

**A Profile of Microbusiness:
The 2008 *IssuesLive* Minnesota Regional Pilot**

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January 2010

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Introduction

In early 2008, Microbusiness Strategies LLC, in partnership with the Minnesota Small Business Development Center and the Microbusiness Research Institute, launched *IssuesLive*, a series of public forums during which microbusiness owners participated in dialogue with public officials, public and private sector service providers and other stakeholders for a candid discussion of the most important challenges facing microbusiness owners.

As a part of the event series, participants were asked to register for the events and were required, as a part of the registration process, to complete a lengthy survey. The Microbusiness Research Institute, in its role as event partner, culled the data and reviewed the input received from microbusiness owners during the live events in order to produce this report. The study was executed by Dawn Rivers Baker, president of the Microbusiness Research Institute, who brings a decade of experience in researching and writing about microbusinesses in public policy, in the economy and in the research literature.

While there has been very little research focused specifically on microbusinesses, quite a lot of basic information can be teased out of the literature. However, administrative data provides an incomplete picture. This paper will broaden our understanding of U.S. microbusinesses through the insights offered by survey data. If existing research paints a picture of *what* microbusinesses do and, to a limited extent, *how* they do those things, the *IssuesLive* survey data can begin to help answer the question: ‘*Why?*’

This paper is divided into four different sections. The first section provides background information on microbusinesses by reviewing what is known about them in the existing literature. The second section discusses the format and execution of the *IssuesLive* events and describes the input received from the microbusiness owner participants. The third section reports on the results of the survey attached to the events, including demographic information and assessments by microbusinesses owners of their most significant business challenges. Finally, the fourth section offers some conclusions, caveats and suggestions for further research.

Background: About Microbusinesses

Microbusinesses are generally defined as firms with fewer than five or ten employees.¹ In many ways, these numerical parameters are arbitrary; they are an attempt on the part of researchers and advocates to make quantitative measurements of what is essentially a qualitative phenomenon.

The quality that makes microbusinesses into an interesting economic phenomenon — besides the fact that they comprise the majority of the country's businesses — is that they appear to defy many of the basic tenets of that economic entity known as “the company.”

Microbusinesses are very small, by definition. Because their owners are often uninterested in growing the size of the organization (as opposed to the size of its revenues), the size of a microbusiness dictates the way in which it operates. Everything about the company, including its competitive advantages and disadvantages, emerge from the fact of its size. Therefore, the parameters that define microbusinesses must necessarily be the firm size at which the above limitations are applicable.

“Thus, we define our subject:

A microbusiness is a small business in which no one employee performs a single function or task for the business, and all employees (including the business owner) have functional responsibilities in all areas of administration, production and management for the business.”²

Unfortunately, relatively little is known about microbusinesses because there has been

¹ Different groups and organizations have different definitions for microbusinesses. For example, the National Association for the Self-Employed and Microbusiness Strategies are two very different organizations that use the fewer than ten definition for microbusinesses. On the other hand, the Aspen Institute and the Microbusiness Research Institute both use the fewer than five definition. Given that the IssuesLive events and survey were primarily organized by Microbusiness Strategies, the Microbusiness Research Institute has agreed to use the fewer-than-ten definition for the purposes of this study.

² Baker, Dawn Rivers. *The Entrepreneurial Economy* (The MicroEnterprise Journal), 2004.

very little microbusiness-specific research. On those occasions in which small business research separates out its results by firm size class, some insights can be gleaned about them.

When quantitatively defined as a firm with fewer than ten employees, we find that there were 25.5 million microbusinesses in the U.S. as of 2006 (the most recent data year available) of an available total 26.7 U.S. firms. In other words, microbusinesses comprised 95.6% of all U.S. firms at that time, while non-micro small businesses made up 4.4% of the nation's businesses and large firms (500 or more employees) comprised less than 1% of U.S. firms. (U.S. Small Business Administration, Office of Advocacy, U.S. Firm Size Data, 2009)

Microbusinesses accounted for approximately \$3 trillion in receipts in 2002, or a little less than 11% of all U.S. receipts that year. (Advocacy, 2009) Microbusiness employers make up about 75% of all employer businesses and employed roughly 11% of the working population, which amounts to 12.9 million employees. (Bureau of Labor Statistics, 2005)

Individually, microbusinesses earn very little money. Sixty percent of small businesses earn less than \$10,000 per year in net business receipts, 85% have net receipts of less than \$30,000 and 92% have net receipts of less than \$50,000. (Quantria Strategies, 2009)

According to a 2007 member survey conducted by the National Association for the Self-Employed, the top source of financing for microbusinesses in both the startup phase and the established phase is personal savings, followed by credit cards. Those two sources were used by 68% of microbusiness owners to start their enterprises, and more than half (57%) continue to use them for ongoing working capital. The third most popular source of financing for microbusinesses has been home equity, although the degree to which that source remains available or viable is unknown.

