

# INTUIT FUTURE OF SMALL BUSINESS REPORT

## FIRST INSTALLMENT: DEMOGRAPHIC TRENDS AND SMALL BUSINESS

### The Intuit–IFTF Future of Small Business Project: About this Series

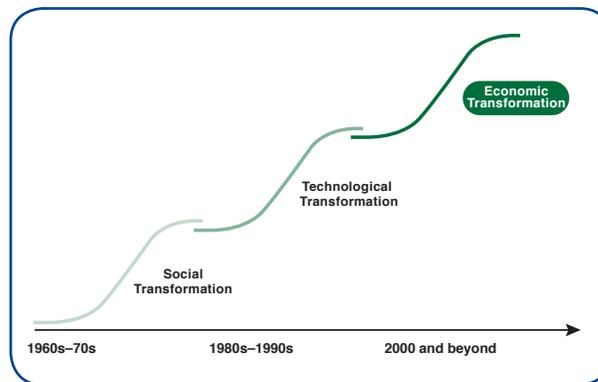
Small businesses are an important and growing driver of U.S. economic growth and dynamism. They employ over half of America's private sector workers, produce over half of America's non-farm private GDP, and create roughly 75% of new private sector jobs. The next decade will see the growth of small business continue, and the social and economic impacts of small business increase.

To better understand this important segment of the U.S. and global economy, Intuit and the Institute for the Future have undertaken a research project to identify, analyze, and forecast the significant trends and forces impacting small business over the next decade. We will present our findings in a series of forecast reports. *Demographic Trends and Small Business*, is the first of this series. The second report will describe technology trends and small business, and the third report will cover trends related to industrial structure and economic decentralization. The reports and related research materials are available at [www.intuit.com/futureofsmallbusiness](http://www.intuit.com/futureofsmallbusiness).

The 1960s and 1970s were an era of social transformation, as diverse members of society—women, minorities, youth, immigrants, and the disabled—challenged government, business, and other traditional institutions. This period of social disruption was followed by a period of technological disruption in 1980s and 1990s. During this period, personal computers entered the marketplace and the Internet laid the groundwork for new businesses and disruptive business models. These latter decades also saw an increase in entrepreneurial activity. The growing digital infrastructure reduced the costs of starting and running a small business and opened new markets and industries to small businesses.

The next decade will see these two movements combine to transform the economic landscape and begin an era of economic decentralization (see Figure 1). Small businesses will play a key role in this transformation.

**Figure 1**  
**Three Eras of Transformation**



Source: Institute for the Future



THE INTUIT FUTURE OF SMALL BUSINESS SERIES

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Small business ownership will become increasingly common and diverse, new forms of small and personal businesses will be created, and educational and training programs will shift and expand to support small businesses.

This first installment of the Intuit Small Business Forecast series examines three emerging trends that will impact small business formation and operations over the next decade.

- 1. The Changing Face of Small Business.** Entrepreneurs in the next decade will be far more diverse than their predecessors in age, origin, and gender. These shifts in small business ownership will create new opportunities for many, and will change both the U.S. and the global economy.
  - **A new breed of entrepreneurs will emerge.** Entrepreneurs will no longer come predominantly from the middle of the age spectrum, but instead from the edges. People nearing retirement and their children just entering the job market will become the most entrepreneurial generation ever. (See pages 3–6)
  - **Entrepreneurship will reflect an upswing in the number of women.** The glass ceiling that has limited women's corporate career paths will send more women to the small business sector. (See pages 7–8)
  - **Immigrant entrepreneurs will help drive a new wave of globalization.** U.S. immigration policy and the outcome of the current immigration debates will affect how this segment performs over the next decade. (See pages 8–9)
- 2. The Rise of Personal Businesses.** Personal businesses—one person businesses with no employees—have become an important part of the U.S. economy and will increase in number over the next decade. The growth will be driven by shifts in larger company employment practices and changes in technology.
  - **Contract workers and accidental and social entrepreneurs will fuel a proliferation of personal businesses.** Economic, social, and technological change and an increased interest in flexible work schedules will produce a more independent workforce seeking a better work–life balance. (See pages 10–14)
- 3. The Emergence of Entrepreneurial Education.** The last decade has seen a rapid growth of university-level entrepreneurial training. The next decade will see the continuation of this trend, but also see the growth of entrepreneurial training aimed at youth, mid-career professionals, artists and musicians, as well as trades people of all kinds.
  - **Entrepreneurship will be a widely adopted curriculum at educational, trade, and vocational institutions.** These training programs will lead to an increase in the formation and success of small businesses. (See pages 15–19)

By 2017, small businesses will be formed and run by a new and more diverse group of entrepreneurs, with a new outlook based on the changing nature of the American business landscape.

## 1. THE CHANGING FACE OF SMALL BUSINESS

The demographics of small business ownership are rapidly changing. Small businesses were traditionally started by non-corporate, middle-aged, white males. However, recent studies show aging baby boomers, Generation Y, women, and immigrants joining the ranks to start small and personal businesses at increasing rates. This expanded participation in small business formation will lead to a greater number of small businesses as well as more diverse ownership.

