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The Role of Small Businesses in American Culture and Economics

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THE ROLE OF SMALL BUSINESSES IN AMERICAN
CULTURE AND ECONOMICS

By

Molly Meinhart

Submitted in Partial Fulfillment
of the Requirements for
Graduation with Honors from the
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The Role of Small Businesses in American Culture and Economics

Molly Meinhart
University of South Carolina
Honors Thesis
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Abstract

This paper seeks to address and prove the role small businesses play in the makeup of the American economy and culture. Through an analysis of key economic measures such as GDP, employment, and international trade it is made clear that small businesses contribute substantially to both the domestic and global economies. An exploration into the history of small businesses in America as well as the current small business landscape is conducted to solidify the idea that small business is built into the culture of the United States. Interviews were conducted with current small business owners in differing industries and personal experience is drawn upon to develop insight into why small businesses are so crucial to America as well as what needs to be done to ensure their success in the future.

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Introduction

Growing up, my life revolved around small businesses and the people who run them. I spent sick days at my parents' law firm, I bought my homecoming dresses at my aunt's boutique, we ate dinners at locally owned restaurants, and when it was time to get open my first savings account there was no question that it'd be with the local bank. Small businesses gave me every job I ever had until coming to college and are still where I choose to spend my days when I'm home for breaks. But it wasn't until I came to school at UofSC that I realized not everyone has had their life shaped by small businesses the way I have, and many do not realize just how important small businesses are to American life as a whole.

The opening line of Mansel Blackford's 1991 Essay, "Small Business in America", reads: "Small businesses have held a paradoxical position in U.S. history: their particular forms and structures have received little scholarly attention compared to that devoted to big business, yet they have always been a significant part-social and cultural, as well as economic and political-of American life." (*Small Business in America: A Historiographic Survey on JSTOR*, n.d.). This quote sums up why I have chosen to research this topic. Small businesses create around 50% of new jobs in the United States each year and by some estimates make up over 99% of total businesses in the U.S. (*Annual Report of the Office of Economic Research, FY 2017 (Rep.)*. (2018, January 01)). Small businesses are a backbone of the American economy and yet still remain vastly under researched and explored.

In this thesis I plan to utilize primary and secondary research methods as well as personal experience to explore and explain the impact small businesses have had on the United States in the past, as well as the role they continue to play in this country today. My primary research was conducted through interviews with small business owners, transcripts of which can be found in

Appendices B-D, during which I asked questions about why they chose to work in the small business industry as well as specific challenges they have faced while operating their businesses. I will use the information and insights gained from my interviews in tandem with the secondary research I have conducted, from sources such as the U.S. Small Business Administration, as a means of humanizing my findings.

My ultimate goal throughout this paper is to prove not only that small businesses are crucial to the survival and success of the American economy, but that they are also crucial to the survival and success of American culture. The mindset of a small business owner today mirrors that of an 18th century colonist in so many ways and it is that continuous thread of independence, self-reliance, and perseverance that has woven small businesses into the heart and soul of America; and I hope to highlight and emphasize that thread in this thesis.

A Global Perspective

The importance of small businesses is not exclusive to the United States. Small and Medium Enterprises (SMEs) are crucial to the economies and lifestyles of most all countries as well as to the global economy as a whole. SMEs are defined slightly differently in every country, examples of which are shown in Table 1; however, their impact remains consistent (International Trade Centre. (2015)).

TABLE 1 National SME definitions in 12 countries

Country ranked by per capita GNI	Max # employees	Country ranked by SME size	Max # employees
Norway	100	Viet Nam	300
Switzerland	250	Moldova	250
Australia	200	Switzerland	250
Brazil	100	Australia	200
Thailand	200	Thailand	200
Moldova	250	Bangladesh	100
Egypt	50	Brazil	100
Pakistan	50	Ghana	100
Viet Nam	300	Norway	100
Bangladesh	100	Malawi	50
Tanzania, United Republic of	20	Pakistan	50
Malawi	50	Tanzania, United Republic of	20

Source: Gibson, Tom and Hubertus Jan van der Vaart (2008).

Note: GNI: Gross National Income

The World Economic Forum (WEF) explains that estimating the actual number of SMEs worldwide is nearly impossible; however, they estimate that in emerging markets alone there are anywhere from 365 million to 445 million SMEs operating today. Within this estimate it is believed that around 30 million are formally registered SMEs, around 65 million are formally registered micro-enterprises, and the rest are informal enterprises and/or non-employer firms. The WEF also estimates that there are around 100 million formal SMEs currently operating in developed markets around the globe (Global Agenda Council on the Future of Financing & Capital. (2015, October)).

These hundreds of millions of small businesses around the globe are not simply operating, they are fueling the global economy. As of 2015, the formal SME sector made up over half of the GDP of high-income countries and the informal and formal sectors combined made up over half of the GDP in low-, middle-, and high-income countries across the globe. It can

clearly be seen in Figure 2 that SMEs are contributing greatly to economies

worldwide and what a devastatingly

different global economy we would be

looking at without small businesses.

