

# CHALLENGES ALONG THE ENTREPRENEURIAL JOURNEY: CONSIDERATIONS FOR ENTREPRENEURSHIP SUPPORTERS

Jessica Looze and Sameeksha Desai | MAY 2020



# Challenges Along the Entrepreneurial Journey: Considerations for Entrepreneurship Supporters

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## Barriers to entrepreneurship

Entrepreneurs have the potential to create new jobs in their communities, bring new products and services to the market, and change the way we lead our lives. But it's not enough to have a good idea. Some aspiring entrepreneurs encounter barriers that prevent them from ever starting a business. And those entrepreneurs who do start businesses may face challenges that limit the ability of their businesses to flourish. As a result, individuals and communities may collectively lose out on the new jobs, products, services, and innovations that were never created.

What are the biggest barriers facing entrepreneurs and aspiring entrepreneurs? Where are they getting stuck? What prevents businesses from getting off the ground? What inhibits entrepreneurs from thriving? Understanding the barriers entrepreneurs encounter along their journeys can help entrepreneurship supporters – including nonprofits, funders, policymakers, investors, and researchers – better understand how to help entrepreneurs and aspiring entrepreneurs.

We asked more than 500 entrepreneurs and aspiring entrepreneurs across the United States about the challenges they face. Below, we describe the information they shared and discuss key considerations for entrepreneurship supporters.

### Highlights

- Entrepreneurs most often reported **finding customers** and **skilled employees** as challenging.
- Aspiring entrepreneurs reported acquiring **funds to start or grow the business** as the most challenging, followed by **networks and connections**.
- Barrier for barrier, aspiring entrepreneurs were more likely to face difficulties than current entrepreneurs. In particular:
  - Aspiring entrepreneurs were twice as likely as entrepreneurs to report that raising **funds to start the business** is a challenge.
  - Aspiring entrepreneurs were nearly twice as likely as entrepreneurs to report challenges related to **mentors who can provide guidance; social support; and location, region, or geography**.
  - Aspiring entrepreneurs were nearly three times more likely than entrepreneurs to identify a lack of **inclusion based on race, ethnicity, gender, income, or other factors** as a challenge.

### Considerations for entrepreneurship supporters

- *How will you assess and prioritize the needs of the people and businesses that you support – and where will you focus your efforts to meet these various needs? How does your program take into account where individuals are on their entrepreneurial journey? What types of connections and support do individuals need, and what are the best ways to provide these?*
- *How can you contribute to a more inclusive pathway for those beginning their entrepreneurial journey?*
- *When asking entrepreneurs and aspiring entrepreneurs about their needs, how can you dig deeper into how these might also include other, sometimes indirect, needs? What are the connections among the barriers individuals are facing? How might solutions be crafted to address multiple interlocking challenges?*
- *What is the relationship between capital and other challenges, such as finding customers and skilled employees? Are there ways to alleviate some of the costs facing individual businesses with systems-level programs that support access to these types of resources?*

