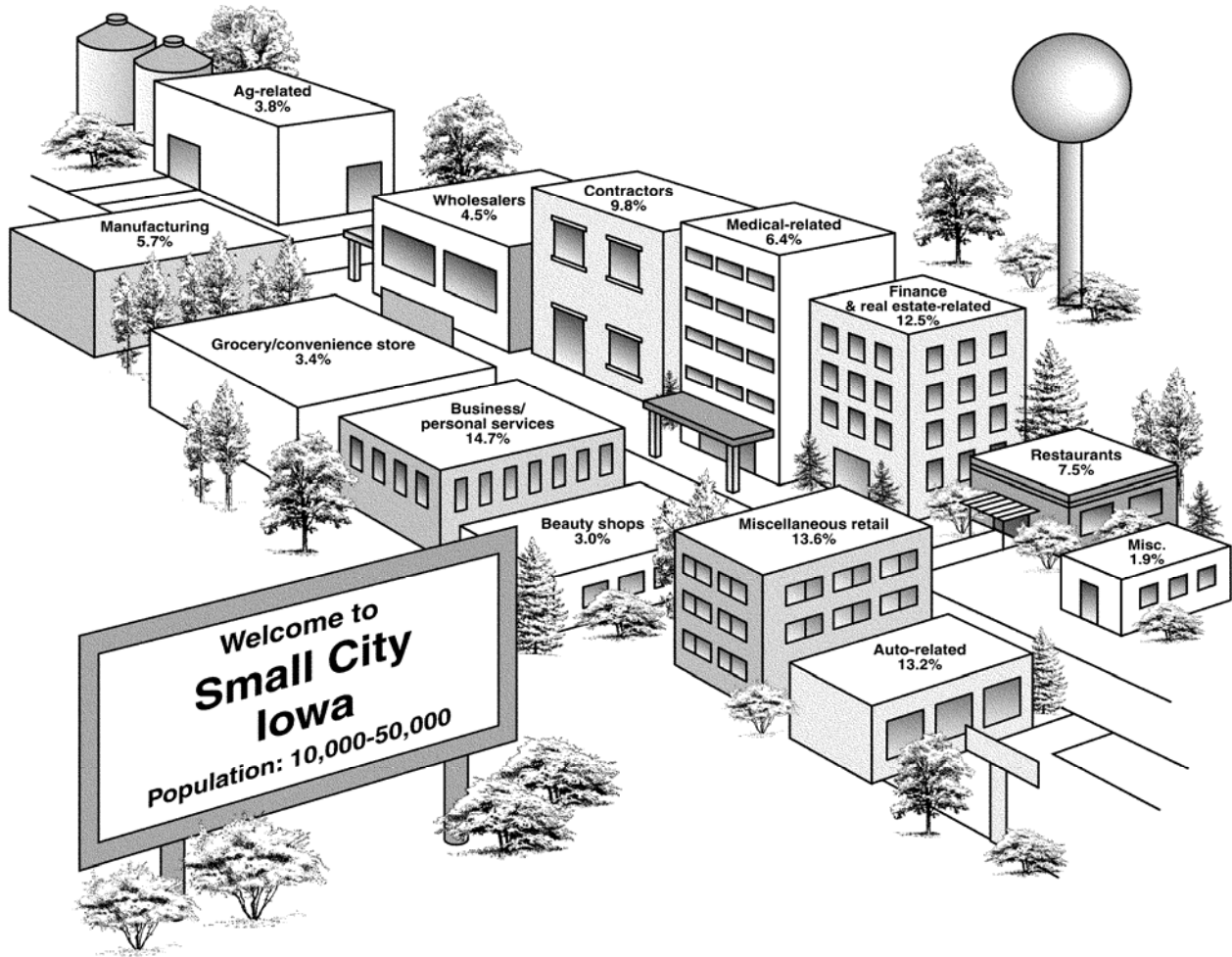


DOING BUSINESS IN IOWA'S CITIES

Spencer

The illustration below represents the mix of businesses likely to occur in a community of your size. Each building stands for a particular kind of business, and the number on the building indicates the proportion of those businesses in cities like **Spencer**. 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.



Businesses providing business and personal services comprised the largest category, representing almost one in seven businesses. The next most common categories of businesses were miscellaneous retail, automobile-related, and finance and real estate. Construction firms were also important accounting for 1 in 10 of the businesses in urban communities of 10,000 to 50,000 in size.

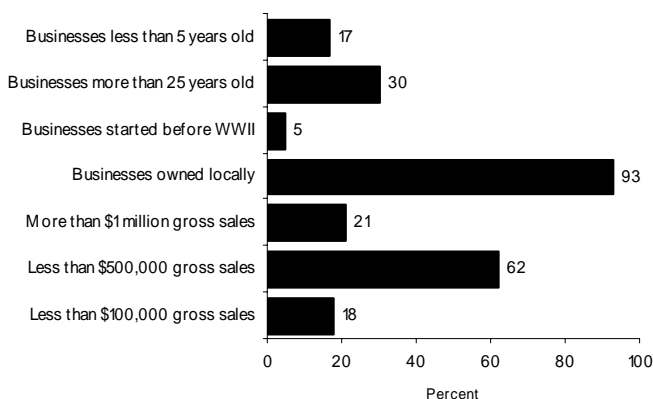
This research was conducted through the Rural Development Initiative Project funded by the Agriculture and Home Economics Experiment Station, Iowa State University, Ames, IA.

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 communities of 10,000-50,000 population have typically been in operation for many years. The average business age is 20 years; however, about 1 in 6 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 \$320,000 or less in 1996.



