

Navigating Turbulent Times and Looking into the Future: What Do Micro-Entrepreneurs Have to Say?

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Although small business is the engine of our economy, we don't know much about how the engine is functioning in these economically turbulent times. This research study explored the current attitudes of micro-entrepreneurs about business expectations over the next twelve months, the top factors that are critical to their success, and the top challenges they face. Findings show that micro-business owners are optimistic about revenue and profit growth and see the economy, penetrating new markets, and obtaining a trained workforce as the biggest factors determinant of success. The biggest challenges are the economy, finding new customers, tax burdens and regulation.

EXECUTIVE SUMMARY

A statewide survey was mailed to micro-businesses in the State of Maryland¹. Micro-business is defined as those businesses with less than 5 employees (Kelly & Kawakami, 2008). Maryland is an unusual state, comprised of geography that ranges from mountains in the western part of the state, bounded by the Atlantic Ocean on the eastern side, and punctuated by a large portion of the suburban Washington, DC area, and the famous Port of Baltimore. Maryland's workforce is considered among the best educated in the United States with over one-third of its population twenty-five or older holding a bachelor's degree 16% with a graduate or professional degree ("Maryland at a Glance," 2009).

The purpose of the study was to obtain a profile of micro-businesses in Maryland and to assess micro-entrepreneurs' attitudes about the turbulent economy and how they saw their businesses adapting. What emerges is a detailed profile of micro-business regarding how these vital small businesses are managing. The survey, mailed to 9184 businesses with less than 5 employees, consisted of 45 items. 959 responses were received for a 10.44% response rate and were analyzed using SPSS.

Findings show that 91.8% of respondents are Caucasian. 30% are women. The majority of micro-entrepreneurs are 44-62 years of age. Only 1.1% did not finish high school and 24% earned a graduate degree. 73.7% had prior work experience related to their current business. 20.5% of the businesses were retail. The business was the primary source of income for 64.3% of respondents. Many employed family members in the business. Most of the businesses were operated as sole proprietorships with annual

revenues of over \$100k. Respondents discussed critical factors that they felt would impact the success of their businesses; challenges to their business growth; and their business expectations in key areas over the next 12 months.

INTRODUCTION

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). 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). These are significant numbers that indicate the importance of entrepreneurship in general and, specifically, the significant role played by micro-entrepreneurship.

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 and the importance of its role in entrepreneurship although, still, not enough considering that so many businesses are micro in size (Anthony, 2006).

Recent studies of micro-entrepreneurship in West Virginia (WV), Vermont (VT), and Montana (MT) found significant employment and productivity gains were typical of these enterprises. In WV, roughly 10% of the labor force was employed in microenterprises and they accounted for 12.9% of the goods and services produced in the state (Hicks, Wrenn-Harrell, Summitt, & Broughton, 2000). In VT, 55% of all businesses were micro-businesses (Unknown, 2000). And, in MT, low start up expenditures (less than \$5000), lack of awareness of available programs to assist in starting up and maintaining a small business, as well as common attributes between urban and rural enterprises were among key findings (Polzin, Sylvester, & Crowley, 2000).

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 business.

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.

LITERATURE REVIEW

A review of the general literature on entrepreneurship 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

TABLE 1
MARYLAND POPULATION & BUSINESS DATA

	State of Maryland	United States
Population	5,633,597	301,059,724
Population, percent change, 4-1-2000 to 7-1-2006	6.4%	8.0%
Persons per square mile, 2000	541.9	79.6
Median household income	\$67,989	\$50,740
Total number of firms, 2002	443,540	22,974,655
Private nonfarm establishments, 2005	140,2921	7,601,160
Private nonfarm employment, 2005	2,232,215	119,917,165
Private nonfarm employment % change 2000-2005	8.4%	5.1%
Non-employer establishments, 2005	410,275	20,768,555
Caucasian-owned firms, percent 2002	74.2%	82.2%
Black-owned firms, percent 2002	15.5%	5.2%
Hispanic- owned firms, percent 2002	3.5%	6.8%
Asian-owned firms, percent 2002	5.9%	4.8%
Women-owned firms, percent 2002	31%	28.2%
Number of microenterprises (0-4 employees) ¹	473,997	24,457,042

Source: U.S. Census Bureau State & County QuickFacts (2009) and Association for Enterprise Opportunity (2008)

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 Small Business Administration (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 (Boden, 2001).

