## **Kauffman Foundation 2015 State of Entrepreneurship Address**

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Good afternoon. Thank you all for being here.

Today, we take our sixth annual look at the state of entrepreneurship in America. This is always a timely topic, and it is especially so today as we're going to discuss some conflicting trends in entrepreneurship. We have also asked a stellar lineup of panelists to focus on the future—specifically, how different demographic trends will shape American entrepreneurship in the coming years.

Before going into detail, I'd like to acknowledge a few guests who will be speaking later in the program.

We're pleased to have the U.S. Secretary of Commerce, Penny Pritzker, who hails from one of America's great entrepreneurial families. Additionally, we will welcome the Administrator of the Small Business Administration, Maria Contreras-Sweet, who is herself a pioneering entrepreneur. Both the Department of Commerce and the SBA play a valuable role in helping support entrepreneurs, so we are excited to hear from these two leaders.

We also will be hearing from two Members of Congress: John Delaney of Maryland who is a past recipient of the EY Entrepreneur Of The Year award, and Tulsi Gabbard of Hawaii, who learned about entrepreneurship by working in two of her family's businesses while growing up. Today, she co-chairs the Congressional Future Caucus, which is focused on advancing competitiveness and innovation.

We're grateful they're all with us because today's event builds on the Kauffman Foundation's focus on fostering economic independence through entrepreneurship. Our benefactor, Ewing Kauffman, was a successful entrepreneur, and called himself a common man who did an uncommon thing. He wanted his Foundation to work to make that uncommon thing—successful entrepreneurship—more common for all Americans.

Now, let's talk about the state of entrepreneurship. Overall, the U.S. economy seems to be humming right along: Job creation has returned to the levels of the 1990s. Unemployment is way down. And the Federal Reserve, by its own somber standards, sounded pretty optimistic about the economy in its most recent statement.

Many Americans, however, will tell you that the economy is not yet at full health.

Wage growth is almost non-existent.

- Millions of people have unwillingly left the workforce and probably aren't coming back.
- We are getting less bang from fast-growing companies.

Across the board, the American economy appears to be getting less dynamic.

My background is in journalism, and this is what we call burying the lead—the headline numbers may look good, but something isn't right when you dig a little deeper.

The United States doesn't just need economic growth. We need economic renewal. We need renewed mobility. We need a renewed notion of shared prosperity. We need a renewed sense of possibility.

And the best-known way to bring about this renewal is entrepreneurship—the creation and growth of new companies. You all likely know the numbers already: new and young companies create most of the net new jobs in this country. Actually, they create most of the new jobs in a lot of other countries, too. And, startups are responsible for an outsized share of innovation.

Only entrepreneurs can change the existing ways of doing things. Only entrepreneurs can create the millions of jobs needed for our future. Only entrepreneurs can renew the dynamic and innovative American spirit.

And again, the headlines look good. Venture capital funding and angel investment have surged in the past few years. New models of helping entrepreneurs, from accelerators to co-working spaces, have spread rapidly across the country. Pop culture has even caught on. The prime time TV show "Shark Tank" attracts seven million viewers every week, and Mattel has introduced an Entrepreneur Barbie. Some of you probably don't consider that progress, of course, but I used to work at Mattel, and I can tell you that these kinds of things are symbols to millions of people.

But scratch a little deeper, and concerns about American entrepreneurship emerge.

- New business creation dropped like a rock during the recession, falling 31 percent, the biggest drop in the last four decades.
- The recovery in entrepreneurship has been slow: only in the first half of last year did we finally climb back to pre-recession levels.
- Access to capital is still difficult: over half of young companies that applied for credit last year were turned down.

We can renew the American economy by stimulating a new era of entrepreneurial growth. This year, in fact, the Kauffman Foundation is overseeing what we call our New Entrepreneurial Growth Initiative—we're bringing together researchers and policy experts to focus on what is needed to renew entrepreneurial capitalism.

Research and policy insights are valuable, but it's hard to get a handle on things without good data. Entrepreneurship can be a slippery thing to capture, and we're proud to call both the Census Bureau and the SBA partners in the effort to improve data on entrepreneurship and the economy.

As part of Kauffman's new entrepreneurship strategy, we will be working more intentionally than ever to support communities—including Kansas City and others—to boost their entrepreneurial ecosystems. We also want to identify the best-in-class entrepreneurship support organizations and help them scale so they can reach even more entrepreneurs.

We wouldn't do all of this if we weren't intensely optimistic about the future of American entrepreneurship. And we're optimistic today because of the demographic trends that are the focus of today's events. The aging of the Baby Boomers and the emergence of the Millennials are two of the biggest demographic forces shaping the U.S. economy. We're optimistic that the Boomers and Millennials—together—can lead the entrepreneurship renewal that America sorely needs.

For starters, the Boomers have proven to be a highly entrepreneurial generation.

- They helped power the information technology revolution in the 1980s and 90s, and have continued to start new businesses at a fast pace in their fifties and sixties.
- Boomers are living and working longer and generally have high levels of wealth and experience.
- The North American winner of last year's Get in the Ring startup competition was Dr. Jeannette Hill, a Boomer who spent twenty years in the pharmaceutical industry before starting her own innovative company.

Now, as a Boomer myself, of course I like to think that my generation will be the one that saves American entrepreneurship. But we can't do it alone, and we're optimistic that the Millennials will reinforce this entrepreneurial rebirth.

- They are perhaps the most-educated generation in American history, and most of them have come of age in the era of the Internet and smartphones.
- They've also been exposed to entrepreneurship like never before: entrepreneurship is the fastest-growing activity on college campuses today.
- Over the next two decades, the Millennials will enter what has traditionally been the "peak age" for starting a business in this country: right around age 40.

The Boomers and Millennials are well positioned to create new sources of entrepreneurial growth.

Our optimism, however, must be tempered.

- Millennials, for example, took a severe hit during the recession and have yet to recover.
- Many are starting their careers from a negative financial position, and the burden of student debt isn't helping.
- Their entrepreneurial ambitions could diminish in the face of these challenges.

## Boomers also face their own issues.

- They had a large chunk of their wealth in their houses and used that to finance new businesses—many don't have this option anymore.
- Plenty of Boomers have left the labor force, and won't be returning to start companies.

Take all this together, and it means there is a lot of uncertainty about whether the United States can find those new sources of entrepreneurial growth. This is what the Kauffman Foundation will be looking at over the next several months, and we've started by assembling an all-star lineup to talk about these issues.

One of those experts, who I'm pleased to introduce, is the U.S. Secretary of Commerce, Penny Pritzker.

In addition to her many responsibilities as head of the Commerce Department, Secretary Pritzker has repeatedly spoken out on the importance of entrepreneurship. She serves as chair of the Presidential Ambassadors for Global Entrepreneurship initiative, which is a collaboration between the federal government and eleven of America's most inspiring and prominent entrepreneurs, including Tory Burch, Steve Case, and Daphne Koller.

Perhaps most important of all, she has first-hand experience with entrepreneurship, having founded and run five different businesses.

We're very happy to have Secretary Pritzker with us today. Please join me in welcoming her.