**EXAMINER = ED 101 & beyond Small Business article**

Historically, there have been two types of American dreams when it comes to making a living. One was to work for a large company, get periodic raises with substantial benefits and eventually receive a “gold watch” when you retire. The other American dream was starting your own small business. Considering the current condition of Illinois’ economy, the state needs the ones that chose the latter to help out the ones that chose the former because based on recent history, small business is the nation’s economic engine and is probably be the key to Illinois’ economic recovery.

Small businesses are typically defined as companies with fewer than 500 employees. According to a 2009 U.S. Small Business Administration (SBA) document, The Small Business Economy – A Report to the President:

* Small businesses account for half of the nation’s private, non-farm, gross domestic product;
* Half of Americans working in the private sector are employed by a small business;
* Since the mid-1990’s, small businesses annually created between 60 – 80 percent of the net new jobs in the U.S.;
* In the two previous U.S. recessions in 1990-91 and 2001, only firms with fewer than 20 employees had positive net growth; and
* During those two recessions, small businesses recovered faster.

In another SBA report, a 2006 profile of states, Illinois’ 258,555 small businesses accounted for 98.4 percent of employers and 49.2 percent of private-sector employment in the state. In terms of 2010, Illinois small business has un-tapped and recently tapped potential based on national trends such as these:

* Hispanic-owned businesses are the fastest growing sector among small business start-ups;
* Unfortunately (for two reasons), Veterans are under-represented as entrepreneurs and face higher unemployment rates than the rest of the workforce;
* Baby Boomers (between 55 and 64) are trending more towards entrepreneurship as a new phase in their careers; and
* Immigrant entrepreneurs generate 12 percent of all U.S. business income (a natural target for growth in Chicago).

Small businesses in Illinois and across the country do have challenges though, which according to SBA are (in order):

1. Lack of sales
2. Access to capital
3. Cost and availability of health insurance
4. Attracting a quality workforce
5. Global competition and
6. Government “red tape” (regulation, taxation and procurement issues).

Recently, the Illinois Policy Institute recommended abolishing the State of Illinois’ economic development agency, the Department of Commerce and Economic Opportunity (DCEO). Among other activities, that agency houses the Illinois Entrepreneurship Network (IEN), which provides services to fledgling and existing small businesses. The IEN menu includes:

* Entrepreneurship Centers that help businesses with “high growth potential” access resources for funding, patents and marketing;
* Small Business Development Centers that assist new and existing businesses with services such as business plan development, financing, financial analysis, business education and one-on-one counseling and management assistance;
* Procurement Technical Assistance Centers that assist existing companies in selling their products and/or services to local, state and federal government agencies;
* International Trade Centers that assist existing, new-to-export companies interested in international trade opportunities; and
* Manufacturing Extension Centers that help small (and mid-size) manufacturing companies operate more efficiently.

It’s fairly obvious that based on intent, the IEN programs seem to be set up to directly address the small business challenges presented earlier. But, one school of thought avers that it is wasteful, inefficient and ineffective for government to provide those services. Another point used is that entities like IEN compete with private sector firms that provide those services. The 180 degree view from that mindset is that new companies and many entrepreneurs do not have the financial resources to hire highly experienced (and pricey) accountants, MBAs, attorneys and other consultants in the early stages of the development of their companies. Although that argument will continue, Illinois officials better decide on what to do soon because Illinois posted a January 2010 unemployment rate of 11.3 percent that may be still growing.

To use a baseball analogy, large business attraction is like going after homeruns. But, small business development is like hitting singles, bunts and playing small ball. Small ball may not be as flashy, but it is more dependable and consistent. Homerun hitters strike out a lot. Great teams can do both and it makes sense for Illinois to be effective at both large business attraction and small business/entrepreneurship development.

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