The survey also found that bank financing is available to a few microbusiness owners (7% of startups and 8% of established firms) but government-backed lending is not. Local, state and federal government programs accounted for 1% of financing for startups and 0% of financing for established firms according to this survey.

Microbusiness owners report that their own personal credit scores and/or a lack of collateral are the principle obstacles they face in finding funding for their businesses. Six in ten of them report that the financing options available to them are inadequate and do not meet their needs. Another 72% of microbusiness owners report that they would be willing to seek financing

from a non-government organization, an association or a non-profit institution, if any of those outfits offered a form of financing that met their needs and for which they could qualify. (NASE, 2007)

George Haynes and James Brown (2009) found that microbusinesses use a combination of financial institutions for their banking needs, although larger and more well established firms tend to patronize commercial banks, while nonemployers and newer firms tend to use non-bank finance companies. Credit use among small businesses has increased and, in particular, the share of microbusiness owners using credit cards increased substantially between 1993 and 2003 (Haynes and Brown, 2009).

However, while credit cards appear to be the market-based response to the financing needs of microbusinesses, Scott (2009) found that one major predictor of firm failure can be credit card debt, where the management of that debt illustrates fundamental cash flow skills to be lacking. Haynes and Brown (2009) found that there is a strong link between internal funds and firm growth for “very small firms” (defined in this research as firms having fewer than 20 employees and less than \$1 million in receipts).

Additional research appears to establish that microbusinesses stand at a tactical disadvantage due to the fact that they pay more for many of the goods and services that are essential for running a business. Their health insurance costs are higher (NASE, 2008), their regulatory compliance costs are higher (Hopkins, 1995; Crain and Hopkins, 2001; Crain, 2005), they pay more for a variety of different energy sources (Bollman, 2008), and since so many of them are reliant on credit cards for access to working capital (NASE, 2007), they pay more for financing as well.

These disadvantages surrounding the costs of doing business for microbusinesses notwithstanding, these firms appear to be ubiquitous and their various contributions to the economy are slowly becoming clear. To begin with and speaking entirely logically, all businesses start out as microbusinesses.

Microbusinesses with a single employee or those with 2-3 employees have been shown to be the only firm size categories showing consistent employment growth over time. (Perline, *et al*, 2006) In addition, it is now believed that microbusiness employers are able to cushion the shock of certain types of economic downturns for the labor market by continuing to hire through most

of the business cycle trough. This firm behavior was observed during the asset-based recession of 2001 (BLS, 2005) but not during the credit-based recession beginning in December 2007 (BLS, 2009).

The nation's microbusinesses can be further divided into two groups: employer and nonemployer businesses. Nonemployers are defined as firms with no paid employees outside the business owner(s) and, as of 2006, they outnumbered employer firms by almost four to one. One year later, there were 22.4 million nonemployer firms in the U.S., with receipts of about \$992 billion collectively. Microbusiness employers average \$239,427 in receipts, while nonemployers have average annual receipts of only \$47,400 as of 2002 (nonemployer average annual receipts were significantly lower by 2007, down to \$45,688, probably due to the large number of entrants into the nonemployer universe during the intervening years). (Advocacy, 2009)

We also know that employers are more likely to be operated by a team of owners (61.5%), while nonemployers trend toward a single owner-operator (59.5%). Nonemployers are more likely to be home-based than microbusiness employers (61% versus 23%) and they tend to occupy different industry sectors than microbusiness employers—although specimens of both can be found in all industry sectors. Nonemployers also tend to be more highly concentrated in densely populated states while employers (not just microbusinesses) tend to make up a higher percentage of the business population in less populous states. (Saade and Headd, 2008)

"Nonemployers are important in creating the stock of businesses from which employers arise; in providing learning opportunities for future businesses or expansions; and in generating flexible work options, economic cushion, and empowerment." (Headd *et al.*, 2009)

There is much about microbusinesses that remains to be understood, perhaps foremost being the very fact of their existence in such large numbers. There are so many tactical and operational disadvantages to owning a microbusiness that recent trends indicating that more firms are choosing to *remain* micro-sized seem, on the surface, to make little sense. For the sake of enhancing our understanding of microbusinesses and their role in the U.S. economy, it is time to hear from the microbusiness owners themselves. This is the primary goal of *IssuesLive*.

