

The Role of Entrepreneurship in Economic Growth

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How Do We Grow the Local Economy?

- Recruitment
- Local entrepreneurs
- Workforce development
- Reduce leakage





Recruitment Research

New jobs:

- Relocations: <1%
- New and expanding: >99%

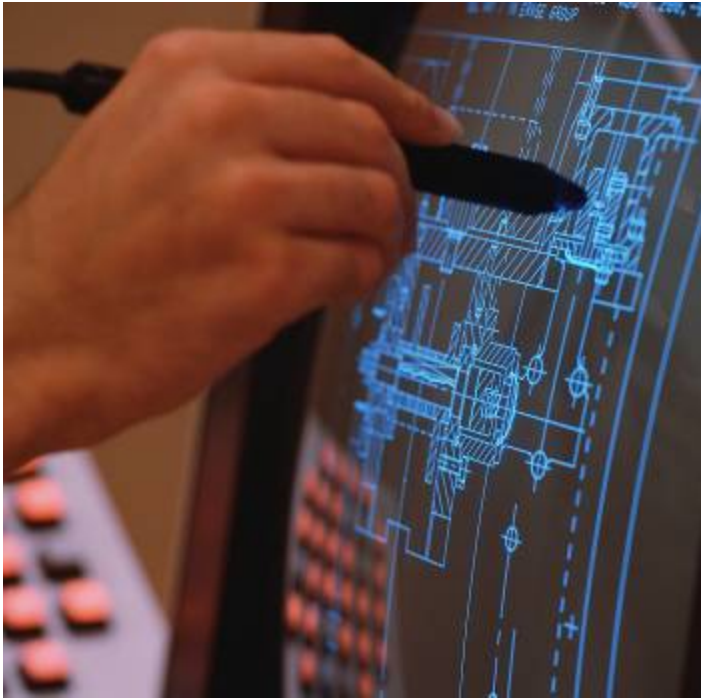
Source: David Neumark, Junfu Zhang, and Jed Kolko, *Interstate Business Relocation: An Industry-Level Analysis*, Public Policy Institute of California, 2006, <http://www.ppic.org/main/publication.asp?i=694>

What is an Entrepreneur?

An entrepreneur is someone who perceives an opportunity and creates and grows an organization to pursue it.



Entrepreneurial Activity



- 10% of population
- 60% self-financed
- Half are home-based

Source: *Global Entrepreneurship Monitor*; U.S. Census Bureau; *Kauffman Index of Entrepreneurial Activity: 1996-2009*,
http://www.kauffman.org/uploadedfiles/kiea_2010_report.pdf.

Entrepreneurial Activity



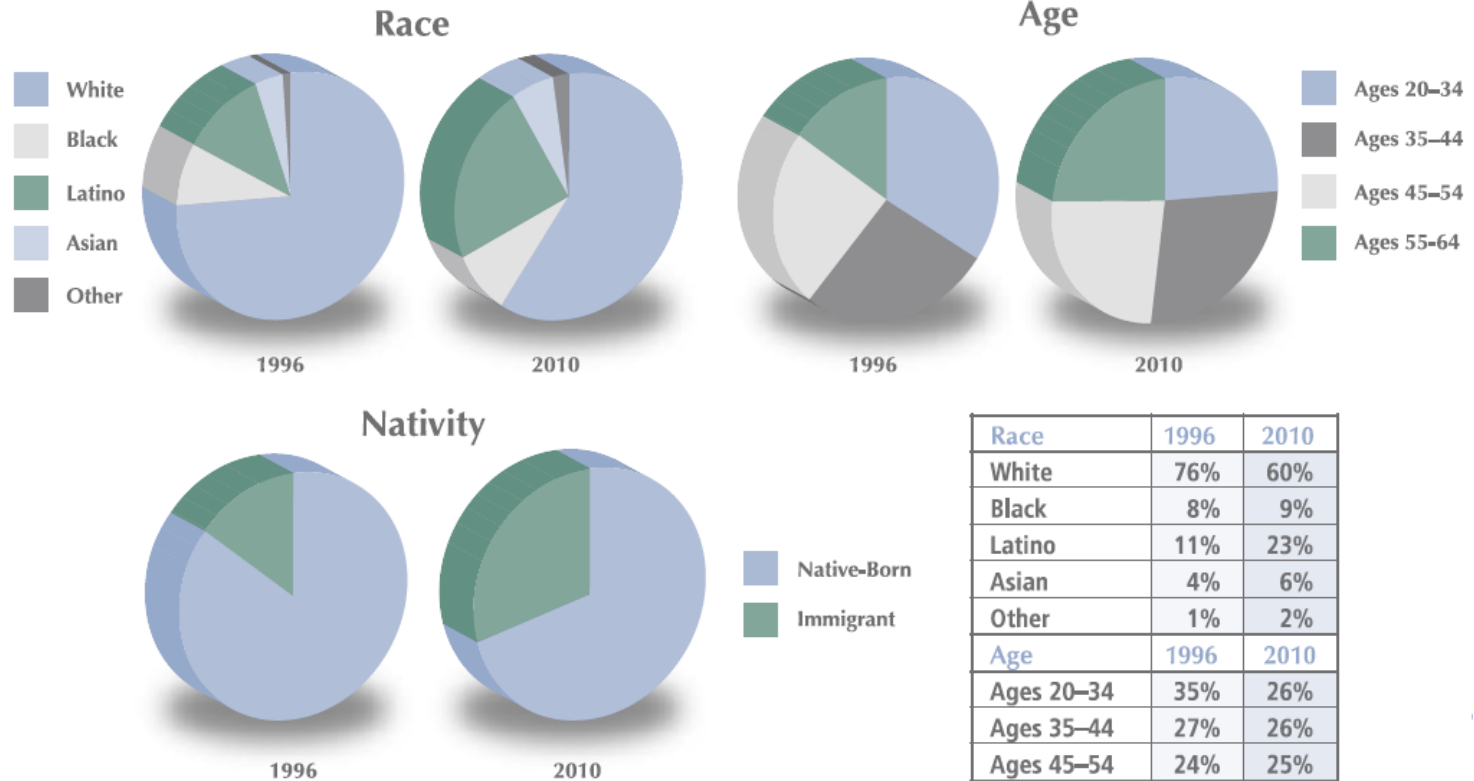
- 45 to 64 year olds
- More men than women
- Immigrants more than native-born

