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Coming Full Circle

By Ed Bee, CEcD

THE END OF THE SMALL BUSINESS ERA?

David Birch's research on small business turned the economic development profession on its head in the 1980s. Traditional economic development approaches like recruitment and promotion were ridiculed. **In this article, we find that the share of US jobs in small business hasn't changed since 1980, invalidating Birch's findings about the dominance of small business in job growth.** New data suggest that recruitment is a much better strategy for job creation in the primary sector than startups and small business development. Developers need a more rigorous investigation of new techniques like Birch's before testing them in their communities. **It's time to move beyond "one-size-fits-all" models of economic development strategy.**

coming full circle

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Nothing is more central in economic development and, ironically, more controversial than job creation. For the first 50 years of professional economic development, the answer of what created jobs was unambiguous: manufacturing plant recruitment produced economic growth and new jobs. But a new paradigm emerged in the early 1980s driven by research conducted by David Birch at MIT. Birch reported that small business startups accounted for the vast majority of the nation's net new jobs.

Still nice, but not the job creator we thought.

Needless to say, Birch's findings turned economic development on its head. Boards, investors, and the federal development community began to question the effectiveness of traditional approaches, such as recruitment and promotion. Infrastructure geared toward promotion, such as business and industrial parks, was given lower priority for grant funding and assistance. Development groups turned their focus inward toward assistance for small businesses, startups, and existing companies. Academic researchers increasingly derided marketing, promotion, and recruitment strategies as a waste of development resources. A significant number of communities abandoned strategies built on community competitiveness and the recruitment of external investment. Why worry about such things when it's the local startups that matter?

What we know about the accuracy of the Birch paradigm has grown exponentially in the last decade and has great importance to the practice of economic development at the local, regional, state, and national level. A significant body of research is now emerging which provides an unparalleled clarity on which economic development strategies and tactics create jobs. These findings are once again turning economic development on its head.

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We should pause at this point to explain what David Birch said about small businesses and job growth, because an elaborate urban mythology has evolved about what Birch supposedly said on the subject.

Birch's first published article, in *The Public Interest*, expounds on his findings, which were later refined with a discussion of mice, elephants,

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and gazelles[i]. Birch explains with some eloquence that he is not advocating interventionist policies to stimulate small business growth but is simply demonstrating that policies such as industrial targeting practiced by the Japanese and advocated actively by organized labor at the time, will not work in America because it's small businesses that create almost all of the nation's net new jobs.

The point of Birch's research was to demonstrate that the extreme churn in US labor markets makes interventionist policies less practical than improvements in the business climate. To be fair to Birch, he did not advocate policies to stimulate business starts nor small business development attributed to him but worried that politicians would be tempted to intervene because, without them, "there would be a relatively small role for these elected and appointed officials to play in the management of our economy."[ii]

TABLE 1. Percentage of Jobs Created by Size of Firm and Region

Number of employees in firm	PERCENT OF JOBS CREATED				
	Northeast	*North Central*	*South*	*West*	*U.S. Average*
0-20	177.1%	67.2%	53.5%	59.5%	66.0%
21-50	6.5%	12.0%	11.2%	11.6%	11.2%
51-100	-17.4%	5.2%	5.5%	6.3%	4.3%
101-500	-33.3%	3.1%	9.4%	9.3%	5.2%
500+	-32.9%	12.4%	20.4%	13.3%	13.3%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%

Source: David Birch, "Who Creates Jobs?" *The Public Interest* 65 (1981): 8.