Businesses as Employers

On the average, individual businesses in non-metropolitan urban communities have few employees; half of them have fewer than five employees. The labor force is quite stable. Fifty-three 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 (65 percent), paid vacation (78 percent), paid sick leave (53 percent), life insurance (47 percent), and retirement plan (51 percent).

Owners and managers evaluated the skill level of their employees positively. Nine 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 10,000-50,000 size cities, 78 percent of the owners are men and 22 percent are women. A profile of these owners shows men are typically 47 years old, married, with an associate degree, 21 years of business experience, and approximately half have household incomes above \$55,000.

45 years of age
74% married
93% "White"
Some college
18 years of experience



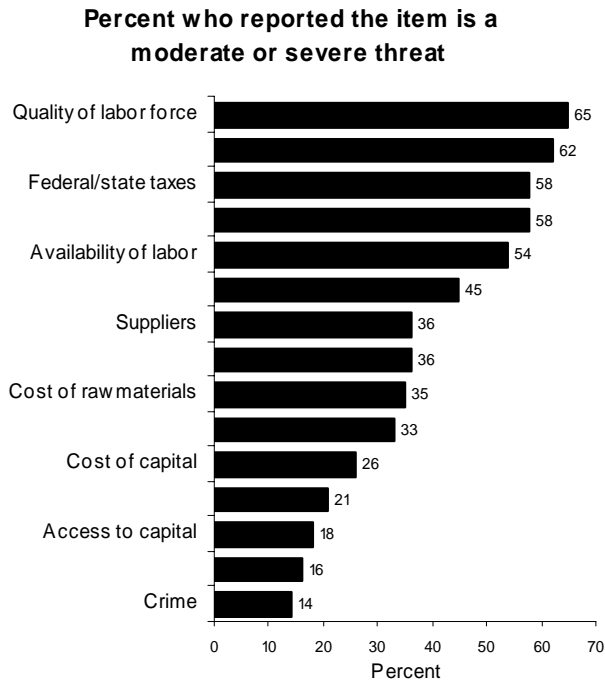
47 years of age
86% married
99% "White"
Associate degree
21 years of experience

The typical woman owner is 45 years of age, married, has some college education, and 18 years of business experience. Approximately half of the women owners have household incomes above \$45,000. The overwhelming majority of all owners (99 percent of men and 93 percent of women) classify themselves as "White."

Both male and female owners reported working 50 hours per week on average.

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 10,000-50,000 size communities, owners and managers reported the quality of the labor force is the most serious threat, and government regulation 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 (97 percent) reported that offering quality products/services is an important strategy, followed by improving image and offering distinctive goods/services. 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 communities of your size, making a profit is critically important. Sixty-four 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, 77 percent consider themselves to be successful.

Strategic steps to success (percent who rated the item very or extremely important)	
Offer lower prices.....	18
Advice form consultants.....	42
Non-local networking.....	46
Inventory control.....	50
Marketing/advertising.....	55
Offer contemporary products.....	55
Local cooperation.....	62
Provide more choices.....	67
Serve people missed by others.....	69
Improve community.....	71
Reduce operating costs.....	74
New/advanced technology.....	75
Customized products/services.....	82
Professional self-development.....	83
Employee training.....	83
Distinctive goods/services.....	84
Improve image.....	86
Offer quality products/services.....	97

Future Plans

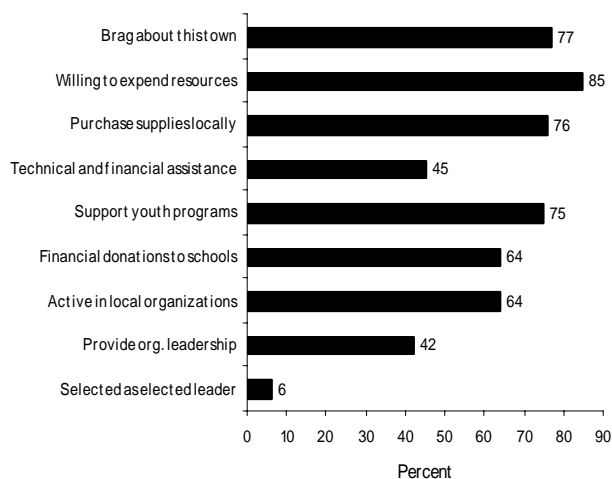
Overall, 70 percent of business respondents in communities of 10,000-50,000 plan to expand in the future. Of those, 77 percent indicated they will be hiring additional employees. Adding new product lines or services (59 percent), growth in existing products or services (91 percent), and other expansion methods were also mentioned by a sizeable majority of expanding businesses. Twenty-seven percent expected to remain about the same, and three 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 (62 percent) disagreed with the statement, "If you don't look out for yourself, no one else will." Two out of three reported when something needs to get done in the community, the whole community usually gets behind it. Seventy-one 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. Seventy-seven percent reported that they would brag about their town as a place to locate a business, and 85 percent are willing to expend resources to help their community. About eight out of ten said they purchase business supplies locally whenever possible. To support their community, 45 percent reported providing technical and financial assistance; 75 percent help local youth programs; 64 percent give financial donations to local schools; and 42 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 (42 percent) have occupied a leadership position in a civic organization or a church, and six percent have held an elected office in their community.

What do businesses receive in return from their community? Sixty-three percent of respondents stated residents go out of their way to support local businesses. Five 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 communities of 10,000-50,000, at least 1 member of the owner's or manager's family is employed in 36 percent of the businesses surveyed. Additionally, 2 out of 10 business owners and managers reported family members help without pay an average of 24 hours per month.