



Scotty Young, left, and Paul Murtha of Touch America, assemble therapeutic tables at small business incubator in Hillsborough.

# *Small Business: Big Business in North Carolina*

By Todd Cohen

**A**lvah Ward, the state's chief industrial recruiter, leaned back in his office swivel chair one day last summer and frowned as he pondered how to illustrate the job facing the state's economic developers. The circumstances are well known: North Carolina, despite all the economic progress of the post-World War II era, is still a low-wage state marked by illiteracy and poverty. Finally Ward put his finger on it.

"We would have to recruit a Miller Brewing Company *per month* for *five years* just to increase the average manufacturing wage *five cents an hour*," Ward said, referring to the big brewing plant in Rockingham County that employs hundreds of workers in high-wage jobs. Unfortunately for working North Carolinians, though, there are too few big businesses like Miller Brewing, which has a long line of job applicants, who are willing to bring their high

payrolls to the state. And the fact is that *big* businesses—defined by the N.C. Department of Commerce as those with *more* than 100 employees—don't provide the bulk of new jobs in North Carolina.

Instead, most of the new jobs in this state come from *small* businesses, those companies employing *fewer* than 100 employees. They shoulder a heavy part of North Carolina's economic load—and they could use a bigger boost from state government. From 1979 through 1983, they supplied 104,382 *new jobs* in the state—almost three-fourths of the new jobs generated for the period. By comparison, large businesses (those with 100 or more workers) accounted for only 38,928 jobs (see Table 1).<sup>1</sup>

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*"If all the economists were laid  
end to end, they would not  
reach a conclusion."*

*—George Bernard Shaw*

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And that's not all. Consider these assorted facts:

- Small businesses account for 97 percent of North Carolina business firms, or more than 110,000 companies out of a total of 114,000 firms.

- Small businesses account for 45 percent of all jobs in the private sector and, with the gains of recent years, the total number of small-business jobs is slowly catching up with the number of large-business jobs.

- And very small businesses (20 workers or fewer) account for 86 percent of the firms and about 20 percent of the jobs.

Small businesses "have been the backbone of our revenue base and economic base for many, many years," says Commerce Secretary Howard H. Haworth.

But that backbone has an ache in it: An estimated 65 to 85 percent of small businesses fail in their first two years, and an estimated nine out of 10 fail eventually.<sup>2</sup> George Bernstein, chief executive officer of Laventhol & Horwath, an accounting firm specializing in service establishments, says that most new businesses fail "soon after they start up," and fewer than three in 10 survive to be passed on to a new generation of owners. Those failures are the result of a lack of one or both of the two key ingredients to success—sufficient capital and the know-how to start or expand a small business.

## **What's North Carolina Doing To Keep Small Businesses Rolling?**

**A** growing number of states assist small businesses through such means as investment of state employee pension funds. In North Carolina, however, the woes of small businesses have not been a top priority of government. Under the eight-year tenure of Democratic Gov. James B. Hunt Jr., for example, the economic focus was on luring new industry to the state, especially high-technology companies. Under Gov. James G. Martin, efforts are being made to bolster traditional industries, such as textiles, tobacco, and furniture.

"Up until very recently, we haven't acknowledged the importance of that business sector to generate jobs," says Sheron K. Morgan, a senior policy analyst in the state Division of Policy and Planning. Echoing Ward, she asked, "Do you realize how many new plants you'd have to get to relocate to North Carolina to generate that many new jobs?"

In recent years, state government has begun to cultivate the growth of small businesses in the state. That effort thus far has focused on providing technical help, such as assistance in the preparation of business plans and loan applications. The state also has begun to provide direct financial assistance, though in limited fashion.

R. Jack Hawke, policy and planning director for Governor Martin, says that the administration hoped by this summer to write a plan designed to ensure the survival and growth of small businesses. That plan is expected to build on existing government efforts, which have focused on two types of small businesses—the "mom-and-pop" shop that may need help in securing a loan or managing its operations, and the high-tech entrepreneur equipped with an idea for a product or service but lacking the capital or knowledge to translate the idea into black ink.