Figure 3 shows the percentage of national

employment accounted for by SMEs in

low, lower middle, upper middle-, and

high-income countries and, again, it's

easy to see the impact small business is

having on our world. As of 2015, firms

with between 5 and 250 employees were

accounting for 67% of total employment

worldwide. And SMEs are not simply

employing the majority of people, but their

employment rates are growing at

staggering rates. In a study conducted

between 2002 and 2010, small businesses

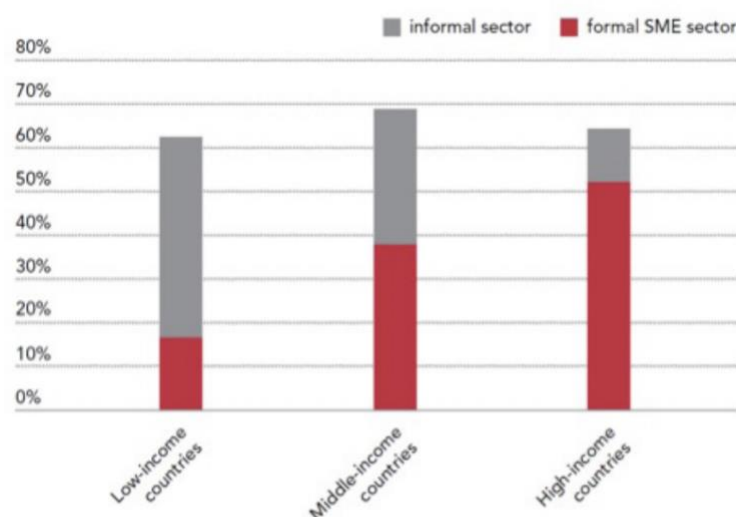
accounted for 85% of total employment

growth worldwide (Global Agenda

Council on the Future of Financing &

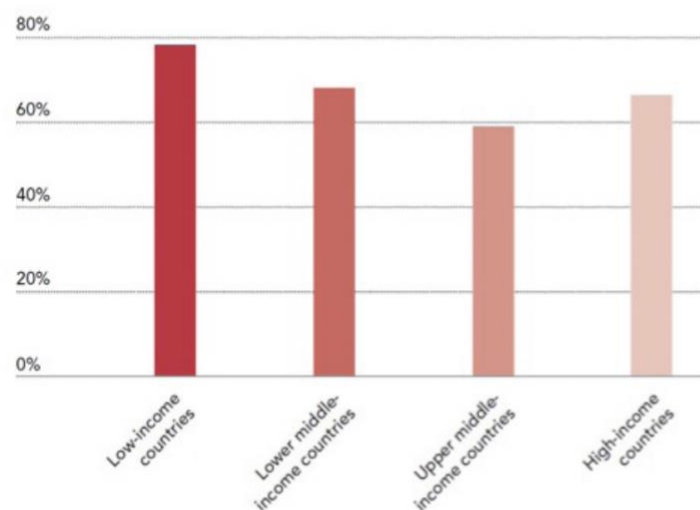
Capital. (2015, October)).

Figure 2: Share of SMEs in Global GDP



Source: Edinburgh Group 2013; median value, based on European Investment Bank data

Figure 3: Contribution of SMEs to Employment

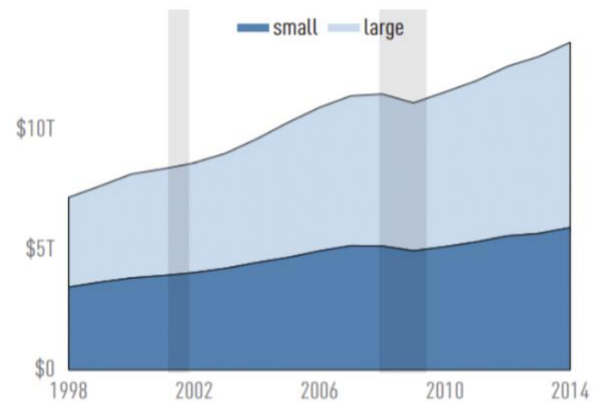


Source: Edinburgh Group 2013; median value, based on World Bank data

As stated previously, small businesses are obviously not exclusively important to the United States. They are making a huge impact everywhere. I believe, though, in order to help gain the respect small businesses everywhere deserve, we must first convince ourselves, as Americans, of their importance in our own economy and ultimately, our own lives.

Economic Impact of Small Businesses

To state it simply, small businesses are crucial to the makeup of the American economy, contributing substantially to both employment and GDP in the United States each year. The United States Small Business Administration (SBA) is an independent agency that assists the U.S. government in matters relating to the financing, legislation, and support of small businesses within the country. In the SBA's 2017 yearly economic report, the over 30 million small businesses registered with the SBA were reported to be responsible for 44% of the United States GDP and 47.5% of total employment within the U.S., accounting for almost 60 million American employees (*Annual Report of the Office of Economic Research, FY 2017 (Rep.)*). (2018, January 01)). Figure 1, right, shows how small and large businesses contributed to the United States GDP from 1998 to 2014 and it is clear that small businesses are continuously bringing in more and more money as well as maintaining nearly 50% of the nation GDP.



Source: Authors' analysis of data from the Bureau of Economic Analysis. *Small Business GDP, 1998–2014*, U.S. Small Business Administration, Office of Advocacy, 2018

Figure 1 (Annual Report of the Office of Economic Research, FY 2015 (Rep.)). (2016, January 01)).

Table 1, below, shows how small businesses' shares of GDP of different industries evolved from 1998 to 2014. This table shows that even as many industries' shares of GDP trended down, they remained huge contributors; for example, the small business share of U.S. GDP in the arts, entertainments, and recreation industry dropped 11% from 1998 to 2014 yet small businesses still made up 69% of total U.S. GDP in that industry.

