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Building Business-Friendly Communities National Study of Small Business Owners — Part 3 Successful Small Entrepreneurs in Small Communities

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What was the study’s purpose?

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. Firms representing 10 Standard Industrial Classifications participated in the study. This fact sheet is the third in a series explaining community influences on small sized entrepreneur’s goals, strategies, and perceptions of success. We also asked owners for their attitudes and opinions about conducting business in their local marketplace.

Who participated?

Entrepreneurs were defined as those who desired growth for their business in the next five years and were willing to take business risks. These businesses employed less than 20 people and generated less than \$1 million in annual revenue.

Entrepreneurs’ Businesses

Thirty percent were from communities with fewer than 2,500, 37 percent were from communities between 2,500 and 10,000, and one third of the respondents were from communi-

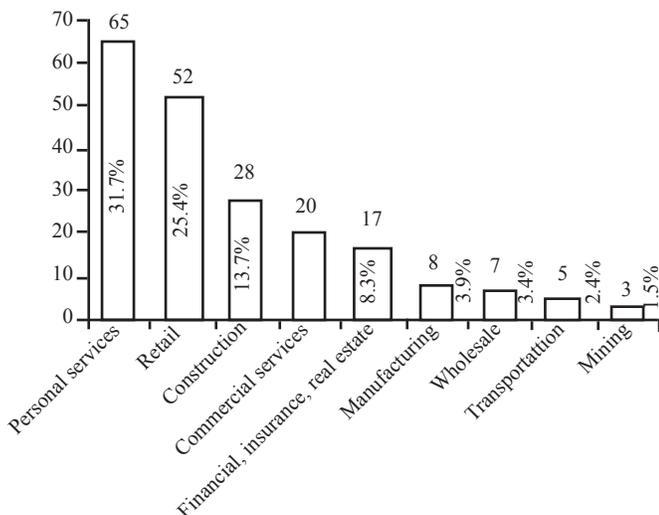


Figure 1. Participants.

ties with populations between 10,000 and 50,000.

The majority (80 percent) were from communities non-adjacent to a metropolitan area. The average entrepreneur was male, 49 years old, Caucasian, married with some post high school education. Most started the business (63 percent), and expected the business to expand (56 percent) or stay the same (32 percent) over the next five years. Many had no other employees (33 percent) or employed between 1-5 people in their business.

How successful were the businesses?

The definition of success varies among small community business owners. In their words...

“Success is paying your bills and making enough to support a good lifestyle. Success in life is love of family, good health, and ever-expanding knowledge.”

“Success at improving the bottom line is not nearly as important as providing a fun and exciting place for our customers and staff.....”

“Success during this current economy is still being in business.”

A great majority (81 percent) of the businesses said they were successful or very successful in both achieving their goals and in business. Ninety-four percent were satisfied with their type of work, and 70 percent expected their business to grow within five years. The average gross sales were \$224,990.

What strategies contributed to the success?

- Offering quality products and services
- Developing a good business image
- Developing managerial skill
- Training employees

What long-range goals are important?

- Maintain a positive reputation with customers
- Make a profit

- Provide a valuable service to the community
- Provide a sense of personal accomplishment
- Grow or expand

Most (81 percent) participants felt successful or very successful in meeting long term goals. Another 15 percent felt they had achieved medium success.

Did the community have concern for the business?

Over half the entrepreneurs felt that people of the community did not really care about the fate of their business. The other half was almost equally divided between those who felt the community did care and those who were mixed in their opinion.

What degree of influence did the community's concern have on business practices?

There was a direct relationship between perceptions of a community's concern about the business and the entrepreneur's satisfaction with goal achievement, business strategies and overall business success.

Although entrepreneurs as a whole didn't feel that people in their community cared about the fate of their business, those who did perceive there was community support were much more satisfied with their business.

Suggestions to building business in small communities:

Establish a presence as a community member by providing

- Visible support
- Time, money and talent

Build business strategy based on advantages

- Greet customers by name
- Offer services and product knowledge
- Create a socializing environment

Support other businesses in town

- Make referrals
- Work together

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 1: General Description of the Study
<http://www.ianrpubs.unl.edu/misc/g1565/pdf>
- Building Business Friendly Communities Part 2: Small Sized Retail and Service Firms,
<http://www.ianrpubs.unl.edu/misc/g1566.pdf>

This publication discusses A National Study of Small Business Owners: Part 3, Successful Small Entrepreneurs in Small Communities, 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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