Current state policies to help small businesses focus on providing small business operators with advice and information, although some direct funding is available. State officials are mulling over the possibility of establishing a privately managed loan program for small businesses that would be financed either by the state or by private lenders, or both. However, additional assistance also may be needed in the form of a restructuring of state tax policy to provide incentives to small business people and entrepreneurs, as well as investors and large corporations that help define the overall business environment.

Existing state programs to assist small business include:

- The Small Business Centers program in the N.C. Department of Community Colleges. The program, with a budget of \$850,000 and centers at 20 of the state's 58 community colleges, provides counseling, workshops, and classes for small business people and those seeking to start a small business. The program began in February 1984 and may eventually expand to all but a few campuses.

- The N.C. Small Business and Technology Development Center in the University of North Carolina system. The center, with a budget of \$790,000 and six offices, also provides small business counseling. The program began late in

1984. Its basic mission, according to its own promotional brochure, is "to provide one-on-one management and technical assistance to small business persons drawing largely from schools of business and engineering."

■ The Small Business Development Division in the state Department of Commerce. Previously called the Small Business Assistance Division until a departmental reorganization in 1985, this division, with an annual budget of about \$500,000, also provides advice to small businesses. (Other state programs within Commerce also deal with small business, including the Minority Business Development Agency and the Governor's Small Business Council.) Among the division's aims, says Assistant Secretary Lewis H. Myers, are increasing business starts in North Carolina, and reducing small business failures through information, referral, and other assistance.

■ The N.C. Technological Development Authority. With a budget for FY 85-86 of \$1.35 million, the authority provides royalty grants—which must be repaid—for research and development. It also provides grants to non-profit corporations to develop "incubator facilities" in which entrepreneurs can obtain low-rent space and support services. The authority was established in 1983.

Another facet of the state's interest in small business development is the Commission on Jobs for Economic Growth, appointed in late 1985 by Lt. Gov. Robert B. Jordan III to study how the state might improve the climate for creation of new jobs. Billy Ray Hall, a former key policy aide in the Department of Natural Resources and Community Development under Governor Hunt, directs the commission's work. Hall recommended creation of a Job Development Committee that would focus on small business "to see if there are ways we can improve it. Are there things we can do to engender small business development?"

Hall says the commission is not a matter of partisan politics and should not be interpreted as the Democrats' reaction to a Republican administration's programs. "That's not the feeling so much as the fact that we know that changes in our economy are going on out there," Hall explains. "The thing you have to be impressed with in North Carolina is the number of jobs that have been created by small businesses in the past few years."

While the Technological Development Authority is the only one of the four state programs that actually provides funding for small businesses, all four share a common goal. "We're trying to give small businesses at least a chance to survive," says R. Jean Overton, associate director

for small business and business occupations for the Department of Community Colleges.

Each community college Small Business Center, with a budget of \$40,000 to \$50,000, has one director and one clerical worker. Dr. Overton's target is to operate centers at all 58 community colleges with a total budget of about \$5.8 million—or \$100,000 per center. The UNC program, which began in January 1985, provides counseling similar to that offered by the community college program. It already has helped more than 600 small business people.

Like the programs at UNC and the community colleges, the Small Business Development Division in the Commerce Department would like to be a "one-stop center" to provide whatever help a small business person needs—including such routine items as helping with applicable licenses, certification, or other regulatory permits. "But we do not have that yet," says Myers. Myers hopes to establish a computer system soon that would function as a clearinghouse capable of providing answers to any question about small business—accessible by a single telephone call.

### *But How About Keeping Small Businesses Profitable?*

Myers also hopes the state can move beyond providing information and begin to provide the second key element needed by small businesses—cash. "I think we have a capital shortage here in the state," he says. Myers advocates state assistance to small business through investment in venture capital funds.

