (Palinkas, Horwitz, Green, Wisdom, Duan & Hoagwood, 2015).

The research criteria required that participants were:

1. African American consulting company business owners who resided in the Northeast region of the United States.
2. In the consulting business and with a minimum of 5 years of experience.
3. Successful in sustaining business beyond 5 years of operation.

The appropriate method for this study was the qualitative research method and multiple case study design. The qualitative method enables a researcher to find the answers regarding knowledge, meaning and standpoint from the participants' perspective (Bansal, Smith & Vaara, 2018). Therefore,

qualitative researchers need to emphasize the information intricacies and focus less on the data collection metrics (Maxwell, 2019). Qualitative researchers must follow a detailed outline of questioning, data collection and information reporting (Siddaway, Wood, & Hedges, 2019). The qualitative methodology was appropriate because the study requires data that contains improved detail and insights from thorough open-ended questions. The open-ended interview questions enable researchers to obtain in-depth responses from participants (Siddaway et al., 2019).

Unlike a qualitative study, a quantitative approach allows a researcher to examine a phenomenon numerically by measuring relationships (Benhabib, Bisin & Luo, 2019). The quantitative method was not suitable for this case study because the purpose of this study is not to quantify opinions, actions and other distinct variables. The mixed-methods approach combines qualitative and quantitative methods (Marshall & Rossman, 2016). The mixed-methods approach wasn't suitable because the quantitative method was not viable for this study.

The two designs under consideration for this study were multiple case studies and phenomenology. Phenomenology is ideal for discovering and understanding real-life experiences (Bryant, 2018). However, the phenomenological design seemed unsuitable because the purpose of the study was not to explore the real-life experience of the phenomenon. According to Ridder (2017), researchers utilize case studies to increase the analytical comprehension of phenomena. The case study design was appropriate in this study to investigate and examine multiple cases to comprehend the multifaceted makeup of the phenomenon under investigation.

The data collection approach included semistructured interviews with open-ended questions with three participants from three different consulting companies, which resulted in rich data. Yin (2018) stated that a small sample size enables a researcher to collect data in a specific setting. Three participants constituted an appropriate sample size because more than three could take excessive time to complete the study and may not contribute to new information. Three interviews, just under an hour each, gave researchers rich data saturation.

Data collection and data analysis techniques included semistructured interviews involving open-ended questions and Yin's five-step data analysis approach. Researchers use semi-structured interviews to acquire information from participants about their practices concerning the study topic (McIntosh & Morse, 2015). By using open-ended questions, interviewers offer participants the freedom to answer as they choose (Castillo-Montoya, 2016). Yin's data analysis approach involved carefully exploring the data, classifying the data into themes or repetitive categories, arranging and testing the categories, and putting the categories together to draw findings (Yin, 2018).

4.0 RESULTS AND DISCUSSION

The central research question was: What innovative strategies do African American consulting company owners use for business longevity beyond 5 years? The resource-based theory was the conceptual framework for this study. Findings included three themes: embracing an entrepreneurial mindset, fostering creativity for innovation and capitalizing on the specialty.

4.1 Embracing Entrepreneurial Mindset

All participants stated that business leaders need to embrace an entrepreneurial mindset to build leadership skills. According to the participants, many small business owners get into consulting

businesses without the right entrepreneurial mindset and skills. Participant noted: *“An entrepreneurial mindset is about positioning for success, requiring putting one in challenging situations”* (Male Participant, 56 years old, Company A). According to the participants, challenging situations could be obtaining finances, mastering consulting topics, finding the right business partner or finding clients. All participants agreed with the notion that the entrepreneurial mindset is seeking problems as a set of opportunities.

When searching for opportunities, meaning finding clients, seeking funding or problems that require attention, the participants said there are field searchers and opportunity creation. The field search is about going out in the field and seeking existing opportunities. When asked to expand upon these, the participant said: *“The innovative entrepreneurs create an opportunity from almost nothing”* (Female Participant, 43 years old, Company B). When an opportunity presents itself, entrepreneurs need to ask what makes them capable of taking up challenges and why now. One of the participants stated that the opportunity creation process involves identifying services to offer to potential customers and building a suitable business model, revenue model and value proposition.