Sources: Dane Stangler, *The Coming Entrepreneurial Boom*, Kauffman Foundation, 2009; *Kauffman Index of Entrepreneurial Activity: 1996-2009*, http://www.kauffman.org/uploadedfiles/kiea_2010_report.pdf.



figure 3b

Big Changes in Composition of New Entrepreneurs Share of All New Entrepreneurs (1996, 2010)



SOURCE: Robert W. Fairlie, University of California, Santa Cruz, using the Current Population Survey.

Kauffman Index of Entrepreneurial Activity: 1996-2010,
http://www.kauffman.org/uploadedFiles/KIEA_2011_report.pdf

Youth Entrepreneurship

- “Coming entrepreneurship boom” among people ages 20 to 34.
- Limited job market leads teens to consider entrepreneurship as a viable alternative.



--Dane Stangler, *The Coming Entrepreneurship Boom*. Kauffman Foundation, 2009

Youth Entrepreneurship

- 4 in 10 want to start business
- More males than females
- Helps to know an entrepreneur
- Confident they can do it
- Look to entrepreneurs for start-up help



Source: *YouthPulseSM 2010: Kauffman Foundation Custom Report*, Harris Interactive, 2010, <http://www.kauffman.org/entrepreneurship/youth-entrepreneurship-survey-2010.aspx>



Small Business Facts

- 1-9 employees
- 100% of net new jobs
- Growth is key



Source: YourEconomy.org, Edward Lowe Foundation, 2008 data

United States 2006-2008



Source: YourEconomy.org



Economic Impact of Start-up Firms

- Only net job growth in U.S.
- 3 million jobs in first year
- 80 percent retained
- Job creation stable

Source: Johnathan Ortman, "Message to the Incoming Class: It's All About Startups," Policy Dialogue on Entrepreneurship, 10/11/10, <http://tinyurl.com/2cklre9>.

Economic Impact of Start-up Firms

“When it comes to U.S. job growth, startup companies aren’t everything. They’re the only thing.”

Source: Tim Kane, *The Importance of Startups in Job Creation and Job Destruction*, Kauffman Foundation, July 2010,
http://www.kauffman.org/uploadedFiles/firm_formation_importance_of_startups.pdf

Kansas Small Business Dynamics

“...without the birth of brand new business establishments, Kansas would have experienced negative net job growth in 22 of the 28 years represented in the data.”