Industry	Small % of GDP		Industry	Small % of GDP	
	1998	2014		1998	2014
Real Estate and Rental and Leasing	82	82	Wholesale and Retail Trade	53	42
Other Services	84	82	Educational Services	45	39
Construction	87	81	Administrative and Support Services	45	37
Arts, Entertainment, and Recreation	80	69	Transportation and Warehousing	40	35
Professional and Scientific Services	68	54	Finance and Insurance	30	29
Accommodation and Food Services	58	53	Manufacturing and Mining	29	27
Management of Businesses	30	47	Utilities	10	14
Health Care and Social Assistance	52	47	Information	20	12

Table 1 (*Annual Report of the Office of Economic Research, FY 2015 (Rep.)*. (2016, January 01))

Not only do small businesses account for roughly half of America's GDP and half of all employees within the country, but they also employ the majority of people in many industries. As of 2017, 60% of all accommodation and food service workers; 70% of all real estate, rental, and leasing workers; and 85% of all agriculture, forestry, and fishing and hunting workers in the United States were employed by small businesses (*Annual Report of the Office of Economic Research, FY 2017 (Rep.)*. (2018, January 01)).

The 2015 SBA Yearly Economic Report reported small businesses making up 97% of all companies exporting goods from the United States, generating \$1.3 trillion dollars which was 33% of all U.S. exports that year. 2015 also saw microbusiness (businesses with less than 10 employees) making up almost 75% of all private sector employers and small businesses bringing in just under \$6 trillion and accounting for 43.5% of the private non-farming U.S. economy (*Annual Report of the Office of Economic Research, FY 2015 (Rep.)*. (2016, January 01)).

In addition to collecting data on small businesses in comparison to large businesses in the U.S., the SBA also separates their data by industry. In Table 2, below, you can see the 2015 breakdown of firms in each industry by firm size. Nonemployer firms, or businesses that do not employ anyone in addition to the owner(s), make up the largest percentage in all industries with 1-20 employee firms and 1-499 employee firms having relatively even numbers in all industries.

In Appendix A you can also see a table listing each industry, the amount of money generated in revenues by small businesses in that industry in 2015, and the percentage of total workers in that industry that were working for small businesses. The real estate, rental, and leasing; wholesale and retail trade; and manufacturing and mining industries brought in the most revenues for the year 2015 while other services; construction; and real estate, rental, and leasing employed the highest percentages of workers in their industries.

Table 2: United States Small Businesses by Industry and Firm Size, 2015

Industry	1-499 Employees	1-20 Employees	Nonemployer Firms	Total Small Firms
Professional, Scientific, and Technical Services	796,737	747,952	3,410,855	4,207,592
Other Services (except Public Administration)	680,783	635,810	3,695,012	4,375,795
Construction	668,196	615,701	2,430,014	3,098,210
Health Care and Social Assistance	652,900	569,088	1,978,850	2,631,750
Retail Trade	650,133	594,267	1,985,553	2,635,686
Accommodation and Food Services	515,566	401,142	371,413	886,979
Administrative, Support, and Waste Management	331,964	295,202	2,069,144	2,401,108
Wholesale Trade	304,031	262,019	417,272	721,303
Real Estate and Rental and Leasing	290,173	277,338	2,635,780	2,925,953
Manufacturing	247,961	187,862	355,467	603,428
Finance and Insurance	235,726	218,939	718,472	954,198
Transportation and Warehousing	177,150	157,974	1,528,264	1,705,414
Arts, Entertainment, and Recreation	122,089	106,357	1,341,733	1,463,822
Educational Services	88,826	70,210	710,383	799,209
Information	73,028	63,321	328,995	402,023
Mining, Quarrying, and Oil and Gas Extraction	21,657	18,157	98,134	119,791
Agriculture, Forestry, and Fishing and Hunting	21,584	20,212	236,094	257,678
Utilities	5,706	4,493	19,968	25,674
Total	5,881,267	5,265,682	24,331,403	30,212,670

Table 2 (*Annual Report of the Office of Economic Research, FY 2015* (Rep.). (2016, January 01))

These numbers show just how much of an impact small businesses have on the American economy and how much the U.S. would suffer without the added opportunities for revenue, trade, and employment that small businesses bring.

History of Small Business in America

Nevertheless, to say small businesses are important to America's economy is not enough. The reality is small businesses are important to America as a whole. They reflect the history of the country, impact the future of the country, and make up the present. Small businesses are inherently American, and to explain that we have to look back to the beginning.

Small Businesses By the Century

In order to understand the impact small businesses have on American culture today, we have to first look back at the history of small businesses within this country. In many ways, the United States was founded on the ideas and values of small business owners. Throughout the 17th and 18th centuries, colonists were living a life of self-sufficiency. The majority of free, white men at the time owned some amount of land and they were using that land, with their families, to farm food, make soaps and clothing, and for anything else they may need to survive (*The History of Small Business in the United States*, n.d.).

Moving into the 19th century, the population grew 15 times larger, the country began to see the formation of cities, and larger agricultural ventures became possible. Ingenuity and inventions became the backbone of American society and merchants and craftsmen could be found all the way on the western coast. As Americans across the country began to see the freedom and success that creating your own product could give you, millions of patents were filed and many moved away from the small family farms of the past (*American Small Businesses Past Present & Future*, n.d.). This did not mean an end to farming though; in fact, it opened up opportunities for farmers to grow their businesses. Those who had the means could purchase

more and more land and begin growing crops, beyond what their families needed, to then sell to people living in less rural areas (*The History of Small Business in the United States*, n.d.).

The 20th century saw what was the first, but would remain forever, major challenge for small businesses: corporate America. The turn of the century not only brought larger populations and technological advances, but also large companies that were employing hundreds and even thousands of workers (*American Small Businesses Past Present & Future*, n.d.). These companies began making profits that small businesses simply could not compete with and created a funding shortage throughout the country (*The History of Small Business in the United States*, n.d.). Without access to financial support to create and grow, small businesses in America began what would be a never-ending fight to prove their worth against the big guys - a fight still being had today.

