The University of Northern Iowa’s Regional Business Center (UNI RBC) team is very pleased to bring you the 2014 Iowa Small Business Report. A statewide survey has been conducted annually for three consecutive years, covering the Iowa business experience in 2011, 2012 and 2013.

Each year the survey measures sales trends, job growth or loss, capital acquired and business use of technology among Iowa business owners with fewer than 50 employees. We asked respondents about their business needs, their experiences with service providers and programs in the state, and we invited their suggestions for how to make Iowa a better place to conduct business.

This year we took steps to create a more innovative and readable publication. Sarah Bey, Program Manager at the UNI Regional Business Center, developed the creative ideas around this publication format. Her magazine concept has condensed the 144 page report into an easy-to-read publication, providing business owners, community leaders and legislators a good look, both visually and in articles, about the Iowa business experience.

In this new format you’ll also find stories of Iowa companies who reflect the four unique kinds of entrepreneurs in our state. In addition, we are directly sharing many of the comments from respondents concerning critical business issues, and we’ve compiled the survey results into short briefs that offer suggestions for how public and private sector providers might develop more effective programs, policy and legislation to serve Iowa’s entrepreneurial community.

At the center of the 2014 report is an in-depth look at the woman-owned business experience in Iowa. For the past several years Iowa has ranked in the bottom third of U.S. states for the rates of woman-owned business startups and growth. One study in particular has placed Iowa at the very bottom of the country for the past two years. The 2014 Iowa Small Business Survey strives to better understand woman-owned businesses and the unique challenges they face in accessing capital, achieving business longevity, and growing their companies beyond the $1 million mark—all elements that contributed to Iowa’s low ranking in 2013.

Across the board, business owners are calling for less regulation, more capital, better access to their peers online and in person, and more supportive communities. How we respond to these needs going forward will be rewarded by more business starts, new jobs and business expansions in Iowa.

We hope you will read this entire publication and come away as inspired as we are by the men and women who are working every day in small companies across our great state.

“Welcome Letter”

Maureen Collins-Williams & Paul Kinghorn

Best Wishes!

Maureen Collins-Williams & Paul Kinghorn

About the Survey Respondents

Jobs, Jobs, Jobs

Capital Investments

Crowdfunding

Sales & Markets

Technology

Business Growth

Pressing Problems

Government Relations

Peer Learning

Most Improved Resource

In Their Own Words

A Message from SMS

UNI Regional Business Center
Regional Business Center Entrepreneurship Outreach

Types of Entrepreneurs

Technically, the UNI survey targets any business in the state with fewer than 50 employees. That covers nearly 250,000 companies, multiple industries and many kinds of different operations in Iowa. Are they all entrepreneurs? Small business owners? There is an ongoing debate in literature and in the field about the accepted definition of an entrepreneur—is it the locally owned manufacturing company that just expanded into additive manufacturing (i.e. 3D mass printing of parts) and now sells overseas? That’s entrepreneurial. What about the art gallery on Main Street that hosts live entertainment, local artwork and is packed every weekend with out-of-towners? That’s entrepreneurial, too. To answer this question, UNI developed a methodology to segment entrepreneurs into four key groups: micro-enterprises, small businesses, innovators and venture companies.

Micro-Enterprise

More than half of all businesses in Iowa are micro-enterprises. These businesses are very small; they are often home-based or downtown and clustered in service, hospitality and specialty retail operations. Micro-enterprises are also characterized by low startup costs (less than $50,000 on average) and fewer than five employees. Walk into a micro-enterprise operation and the person behind the counter is apt to be the owner.

This approach suggests that the business intentions of the entrepreneur, rather than the industry or size alone, set them apart from one another and predict the kinds of services or resources they require to be successful.

Women across the country (and some men too!) flock to spas for pampered personal services such as manicures, pedicures, hair color and hot oil treatments. So why not give a pet the same high-end experience? Ashley Barnholtz, an expert pet groomer in Cedar Falls, mulled the idea of a pet spa around in her head for years before taking the plunge into business ownership in September of 2013.

Barnholtz’s innovative idea was a simple one. “Pets need to be groomed; it’s essential for their health,” she explains. “But I make the experience more enjoyable both for the parent and for the pet—because grooming should be about them getting pampered too.” And pampered at Pawsha’s is anything but clinical.

While micro-enterprises are not considered job creators, they establish a solid reputation within the community and throughout the state. Mulholland Grocery has been recognized and honored with a number of awards from different organizations and agencies across the state, including the statewide Dream Big Grow Here contest and Renew Rural Iowa’s Entrepreneur of the Month. Aside from all the attention, Mulholland believes the real measure of his success is based on the feedback from local residents and surrounding communities, making the long hours and late nights worth being in business. “There’s a sense of pride in going to other towns and commenting on where I’m from, and then people telling me they’ve heard about a great grocery store in Malvern, and they don’t even realize who they’re talking with. That is success.”

Small towns need their stores, and small town stores need all the help they can get.”

– Tom Mulholland, Mulholland Grocery

Mulholland Grocery, Malvern IA

Over the past seven years, Mulholland Grocery has put Malvern on the map in southwest Iowa, in part, because of the novel vision Tom Mulholland carries with him. In the grocery store, Mulholland set out to differentiate his meats in such a way to bring outsiders into town. “We carry items you won’t find in a small town normally,” he says, “like fresh seafood, homemade brats, smoked bacon, smoked salmon, nearly two dozen types of homemade sausages, and numerous other homemade items that are top quality, and draw people from a large surrounding radius.”

As a result of Mulholland’s perseverance, the self-made small business owner has been able to employ 11 workers and establish a solid reputation within the community and throughout the state. Mulholland Grocery has been recognized and honored with a number of awards from different organizations and agencies across the state, including the statewide Dream Big Grow Here contest and Renew Rural Iowa’s Entrepreneur of the Month. Aside from all the attention, Mulholland believes the real measure of his success is based on the feedback from local residents and surrounding communities, making the long hours and late nights worth being in business. “There’s a sense of pride in going to other towns and commenting on where I’m from, and then people telling me they’ve heard about a great grocery store in Malvern, and they don’t even realize who they’re talking with. That is success.”

