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Business creation waning in U.S., growing in Asia, FIU report says

By Marcia Heroux Pounds
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A new entrepreneurship study from Florida International University shows a sharp decline in U.S. business creation. But the study's author says the real concern is increasing entrepreneurship in Asia.

"The major competitive threat is not Japan or Europe. It's the growing level of activity in Asian countries," said Paul Reynolds, director of FIU's Entrepreneurship Research Institute.

After a substantial rise in entrepreneurial activity from 1993 to 2000, there has been a decline through 2004, the Institute's study says. A significant drop occurred from 2003 to 2004: 4 million fewer Americans -- a more than 20 percent decrease in the number starting businesses.

The study, part of an annual assessment of U.S. entrepreneurship, cites a decline particularly in 18- to 24-year-old men and women who have started businesses, and mid-career men, 35 to 54 years of age.

"It's clear something has happened to change their perception of entrepreneurship as a good career choice," Reynolds said.

Entrepreneurship took off in the 1990s when, along with the Internet bubble, there was a perception that it was easy to start a business and make a lot of money, Reynolds said. The decline may be a correction from that period, he added.

Dick Dobkin, director of Florida Entrepreneurial Services for Ernst & Young LLP, said he hasn't seen a fall-off in entrepreneurial activity, though his firm deals with more established businesses. But he said younger people may be choosing to work for existing companies because "there have been a lot of good opportunities to get into existing business. Maybe they're not as inclined to start something on their own."

While the United States remains dominant in entrepreneurship, Reynolds points out that China and India have 100 million people who are engaged in entrepreneurial activity. "Most Asians feel they should take care of their own economic well-being. They will become a very major challenge to the U.S.," Reynolds said.

As shown in entrepreneurial studies since the late 1990s, the 2004 study finds that blacks and Hispanics are more likely than whites to be involved in start-up efforts. But minorities are less likely than whites to end up with an established business.

"We don't quite understand why they have so much trouble sustaining a start-up. It may have to do with financing. There's no question there is a major problem," Reynolds said.

South Florida mirrors the national findings, even in minority business start-up and sustainability, Reynolds said. From



the same data, FIU plans a report on 1,000 South Florida businesses, including Spanish-speaking business owners, in about a month.

Though not included in the study, Reynolds said in an interview on Thursday that the nation's new bankruptcy law, which places greater limitations on individuals trying to wipe out their debts, is likely to have a further effect on new business starts.

But Reynolds, winner of the Swedish Nutek award for entrepreneurship research, added that he has found that it's difficult to dampen a true entrepreneur's optimism. "People starting businesses are so focused on the opportunity. I can't see a potential bankruptcy as having some effect on that enthusiasm."

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In decline

The number of people involved in business start-ups declined in 2004, compared with 2003. Figures in millions:

| Age | Men | Women |
|-------|-------|-------|
| 18-34 | -1.45 | -0.90 |
| 35-54 | -1.48 | +0.06 |
| 55-74 | -0.26 | +0.22 |
| Total | -3.20 | -0.62 |

Figures are rounded.

Source: Entrepreneurship Research Institute, Florida International University

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