

Problems Entrepreneurs Face

June 2003

By Gwen Richtermeyer, Ph.D.
Director

BRIDG

RESEARCHING
SMALL BUSINESS AND
ENTREPRENEURSHIP



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Table of Contents

Introduction	1
Problems in the Beginning	1
Finance	1
Management	2
Marketing	3
Technology	4
Problems Now	5
Finance	5
Management	6
Marketing	7
Technology	8
Addressing the Problems	9
Demographics	10
Methodology	10
About Us	11

Charts and Graphs

Chart 1, Financial: Problems THEN	1
Chart 2, Management: Problems THEN	2
Chart 3, Marketing: Problems THEN	3
Chart 4, Technology: Problems THEN	4
Chart 5, Financial: Problems NOW	5
Chart 6, Management: Problems NOW	6
Chart 7, Marketing: Problems NOW	7
Chart 8, Technology: Problems NOW	8
Chart 9, Preferred Learning Format	9
Chart 10, Ideal Learning Environment: Time Allocation	9
Chart 11, Ideal Learning Environment: Activities...	9

Introduction

The “Problems Entrepreneurs Face” study was undertaken in fall of 2002 by BRIDG. It is the first study in Missouri to take an in-depth look at the various types of operational problems entrepreneurs face when they begin their businesses and after they have been in business for a number of years.

Problems in the Beginning

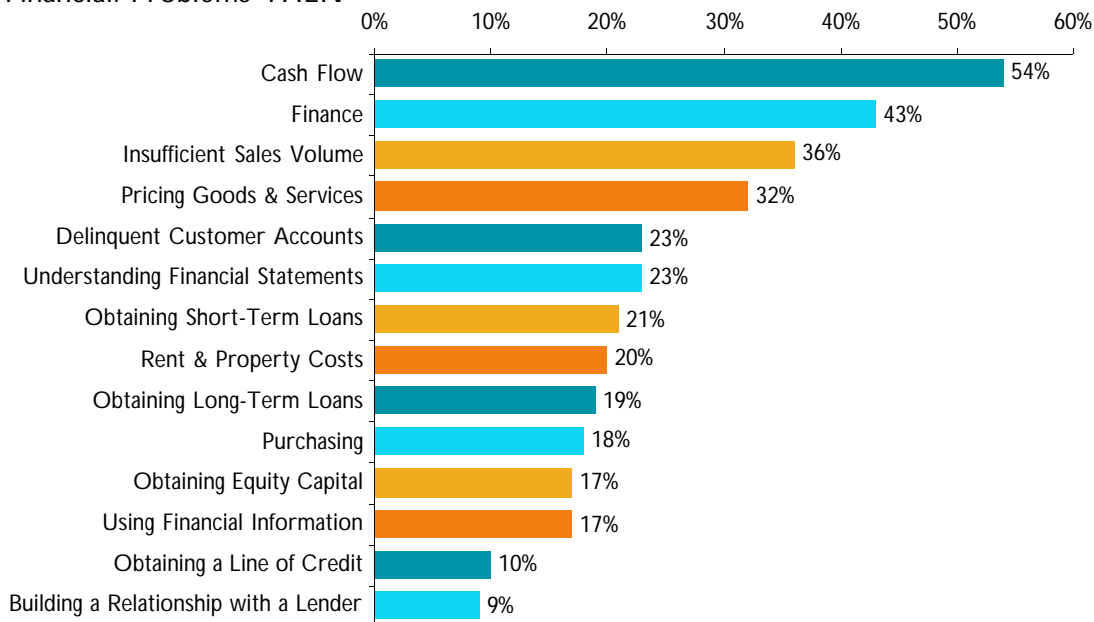
Given that only about one-half of new business ventures survive five years¹, and 95 percent of all businesses are small (less than 500 employees), we need to learn as much as possible to positively impact the success rate for new businesses. This study focuses on four key operational areas: finance, management, marketing, and technology.

Finance

A sound understanding of business finance, access to capital, and relationships with lenders are integral to the success of any business. When starting a business, approximately one-third of the entrepreneurs found CASH FLOW, FINANCE, INSUFFICIENT SALES VOLUME, and PRICING GOODS OR SERVICES to be the most problematic. **Chart 1** displays each finance topic and the corresponding percentage of respondents who indicated it as a problem.