### BABY BOOMERS, DRIVEN BY THEIR INTERESTS, FINANCIAL NEEDS, AND SOCIAL GOALS, WILL FUEL SMALL BUSINESS FORMATION OVER THE NEXT DECADE

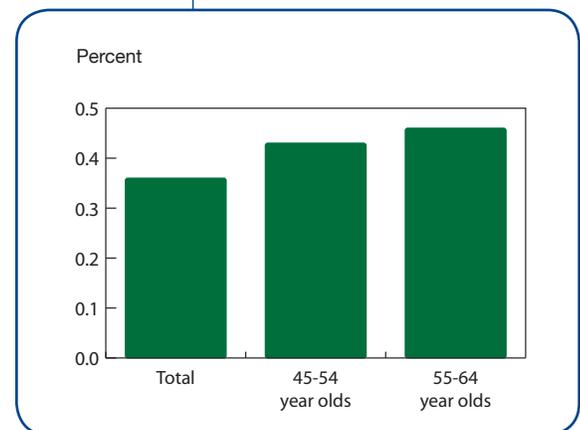
At over 25% of the U.S. population, baby boomers (born between 1946 and 1964) are the single largest population cohort. Currently aged 43 to 61, baby boomers are moving through the prime years of small business formation. According to the Kauffman Foundation, Americans aged 55 to 64 form small businesses at the highest rate of any age group—28% higher than the adult average (see Figure 2). Americans 45 to 54 also form small businesses at an above average rate.

Even if small business formation rates stay the same, the sheer size of the baby boomer cohort indicates that small business formation will grow over the next decade. Boomers have broader job skills and more contacts than younger workers. They have better access to capital, either from their own savings or through their work and personal networks. They are also at a life stage where starting a small business is perceived as less risky and increasingly attractive for work-life balance.

#### More Boomers, Fewer Jobs

As boomers mature, they will form small businesses at higher rates than prior generations. This will be driven by financial and social goals. Baby boomers have been the target of serious corporate downsizing, outsourcing, and job loss due to increased domestic and international competition. These dislocations have resulted in a much smaller share of American employees working for large companies. For many aging boomers pushed out of corporate jobs prematurely, their most viable options are working for small businesses or starting one of their own.

**Figure 2**  
**Small Business Formation**  
**Is Highest for Those 55–64**  
 (Percent of the adult population that started a new business each month)



Source: Robert W. Fairlie, *Kauffman Foundation Index of Entrepreneurial Activity, 2005.*

**Many baby boomers have the skills, contacts, and financial resources to become entrepreneurs—and are at a lifestage where starting a small business is attractive.**

For those still working for big companies, pensions have been eliminated, benefits cut, and work pressures increased. Corporate loyalty is a thing of the past, and seniority no longer matters. The breakdown of the social contract with large companies has alienated many boomers, even those still employed by large companies. With large-company employment less secure and rewarding, small businesses formation becomes more attractive.

Last but not least, small and personal businesses have the potential to offer boomers greater work–life balance and more social involvement than traditional corporate employment. Baby boomers have historically been politically and socially active. Engaging in contract work, starting a personal business (see “The Rise of Personal Businesses” on page 10), or creating a small business can provide a more flexible work environment, giving boomers more opportunity to pursue outside interests.

### **Boomers’ Un-Retirement**

Over the next ten years, more than 76 million baby boomers are scheduled to retire. IFTF expects that more than half are unlikely to retire in the traditional sense, however. Baby boomers are doers. They thrive on achievement, idealism, competition, and staying young. Even boomers who are financially able to retire will likely continue working at least part-time into retirement. According to a recent *USA Today*/Gallup poll, 63% of non-retired adults in the United States plan to work in retirement, and two-thirds say the enjoyment they get from work is the key reason. Other polls show even higher rates of boomer post-retirement work plans.

Only 30% mention financial need as the primary reason they will keep working, but the reality is the majority of baby boomers are unprepared to finance retirement and will need to work. Increased longevity and better health will also play a role. The average 55-year-old will live into her 80s or longer, and will be healthier and more able and willing to work in her 60s and 70s than those of prior generations.

Increased participation in the workforce of people of retirement age will be a fundamental shift from current practices. Workforce participation rates by retired people have fallen over the last few decades and, according to the U.S. Bureau of Labor Statistics, in 2005 less than 30% of people between the ages of 65 and 69, and less than 15% of those over the age of 70, were in the workforce. Over the next decade these rates will rise as boomers stay in the workforce.

Whether out of need or personal fulfillment, boomers will be healthy enough and productive enough to participate in the workforce well past traditional retirement ages. Most will not want to work in traditional jobs, though. They will look for more flexible and part-time work arrangements. They will create personal businesses (see “The Rise of Personal Business,” page 10). They will “boomerang” back to prior employers as contractors or consultants. They will join or form firms aimed at solving social problems. They will try their hand at new business interests, or build on hobbies that may evolve into businesses. All of these actions will lead to a greater rate of small and personal business formation for the boomers in traditional retirement years than for prior generations.

### GENERATION Y—THE DIGITAL GENERATION—WILL EMERGE AS THE MOST ENTREPRENEURIAL GENERATION EVER

Belmont University entrepreneurship professor Jeff Cornwall calls the currently rising Generation Y (ages 5 to 25) “the most entrepreneurial generation ever.” Generation Y is also often called the Digital Generation, the Net Generation, or Digital Natives, since they are the first generation to grow up with digital technologies rather than having to adapt to them. Because of this, they have a unique approach to information, society, and the workplace.

#### Social Attributes

The Digital Generation consists of good critical thinkers who cherish autonomy and lean toward libertarian ideals. Above all, they want to be treated fairly and with respect. These youth have tremendous self-confidence, but their confidence in the adult world is weak. They are distrustful of governments, large organizations, and the elite. Their lives are extremely networked, both technologically and personally. Socially, they depend on relationships with a select but changeable group of peers. When it comes to ethical and work issues, they tend to be informal and situational in their approach.

