

Small Businesses Play Big Role in Economy

During the last several years, small businesses have continued to be a big part of the U.S. economy.

“Small businesses have been noted as being the source of most new jobs and the core of economic growth,” says Glenn Muske, rural and agribusiness enterprise development specialist for the North Dakota State University Extension Service.

As the U.S. slowly moves out of the recent recessionary period, small businesses again are being looked to as drivers of future growth.

The Kaufmann Foundation in Kansas City, Mo., recently released some new information about the critical role that small businesses play. The report noted that young firms, from one to five years old, generated nearly two-thirds of job growth in 2007.

More importantly, while only half of new firms last for five years or longer, those that do remain generated 80 percent of that job growth.

“This important role of the small business is receiving greater and greater recognition,” says (insert local name, title and county office). “Today, three-quarters of U.S. adults think that a sustained economic recovery will require strong entrepreneurial and small-business activity.

“More than half of the companies named on the Fortune 500 list in 2009 were launched during a recessionary period or bear market,” (insert local name) continued.

New businesses continue to open their doors every day. While the numbers of new businesses in 2010 slowed somewhat from 2009, nearly 500,000 of them begin every month.

The characteristics of the business owner vary. Recently, the highest rate of business startups has been among those age 55 to 64, with the slowest rate of startups has been among those ages 20 to 34. While determining the recession’s full impact on these numbers isn’t possible yet, early indications are that more young people are starting jobs while older adults still remain the leading creator of business startups. The numbers of women and minorities as business owners are growing rapidly.

“Many potential business owners hesitate starting a business for one of two reasons: They are afraid of failure or want outside financing,” Muske says. “Regarding the failure aspect, many of today’s businesses were started by people who failed in earlier business attempts. And these owners will say that they have continued to make mistakes as the business grew.”

“Not wanting to fail often is an indicator of not trying new things,” he added. “Yet today’s rapidly changing world demands that the owner continually change his or her business model.”

In terms of business financing, more than 75 percent did not have venture capital when they started. They typically started with personal financing and support from family and friends.

Beginning entrepreneurs are often excellent at boot-strapping, or finding unique ways of locating the resources they need to get the business running.

If you are interested in starting a business, begin with your local NDSU Extension Service office. Information about some of Extension's programs also is online at www.ag.ndsu.edu/ccv/.

eXtension, an educational partnership of 74 universities, including NDSU, that provides objective and research-based information and learning opportunities to help people improve their lives, is another resource. Visit www.extension.org/entrepreneurship.