

Background

Over the past 20 years, start-up enterprises accounted for roughly one-quarter of all jobs created.² Yet these start-ups aren't creating as many jobs as they once did.³ These findings from the Kauffman Foundation suggest that to fuel job growth, it's really about helping new companies that start small to survive and grow. And in order to grow, entrepreneurs must be innovators. That is why Maryland passed a law in 2011 to create an evergreen venture capital fund to jump start seed and early stage companies. Called InvestMaryland, the landmark legislation will eventually provide up to \$75 million in (start-up) funding.

How this Work was Conducted

The independent research firm OpinionWorks of Annapolis interviewed 1,001 randomly-selected Marylanders by telephone October 18-24, 2011. This survey sample has a margin of error no greater than $\pm 3.1\%$ at the 95% confidence level.

Greater Baltimore Technology Council (GBTC)

Committed to building the region's technology and innovation community, this member driven organization is steward and amplifier for entrepreneurs in the region. The GBTC delivers and supports regional programs, events, news, resources and leadership to cultivate a thriving tech community.

www.gbtc.org

Maryland Department of Business & Economic Development (DBED)

Stimulates private investment and creates jobs by attracting new businesses, encouraging expansion and retention of existing companies and providing workforce training and financial assistance. Markets Maryland's economic, recreational and historic assets.

www.ChooseMaryland.org

OpinionWorks

A full-service market research organization based in Annapolis. They undertake opinion studies in Maryland and surrounding states, poll for The Baltimore Sun, work for agencies assessing citizen attitudes, and conduct studies for a variety of organizations.

www.opinionworks.com



¹ Kauffman Index of Entrepreneurial Activity, 1996-2010, March 2011

² Kauffman Foundation, The Importance of Start-ups in Job Creation and Job Destruction, July 2010

³ Kauffman Foundation, Starting Smaller; Staying Smaller: America's Slow Leak in Job Creation, July 2011

On Entrepreneurism: A Statewide Survey of Business Owners

Assessing the Attributes of Start-Ups in Maryland

Considering the Implications for Economic Growth



Marylanders' Experience with Business Start-ups



During the Great Recession, more Americans have become entrepreneurs than at any time in the past 15 years.¹ Entrepreneurs – whether self-employed, sole proprietors, business founders or owners – make up the majority of jobs in the United States. According to the SBA 270,000 Marylanders were self-employed in 2009, yet our understanding about their role in the economy is limited.

Less known is how many have founded a business or may be considering starting one in the future. What can we learn from their motivations, characteristics and aspirations to help them – and others – succeed? What do we know about barriers and opportunities? Is there a role for the state to encourage new start-ups?

The GBTC and DBED teamed up to commission a statewide survey to examine such variables and gather insight to inform policy leaders.

Conducted by an independent research firm, the survey paints a picture of a stable and solid start-up community. In many ways, the community reflects the state's demographics, but in others points to room for improving business ownership parity and to increasing targeted information, resources and technical assistance at the seed stage.

Key Findings

- More than one-quarter of all Marylanders (28%) have founded or partnered in a new business.
- Adding in investors, employees, and involved family members, nearly half (47%) of all Marylanders have been directly involved in a business start-up.
- While many start-ups remain quite small, business owners are optimistic that they will hire more people in the next five years.
- More than one-third (37%) of all owners have started more than one business.
- One-third of all owners started their business since 2008. These newest business owners are likely to be under age 35 and much more likely to be African-American.
- Business formation is driven more by motivation, ideas and opportunity than by financial necessity.
- Two-thirds of Marylanders (68%) believe the State should encourage business start-ups.

Commissioned by
Greater Baltimore Technology Council
Maryland Department of Business
& Economic Development

FALL 2011

Marylanders Starting Businesses

The survey shows that Marylanders of all backgrounds and in all parts of the state are involved with business start-ups. More than one-quarter of Marylanders (28%) have founded or partnered in the start-up of a business.

