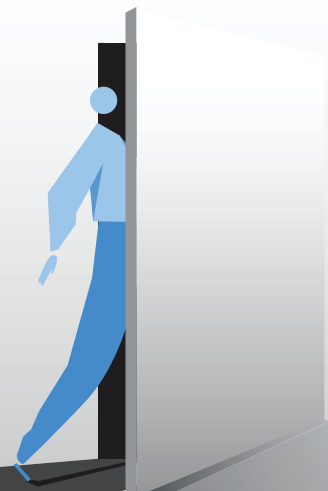


WHO DOESN'T START A BUSINESS IN AMERICA?

A LOOK AT PRE-ENTREPRENEURSHIP LEAVERS

Sameeksha Desai and Travis Howe | **NOVEMBER 2020**



Who Doesn't Start a Business in America? A Look at Pre-entrepreneurship Leavers

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Table of Contents

Executive Summary	3
Introduction	3
Who are the Pre-entrepreneurship Leavers?	4
Why Did They Consider Starting a Business in the First Place?.....	4
Motivators for Starting a Business by Race and Ethnicity and Gender.....	5
What Did They Do Before They Left the Pre-entrepreneurship Journey?	7
Pre-entrepreneurship Activities by Gender	8
Pre-entrepreneurship Activities by Educational Status	9
Pre-entrepreneurship Activities by Race and Ethnicity and Gender	10
Why Did They Leave the Pre-entrepreneurship Journey?	11
Reasons for Leaving by Gender.....	11
Reasons for Leaving by Educational Status	12
Reasons for Leaving by Marriage and Household Status	12
Reasons for Leaving by Race and Ethnicity and Gender	13
What's the Alternative?	14
Should They Have Left the Entrepreneurship Process When They Did?	14
What are They Doing Instead?.....	14
About the Data	15

Executive Summary

Who doesn't start a business? To understand barriers to entrepreneurship, it is useful to gain insight into who wants to, but does *not*, start a business – and why.

Pre-entrepreneurship leavers are people who have not previously owned a business, have been deeply interested in starting a business within the last five years, and had a specific business idea in mind, but ultimately made a conscious decision not to do so or wait.

This report details some key findings about *pre-entrepreneurship leavers* drawn from a nationally representative survey of adults in the United States between June and August 2020.

Key findings about *pre-entrepreneurship leavers* include:

- They reflect about 6% of the adult population.
- Many characteristics of pre-entrepreneurship leavers, including reasons for being interested in starting a business and steps taken toward entrepreneurship, were similar regardless of educational status (college degree).
- The most commonly reported step taken by pre-entrepreneurship leavers is discussing the business idea with a friend, work colleague, or acquaintance. This was reported by half of pre-entrepreneurs.
- Black, Hispanic, and White women were more likely to report taking this step than their counterpart men.
- There are noteworthy differences in pre-entrepreneurship activities across race and ethnicity and gender.
- The most commonly cited reason for leaving the entrepreneurship process is concern about business survival. However, the importance of cited reasons can vary by demographics of the individual.

Introduction

Many entrepreneurship support programs and policies engage an individual once they have already started a business, or have gone far in the process of doing so. Some regional programs, like small business development centers or entrepreneurship support programs, attract individuals who have already decided to open a business. By the time an entrepreneur makes contact with an intervention that aims to support entrepreneurial growth, like an accelerator, they have already likely gone quite far into the business ownership process. Much of what is known about entrepreneurial starts and success rates come from data and observations drawn from existing entrepreneurs or nascent entrepreneurs actively in the process of starting a business.

This raises the question: *what about the people that never make it far enough into the process to be considered active entrepreneurs?*

Who are the people that want to start a business, and maybe even took some steps in this direction,¹ but stopped before they ever really started? Why did they want to start? Why did they stop? What did they do before they stopped? Do they think it was the right decision? Learning about pre-entrepreneurship leavers can shed light on barriers to entrepreneurship.

WHO ARE PRE-ENTREPRENEURSHIP LEAVERS?

Pre-entrepreneurship leavers are people who have not previously owned a business, have been deeply interested in starting a business within the last five years, and ultimately made a conscious decision not to do so. They are different from people that are still in the process of starting a business in that they stopped the process before they started a business.

Who are the Pre-entrepreneurship Leavers?

