Standout Small Businesses: Identifying Company Core Values as the First Step for Small Businesses to Establish a Sustainable Competitive Advantage

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Abstract  
As technology advancements continue to increase the gap between corporate giants and their competitors, small businesses find themselves fighting for relevance in a changing business environment. Small businesses must find ways to meet the needs of consumers. Research shows that thriving small businesses yield stronger local communities (Miller & Besser, 2004). For small businesses to thrive, they must separate themselves from their corporate and other small business competitors through the way they conduct business. This research continues to build on past research (Jenkins, 2009) identifying dynamic core values as the first step for small businesses to separate themselves from competitors while meeting specific consumer and community needs. Core values must both exist and distinguish the business from competitors to align to meet the needs of employees and customers. The aim of this qualitative study is to offer insight into the competitive advantages available for small businesses through core values.

Keywords  
Core values, small businesses, competitive advantage, technology, consumer needs.

Introduction  
After a global pandemic, small businesses are facing more challenges than ever before as they fight for relevance in America’s increasingly corporate landscape. Naturally, this milieu yields increased competition for small businesses. Research suggests that small businesses possess a potential competitive advantage over their corporate competitors through their understanding of local consumer needs (Besser & Miller, 2004). Yet, if this competitive advantage exists, one may question why so many small businesses are fading away due to large corporations. This question has been studied by researchers (Sheehy, 2004), mostly to villainize corporations for their unethical practices; however, there seems to be a lack of research on how core values impact the strategic planning of small
businesses. While consumers may neglect business values when making purchasing decisions, to focus on convenience or cost-efficiency instead, small businesses with established core values that translate into meeting specific consumer needs should be more relevant than small businesses without a clear identity. This study investigates how core values influence a small business’ competitive advantage.

Literature Review
Small businesses are vessels that aid community development and engage in corporate social responsibility (CSR), the metric for how businesses engage in ethical and social actions. Researchers also recognize that small businesses are better for the community than large corporations (Sheehy, 2004), because small businesses provide communities with innovation while corporations stifle innovation through franchising models. Most literature regarding community development and CSR as a business strategy is used in the discussion of corporations (Vyakernaum et al., 1997). This may be due to corporations having a much more sizeable impact on the economy. However, the aim of this literature review is to further explore the competitive advantage available for small businesses through core values. Additionally, this literature review will analyze small businesses’ relationship to local communities to offer how small businesses can prevent corporate takeover in their communities.

Many scholars have identified a lack of CSR and business ethics in today’s corporations. This has resulted in a modern movement of corporate ethics known as conscious capitalism (Mackey, 2014). John Mackey, CEO of Whole Foods, popularized the conscious capitalism movement (Fyke & Buzzanell, 2013); he advocates for capitalism’s being the best system of conducting business—particularly in an ethical fashion. While the conscious capitalism movement has gained significant traction, many scholars have criticized the movement for being paradoxical (Fyke & Buzzanell, 2013). Wang (2013) criticizes conscious capitalism as a scientific theory due to its “irrefutability, inconsistency, and lack of generality” (p. 105). He also further criticizes it as a movement because it has not been accepted by most corporations. Fyke and Buzzanell (2013) further critique the movement for its paradoxical discourse as themes like competition and cooperation do not appear to coexist. While the conscious capitalism movement maintains good intentions (Fyke & Buzzanell, 2013), the movement has failed to protect small businesses from corporate takeovers (Sheehy, 2004).

Although conscious capitalism has lacked recognition as a scientific theory, other corporate social responsibility models and theories remain a leading topic for research in business ethics (Burton, 2007). Most CSR research studies its connections to multinational corporations. Sheehy (2004) studies CSR and corporations through a Walmart case study, using the giant retailer to examine the social costs that corporations create for consumers and communities including worker exploitation and
elimination of local competitors. Further study on corporations and business ethics poses CSR as a central element to viable corporate strategies (Sousa Filho & Farache, 2011) but still advocates indirectly for corporate reform. Vyakernam et al. (1997) shifts the CSR conversation toward small businesses and criticize business ethics research because small businesses represented “the largely uncharted area of ethics” (p. 1625). Including small businesses in the conversation of CSR and business ethics allows for research to be conducted on the ways that small businesses utilize CSR tactics as a strategy (Burton & Goldsby, 2007).

New research has been conducted at the nexus of CSR concepts and business strategy. Besser and Miller (2004) argue that it is advantageous for small businesses to pursue what they identify as enlightened self-interest (ESI), which contends that “a high quality of life in a community will result in more prosperous businesses” (p. 399). Jenkins, one of the leading voices of CSR strategy in small firms (2009), elaborates on ESI theory and constructs a model for how CSR can be used as a business strategy in small- to medium-sized enterprises (SMEs). Jenkin’s (2009) “business opportunity model” (p. 33) outlines a five-step process for SMEs to include CSR in their strategy. By acknowledging that applying CSR as a business strategy is “in its infancy” (p. 34), Jenkins's (2009) findings, along with Besser and Miller’s (2004), allow for my research to offer insight into the competitive advantages available for small businesses through core values.

