

BUSINESS DISCONTINUANCES IN NEBRASKA

The ever-changing pattern of business enterprise being exhibited in more dynamic areas of the Nebraska business community is characterized by growth and expansion accelerated by proliferation of retail and service franchise establishments and development of new shopping centers on the fringes of smaller urban places as well as in the suburbs of larger cities.

Throughout the state the changing mix of business activity includes annually the opening of numerous new concerns, the transfer of ownership and control in a considerable number of enterprises, and, unfortunately, the discontinuance of others. When firms go out of business such discontinuances include, of course, both voluntary and involuntary closings.

Involuntary discontinuances—business failures—constitute only a small proportion of the annual changes in the state's business, but they give drastic evidence of economic loss and turnover and therefore are reason for statewide concern.

In times of general economic recession such failures often are symptomatic of national conditions and therefore not readily prevented by local or state policy, action, or intervention. Presently, however, when the overall economic climate in Nebraska appears to be somewhat more favorable than in many parts of the nation, a sizable proportion of the business casualties reflects vulnerability to such external factors as environmental changes. The demise of numerous other Nebraska firms may be attributed primarily to such internal factors as lack of managerial expertise and shortage of risk capital.

COMPARATIVE DATA ON BUSINESS FAILURES

Statistics for the year 1970 recently published by Dun & Bradstreet, Inc., which regularly compiles state, regional, and national data, show the number of failures and total liabilities to

creditors.¹ Recent figures appear in Tables 1 and 2. Trends in number of failures from 1960 through 1970 are depicted in Chart 1. Average liabilities per failed firm and percentages of change have been calculated from the published figures.²

During the past year Nebraska was the only state in the seven-state West North Central Region that exhibited a decline in the absolute number of failures, dropping from 52 in 1969 to 42 in 1970, a decrease of more than 19 percent. The region as a whole had an increase of 26 percent, considerably above the national rise of more than 17 percent.

The state also exhibited a favorable relative position with respect to the increase in total amount of liabilities to creditors, with a rate less than 24 percent higher than in 1969, whereas the region and nation had rises of 63 and 65 percent, respectively. In average liability per failed firm Nebraska lost its advantage, however, by recording a rise of more than 53 percent contrasted to less than 29 percent in the region and 41 percent in the country as a whole. The state's rate of rise in average liability was third high in the region, exceeded only by North Dakota and Iowa, with increases of 112 percent and 61 percent, respectively.

In dollar terms total liabilities of failed firms in Nebraska in 1970 amounted to more than five and a half million, contrasted to less than four and a half million in 1969. The average liability per failed firm in this state was more than \$132 thousand last year, contrasted to slightly more than \$86 thousand in the previous year.

(Continued on page 2)

¹Business Economics, Dun & Bradstreet, Inc., January 27, 1971.

²Computations by Bureau of Business Research.

TABLE 1
NUMBER OF BUSINESS FAILURES
THE NATION AND STATES OF THE WEST NORTH CENTRAL
REGION, SELECTED YEARS

	Number				Percentage Change	
	1967	1968	1969	1970	1967-70	1969-70
United States	12,364	9,636	9,154	10,748	-13.1	+ 17.4
West North Central	618	438	519	656	+ 6.1	+ 26.4
Nebraska	73	32	52	42	-42.5	- 19.2
Iowa	76	38	50	64	-15.8	+ 28.0
Kansas	53	68	61	85	+60.4	+ 39.3
Minnesota	293	211	277	336	+14.7	+ 21.3
Missouri	62	45	52	66	+ 6.4	+ 26.9
North Dakota	40	31	21	45	+12.5	+114.3
South Dakota	21	13	6	18	-14.3	+200.0

Source: Business Economics, Dun & Bradstreet, Inc.
Calculations by Bureau of Business Research.

TABLE 2
BUSINESS FAILURE LIABILITY SIZE
WEST NORTH CENTRAL STATES AND THE UNITED STATES
1967-1970

	Total Liabilities					
	(thousand dollars)				(percent change)	
	1967	1968	1969	1970	1967-70	1969-70
U. S.	1,265,227	940,996	1,142,113	1,887,754	49.2	+ 65.3
W. N. C.	44,515	41,927	40,624	66,123	48.5	+ 62.8
Nebr.	5,037	4,544	4,480	5,550	10.2	+ 23.9
Iowa	5,741	6,651	3,701	7,617	32.7	+105.8
Kans.	2,944	3,455	3,798	5,664	92.4	+ 49.1
Minn.	17,264	19,855	21,155	31,379	81.8	+ 48.3
Mo.	8,247	3,460	4,669	8,867	7.5	+ 89.9
N. Dak.	4,189	3,285	1,259	5,726	36.7	+354.8
S. Dak.	1,093	677	1,562	1,320	20.8	- 15.5

Source: The Failure Record Through 1969, and Business Economics, January 27, 1971, Business Economics Department, Dun & Bradstreet, Inc. Calculations by Bureau of Business Research.