#### Information Outlook

The world of the Digital Generation is Web-based and information rich, more so than any generation in the past. Multi-tasking—listening to an iPod, surfing the Net, and text-messaging at the same time—is the norm. Having grown up on both scenario-based video games and the interactive world of the Web, this group believes that all outcomes are possible. They are not afraid to take risks and try new things and are willing to make mistakes and learn from them. These traits are important seeds for entrepreneurship: Gen Yers are strong conceptually, build on ideas, and adapt or re-invent as needed.

Gen Y interest in entrepreneurship coupled with the business opportunities created by digital technology will spike small business formation by twenty-somethings over the next decade.



### Workplace Attitude

With parents who have gone through corporate downsizing, outsourcing, and layoffs, the Digital Generation is leery of working in the corporate world. They see traditional big company jobs as both constraining and risky. They have a clear wish to be the captains of their own destiny. They see entrepreneurship as a way of maintaining independence, of owning their own careers.

The leading edge of this generation is just now reaching early adulthood. While it is still too early for hard data on the small business formation rates of this group, there are numerous signs that digital natives are highly entrepreneurial and more likely to form their own businesses than previous generations. In fact, there is some evidence that Gen Yers will approach entrepreneurship with their own twist and more aggressively embrace serial entrepreneurship. They are comfortable working on several business ideas at the same time and do not hesitate to transition to a new business once their initial startup is launched. Colleges are no longer surprised when they see kids applying with multiple startups on their resume—even though these kids are just out of high school.

Young entrepreneurs of this generation are also “deep miners” for relevant information that will improve their businesses. Once they see the need, they will do research on the Web and network with others in their field to identify solutions. University is seen as a path for education, but not the end-all solution. On-demand education programs customized to their specific entrepreneurial needs will become more

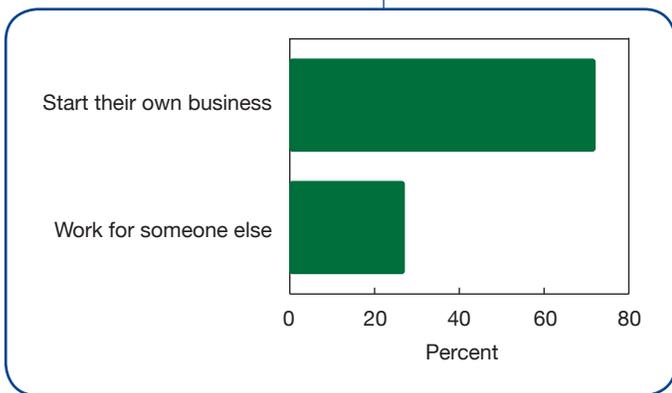
common. Tertiary business and entrepreneurial programs are beginning to understand this. Enrollment in college-level business and entrepreneurship programs has grown dramatically in the last decade. Courses for entrepreneurs have also grown at the high school and elementary school levels as well (see “The Emergence of Entrepreneurial Education,” page 15).

Several nationwide surveys reflect Generation Y’s interest in entrepreneurship. A recent Gallup poll showed that a majority of teens would prefer owning their own businesses over working for a large company (see Figure 3). They are inspired by entrepreneurial heroes such as Steve Jobs and Bill Gates, and they

like working on their own. This interest in entrepreneurship, coupled with the business opportunities created by digital technology, will likely result in increased small business formation rates by Generation Y.

**Figure 3**  
**Teens and Young Adults**  
**Want to Start Small**  
**Businesses**

(Percent of respondents age 18–29 who want to \_\_\_)



Source: CNN/USA Today/Gallup Survey, April 2005.

## ENTREPRENEURSHIP WILL REFLECT AN UPSWING IN THE NUMBER OF WOMEN

Every day, 1,600 new businesses in the United States are started by women entrepreneurs. Indeed, business ownership among women is growing at almost twice the rate (17%) as all businesses (9%), according to a 2004 study done by the Center for Women’s Business Research.

Women start businesses for many of the same reasons men do—career independence, personal fulfillment, professional challenge, and work–life balance. Women coming from the corporate world see entrepreneurship as a way to steer around the traditional “glass ceiling” they may have faced in previous jobs. With the scheduling flexibility that personal and small businesses offer, women can meet both family and work demands in a more balanced way.

### Women Careerpreneurs

Women make up over 46% of the U.S. labor force, but they are under-represented at the top levels. Indeed, the *2005 Catalyst Census of Women Corporate Officers and Top Earners of the Fortune 500* reports that “women held only 6.4 % of the top earner positions, up just 1.2% from 2002, and fully 75% of Fortune 500 companies reported no women as top earners.”

What’s holding women back? According to a 2003 survey titled *Women in U.S. Corporate Leadership*, Catalyst noted that limited opportunities for line experience, exclusion from informal networks, misconceptions about women’s roles and abilities, and commitment to personal or family responsibilities are key impediments to top-earner positions. While women are making progress, Catalyst research forecasts another 40 years before women have equal access to key positions in large corporations.