Source: Arthur P. Hall, *Embracing Dynamism: The Next Phase in Kansas Economic Development Policy*, Kansas, Inc., 2010,
www.kansasinc.org/pubs/working/EmbrDyn3.11.10.pdf



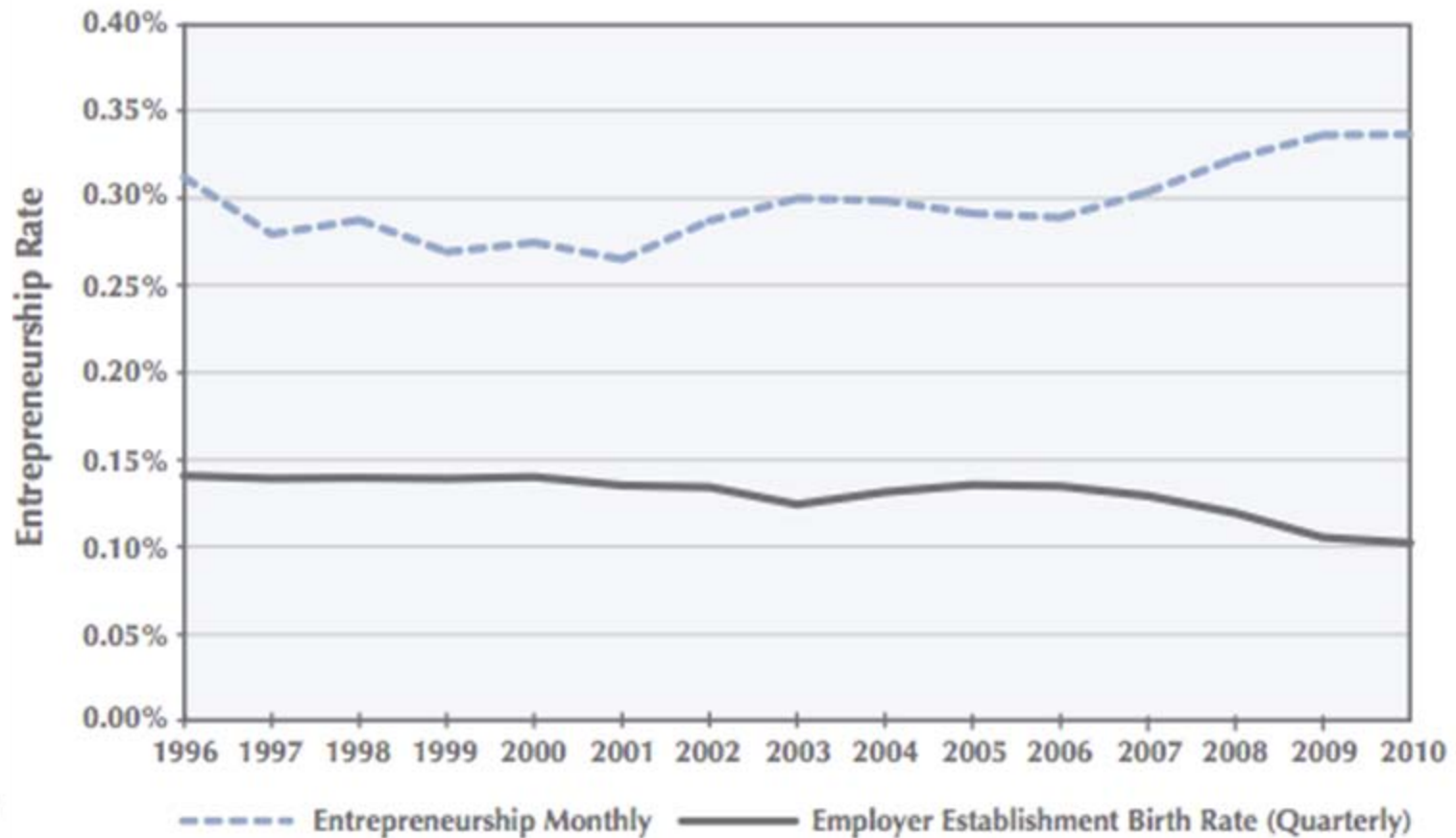
Start-up Rates

- 2010: highest level in 15 years
- Self-employed: occupational decision
- Employer firms: economic decision



Source: Zoltan Acs, Brian Headd, and Hezekiah Agwara, "The Nonemployer Start-up Puzzle." SBA *Small Business Research Summary*, 2009; *Kauffman Index of Entrepreneurial Activity: 1996-2010*, http://www.kauffman.org/uploadedFiles/KIEA_2011_report.pdf

Kauffman Index of Entrepreneurial Activity(1996–2010) and Employer Establishment Birth Rate (1996–2010)



SOURCE: Robert W. Fairlie, University of California,
Santa Cruz, using the CPS and BLS.
NOTE: 2010 Employer Establishment Birth Rate
only includes Q1 and Q2

Small Businesses Drive Economic Growth





Primary Entrepreneurship Movements

- Business incubation
- Microenterprise development
- Ernesto Sirolli's Enterprise Facilitation
- Technology & innovation
- Capital & community development corporations
- Economic gardening
- SBA & small business development



More resources available at

www.growinglocaleconomies.com/

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