Over 100 researchers in 10 countries (Gartner, Shaver, Carter, & Reynolds, 2004) conducted a wide-ranging study of entrepreneurship, the Panel Study of Entrepreneurial Dynamics (PSED). This study looked at entrepreneurship in terms of demographics, cognitive characteristics, the start-up process, and the societal environment for entrepreneurship. The central question, as stated in the resulting “*Handbook of Entrepreneurial Dynamics*,” was to answer the question, “Where do new firms come from?” (Gartner et al., 2004). Over 16,000 participants answered extensive questionnaires followed by telephone interviews for some participants. Surprisingly, this study did not look at home-based business as a discrete phenomenon although it touches on various aspects of working at home. However, this study brought to light many new findings about entrepreneurs as well as contradicted or challenged prior research studies.

Hebert and Link used the framework of economic theory to view the entrepreneur as the “central figure in economics” as stated by A. H. Cole cited in Hebert & Link (1988). However, basic questions have not been addressed regarding who the entrepreneur is and what makes him unique (Hebert & Link, 1988). These questions are critical to a fuller understanding of entrepreneurship and the key role it plays in the world economy. Entrepreneurship is a major force that drives the economies of many countries,

particularly those in the Third World, and as Joseph Schumpeter said “moves the market away from equilibrium” (Unknown, 2005). As with any system, the disequilibrating force drives enterprise in new, creative, and dynamic directions. As an economist who studies entrepreneurship extensively, Israel Kirzner believed that “entrepreneurial discovery is at the centre of the real-world market process” (Kirzner, 2000).

Home-based businesses are of interest because they are a potential “wellspring” of economic activity (Beale, 2004, p. ES-1). Home-based businesses, enabled further by new technologies, play a growing, critical role in entrepreneurship in the world economy and are very much at the heart of the real-world process.

There are several important studies that focus on home-based business (HBB) entrepreneurs. Joanne Pratt, in a special report for the United States Small Business Association, found that “working out of the home has become a significant and growing phenomenon in the United States (Pratt, 1993). Pratt quoted a 1990 survey that found there are “7.4 million home business owners and 7.2 million freelance workers, totaling 14.6 home-based business persons out of a workforce of 122.7 million” (Pratt, 1993). In a subsequent report, Pratt found that although business owners’ profiles were similar, marked differences were found when owners were separated into home-based versus non-home-based (Pratt, 1999). More of the home-based business were sole proprietorships; less startup capital was necessary; fewer employees are hired; only 5% 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 (Pratt, 1999). Overall trends indicate growth in home-based business formation and its critical place in the economy of the United States. These data are representative of what was happening in the 1990s. 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 that is not being studied in any significant way.

THE RESEARCH STUDY

As an extension to a recently conducted regional survey, micro-businesses in the entire State of Maryland were surveyed. A questionnaire consisting of 45 questions was mailed to a list of 9184 businesses obtained through a national list compiler. The list was compiled via telephone surveys and consisted of microenterprises in the state with 0-4 employees. 959 usable responses were gathered for a response rate of 10.44%, well within the desired response to a survey mailing (Fowler, 1998, 2002).

An offer was extended to participants as an option to receive a copy of the study if they provided their names and addresses. Alternatively, participants could opt out and return anonymous answers to the surveys if they did not wish to reveal their names. The survey consisted of questions constructed in a

Likert scale format as well as questions that requested details of hiring, marketing, operations, and other functions that are core to any small business enterprise. Questions were also asked that required participants to forecast expenditures over the next 12 months, assessments of success factors, and predictors of challenges to the businesses.

