

2022

STATE OF

**Entre-
preneur
-ship**

REPORT

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INLAND EMPIRE
Center for Entrepreneurship
CALIFORNIA STATE UNIVERSITY, SAN BERNARDINO



CALIFORNIA STATE UNIVERSITY
SAN BERNARDINO

School of Entrepreneurship



CONNECT

For questions, inquiries
and general correspondence
please contact:
Inland Empire Center for
Entrepreneurship (IECE)
909/ 537-3708
entre@csusb.edu
entre.csusb.edu



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RESEARCH TEAM

Dr. Michael Stull *Director*

School of Entrepreneurship & Inland
Empire Center for Entrepreneurship (IECE)

Dr. Barbara Sirotnik *Director*

Institute of Applied Research

Lori Aldana *Project Specialist*

Institute of Applied Research

Dr. Anna Long *Assistant Professor*

School of Entrepreneurship

Dr. Peiyi Jia *Assistant Professor*

School of Entrepreneurship

Dr. Ezekiel Bonillas *Assistant Professor*

School of Entrepreneurship

Stacey Allis *Assistant Director*

Inland Empire Center for
Entrepreneurship (IECE)

2022 STATE OF Entre- preneur -ship REPORT

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ABOUT US



WE SUPPORT AND CELEBRATE SMALL BUSINESS & ENTREPRENEURSHIP



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According to a 2019 nationwide survey by the American Institute of CPA's, "the entrepreneurial spirit in America is alive and well." That survey showed that most young adult job seekers desire the freedom of being their own boss, and more than half said that they would like to start their own business in the future. Sadly, that rosy picture is countered by the fact that about 20% of all business startups fail in the first year. When examining entrepreneurship and its trends from an objective data perspective, much of the available information comes from nationwide rather than region-specific samples. This report aims to examine entrepreneurship at the specific regional level – the Inland Empire of Southern California.

Developed by a research team in the Inland Empire Center for Entrepreneurship (IECE) and School of Entrepreneurship at California State University, San Bernardino (CSUSB) in collaboration with the Institute for Applied Research (IAR), the State of Entrepreneurship Report is a comprehensive examination of the key statistics, trends, perspectives, organizations, and programs that are currently supporting entrepreneurship in the Inland Empire. The report blends primary and secondary data to provide insight in four (4) key areas:

Indicators of Entrepreneurship

As developed and reported annually by the Kauffman Foundation's Indicators of Entrepreneurship Report, we use these widely accepted indicators to analyze trends in the Inland Empire region relative to national and state level data. The indicators integrate several high quality, timely sources of data that provide insight into early stage entrepreneurship.

Voice of the Entrepreneur

The Voice of the Entrepreneur survey was developed by the research team and distributed to over 10,000 entrepreneurs throughout the region. The intent was to capture their unique perspective in a wide range of areas including the challenges they face, business trends, specific aspects of how they started the business and what drives them to be successful.

Regional Analysis

The regional analysis offers a comprehensive examination of the entrepreneurial and business landscape of the Inland Empire region. Notably, our analysis highlights the critical role of micro and small businesses in driving the Inland Empire economy.

Focus Group Perspectives

As a supplementary perspective to the Voice of the Entrepreneur Survey, select entrepreneurs participated in dedicated focus groups to offer their own unique perspectives on the real-life experiences of entrepreneurs and provide a glimpse into what they believed would make California's Inland Empire region better positioned for entrepreneurial growth, job creation, and positive economic impact.

OVERVIEW

WHY DID WE DO THIS?

Like many entrepreneurs, the Inland Empire Center for Entrepreneurship (IECE) pursued this project to solve a pressing problem. As the largest and most comprehensive provider of services to aspiring and existing entrepreneurs and small business owners in the region, our community partners have increasingly approached us with requests for entrepreneurship data to help guide decision making and policy development. This annual report addresses that need, providing the region with key insight and data regarding entrepreneurship.

WHAT WERE THE GOALS?

The primary goal of the report is provide a snapshot of entrepreneurial activity and support in the Inland Empire region, particularly:

Levels of early stage entrepreneurship – analyzing early stage entrepreneurial activity relative to national and state trends, and what the data tells us about the type and frequency of entrepreneurship in region.

Understanding the state of mind of our local entrepreneurs – data that effectively identifies the challenges and opportunities facing local business owners, as well as obstacles that may be impeding business growth. Insight from business owners can inform policy makers and entrepreneurial support organizations to develop more effective programs and policies for business startup and growth.

Understanding the specific business and growth attributes of the region - through examining a number of key regional statistics and trends, we aim to have a better understanding of the number of business establishments, sector composition, and growth trends that influence economic development in the Inland Empire.

Overall, the result is a timely, data driven tool for policy makers, economic development professionals, and entrepreneurial support organizations to understand challenges and opportunities facing entrepreneurs within the Inland Empire so that we effectively learn and evolve together with a regional focus.

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**INDICATORS OF
ENTREPRENEURSHIP**



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**VOICE OF THE
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REGIONAL ANALYSIS



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**FOCUS GROUP
PERSPECTIVES**

KEY HIGHLIGHTS

This State of Entrepreneurship Report contains a great deal of interesting data. Like most good research projects it will take a full reading to truly appreciate all the insight it contains. Thus, we encourage you to dive in and read the entire report! However, to provide some enticement to read the full report, here are a few key highlights and takeaways from this year's data:

RATE OF NEW STARTUPS IS DECLINING

While the Inland Empire rate of startup activity has outpaced the national trend over the last six (6) years, it continues to lag behind the rate at the state level. The region had the strongest accelerating trend for the rate of new entrepreneurs in the initial post-pandemic period as compared to the national and state average, but we are now seeing a declining rate of startups, with a significant drop in 2022. This is not a positive sign, but as we explore in this report, the current decline may be due to larger economic factors and not a fundamental issue in the region. In that regard, we identified three (3) specific issues that may be driving the declining startup rate:

- 1. Strong labor market** – generally people don't leave stable jobs to create opportunity ventures, and necessity ventures are less needed.
- 2. Rising labor costs** – potential entrepreneurs see that there is less talent and such talent is more expensive.
- 3. Inflation and possible recession** – for most people that might consider new business creation, this uncertainty, and rising costs overall make them take a "wait and see" approach.

FINDING TALENT – THE IMPACT OF EDUCATIONAL ATTAINMENT

Entrepreneurs note that finding talent is a challenge – this is highlighted not only in the Voice of the Entrepreneur survey but also in the focus group results. There are many factors that are contributing to this, but one that we need to be particularly aware of is this: finding talent – particularly professional and technical staff – is even more of an issue due to the low educational attainment levels we see in the region. Thus, if you have a growing firm that needs such talent – managerial, engineering, financial, etc. – you have a much

smaller pool to draw from in the region and this does act as one significant constraint in the quest to grow your business. This also affects the supply chain for local entrepreneurs, as their respective suppliers are facing similar challenges in finding talent, leading to supply shortages, longer lead times, etc. This cascading effect can be significant in limiting the growth of firms in the region. As noted in the findings from our focus group, there are some industries where talent acquisition has not been an issue – chiefly those in the transportation & logistics sector, where there is a significant base of larger companies (e.g., Amazon) and a large, well-trained transportation & logistics workforce to draw from.

OPPORTUNITY ENTREPRENEURSHIP CONTINUES TO BE AN ISSUE FOR THE REGION

Opportunity entrepreneurship refers to the percentage of new entrepreneurs who are engaged in opportunity-based entrepreneurship, which is motivated by creating new and innovative products or services for the market, as opposed to necessity entrepreneurship, which focuses on creating a job for oneself as a means of survival. While necessity entrepreneurship provides basic income for entrepreneurs, opportunity-based entrepreneurship drives economic growth, job creation, innovation, healthy market competition, and ultimately serves as an effective tool for personal and regional wealth creation.

In general, the region creates more necessity-based ventures, which may in part have been dictated by the social and economic conditions over the last few years in addition to the issues of educational attainment and the talent pool. New ventures in the region are outpacing state and national levels in terms of job creation, but given that that many of the jobs are in necessity ventures, it begs the question: are these the types of jobs we can build our regional economy around, particularly from the perspective of creating higher paying, middle-class jobs? Also, most of these firms are microenterprises which often have limited opportunities to create large numbers of jobs (our region is predominantly firms with 5 or fewer employees).

Another indicator of active opportunity entrepreneurship is the prevalence of businesses built on intellectual property. Based on the results of our Voice of the Entrepreneur survey, nearly 80% of the firms had NO intellectual property. This is of

interest since the World Intellectual Property Organization notes that smaller and medium-sized enterprises (such as those included in our survey) that apply for patents, trademarks, or designs are more likely to grow quickly and succeed than those that do not.

THE IMPACT OF EDUCATIONAL ATTAINMENT ON OPPORTUNITY ENTREPRENEURSHIP

In general, the prevailing view has traditionally assumed that higher rates of education will lead to higher rates of entrepreneurship, particularly opportunity entrepreneurship. Similar to last year's report, the region's rate of opportunity entrepreneurship is well below that of the state and national levels and is rapidly declining. While there is a wide range of factors that are likely driving this, we call attention to one macro-level issue that we believe deserves discussion – educational attainment. The lack of educational attainment in the region may be a partial driver in the smaller number of opportunity-driven enterprises. The reasons are likely twofold:

1. **Opportunity enterprises tend to be created by individuals with specific skills and knowledge** from both industry and prior educational experience, often those with advanced degrees, particularly in fields such as STEM; and
2. **Potential opportunity entrepreneurs may pursue such ventures outside the region** due to the lack of qualified scientific, technical, and professional talent. Opportunity ventures, often backed by angel and venture investment, require significant levels of such talent to launch and scale their growth. As has been cited numerous times by our colleagues at UCR's Office of Technology Partnerships and the ExCITE Riverside Incubator, a significant challenge for tech ventures in the region is finding suitable talent to grow the business, including C-level talent. For many opportunity ventures that do launch here, they often relocate to source the talent and additional resources in other regions.

In addition, we suggest that the lack of opportunity-driven ventures is a partial driver of the lower revenue generation by firms in the region.

SECTOR CHARACTERISTICS: IS MANUFACTURING A DRIVER?

Surprisingly, our regional analysis indicated that the manufacturing sector outpaces transportation and logistics. However, without doing a deep data dive in regard to the relative age distribution and the number of new startups

in the manufacturing sector, we fear that this may be more of a "legacy" sector with many well-established companies and larger firm entrants, with fewer startups. Thus, this may not represent a longer-term growth sector for the region except in areas such as green technology. Further data exploration and analysis are needed to determine the startup activity level in this area.

REGULATION AND THE COST OF DOING BUSINESS IN CALIFORNIA ARE STILL TOP OF MIND FOR ENTREPRENEURS

The regulatory environment continues to be top of mind for local entrepreneurs. We posit that among the many factors contributing to a reduction in efficiency and revenue generation, the regulatory environment plays a key role. The one positive is that many entrepreneurs believe that the benefits of doing business in California do outweigh the costs. That said, they would like for the relationship with state and local agencies to be more collaborative as opposed to adversarial – they understand the need for regulation but believe the current practices do not consider the legitimate needs of small businesses. Essentially, they would like to have a voice in the process and have policymakers that are better informed on what drives the economy in the state.

LOCAL ENTREPRENEURS REMAIN OPTIMISTIC DESPITE CONTINUING CHALLENGES

Based on the results of the Voice of the Entrepreneur survey, local entrepreneurs continue to be optimistic about the future of their business, perhaps for good reason. Overall, local firms appear to be outpacing their national counterparts when it comes to achieving profitable performance in their business, despite continuing to cite financial challenges in addition to concerns about rising costs, inflation, and the potential for a recession. Additional challenges facing local business owners are the need for additional operating capital, better marketing of their businesses, and finding talent. To help attract and retain employees, most entrepreneurs have implemented higher wages and other monetary incentives. An encouraging sign is that a significant number of entrepreneurs have availed themselves of local business support services (such as the Small Business Development Centers) to help them launch and grow, and continue to express their desire to work with peer entrepreneurs to create a business support system that provides advice and guidance. Unfortunately for most entrepreneurs, this peer support has not been enacted as a majority feel that they do not have an adequate support system in place.

INDICATORS OF ENTREPRENEURSHIP

Each year, the Kauffman Foundation reports on the Indicators of Early Stage Entrepreneurship, which includes four (4) key measures that are taken from Bureau of Labor Statistics (BLS) data and provide a snapshot of activity at the national and state level. As the Kauffman Foundation notes, "The indicators track changes in entrepreneurial activity over time, across geographies, and among various demographic groups."

For this report, we utilize the four key measures but drill down to the regional (Inland Empire) level so that the indicators can be compared at the national, state, and local levels.

Key Indicators of Entrepreneurial Activity in the I.E. Examined

As developed and established by the Kauffman Foundation, we examine four key indicators of Entrepreneurship:

1/ Rate of New Entrepreneurs – the broadest measure possible for business creation by population. It is the measure of entrepreneurship via capturing new business owners regardless of business size. New business owners are defined as individuals who work an average of 15 or more hours per week in their businesses in the preceding month.

2/ Opportunity Share of New Entrepreneurs – the percentage of new entrepreneurs who created a business out of choice instead of necessity.

3/ Startup Early Job Creation – employment of a cohort of startup businesses in their first year of operation. The annual measure of how many total jobs are created by startups in their first year, and is normalized by the population.

4/ Startup Early Survival Rate – the percentage of new employer establishments that are still active after one year of operation.

In addition, this year we added four (4) additional indicators that we believe provide additional insight into the factors driving entrepreneurship in the region: revenue generation capability, startup revenue generation capability, hiring expansion/contraction rate, and hiring efficiency.

INDICATORS OF ENTREPRENEURSHIP

The Inland Empire region boasts several strengths for firms and startups. Firstly, the region has a strong startup ecosystem that creates numerous job opportunities. These startups contribute to economic growth by introducing new products, services, and innovations, and enhancing the overall employment landscape. The startups in the region tend to generate healthy revenues, which indicates a robust and supportive business environment. High average revenue for startups signifies market demand, effective business strategies, and the ability of these businesses to meet consumer needs. Lastly, the Inland Empire region exhibits a low firm death rate, demonstrating resilience and adaptability in the face of various challenges. This low rate indicates that businesses can survive and thrive in the region, making it an attractive location for new ventures and investments.

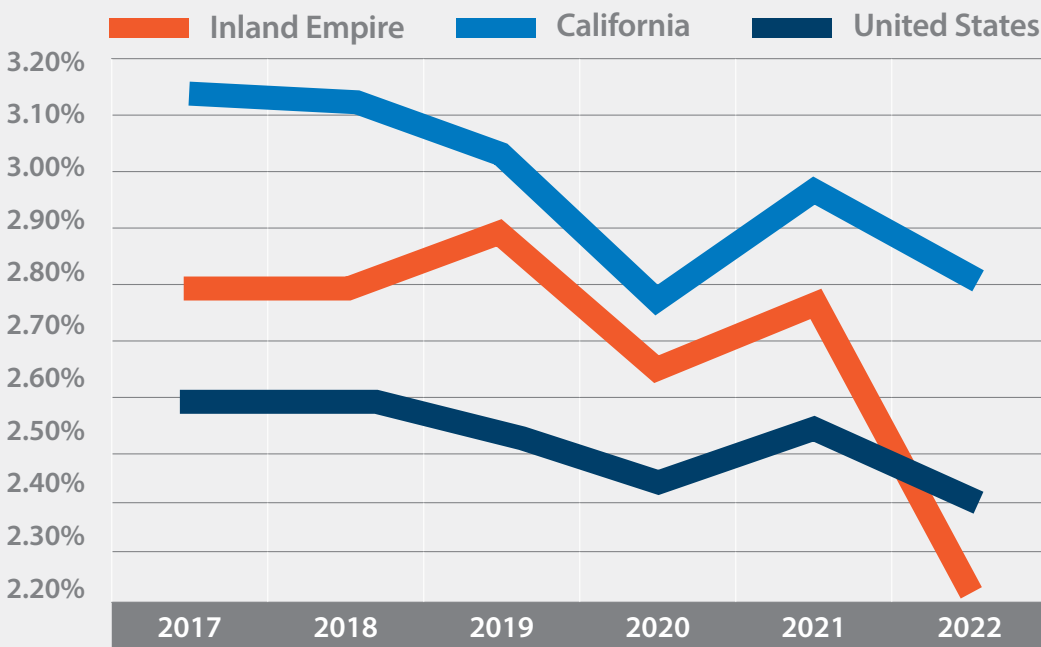
Despite these strengths, our region faces challenges for firms and startups. One challenge is hiring efficiency. Entrepreneurs may struggle to find qualified candidates or navigate the complexities of the hiring process, which can negatively impact a firm's ability to grow and generate revenue since hiring the right talent is crucial for success. Another challenge is fostering opportunity-driven entrepreneurship. This type of entrepreneurship involves individuals starting businesses to capitalize on market opportunities rather than being driven by necessity. To encourage opportunity entrepreneurship, the region needs to create an environment that supports innovation, increases educational attainment in the region to create more technical, scientific and professional talent in the workforce, provides resources for business development, and offers incentives for entrepreneurs to pursue market-driven ventures.

RATE OF NEW ENTREPRENEURS

The rate of new entrepreneurs indicator measures how often new businesses start in a region. In simple terms, we count how many new startups we have each year in the region and compare that to the state and national average. The overall trend in the Inland Empire region is that we're seeing fewer new startups each year, especially in 2022 where there was a significant decline.

Having a declining rate of new entrepreneurs can mean a few things. Firstly, there could be slower economic growth overall. Small businesses are important for the U.S. economy, and most medium to large businesses start as new startups. So, fewer startups mean fewer companies, job opportunities, and economic activity in the region moving forward. Secondly, a declining rate of new entrepreneurs could lead to a more concentrated industry cluster. With fewer new startups, there is less business diversity in the region, which forces the region to rely on one or a few industries. This makes the region vulnerable to market and systematic risks. If one major business closes, it could have a significant impact on the local economy. In summary, a declining rate of new entrepreneurs in the Inland Empire region could have long-term consequences for economic growth and increase the region's vulnerability to risks associated with a lack of business diversity.

We believe that the decline in new entrepreneurs in the Inland Empire region is caused by three (3) primary reasons. Firstly, the strong labor market and rising labor costs make potential entrepreneurs prefer stable employment with higher income over starting a business. Secondly, potential entrepreneurs may postpone creating new ventures due to the overall declining consumer confidence in anticipation of a recession. Lastly, the overall business investment has drastically decreased in the last six months, resulting in fewer financial resources to drive the new startup trend.



To solve this problem, we suggest several potential solutions. Firstly, we can organize promotional activities to increase regional entrepreneurship morale and foster activities within the economic ecosystem. Secondly, we can support programs that help entrepreneurs navigate the complex consumer market and dynamic economic environment. These programs can include training to combat high labor costs, simplification of business processes, and hands-on marketing. Lastly, we can offer tax incentives, grant opportunities, and establish investor platforms to support new startup businesses.

Definition: The measure of entrepreneurship via capturing new business owners regardless of business size. New business owners are defined as individuals who work an average of 15 or more hours per week in their businesses in the preceding month.

Operationalization: The percentage of the

adult, non-business owner population that starts a business each month. (the number of new owners/general population).

Results: The six-year trend (January 2017 to October 2022) for the rate of new entrepreneurs shows that the Inland Empire region has a higher rate of new entrepreneurs

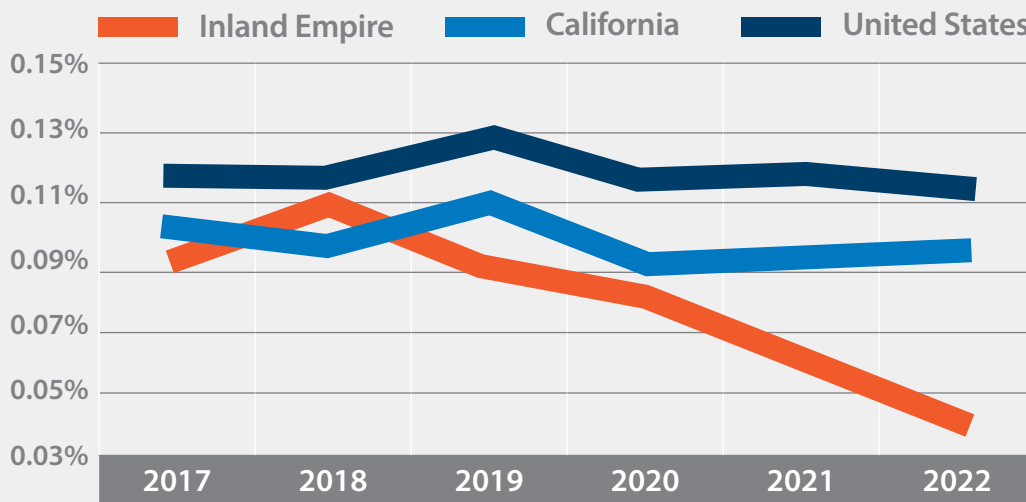
than the national level prior to 2021, while the rate of new entrepreneurs in the Inland Empire region falls behind to the average level in the state of California, in general. In 2022, we observed a sharp decline in the rate of new entrepreneurs, possibly due to the abnormally strong labor market in the region.

OPPORTUNITY SHARE OF NEW ENTREPRENEURS

The opportunity share of new entrepreneurs refers to the percentage of new entrepreneurs who are engaged in opportunity-based entrepreneurship, which is motivated by creating new and innovative products or services for the market, as opposed to necessity entrepreneurship, which focuses on creating a job for oneself as a means of survival. While necessity entrepreneurship provides a basic income for entrepreneurs, opportunity-based entrepreneurship drives economic growth, job creation, innovation, and healthy market competition, and ultimately serves as an effective tool for personal and regional wealth creation.

The data reveals a continuing declining trend in the opportunity share of new entrepreneurs. This could be attributed to several factors. Firstly, due to the low average household income, many entrepreneurs are forced to pursue necessity entrepreneurship and delay or set aside opportunity-driven ideas in favor of generating an immediate income. Furthermore, the pandemic-induced inflation has exacerbated the situation, leading to more entrepreneurs choosing necessity entrepreneurship or returning to traditional employment. Secondly, the region suffers from a talent gap and insufficient efforts to connect and nurture cutting-edge technology and talent to commercialize the technology for the market.

To address these challenges, we recommend implementing entrepreneurial mindset programs/certifications and wealth development workshops that foster an abundance mindset and opportunity-driven entrepreneurship. Additionally, we suggest establishing a well-organized ecosystem initiative that nurtures a working innovation engine through regional government and economic development agencies.



Definition: The measure of the business that is opportunity-driven, not necessity driven.

Operationalization: The percent of the total number of new entrepreneurs who were not unemployed and not looking for a job as they started the new business.

