

File Created by [Blogging Rebirth](#) WP Plugin

# Entrepreneurial Data from Small Business Trends

[Small Business Trends](#) published a post this week on entrepreneurial data. [Some New Data on Entrepreneurial Finance](#) is a great overview of a paper written by researchers Alicia Robb of the University of California at Santa Cruz and David Robinson of Duke University. [The Capital Structure Decisions of New Firms](#) is actually an easy read once you ignore the methodology and get right to the facts that this paper brings to light.

What I found most interesting is:

- Only 35% have multiple owners.
- 35% are sole proprietorships, 31% LLC's, and less than 30% incorporated (8% are C corporations).
- Over 50% are operated out of the owner's home.
- 86% are service businesses. 51% offer products.
- 60% have no employees (less than 8% had five or more employees).
- Only 45% had more than \$10k in revenue their first year. 17% of new businesses had more than \$100k. Almost 1 in 4 had no profit or lost money.
- 25% have more than \$25k in profit in the first year of operation. 19% made zero or less.
- 33% worked 56 hours or more a week. 14% worked a normal work week. 19% worked less than 20 hours a week.
- The funding sources: only 25% take on personal debt (mostly credit cards). Only 5% go to family and friends for funding. Very few use equity (think venture capitol) as funding.

On the surface this may be discouraging. Few startups make enough money to feed the family. Half required a normal workweek (or more) to run.

## Take a step back and consider the facts

It is only when you take a few minutes and consider the facts that you get a clear picture. Of course most startups make little or no money. They often have large initial investments to get operational that kill first year profits. You also have to look at how few businesses are started in an intelligent manner.

I've always asserted that most businesses fail because of poor planning and execution. I don't know how many people I've seen start up without a plan, not knowing their customer base, and knowing little about their business itself. Many have no sales experience. This is a recipe for failure.

A telling statistic is that 80% of businesses fail, but 80% of businesses started by people with strong industry experience succeed.

## A smarter way

The vast majority of businesses can be started up on a shoestring and in your spare time. This has several benefits, most of which are based on reduced risk:

- By putting minimal capitol at risk you have very little downside. It just adds insult to injury when your business fails *and* you lose your home!
- Starting part time allows you to keep your day job to pay the bills while you get up and going.
- Mistakes are less costly. It is easier to make mistakes-and learn vital skills-when you don't have to worry about putting food on the table.
- Try out different ideas and businesses until you find one that works. This is much easier if each is a micro venture!
- Ability to scale up when you have a customer base, product / service, and you have proven the viability of your business idea.

## What I wish was in the report

The report did not show the correlation between hours worked and revenue. It is too easy for a business to take

over your life.

It also does not look at the entrepreneurial ability of the owners. Wait a second, isn't any business owner an entrepreneur? Not even close. Most businesses are owned by someone who just created a job working for themselves. Entrepreneurship is a mindset. It is finding opportunity in chaos. It is finding gaps between your customer's needs and the current marketplace. In that gap great opportunities lie.

You can also find this article published on [Entrepreneurial Data from Small Business Trends](#), and on the tag pages [Entrepreneurship](#).