

Focus on Small Business Success

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It seems it has always been a fact of life that most new businesses fail. So many times, someone asks the ever-so-popular question “What is the failure rate of new businesses?” Even though that question seems pretty specific, it really isn’t. First of all, how would “failure” be defined? Does it mean the business went bankrupt, did not make a profit, or just closed their doors? One definition of a business failure is that a business closes its doors still owing creditors. There are others too, but let’s talk about business from the optimistic side for a change. Most years, there are more firms starting than there are closing, which indicates that the net effect is a gain in businesses.

According to Brian Headd of the Center for Economic Studies at the U.S. Census Bureau, the failure attitude may soon go away. The results found on new business starts revealed that more than half of new businesses with employees are still in business after four years. Beyond that, one-third of closed businesses were successful at the time they closed. If you think about this, it really is reasonable since many business cease due to retirement or perhaps the death of an owner. Many times, an owner just gets tired and instead of selling the business as a going concern, simply sells the inventory out and then sells the other assets such as the building, fixtures, and equipment.

Factors associated with business survival were also assessed in the study. Those who started with ample capital and were led by owners with previous business experience had a greater chance of success than others. Also contributing to successful enterprises, were the fact that a firm is large enough to have employees and the owner’s reason for going into business in the first place, such as freedom for family life or wanting to be one’s own boss.

Remember that June is Business Appreciation Month. Also keep in mind, some very successful and positive facts about small businesses. According to the U.S. Small Business Administration’s Office of Advocacy, small businesses represent more than 99.7 percent of all employers, employ more than half of all private sector employees, and generate 60 to 80 percent of net new jobs each year. In 2002 there were approximately 22.9 million small businesses in the United States, with 5.4 million owned by women and 1.6 million owned by veterans. Statistics on minority ownership reveal that 5.8 percent of all firms are owned by Hispanic Americans, 4.4 percent by Asian Americans, 4.0 percent by African Americans and 0.9 percent by American Indians.

Congratulations to all small businesses for your hard work and dedication, and may the future bring even more successes!