

From the editor

Advancing Small Business Strategy in Turbulent Times: Capabilities, Ethical AI, Customer Retention, Brand Trust, Workplace Culture, and Trade Policy Uncertainty

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Small and medium-sized enterprises (SMEs) are central to innovation, employment, and community development, yet they face intensifying pressures from technological change, shifting customer expectations, cultural strains, and volatile policy environments. This special issue of the *Journal of Small Business Strategy* emerged from the inaugural Advances in Business Management Conference held in 2025 and brings together diverse theoretical and empirical perspectives on how small firms build resilience and sustain competitive advantage. The contributing articles examine five interrelated domains: capabilities and resilience, AI and digital transformation, customer retention and brand archetypes, workplace “families” and toxic positivity, and the impacts of tariffs and trade policy uncertainty on SME supply chains. Across these themes, the collection highlights that small-business success depends on the alignment of distinct but complementary capabilities, ethically governed technological systems, relational and symbolic foundations of customer relationships, psychologically healthy cultures, and a stable yet dynamic policy environment. Together, the articles advance small business strategy research and offer actionable insights for owners, educators, and policymakers seeking to support SMEs in an era of rapid technological, economic, social, and regulatory change.

Introduction

Small businesses have long been recognized as vital engines of innovation, employment, and development. In the United States alone, the federal government estimates that small and medium enterprises (SMEs) account for over 60% of net new jobs annually, employ approximately 30% of high-tech workers, and produce roughly 13-14% more patents than larger firms (*How Innovation and Entrepreneurship Are Framing the New Economy - July 2011 Newsletter | U.S. Economic Development Administration*, 2011). At the same time, small businesses operate in increasingly turbulent and competitive environments. These pressures include digitalization demands, social media dynamics, rapidly evolving IT capabilities, shifting customer needs, and shorter product life cycles, all under persistent resource constraints (Eldin et al., 2025; Oduro & Mensah-Williams, 2023). These challenging trends raise important questions about how small businesses can build and deploy capabilities, successfully adopt emerging technologies, manage hu-

man relationships, and navigate regulatory policy in ways that support sustained performance and resilience.

The research highlighted in this special issue emerged from the inaugural Advances in Business Management Conference, held in Costa Rica in 2025. This event was designed to showcase cutting-edge research on a broad spectrum of business disciplines, particularly research around strategy and small business management. In addition, the conference featured scholars and practitioners from across the United States, which facilitated robust dialogue on issues and challenges across a diverse range of topics. Following the conference, selected papers were invited to undergo further development and peer review, resulting in this curated set of scholarly and practical contributions.

The overarching goal of this special issue is to enhance and expand our understanding of how small businesses can strategically respond to complex environments and regulatory frameworks by integrating and expanding capabilities, advanced technology, customer strategy, and human capital. Multiple theoretical lenses inform the contributions

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in this issue, including the resource-based view (RBV), dynamic and improvisational capabilities, stakeholder theory, resilience theory, and human capital and signaling perspectives, among others. These frameworks are applied to contemporary phenomena, including the adoption of artificial intelligence (AI), digital transformation, micro-credentialing, workplace “families,” toxic positivity, customer retention and brand considerations, and policy-driven shocks such as tariffs.

Collectively, these articles employ a variety of methodological approaches, including conceptual and theoretical development, survey-based empirical work, case analyses, and mixed-methods designs. They use data from multiple geographies and industries, reflecting the diversity of small-business operations. In the sections that follow, we organize the contributions into several common themes, briefly introduce each article, and highlight how they contribute to a more holistic understanding of small business strategy.

Across these contributions, a central argument emerges: small business resilience does not stem from any single capability, technology, market tactic, or policy response. Rather, it arises from the strategic alignment of complementary capabilities, ethically governed technological systems, trust-based customer relationships, psychologically healthy cultures, and adaptive responses to external policy uncertainty. By bringing these domains into conversation, this special issue advances a more integrated view of small business strategy in turbulent times.

Theme 1: Capabilities and Resilience in Small Business

We begin with capabilities, the foundational mechanisms through which small firms anticipate, respond to, and adapt to disruption. In “Distinct but Complementary: Dynamic and Improvisational Capabilities,” Sonia White and William Gillis revisit a long-standing debate within the capabilities literature by explicitly examining whether dynamic and improvisational capabilities are empirically and conceptually distinct. Dynamic capabilities are defined as planned and purposeful processes for sensing, seizing, and reconfiguring resources (Teece, 2007; Teece et al., 1997), whereas improvisational capabilities involve the spontaneous, novel recombination of resources under time pressure (Moorman & Miner, 1998; Pavlou & El Sawy, 2011). Rather than treating adaptation as a single, undifferentiated construct, the authors argue that small-firm resilience reflects the temporal interplay of multiple, complementary capabilities, consistent with process-based views of resilience that distinguish anticipation, coping, and adaptation phases (Duchek, 2020).

