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# GROWTH AND CONTRACTION BETWEEN MICRO TO SMALL BUSINESS?[1]

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According to the Association for Enterprise Opportunity (n.d.) (AEO), micro-businesses represent 91% of all U.S. businesses, contributing $2 trillion or 9.3% to the Gross Domestic Product (GDP) of the U.S. economy, which makes small and medium enterprises (SMEs) an engine for economic growth (Gherhes, Vorley, & Brooks, 2021) in the U.S. economy. The majority of micro-businesses (1-9 employees) and "very" small (10-20 employees) businesses are family-owned and managed by one or two-person(s) (Devins, Gold, Johnson, & Holden, 2005), making the owner/manager synonymous with the company (Gherhes, Williams, Vorley & Vsconcelos, 2016).

Identifying and understanding how businesses with one to twenty employees expand and contract is essential to understand what factors contribute to the growth or contraction of micro and "very" small businesses. Research varies on the exact number of factors (Storey, 2016). Still, most concur the following seven factors contribute to the growth of a business: firm age, size, industry sector/markets, legal form, location, and ownership (Davidsson, Kirchhoff, Hatemi-J, & Gustavsson, 2002; Gherhes et al., 2016; Storey, 2016).

This study intends to understand how the seven factors impact businesses with one to twenty employees and why these factors cause businesses to transition back and forth between micro and small businesses. It will also consider if the growth or contraction is influenced by the owner/manager's personal values and strategies. The research contributes to the literature by asking why owners of micro-small business are not consistently able to grow human capital beyond 20 employees?

Little research has been conducted on the challenges business with less than twenty employees face beyond SMEs. Instead, researchers perceive SMEs as a homogeneous umbrella (Gherhes, Vorley & Brooks, 2021). Storey (2016) refutes this concept stating the informality in management styles between micro-business (overwhelmingly run by owner/manager) versus the formality of businesses with more than a hundred employees is not homogeneous. Further noting, the most challenging labor adjustment in management style is between ten to fifty employees.

The informal interaction of the owner/manager in most micro-businesses is due to the owners being immersed in their business and being an employee of the business simultaneously (Dipu & Chinnu, 2019). This leads researchers to question the effectiveness of an owner/manager. However, Kotey and Meredith (1997) point out another key concept to be concerned with is the personality of the owner/manager, where the owner/manager's personality is defined by their personal values and goals and are indistinguishable from their business goals.

Micro-businesses, unlike SMEs, function in a vertical integration where the owner/manager acts as both 'owner employee' and human resource department, conducting the recruiting, hiring, training, and evaluating of employees (Bandura & Lyons, 2015). The lack of research has created a disproportionate gap in knowledge on how to help micro-business grow into small businesses while also preventing them from contracting back into micro-business.

The research for this study focuses on what factors or constraints prevents own/manager from growing their companies into larger businesses. These constraints can come from either internal or external factors. Some of the internal factors are human resources, culture, financial resources, and physical resources. Some of the external factors consist of laws, economic, competitive, technological, and social.

In addition to the internal and external factors affecting business growth are the personal factors of the owner/manager. The owner/managers personal characteristics (values and goals) are synonymous with the business. The business growth or contraction is dependent on the characteristics and desires of the owner/manager. This means the business can only grow to the extent that the owner/manager grows as a leader.