Small Business and the American Dream

While small businesses have continued to struggle to earn their place amongst large corporations in America, the truth is small business is inherently American. The beliefs and values that make a small business work are perfectly aligned with those that helped form this country; and many believe a small business is the perfect example of the American Dream. Sociology Dictionary defines the American Dream as, “the notion that through determination and hard work, anyone can achieve success.” (*American Dream Definition / Open Education Sociology Dictionary*, n.d.). No process better fits that definition than the process of creating and building your own wealth through a small business.

From the time of the first colonists, small business owners were admired as examples of upward mobility and entrepreneurship. In 1837, a German immigrant named Francis J. Grund

said, “Business is the very soul of an American” (*Small Business in America: A Historiographic Survey on JSTOR*, n.d.). Not just any business though - small business in particular. As much as the early Americans were afraid of big government having all consuming control, they were also very skeptical of big business. Many believed that if too much money were concentrated amongst one group of people that they would end up using their resources to gain power and control over the country (*Small Business in the US Economy*, n.d.). Small businesses mitigated this risk and soon became a staple of the American economy.

Yet, even as small businesses have gained importance economically and culturally in America, there are still negative connotations with the idea of a “mom and pop” shop, a dichotomy between the views of the actual businesses and of their owners. While small business owners and creators are applauded and revered for their determination, independence, and creativity, their businesses are often looked at as trivial, inefficient, and stuck in the past (*Small Business in America: A Historiographic Survey on JSTOR*, n.d.). And while it is true that large corporations generally have more resources for technology and innovation, small businesses have many freedoms that big box stores do not enjoy. Small businesses are not hindered by pressures and responsibilities to please shareholders or compete on the stock market; instead, they answer to themselves and have opportunities to grow and create within their markets as they please (*Entrepreneurship: An American Dream - ProQuest*, n.d.). Small businesses embody both the individualism and creativity that are inherent to the American Dream.

Famous Small Businesses throughout History

It’s almost impossible to accurately explain the impact of small businesses on America without mentioning some of the country’s biggest success stories.

Often considered the first American small businessman, Benjamin Franklin was a true entrepreneur at heart. In 1728 Franklin became the publisher of the *Pennsylvania Gazette* and later purchased the paper in full in 1729. Shortly after acquiring his newspaper, Franklin founded America's first subscription library, the Library Company of Philadelphia, in 1731; and in 1736 he started the Union Fire Company, the first volunteer firehouse in America. As if journalism, literature, and philanthropy were not enough, Benjamin Franklin also started the country's first insurance company, The Philadelphia Contributionship for the Insurance of Houses from Loss by Fire, to work alongside his firehouse to protect the citizens of Philadelphia (*Benjamin Franklin, a Serial Entrepreneur - The Tontine Coffee-House*, n.d.). It is clear that Franklin understood the value and reward that owning and operating a small business in the United States can bring; but he was not alone.

Also making his mark in the 1700s was a fur trader named John Jacob Astor. Astor saw the success that fur trading was bringing others throughout the country and decided to open his own trading post in 1786. Soon, Astor had posts spanning from the east to the west coast and was gaining both attention and profits. By 1800 Astor had made over \$250,000 trading fur and had received permission to trade in the ports previously monopolized by the British. Eventually Astor became the richest man in America and officially founded the American Fur Company (*John Jacob Astor / American Businessman [1763-1848] / Britannica*, n.d.). But the opportunity to strike big with a small business did not stop there, we have plenty of examples of companies that are hugely successful today that simply started out in apartments and garages.

In 1965, 17-year-old Frank DeLuca had just graduated college and didn't know exactly what he wanted to do next, but he had an idea to open a sandwich shop in his neighborhood in Connecticut. Luckily, DeLuca had a family friend with funds to spare who gave Frank \$1,000 to

start a sub shop named after the donor, “Pete’s Super Submarines”. DeLuca had found his niche. With the help of creative marketing, a low-cost business plan, and delicious sandwiches Frank DeLuca would go on to create the Subway franchise. The company now has over 40,000 stores around the world and makes billions of dollars in sales each year - and it all started with \$1,000 and a submarine sandwich (*14 Famous Businesses That Launched With Less Than \$10,000*, n.d.).

The owner of the popular shapewear brand, Spanx, started the business in her apartment with just a pair of scissors. Sara Blakely cut the feet off of her panty hose so she could wear them under her jeans and a million-dollar idea was struck. After being shut down and turned away by every bank and investment office she visited, Blakely decided to use the \$5,000 she had in her savings at the time and the power of word-of-mouth marketing to grow her business. The product flew off the shelves and the business began booming; in her first year after officially branding “Spanx”, the company made \$4 million in revenue (*14 Famous Businesses That Launched With Less Than \$10,000*, n.d.).

These examples of successful small businesses are not hard to find, and their products can be seen almost anywhere. Henry Ford and Walt Disney were both called dreamers when they began their journeys to create new businesses. Ben & Jerry’s was started with \$12,000 in investment cash, and Hewlett-Packard (HP Computers) only made \$1,563 in profits their first year (*14 Famous Businesses That Launched With Less Than \$10,000*, n.d.). As Americans we benefit from the creations of past small businesses every day and odds are, in 50 years someone will be enjoying a small business product that is in the works today.