A nationally representative survey of more than 22,000 adults above 18 years of age in the United States, conducted in June through August 2020, was used to identify *pre-entrepreneurship leavers*. The trends reported here come from this survey of entrepreneurial activity in the population, and reflect *people*, not businesses or industries.

A **pre-entrepreneurship leaver** is an individual who has not previously owned a business, was seriously considering starting a business in the last five years, with a specific idea, need, product, or service in mind, but decided not to do so.

Pre-entrepreneurship leavers reflect about 6% of the adult population.

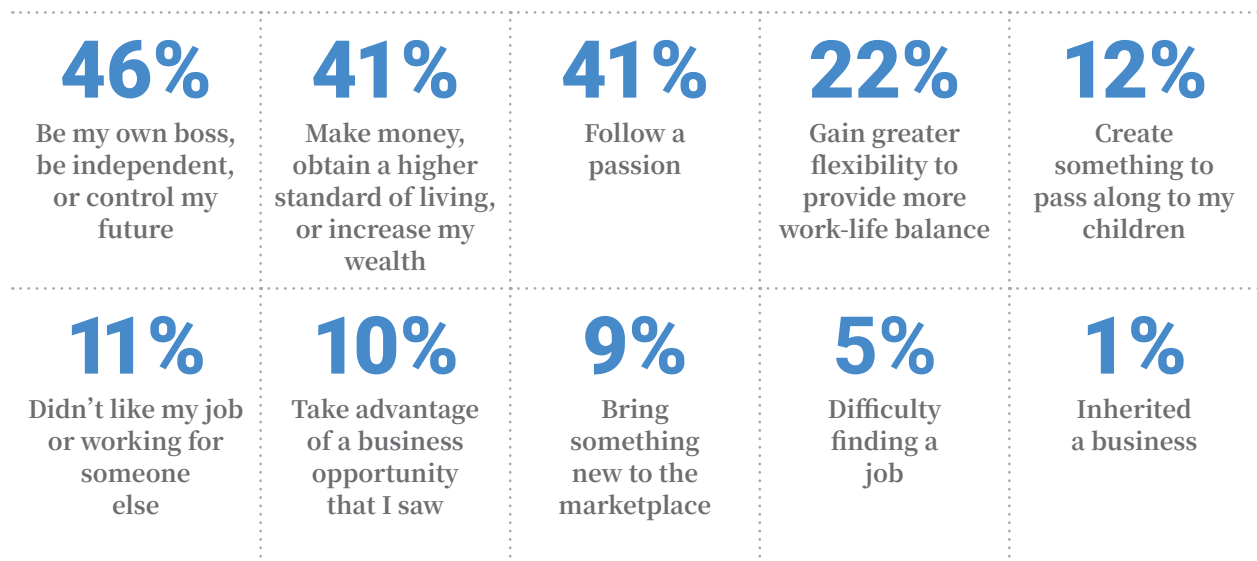
ALMOST **6%** of the **ADULT POPULATION** are pre-entrepreneurship leavers

Why Did They Consider Starting a Business in the First Place?

The most often cited reason for having considered entrepreneurship was related to freedom and flexibility.

The most often cited reason for having considered entrepreneurship was related to freedom and flexibility: almost half of pre-entrepreneurship leavers reported wanting to **be their own boss, be independent, or control their future** (46%). About 2 in 5 pre-entrepreneurship leavers reported being interested in entrepreneurship because of financial and material achievement – **to make money, obtain a higher standard of living, or increase wealth** (41%); and to **follow a passion** (41%). About 1 in 5 pre-entrepreneurship leavers said they wanted **greater flexibility for work-life balance**, and about 1 in 10 reported wanting to **create something to pass along to children** (12%), **not liking their job or working for someone else** (11%), **wanting to take advantage of a business opportunity** (10%), and **bring something new to the marketplace** (9%).

PRE-ENTREPRENEURSHIP LEAVERS REASON FOR WANTING TO START A BUSINESS



Note: Respondents were asked to select the three most important reasons they had considered starting a business.

Motivators for Starting a Business by Race and Ethnicity and Gender

Improving financial and material factors was the most common reason for having considered starting a business among men pre-entrepreneurship leavers, and factors related to freedom and flexibility were most common among women.

