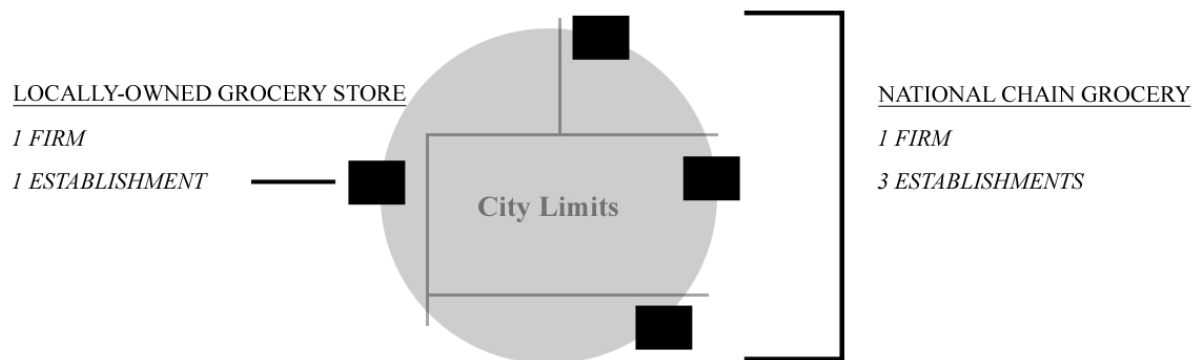


# Missouri Business Growth

When comparing growth between small businesses and large companies, it is important to understand the relationship between an establishment and a firm. Business size is usually determined by employment. However, employment can be measured by each location or by the company as a whole.

## Understanding Firms and Establishments: Grocery Store Example



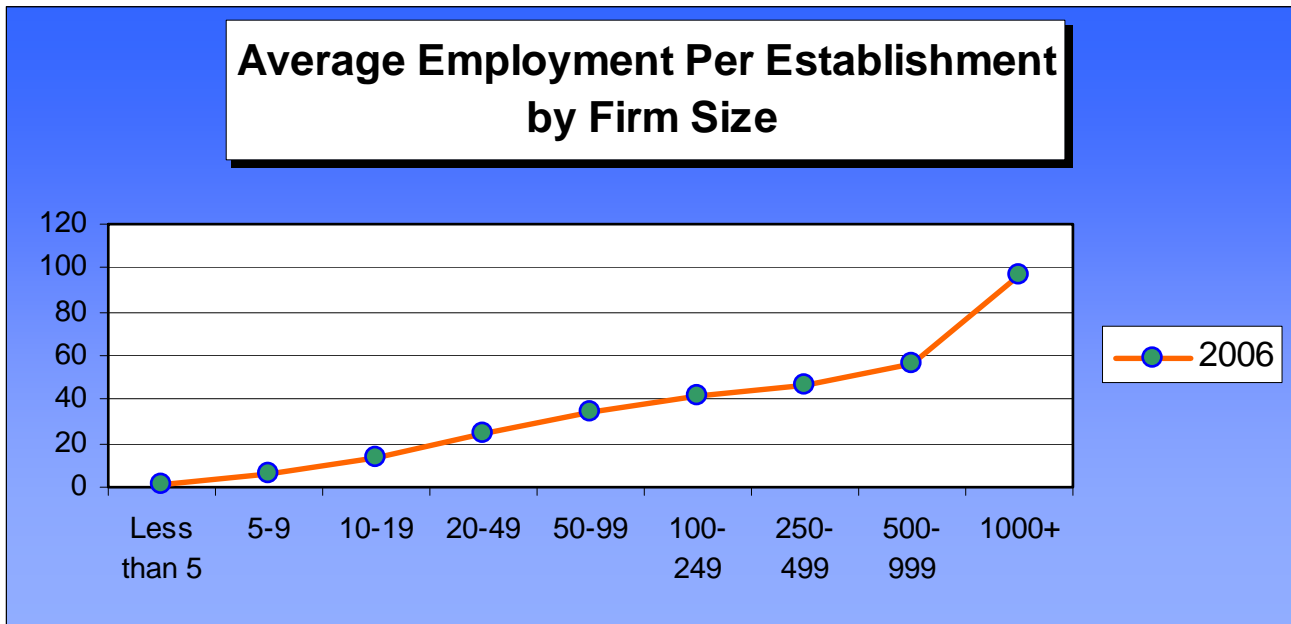
The term *firm* is used to describe the company as a whole. It represents all locations which fall under the same unemployment insurance number or UI code. Firms can represent one or more physical locations. The example above shows the two types of firms, a single location and a multi-location. The term *establishment* is used to describe a single physical location, in which case, it could be either a firm unto itself (locally-owned grocery store) or one of the multiple locations within a firm (national chain grocery).

## Defining Small Business

Business size is often treated as establishment size. In the example above, if each establishment employed the same number of employees, the locally owned grocery store would be placed into the same establishment size class as each of the three national chain stores. Does the rate of growth of this size class tell us anything about the rate of growth of small business? No. A better measure of business size would be to use the size class of firms. In the example above, the national chain would then be three times the size of the locally-owned grocery store. The two firms would most likely be in two different size classes and their growth rates would be independent of each other. When distinguishing between small and large businesses, it is important to use the size class of a firm. The size class of an establishment is best used as a descriptor of a firm.

# Firm Size vs. Establishment Size

Combining firm size with establishment size data can give a more detailed picture of a small or large business in terms of average number of locations and employment at those locations.



As shown above, the average larger business in Missouri (>500 workers) employs 56 to 97 workers at each location. Each larger firm averages 12 to 25 locations.

Smaller Missouri businesses (<500 workers) average 2 to 48 employees with 1 to 7 locations.

Source: Bureau of Labor Statistics: Quarterly Census of Employment and Wages, 1<sup>st</sup> Quarter 2006.