The state already has begun investing in small businesses through the Technological Development Authority. The authority runs two funding programs. The first provides innovation research funds of up to \$50,000 for developing new products. The second provides grants of up to \$200,000 to non-profit organizations to establish

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*"The propensity to truck, barter, and exchange . . . is common to all men, and to be found in no other race of animals."*

—Adam Smith,  
*"The Wealth of Nations"*

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**Table 1. Private Sector Employment Trends In Small Businesses, 1979-1983**  
**North Carolina**  
**Number of Employees**

<b>SIZE OF BUSINESS</b>	<b>1979</b>	<b>1980</b>	<b>1981</b>	<b>1982</b>	<b>1983</b>	<b>Increase Over Five-Year Period</b>
1 to 20 Employees	398,963	402,018	411,571	408,945	438,571	39,608 (+9.9%)
20 to 49 Employees	248,540	256,350	260,195	258,325	283,872	35,332 (+14.2%)
50 to 99 Employees	204,986	206,857	204,429	203,349	234,428	29,442 (+14.3%)
<b>Sub-Total in Companies &lt;100 Employees</b>	<b>852,489</b>	<b>865,725</b>	<b>876,195</b>	<b>870,619</b>	<b>956,871</b>	<b>104,382 (+12.2%)</b>
<b>Big Business Sub-Total in Companies &gt;100 Employees</b>	<b>1,063,696</b>	<b>1,054,480</b>	<b>1,041,768</b>	<b>1,022,988</b>	<b>1,102,624</b>	<b>38,928 (+3.6%)</b>
<b>Total Business Employees</b>	<b>1,916,185</b>	<b>1,920,205</b>	<b>1,917,963</b>	<b>1,893,607</b>	<b>2,059,495</b>	<b>143,310 (+7.4%)</b>

Source: Small Business Development Division, N.C. Department of Commerce.

incubator facilities to "hatch" new businesses. The authority already has made 16 research awards to small businesses totaling \$600,000, covering research in agriculture, medical technology, textile automation, and chemical and electrical engineering.

The Incubator Facilities Program, begun in 1983, has awarded four incubator grants totaling \$800,000, and expects to award three more with \$600,000 appropriated by the 1985 General Assembly. The incubators—buildings constructed or renovated by the non-profit groups—provide a package of services that are available at lower rates than each service would cost separately on the open market. The incubators provide space, clerical services, and technical support, including access to professors at area

community colleges who provide advice on financing, management, and marketing.

"There is a dearth of available expertise," says Juliann Tenney, the executive director of the Technological Development Authority. "Small business people tend to reinvent the wheel over and over again for business purposes. They also are crippled by overhead expenses."

The first privately funded incubator to open began in September 1985. Called Hillsborough Business Center, the incubator is part of a commercial redevelopment of an old cotton mill that eventually will also offer manufacturing, distribution, and laboratory space to help hatch and rear new businesses. Another effort is underway in Winston-Salem, and others are planned, including one for the Research Triangle area.

Tenney hopes that lawmakers will continue to fund the Technological Development Authority at current levels. But she says that small businesses need additional help from the state.

## Nothing Ventured, Nothing Gained

“I think the state probably ought to develop some type of loan fund,” says Tenney, referring to low-interest loans. “Most small businesses need a loan of about \$10,000 to \$35,000. That money is just not available.”

There is a sharp difference of opinion among experts in the state about whether additional venture capital is needed. C. C. Cameron, the Governor’s executive assistant for budget and management and the retired chairman of First Union Corp., believes that risk capital is not as readily available to North Carolinians as it is to entrepreneurs in the high-tech centers of Massachusetts, California, and Texas.

Cameron says the state needs “a venture capital source—whether it’s a public or private or joint venture—to encourage the entrepreneur to spin off” new businesses from large high-tech companies such as IBM, Data General, or Northern Telecom.