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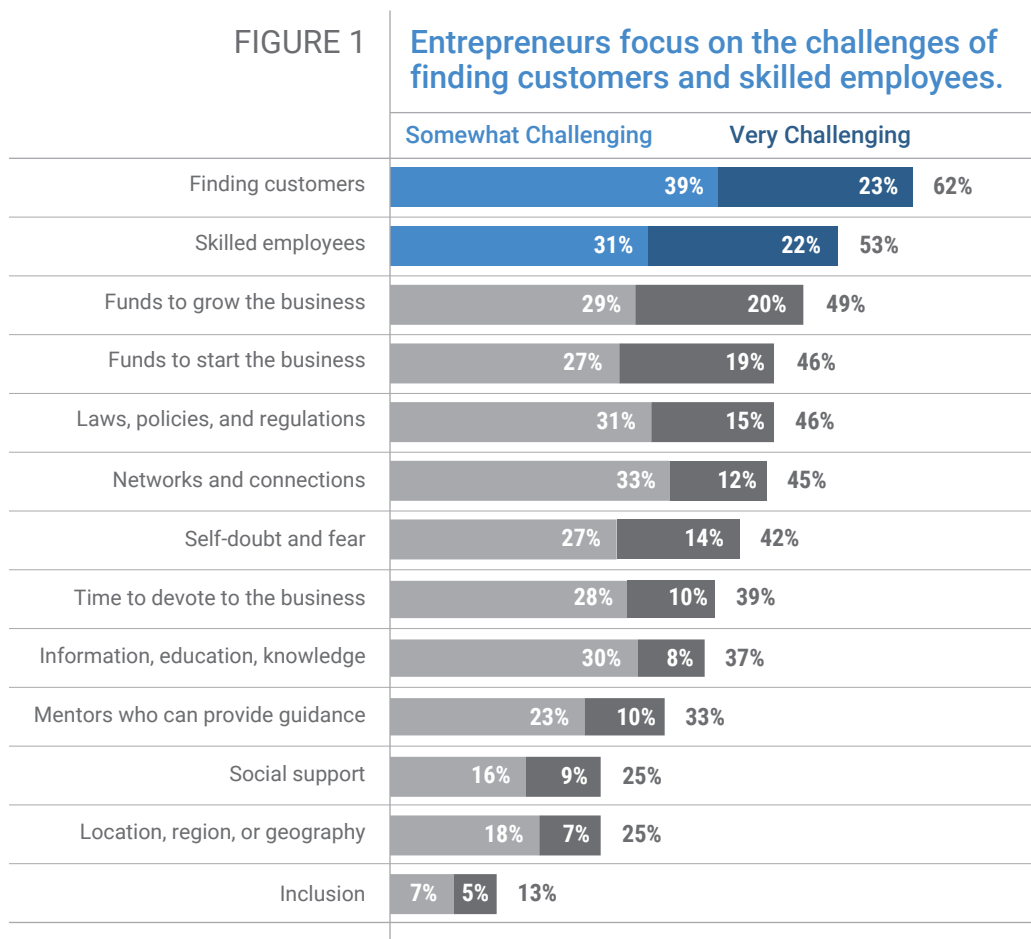
**Aspiring entrepreneurs were nearly twice as likely as entrepreneurs to report challenges related to mentors who can provide guidance; social support; and location, region, or geography.**

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## Challenges among entrepreneurs

The challenge most often cited by entrepreneurs was **finding customers**: almost two out of every three entrepreneurs (62%) reported that finding customers was very or somewhat challenging.

A little over half (53%) of entrepreneurs reported that attracting **skilled employees** is a challenge. Financing was cited by close to half of entrepreneurs: 49% reported that acquiring **funds to grow the business** is challenging, and 46% reported that finding **funds to start the business** is challenging. Close to half of entrepreneurs identified challenges related to **laws, policies, and regulations** (46%), and a similar share (45%) reported that **networks and connections** were challenging.



Approximately four in ten entrepreneurs reported **self-doubt and fear** (42%), **time to devote to the business** (39%), and getting the **information, education, and knowledge** needed for starting and running a business (37%) as very or somewhat challenging. **Mentors who can provide guidance** was cited as a challenge by one-third of entrepreneurs (33%). One in four entrepreneurs (25%) reported that **social support** was very or somewhat challenging, and the same percentage identified **location, region, or geography** as very or somewhat challenging. Just over one in ten entrepreneurs (13%) considered **inclusion based on race, ethnicity, gender, income, or other factors** to be a challenge.

As part of the survey, entrepreneurs were asked to describe, in a few words, the biggest challenge their businesses face. As the word cloud below illustrates, responses most often focused on challenges related to finding and keeping customers and clients.

**FIGURE 2** Entrepreneurs describe their biggest challenges



The charts below and on the next page present themes and illustrative quotes from entrepreneurs related to broader barriers.

		THEMES	ILLUSTRATIVE QUOTES
<b>FINDING CUSTOMERS</b>		Finding and keeping customers/clients	<ul style="list-style-type: none"> <li>• finding new customers and keeping the ones I already have</li> <li>• generating new business</li> <li>• maintaining a consistent stream of clients</li> </ul>
		Customer satisfaction	<ul style="list-style-type: none"> <li>• making sure to describe items properly to never disappoint a customer</li> <li>• maintain the level of attention to detail and quality that is expected</li> <li>• making sure our customers are always satisfied</li> </ul>
		Marketing and advertising	<ul style="list-style-type: none"> <li>• advertising is the biggest challenge for us</li> <li>• marketing to and getting customers</li> <li>• finding new customers and engaging in social media</li> <li>• reaching customers without having social media</li> <li>• designing and maintaining a website</li> </ul>
		Competition and market share (oversaturation)	<ul style="list-style-type: none"> <li>• staying relevant in today's oversaturated market</li> <li>• more business moving into area</li> <li>• trying to compete with large companies for a share of the market</li> <li>• competition from larger, better financed companies</li> </ul>
		Competition (pricing)	<ul style="list-style-type: none"> <li>• it is a very price-driven market right now</li> <li>• keeping customers who tell us they can find what they are looking for on the internet for cheaper than we can sell it to them</li> <li>• being undercut price-wise by big business</li> <li>• competition with price is the biggest challenge</li> </ul>