IssuesLive: A Series of Microbusiness Issues Forums

February - May, 2008

In early 2008, a series of interactive events was developed by Microbusiness Strategies, LLC, and the Minnesota Small Business Development Center Network, in partnership with the Microbusiness Research Institute. The series was described by its organizers as “a national dialogue and needs assessment” for and about microbusinesses (firms with fewer than ten employees). The six-event series, entitled *IssuesLive*, was a pilot that was originally intended to be extended to additional venues around the country. As of this writing, however, the events have only taken place in Minnesota and the vast majority of survey respondents live and work in Minnesota; no additional events have been scheduled.

Individuals who wished to attend any of the events were requested to pre-register at an Internet web site (www.issueslive.com) where, as a part of the registration process, they were also asked to complete a lengthy survey. A summary of the survey results is in the next section of this report.

The basic format for each event was essentially the same. After greetings and introductions of guest panelists, Microbusiness Strategies president Ron Wacks took a few moments to set the ground rules for the forum. Guest facilitators would solicit input from the microbusiness owners in the audience about some of the major challenges they faced in running their firms and making them successful. After brainstorming for several minutes, while the facilitators wrote down each issue that was named, the audience was then asked to vote on which were their top four issues. In this way, the audience selected the four issues that were to be addressed during the remainder of the event.

With that, the in-depth discussions began. Audience members were invited to share their experiences with the issue under discussion and to ask questions of the expert panelists, which consisted of government officials and staff, service providers, vendors and advocates. The discussions were moderated with a view toward working to come up with solutions, actionable take-aways and frameworks for continuing discussions. In total, the events usually lasted for two-to-three hours.

The top four issues, as identified by audience members over the course of the six Minnesota events were: access to health insurance; access to capital; management education; and a broad array of issues that facilitators eventually decided came under the general category of the cost of doing business.

From the discussions generated within this format, it is possible to make a few broadly general observations.

Language became an issue with respect to both identifying issues during the events and with self identification of respondents in the survey. Individuals, business owners, service providers, government officials and journalists have been writing about nonemployer business owners and microbusinesses for at least a decade but there appears to be little overall consensus about what these very small businesses are to be called. This is particularly true with respect to the nonemployer businesses. It seems safe to say that, most of the time, the term ‘microbusiness’ is used to refer to very small businesses, whether the speaker refers to firms with fewer than five employees or firms with fewer than ten employees.

However, there are so many terms currently in use to refer to nonemployers (many of them inaccurate or inadequate), each with their own nuances and connotations, that self identification became difficult for individual microbusiness and nonemployer business owners. This came as a surprise to the organizers; in future iterations of the *IssuesLive* events and in future research, greater care must be taken to develop a clear and unambiguous body of terminology around which to frame requests for information.

It became clear during the events that one of the biggest challenges facing microbusiness owners and service providers is outreach. Again and again, particularly with respect to the issue of management education, microbusiness owners expressed a desire to have access to business management training and technical assistance that was already available, free of charge, from state and federal government agencies. Those agencies obviously need to devote more resources to marketing and outreach, particularly to the microbusiness segment of their regional economies. Whether agency staff are familiar enough with microbusinesses to engage in such a marketing and outreach campaign successfully is an issue that remains in question and that may, on a case by case or state by state basis, be deemed to require further research.

Microbusiness owners believe that policy makers are unaware of and uninterested in their challenges. During the introductory remarks of each event, Microbusiness Strategies President Ron Wacks asked participants how many of them believed that policy makers knew about their issues or challenges and, separately, how many of them believed that policy makers *cared* about their issues or challenges. Only one or two individuals per event raised a hand. From these responses, it would appear that microbusiness owners believe that their public policy needs are not being met and, further, that the political will to do so is absent from both their state house and the U.S. Congress.

Another matter that became clear as microbusiness owners articulated their challenges was that the overarching issue facing them is the basic infrastructure of the U.S. economy. The 20th century might be considered the heyday of the giant corporate conglomerate, and the basic structures of the U.S. economy reflect their dominance. Everything about our economy, from distribution channels to standard and accepted operating procedures to regulatory compliance best practices to the tax code to economic policy (across Administrations, regardless of political party), is structured around the way those giant companies do business. They tend toward being hierarchical, immersed in bureaucracy, and slow-moving (because of their layered decision-making processes).

