



There is a direct relationship between the health of the small business community and the level of innovation. There is also a direct relationship between the health of the small business community and the number of new jobs created. Small businesses create between 60% and 80% of all new jobs in any given year. I have seen lots of explanations for this relationship, but have found most of them to be overly complex. The fact of the matter is that a small business is willing to embrace change because it stands to benefit more from a new market than in preservation of an existing market. Large businesses resist change since change shortens the product/service life cycle. Longer cycles allow large businesses to earn greater profits after major capital costs have been recovered. In theory, less change means lower prices for products and services. The consumer is able to afford a higher quality of life. All is good. In practice, change is always necessary. Products and services designed for 50, 25, 10, 5 and even 1 year ago may no longer meet the needs of consumers.

In addition, many needs remain in today's markets which have not yet been addressed by the products and services of yesterday. Innovation is needed, but it won't be found in large companies. During a recession, it is even less likely to occur as budgets are cut and employees become risk adverse to avoid being laid off. Thank goodness for small businesses who embrace change. However, change will not occur without capital. An opinion by Henry Dubroff and John Huggins in today's Sunday Edition of the Denver Post discusses the lack of capital and financing for small businesses: "*The Redlining of Our Small Businesses*". The article describes the decline of small business formation and job growth since 2003, as cheap money was diverted into the real estate market through public policy. In 2009, the capital shortfall was amplified as small business lending fell by 27%, venture capital funds tapped out and angel investors ran to the sidelines.

Without capital, there will be no new small businesses and many existing businesses will fail. Without small businesses, there will be no new jobs and the impact of the current recession will be extended. The article points out that all of the recovery and economic stimulation money has gone to large businesses. There seems to be no awareness or sensitivity by an ever growing government with employees that never missed a paycheck in the worst recession of all

## INNOVATION AND SMALL BUSINESS

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time. Any interest in hiring by small businesses is stifled by the uncertainty regarding large government programs that have been the center of political debate instead of the more appropriate topic of job creation. The State of Colorado is considering raising taxes on businesses - removing any remaining capital and any incentive to hire anyone. No new small businesses. No new jobs. No innovation. Be happy with the status quo, because that's all we are likely to have for a long while without a change in public policy.