Chart 1

Financial: Problems THEN



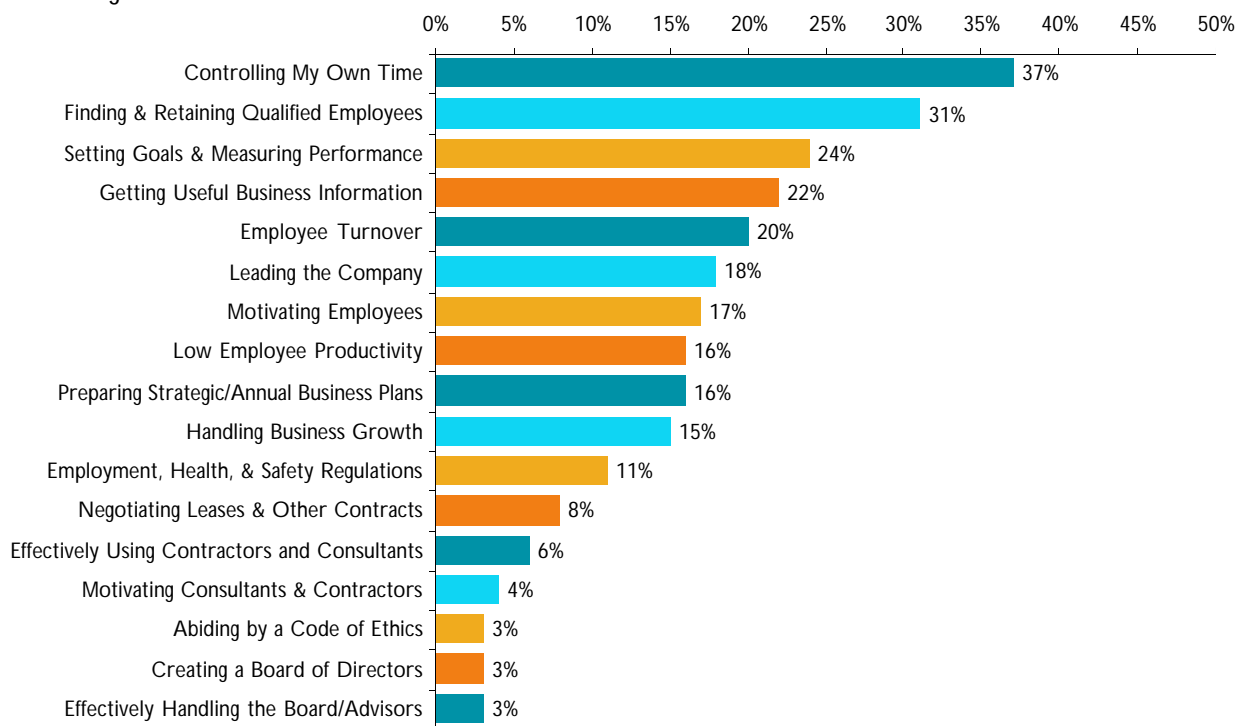
¹ Headd, Brian. 2003. *Redefining Business Success: Distinguishing Between Closure and Failure*. *Small Business Economics* 21: 51-61.

Management

In beginning their business, about one-quarter of the entrepreneurs stated that their management problems were diverse and focused on themselves (CONTROLLING MY OWN TIME, SETTING GOALS and MEASURING PERFORMANCE), their employees (FINDING/RETAINING QUALIFIED EMPLOYEES), and accessing helpful information (GETTING USEFUL BUSINESS INFORMATION). **Chart 2** displays the management topics and the percent of respondents who indicated the topic was a problem when starting their business.

