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# A Profile of Microbusiness

The 2008 IssuesLive Minnesota Regional Pilot

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During the period from February through May 2008, Microbusiness Strategies LLC, in partnership with the Minnesota Small Business Development Center Network 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.

## Overall Findings

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.

Microbusinesses in Minnesota report their primary issues lie in the areas of time and money, particularly money. 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.

Of much more material concern to microbusinesses in Minnesota is a lack of sufficient time in which to pursue business development opportunities. They expressed little interest in gaining better access to the policy making process; they appear to be largely disaffected with politicians and public policy.

## Highlights

- 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.

- The overarching issue facing microbusinesses and their owners 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. Microbusinesses have had to evolve a different way of doing business and it now

appears that the way they do business is a poor fit for the infrastructure of the U.S. economy.

- Microbusiness owners identified "Financing/capital" as the top policy issue facing them, followed by the economy and health care. That the health care reform issue was relegated to third place among microbusiness respondents came as a surprise to organizers. It is also noteworthy that access to capital was an issue for very small businesses long before the financial markets collapse and subsequent capital freeze.

- When asked what would help their firms become more successful, the issue that generated the broadest response from microbusinesses was taxes. However, while 48% of respondents want to pay lower taxes, more of them (54%) felt that tax simplification was extremely important and still more of them (62%) believe the tax code needs to be fairer, with a more even playing field for small firms versus large ones.

- 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.

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