Responses were data entered and analyzed with Excel and SPSS.

Research Question

The primary purpose of the survey study was to obtain basic demographic information about micro-businesses in Maryland and explore and determine attitudes towards business expectations, critical success factors, and critical challenges over the next twelve months.

FINDINGS AND DISCUSSION

The demographic composition of the participants shows some differences from state demographics. For example, Caucasian-owned firms, statewide, are 74.2% while the United States percentage is 82%. But, the survey response for micro-business shows that, in Maryland, an overwhelming percent (91.8%) of the respondents were Caucasian; 81.0% were married; 83.1% were over the age of 44; 70.0% were male, 18.4% had a high school diploma or less education while 53.8% had at least a Bachelors degree or higher.

**TABLE 2
DEMOGRAPHICS**

N=959			Education	%
Gender	%		Not HS Diploma	1.1
Female	30		High School Diploma	17.3
Male	70		Some College	21.2
			2 yr CC	5.9
			4 yr Degree	29.8
			Graduate Degree	24.0

Ethnicity	%			
Caucasian	91.8			
Hispanic	2.9		Marital Status	%
Native American	1.1		Married	81.0
African-American	0.7		Single, Divorced	10.2
Oriental	0.6		Single, Never Married	5.3
Other	1.5		Widowed	2.9

			Sales	%
Age	%		< \$10 K	4.8
< 28	1.4		10-25K	2.9
29-43	14.5		25-50K	6.7
44-62	62.5		50-100K	12.4
> 63	20.6		100-500K	41.8
			500-1,000K	11.3
			> 1,000K	15.3
Ownership	%		Length of time in Operation	%
Sole Proprietorship	32.4		< 1 yr	0.8
Partnership	3.6		1-3 years	8.4
Limited Liability	20.0		4-6 yrs	12.6
Corporation	16.9		7-10 yrs	14.2
S-Corporation	24.9		> 10 yrs	64.0
Other	1.1			

Despite the statistics of small businesses failing, 64% of the respondents reported being in business for over 10 years. Organization-wise, 34.4% were a sole proprietorship. Annual revenue over \$500,000 was achieved by 26.6% of the participants, while only 14.4% had annual sales of less than \$50,000.

**TABLE 3
SALES BY GENDER**

N=959	Percent	Percent	Percent	Percent	Percent	Percent	Percent
Gender	<10K	10-25K	25-50K	50-100K	100-500K	500K – 1Mil	>1 Mil
Female	7.4	4.8	10.3	15.8	43.8	10.3	7.7
Male	4.0	2.3	5.6	11.7	44	12.5	19.7

Note: Significant below the .01 level. $r = .147$ $p = .000$

Micro-businesses with sales lower than 100K were comprised of 41% female and 59% male. Only 26% of women owners had sales over 100K while 74% of male owners had sales over 100K.

Table 4 shows that 71.9% of the businesses were not based in the respondents' homes. Furthermore, only 2.9% were franchises of existing businesses. A high percentage (73.7%) of the respondents had prior work experience in their business area and a majority (60.9%) had family members involved in their own business.

Professional services and retail operations (29.8% and 20.5% respectively) were the highest business focus. The business provided the sole source of support for 64.3% of the respondents. Only 6.8% did any importing.

78.5% of respondents spend a work week of 36 or more hours in a business they consider, for the most part, in the maturity phase (68.0%). This is not too surprising, considering that 78.2% of respondents have been in business more than seven years. A majority (85.2%) said they had obtained adequate financing for their business.

