

## Missouri Small Business Insights Series – Cheetah Businesses High-Growth Stage Two Missouri Businesses

*Healthy and growing small businesses are important for a thriving regional economy. Missouri's high-growth, stage two companies – or Cheetahs – gained over 66,000 jobs from 2014 to 2019, increasing employment by over 250% in the five years. Construction firms had the top count of high-growth businesses in earlier Cheetah studies, but health care providers had the largest number of Cheetah firms in 2019.*

### What are Cheetahs?

Cheetahs aren't only very fast cats. The word also describes high-growth businesses that have rapidly increased their employment in a five-year period. In a [2008 Missouri Cheetah study](#), "Cheetah" referred to establishments that more than doubled employment from 2001 to 2006. The study, jointly published by the Missouri Economic Research and Information Center and the University of Missouri Extension, highlighted industries with the most Cheetah firms and surveyed many of those employers to better understand the factors that led to their success. The follow-up [2011 Missouri Cheetah study](#) further analyzed these fast-growth companies from 2006 to 2009, a period that included the Great Recession.

This brief is the first in the Small Business Insights series, which will study a new generation of Missouri Cheetahs. It analyzes establishments with high job growth that became **Stage Two** private-sector employers during the five-year period ending in 2019. Stage Two businesses accounted for one in five Missouri employers in 2019, and they employed 43% of all payroll workers, according to the U.S. Bureau of Labor Statistics.

Data for this brief originates from InfoUSA, a directory of U.S. businesses, and data scientists at the Council for Community and Economic Research who built a longitudinal data set of business employment and job change.

### Defining Stage Two Cheetahs

**Stage Two** companies are small businesses with 10 to 99 employees that are past the startup phase. Small Business Development Centers, supported by the Small Business Administration, provide [targeted counseling services](#) aimed at helping these businesses grow.

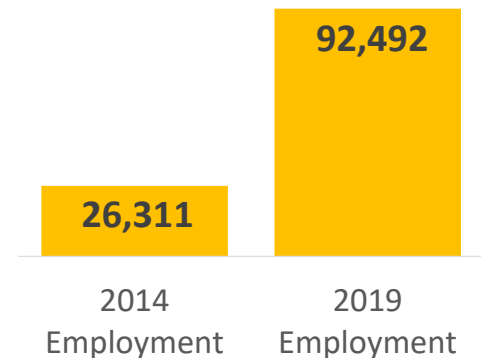
**Cheetahs** are businesses with at least two employees that increased employment by 75% or more in five years. This definition relaxes the criteria used in the first study, which required a Cheetah to double its employment over five years. However, establishments in both Cheetah studies had similar five-year growth. **Their job growth exceeded 250%!**

## Why are Cheetah businesses important?

Businesses are not necessarily “in business” to increase jobs. Understandably, they typically focus on selling products and services and maximizing profit, which owners can then capture as income. Businesses usually have other goals to accompany sales growth, but often, job growth is not one of their top priorities.

A region’s economic well-being relies on job growth, however. As such, policymakers and community leaders view employment as an important metric, and Cheetahs excel at job growth. Job growth also serves as a proxy for business success when other data, such as sales, are more difficult to acquire. Young businesses often face stiff competition and struggle to survive. Roughly half fail within five years of opening —see [recent brief](#). So, identifying industries with a larger number of high-growth, smaller companies may point business counselors and entrepreneurs to future business opportunities. This analysis is timely, given that the COVID-19 pandemic will cause many existing firms to close permanently.

## Total Missouri Cheetah Employment In 2014 and 2019



## Who are Stage Two Missouri Cheetahs?

The average Missouri Cheetah had seven employees in 2014 and grew to employ 23 people by 2019 — a 252% increase in jobs. In 2019, Missouri had more than 3,900 Cheetahs, which were 8.1% of Missouri Stage Two businesses (see table).

Sectors with the largest number of Cheetahs were *Health Care & Social Assistance, Retail Trade, and Accommodations & Food Services*. Given that these sectors also had the most Stage Two firms, they unsurprisingly rank highest in Cheetah business counts. Comparing the number of Cheetahs to a sector’s total Stage Two businesses gives a better picture of sectors with relatively more high-growth firms.

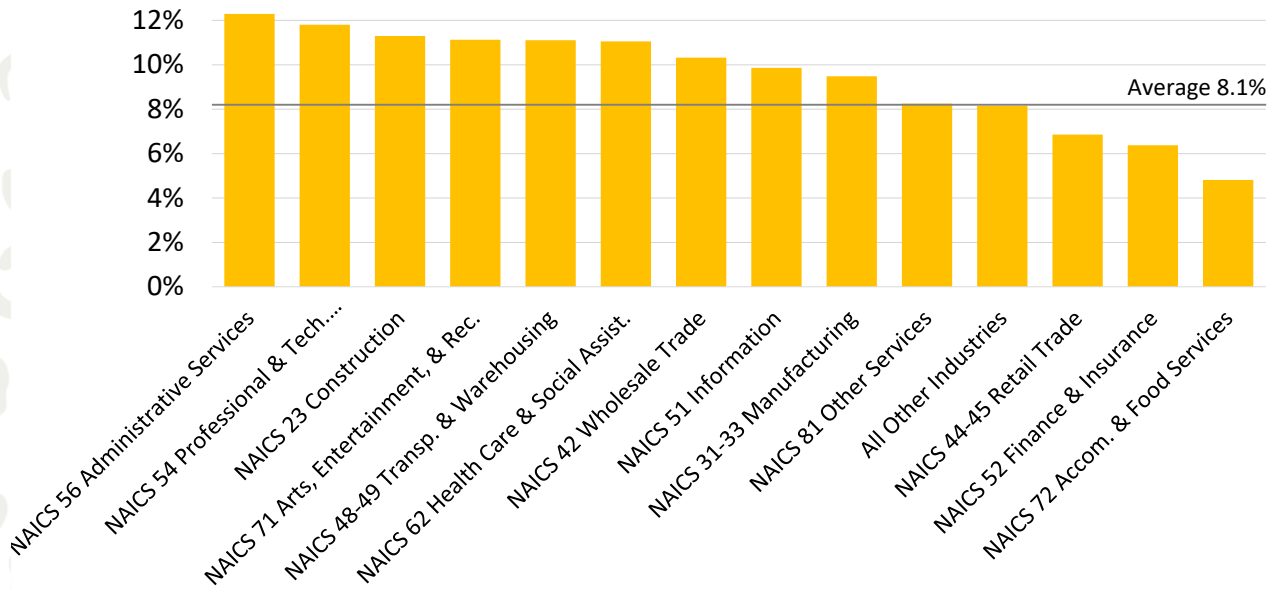
The chart (see next page) illustrates that many sectors had more Cheetah businesses than the all-sector average. *Administrative Services*, which includes contract employment agencies and building services, had the highest share at 12.3%. *Professional & Technical Services* and *Construction* followed. *Accommodations & Food Services* had a high Cheetah count, but Cheetahs were less than 5% of the sector’s Stage Two businesses.

