Entrepreneurship and Small Business in America

Samuel R. Staley, Director, The DeVoe L. Moore Center, Florida State University
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Small business, entrepreneurship, and economic growth

- Small business create more jobs than their larger counterparts
- Small businesses create jobs for marginalized populations
- Start up companies are innovative…maybe
Recent years suggest the US climate for entrepreneurship is improving.

**FIGURE 5** KAUFFMAN EARLY-STAGE ENTREPRENEURSHIP (KESE) INDEX (1996–2017)

*Source: Calculated from CPS and BED data.*
Most Businesses are small

Distribution Businesses By Size

- 1-9 employees: 67%
- 10-19 employees: 14%
- 20-49 employees: 11%
- 50-249 employees: 7%
- 250+ employees: 1%

- 1-9 employees
- 10-19 employees
- 20-49 employees
- 50-249 employees
- 250+ employees
Most people work in big companies

Employment by Business Size

- 1-9 employees: 5%
- 10-19 employees: 5%
- 20-49 employees: 9%
- 50-249 employees: 17%
- 250+ employees: 64%

1-9 employees
10-19 employees
20-49 employees
50-249 employees
250+ employees
Very few people are entrepreneurs...

**Rate of New Entrepreneurs**
Percent of population that starts a new business

**UNITED STATES, 1998-2017**
Source: https://indicators.kauffman.org/indicators/rate-of-new-entrepreneurs
When businesses start up, they don’t employ many people
Most people start new businesses because they see new opportunities.
But it’s survival of the fittest…
Latinos and other minorities are driving much of the entrepreneurial sector.

<table>
<thead>
<tr>
<th>RACE</th>
<th>1996</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>White</td>
<td>77.1%</td>
<td>55.3%</td>
</tr>
<tr>
<td>Black</td>
<td>8.4%</td>
<td>11.8%</td>
</tr>
<tr>
<td>Latino</td>
<td>10.0%</td>
<td>23.6%</td>
</tr>
<tr>
<td>Asian</td>
<td>3.4%</td>
<td>6.5%</td>
</tr>
<tr>
<td>Other</td>
<td>1.0%</td>
<td>2.9%</td>
</tr>
</tbody>
</table>

Latino entrepreneurs are starting up businesses at a faster rate.

**Figure 1.2** Rate of New Entrepreneurs by Race and Ethnicity (1996–2017)

Immigrants are also an important share of new startups

<table>
<thead>
<tr>
<th>NATIVITY</th>
<th>1996</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Native-Born</td>
<td>86.7%</td>
<td>70.7%</td>
</tr>
<tr>
<td>Immigrant</td>
<td>13.3%</td>
<td>29.3%</td>
</tr>
</tbody>
</table>

Immigrants are becoming more important over time.
Those with less education are becoming entrepreneurs

![Graph showing the rate of new entrepreneurs by education level from 1996 to 2017. The graph indicates a trend where individuals with less education are becoming entrepreneurs at a higher rate compared to those with higher education.](image)

Where are the Millennials?

**FIGURE 1.4 RATE OF NEW ENTREPRENEURS BY AGE (1996–2017)**

New firm births are a smaller part of job creation

Ratio of Jobs Created by New Firm Births to Continuing Firms
Start up companies are becoming less prevalent

Firm Birth Rates Versus Exit Rates

- Establishment birth rate
- Establishment exit rate

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Staley, Entrepreneurship and Small Business
The future?

- Decline in new business start ups is troubling
  - Millennials seem to gravitate toward established companies
  - Economic growth will depend more on *Intratrepreneurship*
- Change agents gravitate toward social entrepreneurship
- *Transinnovation vs. Infrainnovation*
A few important questions

• Can *Intratrepreneurs* fuel value creation?
• Can large companies create new value?
• What new sources of monetization will fuel value creation?