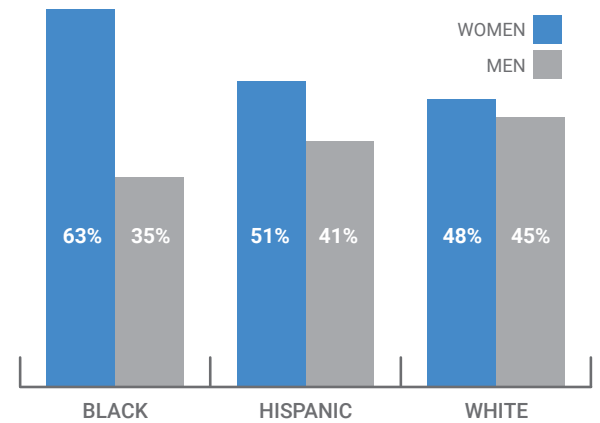
Across race and ethnicity, men were 3 to 7 percentage points more likely than women to have been interested in **making money, obtaining a higher standard of living, or increasing wealth**. Differences across race and ethnicity in citing this factor were not substantially large among men pre-entrepreneurs, ranging between 41% and 46%.

Women were more likely than men to have been motivated by freedom and flexibility, which includes to be their **own boss, be independent, or control their future**. This cluster of reasons was substantially more likely to be reported by Black women compared to their male counterparts – 63% of Black women compared to 35% of Black men – and compared to Hispanic women (51%), White women (48%), and women of color broadly (50%). Hispanic women were 10 percentage points more likely to have been motivated by freedom and flexibility than Hispanic men (51% and 41%). These factors were similar to motivators reported among White women and men (48% and 45%).

Following a passion was most often reported as a reason for being interested in starting a business among White women (47%), and least among Black women (30%).

Taking advantage of a business opportunity was reported by a surprisingly small share of pre-entrepreneurship leavers across race and ethnicity. It was reported most commonly by 1 in 7 Black men and women (14%).

Women were more likely than men to have been motivated by freedom and flexibility, which includes to be their own boss, be independent, or control their future.



ALMOST
1 in 5

Black women and Hispanic men reported that creating something to pass to their children was a reason they were interested in starting a business.

While necessity-driven interest in starting a business was 5% across pre-entrepreneurship leavers, it was highest among Black men. Black men were more likely to report **difficulty finding a job** as a reason compared to Black women (11% compared to 2%), Hispanic men and women (6% and 6%), and White men and women (5% and 5%). **Not liking a job or working for someone else** was reported more commonly by White and Hispanic men (15% and 14%).

Notably, although there was a generally low share of **business inheritance** reported among pre-entrepreneurship leavers, this was absent or negligible among Black, Hispanic, and White women. Almost 1 in 5 Black women (21%) and Hispanic men (20%) reported that **creating something to pass to their children** was a reason they were interested in starting a business.

Among pre-entrepreneurship leavers, men are somewhat more likely than women to have been interested in starting a business to increase financial and material achievement, whereas women were more likely to have desired freedom and flexibility.

TABLE 1 MOTIVATIONS FOR STARTING A BUSINESS BY RACE AND ETHNICITY AND GENDER						
STEPS	BLACK		HISPANIC		WHITE	
	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN
Make money, obtain a higher standard of living, or increase my wealth	42%	35%	44%	38%	46%	39%
Follow a passion	38%	30%	42%	38%	35%	47%
Be my own boss, be independent, or control my future	35%	63%	41%	51%	45%	48%
Gain greater flexibility to provide more work-life balance	20%	15%	20%	27%	19%	27%
Take advantage of a business opportunity that I saw	14%	14%	4%	9%	12%	7%
Create something to pass along to my children	14%	21%	20%	11%	14%	8%
Difficulty finding a job	11%	2%	6%	6%	5%	5%
Bring something new to the marketplace	10%	7%	8%	11%	8%	9%
Didn't like my job or working for someone else	9%	9%	14%	8%	15%	10%
Inherited a business	8%	-	1%	-	1%	-

Across race and ethnicity, men were 3 to 7 percentage points more likely than women to have been interested in making money, obtaining a higher standard of living, or increasing wealth.

Following a passion was most often reported as a reason for being interested in starting a business among White women (47%), and least among Black women (30%).

What Did They Do Before They Left the Pre-entrepreneurship Journey?

Pre-entrepreneurship leavers report seeking forms of advice, guidance, and information that are informal or within their social networks.