Microbusinesses are too small for hierarchy or bureaucracy and the speed with which decisions are made depends solely on the business owner. Processes that require lots of personnel, such as many kinds of administrative processes, are too time-consuming for microbusinesses. Systems that are resource intensive, such as certain production and distribution methods, are too costly for microbusinesses. Because of the way a microbusiness's size dictates the way it operates, microbusinesses have had to evolve a different way of doing business. According to the discussions prompted by the *IssuesLive* events, it appears that the way microbusinesses do business is a poor fit for the infrastructure of the U.S. economy.

IssuesLive Microbusiness Survey

In conjunction with the IssuesLive events, participants and other interested parties were asked to complete a 36-question survey as a part of the registration process. Additional survey respondents were culled from the Microbusiness Research Institute email list and other public announcements requesting participants.

Due to the inclusive nature of the events and the open nature of online surveys, a sizable portion of the survey's respondents were not microbusiness owners. Those responses have been filtered out of the data set for this particular report.

Microbusiness Strategies defines a microbusiness as a firm with fewer than ten employees ("people") working in the business and, for the purposes of this survey, we have used their definition. Survey responses were filtered for those who answered the question "How many people are employed in your business including yourself?" with the responses "1-4" or "5-9," and who answered the question "What role do you play in your company or organization?" with the responses "Ownership (sole)" or "Ownership (partnership)." A total of 218 survey respondents survived this filtering process and their responses comprise the data set used for this survey report.

General Owner Characteristics

The microbusiness owners participating in the survey were predominantly male (56.4%), although women business owners (42.2%) were better represented here than in the overall economy; nationwide, as of 2002, women owned 28.2% of nonfarm U.S. businesses.³ Similarly, women-owned businesses accounted for 27.9% of Minnesota firms in 2007 versus 56.3% for

³ Lowery, Ying. "Women in Business, 2006: A Demographic Review of Women's Business Ownership." Office of Economic Research, Office of Advocacy, U.S. Small Business Administration, August 2006.

male-owned firms and an additional 15.4% of firms with equal male-female ownership.⁴

With respect to minority business ownership, 85% of owners identified themselves as White/Caucasian, 6% as African-American, 1.4% as Hispanic, and 0.6% as Asian. Statewide, as of 2006, African-Americans owned 1.8% of Minnesota firms, Hispanics owned 0.9% of them and Asians owned 1.7%.⁵

Microbusiness owner ages spanned a broad range, including respondents ages 19 and up. The eldest category on the survey was *75 or older* and five business owners (2.3%) chose that response. In addition, eight survey participants (3.7%) chose not to respond.

Overall, the largest age group represented by the microbusiness owners taking the survey was *45-54 years*, accounting for more than one-third of respondents (36.2%). The next largest group was *35-44 years*, with 22.9% of respondents. Between them, these two groups make up almost six in ten microbusiness owners (59.1%). The next older age group, *55-64 years*, comprises another 18.3% of participants.

Interestingly, this group of microbusiness owners also appears to be firmly committed to self-employment. Two-thirds of microbusiness owner respondents have been self-employed for at least two years and many have been on their own for more than a decade. The largest group of them have been self-employed for ten years or more (30.7%), while the second largest group has been their own boss for between two and five years (22.5%). A third group between the two, at five to ten years, accounts for another 15.1%.

It is possible that the intent of the event organizers was to learn the ages of the businesses, rather than the work history of the respondents. However, given the way the question was asked on the survey, that information remains unavailable unless it can be obtained through follow-up research.

Over half of respondents (55.5%) report working in their businesses for more than 40 hours per week, with 25.7% saying they work between 41 and 50 hours per week and another 29.8% reporting that they work more than 50 hours per week. At the other end of the spectrum,

⁴ U.S. Small Business Administration, Office of Advocacy, “Small Business Profile: Minnesota,” October 2009.

⁵ Ibid.

only 11% of respondents reported that they were part-time business owners (between 1 and 20 hours worked in the business per week).

Microbusiness owner participants also hailed from a wide variety of geographic localities. Most came from large or medium-sized cities of more than 25,000 in population (55.1%), while another sizable group operated in small, rural communities of less than 10,000 (23.9%). Almost seven in ten respondents (69.7%) reported operating their firms from a home or private residence.

When asked to rank their reasons for starting their own microbusinesses or pursuing self-employment, the top ranked reasons all had to do with establishing or maintaining various sorts of control over one's life and work. The reason ranked number one by the largest number of microbusiness owners was a desire for a flexible schedule and a more independent lifestyle. A wish for creative control over the business message, financial control over its profits, and overall control over their personal and financial future ranked as numbers two through four, respectively.

