

# Entrepreneurs and Economic Dynamism

FEI Madison April Chapter Meeting  
April 8, 2024

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Community Development Institute  
Economic Development Administration University Center

# Entrepreneurship as a Community Economic Development Strategy

## Benefits

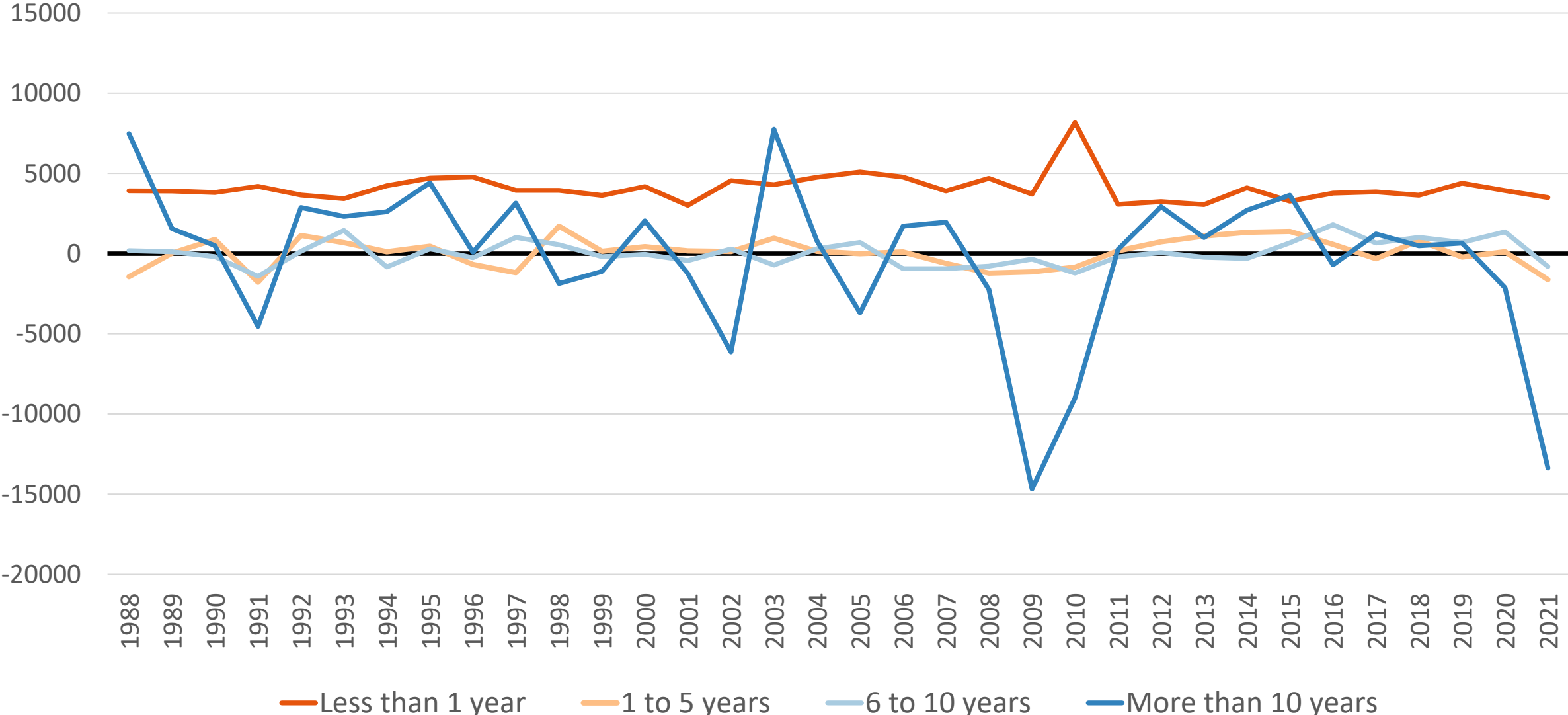
- Job Creation
- Income Growth and Poverty Reduction
- Regional Stability
- Innovation
- Sense of Community

## Types of Entrepreneurs

- Pre-venture/Aspiring
- Survival
- Social
- Lifestyle
- High Growth
- Serial
- Etc., etc., etc.

# *New Businesses are Important for Job Creation*

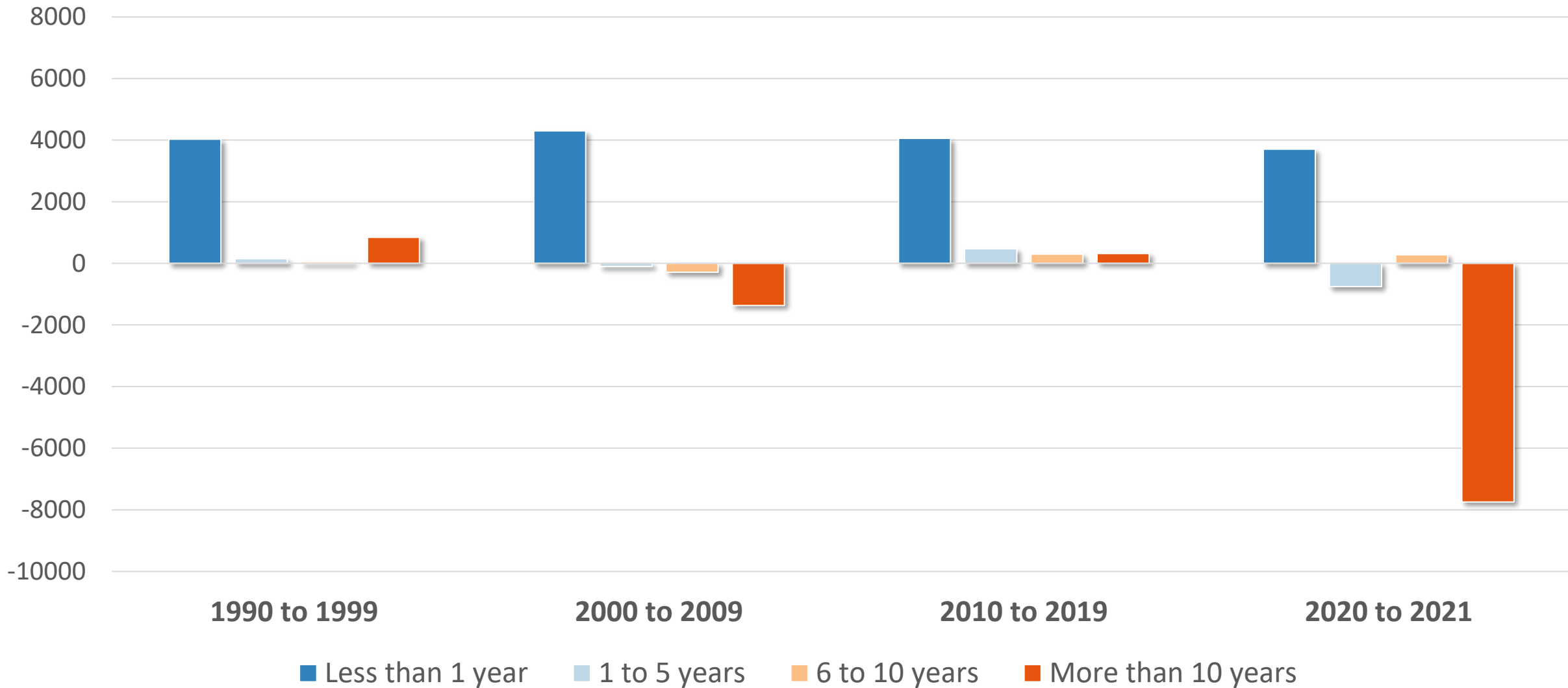
## Dane County Net Employment Change by Age of Firm – 1988 to 2021



Source: U.S. Census Bureau Business Dynamics Statistics

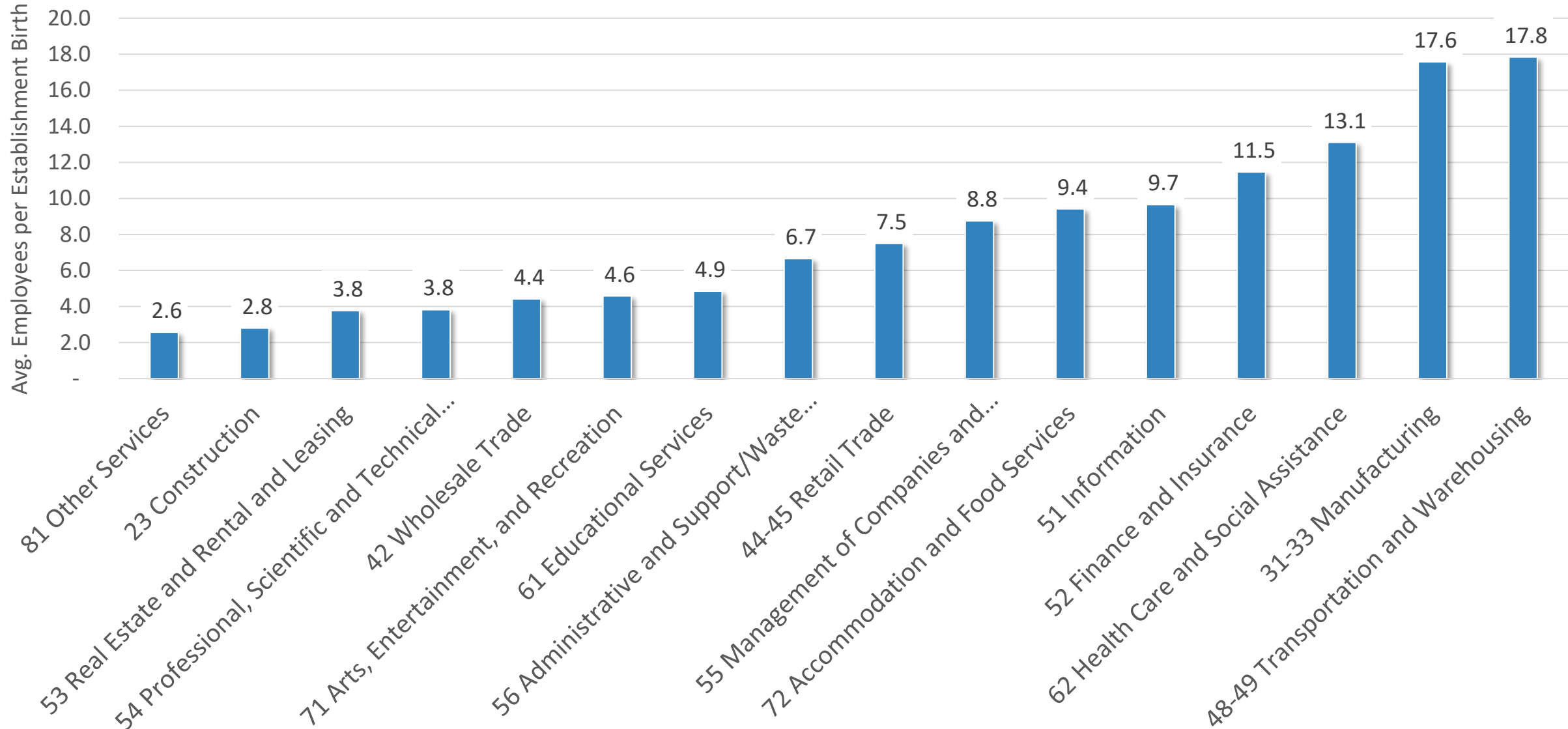
# *New Businesses are Important for Job Creation*

## Dane County Average Annual Net Job Creation by Age of Firm

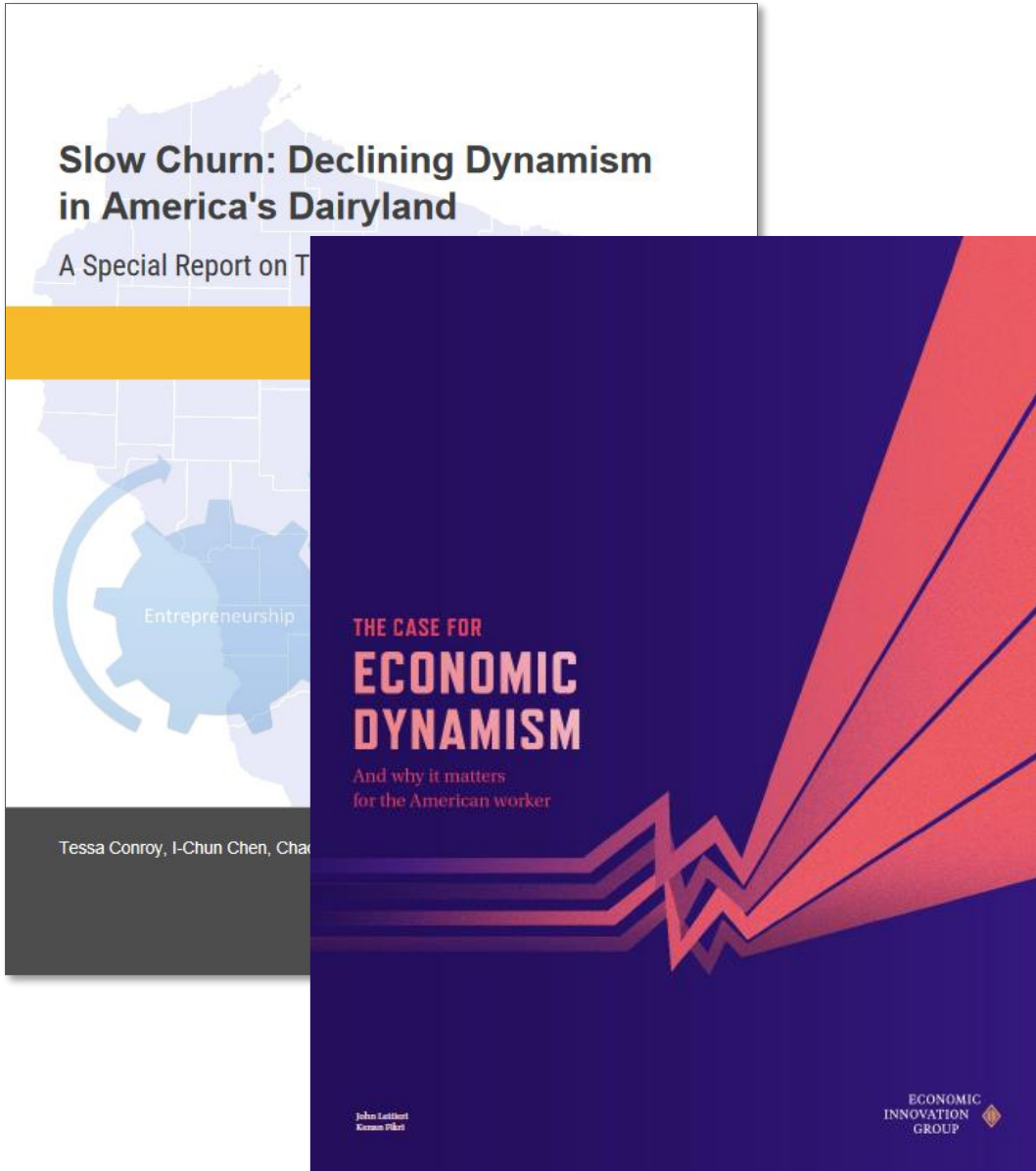


# *New Businesses Tend to be Small Businesses*

**Average Employees per Establishment Birth in 2021 (by Industry Sector – Madison MSA)**



# Economic Development from a “Dynamism” Perspective

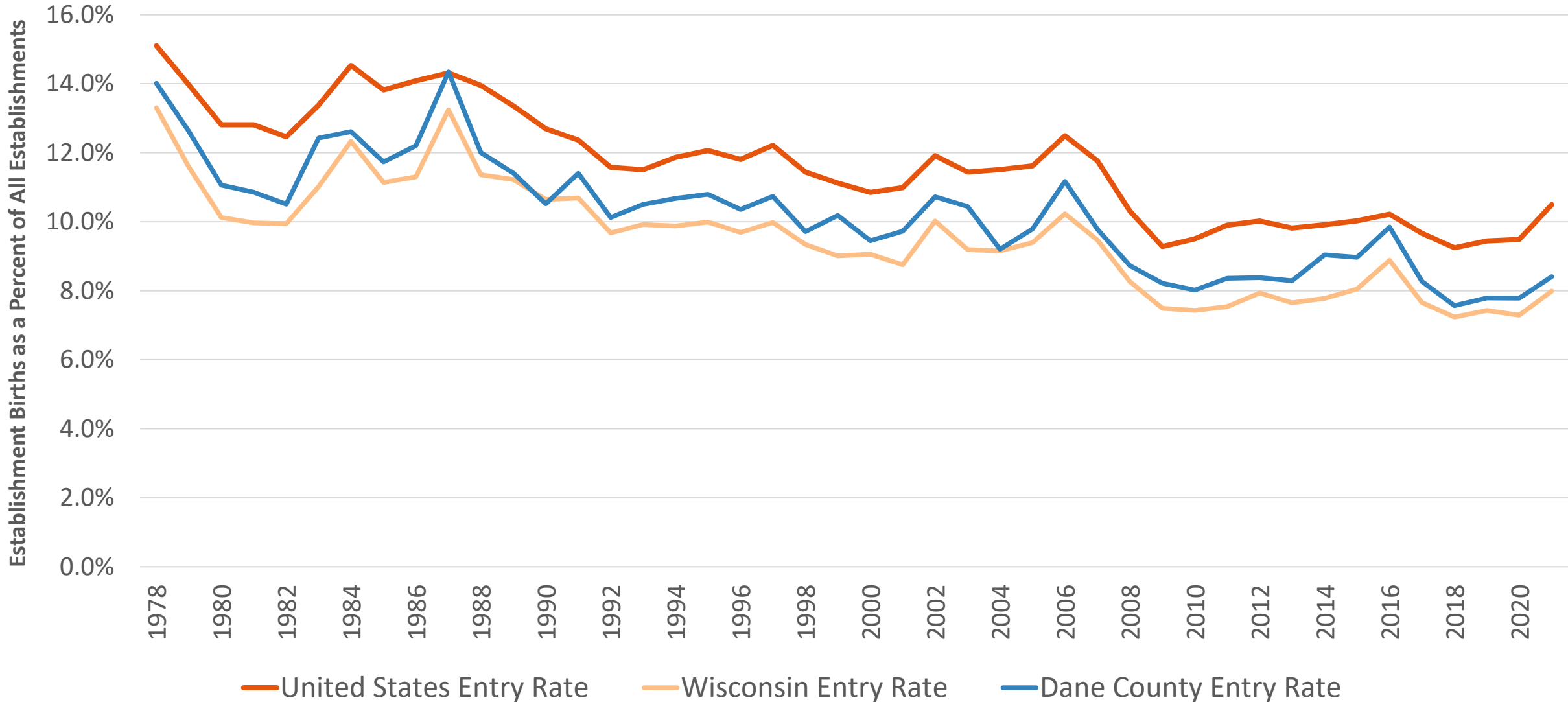


**Dynamism - The speed and scope at which the economy can change.**

- Measured by business activity, productivity, employment patterns, population mobility, spending on research and development, and lending activity by banks.
- Captures overall capacity for an economy to experiment and adjust.