Definition of Business Failure

Counted as business failures in Nebraska, and elsewhere in the nation, were only those firms listed in the Dun & Bradstreet Reference Book that: ceased operations following assignment or bankruptcy, ceased with loss to creditors after such action as foreclosure or attachment, voluntarily withdrew leaving unpaid obligations, were involved in court actions such as receivership or reorganization, or voluntarily compromised with creditors.

Total listed concerns by no means covered all business enterprises. Specifically excluded were financial institutions, insurance and real estate companies, railroads, amusements, many small one-man services, the professions, and farmers. In the seven-state West North Central Region that includes Nebraska the attrition among some of the excluded categories (particularly small one-man services) is known to be significant, but precise data on such classifications are not available.

FAILURES: THE NATION, REGION, AND STATE

The rate of failures per 10,000 listed concerns gives more significant information than is provided by data on the absolute number of failures, but unfortunately figures have not yet been published on the rate of regional or Nebraska failures in 1970.

In 1966 and 1967 Nebraska was third high among the states in the region in rate of failures, dropped to fourth in 1968, but was again third high in 1969, exceeded only by Minnesota and North Dakota. When the data are published for 1970, however, the state is expected to exhibit a more favorable position than previously, because the absolute number dropped by 19 percent.

Recent Trends in Rate of Failures

Even without 1970 regional and state data on the rate of failure per 10,000 concerns, recent trends are of significance, largely because they point up the erratic aspects of business failure in the '60s. The region as a whole, which exhibited an increase in 1969, is almost certain to do the same in 1970, having had a more than 26 percent increase in the absolute number of failures. This is in contrast to the period from 1966 through 1968, when it had

shown a steady drop in rate of business failures, although only one state among the seven comprising the region had displayed the same consistent trend.

Nationally, according to the Dun & Bradstreet figures, the number of business failures rose to a three-year high in 1970 and their dollar liabilities established an all-time record. There was only a three percent increase in number of casualties with liabilities under \$25,000; failures in the \$25,000 to \$100,000 liability class were actually fewer than in 1969, but losses from \$100,000 to \$1 million were up a third over the previous year, and million dollar liabilities increased by 80 percent to a new peak.

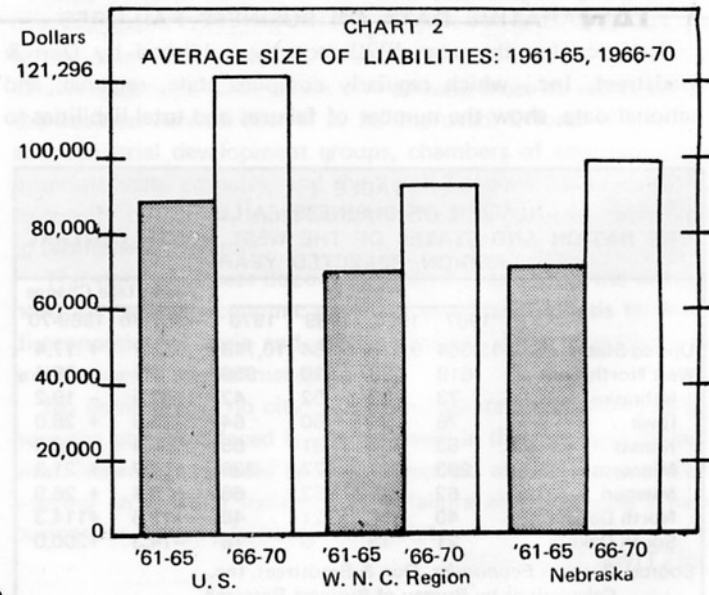
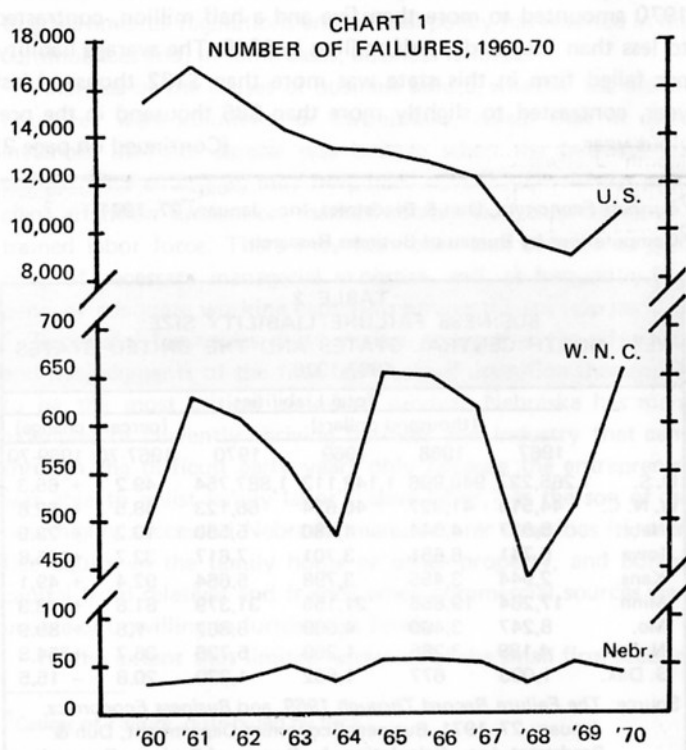
The nationwide trend to heavier losses was noted in all nine major geographic regions and was spread widely among many types of business. It was manufacturing and service concerns that bore the brunt of the failures, however, with manufacturing casualties rising 36 percent over the prior year to a five-year peak, and service casualties climbing 20 percent to a ten-year peak. Liabilities last year outweighed those in 1969 in every major industry.