While micro-enterprises are not considered job creators, they are placemakers. These locally owned businesses make Spencer different from Red Oak and Cedar Falls different from West Des Moines. Micro-enterprises are driven by passion more than profits, yet they are known for their ingenious business models. They’re the haunted bookstores, chocolate shops and styling salons for dogs, like Pawsha’s Pet Salon featured here. Moreover, they fill gaps in the economy that other businesses can’t or won’t because the profit margins may not be large. Micro-enterprises churn in and out of business rapidly (about every three years), so it’s important to have lots of them with their creative zeal to keep Iowa communities vibrant, unique and attractive to other entrepreneurs.
Innovators

Innovators are a small but growing segment of the entrepreneurial community. These companies are rapid growth businesses, clustered in technology, green and bio-sciences and other fast growing industries. A startup culture has developed around these businesses in Iowa. Places like Startup City Des Moines and the Creative Corridor of Cedar Rapids/Iowa City were formed in part because innovator business development needs are so different from micro-enterprises, small businesses and even venture companies. Innovators favor peer learning, rapid scaling and most are serial entrepreneurs; they launch multiple companies but do not keep them, preferring to sell or merge in order to do it again.

iTracking Research

In February of 2012, Dr. Bill Harwood and Mike Whitson, University of Northern Iowa faculty and staff, respectively, launched iTracking Research at the UNI Innovation Incubator. Initially, iTracking Research was envisioned as a marketing and media intelligence company providing advanced eye-gaze tracking research data using analytical software to track eye movements of individuals online. The array of subtle characteristics measured by iTracking Research is comprehensive, including data associated with facial expressions, heart rate, respirations, and galvanic skin responses. In 2013, another application for the software was discovered which has launched another diagnostic company called iTR Diagnostics. iTR Diagnostics is a startup focused on understanding the correlation between eye movement and different physical disorders, including Parkinson’s, Alzheimer’s, autism, mild traumatic brain injury and schizophrenia.

“We’re dedicated to bringing the market a system that will greatly improve a physician’s ability to diagnose Parkinson’s disease,” said Whitson. Currently there is no therapy or definitive test capable of identifying early stages of certain diseases, including Parkinson’s, which alone affects more than one million Americans. Sixty thousand people are diagnosed with Parkinson’s every year and thousands more remain undiagnosed because of a lack of diagnostic tools.

Creating the technology needed to better interpret signs of serious illnesses will not only provide medical professionals with a means to catch specific health issues, but will also give researchers a better understanding of how the brain is impacted. “This information will help both doctors and researchers quantitatively monitor patients’ progress under treatment and in experimental treatments,” said Dr. Harwood. http://www.itrackingresearch.com

Banno

Banno, Cedar Falls IA

VENTURE COMPANY

Founded in 2008 in Cedar Falls, Iowa, as T8 Webware, Banno is an information technology startup from the Cedar Valley initially built upon a proprietary digital engagement web platform enabling banks and credit unions to be more involved in their customers’ financial decisions. T8 Webware quickly became known as a technology leader in the financial services sector; they added employment rapidly in the Cedar Valley. While expanding into multiple software clusters between 2008 and 2012, the name was changed to Banno and a second site established in Des Moines. Under former CEO and managing director, Wade Arnold, Banno serves more than 375 financial institution customers and offers three primary services: Grip, a white-label financial aggregation application that combines mobile banking, mobile FPM and mobile bill pay in one native app; a web solution that offers the design and development of responsive websites; and a targeted online advertising platform. In 2012 and 2014, Banno won a Prometheus Award from the Technology Association of Iowa. The company was also recognized by the Des Moines Register in 2012 and 2013 when it was named one of Iowa’s Top Workplaces. According to Wade Arnold, Banno has grown well in Iowa in its seven-year history, but the potential to generate greater economic impact is yet to come. In the first quarter of 2014, Banno was acquired by Jack Henry and Associates (NASDAQ:JKHY).

Innovators are job creators and the jobs they create pay well. They are, however, not rock solid jobs like small businesses typically create, as failure is an expected part of the startup experience for this segment. Innovators may well be the startup model of the future for all of Iowa’s entrepreneurial segments; these companies have adapted—indeed they flourish—in the new economy.

Venture Companies

Venture companies are entrepreneurial endeavors which have exceedingly high growth potential. Most venture company development is the result of ground-breaking inventions and/or processes which are commercialized through management teams and multiple rounds of equity investment. Venture company development is clustered in a handful of emerging industries in Iowa, tied closely to the research activities at the three regent universities. Venture companies can transform a regional economy and create hundreds of new economy jobs, yet these companies represent only a tiny fraction of business activity in Iowa. According to Gregg Barcus, Commercialization Director at the Iowa Innovation Corporation (IIC), “While few Iowa companies have traditionally attracted funding from national venture capital firms, increasingly robust and available state resources and funding programs are helping turn the tide. We are now seeing increasing interest and activity from statewide, regional and national venture and private equity firms who understand that innovation and opportunity are not restricted to the east and west coasts.”

The 4 Types of Entrepreneurs

Micro-Enterprise

Small Business

Innovators

Venture Companies
91 of Iowa’s 99 Counties Represented

Business owners from all over the state of Iowa responded to the Iowa Small Business survey request in February 2014. All respondents were asked to complete the survey based upon their business experiences in the calendar year of 2013. Business owners from 91 of Iowa’s 99 counties completed the survey and offered their advice and suggestions for how to improve the ecosystem around smaller companies in the state.

A Cross Section of Industries Represented

Just like the rest of the country, Iowa businesses are clustered in a few broadly described industries. Nearly half (48%) of respondents report owning a service business. Another 27% operate retail businesses either in a physical location or online. Eleven percent of the survey respondents own technology companies, and 7% report owning a manufacturing company. These industry segments are broadly aligned with the overall industry breakdown in the state of Iowa with the following exceptions: retail operations were over-sampled by approximately 9% and professional services and wholesale trade were under-sampled by approximately 6% and 5%, respectively. All other industries (agriculture, manufacturing, technology) fell within 2% of the state industry totals.

