

The Road Ahead: Micro Enterprise Perspectives on Success and Challenge Factors

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The United States and the world at large are currently trying to recover from a housing bust and a financial meltdown. Small businesses, with their creativity and innovation, have the potential to reverse the course for any economy. The largest percentages of entrepreneurs are micro enterprises which may hold the key to economic revitalization. This study focused on the success and challenges facing these emerging businesses. The study found several interesting and statistically significant differences based on gender, ethnicity, sales volume, years in operation and type of business. Not surprisingly, given the current economic malaise, the national economy was perceived to be both the most important success and challenge factor. Perhaps most surprising was healthcare which was ranked fifth. The study emphasizes the importance of entrepreneurship to any economy, especially the United States, in their revitalization efforts.

INTRODUCTION

In our turbulent, depressed economy, with gold over \$1100 per ounce (Sykora, 2009) and unemployment over 10% (Weisman, 2009), the expectation of small businesses as the engine of growth in the United States has never been more apparent. These nascent firms are struggling to obtain credit, seek qualified employees, and successfully market their goods and services during a time of fear and uncertainty.

The United States has the highest number of entrepreneurs per capita than any industrialized country (Reynolds, 1999, p. 2 in Else, Doyle, Lisa, & Messenger, 2001). Microenterprise comprises more than one-half of all small businesses. Of these businesses, many are home-based, at least during the first few years of operation (SBA, 2004). In fact, the Small Business Administration (SBA) has duly noted the importance of small businesses. For example, small firms employ over half of all employees in the private sector, represent 99.7% of all employer firms, and comprise 97% of all exporters (Shah, 2010, p. 9). These are significant numbers that indicate the importance of entrepreneurship in general and, specifically, the significant role played by micro entrepreneurship, since the majority of businesses start at this level.

Until recently, the development of microenterprises focused on third world countries in spite of the fact that microenterprise development was a successful pathway to financial independence in the United States (Guste, 2006). Microenterprise development programs (MED) were formally initiated in the 1980s as an attempt to assist women, minorities, and disadvantaged individuals in starting businesses. At that time, it had been established that the traditional support network for small business startups was not working for these particular groups. MED programs were modeled after those developed for less developed countries (LDCs) (Else et al., 2001; Jurik, 2005). With the advent of these programs, more attention has been paid to microenterprise growth in the United States, however significantly more attention is needed given the numbers and potential of small businesses (Anthony, 2006).

LITERATURE REVIEW

A review of entrepreneurship literature indicates there is a great amount of research providing statistics on new business startups related to gender, socioeconomic status, ethnicity, geographic area, and type of business. There is also a significant amount of literature that addresses why businesses succeed or fail, and what comprises the definitions of success and/or failure. The federal government and a number of state governments publish extensive studies on new business startups with demographic and geographic information regarding these enterprises. Several key studies funded by the federal government and compiled in special reports by the SBA indicate that small business is vital to the U.S. economy (U.S. Bureau of the Census; Advocacy funded research, 2004). Of the new business startups in a year, some 53% are home-based, meaning that there are about 250,000+ home-based businesses startups per year (SBA, 2004). Two thirds of new firms survive at least 2 years and about one-half survive 4 years. Interestingly, closure data indicated that one-third of firms that closed indicated that they were successful at the time of closure (D'Elia, 2009, Boden, 2001).

There is, as yet, little research on micro enterprise in the United States. There are, however, several important studies that focus on micro enterprises based in the home. Joanne Pratt, in a special report for the United States Small Business Administration, found that "working out of the home has become a significant and growing phenomenon in the United States. There are nearly 15.9 million home-based workers out of a workforce of 119.9 million (SBA, 2009). More of the home-based businesses were sole proprietorships; less startup capital was necessary; fewer employees are hired; only five percent gross \$1 million or more; home-based businesses move to more traditional office space when gross receipts reach about \$50,000; and many home-based business owners just want to earn a secondary income, whereas non-home based businesses are earning the primary income for the owner (SBA, 2009). Overall trends indicate growth in home-based business formation and its critical place in the economy of the United States. Research that segments and develops further understanding of home-based entrepreneurs will significantly contribute to the existing body of literature.