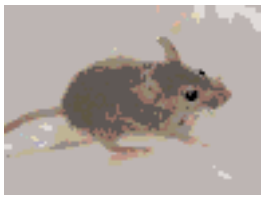
WHAT BIRCH SAID ABOUT SMALL BUSINESS AND ENTREPRENEURSHIP

What, in fact, did Birch say about small business? His primary finding was that ***"Of all the net new jobs created in our sample of 5.6 million businesses between 1969 and 1976, two-thirds were created by firms with twenty or fewer employees, and about 80 percent were created by firms with 100 or fewer employees"*** (see Table 1). [iii]

His second primary finding was that ***"About 80 percent of the replacement jobs are created by establishments four years old or younger"*** (see Table 2).[iv]

By combining the two statements, policy pundits and the "Second Wave" developers that emerged in economic development during the era concluded that only small startup businesses mattered in job generation.[v] A host of interventionist policy prescriptions, such as incubators and small business development centers, resulted from Birch's findings, or more accurately, from what policy analysts attributed to him. The idea of competition for investment and recruitment of large companies was branded as fools' errands by the emerging group of "Second Wave" developers.

After a decade of academic debate, Birch revised his findings. On further analysis, Birch concluded that the situation with small business was more complicated than first imagined. The net job creators consisted of a subset (four percent) of the young startup firms he called "gazelles" (in contrast to the remaining 96 percent that he classified as elephants and mice). Ninety-six percent of the small businesses (the mice) started small and stayed small throughout their lifetimes. The elephants were the large firms in the economy. It was this elite group of small businesses that governed employment growth within the nation's regions.



96% of small businesses stay small.

WHAT THE NEW DATA SAY ABOUT SMALL BUSINESS

If Birch was accurate, the US should have seen a metamorphosis in its economic structure over the last 30 years. The proportion of jobs in the smallest firms should have mushroomed from 26 percent to over 44 percent of total jobs based on the 66 percent of total growth that he estimated they contributed to the national job totals. Likewise, the percentage of jobs in firms with fewer than 100 employees should have grown to 65 percent of the total using the 80 percent of total growth that Birch estimated for 1974-76 (see Table 3). These percentages were calculated by assuming that the per-

TABLE 2. Percentage of Replacement Jobs Created Between 1974 and 1976 by Age of Establishment and Region

Age of Business (years)	PERCENT OF REPLACEMENT JOBS CREATED			
	Northeast	*North Central*	*South*	*West*
0-4	75.5%	80.8%	80.4%	80.9%
5-8	10.4%	8.4%	9.9%	8.8%
9-12	7.5%	6.0%	5.1%	5.5%
13+	6.6%	4.8%	4.6%	4.8%
TOTAL	100.0%	100.0%	100.0%	100.0%

Source: David Birch, "Who Creates Jobs?" *The Public Interest* 65 (1981): 8.

TABLE 3. Prediction Based on David Birch's Findings, 1975-2004

	JOBS (000)						
Size of Firm	**1975**	**1980**	**1985**	**1990**	**1995**	**2000**	**2004**
Firms with <20 Employees	16,323	24,622	28,758	36,919	41,446	50,508	51,174
Firms with 20 to 99 Employees	16,272	18,032	18,910	20,641	21,601	23,523	23,665
Balance of Firms	29,675	32,190	33,443	35,916	37,288	40,034	40,236
TOTAL JOBS	**62,270**	**74,844**	**81,111**	**93,476**	**100,335**	**114,065**	**115,075**
Jobs in Firms with <20 Employees	26.2%	32.9%	35.5%	39.5%	41.3%	44.3%	44.5%
Jobs in Firms with 20-99 Employees	26.1%	24.1%	23.3%	22.1%	21.5%	20.6%	20.6%
Jobs in Firms with <100 Employees	**52.3%**	**57.0%**	**58.8%**	**61.6%**	**62.8%**	**64.9%**	**65.1%**

Source: Calculated by Taimerica from The Statistical Abstract of the U.S., various years.

centages of growth that Birch reported for the under 20 and under 100 employee firms classifications continued through 2004.

The numbers don't tell Birch's story, however. The proportion of jobs in the smallest companies has been stable since 1985 while the proportion in the largest companies has not changed either (see Figure 1). Something is amiss: clearly, Birch's findings don't tell the whole story.