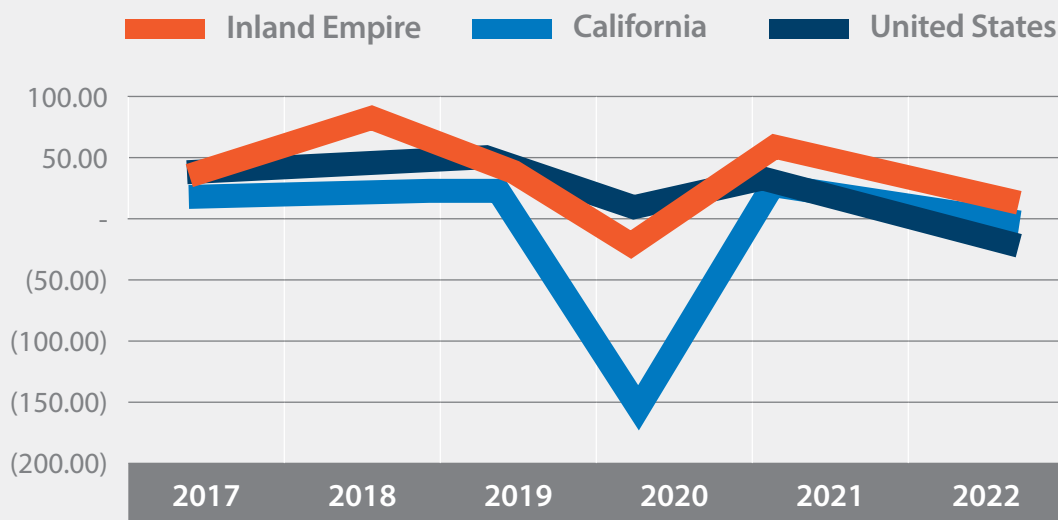
Results: In 2017 – 2018, the Inland Empire had a surge in opportunity entrepreneurship. However, since 2018, entrepreneurship in the Inland Empire has been primarily driven by necessity entrepreneurship, while opportunity entrepreneurship has continued to decline, with a sharp decrease in

2022. This trend is concerning as the opportunity share of new entrepreneurs are the prominent drivers for the regional economy and are the key contributor to direct and indirect job creation (Hathaway, 2013; Wu and Atkinson, 2017; Kim, 2017; Obama, 2009).

STARTUP EARLY JOB CREATION

The early job creation metric for startups quantifies the number of jobs generated by new businesses, specifically those established within the last three years. Essentially, this metric answers the question: How many jobs can a startup create within a region?

Our analysis revealed that startups in the Inland Empire (IE) generally outperform those at the state and national levels in terms of job creation. This superior performance can be attributed to a few factors. Firstly, the majority of startups in the region are driven by necessity, which means they tend to hire employees more quickly in response to market demand. Secondly, although labor costs are increasing, the IE region still maintains lower labor costs overall, which helps keep expenses down.



Definition: Employment of a cohort of startup businesses in their first year of operation. The annual measure of how many total jobs are created by startups in their first year, and is normalized by the population.

Operationalization: The total employment created by an average new

employer firm in their first year for every 1,000 people.

Results: Overall, the average startup job creation is superior to the state and national level (other than in 2020, when the pandemic occurred). Notably, in 2021, the job creation rate in the Inland Empire region is three (3) times more

than at the state and national levels. In 2022, we observe an overall decline in job creation by startups nationwide with the Inland Empire experiencing a slower declining trend as compared to the state and national levels.



Economic Development

INVESTMENT ADVANTAGES BY THE NUMBERS:



\$1 TRILLION
GROSS DOMESTIC PRODUCT



\$5.2 BILLION
IN VISITOR SPENDING



900+ FOREIGN-OWNED ENTERPRISES

CALIFORNIA

RANKED TOP 25
PLACES TO START A BUSINESS



2.1M+ POPULATION COUNT



3 MAJOR AIRPORTS



96.2M+
SQ. FT EXISTING*
RETAIL SPACE



454M+
SQ. FT EXISTING* INDUSTRIAL
MANUFACTURING SPACE



40.6M+
SQ. FT EXISTING*
OFFICE SPACE



24 INCORPORATED CITIES & TOWNS



20+ COLLEGES AND UNIVERSITIES

200 mi

150 mi

100 mi

50 mi

LOS ANGELES

LONG BEACH

SAN BERNARDINO COUNTY

SAN DIEGO



63,000+
BUSINESSES



23M PERSON MARKET ACCESS



999,000+ EMPLOYEE**
LABOR FORCE

Source: CoStar, 2023*

JobsEQ+, 2023**

Rev. Mar 2023

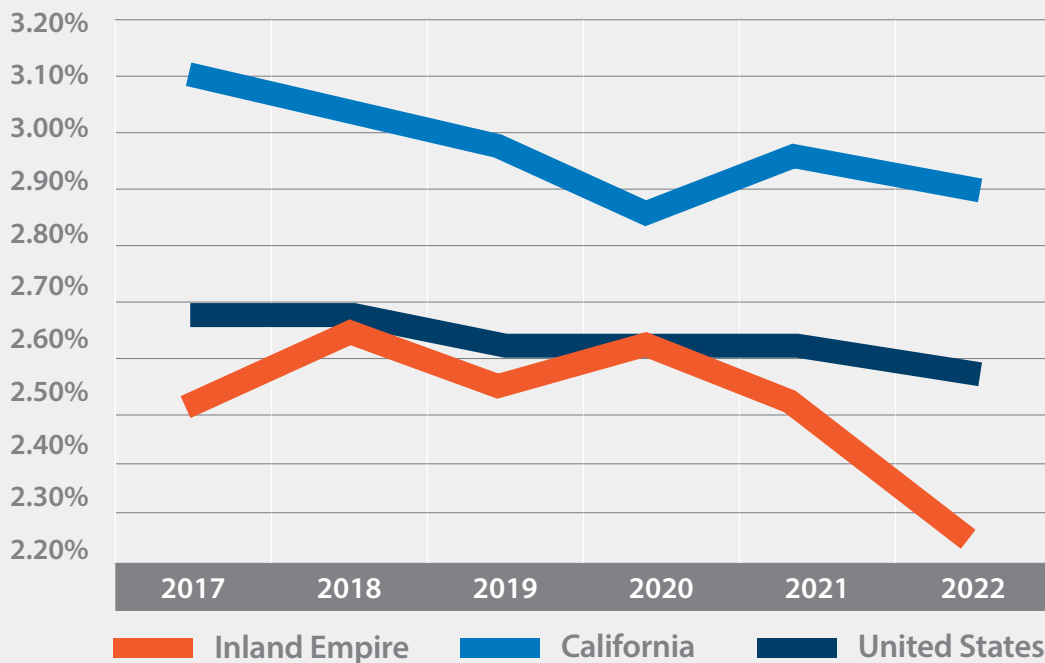
find out more at:
Economic Development | selectSBcounty.com

STARTUP EARLY SURVIVAL RATE

The firm death rate metric evaluates the frequency at which entrepreneurs close their businesses due to failure and subsequently seek employment within the region. Notably, the Inland Empire region has consistently demonstrated a lower firm death rate compared to both state and national levels. This can be attributed to several factors.

Firstly, businesses are most prone to failure during their initial stages (i.e., the first three years). After this period, the likelihood of closure substantially decreases. As there were fewer startups in 2021 and part of 2022, a corresponding decrease in firm deaths is expected as a result. Secondly, increasing inflation rates, particularly in the service and necessity-based sectors, have contributed to greater stability for startups in the Inland Empire, as most of these businesses cater to essential needs. With high demand for service-based entrepreneurship, these startups are less likely to exit the market. This trend may change as inflation rates eventually decline.

Death Rate:



Definition: The percentage of new employer establishments active after one year of operation.

Adapted Operationalization*:** General death rate - the percentage of the total number of entrepreneurs switching back to employment in a year over the population percentage.

Results: The firm death rate remained low in the Inland Empire region as compared to the national and state level in the six-year trend, with the exception of minor firm death surges during the pandemic, while both the national and state level's firm death rates continued to decline. In 2020 – 2022, we observed

a sharp decline in the firm death rate in the Inland Empire, while the state and national level's firm death rate shows a slight decline in firm death.

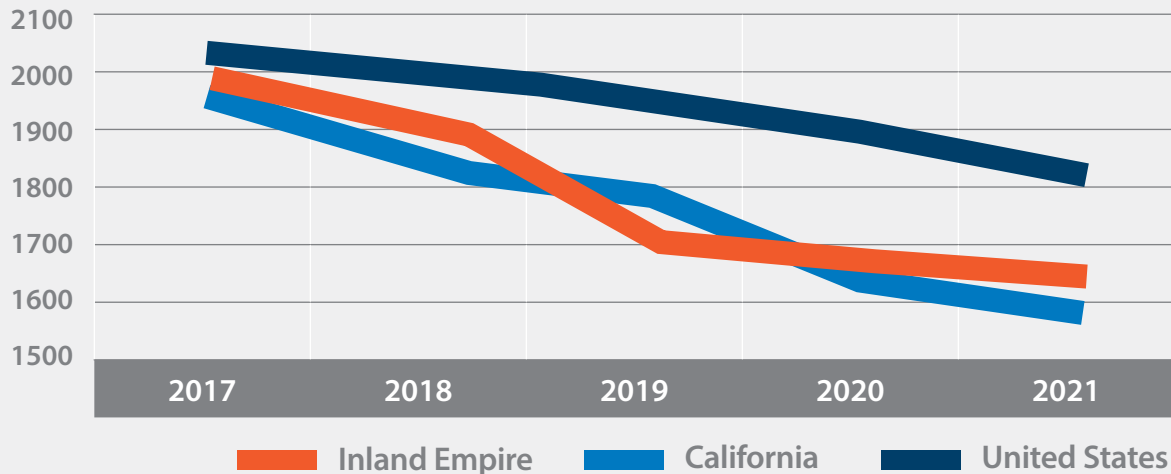
REVENUE GENERATION CAPABILITY

The Revenue Generation Capability metric quantifies a firm's annual revenue potential in thousands of dollars. This allows us to evaluate a firm's performance in generating revenue and meeting market needs within a region compared to state and national levels.

We have observed a decline in the revenue generation capability of firms in the region, mirroring trends at the state and

national levels. Two primary factors contribute to this decline: a persistently tight labor market that prevents firms from filling open positions and seizing growth opportunities, and policy-related issues such as rising costs and increasingly complex hiring regulations. These issues are particularly pronounced in the Inland Empire region and California.

Average Firm Revenue (in thousands):



Definition: The average revenue a firm generates in a year.

Operationalization: The overall generated revenue in the region, divided by the number of firms, on annual basis.

Results: The revenue of the average firm in the Inland Empire has been on a downward trend since 2017, with a temporary increase in 2019 during the COVID-19 pandemic. However, both

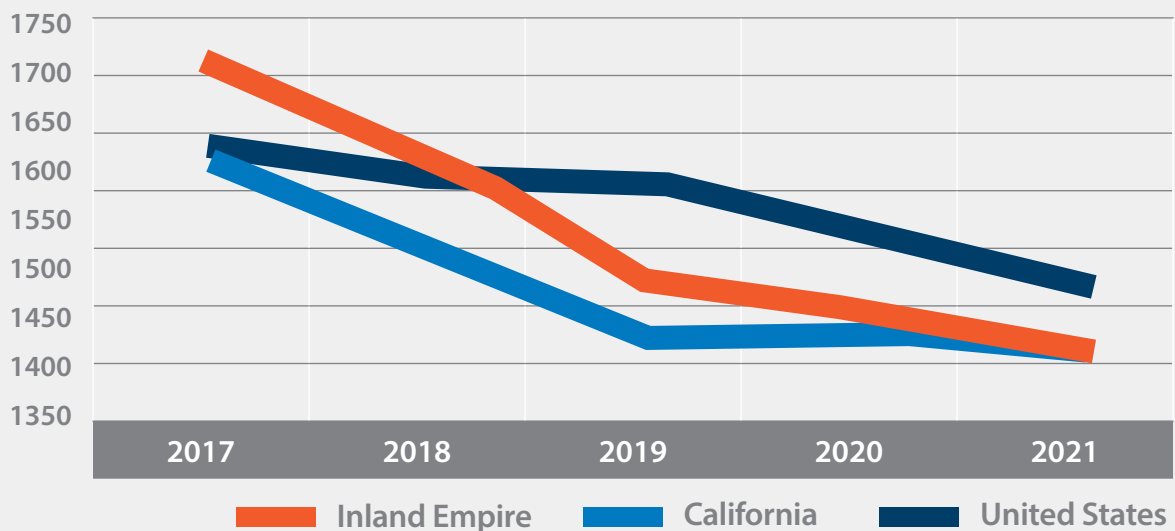
the average firm revenue in the Inland Empire and the state still lag behind the national average firm revenue trend.

STARTUP REVENUE GENERATION CAPABILITY

Like the general firm revenue generation capability, a startup's revenue generation capability refers to the annual revenue it generates. Although the overall trend for startup revenue generation is slightly stronger than that of established firms, it is still subject to a downward decline influenced by national and state trends. The contributing factors are similar to those affecting general firm revenue generation capability, such as labor costs and regulatory burdens.

To tackle these challenges, we recommend two solutions. First, offer region-specific workshops focusing on scaling to help entrepreneurs navigate current hiring challenges, policies, and regulations. Second, provide educational workshops or programs that teach entrepreneurs how to automate their businesses using artificial intelligence advancements, serving as a long-term solution to the issue.

Average Firm Revenue for Startups (in thousands):



Definition: The average revenue from three-year-old startup generates in a year.

Operationalization: The overall generated revenue from the three-year-old startup in the region, divided by the number of firms, on annual basis.

Results: In 2017, the revenue-generating capabilities of startups in the Inland Empire were superior at both the state and national levels. However, this trend changed in 2018 and has continued to decline, particularly during

the COVID-19 pandemic. Between 2019 and 2021, the revenue-generating capabilities of startups in the Inland Empire fell short of the national level but still outperformed the state level.

INDICATORS OF ENTREPRENEURSHIP

HIRING EXPANSION/CONTRACTION RATE

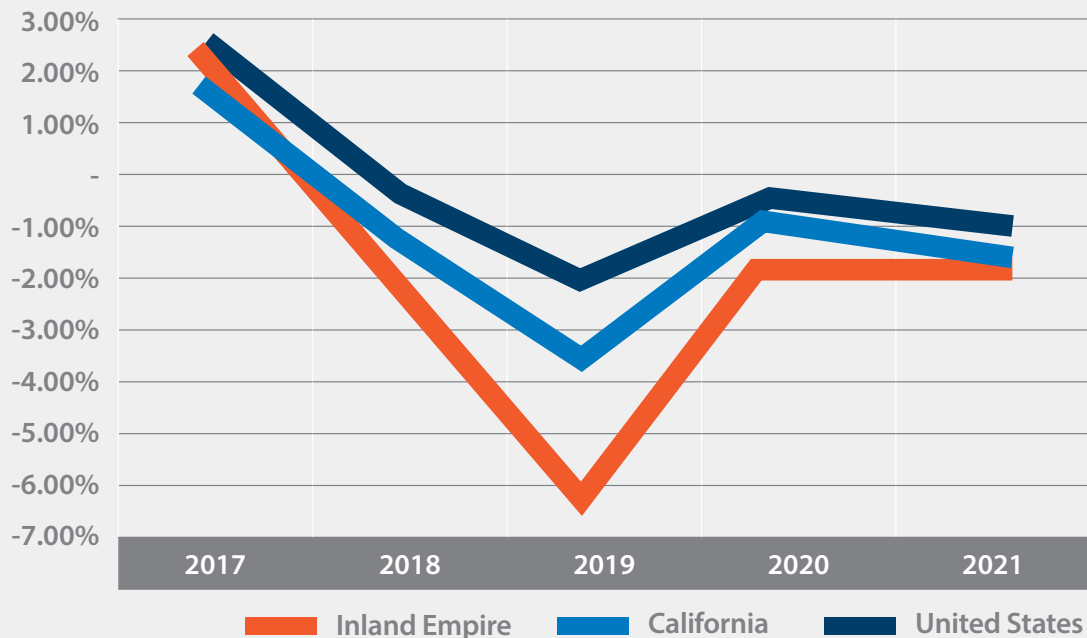
The hiring expansion and contraction rate measures a firm's yearly changes in hiring, reduction in hiring, or employee terminations. The Inland Empire Region has experienced significant employment reductions since the pandemic, suggesting that despite labor shortages, many firms in the region have not substantially recovered from the pandemic's impact.

Several factors may contribute to these challenges. First, rising inflation increases business costs, leading entrepreneurs to lay off employees in order to maintain profit margins or prevent losses. Second, rapid market changes following the pandemic may

have left some entrepreneurs unable to adapt quickly enough, resulting in insufficient business pivoting to explore new profit opportunities and consequently, business contraction.

To address these challenges, we propose two solutions. First, provide policy support for small businesses, such as training and tax incentives, to help combat inflation. Second, offer business and entrepreneurial ideation training to assist entrepreneurs in pivoting their original businesses and developing new business models based on their existing resources and assets.

Average Hiring Expansion/Contraction Rate (YoY):



Definition: The hiring surplus or decline rate from the prior year in a firm.

Operationalization: The average in overall firm hiring number in the current year, minus the average overall firm

hiring number in the prior year.

Results: We have observed that the average hiring rate in the Inland Empire has significantly contracted during the COVID-19 pandemic compared to the

state and national levels. In 2020, there was a significant recovery in the hiring contraction in the Inland Empire, but this trend has since plateaued and remains below the state and national levels.

HIRING EFFICIENCY

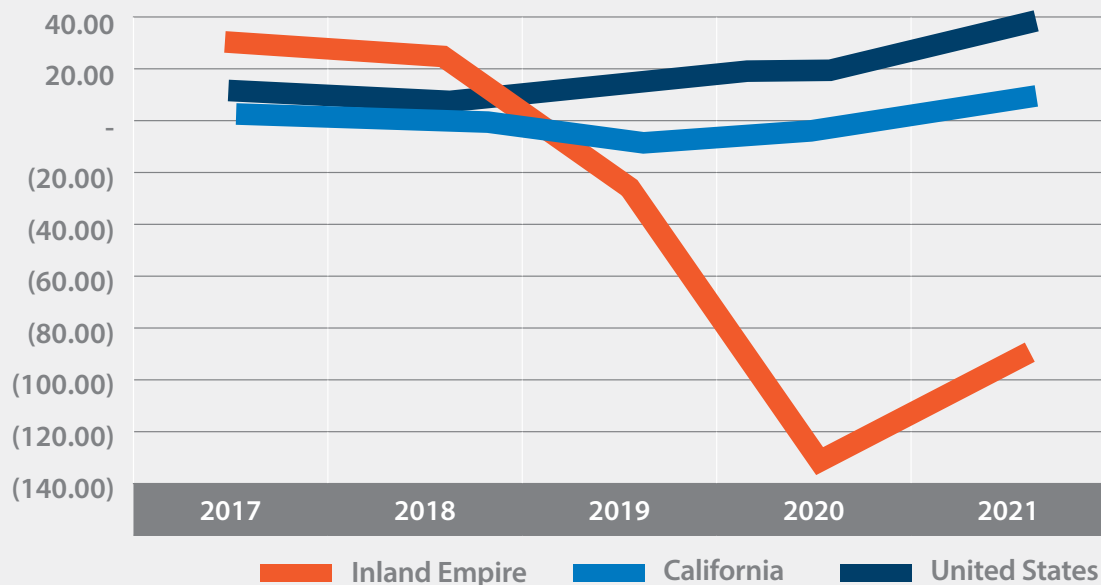
Hiring efficiency is an indicator of how effectively entrepreneurs in a region hire employees in a way that contributes to revenue. In other words, it measures the impact of adding one more employee on a firm's revenue.

The graph shows a sharp decline in hiring efficiency in the Inland Empire region following the pandemic, which is concerning as hiring is a fundamental element for a firm's survival and growth. We believe this decline may be attributed to several factors. First, severe labor shortages and competition with larger firms and expanding markets may lead entrepreneurs to hire out of desperation, compromising their vetting standards. Second,

recent changes in hiring regulations, including new COVID policies and minimum wage policies, may cause entrepreneurs to spend more time and resources navigating the hiring process rather than focusing on revenue generation.

This issue is deeply concerning, and the region should implement immediate solutions, such as offering hiring training courses or subsidizing hiring-specific consulting services for small businesses. Long-term solutions might include identifying workforce shortages strategically and developing pathways to cultivate a larger skilled workforce.

Average Hiring Efficiency (YoY):



Definition: The rate of return for revenue on additional hiring of an employee.

Operationalization:

$$Rev_{it} = \alpha_0 + Addemploy'_{it} \beta + X'_{it} \gamma + \theta_i + \epsilon_{it} \quad (1)$$

where Rev_{it} is revenue for firm i in period t ; $Addemploy_{it-1}$ is the additional hiring for firm i in period t ; X'_{it} is a matrix of control variables for firm i in period t ; θ_i denote firm and period fixed

effects; and ϵ_{it} is an idiosyncratic error term. β is a parameter vector that captures the main effects of our independent variables of interest (in other words, one additional hiring, will result in β times of increase in revenue).

Results: In the period between 2017 and 2018, the average hiring efficiency in the Inland Empire showed that firms in the region were 2 to 3 times more efficient in generating

revenue for additional hirings compared to the state and national levels. However, this trend underwent a significant change during the COVID-19 pandemic and in 2019 and 2020, the hiring efficiency of Inland Empire firms suffered significantly. Although there has been a recent recovery in hiring efficiency in 2021, the firms in the Inland Empire still lag behind the national and state trends in terms of hiring efficiency.



VOICE OF THE ENTREPRENEUR

“

**THANK YOU
FOR FINALLY
ASKING!**



VOICE OF THE ENTREPRENEUR 2022 SURVEY

Are Successful Entrepreneurs *Born or Made?*

That is the title of a February 2022 Forbes article¹ which argues that entrepreneurs are made, not born. The authors point out that good entrepreneurs must be innovative and be able to leverage the opportunities that arise when challenges occur. Many entrepreneurs have learned from their experiences as employees or through mentorship, and some have gained knowledge either through formal education, networking, or self-guided education. Typically, they desire the freedom of being their own boss, and the satisfaction and flexibility it offers them. They open their business hoping to succeed, yet data from the U.S. Bureau of Labor Statistics shows that “approximately 20% of new businesses fail during the first two years of being open, 45% during the first five years, and 65% during the first 10 years. Only 25% of new businesses make it to 15 years or more.”²

1. <https://www.forbes.com/sites/forbesbusinesscouncil/2022/02/02/are-successful-entrepreneurs-born-or-made/?sh=2f3bc31f4b44>
2. <https://www.investopedia.com/financial-edge/1010/top-6-reasons-new-businesses-fail.aspx>

Much of the available data regarding entrepreneurs is based on nationwide rather than region-specific samples. That's why in 2021, researchers at California State San Bernardino's Inland Empire Center for Entrepreneurship (IECE), School of Entrepreneurship, and Institute of Applied Research (IAR) conducted the inaugural study of entrepreneurship which had a regional focus.

The team captured the “story” of inland Southern California entrepreneurs; specifically, those in Riverside County, San Bernardino County, and select cities of Los Angeles County. We continued gathering their insights through the second annual survey of Inland Empire entrepreneurs (data collected between October 21, 2022, and December 15, 2022).

