

Small Business & Entrepreneurship In The United States



What Is a Small Business?

The Office of Advocacy defines a small business as an independent business having fewer than 500 employees. (The definition of "small business" used in government programs and contracting varies by industry see www.sba.gov/size/.)

How Many Small Businesses Are There?

In 2009, there were 27.5 million businesses in the United States, according to Office of Advocacy estimates. The latest available Census data show that there were 6.0 million firms with employees in 2007 and 21.4 million without employees in 2008. Small firms with fewer than 500 employees represent 99.9 percent of the total (employers and non employers), as the most recent data show there were about 18,311 large businesses in 2007.

Source: Office of Advocacy estimates based on data from the U.S. Dept. of Commerce; et.al.

How Many Businesses Open and Close Each Year?

An estimated 552,600 new employer firms opened for business in 2009, and 660,900 firms closed. This amounts to an annual turnover of about 10 percent. Nonemployer firms have turnover rates three times as high, mostly because it is much easier for them to go into business and cease operations.

Source: U.S. Dept. of Commerce, Census Bureau; et.al

What Is the Survival Rate for New Firms?

Seven out of 10 new employer firms survive at least 2 years, half at least 5 years, a third at least 10 years, and a quarter stay in business 15 years or more. Census data report that 69 percent of new employer establishments born to new firms in 2000 survived at least 2 years, and 51 percent survived 5 or more years. Survival rates were similar across states and major industries. Bureau of Labor Statistics data on establishment age show that 49 percent of establishments survive 5 years or more; 34 percent survive 10 years or more; and 26 percent survive 15 years or more.

Source: <http://web.sba.gov/faqs/faqindex.cfm?arealD=24>

How Important Are Small Businesses to the U.S. Economy?

Small firms:

- Represent 99.7 percent of all employer firms.
- Employ half of all private sector employees.
- Pay 44 percent of total U.S. private payroll.
- Generated 65 percent of net new jobs over the past 17 years.
- Create more than half of the nonfarm private GDP.
- Hire 43 percent of high tech workers (scientists, engineers, computer programmers, and others).
- Are 52 percent home-based and 2 percent franchises.
- Made up 97.5 percent of all identified exporters and produced 31 percent of export value in FY 2008.
- Produce 13 times more patents per employee than large patenting firms. Source: U.S. Dept. of Commerce, Census Bureau; et.al

What Is Small Firms' Share of Employment?

Small businesses employ about half of U.S. workers. Of 120.6 million nonfarm private sector workers in 2007, small firms employed 59.9 million and large firms employed 60.7 million. About half of small firm employment is in second-stage companies (10-99 employees), and half is in firms that are 15 years or older. Small firms' share of employment in rural areas is slightly higher than in urban areas; their share of part-time workers (22 percent) is similar to large firms' share (19 percent). Small firms' employment share remains steady since some small firms grow into large firms over time. Source: U.S. Dept. of Commerce, Census Bureau; et.al

Special points of interest:

- > Small Business Administration
<http://www.sba.gov/>
- > Business.gov
<http://www.business.gov/>
- > SCORE: Counselors to America's Small Businesses
<http://www.score.org/index.html>
- > Entrepreneurship
<http://www.entrepreneurship.gov/>

Inside this issue:

About Small Business	1
Venture Capital Meets Hi-Tech	2
A Special Report on Entrepreneurship	2
The Anatomy of an Entrepreneur	2
Articles	3
Panel Discussion on Entrepreneurial Education	4

E-Publication

Venture Capital Meets Hi-Tech



This eJournal explores the phenomenon that drives uncoupled Americans — and now citizens of other nations — to create fledgling “start-up” businesses that explore and exploit the latest developments in high technology. It also investigates the closely related “venture capital” phenomenon. How investors match their funds to (hopefully) winning ideas is a big part of the start-up story.

Full text: <http://www.america.gov/publications/ejournalusa/0508.html>

A Special Report on Entrepreneurship - The United States of Entrepreneurs, America Still Leads the World

Economist, The, March 12, 2009

FOR all its current economic woes, America remains a beacon of entrepreneurialism. Between 1996 and 2004 it created an average of 550,000 small businesses every month. Many of those small businesses rapidly grow big. The world’s largest company, Wal-Mart, was founded in 1962 and did not go public until a decade later; multi-million dollar companies such as Google and Facebook barely existed a decade ago.