Researchers have concluded that Birch's findings are just a single piece in a complex puzzle. Some postulate that his sample was taken at a time of dramatic restructuring which was atypical of the US economy. Others have concluded that startup companies unleash a process of "creative destruction" (first described by Joseph Schumpeter), which eventually leads to a shakeout of other businesses in the market. Since these shakeout effects take a decade to work through the economy, studies like Birch's that look at a four-year period overestimate the effects from startup businesses.

In some cases, such as in lagging regions, the net employment effects of small business startups are even negative over time.[vi] In short, the role of small business startups in economic development is a complex problem that defies the simplistic solutions posited by policy analysts. Developers can't rely solely on small business to sustain economic growth.

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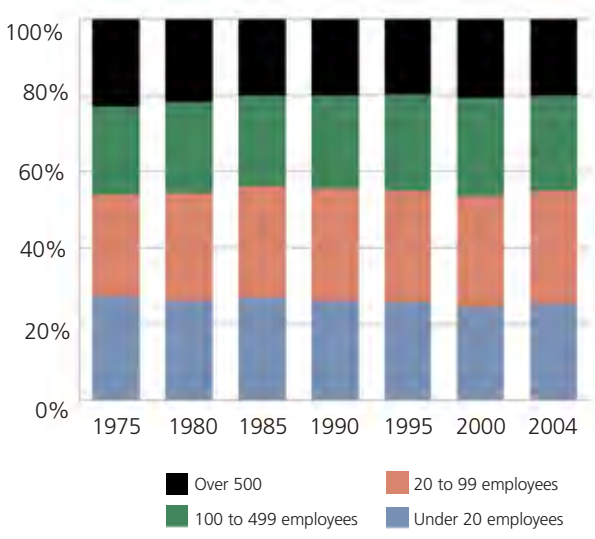
FIGURE 1.

Employment by Establishment Size 1975-2004



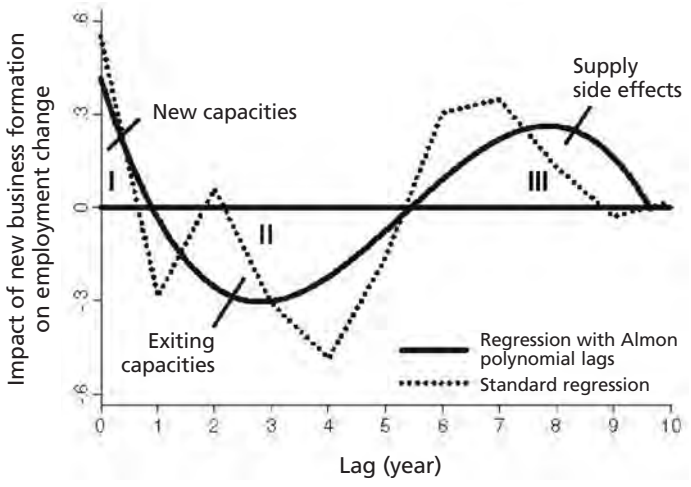
Source: Calculated by Taimerica from The Statistical Abstract of the U.S., various years

WHAT THE NEW DATA SAY ABOUT ENTREPRENEURSHIP

The second tenant of Birch's evaluation was that the vast majority of net new jobs were created by companies started within the prior four years, specifically: ***"About 80 percent of the replacement jobs are created by establishments four years old or younger."*** This conclusion did not change with his later findings about gazelle firms. Birch's findings are the linchpin in the argument that only small business startups matter in economic development.