Chart 2

Management: Problems THEN

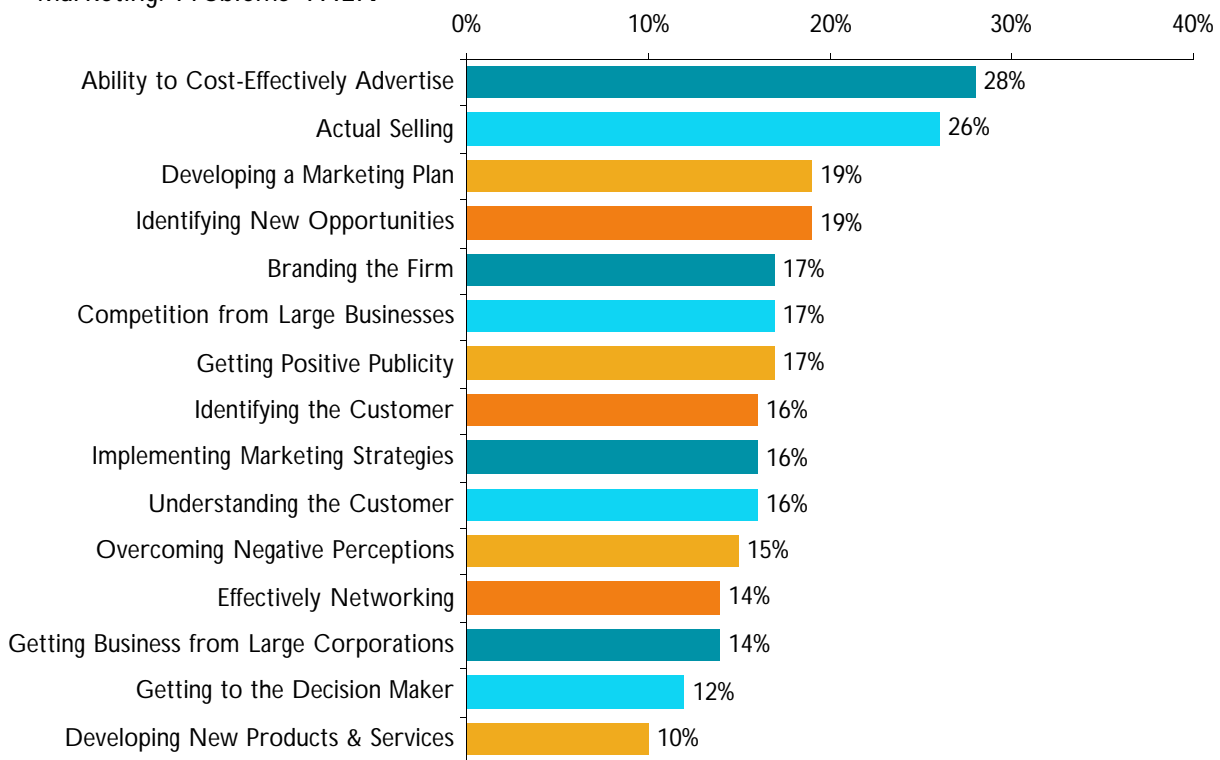


Marketing

The two top problems in the marketing area focus on “how to” — ABILITY TO COST-EFFECTIVELY ADVERTISE and ACTUAL SELLING. **Chart 3** displays the marketing topics and respective percentage of entrepreneurs who found each topic a problem in the beginning.