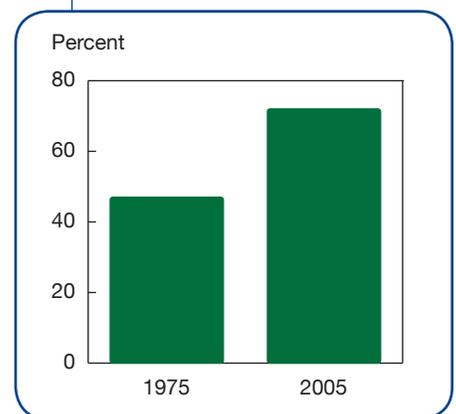
Entrepreneurship offers an alternative to women with corporate experience and ambition. The University of Cambridge/MIT’s Mid-Career Enterprise Education for Technology and Science (MEETS) program reports that mid-career women are the group most likely to succeed in starting and running a business. They have sharp business acumen and solid managerial experience, but they feel stunted in their corporate career paths. They are keen to create and leverage mentor–peer networks they develop themselves. And they are looking for a way to invest in professional growth without letting go of family ties. In short, professional ambition and the desire for work–life flexibility are key drivers for “Careerpreneurs” to start a business.

### Mompreneurs

Workforce participation rates of women with children have reached an all-time high (see Figure 4). In 2005, a full 72% participated in the U.S. workforce versus only 47% in 1975.

Women will increasingly see entrepreneurship as an alternative to corporate life and a means to break through the glass ceiling or balance family and work demands.

**Figure 4**  
Large Majority of Women with Children in the Workforce  
(Percent of women with children in the U.S. labor force)



Source:  
U.S. Bureau of Labor Statistics

**Immigrants are increasingly turning to entrepreneurship as a way to steer around traditional barriers of entry to the workplace. Immigrant entrepreneurs also have the skills, contacts, and technology to exploit the global marketplace.**

Childcare decisions become a constant juggling act for most mothers as they try to balance quality care for their families and quality work in their jobs. Some women take a break in their career to spend more time raising their children. Yet, once they are home, they often get the urge to pursue additional intellectually challenging and rewarding opportunities. Many also need an income.

“Momprenurship” provides working mothers with an alternative to traditional employment and a way to combine work with parenthood. “Mompreneurs” often start part-time with home-based personal businesses (see “The Rise of Personal Businesses,” page 10). This provides flexibility and work–life balance. Many mompreneurs use the Internet—its 24/7 availability lets them work when and where they can. Time management becomes the biggest struggle for these women who try to run a business and care for their families at the same time. The vast majority of these businesses remain part-time, but some grow into sizeable organizations.

Over the next decade, women entrepreneurs will continue to grow in number. Demographics will play a part as baby boomer and Gen Y women form increasing numbers of small and personal businesses along with their male counterparts. But across the age cohorts, women looking for better career options and work–life balance will increasingly turn to entrepreneurship to fulfill their goals.

### **IMMIGRANT ENTREPRENEURS WILL HELP DRIVE A NEW WAVE OF GLOBALIZATION**

According to the U.S. Census Bureau, immigrant entrepreneurs are the fastest-growing segment of small business owners today. Data from the Kauffman Foundation also show that immigrants form small businesses at a much higher rate than non-immigrant Americans, and a recent study by Duke University shows the importance of immigrants in the U. S. technology industry.

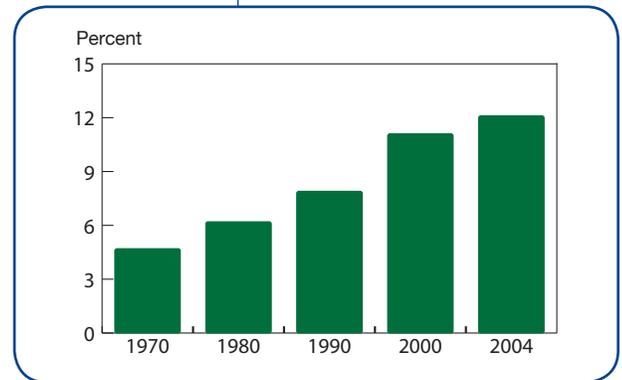
Immigrants are increasingly turning to entrepreneurship to steer around traditional barriers of entry to the workplace. Although immigrants often bring education, professional experience, and a developed network with them to their adopted country, their professional assets do not always translate into value across cultures. Immigrants often lack corporate contacts, English-language skills, and the larger company experience required to find a traditional corporate job. Starting a business is often easier than finding a job.

Immigrant entrepreneurs frequently have contacts in their native countries as well as the United States. This provides them with the opportunity to create businesses that link markets. The Internet and other connective technologies enable these businesses to be both global and local, and to source materials and goods in one market to sell in another.

In his book *The World is Flat*, Thomas Friedman claims we've entered the third phase in globalization, which he calls "Globalization 3.0." He describes Globalization 3.0 as "the newfound power of individuals to collaborate and compete globally." With cross-border skills and contacts, immigrants with small businesses are leveraging the Internet and connective technologies to exploit global trade opportunities. This is creating a new wave of small business globalization, and creating broader and deeper economic links across the globe.