Firms represented by the microbusiness owners who responded to the survey covered a broad range of industry sectors. Professional services topped the list (15.9%), followed by business/organizational consulting (10.4%), retail sales (9.8%), technology/Internet (9.1%), and invention/innovation (8.5%) rounded out the top five.

Earnings self-reported for microbusiness owner survey respondents fell largely in the less-than-\$100,000 range. A little over one in five respondents (22%) reported earning between \$20,000 and \$49,000 in projected revenue for 2008. Almost equal numbers reported expected earnings of less than \$20,000 (18.3%) and between \$50,000 and \$99,000 (20.1%). In fact, with another 19.1% reporting that they expected between \$100,000 and \$149,000, earnings were spread more evenly among income levels that is the case in the overall population of microbusinesses.⁶

⁶ U.S. Small Business Administration, Office of Advocacy, based on information provided by the U.S. Census Bureau, Statistics of U.S. Businesses. http://www.sba.gov/advo/research/us_06ss.pdf

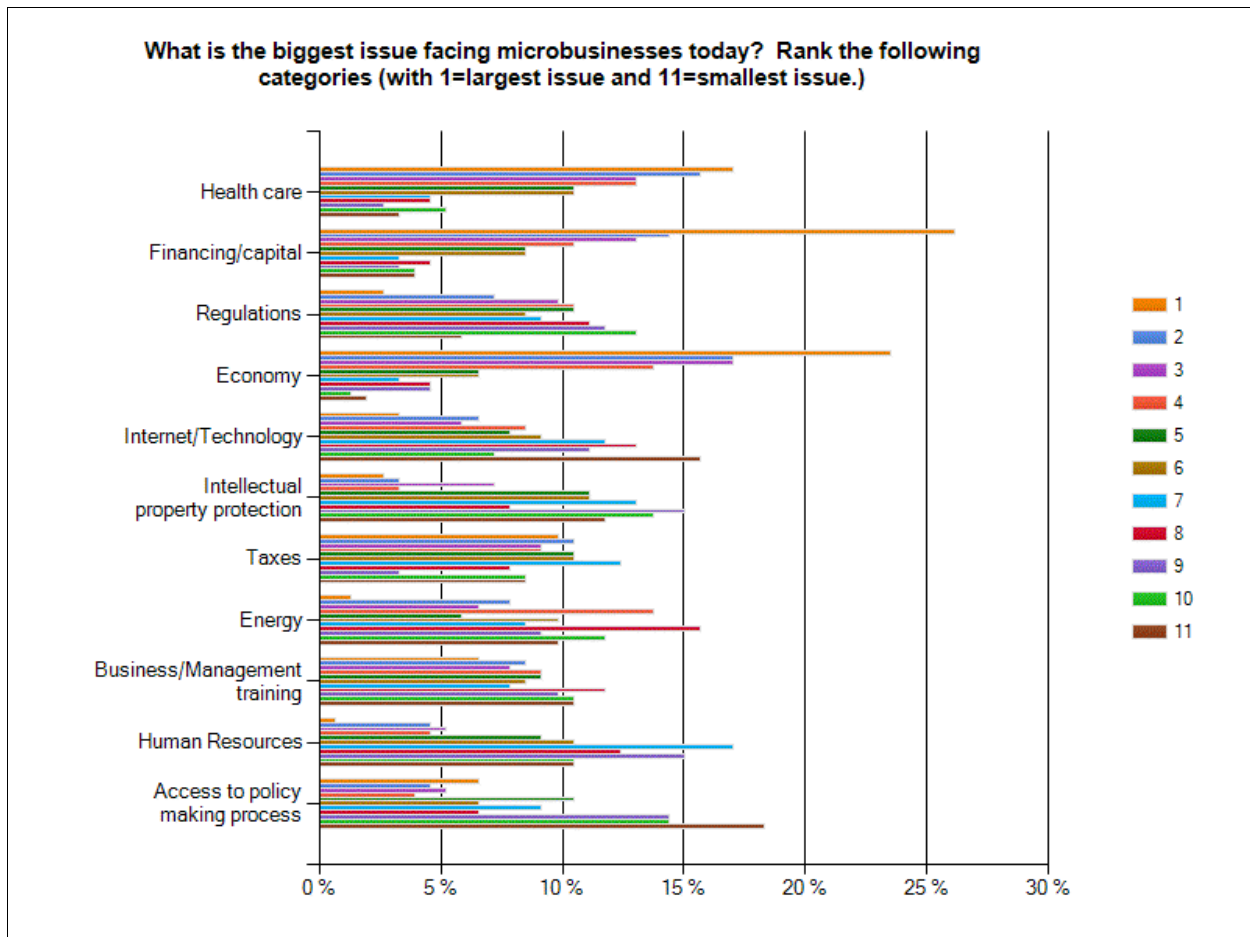


Figure 1. IssuesLive Survey, Microbusiness Strategies, 2008.