So much of the existing literature concentrates on "work-at-home-moms," (called "homework") and/or micro entrepreneurship. Nancy Jurik described self-employed homework as a gendered phenomenon (Jurik, 1998, p. 8). She stated that research on small business and entrepreneurship portrays two views of those who work from home; one view is of liberated innovators "getting away" from many of the constraints of conventional employment (Beach, 1989; Carter & Cannon, 1992; Heck, Owen, & Roe, 1995 in Jurik 1998). The other view is that of the marginalized, minority or disadvantaged worker (Blackford, 1991; Else & Raheim, 1992 in Jurik, 1998). In other studies, home-based entrepreneurs were viewed as those who chose to work at home in order to care for children or because of factors in the external labor market, fewer jobs available, layoffs, and so on (Ammons & Markham, 2004; Berke, 2003; Carr, 1996). Some recent research on women-owned businesses deemphasized home-based ownership, even though it is on the rise. The research concluded that home-based ownership may be a good option only for women who do not have strong financial needs (Loscocco & Smith-Hunter, 2004). Other research has looked at home-based entrepreneurs who are crafts persons (Litrell, Stout, & Reilly, 1991). Overall, there is still a lack of attention to home-based entrepreneurship as a viable, vibrant path to

business success. There exists a growing class of successful professional-managerial, home-based entrepreneurs not being studied in any significant way.

Not only is the literature limited regarding micro enterprise in general, it especially lacks in the determination of success factors and challenges to these firms. Several studies have looked at factors that could be considered related to success or to challenges that can be anecdotally compared, such as the Panel Study on Entrepreneurial Dynamics (PSED). The PSED study looked at the economic and community context for entrepreneurship and found that uncertainty was high when firms were asked how certain they were that they could comply with local, state, and federal regulations; obtain new customers; and maintain balance in their lives (Gartner, Shaver, Carter, & Reynolds, 2004). The findings from this study categorized these factors into 1) financial uncertainty; 2) competitive uncertainty; and 3) operational uncertainty. Exploring entrepreneurs' perceptions of their economic and community context is an important stream of future research (Matthews & Human, 2004).

In a study conducted by Rogoff et al, open-ended questions were used to explore success factors and factors that impeded success. The resulting transcripts were coded and compared the findings across three groups: the sample of entrepreneurs, a sample of independent pharmacists, and a sample of business experts (Rogoff, Lee, & Suh, 2004). The main factors identified as contributing to success include individual characteristics of the entrepreneur, marketing activities of the firm, with most success factors having to do with internal factors (Rogoff et al., 2004). Factors that impeded success included regulation, the human resources market, financing, competition, environmental, and technological factors. These factors are more externally oriented (Rogoff et al., 2004).

Paige and Litrell conducted a study regarding how art-related retailers defined and achieved success. The businesses fell into the micro enterprise category as the average number of full time employees was 1.4 and .9 part-time. Craft retailers were found to identify success factors that related to the production of their crafts, their contribution to the region's craft traditions, and to preserving the craft tradition (Paige & Litrell, 2002).

Robert Lussier and Sanja Pfeifer looked at prediction models for success with a sample of small businesses in Central Eastern Europe. Several predictive factors were found: successful owners were more educated than unsuccessful ones; successful businesses did more planning than did unsuccessful ones; and, successful businesses had more difficulty finding adequate employees (Lussier & Pfeifer, 2001). Another study of self employed individuals in eight European nations found that factors impacting the duration of self-employment (considered success) were: higher levels of education; ownership of one's place of residence; the number of hours worked per week. When gender is looked at separately, the number of hours spent in childcare negatively impacted the duration of female-owned businesses but had a positive effect on male-owned businesses (Williams, 2004).