While half of pre-entrepreneurship leavers **discussed the business idea with a friend, work colleague, or acquaintance** (50%), few reported consulting experts relevant to the business. In fact, only 15% **consulted with an expert specific to the business idea or market**, and 10% **sought out professional advice** from other types of domain experts, such as lawyers, accountants, and other professionals related to business operations.

And while almost 3 in 10 pre-entrepreneurship leavers **researched the market and competition** (27%), a smaller share, 1 in 10, reported **creating financial analysis documents** to assess feasibility of the business (10%). Similarly, just over 1 in 10 pre-entrepreneurship leavers **learned about or applied for legal protections** related to the business (12%).

When it comes to searching for capital for the business, about 1 in 5 pre-entrepreneurs **talked to personal sources about financing** (20%) as well as **learned about financing options outside of personal sources** (19%). However, only 1 in 20 pre-entrepreneurship leavers actually **applied for financing outside of personal sources** (5%) before they left the process.

SEARCHING FOR CAPITAL FOR BUSINESS

20%

Talked to personal sources about financing

19%

Learned about financing options outside of personal sources

5%

Applied for financing outside of personal sources

Not surprisingly, pre-entrepreneurship leavers rarely reported **quitting their current job to work on the potential business, hiring an employee, and registering for a tax ID.**

TABLE 2 | PRE-ENTREPRENEURSHIP ACTIVITIES

Discussed the idea with a friend, work colleague, or acquaintance	50%
Research the market or consulted how other firms might respond to the business	27%
Talked to personal sources about financing	20%
Learning about financing options outside of personal sources	19%
Found a first customer or customers	17%
Consulted an expert on the business idea or market	15%
Created a website for the business	12%
Learned about or applied for patents, copyrights, or trademarks to protect your business idea	12%
Sought out professional advice like a lawyer, accountant, or another professional related to the operation of a business	10%
Created summary documents like spreadsheets, financial models, or other numerical analysis to determine feasibility	10%
Made a prototype, or tested the market, or collected feedback from customers	9%
Made a sale or provided the product/service on a pilot basis	8%
Registered the business for a tax ID	7%
Applied for financing outside of personal sources	5%
Applied to a support program for new businesses	4%
Hired an employee (non-cofounder)	4%
Quit your job to work on the proposed business	3%

Note: Respondents were asked to select all that apply. Question and response categories are based on Bennett and Chatterji (2019).

While half of pre-entrepreneurship leavers discussed the business idea with a friend, work colleague, or acquaintance, only 15% consulted with an expert specific to the business idea or market.

Pre-Entrepreneurship Activities by Gender

Women pre-entrepreneurship leavers were more likely to **discuss the idea with a friend, work colleague, or acquaintance** (54% compared with 45% of men), **create a website for the business** (15% compared with 9% of men), and somewhat more likely to **find a first customer** (20% compared with 14% of men). Gender differences were not substantial with respect to **seeking professional advice related to operating a business, researching the market and competition, creating financial analysis documents, making a sale, applying to a support program, and registering for a business tax ID**. While the numbers were small, it is noteworthy that men were almost twice as likely to have **learned about or applied for intellectual property protections** (16% compared to 9% of women), three times as likely to **hire an employee** (6% compared to 2% of women), and four times as likely to **quit their job to work on the proposed business** (4% compared to 1% of women).

Men were also more likely to **learn about financing options outside of personal sources** (22% compared to 16% of women) but there was little difference between men and women pre-entrepreneurship leavers who reported that they **applied for financing outside personal sources** (5% and 4%, respectively).

2X

Men were almost twice as likely to have learned about or applied for intellectual property protections.

3X

Men were three times as likely to hire an employee.

TABLE 3 PRE-ENTREPRENEURSHIP ACTIVITIES BY GENDER	MEN	WOMEN
Discussed the idea with a friend, work colleague, or acquaintance	45%	54%
Research the market or consulted how other firms might respond to the business	29%	26%
Learning about financing options outside of personal sources	22%	16%
Talked to personal sources about financing	18%	21%
Learned about or applied for patents, copyrights, or trademarks to protect your business idea	16%	9%
Found a first customer or customers	14%	20%
Consulted an expert on the business idea or market	14%	17%
Sought out professional advice like a lawyer, accountant, or another professional related to the operation of a business	11%	9%
Created summary documents like spreadsheets, financial models, or other numerical analysis to determine feasibility	10%	10%
Made a prototype, or tested the market, or collected feedback from customers	10%	8%
Created a website for the business	9%	15%
Made a sale or provided the product/service on a pilot basis	9%	8%
Registered the business for a tax ID	6%	7%
Hired an employee (non-cofounder)	6%	2%
Applied for financing outside of personal sources	5%	4%
Applied to a support program for new businesses	4%	3%
Quit your job to work on the proposed business	4%	1%

Women pre-entrepreneurship leavers were more likely to discuss the idea with a friend, work colleague, or acquaintance, create a website for the business, and somewhat more likely to find a first customer.