Recent research has concluded that this finding also is inaccurate. Michael Fritsch found recently that entrepreneurs have a complex impact on employment, which can be divided into three phases. In phase I, small businesses generate new jobs in a region, termed New

FIGURE 2: Employment Effects of New Businesses Over Time

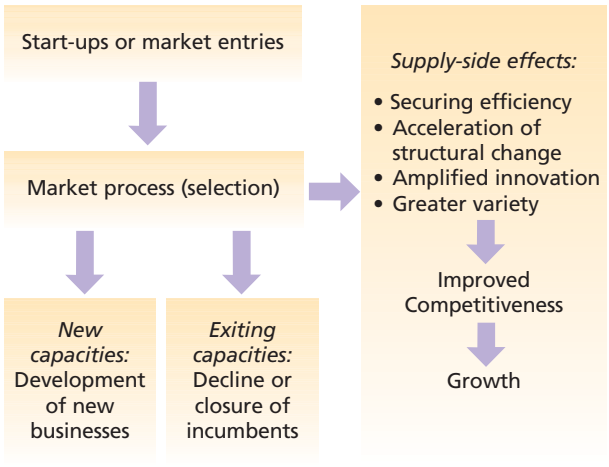


Source: Fritsch, Michael. "How does new business formation affect regional development?" *Small Business Economics* 30 (2008): 8.

Capacities in Figure 2. Growth is followed by a decrease in employment in Phase II as competitor firms exit the market, termed Exiting Capacities in Figure 2. This is followed by a period of growth and decline as "supply side" effects improve regional productivity, termed Supply-side Effects in Figure 2 (A further explanation of Supply-side Effects is shown in Figure 3).[vii] Fritsch's model explains how young small businesses could create net new jobs over four years, as Birch suggested, yet not have any long-term effects on the distribution of jobs among small and large companies.

Fritsch argues that entrepreneurs are essential in a region's economic competitiveness, not because of their job creation impacts, but because of what they bring to the region in terms of enhanced productivity and competitiveness. He asserts that startups eventually raise productivity levels in a region, enhance innovation rates, and accelerate structural change. They are the agents of "Creative Destruction" identified by Joseph Schumpeter in the 1930s.[viii]

FIGURE 3. New Business Formation

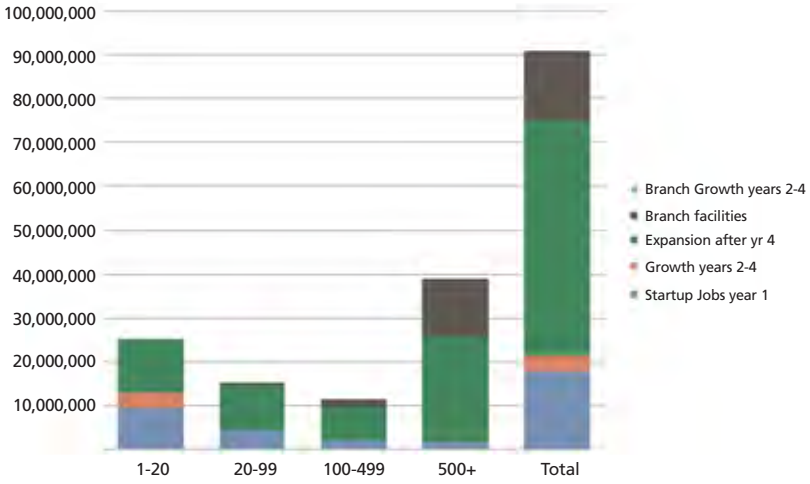


Source: Fritsch, Michael. "How does new business formation affect regional development?" *Small Business Economics* 30 (2008): 3

Zoltan Acs, in a recently released study conducted for the SBA's Office of Advocacy, has determined that Birch's statement about young startups does not apply today to the US economy. His research with a new longitudinal database shows that few of the jobs are created by young startup companies. Most of his High Impact firms (a refinement of Birch's Gazelles) are 24 years old, a finding to be discussed later.

FIGURE 4.