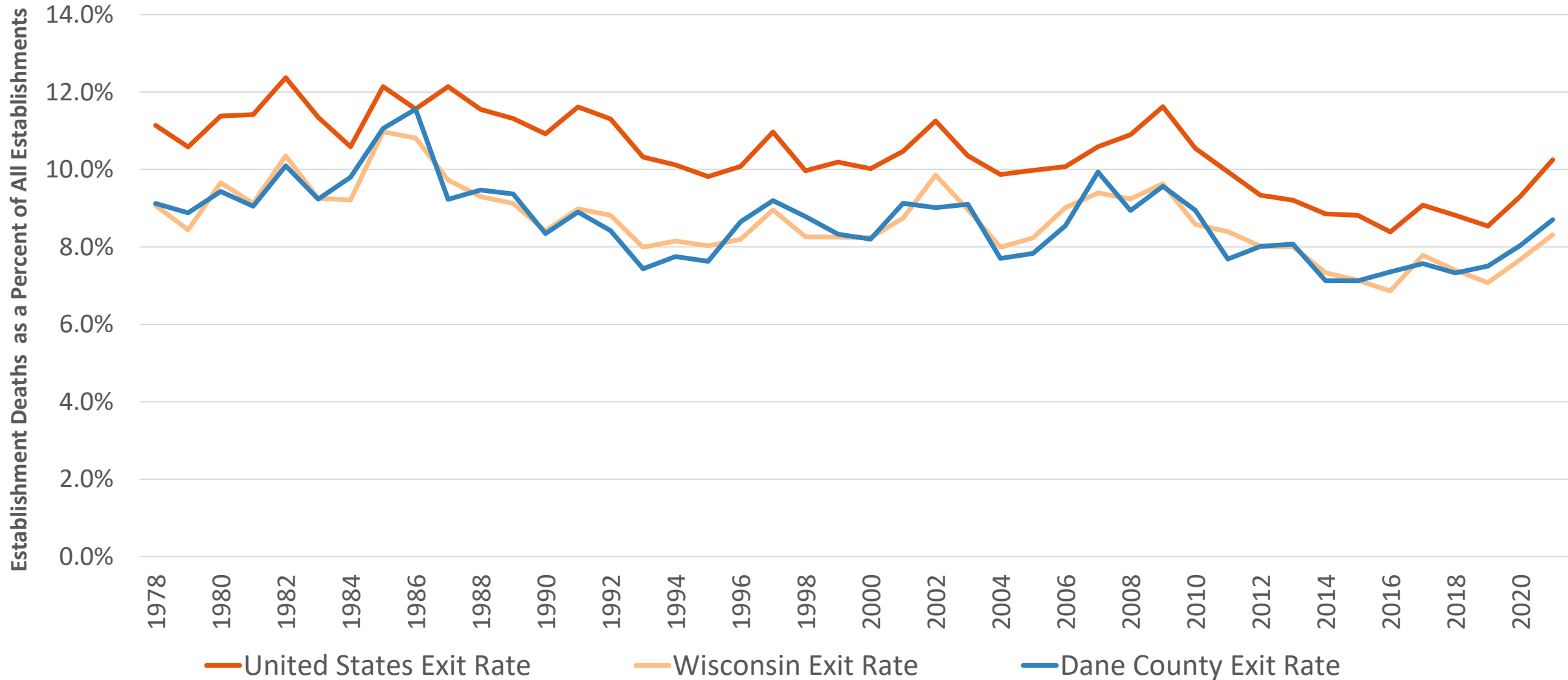
# Establishment Entry (Birth) Rates Have Been Trending Downward...

## Establishment Entry (Birth) Rates – 1978 to 2021



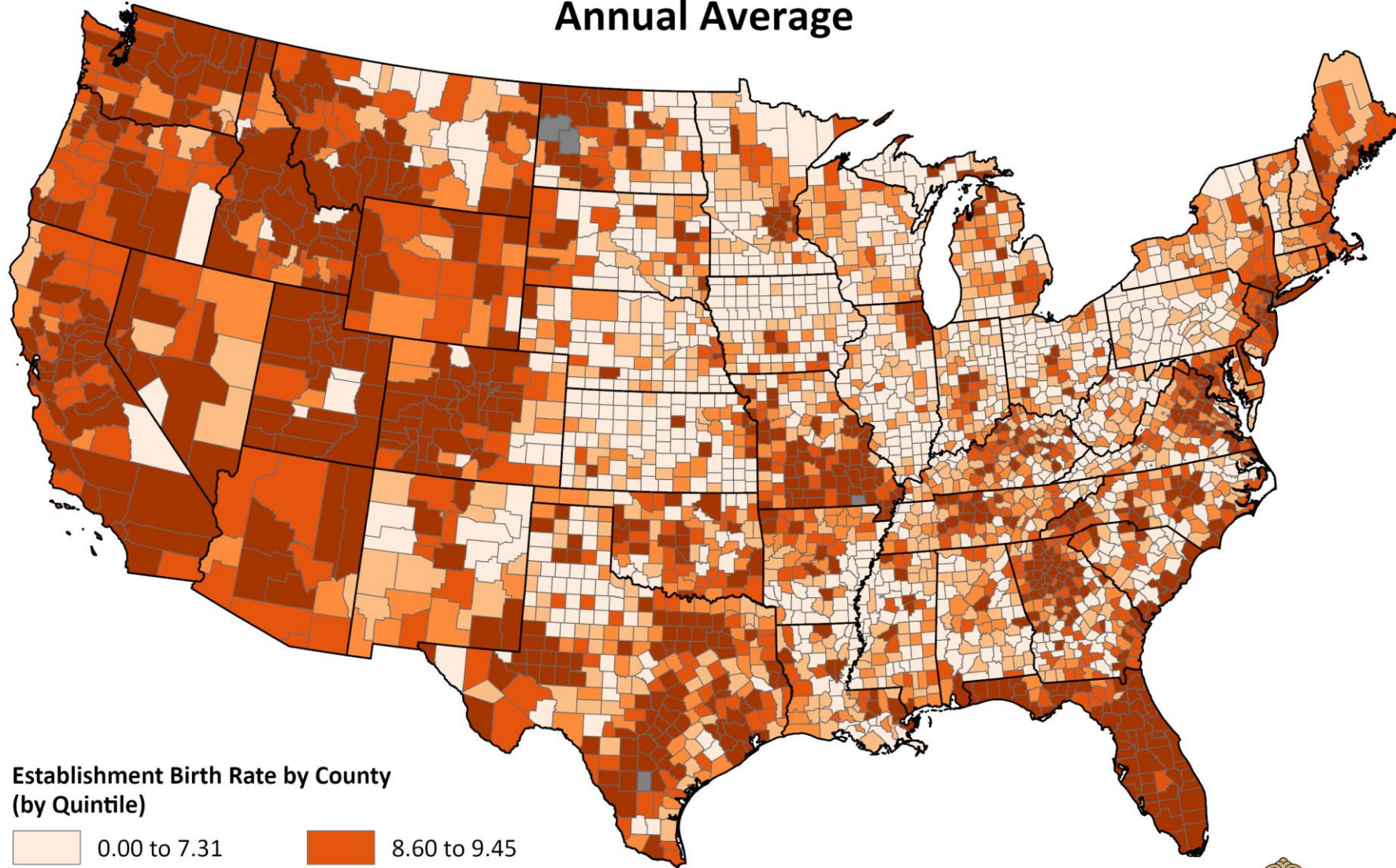
# *...But so Have Establishment Exit (Death) Rates*

## Establishment Exit (Death) Rates – 1978 to 2021





# Establishment Birth Rate by County - 2010 to 2019 Annual Average



Establishment Birth Rate by County  
(by Quintile)

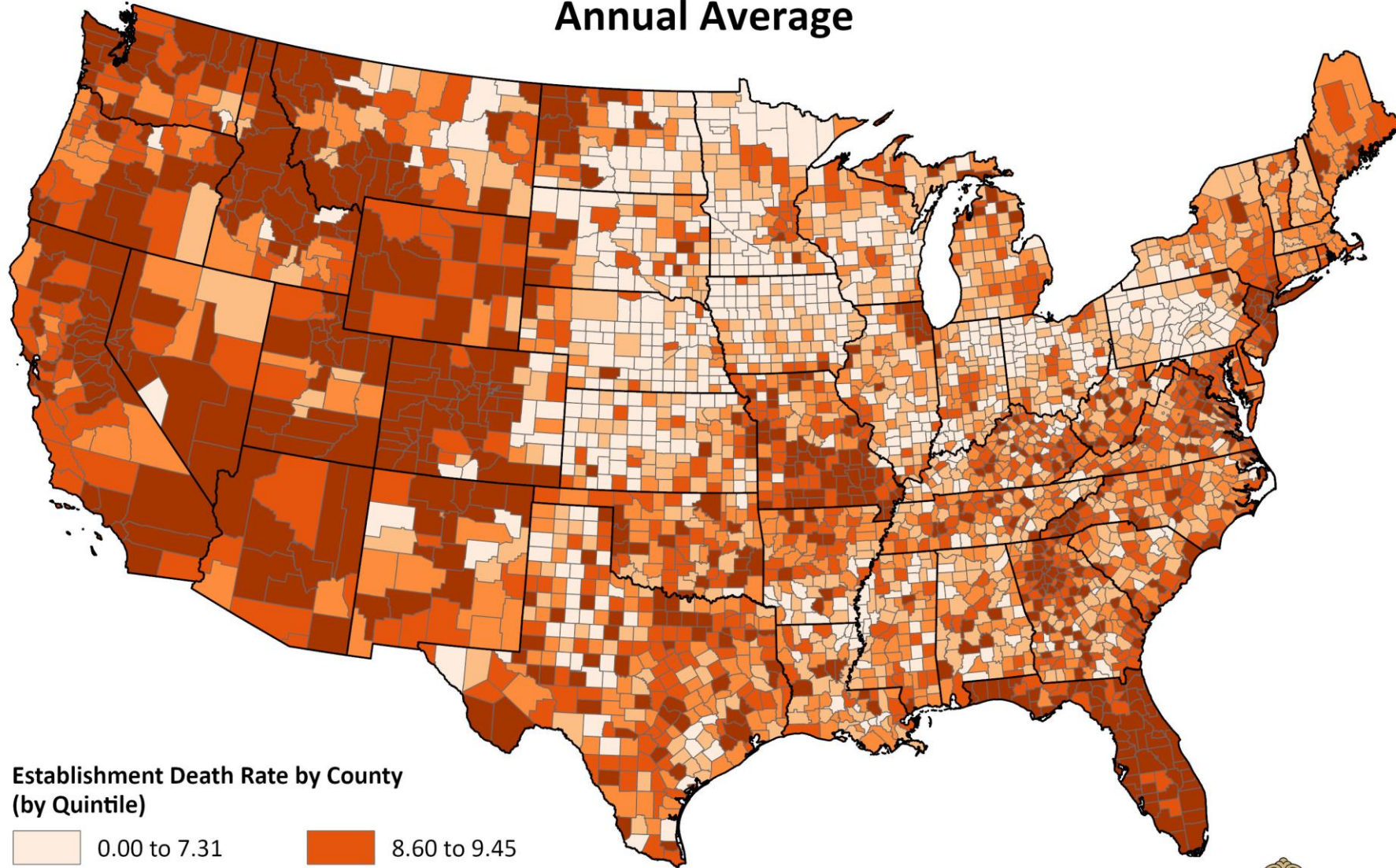


Data Source: U.S. Census Bureau  
Business Dynamics Statistics.

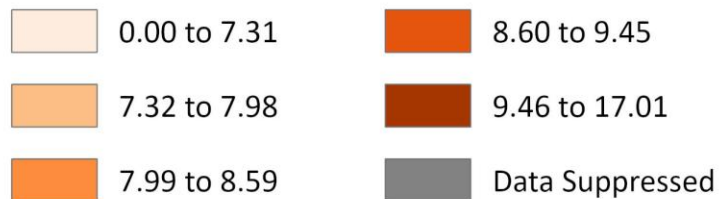


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# Establishment Death Rate by County - 2010 to 2019 Annual Average



Establishment Death Rate by County  
(by Quintile)



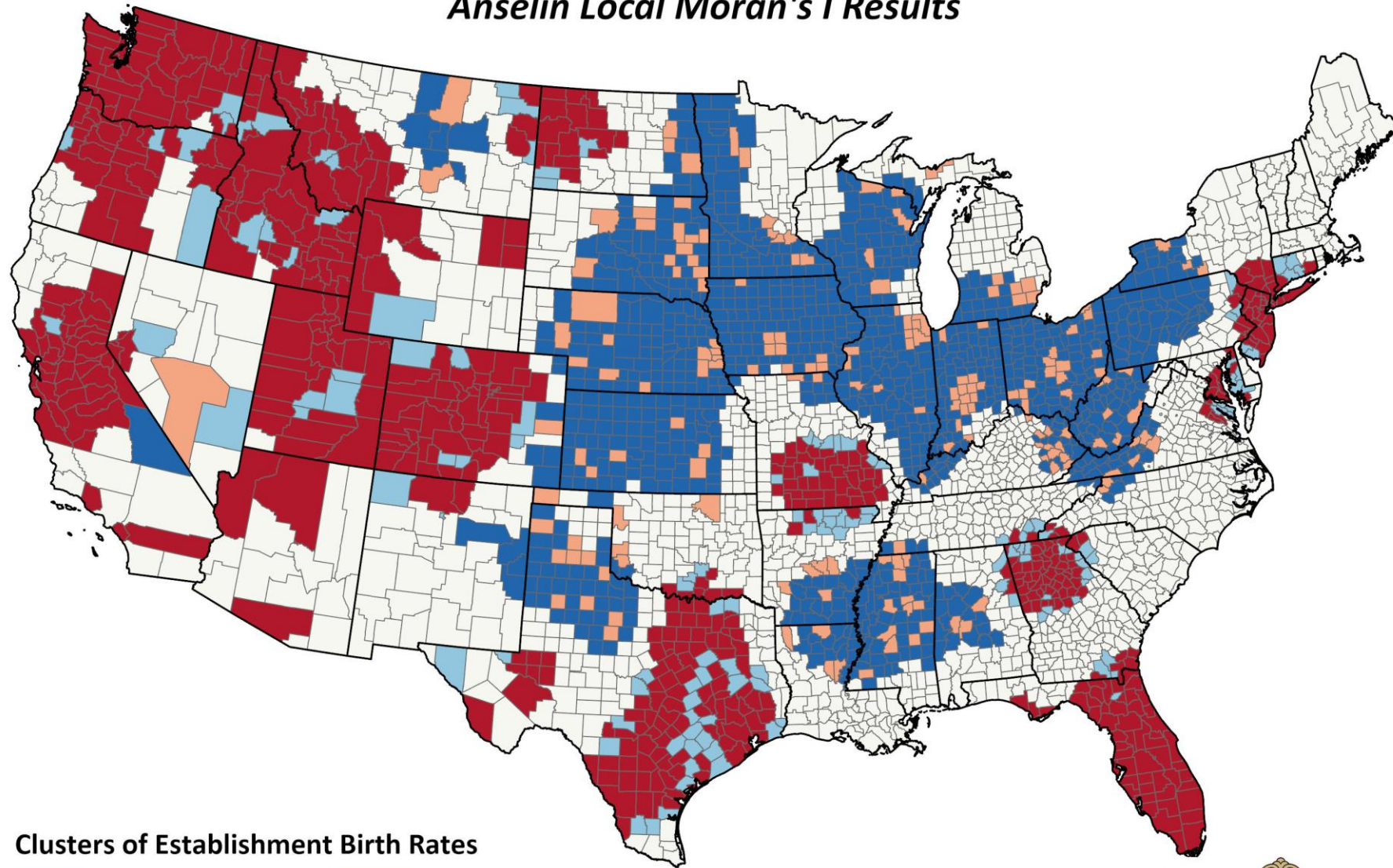
Data Source: U.S. Census Bureau  
Business Dynamics Statistics.