Jenkins’ first step of his proposed business strategy model begins with the same first step as most of the corporate strategy literature: set and establish company core values (Jenkins, 2009). The trend of businesses setting company core values came after Jim Collins and Jerry Porras published the book Good to Great (1994) where they published an in-depth study of top companies. Their study identified that these companies had established “guiding-light” principles they termed as core values. Core values have now become a staple of corporate culture, but many businesses are missing the point. As Patrick Lencioni points out in his article “Make Your Values Mean Something” (2002), companies will establish disingenuous core values that offer no real substance to organizational culture or managerial decision-making. According to Lencioni, a company’s core values must not only exist but also “set a company apart from the competition by clarifying its identity and serving as a rallying point for employees” (Lencioni, 2002, p. 1).

Furthering this idea of core values serving a greater purpose than mere existence, Grayson and Hodges, in their book Corporate Social Opportunity (2004), also identify setting core values as the first step in their 7-step corporate strategy model. However, their research emphasizes the importance of integrating their values into every process of the business operation. This creates what the author calls “CSOs” or corporate social opportunities (2004) where companies have capitalized on the value-based needs of their customers and internal team. Jenkins takes the
idea of CSOs and applies it to small businesses (2009). Jenkins cites Grayson and Hodges's idea of competitive advantage being achieved through the alignment of business values with the social and economic needs of the customers (Grayson and Hodges, 2004, p. 13). However, Jenkins contends that small businesses may possess an even greater advantage over corporate competitors in identifying CSOs because of the quicker time for managerial decisions to ripple through the company and the greater understanding of the community where the small business operates (Jenkins, 2009).

CSR in a corporate context exists often out of necessity and to maintain positive publicity. Small business CSR differentiates from corporate CSR through its greater connection to local stakeholders and communities. This also creates more of a connection to the specific values and needs of local customers. Whether applying CSR to business strategy for a corporation or a small business, it appears all business strategy literature agrees that the first step to gaining a competitive advantage is establishing meaningful and dynamic company core values which, in turn, serves as a basis for my study.

Methodology
The purpose of this study is to investigate how core values impact small businesses' competitive advantages. The current study utilizes informational interviews with small business owners to gain an understanding of how they have practically utilized core values in the daily operations of their companies.

Procedure
The researcher asked four business owners of service industry small businesses to participate in informational interviews about their small businesses and how core values have influenced operations.

Participants
Participants were selected based on a convenience sample. All four participants were in the greater Boise, Idaho area, ranging in size from 25-60 employees. The participants are all white males within the age range of 35-55. Each owner was emailed regarding being interviewed and all four accepted the request. The four interviews were then conducted over the phone, and the phone conversations were recorded with the permission of the interview participants. All four interviewees were asked the same three questions regarding the integration of values within their business. The first question asked was, “What are some of your favorite values and what core values have you established as your company's core values?” The second question asked was, “How do you integrate your company's core values into the daily operations of your business?” The third and final question asked was, “Why do customers choose you over the competition?” After conducting interviews, the recorded transcripts
underwent in vivo coding to analyze the qualitative data and different implied themes within the data.

Results
This study was designed to test and answer if core values set small businesses apart from their competition. As discussed in the literature review, core values must offer more than mere existence to set companies apart from their competition. The extent to which companies integrate their core values and possess a competitive advantage from their core values will be investigated in the following sections.

Core Company Values
After conducting four informational interviews with small business owners in the greater Boise area, the data shows that all four businesses have a set of core values that they hold within their company. However, each has a different level to which they have integrated their core values into their business. For example, Interviewee 1 explained how his core values were decided among the company’s core leadership team and that they hang on a wall in the office. However, he was only able to list some and not all values from memory. Interviewee 2 has his core values and mission statement hanging in his personal office and reads them every day. This owner was also the only one of the four who had the core values posted on their company website for customers to see. Interviewee 3 had his core values hanging in the office and, when asked, was able to name all seven from memory. Interviewee 4 explained how he does not have his core values included in a formal business plan and that the business’s core values do not hang on the wall anywhere; however, he articulated from memory the three core values that he constantly preaches to his company.

Additionally, two of the four participants listed personal values that are not held as company core values explicitly. Interviewee 2 shared his personal values of “doing everything as unto the Lord” and “integrity” as his personal moral values that influenced the development of his company’s core values statement. These values were passed down from his father who originally started the company. Interviewee 4 shared his personal values of character, honesty, and integrity that he carries into his work every day, but those values are not company-wide core values.