More Mature Companies than Startups Responded

The majority of survey respondents (62%) have been in business for more than five years. Just less than 20% have been in business between three and five years, and 19% have been in operation for less than three years. These business owners offer a nicely dispersed spectrum of expertise and opinions concerning the business experience from startup to exit in Iowa.

Sales Revenue Generated by Business Owners

While more than half of the business owners reported being in business more than five years, the majority (69%) reported sales of less than $250,000 annually. Only about 5% of respondents reported having sales between $250,000 and $499,000 and between $500,000 and $749,000.

The vast majority of woman-owned businesses reported sales below $250,000 and are not well represented among businesses with sales of over $1 million. Roughly 80% of woman-owned businesses reported gross revenues of less than $250,000 in 2013, compared to 60% of male business owners. Conversely, about 17% of male business owners reported revenues of $1 million or more, whereas only 6% of female business owners reported revenues of $1 million or more.

Age of Business Owner Respondents

Contributing business owners were best represented by the 50-59 year-old age group of owners, who made up 36% of all respondents. Only 3% of the businesses in this year’s survey indicated they were younger than 29 years old. According to the Kauffman Foundation, 23% of new business start-up activity nationwide was from individuals between the ages of 20-35 in 2013. Ensuring a larger number of younger business owners participate in coming years will be important, especially since younger entrepreneurs tend to be engaged in emerging industries with high growth potential.

About the Survey Respondents

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Entrepreneurs overall are known for creating—and shedding—tens of thousands of jobs annually. Based upon responses from the UNI survey, and after accounting for layoffs in 2013, Iowa businesses with fewer than fifty employees added approximately 49,234 net full-time jobs to the Iowa economy, 56,611 net part-time jobs and subcontracted 70,334 projects to subcontractors.

Iowa Small Business Owners Created 49,234 Full-Time Jobs in 2013

The job numbers reported here offer a richer and more complete assessment of the job creation activity of businesses of this size in Iowa than the Census Bureau’s Business Dynamics Statistics (BDS) annual data series commonly used to develop state-level job creation estimates. This is because the BDS data does not count self-employed individuals.

In 2012, and again in 2013, sole proprietors (self-employed business owners who have no employees) generated the majority of business startups here in Iowa and across the nation, according to the Kauffman Index of Entrepreneurial Activity in 2014. Sole proprietors make up a substantial portion of the existing business community in Iowa as well. The UNI survey has captured information from both sole proprietors and employer firms in the state, and all of those jobs are reflected in these numbers. It is clear that smaller businesses are significant contributors to Iowa’s workforce.

Approximately 13% of new Iowa jobs were full-time management level positions with a starting wage of $22.54 per hour. Another 26% were full-time non-management jobs paying an average wage of $15.69 per hour. Part-time jobs created by entrepreneurs owners in Iowa averaged $12.07 per hour.

The numbers of subcontracted jobs is also on the rise in Iowa, reflecting a well-documented increase in subcontract employment nationwide. In 2013, the average subcontract worker earned $27.01 per hour. Women relied upon subcontractors more than men in 2013, citing more flexibility and the ability to receive assistance from mentorship while men primarily subcontracted because of the financial benefits.

Businesses surveyed shed large numbers of jobs in 2013 as well. In fact, 86,745 full- and part-time layoffs occurred among companies with fewer than 50 employees during 2013. This job churning, or what is sometimes called “creative destruction,” is considered by many to be a sign of a healthy economy as new innovation creates jobs while making others obsolete. A small, but growing number of the jobs created and lost during 2013 were related to technology adoption. This kind of churning is expected to continue throughout the next decade and beyond as our economy evolves.

Types of Employment

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Of the jobs created by entrepreneurs owners in Iowa in 2013, approximately 13% were full-time management level positions with a starting wage of $22.54 per hour. Another 26% were full-time non-management jobs paying an average wage of $15.69 per hour. Part-time jobs created by entrepreneurs owners in Iowa averaged $12.07 per hour.

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The Woman-Owned Business Experience in Iowa

A Special Segment of the 2014 Iowa Small Business Report

Alisa Roth
Bloom Works
Council Bluffs, IA
Lori Day
FocusFirst
Des Moines, IA
Lydia Brown
Ascent
Cedar Rapids, IA
Darcy Swon
inTANDEM workspace
Webster City, IA
Betsy McCloskey
Plaid Swan
Dubuque, IA
Martha Norbeck
C-Wise
Iowa City, IA
Since 2011, UNI has conducted the Iowa Small Business survey to understand sales trends, job growth or loss, capital acquired, and business use of technology among Iowa business owners with fewer than 50 employees. This year, in addition to the overall findings, we put on a gender lens.

This section of the 2014 report is an in-depth look at the woman-owned business experience in Iowa. The following articles, some of which are excerpted from the upcoming book “WE-Women Entrepreneurs” by Maureen Collins-Williams, offers perspective, historical context and suggestions for how public and private sector providers might develop more effective programs, policy and legislation to serve Iowa’s woman-owned businesses.

For more information about the survey, methodology or results please contact Maureen Collins-Williams at maureen.collins-williams@uni.edu, or Sarah Bey at sarah.bey@uni.edu. For an electronic copy of the complete survey results contact Sarah Bey 319.273.4324 or sarah.bey@uni.edu.

KEY FINDINGS

- 79% of woman-owned businesses reported sales of less than $250,000 annually. Conversely, only 6% of woman-owned business reported sales of more than $1,000,000 each year.
- There are significantly fewer woman-owned businesses in Iowa that are older than ten years.
- Woman-owned businesses in Iowa are clustered in retail and professional services, industry sectors which are traditionally difficult to scale and exhibit slow annual growth.
- Iowa woman-owned businesses in industries associated with the 21st century economy, such as technology and advanced or additive manufacturing.
- Woman-owned businesses borrowed less capital from banks on average than their male counterparts in 2013, no matter the size, age or industry of their business.
- Woman-owned businesses turn most, to informal peer networks (family and friends who are business owners) for business advice or services, far outweighing any other resources offered in the state.
- Male-owned businesses reported much greater need for help with critical business issues such as regulatory compliance, human resources, legal or accounting guidance. Women did not, and this statistically related to negative revenue and growth patterns in the state among woman-owned businesses.
- In 2012 and 2013 Iowa women business owners were online more than male-owned businesses.
- Iowa ranks near or at the bottom of all U.S. states in numbers of woman-owned business start-ups and more importantly, business growth. According to an annual survey released by American Express Open, between 1997 and 2011, the rate of woman-owned business starts in Iowa increased by only 20%—a total of only 11,573 new firms in fourteen years—as compared to an increased start-up rate of 50% nationwide.