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# Clustering of Establishment Birth Rates - 2010 to 2019

## *Anselin Local Moran's I Results*



### Clusters of Establishment Birth Rates

- |   |                  |   |                   |
|---|------------------|---|-------------------|
|  | Low-Low Cluster  |  | High-Low Outlier  |
|  | Low-High Outlier |  | High-High Cluster |

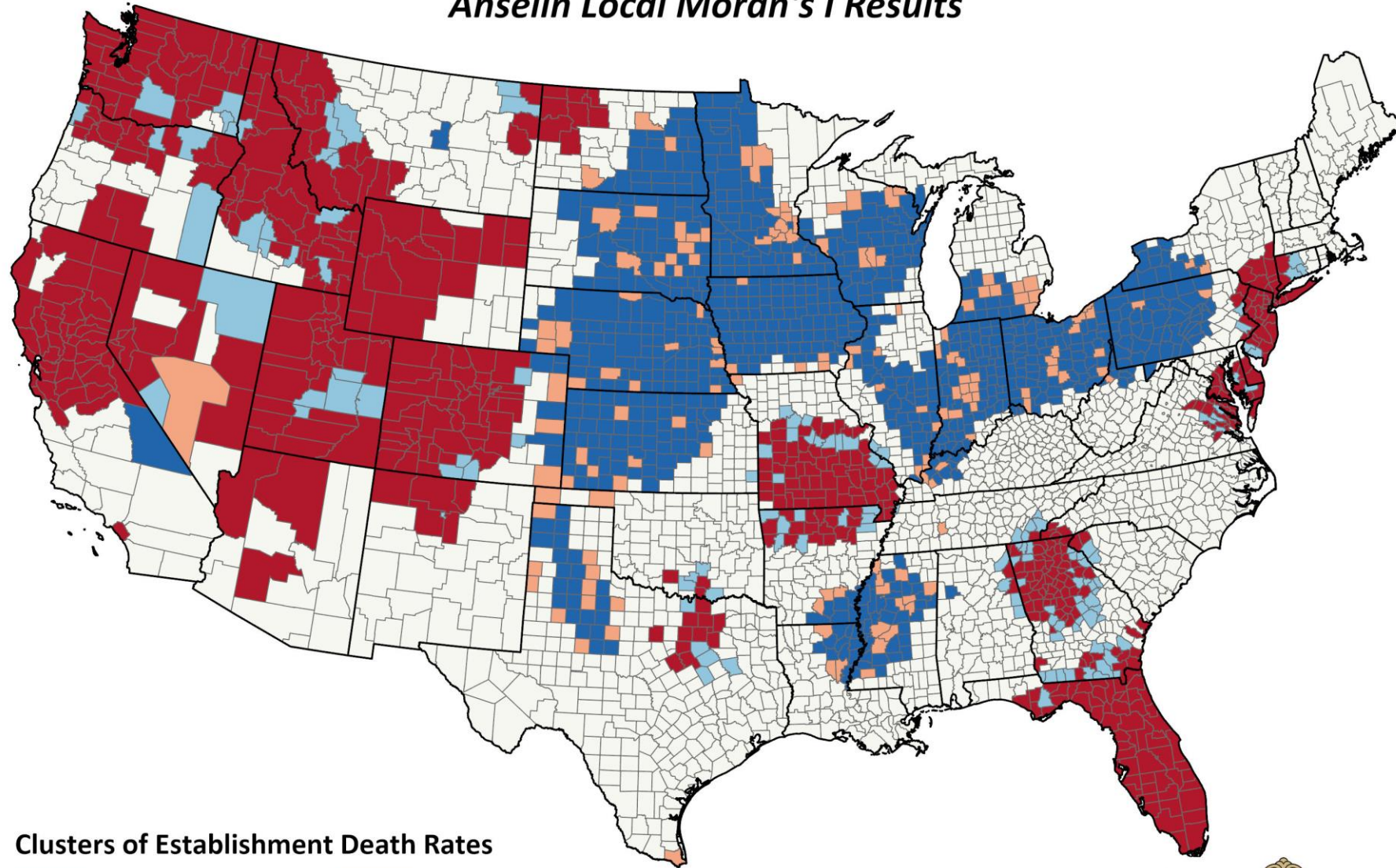
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# Clustering of Establishment Death Rates - 2010 to 2019

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### Clusters of Establishment Death Rates

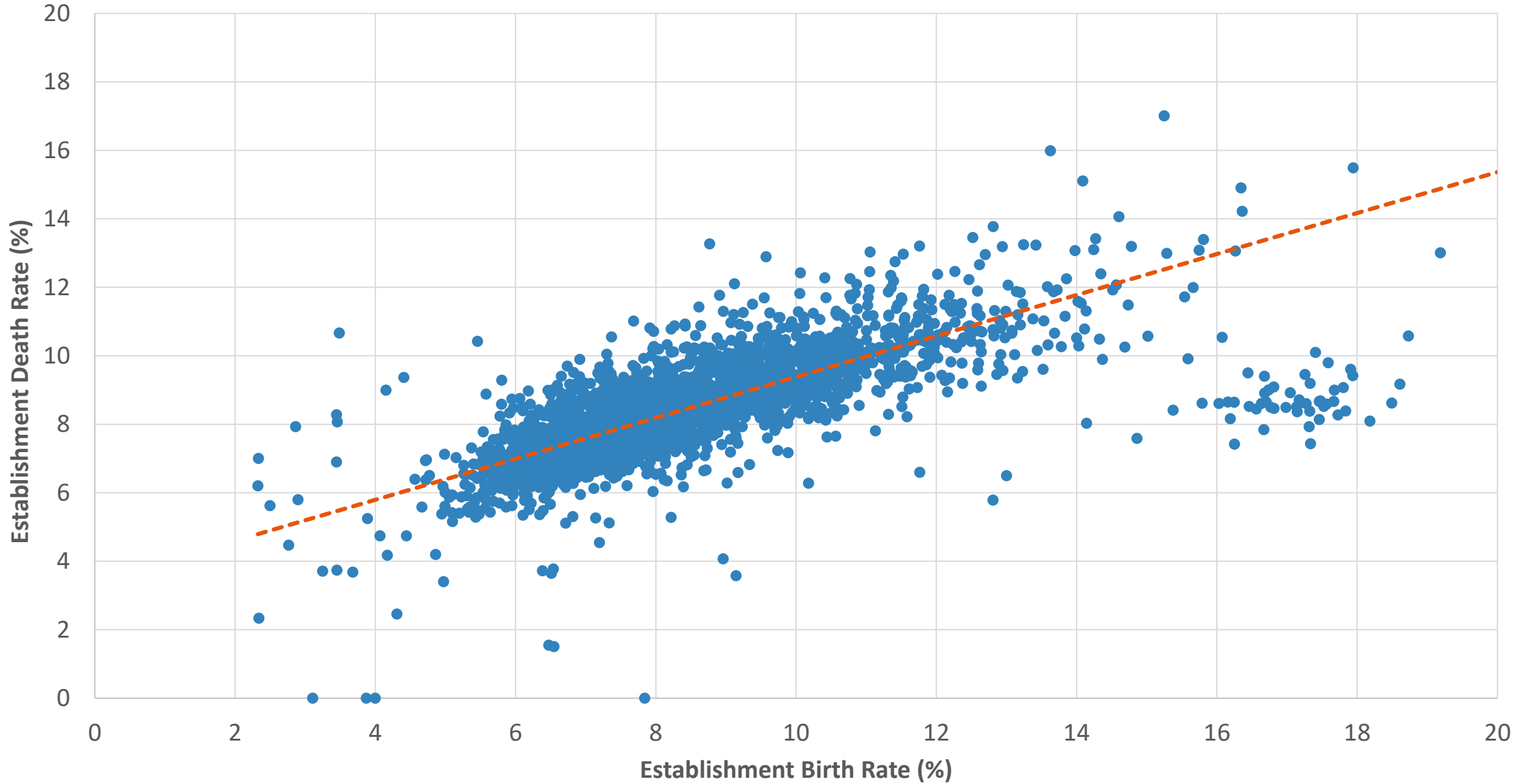


Data Source: U.S. Census Bureau  
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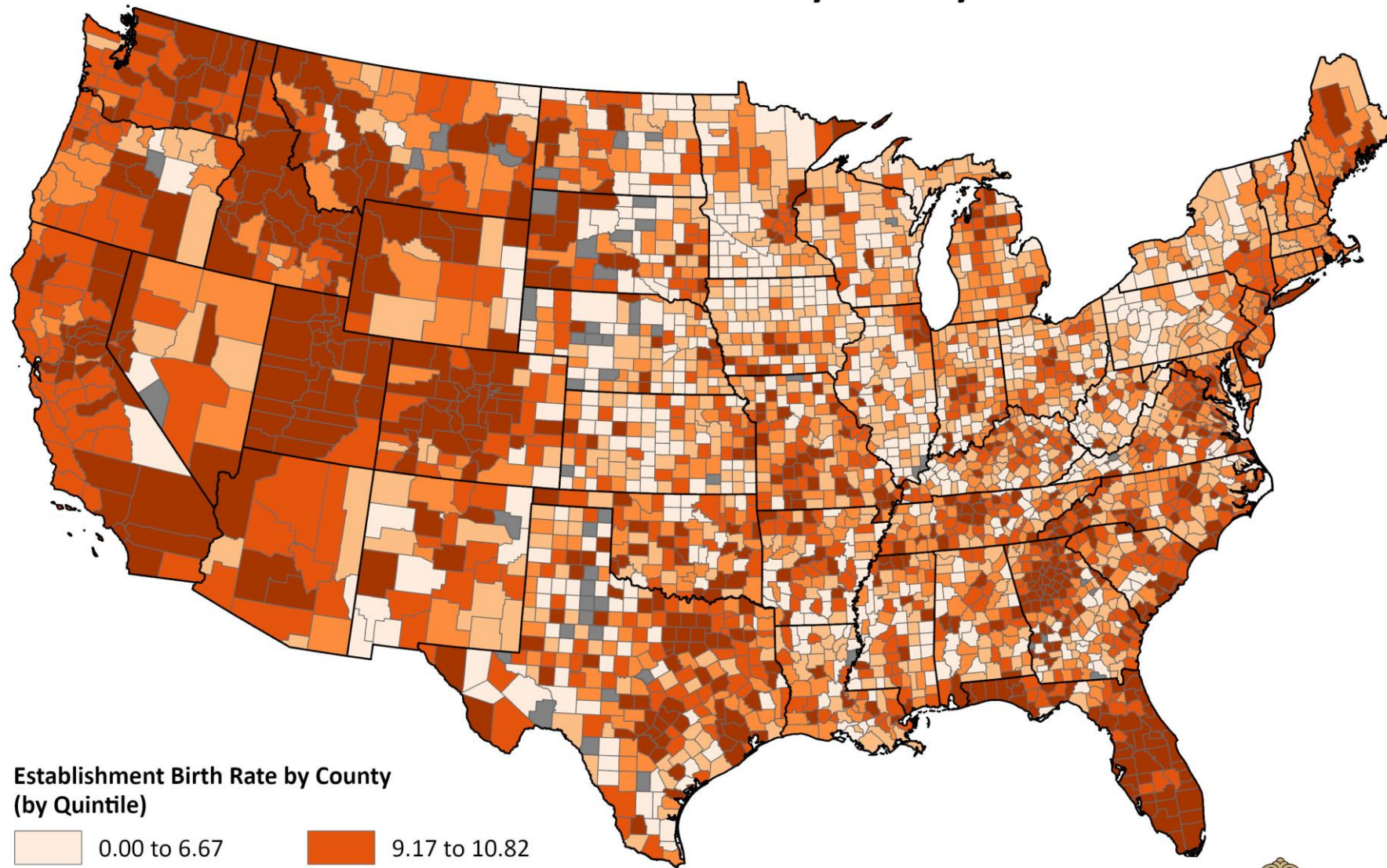


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# Establishment Birth vs Establishment Death Rates by County (2010 to 2019 Average)



# Establishment Birth Rate by County - 2021



Establishment Birth Rate by County  
(by Quintile)

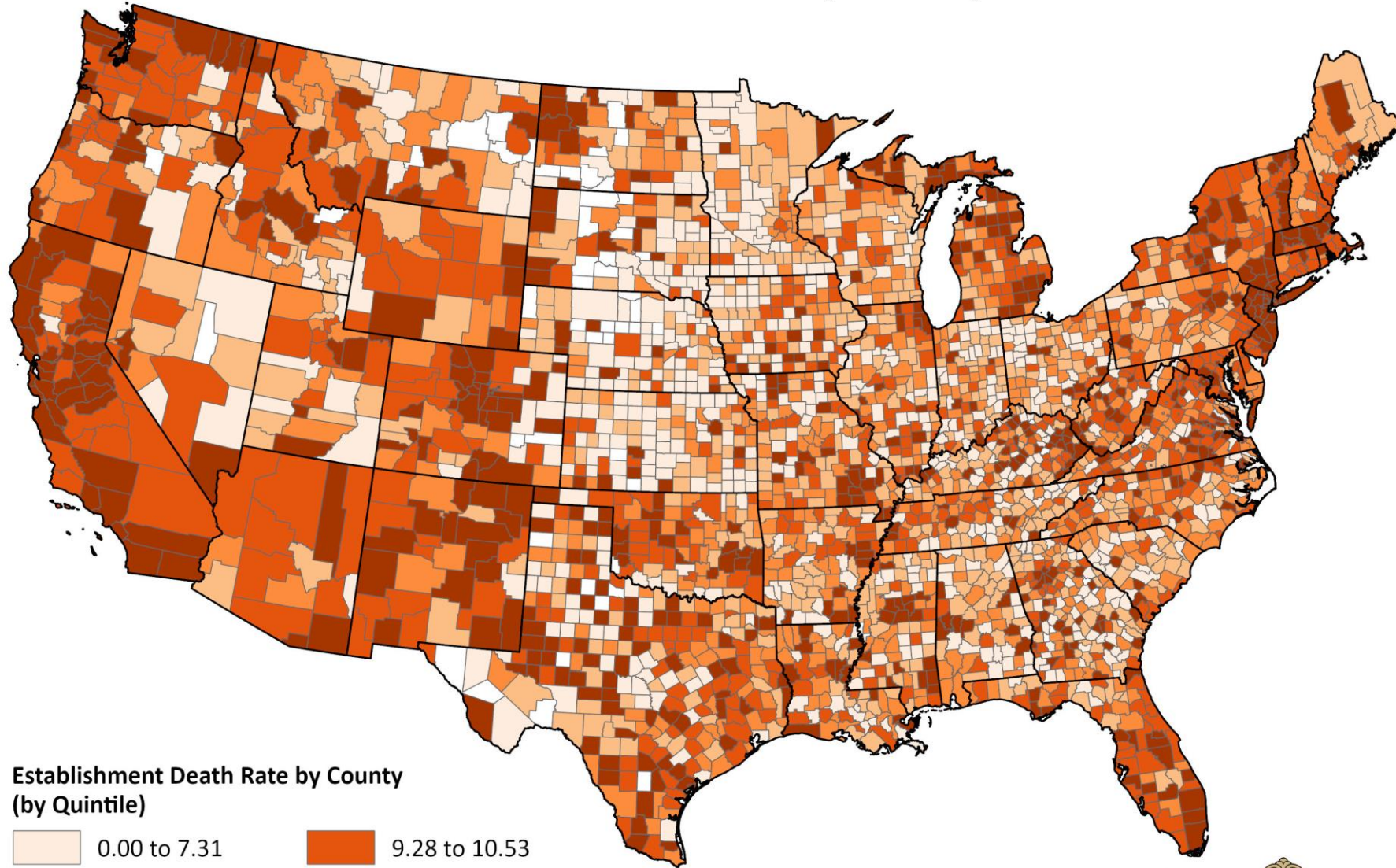
	0.00 to 6.67		9.17 to 10.82
	6.68 to 7.92		10.83 to 28.04
	7.93 to 9.16		Data Suppressed

Data Source: U.S. Census Bureau  
Business Dynamics Statistics.




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# Establishment Death Rate by County - 2021



Establishment Death Rate by County  
(by Quintile)

 0.00 to 7.31	 9.28 to 10.53
 7.32 to 8.39	 10.54 to 52.63
 8.40 to 9.27	 Data Suppressed

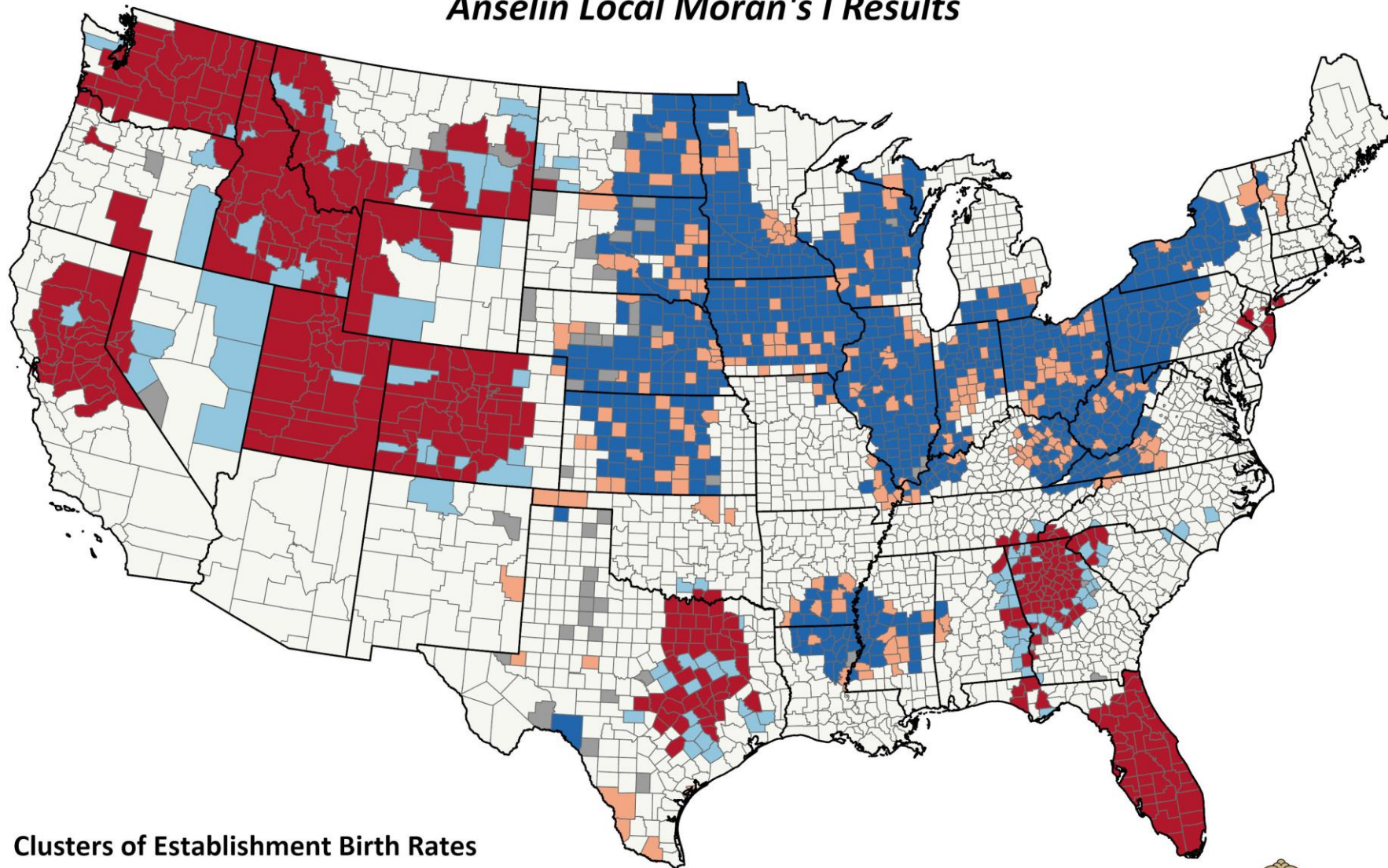
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# Clustering of Establishment Birth Rates - 2021

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### Clusters of Establishment Birth Rates