America was the first country, in the late 1970s, to ditch managerial capitalism for the entrepreneurial variety. After the second world war J.K. Galbraith was still convinced that the modern cor-

poration had replaced “the entrepreneur as the directing force of the enterprise with management”. Big business and big labour worked with big government to deliver predictable economic growth. But as that growth turned into stagflation, an army of innovators, particularly in the computer and finance industries, exposed the shortcomings of the old industrial corporation and launched a wave of entrepreneurship.

America has found the transition to a more entrepreneurial economy easier than its competitors because entrepreneurialism is so deeply rooted in its history. It was founded and then settled by

innovators and risk-takers who were willing to sacrifice old certainties for new opportunities. American schoolchildren are raised on stories about inventors such as Benjamin Franklin and Thomas Edison. Entrepreneurs such as Andrew Carnegie and Henry Ford are celebrated in monuments all over the place. One of the country’s most popular television programmes, currently being recycled as a film, features the USS Enterprise boldly going where no man had gone before. Full text: <http://www.economist.com/node/13216037>

The Anatomy of an Entrepreneur

Kaufmann Foundation, July 2009

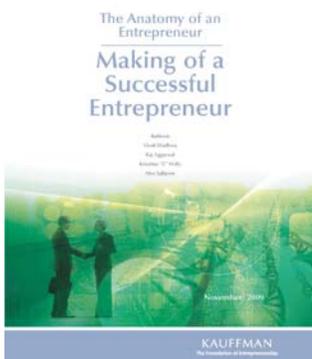
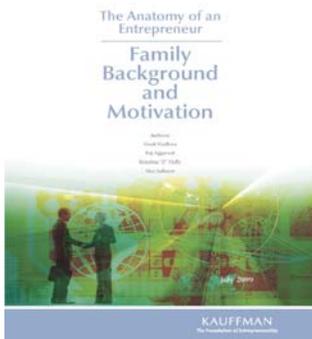
Although entrepreneurs provide the majority of jobs in the United States, little is known about what makes them tick. The Anatomy of an Entrepreneur fills in some gaps by providing insights into high-growth founders’ motivations, their socio-economic, educational, and familial backgrounds, as well as their views on the factors determining the success of start-ups.

A team of researchers led by Vivek Wadhwa of Duke University, Raj Aggarwal of the University of Akron, Krisztina Holly of the University of Southern California, and Alex Salkever of Duke University surveyed 549 com-

pany founders of successful businesses in high-growth industries, including aerospace, defense, computing, electronics, and health care. The findings are presented in the following two reports:

The Anatomy of an Entrepreneur: Family Background and Motivation provides insights into high-growth founders’ motivations and their socio-economic, educational, and familial backgrounds. Full text: http://www.kauffman.org/uploadedFiles/ResearchAndPolicy/TheStudyOfEntrepreneurship/Anatomy%20of%20Entre%2071309_FINAL.pdf

The Anatomy of an Entrepreneur: Making of a Successful Entrepreneur provides insight into company owners’ views about what influences the success or failure of a startup business. Entrepreneurs identified prior work experience, learning from previous successes and failures, a strong management team, and good fortune as the most important factors in their success. Full text: <http://www.kauffman.org/uploadedFiles/making-of-a-successful-entrepreneur.pdf>



Articles

College Students Learning to Be Entrepreneurs: Cultural Transformation under Way on U.S. Campuses. By Guy Olson Staff Writer, *America.Gov*, September 22, 2008

One of the surprising trends in U.S. higher education in recent years has been the growth of courses in entrepreneurship. More than 5,000 entrepreneurship courses now are offered on college campuses, in contrast to 250 such courses in 1985, according to the Ewing Marion Kauffman Foundation of Kansas City, Missouri. And "the vast majority of next-generation entrepreneurs" are emerging not from business schools but "from engineering, biology, computer science, history, nursing, the arts — from all across campus," said foundation Vice President Judith Cone. Full text: <http://www.america.gov/st/business-english/2008/September/20080922132652berehellek0.2334864.html>

Entrepreneurship Spreads Across U.S. University Campuses: Education aims to Nourish Entrepreneurial Spirit, Boost Student Startups. By Andrzej Zwanecki, Staff Writer, *America.Gov*, March 2008

