

## DOING BUSINESS IN IOWA'S CITIES

### Cedar Rapids

The illustration below represents the mix of businesses likely to occur in a metropolitan community in Iowa. Each building stands for a particular kind of business, and the number on the building indicates the proportion of those businesses in communities like **Cedar Rapids**. We grouped similar businesses together into general categories. Thus, business and personal services make up one category, which includes businesses related to legal and consulting services, and repair services; banks, insurance companies, and real estate companies constitute another category called finance and real estate, and so on.

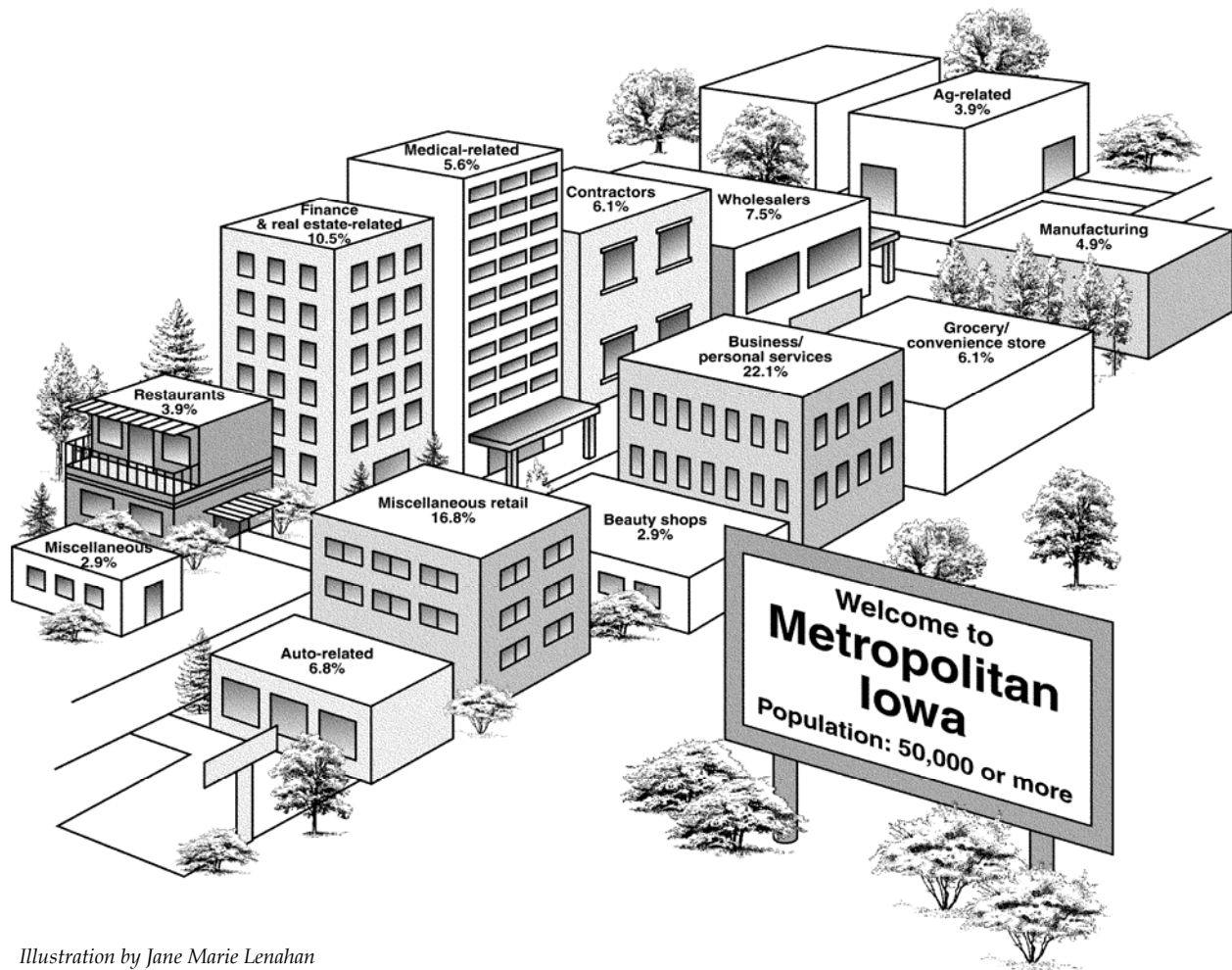


Illustration by Jane Marie Lenahan

Businesses providing business and personal services comprised the largest category, representing more than one in five businesses. The next most common categories of businesses were miscellaneous retail, finance and real estate, and wholesale trade. Automobile-related businesses were also important, accounting for one in fifteen of the