QUESTIONS ON THIS YEAR'S SURVEY ADDRESSED:

- / The profile of survey respondents and their business,
- / Resources used when starting the current business,
- / Changes they would make if they could go back to day one of the business,
- / Their greatest concerns/challenges faced as a business owner,
- / Confidence that they have the skills and knowledge to grow the business,
- / Skill areas they need to improve to better operate the business,
- / Resources they rely on for advice and services when faced with a business problem,
- / Important resources needed,
- / Financial status and challenges over the past 12 months, and actions taken to deal with the challenges,
- / Current financial condition of the business,
- / Expectations of revenue over the coming 12 months,
- / Difficulty hiring and retaining employees in the past 12 months (and changes made in response to those difficulties),
- / Expectations of number of employees over the coming 12 months,
- / Financial services currently used,
- / Awareness of and application for small business funding programs,
- / History of applying for financing in the past 12 months, lending type used, and ultimate outcome of the application,
- / Awareness of and application for COVID relief programs for small businesses,
- / Existence of an exit strategy, and
- / The entrepreneurship “superpower” desired most.

This report primarily includes the results of the closed-item questions on the survey as well as a summary of responses to open-ended questions which allow us to “flesh out” the thinking (the voice) of the entrepreneurs. The data will be used to report to the community on the State of Entrepreneurship in the region, and to provide insight to local policy makers on how they can best understand and support entrepreneurs in the future.

PROFILE OF THE INLAND EMPIRE ENTREPRENEURS WHO RESPONDED TO THE SURVEY

As noted in the table FIG 1.0, most of the entrepreneurs who responded to this year’s survey are female. Nearly half (46.9%) identified themselves as “White” – a figure below the 70% of U.S. entrepreneurs identified in a Legalzoom.com article entitled “86 Key Entrepreneur Statistics for 2023”³. That article also indicated that Hispanics make up approximately 4% of entrepreneurs, whereas 33.2% of our survey respondents identified themselves as Hispanic/Latino. This is not surprising given the large percentage of Hispanics in the Inland Empire. The median age of our respondents is 51 years old (slightly younger than the nationwide Small Business Credit Survey). Nearly two-thirds of our respondents have a college degree.

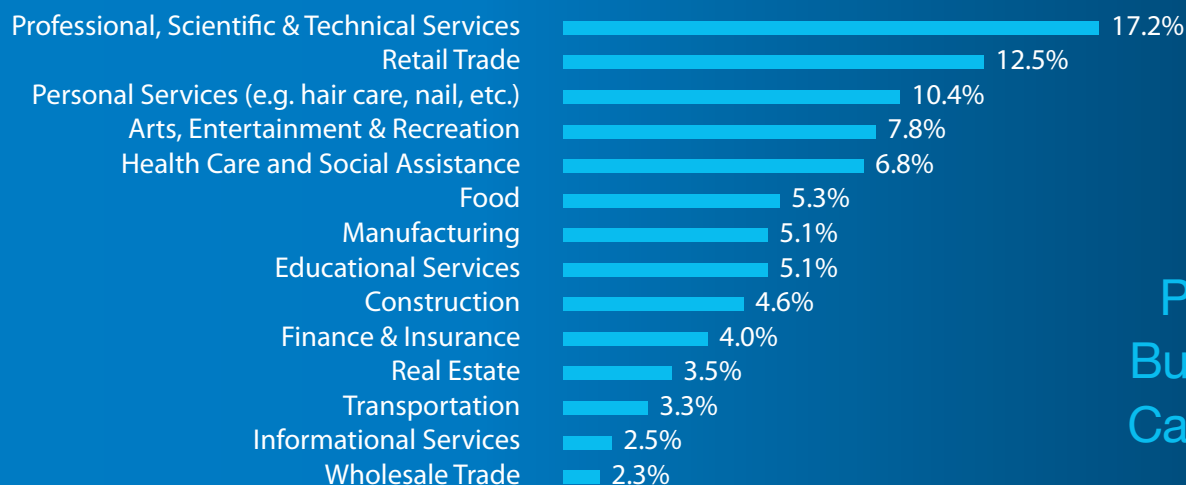
As a final descriptor, Voice of the Entrepreneur respondents were asked whether they own or control any intellectual property. This is of interest since the World Intellectual Property Organization notes that smaller and medium sized enterprises (such as those included in our survey) that apply for patents, trademarks or designs are more likely to grow quickly and succeed than those that do not.⁴ Yet our data show that 76.9% of respondents have no such investment in intellectual property.

Description of Respondents /FIG 1.0

GENDER		
	Male	38.5%
	Female	61.4%
ETHNICITY (MULTIPLE RESPONSE QUESTION)		
	White	46.9%
	Hispanic/Latino/Latina	33.2%
	Black/African American	20.3%
	Asian/Pacific Islander	5.9%
	Native American/American Indian	4.2%
	Other	3.0%
MEDIAN AGE		
	18 to 24 years old	0.5%
	25 to 34 years old	11.7%
	35 to 44 years old	22.3%
	45 to 54 years old	25.9%
	55 to 64 years old	25.7%
	65 or older	14.3%
EDUCATION		
	High School Degree/GED	8.6%
	Some College	25.8%
	College Degree	33.7%
	Graduate Degree	31.9%
INTELLECTUAL PROPERTY OWNED/CONTROLLED (MULTIPLE RESPONSE QUESTION)		
	NONE	76.9%
	One patent	2.8%
	Multiple patents	2.5%
	Trademark	13.3%
	Copyright	13.0%
	Trade secret	5.3%

3. <https://www.legalzoom.com/articles/entrepreneur-statistics>

4. https://www.wipo.int/wipo_magazine/en/2021/01/article_0003.html



/FIG 2.0

Primary Business Category

Description of Respondent's Current Business: /FIG 2.1

NUMBER OF YEARS OPERATING CURRENT BUSINESS	
Just started through 5 years	54.2%
> 5 years up to 10 years	15.7%
More than 10 years	30.2%
CURRENT STRUCTURE OF BUSINESS	
Sole proprietorship	34.8%
S-Corporation	22.1%
Limited Liability Company (LLC)	26.4%
Corporation	11.9%
Partnership or Limited Partnership	4.9%
PRIMARY LOCATION (HEADQUARTER)	
Riverside County	56.0%
San Bernardino County	41.9%
Los Angeles County	2.1%
NUMBER OF EMPLOYEES	
Non-employer firm (0 employees)	44.6%
1 to 5	30.8%
6 to 10	8.0%
11 to 20	7.6%
More than 20	9.0%
BOARD OF DIRECTORS, ADVISORY BOARD, OR BOTH	
Board of Directors	12.2%
Advisory Board	4.1%
Both	3.7%
Neither	80.0%

PROFILE OF THE RESPONDENT'S CURRENT BUSINESS

Survey responses came from entrepreneurs owning businesses in a variety of categories, with the highest number coming from the Professional/Scientific/Technical Services category (17.2%) and Retail Trade (12.5%). In addition, 10.4% have businesses in the Personal Services sector – a business category hit especially hard by business closures during the pandemic.

As shown in the above table (FIG 2.0), over half of respondents (54.2%) have only been operating their current business for five years or less. The sample includes more Riverside County businesses than San Bernardino County businesses (56.0% vs. 41.9%), with a small number of LA County businesses from the cities of Claremont and Pomona represented. The predominant business structures are sole proprietorships (34.8%) and LLCs (26.4%).

Nearly half of respondents (44.6%) indicated that they run the business alone (without employees). As will be discussed later in this report, that means that the entrepreneur is responsible for doing everything him/herself: planning, identifying business opportunities, producing the product or service, managing time and finances and stress, and more. Only 9% of companies have more than 20 employees.

The final descriptor of the businesses surveyed dealt with the existence of a formal board of directors or advisory board. The reason this was included on the survey is that forming an advisory board of experts reflecting multiple skills and perspectives can arguably help improve the odds of a business surviving the difficult first few years.⁵ Yet the data from the Voice of the Entrepreneur survey shows that only 20% of firms have either an advisory board or a board of directors.

5. According to the Bureau of Labor Statistics, about 80% of new companies make it through the first two years, only half survive past year five, and only 25% last 15 years or more. https://www.bls.gov/bdm/us_age_naics_00_table7.txt

STARTING THE CURRENT BUSINESS

Why do people start their own business? Last year’s Voice of the Entrepreneur survey revealed that the main motivations for Inland Empire entrepreneurs to start their own business are:

- / Having the freedom to control their lifestyle and schedule,
- / Being their own boss and working on things that matter to them,
- / Creating a business that would allow them to take advantage of their talents in a specific skill or trade, and
- / Potentially making more money and having financial independence (i.e., “building real wealth”).

Of course in order to gain these benefits, new entrepreneurs typically need resources: financial resources (funding), human resources (talented employees), physical resources (location and equipment), and emotional resources (support systems). But perhaps the most important resource needed is industry “know-how,” and that was the focus for a multiple-response survey question in this year’s survey which asked respondents to indicate what resources they used when starting their current business.

Nearly a quarter of respondents (24%) reported that they didn’t use ANY of the resources listed in the question. Of the 461 respondents who DID seek out a resource, the answer provided most often was “Small Business Development Center (SBDC)” which, according to the SBA website, provides “counseling and training to small businesses including working with the SBA to develop and provide informational tools to support business start-ups and existing business expansion.”⁶ There are nearly 1,000 SBDC program offices in the US, which include the Inland Empire SBDC program, which operates from full-time offices in Riverside, Ontario and Temecula as well as 10 part-time offices located in Riverside and San Bernardino counties.

In addition, about a third of respondents mentioned using either an accountant or an attorney, and a quarter mentioned the Women’s Business Center (WBC) or a business consultant or coach. Like the SBDC program mentioned above, the Inland Empire region is fortunate to have two (2) Women’s Business Center programs, with offices in Palm Desert, Colton and Riverside. WBCs seek to “level the playing field” for women entrepreneurs (who still face unique obstacles in the business world) and provide free, to low-cost counseling and training and focus on women who want to start, grow, and expand their small business.

As a follow-up question, respondents were asked: “If you could go back to day one of your business, what would you do differently?” Only 69 individuals (11.3% of people responding to the question) were able to say that there isn’t anything they would do differently. Most provided at least one thing they would do differently if they could start the business over again, the top response centering around money.

Cash flow problems are one of the most significant reasons why small businesses do not succeed, thus it is not surprising that 42.5% of respondents said that they would arrange for more operating capital. Further, 40.8% said that they would do a better job of marketing (which would, of course, hopefully translate to having more money).

When starting your current business, which of the following resources did you use?

Please check all that apply. /FIG 3.0

	Number of mentions	Percent of Respondents Who Used a Resource
Small Business Development Center (SBDC)	227	49.2%
Accountant	158	34.3%
Attorney	140	30.4%
Women’s Business Center (WBC)	122	26.5%
Business consultant or coach	116	25.2%
Chamber of Commerce	80	17.4%
Service Corps of Retired Executives (SCORE)	44	9.5%
Internet research	8	1.7%
Family and friends	7	1.5%
Asociacion de Emprededor@s	6	1.3%
Other	29	6.3%

NOTE: 461 people responded to this multiple response question. “Percent of respondents who used a resource,” therefore, is > 100% since people were able to provide more than one answer.

NOTE: 145 people said they did not use any of the resources listed

6. <https://www.sba.gov/local-assistance/resource-partners/small-business-development-centers-sbdc>

Better planning was also on the minds of the entrepreneurs who answered our survey. Good planning can help entrepreneurs achieve their goals by keeping themselves (and their employees) focused and “on track.” It helps them prioritize their timelines and resources, and to create an effective way to operate the business and grow. About a quarter of our respondents (28.2%) said that they would have a well-developed written business plan to refer to, as well as a reasonable growth plan (27.8%). Others would create a better (well-defined) system for operating the business (26.0%), and some would focus on identifying their short- and medium-term work priorities (26.0%) in an effort to “stay on track.”

As noted earlier, entrepreneurs often start their business because they want to be their

own boss and have flexibility in their schedule. Yet many of them find that they are spending more time on the business than they initially anticipated. Thus, it is not surprising that a group of respondents mentioned that if they started over, they would be more realistic with their timelines and resources (26.9%), and to “not try to do everything themselves” (31.5%). This concept was confirmed in an Inc.com article entitled “The most successful entrepreneurs don’t do it alone.” The article began: “What is the No. 1 thing you can do as an entrepreneur to massively expand your capabilities, increase your revenue, and build your ideal lifestyle? It’s quite simple, actually. Stop doing things yourself. Successful entrepreneurs ... are successful because they’ve found the right people with the right skills to accomplish nearly everything for them.”⁷

Finally, successful entrepreneurs know when to ask for help and where to get it. A large group of respondents said that if they had it to do over again, they would gain knowledge from key advisors (31.0%) and from taking courses or doing research (22.0%).

OVERALL CONCERNS AND CHALLENGES FACED

In last year’s survey, the entrepreneurs reported that the most significant challenge their company faced was “impacts of the coronavirus” (45.2%). Another large group of entrepreneurs (41.2%) mentioned “finding talent,” i.e., the ability to find skilled employees who can work together to meet company goals. Others mentioned government regulation (34.9%) or supply chain disruption/delays (33.5%).

This year the responses were much different. The pandemic has now become endemic, so COVID has receded in the minds of entrepreneurs as a huge concern. Instead, economic worries (e.g., inflation, possible recession, controlling costs, etc.) have taken its place at the top of the “worry list” (see table, next page). We find it interesting that one concern that was not mentioned was cybercrime, which has become a major issue as hackers are increasingly targeting small and medium-sized businesses. Indeed, the FBI has found that nationwide the losses from hacking incidents were up 64% since 2021.⁸

If you could go back to day one of your business, what would you do differently

Please check all that apply. /FIG 4.0

	Number of mentions	Percent of the Respondents Who Said They Would Do Something Differently
Have more operating capital	232	42.5%
Do a better job of marketing	223	40.8%
Have a well-developed written business plan	154	28.2%
Have a reasonable growth plan	152	27.8%
Identify short-term and medium-term priorities	142	26.0%
Have a well-defined system by which to operate the business	142	26.0%
Not try to do everything – outsource tasks that don’t add value	172	31.5%
Be realistic with timelines and resources	147	26.9%
Ask for help from key advisors, experts, consultants, etc.	169	31.0%
Get more knowledge of starting and running a business through courses, seminars, etc.	120	22.0%
Have better knowledge of how to hire the right employees	95	17.4%
Pick different partners	49	9.0%

NOTE: 546 people responded to this multiple response question. “Percent of respondents who answered the question,” therefore, is > 100% since people were able to provide more than one answer.

NOTE: 69 people said they did not use any of the resources listed.



FACTS AT A GLANCE

The 1st and ONLY School of Entrepreneurship in California
–One of Less Than 15 Worldwide

The School delivers and coordinates academic programs at the undergraduate and graduate level. The programs focus on helping students acquire an entrepreneurial mindset and the competencies and knowledge that will enable them to launch new ventures or be innovative changemakers in existing organizations.

Programs offered include:

- /BA – Administration *Entrepreneurship Concentration*
- /Minor in Entrepreneurship
- /Master of Science in Entrepreneurship and Innovation (MSEI)
- /Master of Business Administration (MBA) *Entrepreneurship Focus Area*

In addition, the School coordinates the following interdisciplinary programs in Entrepreneurship:

- /BA – Liberal Studies *Entrepreneurship Concentration*
- /BA – Career & Technical Studies *Entrepreneurship Concentration*
- /Minor – Entrepreneurship in the Arts
- /Certificate – Arts & Entrepreneurship

COMING FALL 2023

- /Minor – Entrepreneurship in the Sciences

9th most popular @ CSUSB out of 118 programs for Freshman applications (Fall 2022)	265 active students 6 full-time and 8 part-time Faculty	Nearly 1,000 students representing 35 degree programs took Entrepreneurship courses last year

	TOP 8 Graduate Program in the West!
--	--

Yet our survey (and other nationwide surveys) shows that most small business owners are not concerned that they will be hit by a cyber-attack in the near future.

Some of the above items/concerns are beyond entrepreneurs' control (e.g., inflation and potential for a lengthy recession). Others can be mitigated somewhat by skilled, knowledgeable entrepreneurs. But do our respondents feel confident that they have the skills and knowledge necessary to grow their business? They were asked to rate their level of confidence on a 100-point scale. Scores ranged from 0 ("not at all confident") to an astonishing 18.9% of respondents who rated their level of confidence at 100 (meaning "extremely confident"). The median confidence score was 82.

As a follow-up, respondents were also asked to indicate the areas of operating the business they need to improve. By far the top answer was "marketing," which is known to be one of the most valuable business skills an entrepreneur can possess since it provides the vehicle for gaining new customers, designing compelling product or service descriptions, creating effective promotions, etc. The core functions of finance, sales, and accounting were also mentioned by approximately a third of the entrepreneurs.

Fortunately, there are a variety of educational options (both online and in-person) for learning these skills, and there are numerous resources available to entrepreneurs when they face business problems and need advice and/or services.

As a business owner, what is your greatest concern right now? Please select up to three (3) concerns. /FIG 5.0

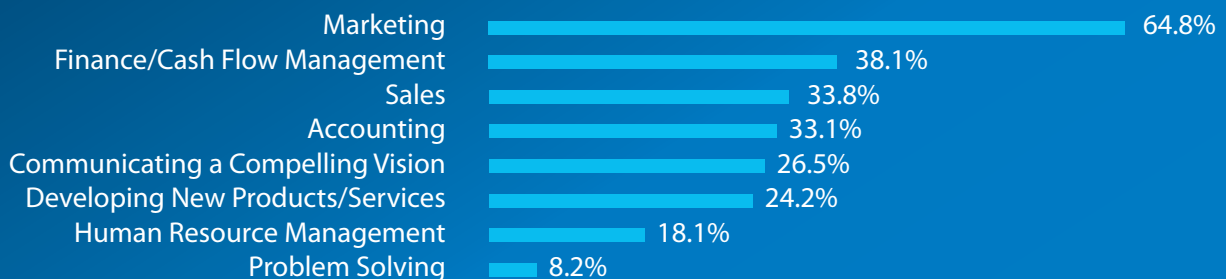
	Number of mentions	Percent of Respondents Who Answered
Inflation	385	57.2%
The potential for a lengthy recession	313	46.5%
Controlling costs	208	30.9%
Supply chain issues	160	23.8%
Competition from large businesses	130	19.3%
Ongoing effects of the COVID pandemic	126	18.7%
Burnout	107	15.9%
Lack of applicants for job openings	99	14.7%
Employee retention	74	11.0%
Other	104	15.5%

NOTE: 673 people responded to this multiple response question. "Percent of respondents who answered the question," therefore, is > 100% since people were able to provide more than one answer.

NOTE: "Other" includes concerns of financing, building customer traffic, government regulation, expanding/growing the business, and labor issues.

Need to improve skills in...

/FIG 5.1



When faced with a business problem (e.g., financial, legal, staffing), what resources does your business rely on for advice and services?

Select up to three (3) concerns. /FIG 6.0

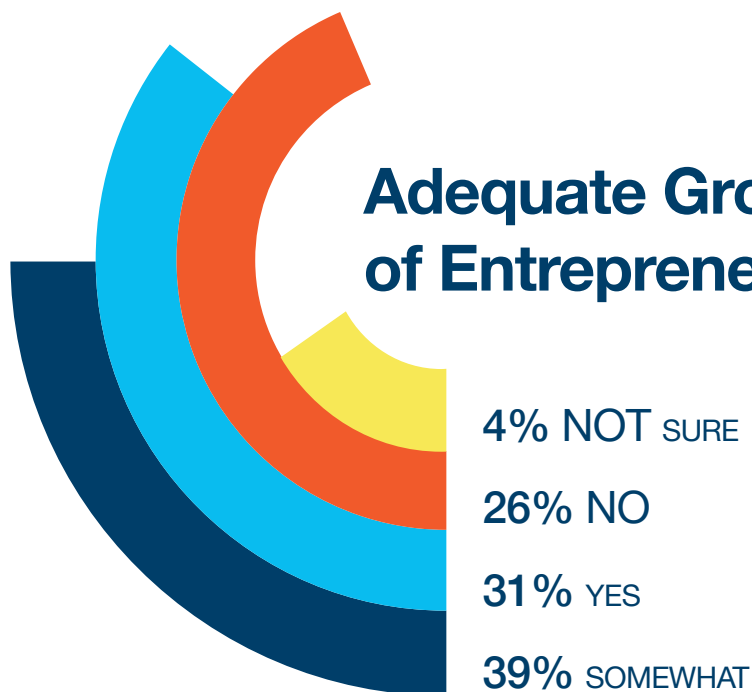
	Number of mentions	Percent of Respondents Who Answered
Peer entrepreneur	359	54.6%
Small Business Development Center (SBDC)	272	41.3%
Accountant	198	30.1%
Attorney	177	26.9%
External business consultant	172	26.1%
Women's Business center (WBC)	132	20.1%
Chamber of Commerce	82	12.5%
Service Corps of Retired Executives (SCORE)	51	7.8%
Other	99	15.0%

NOTE: 658 people responded to this multiple response question. "Percent of respondents who answered the question," therefore, is > 100% since people were able to provide more than one answer.

NOTE: "Other" includes self-education, family/friends/personal network, a business coach, and a statement that they "don't have anyone" or "don't know who to ask."

The table above shows that peer entrepreneurs are the primary source of feedback, advice, and guidance sought by our respondents, probably since they are people who understand what other entrepreneurs are going through. In fact, over half (54.6% -- down only slightly from 57.2% in last year's survey) mentioned peer entrepreneurs as a resource to discuss ways to deal with situations at work (e.g., employee "challenges," financial issues, work/life balance, etc.), share ideas to make things run more efficiently and effectively, and commiserate about frustrations and confusions. The Small Business Development Center (SBDC) is also a "go-to" resource entrepreneurs rely on for advice and services, as are accountants, attorneys, and external business consultants.

Both the 2021 and 2022 Voice of the Entrepreneur surveys revealed that peer entrepreneurs are the source they access most frequently when needing advice about their business. But do they feel they have an "adequate" group of entrepreneurs that can provide advice and guidance on an ongoing, consistent basis? As shown in the graph below, the answer is not a universal "yes."



/FIG 6.1

Finally, entrepreneurs were asked to respond to a hypothetical question: "If we could give you any of the following resources, which would be the most important?" What was the main desire? Money. Over half (54.3%) would want additional operating capital. Further, consistent with the responses above regarding resources relied upon, 41.1% would want a "Mastermind group" -- a group of peer business owners that mentor each other. Another 42.7% would want an expanded network of business connections, and 36.5% would want a business coach.

BUSINESS PERFORMANCE

In the 2021 nationwide Small Business Credit Survey of employer firms conducted by a collaboration of all 12 Federal Reserve Banks⁹, 35% of the businesses were operating at a profit at the end of 2020, 48% were operating at a loss, and 17% were breaking even.

Considering that stay-at-home orders to deal with the pandemic were issued in March 2020, it is not surprising that the majority of firms nationwide were operating at a loss at the end of 2020.

In California, some businesses were allowed to reopen by June 2020 (with some COVID restrictions in place), but by mid-July businesses were ordered to close once again. The first vaccine arrived in mid-December 2020 under emergency use authorization, and the governor announced that all Californians aged 16 and older were eligible for the vaccine beginning April 15, 2021. The governor finally lifted the Stay-at-Home order in June 2021, and California business activity slowly started returning to normal (with an emphasis on “started”).