CHALLENGES ALONG THE ENTREPRENEURIAL JOURNEY: CONSIDERATIONS FOR ENTREPRENEURSHIP SUPPORTERS

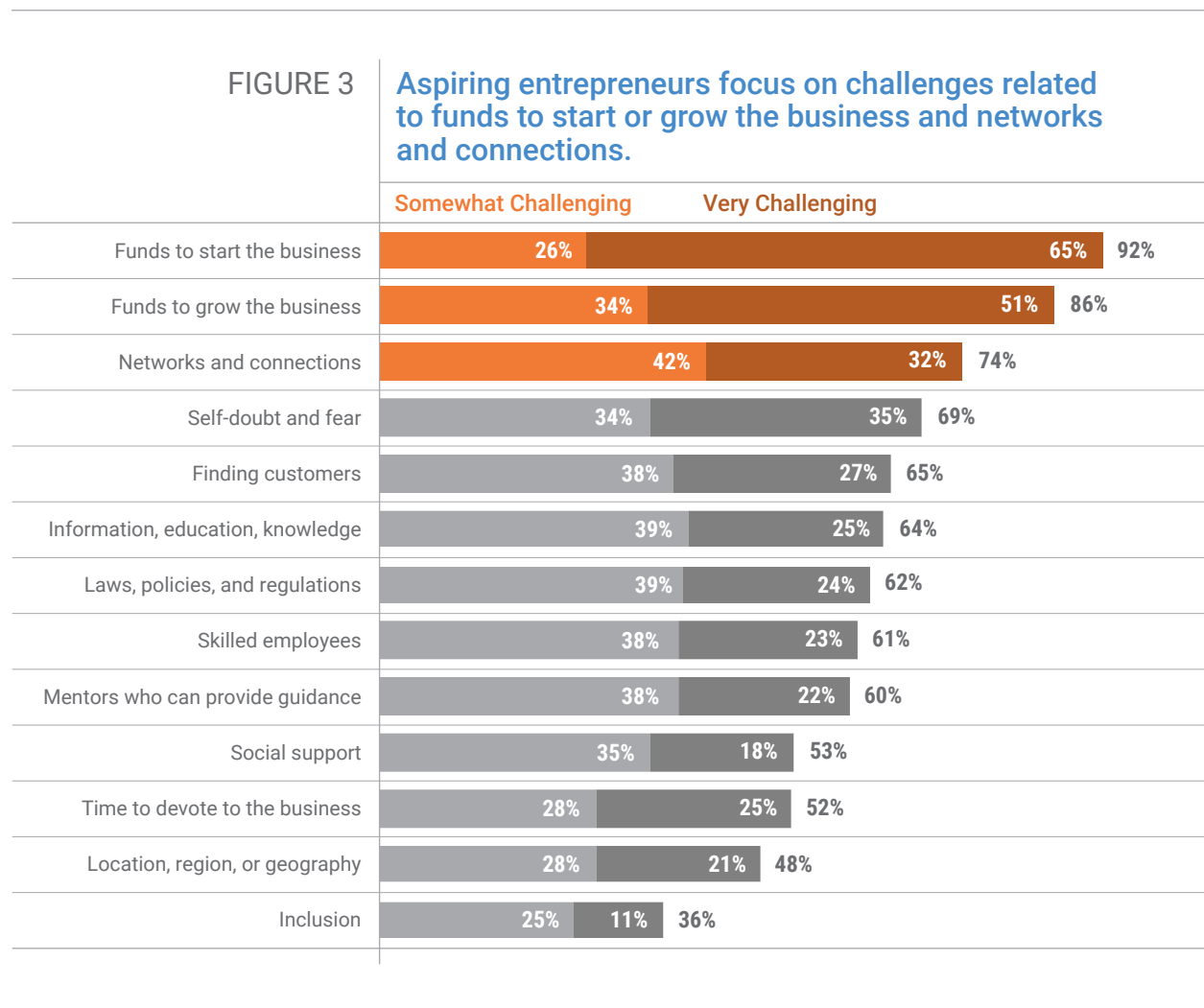
SKILLED EMPLOYEES	THEMES	ILLUSTRATIVE QUOTES
	Finding skilled employees	<ul style="list-style-type: none"> <li>finding qualified employees</li> <li>hiring [good] and highly skilled workers</li> <li>finding the right people</li> </ul>
	Employee retention	<ul style="list-style-type: none"> <li>employee hiring and retention</li> <li>attracting, training, and above all keeping quality staff</li> <li>keeping good employees</li> </ul>
	Employee reliability	<ul style="list-style-type: none"> <li>when I hire a new employee and I put all my trust in them on running a job and if they mess it up sometimes it can be bad because it makes my reputation bad</li> <li>finding employees who are reliable</li> </ul>

