



The Entrepreneurship Economy:
*Thoughts on the Role of
Entrepreneurship in Job Creation
and Economic Development*

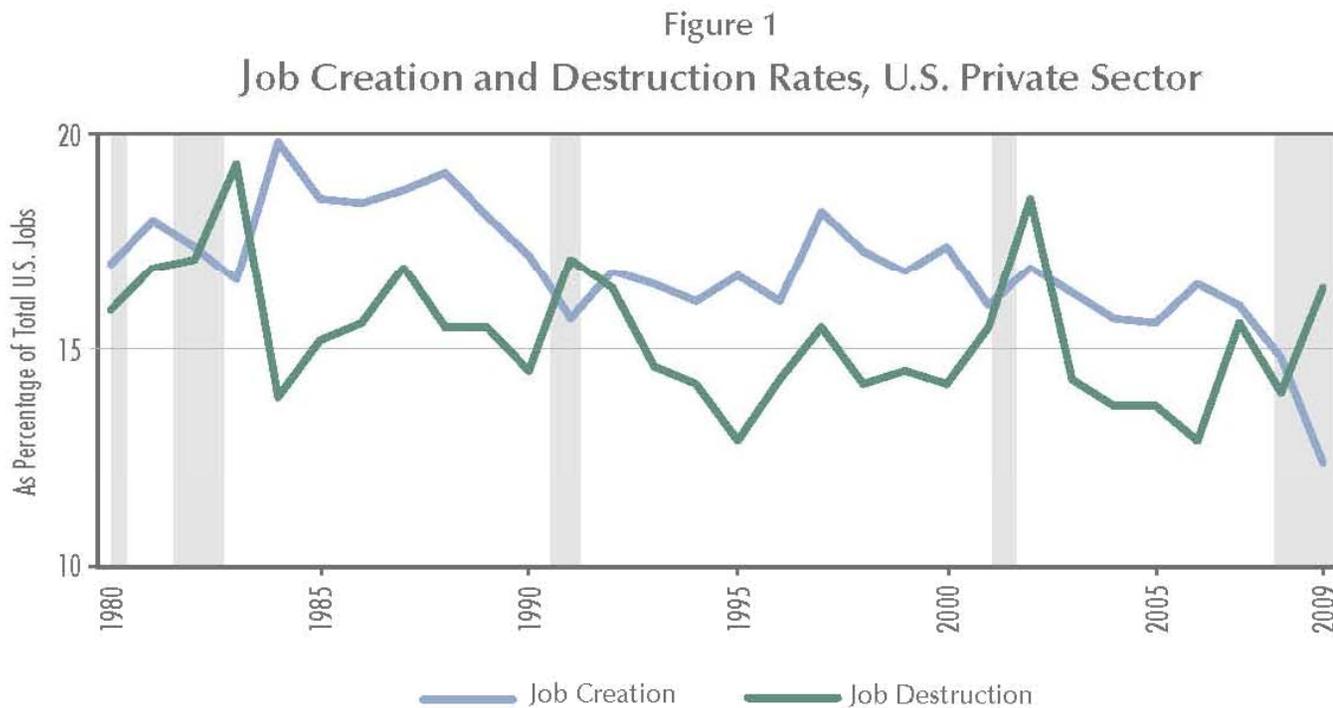
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Lack of Job Creation is Driving Recession



Source: US Census Bureau Business Dynamics Statistics

So how do we bolster job creation?

- U.S. Presidents say small business is the key:
 - *“Small businesses are the biggest providers of new jobs... They embody innovation, provide economic diversity, and chart our path toward the products, markets, and jobs of the future.”* – Ronald Reagan, March 19, 1984
 - *“Small businesses created over a million and a half new jobs in 1989 alone, about two-thirds of the jobs created in the entire Nation...”* – George H.W. Bush May 1, 1990
 - *“Small business... employ[s] about 40 percent of the work force but create[s] a big majority of the net new jobs for more than a decade.”* – Bill Clinton, February 17, 1993
 - *“Small-business men and women... are the primary drivers of job creation.”* – Barack Obama, September 3, 2010
- But this is false. There is no relationship between firm size and growth rate



Entrepreneurial Activity Has Been Increasing

- Entrepreneurial activity has sharply increased since 2007
- .34% of the adult population starts a business in the U.S. each *month*
- This translates into 565,000 new businesses each month
- In 2007, the figure was .29%
- Among Latinos, the figure is even higher at .56% of the population. This is the highest among all ethnic groups