According to *Venture Capital Journal* of Wellesley, Mass., nearly \$19 billion was being managed in the United States in 1985—and the magazine estimates that more than \$50 million of that sum went to North Carolina companies. J.

Douglas Mullins, a partner in Venture First Associates, a Winston-Salem venture capital fund, estimates that about \$30 million is being managed by Tar Heel venture capital funds—less than 1 percent of the total in the country. “There’s an insufficient amount of early-stage venture capital in the state,” says Mullins.

To spur additional investment, the private Council for Entrepreneurial Development was formed in late 1983. The group has held two annual venture capital fairs, with would-be entrepreneurs presenting their business proposals to potential investors. An estimated \$2 to \$4 billion in potential investment was represented at each fair—but most of it was out-of-state money, says Fred O. Hutchison, a Raleigh lawyer and former president of the council.

Dennis J. Dougherty, a general partner in Intersouth Partners, a venture capital fund in Durham with a goal of managing \$20 million, says that North Carolina needs its own venture capital funds because entrepreneurs require the cash, business expertise, and time of their investors. But others disagree, saying that investors are not inhibited by geographical boundaries. Emil E. Malizia, an associate professor of city and regional planning at UNC-Chapel Hill, acknowledges that North Carolina does not have a native venture capital industry. But the market for venture capital is a “national market,” he says. “I think North Carolina companies have been relatively successful in accessing capital in that market.”

Melissa Thomas, property manager, Hillsborough Business Center, a small business incubator, stands in former workroom of old Eno Cotton Mill in Hillsborough, where new businesses will be hatched.



Jack Betts

Kirsten A. Nyrop, a consultant to local governments and small businesses who served as the first executive director of the Technological Development Authority, says the state's top priority in helping to finance small businesses should be to establish a guaranteed loan program. She favors a program that would guarantee 10 to 20 percent of loans by banks to small businesses. The partial loan guarantees would encourage banks to take the risk in providing venture capital that they otherwise might not have been willing to lend—thus making more money available to potential entrepreneurs.

## Other States Have Ventured Into Venture Capital Funds

Other states have begun to invest in small business and venture capital funds. Michigan, for example, allows the investment of up to 5 percent of money in its \$13 billion retirement system—about \$500 million. Since 1982, when the investment program was authorized by legislation, Michigan has invested \$4.8 million directly in 27 companies and \$100 million in 14 venture capital funds. The investments thus far have generated about 3,500 new jobs in the state, although the program's top priority is earning an adequate rate of return on its investment. Minnesota is one of about 10 states that are using unemployment funds to help would-be entrepreneurs who are receiving public assistance payments because they don't have jobs to get off the welfare rolls and into their own businesses. At least seven states have formal, state-operated venture capital funds, according to the National Association of State Development Agencies, and 15 others allow pension funds to be invested in venture capital funds.

What should government do in North Carolina to make the state more hospitable to small businesses? Experts agree that small businesses need two types of help—money in the form of loans, and a better, more organized system of providing technical assistance. Government leaders like Commerce Secretary Haworth, Budget Officer Cameron, and State Treasurer Harlan E. Boyles favor some type of government program to spur investment in small business.

Those officials are considering establishing a privately managed fund that would make low-interest loans to small businesses. The fund would consist either of state funds or private funds, or both. As a possible state funding source, Boyles has proposed that the state sell its stock in two railroad companies that it has owned since the 1800s. (For more on the state-owned railroads, and the Center's critique of

## *A Small Glossary of Small Business Nomenclature*

**Entrepreneur:** An individual or group of individuals with an idea for a small business producing a new product or service, but generally lacking the financial backing and the management, administrative, production or marketing skills to start and maintain the business without assistance from technical or financial sources.