In the studies discussed above, assumptions were made in most cases that hypothesized narrowly assumed potential success factors and challenges or impediments to success. In the current research study, we present a substantial list of possible factors including an open-ended question to participants rather than assume any one or several factors.

RESEARCH METHOD

Maryland has been called "America in Miniature". In the State of Maryland, microenterprises account for 17.8% of all employment, providing jobs for over a half-million people, and are considered critical as a focus of public investment with returns ranging from \$2.06 to \$2.72 for every dollar invested ("Microenterprise in Maryland," 2008). Many of those microenterprises that are successfully nurtured will become larger businesses, employing more, and contributing significantly to the tax base of the state. It is to everyone's benefit to foster microenterprise. But, according to Maryland state officials, not enough is known about either microenterprise in general or its subset, home-based businesses.

In many respects Maryland is representative of the whole country. For example, micro enterprises are 8.4% of the total population compared to 8.1% of the entire United States. Non-caucasian in Maryland owned firms 25.8% compared to 17.8% in the US (US Census (2009). Maryland has a population of

5,633,597 with a growth rate of 6.4%. The population is 63.6% Caucasian, 29.5% Black, 6.3% Hispanic, and 5.0% Asian. Other ethnicities range at or below 1% (*Maryland quick facts from the US Census Bureau, 2009*).

Maryland has a large rural population and large urban centers. Rural area micro businesses employ 20.5% and urban-located micro businesses employ 17.8% (Kelly & Kawakami, 2008). There is a concerted effort in Maryland to support rural micro business development with TEDCO's recent addition of a rural representative in Western Maryland. With all that is known regarding the importance of micro business, there have been, until now, no studies of micro businesses conducted in the state of Maryland.

This paper examines the success and challenge factors as perceived by micro business owners in Maryland. A survey was conducted to develop the micro entrepreneur profile. It was mailed to a list of 9,184 micro enterprise businesses in the State of Maryland (with 0 - 4 employees). A total of 959 usable responses were gathered for a response rate of 10.44%, well within the desired response to a survey mailing. The survey specifically asks for success factors and challenges to their businesses as well as other questions related to functions that are core to any small business enterprise. The data was entered and analyzed with Excel and SPSS.

Research Questions

In order to determine the success and challenge factors facing micro business, this study developed a survey from the literature and conversations with entrepreneurs. A list of twelve success factors and thirteen challenges were created. Micro business owners were asked to select their top three factors for each. Specifically, this study sought to answer the following questions:

1. What do micro business entrepreneurs perceive as the major external success factors for the future growth of their business?
2. Do these perceptions of success factors vary by gender, ethnicity, sales, education, length of time in operation, and type of business?
3. What do micro business entrepreneurs perceive are the external challenges for the future growth of their business?
4. Do these perceptions of challenge factors vary by gender, ethnicity, sales, education, length of time in operation, and type of business?

RESULTS

Table 1 presents the demographics of the study participants. The respondents were predominantly male (70%), married (81%), Caucasian (92%), and owned their business (97%). Most (64%) had been operating their business for more than ten years (64%), were between 44-62 years of age (63%), had at least a bachelors degree (54%) and had sales between \$100,000 - \$500,000 (42%). Interestingly, the majority (72%) was not home based and this enterprise was their primary means of support (63%). Fascinatingly, this study showed the majority (62%) of micro businesses were organized as a corporation which is contrary to national data. At the national level, 71% of the total number of US businesses is a sole proprietorship while only 25% are corporations (Shah, 2010, p 69.).