In addition, Iowa was the only state in the nation where overall sales revenue among existing woman-owned businesses was negative—by more than 3%—between 1997 and 2011 (www.OpenForum.com). A direct link to the report can be found here: openforum.com/womensbusinessreport.

The 2014 Iowa Small Business Survey confirms that Iowa woman-owned businesses are generally smaller and younger than male-owned businesses in the state. In fact, seventy nine percent of woman-owned businesses reported sales of less than $250,000 annually. Conversely, only 6% of woman-owned business reported sales of more than $1,000,000 each year.

Along those same lines, woman-owned businesses employ fewer people than male-owned businesses in Iowa and do not seem to persist past the 10-year mark.

Improving upon these numbers will have a positive impact on the economy in the state of Iowa. Woman founders of successful companies offer well-documented differences in corporate management and communications as compared to male CEOs, and a timely focus upon what has become known as the triple business bottom line, defined as “people, planet and profit.” An increase in the number, and success of mid-sized woman-owned companies offers many benefits, not the least of which is building experiential capacity for more women to compete as CEOs in publicly traded companies where their unique perspective can substantially impact business. Given that only 3% of Fortune 500 companies’ CEOs are currently female, there is much work to do to build this pipeline.

This report offers the first serious look at the women who do business in Iowa and provides insight into their experiences, including women’s use of technology, their attitudes about being in business, where they go to seek help and what they believe they need to succeed. It is hoped that these findings will offer a starting point for more complete research and the improvement of resources and services for Iowa women going forward.
For over 30 years, researchers have attempted to understand why woman-owned businesses behave differently than male-owned businesses. Several factors stand out which seem to influence how women approach starting and growing a company. Those factors include gender roles in our society, the use by women of role models and mentors and the industry choices of women entrepreneurs. Collectively, these roles, needs and choices have put a damper on woman-owned business start-up and growth nationwide and here in Iowa. More recently, technology innovation is being viewed as both a barrier and transformational opportunity for women in business as well.

Women have multiple roles in American culture, including that of wife, mother and daughter. These roles are unique to the female gender. The role of mother, for example, is widely acknowledged to contribute to the churn of women in and out of micro-enterprise businesses. It may also play a role in keeping woman-owned businesses small, as entry, exit and management are less complicated with a small company. Nan Valentine of Valentine Coaching, for example, owns a home-based executive coaching business in Des Moines, Iowa, serving clients nationwide. The talented author, speaker and coach purposely chose not to have employees in spite of many opportunities to grow. She remains home-based after more than 15 years.

“Family and business can coexist, but it is a delicate balance.”
– Nan Valentine, Valentine Coaching

In spite of opportunity and market potential to run a larger company, the role of mom superseded high growth entrepreneurship for Valentine. The UNI survey captures what are likely some of these trends among other Iowa women who may avoid entrepreneurship all together. While Iowa may rank poorly by national standards for woman-owned business, there has never been more opportunity for advancing women’s entrepreneurship. More work and resources are needed to understand how to convert this knowledge into programs, services and connections, but the future is bright for Iowa women.
ost economic growth in the United States is being led by technology innovation across industries, so it is important that woman-owned businesses utilize technology to compete, grow and more efficiently operate in a global economy. To date, however, woman-owned business owners in Iowa are slow to embrace technology innovations or make changes to their business models to account for technological advances. More than 25% of male-owned entrepreneurs added employees in 2013 because of technology needs as compared to less than 13% of woman-owned businesses. Among those businesses that hired new technology employees, male-owned companies hired 1.6 times more employees per company than woman-owned businesses who hired.

Male-owned businesses appear to be acting more quickly to re-align their workforce as well. Approximately 15% of all full-time and 19% of all part-time Iowa jobs eliminated last year were due to technology obsolescence (technology advances that make jobs unnecessary), but none of those layoffs were from woman-owned businesses.

Woman-owned businesses know that technology incorporation is an area where they need to improve their operations; they indicated a need to address technology issues and Web development in their top four technical operations; they indicated a need to address technology incorporation is an area where they need to improve their operations.

In a recent interview with Kor, LLC, a ten-year-old Cedar Rapids based woman-owned commercial interior design business, the topic of technology is at the forefront of the company’s strategic planning. According to founder Mary Segriff, “Technology innovations offer exciting opportunities for growth and diversification but getting there is difficult.” Further, she says that, “Although we are excited about what technology can do in our industry, figuring out how to do it is a little daunting. I often feel I am being held hostage by my lack of comfort with technology.”

Segriff is not alone in feeling overwhelmed by technology. For many women it is a new and foreign industry dominated by men. Woman business owners however, don’t need to know how to create or understand the tech culture – they just need to know what problems their customers need solved. It is likely that there ‘is an app for that’ that would leapfrog her company forward. She just hasn’t asked for it.

“I often feel I am being held hostage by my lack of comfort with technology.”

– Mary Segriff, Kor LLC

In Iowa, and across the country, woman-owned businesses are younger and smaller than their male counterparts. New data indicates that woman-owned businesses actually grow much more quickly than male-owned businesses and achieve higher than average employment and revenue growth while their sales are between $10,000 and $100,000. Somewhere between $200,000 and $1 million in sales, however, these firms fail to thrive in comparison to male-owned businesses of similar size. Companies who cross the $1 million threshold tend to stabilize, but woman-owned businesses are far less likely to get there and once there, they still underperform.
Iowa businesses turned to one or more of eight primary sources of capital during 2013. These sources included banks, credit unions, investment groups, revolving loan funds, crowdfunding, friends & family and personal money. While similar numbers of men and women applied to each funding source during the year, the amount of capital they obtained was different.