Owning a Small Business in America Today

As much as small businesses are a staple of the American economy and culture, so is change. And both the economy and culture of the country have been doing plenty of changing recently, so it would be meaningless to highlight the impact and success of small businesses in the past without also looking at the position of small businesses in America today.

It is no secret that 2020 and 2021 have been incredibly hard years on businesses worldwide, regardless of size, but many would say they were most impactful on small businesses. Figure 2 shows the drastic drop in self-employed working individuals in the U.S. at the start of 2020 and how that number has changed over the last year. The SBA recorded an over 20% decrease in self-employed workers at the beginning of 2020, and though that number has begun to shrink, the U.S. is still not seeing the full number of small businesses we were before the pandemic hit (Wilmoth, D. 2021).

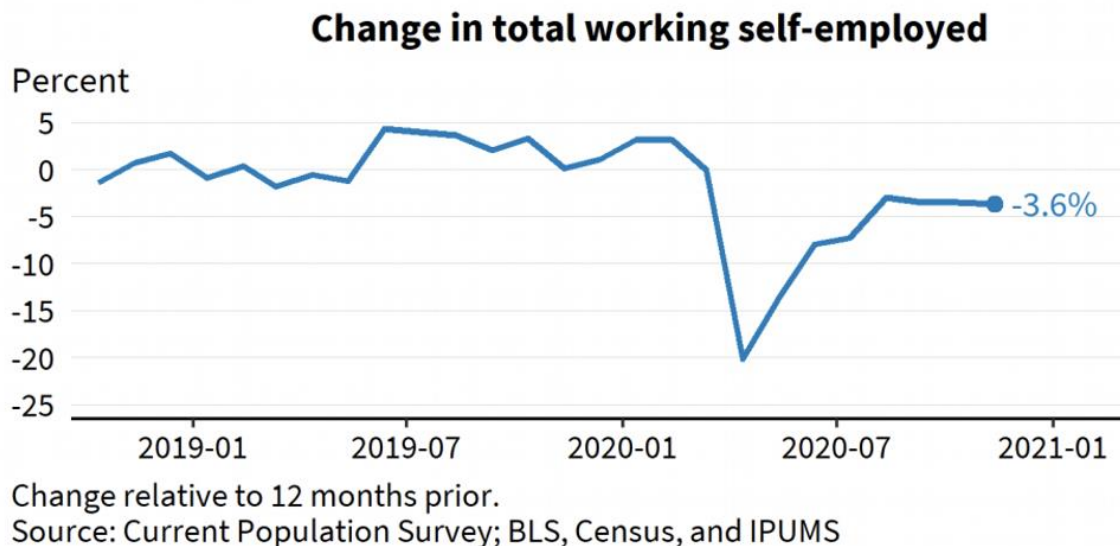


Figure 2: (Wilmoth D.2021)

The news has not been all bad for small businesses though, the United States government has been working with the SBA over the last year to pass programs and plans to protect small businesses and their owners across the country. In March of 2020 the SBA announced a brand-new Paycheck Protection Program (PPP), Economic Injury Disaster Loan (EIDL), and SBA Debt Relief Program; and on March 11, 2021 the new American Rescue Plan Act was signed into law by the Biden-Harris Administration (SBA. n.d.). The PPP is a loan plan aimed at encouraging small businesses owners to keep their employees on payroll and thus lessen unemployment numbers throughout the country; the EIDL is in place to assist small businesses in paying basic operating expenses that the businesses would have been able to pay had the disaster not taken place; and the SBA Debt Relief Program, as part of the CARES act, gives the SBA the power to cover “principal, interested, and any associated fees that borrowers owe for all 7(a), 504, and microloans reported in regular servicing status” (SBA. n.d.).

The new American Rescue Plan Act, signed into law on March 11th, will add an additional \$7.25 billion to the SBA’s Paycheck Protection Program as well as \$20 billion for new targeted Economic Injury Disaster Loans. This plan is also giving the SBA access to \$28.6 billion for a restaurant revitalization fund and \$100 million for a brand-new community navigator pilot program which will target small businesses opening and operating in underserved communities throughout the country. The SBA, along with the Biden-Harris Administration, feels confident that this new plan will bring back the small business numbers the U.S. was seeing pre-pandemic and encourage new small businesses to open (SBA. n.d.)

In addition to rectifying the damage caused to the small business community throughout the pandemic, the SBA has also been working with the U.S. government over the past decade to create and run initiatives aimed at expanding and diversifying the small business landscape in

America. Amongst these plans are the Entrepreneurial Development Initiative which offers financial support and leadership training to communities willing to work with businesses, educational systems, and local governments to develop small business ecosystems throughout the U.S. Table 3, below, shows the recommended and approved funding for this program over the last five years with \$6,000,000 being approved for use in 2021.

**Entrepreneurial Development Initiative (Regional Innovation Clusters),
FY2010-FY2021**

(recommended appropriations and expenditures; \$ in millions)

Fiscal Year	Initial Recommended Appropriation	Modifications	Final Recommended Appropriation	Expenditures
2021	\$6.000	—	\$6.000	NA
2020	\$5.000	—	\$5.000	\$5.000
2019	\$5.000	—	\$5.000	\$5.473
2018	\$5.000	—	\$5.000	\$2.976
2017	\$5.000	—	\$5.000	\$3.259

Table 3: (H.R. Rep. 2021)

The SBA has also created the Entrepreneurship Education Initiative which gives small business owners operating in underserved areas the opportunity to attend a 7-month leadership program hosted by the SBA. Table 4, below, shows the funding for this initiative, including \$2,500,000 approved for use in 2021. The SBA has created many other programs like these two including the Growth Accelerator Initiative, the Native American Outreach Program, the National Business Women's Council, and the Historically Underutilized Business Zones Program; all of which received funding and support from the U.S. Government and SBA in order to better small businesses across the country (H.R. Rep. 2021).

