



2018 STATE OF ENTREPRENEURSHIP ADDRESS

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FOUNDATION

Three Mega Trends Shaping the Future of Entrepreneurship

Despite the recent rise of the traditional economic indicators, too many people are left out of these gains. The long-term decline in entrepreneurship has dragged down productivity, wages and living standards for all Americans. Put simply, fewer entrepreneurs mean a lower quality of life for Americans.

Mega Trends in Entrepreneurship

- **Demographics:** U.S. population is increasingly diverse, educated and older, yet the entrepreneurial population is not changing as fast.
- **Geography:** Entrepreneurship is increasingly an urban phenomenon, although it is also growing outside of the largest cities – spreading to mid-sized metro areas.
- **Technology and job growth:** Technological advances have meant that revenue and jobs no longer scale in an almost linear fashion. Fewer jobs are created as companies reach massive scale, yet opportunities are more widely available as technology lowers barriers to entry.¹

Entrepreneur Survey

The Kauffman Foundation, in partnership with two research firms, Public Opinion Strategies and Global Strategy Group, conducted a nationwide representative survey of 2,165 entrepreneurs. The survey was conducted January 26–February 13, 2018. (Startups are defined as businesses in the first five years of existence.)

Entrepreneurs are Optimistic about Their Future

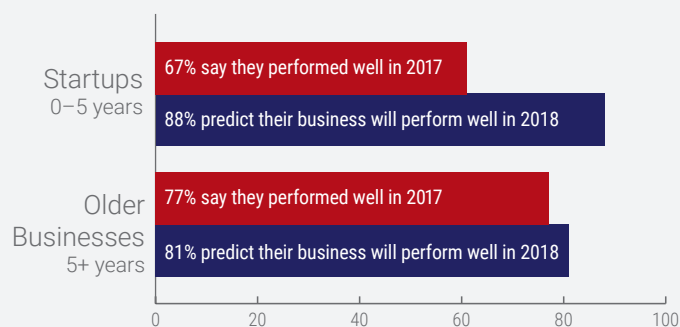
Entrepreneurs are not incredibly optimistic about the country as a whole, but they do have a positive outlook on the current environment for businesses and the future of their own businesses.

- While some have a negative outlook on the national economy (55% of startups give it a negative rating, 39% of older businesses), business owners feel more confident in the economic climate for businesses like theirs. Majorities (65% of startups, 69% of older businesses) rate the current climate as excellent or good.
- This favorable business climate leads many to rate their own performance in the past year positively (67% of startups, 77% of older businesses), and entrepreneurs are even more optimistic about how they will perform this year (88% of startups, 81% of older businesses—*Figure 1*).
- Not only do they perceive themselves as performing well, most report they have become more profitable in the past year (56% of startups, 40% of older businesses) and are satisfied with their profits (73% of startups, 72% of older businesses).
- Their continued optimism leads them to believe that they are likely to increase their profits (89% likely among startups, 77% among older businesses), offer a new product or service (78% of startups, 52% of older businesses) and make an investment of over \$10,000 into their business (59% of startups, 43% of older businesses).

1. <https://www.kauffman.org/what-we-do/resources/state-of-entrepreneurship-addresses/2017-state-of-entrepreneurship-address>

FIGURE 1

Entrepreneurs' persistent optimism drives them to view their current – and even future – business performance positively



Entrepreneurs Struggle with the Nuts and Bolts of Business

- Becoming more profitable is the top challenge for business owners (62% of startups, 55% of older business).
- Entrepreneurs report difficulty with many of the technical steps of starting a business:
 - setting up benefits for employees (35% of startups and older businesses)
 - obtaining licenses (29% of startups, 24% of older businesses)
 - paying their business taxes (27% of startups, 32% of older businesses)
 - insuring their business (25% of startups, 22% of older businesses).
- Entrepreneurs don't feel that it's getting easier for business owners to accomplish these tasks – if anything, they believe it's about the same as it's always been. Many feel that insuring a business (22% of startups, 14% of older businesses), setting up taxes and withholdings (22% of startups, 14% of older businesses) and applying for loans (21% of startups, 25% of older businesses) have gotten harder.

Entrepreneurs Don't Believe the Government is Helping Them

- Most entrepreneurs don't feel supported by the government and feel that the government favors larger corporations over businesses like theirs. Majorities don't feel that the government cares about businesses like them (62% of startups, 68% of older businesses) or that the government supports small, local businesses (57% of startups, 60% of older businesses).
 - Many perceive that businesses larger than theirs are the ones that are thriving today (72% of startups, 79% of older businesses), potentially because they see government incentives favoring established businesses rather than startups (79% of startups, 78% of older businesses—Figure 2).

Entrepreneurs Want the Government to Promote a Business-Friendly Environment

- Notably, when assessing entrepreneurs' experiences with the government as they worked to open their businesses, we see that many simply didn't turn to the government for assistance. Majorities did not apply for government grants or funding (64% of startups, 72% of older businesses) or Small Business Administration assistance (52% of startups, 63% of older businesses—Figure 3).
- Nearly all feel the government should spend more time supporting business owners (92% of startups, 89% of older businesses), but most would rather see the government work to support a business-friendly environment rather than spending time on grants and funding (51% of startups, 67% of older businesses—Figure 4).

FIGURE 2

Most feel the government favors established businesses

Which statement do you agree with more?

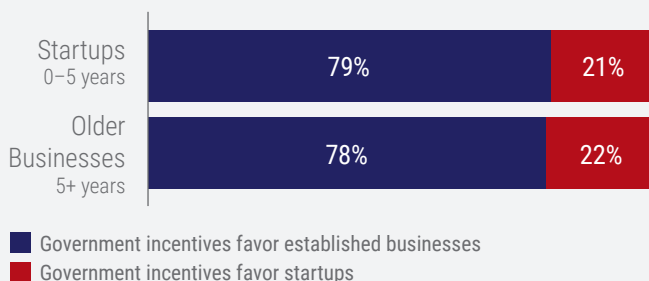


FIGURE 3

As it stands, majorities of entrepreneurs are not utilizing the government resources available to them

Please rate how difficult it was for you, personally, to do each of the following. (Startups 0–5 years)

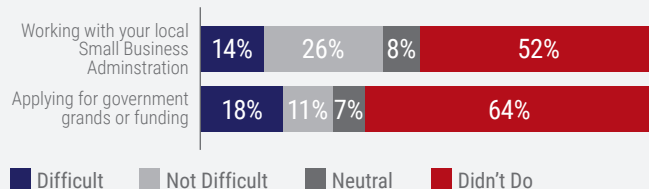
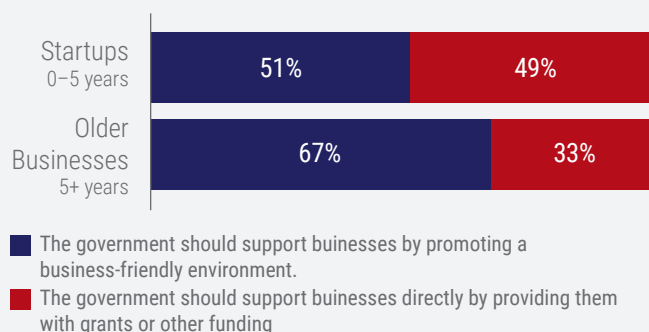


FIGURE 4

Most, particularly older businesses, feel the government should prioritize fostering a business-friendly environment

Which statement do you agree with more?



**Find the full survey results
on Kauffman.org/SOE2018.**



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