**TABLE 4
BUSINESS FACTORS**

N=959				
Home-based	Percent		Prior Work Experience	Percent
Yes	28.1		Yes	73.7
No	71.9		No	26.3
Family members in business	Percent		Phase of Business	
Yes	60.9		R&D	.3
No	39.1		Early startup	2.0
			Growth	20.9
			Maturity	68.0
			None of the above	8.8
Focus	Percent		Source of Support	
Professional service	29.8		Sole	64.3
Construction	10.8		Supplement	30.5
Manufacturing	3.8		Other	5.1
Distributor	2.9		Franchise	Percent
Retail	20.5		Yes	2.9
Transportation	1.5		No	97.1
Finance	13.6			
Other	17.2		Import	Percent
			Yes	6.8
			No	93.2
Hours Worked per Week	Percent		Status	Percent
0-15	4.7		Minority	9.5
16-35	16.7		Retired	.9
36-60	62.6		Disabled	7.8
>60	15.9		N/A	81.6
Obtained Adequate Financing?	Percent			
Yes	85.2			
No	14.6			

**TABLE 5
FINANCING FACTORS**

N=959			
Amount Borrowed for Startup	Percent	Source of Financing	Percent
<35K	26.9	Credit cards	36.8
>35K	21.8	Bank loans	31.2
Did not borrow	47.7	Savings	23.9
Other	3.6	Personal loan	18.9
		No financing required	17.2
Borrowed from Online Source	Percent	Family loan	13.3
Yes	23.3	Leasing	11.9
No	63.9	SBA subsidized	8.8
Other	12.8	Trade credit	7.9
		Other sources	6.7

Close to one-half of respondents did not borrow (47.7%) any funds for startup. Of those, 46.2% of men did not borrow and 48.3% of women did not borrow. Although not statistically significant, it is notable that women were slightly less likely to borrow funds for a startup. Major sources of funds were credit cards (36.8%), then bank loans (31.2%), then savings (23.9%). Noteworthy is that very few respondents obtained SBA-subsidized loans, funds from venture capitalists, or sold stock in their companies in order to obtain financing. Since Frostburg State University manages one of Maryland's Small Business Development Centers (SBDC), we wanted to explore utilization of service providers.

Findings show that women are more likely than men to use the following services: SBDC, Women's Business Center, Minority Business Center, SCORE, and SBA although in all cases the levels of usage for both men and women are surprisingly low. This is in spite of research that shows a higher likelihood of success after use services such as these or business incubators (Katz & Green, 2007).

**TABLE 6
USE OF SERVICE PROVIDERS BY GENDER**

	% of Females	% of Males	X²	df	p
<i>N=959</i>					
<i>SBDC</i>	21	10	20.10	1	0.000***
<i>Women's Business Center</i>	7	0	39.20	1	0.000***
<i>Minority Business Center</i>	5	1	9.23	1	0.002**
<i>SCORE</i>	5	2	7.38	1	0.007**
<i>SBA</i>	14	8	6.79	1	0.009**
<i>Local Economic Development</i>	9	6	2.79	1	0.095
<i>Conference or Workshop</i>	13	10	2.77	1	0.096

<i>Certificate Program</i>	8	5	2.24	1	0.135
<i>Dept of Agriculture</i>	3	2	1.40	1	0.237
<i>Chamber of Commerce</i>	28	25	0.78	1	0.379
<i>Business Incubator</i>	0	1	0.50	1	0.480
<i>College Training</i>	18	17	0.08	1	0.778
<i>Procurement Technical Assistance Center</i>	0	1	0.01	1	0.943

Note: *** Significant at .001 level; ** significant at .01 level.

TABLE 7
USE OF SERVICE PROVIDERS BY ETHNICITY

N=959	% of Caucasians	% of Non-Caucasians	X ²	df	p
<i>Minority Business Center</i>	2	11	21.40	1	0.000***
<i>SBA</i>	9	21	10.30	1	0.001***
<i>Chamber of Commerce</i>	27	15	4.58	1	0.032*
<i>SBDC</i>	12	21	4.21	1	0.040*
<i>Local Economic Development</i>	7	12	2.88	1	0.090
<i>Women's Business Center</i>	3	0	1.85	1	0.174
<i>Dept of Agriculture</i>	2	0	1.46	1	0.228
<i>Procurement Technical Assistance Centers</i>	1	2	0.58	1	0.447
<i>Business Incubator</i>	1	0	4.53	1	0.501
<i>SCORE</i>	3	2	0.41	1	0.524
<i>Conference or Workshop</i>	10	12	0.18	1	0.673
<i>College Training</i>	18	17	0.03	1	0.860
<i>Certificate Program</i>	6	6	0.02	1	0.962

Note: *** Significant at .001 level; * significant at .05 level.

