

Published on May 24, 2006, Page 1C, Miami Herald, The (FL)
Posted on Wed, May. 24, 2006

SMALL BUSINESS

Where are the new firms?

Compared to the nation's 15 largest metropolitan areas, Miami-Fort Lauderdale ranks 10th in new business creation, according to a new study.

BY JIM WYSS

jwvss@MiamiHerald.com

For an area that prides itself on being a hotbed for entrepreneurship, Miami-Fort Lauderdale was surprisingly average when it came to creating new businesses last year, according to a study released Tuesday by the Ewing Marion Kauffman Foundation.

Of the nation's 15 largest metropolitan areas, Miami-Fort Lauderdale ranked No. 10 in terms of generating new ventures in 2005. According to the study, the area had an entrepreneurial activity index of .23 percent, meaning that each month an average of 230 people out of every 100,000 adults started a new venture.

Atlanta and Riverside, Calif., tied for the top spot with entrepreneurial rates of .43 percent.

The Kauffman Index of Entrepreneurial Activity uses monthly U.S. Census data to measure the number of people ages 20 to 64 who are spending at least 15 hours a week on their own businesses.

Compared to the rest of the country, Florida ranked 30th on Kauffman's list, with an entrepreneurial activity index of .28 percent. Vermont was the most entrepreneurial state at .55 percent followed by Colorado at .53 percent.

The study's author, Robert Fairlie, an associate professor of economics at the University of California in Santa Cruz, said smaller states tended to do better. "Let's say you are a small state like Wyoming [which ranked fourth], and you get some construction going. It's easier to jump really high in the rankings for a year or two," he said.

By comparison, larger states such as California, New York and Florida -- despite being considered entrepreneurial hot spots -- fell closer to the middle of the pack.

Some analysts also question whether the study reflects the reality of South Florida's immigrant-driven business environment.

"The samples don't capture the dynamism of our economy," said Tony Villamil, who oversaw the U.S. Bureau of Census as undersecretary of economic affairs in the George H. Bush administration. "Take it from someone who has seen it from the trenches."

However, Villamil, who is now CEO of the Washington Economics Group, said it is possible that South Florida's booming economy -- with unemployment at record lows -- could be pulling entrepreneurs into the workforce.

This is the first time Kauffman has produced city-by-city data, so there is no basis for historical comparison.

A study by Florida International University last year estimated that at any one time there are about 230,000 people involved in launching start-ups in Broward, Miami-Dade and Monroe counties.

Overall, the Kauffman study found entrepreneurial activity across the nation has declined slightly over the past three years -- from .31 percent in 2003 to .29 percent in 2005.

The study also confirmed how important entrepreneurship is to the nation's newcomers. While native-born individuals had an entrepreneurial activity index of .28 percent, immigrants scored .35 percent during 2005. There was no local breakdown for immigrant entrepreneurial activity.

Another highlight of the study: African Americans carved out a significant increase nationally in new business creation -- even while almost every other group registered declines. From 2004 to 2005, African Americans saw new business creation rates bump up from .21 percent to .24 percent. That translates to about 46,700 new African American businesses per month in 2005, according to the study.

While the report offers no reasons for the uptick, Paul Reynolds, the director of the Pino Global Entrepreneurship Center at FIU, says minorities are more likely than others to strike out on their own -- particularly when they have advanced degrees.

It's a pattern that suggests ethnicity is still a factor in the workplace, he said.

"People get degrees and after a while realize they are not going to get promoted if they are not white, so they go off and start a business," Reynolds said. "It's the glass-ceiling effect."

--