US Emp. Growth by Est. Size and Source 2001-2005



Source: Compiled by Taimerica from SBA Office of Advocacy databases

WHAT THE NEW DATA SAY ABOUT JOB CREATION

Figure 4, constructed from data collected by the SBA Office of Advocacy, shows the sources of job growth at the national level during the most recent five-year period. Business expansions contribute about two-thirds of the growth in new jobs. Startups and branch locations each contribute about a fifth of the total. The data underestimate the role of startups and branches and overestimate the role of expansions however because the SBA data measure the jobs generated at startups and branches during their first 12 months of operation while expansions are all growth after the first 12 months of operation. If jobs at startups and branches were calculated for the first 48 months of operations, for instance, these businesses would account for a higher share of the total growth and expansions would be a smaller share of the total. The length of time that the SBA assumes a business is in start-up phase affects the calculations (the same is true from branch facilities which are a subset of startups).

Birch's earlier conclusion that entrepreneurial startups contribute 80 percent of the nation's job growth is not

confirmed by these new data. What Birch said about the extreme job churn in the US economy is certainly still true and Figure 4 validates that conclusion. The US economy generated nearly 90 million gross jobs in five years, yet the net job increase was merely 5 million jobs (this churn could be high because of the sizeable restructuring in the US economy during the period due to globalization).

Economic developers have been faulted frequently by policy pundits for counting gross, rather than net, jobs in their measures of success. While this argument has validity, developers need a sense of gross job generation because it is the level of gross job creation that determines the demand for training. Moreover, the uncertainty of how "Creative Destruction" affects net job generation over time also affects the reliability of net job figures.

What might surprise developers is the impact that the largest companies have on total job generation. Companies with 500+ employees generate more gross jobs than small businesses and account for about half of total job creation. Startups generate a lot of gross jobs but, because the failure rate among startups is also high, the net jobs picture is much lower.

States with high levels of startups also have a high level of business failures among small companies (see and compare Tables 4 and 5). Startup rates are strongly related to population growth rates. The statistical correlations are strong and statistically significant (R-square of .40 for metros and .48 for states, both statistically significant at the .0001 level).

A careful examination of these numbers suggests that population growth stimulates the formation and growth of startup businesses -- and not vice-versa. Most of the entrepreneurial development programs created in the third wave of economic development assumed just the opposite, that increasing the rate of business startups stimulates economic growth. The lesson here for developers, academic observers, and policy pundits is that, as a source of new jobs, expansions and branch locations matter more than startups; and that startups flow from economic growth rather than stimulate it. As is apparent in Table 5, the states with the highest failure rates also have high population growth rates; and are the same states that have the highest startup rates. Of the five states with the highest startup rates between 2000 and 2005, four are also on the list of the states with the highest new business failure rates.

TABLE 4.
States with Highest and Lowest Startup Rates

		2000-05	
Rank	State	Jobs in Startups (%)	Population Growth (%)
Highest			
1	Nevada	34%	19%
2	Florida	33%	11%
3	Arizona	31%	15%
4	Idaho	31%	10%
5	Texas	29%	9%
Lowest			
46	Maine	18%	3%
47	Vermont	18%	2%
48	Wisconsin	18%	3%
49	South Dakota	18%	3%
50	Iowa	17%	1%

Source: Compiled by Taimerica from SBA Office of Advocacy databases

TABLE 5. States with Highest and Lowest New Business Failure Rates

		2000-05	
Rank	State	Job Losses from Failures (%)	Population Growth (%)
Highest			
1	Florida	-30%	11%
2	Arizona	-25%	15%
3	Nevada	-25%	19%
4	Texas	-25%	9%
5	Utah	-25%	12%
Lowest			
46	Hawaii	-17%	5%
47	North Dakota	-17%	-1%
48	Vermont	-17%	2%
49	Iowa	-16%	1%
50	Wisconsin	-16%	3%

Source: Compiled by Taimerica from SBA Office of Advocacy databases

WHAT THE NEW DATA SAY ABOUT GAZELLES

The focus on entrepreneurship in economic development over the last two decades is based on Birch's finding that the majority of the nation's net new jobs come from small business startups.