SIZE OF FAILURES

Last year, in sharp contrast to previous years, the region as a whole and all component states except Kansas showed an increase in the amount of total liabilities of failed firms and in average liabilities per failure. From 1967 to 1968, the nation, the region, Nebraska, and all but two other states in the region exhibited declines in total liabilities, whereas from 1968-69, when the nation had a marked increase (21 percent), Nebraska and the region as a whole exhibited slight decreases, and Iowa and North Dakota had large declines.

In average liabilities per failed firm in 1970 Nebraska's \$132,143, second high in the region, was considerably higher than the regional average, \$100,797. The disparity was much more marked than in the previous year when the respective figures had been \$86,154 and \$78,274. National averages, however, were far above both state and regional averages for each time period.

In percentage change in average liability per failed firm the nation, the region, and the state displayed the same pattern, all registering sharp increases, in contrast to 1967-68 and 1968-69, when the nation and the region exhibited opposite behavior, with the Nebraska pattern conforming to the regional but with much



greater variation year to year.

Comparative changes in size of liability from 1961-1965 and 1966-70 for the nation, region, and state are shown on Chart 2.

Size of Firm and Average Liability

The high proportion of small businesses among the total number of enterprises in the states of the West North Central Region is doubtless reflected in the fact that the average liability per failed firm has in the past two years been considerably below that of the United States as a whole, although the regional disparity was not as conspicuous in 1970 as in the previous year.

Average liabilities went up in Nebraska last year because failures were recorded by a number of relatively large firms, including at least one large manufacturing company that had been dependent on government contracts. In three other states in the region average liabilities per failed firm were considerably above the regional average.

It is not possible to determine how many of the smaller firms that dropped out of business from 1968 to 1970 were actual business failures and involuntary bankruptcies, and how many were voluntary discontinuances without loss to creditors. It is apparent, however, that there has been a conspicuous attrition in number of small businesses, and it is reasonable to suppose that, although fewer than previously, a considerable number of the failures occurred in the small business category.

NEBRASKA BUSINESS BANKRUPTCIES

Data on Nebraska bankruptcy actions reveal that the number of business bankruptcies in fiscal 1970 was 108, more than twice the number of business failures reported by Dun & Bradstreet for the same period of time. The numerical discrepancy arises because many of the state's bankruptcies are small one-man businesses not covered by Dun & Bradstreet.

In fiscal 1970 the total number of bankruptcies in Nebraska was 1,423, an increase of 178 percent over the number in 1960 (511), whereas business bankruptcies increased by a lesser percentage, 140. The number of Nebraska bankruptcy cases pending at the end of the fiscal year was almost 15 percent above the number pending at the end of the previous year. Of the business bankruptcies in the past fiscal year 29, or about 27 percent, were merchants, nine were professional, three, farmers, three, manufacturers, and 64 were classified as "other," a category which includes business services.

times, but not always, coincided.

