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THE ONE-PERSON ENTERPRISE'S PERCEPTION OF THE BECOMING AN EMPLOYER PROBLEM

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Principal Topic

Of the 27 million plus operating firms identified by the U.S. Census Bureau in 2010, 79% operate alone or in some capacity without any paid employees. This study lays the foundation for an investigation of the transition from being self-employed to becoming a firm (Parker, 2006; Carroll et. al, 2000) as an important component of the creation of jobs in the economy. In this study, we frame the first-time hiring by the smallest of businesses, the “one person enterprise” (OPE) as a “Becoming an Employer Problem” (BEP), which they must solve to succeed. We draw on Coase’s (1937) Theory of the Firm, which suggests a firm exists only after it has employees, and Penrose’s (1959) Theory of the Growth of the Firm, which suggests human resources are a critical asset to the firm as it grows. Little research has attempted to understand why the smallest businesses do not grow, hire employees, or create jobs as job creation has not often been used as an important dependent variable (Ireland, Retzel & Webb, 2005).

Methods

Built on the theory of entrepreneurial cognition and the context of ill-defined problems (Abelson & Levi, 1985), a survey was developed to gain insight into the BEP as it is perceived by OPEs. Items were created based on previous research conducted in Europe and addressed twelve dimensions. An EFA was performed using MPlus followed by an iterative parceling approach (Bandalos, 2002) to estimate the appropriate number of factors.

Results and Implications

Respondents were U.S. based small business owners who were operating their business alone or with others. Results suggest three factors associated with BEP: administrative and legal obligations (ADLGL), recruitment and selection processes (RECSEL), and the OPE’s management abilities and preferences (MNGT).

OPEs think about the problems associated with BEP differently based on the administrative and legal concerns, and those issues related to management abilities and preferences. No differences between the two groups relative to the recruitment and selection process of employees, suggests that regardless of size of the business, all businesses in this sample perceived issues associated with the process of recruiting and selecting employees as a considerable problem.

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