Chart 3

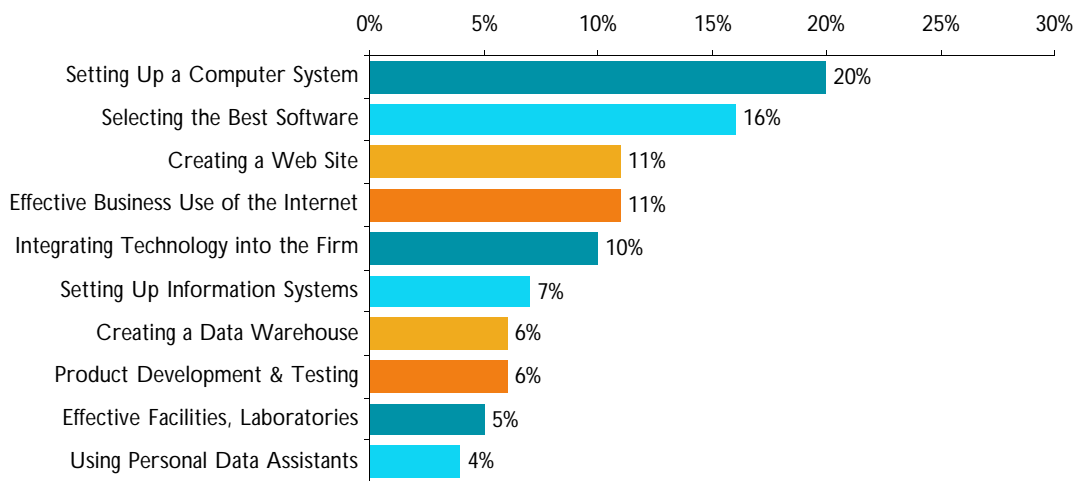
Marketing: Problems THEN



Technology

Technology in relationship to finance, management, and marketing was not as much of a problem area for entrepreneurs starting a business. About one-fifth of the respondents indicated SETTING UP A COMPUTER SYSTEM was a problem. **Chart 4** displays the topics within the technology area and corresponding percentage of entrepreneurs who indicated each was a problem.

Chart 4
Technology: Problems THEN



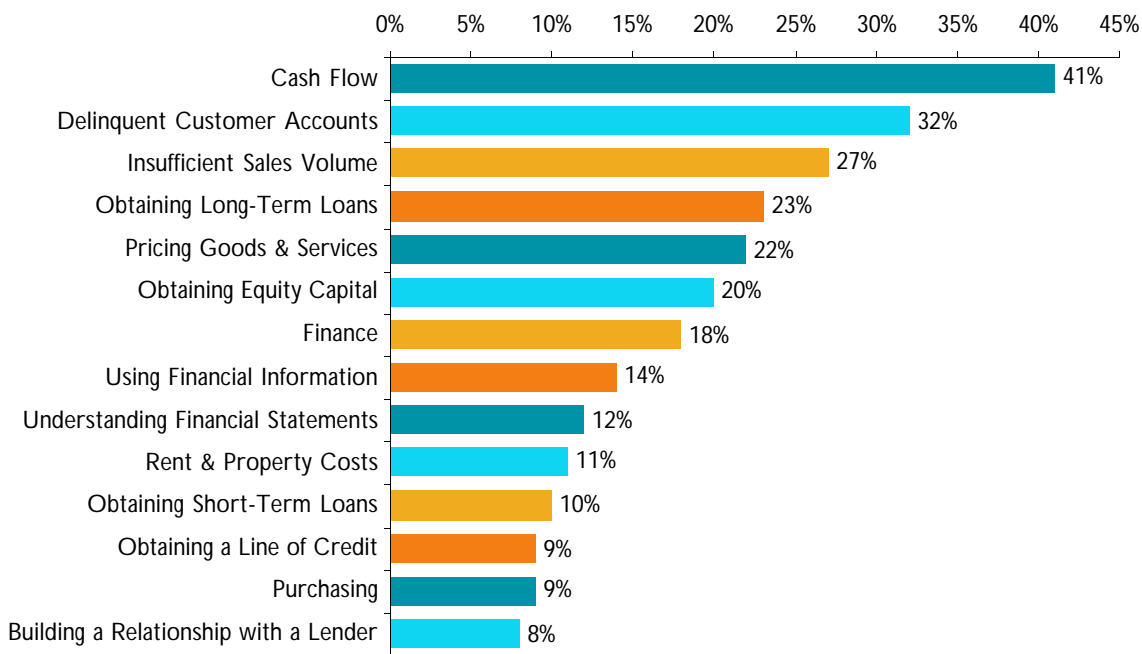
Problems Now

Finance

One-half of the entrepreneurs participating in this study have been in business for at least 17 years. About one-fourth have been in business between two and eight years. The problems these seasoned business owners face today are both similar and different than those they faced when starting their businesses.

While CASH FLOW and INSUFFICIENT SALES VOLUME remain problems for many, account receivables and capital enter into the picture for one-fourth to one-third of the entrepreneurs. **Chart 5** displays the finance topics and corresponding percentages.