A landmark study of the SBA's longitudinal data has just been published by Zoltan Acs that gives new insights because of the database's enhanced capabilities and refinements. Acs tested Birch's findings about young small business and "gazelle" firms using the SBA's longitudinal data. What he found was that the companies that grow in both sales and jobs (which he calls "High Impact") are a different breed than Birch's gazelles (which were defined by sales growth alone). High Impact firms, like Gazelles, are an elite group, representing just 6.5 percent of the nation's companies. But High Impact firms differ from Gazelles in two important ways:

1) most are not small businesses, and

2) just 2.5 percent are startups (established in the last four years).

Table 6 is a cross-tabulation of High Impact firms by size and age. High Impact firms generate 84 percent of the nation's net new jobs. Notice that just a fraction of the jobs among High Impact firms are attributed to the smallest businesses (1-19 employees). And fewer than five percent of the jobs in this size class are in firms under four years old. The strategic implications are clear: Ignoring large businesses omits most High Impact firms; Focusing on startups excludes 97.5 percent of High Impact firms. Focusing on small startup businesses ignores 98 percent of the traffic.

TABLE 6. High-Impact Job Generation, 2002-06

Firm Size (No. Employees)	High Impact Jobs	Share (%)	High-Impact Firm < 4 yrs old	High-Impact Firm > 4 yrs old
1-19	2,883,475	38%	5.5%	94.5%
20-499	2,130,682	28%	0.9%	99.1%
500+	2,514,538	33%	0.4%	99.6%
TOTAL HIGH-IMPACT	**7,528,695**	**100%**	**2.5%**	**97.5%**
All Firms	9,009,760	NA	NA	NA
High-Impact Share (%)	84%	NA	NA	NA

Source: Acs, Parsons, and Tracy, "High-Impact Firms: Gazelles Revisited", contract for the Small Business Administration, June 2008.

THE IMPORTANCE OF THE ROLE OF STARTUPS IN ECONOMIC DEVELOPMENT

Economic development involves the stimulation of overall growth in the local or regional economy. To sustain their organizations, economic developers must demonstrate that their programs deliver growth that would not happen otherwise. Startups serving local markets are typically examples of businesses that would happen without the support of economic developers. It's obvious from the SBA's data that most of the jobs generated by startup businesses are in sectors serving local markets (see Table 7). A disproportionate share of startup jobs occur in sectors that serve local markets, such as food service, construction or retail trade.

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TABLE 7. Startup Jobs by Sector, 2000-05

		2000-05	
Sector	**Initial Jobs**	**In Startups**	**Percent**
Accommodation & foodservices	9,635,349	3,390,736	35%
Admin. & support, waste mgt., rem. svcs.	8,365,519	2,210,505	26%
Construction	6,201,120	2,127,477	34%
Retail Trade	14,475,239	2,080,830	14%
Health care & social assistance	13,864,441	1,987,526	14%
Professional, scientific, & technical services	6,431,473	1,940,169	30%
Manufacturing	16,658,144	1,304,926	8%
Other services (except public admin.)	5,152,985	1,165,117	23%
Wholesale trade	5,971,197	844,287	14%
Finance & insurance	5,965,455	741,819	12%
Real estate & rental & leasing	1,873,780	645,964	34%
Transportation & warehousing	3,627,533	609,084	17%
Information	3,234,298	482,452	15%
Arts, entertainment & recreation	1,639,859	467,552	29%
Educational services	2,431,909	286,072	12%
Management of companies & enterprises	2,788,270	153,542	6%
Mining	456,638	67,901	15%
Utilities	667,135	24,686	4%
Auxiliaries, exc. Corp., subsid., reg. mgt. ofcs	959,260	1,177	0%
TOTAL	**110,399,604**	**20,531,822**	**19%**