Identified Economic and Policy Issues

When asked what was the top issue facing microbusinesses today, it came as something of a surprise that the top response was not “health care.” Small business organizations of all sorts have been naming the health care reform issue at the top of their members surveys for years. However, microbusiness respondents named “Financing/capital” as their top issue and the “Economy” as number two. Health care was the third most frequently named top issue. Taxes and business/management training completed the top five issues. (See Figure 1.)

It is interesting to note that the issue of Financing/capital is named the top microbusiness problem by such a wide margin here, in light of the fact that the survey was completed at least four months before the financial markets collapse of September 2008. It appears from this, as well as from the microbusiness owner dialogue during the IssuesLive events, that access to

capital has been a problem for the owners of very small businesses for much longer than the capital freeze of the recession of the 2008-2009 period.

Given the equally firm concern about the state of the overall economy expressed by microbusiness owners through this survey, it would also appear that these business owners were seeing signs of economic problems long before the National Bureau of Economic Research decided that a recession had started in December 2007.

Microbusiness owners were then asked what would make their firms more successful and were given a large list of possibilities from which to choose the most important among them. For ease of analysis, we group the responses into issue categories and examine the percentage of respondents naming each possible response as the higher of “extremely important” or “very important”:

Access to capital:

- Access to reasonable rate and term business financing: **46.2%** “extremely important”
- Access to equity capital, e.g., venture capital, angel investment, business ventures: **34%** “extremely important”

Technology/Internet:

- Access to broadband or high speed Internet: **46%** “extremely important”
- Establishment of a web site presence/e-commerce: **40.6%** “extremely important”
- Lower cost Internet access: **35.4%** “extremely important”
- Improved microbusiness input on technology policy: **35.4%** “very important”
- Improved understanding of technology policy (i.e., Internet access, ‘Net neutrality, spam, etc.): **29%** “very important”

Regulations:

- Less complicated compliance with business laws and regulations: **37.1%** “extremely important”
- Reasonable home-based business and zoning ordinances: **30.6%** “extremely important”
- Better compliance guidance for business laws and regulations: **37.7%** “very important”

Taxes:

- Increased fairness of tax policy for self-employed and microbusiness enterprises: **61.7%** “extremely important”
- Increased simplicity for filing taxes and keeping records: **53.7%** “extremely important”
- Paying lower taxes: **48.1%** “extremely important”
- Improved microbusiness input on tax policy: **37.2%** “very important”

Miscellaneous:

- Access to affordable health care coverage: **37.5%** “extremely important”
- Access to free or low cost professional business growth consulting: **36%** “extremely important”
- Access to locally skilled employees: **22.5%** “extremely important”
- Access to business or industry information and research: **39.8%** “very important”
- Improved microbusiness input on overall small business policy: **38%** “very important”
- A higher priority given to rural economic development: **32.7%** “very important”
- More resources devoted to rural economic development: **30.4%** “very important”

Overall, while microbusiness owners respond strongly to the issues to which one might expect them to respond, they do not necessarily prioritize them in the same ways in which one might expect. For example, it may not be surprising to find that taxes generated the highest