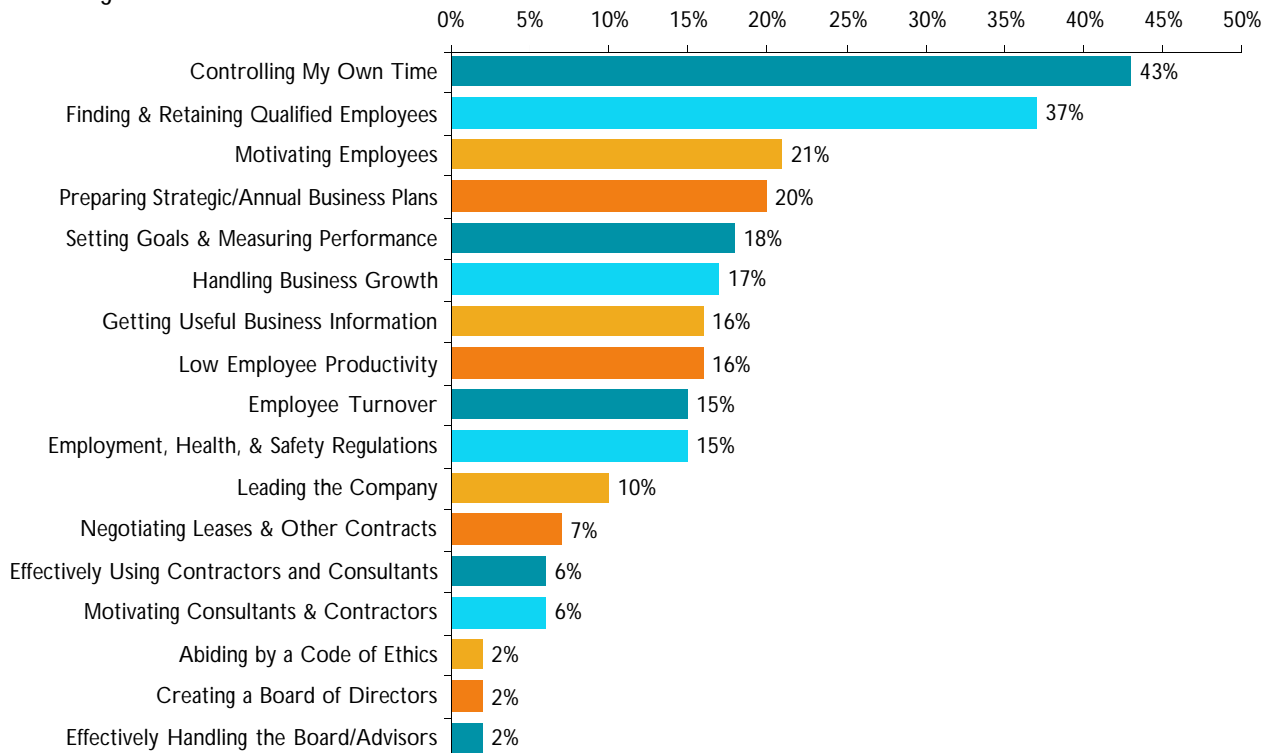
Chart 5
Financial: Problems NOW



Management

Control of time and putting the right person in the right job remain significant problems for more than one-third of the entrepreneurs. In addition, the role of manager and leader emerge as entrepreneurs grow their companies placing MOTIVATING EMPLOYEES and PREPARING STRATEGIC/ANNUAL BUSINESS PLANS in the top five problems for experienced business owners. **Chart 6** displays the management topics and respective respondent percentages.

Chart 6
Management: Problems NOW



Marketing

At this point in the business, entrepreneurs have learned how to handle some of the foundational marketing tasks, although ABILITY TO COST-EFFECTIVELY ADVERTISE remained the number one problem for entrepreneurs. In addition, the continued need to set one's business apart from others surfaces in that COMPETITION FROM LARGE BUSINESSES and IDENTIFYING NEW OPPORTUNITIES are the second and third most mentioned problems. **Chart 7** displays the marketing topics and respondent percentages.