**TABLE 1
DEMOGRAPHICS**

Gender	Ratio	Ownership	Ratio
Female	0.30	Yes	0.97
Male	0.70	No	0.03

Length of time in Operation	Ratio	Home based Business	Ratio
<1 yr	0.01	Yes	0.28
1-3 yrs	0.08	No	0.72
4-6 yrs	0.13		
7-10 yrs	0.14	Work Experience	Ratio
>10 yrs	0.64	Yes	0.73
		No	0.26
Marital Status	Ratio		
Married	0.81	Family Owned	Ratio
Single, Divorced	0.10	Yes	0.61
Single, Never Married	0.05	No	0.39
Widowed	0.03		
		Status	Ratio
Ethnicity	Ratio	Minority	0.09
Caucasian	0.92	Retired	0.01
Hispanic	0.03	Disabled	0.08
Native American	0.01	Not Applicable	0.78
African American	0.01		
Oriental	0.01	Age	Ratio
Other	0.01	<28	0.01
		29-43	0.14
Education	Ratio	44-62	0.63
No HS Diploma	0.01	>63	0.21
High School Diploma	0.17		
Some College	0.21		
2 yr CC	0.06	Financial Sup	Ratio
4 yr Degree	0.30	Sole Source	0.63
Graduate Degree	0.24	Supplemental	0.30
		Other	0.05
Sales	Ratio		
<10K	0.05	Ownership	Ratio
10-25K	0.03	Sole Proprietorship	0.33
25-50K	0.07	Partnership	0.04
50-100K	0.12	Corporation	0.62
100-500K	0.42	Other	0.01
500-1,000K	0.11		
>1,000K	0.15		

Analysis by Research Questions

1. What do micro business entrepreneurs perceive as the major external success factors for the future growth of their business?

Out of the twelve possible factors, a strong national economy (68%) was the dominant issue perceived by micro business entrepreneurs. This rating was nearly double the next closest factor, the ability to penetrate new markets (35%). The third factor, a well-trained workforce (30%), was followed closely by the use of the Internet (29%) (See Table 2). Conversely, mergers, outsourcing, and exporting, were all below 4%.

TABLE 2
SUCCESS FACTORS FOR GROWTH

Success Factors	Percent
National Economy	68
Penetrate new markets	35
Trained Workforce	30
Use of Internet	29
Add Products	24
Equipment Upgrades	18
Strategic Alliances	14
Additional capital	11
Quality Initiatives	10
Merger	3
Outsource Functions	2
Exporting	1

2. Do these perceptions of success factors vary by gender, ethnicity, sales, education, length in operation, and type of business?

Approximately one-third of the variables had statistically significant differences. Equipment upgrades differed substantially between male (21%) and female (12%) micro business owners. However, more females (36%) than males (26%) perceived the use of the Internet as a success factor. While the importance of a strong national economy was the most important factor for all levels of education, it was more important for those with less formal education. Conversely, those with more education cited use of the Internet as more important than those with less formal education (See Table 3).

The importance of a trained workforce rose from 17% for respondents with sales under 100K to 36% for firms with sales over 100K. In fact, for firms over \$1 million, the percent was 48%. Interestingly, adding new products was more important to smaller firms than larger firms and adding new markets was more importance to younger firms than established firms. Similarly, Outsourcing was much more important (13%) to firms less than one year old than more established firms.

Several statistically significant differences were revealed in this study. Two factors had strong significance with respect to gender; equipment upgrades and the use of the Internet. Females were much more prone to use the power of the Internet while males were more inclined to upgrade their equipment.

A weak but statistically significant difference with ethnicity and exporting was found. While the percentages were very small, one wonders why non-Caucasian micro business owners cited exporting three times the rate of Caucasians as a success for future business growth. Strong differences in the need for a trained workforce, equipment upgrades, adding new products and penetrating new markets were apparent with sales. Penetrating new markets, the need for additional capital, outsourcing of operational functions and strategic alliances were noticeably different when based on the businesses length of time in operation. The education of the owner affected their perceptions on the economy, equipment upgrades, use of the Internet, and additional capital.