- |  |   |
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|  Low-Low Cluster  |  High-Low Outlier  |
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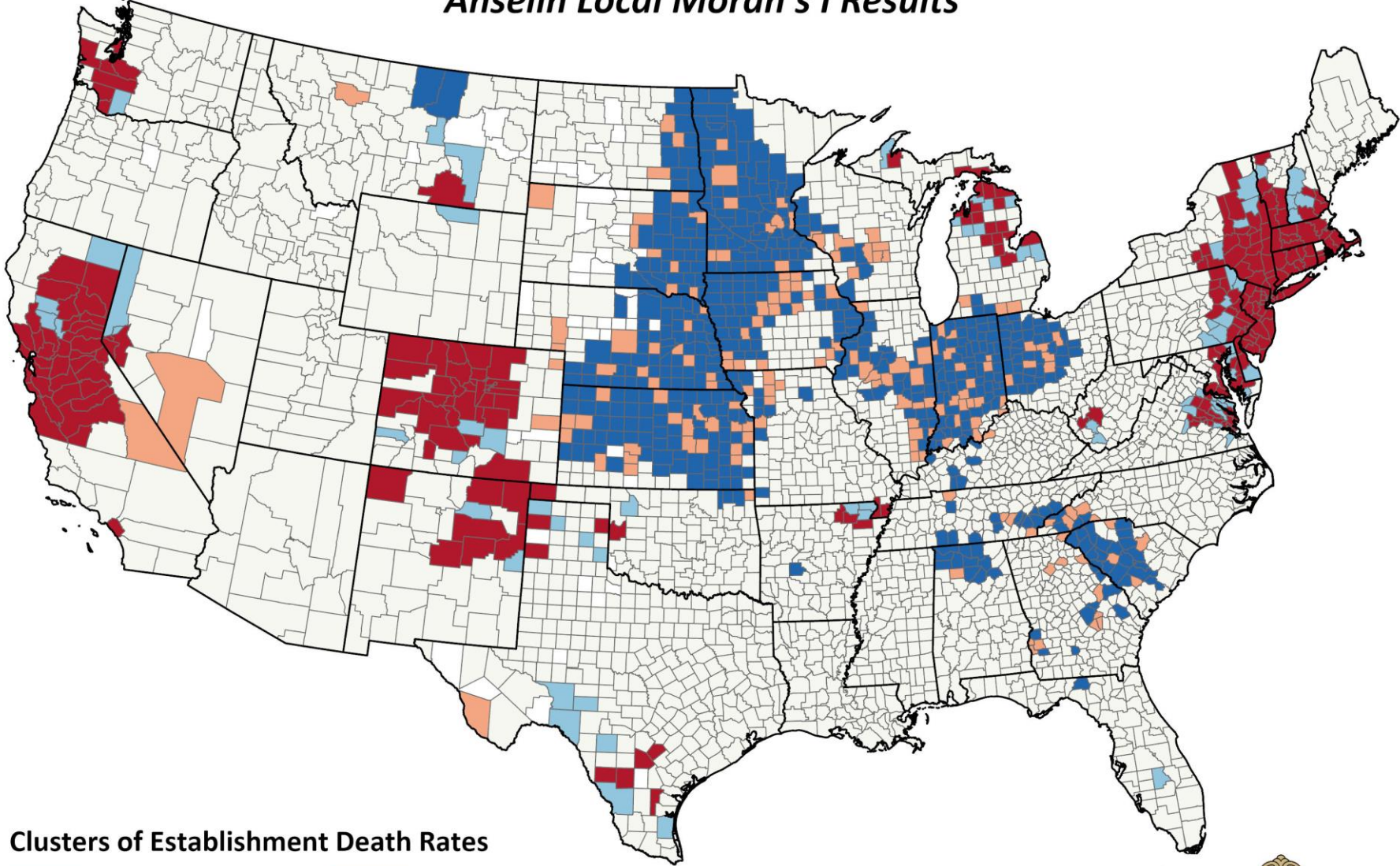


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# Clustering of Establishment Death Rates - 2021

## *Anselin Local Moran's I Results*



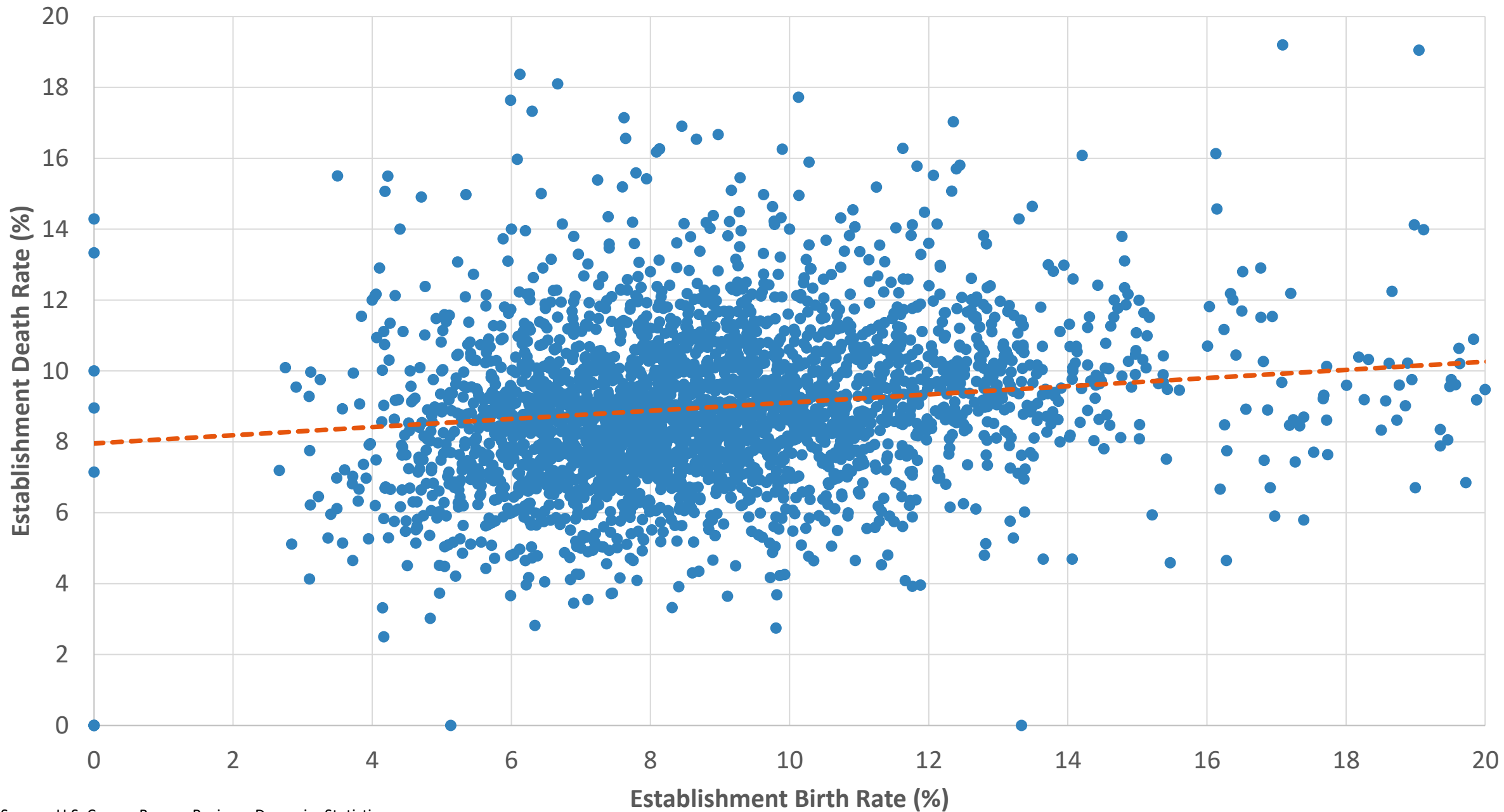
### Clusters of Establishment Death Rates

- Low-Low Cluster
- Low-High Outlier
- High-Low Outlier
- High-High Cluster

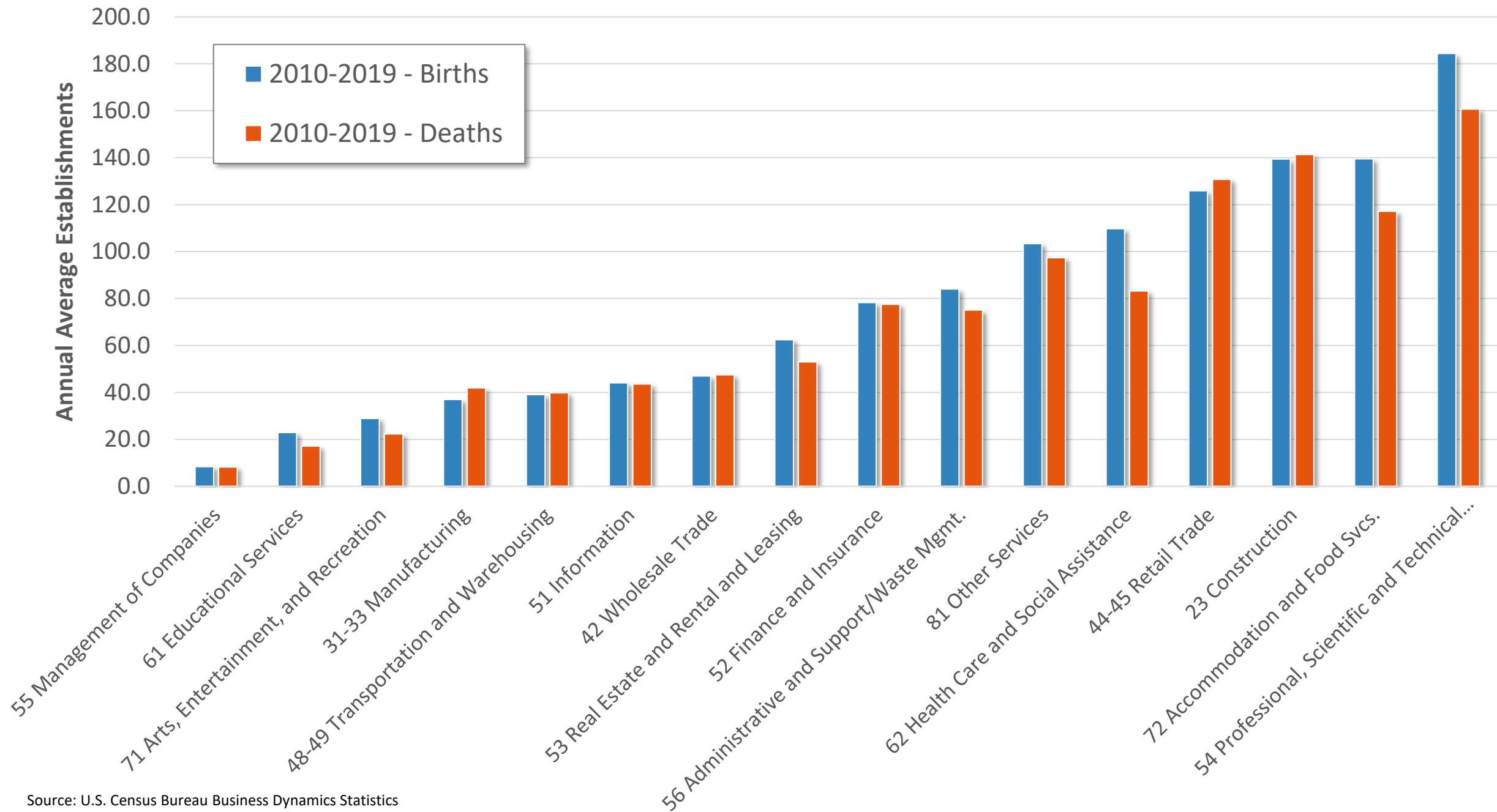
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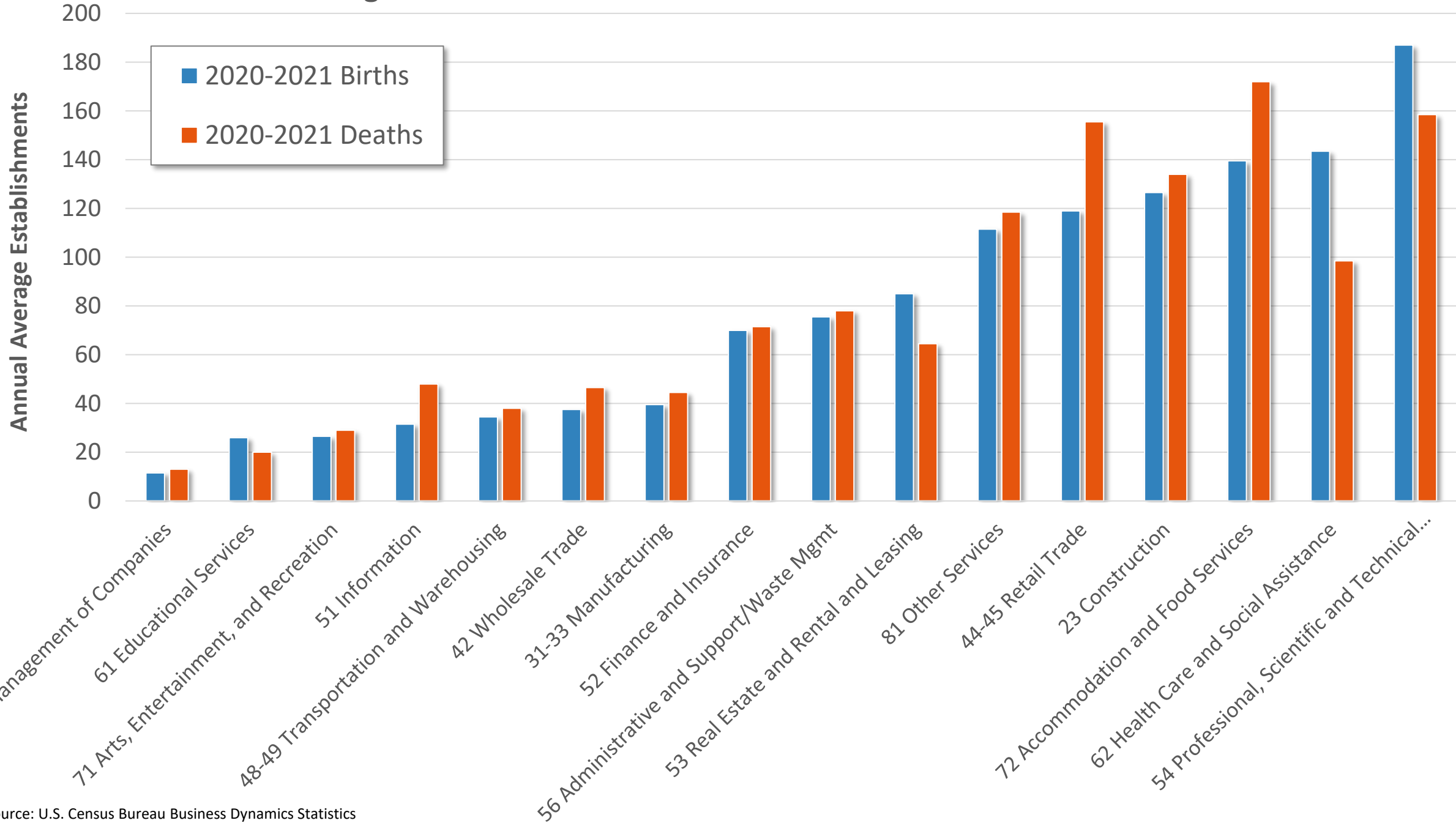
# Establishment Birth vs Establishment Death Rates by County (2021)



