

Building Business-Friendly Communities National Study of Small Business Owners — Part 1 General Description of the Study

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Recent research conducted at the University of Nebraska-Lincoln, in collaboration with Iowa State University, investigated small businesses operating in large and small communities in all continental states of the U.S. Owners of firms representing 10 Standard Industrial Classifications participated in the study.

This fact sheet is the first in a series explaining some of the small business operators’ strategies, planning goals, problems, perceptions of success and attitudes and opinions about conducting business in their local marketplace. These businesses employed less than 20 people and generated less than \$1 million in annual revenue.

How was the study conducted?

Telephone interviews were conducted with 818 small business owners to find out about their strategies, goals, overall level of success, feelings about their community and problems associated with conducting their business. Additionally, 503 of these business owners also responded to a mail questionnaire which asked about their

business planning, marketing orientation, networking, and computer usage.

- 638 were from non-adjacent non-metropolitan: counties with population less than 20,000 and not adjacent to a metro area.
- 100 were from adjacent non-metropolitan: Counties with population less than 20,000 and adjacent to a metro area.
- 80 were from metropolitan: Counties with population greater than 100,000.

Who participated?

More men participated than women, and the majority of responding business owners were Caucasian.

What were the general attitudes about success?

The majority of the small business owners surveyed considered themselves to be successful or very successful. Sixty-five percent of respondents felt successful about meeting long range goals.

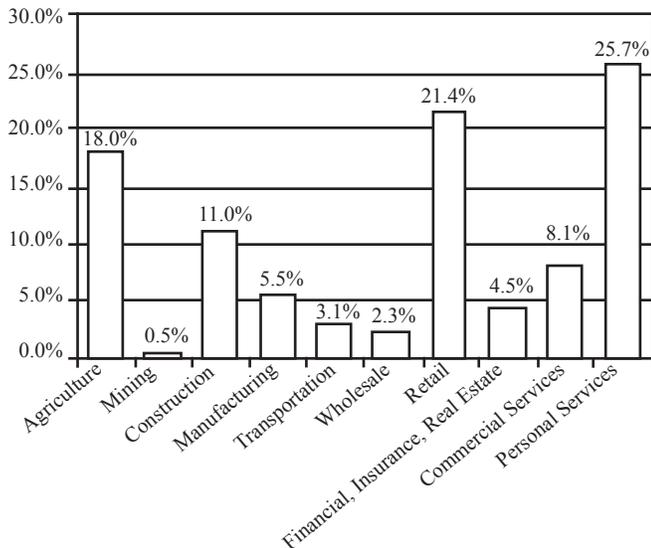


Figure 1. Participants’ Standard Industrial Classifications

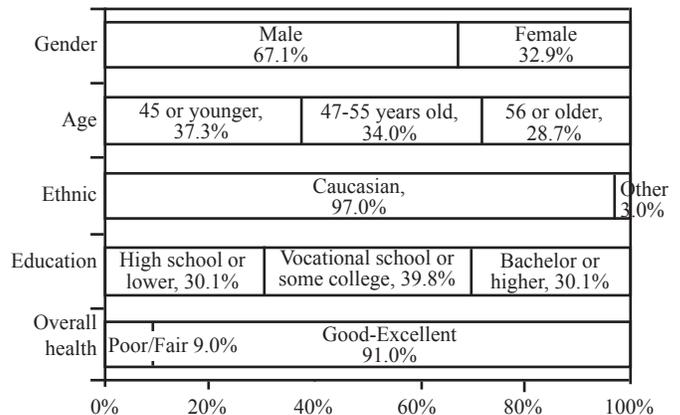


Figure 2. Characteristics of Business Owners

What were the identified problems?

The following problems were identified by small business owners, regardless of community size or location.

- Overhead expenses
- Government regulations and laws
- Finding qualified personnel
- Competition from other businesses
- Labor costs

What were the top strategies for success?

- Offering quality products or service
- Establishing good business image
- Developing managerial skills
- Cooperating with other local businesses
- Training employees

What are the top overall long-term goals?

Dominant goals of the participants were to:

- have a positive reputation with customers (32%)
- make a profit (31%)
- provide a sense of personal accomplishment (14%)
- provide a valuable service to customers (12%)
- grow or expand (6%)

How do small Community Businesses differ from larger community businesses?

Business owners in small communities feel more attached to their communities. They also provide more assistance to their communities than do business owners in larger communities. About 77 percent of owners in small communities were willing to spend resources to help their community, over half provided donations to local schools and youth programs, and 42 percent served as leaders of local organizations.

Businesses in metropolitan areas felt their communities cared less about their business than did businesses located in non-metro areas of the United States.

What are the implications?

Successful small business owners make good community members. They tend to feel positive toward their communities and to support their communities both economically and socially. They are motivated to maintain the high esteem of their customers — in other words, the community members.

Most of small business owners' frustration comes from economic drains such as overhead and labor costs, government regulations, small labor pools and competition from other businesses. Communities could help businesses thrive by encouraging entrepreneurship education in the schools,

empowering young people to stay in the community and therefore increasing the labor pool.

Strategies of small business owners are community oriented. They strive to provide quality merchandise, to build good business images, and to cooperate with other businesses in the community. They also help to develop the local workforce by providing managerial and general employee training.

Suggestions to build business in small communities

- Map community's economic and social assets and build on community strengths
- Support existing businesses
- Encourage local entrepreneurs
- Keep all store fronts attractive
- Fill vacant display windows
- Involve youth in community planning and entrepreneurship projects

Other Small Community Marketplace Information

- Identifying Attitudes PM 1765
<http://www.extension.iastate.edu/Publications/PM1765.pdf>
- Rural Retailers' Perceptions PM 1766
<http://www.extension.iastate.edu/Publications/PM1766.pdf>
- Rural Consumers' Perceptions PM 1767
<http://www.extension.iastate.edu/Publications/PM1767.pdf>
- Attracting Customers to Towns PM 1768
<http://www.extension.iastate.edu/Publications/PM1768.pdf>
- Community Values and Marketing Strategies PM 1769,
<http://www.extension.iastate.edu/Publications/PM1769.pdf>
- Building Business Friendly Communities Part 2: Small Retailer and Service Firms,
<http://www.ianrpubs.unl.edu/misc/G1566.pdf>
- Building Business Friendly Communities Part 3 Successful Small Entrepreneurs in Small Communities,
<http://www.ianrpubs.unl.edu/misc/G1567.pdf>

This publication discusses A National Study of Small Business Owners: Part I, General Description of the Study, conducted in 2001 by Nancy Miller, University of Nebraska, Terry Besser, and Ken Stone, Iowa State University. Technical assistance provided by Yizhen Weng, UNL graduate assistant.

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