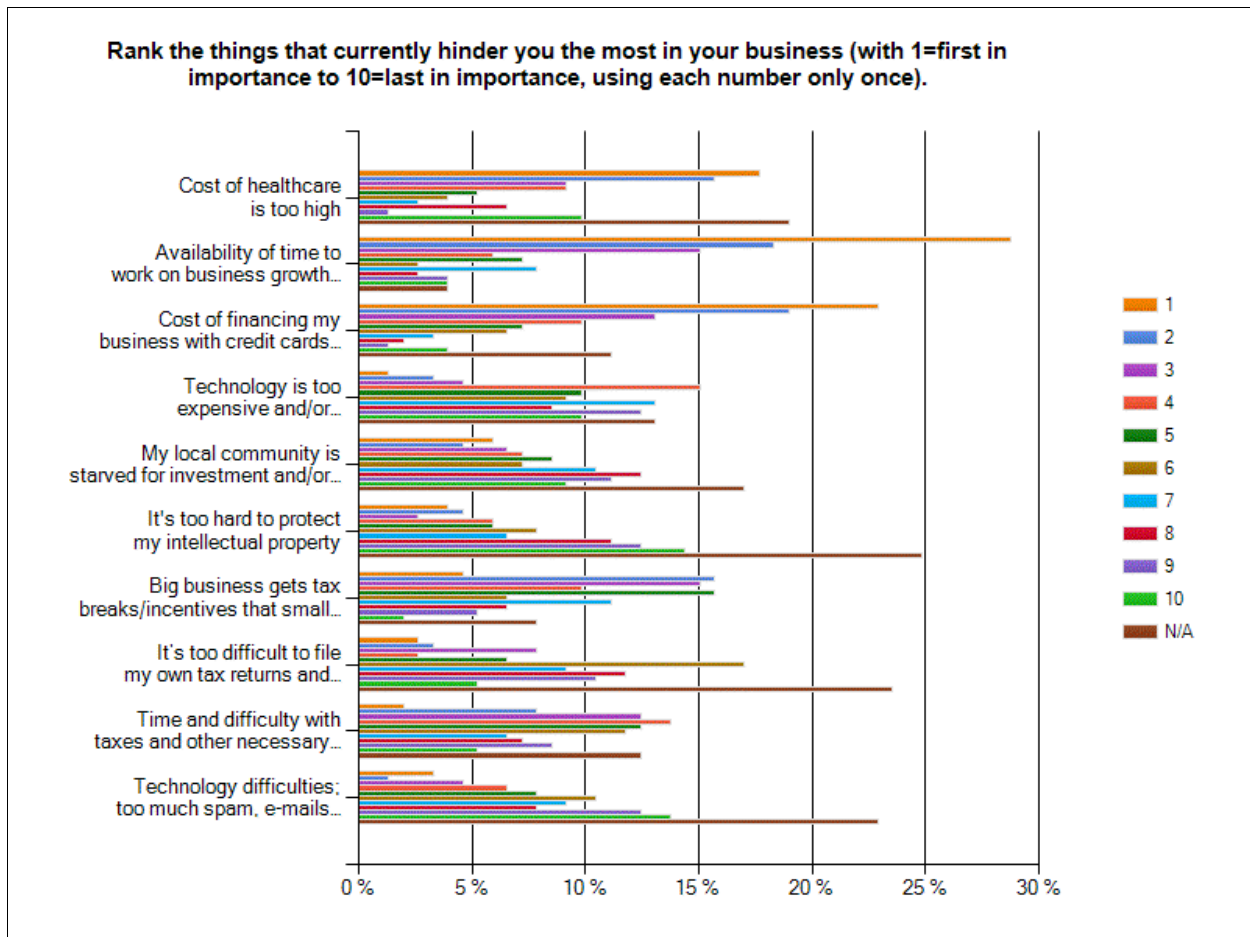


Figure 2. “Rank the things that currently hinder you the most in your business (with 1=first in importance to 10=last in importance, using each number only once.” IssuesLive Survey, Microbusiness Strategies, 2008.

percentage of “extremely important” responses. However, while almost half of respondents felt that paying lower taxes was “extremely important”, more of them (53.7%) thought that tax simplification was equally critical and still more of them (61.7%) wanted greater tax fairness. The issue of taxes has long been considered a staple policy item for small businesses but from this it would appear that simply lowering tax rates may not be a satisfactory policy solution for the majority of them.

Microbusiness owners identified financial issues as the primary barrier to entry into business ownership, naming “lack of consistent income” and “lack of access to startup capital” as the top two challenges that got in their way when they launched their firms. The most important current challenges to survey respondents were time and money. The top current hindrance identified by microbusiness owners, by a wide margin, was availability of enough time

to work on business growth (28.7%). The second most popular hindrance named by respondents was the cost of using credit cards or home equity loans to finance their firms (22.6%), which was identified in the response as too costly and risky. The lack of an even playing field in which small and large firms get the same (or similar) advantageous tax treatment, came in as a distant third (16.5%).

Conclusion and Recommendations for Further Research

Microbusinesses — firms with fewer than ten employees — appear to be a distinct firm size class with unique characteristics that distinguish them from larger small firms. Because of their size, they operate differently and allocate resources differently than their larger brethren. At the same time, they are pervasive, accounting for more than 95% of all U.S. firms. Therefore, it behooves policy makers and other economic actors to better understand these very small firms and their policy needs. The *IssuesLive* Minnesota pilot, which was organized with this objective in mind, produced many insights into those distinguishing characteristics of microbusinesses.