Pre-Entrepreneurship Activities by Educational Status

Educational status largely did not reflect differences in steps taken, although there are some differences. Among men pre-entrepreneurship leavers, college graduates were more likely to **consult experts on the business idea or market** and **create financial summary documents and analyses**. They were also less likely to **find a first customer(s), seek professional advice related to the operation of a business, talk to personal sources about financing, make a sale or provide the product/service on a pilot basis, register the business for a tax ID, and quit their job to work on the business**. Among women pre-entrepreneurship leavers, college graduates were less likely to **learn about financing outside of personal sources**.

TABLE 4 PRE-ENTREPRENEURSHIP ACTIVITIES BY EDUCATIONAL STATUS				
STEPS TAKEN	MEN		WOMEN	
	NON COLLEGE	COLLEGE	NON COLLEGE	COLLEGE
Discussed the idea with a friend, work colleague, or acquaintance	45%	46%	54%	55%
Research the market or consulted how other firms might respond to the business	28%	32%	25%	29%
Learning about financing options outside of personal sources	22%	24%	17%	12%
Talked to personal sources about financing	19%	15%	22%	20%
Learned about or applied for patents, copyrights, or trademarks to protect your business idea	16%	14%	9%	6%
Found a first customer or customers	15%	11%	21%	17%
Consulted an expert on the business idea or market	13%	19%	17%	16%
Sought out professional advice like a lawyer, accountant, or another professional related to the operation of a business	12%	9%	9%	10%
Made a sale or provided the product/service on a pilot basis	10%	4%	8%	8%
Made a prototype, or tested the market, or collected feedback from customers	10%	10%	8%	8%
Created summary documents like spreadsheets, financial models, or other numerical analysis to determine feasibility	9%	14%	10%	10%
Created a website for the business	8%	9%	16%	13%
Registered the business for a tax ID	7%	4%	8%	6%
Hired an employee (non-cofounder)	6%	5%	3%	2%
Applied for financing outside of personal sources	5%	5%	4%	3%
Applied to a support program for new businesses	5%	4%	3%	3%
Quit your job to work on the proposed business	4%	1%	1%	1%

Educational status largely did not reflect differences in steps taken.

Pre-Entrepreneurship Activities by Race and Ethnicity and Gender

The types of steps taken before leaving pre-entrepreneurship can vary. The act of **discussing the business idea with a friend, work colleague, or acquaintance** was the most commonly identified step across race and ethnicity, and was reported by 43% of Black leavers, 47% of Hispanic leavers, and 53% of White leavers. Women in all three groups were more likely to report taking this step than men: 48% of Black women, 52% of Hispanic women, and 57% of White women compared with 36% of Black men, 41% of Hispanic men, and 49% of White men.

The second most often cited step of **conducting research on the market and competition** (27% across leavers) was twice as likely to be reported by Black men than women (34% and 14%). There was little difference between Hispanic men and women (25% and 23%) as well as White men and women (30% and 28%).

Talking to personal sources about financing was reported by 1 in 5 pre-entrepreneurship leavers. 1 in 10 Black men reported engaging in this step, as well as 17%-22% of Black women, Hispanic men and women, and White men and women. **Learning about financial options outside of personal sources** was similarly reported by about 1 in 5 pre-entrepreneurship leavers. About 3 in 10 Black men (32%) and Hispanic men (29%) reported engaging in this step. The range reported by Hispanic women, White men, and White women was lower: 14%, 17%, and 13%, respectively.

Black men and women were more than twice as likely to **register for a tax ID** (14% and 14%) than Hispanic and White pre-entrepreneurship leavers. Black and Hispanic women (3% and 4%) were about three times less likely than their men counterparts (9% and 11%) to report having **made a prototype, tested the market, or solicited customer feedback**.