FUNDS TO START OR GROW THE BUSINESS	THEMES	ILLUSTRATIVE QUOTES
	Access to capital (general)	<ul style="list-style-type: none"> <li>raising capital</li> <li>finances to get business off the ground</li> <li>growing the business without going into debt</li> <li>being able to afford to expand</li> <li>sometimes money is needed for cash flow, and it is very difficult to obtain a loan</li> <li>compliance for capital raise</li> </ul>
	Cash flow and capital	<ul style="list-style-type: none"> <li>cash flow</li> <li>working capital to keep moving</li> <li>cash flow in off-season</li> </ul>
	Revenue stream	<ul style="list-style-type: none"> <li>building a steady revenue stream</li> <li>bringing in consistent revenue month to month</li> <li>continually generating revenue and creating new revenue streams</li> </ul>
	Rising costs	<ul style="list-style-type: none"> <li>rising cost of goods, shipping</li> <li>keeping up [with] the rising cost of doing business</li> </ul>
Customer payments and accounts receivables	<ul style="list-style-type: none"> <li>clients taking months to pay their bill</li> <li>getting clients to pay in a timely manner</li> <li>cash flow and collecting on accounts receivables</li> <li>receiving payment for services</li> </ul>	

LAWS, POLICIES, AND REGULATIONS	THEMES	ILLUSTRATIVE QUOTES
	Laws/legal environment	<ul style="list-style-type: none"> <li>changes in laws that affect my business</li> <li>navigating legal issues</li> <li>keeping up with all the ever-changing tax laws</li> </ul>
	Regulations	<ul style="list-style-type: none"> <li>permitting of new locations</li> <li>over-regulation by municipal authorities</li> <li>onerous compliance requirements</li> <li>government regulations</li> </ul>
	Taxes	<ul style="list-style-type: none"> <li>increasing property taxes</li> <li>business taxes</li> <li>state and federal tax burdens</li> </ul>
	Healthcare costs	<ul style="list-style-type: none"> <li>the high costs of healthcare</li> <li>healthcare costs</li> <li>health insurance premiums</li> </ul>
Broader economy	<ul style="list-style-type: none"> <li>market changes, worries of recession</li> <li>unpredictability of the economy</li> <li>dealing with lean and flush times</li> <li>global market forces like trade wars</li> </ul>	

## Challenges among aspiring entrepreneurs

The vast majority of aspiring entrepreneurs reported barriers related to capital: nine in ten (92%) reported that **funds to start the business** was challenging and close to the same share (86%) reported that **funds to grow the business** was challenging. It is noteworthy that the majority of aspiring entrepreneurs who reported these capital challenges identified them as “very” challenging.



Nearly three in four aspiring entrepreneurs (74%) reported **networks and connections** as a challenge, and almost seven in ten (69%) reported **self-doubt and fear** as a challenge. **Finding customers** and getting the **information, education, and knowledge** necessary for starting and running a business were reported as challenges by nearly two-thirds of aspiring entrepreneurs (65% and 64%, respectively). Six in ten aspiring entrepreneurs cited **laws, policies, and regulations** (62%), **skilled employees** (61%), and **mentors who can provide guidance** (60%) as very or somewhat challenging.