**TABLE 3
SUCCESS FACTORS BY VARIABLE IN %**

	Female	Male	Caucasian	Non-Caucasian	Sales <100K	Sales >100k	< 4 yr Degree	4+ yr Degree
National Economy	69	67	69	64	69	68	73	63
Penetrate new markets	35	35	35	39	29	38	33	37
Trained Workforce	27	31	30	27	17	36	30	30
Use of Internet	36	26	30	23	29	29	26	32
Add Products	27	24	25	18	25	24	26	23
Equipment Upgrades	12	21	19	17	22	17	25	12
Strategic Alliances	15	14	14	17	11	16	11	17
Additional capital	8	12	10	15	11	11	15	7
Quality Initiatives	9	11	10	17	11	10	9	11
Merger	2	3	3	3	2	4	3	3
Outsource Functions	2	2	2	2	2	1	1	3
Exporting	1	1	1	3	0	1	1	1

Interestingly, nine of the twelve success factors were statistically significant with regard to the type of business. In fact, only outsourcing functions, exporting and quality initiatives were not statistically different in the responses (See Table 4).

**TABLE 4
SUMMARY OF STATISTICALLY SIGNIFICANT DIFFERENCES VARIABLES – CHI SQUARE GOODNESS OF FIT FOR SUCCESS FACTORS**

	Gender	Ethnicity	Sales	Yrs in Op	Education	Type
Strong National Economy	0.594	0.403	0.807	0.171	0.003**	0.004**
Trained Workforce	0.172	0.610	.000 ***	0.471	0.389	0.001**
Equipment Upgrades	0.001***	0.704	0.032*	0.523	.000 ***	0.002**
Use of Internet	0.002**	0.216	0.963	0.788	0.003**	0.002**
Add products	0.305	0.220	0.006**	0.297	0.189	.000 ***
Penetrate new markets	0.968	0.464	0.01*	0.001***	0.055	.000 ***
Additional capital	0.069	0.224	0.184	0.037*	0.003**	0.043*
Outsource Functions	0.899	0.907	0.613	0.001***	0.410	0.144
Exporting	0.765	0.025*	0.696	0.628	0.936	0.062
Merger	0.275	0.985	0.026	0.490	0.271	0.001***
Quality Initiatives	0.606	0.076	0.178	0.216	0.242	0.419
Strategic Alliances	0.663	0.585	0.095	0.005**	0.076	0.014*

* significant at .05 level ** significant at .01 *** significant at .001

- What do micro business entrepreneurs perceive are the external challenges for the future growth of their business?

The largest factor perceived as a challenge to micro business future growth was the economy (79%) by far. A distant second with less than half the percent of respondents was finding new customers (37%). Taxes (30%) were the third largest challenge, followed closely by State and Federal Regulations (29%)

and Healthcare costs (21%). Finding qualified employees (20%) emerged in sixth place, followed by competition (18%).

Interestingly, only slightly more than 10% of micro business owners viewed labor cost as a challenge to their future growth, ranking it below access to capital and balancing work and family life (See Table 5).

**TABLE 5
CHALLENGES TO FUTURE GROWTH OF BUSINESS**

Challenges	Percent
Economy	79
Finding new customers	37
Tax burden	30
State/Federal regulations	29
Healthcare costs	21
Finding qualified employees	20
Competition	18
Cash flow management	14
Access to capital	14
Balancing family and work	13
Labor costs	11
Managing technology	7
Maintain quality standards	6

4. Do these perceptions of challenge factors vary by gender, ethnicity, sales, education, length in operation, and type of business?

Regarding perceived challenges, male micro business owners rated taxes as an important issue 11% higher than female owners. This may be due to the fact male owned businesses generally were larger in terms of sales volume, which consequently made them more susceptible to increased taxes. For example Males owned 76.3% of the businesses with sales over \$100,000, as compared to 61.6% owned by females. Conversely female owners' ranked work and family balance five percentage points higher than males. With reference to ethnicity, Non-Caucasians rated finding qualified employees eight percent higher than Caucasians (see Table 6).