4.2 Fostering Creativity for Innovation

Participants noted the importance of creativity for innovation. According to the participant, the reconstructionist’s view involves creating a new structure by shaping thinking and creating demand, supply potential, service development, market development, market penetration, value innovation and differentiation. One participant posited: *“A business leader needs to develop a strategy canvas to understand what needs to be reduced, eliminated, or created for a new value”* (Male Participant, 56 years old, Company A). The business leaders need to look across alternative industries, look into complementary services offerings and review them in conjunction with a strategy canvas to identify opportunities. The participant suggested looking into functional and emotional appeals of customers and across time within a chain of buyers to see if one can develop a new market.

The participant noted that to grab the market share, a business owner needs to be creative to increase the market share and make others challenging to enter your space. While discussing the market share, the participant talked about the blue ocean and red ocean strategies. The participant used the blue ocean metaphor to identify untapped growth opportunities, create demands and gain access to uncontested market space. According to the participant: *“The blue ocean concept enables business owners to operate in their league without tensesd competition”* (Female Participant, 43 years old, Company B). The red ocean metaphor is for known market space in which competition is intense; and, to increase market share, leaders must beat the competition. The participant added *“The red ocean metaphor is ocean turning red with cut-throat approach and terrible competition turning the ocean bloody.”* All participants stated that entrepreneurs need to take risks and look for alternatives until solutions look viable. According to a participant, a quick feasibility study also means understanding business activities' or functions' strengths and weaknesses.

4.3 Capitalizing on Specialty

Participants said consulting could cover a wide range of areas. According to the participant, *“Business leaders could not be consultants to all issues and could reduce core competency”* (Male Participant, 48 years old, Company C). All participants posited that the strategy to succeed in consulting business is to identify the knowledge gap and acquire that needed knowledge through training or

education. All participants noted that business leaders need to understand their specialty area in consulting and capitalize on that. Consultants should be knowledgeable in the area they are consulting. The participant emphasized that success depends on consulting business leaders, adapting to *Blue Ocean* strategy and integrating core competencies. According to the participant, *“If core competency acts as a catalyst, then the consultant needs to identify clients needing help to get the ball rolling. The help could be meeting much-needed objectivity with one's area's expertise”* (Male Participant, 48 years old, Company C). According to participants, consultants need to sharpen their horns, meaning as category experts, consultants need to expand their knowledge and keep their ideas fresh.

4.4 Study Limitations and Recommendations

The semi-structured, open-ended interview and follow-up questions enabled to reach data saturation. However, the data obtained were specific to participants' knowledge and business experience. Considering the broad scope of consulting business in terms of the consulting field and its applicability, discussing all strategies is beyond the scope of this study. Therefore, to improve the applicability of study findings, future researchers in the African region could narrow it to specific consulting business types such as mergers and acquisitions, supply chain management, and human resource management. The participants were open and not biased with their responses. However, integrating quantitative data to support participants' responses could further validate the findings. Therefore, future researchers could do research using a mixed-method methodology. The study includes three participants in case study settings. A future researcher could conduct additional research using large sample size and consulting business owners from different fields to improve study generalization.

5.0 CONCLUSION

Regardless of geographic location, small businesses could benefit from the study findings. The term consulting is ambiguous, meaning the consulting type varies based on consultancy and the industry. Discussing all strategies that could affect business survival is beyond the scope of this research. However, the study findings revealed three main themes that small consulting businesses in any region in the world could use to elongate business continuity. The three themes are embracing an entrepreneurial mindset, fostering creativity for innovation, and capitalizing on the specialty.

6.0 RECOMMENDATIONS

- Participants posited that an entrepreneurial mindset is essential in creating an alliance with people who could be resourceful. Participants suggested business leaders commit to becoming a better version of themselves by acquiring knowledge. According to the participants, knowledge sharing, conducting feasibility screening, and designing and using a strategy canvas are creative leadership attributes. All participants noted capitalizing on the specialty in service offered. They recommended the Blue Ocean strategy as an innovative approach for identifying opportunities. The Blue Ocean strategy includes feasibility screening, designing and using a strategy canvas.
- The recommendation for small consulting business owners in the African regions is to think outside the box and envision how they could apply identified strategies to their consulting business to remain sustainable.

- Besides business leaders, the study findings could be helpful to academic scholars in African countries interested in learning about small business sustainability in USA. These academic scholars could do additional research in their specific regions to improve the generalization of the study findings to fill the literature gap.

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