Approximately half of aspiring entrepreneurs identified challenges related to **social support** (53%) and **time to devote to the business** (52%). Just under half reported **location, region, or geography** as challenging (48%). **Inclusion based on race, ethnicity, gender, income, or other factors** was cited as a challenge by more than one-third of aspiring entrepreneurs (36%).

Aspiring entrepreneurs were asked to describe, in a few words, the biggest challenge to starting a business. As the word cloud below illustrates, aspiring entrepreneurs most often focused on acquiring money, capital, and funding.

FIGURE 4 | Aspiring entrepreneurs describe their biggest challenges



Notably, when aspiring entrepreneurs talked about the need for money, they often talked about this alongside other challenges, such as finding a good location, or knowing where to start. And while networks and connections were among the top barriers aspiring entrepreneurs reported as challenging, few of them mentioned this explicitly when asked to describe their biggest challenges. Instead, they mentioned needs related to networks and connections, including, for example, being able to make connections to customers and mentors, and finding other types of guidance.

**When aspiring entrepreneurs talked about the need for money, they often talked about this alongside other challenges, such as finding a good location, or knowing where to start.**



## CHALLENGES ALONG THE ENTREPRENEURIAL JOURNEY: CONSIDERATIONS FOR ENTREPRENEURSHIP SUPPORTERS

The charts below present themes and illustrative quotes from aspiring entrepreneurs related to broader barriers.

FUNDS TO START OR GROW THE BUSINESS	<b>THEMES</b>	<b>ILLUSTRATIVE QUOTES</b>
	Money to begin	<ul style="list-style-type: none"> <li>getting the funds together to get the project off the ground</li> <li>capital to start</li> <li>money for startup</li> <li>startup capital</li> <li>the money is the hardest thing</li> <li>startup funds while working full time with children</li> <li>investing money into it</li> <li>not having enough money to start the business</li> </ul>
	Savings/financial stability	<ul style="list-style-type: none"> <li>saving up to buy the space and all I'll need</li> <li>getting and saving money to start it</li> <li>being financially stable and having enough support</li> </ul>
Access to loans	<ul style="list-style-type: none"> <li>getting a loan to start your own business</li> <li>my credit is low</li> </ul>	
NETWORKS AND CONNECTIONS	<b>THEMES</b>	<b>ILLUSTRATIVE QUOTES</b>
	Networks and connections (general)	<ul style="list-style-type: none"> <li>spreading the word about my new business</li> <li>looking for a mentor to help get my ideas from my mind and onto paper</li> <li>getting... like-minded people on board</li> </ul>
SELF-DOUBT AND FEAR	<b>THEMES</b>	<b>ILLUSTRATIVE QUOTES</b>
	Self-doubt/fear	<ul style="list-style-type: none"> <li>doubt</li> <li>fear of failure</li> <li>I have fear that I might not succeed, that I might fail</li> <li>cold feet. Not sure about success</li> <li>the worry that it won't be successful, and I will lose money</li> </ul>
Leaving a secure job	<ul style="list-style-type: none"> <li>transferring over from a secure job and taking that leap is a risk that we are measuring for our family and what we can do to make sure our kids are taken care of</li> </ul>	
FINDING CUSTOMERS	<b>THEMES</b>	<b>ILLUSTRATIVE QUOTES</b>
	Marketing/advertising	<ul style="list-style-type: none"> <li>branding, knowing how to market your brand and name</li> <li>enticing customers</li> <li>just getting customers to believe in you and get up and running</li> </ul>
Demand/market saturation	<ul style="list-style-type: none"> <li>finding enough customers interested in what I'm selling</li> <li>there's a saturated market for the things that I am good at</li> </ul>	