**Venture Capital:** The cash, credit, and other assets that are available for investment in new small business ventures. Because of the high rate of failure and substantial risk of investing in small businesses, the interest rates on venture capital may be much higher than for more conventional loans. In some cases, the loan may be secured or reduced by granting the venture capital investor a part ownership in the company.

**Incubator Facility:** An office setting available to house multiple small business operators who need space to begin operation but cannot afford separate quarters. Services available in an incubator facility may include telephone answering, secretarial and clerical, and even accounting and legal services on an hourly basis as needed.

proposals to sell the railroads, see "North Carolina's Railroads: Which Track for the Future?," *North Carolina Insight*, Vol. 6, No. 1, pp. 2-16). Boyles estimates the stock to be worth \$50 million to \$75 million. A legislative committee meanwhile is studying what to do with the stock.<sup>3</sup>

Another option would be changes in state tax policies to encourage private investment in small businesses and to ease the pressures faced by small businesses that frequently find themselves short of cash. M. Campbell Cawood, a general partner at Venture First, says that an overhaul of the state's tax policy could provide more effective and immediate assistance to small business than the state's current set of programs. Cawood suggests that shifting to a graduated tax structure for corporations and individuals with net taxable income above \$10,000 would allow small businesses to retain cash. That would give them capital for operating and expansion purposes, help ensure their survival, and make small businesses more attractive to investors.

Cawood also suggests repealing the taxes on intangible assets (such as stocks) and on business inventories, thus removing obstacles to capital formation in the state. (For a pro and con

## *Small Business the Hard Way: Starting from Scratch*

Small business success stories aren't all tales of high-tech entrepreneurship nurtured by an array of state programs and funding devices. Just ask Mary Moore Ritchie of Raleigh.

"I do not have a college degree," says Ritchie, president and owner of Court Reporting Services, the largest free-lance court reporting company in North Carolina. "I have no formal education in how to run a business."

What Ritchie does have is hands-on experience at learning her trade, earning a living at it on a free-lance basis—and turning that solo effort into business. She can meet a payroll, pay rent and overhead, generate cash, and balance a bottom line.

She also is skeptical about state government programs designed to help small business people. Those programs, she says, lack experts who actually have experienced the practical problems that small business people face.

"You can take all the theory you want in the world, but if you can't apply it in the real world, it's not worth much," says Ritchie, who graduated from a two-year junior college.

State government programs also seem to focus on small businesses geared toward high technology, Ritchie says. But if small businesses are the backbone of North Carolina's economy, Ritchie adds that mom-and-pop operations like hers are the backbone of small business.

"The state," she says, "should recognize that high-tech is not all there is" to business—large or small. Her story illustrates the point graphically.

In 1969, with three young children, Ritchie taught herself to be a court reporter, mailed letters soliciting business to all the lawyers in Wake County, and began working on a free-lance basis. She transcribed her work on a typewriter at home. Today, her company has 15 employees. She also runs the Sir Walter Center, which leases office space to lobbyists and branch offices of national corporations and provides support services, including a receptionist, telephones, a conference room, and janitor.

The gross income of her two businesses is in six figures. And in recognition of her

success in the small business world, the Small Business Council of the Greater Raleigh Chamber of Commerce named Ritchie its Entrepreneur of the Year in 1985.

Ritchie's story is symbolic of a national trend involving women in small businesses. N.C. Assistant Secretary of Administration Gloria Whitman says recent surveys show that women are creating or involved in four out of every five new businesses in the United States. From 1972 to 1982, she says, the percentage of businesses owned by women grew from less than 5 percent to more than 26 percent. Precise figures are not available, she adds, but current estimates are that as many as 60,000 North Carolina businesses are owned by women—and that doesn't even count the number of firms that are incorporated or where women are in partnerships.

Ritchie attributes her success to hard work, self-education, and eventually, the assistance of several financial advisers—but not state small business programs. She says that state government can help small business people—but that it first must understand their needs. *(continued, next page)*

Mary Moore Ritchie, right, at Sir Walter Center.