Business bankruptcies showed a decline of 9.2 percent in fiscal 1970 compared with the previous year, while total bankruptcy actions increased 12.5 percent. Business bankruptcies amounted to 7.6 percent of total bankruptcies, a drop from 9.4 percent in the previous year. In 1960 the percentage was 8.8, but in the intervening years there was considerable variation, including highs of 12.2 in 1966 and 11.7 in 1967.

The Dun & Bradstreet data on business failures include some bankruptcies, but it is estimated that in 1970 total business bankruptcies, with duplications eliminated, probably did not exceed 100.

NEW BUSINESS INCORPORATIONS

As shown in Table 4, Nebraska has exhibited a consistently upward trend in number of new business incorporations from 1967 to 1970, which is in contrast to the fluctuation in number of business failures and business bankruptcies. In all respects, however, this state's overall record is more favorable than the nation's.

The number of new incorporations in the state increased over 34 percent from 1967-70, considerably above the national rate, (about 29 percent) but less than the regional increase, which was 43 percent.

From 1969 to 1970, when the national upward trend was interrupted by a three percent drop in number of new incorporations, the Nebraska upward trend continued by four and a half percent, close to the regional five percent increase.

PROFILE OF FAILURE

It should be recognized that failure as defined here constitutes the legal final admission of business demise. It does not include less formal withdrawals from business in which the owner has managed to pay off his creditors and is therefore able to discontinue operations without legal action. In such voluntary discontinuance, the owner usually has lost his own capital—and perhaps his courage—but the closing is not officially classified as a business failure.

Dun & Bradstreet figures show that more than 31 percent of failed concerns had been in business less than three years and more than 53 percent less than five years. Because failure tends to come in the early years, it may be assumed that in 1969 and again in 1970 Nebraska service establishments—the fastest growing category of business concerns in the state from 1963 to 1967³—may have shared in the nationally-observed attrition.

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³County Business Patterns, Nebraska 1969, Bureau of the Census, U.S. Department of Commerce, 1970.

**TABLE 3
BANKRUPTCIES IN NEBRASKA, SELECTED FISCAL YEARS**

Fiscal Year	Total Voluntary Filings		Business Bankruptcies		Business Bankruptcies as Percentage of Total Filings
	Number	Percent Change Yr. to Yr.	Number	Percent Change Yr. to Yr.	
1960	511		45		8.8
1965	979	+91.6	92	+104.4	9.4
1966	1,121	+14.5	137	+ 48.9	12.2
1967	1,295	+15.5	151	+ 10.2	11.7
1968	1,111	-14.2	105	- 30.5	9.45
1969	1,265	+13.9	119	+ 13.3	9.4
1970	1,423	+12.5	108	- 9.2	7.6

Source: Administrative Office of the U.S. Courts. Calculations by Bureau of Business Research.

**TABLE 4
NUMBER OF NEW BUSINESS INCORPORATIONS
THE NATION AND STATES OF THE WEST NORTH CENTRAL
REGION, SELECTED YEARS**

	Number				Percentage Change	
	1967	1968	1969	1970	1967-70	1969-70
United States	206,569	233,635	274,267	266,075	28.8	-- 3.0
W. N. Central	12,812	14,825	17,469	18,337	43.1	+ 5.0
Nebraska	1,160	1,361	1,489	1,556	34.1	+ 4.5
Iowa	2,216	2,214	2,571	2,642	19.2	+ 2.8
Kansas	1,537	1,808	2,111	2,100	36.6	-- 0.5
Minnesota	2,796	3,488	4,312	4,130	47.7	-- 4.2
Missouri	4,059	4,785	5,727	6,664	64.2	+16.4
No. Dakota	372	366	422	431	15.9	+ 2.1
So. Dakota	672	803	837	814	21.1	-- 2.8

Source: Same as Table 1. Calculations by Bureau of Business Research.

Business Summary

Nebraska's level of business activity in December appears to have slipped below that of a year ago. Although the index of dollar volume was 3.6 percent above that of last year's, the physical volume fell 1.3 percent under last year's level. Compared with gains in the U.S. indexes of 7.8 and 2.2 percent, respectively, the state's indicators reflected a slippage—at least for the month of December.

This year's level of retail sales was markedly below that of last December's, which was at an unusually high level. Other weak

spots showed up in the month in cash farm marketings, electricity produced, and gasoline sales. Bank debits, although above last year's level, failed to maintain their growth. On the positive side, other employment continued to hold up, thus counterbalancing the less-than-a-year-ago level of manufacturing employment. Taken as a group, and reflecting the influence of unseasonable weather conditions, the December indicators depict a mixed pattern of changes.