Respondents to the Voice of the Entrepreneur survey were asked whether their business was operating at a profit, break-even, or loss at the end of 2021. The responses were more encouraging than the 2020 nationwide figures cited above. Specifically, 45.0% of Inland Empire entrepreneurs surveyed said that they were operating at a profit at the end of 2021, and 32.0% were operating at a loss (with the rest breaking even). As one might expect, firms that have been operating for a longer time were more likely to show profit than relatively young firms: 65.2% of firms that have been operating more than 10 years were operating at a profit, vs. only 29.1% of those which had been operating for 5 years or less.

Further, as shown in the graph below, White-owned firms were more likely to be profitable at the end of 2021 than minority-owned firms. Specifically, significantly more White-owned businesses were operating at a profit (50.2%) than Hispanic firms (38.9%), Black/African American firms (35.2%), Native American firms (30.0%), or Asian-owned firms (42.3%).

If we could give you any of the following resources, which would be the most important?

(Choose up to 3) /FIG 7.0

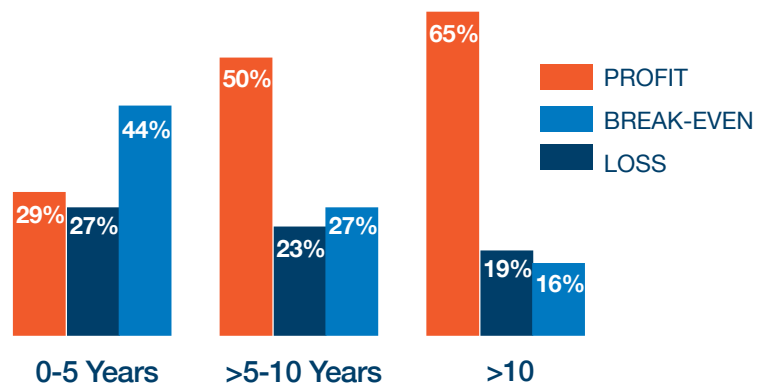
	Number of mentions	Percent of Respondents Who Answered
Additional operating capital	359	54.3%
Expanded network of business connections	282	42.7%
Mastermind group	272	41.1%
Business coach	241	36.5%
Educational program to expand business and educational skills	201	30.4%
Qualified and motivated employees	186	28.1%
Board of advisors	79	12.0%

NOTE: 661 people responded to this multiple response question. “Percent of respondents who answered the question,” therefore, is > 100% since people were able to provide more than one answer.

Status at End of 2021

(by age of firm)

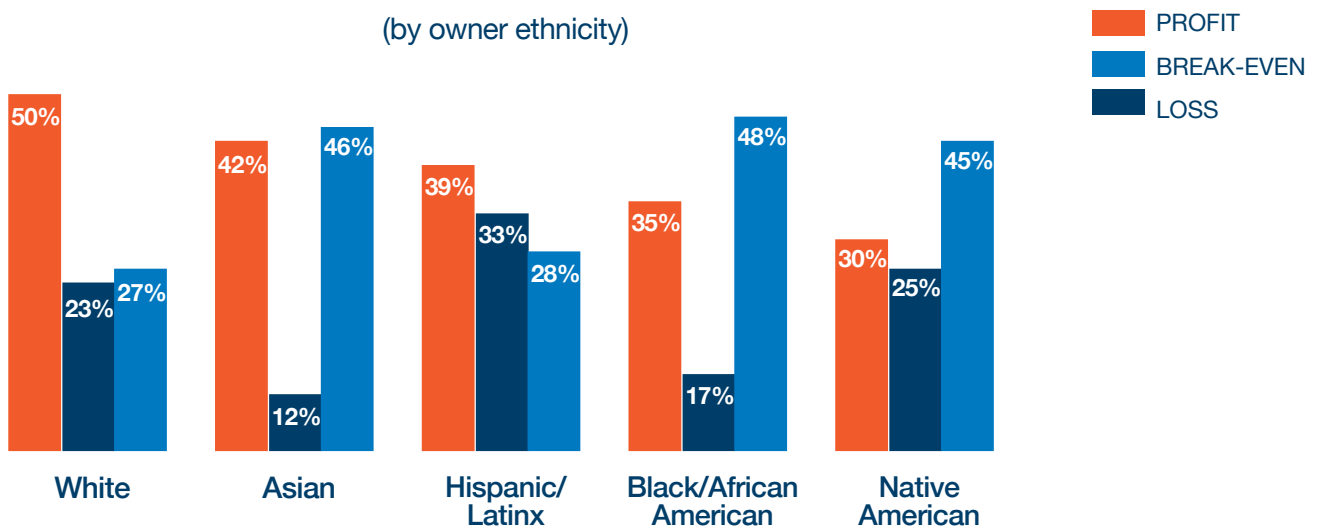
/FIG 7.1



Status at End of 2021

(by owner ethnicity)

/FIG 8.0



Even though nearly half of the respondents reported that they were operating at a profit at the end of 2021, most reported experiencing some financial challenges. In fact, only 12% indicated that they did not experience ANY financial challenges. The rest of the entrepreneurs reported weak or declining sales, issues with inventory or supplies, increasing costs, and other financial challenges.

Has your business experienced any of the following financial challenges during the past 12 months? Please select all that apply /FIG 8.1

	Number of mentions	Percent of Respondents Who HAD Financial Challenges
Weak sales (sales lower than expectations)	267	46.0%
Declining sales	141	24.3%
Increased inventory or supply costs	207	35.7%
Purchasing inventory or supplies to fulfil contracts	117	20.2%
Paying operating expenses OTHER THAN employee wages and rent	183	31.6%
Rising wages for employees	173	29.8%
Increased rent costs	135	23.3%
Increased debt	150	25.9%
Credit availability	96	16.6%
Other financial challenge	114	19.7%

NOTE: 580 people responded to this multiple response question. "Percent of respondents who answered the question," therefore, is > 100% since people were able to provide more than one answer.

NOTE: "Other" includes costs (marketing, fuel, utilities, etc.), getting funding, collections, employee motivation/retention, and lack of work due to COVID.

Given the number of financial challenges experienced, it is interesting that 16.7% of respondents said that they took no action in response to those challenges. That figure is much higher than the 2% reporting no action in the 2021 nationwide Small Business Credit Survey cited earlier. The action taken by 71% of those in the nationwide survey was obtaining funds that didn't have to be repaid (that is, grants, crowdfunding, donations, etc.). In contrast, Voice of the Entrepreneur respondents addressed their financial challenges either by using their own personal funds or by dipping into cash reserves.

What actions did your business take to deal with the challenges? Please select all that apply /FIG 9.0

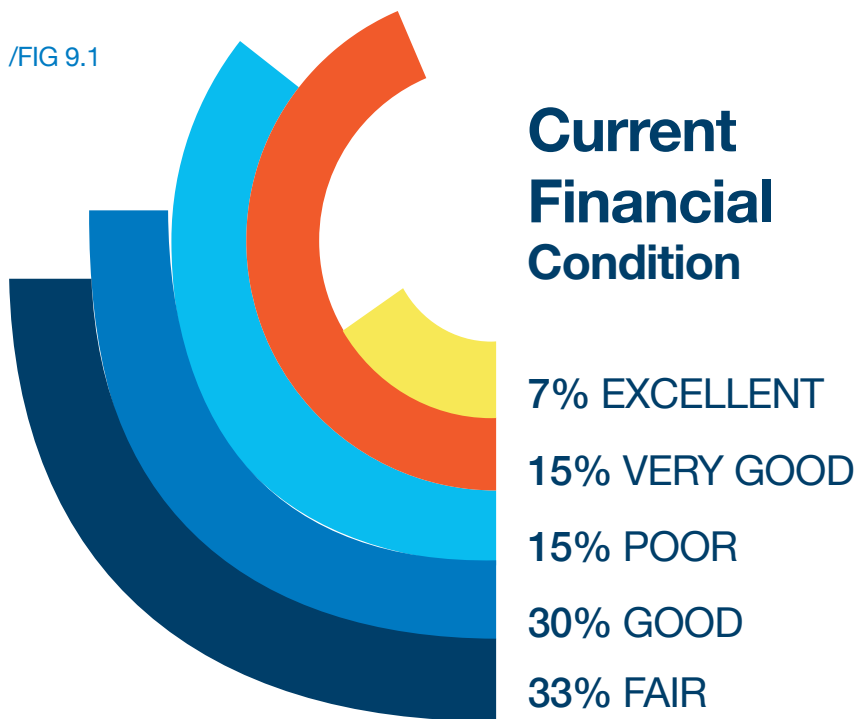
	Number of mentions	Percent of Respondents Who Took Action
Used personal funds	324	60.7%
Used cash reserves	217	40.6%
Obtained funds that must be repaid (i.e., loans, debt)	156	29.2%
Obtained funds through grants, crowd-funding, donations, etc.	96	18.0%
Reduced staff	86	16.1%
Missed a debt payment or paid late	83	15.5%
Reduced hours of operation	71	13.3%
Other action	99	18.5%

NOTE: 534 people responded to this multiple response question. "Percent of respondents who answered the question," therefore, is > 100% since people were able to provide more than one answer.

NOTE: "Other" includes adjusting prices, creating new strategies, increasing marketing efforts, cross training employees or not replacing those who quit, closing the business, etc.

The above questions addressed the company's business performance over the past 12 months. Turning attention to the *current* financial condition of the business: nearly a quarter of respondents rated the current financial condition of the business as "excellent" (7%) or "very good" (15%).

And finally, how do respondents see their business changing over the next 12 months? Our respondents can best be described as "optimistic." Over three-quarters of entrepreneurs (76.3%) believe that their revenue will increase and 16.6% believe it won't change. Only 7.1% believe it will decrease in the year to come.



FINANCIAL SERVICES USED AND DEMAND FOR FINANCING (excluding pandemic-related financial assistance)

This year's Voice of the Entrepreneur survey asked respondents about the source/"location" of their business accounts or other financial services such as loans, payments processing, etc. A small group of entrepreneurs (18.4%) said that their business does not use financial services. By far, national banks are the preferred source of accounts and financial services used (61.0%), with regional banks being a distant second (20.4%).

Does your business have an account or use other financial services (including loans, payments processing, etc.) at any of the following? Select all that apply /FIG 10.0

	Number of mentions	Percent of Respondents Who Answered
National bank	308	61.0%
Regional bank	103	20.4%
Business financial services company (e.g., payroll processing, merchant services, accounting)	86	17.0%
Credit union	82	16.2%
Nonbank online lender/fintech company (e.g., OnDeck, Kabbage, PayPal, Square)	65	12.9%
Friends and family	53	10.5%
Nonbank finance company (e.g., mortgage companies, auto/equipment dealers, investment funds)	17	3.4%
Community development financial institution (CDFI)	12	2.4%
Personal account	6	1.2%
Alternative financial source (e.g., payday lender, check cashing, pawn shop, money order/transmission service)	3	0.6%
Other	18	3.6%

NOTE: 505 people responded to this multiple response question. "Percent of respondents who answered the question," therefore, is > 100% since people were able to provide more than one answer.

Which of the following small business funding programs are you aware of? Select all that apply /FIG 10.1

	Number of mentions	Percent of Respondents Who Answered
SBA loan	460	78.1%
Small business grant	331	56.2%
Local bank loan	303	51.4%
Credit union loan	235	39.9%
Crowdfunding	184	31.2%
Online lender	178	30.2%
Community bank	171	29.0%
SBA commercial real estate loan (504 program)	142	24.1%
Local micro loan	140	23.8%
Community Development Corporation (CDFI)	52	8.8%
Merchant Advice Program	51	8.7%
Financial Development Corporation (FDC)	44	7.5%

NOTE: 589 people responded to this multiple response question. "Percent of respondents who answered the question," therefore, is > 100% since people were able to provide more than one answer.

Respondents were also provided a list of various small business funding programs and asked to indicate their awareness of the programs. The vast majority of entrepreneurs (78.1%) said they are aware of SBA loans, and over half were aware of small business grants (56.2%) and local bank loans (51.4%).

Since most respondents were aware of at least one small business funding program, the question is: did they apply for any financing over the past year? About two-thirds of respondents to the nationwide 2021 Federal Reserve Small Business Credit Survey reported that they applied for some type of financing in the past 12 months. In contrast, only 31.0% of respondents to the 2022 Voice of the Entrepreneur survey indicated that they applied, and another 6.3% said that they had started a credit search or application process but didn't complete it. That difference between the nationwide and Inland Empire surveys could be due to the improving post-pandemic economy in 2022, or it could reflect that Inland Empire businesses simply have different experiences than those nationwide. We note that those Inland Empire entrepreneurs who had been operating their current business for more than 10 years were much more likely to have applied for financing

than those in business for 10 or fewer years (40.0% vs. 29.2%). Black/African American entrepreneurs were more likely to apply than White or Hispanic/Latinx entrepreneurs (40.5% Black/African Americans vs. 30.7% White and 33.9% Hispanic/Latinx).

When those who didn't apply (or didn't complete the application) were asked to provide reasons why, 49.5% said that it was not needed – they already had sufficient funding. The other 50.5% said that they needed funds but chose not to apply, the predominant reason being that they didn't want to accrue debt (38.9%) or didn't think their application would be approved (24.5%). A follow-up question clarified that 71.7% of those who didn't think their application would be approved attributed that feeling to weak business financials (a low credit score, too much debt, weak sales, etc.). Only 11.3% of those individuals had been denied financing previously.

Those who reported that they HAD applied for capital at some time in the past were asked to indicate the lending type they used. A national bank was used by a third of those individuals, about a quarter used a regional bank, and a quarter used friends and family as "lending sources."

Of course, not all applications resulted in receiving funds. About a quarter of entrepreneurs (24.7%) did not receive any funding for which they applied, 20.3% received some funding (but not as much as they desired), and 55.0% indicated that they were successful in accessing the funds for which they applied. As might be anticipated, the success rate was higher for those businesses that had been operating the longest, and those with a higher number of employees. The success rate was also higher for males than females (66.1% vs 43.9%) and for White-owned businesses (59.5%) than Latinx (55.0%) or Black/African American (44.4%). Focusing on the top three application sources: it appears that success rate was higher if applications were submitted at regional banks as opposed to national banks or friends and family (see figure below).

If you applied for capital in the past, which lending type did you use? Select all that apply /FIG 11.0

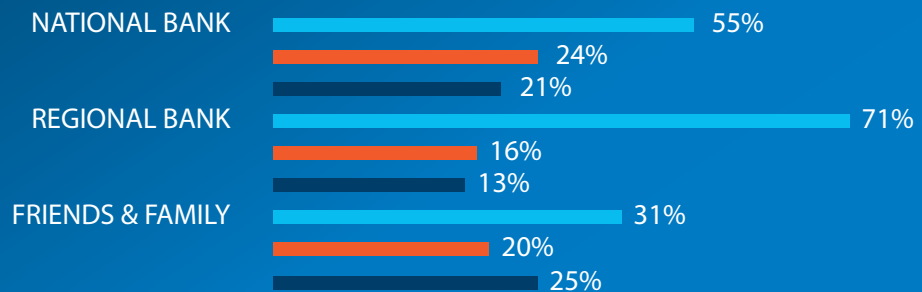
	Number of mentions	Percent of Respondents Who Answered
National bank	88	33.0%
Regional bank	68	25.5%
Friends and family	65	24.3%
Nonbank online lender/fintech company (e.g., OnDeck, Kabbage, Paypal, Square)	32	12.0%
Credit union	25	9.4%
Community development financial institute (CDFI)	16	6.0%
Business financial services company (e.g., payroll processing, merchant services, accounting)	15	5.6%
Nonbank finance company (e.g., mortgage companies, auto/equipment dealers, investment funds)	17	6.4%
Alternative financial source (e.g., payday lender, check cashing, pawn shop, money order/transmission service)	7	2.6%
Other	42	15.7%

NOTE: 267 people responded to this multiple response question. "Percent of respondents who answered the question," therefore, is > 100% since people were able to provide more than one answer.

NOTE: "Other" includes SBA loan, personal capital, or EIDL

Success Accessing Funds /FIG 11.1

Successful █
 Some Funding █
 No Funding █



PANDEMIC-RELATED FINANCIAL ASSISTANCE

The pandemic was devastating for the overall economy, and it hit small businesses particularly hard, especially customer-facing/personal services organizations which were forced to close or significantly adapt in order to slow the spread of the virus. Those businesses with less money available to them, fewer relationships with banks, and less experience in applying for loans or grants had the most severe negative financial impacts during the pandemic.

COVID relief programs for small businesses /FIG 12.0	Percent of Respondents Who are Aware	Percent of Aware Respondents Who Applied
Paycheck Protection Program (PPP)	83.9%	63.2%
Economic Injury Disaster Loan (EIDL)	53.7%	49.2%
California Relief grant	38.2%	30.3%
SBA debt relief	34.7%	14.3%
Local county small business grant	23.9%	17.7%
Local city small business grant	21.8%	10.7%
Grant from a nonprofit or foundation	18.6%	10.4%
Restaurant Revitalization Fund (RRF)	13.3%	0.8%
Loan from state/local government fund	12.2%	3.4%
Shuttered Venue Operators Grant (SVO)	10.0%	1.7%
Employee Retention Credit (ERC)	1.2%	1.4%
Other	3.3%	4.2%

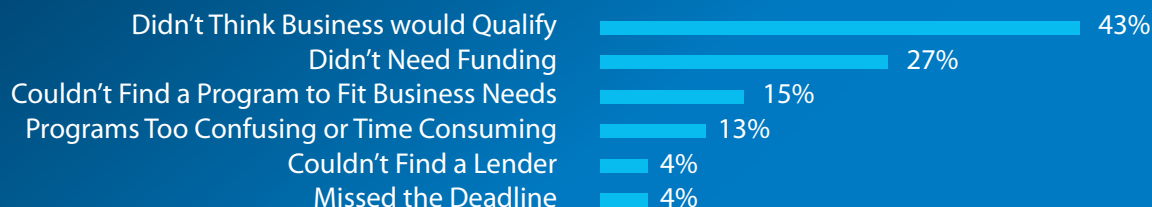
NOTE: 510 people responded to this multiple response question regarding awareness, and 356 responded that they had applied to one or more programs and specified which program. Thus percentages in the table are > 100% since people were able to provide more than one answer to each question.

Throughout the pandemic, an assortment of COVID relief programs for small businesses was publicized on the web, in newspapers, and in social media. The American public learned a large assortment of new acronyms: PPP, EIDL, RRF, SVO, etc. Yet amazingly enough, 19.1% of respondents were not aware of any of the COVID relief programs shown in question. And 43.4% said that they did not seek assistance through any of these programs.

The table left (FIG 12.0) shows the percentage of respondents who are aware

Reasons for not seeking pandemic-related financial assistance

/FIG 12.1



of each of the COVID-19 relief programs listed. It also shows the percentage of the “aware group” who actually applied for the grant. Clearly, the Paycheck Protection Program (PPP) is the best-known and most-applied-for of the relief programs presented. But was this \$800 billion program actually effective? Yes, but at a high cost. The National Bureau of Economic Research conducted an analysis which showed that only about a quarter of the money distributed nationwide went directly into wages that otherwise would have been lost (the main mission/ purpose of the program).¹⁰ The rest of the money went to business owners and shareholders for rent, utilities, and other expenses which helped keep businesses afloat.

The second most-often accessed program was the Economic Injury Disaster Loan (EIDL) program, a loan program with a relatively easy application process, low interest rates, a long repayment period, and no pre-payment penalties. This type of loan can be used by the owner to pay for operating expenses and business debt.

If an entrepreneur mentioned having applied for any of the above COVID programs, they were asked whether they were denied funding from any of the programs. The majority of applicants (68.9%) said that they were successful in accessing funds from at least one program. What were the reasons the other 31.1% of respondents were denied funding?

10. <https://www.nber.org/papers/w29669>

Most (51.4%) said they didn't qualify. Another group (16.8%) complained that loans favored existing bank customers at large banks, some (15.9%) couldn't find a lender to accept the application, and others (7.5%) had missing documentation that led to the denial. Unfortunately 8.4% said they had been approved but the program ran out of money before they received funding. And 7.5% said they simply "never heard back" with an explanation of why they were denied.

But what of the people who were aware of the programs but didn't apply for funding? What were the reasons why their business didn't seek pandemic-related financial assistance in the last 12 months (a multiple-response question)? For the most part, they simply didn't think the business would qualify for funding, or else they didn't need funding.

These were the same predominant reasons provided by respondents to the nationwide 2021 Small Business Credit survey.

WORKFORCE CHALLENGES

Public and private organizations spend a great deal of time and money recruiting and retaining the loyal and highly skilled employees who will help make the organization a success. The cost of filling jobs (recruiting and training employees) is high, but our survey shows that 44.5% of entrepreneurs have attempted to hire in the past 12 months (perhaps due to employee turnover or the need to grow the business now that the pandemic has eased). The vast majority of those respondents (85.6%) indicated that it has been "very difficult" (44.1%) or "somewhat difficult" (41.5%) to fill jobs. What is it about the applicant pool or hiring environment that has made it so difficult to fill jobs? Following are the responses to this multiple-response question:

60.8%: Applicants lack job-specific skills, education, or experience

55.0%: There are too few applicants

46.4%: Applicants want more money than we pay

27.5%: Competition from other employers

18.0%: Applicants want to work remotely

15.3%: Applicants want a more flexible work schedule than we offer.

Once a company goes through the difficult hiring process, they obviously want to retain the good employees they find. Yet according to a 2021 Bureau of Labor Statistics report, retention is a problem – the average annual turnover rate is approximately 57%.¹¹ Over the past year many businesses have been hurt by a rising quit rate dubbed the "great resignation" (employees who are willing to quit lower-paying jobs and accept jobs at companies willing to pay large hiring bonuses).

Most Voice of the Entrepreneur respondents (57.2%) said that they have found retaining employees to be "very" or "somewhat" difficult in this post-pandemic economy. Salary isn't the only thing that matters to employees anymore (although it certainly doesn't hurt). Employees want good career opportunities and development (training

What changes has your business made IN RESPONSE to the difficulty hiring or retaining workers?

Please select all that apply. /FIG 13.0

	Number of mentions	Percent of Respondents Who Answered
Increased wages or monetary incentives	133	68.2%
Increased efforts to find applicants through agencies, job fairs, advertising, etc.	64	32.8%
Increase the workload for other employees or owner	64	32.8%
Offered remote work or flexible scheduling for employees	40	20.5%
Reduced operating hours/services, turned down work, or temporarily closed the business	39	20.0%
Enhanced benefits or non-wage compensation	37	19.0%
Made hiring requirements less strict	36	18.5%
Invested in labor-saving technologies	32	16.4%
Other	23	11.8%

NOTE: 195 people responded to this multiple response question. "Percent of respondents who answered the question," therefore, is > 100% since people were able to provide more than one answer.

courses, mentorships, opportunity for advancement), recognition and a feeling of appreciation (whether monetary or experiential), and a company culture that values diversity, well-being, and purpose. If employees don't get what they want, some look for another job opportunity. Others engage in "quiet quitting" (doing the minimum requirements of the job and doing no more than absolutely necessary). This is a relatively new trend, with a 2022 Gallup survey saying that at least half of the U.S. workforce consists of quiet quitters and another 18% is actively disengaged ("loud quitters").¹²

Companies nationwide have found that they may have to make changes in response to the difficulties of hiring and/or retaining workers. Have our Inland Empire survey respondents made changes to match the non-monetary factors that many employees are looking for in a job? Based on responses to our survey from those having experienced difficulty hiring and/or retaining workers, it appears that many respondents have not "gotten the message." In fact, a small group (12.2%) said they had "made no changes" at all. Most of those who *have* made changes used increased wages or monetary incentives to help with hiring/retention. Relatively few offered the non-monetary options of remote work option or flexible scheduling.