Jack Betts

"The biggest thing the state has to overcome is that people do not have confidence in federal and state agencies for assistance," she says. "And (these agencies) have got to overcome that by having competently trained people who know small business, not some state employee who's been there for 50 years." Small business people, she says, need "bodies to go and talk to that understand, that can help with personal problems."

Ritchie says she sought assistance from state government when her sales had leveled off and she wanted to know how state government could help her increase sales. But the experience left her wary of state government's value in helping small business people, she adds.

After beginning her business and working on her own for a year and a half, Ritchie hired part-time typists, with some of them transcribing her work in their homes and others transcribing in Ritchie's home. Six months later, she hired a full-time court reporter. By 1974, Ritchie had plenty of work but found herself short of cash. A key problem, she says, was that payments by her lawyer-clients lagged behind her schedule for paying her part-time employees. So, to keep herself afloat, she used her accounts receivable to borrow 90-day notes worth \$1,000 to \$5,000 from local banks.

By 1978, she had two full-time employees working in her home and she herself was

working seven days a week. "I couldn't get away from it," she remembers. That's when she decided to open an office in downtown Raleigh. "That was the hardest year-and-a-half I've ever had in business," she recalls. "The business was growing. I had no working capital."

Her staff grew as she added fulltime typists, a proofreader, clerical workers, an office administrator, and finally, a third court reporter. All this time, Ritchie was running the business by trial-and-error. But in the fall of 1978, she heard about SCORE—an acronym for the Service Corps of Retired Executives, an agency of the federal Small Business Administration. SCORE assigned her a counselor who reviewed her business's financial history and recommended she incorporate and obtain a credit line at a bank based on her high level of accounts receivable.

Her advice to state government now is to provide seminars on the practical aspects of operating a small business—seminars taught by experienced small business owners.

Small business people "can start a business before they educate themselves," she says. "But they need to budget time and funds in educating themselves in the practical aspects of business operations"—including financial management, personnel management, marketing and sales, legal matters, and insurance.



—Todd Cohen

discussion of these tax repeal proposals, see "The Tax Debate of 1985," *North Carolina Insight*, Vol. 7, No. 4, pp. 8-15). Another way to create more capital for investment would be to grant tax credits to taxpayers for long-term capital gains, Cawood says.

"If you're talking about government having the ability to do something, this is the area where they can make some changes where they will have an impact," Cawood says. "I believe that changes in the income tax structure will have a broader impact and a more meaningful impact than anything else the state can do—and a more immediate impact."

Secretary Haworth agrees that the overall impact of taxes on small business development needs to be studied and says it is imperative that the tax on intangible assets be repealed—though Governor Martin retreated from earlier stands on January 16 when he said the state should not

immediately remove the tax because of sluggish tax revenues. In general, Haworth is bullish on the state's efforts to assist small business. "We have not been really as well organized to serve and pursue the development of small business in the past," Haworth says, "as we are and will be in the future."

In 1986, Governor Martin began responding to calls for help from the small business sector. On January 28, he told the N.C. Small Business Council he would support developing a corporation to channel low-interest government loans to small businesses and create enterprise zones designed to help create small businesses in rural areas. The Governor's strategy for helping small businesses will be part of his administration's new blueprint for economic development, to be released in the spring of 1986.

That the state has been remiss in the past to boost small business is reflected in a recent

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“Business will be better or worse.”

—Calvin Coolidge

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*Forbes* magazine report designating what it called the best 200 small companies in America.<sup>4</sup> Selected on the basis of such factors as growth and rate of return on investment, the companies are the sort of firms most development-minded states would seek. One measure related the number of top small company headquarters to each state's population. In this ranking, North Carolina ranked 21st among the 50 states, with an average of 0.5 headquarters per million residents. Only 16 states had above the national average of 0.85 headquarters per million. Eighteen states had no such headquarters.