Drawing on survey data from owners and top executives of firms with fewer than 500 employees, the study applies contemporary standards for discriminant validity, including the heterotrait–monotrait (HTMT) ratio and bootstrapped confidence intervals. Although dynamic and improvisational capabilities are strongly and positively related, the findings demonstrate that they do not collapse into a single

adaptive capability; rather, they constitute empirically distinct pathways to resilience.

Conceptually, the authors situate these findings within a process-oriented model of disruption in which dynamic capabilities are particularly salient during anticipation and post-disruption adaptation, while improvisational capabilities serve as a critical bridge during real-time coping when uncertainty and time constraints render formal planning insufficient. By clarifying construct boundaries, this study advances capability theory and provides small-business managers with a more nuanced understanding of how structured preparation and disciplined improvisation jointly underpin resilience in turbulent environments.

Theme 2: Technology, AI, and Digital Transformation

A second theme explores how small businesses engage with technological change, particularly AI and digital transformation. While emerging technologies promise to level the playing field for smaller firms, they also create new risks and expose underlying resource constraints. The contributions in this theme examine why many small businesses struggle to move from experimentation to the strategic integration of AI, how ethical governance frameworks can guide the use of AI in critical functions such as procurement, and how micro-credentials can build the human capital needed to sustain digital transformation.

In “Resource-Poor, Risk-Rich: Why Small Businesses Struggle to Turn AI into Strategic Advantage,” Timothy McIlveene, Sonny Nguyen, John Batchelor, Scott Keller, and Edward Renelli address the paradox that many small firms adopt AI tools yet fail to translate these investments into sustained competitive advantage. Using a dual theoretical framework combining the Resource-Based View (Barney, 1991; Teece, 2007) and Stakeholder Theory (Freeman, 1984), the authors argue that pervasive resource poverty, spanning financial, human, technological, and organizational domains, limits a firm’s ability to develop the AI-related capabilities and governance structures necessary for success. These internal constraints elevate ethical risks, including customer privacy breaches and the erosion of employee trust. To mitigate these harms, the article proposes a four-stage AI capability roadmap specifically adapted to the resource realities of small firms, emphasizing that strategic value arises only through structured, ethically grounded progression.

Focusing on a strategically central function, “Procurement 4.0: A Three-Pillar Framework for Ethical AI Adoption in Small Businesses” by Senali Amarasuriya and Kristie Abston develops a governance blueprint for AI in SME procurement. Building on the Entrepreneurial Innovation Responsibility (EIR) framework (Goldsby et al., 2024), the authors conceptualize ethical AI adoption as a design problem where risk mitigation and value creation are jointly addressed. They propose a three-pillar framework, Intelligent Automation and Decision Augmentation, Ethical Procurement Ecosystems, and Dynamic Regulatory Adaptation, that guides SMEs in using AI to overcome structural disadvantages such as low bargaining power and manual process

inefficiencies. Crucially, the framework emphasizes that AI should augment, rather than replace, human decision-making, thereby ensuring fairness and transparency in supplier networks.

Completing this theme, “Academic Innovation for Small Business Empowerment: Micro-Credentials as Strategic Tools” by Sharon Kerrick and Denise Cumberland examines how university-led initiatives support both skill development and labor-market signaling. Drawing on Human Capital Theory (Becker, 1994; Schultz, 1961) and Signaling Theory (Spence, 1973), the authors describe collaborations with industry partners such as IBM and Google to deliver credentials aligned with evolving digital competencies. The analysis highlights that micro-credentials reduce hiring risk for small firms by providing verified evidence of workforce readiness. Notably, their “train-the-trainer” model achieved a significant multiplier effect, reaching more than 1,500 community participants and empowering low-income districts.

Taken together, these articles suggest that digital transformation in small firms is neither purely technical nor solely an internal undertaking. McIlveene et al. show how resource constraints introduce ethical risks; Amarasuriya and Abston provide a concrete governance framework for deploying AI responsibly in procurement; and Kerrick and Cumberland illustrate how regional educational ecosystems supply the verified human capital required for these technologies to function in practice.