STEPS TAKEN	BLACK		HISPANIC		WHITE	
	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN
Discussed the idea with a friend, work colleague, or acquaintance	36%	48%	41%	52%	49%	57%
Research the market or consulted how other firms might respond to the business	34%	14%	25%	23%	30%	28%
Learning about financing options outside of personal sources	32%	25%	29%	14%	17%	13%
Learned about or applied for patents, copyrights, or trademarks to protect your business idea	26%	10%	29%	11%	8%	7%
Found a first customer or customers	23%	23%	9%	17%	15%	20%
Made a sale or provided the product/service on a pilot basis	15%	1%	8%	10%	8%	9%
Registered the business for a tax ID	14%	14%	5%	6%	6%	5%
Created a website for the business	12%	10%	11%	18%	8%	15%
Sought out professional advice like a lawyer, accountant, or another professional related to the operation of a business	11%	16%	14%	13%	9%	7%
Consulted an expert on the business idea or market	10%	15%	18%	16%	13%	16%
Talked to personal sources about financing	10%	22%	17%	20%	20%	21%
Quit your job to work on the proposed business	10%	1%	6%	2%	2%	1%
Made a prototype, or tested the market, or collected feedback from customers	9%	3%	11%	4%	10%	10%
Created summary documents like spreadsheets, financial models, or other numerical analysis to determine feasibility	6%	6%	16%	13%	7%	10%
Applied to a support program for new businesses	6%	1%	8%	6%	3%	3%
Hired an employee (non-cofounder)	6%	3%	9%	6%	5%	1%
Applied for financing outside of personal sources	5%	3%	3%	2%	7%	4%

Around 1 in 10 Black, Hispanic, and White women reported **learning about or applying for intellectual property protections** (10%, 11%, and 7%). This was similar for White men (8%), and it was substantially higher among Black and Hispanic men (26% and 29%).

Also, 10% of Black men and 6% of Hispanic men reported **quitting their job** to work on the proposed business. These were substantially higher than their women counterparts: less than 2% of Black women and Hispanic women reported taking this step. Similarly, less than 2% of White men and women quit their job to work on the proposed business.

The act of discussing the business idea with a friend, work colleague, or acquaintance was the most commonly identified step.

43%

Black leavers

47%

Hispanic leavers

53%

White leavers



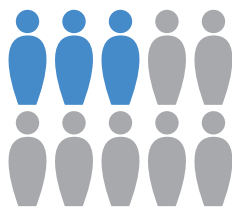
1 in 5 pre-entrepreneurship leavers reported talking to personal sources about financing.

Why Did They Leave the Pre-entrepreneurship Journey?

Pre-entrepreneurship leavers identified a number of reasons for ultimately not starting a business. The most common reason was **concern about business survival** (47%), which was reported similarly by men and women leavers (45% and 49%).

Reasons for Leaving by Gender

Concern about **time to devote to the business** was reported with fairly similar levels among men and women (37% and 34%). Similarly, **loss of focus, drive, passion or motivation or just burn out** was reported by more than 3 in 10 pre-entrepreneurship leavers, with similar levels among men and women.



Loss of focus, drive, passion or motivation or burn out was reported by more than 3 in 10 pre-entrepreneurship leavers.

TABLE 6 REASONS FOR NOT STARTING A BUSINESS BY GENDER	MEN	WOMEN	OVERALL
My business might not be able to survive	45%	49%	47%
It might take too much time	37%	34%	36%
Might lose focus, lack drive, passion or motivation or just burn out	32%	36%	34%
Family considerations like marriage, divorce, childcare, aging parent care	22%	21%	22%
My own health, illness or injury	18%	18%	18%
To go back to school	17%	15%	16%
Difficulties with business partners or investors	16%	13%	15%
I need employer-provided health care/ insurance	16%	23%	20%
Take a new job/enter employment	12%	14%	13%
Difficulties with employees	9%	7%	8%
I might find another business more interesting	9%	9%	9%
I might want to retire	9%	6%	8%

Note: Respondents were asked to select all that apply.

Reasons for Leaving by Educational Status

Differences in educational status were largely unimportant with respect to many of the reasons cited for leaving the entrepreneurship process. Two exceptions were **concerns about the business taking too much time**, reported by 44% of college and 33% of noncollege leavers, and **the need for employer-provided health care/insurance**, reported by 28% of college and 17% of noncollege leavers.