Among businesses that applied for bank financing, for example, the average male-owned business secured more money than the average woman-owned business. Overall, male-owned businesses borrowed an average of $150,500, while woman-owned businesses borrowed an average of $29,625.

Accounting for industry differences, such as retailing where survey respondents who were women own 10% more retail operations, male-owned retailers secured an average of $138,937, and female retailers secured $20,333. The same was true of businesses in the professional services industry. Male-owned professional services businesses secured an average $111,714, while woman-owned firms in the same industry secured $31,571. Similar trends were found when comparing male- and woman-owned businesses of similar ages.

For both men and women small business owners, it may be that a lack of financial education is the biggest barrier to the growth of their businesses, added Ristau. “In a recent study in another Midwest state, small business owners cited a lack of business finance education as one of their biggest barriers to growth. This Iowa study also found that help with financing is near the top of business owners requests for assistance.”

To help provide easier access to financial education, this year the Iowa Bankers Association rolled out a new scholarship program for small business owners to attend financial literacy training, which business owners can apply for through their local Iowa bank. The discrepancy between men and women suggests that women are more conservative or that men are more risk tolerant in business finance. This is not an Iowa-centric issue. A July 2014 report of the U.S. Senate Committee on Small Business and Entrepreneurship found similar capital issues among woman-owned business across the country.
early 70% of all survey respondents reported turning to peer business owners in their closest circles for advice, far more than any other resource.

The 2012 American Express Open study reports there are approximately 72,000 Iowa businesses owned by women, or about 28% of all businesses in Iowa. For female entrepreneurs, then, finding other like-minded women may be difficult. Male business owners have nearly three times as many peers of their own gender to turn to, as compared to woman-owned businesses in Iowa. Woman-owned businesses are not evenly distributed throughout Iowa either. Finding a mentor in Elkader may be far more difficult than connecting with a woman in Cedar Rapids, making rural woman-owned business less apt to connect with other like-minded women. Does gender matter?

“It matters on many fronts,” notes Des Moines-based Nan Valentine of Valentine Coaching. “When women with young children have an office at home, problems are inevitable. It can be a tough balancing act. Since most men aren’t juggling a home-based business and primary child care responsibilities, I expect it’s hard for male mentors to relate. Women need to access the wisdom of other women with similar issues.”

Professor Kristine Kuhn of the University of Washington has looked at the Iowa survey data associated with the topic of peer learning. In a paper under review, she makes note of some primary research suggesting that founders of rapid-growth firms preferred peers as advisors over other potential sources, despite the fact that these entrepreneurs had incentives to obtain advice from government and paid professional sources. This suggests that connecting growth oriented Iowa women with other women of high growth companies is especially important. According to Dun & Bradstreet, however, there are only 1,301 woman-owned companies in the state with 9-99 employees, a very small number of women to connect.

“Women need to access the wisdom of other women with similar issues.”
– Nan Valentine, Valentine Coaching
Crowdfunding

Crowdfunding, raising grant-type money online via websites like Kickstarter, has become popular on both coasts and in the southern part of the United States. The Midwest, however, has failed to embrace crowdfunding in measurable numbers to date, and it was largely ignored by Iowa business owners in 2013.

More than 300 different websites across the country offer business owners the opportunity to rely upon the “wisdom of the crowd” by soliciting money from many people online to help a business start up or grow. David O’Shields, an Iowa documentary producer, is one of a few hundred Iowa entrepreneurs known to have used crowdfunding in 2013. He successfully raised $10,000 in seed capital from 42 individuals at www.kickstarter.com for a new documentary film. He suggests the lack of crowdfunding use in Iowa and other Midwestern states is likely a lack of knowledge about such sites, rather than a lack of interest. He notes: “Crowdfunding is a great option to secure start-up or new project funding. I used the resulting work from my Kickstarter campaign to attract the interest of larger organizations that specialize in funding documentaries. I have two additional campaigns planned for 2014. Kickstarter is my preferred site, but there is Indiegogo, Peoplefund.it, Smallknot, RocketHub and hundreds of others. Crowdfunding is indispensable. I think once Iowans become more aware of it, the numbers of businesses using it will go up.”

Business owners in the 2013 survey repeatedly called for more access to grants for entrepreneurs. Heightened awareness and support training to assist businesses in accessing crowdfunding might ease some of these concerns in coming years.

Sales & Markets

Iowa business owners have not yet ventured into global markets. More than half of Iowa business owners reported they do not conduct business outside of Iowa at all. Of those that do generate out-of-state sales, they indicated it makes up only a small portion of their overall revenue, averaging about 20% or less. At the same time, opportunities for global business have never been better, with the Internet and technology making access to far-away markets, suppliers and financing more accessible than at any time in the past. Increasing the amount of out-of-state dollars into Iowa is an important tool for economic growth. According to LaDene Bowen, CeCD, Associate Director of the Institute for Decision Making at UNI, intrastate and international trade is critical to bringing new dollars into Iowa communities.

There are plenty of resources and services available in the state to support Iowa business owners ready to think about this kind of expansion. The Iowa SBDC system has an International Trade Center (http://www.iowasbdc.org), the Iowa Economic Development Authority provides export trade assistance through their International Office (http://www.iowaeconomicdevelopment.com), and the U.S. Department of Commerce International Trade Administration (http://www.trade.gov) has consultants who regularly work with business owners on international expansion opportunities. Lastly, the UNI Advance Iowa program can assist companies of all sizes in identifying new market opportunities, domestic and/or international (http://www.advanceiowa.com).

For example,” she says, “the growth of businesses that export their end products (goods and services) outside the state generates new local jobs and wealth that would not otherwise be possible if those sales stayed and simply re-circulated over and over in our local communities. In essence, those sales represent ‘new money’ into the local economy. Smaller businesses may find growth opportunities they might not have otherwise by looking outside the state too.”