January's level of retail sales, unadjusted for price rises, was about 1 percent above that of last year. Hard goods sales tended to recover to last year's levels.

All figures on this page are adjusted for seasonal changes, which means that the month-to-month ratios are relative to the normal or expected changes. Figures in Table 1 (except the first line) are adjusted where appropriate for price changes. Gasoline sales for Nebraska are for road use only; for the United States they are production in the previous month.

E. L. HAUSWALD

1. NEBRASKA and the UNITED STATES

2. PHYSICAL VOLUME OF BUSINESS
Percentage of 1948 Average

DEC Business Indicators	Percent of 1948 Average		Percent of Same Month a Year Ago		Percent of Preceding Month	
	Nebraska	U.S.	Nebraska	U.S.	Nebraska	U.S.
Dollar Volume of Business	352.5	445.6	103.6	107.8	107.3	105.7
Physical Volume of Business	218.1	247.0	98.7	102.2	103.5	102.4
Bank debits (checks, etc.)	244.2	453.1	101.7	108.0	110.2	102.5
Construction activity	182.0	158.9	88.4	96.6	106.5	102.1
Retail sales	142.0	181.4	89.8	100.1	96.1	100.5
Life insurance sales	517.5	531.9	119.5	103.9	115.1	118.9
Cash farm marketings	163.8	222.2	98.7	92.6	97.5	103.1
Electricity produced	426.8	539.0	102.1	103.7	98.7	98.8
Newspaper advertising	169.4	151.1	98.8	97.0	101.6	95.5
Manufacturing employment	167.5	123.5	93.0	94.6	99.2	101.8
Other employment	155.6	177.1	102.5	101.6	101.0	99.9
Gasoline sales	243.0	232.4	90.8	102.9	114.8	91.2

Month	Nebraska	U.S.
	1969-70	1969-70
December	220.9	241.7
January	224.1	246.8
February	231.7	247.3
March	222.6	243.7
April	226.3	248.0
May	208.3	243.9
June	229.2	248.3
July	222.5	249.3
August	243.8	219.7
September	225.2	246.2
October	214.4	243.5
November	210.7	241.2
December	218.1	247.0

3. RETAIL SALES for Selected Cities. Total, Hard Goods, and Soft Goods Stores. Hard Goods include automobile, building material, furniture, hardware, equipment. Soft Goods include food, gasoline, department, clothing, and miscellaneous stores.

JAN City	No. of Reports	Percent of Same Month a Year Ago			Percent of Preceding Month Total	City	No. of Reports	Percent of Same Month a Year Ago			Percent of Preceding Month Total
		Total	Hard Goods	Soft Goods				Total	Hard Goods	Soft Goods	
THE STATE	614	100.9	98.9	101.4	101.0	Fremont	24	90.2	87.0	93.1	105.2
Omaha	46	98.2	99.6	97.1	114.1	Fairbury	19	117.4	132.3	99.4	97.2
Lincoln	54	101.5	104.1	99.4	106.2	Norfolk	24	92.0	98.9	85.9	103.7
Grand Island	28	93.8	85.8	100.9	82.6	Scottsbluff	34	98.1	98.9	97.5	109.5
Hastings	23	108.1	111.8	104.8	101.6	Columbus	24	94.5	92.5	97.0	97.2
North Platte	16	96.3	94.0	98.7	53.7	McCook	12	89.9	85.2	97.7	90.0
						York	21	90.5	89.7	91.0	117.3