Syed Hussain started his business in 2007, prompted by a desire to fight extortion. That is what he calls \$60- to \$70-per-hour fees he had been asked to pay for tutoring when he was an undergraduate student. The torment of not being able to afford tutoring led Hussain to develop uProdigy. Through this firm, 120 English-speaking tutors in South Asia and the United States offer affordable online help to America's college students. Not only is uProdigy prospering, but the business plan Hussain crafted for it was selected a winner in a major business competition. Full text: <http://www.america.gov/st/econ-english/2008/March/20080320172503saikceinawz0.2316095.html>

Laid-Off Workers Turn to Entrepreneurship. By Andrzej Zwanecki Staff Writer, *America.Gov*, August 25, 2010

When Lehman Brothers collapsed in 2008, Lynn Gray, 60, who had worked at the investment bank as a manager for 11 years, faced a dilemma. Despite her wealth of experience, she could not find another job on Wall Street. Having severance pay and an idea born from her side job — teaching at New York Uni-

versity — she decided to go out on her own and do on-campus recruiting for companies. She enrolled in a New York City entrepreneurship program, FastTrac NewVenture, and then launched Campus Scout, an on-campus recruitment and career development company, in April 2009

Full text: <http://www.america.gov/st/business-english/2010/August/20100825102952saikceinawz0.8450586.html>

Some U.S. Small Businesses Regain Momentum. By Andrzej Zwanecki Staff Writer, *America.Gov*, September 20, 2010

Some U.S. small companies are shifting gears to go faster after the recent recession. Dennis Carmichael, co-founder of ERT Systems, a five-year-old company that sells a wireless tracking system for first responders to emergencies, saw a significant increase in orders five months ago. He has hired two new employees since, and the company, based in Ann Arbor, Michigan, is doing better

Full text: <http://www.america.gov/st/business-english/2010/September/20100920151801saikceinawz0.1547052.html>

Developing World's Entrepreneurs Must Overcome Obstacles. By Katherine Lewis, Special Correspondent, *America.gov*, October 4, 2010

For some entrepreneurs, all times are hard times. In developing countries with not-so-friendly business climates, small business owners often face more daunting and persistent hurdles than their counterparts in the developed world. Those hurdles range from onerous government regulations to corruption to poor infrastructure.

Full text: <http://www.america.gov/st/business-english/2010/October/20101004151339enirehtak0.2372792.html>

American Culture, Corporate Culture, and the Transformation of Business Practice: The Role of Social Foresight in a Restorative Economy. Dennis Morgan. *Foresight: the Journal of Futures Studies, Strategic Thinking and Policy*. Bradford: 2008. Vol. 10, Iss. 4, p. 31-42

Purpose - The purpose of this paper is to clarify the role of American culture in social foresight as prac-

ticed by American futurists. It also seeks to describe how American culture has been expropriated by corporate culture, which is global. Finally, the paper seeks to depict various scenarios of the future of the USA and to consider an imperative of the futurist to reform the role of the professional futurist consultant in the capacity of social foresight that sets as its chief aim the transformation of business practice towards a sustainable, restorative economy.

Technology Gives Small Businesses Better Chance to Compete. By Michael Gallant, Special Correspondent, *America.gov*, October 6, 2010

When Alex Goretsky and his business partner Girolamo Aliotti decided to open Caffè La Stazione in San Francisco, they dreamed of making the small coffee shop an authentic Italian experience for their customers. Their dreams were coming true and a growing number of repeat customers were enjoying the experience, or most of it. Some customers complained because the shop had no mechanism for accepting anything other than cash payments — until the owners learned about a technology called Square from a helpful customer.

Full text: <http://www.america.gov/st/business-english/2010/October/20101006181344eahcim0.5503809.html>

Google Aims to Retain Entrepreneurial Spirit as It Grows: Pampered by the Company, Employees Give Back in Creativity. By Andrzej Zwanecki, Staff Writer, *America.gov*, October 28, 2008

When you visit Google's main campus here you risk a serious bout of envy. You wish your own employer offered at least a small part of what Googlers, as employees are called, can enjoy. The place is so unconventional that at times it feels more like a cross between a self-sufficient gated community, an all-inclusive resort and a college campus than a corporation.