# Annual Average Establishment Births and Deaths – Madison MSA 2010 to 2019

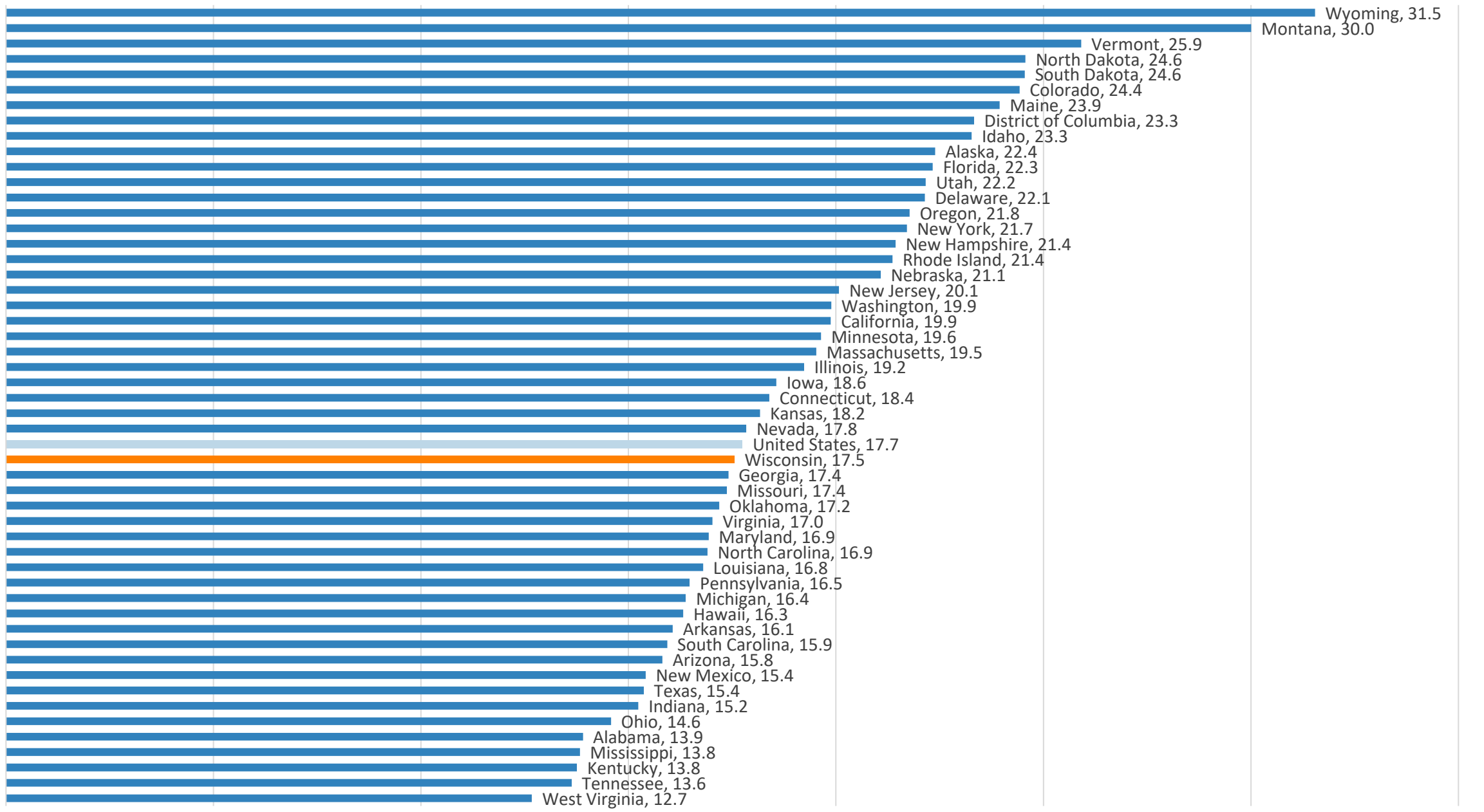


# Annual Average Establishment Births and Deaths – Madison MSA 2020 to 2021

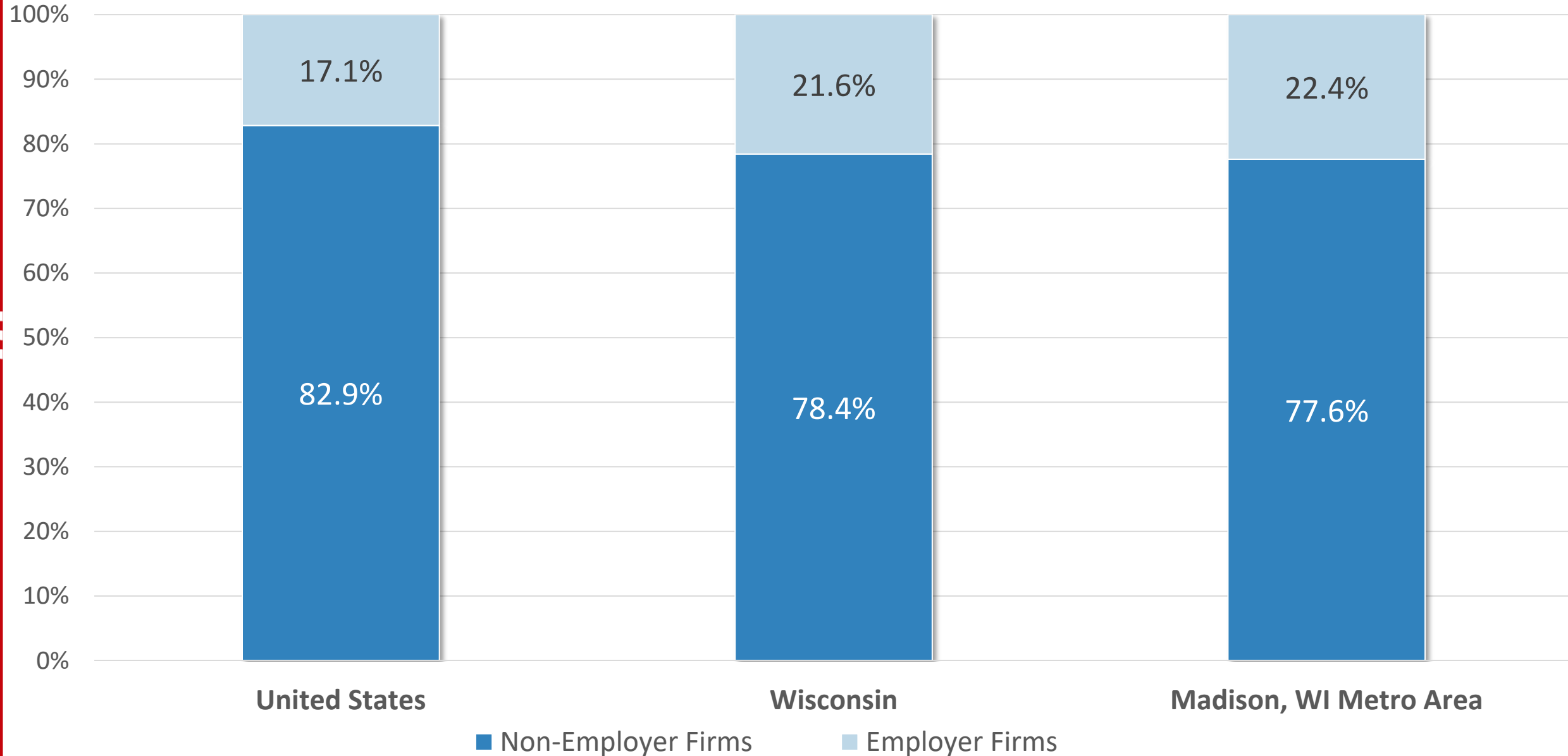


Source: U.S. Census Bureau Business Dynamics Statistics

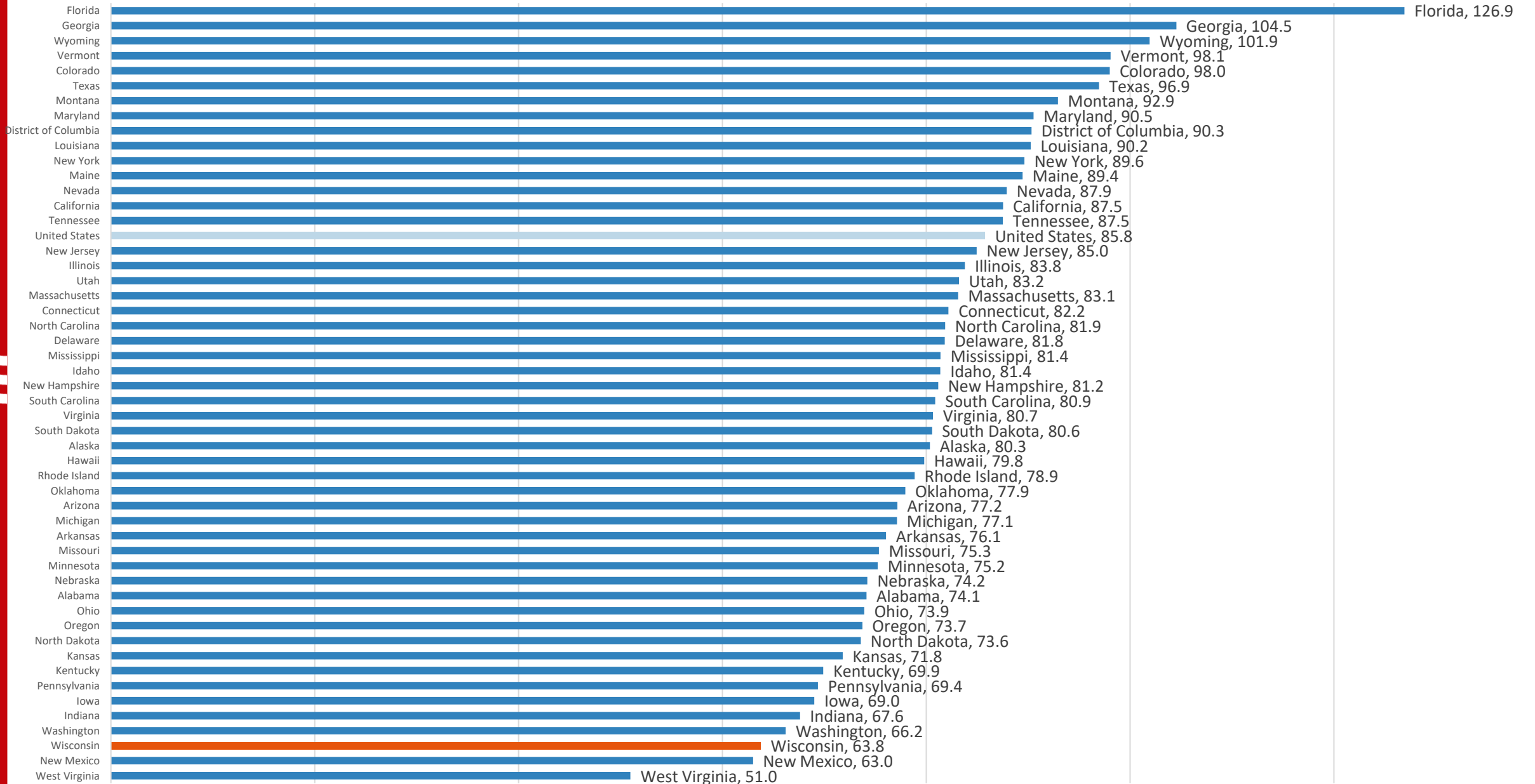
# Employer Firms per 1,000 Residents - 2021



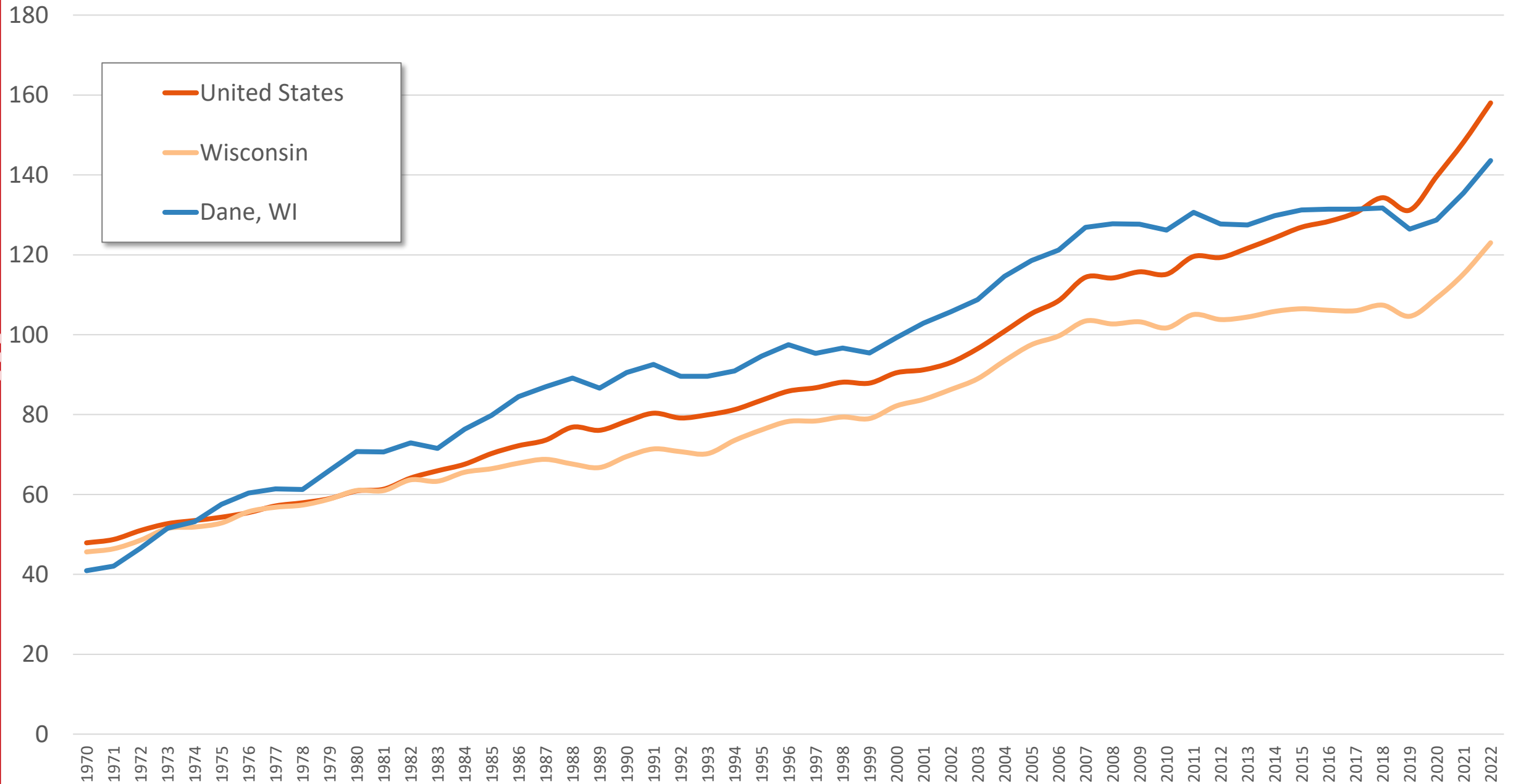
# Employer and Non-Employer Firms as a Percent of All Firms (2021)



# Non-Employer Firms per 1,000 Residents



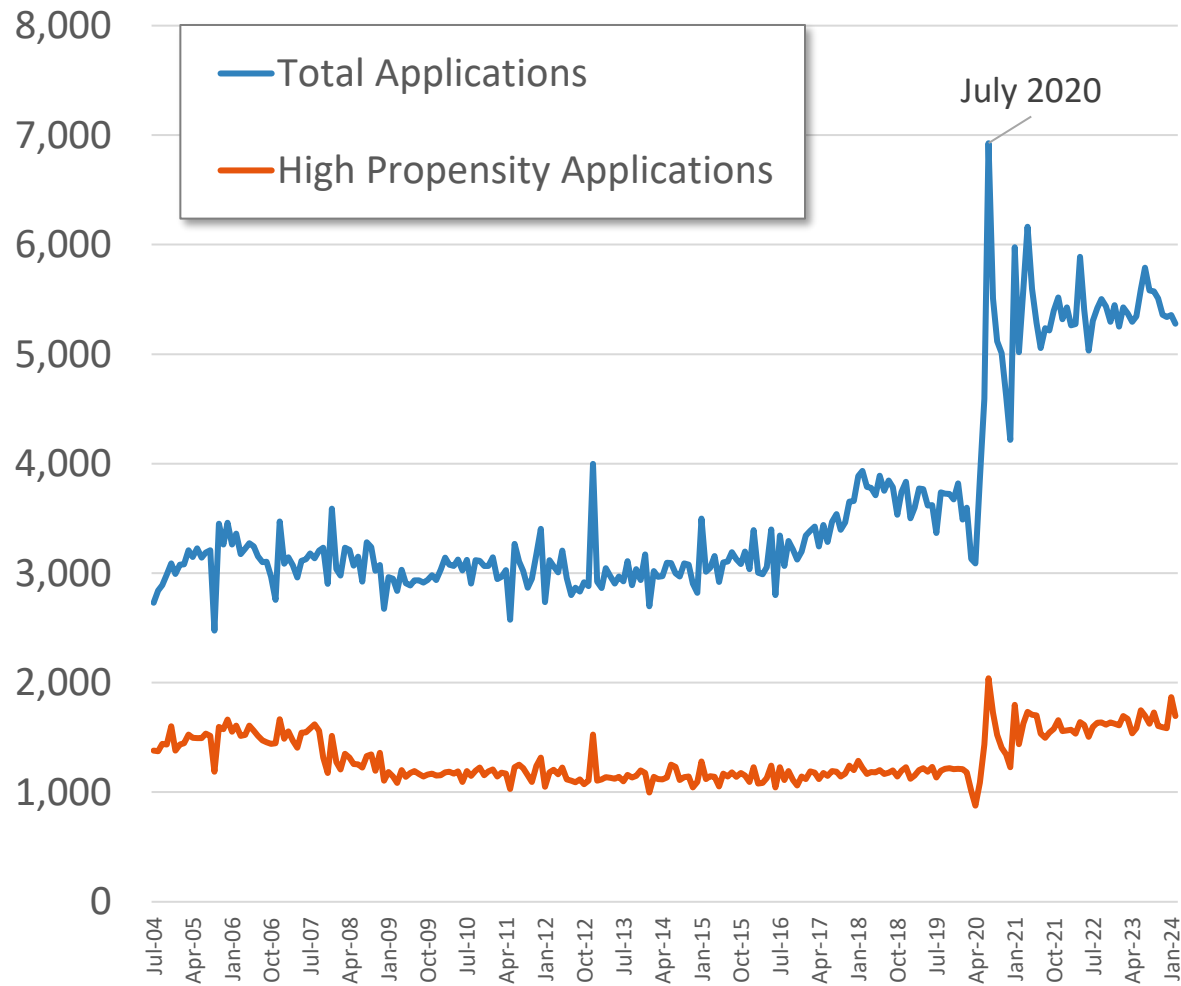
# Nonfarm Proprietors Per Capita – 1970 to 2022