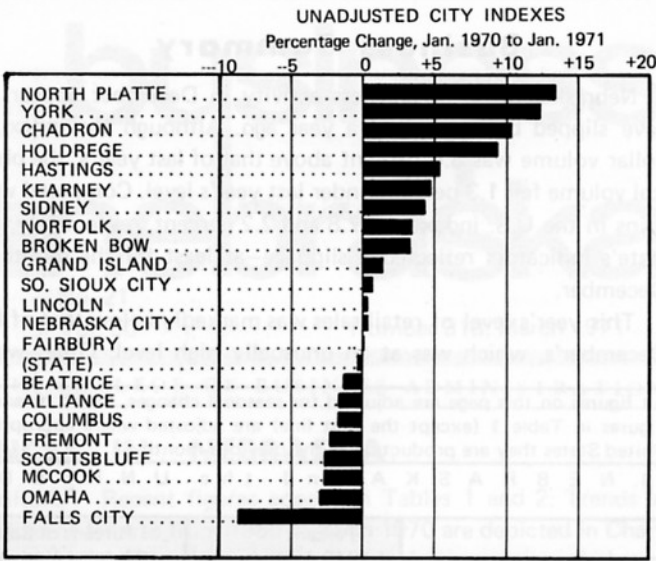
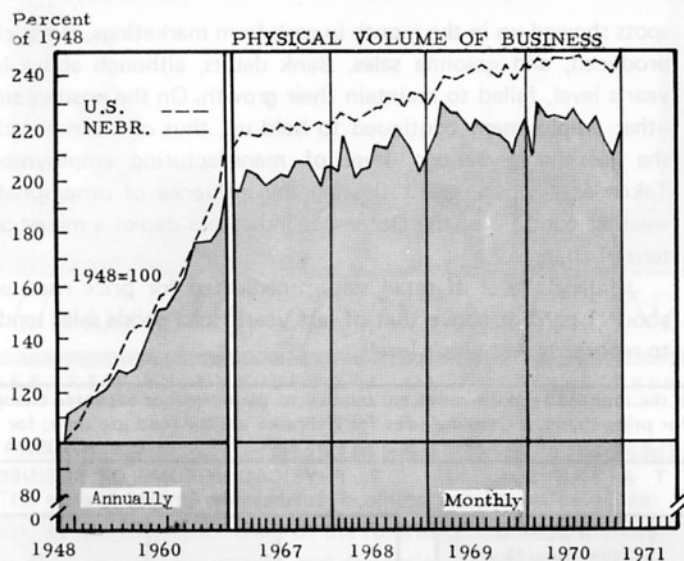
4. RETAIL SALES, Other Cities and Rural Counties

JAN Locality	No. of Reports	Percent of Same Month A Year Ago	Percent of Preceding Month
Kearney	16	115.1	113.9
Alliance	24	95.9	90.7
Nebraska City	17	96.7	108.6
Broken Bow	13	94.0	103.4
Falls City	16	98.0	92.2
Holdrege	15	98.1	90.3
Chadron	16	110.0	107.7
Beatrice	13	111.3	111.1
Sidney	20	98.5	90.9
So. Sioux City	8	107.7	122.2
Antelope	7	114.3	105.6
Cass	16	103.2	97.3
Cuming	9	96.7	99.6
Sand Hills**	19	104.6	95.1
Dodge***	8	87.3	108.3
Franklin	7	95.6	122.6
Holt	12	93.4	83.9
Saunders	13	102.0	116.0
Thayer	7	92.2	128.3
Misc. Counties	33	113.1	104.2

5. RETAIL SALES, by Subgroups, for the State and Major Divisions

JAN Type of Store	Percent of Same Month a Year Ago			
	Nebraska	Omaha and Lincoln	Other Cities	Rural Counties
ALL STORES****	100.9	100.7	99.6	102.4
Selected Services	106.2	112.8	99.2	106.7
Food stores	101.2	101.8	103.0	98.9
Groceries and meats	100.6	97.7	106.1	98.1
Eating and drinking pl.	100.7	104.1	96.9	101.2
Dairies and other foods	106.5	119.1	103.3	97.2
Equipment	97.8	93.8	100.4	99.3
Building material	96.8	92.7	105.1	92.6
Hardware dealers	96.1	85.7	104.5	98.2
Farm equipment	90.1	80.7	86.7	102.9
Home equipment	102.8	105.3	100.3	102.9
Automotive stores	101.8	106.3	99.5	99.7
Automotive dealers	100.1	108.8	97.2	94.4
Service stations	103.4	96.4	108.8	105.0
Miscellaneous stores	101.1	98.6	95.5	109.2
General merchandise	95.3	95.2	93.5	97.1
Variety stores	103.6	111.9	99.7	99.3
Apparel stores	110.7	91.5	96.2	144.3
Luxury goods stores	101.8	109.1	98.3	98.0
Drug stores	101.3	100.2	96.6	107.0
Other stores	96.1	98.2	91.8	98.3

Hooker, Grant, Dawes, Cherry, and Sheridan Counties *Outside Principal City ****Not including Selected Services



Figures on this page are not adjusted for seasonal changes nor for price changes. Building activity includes the effects of past as well as present building permits, on the theory that not all building is completed in the month the permit is issued.