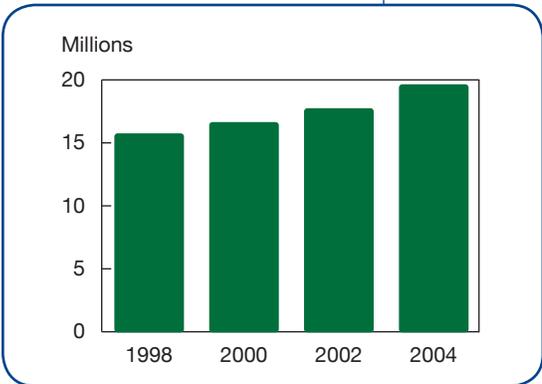
Since the 1990s, the foreign-born share of the U.S. population has grown substantially, resulting in a strong increase in immigrant-formed businesses (see Figure 5). How this segment performs over the next decade will depend on U.S. immigration policy and the outcome of the current immigration debates. However, regardless of changes in immigration policy, small business formation by immigrants will continue to grow. Connective technologies will continue to strengthen the link between the United States and other economies, cross-border trade will increase, and growing numbers of immigrant entrepreneurs will continue to drive this new wave of globalization.

**Figure 5**  
**Foreign-Born Population Is on the Rise**  
(Percent of U.S. population that is foreign born)



Source: U.S. Census Bureau

**Figure 6**  
**Personal Businesses Number**  
**Nearly 20 Million**  
 (Number of U.S. businesses with  
 no employees)



Source: U.S. Census Bureau

**Contract workers and  
 accidental and social  
 entrepreneurs will fuel  
 a proliferation of personal  
 businesses.**

## 2. THE RISE OF PERSONAL BUSINESSES

Personal businesses are one-person shows. Typically they do not have employees, and usually they are home-based. Personal businesses include contract employees, part-timers, hobbyists, do-it-yourselfers, and early-stage social entrepreneurs. Personal businesses are often formed as an extension of previous work relationships or “accidentally” as extensions of hobbies or other passions. People with personal businesses rarely consider themselves small business owners. Yet, as the personal business takes shape and grows, it may indeed become one.

Personal businesses are a surprisingly large part of the American economy. According to the U.S. Census Bureau, at the end of 2004 almost 20 million Americans operated businesses with no employees (see Figure 6). Businesses without a payroll make up over 70% of the nation’s businesses, and almost one million new businesses without payrolls were added in 2004 (the latest available data).

The rise of personal businesses stems from many economic, social, and technological changes. A shift away from traditional employment has loosened workers’ ties with corporate America. Downsizing and layoffs drive those affected to try new ways to stay afloat. With work and family pressures on the rise, many families seek ways to produce income while balancing childcare or care for aging parents. At the same time, the rise of the Internet has created enormous opportunities for the creation of personal businesses.

### THE TRADITIONAL EMPLOYMENT CONTRACT FADES AWAY

After World War II, large corporations created an implied social contract with employees. Companies provided lifelong employment, steady pay increases, and benefits like health care and pensions in exchange for employee commitment and loyalty. This relationship began to weaken in the early 1980s when major U.S. employers were hit with global competition, corporate takeovers, consolidations, downsizing, and sky-rocketing benefits costs.

Today this social contract has all but disappeared from large companies (see Figure 7). Few large companies now offer their employees long-term job security, and many of the other advantages of corporate employment have disappeared. Health coverage has been

reduced or eliminated, generous defined-benefit pension plans have been replaced with 401Ks, and seniority systems have given way to pay for performance. Workloads are up as large corporations reduce staff, and global business pressures make job loss a constant risk.

Workers realize the traditional social contract is broken and there are few “jobs for life” left. Work increasingly consists of a series of employers and opportunities rather than a lifelong relationship with one company. With less security, lower benefits, and often long and inflexible work schedules, working for a large company simply isn’t as attractive as it used to be. This has resulted in people increasingly looking to small business and entrepreneurship for employment.

As a result, large-company employment has fallen steadily for several decades. Today, less than 40% of Americans work for companies with more than 1,000 employees. At the same time, small business employment continues to climb in absolute numbers and as a percentage of total employment.

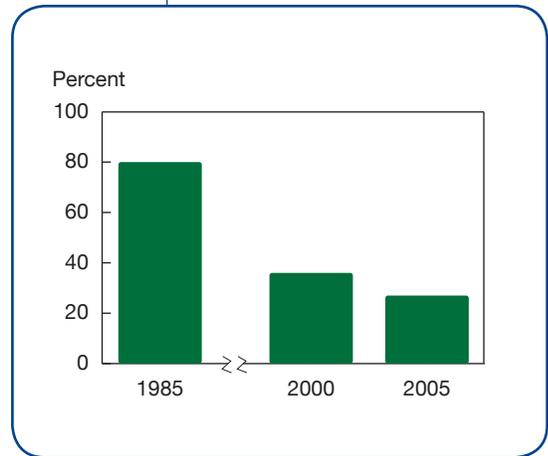
## FREE AGENTS CREATE PERSONAL BUSINESSES

The breakdown of the traditional employment contract and the lack of large company jobs are resulting in new and more independent ways of working. Daniel Pink, in his book *Free Agent Nation*, describes this shift in employment practices. Instead of working for a specific company, people increasingly are developing skill sets they can take from job to job. At the same time, companies are looking for more flexible work arrangements from their employees. This combination has resulted in “free-agent” contract relationships that meet the needs of workers and employers. Intuit estimates there are seven million contract small businesses in the United States.

Younger adults often find free-agent employment attractive. Whereas previous generations may have felt it necessary to turn to corporate careers for security, many of today’s youth are confident they can succeed on their own. While keen to work long hours when they have to, they are unwilling to sacrifice their personal lives. Free agency provides a flexible work schedule and allows young adults to achieve success on both fronts.