Interestingly, 27% of owners without a high school diploma cited access to capital as a challenge; nearly double the rate as owners with a high school diploma. As education level increased, so too did their perception of access to capital as a challenge. Less than 13% of respondents who had been in business less than one year perceived taxes to be a challenge. However, that rate doubled after one year or more in operation. Despite this difference, no statistically significant differences emerged via years in operation.

The type of firm varied greatly with their perceptions of challenges. Labor costs were perceived to be greater for construction (17%) and manufacturing (19%) than Distributors/Wholesalers (4%) and Finance/Insurance/Real Estate (5%).

Summaries of the statistically significant findings for challenge factors are listed in Table 7. The tax burden, access to capital, and balancing work and family life were different by the gender of the owner. Males were 11% higher on taxes while women were 5% higher on balancing work and family life and 2% higher on access to capital. With regard to ethnicity, finding qualified employees was ranked higher by Non-Caucasians (27%) to Caucasians (19%), the economy, and access to capital was different based on the education of the business owners.

The economy, taxes, regulations, healthcare costs, access to capital, and balancing work and family life were different based on sales. This finding makes logical sense in that as a business grows, its tax burden, employee costs and peripheral issues become more important than a business that only has his or herself and one employee. Again the economy, finding new customers, cash flow management, balancing

work and family life, labor costs, managing technology and other issues not cited in the survey experienced differences based on type. There were no statistically significant findings based on the number of years in operation.

**TABLE 6
CHALLENGE VARIABLES**

				Non-	Sales	Sales	< 4 yr	+4 yr
Challenges	Female	Male	Caucasian	Caucasian	<100K	>100k	Degree	Degree
Economy	79	78	79	74	76	80	83	75
Finding new customers	41	35	37	42	46	34	33	41
Tax burden	23	34	32	17	26	32	34	28
State/Federal regulations	21	32	30	23	25	31	29	28
Healthcare costs	18	22	21	15	11	25	23	19
Finding qualified employees	20	20	19	27	12	23	21	19
Competition	16	19	19	15	14	20	18	19
Cash flow management	16	13	14	18	17	13	14	14
Access to capital	15	13	13	17	12	15	16	12
Balancing family and work	17	12	13	14	16	13	11	15
Labor costs	9	11	11	12	9	11	14	9
Managing technology	8	6	7	2	9	6	5	8
Maintain quality standards	6	7	6	6	6	6	6	7

**TABLE 7
SUMMARY OF SIGNIFICANT DIFFERENCES**

<i>by Challenge Variables</i>	Gender	Ethnicity	Sales	Yrs Op	Educ	Type
Economy	0.791	0.353	.000***	0.517	0.032*	.000***
Finding new customers	0.572	0.457	0.558	0.087	0.297	0.002**
Tax burden	0.001***	0.239	0.017*	0.056	0.259	0.128
State/Federal regulations	0.996	0.124	0.001***	0.184	0.317	0.159
Healthcare costs	0.163	0.231	.000***	0.252	0.148	0.195
Finding qualified employees	0.101	0.011*	0.203	0.753	0.085	0.238
Competition	0.373	0.716	0.554	0.374	0.105	0.09
Cash flow management	0.222	0.071	0.255	0.108	0.291	0.044*
Access to capital	0.049*	0.354	.000***	0.293	0.001***	0.131
Balancing family and work	0.016*	0.916	0.019*	0.699	0.289	0.023*
Labor costs	0.145	0.318	0.478	0.394	0.971	.000***
Managing technology	0.358	0.494	0.189	0.453	0.387	.000***
Maintain quality standards	0.742	0.922	0.58	0.892	0.611	0.602
Other	0.801	0.174	0.102	0.892	0.757	0.048*

* Significant at .05 level

**Significant at .01 level

*** Significant at .001 level

DISCUSSION AND CONCLUSIONS

The state of the economy resonated with the vast majority of micro business entrepreneurs as the top factor for both their future successes and challenges. In particular, firms in operation for less than one year were particularly cognizant of its importance as their response rate was twenty percentage points higher than firms that had been in business for at least one year. This may signal a reticence on part of potential entrepreneurs to not begin operation until the economy improves. However, as important as the economy is, over 30% did not cite it as a success factor. This may imply their goods or services are inelastic in demand and are not subject to discretionary spending.

