

High—impact Firms: Gazelles Revisited

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The Set-Up

Findings

Big finale

Mice—Gazelles—Elephants



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Gazelles vs Chitas



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High—impact Firms: Gazelles Revisited

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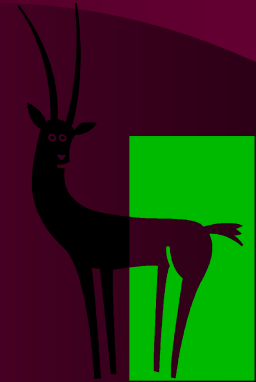
The statements, findings, conclusions, and recommendations found in this study are those of the authors and do not necessarily reflect the views of the Office of Advocacy, the United States Small Business Administration, or the United States government.

The Set-Up

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The Set-up



- ✓ Revisiting the small business oracle

Retesting David Birch's gazelle findings

- ✓ Focus

Characteristics of high-impact firms

Status before and after becoming a high-impact firm

- ✓ Background

Relationship between start-ups & employment growth

Data & Methodology

- ✓ Research needs data

Say welcome to the ACSL

- ✓ New definition

High-Impact Firm (HIF) vs. Gazelle

- ✓ Three four-year time periods

1994-1998, 1998-2002, 2002-2006

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Scorecard: Points of Interest



High—impact Firms

	1994-1998	1998-2002	2002-2006
Number of Firms	352,114	299,973	376,605
Employment Change	11,460,747	11,736,316	9,009,760
Rev. Change (\$billions)	1,959.2	2,650.9	2,034.8
Percent of all firms (%)	6.3	5.2	6.5

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Age of Firms

- ✓ The average HIF is around 25 years old but is younger than non-HIFs:

✓ 17; 24; 32

✓ 22; 32; 52

- ✓ HIFs account for most employment growth
- ✓ High-impact firms come in all ages
- ✓ Most HIFs were not born in the preceding 4 years:
- ✓ Four years after being a HIF, most grow and only 3 percent close

Firm—size Results

✓ All firm sizes create jobs

✓ 3-14; 14-61; 3,233-7,000

✓ 3-3; 58-56; 5,000-3,000

✓ HIF job growth is 58% in firms with <500 employees.

✓ Much of the job declines occur in Low-Impact Firms with 500+ employees.

✓ With a few exceptions, by employment size class and industry, HIFs were more efficient (sales/employee) than Low-Impact Firms.

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Industries and Regions

- ✓ **HIFs are in all industries and regions**
- ✓ **An industry's share of HIFs shifts over time**
- ✓ **Heavy construction had the highest share of HIFs from 2002 to 2006, 4.6 percent, followed by social services' 4.3 percent.**
- ✓ **The share of HIFs across states showed little variation.**

Alaska's 2.8 percent led with Florida's 2.1 percent being the low

- ✓ **The Norfolk, Va. area had the highest share of HIFs for large MSAs followed by the Raleigh N.C. area.**

Live Before High-impact Firm

✓ Size-size class	1-19	20-499	500 plus
✓ Births	9.6%	7.9%	6.4%
✓ New listing	53%	14%	8.7%
✓ No change	20%	27%	9.0%
✓ Decline	12%	8.0%	13%
✓ High-impact	1.4%	13%	24%

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Live After High-impact Firm

✓ Size-size class	1-19	20-499	500 plus
✓ Death in 2	5.9%	3.4%	3.1%
✓ Death 2-4	4.0%	2.5%	1.8%
✓ Growth	13%	27%	45%
✓ No change	60%	48%	24%
✓ Decline	16%	18%	25%
✓ High-impact	2.4%	3.5%	8.1%

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Finally

- ✓ Can you present a 100 page report in a few slides?

See www.sba.gov/advo/research/chron.html for full report.

- ✓ Birch was right?

- 1) HIFs account for almost all job creation

- 2) HIFs are on avg. younger and small than other firms

- ✓ Remaining question

Public policy message?

Policy Conclusion

- Economy more dynamic than we think
- High-impact firms and high-tech firms
- Entrepreneurs are important
- Knowledge
- Creativity
- Best and the brightest