Not surprisingly, noncollege pre-entrepreneurship leavers were more than twice as likely to cite a desire **to go back to school** as a reason for leaving the entrepreneurship process – 19% compared to 7% of college graduates.

Reasons for Leaving by Marriage and Household Status

Several considerations related to family and health circumstances can play a direct role in the decision to leave the entrepreneurship process. About 1 in 5 pre-entrepreneurship leavers, regardless of gender, reported that **family considerations, like marriage, divorce, childcare, and aging parent care** were a reason they left the entrepreneurship process. When it comes to health, the need for **employer-sponsored health care or health insurance** was cited by 1 in 5 pre-entrepreneurship leavers. Women were more likely to identify this reason (23%) than men (16%).

TABLE 7 REASONS FOR NOT STARTING A BUSINESS BY EDUCATIONAL STATUS	NON COLLEGE	COLLEGE
My business might not be able to survive	48%	47%
Might lose focus, lack drive, passion or motivation or just burn out	34%	34%
It might take too much time	33%	44%
Family considerations like marriage, divorce, childcare, aging parent care	21%	26%
My own health, illness or injury	20%	14%
To go back to school	19%	7%
I need employer-provided health care/ insurance	17%	28%
Difficulties with business partners or investors	15%	12%
Take a new job/enter employment	14%	11%
I might find another business more interesting	10%	5%
Difficulties with employees	8%	10%
I might want to retire	8%	6%

Family and Household Status are Important Considerations

Married pre-entrepreneurship leavers were more likely to cite **family considerations** and need for **employer-provided health care or health insurance** than unmarried leavers. Similarly, those with children under 18 years were more likely to report **family considerations** as a reason for leaving the entrepreneurship process, and this was almost twice as much as reported by those with children above 18 years or no children. **Employer-provided healthcare or insurance** was cited as a reason to leave by pre-entrepreneur leavers with children regardless of age, whereas those without children were less likely to report this.

Marital status, children, and health insurance can matter for people who leave the pre-entrepreneurship process.

	MARRIED	UNMARRIED	CHILDREN UNDER 18	CHILDREN OVER 18	NO CHILDREN
Family considerations like marriage, divorce, childcare, aging parents	25%	19%	34%	18%	17%
Need employer-provided healthcare/ insurance	26%	15%	23%	23%	18%

Reasons for Leaving by Race and Ethnicity and Gender

Concerns about business survival

were reported by at least half of Hispanic women (54%), White men (50%), and White women (55%). It was reported relatively less by Hispanic men (41%) and by a little over 1 in 4 Black men (27%) and Black women (26%).

A **loss of focus, drive, passion or motivation or just burn out** was cited twice as much by Black men (46%) than Black women (23%). Hispanic men and women were similar in their reporting of this reason (31%). Almost 3 in 10 White men (28%) and 4 in 10 White women (39%) also identified this reason for leaving the entrepreneurship process.

Black men and women are more likely to be concerned about **difficulties with employees** (20% and 14%) than Hispanic and White pre-entrepreneurship leavers regardless of gender. Hispanic men and women (16% and 10%) are less likely to report that their own **health, illness or injury** was a reason for leaving the entrepreneurship process. Hispanic men were most likely to report that **going back to school** was a reason for leaving the entrepreneurship process (16%). Black women were most likely to report that they might consider **another business more interesting** (17%).

REASONS	BLACK		HISPANIC		WHITE	
	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN
Might lose focus, lack drive, passion or motivation or just burn out	46%	23%	31%	31%	28%	39%
It might take too much time	29%	27%	36%	33%	40%	35%
Family considerations like marriage, divorce, childcare, aging parent care	28%	23%	23%	26%	21%	21%
My business might not be able to survive	27%	26%	41%	54%	50%	55%
My own health, illness or injury	24%	23%	16%	10%	19%	21%
Difficulties with business partners or investors	21%	17%	14%	15%	16%	12%
Difficulties with employees	20%	14%	9%	8%	8%	4%
To go back to school	17%	14%	26%	16%	15%	15%
I might find another business more interesting	11%	17%	12%	7%	7%	7%
Take a new job/enter employment	11%	12%	14%	14%	13%	15%
I might want to retire	7%	8%	11%	4%	9%	7%
I need employer-provided health care/insurance	6%	9%	19%	29%	17%	25%

Concerns about business survival were reported by at least half of Hispanic women, White men, and White women. It was reported relatively less by Hispanic men and by a little over 1 in 4 Black men and Black women.