“We need help expanding to other states.”
- Survey Respondent

There are plenty of resources and services available in the state to support Iowa business owners ready to think about this kind of expansion. The Iowa SBDC system has an International Trade Center (http://www.iowasbdc.org), the Iowa Economic Development Authority provides export trade assistance through their International Office (http://www.iowaeconomicdevelopment.com), and the U.S. Department of Commerce International Trade Administration (http://www.trade.gov) has consultants who regularly work with business owners on international expansion opportunities. Lastly, the UNI Advance Iowa program can assist companies of all sizes in identifying new market opportunities, domestic and/or international (http://www.advanceiowa.com).

“We need help expanding to other states.”
- Survey Respondent

“We need help exporting and entering new markets…”
- Survey Respondent

“We need help defining a path of growth and direction.”
- Survey Respondent

“The growth of businesses that export their end products (goods and services) outside the state generates new local jobs and wealth that would not otherwise be possible if those sales stayed and simply re-circulated over and over in our local communities. In essence, those sales represent ‘new money’ into the local economy. Smaller businesses may find growth opportunities they might not have otherwise by looking outside the state too.”
- LaDene Bowen, CeCD, UNI Institute for Decision Making
Across the country, businesses large and small are becoming global, technology enabled and Internet dependent. According to many economists, this shift is profound and will greatly influence which businesses are competitive going forward. For businesses in rural regions, adopting to technology is slow, as connectivity, bandwidth and costs continue to stifle business innovation. While rural bandwidth legislation failed to pass in the 2014 session, there is considerable interest to address rural connectivity in 2015. Rural business owners surveyed repeatedly called for faster, less expensive connectivity.

In urban areas, new ideas based upon technology travel quickly throughout the entrepreneurial community. Mobile applications, known as “apps” are changing the way many Iowa companies accept payments, interact with their customers and do hundreds of rote tasks. Collectively, there are more than 1 million apps for Apple and Android, with hundreds of thousands of them focused for small business use. Other technologies offer entirely new business models; 3D printers that make custom flavors of cookies or “print” ice cream are on their way. According to Amy Kuhlers, State Program Manager for Connect Iowa, “Our experience, the importance of technology to business start-up and Android, with hundreds of thousands of them focused for small business use. Other technologies offer entirely new business models; 3D printers that make custom flavors of cookies or “print” ice cream are on their way. According to Amy Kuhlers, State Program Manager for Connect Iowa, “Our experience, the importance of technology to business start-up and

The 2013 survey shows that Iowa business owners are slowly catching on. Increased business use of the Internet and associated technology tools is reflected in the number of new technology jobs added and the number of jobs lost because they were replaced by technology tools. Of all the new full- and part-time jobs added by survey respondents last year, roughly one-in-five new jobs was a direct result of the introduction and use of new technologies.

Iowa business owners reported ongoing slow business growth during 2013. Sixty-five percent of respondents indicated their business either stayed the same or downsized, slightly more than in either 2011 or 2012.

Sales volume was still sluggish, too, as 58% of respondents reported their sales were flat or decreased during 2013 and only 42% of business owners saw an increase in sales. Slightly more male-owned businesses saw an increase in sales than those owned by women and slightly more woman-owned businesses experienced a downturn in 2013.

These are not new trends. In all three years of the survey, respondents have reported slow sales growth. Iowa business owners, as in other states, continue building back business and sales in the aftermath of the recession.

In spite of this, UNI survey respondents across the board are optimistic about improved sales going forward. Sixty-seven percent of business owners expect their sales to increase during 2014 and only 7% expect their sales to drop. About a quarter of all businesses surveyed expect their sales to stay the same.

These views are mirrored by the state’s largest companies as well. The Iowa Business Council (IBC) surveys its membership, comprised of the state’s largest companies, on a quarterly basis. Just like small company founders, 67% of Iowa’s largest companies expect sales to increase over the next six months. In a 2014 spring interview with Radio Iowa, IBC executive director Elliot Smith noted the same kind of cautious optimism among large Iowa companies. The IBC Overall Economic Outlook Survey Index (OSI) for the second quarter was 64 on a scale of 1-100. “We’re still in positive sentiment territory, which is anything around 50 on our 100 point scale. All our numbers are well above that,” Smith said.

During 2013 did you see your revenues...

And in 2014 do you expect to see revenues...

Percent of Respondents

Increase

Decrease

Stay the Same

2013

2014
Iowa business owners rated growing sales, taxes, and finding qualified employees as their top three pressing problems in 2013. Finding qualified employees became a more urgent issue in 2013, replacing cost of health insurance and other benefits cited in 2012 as the top problems facing Iowa businesses. The Professional Developers of Iowa (PDI) has identified workforce development as a top issue as well. Stacy LoVan, current president of the statewide organization, notes that much work is underway to address workforce readiness.

“…Iowa is making great strides in the workforce arena.”
– Stacy LoVan, Professional Developers of Iowa

She says, “As economic development professionals, we hear regularly that the availability of skilled workers is an issue facing Iowa companies. The State of Iowa, education officials, and local economic and workforce development organizations are working on several initiatives to address this. The Home Base Iowa, Skilled Iowa efforts, Iowa’s STEM initiative, local school-to-work & internship programs, and job training & apprenticeship programs are all underway.”

On other fronts, communities across the state are working to make their local region more attractive to incoming investment Iowa. “When you consider the investment Iowa communities are making,” she says, “in quality of life amenities such as arts, culture, and built & natural resources to attract professionals of all ages and skill levels to our state, Iowa is making great strides in the workforce arena.”

Other issues that ranked highly among entrepreneurs were competition and government regulations. Between 2011 and 2013, incrementally growing numbers of businesses identified regulatory compliance as a pressing problem in the state. “I don’t think people realize how difficult compliance can be,” notes Jim Olson, Director of the UNI Iowa Waste Reduction Center. “On the environmental side alone there are so many elements: air emissions, community right-to-know, hazardous waste, painting and coating, pollution prevention, solid waste, storm water and wastewater. Our services (which are free and confidential) strive to assist those business owners in understanding their responsibilities—and we are always busy.” Additional commentary concerning government regulations is addressed in the Government Relations segment of this report.