Finally, looking toward the future, only 5.4% of entrepreneurs anticipate decreasing their workforce over the next 12 months. Nearly half (47.3%) anticipate an increase in the number of people employed, and 47.3% believe that the staffing levels will remain the same.

EXIT STRATEGY

When entrepreneurs start their business, they don't always think about an exit strategy for the future. Rather, they are more concerned about the short-term needs of creating a business plan, arranging funding, and gathering the talent needed to launch their business. Yet planning early and integrating an exit strategy into the business's vision and goals can result in better outcomes when exiting the business. And such a plan can assure investors that their losses will be limited if the business fails. Yet only 37.2% of respondents to the Voice of the Entrepreneur survey indicated that they have an exit strategy for their business.

There are a variety of possible exit strategies available, the most common being strategic acquisition, initial public offerings (IPOs), management buyouts, and selling to someone you know. Following are the exit strategies our survey respondents said they would "most likely use:"

39.4%: Merger and acquisition (merging with a similar company, or being bought by a larger company).

Typically, those who decide on a merger are individuals who anticipate continuing to have a role in the new company rather than relinquishing all control. With acquisition, the entrepreneur must be willing to cut ties with the business (and perhaps sign a non-compete agreement).

23.1%: Sell to a friendly individual, such as a family member. This strategy is usually appealing to people who want to groom their successor and, perhaps, stay involved in the business in some role after the sale and transition.

15.7% Liquidation and close. This strategy is used by those who want to end the business operation completely.

4.6%: Initial public offering. This strategy requires a great deal of time and money to implement and requires the willingness on the part of the entrepreneur to give up control of the business to stockholders.

In addition, 5.5% said they had a combination of strategies. Those individuals said that they can foresee selling the business either to a friendly individual OR through liquidation (e.g., "sell to another doctor," "sell to the highest bidder," "sell my client list to another firm," "sell within to new partners," "sell to current CEO").

11. <https://www.bls.gov/news.release/pdf/jolts.pdf>

12. <https://www.gallup.com/workplace/398306/quiet-quitting-real.aspx>

Very often this question is asked during job interviews since it allows the interviewer to determine whether the candidate will add value to the company.


 VOICE
OF THE
ENTREPRENEUR
2022 SURVEY

Everyone has at least one unique ability – at least one thing they are especially good at and have energy for. It can be useful for entrepreneurs to look inward and identify and develop their own unique abilities/superpowers so that they can better focus on their strengths and delegate other tasks to others. With this in mind, the Voice of the Entrepreneur survey included the following question: “If you could have one “superpower” as an entrepreneur, what would it be?” Among the

amazing array of responses, the one that stood out most (mentioned by 12.8% of respondents) relates to the complaint that entrepreneurs need more time and more energy. They said they wanted the ability to “clone” themselves (or “get another me to help”) and to be able to be in multiple places at once or teleport to avoid travel time.

WHAT IS YOUR
SUPERPOWER?

Verbatim comments include:



To make myself obsolete in the business so it runs without me. The business is only valuable to a buyer with a solid team in place that can run it without the owner turning the crank.

HAVING AN UNLIMITED AMOUNT OF TIME/ENERGY TO LEARN, DO, AND SPEND TIME WITH FAMILY OR RELAXING.

More time. As an entrepreneur, especially a new one, I do it all. I'm the Research and Development department, CFO, COO, Maker, Salesman, and Advertising Team. I know that there is more I could accomplish if my body didn't need sleep."

The ability to clone myself. I need people with my skillsets or subsets of them who are also motivated and take initiative rather than do the least and expect high compensation for low engagement.

LIMITLESS TIME. MY TEAM AND I HAVE THE EXPERTISE TO PROVIDE RESULTS TO CLIENTS. HOWEVER, TO KEEP COSTS DOWN AND BECAUSE WE ARE A "BOUTIQUE" AGENCY, SERVING EXISTING CLIENTS CUTS INTO MY ABILITY TO DELIVER PROPOSALS ON TIME TO SALES LEADS.

My "superpower" would be to not have to sleep or rest. This way I would have more time to work toward my goals as an entrepreneur.

To find a qualified helper with the same experience and the same attitude that I have – in other words, somebody like me.

Teleportation. Drive times in the whole area keep increasing and take time away from my work. Just being able to teleport would remedy that.

I want the ability to be everywhere at once, because you constantly have to choose one thing over another.

The ability to duplicate myself.



Another set of superpowers (mentioned by 11.2% of respondents) was the ability to have the “30,000 foot perspective” (the “big-picture perspective” of the business and overall economy), and the related ability to “see the future.” Following are samples of some verbatim quotes from respondents:

Being able to see potential problems so I can solve them beforehand

Ability to see the ‘future’ in order to create ‘the next new thing’ everyone will want.

Being able to predict the ebbs and flows of my business in order to stay ahead of and/or capitalize on the market.

I WANT TO KNOW WHAT IS COMING SO A PROPER DECISION CAN BE MADE ON HOW TO BEST TO RESPOND TO INTERNAL AND EXTERNAL SITUATIONS



Know the right time to take risks

I'D WANT TO BE ABLE TO SEE ALL THE DIFFERENT POSSIBILITIES FOR MY BUSINESS'S FUTURE. THINK OF HOW DR. STRANGE CAN SEE EVERY DIFFERENT OUTCOME OF A SITUATION BEFORE MAJOR CHOICE IS MADE. THAT'S THE ABILITY I'D WANT FOR MYSELF AS AN ENTREPRENEUR

I would like the power of perfect timing, like knowing to buy Bitcoin when it was a few hundred dollars, or investing in that small company working out of their garage building computers.

Risk management. Meaning the ability to look into the future and be able to see where the lulls in the economy will be so that we have enough heads up to make sure there is enough capital on hand to weather the storm.



Excellent skills in communication, motivation, leadership, and empathy were also desired superpowers (mentioned by 8.8% of respondents). They said:

Better communication skills so I could convey the vision of the company and have the ability to motivate and inspire others and to share all of my years of knowledge & experience so others can benefit.

I WOULD LIKE TO MOTIVATE AND INSPIRE ALL WHO I COME IN CONTACT WITH TO ELIMINATE FEAR AND HELP THEM PURSUE THEIR PASSIONS

To be able to change to way people think about new ideas

I want the ability to be everywhere at once, because you constantly have to choose one thing over another.

Better motivator for staff

Connectivity - the ability to connect, bring together, motivate, move, promote, inspire people to get enrolled in our vision and act upon it.

To be able to convey my message effectively

Help employees to see a clear vision of where we are headed, and keep them motivated to be part of it, while executing with 100% extreme ownership of the job requirements.... all while adding the awesome "sauce" of passion and purpose on top of that.

Create a super culture for the employees of my business such that they all felt as if they have ownership and value as a critical team member while offering customers unmatched knowledge and professionalism.

The ability to inspire. I feel when one can truly inspire others in an authentic manner with a focus on the greater good for all, they have the power to open doors to so much more support, energy, productivity, vision, connection, and success.

Another large category of superpowers is the power to have all the necessary knowledge about a variety of business functions: general management, marketing, purchasing, finance, the legal aspects of business, networking, human resources, online expertise, dealing with new technology, etc.

For example:

Ability to find capital for big vision projects or even first seed capital

Generate income to pay for all the professional skills that I do not have.

Ability to understand legal issues regarding business formation, taxes, etc. Doing the actual work is easy, making sure all the paperwork is in order is hard.

A COMPUTER BRAIN ALL-KNOWING TO BYPASS THE LEARNING CURVE. KNOWING ALL THE MARKETING, FINANCING, NETWORKING (AND MORE) THINGS WE NEED IN BUSINESS

Connections or a strong business network

THE ABILITY TO SUMMON A SUPERGROUP THAT WOULD HAVE THE POWER (KNOWLEDGE, AUTHORITY, FINANCIAL MEANS, AND SKILLS COLLECTIVELY) TO RESOLVE ANY AND ALL ISSUES THAT AN ENTREPRENEUR WOULD ENCOUNTER

Putting together the perfect team that is totally in sync with a company's vision and is as committed to and works just like an entrepreneur!

Social Media skills

Ability to teach young adults the value of morals, sticking with a job, not to gossip and cause havoc at work. Show up before their start time and be prepared to work with a great attitude.



In addition to the above major categories, there were some mentions of desiring socially conscious superpowers, i.e., the power to help others:

I would want to be a super entrepreneur that helps at-risk people who want to go into social entrepreneurship (helping people with disabilities, varied backgrounds, diverse students).

TO ENABLE PEOPLE TO REACH FURTHER THAN THEY CAN SEE AND ACHIEVE THEIR GREATEST POTENTIAL

I would like to be able to solve the majority of problems currently existing for minorities

End systemic racism, rescue the children at the border, educate anti-vaxers and open a Ukrainian orphanage.

Help other entrepreneurs

The ability to reach thousands of children who don't have access to books, educational resources to flourish into a literate and imaginative person.

I want to have the power to give back to the community

The ability to create a humanitarian effort for disenfranchised youth that would be a benefit to them that translates to sponsorship monthly they, in turn, will create #JoyAndJobs through CSR (corporate social responsibility).

I would take a superpower to get a group of cities to take a lasting interest in regional problems that can't be quantified to the neighborhood level.

The power to let people see their potential with clarity



VOICE

OF THE

ENTREPRENEUR

2022 SURVEY

Concluding Comments

This report has “given a voice” to Inland Empire entrepreneurs, some of whom said in a final survey question that they very much appreciate the assistance from resources such as the SBDC of the Inland Empire and Orange County, SCORE, and the Women’s Business Center. But not all of the comments were positive. Several people mentioned their perception that California is not a business-friendly environment due to HR requirements, high taxation and cumbersome (and non-intuitive) reporting requirements.

One respondent captured an important bottom line question: “How will results of this be used to improve the small business climate in the Inland Empire especially in light of the aging population, changing demographics and growth of this Inland Empire region?” We don’t have the definitive answer to that question. What we DO know is that our entrepreneurs need help. They need capital to help recover from COVID-19 slumps. They need strategies to succeed in the face of what they term “unappealing” labor laws and government regulations. They need guidance and support from small business organizations and Chambers of Commerce. They need to understand what types of help and local assistance are available for small business owners who wish to grow their business. And they need seminars/workshops about grant writing, marketing, effective use of social media, filing returns and dealing with taxes, and a host of other topics. Hopefully by highlighting these needs in this report, public and private organizations will come to the rescue to provide that assistance, and the small business climate WILL improve. As mentioned earlier in this report, hopefully the survey results will provide insight to local policy makers on how they can best understand and support entrepreneurs in the future.

As one entrepreneur said in his concluding comments:

“This is the hardest and most rewarding thing I have ever done.”

We hope that this report will help by shining a light on the entrepreneurial sector and the challenges (as well as the joys) of being an entrepreneur.



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Business and Public Administration

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WE DEFINE THE *Future*

INLAND EMPIRE REGIONAL ANALYSIS



Examination of the Entrepreneurial Landscape

This regional analysis offers a comprehensive examination of the entrepreneurial and business landscape of the Inland Empire region, with a focus on various factors such as existing business establishments, new business applications, population growth, human capital, and sector composition.

Notably, this analysis highlights the critical role of micro and small businesses in driving the Inland Empire economy in the following five areas:

- 1/ **Regional Business Overview:** Businesses Establishments Growth & Businesses by Size and Annual Revenue
- 2/ **Regional Entrepreneurial Activity:** New Business Application & New Business Density
- 3/ **Regional Population Growth:** Inland Empire Population Growth & Top Cities by Population Growth
- 4/ **Regional Human Capital**
- 5/ **Regional Sector Composition:** Regional Business Distribution & Regional Employment Distribution

REGIONAL ANALYSIS

INLAND REGIONAL ANALYSIS

While the Inland Empire has experienced 2.5% growth in its total number of business establishments, the rate is slower compared to California and the national level.

In 2021, new business applications in the region surged by 12,140 (26.9%) to reach 57,175, indicating a strong potential for business formation and growth.

The new business density indicator has also been catching up, currently standing at 20, compared to 21 for California and 26 for the U.S. Despite California's population experiencing a decline, the Inland Empire's population grew by 0.35% since 2021, reaching a total of 4,623,190 in July 2022. This population growth offers a strong foundation for new business formation as demand for goods and services increases.

Additionally, the analysis utilizes the Location Quotient (LQ) analysis, which reveals Manufacturing, Transportation and Warehousing, Retail, and Construction as the top four sectors in terms of business establishment concentration compared to the national level. In terms of employment concentrations, Transportation, Construction, Administrative Services, and Accommodation are the top four sectors.

REGIONAL BUSINESS OVERVIEW

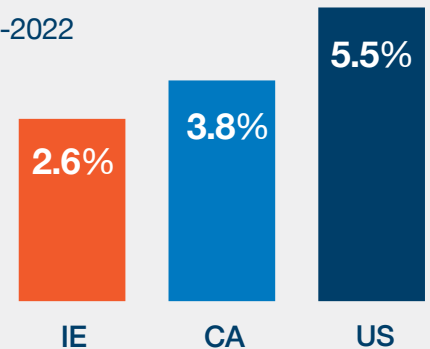
Businesses Establishments Growth

DATA SOURCE: The data for business establishments are from U.S. Bureau of Labor Statistics.

RESULT: The chart below depicts the growth rate of total business establishments in the Inland Empire, California, and the United States. As of the second quarter 2022, the total number of business establishments in the Inland Empire reached 144,800 (rounded to the nearest thousands), reflecting a growth rate of 2.6%. This growth rate is lower than the corresponding figures of 3.8% for California and 5.5% for the United States. While the Inland Empire has experienced some growth in its business establishments, the slower rate of expansion relative to the state and national levels suggests that there may be unique challenges or limitations facing the region's business community. Further analysis and targeted support may be necessary to promote continued growth and development in the Inland Empire.

Growth Rate of Business Establishments

2021-2022



Businesses by Size & Annual Revenue

DATA SOURCE: The data for business establishments are from the Reference Solution Database.

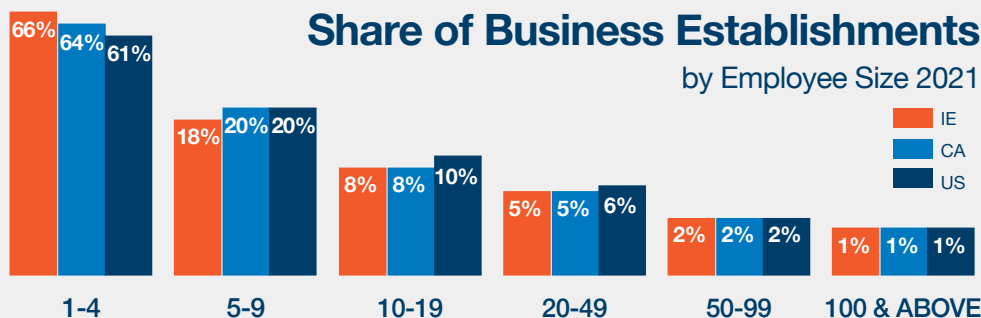
RESULT: The graphs below illustrate the breakdown of Inland Empire business establishments by employee size and annual revenue in 2021. Notably, micro-businesses with fewer than 5 employees account for 66% of all establishments in the region. This percentage is higher than the corresponding figures of 64% for California and 61% for the United States as a whole.

Furthermore, when considering annual revenue in 2021, Inland Empire has a larger proportion of business establishments that make less than \$500,000, with a figure of

50% compared to 45% for California and 48% for the United States. This highlights the importance of micro-businesses in the Inland Empire region and underscores the need for targeted policies and support for this segment of the business community. Further, this highlights a significant gap in the region. Generally, microenterprises represent necessity entrepreneurship as opposed to opportunity entrepreneurship. As is noted in our Key Indicators of Entrepreneurship, the Inland Empire region is lagging in the creation of opportunity ventures, which most often have the potential for scale and growth beyond the microenterprise level, resulting in the creation of numerous jobs.

Share of Business Establishments

by Employee Size 2021



REGIONAL ENTREPRENEURIAL ACTIVITY

New Business Applications

Examining new business applications is a useful way to gain insights into the entrepreneurial landscape of a region. New business applications can be used to track trends in business formation and help identify shifts in the entrepreneurial landscape and provide early warning signs of economic downturns or other challenges. A growth in new business applications can signal strong prospects for healthy business growth in the future. In this part of the regional analysis, we examine new business applications as a tool for anyone interested in understanding the entrepreneurial climate and economic prospects of the inland empire region.

DEFINITION: Business Applications Data includes all

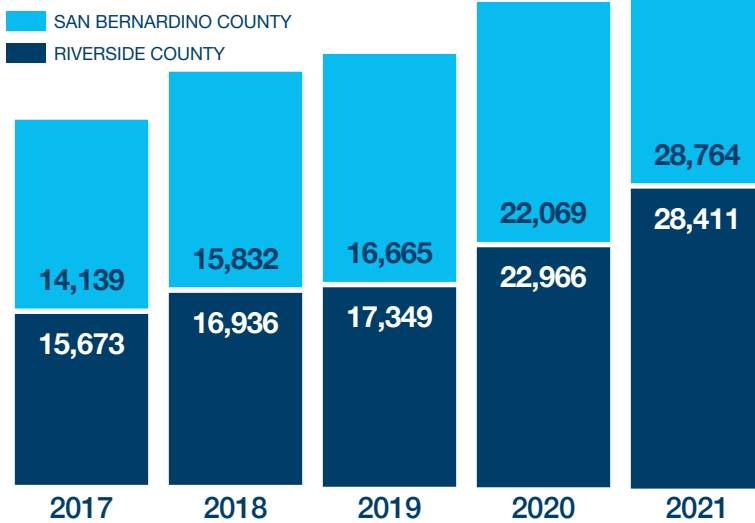
Employer Identification Number (EIN) applications, except for those related to tax liens, estates, trusts, or certain financial filings, as well as applications with no state-county, geocodes, applications from certain agricultural and public entities, and applications in certain industries such as private households or civic and social organizations.

DATA SOURCE: U.S. Census Bureau, Business Applications for the United States.

RESULT: From 2017 to 2019, around 30,000 new business applications were coming in each year in the Inland Empire region. This figure surged more than 32.4% to 45,035 in 2020. New business applications then jumped by 12,140 applications (26.9%) in 2021, to reach 57,175.

IE New Business Application

2017-2021

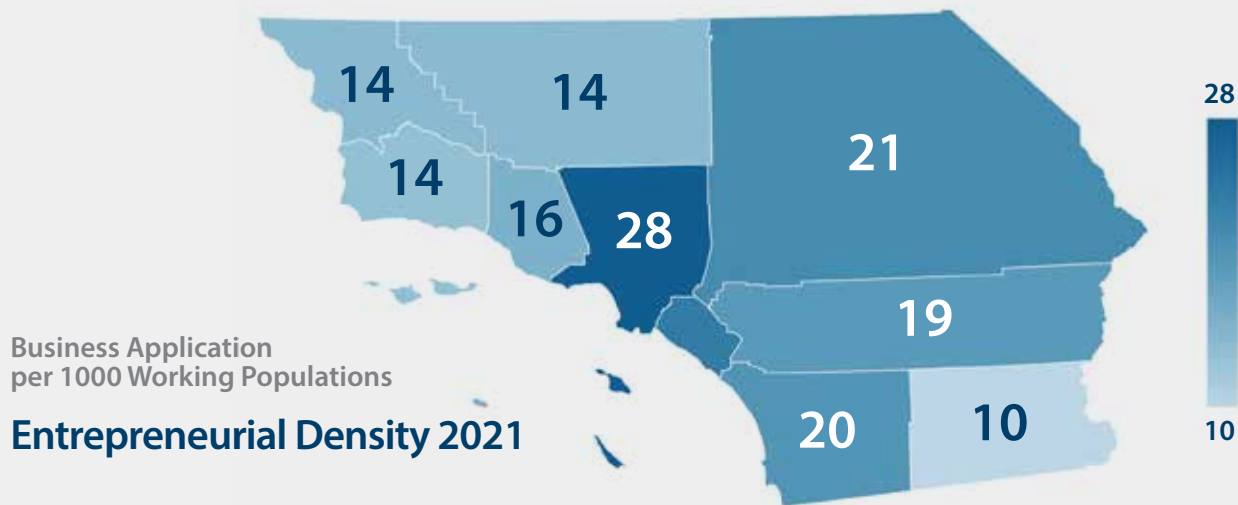


New Business Density

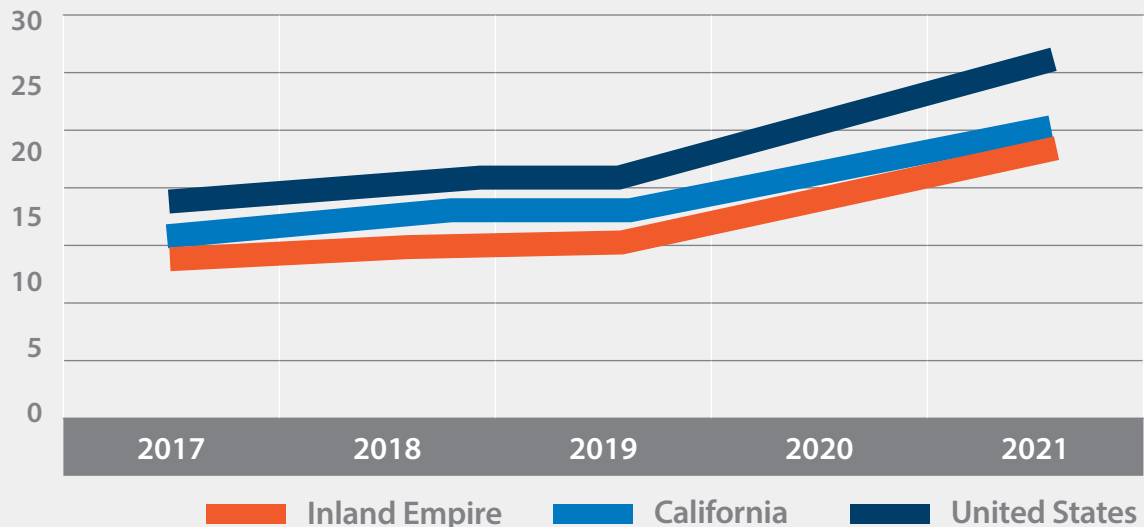
DEFINITION: We measure new business density as the total number of new business applications of the Inland Empire region per 1,000 people aged 18-64. It is one of the indicators for entrepreneurship and business development in a region.

