

# Barriers to Microenterprise Initialization, Growth, and Success

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## Abstract

Entrepreneurs are vital to the economic stability of any community. This applied business research was an exploration of the coping strategies of African American microentrepreneurs to the barriers that impede business initialization, growth, and success. Participants' narratives were the sources of data. Findings revealed ways to change the business support dynamic for this group.

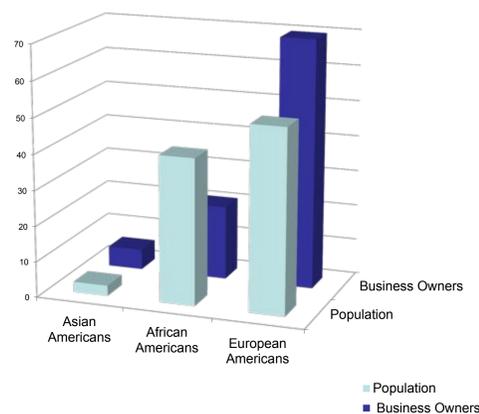
## Problem

### Facts supporting the research

- A city in southeast Virginia has an African American population of nearly 41%, yet this group owns less than 21% of local businesses (U.S. Census Bureau, 2013).
- Generally, African American-owned businesses have a low success rate (Bates, Lofstrom, & Servon, 2011).
- Nationally, African American-owned enterprises generate lower profits and employ fewer people than enterprises owned by other ethnic groups (Smith & Tang, 2013)

### The business problem

How do African American microenterprise owners cope with the challenges of growing and operating their businesses?



## Purpose

Generate knowledge by exploring the experiences of microenterprise owners in southeast Virginia.

Evaluate and explain the coping strategies of African American microentrepreneurs related to the phenomenon.

## Relevant Literature

### Dual conceptual framework

- Barney's (1991) *resource-based theory of the firm*. A firm's manager is capable of creating a sustainable competitive advantage by bundling and using idiosyncratic internal resources to enhance enterprise performance.
- Light's (1979) *labor market disadvantage theory*. Light theorized entrepreneurial capabilities were race-based and the entrepreneur's culture created the problems experienced in the business environment.

### Relevant topics

- African American entrepreneurial history
- Push/pull factors of motivation
- Education
- Financial resources and associated barriers
- Entrepreneurship policy

## Research Questions

**Central question:** How do African American microentrepreneurs cope with the challenges of growing and operating their businesses?

### Research subquestions

**SQ1.** How do government and business regulatory agencies influence business development?

**SQ2.** What are the skills, knowledge, and internal resources needed to succeed?

**SQ3.** How can agencies change to meet the internal resource needs of African American-owned enterprises?

## Procedures

### Qualitative phenomenological approach

**Criterion-based purposive sampling:** 20 African American business owners were selected for this study based on Strier's (2010) definition of the microenterprise.

### Semistructured interviews

- 7 interview questions
- Natural settings
- Digital audio-recording
- Member-checking for data validation

## Data Analysis

Data analysis occurred within computer-assisted qualitative data analysis software (CAQDAS) using the modified van Kaam technique (Moustakas, 1994).

## Findings

### Four emergent themes

- Effects of barriers on microentrepreneurs
- Influences of regulatory agencies
- Entrepreneurial resources required for success
- Agency adaptation to meet entrepreneurial needs

### Two invariant themes

- Importance of location
- Availability of a quality workforce

## Building Entrepreneurship

capital	liaison	adaptation
resources	mentorship	
training	skill	motivation
information	technology	

## Limitations

Data could not fully reflect the views of all microenterprise owners.

Focusing on one city limited generalizability of conclusions to rural or large metropolitan areas.

Economic conditions vary with geography.

Time constraints and responsibilities of business owners may have diminished participants' contributions to the study.

## Conclusions

African Americans, irrespective of motive to become entrepreneurs, are committed to expanding their enterprises.

Institutional and societal barriers continue to affect entrepreneurs negatively.

### Challenges include

- An underground economy
- Inadequate flow of information
- Undercapitalization

### Key internal resources include

- Education, training, mentoring, and web-based information
- Human and social capital

## Social Change Implications

Entrepreneurs apply study's findings to business planning, strategy development, and plan implementation.

Microenterprise owners develop business networks.

Microenterprise owners use agency offerings efficiently.

Findings are used constructively to create an environment conducive to expansion of the African American business sector.