However, utilization of service providers changes when looked at by Caucasian vs. non-Caucasian responders. Not surprisingly, non-Caucasians used minority business centers more frequently than did Caucasians. As well, SBA and SBDC services were tapped in to by non-Caucasians. The Chamber of Commerce, however, was not a service utilized as much. Since the survey was conducted in the midst of a recession, a series of questions were asked about business expectations, factors critical to success, and challenges to future growth.

A fascinating look inside the attitudes of micro-business owners shows that, even in the midst of the worst recession for many years, 81% remain optimistic with expectations that revenues would stay the same or increase over the next twelve months. 78% anticipated net profits staying the same or increasing, but saw receivables remaining the same or decreasing (72%). Financial liabilities were anticipated to remain the same or decrease (81%) but assets would stay the same or increase (90%). The number of customers was anticipated to stay the same or increase (85%) but the number of employees would remain the same (76%).

**TABLE 8
BUSINESS EXPECTATIONS OVER THE NEXT 12 MONTHS**

N=959			
	% Will Decrease	% Remain the Same	% Will Increase
Revenues	19	33	48
Net Profit	22	33	45
Receivables	23	48	29
Financial Liabilities	29	52	18
Assets	10	57	33
Number of Customers	15	34	51
Number of Employees	7	76	17

**TABLE 9
SUCCESS FACTORS BY GENDER, ETHNICITY, SALES & EDUCATION IN %**

N=959									
						Sales	Sales	< 4 yr	4+ yr
Success Factors	Total	Female	Male	Cauc.	Non-Cauc.	<100K	>100k	Degree	Degree
National Economy	68	69	67	69	64	69	68	73	63
Penetrate new markets	35	35	35	35	39	29	38	33	37
Trained Workforce	30	27	31	30	27	17	36	30	30
Use of Internet	29	36	26	30	23	29	29	26	32
Add Products	24	27	24	25	18	25	24	26	23
Equipment Upgrades	18	12	21	19	17	22	17	25	12
Strategic Alliances	14	15	14	14	17	11	16	11	17
Additional capital	11	08	12	10	15	11	11	15	7
Quality Initiatives	10	09	11	10	17	11	10	9	11
Merger	3	2	3	03	3	2	4	3	3
Outsource Functions	2	2	2	02	2	2	1	1	3
Exporting	1	1	1	01	3	0	1	1	1

Cauc. – Caucasian

In spite of optimism reflected in expectations of revenues and profits, the national economy was considered the top factor in the future success of respondent's businesses. The first place position didn't vary regardless of gender, ethnicity, sales volume, or educational level. Penetrating new markets and acquiring a well-trained workforce were also consistently considered critical factors as were e-commerce, new product development, and equipment upgrading. Variations occurred more frequently for these success factors by ethnicity and sales volume.

Several areas of significance were found by gender and by ethnicity. Men were significantly more concerned with success being tied to upgrading equipment but women were more concerned with successfully using the Internet.