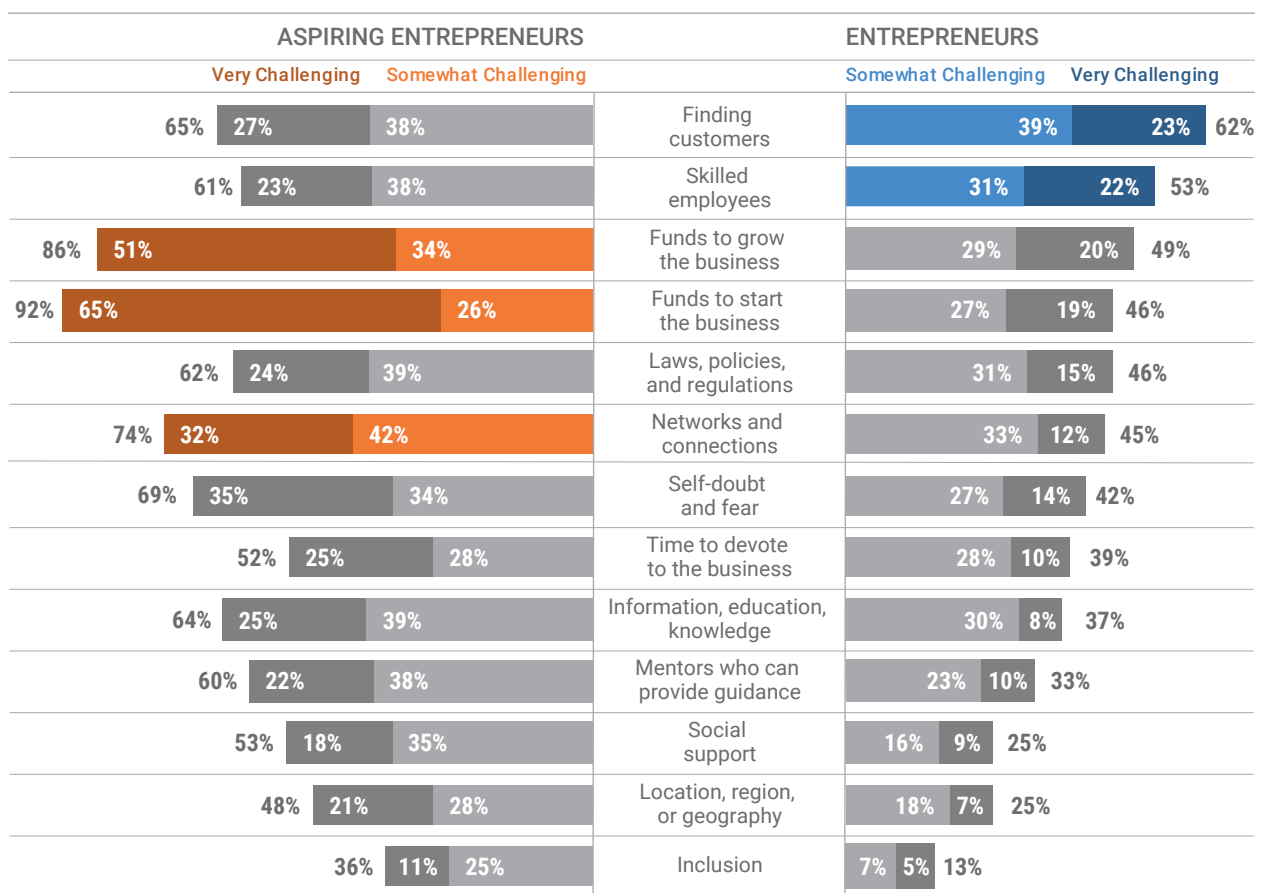
## Implications for entrepreneurship supporters

A wide range of entrepreneurship supporters – including investors, entrepreneurship support organizations (ESOs), funders, and policymakers at the local, state, and national level – may learn from the challenges shared by entrepreneurs and aspiring entrepreneurs in this report. Below, we discuss these challenges and outline some key considerations for entrepreneurship supporters.

**The importance and perceived difficulty of a challenge vary based on where an individual is in the entrepreneurial journey.**

Differences in the barriers reported by entrepreneurs and aspiring entrepreneurs are considerable, as illustrated in the figure below.

**FIGURE 5** Entrepreneurs and aspiring entrepreneurs focus on different challenges



**For aspiring entrepreneurs, the most commonly reported barriers included: funds to start the business, funds to grow the business, networks and connections, self-doubt and fear, and finding customers.**

The five most commonly reported barriers among entrepreneurs were: **finding customers, skilled employees, funds to start the business, funds to grow the business, and laws, policies, and regulations**. For aspiring entrepreneurs, the most commonly reported barriers included: **funds to start the business, funds to grow the business, networks and connections, self-doubt and fear, and finding customers**. While three of these barriers overlap between the groups, their relative importance varied substantially. Aspiring entrepreneurs were twice as likely as entrepreneurs to report that raising **funds to start the business** is a challenge (92% compared to 46%). **Funds to grow the business** was cited by almost nine in ten aspiring entrepreneurs and by about half of entrepreneurs (86% compared to 49%).