Adding in those who have invested financially, have been employed by a start-up, or have been involved in a new business as a family member, the number rises to 47% of Marylanders.

With more than one-third of Marylanders actively encouraging others to start a business, the number creating, participating in, or encouraging new business start-ups reaches 56%.

Creating A Picture of the Business Start-Up



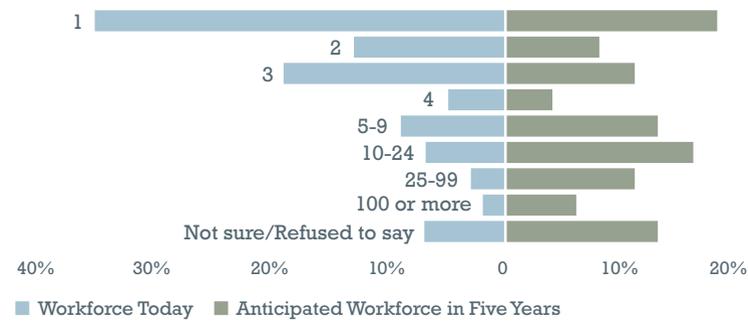
Focusing on the 28% who have founded or partnered in a new business, here are some vital facts about these entrepreneurs and their enterprises:

- While most (59%) have started one business, 37% have started two. One in 10 (11%) are serial entrepreneurs, having started three or more businesses.
- They are somewhat more likely than the general population to be male (61%), but mirror the general population of the state almost exactly in terms of race and ethnicity.
- Most businesses (57%) were started in the last 10 years.
- Nearly three-quarters (72%) were started in Maryland.
- One-half of the start-ups (47%) are still operating today. Of those that are not operating, half suffered from a lack of financial viability and were closed. Many others ceased operating for different life and career change reasons. Six percent were sold or acquired by another business.

Many of the business start-ups that operate today are small. The majority (58%) have annual revenues under \$50,000. One-third of them (35%) have only one worker. But a significant minority of these start-ups show signs of growth.

- 10% of the start-ups still operating today have revenues over \$250,000 per year and 3% take in over \$1M.
- 29% have paid wages for 42 months, a generally accepted measure of business viability.
- Business owners are optimistic. While 21% employ five or more people today, 46% expect to employ five or more people five years from now.

Number of Employees



Industries Spawning New Businesses

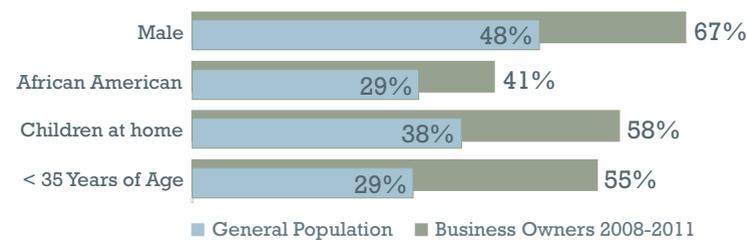
More businesses have been started by specialty trade contractors than any other sector. Combined with construction and repair and maintenance businesses, these account for one-quarter of business start-ups by Marylanders. Professional, scientific, and technical services; personal services; and performing arts and entertainment follow next.

Businesses Started by Sector

Trade Contractors	14%	Construction	5%
Prof., Sci. & Tech. Services	12%	Retail	5%
Personal Services	9%	IT Services	4%
Arts & Entertainment	8%	Financial Activities	2%
Repair and Maintenance	7%	Truck Transportation	2%
Food Services	6%	Real Estate	2%
Health Care Services	6%	Manufacturing	1%
Educational Services	6%	Accommodation	1%
Admin. & Support Services	6%		

Who is Starting a Business Today?

As this table illustrates, Marylanders who have founded or partnered in a new business since 2008 are much more likely than the general population of the state to be male, have children at home and be African-American. A solid majority of business start-ups in Maryland today are among those under the age of 35.