Entrepreneurship Education Initiative, FY2014-FY2021 (recommended appropriations and expenditures; \$ in millions)				
Fiscal Year	Initial Recommended Appropriation	Modifications	Final Recommended Appropriation	Expenditures
2021	\$2.500	—	\$2.500	NA
2020	\$2.500	—	\$2.500	\$2.500
2019	\$3.500	—	\$3.500	\$5.863
2018	\$6.000	—	\$6.000	\$9.293
2017	\$10.000	—	\$10.000	\$2.442
2016	\$10.000	—	\$10.000	\$7.219
2015	\$7.000	—	\$7.000	\$6.711
2014	\$5.000	—	\$5.000	\$4.953

Table 4: (H.R. Rep. 2021)

Government aid and outreach initiatives are great steps and great signs of the respect small businesses are getting within the U.S.; but research and reports can only show so much of the story. Real small business owners throughout the country have some similar, and some very different, experiences owning and operating their own businesses in America today.

Heather Yates, a food truck owner in Louisville, KY has had trouble finding and being approved for funding for her small business even after 7 successful years of operating. When interviewing Mrs. Yates, she told me, “Because our margins are so much smaller than large corporations our numbers don’t look as pretty on paper but that definitely does not mean we’re not successful or that we’re a bad investment” (Appendix B). Experiences like this leave one wondering how small businesses are expected to improve and thrive in this country if they are constantly being compared to the success of larger corporations.

When I asked Keith Schuler, president of Guardian Packaging in Cincinnati, OH, about challenges his small business faces that large companies don’t he brought up the issue of hiring.

Schuler explained how large businesses have the means and ability to hire one employee for each role at their company whereas in a small business setting, each employee has to take on multiple roles. “A manager may have to be an accountant, or an owner may have to also be a salesperson,” Schuler explained; but he also believes this challenge is part of what makes a small business a small business and wouldn’t trade it for anything (Appendix C).

And while small businesses are often competing for resources and recognition with large businesses, they are also making sure to support each other. Katie Rouster, the owner of a women’s clothing boutique in downtown Louisville, KY explained that without being surrounded by the other small businesses in her neighborhood she does not believe her store would be as successful as it is today (Appendix D). Yates, also located in Louisville, shared similar sentiments stating, “Louisville has a huge following and support for small businesses” (Appendix B) while Schuler explained that the location of his business does not do him any favors and potentially being located in an area with more small businesses could improve the success of his own (Appendix C).

Yet even with the action plans, the initiative, and the hope of current small business owners, the United States is still seeing a very concerning failure rate for entrepreneurs. As of 2019, the 10-year success rate for startups was around 10% (2019 small business failure Rate: Startup statistics by Industry: NBC&S. (2021, April 25)). This number has remained consistent over the past decade with many businesses maintaining operations throughout their first 1-3 years, after which failure rates spike.

This failure rate is not strikingly different from that of many other countries worldwide which makes sense considering entrepreneurship is an inherently risky endeavor. However, what is different about the U.S. are the circumstances in which businesses are being started. The main

causes of startup failures worldwide are environmental. In many countries small businesses do not have access to reliable internet to connect with customers or they face expensive transportation costs and delays due to poor infrastructure. Many small businesses worldwide have the challenge of finding skilled workers in their area or they are trying to survive in countries with corrupt political systems (González Laya, A. (2015, October 14)). These are all legitimate explanations for why a startup failure rate might be so high - however none of these are issues facing small businesses in the United States.

What are not acceptable reasons are those that we're finding within the American small business landscape: lack of access to capital and inability to compete with large corporations' prices. The United States needs to consciously decide to do a better job of supporting small businesses. Whether that be through protective legislation or through financial support, we need to ensure that the business environment this country prides itself on is conducive to all businesses - not just the giant ones.

Conclusion

Small businesses are often referred to in American society as “cute”, “quaint”, and “passion projects”; and while these are apt descriptions of many small businesses throughout the country, I can’t help but argue that “impressive”, “instrumental”, and “essential” should be added to the list. Small businesses are more than just pipe dreams or general stores handed down from generation to generation; small businesses are banks, transportation companies, five-star restaurants, and leasing offices. Small businesses are operating all around us and are actively influencing the world we live in every day.

I will admit, my experience with and enthusiasm for small businesses is probably broader than the average person my age. I’ve helped build a women’s boutique from the ground up and I’ve worked on a taco truck as it moved from Ohio to Kentucky. I’ve gone to apparel market to buy for an upcoming season and have seen the struggles small businesses face when trying to negotiate minimum order quantities and shipping costs. I’ve researched paper and packaging companies to find one that offers immediate shipping when a last-minute gig is booked. And most importantly, I’ve worked the small business fairs and events where I get to see just how big the support for small businesses is within the “small biz” community. But it is time for that support to extend beyond those directly involved in the industry.

One major similarity I saw between my three interviews was the issue of struggling to compete with the big box stores. Small businesses are providing half of all American jobs and just under half of the country’s GDP. They are bringing in trillions of dollars in exports each year and are opening up new trade opportunities for the U.S. and yet they are seldom mentioned when discussing the nation’s biggest economic successes. Small businesses are keeping the American economy running and yet they can’t get loans or financial backing because their margins are

constantly being compared to companies ten times their size, but we expect them to compete regardless.

