



**IS AMERICAN ENTREPRENEURSHIP
DECLINING?**

By Don Macke

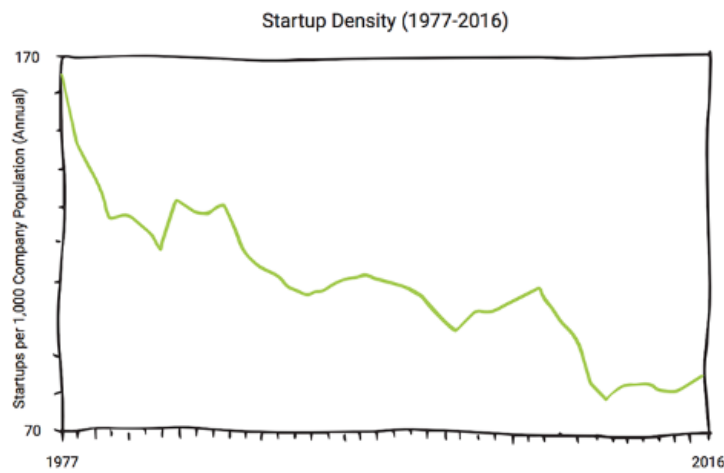
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Introduction

One can be overwhelmed today given the political tension, discourse and conflict in America. The recent record setting federal government shut down is a telling sign of America's dysfunction.

We have our own alarms in the entrepreneurship-led development arena. In the [Entrepreneurship Playbook 2.0](#) hosted by the Ewing Marion Kauffman Foundation there is the following bold statement:

There is an entrepreneurship deficit. And despite this increase in interest in entrepreneurship, the reality is that we are in the midst of a thirty-year decline in entrepreneurial activity. Although entrepreneurship is discussed a lot, Americans are starting new businesses at about half the rate they were a generation ago.
(section I – Why Do Entrepreneurs Matter)



Startup Density is a measure of the number of startups relative to the total number of companies.

Following are my thoughts on the state of American entrepreneurship and how we can reframe our focus on entrepreneurship for a more robust economy.

Why There May Be a Decline in Entrepreneurship Rates

1. Demography
2. Maturing Economy and Society
3. The Motivation Factor
4. Economic Concentration
5. Weak Support

Demography. When I first got into the entrepreneurship game common wisdom was that young white adult males were the wellspring of creating and growing ventures. From purely a demographic point of view, we simply are producing fewer young white

adult males. As a percent of our population this group is decreasing when benchmarked to total population while entrepreneurial activity is expanding with immigrants, refugees, women and people of color. However, based on my field experience business support systems are still geared to white males and too often biased against non-white and new entrepreneurs. Not to become political, but America's failure to enact rational and smart immigration policy is now denying us the immigrant entrepreneurial talent that has always fueled America's economy and society.

Maturing Economy and Society. We are a maturing economy and society. More and more of our personal income is now tied to non-labor income, which illustrates an aging or slow-growth nation. Younger, labor-driven economies tend to drive higher economic growth rates, i.e. more people, more houses, more businesses and the like. America does have pockets of entrepreneurial energy. As a Nebraskan I am always amused when someone compares my state with high-growth places like Florida, Texas or the Front Range of Colorado. It is easier to be an entrepreneur in places that have absolute and robust economic growth compared to slower growing places like Nebraska. Simply put, there is more opportunity to capture a piece of the economic pie in those areas.

Data Challenges – What are we counting? Entrepreneurship is diverse. We need to be clear about what we are counting. Are we tracking startups, main street ventures, growth entrepreneurs, technology entrepreneurs or breakouts? Entrepreneurship activity also varies widely across the American landscape. In some communities and states entrepreneurial activity is growing while in others it is contracting (depending on which entrepreneurial segment you are tracking). Formation of for-profit ventures may be contracting, but there is an explosion of nonprofit and community ventures.

Additionally, it is getting harder to count entrepreneurial ventures. For example, as America's larger employers embrace outsourcing, they are driving employees into the entrepreneurial space. Until these entrepreneurs show up on someone's data tracking, we are hard pressed to measure actual entrepreneurial activity. Strengthening our data would help us track what the trends are and how they are developing.

The Motivation Factor. Several months ago, I reconnected with an old friend, Jim Jenkins, from Callaway, Nebraska. I have known Jim since we met at the University of Nebraska over 40 years ago. Jim is a remarkable person. He is an entrepreneur, farmer, rancher and one-time candidate for the U.S. Senate. Jim is currently chairing the [Blueprint Nebraska](#) Entrepreneurship Council. During one of our conversations Jim talked about motivation...his motivation for working so hard and the motivation of immigrants, refugees, minorities, women and others who pursue entrepreneurship when other career paths are restricted. Motivation, or the lack of motivation is an important consideration when we explore whether entrepreneurship is in decline in America.

As I travel across America, I continue to witness entrepreneurial energy in communities large and small, rural and urban. Whenever I can when I am talking with an entrepreneur, I ask them about why they do this knowing that creating and growing successful ventures is really hard work. I continue to be amazed and inspired by the

answers. Based on my field work there are lots of entrepreneurs with motivation. They all have the following qualities:

Driven – Hard Working – Resilient – Have Something to Prove

These people have grit. Some will make a good life for themselves, others will make a real difference in their community, and some will change our world.