TABLE 10
SUCCESS FACTORS IN % BY GENDER

N = 959	Female	Male	X ²	df	p
Strong National Economy	69.1	67.4	0.3	1	0.594
Trained Workforce	27.0	31.4	1.9	1	0.172
Equipment Upgrades	11.9	21.0	11.0	1	0.001**
Use of Internet	36.1	26.4	9.2	1	0.002*
Add products	26.7	23.5	1.1	1	0.305
Penetrate new markets	34.7	34.9	0.0	1	0.968
Additional capital	8.1	12.1	3.3	1	0.069
Outsource Functions	1.8	1.6	0.0	1	0.899
Exporting	0.7	0.9	0.1	1	0.765
Merger	2.1	3.4	1.2	1	0.275
Quality Initiatives	9.5	10.6	0.3	1	0.606
Strategic Alliances	15.1	14.0	0.2	1	0.663

Note: ** Significant at 001; * significant at .01

TABLE 11
SUCCESS FACTORS BY ETHNICITY

N=959	Caucasian	Non-Caucasian	X ²	df	p
Success Factors	68.6	63.6	0.7	1	0.403
Strong National Economy	30.3	27.3	0.3	1	0.610
Trained Workforce	18.5	16.7	0.1	1	0.704
Equipment Upgrades	29.9	22.7	1.5	1	0.216
Use of Internet	24.9	18.2	1.5	1	0.220
Add products	34.9	39.4	0.5	1	0.464
Penetrate new markets	10.4	15.2	1.5	1	0.224
Additional capital	1.7	1.5	0.0	1	0.907
Outsource Functions	0.6	3.0	5.1	1	0.025*
Exporting	3.1	3.0	0.0	1	0.985
Merger	9.8	16.7	3.2	1	0.076
Quality Initiatives	14.2	16.7	0.3	1	0.585
Strategic Alliances	0.7	0.0	0.5	1	0.501

Note: *Significant at .05.

Non-Caucasians were more concerned with outsourcing business functions at a level of significance of .05. Challenges to growth took a slightly different turn from data presented in the tables above.

**TABLE 12
CHALLENGES TO FUTURE GROWTH BY %**

N=959						Sales	Sales	< 4 yr	+4 yr
Challenges	Total	Female	Male	Caucasian	Non-Caucasian	<100K	>100k	Degree	Degree
Economy	79	79	78	79	74	76	80	83	75
Finding new customers	37	41	35	37	42	46	34	33	41
Tax burden	30	23	34	32	17	26	32	34	28
State/Federal regulations	29	21	32	30	23	25	31	29	28
Healthcare costs	21	18	22	21	15	11	25	23	19
Finding qualified employees	20	20	20	19	27	12	23	21	19
Competition	18	16	19	19	15	14	20	18	19
Cash flow management	14	16	13	14	18	17	13	14	14
Access to capital	14	15	13	13	17	12	15	16	12
Balancing family and work	13	17	12	13	14	16	13	11	15
Labor costs	11	9	11	11	12	9	11	14	9
Managing technology	7	8	6	7	2	9	6	5	8
Maintain quality	6	6	7	6	6	6	6	6	7

In Table 11, the economy is seen as the number-one challenge to future growth. However, different from findings expressed in Table 8, tax burdens and state/Federal regulations are also seen as top challenges to growth. Healthcare costs are also seen as a major challenge to growth as are finding qualified employees.

**TABLE 13
CHALLENGES TO GROWTH IN % BY GENDER**

N=959	Female	Male	X ²	df	p
Economy	79.3	78.2	0.1	1	0.716
Access to Capital	14.7	13.4	0.3	1	0.587
State/Federal Regulations	21.4	32.2	11.3	1	0.001***
Finding/Keeping employees	20.4	20.0	0.0	1	0.893
Health Care Costs	18.2	22.1	1.8	1	0.185
Tax Burden	23.2	33.7	10.4	1	0.001***
Labor Costs	9.5	11.5	0.8	1	0.363
Managing Technology	8.4	6.3	1.5	1	0.228
Finding new customers	41.4	35.2	3.3	1	0.068
Balancing family and work	17.2	11.6	5.4	1	0.020*

Cash flow management	16.5	13.0	2.1	1	0.151
Competition	16.5	18.9	0.8	1	0.372
Maintaining quality	6.0	6.6	0.1	1	0.732

Note: *** Significant at .001; * significant at .05.

Significant relationships were found in the challenges to growth by gender. Men were more likely than women to feel that regulations and taxes would present challenges to their future business growth. Women were more concerned with balancing work and family life.