DATA SOURCE: New business application data are from U.S. Census Bureau, Business Applications for the United States. The population data are from U.S. Census Bureau, National Population by Characteristics.

RESULT: The heat map below displays the density of new business applications in Southern California in 2021. Los Angeles County has the highest density of new business applications, San Diego County ranked No.2 with 23 new business applications per 1000 working population. Within the Inland Empire, San Bernardino County boasts a higher density of new business application, with 21 compared to Riverside County's 19 suggesting a greater level of entrepreneurial activity in San Bernardino County in 2021.



New Business Density (2017-2021):



REGIONAL POPULATION GROWTH

Population growth plays a significant role in shaping entrepreneurial activities and the regional economy. A growing population increases the demand for goods and services, which creates opportunities for entrepreneurship and business growth. Additionally, population growth can attract new businesses to the area, creating new jobs and increasing economic activity. Therefore, in this regional analysis, we examine population growth trends in the Inland Empire to offer insights into the region’s business and entrepreneurial landscape.

Inland Empire Population Growth

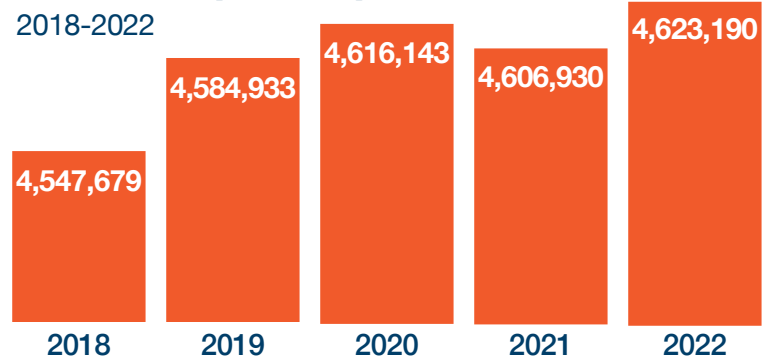
DATA SOURCE: County and city-level population data for Inland Empire are from California Finance Department. Data for U.S. and California are from U.S. Census Bureau.

METHOD: The growth rate is calculated by dividing the difference between the ending and starting year population and dividing that by the starting year population.

RESULT: From 2018 to 2022, the population in the Inland Empire region experienced a steady increase, with a slight dip from 2020 to 2021. However, by 2022, the population in the Inland Empire has rebounded and reached a total of 4,623,190, representing a 1.66% increase from 2018.

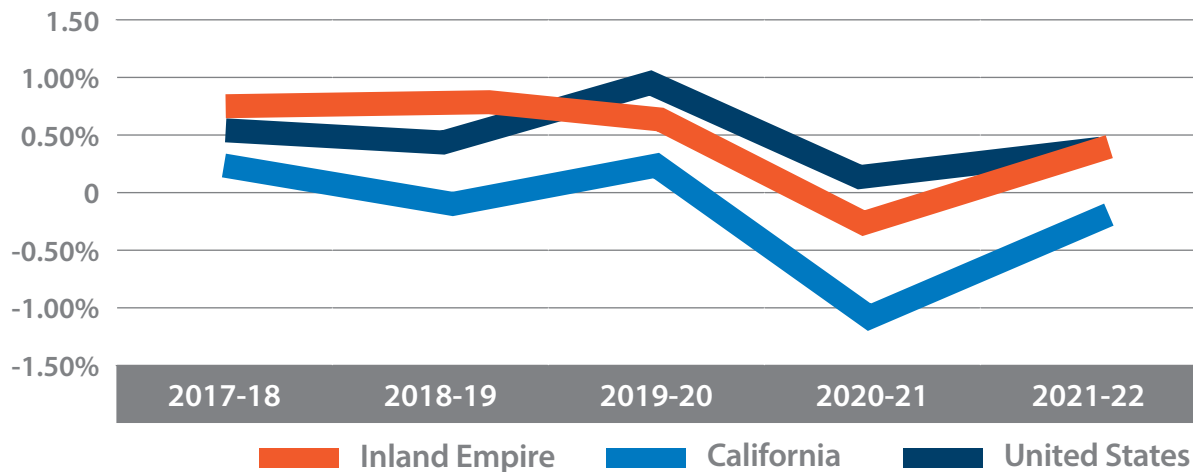
Inland Empire Population

2018-2022



The growth rate of the population in the Inland Empire over the past five (5) years has followed a similar pattern as that of California and the United States. In California, the population saw a decrease of 0.29% since 2021, reaching 39,029,342 in July 2022, largely due to net domestic outmigration. This decrease follows a dip of 1% between 2020 and 2021. The growth rate of the population in the Inland Empire also experienced a dip of -0.2% between 2020 and 2021, however, it has since rebounded with an increase of 0.35%, reaching a total of 4,623,190 in 2022.

Population Growth Rate:



Top Cities by Population Growth

The graph depicts the cities with the fastest population growth rate in the Inland Empire region from 2021 to 2022. Calimesa in Riverside County boasts the highest growth rate, reaching 3.37%. Meanwhile, Menifee and Chino hold second and third place, with population growth rates exceeding 2%. Out of the cities listed in the top 10, four (4) are located in San Bernardino County and the remaining six (6) are in Riverside County.

Top 10 Fastest Growing Cities

RANK	CITY	COUNTY	2021 POPULATION	2022 POPULATION	POPULATION GROWTH
1	Calimesa	RIVCO	10,544	10,899	3.37%
2	Menifee	RIVCO	103,617	106,627	2.90%
3	Chino	SBCO	89,824	91,998	2.42%
4	Riverside	RIVCO	312,789	317,847	1.62%
5	Ontario	SBCO	176,689	179,516	1.60%
6	Norco	RIVCO	24,563	24,909	1.41%
7	Fontana	SBCO	209,889	212,809	1.39%
8	Victorville	SBCO	134,700	136,561	1.38%
9	Lake Elsinore	RIVCO	70,891	71,615	1.02%
10	Rancho Mirage	RIVCO	16,650	16,804	0.92%

INLAND REGIONAL ANALYSIS

Regional Human Capital

Human capital is a crucial factor in determining regional entrepreneurial activity and business formation. Understanding the educational attainment of the Inland Empire's population can help not only officials but also entrepreneurs, investors, and other stakeholders make informed decisions about resource allocation and what opportunities to pursue in the region.

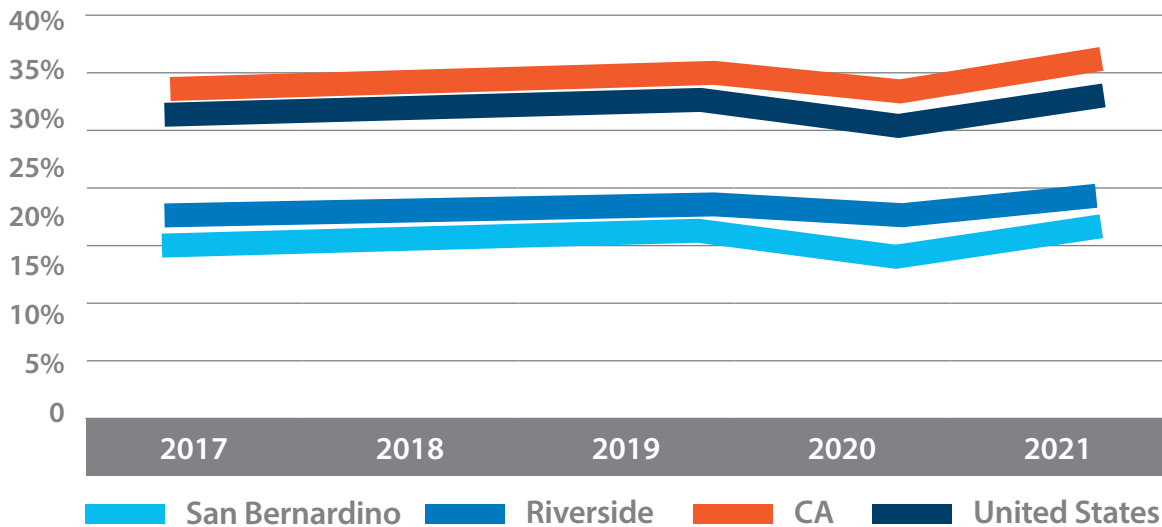
DEFINITION: Educational attainment refers to the highest grade level or degree that an individual has completed. (The data shown here only includes the population aged 25 and over.)

DATA SOURCE: Education attainment data are from U.S. Census Bureau.

RESULT: Human capital is commonly measured as the percentage of adults aged 25 or older who hold a bachelor's degree or higher. According to the following chart, educational attainment in the Inland Empire has been on the rise since 2017. However, the region's educational attainment levels remain significantly lower than both California and the national average. As of 2021, the percentage of the population holding a bachelor's degree or higher was 24% for San Bernardino County and 23.3% for Riverside County, compared to 36.2% for California and 35% for the entire United States.

Highly skilled human capital is a critical driver of regional business and economic growth. The relatively lower levels of educational attainment in the Inland Empire may pose limitations to entrepreneurial activity and business growth in the region. As such, emphasizing education and promoting policies that increase access to higher education in the Inland Empire are critical steps in improving the region's human capital and strengthening its entrepreneurial and economic prospects.

Educational Attainment (2017-2021):



Regional Sector Composition³

Sector specializations are crucial in establishing the identity of a region. For instance, Silicon Valley is renowned as a leading hub in the technology industry due to its high concentration of businesses and employment opportunities in the information and technology sector. To understand the sector composition of the Inland Empire region, we have employed the Location Quotient (LQ) method. LQ allows us to compare the sector composition of a specific area to that of the nation. This tool provides valuable insights into the sectors that are truly specialized and unique to the regional economy of the Inland Empire.

BUSINESS DISTRIBUTION & TREND

DEFINITION: Location quotient based on business distribution describes how businesses in the Inland Empire region distribute in all sectors compared to the national level. An LQ of 1.0 in a sector means that the region and the nation are equally specialized in that specific sector.

OPERATIONALIZATION:

We calculate Business LQs as the following:

$$\text{Business LQ}_i =$$

$$\frac{\text{Regional Total Business in Sector } i}{\text{Regional Total Businesses}}$$

$$\frac{\text{U.S. Total Businesses in Sector } i}{\text{U.S. Total Businesses}}$$

Original data are from the Reference Solution database, and the industry information is classified according to North American Industry Classification System (NAICS).

RESULT: The table below provides an overview of the top five (5) business Location Quotients in the Inland Empire region for 2021. The results reveal that the manufacturing sector holds the highest LQ of 1.9, with a total of 5,289 businesses in operation. This high concentration of manufacturing businesses in the Inland Empire compared to the national average suggests that the region is highly specialized in this sector.

The transportation sector also demonstrates a significant concentration, ranking second with an LQ of 1.5. The retail and construction industries follow closely behind, with LQ values of 1.3 and 1.2 respectively. These results suggest that the Inland Empire economy has a clear specialization in several key sectors, including manufacturing, transportation, retail, and construction.

Top 5 Business LQ in Inland Empire 2021

NAICS	SECTOR	LQ	TOTAL NUMBER OF BUSINESSES
31-33	Manufacturing	1.9	5,289
48-49	Transportation and warehousing	1.46	4,218
44-45	Retail	1.24	20,740
23	Construction	1.1	11,737
53	Real Estate and rental and leasing	1.06	8,307
42	Wholesale Trade	1.06	4,881

INLAND REGIONAL ANALYSIS

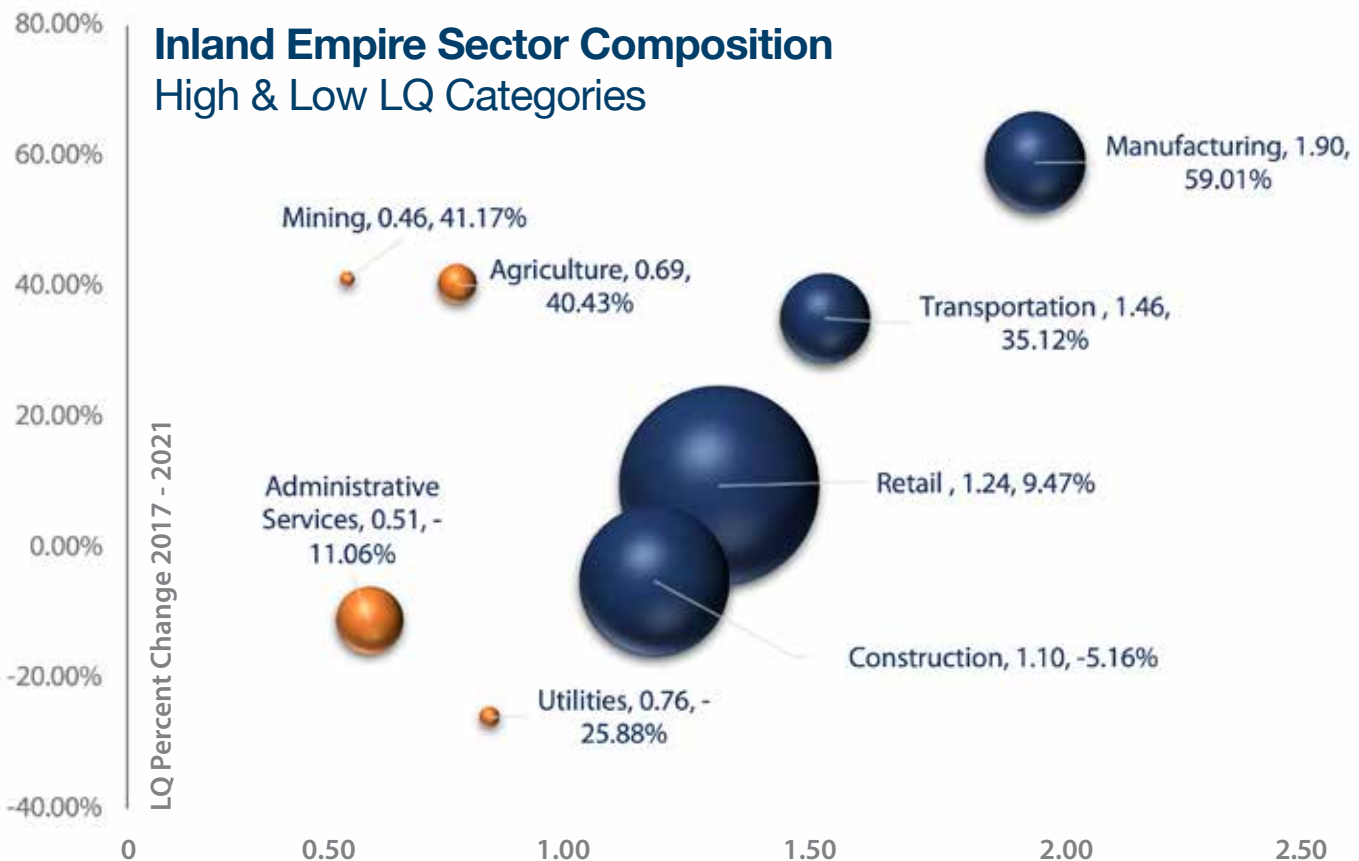
To get an in-depth insight into the sector composition in the Inland Empire region, a bubble chart was created to depict both the current level of LQ and the trend in past years for the top 4 LQ sectors and the bottom 4 LQ sectors. The chart allows for a visual representation of the relationship between the LQ in 2021, changes in LQ from 2017 to 2021, and the total number of businesses in a particular industry in 2021. The horizontal axis of the bubble chart represents the LQ in 2021, while the vertical axis shows the changes in LQ from 2017 to 2021. The size of the bubble represents the total number of businesses in a particular industry in 2021.

The findings from the bubble chart analysis reveal that the manufacturing sector in the Inland Empire is not only the most concentrated sector in the region, but it has also demonstrated substantial growth over the years. The location quotient for the manufacturing sector has increased by 59% since 2017, making it one of the fastest growing sectors in the region.

Additionally, the transportation and warehousing industry has a high level of concentration, with a growing trend in the LQ over time. This suggests that the Inland Empire region may continue to be a hub for warehousing and transportation for the foreseeable future.

On the other hand, the administrative services and utilities sector has a low level of concentration and a declining trend in the LQ, which indicates that these sectors are less competitive in the Inland Empire region as compared to the national level and are becoming less competitive over time.

Despite being a small part of the regional economy, the mining and agriculture industries have shown an upward trend in LQ since 2017, increasing by over 40%. This growth trend suggests that these industries could potentially play a more significant role in the economy of the Inland Empire in the future.

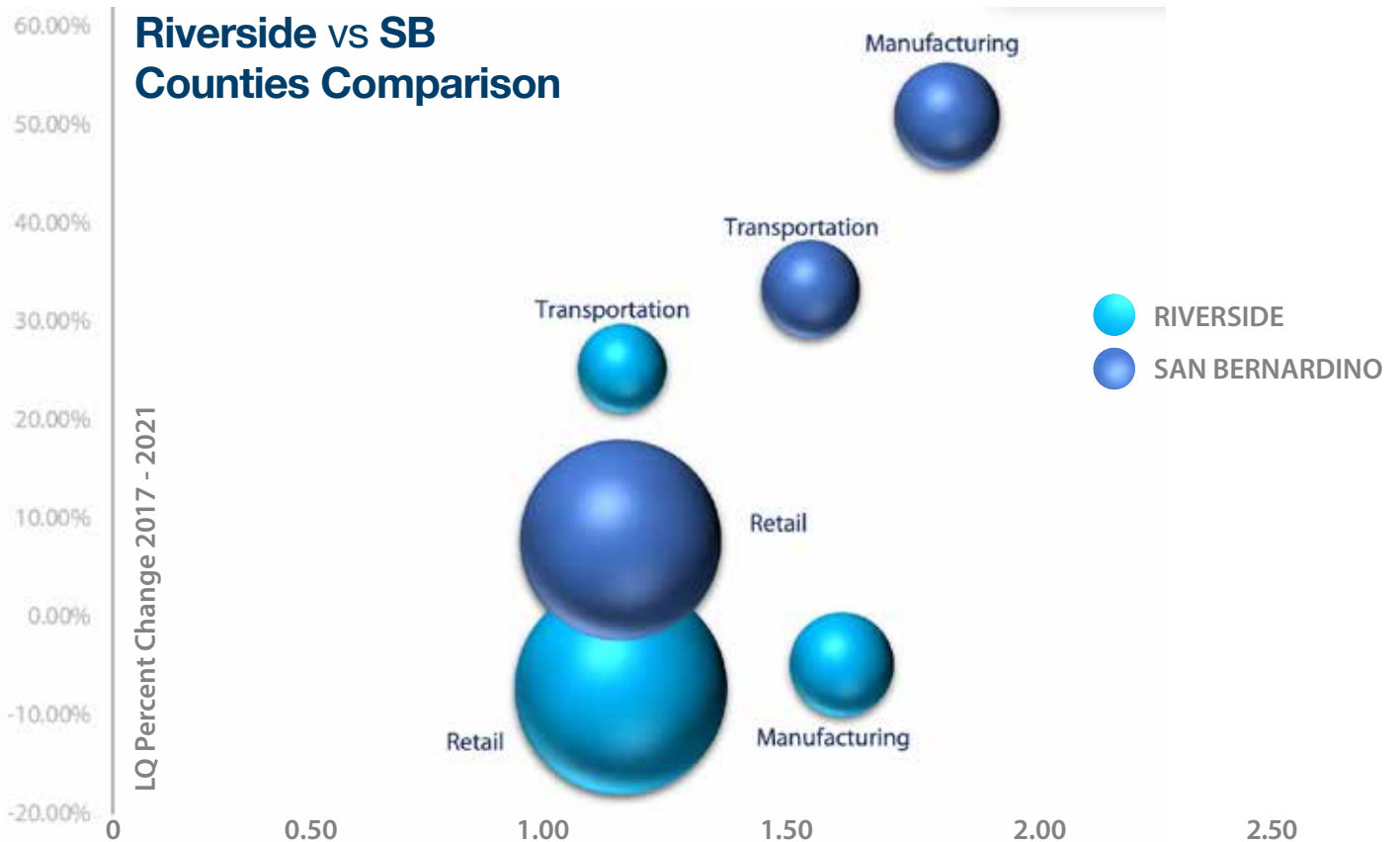


FINDINGS

Manufacturing, Transportation, and retail are the top 3 sectors with highest business LQ in San Bernardino County. The bubble chart below shows the comparison between the two counties in these sectors.

San Bernardino County has a higher concentration of businesses in both the Manufacturing and Transportation and Warehousing sectors compared to Riverside County, with higher LQs and increasing trends since 2017. On the other

hand, Riverside County has more business establishments in the Retail sector with 10918 establishments in 2021 compared to 9822 in San Bernardino County. However, Riverside County's business LQ in the Retail sector has decreased by 7.21% since 2017, indicating a declining trend in this sector. Meanwhile, San Bernardino County has demonstrated an increasing trend in its concentration in the Retail sector, with a LQ increase of 7.85% since 2017.



INLAND REGIONAL ANALYSIS

Employment Distribution

DEFINITION: Location quotient based on employment compares the employment distribution by sectors in the Inland Empire region to the distribution at the national level. Employment LQ provides a workforce-oriented perspective on the regional economic composition.

OPERATIONALIZATION:

We calculate Employment LQs as the following:

$$\text{Employment LQ}_i =$$

$$\frac{\text{Regional Employment in Sector } i}{\text{Regional Total Employment}}$$

$$\frac{\text{U.S. Employment in Sector } i}{\text{U.S. Total Employment}}$$

RESULT: The table below depicts the leading five (5) Employment Location Quotients (LQ) in the Inland Empire region for the year 2021. As per the analysis, employment opportunities in the region are concentrated in the transportation, construction, and administrative services sectors in comparison to the national average.

Original data from the U.S. Bureau of Labor Statistics.

Top 5 Employment LQs in Inland Empire 2021

NAICS	SECTOR	LQ	TOTAL NUMBER OF BUSINESSES	EMPLOYMENT GROWTH
1	Transportation	2.97	189,967	15.88%
2	Construction	1.38	109,530	4.81%
3	Administrative Service	1.17	113,877	10.62%
4	Accommodation	1.09	142,479	12.08%
5	Wholesale	1.08	66,145	3.49%

The analysis of Employment LQs in the Inland Empire region reveals that transportation, construction, administrative services, and accommodation are the top four (4) sectors in terms of employment concentration compared to the national level. The bubble chart below presents a visual representation of the top and bottom four employment LQs in the region.

The horizontal axis of the chart displays the Employment LQs in 2021, the vertical axis showcases the employment size growth from 2020 to 2021, and the size of the bubble indicates the total number of employees in a particular sector in 2021. It is noteworthy that the transportation sector is

particularly prominent in the Inland Empire region, with an employment LQ of 2.97, which means the employment concentration in this sector is 2.97 times greater than the national average.

On the other hand, the technology and information sector, mining, finance, and management of companies are the sectors with the lowest Employment LQs in the region, indicating that the employment share in these sectors is significantly lower than the national average. The employment size in the mining and information sectors is growing, the finance and management of companies' sectors are experiencing a decline in employment size from 2020 to 2021.