Full text: <http://www.america.gov/st/business-english/2008/October/20081028142953saikceinawz0.8857386.html>

Panel Discussion on Entrepreneurial Education

Remarks by Judith A. McHale, Under Secretary for Public Diplomacy and Public Affairs



Gadjah Mada University (UGM), Yogyakarta, Indonesia, December 6, 2010

The U.S.-Indonesia relationship is a critically important partnership. We are constantly looking for ways to mutually strengthen the relationship.

One particular area in which we engage with young people in Indonesia is entrepreneurship. As President Obama has said, "Entrepreneurship is an area where we can learn from each other; where America can share our experience as a society that empowers the inventor and the innovator."

Entrepreneurship is also a topic that is near and dear to my heart. Before I started working for the United States Government, I had the opportunity to work with two special entrepreneurial organizations that you might have heard of – MTV and Discovery Communica-

At MTV we pioneered a new approach to providing the world's youth with the music and entertainment they sought.

I then joined Discovery when it had only 35 employees, one U.S. channel, and 185,000 subscribers. When I left Discovery, it had grown to more than 5000 employees in 177 countries, with over 100 networks, 37 entertainment brands, and over 1 billion subscribers.

Entrepreneurship is not only good for individuals, but is critical for the economic prosperity of our nations. In the United States, small businesses represent 99.7 percent of all employer firms. They employ half of all private sector employees, pay 44 percent of total U.S. private payroll, and have generated 65 percent of net new jobs over the past 17 years.

Last April, nine Indonesians attended the Presidential Summit on Entrepreneurship in Washington D.C. One of the summit participants was Sandiaga Uno. After being laid off during the financial crisis in Asia in the late 90's, Uno turned to entrepreneurship to pay off his

debts and put food on his family's table. He is now the renowned co-founder of Saratoga Capital, the first private equity firm in Indonesia focusing on natural resources, which grew from four workers to about 15,000 employees.

Since the summit, we have worked with all of the Indonesian attendees to form the Global Entrepreneurship Program Indonesia (GEPI). This is a new program focused on supporting and empowering Indonesian entrepreneurs by marshalling partners, both U.S. and in-country, as well as multiple U.S. Government programs designed around elements that are essential for creating a successful ecosystem for entrepreneurs.

GEPI is a powerful demonstration of the U.S. Government's long-term commitment to advancing entrepreneurship in Indonesia – by providing expertise and tools geared at building local capacity. We look forward to announcing more details about this program in the future.

Full text: <http://www.state.gov/r/remarks/2010/152402.htm>

Based on mutual respect and shared values, the US Mission works with Indonesia to strengthen democracy, sustain the environment, promote prosperity, enhance understanding and ensure security for our people, our nations, and our region.

Contact Info:

Information Resource Center (IRC)

Public Affairs Section

U.S. Embassy Jakarta

Address:

Jl. Medan Merdeka Selatan 4-5, Jakarta 10110, Indonesia

Tel.: (021) 350-8467

Fax.: (021) 350-8466

Email: ircjakarta@state.gov

Website: <http://jakarta.usembassy.gov/irc.html>

Walk-in Visitors (by appointment only):

Monday to Friday; from 07:30 to 16:00

Closed on U.S. and Indonesian holidays.

The U.S. Embassy's Information Resource Center (IRC) in Jakarta is a specialized reference and research facility. Our goal is to provide you with accurate, up-to-date and authoritative information about U.S. society and policy materials, covering topics such as U.S. foreign policy, government, economics and trade, history, social and cultural issues.

The IRC collection includes an up-to-date reference collection, a periodicals section, and access to extensive online databases. Our online catalogue is available at: <http://69.63.217.22/110086Staff/OPAC/index.asp>

Our professionally-trained reference specialists use print and periodical collections as well as online databases and the Internet to retrieve the information that you need quickly, conveniently, and free of charge.

Information queries may be submitted to us by phone, fax, mail, and e-mail.

You are also welcome to visit us by appointment for personal research assistance.

Based on mutual respect and shared values, the US Mission works with Indonesia to strengthen democracy, sustain the environment, promote prosperity, enhance understanding and ensure security for our people, our nations, and our region.

Disclaimer: Books, articles, and websites described in this info package present a diversity of views in order to keep our IRC users abreast of current issues in the United States. These items represent the views and opinions of the authors and do not necessarily reflect official U.S. Government policy.