TABLE 14
CHALLENGES TO GROWTH BY % BY ETHNICITY

N=959	Caucasian	Non-Caucasian	X ²	df	p
Economy	79.2	74.2	0.9	1	0.343
Access to Capital	13.4	16.7	0.5	1	0.459
State/Federal Regulations	29.6	22.7	1.4	1	0.237
Finding/Keeping employees	19.3	27.3	2.4	1	0.119
Health Care Costs	21.4	15.2	1.4	1	0.230
Tax Burden	31.6	16.7	6.5	1	0.011*
Labor Costs	10.7	12.1	0.1	1	0.719
Managing Technology	7.4	1.5	3.3	1	0.071
Finding new customers	36.7	42.4	0.8	1	0.357
Balancing family and work	13.2	13.6	0.0	1	0.919
Cash flow management	13.8	18.2	1.0	1	0.320
Competition	18.5	15.2	0.5	1	0.492
Maintaining quality	6.4	6.1	0.0	1	0.921

Note: * Significant at .05.

Caucasians were more concerned with taxes as a challenge to future business growth with significance of .05.

CONCLUSIONS AND IMPLICATIONS

So What?

The entrepreneur is the “central figure in economics,” according to A. H. Cole (as cited in Hebert & Link, 1988). A big part of this central figure is comprised of these very small enterprises which number more than one-half of new business startups and account for significant employment, goods and services, and state and federal taxes. It is critical that we learn much more about them. And, even more will start up due to a new wave of micro-entrepreneurship predicted to come with the looming retirements of a large number of American workers. “Grey” entrepreneurship is a growing phenomenon according to the SBA (2004) and is will to grow even further as the baby boomers retire to find they must supplement inadequate retirement funds with home-based enterprises (Minerd, 1999).

With new technologies, it is easier and, thus, more likely that individuals will be able to launch new businesses away from urban centers or anywhere they choose. More and more individuals will find it possible, even relatively easy, to launch new businesses. A consistent theme found in a study of home-based entrepreneurs, all micro-entrepreneurs, was that quality of life – a seeking of a quieter, less stressful lifestyle -- was a big factor in leaving the traditional corporate world to start new businesses (Mattare, 2006). It is in the great interest of those who research entrepreneurship to better understand these trends and how the current support structures are enabling, or not enabling, the microenterprise.

Little is known about Maryland microenterprise. Rural parts of the state have suffered a demise of manufacturing jobs which has left an economic devastation without apparent solutions. However, there are a healthy number of financially independent and successful micro businesses operating in Maryland, in all counties, the bulk of which earn sales of over \$100,000. 28% of these businesses are operated from home. 64.3% of these businesses are the primary source of financial support for their owners. Caucasians comprise 91.8% of micro-business owners with Hispanics at 2.9% as the second most frequent micro-business ethnic group. All other groups combined equaled 3.9%.

High-technology startups, potentially publicly traded, tend to get the attention of those involved with new business ventures. But in the vast areas of the United States experiencing a transformative move from traditional factory jobs to the unknown, the microenterprise is a key way to financial independence and success. The picture emerges, with this study, that micro-entrepreneurship thrives and deserves more attention and research.

A profile of micro-businesses has implications on economic development policies for the state. The needs of micro businesses dictate a paradigm shift in legislatures' and financiers' perspectives to seed and grow grass roots capitalism. Research has shown that given the conditions for nurturing, these micro-businesses can grow, thereby hiring more people and profoundly impacting the jobless rate as well as reviving any economic outlook if proper incentives and policies are enacted.

Additional research opportunities that are emerging from the findings of this study is to go back to these very small enterprises with a qualitative study to obtain greater and deeper details regarding their business plans and strategies to address the named success factors and challenges. Additionally, more research needs to be done to explore the utilization of federal, state, and local resources for small businesses as the finding of this study show that the rate of utilization is low.

ENDNOTES

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