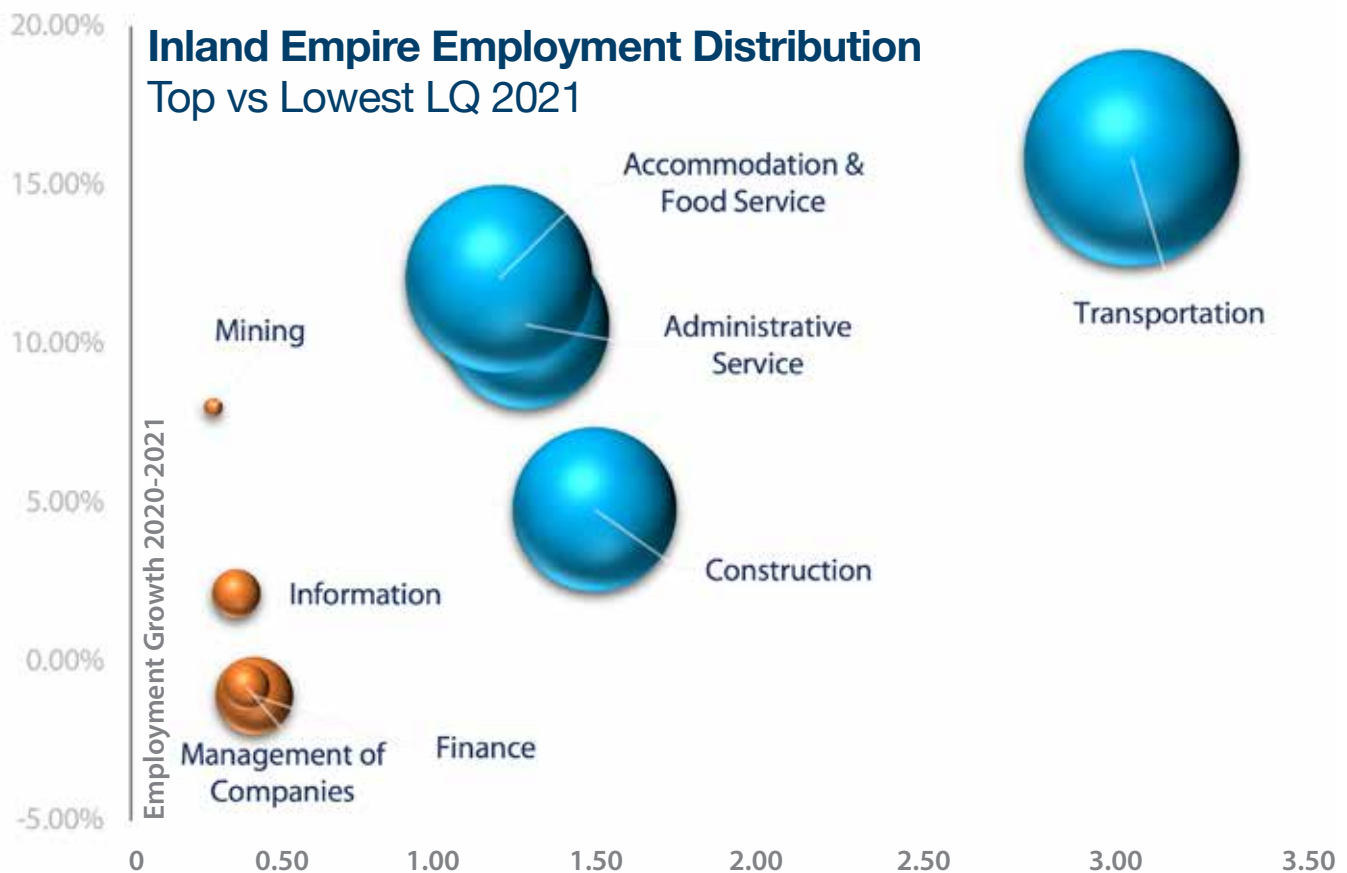
FINDINGS

The employment trends in the Inland Empire region are dominated by the Transportation, Construction, and Administrative Services sectors – the bubble chart below is a comparison between San Bernardino County and Riverside County in these three (3) sectors. The employment in the Transportation sector is growing at a similar rate in both counties, with growth rates of 15.79% and 15.93% in Riverside and San Bernardino counties, respectively. However, the concentration of employment in this sector is higher in San Bernardino County, with an LQ of 3.68 compared to 2.18 in Riverside County. Additionally, San Bernardino County has a larger employment size in this sector, with 68,715 total employees in 2021.

On the other hand, Riverside County is more concentrated in the Construction sector, with a higher LQ, larger employment

size in 2021, and a higher growth rate of employment from 2020 to 2021.

The analysis of Employment LQ in the Inland Empire region highlights the specialized industries of Riverside and San Bernardino counties. San Bernardino County demonstrates a higher concentration in the transportation sector, characterized by a high Employment LQ (3.68) and a large total employment size (68,715). On the other hand, Riverside County has a higher concentration in the construction sector, with a high Employment LQ, larger employment size in 2021, and a higher employment growth rate from 2020 to 2021. These differences in industry specialization indicate the diverse economic landscape of the Inland Empire region.



● RIVERSIDE
● SAN BERNARDINO

FOCUS GROUP PERSPECTIVES



Focus Group with Inland Empire Entrepreneurs

In order to supplement the data provided through the *Voice of the Entrepreneur Survey*, faculty from the CSUSB School of Entrepreneurship conducted a series of focus group sessions to gain a unique insight into the experience of local entrepreneurs, free from the structured and focused format offered by our survey. Each focus group session duration was approximately 90 minutes, and a range of issues was discussed.

The primary intent of the focus group sessions was to:

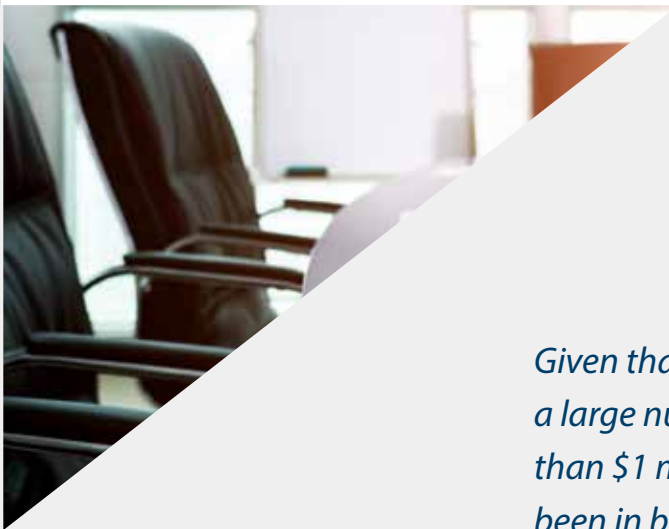
- A/ Gain a better understanding of the challenges and opportunities that Inland Empire entrepreneurs face in operating their businesses.
- B/ Explore with the participants what factors, environmental conditions, support structures, and policies would need to be in place for an “entrepreneurial utopia” to exist in the Inland Empire region.

Overall, the goal was to allow each participant to offer their own unique perspective on the real-life experiences of entrepreneurs and provide a glimpse into what they believed would make California’s Inland region better positioned for entrepreneurial growth, job creation, and positive economic impact.

FOCUS GROUP PERSPECTIVES

Our focus group findings are conducted in accordance with the regulations of CSUSB's Institutional Review Board (IRB). IRB regulates and oversees protocols designed to protect participants from any harm that might result from participation in research studies.

As a result, participants' identities are removed and kept confidential by the research team. While the following data uses direct quotes from participants, each entrepreneur is given a unique ID to protect their anonymity.



Given that the Voice of the Entrepreneur Survey generally includes a large number of smaller entrepreneurial ventures (revenues less than \$1 million annually), we aimed to recruit participants that had been in business for at least 5 years and a minimum of \$5 million in annual revenues.

This allowed us to gain a diverse set of entrepreneurial perspectives based on the size and complexity of the business. Using a list of entrepreneurs known to the Inland Empire Center for Entrepreneurship (IECE) and the School of Entrepreneurship, a total of 49 entrepreneurs were recruited to participate in the focus group.

From that group, a total of 18 participants – all headquartered in the Inland Empire (including Coachella Valley) – attended one of four focus group sessions that

took place face-to-face or via Zoom during the month of January 2023. All participants were founders and/or primary decision-makers in their firms; of the 18 participant entrepreneurs, 5 were female and 13 were male. The median annual firm revenue range from participants was \$25million - \$35million; median age range of participant entrepreneurs was 50 – 55 years of age. A breakdown by ethnicity/race is in the table below.

White (non-Latino)	11
Latinx	3
Black	2
Asian/Pacific-Islander	0
Middle Eastern	1
Mixed	0
Unknown/Not Disclosed	0

Focus Group Findings

The following sections present the key themes and insights gained from the focus group sessions. In general, the findings are centered on the following:

1. The Challenges of Doing Business in California
2. The Entrepreneurs' Personal Struggle
3. Applying the Entrepreneurial Mindset
4. Collaborative Solutions/ Entrepreneurial Utopia

The Challenges of Doing business in California

According to a 2022 America's Top States for Business ranking report by CNBC, California ranked in 29th place overall. The report utilized 88 metrics in ten categories of competitiveness. Workforce carried the most weight among categories followed by Infrastructure and Cost of Doing Business. California ranked 16th, 25th and 48th in the respective categories. In addition, in the Category of Business Friendliness, California also ranked 48th. Not surprisingly, every participant entrepreneur voiced their struggle and frustration with the State of California's regulatory environment.

On California Laws & Regulations

To begin with, participant entrepreneurs voiced concern about overregulation by the state and a general concern that they feel exposed on multiple fronts.

"THE BIGGEST CHALLENGE WE HAVE IS BEING OVERREGULATED BY THE STATE, IT'S JUST WAY TOO MUCH. [IT'S LIKE] YOU MUST HAVE A PH.D. IN HUMAN RESOURCES [TO TRY AND KEEP UP]." (ENTR 2)

"[We] are heavily taxed and regulated by the Department of Industrial Relations. They are involved in everything we do. And that labor market is very entitled and basically want to turn you in. The state says, 'hey, turn in your employer and we'll give you \$10,000,' and so we fight these [frivolous lawsuits] all the time. It's unfortunate and very expensive." (ENTR 1)

The high regulatory environment in California tends to drive up the costs of doing business. Though our study did not delve into the multiple ways that high regulation drives up costs, there was a general sense that legal expenses, and legal settlements can add up quickly for small and large businesses alike.

"There's a general vibe that as an employer you're guilty unless you can prove that you're not, that you're innocent. We've dealt a lot with these employee and labor boards, if you couldn't prove that you're telling the truth then they just assumed that the employee was telling the truth and you [as an employer] have no defense. It was terrible!" (ENTR 4)

“CALIFORNIA’S PHILOSOPHY IS NOT WHAT YOU DIDN’T KNOW BUT WHAT YOU SHOULD HAVE KNOWN, AND THEY HOLD YOU ACCOUNTABLE TO WHAT YOU DON’T KNOW. AND THERE’S NO GRACE WITH FINES OR PENALTIES.” (ENTR 15)

“We have workman’s comp claims and now lawsuits; people you’ve had for 3 or 4 years, you let them go and now you’re in a lawsuit. Things like that put a bad taste when you try to do good for others.” (ENTR 16)

Participant entrepreneurs also expressed concern for the direction in which the state is heading with enforcing its long list of rules, laws, regulations, and policies. Moreover, there is a concern about the overall impact that such high regulation will have on small business which can ultimately result in driving out small businesses, suppliers, and purveyors and negatively impact the industry.

“WE’RE DEPENDENT ON LOCAL SUPPLIERS, AND IF THEY’RE NOT ABLE TO WORK HERE OR MOVE OUT OF STATE BECAUSE OF THE ALMOST DRACONIAN LEGISLATION THAT IS COMING OUT, THAT’S GOING TO HAVE A MAJOR IMPACT ON US...IT’S GOING TO COUNTERBALANCE THE SUPPORT THAT WE HAVE AND KEEPS US HERE TO THE POINT WHERE IT’S NOT GOING TO BE ATTRACTIVE FOR US [TO STAY IN CALIFORNIA].” (ENTR 13)

“I have Building & Safety, Fire Department—everybody walking through my building now, looking for things wrong. And I got some minor things and then I must pay them to come back and look at it—then more things come up. It’s never-ending and the costs are ridiculous.” (ENTR 17)

Generally, participants shared a strong intent to comply with laws in California. However, they expressed concern at how difficult it was to get clear answers from regulators, enforcement agencies, and the State in general. As such, participant entrepreneurs feel a larger burden on their shoulders with doing business in the State.

“I can’t tell you how many times we’ve called the state with HR questions and gotten two different answers.” (ENTR 12)

“CALIFORNIA IS AN EMPLOYEE-FRIENDLY STATE. THE EMPLOYEE IS NOT ALWAYS RIGHT — THEY MANIPULATE THE SYSTEM BECAUSE CALIFORNIA HAS MADE IT TOO SIMPLE FOR THEM TO DO IT. THE BURDEN OF PROOF IS ALWAYS ON THE EMPLOYER.” (ENTR 15)

High Costs of Doing Business in California

Entrepreneurs in this study expressed the rising costs of doing business. At the time of this study, inflation rates are at historical highs since the 1980’s yet much of the conversation steered away from discussing inflation. Rather, other aspects of their companies indicate concern.

“..being able to keep up with the compensation is tough—our largest expenses are G&A, our overhead costs. We’re just having to [try] to keep up with the demand that’s out there and the requirements. That’s created a bit of a struggle for us.” (ENTR 8)

“WE JUST RENEWED OUR WORKER’S COMP [IN CALIFORNIA] AND PAYING BETWEEN \$25,000 - \$27,000 A YEAR. OUT IN ARIZONA, WE PAY \$760 FOR THE YEAR. THE LAWS WE’RE FACED WITH IN CALIFORNIA IN REGARD TO EMPLOYMENT LAWS REALLY HANDICAPS YOU OUT HERE.” (ENTR 8)

The general feeling was a shortage of labor that impacted the entrepreneur’s participant firms. As a result, many resorted to paying higher wages for skilled or unskilled labor.

“We have such a shortage of the skills and the ability to get the worker that you need. So, you have to pay more” (ENTR 3)

“Get HR sooner rather than later with all the employee issues. Find the right talent and make sure to vet them properly [and pay them well].” (ENT 16)

FOCUS GROUP PERSPECTIVES

Despite the general bemoaning of high regulation and higher costs, some entrepreneurs felt there were advantages to being in California and the Inland Empire Region. For example, several entrepreneurs cited that there is a stronger opportunity to access capital and generate higher revenues in California than in other states.

“I’M NEVER LEAVING CALIFORNIA. IT IS TOUGH ON BUSINESS? YEAH. IT’S TOUGHER THAN ANY OTHER STATE BUT SOME STATES HAVE OTHER CHALLENGES TOO. IT COST MORE TO DO BUSINESS HERE, BUT THE REVENUE SOURCE HERE OUTWEIGHS THE COST.”

(ENTR 18)

Labor Market Struggles & Creative Solutions

The labor market has been healthy from an employee point of view as unemployment rates continue to be at historically low levels for the Inland Empire region. However, our entrepreneurs noted the challenge the labor market has presented for them.

“Every time that I’ve had to hire a new [administrative assistant] it’s so much work. You go through piles and piles of resumes and most of them are [not qualified]. And then you do find someone they don’t stay. I mean, it’s really hard! Even though we’ve been lucky to you have a great team.” **(ENTR 3)**

“We have over 160 employees that work every day from bartenders, busboys, and everything in between—on the restaurant side. But the problem is the labor, it’s just so difficult to find. Everybody wants to work in the tourist area locations and nowhere else because of the tips.” **(ENTR 2)**

However, we noted that the labor market struggles were not equally challenging for all entrepreneurs. We noted some variation in this by industry and by location within the Inland Empire region. For example, participants in the Coachella Valley demonstrated higher difficulty with talent retention and hiring experience management-level talent. Some participants noted that the Inland Empire region offered great access to a qualified talent pool but those tended to be firms located in the Riverside/San Bernardino metro area (excluding the Coachella Valley). In addition, participants in the Riverside/San Bernardino/Ontario areas commented how the region’s central location in relation to Southern California markets had its perks.

“The benefit of being in the Inland Empire is we’ve been able to move within our warehouse footprint without having to make these giant moves. When it comes to warehousing, shipping, and receiving, [the region] has an amazing talent pool of employees. We don’t have to train them in basics, Amazon’s done that for us.” **(ENTR 14)**

“BEING LOCATED NEXT TO SO MANY UNIVERSITIES HAS HELPED OUR BUSINESS BECAUSE OUR PRODUCT IS THE SERVICE WE PROVIDE, AND THAT COMES FROM TALENTED PEOPLE...WE’RE ABLE TO BRING TALENT INTO OUR ORGANIZATION.” **(ENTR 10)**

“Talent retention really helps maintain a better quality of service to our clients. Having that resource pool of talent in the area has been very beneficial.” **(ENTR 13)**

The Entrepreneurs' Personal Struggle

Almost 90% of the entrepreneurs that participated in the focus groups have been in business for more than 10 years. Given the larger size of the firms they owned, many noted how it had taken them many years to scale and grow their firms—to generate over 1 million in annual revenues and hire employees. However, there were several moments within the focus group discussions when participants would share about the personal struggles they felt as founders and/or leaders of their firms.

“The problem with being a business owner is you probably don’t know you’re past the struggle until you’ve passed it. The biggest and the most crippling thing is that you never know how well you’re doing. There’s no grading chart.” (ENTR 1)

“WE’RE SMALLER IN SIZE, WE FOLLOW THE SAME LAWS, AND WE DO EVERYTHING WE CAN TO BE ACROSS THE BOARD AND MAKE SURE WE’RE MAINTAINING ALL THE LABOR LAWS...BUT IT GETS TO BE A POINT WHERE IT BECOMES OVERLY BURDENSOME.” (ENTR 13)

As a result of lacking a network of peers to compare their progress against, participants shared how important it was to have a strong support social system and structure. It also involves a fair share of frustration and difficulty where many participants expressed how lonely it can feel, especially in California where the feeling from entrepreneurs is that they are at a disadvantage.

“Getting into business and being an entrepreneur is not for everyone, it’s a lot of work. Build your team, build your resources, and make sure you have the right people to support it.” (ENTR 16)

“THE STATE HAS CONFLICTING INFORMATION THAT YOU CALL ONE PERSON WILL TELL YOU ONE THING AND YOU CALL BACK THE NEXT DAY AND YOU’LL GET ANOTHER ANSWER” (ENTR 13)

“California makes it so complicated for small business owners to be able to navigate through some of the HR challenges. [The state] doesn’t give business owners a say on how to implement the law, it’s ludicrous! I really think we’ve got to have a seat at the table.” (ENTR 15)

Applying the Entrepreneurial Mindset

Within CSUSB’s School of Entrepreneurship, the motto is to Think Like and Own. This motto describes the entrepreneurial mindset which involves finding creative workarounds and/or solutions to problems. Despite the difficulty and struggles entrepreneurs in the Inland Empire region expressed daily, it has not deterred them from pursuing growth opportunities and setting a compelling long-term strategy for their firms.

“The resources are out there but you got to go and call on them and find them yourself. You must have the mindset—if you have a problem, you better go find a solution. And you better not rely on a region or a source, you better go figure it out!” (ENTR 18)

With Entrepreneurship as a mindset to creatively solve problems or challenges that each entrepreneur is faced with, there are several approaches that were salient among participants.

Building a Strong Work Culture & Environment

The focus group participants expressed challenges with employment laws, rules, and regulations in California. However, our researchers did not get a sense of bitterness towards employees, rather, our research team noted how highly complementary participant entrepreneurs were towards their employee teams and management teams.

“It’s not necessarily what you pay them [employees] but rather they want to feel respected and in a great [work environment]. You want to take care of them. You give them a 401K and 100% of the medical so they’re locked in...and that helps [with retention].” (ENTR 5)

“YOUR EMPLOYEES ARE YOUR GREATEST ASSETS. YOU TAKE CARE OF YOUR EMPLOYEES; THEY’LL TAKE CARE OF THE BUSINESS. IF YOU DON’T, THEY’LL SHUT IT DOWN. THAT’S JUST POINT-BLANK SIMPLE.” (ENTR 15)

FOCUS GROUP PERSPECTIVES

Participating entrepreneurs each expressed a deep human connection and care for their team members. Most of the entrepreneurs noted how imperative it was to the success of their firm to build a strong, positive, and supportive work environment that employees can look forward to coming to and have a strong dedication to the success of the firm.

“My number one objective is to take care of my people and then inspire them to take care of our clients and the money will follow” (ENTR 10)

Strong Relationships & Social Connections

Research performed by School of Entrepreneurship faculty member Dr. Ezekiel Bonillas (2022) found that social connections through a strong sense of community and belongingness were prevalent among highly successful entrepreneurs and their firms. We noted how well-connected the group of participants was to the community and in their everyday approach to finding solutions and identifying resources needed to help participant entrepreneurs grow their firms.

“OFTENTIMES THEY’RE [SBA, CITY, COUNTY] COMING TO YOU WITH INFORMATION ABOUT THESE GREAT PERKS AND BENEFITS AND STUFF THAT NOBODY KNOWS ABOUT... WE’VE BEEN PRIVY TO CONNECT WITH THE RIGHT PEOPLE WHO HAVE TAUGHT US ABOUT ALL THIS STUFF. ONCE YOU BREAK INTO THE SPECIAL CLUB OF KNOWING ALL THAT STUFF THAT EXISTS AND YOU KNOW TO GO AFTER IT, THEY’RE READILY AVAILABLE AND EXCITED TO HELP YOU.” (ENTR 8)

“It comes down to relationships [and whom you know]—they are a big part of getting resources [and help to grow my business].” (ENTR 18)

It was also interesting to note that the group of participants was keenly aware of the connections they’ve worked years

to cultivate and develop. They noted how difficult it was in their earlier years of being in business by lacking strong social connections. Participants commented how their business relationships have oftentimes guided and aided them in identifying resources needed to grow their company.

“I wonder how many businesses aren’t represented here and elsewhere because they don’t get that resource and they’re not successful because they’re not able to get plugged into the right group of people or the right agencies.” (ENTR 13)

The participants in the focus group noted how important and crucial getting plugged in was for their success. Yet, our research group noted that participants had a strong, proactive approach to getting the resources as noted earlier. They commented that sitting back and being reactive would not help to get plugged into the right groups and therefore lose out on resources and opportunities.

Strong Community Support

As noted previously in the findings of Dr. Bonillas’ research, a sense of community and belongingness are prominent traits that differentiate successful entrepreneurs from those that hit a plateau in their growth. The entrepreneurs in the Inland Empire region (including Coachella Valley) were highly appreciative of the assistance from local city economic development agencies, and programs that offer business counseling and training for entrepreneurs such as the Inland Empire Small Business Development Center (SBDC) and the Inland Empire and Coachella Valley Women’s Business Centers (WBC).