Nearly two-thirds of entrepreneurs and aspiring entrepreneurs reported challenges related to **finding customers**. While this was the most common challenge identified by entrepreneurs, it took fifth place among aspiring entrepreneurs, as this group reported other barriers more often.

A closer look at how challenges among entrepreneurs vary by their time in business reveals some interesting patterns. The top five challenges reported by entrepreneurs whose businesses are less than one year old are similar to those reported by aspiring entrepreneurs, as they share the top five barriers. Yet, a larger proportion of aspiring entrepreneurs report each barrier as challenging. For businesses between one and five years old, **self-doubt and fear** drop out of the list of top five challenges, but **skilled employees** becomes a key barrier.

FIGURE 6 Top five barriers by stage in entrepreneurial journey

Aspiring entrepreneurs	Businesses less than one year old	Businesses between one and five years old
<ul style="list-style-type: none"> <li>• Finding or raising funds to start the business (92%)</li> <li>• Finding or raising funds to grow the business (86%)</li> <li>• Networks and connections (74%)</li> <li>• Psychological factors, such as self-doubt and fear (69%)</li> <li>• Finding customers (65%)</li> </ul>	<ul style="list-style-type: none"> <li>• Finding or raising funds to start the business (64%)</li> <li>• Networks and connections (63%)</li> <li>• Finding customers (60%)</li> <li>• Finding or raising funds to grow the business (54%)</li> <li>• Psychological factors, such as self-doubt and fear (50%)</li> </ul>	<ul style="list-style-type: none"> <li>• Finding customers (61%)</li> <li>• Finding or raising funds to grow the business (55%)</li> <li>• Finding or raising funds to start the business (53%)</li> <li>• Networks and connections (53%)</li> <li>• Skilled employees (50%)</li> </ul>

**For businesses between one and five years old, self-doubt and fear drop out of the list of top five challenges, but skilled employees becomes a key barrier.**

It was clear from the open-ended responses that there was notable variation among aspiring entrepreneurs in their progress toward starting a business. While some were trying to settle on a business idea, others were thinking about finding customers. Aspiring entrepreneurs were also more likely than entrepreneurs to identify challenges related to connecting to people or resources that can help them. Nearly three-quarters of aspiring entrepreneurs reported **networks and connections** to be a challenge, compared to 45% of entrepreneurs. And aspiring entrepreneurs were nearly twice as likely as entrepreneurs to report challenges related to **mentors who can provide guidance, social support, and location, region, or geography**. Entrepreneurs are more likely to have already made some of these connections and turned their attention to creating and selling a product or service, finding and retaining customers, and, for some, hiring employees.

*Consideration for entrepreneurship supporters: The challenges aspiring entrepreneurs confront at the idea stage differ from those entrepreneurs experience in their first year of business, and these challenges are different from those they encounter in later years. How will you assess and prioritize the needs of the people and businesses that you support – and where will you focus your efforts to meet these various needs? How does your program take into account where individuals are on their entrepreneurial journey? What types of connections and support do individuals need, and what are the best ways to provide these?*

**Aspiring entrepreneurs were more likely than entrepreneurs to see potential barriers as challenging – especially when it comes to inclusion.** For each potential barrier, aspiring entrepreneurs were more likely than entrepreneurs to report it as being very or somewhat challenging. One reason for this is that aspiring entrepreneurs are individuals who, by definition, are *considering* starting a business but have not yet done so. Some of these individuals may never become entrepreneurs for any number of reasons, including not being able to overcome the barriers they encounter. Existing entrepreneurs, on the other hand, have presumably managed to overcome at least some barriers they have faced along the way in order to have started a business, and they may no longer see these barriers as challenging.

Perhaps most notably, **aspiring entrepreneurs were nearly three times more likely than entrepreneurs to identify inclusion based on race, ethnicity, gender, income, or other factors as a challenge (36% compared to 13%)**. This difference represents the largest discrepancy between aspiring entrepreneurs and entrepreneurs for each of the barriers in the survey. This could indicate that the perceptions and lived experiences of aspiring entrepreneurs related to inclusion are inhibiting their ability to start a business. It could also suggest that existing entrepreneurs have faced barriers related to inclusion less often or have more often overcome these barriers.