See below Figure 1 for the full list of the mentioned company core values:
Company Value Integration

When asked how the core values are integrated into daily operations, Interviewee 4 was the only business owner who did not discuss the hiring and firing processes. For him, the integration of core values recalled their Monday mornings where core values are discussed based on how the week went. He once again mentions that his company's core values are not explicitly spelled out or evaluated, but he says they are a part of the conversation. Not having the core values formalized or written out may be why they are not integrated into their hiring or firing process.

For the other three interviewees, their integration of core values into these HR processes looks different. Interviewee 1 only discussed the candidate selection process as it relates to operations, but he shares how in the interview they ask for the candidate to share their personal core values. For a candidate to be considered, they must be able to identify at least one if not multiple core values to which they live their life. This would hint at an implied value of “self-awareness” being required for all their employees. Interviewee 2 asks every prospective job candidate to read the company's core values as a litmus test to see if there is a mutual fit. These core values also become a “benchmark” to which employees are reviewed. He does not deviate from these values. Interviewee 3 does not deviate from the core values when it comes to the promotion of employees; however, he has noted a few times where they have hired employees who did not completely align with the core values. He notes it often has not worked, but there have been instances where that employee has molded to fit the company's core values and has even been promoted. Perhaps this is an expression of the company’s core value “empathy.” They are willing to take chances and show empathy to prospective employees who need coaching. He does note that he would never hire someone for a leadership position who does not align with core values.

The four different interviews also revealed differences in value priority. Interviewee 2 was the only one who did not reveal any difference in the prioritization of his core values. He delivered his core values in an acronym format displaying that they all work together, and one cannot be more important than the rest. Interviewee 1 did not cite a “favorite” of his core values; however, his lack of remembering some of the core values.
hints at prioritizing certain ones. He focused on the core value “integrity” when talking about positively reinforcing this core value in an employee who made a mistake but was honest and transparent about it. This leads to integrity being perhaps a more widely known value in the company. Interviewee 3 explicitly shared that “family-esque culture” is his favorite core value and perhaps their most distinctive one. He demonstrates this belief in his employees by leading birthday and anniversary celebration initiatives as well as offering to pay for counseling services for employees who are struggling or need help. He wants his employees to know they are like a family. Interviewee 4 does not explicitly state a favorite core value, but he does reveal that quality can be compromised if communication and cleanliness exceed expectations. He mentions that customers are much more understanding of issues if they are well-communicated and well-maintained.

Competitive Advantage
Most interviewees explicitly cited at least one core value when asked why customers choose their business over the competition. Interviewee 1 cites “quality” as the core value that distinguishes his service from the competition. He points out that his service is a higher cost than competitors, but his service and products are better. Interviewee 2 was the only one to not explicitly cite a core value when explaining why customers choose his company. His cited reasons included praying over their customers, doing extensive marketing, and having a positive reputation backing his name. However, he indirectly cites his core value “Humbly Confident” when explaining his positive reputation as a marketing tool. His sales presentations are not pushy, and he instead looks for a mutual fit between him and the client. His humble confidence is what drives positive word of mouth.

Interviewee 3 cites “Positively Communicate” as a value separating his company from the competition. His ultimate reason for beating out the competition is having more five-star reviews than everyone else and that the consistent feedback he receives is the technicians communicating very positively- an inter-company value that translates to the customer. In his answer, he reveals perhaps an implicit core value: “responsiveness” or “consistent follow-through.” Because his industry requires being on-call 24/7, his five-star reviews are what lead to a high call volume from customers who need a solution immediately. This core value potentially sets them apart and meets consumer needs which will be unpacked more in a later section. Interviewee 4 cites “communicate” and “clean” as the two values that separate his company from the competition. His customer feedback reveals his company has one of the longest processes in comparison to his competitors; however, they are the easiest to work with because of their values of “communicate” and “clean.” Keeping a clean workspace and over-communicating is imperative to their business process and to beating out the competition.
Every interviewee was also able to identify how one of their core values addresses a consumer need. Interviewee 1 again refers to quality. People who partner with their business need a quality service and are willing to pay for it. Their core value of “customer service” pairs nicely with “quality” as their business strives to offer the best service. Interviewee 2 provides at the very core of its mission statement that they aim to serve “value-minded clients.” By holding to their value of “unequivocal excellence,” they address the needs of clients emphasizing value.

Interviewee 3 identifies “compassion” as a value that meets his customers’ needs. Their service responds to people who have gone through disaster, so it is imperative that their business service keeps the client first and shows compassion to those going through difficult circumstances. The earlier implied value of “responsiveness” or “availability” could apply here as these clients need a quick response. However, this may just be a baseline value if it is shared by other competitors. Based on his industry experience, interviewee 4 once again identifies “communication” and “clean” as the values that meet the needs of his customers. Because his business emanates these values better than the competition, they are held to a much higher standard to deliver from the client.