Yet technological capability alone does not secure competitive advantage. To translate internal capabilities into sustained performance, small firms must also cultivate enduring customer relationships and coherent brand identities.

Theme 3: Customers, Brands, and Retention

Building on prior work in marketing and reputation, the contributions in this theme examine how small firms can “keep customers coming back” and how brand archetypes shape strategic positioning. Together, these articles highlight the marketing side of small business strategy, complementing the capabilities and technology perspectives with insights into demand-side dynamics.

In “How to Keep Them Coming Back: Lessons for SMEs Focused on Growth and Sustainability,” Jumana (Jay) Black, Angeline Close Scheinbaum, Dana Harrison, and Joseph Hair Jr. investigate how small firms foster repeat patronage and loyalty using clickstream data from 126,335 unique customers of a U.S. online alcohol retailer observed over 12 months. Guided by Cognitive Appraisal Theory (Lazarus, 1991; Lazarus & Folkman, 1984), they compare new and returning visitors and document a substantial “value premium” for returning users, whose purchase frequency is more than 4 times higher than that of new customers, while transaction size is only about 18 percent higher. The study shows that purchase likelihood increases substantially across early sessions, with later visits becoming significantly more predictive of conversion. For SMEs operating with modest budgets in high-consideration, trust-sensitive categories, the authors argue that shifting

emphasis from costly acquisition to retention, through tactics such as cart-abandonment outreach, retargeting campaigns, and early loyalty enrollment, can provide a more sustainable path to growth.

“Brand Archetypes and Brand Trust Development in SMEs: A Lifecycle Perspective on Sage-Led Firms Enacting Innocent or Creator Secondary Archetypes” by Andrya Allen and Robyn Brouer explores how archetypal brand identities help small firms differentiate themselves and build trust as they mature. Focusing on Sage-led SMEs, firms whose strategic identity centers on expertise, truth-seeking, and guidance, the authors develop a lifecycle-sensitive conceptual model that uses archetype theory and brand trust research (Keller, 1993; Mark & Pearson, 2001; Merlo et al., 2023) and a schema-congruity mechanism (Merchant, 2016) to explain how secondary archetypes such as the Creator and Innocent influence brand trust over time. They propose that Sage–Creator alignment strengthens trust carryover by translating abstract expertise into tangible artifacts (e.g., tools, frameworks, and diagnostics) that make knowledge visible and coherent, whereas Sage–Innocent pairings may increase early approachability but risk weakening later-stage trust as expectations for authority and epistemic credibility intensify. By linking internal identity work to external branding, the article offers a diagnostic framework owner-managers can use to audit archetypal signals and maintain coherent, trust-supporting brand narratives across touchpoints as the business scales.

Taken together, the work in this theme emphasizes that small-firm performance hinges on both behavioral and symbolic foundations of customer relationships. Black et al. show that repeat visits and accumulated trust dramatically increase purchase probability and customer value, suggesting that SMEs should rebalance efforts from acquisition toward retention. Allen and Brouer demonstrate that coherent archetypal signaling is critical for sustaining brand trust as founder-led firms grow, offering guidance on how expertise-driven brands can communicate credibility over time. Whereas the preceding themes focus on what small businesses do and how they build capabilities, this theme centers on who they are to their customers, underscoring that, in the SME context, the founder’s voice and the customer’s experience remain central drivers of sustainable competitive advantage.

The identities small firms project externally are ultimately rooted in the cultures they cultivate internally. Customer trust and brand coherence reflect underlying norms, values, and relational expectations within the organization itself.

Theme 4: Workplace Families, Culture, and Toxic Positivity

The next theme turns to the internal cultures of small businesses, particularly the common practice of branding the company as a “workplace family.” In “Toxic Positivity and the Workplace Family: Understanding Small Business Culture through Social Identity Theory,” Alli Forrester develops a theoretical model linking internal branding, social identification, and the emergence of toxic positivity in

small and medium-sized businesses, drawing on Social Identity Theory (Tajfel & Turner, 2004) and Self-Categorization Theory (Turner, 1987). The paper explains how employees come to see themselves as members of a workplace family and how that identification can heighten pressure to conform to the branded culture.

Forrester argues that presenting the organization as a “family” is a strategic internal branding choice intended to encourage emotional attachment and buy-in, building on internal branding and employee-branding work (Miles & Mangold, 2004; Punjaisri & Wilson, 2011), but one that can also function as a controlling mechanism that blurs professional boundaries and demands “loyalty without limits.” Central to the model is toxic positivity—defined as an insistence on positivity that suppresses negative emotions—which can arise when workplace-family narratives privilege harmony over candor and subtly discourage honest expression of strain or disagreement. The article concludes that while “workplace families” are often framed as a benefit, they can produce detrimental side effects such as isolation, burnout, and decreased productivity when they slide into toxic positivity, and it cautions small business owners to favor cultures grounded in respect, clear boundaries, and authentic support rather than enforced, unrealistic optimism.