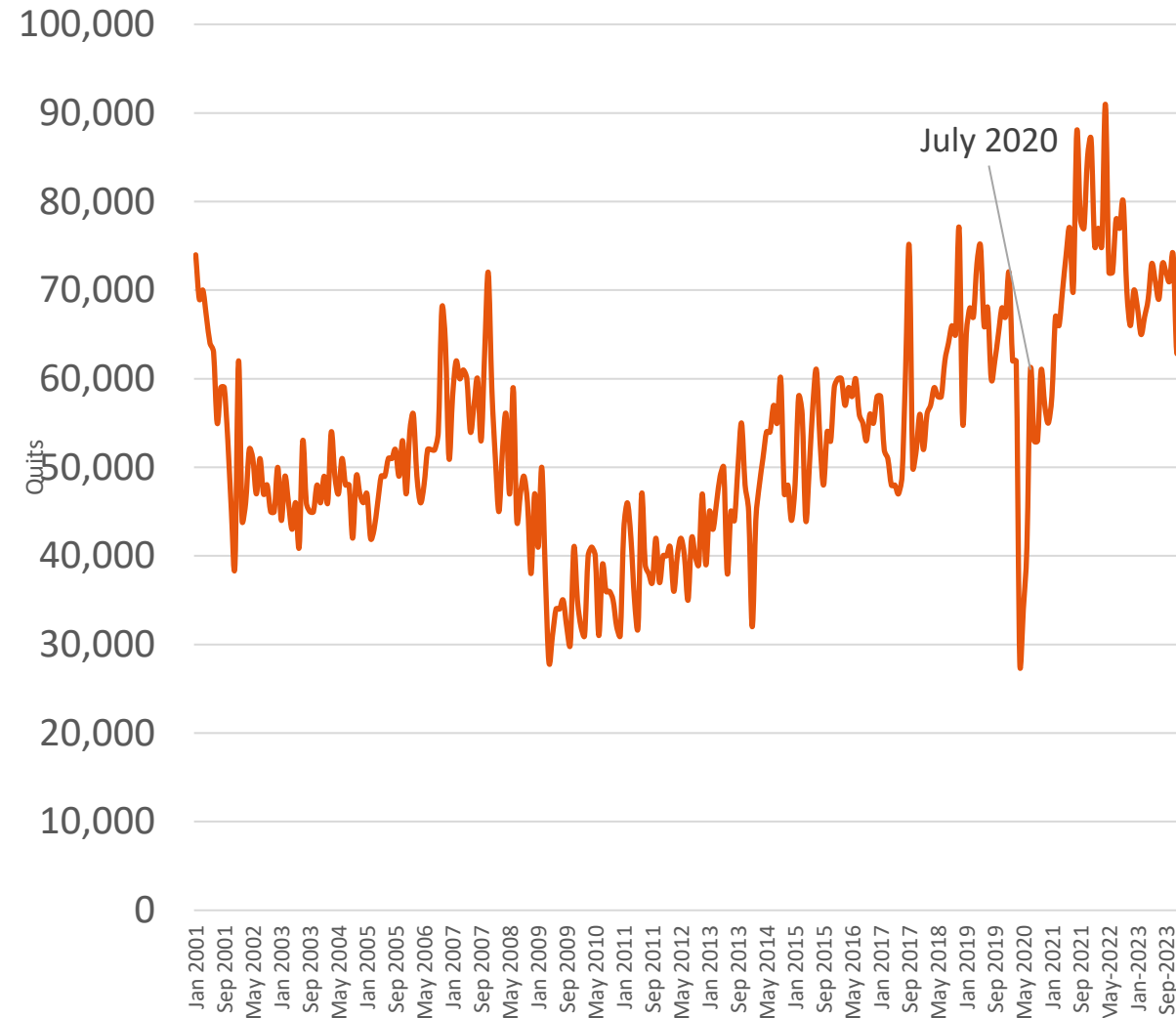


# Did The Pandemic Influence New Business Formation?

## State of Wisconsin Business Applications July 2004 to February 2024 (Seasonally Adjusted)

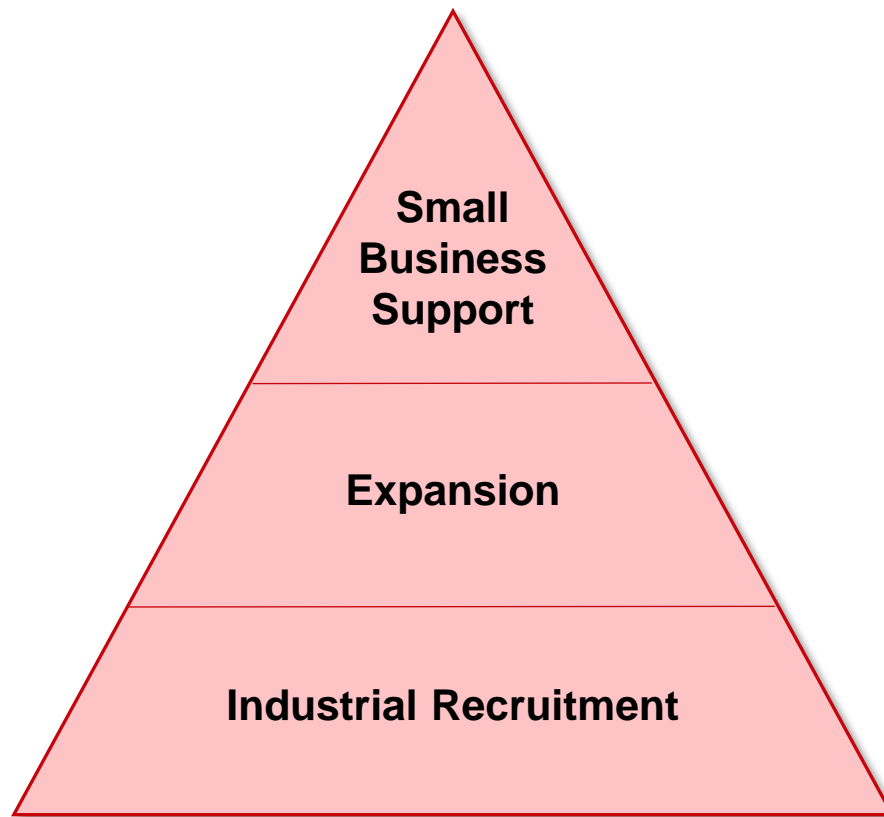


## State of Wisconsin Monthly Quits - January 2001 to January 2024 (Seasonally Adjusted)

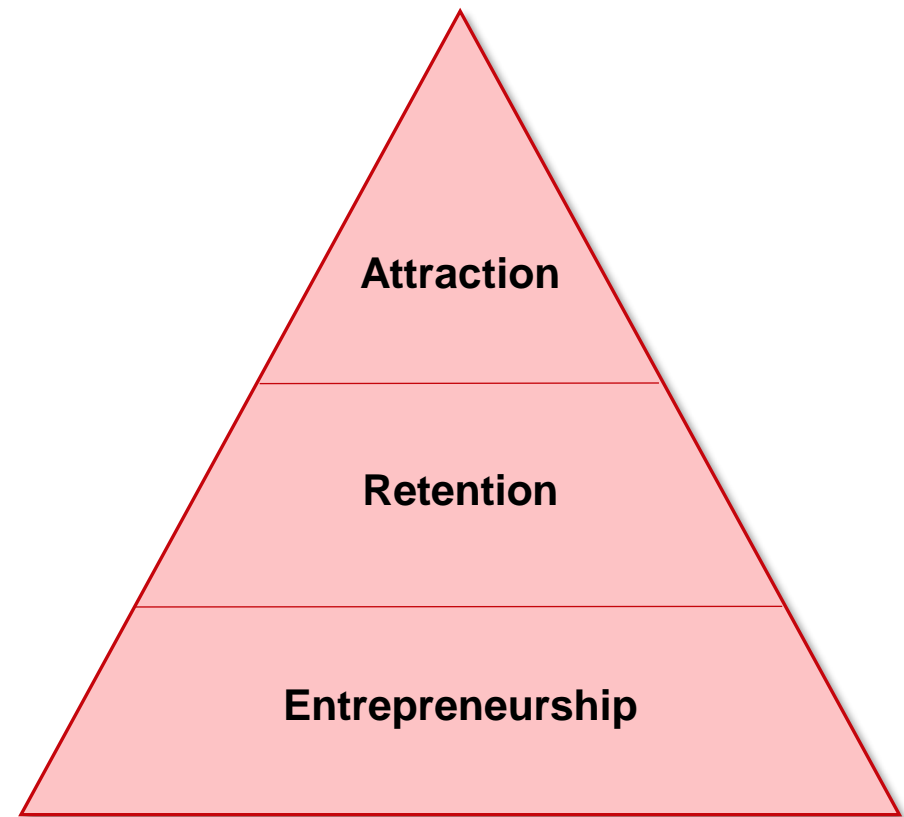


# Moving from Traditional to Contemporary Models of Economic Development

## Traditional Model



## Contemporary Model



*Source: Dabson (2003)*

# Creating a Community Entrepreneurial Culture

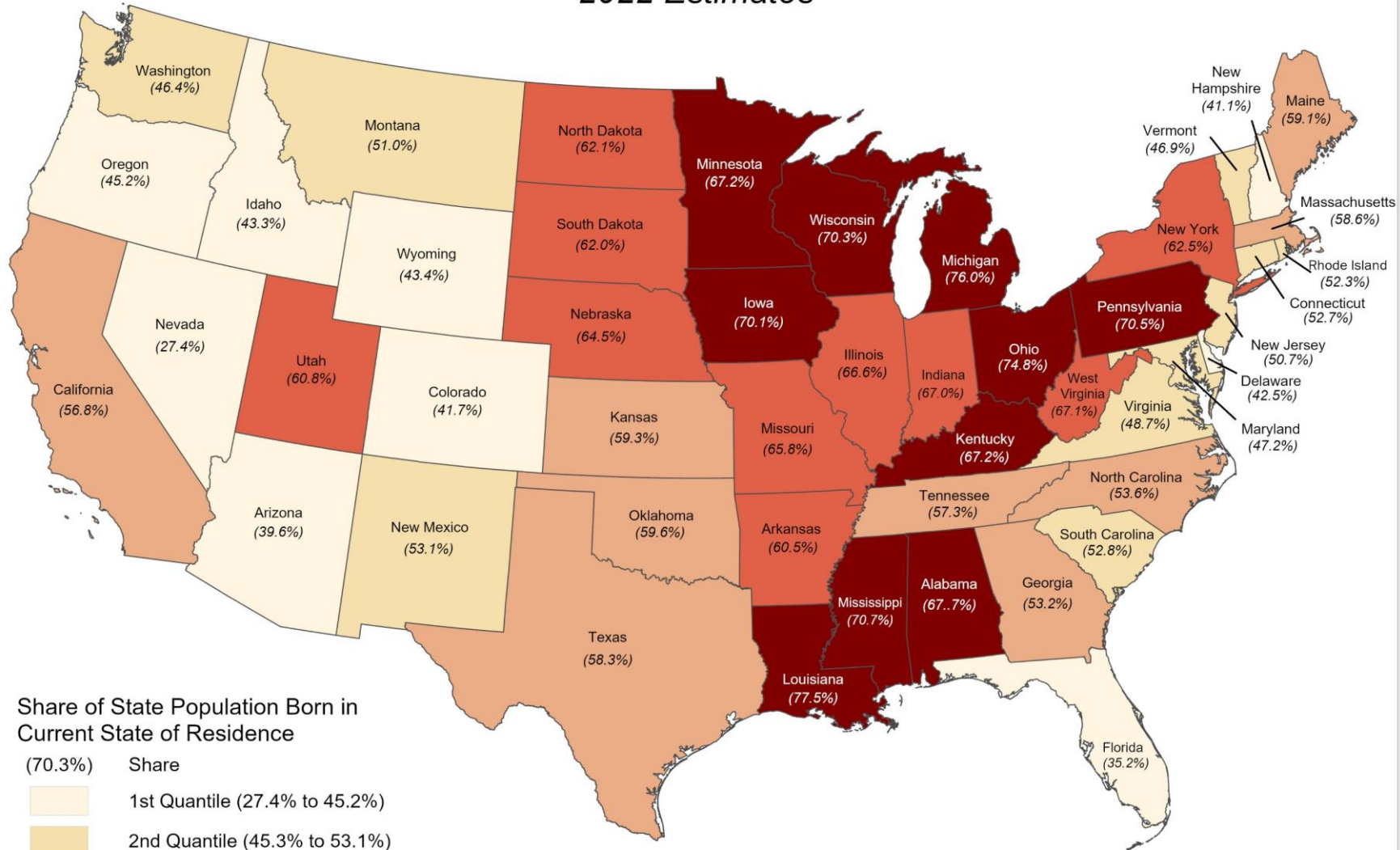
## *Opportunities*

- Creating opportunities to learn, question and think differently about entrepreneurship;
- Welcoming fresh voices and embracing diversity;
- Mobilizing resources for entrepreneurs;
- Cultivating networks for entrepreneurs to thrive;
- Focusing on assets instead of deficits;
- Building a shared vision about entrepreneurship; and
- Fostering entrepreneurial leaders and advocates;

## *Traditional Challenges*

- Reluctance of practitioners to abandon traditional strategies;
- Shortage of institutional support for an entrepreneurship strategy;
- Lack of community leaders' familiarity with entrepreneurship;
- Recognition that the outcomes of entrepreneurship are incremental;
- Acceptance that there currently are limited examples of state and local strategies to provide guidance and support (*however examples are increasing rapidly*).

# Share of State Population Born in Current State of Residence 2022 Estimates



## Share of State Population Born in Current State of Residence



Alaska (41.9%), Washington DC (33.9%), and Hawaii (53.3%) are not shown on the map.  
Sources: U.S. Census Bureau 2022 American Community Survey  
Values are subject to a margin of error





**BUSINESS**


JAN 2024


**The Wisconsin Economy**

# Business Owners of Color in Wisconsin: Representation, Profitability, and Growth

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**TESSA CONROY\***  
**MATT KURES**

Study Series No. 9

 **WISCONSIN**  
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 Extension  
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\*Corresponding author: [teesa.conroy@wisc.edu](mailto:teesa.conroy@wisc.edu)

**BUSINESS**


**The Wisconsin Economy**


# Business Owners of Color in Wisconsin: Strategies to Strengthen Businesses and the Economy

DECEMBER 2023

AUTHORS  
**MARY MCDERMOTT**  
**TESSA CONROY\***  
**MATT KURES**

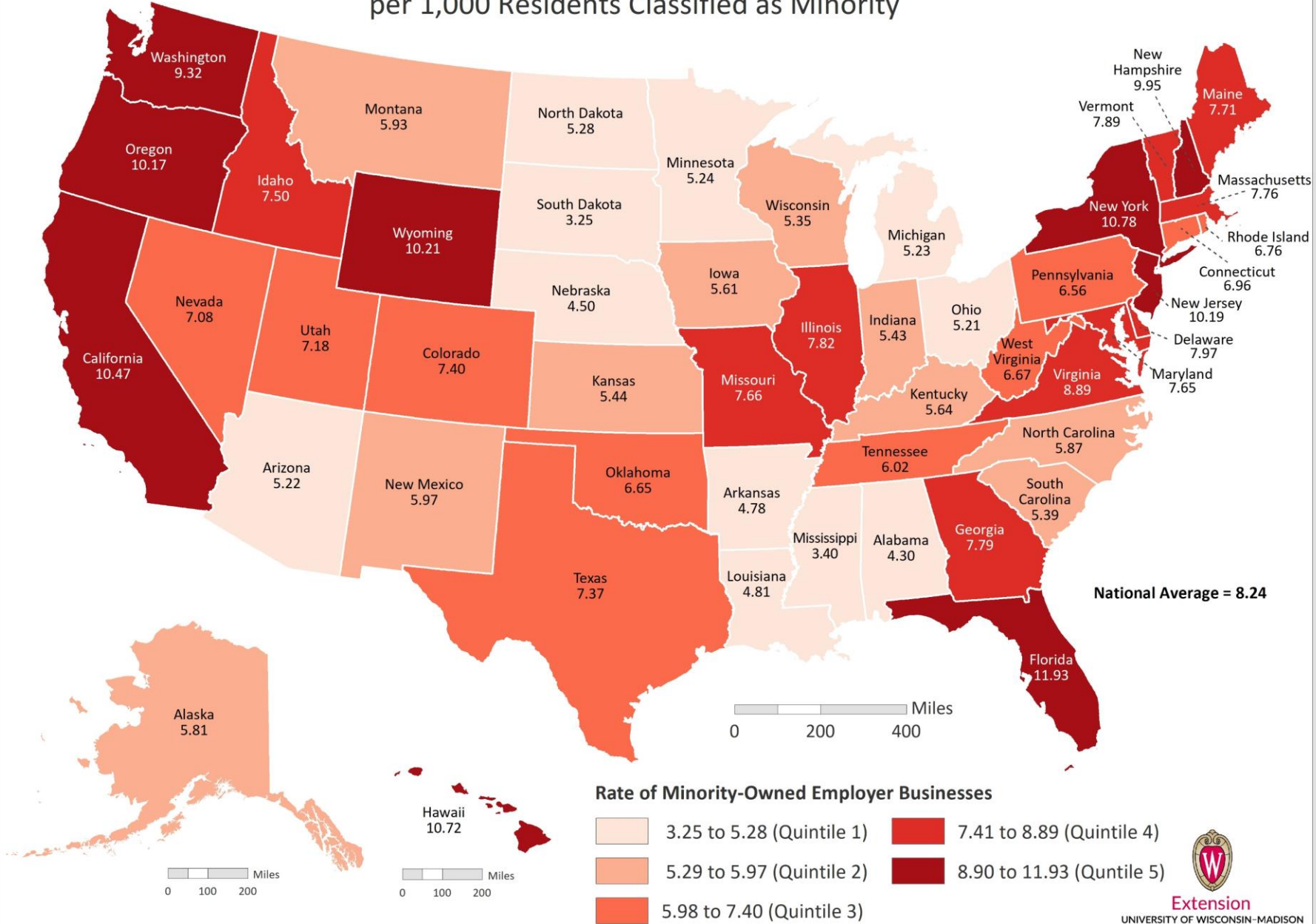
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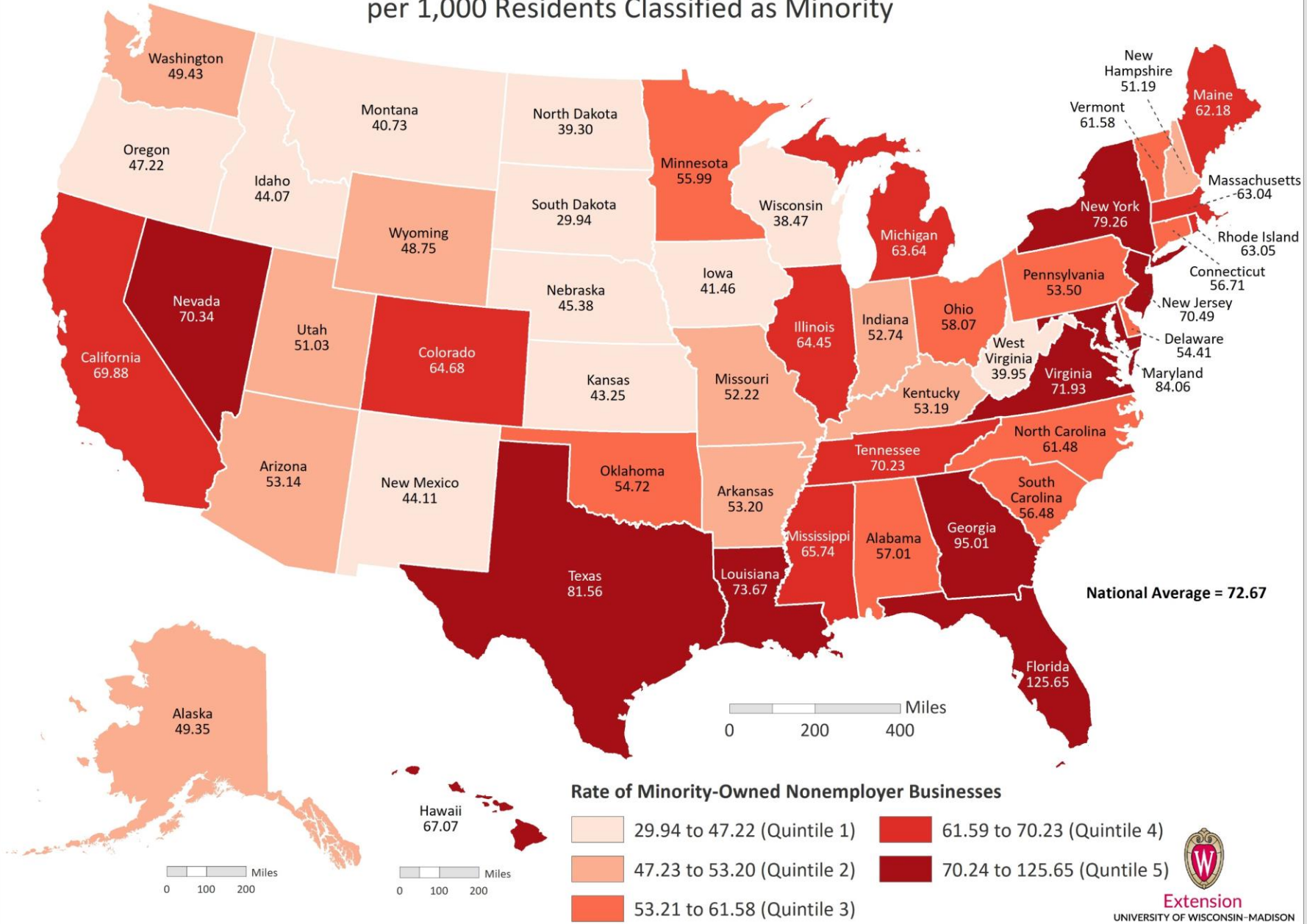
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# Number of Minority-Owned Employer Businesses per 1,000 Residents Classified as Minority



