

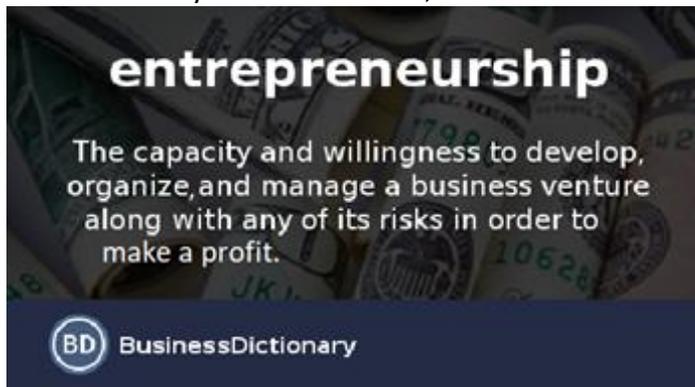
Hibbs Brief

Hibbs Institute for Business & Economic Research

Entrepreneurship Activity as a Local Economic Driver in the Tyler (MSA)

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In this issue of the Hibbs Brief, we explore entrepreneurship activity and its importance as a local economic driver in the Tyler MSA. To start, we would like to offer our sincere appreciation to all the business owners



that, at some point in time, decided to take the risk and started their own firms. These risk takers who found a way to fund their business idea and decided to go from being an employee, to be an employer are typically known as entrepreneurs. If we get professorial, we can say that entrepreneurship is: “The capacity and willingness to develop, organize, and manage a business venture along with any of its risks in order to make a profit.”¹

Entrepreneurs and local small businesses are responsible for a considerable portion of an economy’s output, locally and nationally. According to the U.S. Small Business Administration (SBA), there are 30.2 million small businesses in the U.S., which employ 58.9 million people (47.5% of the private workforce in 2015).²

The ***Hibbs Institute*** has conducted an economic impact analysis on entrepreneurship activity that estimates the dollar output and employment generated by business owners or proprietors³ in the Tyler MSA. For this purpose, we employed some official figures from the Bureau of Economic Analysis (BEA) and the U.S. Census Bureau (USCB) as the base of our analysis. According to the BEA, in 2017⁴ the proprietor's count in Tyler was of **42,286**,⁵ with a calculated income of **\$1.89 billion**.⁶ These proprietors are owners of all different types of businesses (restaurants, retail, construction, etc.), and have employees who earn a salary. We have calculated the number of those employees to be 20,511, and their combined salaries to be \$0.81 billion.⁷

The proprietors’ income, as well as their employees (*direct effect*), were used in a model to estimate their *indirect and induced effects* in the local economy.⁸ The resulting economic benefits are substantial. The impact of local suppliers related to the business owners (indirect effect) would generate \$0.52 billion and 3,889 jobs. The impact of the proprietors’ income (induced effect), once spent in the locality, would generate an additional \$1.09 billion and 8,639 jobs. Similarly, the impact of the employees’ income (also induced effect) would generate an additional \$0.42 billion and 3,366 jobs.

In summary, we estimated that the entrepreneurship activity in the Tyler MSA accounts for **78,691 jobs** (62,797 direct, 3,889 indirect, and 12,005 induced) and **\$4.75 billion** (\$2.70 direct, \$0.52 indirect, and \$1.51 induced).⁹ **Entrepreneurship activity is a very important economic driver for Tyler’s economy.**

UT Tyler understands the importance of the entrepreneurship activity in Tyler and overall East Texas. In its efforts to be the economic driver of East Texas, UT Tyler is the new host of the *Entrepreneurship & Innovation Institute* (EI2) and the *Small Business Development Center* (SBDC), located in Longview.

Richard King is the *interim* director of the *EI2*, which is to serve as the focal point of entrepreneurship education, research, and outreach across the university and the regional business community. The institute supports all disciplines at UT Tyler as well as entrepreneurs and innovators outside the university by providing the business expertise necessary to bring product ideas and businesses to market and grow existing businesses.

Day Shelmire is the new director of the UT Tyler-Longview *SBDC*, which is a cooperative effort funded in part by grants from the Small Business Administration and the State of Texas. The center will offer free counseling and training to entrepreneurs, start-ups and small businesses on topics such as business planning, financial management, marketing, and access to capital. The UT Tyler-Longview *SBDC* is expected to be open and operational in May serving small businesses in Gregg, Panola, Harrison, Marion, Upshur and Rusk Counties.

¹ Definition extracted from Business Dictionary. <http://www.businessdictionary.com/definition/entrepreneurship.html>

² U.S. Small Business Profile, 2018; U.S. Small Business Administration. <https://www.sba.gov/sites/default/files/advocacy/2018-Small-Business-Profiles-US.pdf>

³ In this study, we use proprietors as a proxy for business owners.

⁴ The most recent year available.

⁵ Proprietors' Employment consists of the number of farm proprietors and nonfarm proprietors (sole proprietorships and the number of individual general partners in nonfarm partnerships). Table CAEMP25N; www.bea.gov

⁶ Nonfarm Proprietors' Income consists of the income that is received by nonfarm sole proprietorships and partnerships and the income that is received by tax-exempt cooperatives. Table CAINC30; www.bea.gov

⁷ In this study, we use establishments with less than 20 employees to calculate entrepreneurship activity. Table CB1600A13 of the Business Patterns Survey (2016) was used to conduct payroll per employee by industry. www.census.gov

⁸ The **direct effect** refers to the initial change in demand resulting from new or current expenditures or employment. I-O multipliers are then used to generate changes in other regional economic sectors. **Indirect effects** represent all changes in a regional industry activity, such as an increase in production and employment that result from the direct effect (the effects related to suppliers). Finally, the **induced effects** measure the impact of household spending within a region due to changes in labor income or compensation received by workers and business proprietors for both the directly and indirectly impacted regional industries. The sum of these three effects represents the total impact.

⁹ Numbers may not add up due to rounding.

