

Small business turnover: Constantly opening, closing

April 21- 25 was National Small Business Week; a time when the important role that small businesses play in our economy is recognized and celebrated. The Small Business Administration announced the 2008 Wisconsin Small Business Person, the management team at Marvel Manufacturing, a 100-year-old Oshkosh based manufacturer of high quality metal cutting saws. Unfortunately, few small businesses survive 100 years. In fact, most never celebrate their tenth anniversary.

Data from the U.S. Census Bureau reveals that 9.8 percent of the nation's smallest businesses ceased

operation in 2004 (the most recent data available). The loss was more than offset by the number of new small businesses established during the year. Similarly, the Madison Metropolitan Statistical Area (MSA) lost 829 — or 9.8 percent — of all businesses with less than 20 employees in 2004. Although this was offset by the 973 small businesses opened in the MSA during the year, it means that the inventory of small businesses in the MSA turns over about once every five years. The Madison experience is consistent with the U.S. and is indicative of the high level of risk entrepreneurs assume and the volatile nature of small business.

Small business turnover in Madison

Businesses with 1 to 19 employees in the Madison Metropolitan Statistical Area (MSA), 2004:

Small businesses initially: 8,477

Opened: 973

Closed: 829

Net gain: 144 new small businesses

SOURCE: U.S. Census

PART 1 of this month's series on small businesses.

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