And even when small businesses are recognized for their economic impact, what people do not always see is that small businesses do more than just provide jobs and capital. Small businesses foster entrepreneurship, invention, and community. The second theme I saw in my interviews was the idea that location plays a huge role in the success of a small business, and this is something I have experienced first-hand as a small business employee. Small businesses do not compete sale for sale or ad for ad like many large corporations do. They instead often opt for a “together we can” mindset in which clusters of small businesses all work together to attract business for each other. It is this spirit of collaboration and support that roots small businesses so deeply into American history and, ultimately, the American dream.

At the end of the day, we need small businesses – economically and culturally – but as a country we do not always show them the support or respect they so greatly deserve. My hope is that with this thesis I have successfully proven and presented the crucial role small businesses play in the American economy and culture, and that more attention will be paid to both their successes and their struggles in the future.

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Appendix A

2015 revenues generated by small businesses and percentage of total workers working for small businesses by industry.

Industry	Revenues Generated (2015)	% of Total Industry Employees working for Small Business
Accommodation & Food Services	\$259,100,000,000	60%
Administrative & Support Services	\$195,200,000,000	34%
Arts, Entertainment, & Recreation	\$118,400,000,000	62%
Construction	\$540,000,000,000	83%
Educational Services	\$75,300,000,000	44%
Finance & Insurance	\$356,400,000,000	32%
Healthcare & Social Assistance	\$573,400,000,000	46%
Information	\$96,900,000,000	46%
Management of Businesses	\$159,300,000,000	12%
Manufacturing & Mining	\$691,900,000,000	45%
Other Services	\$296,800,000,000	86%
Professional & Scientific Services	\$648,700,000,000	58%
Real Estate, Rental, & Leasing	\$850,300,000,000	69%
Transportation & Warehousing	\$177,200,000,000	37%
Utilities	\$39,600,000,000	18%
Wholesale & Retail Trade	\$848,700,000,000	42%

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Appendix B

Interview with Heather Yates

April 7, 2021

Q: Can you please state your name and give a description of your small business

A: My name is Heather Yates, and I am the owner of the Smok'n Cantina Food Truck in Louisville, Kentucky. We are a tex-mex style taco truck specializing in simplistic dishes with bold flavors. My husband and I also own a commercial kitchen/food truck commissary in Louisville.

Q: How long has your business been operating?

A: We first opened our food truck in Columbus, Ohio in 2013 and moved to Louisville in 2015 and have been serving ever since.

Q: Can you please give a brief description of what it took to develop your small business.

A: Well for starters it took many many hours to write up a business plan and research possible financing options. We were going to need a decent amount of start-up cash in order to complete the build-out of our food truck, to acquire equipment, and to purchase inventory. At the time, we did not know much about financial opportunities for small businesses, so we decided to go the route of a private investor. The owner of the restaurant my husband and I were working in at the time believed in us and our ability to make his money back, so he financed our initial costs. All in all, I would say it took about six to eight months from the time we secured our financing to when we first started serving on the truck.

Q: What made you decide to start a small business?

A: Like I mentioned before, my husband and I were both already in the food service industry. He was working as a head chef and I had years of experience working the front of the house doing everything from serving and bartending to managerial tasks. And there just came a time when we were ready to break out on our own and do our own thing and the more, we looked into it, the more a food truck seemed to make the most sense for us financially. It was the most doable option and just the best decision for us at the time.

Q: How often do you work with other small businesses through your business and how important do you believe other small businesses are to the success of your business?

A: I try to coordinate and collaborate with other food truck owners in our area as much as possible. If we get a request to be at an event or location that we can't make we are always sure to recommend another truck that we know serves a quality product. Usually, it is one of the trucks that works out of our commissary because we know exactly how and where they're preparing their food and trust their quality standards. I also try to partner with local organizations and nonprofits during big events. We will often donate a percentage of our sales from a specific event or gig to an organization in the city. Overall, I would say small businesses are very important to the success of our business. Not only are they our clients at the commissary but they are also a huge marketing resource for us as a lot of our business comes from word-of-mouth advertising.

Q: Do you believe the location of your business (state, city, neighborhood) plays a role in your success and if so, how much?

A: Oh, for sure. Louisville has a huge following and support for small businesses and the food truck industry within the city is really growing. I think as more people try food trucks, they start to realize we do serve quality products and we're definitely gaining a lot of support and a loyal following within the city.

Q: What are some challenges your business has faced that you don't believe large businesses have to face?

A: Finding and getting approved for continued financing has been a big challenge for us. We need financing in order to continue growing our business but when we were trying to get approved for a loan to start our commercial kitchen expansion, we had a lot of trouble finding a bank willing to approve us. Because our margins are so much smaller than large corporations our numbers don't look as pretty on paper but that definitely does not mean we're not successful or that we're a bad investment.

Q: How do you see small businesses fitting into the American economy in the next 20 to 50 years?

A: I really think small businesses will continue to drive the economy in a way large companies cannot. I think the small business network is only getting stronger as time passes and I really have a lot of hope that people are starting to recognize and respect small businesses for what they are - crucial businesses within our country.

Appendix C

Interview with Keith Schuler

April 8, 2021

Q: Can you please state your name and give a description of your small business

A: Keith Schuler. I am the president of Guardian Packaging and we are a custom paper goods and packaging company operating out of Cincinnati and serving customers all over the country.

Q: How long has your business been operating?

A: Since 1960.

Q: Can you please give a brief description of what it took to develop your small business.

A: Obviously I was not working for Guardian when the business was first started but I can speak on what it takes to continually develop the business today and that is relationship building. The entirety of our success is based on a people-to-people business model and the recognition of how incredibly important it is for us to create and maintain strong relationships with both our customers and our vendors.