## Missouri Cheetahs by Sector

*Sectors with at least 100 Cheetah Businesses*

NAICS and Description	Cheetah Stage 2 Businesses
NAICS 23 Construction	316
NAICS 31-33 Manufacturing	280
NAICS 42 Wholesale Trade	236
NAICS 44-45 Retail Trade	468
NAICS 48-49 Transp. & Warehousing	149
NAICS 51 Information	140
NAICS 52 Finance & Insurance	146
NAICS 54 Professional & Tech. Services	337
NAICS 56 Administrative Services	147
NAICS 62 Health Care & Social Assist.	781
NAICS 71 Arts, Entertainment, & Rec.	149
NAICS 72 Accom. & Food Services	359
NAICS 81 Other Services	258
All Other Industries	173
<b>Total</b>	<b>3,939</b>

## Share of Missouri Stage Two Cheetah Businesses, by Sector



### How do Cheetahs that recently emerged compare with those observed in past studies?

Missouri Cheetahs from the 2006 analysis concentrated in the *Construction*, *Retail Trade*, and *Professional & Technical Services* sectors (see top table). *Construction* firms accounted for 17% of all Cheetah businesses. They benefited from a housing boom as average monthly building permits peaked over 40% higher in early 2006 relative to the end of the 2001 recession. The top five Cheetah sectors accounted for more than half (55%) of all high-growth Missouri firms.

Stage Two Cheetahs in the 2019 analysis shared some similarities with earlier high-growth Missouri firms (see bottom table). *Construction* again had a high number of Cheetahs — 8% of all high-growth businesses. However, *Health Care & Social Assistance*, which represented 20% of all Cheetahs, captured the largest share of high-growth firms. *Accommodations & Food Services* moved into the top five. *Retail Trade* and *Professional & Technical Services* also ranked again as top Cheetah sectors.

Note the rise of *Health Care & Social Assistance* in both number of Cheetahs and Cheetahs' share of sector businesses. In the Cheetah study that analyzed data from 2006 to 2009, this sector and *Professional & Technical Services* had the highest share of original

#### 2006 Top Five Missouri Cheetah Sectors

NAICS and Description	% of All Cheetah Businesses
NAICS 23 Construction	17%
NAICS 44-45 Retail Trade	11%
NAICS 54 Professional & Tech. Service	10%
NAICS 62 Health Care & Social Assist.	9%
NAICS 42 Wholesale Trade	8%

#### 2019 Top Five Missouri Cheetah Sectors

NAICS and Description	% of All Cheetah Businesses
NAICS 62 Health Care & Social Assist.	20%
NAICS 44-45 Retail Trade	12%
NAICS 72 Accom. & Food Services	9%
NAICS 54 Professional & Tech. Service	9%
NAICS 23 Construction	8%

Cheetahs that continued to grow through the Great Recession. The aging U.S. population has helped this sector grow, even during economic downturns. The sector has also had new business opportunities such as specialized or home health care services. COVID-19's impact on nursing care facilities, for example, will likely boost health care providers' prospects to use telehealth and home visits for assisting clients in their current homes.

The next Small Business Insights brief will explore Cheetah businesses in Missouri's urban and rural areas, by additional industry detail, to highlight any significant distinctions evident in high-growth firms from these different economies.

The High-Growth Stage Two Missouri Businesses brief is the 1st in a *Small Business Insight Series – Cheetah Businesses* to explore fast growing companies during the past business cycle. This is a good launching point for considering which small businesses may be poised for growth in the years to come. But 2020 jolted the economy, so entrepreneurs will also want to know how their industry is adapting to survive and thrive. Briefs in this series will also include insights into emerging industry trends that will help answer some of these questions.

The Missouri Small Business Development Centers funded this research so business counselors, their customers, and community leaders can benefit from timely information to help businesses and the economy rebound.

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Data Sources: Business data from the InfoUSA Reference Solutions longitudinal establishment employment database developed by the Center for Regional Economic Competitiveness, Council for Community and Economic Research (C2ER) unit.



The Missouri SBDC is funded in part through a cooperative agreement with the U.S. Small Business Administration, and it is a University of Missouri Extension partner. All opinions, conclusions and/or recommendations expressed herein are those of the author(s) and do not necessarily reflect the views of the SBA.