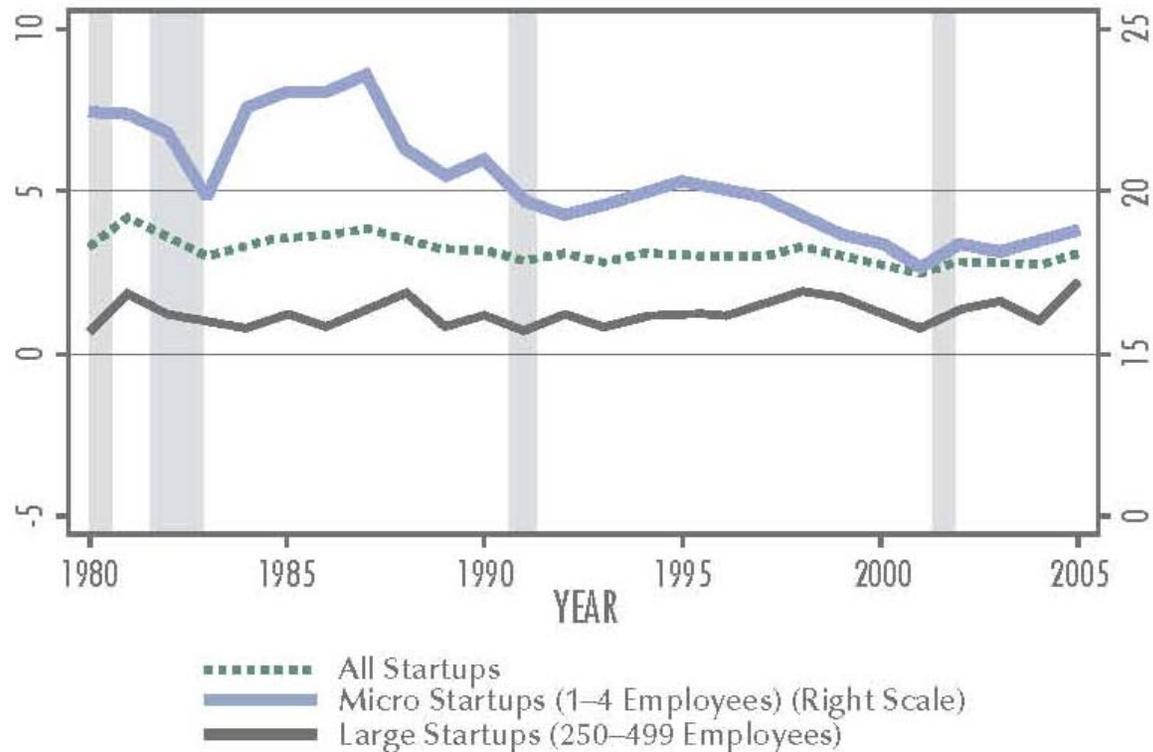
(Source: Kauffman Index of Entrepreneurial Activity)