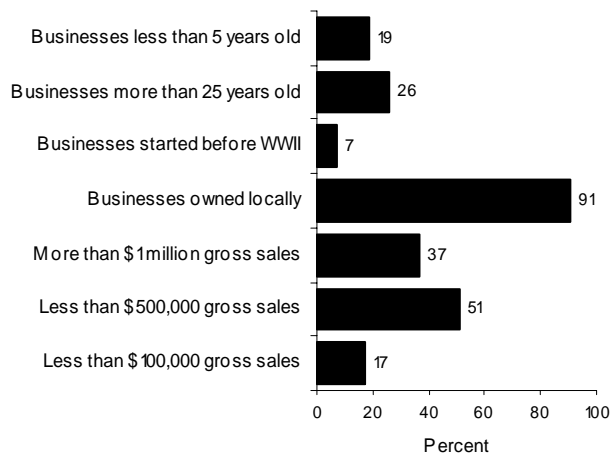
This research was conducted through the Rural Development Initiative Project funded by the Agriculture and Home Economics Experiment Station, Iowa State University, Ames, IA.

## Study Design

During July 1997, you were 1 of 676 business owners and managers who were asked to take part in a statewide survey of businesses in urban communities. Six non-metropolitan and four metropolitan urban communities were chosen at random in a multiple stage selection process. The names of the businesses to be contacted in the chosen cities were selected randomly from a list derived from yellow-page directories, white-page business lists, and state government business lists. Eighty-three percent of the businesses contacted agreed to participate in a telephone interview. We asked questions about problems businesses face and strategies they use for success. We also wanted to learn about business owners' and managers' attitudes toward and involvement in their communities. Since we sampled business operators and did not contact every business, all of the figures in this report are estimates of businesses as a whole. Each statistic will have a different margin of error.

## Features of Businesses

Businesses in **Cedar Rapids** have typically been in operation for many years. The average business age is 20 years; however, about 1 in 5 is less than 5 years old. A remarkable fact is the high rate of local ownership of businesses. More than nine out of ten businesses are an independent, locally-owned business or a locally-owned franchise. Half of the businesses had gross sales of \$390,000 or less in 1996.



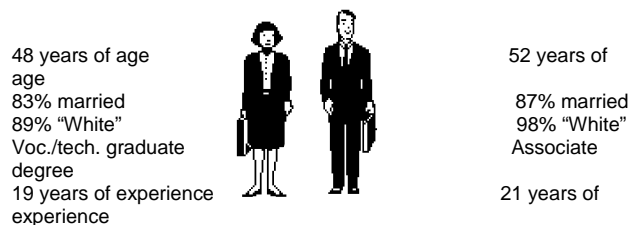
## Businesses as Employers

On the average, individual businesses in **Cedar Rapids** have few employees; half of them have fewer than five employees. The labor force is quite stable. Forty-eight percent of firms had no voluntary turnover in the last year. Businesses provide their full-time employees with a wide array of benefits including health benefits (76 percent), paid vacation (85 percent), paid sick leave (52 percent), life insurance (60 percent), and retirement plan (65 percent).

Owners and managers evaluated the skill level of their employees positively. Eight out of ten rated their employees' skills as good or very good. Additionally, nine out of ten employers reported their employees have a good or very good work attitude.

## Owners of Businesses

Most owners of businesses in Iowa's cities are men. In **Cedar Rapids**, 77 percent of the owners are men and 23 percent are women. A profile of these owners shows men are typically 52 years old, married, with an associate degree, 21 years of business experience, and approximately half have household incomes above \$75,000.

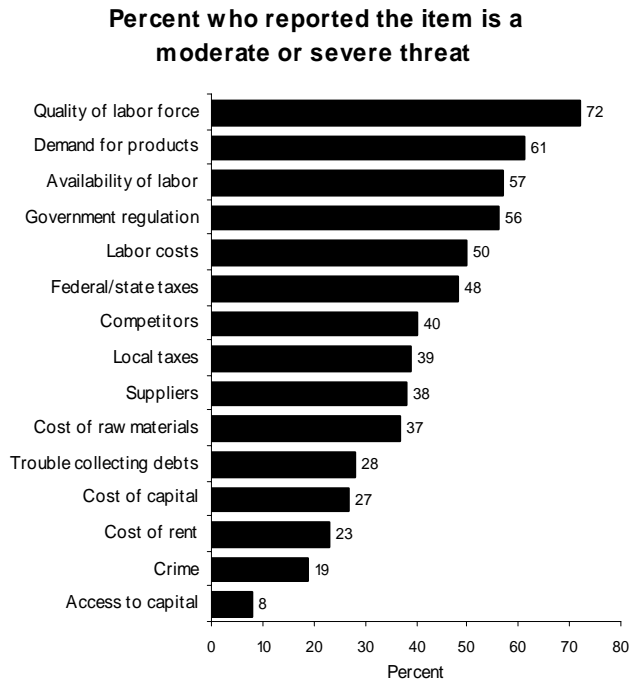


The typical woman owner is 48 years of age, married, a graduate of a vocational or technical school, and 19 years of business experience. Approximately half of the women owners have household incomes above \$45,000. The overwhelming majority of all owners (98 percent of men and 89 percent of women) classify themselves as "White."