E. L. H.

6. CITY BUSINESS INDICATORS

Percent of Same Month a Year Ago									
JAN	City	Bank Debits	Building Activity	Retail Sales	Electricity Consumed	Gas Consumed	Water Pumped	Postal Receipts	Newspaper Advertising
	The State	99.5	93.8	100.9	103.5	98.4	96.0	104.9	99.6
	Beatrice	98.5	97.4	111.3	105.4	92.6	90.2	98.6	95.8
	Omaha	96.9	84.7	98.2	103.1	97.2	97.1	93.4	108.1
	Lincoln	100.3	78.2	101.5	109.3	97.2	93.1	136.7	84.1
	Grand Island	101.2	123.4	93.8	101.8	107.2	92.0	100.4	NA
	Hastings	105.2	44.1	108.1	105.9	98.0	108.7	109.9	117.2
	Fremont	97.8	151.4	90.2	105.5	NA	94.2	99.6	NA
	North Platte	113.5	177.1	96.3	110.7	109.8	131.8	101.8	216.8
	Kearney	104.8	66.5	115.1	115.8	103.8	106.5	79.2	NA
	Scottsbluff	97.5	131.0	98.1	86.8	91.2	95.0	124.1	95.7
	Norfolk	103.6	160.9	92.0	107.6	108.3	98.3	136.1	91.8
	Columbus	98.2	76.1	94.5	105.5	96.8	96.2	106.9	83.4
	McCook	97.5	32.9	89.9	105.3	102.9	NA	85.1	111.4
	Sidney	104.4	137.9	98.5	101.4	103.7	57.7	144.8	NA
	Alliance	98.3	50.0	95.9	101.3	101.2	103.2	85.9	101.4
	Nebraska City	100.3	252.9	96.7	98.7	105.6	77.2	124.1	NA
	So. Sioux City	100.7	NA	107.7	111.5	89.8	NA	89.0	NA
	York	111.8	145.8	90.5	143.6	102.4	99.5	131.0	101.9
	Falls City	91.4	48.0	98.0	95.7	96.8	93.4	74.4	79.7
	Fairbury	100.1	69.2	117.4	96.6	NA	100.0	122.6	94.3
	Holdrege	109.3	192.1	98.1	118.2	113.2	111.9	75.4	97.9
	Chadron	110.3	187.5	110.0	107.7	139.2	113.2	96.1	NA
	Broken Bow	103.4	268.5	94.0	106.0	93.4	108.6	108.8	78.3

Percent of Preceding Month (Unadjusted)									
JAN	City	Bank Debits	Building Activity	Retail Sales	Electricity Consumed	Gas Consumed	Water Pumped	Postal Receipts	Newspaper Advertising
	The State	97.0	95.5	101.0	103.0	116.7	97.0	79.5	68.3
	Beatrice	102.5	90.1	111.1	125.5	121.0	99.0	80.5	94.5
	Omaha	96.3	89.8	114.1	101.5	110.5	98.2	75.7	80.6
	Lincoln	95.9	114.5	106.2	105.1	108.6	93.9	75.5	66.2
	Grand Island	94.7	92.9	82.6	99.4	127.5	94.1	85.8	NA
	Hastings	94.4	77.9	101.6	99.9	121.3	105.7	78.0	58.9
	Fremont	102.3	124.9	105.2	103.3	NA	98.9	77.7	NA
	North Platte	99.9	112.2	53.7	108.0	178.9	99.5	101.6	67.2
	Kearney	97.3	93.4	113.9	95.4	118.7	100.5	69.4	NA
	Scottsbluff	100.1	92.3	109.5	109.0	114.3	89.7	113.0	74.9
	Norfolk	98.2	90.3	103.7	140.6	112.9	101.2	66.2	63.3
	Columbus	97.0	82.1	97.2	129.2	114.1	96.2	93.1	62.2
	McCook	91.5	67.3	90.0	102.1	115.0	114.2	48.7	71.3
	Sidney	94.3	84.3	90.9	107.6	139.9	94.3	77.1	NA
	Alliance	93.1	114.7	90.7	98.0	126.2	102.8	52.6	76.2
	Nebraska City	102.6	81.5	108.6	113.8	137.2	99.0	100.0	NA
	So. Sioux City	NA	NA	122.2	141.6	112.6	NA	79.0	NA
	York	100.6	90.2	117.3	97.7	117.9	103.8	91.7	82.3
	Falls City	94.4	89.9	92.2	96.4	130.1	99.1	87.0	63.9
	Fairbury	93.3	72.6	97.2	111.2	NA	109.7	82.1	76.8
	Holdrege	88.3	70.7	90.3	110.6	150.5	81.6	59.1	56.1
	Chadron	109.4	157.9	107.7	109.8	163.9	110.8	72.1	NA
	Broken Bow	95.0	87.9	103.4	108.2	113.2	98.1	87.4	69.3

Between 1963 and 1967 the number of Nebraska service firms increased by 11.7 percent, but most of them were small enterprises, because the percentage increase in number of service establishments having payrolls amounted to only 2.7 percent. According to the 1967 Census of Services approximately 62 percent of such firms in this state had no employee payrolls and were therefore in the small business category.