But the news isn't all bad. According to another survey, North Carolina has 16 businesses on *Inc.* magazine's list of the 500 fastest-growing companies.<sup>5</sup> The list of these North Carolina companies shows what kinds of small businesses will be riding the crest of the future business wave. Among them were Masterclean of Winston-Salem, a general cleaning contractor, which had a growth in sales of 3600 percent from 1980 to 1984; Captive-Aire Systems of Raleigh, a ventilation equipment manufacturer, with more than a 2600 percent sales growth in the period; Southern Office Furniture Distributors of Greensboro, a distributor of office furniture, with a growth of more than 2200 percent; Pioneer/Eclipse of Sparta, a floor cleaning equipment maker, with more than 2100 percent sales growth rate; and ATCOM, a Research Triangle Park manufacturer of business telephones, with more than a 2000 percent growth rate.

Obviously, the potential for opening new small businesses lies in many more products and services than microchips or fast-food franchises. And the survey indicates that small businesses don't have to stay small, either in sales or in the number of jobs. Captive-Aire, for instance, grew from four jobs to 60 jobs in four years; Pioneer/Eclipse grew from 10 to 65 jobs; ATCOM, from five to 42.

Others on the list have already exceeded the general small business definition and have become big businesses. Among them are Roberts Welding Contractors of Winterville, which grew from 25 to 107 employees from 1980 to 1984; SAS Institute of Cary, a computer software distributor, which grew from 58 to 454 employees in the same period; and Dorothy's Ruffled Originals of Wilmington, a curtain retailer and

manufacturer, which grew from 29 to 181 employees in four years.

These statistics reflect precisely what John Naisbitt wrote in *Megatrends*: “The entrepreneurs who are creating new businesses are also creating new jobs for the rest of us. During a seven-year period ending in 1976, we added 9 million new workers to the labor force—a lot of people! How many of those were jobs in the *Fortune* 1000 largest industrial concerns? Zero. But 6 million were jobs in small businesses, most of which had been in existence for four years or less.”

To say that small business is the wave of the future is to miss the point. Small business is already the future, and state efforts to promote small business should pay off in far more jobs than anyone previously thought. In other words, small business promotion can be an effective state economic development policy—in spades, doubled, and redoubled. And North Carolina seems to be holding a good hand.

The 1984 President's Report on the State of Small Business, published in March 1984, predicted that 87 percent of the new jobs in the future will come from small businesses.<sup>6</sup> Promoting the start of those new jobs—and helping small businesses keep those jobs—appears to hold great promise for long-term economic growth. North Carolina might move closer to prosperity by nurturing its own progeny to develop new small businesses—and for those small businesses to develop into bigger businesses. ☐☐

#### FOOTNOTES

<sup>1</sup>“Facts About Small Business In North Carolina,” typewritten report by Small Business Development Division, N.C. Department of Commerce, October 1985. Note: The U.S. Department of Commerce's Small Business Administration defines a small business as one with fewer than 500 employees, while the N.C. Department of Commerce generally considers a small business to have fewer than 100 employees. If the federal standard of 500 workers were used to define a small business in this article, the points would be far more dramatic, because the vast majority of both North Carolina businesses and N.C. jobs would be considered to be in small businesses.

<sup>2</sup>Estimates provided in personal interviews with various representatives of Policy and Planning Division, N.C. Department of Administration, and N.C. Technological Development Authority, October 1985.

<sup>3</sup>Chapter 792 (HB 344) of the 1985 Session Laws, sections 13.1-13.26, “Railroad Negotiating Commission.”

<sup>4</sup>“Where the Best 200 Are,” *Forbes* magazine, November 1985, p. 126.

<sup>5</sup>“The *Inc.* 500,” *Inc.* magazine, December 1985, pp. 115 to 148.

<sup>6</sup>“President's Report on the State of Small Business,” Executive Summary, published by U.S. Small Business Administration, U.S. Department of Commerce, March 1984.