Chart 7

Marketing: Problems NOW

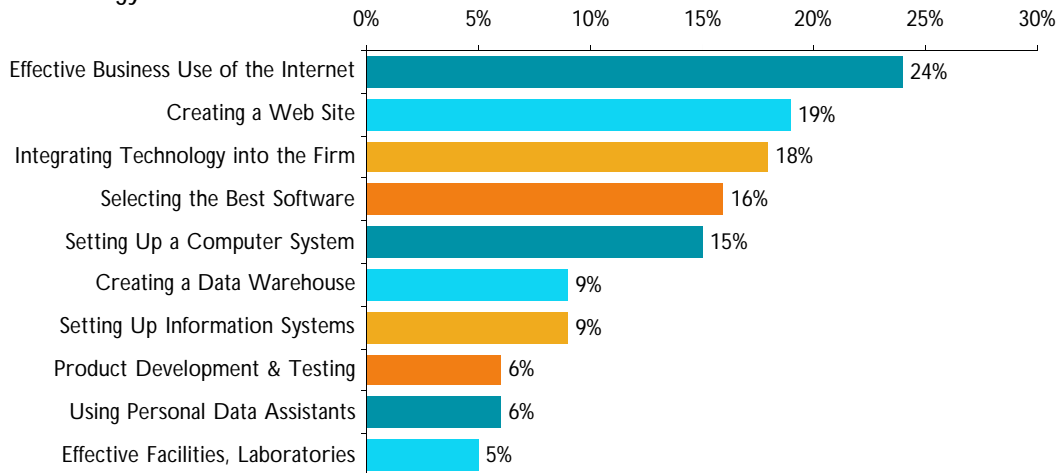


Technology

Current technology problems reveal sophistication in the technology field and in how businesses use technology. The top problems faced currently by entrepreneurs are EFFECTIVE BUSINESS USE OF THE INTERNET, CREATING A WEB SITE, and INTEGRATING TECHNOLOGY INTO THE FIRM. **Chart 8** displays technology topics and corresponding percentages.

Chart 8

Technology: Problems NOW



Addressing the Problems

A better understanding of the problems entrepreneurs face at varying points in their business lives provides tremendous opportunities to shape programs, products, services, and tools to meet these needs.

Just as problems change over time, preferred ways of learning have also changed. The pressures and stresses of owning your own business,

information overload, and lack of time are ingredients that need to be factored into any attempt to assist the business owner whether they are starting, operating, or growing a business.

We found that entrepreneurs PREFER a short, to-the-point learning format and a blended learning experience. **Charts 9 through 11** display these preferences.