Microbusinesses in Minnesota report their primary issues lie in the areas of time and money, particularly money. Access to capital (and specifically to commercial financing products that meet their needs), cash flow management skills, higher costs of capital, access to distribution systems and markets, and the overall costs of doing business present microbusiness owners with their most serious challenges. Taxes, another issue that touches on this subject, are another matter of concern to Minnesota microbusiness owners, although they appear to be more concerned about tax fairness and simplification than about tax rates.

It is probably because of the size of their firms that microbusiness owners also consider that heavily administrative processes or procedures are burdensome, and they do not appear to distinguish between those procedures that may prove profitable and those that will not. Regulatory compliance paperwork is a greater hindrance than compliance costs (although both might be considered costs) but does not generate as much ire as one might have expected. However, in light of the fact that many sorts of regulations (i.e., federal Occupational Safety and Health Administration regulations) do not take effect until a firm has grown beyond micro-size, the relative lack of concern is perhaps not so mysterious.

Of much more material concern to microbusinesses in Minnesota is a lack of sufficient time in which to pursue business development opportunities. During the *IssuesLive* events, a recurring complaint voiced by participating microbusiness owners was their difficulty in building the networks they needed to pursue partnerships, joint ventures or outsourcing of non-core competencies. There was very little discussion at the events about pursuing contracting

opportunities with larger businesses and none at all about pursuing government contracts (local, state or federal). In addition, there were no questions about procurement issues on the survey; further information about microbusinesses and these large-entity marketplaces will be needed to better assess where microbusinesses stand on this issue.

Minnesota microbusiness owners expressed little interest in gaining better access to the policy making process, a finding that seems consistent with the sentiment expressed at the events that policy makers neither know nor care about their needs, challenges and issues. Overall, microbusiness owners appear to labor under a strong perception that the deck is stacked against them, a perception that is not without merit given that they pay higher costs for regulatory compliance, energy, financing and various other regular business goods, services and obligations. They appear to be largely disaffected with politicians and public policy, although they are usually eager participants in their local communities. It is reasonable to assume that, as a group, they could be highly receptive to overtures of interest and advocacy from public officials (or aspiring public officials) *provided* such overtures were genuine and rooted in actionable initiatives that would address their issues.

Since the data used for this study is, for the most part, geo-specific, there is very little it can tell us about the national population of microbusinesses and their owners. This research describes microbusinesses in Minnesota and, while there is no evidence to support an assumption that they are significantly different from microbusinesses elsewhere in the country, further research will be needed to confirm this. In addition, the participants in this research were self-selected and differed from the average in important ways (e.g., survey respondents had overall higher receipts than national norms, as well as significantly more women and more minority representation). For more accurate information about the overall population of microbusinesses in the U.S., or even the population of microbusinesses in Minnesota, a random sample from the universe of businesses in question is preferred.

In the larger context of the U.S. economy, there are several avenues of additional research suggested by these findings.

Small businesses are often referred to as the nation's job creators but relatively little is known about how microbusinesses fit into that paradigm. Since nonemployer businesses would seem to be a potential source of a large number of new jobs, researchers might want to further

explore the barriers that keep nonemployers from transitioning to employer firms. Some nonemployers are obviously business owners, while others strategically operate from a labor market perspective as independent contractors. Further research might attempt to separate nonemployer businesses into these two categories to discover which is dominant, since that could have some impact on how policy makers treat each group.

Additional research might explore the various relationships of microbusinesses to the labor economy. It has often been hypothesized that microbusinesses (both employers and nonemployers) outsource work to other microbusinesses rather than creating full-time, permanent, traditional jobs. This is a form of work dynamic that remains wholly unexplored and prevents microbusinesses from being properly credited with their full contribution to the economy. Researchers might examine the way microbusinesses handle their personnel issues, who they hire, how they hire, and what parameters bind those transactions.

The Congress often uses the tax code in order to incent certain practices or behaviors, or to support and assist small businesses during difficult times. The degree to which this practice is successful depends, in part, on the degree to which the targeted taxpayers are the actual beneficiaries of the policy in question. Given the numbers, any policy that purports to target small businesses must target microbusinesses in order to avoid missing the mark. In addition, survey results indicate that microbusiness views of the tax code are more complex than concern solely about tax rates. Another area of research, then, would examine the way in which microbusinesses use the tax code and whether changes in tax law produce corresponding changes in the filing behaviors of microbusiness owners.

Additional research might also seek to detail and quantify the specific differences between microbusinesses and non-micro small businesses in order to better understand and define both.

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