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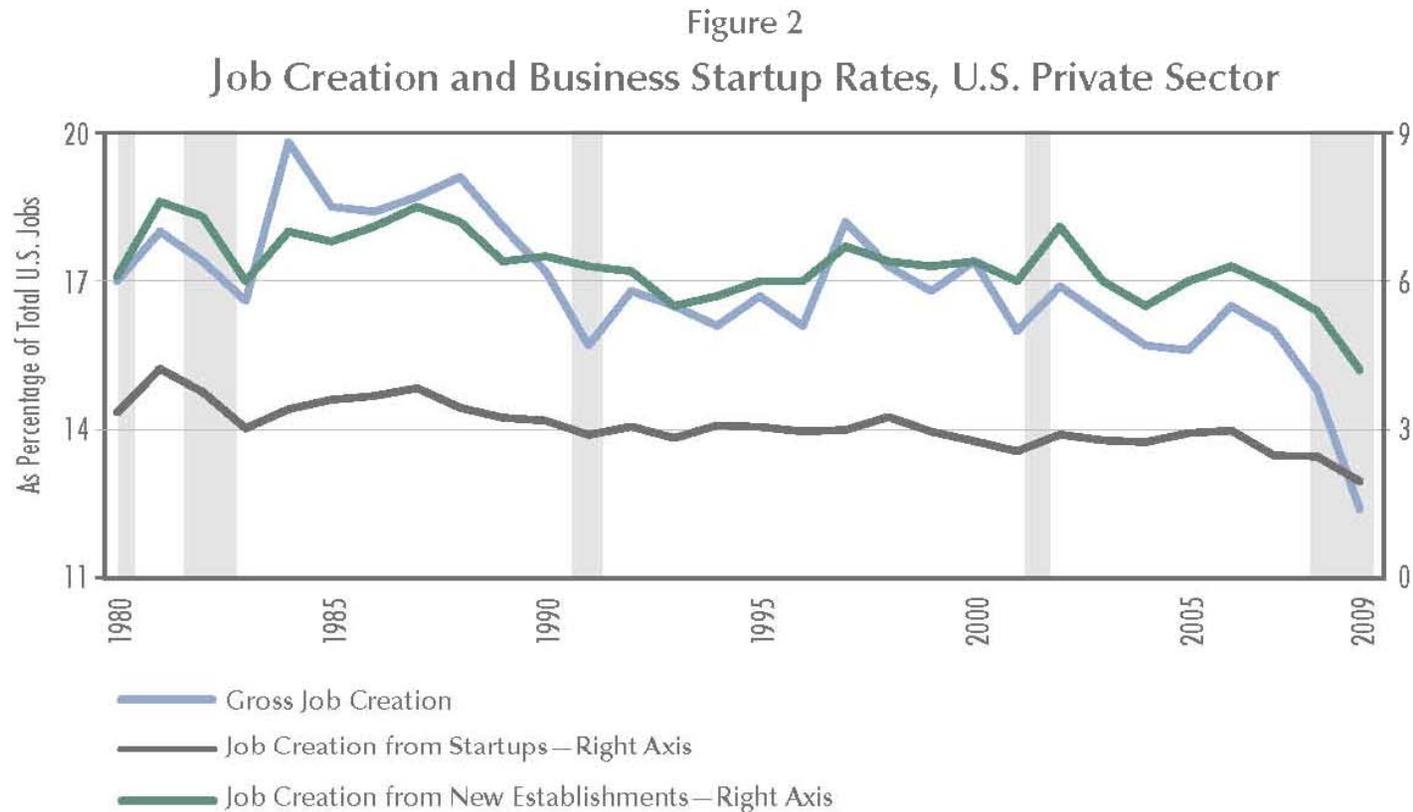


Startups Aren't Pulling Their Weight!

Percent of Jobs Accounted for by New Firms
(All and Selected Size Classes)



Startups are Shedding Jobs Too



Source: US Census Bureau Business Dynamics Statistics



Some Unscientific Observations

- Modern technology has made starting a business very easy and efficient. For many service sector startups, there is no need to hire for a very long time
 - Outsourced manufacturing
 - Outsourced technology and web development
 - Technological advances
 - No need for administrative support
 - No need for a physical location
 - No need for marketing support



Not All Startups are Created Equal

- Some startups may do very well, but don't have the potential to create many jobs
- Some startups may create jobs, but only low-wage service-sector positions.
- Economic development must be based on production, not consumption



States/Regions Must Be Strategic

- Small entities must find niches in order to be successful
- The niches must be ones in which they can maintain a competitive advantage
- The competitive advantage must be sustainable over time despite dynamic market conditions



What are Your Unique Resources/ Capabilities?

- Unique resources and capabilities lead to sustained competitive advantages
- If you are successful, other states/regions will try to imitate you
- The resources and capabilities you are building on must be deeply embedded in your particular local context



Steps for Sustainable Economic Development

- Step 1: Decide what your unique resources/capabilities are
- Step 2: Find the industries or sectors that you can exploit using them
- Step 3: Work to create local clusters or hubs in these areas



Creating Local Clusters

- Teach all students to think like entrepreneurs
- Train young people in the specific skills and technologies that they will need to enter the workforce and contribute immediately
- Provide funding to grow businesses, particularly in the pre-seed and seed stage
- Provide support for nascent entrepreneurs to help them develop their plans and join the entrepreneurial network
- Make it easy to start a business – streamline paperwork and permitting
- Encourage international investors to think of PR as a viable and friendly place to invest





Thank You!

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