Older adults are also gravitating toward free-agent relationships. Since corporate loyalty didn’t pay off for many older workers, free agency gives them a way to leverage their skills and professional networks to develop a meaningful career on their own. Years of corporate training enable these contractors to produce high-quality work and reap the benefits of flexibility and autonomy found in personal businesses.

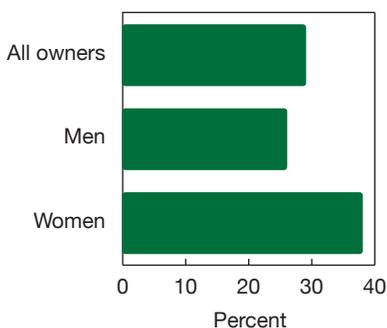
**Figure 7**  
**Disappearing Social Contract**  
(Percent of full-time employees in medium and large corporations with defined-benefit pension plans)



Source:  
U.S. Bureau of Labor Statistics

**The old employment contract will not return; large corporations simply cannot afford it. This will continue to make personal businesses attractive—and necessary—to workers set loose by large companies.**

**Figure 8**  
**Personal Businesses**  
**Provide Flexibility**  
 (Percent of small business owners reporting that their small business is not their primary source of income)



Source: U.S. Census Bureau, *Survey of Business Owners*, 2002.

### THE DEMAND FOR FLEXIBILITY + WORK-LIFE BALANCE = PERSONAL BUSINESS

The search for flexibility and quality of life is driving new employment choices for both men and women (see Figure 8). Women see personal business as a way to meet their personal needs and the needs of their families while still achieving professional and financial goals. Mothers who have chosen to stay at home with their children often start personal businesses to contribute financially and to keep up their professional, intellectual, or artistic interests.

The Internet allows these individuals to stay connected with professional contacts and generate business as an extension of their previous careers. Others pursue new interests based on hobbies or personal experiences. eBay, craigslist and other on-line markets make it easy to set up personal businesses. Whether these efforts stay part-time or go full-time, individuals are able to work from their own living rooms while setting their own hours around the needs of their families.

Men are starting personal businesses for many of the same reasons women are: to contribute financially, improve their lives, spend more time with their families, and to help with both childcare and aging parents. Men and women both see personal businesses as alternatives to more structured careers. They can work when they want and where they want and can avoid the structured environment of more traditional workplaces.

### ACCIDENTAL ENTREPRENEURS CREATE PERSONAL BUSINESSES

The American economy has been undergoing a natural transition from manufacturing-dominated industries to industries based on knowledge and services. As factories close, many communities that were built up to support these plants face serious unemployment. For many of these newly unemployed, there are two options: move or start a personal business.

Often these workers turn to contract work, offering the skills they specialized in professionally. If there is not a market for their professional services, they may try to turn other areas of expertise into an income stream. These are the do-it-yourselfers, figuring out the steps of a business incrementally in response to the market success of an idea or service. Individuals starting businesses like these are called accidental entrepreneurs in that they have no intention of forming a business when they begin.

Another type of accidental entrepreneur is the hobbyist who turns a hobby into a business. The key incentive driving the hobbyist is the joy of producing the product itself. In selling the product, often they are simply looking to cover the cost of materials. Products might be sold at county fairs, through local retail outlets, or through online markets such as eBay. When they meet strong demand for their product or service, hobbyists may respond by starting up a full-fledged personal business.

### **SOCIAL ENTREPRENEURS CREATE PERSONAL BUSINESSES**

Just as a business entrepreneur identifies an unfilled market niche, a social entrepreneur focuses their business on addressing socioeconomic problems. A social entrepreneur often starts as a concerned citizen, disturbed by some societal or economic dislocation, who wants to effect change. Just like business entrepreneurs, the social entrepreneur identifies opportunities others have missed to improve ways that systems work. But rather than just generating profits, social entrepreneurs primarily seek to generate social value.

Social entrepreneurs often start with a small solution that can be scaled up to the larger system. In the incubator phase, social entrepreneurs approach their project as a personal business. They network with people who share their causes and tap into capital as they can to finance social and economic development projects. As the operation expands, they shift to a more formalized business style.

Social entrepreneurs are typically at a point in their lives where they can afford to invest time and energy in their projects without worrying about opportunity costs. In the United States, baby boomers often become social entrepreneurs. Being part of a generation that has grown up on strong social causes, many boomers would like to “retire” into work that has social value.

### **COWORKING FACILITIES PROVIDE COMMUNITY, SUPPORT, AND TRAINING**

Starting a personal business can be a lonely and difficult task. Many people miss the social environment the workplace provides, as well as the business infrastructure. Coworking facilities are emerging to provide office space, meeting rooms, Internet access, printers, copiers, and so on as well as access to a community of like-minded people. These café-like collaboration and community spaces often start as local, grassroots efforts. They provide more than just office space and equipment; they also provide access to a network of small and personal business entrepreneurs.



Coworking facilities are now available in many U.S. and European cities. They generally charge by the day and/or month. For example, The Hat Factory in San Francisco (<http://hatfactory.net>) charges \$10 per day or \$170 per month. In addition to offering traditional office space, the Hat Factory also provides training programs for small and personal businesses. Coworking facilities provide much needed social and physical support for personal businesses, and will become increasingly common over the next decade.

#### **HEDGING RISK TO ACHIEVE FLEXIBILITY— THE CORPORATE/SOHO HYBRID**

The need for flexibility is also driving a shift in the way dual-income families organize their careers. The corporate/SOHO (small office, home office) hybrid family has one member working in a relatively secure corporate job with access to benefits, especially healthcare. This allows another family member to start a more risky personal business. Sometimes the home business is so successful the corporate partner joins in.