“I don’t think people realize how difficult compliance can be”
– Jim Olson, Iowa Waste Reduction Center

“I am certainly under-accessing useful advising resources.”
– Survey Respondent

“The state needs to concentrate on education of the workforce/employee training.”
– Survey Respondent

Iowa business owners believe the governor and legislature can do a better job of understanding and addressing their needs, yet politicians ranked more favorably in 2013 than in either of the two previous years surveyed. On a scale of 0-4, the governor and legislature ranked at 1.92 in 2013. This is a statistically significant improvement over 2012 when public sector servants ranked at a low of 1.65.

These rankings appear to be tied to how well the governor and legislature have responded to key business concerns about government regulations and taxes. Between 2011 and 2013, there was a sharp rise in the numbers of business owners identifying regulatory issues in particular, as a pressing problem. In the most recent survey, one in four companies identified regulatory compliance as a top issue.

According to Senator Bill Dotzler, Assistant Majority Leader in the Iowa Senate, the legislature is eager to talk to entrepreneurs in coming months to learn exactly where the regulatory concerns are. He notes there is room for improvement in state government. “We need to make regulatory compliance simpler,” he notes, “and provide easier access to the right people involved in licensing, regulations and compliance.”

“We need to make regulatory compliance simpler.”
– Bill Dotzler, Assistant Majority Leader, Iowa Senate

“We understand that government isn’t always the answer.”
– Kim Reynolds, Lt. Governor, State of Iowa

Understanding the needs of Iowa business owners has been one of many focal areas for Lt. Governor Kim Reynolds this past year. She has been a familiar face statewide in 2013, connecting with small business owners.

“We understand that government isn’t always the answer,” she said. “We’ve worked to reduce Iowa small businesses’ tax burden, cut cumbersome red tape, connect Iowans to the global marketplace through increased broadband access and put measures in place to help prepare Iowans for the jobs of tomorrow.”

The Iowa legislature took up business taxes in 2013, with a 10% reduction in taxable value on commercial and industrial property, coupled with a $125 million property tax credit targeting small businesses. Results of these measures will not be seen for a year or more but should begin to address some of the 121 separate comments shared by business owners about taxes alone.
Peer Learning

Iowa entrepreneurs have many public and private resources available to help them secure capital, technical assistance or other guidance in starting or running a business. Surprisingly, business owners tapped family and friends who are also business owners for advice more than any other public, private or professional resource in 2013. Nearly 70% of respondents turned to their peers for help, and 37% said they turned to other business owners online with whom they had no personal ties. All other resources were used by less than half of the respondents.

This comes as no surprise to Andy Stoll, co-founder of Seed Here Studio, a startup community-building business in the Cedar Rapids/Iowa City’s Creative Corridor region. “Often the best help for an entrepreneur,” he notes, “is another entrepreneur. Iowa has been improving its statewide network over the last three to five years to decrease the frictions encountered when seeking help from other people who’ve been there, done that.”

Today, many cities in Iowa, including Ames, Sioux City, Decorah and Cedar Rapids have community builders like Andy Stoll and his partner Amanda Styron. These new “connectors” work to strengthen peer networks through events, StartUp Weekends and even Hackathons. “Support incubator programs in rural areas.”

Iowa survey data from the 2012 survey and presented her findings at the Babson College Research Entrepreneurial Conference in June of 2014. She notes that it may be important not to just link up business peers, but to do so among business owners in the same industry - for example, competitors. She says that “business owners operating in the same industry are particularly qualified as advisors as they have valuable expertise and similar knowledge base.” She found among Iowa small business owners, when trust between competitors involved in peer learning was high, it had a positive effect on business growth.

Professor Tera Galloway of Illinois State University has reviewed the Iowa survey data from the 2012 survey and presented her findings at the Babson College Research Entrepreneurial Conference in June of 2014. She notes that it may be important not to just link up business peers, but to do so among business owners in the same industry - for example, competitors. She says that “business owners operating in the same industry are particularly qualified as advisors as they have valuable expertise and similar knowledge base.” She found among Iowa small business owners, when trust between competitors involved in peer learning was high, it had a positive effect on business growth.

According to Sherry Timmins, Team Leader for Business Development and IASourceLink at IEDA, IASourceLink has been a strong addition to the online business resources available to Iowans. Overall she notes, “We are pleased with the progress that we’ve made thus far, but we know that there is much more we need to do to make Iowa a national leader in entrepreneurship support.”

The Business Concierge, in particular, is serving record numbers of business owners at IASourceLink.com with competitive intelligence, industry trends information and a long list of other business information resources.

According to Rob Williams, MyEntre.Net and UNI Regional Business Center Program Manager, the statistically significant jump in the number of users in 2013 was gratifying. He noted, “All of the site resources have seen strong growth in the past year. The

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**Where Business Owners Turn for Help**

- **69%** Family/Friend Business Owners
- **49%** Chamber/Local Networking Club
- **43%** Professional Trade Organization
- **37%** Other Business Owners Online
- **69%** Other Business Owners Offline

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**Most Improved Resource**

- **Business License Information Center Serves 792**
- **Business Concierge Serves 360**
- **Monthly Events Listed 65**
- **Newsletter Readers 10,000+**
- **Service Provider Profiles 300+**
- **Webinar Attendees 1,600**

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**FY14 Economic Impact Outcomes for IASourceLink**

- **Business License**
- **Information Center Serves**
- **792**
- **Business Concierge Serves**
- **360**
- **Monthly Events Listed**
- **65**
- **Newsletter Readers**
- **10,000+**
- **Service Provider Profiles**
- **300+**
- **Webinar Attendees**
- **1,600**

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**“There needs to be a more one on one approach with entrepreneurs when they start their business.”**

- **Survey Respondent**

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**“Support incubator programs in rural areas.”**

- **Survey Respondent**

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**“I need access to people that could give me fresh perspective….”**

- **Survey Respondent**

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**“Often the best help for an entrepreneur is another entrepreneur.”**

- **Andy Stoll, Seed Here Studio**

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**“…there is much more we need to do to make Iowa a national leader in entrepreneurship support.”**

- **Sherry Timmins, Iowa Economic Development Authority**

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**“We need more and continued web seminars.”**

- **Survey Respondent**

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**“We need more networking resources.”**

- **Survey Respondent**
In Their Own Words: Survey

I appreciate the constant communication. I understand there are more resources out there, but sometimes just don’t know how to ask.

