

Birmingham Business Journal - June 7, 2010
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BIRMINGHAM BUSINESS JOURNAL

Friday, June 4, 2010

Alabama scores fourth worst for entrepreneurial activity

Birmingham Business Journal - by [Lauren B. Cooper](#) Staff

John Mattioli says being an entrepreneur has far exceeded his expectations.

The owner of Dry Clean City in Vestavia Hills made that choice four years ago when department store Belk bought Parisian and he was faced with the decision to continue a 25-year career in retail or strike out on his own.

While a lot has changed since then for the now self-employed Mattioli, very little has moved the entrepreneurial Richter scale for Alabama. A recent **Kauffman Foundation** report showed the state had the fourth lowest entrepreneurial activity in the country last year, despite both national and southern activity reaching a 14-year high during a crippling recession.

According to the report, Alabama had 210 entrepreneurs created last year for every 100,000 people. That's well below the 340 entrepreneurs created per 100,000 people nationally and dangerously close to the 170 per 100,000 people in Mississippi, the nation's lowest.

A low grade on the report indicates a slow-growing economy, said Robert W. Fairlie, author of the report and director of the master's program in applied economics and finance at **University of California**, Santa Cruz.

"One of the biggest areas is construction and if activity is high in construction then there's a higher entrepreneurial rate," he said. "Alabama has been low for the last three years, so it's not an anomaly for 2009. The three-year average is more accurate."

The report showed that, between 2007 and 2009, Alabama had the second lowest entrepreneurial activity rate in the country.

Alabama offers few externals that would be attractive for entrepreneurs, including growth opportunities, progressive policies and strides toward inclusiveness for minority and immigrant businesses, said Stephen Craft, dean of the business school at **Birmingham-Southern College**.

"Having an environment where entrepreneurs want to live is a big part of it," said Craft.

"If you start a business there's little geographic limitations in terms of where you locate that business. Having a place where they want to live, with progressive policies, an investment in arts and culture and leadership towards growth, that helps entrepreneurs."

And Birmingham is ground zero for Alabama's stalled growth, with the state's largest economic engine in financial and leadership peril, Craft said.

"The story nationally and for the South is positive," he said. "But the story right now in the city is not as strong as it needs to be, which is putting it mildly."

But externals swirling around in the city and county weren't deterrents for Dry Clean City owner Mattioli in 2006 and wouldn't have been today, he said.

"I don't think anything related to Birmingham or Jefferson County or the surrounding area would deter me from going into business," he said. "It was more of a personal choice. You have to be 100 percent committed, because there's no going back. And you have to make sure you are well capitalized."

Glenn Kinstler, director of Alabama Launchpad, an entrepreneurial support organization made up of the state's research universities and businesses, questions if the report is a valid reflection of activity in the state.

"I see increased interest in entrepreneurialism in the university communities in the state," he said of mainly technology companies. "They are all more active in creating startup companies now more than I've ever seen."

But for more traditional entrepreneurial ventures – those not spun out of universities – funding is always a top concern and issue, he said, with more hurdles to jump and longer waiting times for approvals.

Here's some other findings from the Kauffman Index of Entrepreneurial Activity:

- The rate of entrepreneurial activity among African-Americans rose between 2008 and 2009 and reached its highest level in 2009 over



Bob Farley | F8Photo.org
 John Mattioli became an entrepreneur four years ago when his longtime employer was acquired. 'You have to be 100 percent committed ... and well-capitalized,' says the owner of Vestavia's Dry Clean City.

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the last 14 years. Latino and Asian rates decreased in those two years, while the rate for non-Latino whites increased.

- The oldest age group, 55 to 64, had its second-largest increase in 2009 since 1996 and the 35 to 45 age group saw a year-over-year gain.
- The states that had the largest increases in entrepreneurial activity over the last 10 years were Georgia, Arizona, Tennessee, the District of Columbia and Massachusetts. The states with the largest 10-year decreases were New Mexico, Alaska, North Dakota and Nebraska.
- Of the 15 largest metropolitan areas on the country, Houston, Texas, had the highest entrepreneurial activity rate (630 per 100,000 people), while Seattle had the lowest (160 per 100,000 people).
- In 2009, the construction industry had the highest rate of entrepreneurial activity, followed by the services industry, trade and manufacturing, respectively. Fairlie said the construction industry consistently sees so much entrepreneurial activity because workers who may have been employed on large projects for large companies fill down time with smaller projects on their own.

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