In their book *The Two-Income Trap*, Elizabeth Warren and Amelia Warren Tyagi argue that the dual-income employment model so prevalent in America today has lowered the overall level of disposable income for Middle America and crippled the average family's work-life balance. The hybrid model helps families escape the trap by relieving some of the stress of work/family juggling and reducing commuting and childcare expenses, while also providing opportunities for two incomes and the security of at least one corporate benefits package.

## 3. THE EMERGENCE OF ENTREPRENEURIAL EDUCATION

Entrepreneurial training and education is spreading quickly in the United States. Entrepreneurship used to be seen as something one learned only through experience and mentoring. The growth and success of entrepreneurial education has changed this view. Entrepreneurship programs are in place at elementary, secondary, and tertiary levels of education. Vocational schools are adding entrepreneurial education; online information and training on small business is expanding; and small business skills are being taught to artists, musicians, and others not traditionally exposed to business education.

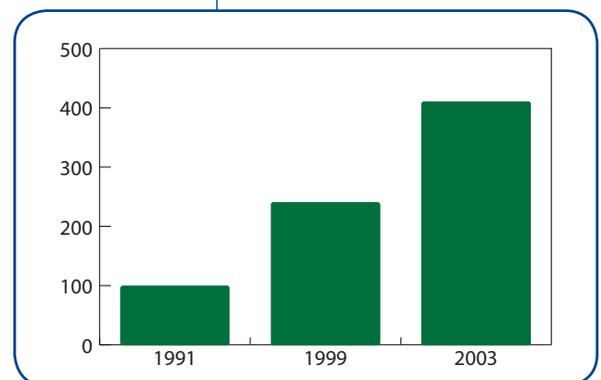
A number of factors are driving the growth of entrepreneurial education. Interest in small business by high school and college students is a major driver. Generation Y is very interested in both personal and small business opportunities and other demographic groups are also embracing small business (see “The Changing Face of Small Business,” page 3, and “The Rise of Personal Businesses,” on page 10). The marketplace is getting more complex, requiring a more sophisticated set of management skills for the successful small business owner. In addition, technology is playing a greater role in small business operations and management. These factors combined result in more entrepreneurs and potential entrepreneurs of all ages seeking training and education in entrepreneurship. Driven by demand from Gen Y, baby boomers, and mid-careerists looking to enter small business, entrepreneurial education of all types will expand over the next decade.

### UNIVERSITY LEVEL TRAINING—WELCOME TO SMALL BUSINESS 101

Currently, there are over 1,600 colleges and universities offering programs in entrepreneurship. The number of academic chairs that have been funded specifically for entrepreneurial education at these institutions grew from 237 to 406 in less than four years (see Figure 9). Demand for these programs is strong. The only limitation in expansion has been access to faculty with both the entrepreneurial experience and the academic background to teach entrepreneurship effectively. With the increasing demand by mid-career professionals and small business oriented college students, the roll-out of entrepreneurial programs at the university level is expected to continue.

**Entrepreneurship will be a widely adopted curriculum at educational, trade, and vocational institutions.**

**Figure 9**  
**Entrepreneurial Education Is on the Rise**  
(Number of endowed positions in entrepreneurship at U.S. universities)



Source: Kauffman Foundation, 2004.



**Entrepreneurship used to be seen as something one learned only through experience and mentoring. The growth and success of entrepreneurial education has changed this view.**

IFTF not only expects the number of faculty and programs to grow, but the level and approach of the programs to continue shifting. In the late 1990s, the few entrepreneurship programs that existed focused on venture backed, high growth potential small businesses. Since less than 1% of new businesses are venture backed, this focus fell short of more typical entrepreneurial needs.

While many entrepreneurship programs still focus on venture backed businesses, a growing number of programs, especially undergraduate programs, are focused on small business entrepreneurship. Key to these programs is the emphasis on management skills and methods that improve the likelihood of success in a small business. Business planning, niche marketing, strategic decision-making, risk management for a small business, presentation and networking skills, relevant technology applications, and methods for accessing capital are key focuses of these programs.

Students are responding to these programs. Enrollments are up and, increasingly, students who show up on campus are already small business owners. At Belmont University, nearly 40% of new students entering the entrepreneurship program already own a business. Half of these students have employees. Their expectation is to develop the management skills needed to improve the success rate of their business.

Evidence suggests that entrepreneurship programs increase the success rate of businesses launched by their graduates. Research in 2003 found that entrepreneurship grads are three times more likely to be self-employed and three times more likely to be involved in forming new ventures than those with non-entrepreneurship business degrees. University of Houston's Center for Entrepreneurship and Innovation reports 35% of its grads are running their own businesses, and all who began ventures stayed in operation for at least two years. The success rate of businesses led by entrepreneurship grads staying in operation for at least two years reached 85% at Belmont University last year, well above average small business success rates.

The next decade will see continued growth of collegiate entrepreneurship programs. Generation Y is very focused on their careers. Proving the relevance of knowledge becomes an important factor when trying to engage these students. As small business complexity increases, entrepreneurship programs are likely to continue to show success at teaching the skills needed to start and run a small business. Just as more general business programs have expanded over the last two decades, the more focused entrepreneurial programs will become more attractive to the increasing number of students interested in small business formation.

