

## 7.13: Contributions of Small Businesses on the U.S. Economy

### Learning Objectives

- Discuss the contributions of small businesses to the U.S. economy

When the [Small Business & Entrepreneurship Council](#) states that “American business is overwhelmingly small business,” it’s not just hype. According to the U.S. Small Business Administration, there are over 30 million small business in the United States, with small businesses accounting for 99.9% of all businesses. Small businesses play a crucial role in the US economy, responsible for roughly half of new job creation and economic activity, measured by GDP or Gross Domestic Product. Small businesses employ approximately 60 million Americans, or 47.5% of all U.S. employees. Embedded in the community, small businesses also drive local economic growth and vitality. There’s a multiplier effect—an additional economic benefit that accrues to the community—when people spend locally. For example, If you spend \$100 at a locally-owned business, \$68 stays in the community. If you spend \$100 at a national chain, only \$43 stays in the community.

Small businesses are not only economic engines, they represent a source of innovation. In an article for Inc., Babson College entrepreneurship professor Patricia Green refers to small businesses as “the innovators of the world.” In research done with Goldman Sachs 10,000 Small Business Program participants, Green found that the small-business owners were actively engaged in pursuing opportunities that met one or more of the innovation criteria established by economist and author Joseph Schumpeter:

1. new products
2. new methods
3. new markets
4. new sources of supply
5. new market structures

Entrepreneurs have conceived many of our most beloved products, including beer, chocolate chip cookies, Monopoly and personal computers. More recent innovations include a 3D printer for fabricating living cells, charitable crowdfunding, disinfectant light fixtures, artery stents, microfinance, non-toxic paints, and Structural Insulated Panels (SIPs).

Small businesses are as unique as the individuals that start them. Starting your own business allows you to develop a business concept and future vision that achieves your specific definition of “success.” And different entrepreneurs will pursue different paths in achieving that vision.

### Practice Question

<https://assessments.lumenlearning.co...essments/11027>

### BioSIP

Award-winning architect and Colorado University architecture professor Julee Herdt is developing and testing her green building innovations primarily in the academic environment, using collegiate home design competitions as proof of concept. Herdt’s BioSIP invention was cited by the international Solar Decathlon judges as being critical to the CU team’s back-to-back (2002, 2005) wins in the Solar Decathlon competition.

Since those awards, Herdt has advanced BioSIPs structural insulated wall, floor and roof panels to exhibit strengths surpassing other SIPs in specific areas (compressive and transverse loading) as well as to exhibit super thermal values.

Herdt has been awarded 2 patents and her BioSIPs inventions have garnered a State of Colorado, US Green Building Council (USGBC) “New Products” and “Excellence in Renewable Energy in Buildings” awards and numerous grant awards.

Herdt is CEO of BioSIPs, Inc., a woman-owned tech-based corporation and CU’s technology spin-off for commercialization of BioSIPs and other products from 100 percent diverted waste fibers.

### ✓ LISNR

LISNR CEO Rodney Williams co-founded Lisnr, a technology start-up, while he was still working at Procter & Gamble. Technology wasn't new to him; he had 3 patents by the age of 27.

Williams, who had a vision for the Lisnr technology, met co-founder Chris Ostoich at P&G. The two co-found took their idea on The Startup Bus, a 72-hour technology business concept competition. The team met their third co-founder and first investor at South by Southwest, where the aspiring entrepreneurs made their pitches to business scouts and investors.

Their journey includes a number of lessons and cash flow challenges—common challenges for entrepreneurs. [Read Williams' CNBC profile or watch the video](#) for perspective on lessons learned on his journey from a six-figure corporate salary to \$100,000 in debt to now, with 40 employees and founding of over \$14 million. LISNR leadership was named a 2017 E&Y Entrepreneur of the Year.

### ? Try It

- IndependentWeStand.org's article "What Happens When You Shop Locally."
- Time's [article "25 Best Inventions of 2017."](#)
- Inc.com's [article "The 14 Coolest Products From Millennial Entrepreneurs."](#)

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