Upon closer examination, the size of the business in terms of annual sales, revealed significant differences. For example, while 30% of the total respondents rated a trained workforce as desirable, the percentage increased to over 43% for firms with sales over \$500,000 and 48% for firms with sales over \$1 million. This finding may be due to the complexity and skills needed for human capital to generate and service that volume of business. At the bottom of the list of success factors were mergers, outsourcing functions and exporting which generally makes logical sense due to the smaller volumes of business. Adding new products was the largest (43%) for firms with sales between \$10,000-\$25,000 while seeking new markets (16%) was ranked the lowest for this group. Perhaps this range provides a glimpse of the realities of surrounding this level of sales volume. Owners see the importance of adding new products but do not have the interest or wherewithal to move their services or products into new markets.

This research has shown correlations between gender and the use of the Internet. This may point to a new breed of entrepreneurs: college educated women use the Internet to market their products. Institutions of higher education could offer programs on small business and entrepreneurship in tandem with Internet marketing classes. This study confirms a strong relationship between education and business success. Those with more education, as shown in Table 3, cited the use of the Internet and less a need for additional capital as more important success factors to the future growth of their business.

Education helps entrepreneurs understand and exploit information technology towards success. This factor was also beneficial in regards to understanding the need for additional capital for future business growth as those with greater education cited less of a concern for additional capital. People with more education are potentially able to see the broader picture of revenue sources coming from internal operations as opposed to relying on exterior capital requirements.

Even though penetrating new markets was ranked at approximately half of the economy, it emerged as a solid second across all demographic groups. However, as a firm matured, it cited less of a need for new markets. This makes logical sense as the business has continued to gain customers, after ten years, they may have reached a sustaining customer level for their goods and services.

When examining the results by the type of business, it was clear that while economy was the overwhelming first success factor, it was less important for professional service providers (69%). This may signal governments and educational institutions to encourage prospective entrepreneurs to go into this area where they may be less affected by the economic cycles.

A trained workforce was least important in manufacturing (8%) and professional (5%) services but more important in construction (18%) and retailing (19%). This is interesting since many feel those in retailing are generally unskilled and those in construction perform tasks which require human strength. The economy, as previously stated, was the number one challenge for future business growth. In fact, it was eleven percentage points higher as a challenge than it was as a success factor. While finding new customers was ranked second at 37%, it was ranked higher for Distributor/Wholesale (48%), Finance (47%) and Retailers (40%). This finding may be due to the nature of their business and the lack of repeat customers.

While the economy was the greatest challenge for all groups, it was only cited by 68% of micro business owners with sales under \$10,000. Conversely, firms with sales over \$25,000 cited taxes at twice the rate of firms with sales under \$10,000. Similarly, only 6% of these firms perceived healthcare as a challenge while larger firms had twice to nearly six times the percentage. Conversely, larger firms

reported State and Federal regulations as a challenge at double the rate of smaller firms. Similarly so was the need for additional capital.

Less than 13% of respondents who had been in business less than one year perceived taxes to be a challenge. However, that rate doubled after one year or more in operation. Similarly, their perception of regulations doubled once sales of \$25,000 were achieved. This may be due to new entrepreneurs being unaware the impact taxes will have on their business. In addition, it appears that once a business reaches the modest level of sales at \$25,000, the realization and implications of taxes hit these new business owners. Governments could consider a deferral or abatement of taxes if these firms hire additional staff.