Source: Compiled by Taimerica from SBA Office of Advocacy databases

To get an accurate picture of the role of startups in economic development, we should look at startups in primary production and services, which excludes sectors driven by local market growth. Those data demonstrate a different pattern than for the overall economy. With the exception of professional, technical and scientific services, these data suggest that growth in primary sectors is driven much more by branch locations and expansions than by startups (see Table 8). Mining is an example. Branch facilities in mining generated 93,000 gross jobs between 2000-05 while expansions generated 337,000 jobs. Startups by contrast generated just 68,000 gross jobs, which is just 5 percent of the gross job development in mining during the period.

When Manufacturing (which has seen such a dramatic decline that it obscures the overall growth pattern) and Professional, Scientific and Technical services are excluded, the primary sector totals demonstrate that startups account for just 15 percent of the gross new jobs and had a negative net impact on jobs (births minus deaths). Startups in the primary sector actually resulted in a net decrease in jobs over the 2000-2005 period. Branch locations have a much larger impact than startups in terms of gross jobs and are nearly equal to expansions as a source of net new jobs.

The conclusions we have to accept are that branch locations and expansions, excluding sectors oriented toward local markets, are far more important in economic development than startups and are nearly equal in importance from a net jobs standpoint. In terms of logistics (warehousing and distribution), information services, and company management, branches are a more significant source of net new jobs than either startups or expansions.

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TABLE 8. US Primary Sector Dynamics, 2000-05 (Jobs)

		Births			*Deaths*			
Sector	**Initial**	**Startups**	**Branches**	**Expansions**	**Startups**	**Branches**	**Contractions**	**Net Change**
Total, all economic sectors	110,671,753	20,868,221	19,095,795	70,112,316	19,950,793	16,753,894	67,759,842	**5,611,803**
Primary Sectors								
Mining	456,638	67,901	93,245	336,614	66,775	89,048	306,160	**35,777**
Manufacturing	16,658,144	1,304,926	1,022,227	6,310,029	1,712,216	1,780,630	8,207,304	**(3,062,968)**
Wholesale trade	5,971,197	844,287	929,701	3,680,658	1,085,916	947,515	3,431,792	**(10,577)**
Transportation & warehousing	3,627,533	609,084	875,725	2,247,602	644,089	616,670	2,454,772	**16,880**
Information	3,234,298	482,452	1,332,664	2,148,908	520,533	1,101,655	2,444,618	**(102,782)**
Professional, scientific, & technical services	6,431,473	1,940,169	1,265,521	5,421,300	1,775,231	1,072,178	4,683,765	**1,095,816**
Management of companies & enterprises	2,788,270	153,542	978,967	2,143,754	113,059	906,186	2,160,615	**96,403**
Administrative & support & waste mgt. & remed. serv	8,365,519	2,210,505	2,113,938	8,589,921	2,315,341	2,195,776	7,840,963	**562,284**
Total Primary Sectors	**47,533,072**	**7,612,866**	**8,611,988**	**30,878,786**	**8,233,160**	**8,709,658**	**31,529,989**	**(1,369,167)**
Total Primary Sector less PST services	41,101,599	5,672,697	7,346,467	25,457,486	6,457,929	7,637,480	26,846,224	**(2,464,983)**
Total Primary sectors less PST services and manufacturing	24,443,455	4,367,771	6,324,240	19,147,457	4,745,713	5,856,850	18,638,920	**597,985**

Source: Compiled by Taimerica from SBA Office of Advocacy databases.
Note: PST= Professional. Scientific and Technical Enterprises

IMPLICATIONS FOR ECONOMIC DEVELOPMENT STRATEGY

Here is a recap of what these new data say about the performance of different job generation strategies:

- A small business focus fails to generate significant net jobs.
- Startups typically do not drive economic growth; rather, economic growth typically drives startups. Most startups are organized to exploit emerging market opportunities from local population growth, such as in retailing, personal services, and construction.
- Most startups are focused on local markets and therefore don't stimulate local or regional job creation. We know from economic development theory that businesses must generate new wealth from outside of the local market to raise the standard of living and overall level of regional employment. Businesses that exist on local markets recirculate wealth rather than create it.
- High Impact companies are the fountain for economic growth although we do not have cost effective methods of identifying them in advance.
- Branch locations are an important economic development strategy.
- Existing industry expansions are nearly equal in terms of net job generation to branch locations in the primary sector.
- Entrepreneurship matters in job generation but the connections and path to success are not known so interventionist techniques are questionable policy tools.

These conclusions have significant implications for overall economic development strategy. This research suggests that Second Wave strategies that surfaced following David Birch's research have not offered any better job performance than the recruitment strategies which they replaced. As a matter of fact, the new data suggest that branch recruitment in the primary sector is a more productive strategy than startups and even rivals business expansions in the generation of net new jobs.

The bigger picture implications from this research are: 1) There isn't a single economic development strategy that works universally well throughout the US, and 2) new ideas in economic development can generate unintended consequences. Communities that shifted their focus inward by following Second Wave strategies probably became less competitive over time because their inward focus ignored the need to remain globally competitive. Anecdotal evidence suggests that recruitment strategies, as practiced in the most dynamic communities, such as Dallas or Atlanta, probably provide a better platform for adapting to competitive challenges than existing industry or startup strategies.

As a profession, we have to do a better job of investigating the "new- new-thing" in economic development. Why did it take us 25 years to discover that the assumptions and theories behind Second Wave development were clearly flawed? We need a more rigorous review of new ideas before testing them in our communities.

Recent research in Germany in cognitive psychology demonstrates that single emphasis strategies, such as entrepreneurship or small business development, are not the answer in complex fields like economic development.[ix] This research, using simulation models with panels of civic leaders, demonstrated that teams that focus all of their resources on solving a single development problem actually retard growth. There are too many interactions and feedbacks in a complex system like economic development to make this kind of simple approach workable in practice.

Most startups are focused on local markets and therefore don't stimulate local or regional job creation. We know from economic development theory that businesses must generate new wealth from outside of the local market to raise the standard of living and overall level of regional employment. Businesses that exist on local markets recirculate wealth rather than create it.

Developers have to recognize that they need complex methods to solve complex problems. Just as physicists needed calculus to solve problems of planetary motion, developers need more sophisticated tools than these policy generalizations for doing community development.

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The best tools and techniques in economic development defy generalization. They depend on a community's assets and liabilities and what investors are buying in the marketplace in a given era. Providing a location that is globally competitive for investors, whether recruited from elsewhere or home grown, is a better model for long-term performance than the interventionist techniques advocated by policy pundits during the last 25 years.

We might well find that a handful of techniques are generally useful in most communities or we might find, in contrast, that there are different classes of communities that respond better to one set of economic development tools and techniques than to others. But we won't find these solutions until we resist the temptation of looking for a single silver bullet or a single approach that works universally in all circumstances.

ENDNOTES

[i] Birch, David. "Who Creates Jobs?" *The Public Interest* 65 (1981): 3-14.

[ii] Birch, p. 12.

[iii] Birch, p. 7.

[iv] Birch, p. 8.

[v] A term coined by Robert Atkinson with the former Congressional Office of Technology Assessment. See Ed Bee, "Small Business Vitality and Economic Development", *Economic Development Journal*, Summer 2004.

[vi] Fritsch, Michael. "How does new business formation affect regional development?" *Small Business Economics* 30 (2008): 1-14.

[vii] Fritsch, p. 8.

[viii] Joseph Schumpeter, *The Theory of Economic Development,* Cambridge, MA 1934: Cambridge University Press.

[ix] See for instance, Dietrich Doerner, *The Logic of Failure*.