The high rate of failure in service enterprises points up the increasing competitiveness in this rapid growth industry which, like retail trade, has relative ease of entry, a factor that appears to be closely related to failure. Persons with limited capital can start a small retail or service business without much difficulty, but keeping it going is much harder. Frequently such firms are conspicuously vulnerable to failure because the owners are inexperienced, do not have the necessary business acumen, and cannot command sufficient risk capital to survive the critical start-up period.

Reasons for business failure, both external and internal, are markedly diverse and are not always readily pinpointed. Dun & Bradstreet does not give a breakdown of reasons by states, but the national classification of causes appears to have local significance.

This classification lists managerial ineptness and inexperience as the primary cause of 90 percent of the 1970 failures. Such charges against management may be both unfair and misleading because the prevailing economic climate affects the problems management must face. The slump in home building, for example, brought about largely by national interest rate policies, has had a pronounced effect on the construction industry.

There is evidence that public policy with respect to Federal income tax schedules, social security legislation, and unemployment compensation requirements have been a distressing drain on the resources of small businesses and therefore a direct factor in their demise.

In this state, as elsewhere in recent years, much pressure on small concerns has come from competitive national chains of discount houses and from franchise business. Increased consumer mobility has become an ever more significant factor. Adjustment to governmental regulations and official policy has resulted in discontinuances and, in some cases, business failures.

Analyses of the causes of business failure, whether the discontinuances were voluntary or involuntary, reveal that in many instances ultimate demise was built-in when the business was started. The enterprise may have been established without sufficient attention to location, market, competition, or prospect of a trained labor force. There may have been lack of advance planning, of necessary managerial expertise, and, as frequently happens, of adequate working capital to survive the start-up period.⁴

Successful businesses must manage to weather the adversities and misjudgments of the first few years of operation that appear to be the most critical period of survival. Nebraska has many examples of currently thriving business and industry that came through the difficult early years only because the entrepreneur was able to enlist family labor ("slave labor," as the son of one now highly successful Nebraska manufacturer describes it), sacrifice equity in the family home or other property, and borrow capital from relatives and friends when commercial sources were unable or unwilling to furnish risk funds.

To the extent that limited resources of the small firm account

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for the underlying causes of its failure, it is doubtful under presently complex conditions of economic life that such a business can improve its position solely through its own effort.

SUMMARY

The number of business bankruptcies and failures, rate of failure per 10,000 operating concerns, total losses to creditors, and average liability per failure have been rising rather sharply from 1968 through 1970 in the West North Central Region as a whole. Although Nebraska exhibited in 1970 a decline in number of failures, it had a much higher rate of increase in average liabilities per failure than either the region or the nation.

In high incidence of failure there has been a shift in the past two years from retail to service enterprises, the rise in the rate of failure of service businesses following closely recent sharp increases in the number of such firms in operation. There have also been marked rises in manufacturing failures.

Although Nebraska's business casualties amount to only a small proportion of the state's total business enterprises, failures represent inestimable economic, social, and psychic loss to owners, their families, and their employees, increasingly large losses to creditors, severe loss to the communities in which failing firms are located, and significant loss to the general economy of the state.

Thus business failures in Nebraska emphasize the urgency of developing new concepts, and adopting new policies, of assistance to the state's entrepreneurs. The counsel and financial assistance of diverse groups, both public and private, must be marshaled if the business survival rate is to be improved. Efforts of business and industrial development groups, chambers of commerce, appropriate state agencies, and the Small Business Administration, to specify but a few, must be coordinated to provide timely help to businesses in trouble.

The state's business discontinuances also point up the critical need for regional economic planning on a realistic basis to avoid diseconomies of scale and compensate for shifts in population and changes in environmental factors.

No community, no city, no region, no state can afford to ignore the problems faced by businessmen in their struggle for survival. Nebraskans should become as excited about—and proud of—saving an existing industry from failure as in enticing a new business or industry to locate in the state.

DOROTHY SWITZER

⁴*Causes of Failure*, distributed by SBA.