But there is also a counterpoint to this positive impression of motivation. I call this the **prosperity syndrome**. America coming out of World War II has had a remarkable run. We are not the most prosperous country in the world, but we have entire generational groups that have grown up in affluent environments. People have choices. For some they find there are good jobs and good jobs are much easier way of making a living than being an entrepreneur. Others have been enabled by their affluent families and lack motivation to earn a living and make a life for themselves. Many are stranded in communities imploded by global change. They have become sidelined in communities without hope, littered with crime and drug, alcohol, food and other addictions.

Economic Concentration. I am an economist and I love reading economics. (Don't worry, I also like other things, so I am really okay.) America's economy is becoming more concentrated. The concentration of income and wealth reflects increasing economic concentration. Wal-Mart, one of my favorite study areas, perfected how to extract income and wealth, making community main streets poor while creating amazing wealth for owners and investors. The growth of larger corporations is now fueled by acquisition versus internal innovation. The growth of monopoly sectors and markets undermines entrepreneurial opportunity. Capital and wealth concentration further stifle entrepreneurial behavior. Economic concentration is offset by lower barriers to entry, but there appears to be overwhelming drivers adversely impacting people's decisions to pursue entrepreneurship as a life path.

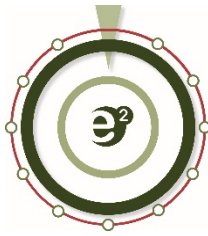
Weak Support. I am celebrating the start of my fifth decade of doing this work. Over 20 years ago I thought we were turning a corner where entrepreneurship-led development would replace traditional economic development (e.g., business attraction and focusing on larger employers). Chris Gibbons, a founder of [Economic Gardening](#), has started a movement and believes we are at a tipping point. I want to believe this is true. But across America, nearly everywhere where we work, we continue to find that traditional development reins king and entrepreneurship is grossly under-funded. Part of our challenge is lack of support and part is rooted in how we build ecosystems. We tend to pursue "supply side" entrepreneurship ecosystem building strategies – more programs, more capital and the like. Too often we find these solutions do not match very well the actual needs of a community's or region's entrepreneurs. Finally, we need to change where we are fishing. The time has come to go where the entrepreneurs are – minority communities, women, immigrants and millennials searching for more than a "good" job.

A Possible Antidote – No Really, the Antidote

While I am concerned about America's economy, I am not sure that our entrepreneurial juice is fading. Maybe, but I am more focused on what we are doing to stimulate and support the next generation of entrepreneurs. We have been fortunate to be working with some really good folks in Klamath Falls, in south central Oregon. It is a small city located in a vast rural region. Its economy is transitioning from natural resource extraction and manufacturing to something else. There is a group of leaders in Klamath Falls who call themselves [Klamath IDEA](#). They love Klamath Falls and want it to have a bright future. They believe passionately that entrepreneurs are foundational to their hometown and are working to build an entrepreneurial ecosystem knowing that if they do, they will grow entrepreneurs. These entrepreneurs will in turn grow a better Klamath Falls.

We also need to pay attention to the trend lines. We need to support Chris Gibbon's movement to make entrepreneurship-led development king. At the same time, we need to support what Dell Gines, Senior Community Development Advisor, [Federal Reserve Bank of Kansas City](#), calls "grinders." Being a grinder is a good thing. Grinders are the people who make a commitment, roll up their sleeves and work hard to build entrepreneurial ecosystems. Kat Rutledge, director of Klamath IDEA, and her friends are grinders. Our mission should be to grow more grinders and support those already committed to this work. If we do, we will collectively change the trend lines for the better.

Bottom line, America is a complex place with lots of trends and currents. By investing in entrepreneurial ecosystem building across America we can change our economic environment, open entrepreneurship to more of our neighbors and stimulate a new cycle of entrepreneurial creativity and impact.



How e2 Can Help

e2 Entrepreneurial Ecosystems can help communities increase prosperity through entrepreneur-focused economic development and ecosystem building through:

- **Mentoring.** We mentor and coach new practitioners seeking to pursue entrepreneur-led development. We provide advice and support for building entrepreneurial ecosystem strategies that work.
- **Analytics Support.** E2 helps communities and regions understand their entrepreneurial potential through research. Please view a sampling of our research tools at: <https://www.energizingentrepreneurs.org/solutions/start.html>
- **Fostering the eMovement.** We support the national entrepreneurship movement along with our partners including the **Federal Reserve Bank of Kansas City, SourceLink, Edward Lowe Foundation, Kauffman Foundation, and NetWork Kansas.** Together, we continue to advance the foundational ideas of building entrepreneurial ecosystems and entrepreneurship-led economic development.

Our emerging vision includes the following solutions:

- **e2 Institutes.** Explore our new generation of e2 Institutes where teams come together, learn from each other and explore the expanded world of strategies, tactics and resources needed in entrepreneurial ecosystem development work.
- **National e2 Resource Network.** e2 offers a resource network capable of connecting those seeking help with those who can help across North America.

e2 Entrepreneurial Ecosystems (formerly the Center for Rural Entrepreneurship) is led by Don Macke, who has more than 40 years of community economic development and policy experience. We have a national team of practitioners, both inside and outside e2, who bring research, coaching, incubation, market intelligence and other expertise to this work.

Questions & More Information



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The mission of **e2 Entrepreneurial Ecosystems** is to help communities and regions connect, learn, and share best practices for building sustainable entrepreneurial ecosystems across North America. With more than 25 years of field experience, particularly in rural America, e2 is the preferred resource for communities of all sizes wanting to pursue prosperity.

For tools and resources, visit our online library at
<https://www.energizingentrepreneurs.org/library/>.

To learn more about e2, go to www.energizingentrepreneurs.org.

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