The biggest hindrance, in my case, is the lack of an adequate workforce, and it is getting worse every year.

As a rapidly growing business, there is often encouragement to outsource, either outside the county, state and even the country. We need to make it attractive and supportive to stay where we are, to improve the local/state/country economy.

Do more for very small businesses (under 20 employees). It is often difficult to afford memberships in organizations, advertise business-to-business, or participate in events with a limited budget.

I love being able to have my own business!

Less regulation, lower taxes and less government control would help.

It was difficult to start my business in 1987 because there was a lot to know and learn to operate within the law. If I had to start the business again today, I don’t think it could be done, mainly because of added government regulations over the past 25 years.

I think it would be beneficial to get a panel of local small business owners to act as a mentoring source for new business owners who have questions.

Raising minimum wage only allows me to give fewer hours to existing employees. It’s a deal breaker.

We need local city government support of small business. Our local government is threatening and has no appreciation of small business.

Keep EntreFEST going!

Obamacare is going to destroy the family business unit. All of the additional costs they are adding to the business owner is going to break us, as well as the skyrocketing costs of health insurance.

We have used every bit of our savings to keep our small meat market/catering business open. Today’s economy is risky and scary and sometimes overwhelming. We truly believe we fill a need in our small community and want to contribute to Iowa’s overall economy.

Very good survey - covers the important aspects of small businesses!
Strategic Marketing Services (SMS) is part of the University of Northern Iowa’s Business & Community Services group—a collection of “outward facing” professional organizations enabling innovation among Iowa’s communities. SMS has established a solid, nationwide reputation for delivering intelligence that is accurate, actionable, and affordable to its clients’ marketplace. Utilizing the strengths of industry professionals and talented faculty consultants, SMS has served more than 250 private and public organizations in its 21-year history. Once again in 2013, Strategic Marketing Services worked closely with the UNI Regional Business Center (RBC) project team to design a research methodology that enabled a broad assessment of Iowa entrepreneurs. The protocol yielded statistically reliable comparisons between data submitted by male and female respondents, as well as between corresponding data collected in 2011, 2012, and 2013. The 2013 survey instrument was sent to a random sample of 16,913 Iowa businesses: 8,913 records were provided by the UNI RBC and 8,000 were purchased through InfobizUSA. Over a two-week data collection period, 668 potential respondents logged onto the survey website. Partially completed surveys, respondents who opted out, businesses with over 50 employees, and former and future business owners were removed, leaving 515 respondents to compose the 2013 aggregate data group.

D&B® Selectory estimates there are 245,005 businesses in Iowa with 50 or fewer employees. Assuming there are no major differences between business owners who responded and business owners who did not respond, 515 aggregate responses creates a statistically valid sample yielding a 95% confidence level with a ±4.31% confidence interval. This means that for any ranking or rating expressed by the aggregate group, if the number of responses matches or approximates the total of 515 responses, we can be 95% certain that the data are within 4.31% of being accurate.

Throughout the report, as requested by the UNI RBC project team, SMS compared response data from male and female respondents for select questions. For some questions, comparisons were also made between the 2013 and 2012 respondent groups. Confidence levels and intervals associated with each subgroup are:

- 95±3.97% for 2013 male respondents (272 ea)
- 95±6.28% for 2013 female respondents (243 ea)
- 95±4.31% for 2013 total respondents (515 ea)
- 95±3.97% for 2012 total respondents (609 ea)

SMS also employed both non-parametric (chi-square test for independence) and parametric (independent samples t-test) statistical tests to detect significant differences between respondent groups. The former test explores the relationship between two categorical variables; the latter looks for differences between two independent groups on a continuous measure. All statistically valid differences between groups are noted in the final research and analysis report.

We at SMS deeply appreciate the trust that the UNI RBC places in our market research organization. We look forward to future involvement with this vital measure of Iowa entrepreneurs and the entrepreneurial climate in which they operate and prosper.

— Greg Gerjerts, Director Strategic Marketing Services Professional Researcher Certification

The Regional Business Center team philosophy is to listen to small business owners, imagine what we can do to make life better, and to create solutions leveraging our university and technology assets. Annually, we evaluate how we’ve done in terms of economic impact, user experiences, and popularity. The programs below are just some of the resources made available to small business owners across the state. For more information visit www.uni.edu/rbc.

- The Iowa Small Business Report is the only annual statewide survey of small business owners in Iowa. The 2014 report captures economic activity among small business owners with fewer than 50 employees and offers the first in-depth look at woman-owned businesses in the state. First conducted in 2012, the survey provides researchers, policy makers and service providers throughout the state a better understanding of the needs of Iowa’s small business community.

- BusinessConcierge The Business Concierge gives small business owners a single place to call, email, chat or tweet to get business information, market research or a referral to an Iowa service provider partner. Our “Ask Us Anything” approach gives confidence to the shy, empowers the excited and ensures no business question goes unanswered. More than 600 businesses are served annually, at no charge. http://bizhelp.iasourcelink.com

- Advance Iowa is Iowa’s recognized holistic consulting program for mid-sized growth companies. Work is performed with companies in a variety of industries across the state, assisting them with core strategies. http://www.advanceiowa.com

- The Entrepreneur Regions Project, in partnership with UNI’s Institute for Decision Making (UNI IDM), provides in depth and hands on assistance to communities interested in supporting entrepreneurial activity. Through training, planning assistance and support services, communities work to improve the entrepreneurial culture and business access to capital, technical assistance and networks.

- Dream Big Grow Here is an online contest providing small business owners across industries an opportunity to earn a $5,000 prize and another $10,000 grand prize annually. Launched as a pilot in 2010, Dream Big Grow Here attracts more than 100,000 site visitors each year and culminates in live, pitch-off events. http://www.dreambiggrowhere.com

- EntreFEST The Entrepreneurial Regions Project, in partnership with UNI’s Institute for Decision Making (UNI IDM), provides in depth and hands on assistance to communities interested in supporting entrepreneurial activity. Through training, planning assistance and support services, communities work to improve the entrepreneurial culture and business access to capital, technical assistance and networks.