While internal culture shapes employee experience and organizational identity, small firms operate within broader institutional and policy environments that constrain strategic choice. Even well-aligned capabilities, technologies, and cultures must adapt to external economic and regulatory conditions.

Theme 5: Policy, Environment, and External Pressures

The final theme situates small business strategy within the broader policy and trade environment, highlighting how tariffs and trade policy uncertainty shape SMEs’ supply chain risks and strategic options. In “The Impact of Tariffs and Trade Policy Uncertainty on SME Supply Chains,” Stephen A. LeMay and Dave McMahon examine how tariffs and Trade Policy Uncertainty (TPU) affect small firms that depend on global sourcing. Synthesizing recent research and industry evidence on TPU (e.g., Handley & Limão, 2022; Osnago et al., 2015), they argue that SMEs are structurally more exposed to tariff shocks due to limited bargaining power, narrower margins, and greater reliance on single-sourced suppliers.

LeMay and McMahon distinguish between tariffs, which constitute immediate cost shocks, and TPU, which is an enduring barrier that discourages investment and long-term supply chain planning, emphasizing that uncertainty about future trade rules can itself function as a trade barrier. Drawing on work in trade policy uncertainty, investment under uncertainty, and supply chain resilience, they explain why unpredictability can be as damaging as tariffs, prompting SMEs to delay adaptation and remain vulnerable. The article illustrates how some firms respond by diversifying suppliers, regionalizing or nearshoring production, and investing in greater supply chain visibility, and it concludes

with policy recommendations aimed at reducing TPU and supporting small-firm resilience.

By adding this macro-level perspective, the article complements the firm- and individual-level analyses elsewhere in the issue and underscores that SME resilience depends not only on internal capabilities but also on a trade and policy environment that offers enough stability and transparency to support long-term strategic investment.

Discussion and Future Research

Collectively, the contributions in this special issue reposition small business strategy as an integrative, multi-level endeavor. Rather than treating capabilities, technology adoption, customer strategy, organizational culture, and policy environments as discrete domains, this collection demonstrates that small-firm resilience depends on the alignment among these elements. Sustainable performance emerges not from isolated strengths, but from the coordinated interaction of complementary capabilities, ethically governed technological systems, trust-based customer relationships, psychologically healthy cultures, and adaptive responses to institutional uncertainty.

Future research can build on these insights in several ways. First, longitudinal and multi-level studies are needed to trace how capabilities and resilience evolve over time in small firms, particularly across cycles of crisis and recovery, integrating individual, organizational, and ecosystem variables to better understand when and how different capabilities become most salient. Second, there is significant scope for empirical tests of AI capability roadmaps, procurement frameworks, and digital transformation models in real small-business settings, as well as research on how micro-credentials and digital badges influence hiring practices, capability development, and regional economic outcomes. Third, more work is needed on the psychological and relational dimensions of small-business workplaces, including the consequences of toxic positivity, the management of work–family boundaries and identity, and the role of institutional and interpersonal trust in shaping employees’ attitudes and behaviors. Fourth, policy-oriented research could further examine how trade policy uncertainty, tariffs, and related regulatory shifts interact with SME capabilities and supply-chain strategies.

For practitioners, the central lesson is clear: there is no single lever that guarantees success. Small business owners and managers must simultaneously invest in appropriate capabilities, adopt technology thoughtfully and ethically, design compelling customer experiences and brand identities, and cultivate workplace cultures that support honesty, learning, and well-being, all while remaining attentive to shifting policy and trade environments. For educators, conference organizers, and policymakers, the experience of the inaugural conference and this special issue illustrates the value of cross-sector collaboration in generating research that is both theoretically robust and practically relevant. We hope that the conversations initiated through this event will continue at future conferences and in special issues. In addition, we hope that they will foster a growing commu-

nity of scholars and practitioners committed to advancing the study and practice of small business strategy.

As editors, we are grateful to the authors, reviewers, and participants who contributed to the inaugural Advances in Business Management Conference and to this special issue. We believe that the work presented here offers a timely and rich foundation for further inquiry into how small busi-

nesses can thrive in an era of rapid technological, economic, social, and policy change.

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