Chart 9

Preferred Learning Format

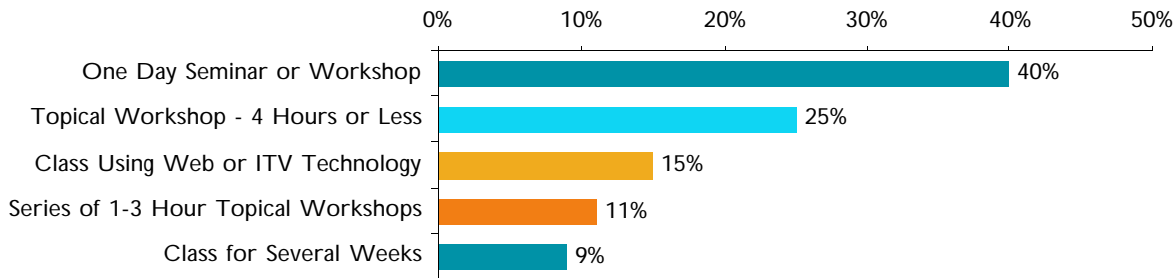


Chart 10

Ideal Learning Environment: Time Allocation

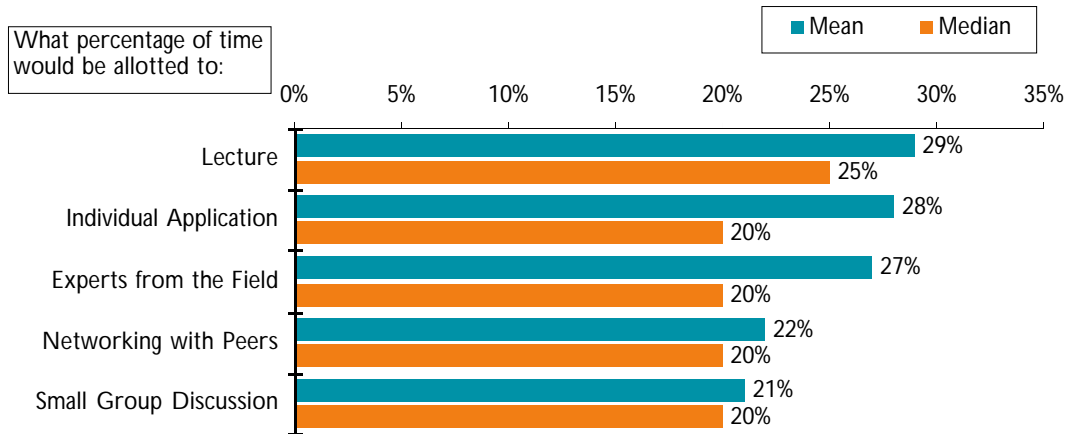
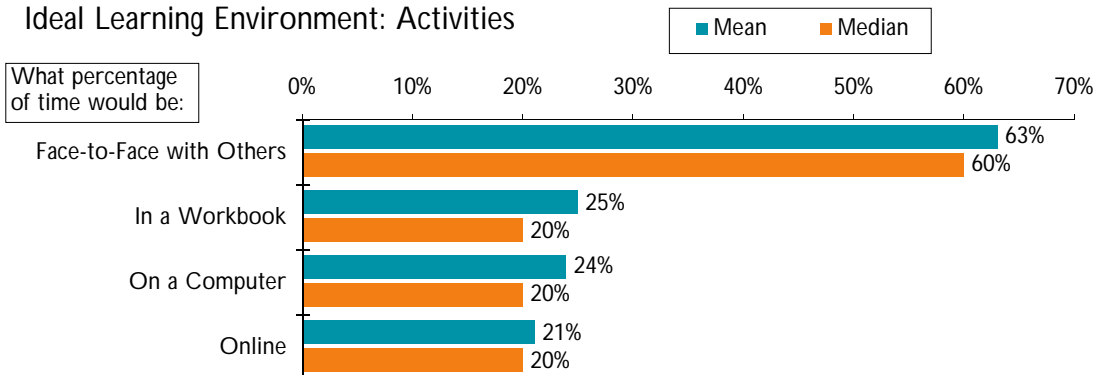


Chart 11

Ideal Learning Environment: Activities



Demographics

The entrepreneurs in this study closely match the population of small business owners in Missouri. Approximately three-fourths of the respondents are white males with an average age of 52. Almost one-half (48 percent) are college degreed. Most of the businesses represented are services (38 percent), retail (19 percent), and construction (13 percent).

Methodology

These findings are based on an industry sector stratified, random survey study of small business owners in the State of Missouri. A total of 1,352 surveys were completed, providing a response rate of 14 percent. A series of focus groups and interviews with small business owners, entrepreneurs, and business assistance providers were held in summer 2002 to gather information about educational needs and wants, learning preferences, learning styles, and concerns or problems faced in starting, operating, and growing a business. To be eligible to participate, small business owners and entrepreneurs must have been in business at least two years. From this information, a survey instrument was drafted and reviewed by numerous small business owners, entrepreneurs, business assistance providers, and academics.

We used the Dun & Bradstreet Marketplace database for our sample, initially sending our survey to 10,000 small business owners in the state. We followed the Dillman Method for maximizing our mailed survey response. In addition to the mailed survey, a sub-database of 1,200 non-respondents was pulled and follow-up telephone interviews were conducted, increasing our final response rate by three percent.

About Us

BRIDG, a University of Missouri Outreach & Extension group, focuses solely on researching small business and entrepreneurship. Its research lays the foundation for the creation and delivery of quality programming, products, services, and organizational processes specifically developed for small business owners and entrepreneurs to start, operate, and grow their businesses.

Other recent reports include a study of technology companies in Missouri and a study of Latino/a Business Owners in Greater Kansas City. For further information or detail, please direct your questions to Dr. Gwen Richtermeyer, Director, BRIDG-UMKC, 4747 Troost, #217, Kansas City, MO 64110, 816-235-6343, richtermeyerg@umkc.edu.

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