Male owners reported working 53 hours per week on average whereas their female

## Threats to Businesses

Many Iowa residents believe small businesses in their community are threatened. We asked business owners and managers their ideas about threats to business. The graph below shows their responses.



In **Cedar Rapids**, owners and managers reported the quality of the labor force is the most serious threat, and the demand for their products/services is the second most serious threat.

## Strategies for Success

What do business owners and managers do to be successful? While each situation calls for a unique approach, there are some broad strategies that are common in the business sector. Eighteen general business strategies were listed on the questionnaire, and participants were asked to rate the importance of each item on a five-point scale with 5 being “Extremely important” to 1 being “Not important.” The table below represents respondents’ strategies for business success.

Almost all business operators (98 percent) reported offering quality products/services is an important strategy, followed by employee training and professional development as an owner or manager. Offering lower prices was judged to be important by the fewest number of operators.

Success means different things to different people. Factors such as lifestyle and personal satisfaction enter into consideration. However, for business owners and managers in **Cedar Rapids**, making a profit is critically important. Sixty-nine percent agreed or strongly agreed that profit is the most important measure of business success.

When asked if their business is a success according to their own expectations, 80 percent consider themselves to be successful.

<b>Strategic steps to success (percent who rated the item very or extremely important)</b>	
Offer lower prices.....	18
Non-local networking.....	38
Advice from consultants.....	40
Local cooperation.....	52
Inventory control.....	53
Marketing/advertising.....	55
Offer contemporary products.....	59
Provide more choices.....	59
Serve people missed by others.....	62
Improve community.....	65
New/advanced technology.....	72
Reduce operating costs.....	74
Customized products/services.....	80
Distinctive goods/services.....	80
Improve image.....	80
Professional self-development.....	83
Employee training.....	87
Offer quality products/services.....	98

## Future Plans

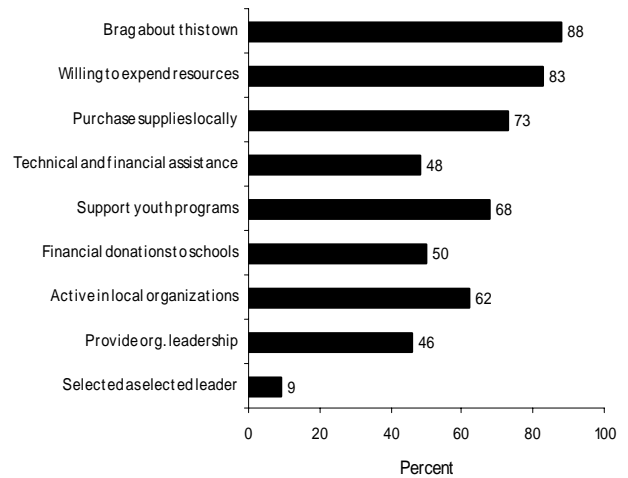
Overall, 76 percent of business respondents in Cedar Rapids plan to expand in the future. Of those, 90 percent indicated they will be hiring additional employees. Adding new product lines or services (70 percent), growth in existing products or services (85 percent), and other expansion methods were also mentioned by a sizeable majority of expanding businesses. Twenty percent expected to remain about the same, and four percent planned to reduce the size of their operation.

## Opinions about the Local Community

As a whole, owners and managers viewed their local community as a pleasant place to live. A majority (69 percent) disagreed with the statement, "If you don't look out for yourself, no one else will." One out of two reported when something needs to get done in the community, the whole community usually gets behind it. Fifty-five percent believe community clubs and organizations are interested in what is best for all residents.

## Commitment to the Community

It is sometimes said that businesses today have little loyalty to communities. If that is so, it does not seem to apply to businesses in Iowa's communities. Eighty-eight percent reported they would brag about their town as a place to locate a business, and 83 percent are willing to expend resources to help their community. Seven out of ten said they purchase business supplies locally whenever possible. To support their community, 48 percent reported providing technical and financial assistance; 68 percent help local youth programs; 50 percent give financial donations to local schools; and 37 percent help with local bond issues.



In addition, most owners and managers are personally active in community affairs. About six out of ten indicated they are active in a civic organization or a church even without holding any offices in the organization. Almost half (46 percent) have occupied a leadership position in a civic organization or a church, and nine percent have held an elected office in their community.

What do businesses receive in return from their community? Seventy-seven percent of respondents stated residents go out of their way to support local businesses. Four out of ten believe residents really care about the fate of local businesses, and more than half indicated their business is highly appreciated by local citizens.

## Family/Business Relationships

The contributions of family businesses are tremendously important to the economic and social well-being of Iowa. Family businesses represent a unique combination of business and family. For example, in Cedar Rapids, at least one member of the owner's or manager's family is employed in 38 percent of the businesses surveyed. Additionally, 1 in 5 business owners and managers reported family members help without pay an average of 28 hours per month.

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