Q: What made you decide to start a small business?

A: Basically, I was looking for a career that offered me a lot of flexibility, where I could make my own schedule and work for myself. Small business checked all of those boxes and appealed to my philosophy of “you get out as much success as hard work you put in”.

Q: How often do you work with other small businesses through your business and how important do you believe other small businesses are to the success of your business?

A: We work with small businesses daily; they make up the majority of our customers. I tell my team every day that all we need to do is hit a lot of doubles. We don't need to be hitting home runs and scoring huge companies as clients, all we need is to find one or two solid small businesses a day and we will continue doing just fine. Small businesses are really the driving force behind our business.

Q: Do you believe the location of your business (state, city, neighborhood) plays a role in your success and if so, how much?

A: Our location geographically does not do us a ton of good. We are located in northern Kentucky in a suburb of Cincinnati and relocating to an area with more small businesses could be very beneficial for us, but I like where I live, and we are doing fine for now, so we have no plans to move. I think there are definitely regions of the country where small businesses are thriving, and communities are shopping and spending their money at more and more small businesses, but those sectors can be hard to track down.

Q: What are some challenges your business has faced that you don't believe large businesses have to face?

A: Generally, just the management of people. When working in a small business, people need to be very flexible. We do not have the luxury of hiring per role like large businesses have. I feel like most large businesses can hire one person for each role at the company whereas in a small business one employee often needs to be ready to perform multiple roles. A manager may have

to be an accountant, or an owner may have to also be a salesperson; it's what makes a small business and small business but once you adopt that mentality it can be really fun and rewarding.

Q: How do you see small businesses fitting into the American economy in the next 20 to 50 years?

A: I think there is always going to be a niche for small business. I don't know if the same number of small businesses we see now will be sustained into the future as more and more companies merge and monopolize industries, I think it is only going to cause more problems and more challenges for small businesses. But I do think that as long as there is an American economy there will always be small businesses.

Appendix D

Interview with Katie Rouster

April 8, 2021

Q: Can you please state your name and give a description of your small business

A: My name is Katie Rouster and I own Six Sisters Boutique. We are a women's retail boutique in Louisville's downtown neighborhood of NULU.

Q: How long has your business been operating?

A: We opened in August of 2017.

Q: Can you please give a brief description of what it took to develop your small business.

A: For me personally it took about 7 years of experience in the small business, women's boutique retail industry. It is very specific so a lot of traveling to market. And then along with that, a well thought out business plan; a lot of asking for funding to help my business grow and develop; and finding the right spot to open a brick-and-mortar location instead of an only online location.

Q: What made you decide to start a small business?

A: Again, it's the only thing I've ever really known; my parents are small business owners as well as most of my family members. And having worked in small businesses all through high school and college, it is the right fit for me and my lifestyle. I like being my own boss, having control of the finances and the budget, and my motto of, "you have to spend money to make

money”. I think having control of that is necessary in a small business and you have to be willing to be hands on with it.

Q: How often do you work with other small businesses through your business and how important do you believe other small businesses are to the success of your business?

A: I work with small businesses every single day. As a buyer, a lot of my vendors and reps are small business owners, small creators, and small makers so that is an invaluable asset - I can't even put a dollar amount on how important those small makers are for my business - as a specialty store. As well, in my community we work together every day. Not just to lift each other up but to help co-market each other's businesses and spread marketing and word of mouth by helping support each other within our community that we're so lucky to have.

Q: Do you believe the location of your business (state, city, neighborhood) plays a role in your success and if so, how much?

A: I absolutely believe our location is a large part of our success, especially as a brick and mortar. Where we are in Louisville, in the downtown community we're in called NULU, we are about 70% tourism. And without being located close to downtown, close to all the hotels and convention centers, and everything that brings tourism to Louisville we would not be as successful or as individualistic as we are. And again, our small community, helping to raise each other up, would not exist the same way it does in other shopping and living centers at least throughout Louisville, if not throughout the entire country.

Q: What are some challenges your business has faced that you don't believe large businesses have to face?

A: Specifically, right now, outside of Covid, we are facing the threat of raising minimum wage. A lot of larger businesses are able to compete at that \$15 or \$12 an hour starting wage, but as a small business owner who barely pays herself sometimes, having that threat alone leaves us competing with the big box stores like Amazon and what not. Having valuable and skilled workers is extremely important to us; but we also offer a work-life balance that maybe a larger company doesn't. So that is where we try to compete and stay fair. However, having that threat at a national level right now is very much looming on our business. Outside of that, everything from small orders not meeting minimums and trying to create a supply chain for a small business can be really hard as well when you're trying to order supplies, boxes, bags, etc. and you don't need so so many like a Walmart or what not; and trying to find suppliers that want to help small businesses as well.

Q: How do you see small businesses fitting into the American economy in the next 20 to 50 years?

A: I do believe that we will still be and be as strong as ever. I think the lifestyle of a small business owner caters more to that of a European mindset of, "work hard, play hard" versus the American mindset of, "go, go, go and never get to play". So, I don't think the small business owner is going anywhere anytime soon. And we make up such a large percentage of the workforce that no matter what Amazon brings to the table you're still going to need your trade workers, who are small business owners, and you're still going to want that individual aspect of one-on-one customer service that all small businesses, throughout every trade, offer a bit more.

So, in ten years you may actually see more of us depending on what the next generation finds important. Whether it's monetary or is it humanity? And being a human means supporting the little guy, so we'll see.