### PRIMARY AND SECONDARY LEVEL TRAINING EXPOSES YOUNGER STUDENTS TO SMALL BUSINESS

Entrepreneurial education programs are also becoming more prevalent at primary and secondary schools. Many of these programs target disadvantaged youth. The National Foundation for Teaching Entrepreneurship (NFTE) teaches entrepreneurship to low-income youths. The goals of this program are to improving the academic, business, technology, and life skills of young people. By teaching small business skills, these programs hope to create a way for these youths to contribute and connect with society.

Several significant outcomes have resulted from these programs. First, a study done by Harvard Graduate School of Education found that the occupational aspirations increased 44% and the interest in attending college increased 32% for students in NFTE programs. According to Brandeis University and the Koch Foundation, participation in the NFTE program increased small business formation rates by 30 times. Minority business ownership was also four times higher than the control group.

Other programs target middle class groups. Summer business programs and camps for high school students are now common. Students have a broad choice of business topics from which to choose. Many colleges offer summer business programs for high school students. The University of Pennsylvania's Wharton School of business offers a summer business institute for rising high school seniors who want an introduction to the fundamentals of leadership in business. A wide variety of colleges offer these programs and the demand from career-oriented teens will continue to grow.

### TRADE SCHOOLS AND ART PROGRAMS ADD ENTREPRENEURSHIP TO THE CURRICULUM

Entrepreneurship courses are becoming increasingly common at trade schools, culinary institutes and schools for the arts. Graduates of these programs are likely to work for or start a small or personal business. As students look for a return on their educational investment, vocational and other specialty schools are responding with business training to help their students create a post-school income.

Some interesting pilot projects are showing signs of success in this area. Taking the Leap ([www.takingtheleap.com](http://www.takingtheleap.com)) is a program based in Emeryville, California that mentors artists to develop business plans, form marketing co-ops with other artists to negotiate better gallery space, develops brochures, publicizes their shows, and develops online sites to

**Figure 10**  
**New Training Programs**  
**Address the Demand for**  
**Mid-Career Entrepreneurial**  
**Education**

market their art. While this is not tied in with an art institute directly, it focuses training on a very specific niche: artists.

Entrepreneurial and small business training will be increasingly integrated into the curriculums at vocational and specialty schools. Many of these courses will be in the form of workshops, online on-demand materials, and webinars. Students attending these schools will insist on training in small business planning and management skills that were foreign to these areas in previous generations.

### **MID-CAREER ENTREPRENEURIAL EDUCATION SUPPORTS TRANSITION TO SMALL BUSINESS OWNERSHIP**

A number of government and professional organizations (particularly science-based) are now focused on the need for an entrepreneurial orientation to innovation. While scientific and technological innovation is critical to the economy, it is entrepreneurship that turns innovation into economic growth and jobs. Given the decline in large corporation job formation, this becomes increasingly relevant to the U.S. economy.

**WEST** Women Entrepreneurs in Science and Technology

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**WEST's Holiday Kickoff is December 7th!** Mark that evening as taken to enjoy refreshments and the camaraderie of colleagues. You will all get a special chance to hear Dr. Deborah Kolb, an expert on negotiation and author of several best selling books.

**DETAILS here!**  
**REGISTER**

*WEST is an organization for women in science and technology who are existing entrepreneurs, aspiring entrepreneurs and those who want to become innovative leaders and enhance their professional and personal development. Women who develop entrepreneurial thinking take risks, learn how to solve problems in compelling new ways and lead others to success.*

*Our goal is to inspire women in science and technology to achieve accomplishments and recognition in their organizations and have impact in their communities.*

*WEST provides women with an opportunity to leave a legacy by connecting with others who are invested in sharing their expertise to improve the status of women and their essential work in science and technology.*

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Universities and professional groups are working to address this. Specialized education programs are being developed to train mid-careerists who want to become innovative leaders or start small businesses. WEST (Women Entrepreneurs in Science and Technology) seeks to develop entrepreneurial thinking to encourage calculated risk-taking, problem-solving and new ways to lead others to success (see Figure 10). Another program developed jointly by Cambridge University and MIT, Mid-Career Enterprise Education for Technology and Science (MEETS), is designed to meet the needs of professionals with substantial work experience who are currently working in business, taking a career break, or are considering starting a business of their own. The course aims to give the knowledge, skills, and networks so participants can set up their own ventures.

Source: <http://westaction.org/>

Private training companies have also recognized the need and demand for mid-career entrepreneurial training programs. Using presentations, practical workshops, small-group sessions, and online training, a variety of small business training programs prepare middle-aged people to form a small business. These mid-stream career training programs focus on the skills it takes to be a small business person. IFTF anticipates an increasing number of career-stuck baby boomers and mid-career women to transition to entrepreneurial roles (see “The Changing Face of Small Business,” page 3 and “The Rise of Personal Businesses,” page 10). Mid-career small business training will help provide these budding entrepreneurs with the skills they need to succeed in small business.

## ABOUT THE...

### INSTITUTE FOR THE FUTURE

The Institute for the Future is an independent, nonprofit strategic research group with nearly 40 years of forecasting experience. The core of our work is identifying emerging trends and discontinuities that will transform global society and the global marketplace. We provide our members with insights into business strategy, design process, innovation, and social dilemmas. Our research generates the foresight needed to create insights that lead to action. Our focus spans a broad territory of deeply transformative trends, from health and health care to technology, the workplace, and human identity. The Institute for the Future is located in Palo Alto, California.

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