

# Small Business Facts

## PATHS TO BUSINESS OWNERSHIP

March 2021, Brian Headd, Economist

### At A Glance

Most business owners start their business from scratch while some owners acquire a purchased business.

#### About 7 out of 10 owners founded their business.

In 2017, 67 percent of business owners that employed workers founded their business, while another 22 percent purchased their business. A small percentage of owners obtained their businesses through a gift or inheritance. (See Chart 1.) (Source: U.S. Census Bureau, Annual Business Survey)

#### Starting methods have not changed much in the past ten years.

In 2007, 66 percent of owners of employer businesses founded their business versus 67 percent in 2017. (Source: U.S. Census Bureau, Annual Business Survey, Survey of Business Owners)

#### Younger and smaller firms are more likely to be founded by their owners.

In 2016, 80 percent of employer firms that were 2 years old or younger were started by their owners, and all firms under 15 years old were more likely to be founded by their owners than the average employer firm. (See Chart 2.) Data for 2007 show that owners of nonemployer firms (businesses without employees) were much more likely to found their businesses than owners of employer firms, as 77 percent of nonemployer business owners founded their firms and 16 percent purchased their firms. (Source: U.S. Census Bureau, Annual Survey of Entrepreneurs, Survey of Business Owners)

#### Among business owners, the likelihood of being a founder varies by owner demographic.

Differences among gender for founding an employer firm was slight (68 percent for women vs. 70 percent for men), but business ownership methods by race of owner showed bigger differences. Among business owners, Blacks/African-Americans, Hispanics, and Native Americans were more likely to found their firm than purchase, inherit, or receive one (81, 77, and 74 percent, respectively). White and Asian owners were closer to the average likelihood (69 and 67 percent, respectively). 73 percent of Veteran business owners founded their firms. (Source: U.S. Census Bureau, Annual Business Survey)

#### Ownership through purchasing firms differs by industry.

Owners of accommodation and food services, retail trade, and manufacturing firms were more likely to have purchased their firms (38, 34, and 28 percent, respectively) while construction, information, and finance (12, 19, and 20 percent, respectively) were less likely. (Source: U.S. Census Bureau, Annual Business Survey)

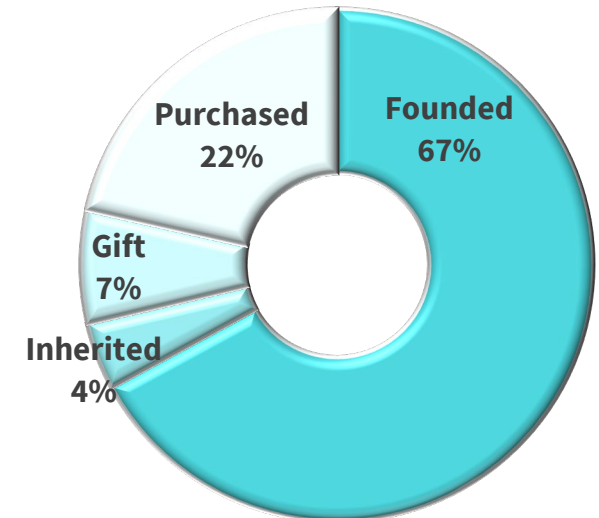
#### Business owner entry trends may affect exit strategies.

About two-thirds of current owners (64.5 percent) plan on selling their businesses, but most owners start their own business. Business owners planning to sell their business, especially as they approach retirement, may have to consider different strategies. (Source: U.S. Census Bureau, Annual Survey of Entrepreneurs)

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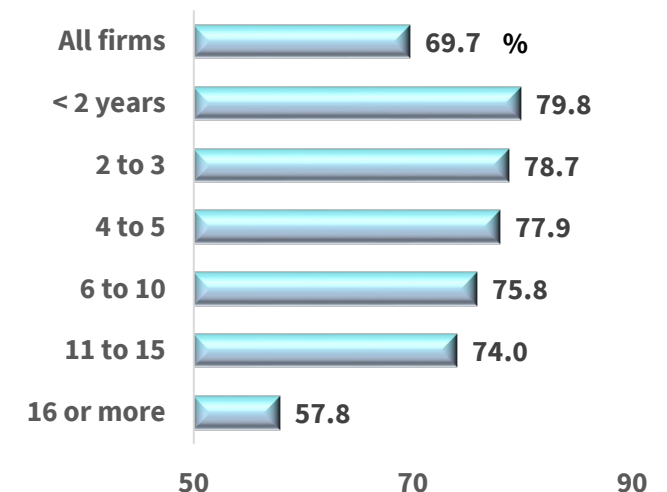
### Chart 1. How Owners Started Their Businesses



Note: Starting methods added to 102 percent as owners could choose multiple methods.

Source: U.S. Census Bureau, Annual Business Survey.

### Chart 2. Share of Founding Owners by Firm Age



Source: U.S. Census Bureau, Annual Survey of Entrepreneurs.