“If it weren’t for the level of support, I don’t know that we’d be in California at all. We’ve gotten so much support from Riverside County, the SBDC, and the Office of Foreign Trade. Whereas legislation is doing its best to try to make it overly burdensome, we’re still able to function.” (ENTR 13)

“THE WOMEN’S BUSINESS CENTER WAS A HUGE HELP FOR US TO GET STARTED 23 YEARS AGO. IT TAUGHT ME WHAT I NEEDED TO KNOW AND THE CONNECTIONS I NEEDED.” (ENTR 15)

“We have good support from the community. From San Bernardino County Economic Development, the city, and the community. We have great attorneys, great HR, people on staff... having built a great support group over many years.” (ENTR 9)

Collaborative Solutions/ Entrepreneurial Utopia

Researchers for this study and focus group were pleased to see how the entrepreneurs were eager to offer solutions to the challenges described in this study. From solving the overly litigious and legislative environment in California to mentoring youth, the participants were ready to put their entrepreneurial, problem-solving minds to the task. To begin with the talent pool shortage, participants quickly identified local universities as a resource that needed to be leveraged.

“I would love to figure out a way to partner with universities or colleges to figure out how to encourage young women and people of color to look at industries they don’t normally look at [such as finance, accounting, and banking.] we need to somehow open their eyes and expand their horizons so they can see that there’s so much opportunity for different types of jobs out there.” (ENTR 3)

Participants from the Coachella Valley were more convincing about the important role a 4-year university such as CSUSB’s Palm Desert Campus can play to develop a region.

“[CRITICAL] INFRASTRUCTURE IS THE UNIVERSITY. [MY BUSINESS PARTNER] AND I USED TO TRAVEL ALL AROUND [THE COUNTRY] WITH COMPANIES TO SPONSOR US. WE’D GO TO THEIR HEADQUARTERS. BLACKBERRY IS NEXT DOOR TO A UNIVERSITY, AND GO TO GOOGLE, IS NEXT DOOR TO A UNIVERSITY. YOU GO TO ALL THESE COMPANIES...LOOK AROUND THE COUNTRY, THERE’S A HUGE INDUSTRY BUILT AROUND THE UNIVERSITY.” (ENTR 5)

California Lawmakers Should Seek Input from Entrepreneurs

Each participant shared how difficult new legislation and policy in California makes it to compete on a global and national stage. A majority of participants are eager to do the right thing and indicate that by doing so it is advantageous to their business and employees success.

“Government should really develop a partnership with us to help us do the right thing. There really should be more of a partnership between government and entrepreneurs to do the right thing versus ‘you should have known.’”(ENTR 12, ENTR 9)

At the same time, participants indicated an urgency to state lawmakers; something must be done about lawsuits and the ease for legitimate small businesses and entrepreneurs to be extorted.

“Make it less easy for these frivolous lawsuits.” (ENTR 17)

“Less government intervention at all levels” (ENTR 4)

Every participant indicated that they had been subject to frivolous lawsuits within the last 3-5 years. This suggest that some intervention needs to take place to alleviate the potential for opportunism. A bright spot here is that entrepreneurs, far from being cynical about the system, believe they could work together with the system to engender fair and reasonable solutions.

Summation & Key Highlights

Focus group participants gave the research team key insights on the challenges government regulation puts on their business. The entrepreneur participants helped researchers appreciate and understand the challenge they face with government regulation.

For example, several participants noted how distracting dealing with government-related issues such as inspections, complaints, compliance, etc. was, consuming a great amount of their time and business resources. Several entrepreneurs reflected how such consumption of time and energy from government regulation could be productively spent on building their companies and therefore creating more employment opportunities. The entrepreneur participants overall were highly critical of the legal and legislative environment in California that makes doing business in the state a challenge and noted the general non-business friendly environment which puts a heavier hand on smaller companies.

Nearly 60% of focus group participants indicated they did business outside of California and were specific in citing how difficult and expensive it was to do business in California when compared to other states such as Arizona and Texas. During the focus group session, participants attributed the high costs due to the overhead expenditures incurred because of California's relative ease to sue employers. For example, our researchers noted how these entrepreneurs found it necessary to have a specialized Human Resources department as well as a legal team on hand to deal with an increasing number of frivolous lawsuits that entrepreneurs are faced with. In addition, participants noted that insurance, such as worker's compensation, was much higher in California than in other states. Participants that owned and operated labor intense companies such as restaurants, construction, and other labor-heavy firms shared that their expenses were much higher and as a result had to spend significant resources to mitigate risks and costs.

CONTINUING WORKFORCE CHALLENGES Labor continues to be a challenge for entrepreneurs in general. 85% of SOER survey respondents indicated finding talent as a "very difficult" challenge when it came to filling job vacancies within their firms, the focus group helped us dig deeper and gain a better understanding. Within the focus group, participants in the logistics industry tended to deal less with finding talent. Two participants within this industry noted how their firms benefited from finding talent that had basic experience because of previous employment at Amazon warehouses. However, nearly 80% of participant entrepreneurs commented that finding talent that was skilled, motivated, and experienced was very challenging. As a result, all participants noted how important retention and creating a positive work culture was vital to the long-term success of their companies. In other words, participant entrepreneurs noted how special effort is made to "keep good employees". In essence, participant entrepreneurs felt it was important to retain and promote talent that was helpful in aligning with organizational values, a strong work ethic, and a can-do attitude.

ECONOMIC OUTLOOK Differing from the SOER survey, focus group participants didn't mention any significant concerns about the overall economic outlook; as such, our research team didn't delve into this topic. However, the research team observed that participant entrepreneurs indicated a strong concern for rising costs, which economists typically categorize as inflation. We can infer that such rising costs are aligned—if not overlapping—with the top findings from SOER survey respondents that indicated “Inflation” and “Controlling Costs” as 2 of their top 3 concerns as business owners. As noted earlier, participant entrepreneurs noted that there is a higher administrative and overhead expenditures being based in California partly because of the regulatory and legal environment. The research noted how participants discussed the stresses of being sued or going through the courts as incredibly draining, stressful, and worrisome. Many participants noted that they've had to adjust within their firms to proactively address the possibility of lawsuits but indicated that it was another expense that was necessary.

SOCIAL & PROFESSIONAL CONNECTIONS Not surprising is how important social connections are for the participant entrepreneurs to navigate the complex nature and moving goalposts of owning and operating a firm in California. Much research has pointed to the benefits of social connections; so far as to correlate a higher degree of business success with having “connections” or “knowing the right people”. All participants agreed that having the right connections provided a significant advantage to them, whether it was their own social and professional networks or business-related resources such as the U.S. Small Business Administration (SBA), Small Business Development Centers (SBDC), or workforce and economic development agencies. They acknowledged how being plugged into the right groups or simply investing time to get connected was helpful to their business growth and success.

Stakeholders in the community that provide business support services would be pleased to find this report complimentary of their efforts to support small and mid-size businesses and the entrepreneurs that own these firms. Generally speaking, the participants found the business support resources related to workforce development, procurement, economic development agencies, and others as a guiding light in the complex environment of owning and operating a business.

IMPORTANCE OF RESOURCE PROVIDERS At CSUSB's School of Entrepreneurship, faculty continuously point out that to excel in a competitive environment, entrepreneurs must be innovative and be able to leverage the opportunities that arise when challenges occur. Many entrepreneurs have learned from their experiences as employers and through mentorship while others have gained knowledge either through formal education, networking, or self-guided education. This highlights the importance for resource providers within the Inland region to continue their efforts to support entrepreneurs as such services are vital to support growth and economic vitality.

The focus group research team also took a slightly different approach than the SOER Survey by asking participants, “Knowing what you know now about business, would you do anything differently?”, respondents answered with more of an advisory approach. The research team observed that participants did not regret their experiences, failures, or successes, but rather appreciated how each experience—no matter the outcome—shaped them into who they are today.

Despite the difficulty of doing business in California, the entrepreneurial community has a resolve to keep pressing forward. However, it is important to note how legislators should make a strong effort to collaborate with entrepreneurs moving forward. The entrepreneur participants in the focus group had incredible origin stories that often dealt with extreme financial constraints and a need for innovation and resourcefulness. As such, entrepreneurs would be a great collaborative partner for lawmakers to tap into to ensure that California is equitable towards small and mid-size entrepreneurs and their firms.

LIMITATIONS The focus groups targeted entrepreneurs that have been in business for more than 10 years and or are seasoned entrepreneurs—having had previous businesses. There was one participant that had been in business for 5 years. In addition, participants in the focus groups indicated that overcame many of the challenges attributed to startup companies and therefore did not reflect challenges that are salient with startups such as lack of financial capital, resource constraint, and time constraint.

METHODOLOGY

INDICATORS OF ENTREPRENEURSHIP

The current study utilizes data from the U.S. Census Bureau's Current Population Survey (CPS) covering the partial years 2017 to 2022, the partial years 2017 to 2022 of the Quarterly Census of Employment and Wages, and Reference Solutions from 2016 to 2021. The first four (4) indicators, which include the Rate of New Entrepreneurs, the proportion of New Entrepreneurs Driven by Opportunities, the Rate of Job Creation in early-stage startups, and the Rate of Early-Stage Startup Survival, are designed to match the key indicators from the annual Kauffman Entrepreneurship Report. This allows for a comprehensive evaluation of the overall state of entrepreneurship in the Inland Empire region in comparison to the state and national levels.

Our research team has further developed four (4) additional indicators, namely the Revenue Generation Capability, the Startup Revenue Generation Capability, the rate of Hiring Expansion/Contraction, and Hiring Efficiency. These indicators are based on established research and published literature on entrepreneurship and aim to examine the health of entrepreneurship at the firm level, providing further insight into the state of entrepreneurship in the Inland Empire region.

RATE OF NEW ENTREPRENEURS The Rate of New Entrepreneurs Indicator is a metric that quantifies the level of entrepreneurship by identifying the emergence of new business owners, regardless of the size of their ventures. This is achieved by examining the percentage of the adult population who are not owners of businesses and who initiate the ownership of a business each month. The definition of a new business owner is an individual who dedicates an average of 15 or more hours per week to their business in the previous month.

This methodology aligns with the Kauffman Entrepreneurship Report 2022, which adopted a similar definition for measuring entrepreneurship. The data used to calculate the Entrepreneurship Indicator is obtained from the monthly survey conducted by the Census Bureau and the Bureau of Labor Statistics, known as the Current Population Survey (CPS), and is publicly accessible at <https://www.census.gov/data/datasets/time-series/demo/cps/cps-basic.html>.

OPPORTUNITY SHARE OF NEW ENTREPRENEURS

The indicator for opportunity share of new entrepreneurs is a measurement that assesses the extent to which new business ventures are driven by opportunities rather than necessity. This definition is operationalized by calculating the proportion of new entrepreneurs who were neither unemployed nor seeking employment when they started their new businesses. Similar to the

Rate of New entrepreneurs, we sourced the data from the Current Population Survey (CPS), a monthly survey conducted by the U.S. Census Bureau and the Bureau of Labor Statistics. The CPS data are publicly available at the following website: <https://www.census.gov/data/datasets/time-series/demo/cps/cps-basic.html>.

STARTUP EARLY JOB CREATION The Startup Early Job Creation Indicator provides insight into the job-creation potential of new businesses in their first year of operation. The metric expresses the annual number of jobs created by start-ups relative to the size of the population. The definition is operationalized by determining the average employment generated by a new employer firm during its first year, per 1,000 individuals. The data utilized to compute this indicator is sourced from the Quarterly Census of Employment and Wages, which can be accessed at the following website: <https://www.bls.gov/cew/downloadable-data-files.html>.

STARTUP EARLY SURVIVAL RATE The Early Survival Rate of Start-Up Businesses is a measure of the longevity of new employer establishments. It is defined as the proportion of these businesses that remain active after one year of operation. However, due to the fact that start-ups may not acknowledge or report their closure, the operationalization of the definition was adjusted to reflect the proportion of entrepreneurs who revert to employment within one year relative to the overall population. The data used to calculate the Early Survival Rate is sourced from the monthly Current Population Survey (CPS), which is conducted by the Census Bureau and the Bureau of Labor Statistics and is publicly available at <https://www.census.gov/data/datasets/time-series/demo/cps/cps-basic.html>.

REVENUE GENERATION CAPABILITY The Revenue Generation Capability indicator is quantified as the mean annual revenue generated by a firm, expressed in thousands of US dollars. This metric is operationalized by dividing the total revenue generated in a specific region by the number of firms operating within that region, on an annual basis. The data used to calculate this indicator is obtained from the Inland Empire Center of Entrepreneurship (IECE) database, which is a consolidated source that merges information from multiple Reference Solutions datasets and Crunchbase.

STARTUP REVENUE GENERATION CAPABILITY

The Startup Revenue Generation Capability is defined as the average annual revenue generated by three-year-old startup firms, expressed in thousands of U.S. dollars. This metric is grounded in the entrepreneurship literature, which suggests that startups that have survived for more than three years are likely to have stabilized and established their revenue-generating capabilities. To operationalize this definition, the total revenue generated by three-year-old startups in a specific region is divided by the number of firms

operating within that region, on an annual basis. The data used to calculate this indicator is obtained from the Inland Empire Center of Entrepreneurship (IECE) database, which is a consolidated source that merges information from various Reference Solutions datasets and Crunchbase.

HIRING EXPANSION/CONTRACTION RATE

The Hiring Expansion/Contraction Rate is a metric used to assess the growth potential of a firm. This indicator is defined as the rate of surplus or decline in the number of hires made by a firm compared to the prior year. To operationalize this definition, the average number of hires made by the firm in the current year is subtracted from the average number of hires made by the firm in the previous year. The data used to calculate this indicator is obtained from the Inland Empire Center of Entrepreneurship (IECE) database, which is a consolidated source that merges information from multiple Reference Solutions datasets and Crunchbase.

HIRING EFFICIENCY The Hiring Efficiency indicator is used to gauge a firm's ability to effectively conduct hiring processes, which can lead to improved firm performance, such as higher revenue. This indicator is defined as the return on revenue for each additional hire made by the firm. The operationalization of this indicator is stated as follows:

$$\text{Rev}_{i,t} = \alpha_0 + \text{Addemploy}'_{i,t} \beta + X'_{i,t} \gamma + \theta_i + \epsilon_{i,t} \quad (1)$$

where $\text{Rev}_{i,t}$ is revenue for firm i in period t ; $\text{Addemploy}_{i,t-1}$ is the additional hiring for firm i in period t ; $X_{i,t}$ is a matrix of control variables for firm i in period t ; θ_i denote firm and period fixed effects; and $\epsilon_{i,t}$ is an idiosyncratic error term. β is a parameter vector that captures the main effects of our independent variables of interest (in other words, one additional hiring, will result in β times of increase in revenue).

The data used to calculate this indicator is obtained from the Inland Empire Center of Entrepreneurship (IECE) database, which is a consolidated source that merges information from multiple reference solutions and Crunchbase.

*The CPS monthly data for 2022 is only available till Oct 2022.

***We adapt the operationalization because the Kauffman indicator 4 data is only available at the State level.

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VOICE OF THE ENTREPRENEUR SURVEY

There are many ways of effectively and efficiently delivering a survey. The choice of a mode of delivery is typically determined based on a variety of factors such as the target population, time frame of a project, topic of interest, need for in-depth probing of respondents,

and available budget. Each mode of delivery has its own advantages and disadvantages, and each allows the researcher to accomplish specific types of goals.

Over the past decade, there has been a tremendous increase in the use of the internet and social media to communicate, gather information, provide an opportunity for community engagement, and enhance relationships. Not surprisingly, the use of online surveys has skyrocketed. Indeed, over the past few years of conducting survey research for public and private organizations in the Inland Empire, IAR has found that such surveys offer the advantages of speed, efficiency, community engagement, and lower costs of data collection. That is why the research team chose to conduct an online survey to tap the "Voice of the Entrepreneur."

To begin, the research team spent a great deal of time developing a questionnaire that would capture the "story" of entrepreneurship in the region. Some of the questions were used in the last Voice of the Entrepreneur survey, some were patterned after the 2021 Small Business Credit Survey (a nationwide survey conducted by the Federal Reserve Banks)¹, and some reflected the research interests of CSUSB researchers. The online survey was designed to take, on average, no more than 10 minutes to complete. The initial questionnaire was then translated into Spanish and pretested in both languages.

Several distribution methods were employed to maximize the response rate. Survey links were distributed to a list of entrepreneurs known to IECE and the School of Entrepreneurship, and LinkedIn connections were added. In addition, the research team reached out to local public sector organizations (e.g., city government, county offices of economic development, and chambers of commerce) requesting their help in circulating the survey link. As of December 15, 2022, there were 675 surveys with at least some usable data. These methods, used together, provided the broadest opportunity for Inland Empire entrepreneurs to respond to the online survey.

REGIONAL ANALYSIS

The regional analysis utilizes data from the U.S. Census Bureau, the U.S. Bureau of Labor Statistics, the California Finance Department, and the reference solution database. The research team identified and conducted research in five (5) main areas to offer a comprehensive examination of the entrepreneurial and business landscape of the Inland Empire region.

REGIONAL BUSINESS OVERVIEW utilizes data from the reference solution database and the U.S. Census Bureau. We calculate and present the growth rate of the total number of business establishments in the Inland Empire region for the years 2021 and 2022. Then we analyze the data according to business size, categorizing businesses into groups based on the number of employees and annual revenue in 2021

REGIONAL ENTREPRENEURIAL ACTIVITY consists of the analysis of both new business applications and new business density. Data is obtained from the U.S. Census Bureau.

New business application describes the total new business applications that came in each year in the Inland Empire region from 2017-2021. New Business Density is measured as the total number of new business applications in the Inland Empire region per 1,000 people aged between 18-64.

REGIONAL POPULATION GROWTH examines the population growth of the inland empire from 2018-2022 and identifies the fastest-growing cities in the Inland Empire region. The growth rate

METHODOLOGY

is cannulated by dividing the difference between the ending and starting year population and dividing that by the starting year population. County and city-level population data for the Inland Empire are from California Finance Department. State and national data for the U.S. and California are obtained from the U.S. Census Bureau for comparison purposes.

REGIONAL HUMAN CAPITAL is examined by educational attainment data from the U.S. Census Bureau. It is defined as the percentage of adults aged 25 or older who hold a bachelor's degree or higher.

REGIONAL SECTOR COMPOSITION is examined using Location Quotient (LQ) method. The research team examined the business LQs and employment LQs in the inland empire region. The original data are from the reference solution database and the U.S. Bureau of Labor Statistics. The sector information is classified according to North American Industry Classification System (NAICS).

Business LQs describe how businesses in the Inland Empire region distribute in all sectors compared to the national level. The business LQs are calculated as the following:

$$\frac{\text{Regional Total Business in Sector } i}{\text{U.S. Total Businesses in Sector } i} = \frac{\text{Business LQ}_i}{\text{Regional Total Businesses}} / \frac{\text{U.S. Total Businesses}}{\text{U.S. Total Businesses}}$$

Employment LQs provided a workforce-oriented perspective on the regional economic composition. The employment LQs are calculated as the following:

$$\frac{\text{Regional Employment in Sector } i}{\text{U.S. Employment in Sector } i} = \frac{\text{Employment LQ}_i}{\text{Regional Total Employment}} / \frac{\text{U.S. Total Employment}}{\text{U.S. Total Employment}}$$

FOCUS GROUP PERSPECTIVES

In fulfilling the objectives of our study, the research team collected data via focus group settings and utilized qualitative grounded theory approach as the appropriate research methodology for this study (Strauss and Corbin, 1998). This method allows for the discovery of variables not already recognized to gain a deeper understanding of factors from the 2021 and 2022 State of Entrepreneurship Report findings, to better understand (1) how Southern California entrepreneurs assess the entrepreneurial environment within the Inland Empire.

SAMPLE

Researchers focused on identifying participants for the focus groups that met the following criteria:

- Owner/Founder of active, revenue-generating firms
- Located within the Inland Empire Region
- Actively engage in revenue-generating firm
- 5+ years of being in-business
- Over \$5Million annual revenues generated

Researchers recruited a pool of participants from survey respondents from the 2021 and 2022 Voice of Entrepreneur conducted by the School of Entrepreneurship at California State University San Bernardino. In addition, researchers recruited participants from their professional circles that met the above-mentioned criteria that may have been outside the survey pool of respondents but were identified as having met the criteria.

DATA COLLECTION & ANALYSIS

Focus group data was collected in January 2023 through a series of two (2) in-person focus groups and two (2) Zoom session focus groups. Open-ended questions utilized during the focus group were developed by researchers based on insights from the Voice of the Entrepreneur survey responses.

Researchers transcribed the voice recording of each focus group session through a commercial transcriptions service—rev. com—and subsequently coded using NVIVO. The research team utilized a phased coding approach which includes line-by-line, axial coding, and selective coding (Strauss and Corbin, 1990) to ensure transcripts from each focus group were coded to derive patterns and themes. Data was collected and analyzed iteratively in three rounds of coding, shifting between empirical data and theoretical concepts. The first round was reading data line by line and using constant comparative analysis (Charmas, 1983) to assign initial codes to categorical concepts. Utilizing an inductive approach (Klein and Meyers, 1999), the team would leverage the participant's experience in their entrepreneurship endeavor to develop a second-order conceptual theme, which facilitates understanding of the current practices, barriers, and challenges of each group of participants. Finally, researchers identified the linkage between the conceptual themes in understanding the connection between the groups of entrepreneurs, their common challenges, and possible solutions. To ensure the objectivity in coding, three coders performed coding independently. Subsequently, coding consistency between the three coders was compared.



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Why is IECE Unique?

IECE is a largely self-sustaining venture, run by entrepreneurial faculty and staff. To fund its various programs and operations, IECE has raised more than \$42 million in grants, contracts, gifts and sponsorships.

It is the only Center for Entrepreneurship in the Inland Empire, and has provided assistance to more than 173,000 individuals and entrepreneurs over the last 22 years, resulting in more than

20,000 jobs created/retained and nearly \$535 million in economic impact from investments in new ventures and expansion of existing firms. It is a nationally recognized program, receiving a wide variety of top tier awards over the years, including: honored in 2017 by AACSB International as a Top 35 Global Business School for Fostering Entrepreneurship; given the prestigious National Excellence in Entrepreneurship Education Award by the *United States Association for Small Business and Entrepreneurship* (USASBE) in 2010; and top rankings from *The Princeton Review*, *Entrepreneur* magazine and *EntrePrep* as one of the leading entrepreneurship programs in the US.



STUDENT OPPORTUNITIES

Cultivating the entrepreneurial passion, applying the discipline and defining direction from experiential learning and a real-world approach



PROGRAMS & MENTORS

Select programs cultivated at IECE offer unique ways to get involved and engage in applied learning opportunities



PROFESSIONAL COMMUNITY

We establish real connections to the professional community to enrich the growth of regional entrepreneurship

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Supporting the efforts of more than 173,000 aspiring entrepreneurs, small business owners, and students within the Inland Empire, We are dedicated to the growth of entrepreneurship both on campus and in the community through our major service segments...



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Where local entrepreneurs and small business can gain assistance with business consulting, training, workshops, programs and mentoring services through the Small Business Development Center (SBDC), Women's Business Center (WBC) programs.

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CALIFORNIA STATE UNIVERSITY
SAN BERNARDINO

School of Entrepreneurship