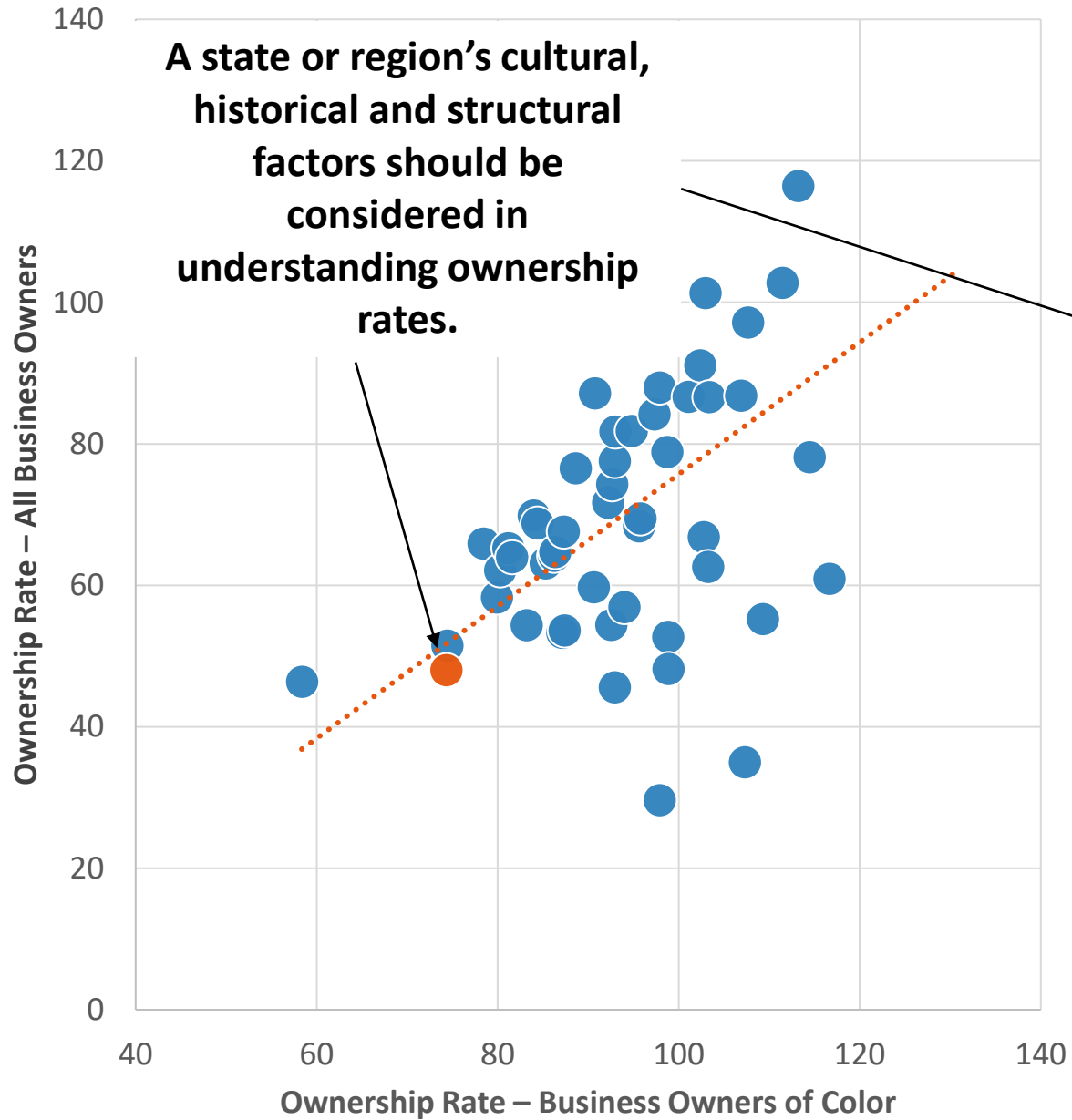
# Number of Minority-Owned Nonemployer Businesses per 1,000 Residents Classified as Minority



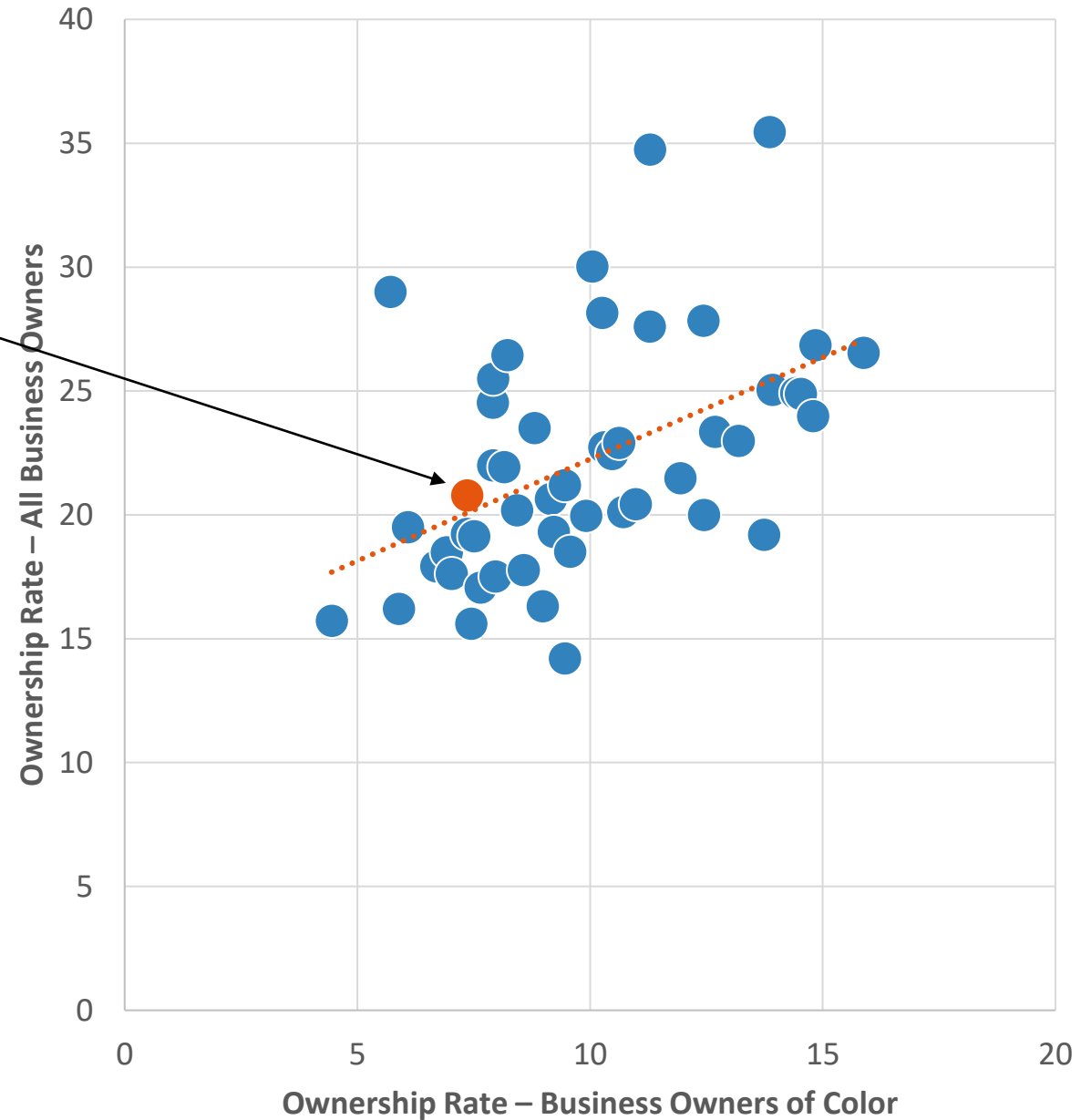
### Rate of Minority-Owned Nonemployer Businesses



**Non-employer Firm Ownership Rates by State:  
Business Owners of Color vs. All Owners**



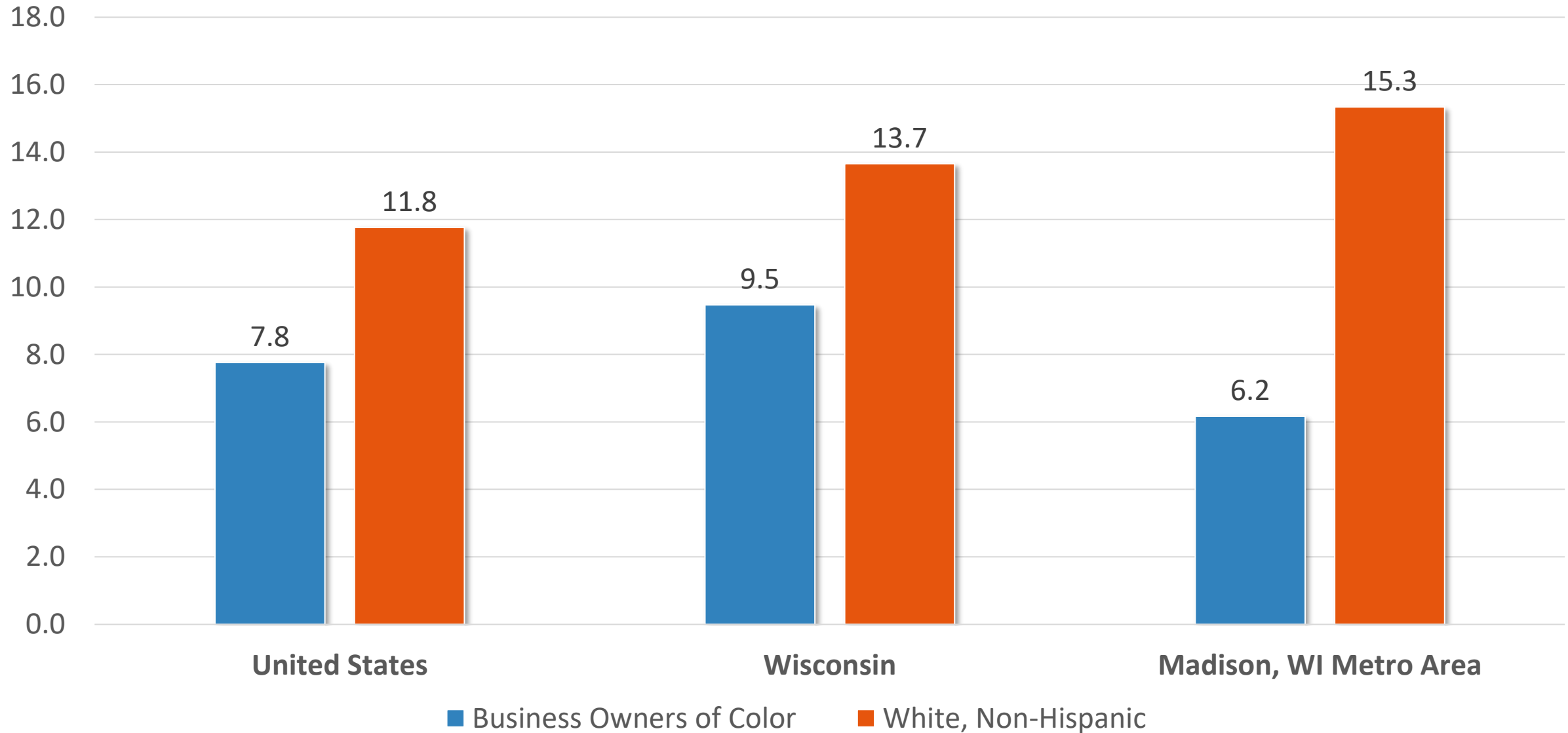
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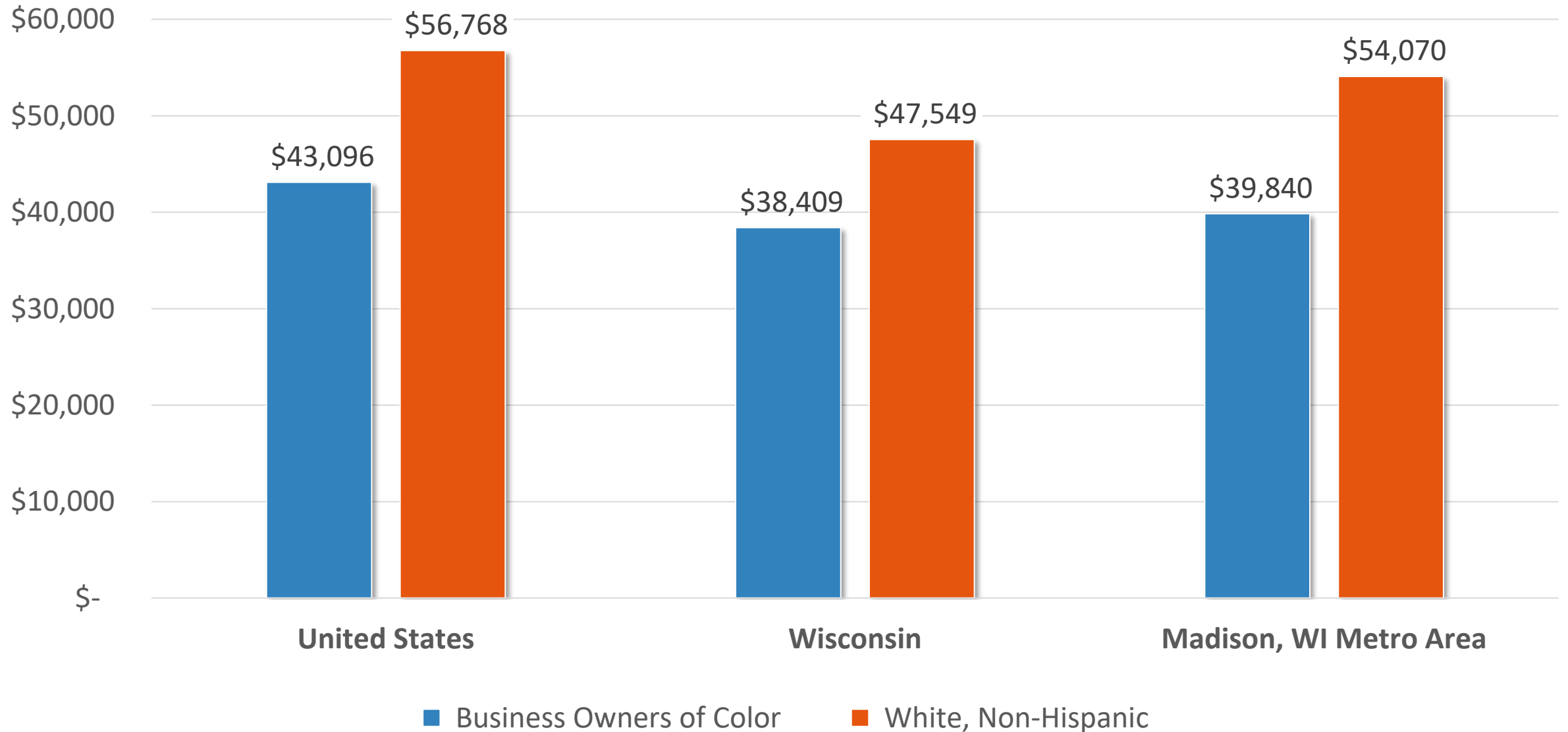
# Thinking about Parity – Differences in Ownership Rates, Payroll and Employees