A solid majority (56%) of new owners said they started their business to "take advantage of a business opportunity," compared to 24% who said they had "no better choices for work." A combination of the two was cited by 11%.

Of those who have never started a business, almost half (44%) said they have thought about doing so, and about half of them have thought about it "actively." This actively thinking group amounts to 15% of the state's population, or perhaps 650,000 Marylanders. *The potential is significant.*

What Motivates Entrepreneurs?

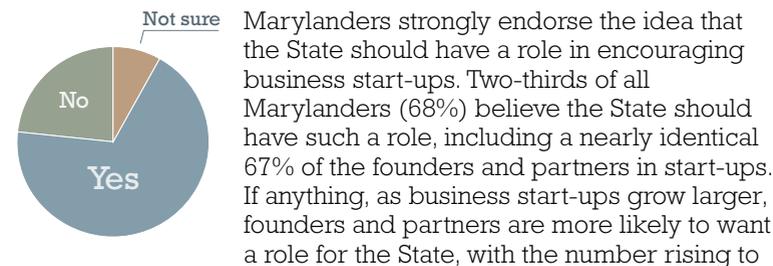
Half (49%) of all founders and partners of start-ups said they started the business because of circumstances they did not anticipate. A smaller number (44%) said they always knew they would start a business someday.

Entrepreneurs gave a wide range of reasons why they started their businesses. They saw the opportunity to make money, to pursue their life's passion, or just to be their own boss. Others saw a market need, followed in the footsteps of a family member, were unemployed and needed work, or wanted a more flexible lifestyle and time with family.

Reasons Entrepreneurs Started Their Businesses

18%	To make money
16%	I am good at it/To pursue my passion
12%	Want to be my own boss
10%	Saw a market need or a niche
7%	Familiar with the business already
7%	Unemployed
5%	Desired a more flexible lifestyle/To be with family
4%	Wanted to challenge myself/It was a goal
3%	Someone suggested I do it
18%	Other reasons

Do Marylanders See a Role for the State?



78% among Marylanders whose start-ups employ three or more people. Overwhelmingly, the public sees that role as financial, providing grants or direct financial assistance (32%), tax breaks (10%) or low-interest financing (8%).

As a secondary and important theme, Marylanders see a role for the State in mentoring and providing expertise to help entrepreneurs navigate the start-up process (7%), or offering workshops and other educational content about how to get started (7%). One-third of entrepreneurs (30%) said they had a mentor or a key advisor when they started their business.

Implications & Opportunities

It is clear that Maryland's citizens see a role for the state in encouraging business start-ups and helping foster business growth. Beyond providing financial assistance, the public and entrepreneurs themselves want to see an active mentoring role by the state.

There is promise in the finding that entrepreneurs reflect the racial and ethnic make-up of the state, and if anything, African-American residents are incubating new businesses at a higher rate than other segments of the population. But there remains a challenge in the fact that women do not participate as fully in the business start-up process.

Though most start-ups are quite small and may remain so throughout their existence, there is a strong sense among many entrepreneurs that their businesses will grow substantially in the years ahead and add employees. This optimism, and the finding that so many other Marylanders are thinking actively about starting a business, shows the potential impact on the economy of new business start-ups and growth.

What Are the Next Steps?

The findings present an opportunity for Maryland to build on the strength of its entrepreneur community to generate more sustainable growth. Going forward the information from this survey should serve as a starting point for further discussion and study on ways to support and nurture entrepreneurs. Possible follow up includes:

- Further examine and address the perceived and real barriers by individuals to starting a business, be they regulatory, financial or educational.
- Work with private sector and academic organizations to support start-ups and innovation in targeted industry sectors.
- Explore ways to assess Maryland's level of entrepreneurial activity as a benchmark measure of the State's competitiveness.
- Consider establishing a Maryland-specific local Start-up America website with resources. Determine how to best connect with business owners at the point they register.
- Broaden tech, innovation and entrepreneurship economic opportunities across gender and racial lines. Convene and empower the community to take advantage of these opportunities.