What's the Alternative?

Quantifying the costs – or the gains that were never realized – of people *not* starting a business is difficult. In fact, it is probably impossible. There is no way to know if the businesses they could have started would have survived, grown, and been successful. It is impossible to know if the would-be great innovator is among the pre-entrepreneurship leavers – and if they will return to the entrepreneurship process with the same or new idea in the future.

Should They Have Left the Entrepreneurship Process When They Did?

More than 1 in 4 pre-entrepreneurship leavers, 27%, said they would *not* abandon the process if they could make the choice again. And 34% of pre-entrepreneurship leavers weren't sure if they would make the same decision again.

The share of people who said they would not make the decision to leave again is highest among Black leavers (42%), compared to about 3 in 10 Hispanic leavers (29%), and 1 in 4 White leavers (24%).



**MORE THAN
1 in 4**

said they would not abandon the startup process if they could make the choice again.

What are They Doing Instead?

Among pre-entrepreneur leavers:	50% are working full-time for one employer	14% are working part-time for one employer	13% are students	9% are retired
	8% are homemakers	8% are looking for work because of unemployment	3% looking for work specifically due to COVID-19 furlough or layoff	1% work part-time for several employers
				1% are looking for work because of a career change decision

About the Data

The pre-entrepreneurship leavers described in this report reflect a subsample identified from a nationally representative survey of 22,034 non-institutionalized adults 18 years old and above in the United States. The survey was conducted by Global Strategy Group on behalf of the Kauffman Foundation, and was administered via online panel and phone between June 19 and August 3, 2020.

The survey was representative of the population, from which individuals in different states of entrepreneurship were identified, including, pre-entrepreneurship leavers, individuals in the process of starting a business, current entrepreneurs with businesses of various ages, former entrepreneurs, non-entrepreneurs, and several other states. Findings, therefore, reflect decisions undertaken by people in various states of entrepreneurial and economic engagement, and are not reflective or representative of industry breakdown or business size. Race and ethnicity response choices follow U.S. Census categories. The question for pre-entrepreneurship activities (tables 2-5) follows the approach of Bennett and Chatterji (2019); response categories are adapted from their work and include additional or consolidated options.

The following criteria were applied to identify pre-entrepreneurship leavers: reporting having interest in starting a business or working for themselves in some way within the last five years and having no current or previous business ownership history, reporting their level of interest as seven or greater on a 1–10 scale (10 highest), stating that they had been considering a specific idea, need, product, or service, and reporting that they are no longer planning to start (stopped or postponed) the intended business activity. Our criteria were designed to screen for individuals who had been seriously considering an identified business idea, but decided not to do so, resulting in 1,292 weighted observations for pre-entrepreneurship leavers.

There are, of course, limitations related to the methodology and the conceptual and empirical delineation of pre-entrepreneurship leavers. These include reliability of survey results, generally, as well as related to accuracy of asking individuals to report on past decisions. Some of our criteria ask individuals to report on facts about their lives, such as whether they previously owned a business or not. Some criteria rely on their ability to recall how interested they were in starting a business, and their perceptions of this subjective level of interest could have weakened or deepened over time. It is likely that our approach, which conditions on a tangible business concept and a minimum of 7 on a 1–10 scale of interest, underestimates entrepreneurial potential; however, we took a conservative approach to exclude individuals that might have been moderately interested and/or did not know what business activities they could engage in. For example, 782 people reported being interested in starting a business within the last five years but stated that their level of interest was between 1–6, and thus did not meet our criteria for inclusion as pre-entrepreneurship leavers.

REFERENCES:

Bennett, V. and Chatterji, R. (2019) The entrepreneurial process: evidence from a nationally representative survey, *Strategic Management Journal*, <https://doi.org/10.1002/smj.3077>

Townsend, D., Busenitz, L. and Arthurs, J. (2010) To start or not to start: outcome and ability expectations in the decision to start a new venture, *Journal of Business Venturing*, 25(2): 192-202.

NOTES: (1) See Bennett and Chatterji (2019) and Townsend et al. (2010). (2) Race and ethnicity and gender subsamples are Black men and women (70, 93), Hispanic men and women (147, 136), White men and women (333, 367).