## Average Employees per Employer Firm



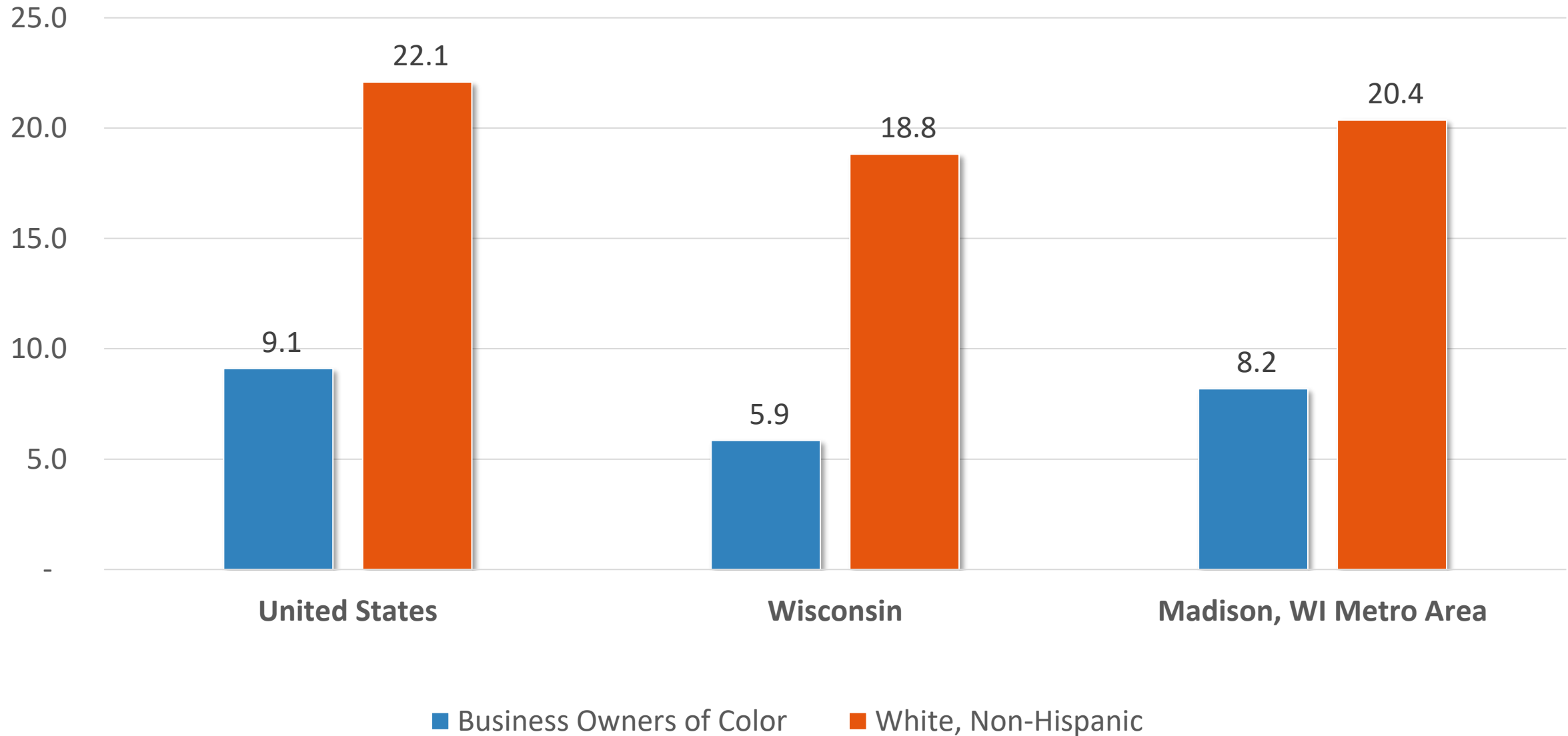
# Thinking about Parity – Differences in Ownership Rates, Payroll and Employees

## Average Payroll per Worker in Employer Firms



# Thinking about Parity – Differences in Ownership Rates, Payroll and Employees

## Number of Employer Firms per 1,000 Residents



# What Would Parity Look Like in Wisconsin and the Madison Metro Area?

## Reaching parity on average employees per firm...

- The Madison Metro Area would add 9,789 employees;
  - Wisconsin would add 28,308 employees;
- 

## Reaching parity on average payroll per employee...

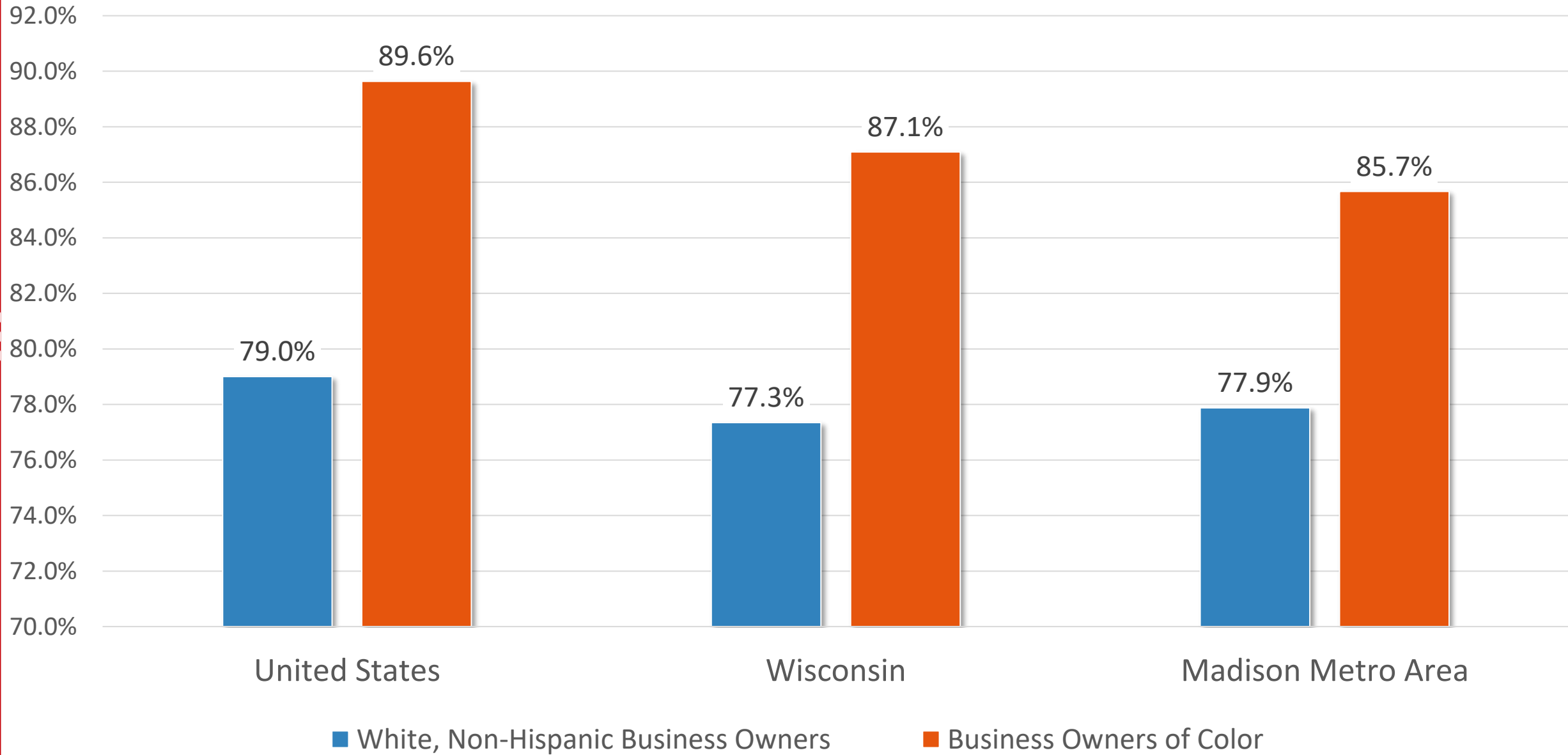
- The Madison Metro Area would add \$93.8 million in payroll;
  - Wisconsin would add \$585.1 million in payroll;
- 

## Reaching parity on business ownership per 1,000 residents...

- The Madison Metro Area would add 1,415 firms;
- Wisconsin would add 14,280 firms.

# Non-Employer Firms as a Share of All Firms

## *Business Owners of Color vs. White, Non-Hispanic Business Owners*



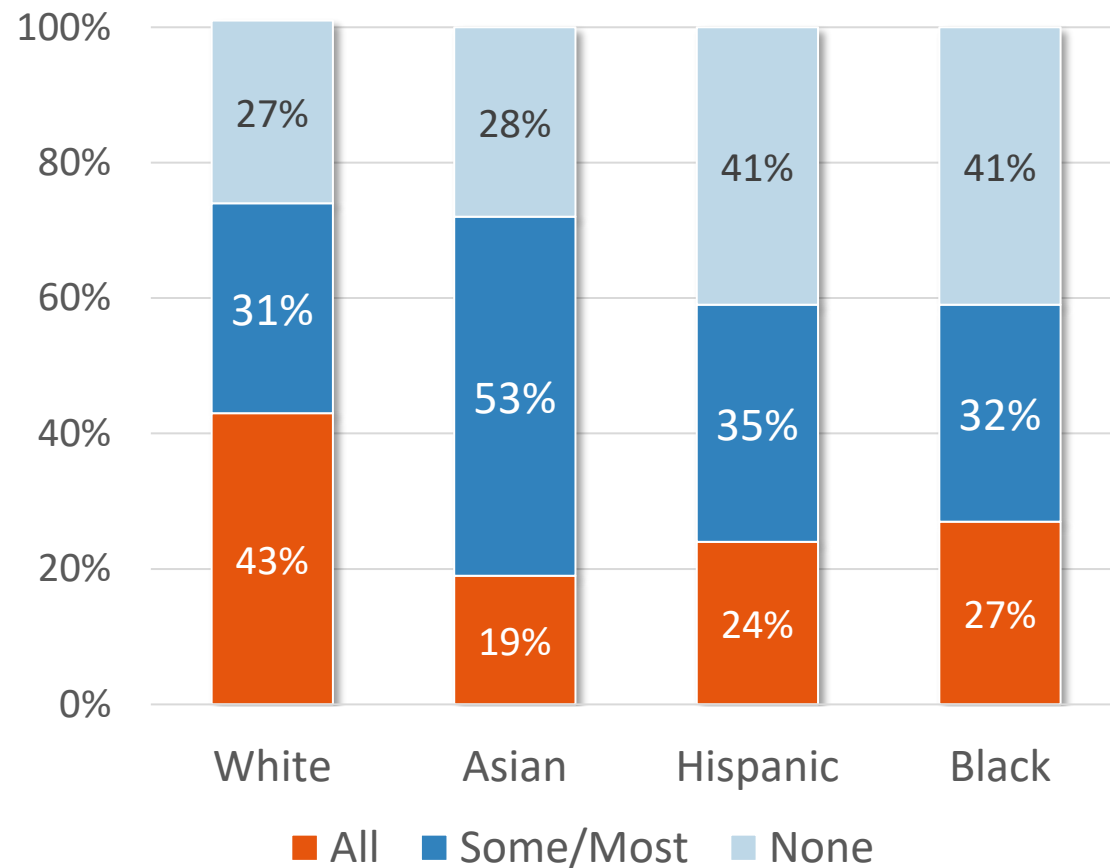
# Considerations for more Dynamic and Equitable Outcomes

- **Encourage more startups** – Wisconsin and Dane County have traditionally lagged the national average for business formation;
- **Build awareness of and celebrate entrepreneurs of all types** – Greater attention on entrepreneurship as a means of building personal and community wealth, in addition to developing the next Unicorn or Gazelle;
- **Financing**
  - Direct applications and partnerships:
    - Apply directly to WEDC or other EDOs;
    - Partnering with CDFIs, MDIs, Credit Unions and Banks;
    - Greater access to VC Funds, particularly for women and business owners of color;
  - Technical assistance, simplified applications, and increased eligibility.

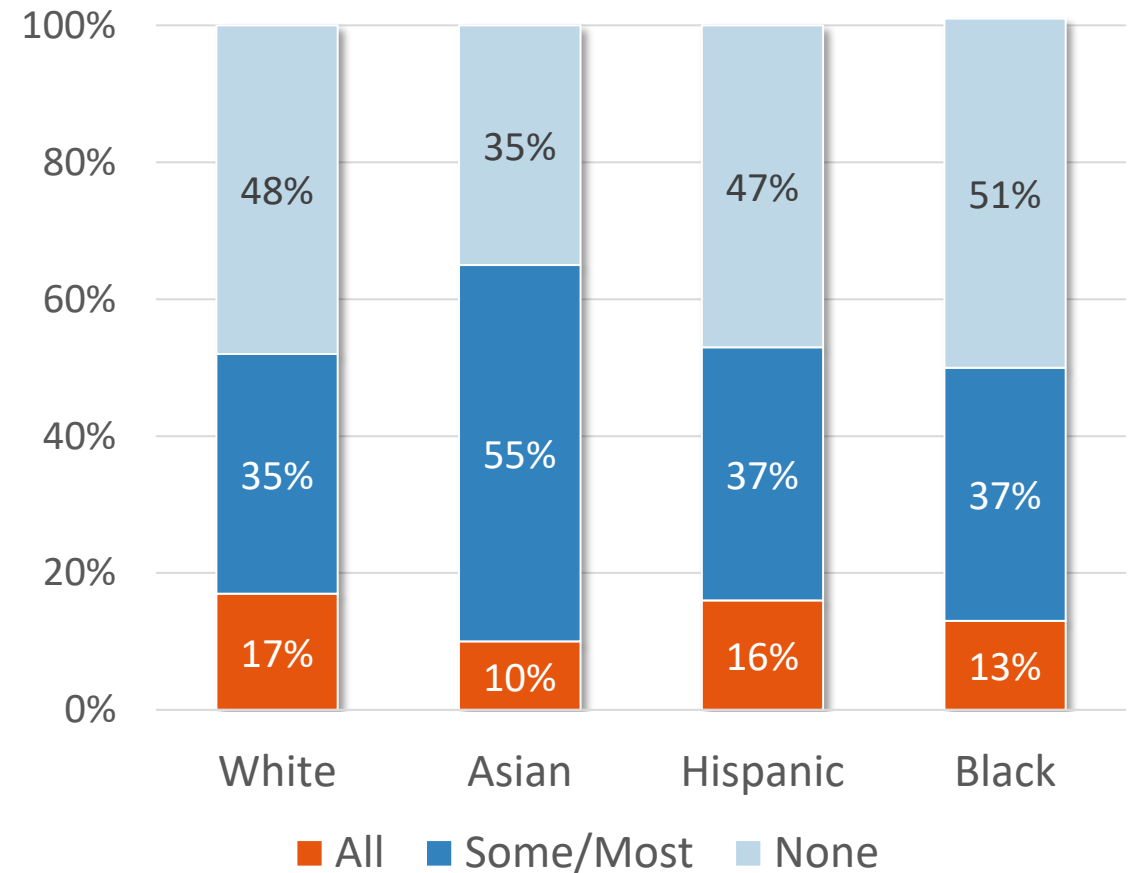


**Traditional Financing Gaps – Nationally, Business Owners of Color were less likely to receive all their requested non-emergency financing in 2021 than their white counterparts, regardless of credit risk...**

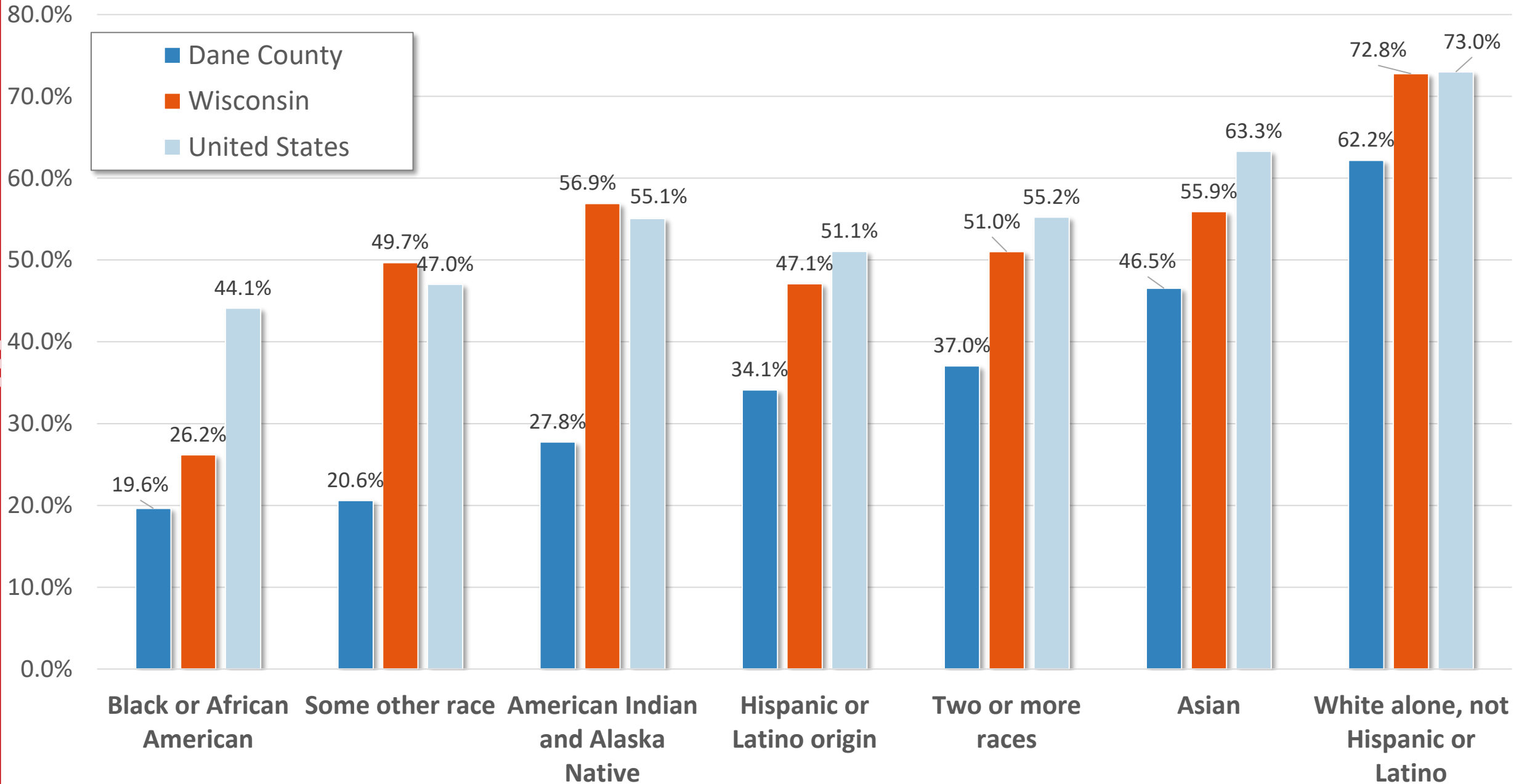
**Total Financing Received by Credit Risk of Firm - *Low Credit Risk Firms***



**Total Financing Received by Credit Risk of Firm - *Medium/High Credit Risk Firms***



# Asset Gap - Home Ownership Rate by Race and Ethnicity (2022)





# Considerations for more Dynamic and Equitable Outcomes

- **Grow procurement and supplier diversity;**
- **Enhance anchor institution leadership** – Educational institutions, financial firms, non-profits, private foundations, faith-based organizations, governmental agencies;
- **Continue to scale wraparound services across the rural-urban continuum** – Networks (bonding and bridging), mentoring, technical assistance, skill development, etc.;
- **Improve Broadband Access and Digital Equity** - Evidence that broadband enhances entrepreneurship; especially for the smallest types of businesses (Conroy and Low, 2022).



# Contact Information

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