As previously stated, non-Caucasians cited finding a trained workforce as may be seeking more trained minorities for their businesses. If needed, governments could provide targeted education and training services to increase the skill level of minorities.

Healthcare is currently front and center of a national debate. However, merely 21% of these business owners cited healthcare costs as one of their most pressing challenges. Only 6% of very small firms, rising to 13% for firms between \$50,000 - \$100,000. The percentage rises to approximately 20% for firms between \$100,000 and \$500,000 and reached a high of 33% for firms with sales over \$1,000,000. Very small volume firms tend not to offer health benefits and this consequently may not be an issue for them at this time. As firms grow, in order to attract and retain employees, a variety of benefits, including health-care is provided. These costs appear to cause larger micro businesses much more concern.

While only 15% of firms with sales under \$10,000 perceived taxes as a challenge, the percentage rose to 30% when sales reached \$25,000. The view for Federal regulations mirrored their perceptions of taxes.

Again, 19% of firms with less than \$10,000 in sales perceived the lack of capital a significant concern as did firms with sales over \$500,000. This finding is significant at both ends of the spectrum since firms do not have the money to get off the ground or continue to grow, expand, and consequently hire more personnel. Access to credit and capital has been a thorny issue in this current economic climate. The state or federal governments should provide access to money at competitive rates to address this issue.

Perhaps the most surprising finding was only 7% perceived labor costs as a challenge to their growth. Again, 25% of firms in operation for less than one year were the most concern with labor costs. This makes intuitive sense since new businesses are particularly attentive to the myriad of expenses they must generate revenue to cover. They are focused on getting the business off the ground and may be hesitate to hire. It appears that every year the firm survives; the less concerned they are about labor costs. As expected, labor costs were rated higher by construction (17%) and manufacturing (19%) and lower in Distributing, and Finance/Insurance/Real Estate.

The most statistically significant differences appeared in the type of businesses. Nine out of the twelve success factors were statistically significant. For example, while the Economy was the number one factor, only 69% of Professional Service providers compared with 92% of Construction and 93% of Distributors/Wholesalers felt likewise. The use of the Internet was higher for Manufacturers (32%) than any other group. In fact, it was double the rate cited by retailers. This was an interesting finding since the use of the Internet is more important for operations as opposed to the conventional wisdom of using Internet marketing for retailers.

The implications for practice are most notably for State and Federal governments as well as for the micro entrepreneurs. Since new business relies so much on the economy, the governments should consider incentives, tax abatement, and flexibility in regulations. It appears many firms are unaware of the impact of regulations and taxes. Perhaps government agencies such as Small Business Development Centers and the SBA could offer workshops and publications to answer these questions and more importantly waive fees or taxes until the business reaches a certain threshold. In addition, with access to capital a major concern, the governments would offer low guaranteed interest loans to allow the entrepreneurs time to get on their feet. By supporting these firms which provide needed goods and services, the governments will be improving the quality of life for their constituents as well as stoking the engine of job creation.

President Obama meets regularly with advisors and businesses to find ways to improve the economy. However, the economy is not yet improving. For example, at the end of 2009 a jobs summit was held to

hear what could help. While the TARP bailout was to get credit going, this survey illustrates that access to capital is still a significant concern.

The implications for entrepreneurs are also evident from this study. Specifically, looking at the success factors outlook based on education, it can be inferred that obtaining more education can both lower your stress and increase your probability of success in business. Since business start-ups tend to be smaller and younger, they can seek out growth through the strategies of product and market development, respectively as shown by this study. In addition, it would be beneficial to entrepreneurs to obtain international experience through travel, associations, collaborations, as they may become a doorway for future business growth.

It is well documented that small businesses are engines for growth in any economy. These strategies in education, training, professional assistance, and tax incentives could mean more jobs and an economic resurgence.

FUTURE RESEARCH

Future research could focus on micro business expectations for the future, the type of government services utilized, the relationship and deeper understanding between education and business success, and the way the technology is utilized by these businesses.

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