*Consideration for entrepreneurship supporters: More than one in three aspiring entrepreneurs reported inclusion as very or somewhat challenging. How can you contribute to a more inclusive pathway for those beginning their entrepreneurial journey?*

**Barriers to entrepreneurship often represent a constellation of factors, both direct and indirect.** Aspiring entrepreneurs overwhelmingly point to a lack of financial capital as their biggest barrier. Yet, many talked about financial barriers in tandem with other challenges, such as knowing where to start, finding a good location, and the need for a mentor. **Coupling barriers in this way suggests many aspiring entrepreneurs do not see capital alone as sufficient to start a business.** Thus, even if aspiring entrepreneurs acquire the financial capital needed to start a business, other important challenges remain that need to be addressed.

Many aspiring entrepreneurs talked about capital alongside other business needs, sharing challenges like, “having the money to fund my own business and knowing what it takes to start it” and “getting the financial help that I need to start, finding a good location, and trying to be successful.” Others elaborated that “money and location ... go hand-in-hand because to get a good location you have to have a lot of money.”

In addition, the barriers that aspiring entrepreneurs identified often reflect or are linked to other challenges. For example, networks and connections were among the top barriers that aspiring entrepreneurs said are very or somewhat challenging. However, when they were asked to describe their biggest challenges, they spoke more commonly about the *results* of having networks and connections (e.g., access to people who can support them). In some cases, the predominant focus on capital may hide the specific reason that capital is necessary, as well as the many other related barriers that aspiring entrepreneurs are confronting.

*Consideration for entrepreneurship supporters: Challenges are often interrelated. When asking entrepreneurs and aspiring entrepreneurs about their needs, how can you dig deeper into how these might also include other, sometimes indirect, needs? What are the connections among the barriers individuals are facing? How might solutions be crafted to address multiple interlocking challenges?*

Access to capital is often pointed to as the biggest barrier facing entrepreneurs. It is indeed a large and often existential challenge, with nearly one in two entrepreneurs citing challenges related to **funds to start or grow the business**. However, **access to capital is not the most frequently reported challenge among entrepreneurs**. A substantially larger share – almost two in three entrepreneurs – reported that they face challenges related to **finding customers**, and a little more than half of all entrepreneurs reported challenges related to **skilled employees**.

Finding customers often involves marketing, advertising, and other resource investments that require cash flow. Similarly, finding skilled employees has costs associated with search and (after hiring) payroll. This relationship between financial capital, finding customers, and hiring skilled employees further illustrates the interlocking nature of the challenges entrepreneurs face.

*Consideration for entrepreneurship supporters: While access to capital is often pointed to as the biggest barrier facing entrepreneurs, it is not the most frequently cited challenge by entrepreneurs. What is the relationship between capital and other challenges, such as finding customers and skilled employees? Are there ways to alleviate some of the costs facing individual businesses with systems-level programs that support access to these types of resources?*

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## About the data

A sample of entrepreneurs and aspiring entrepreneurs from across the U.S. was surveyed in the fall of 2019. Entrepreneurs were identified as individuals who had either opened or co-opened their own business. Aspiring entrepreneurs consisted of individuals who reported that they have considered starting a business and met at least two of the three following criteria: ranked their interest in starting a business as a seven or higher on a 0-10 scale, had taken two or more potential entrepreneur actions in the past five years, and reported that three or more psychographic measures provided describe them “well” or “very well.” These measures included, for example, “I have a strong desire to succeed and am willing to do whatever it takes to accomplish my goals.”

As part of the survey, entrepreneurs were asked, “In a few words, what is the biggest challenge your business faces?” Aspiring entrepreneurs were asked, “In a few words, what is the biggest challenge to starting your own business?” Following the open-ended portion, respondents were provided with a list of thirteen potential barriers and asked to rate each as “very challenging,” “somewhat challenging,” “not that challenging,” “not at all challenging,” or “not applicable to my business.” Respondents were asked the open-ended questions before being presented with the list of potential barriers to rank so that their open-ended answers were not influenced by the list. In this report, responses of “very” or “somewhat” challenging are considered challenges. Probability weights were used to calculate descriptive statistics.