Discussion
Each interviewee successfully articulated how one or more of their core values contributes to competitive advantage. This not only legitimizes these small business core values, but also validates Jenkins first step in his model for SMEs and their business opportunities. The following sections discuss how core values put into practice can propel small businesses to success.

Core Company Values
One theme present in the data of core values is the many duplicate values. Three of the four interviewees include integrity or honesty (or some synonymous variation) in some way in the company's core value statements. Interviewee 4 was the only one who did not list integrity as a company core value, but he still mentioned it as a personal core value. While integrity and honesty are expectations and qualifiers of all four businesses, only interviewee 3 specifically mentioned how his industry suffers from a lack of integrity and how the company's core value of integrity sets his business apart from the competition.

Integrity and honesty were not the only duplicative values from the companies interviewed. While possessing a synonym for integrity and honesty, interviewee 2’s company stood alone as the only company interviewed to not have a duplicative core value as one of the other three. “Quality” and “communication” were other values shared among the companies interviewed. However, small business owners apply these core
values in different ways. For example, interviewee 3 emphasizes the tone of voice and positivity as a differentiating factor in how his company’s employees communicate. Interviewee 4 defines successful communication as keeping the customer updated and “in the know.” Both expressions of this value separate their companies from the competition.

Because of prior research, it was not a surprise to see “integrity” be the most cited value. Patrick Lencioni’s research revealed 55% of Fortune 100 companies list “integrity” as a core value (2002). Through the interviews, it became evident that each business owner has a strong conviction to do the right thing. If companies desire integrity as a core company value, they must do the right thing more often than the rest of the competition (Lencioni, 2002). Most companies have a baseline expectation for integrity in the workplace, but a company with a core value of integrity should be distinctly integrous. If not, perhaps a different value should exist and guide employee behavior. Interviewee 2 exemplifies this concept through four distinctly unique core values. To possess a competitive advantage through core values, competitor analysis will most likely be required.

Company Value Integration
Based on the interviews, HR seems to be the area of operations most influenced by the company’s core values. Once again, this is consistent with one of Lencioni’s core value norms (2002). However, small businesses can integrate them into HR initiatives with less risk than larger corporations. When large corporations construct core values based on company consensus, they will most likely have to integrate more voices into the formulation of their core values. Small businesses can naturally communicate their own core value conviction to their employees through fewer chains of command. While hiring and firing processes will most naturally integrate core values the strongest, further research should be done on how small business employees integrate core values in areas such as marketing, accounting, and operations.

The idea of prioritizing core values over others was another unique theme that emerged through the interviews. Interviewee 2 once again stands out as showing no value priority. For interviewees who showed implicit or explicit core value priority, further analysis should be done on if the less favorable values belong on the core value statement list. If owners expect certain values to be embodied by employees more than other values, this expectation should also be known and believed by the employees.

Competitive Advantage
Through the interviews, it was apparent that small business owners understand how certain core values provide them with customers. All four of the interviewees implicitly identified how at least one core value sets them apart from the competition. Interviewee 2 was the only one to not
explicitly cite a core value in the competitive advantage section. He cites God, marketing materials, and the company's legacy. Perhaps “legacy” or some variation of the idea belongs on the core values list for interviewee 2 as the history of the company was ingrained into his value statements and pride in the company. Additionally, interviewee 3 cites his company’s availability and Google search placement as reasons why they win customers. This leaves room for a value of “availability” or “adaptability” to describe the company’s ability to respond quickly to new customers. Once again, competitor analysis should be conducted for small business owners to know the extent of their core values’ competitive advantage.

Additionally, each business owner identified consumer needs that are being met through their core values. This awards small businesses marketing opportunities to reach customer segments with similar needs. Perhaps core value effectiveness should be analyzed based on positive customer feedback and reviews. What customers are saying reveals the identity and character of a company’s employees. Distinct core values will be evident to a company’s customers. Further research should be conducted on the symmetry of a company’s core values and a customer’s perception.

Conclusion
Small businesses possess competitive advantage opportunities through strong core value statements. This research reveals both the opportunities created by dynamic values and the ways small businesses can more fully integrate their core values. This study was limited due to all the business owners representing a similar demographic (white, Protestant, middle-aged men). Future core values studies on small businesses should contain a more diverse range of business owners. Additionally, the extent to which each interviewee possessed a competitive advantage was not apparent. Future studies should consider conducting competitor analysis of the interviewed businesses to determine distinguished core values. There is also an opportunity for a quantitative study of small businesses based on their market share relative to core values. These findings suggest further research would reveal distinguished core values as the first step for small businesses to separate themselves from the competition.
References


