

# Entrepreneurial Background and the Path to Business Ownership: Evidence from EPOP:2023

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## OVERVIEW

Entrepreneurs take myriad paths towards opening a business. Better understanding these paths, and how they relate to entrepreneurial success, is an important charge for promoting healthy entrepreneurial ecosystems.

Newly released data from the 2023 Entrepreneurship in the Population (EPOP:2023) Survey provides a new resource to understand the pathways to self-employment and business ownership. This brief summarizes changes to the EPOP Survey from 2022 (the inaugural year) to 2023 and highlights information added to EPOP:2023 that allows researchers to better understand the background of entrepreneurs.



## KEY FINDINGS

- ✓ Comparisons between the EPOP:2022 and EPOP:2023 survey results show similar overall levels of entrepreneurial activities.
- ✓ Over one-third of adults considered starting a business at some point but ultimately changed their mind. But for most of these individuals, this was not their only attempt to own a business. Most of these “withdrawn” entrepreneurs owned another business or engaged in other freelance work at some point in the past.
- ✓ Most business owners report they own a single business with no prior business ownership. Approximately one-third of business owners currently own multiple businesses and one-third report prior business ownership.

- ✓ Businesses owned by those who own multiple businesses report larger business with more employees, and businesses owned by owners with previous business ownership experience tend to have higher revenue. Analyses looking at the years of leadership experience running a similar type of business followed a similar trend as more years of experience is generally associated with more employees and higher revenue. Notably, among business owners with at least 5 years of leadership experience, 27% have at least 20 employees and 24% report greater than \$100,000 in revenue for 2022.
- ✓ For both related business experience and leadership experience running a similar business there are differences when comparing gender and racial groups; men report greater experience compared to women and minority business owners report greater experience relative to non-Hispanic White business owners.

## 1 INTRODUCTION

The EPOP:2023 survey provides another year of data on entrepreneurial activities across the U.S. Relative to EPOP:2022, the 2023 data include several enhancements to provide researchers with more information on the scope of entrepreneurial activities and the pathway towards becoming an entrepreneur. For policy makers and other support organization trying to build successful entrepreneurial communities, understanding the journeys entrepreneurs take towards owning a business is essential. This is particularly important given that previous literature indicates a substantial fraction of current entrepreneurs are “serial entrepreneurs” who have previously exited an entrepreneurial pursuit (Dabić et al. 2023). Therefore, understanding the relationship between previous business ownership experience and the success of current entrepreneurs is a key task for researchers.

Enhancements to EPOP:2023 survey allow for a layered view of the backgrounds of entrepreneurs and investigation into prior or concurrent experiences of owning a business as well as prior leadership experience in the industry. The EPOP data show a substantial number of current business owners have experience running a prior business. Roughly 25-30% of current business owners either currently own multiple business or have owned a business in the past. In addition, almost 40% of business owners report they previously worked in a role where they owned or ran a similar business. This brief analyzes the relationship between these prior experience measures and the size of the business owners’ current primary business, finding that prior experience is related to both having more employees and higher revenue. These results reinforce the idea that business owners are often involved in multiple entrepreneurial ventures and demonstrate that this prior experience is associated with the current size of the business.

## 2 UPDATES INCLUDED IN THE EPOP:2023 SURVEY

The EPOP:2023 is the second in a series of five waves of EPOP data collection. The EPOP:2023 survey design is available in the 2023 methodology report but overall, the survey used a very similar sample design and screening process in the first and second wave. Nonetheless, as discussed below, there are a small number of changes in the survey screener to provide further flexibility to data users as well as a set of new items to provide more information on the entrepreneurial activities in which respondents were engaged which are important to highlight.

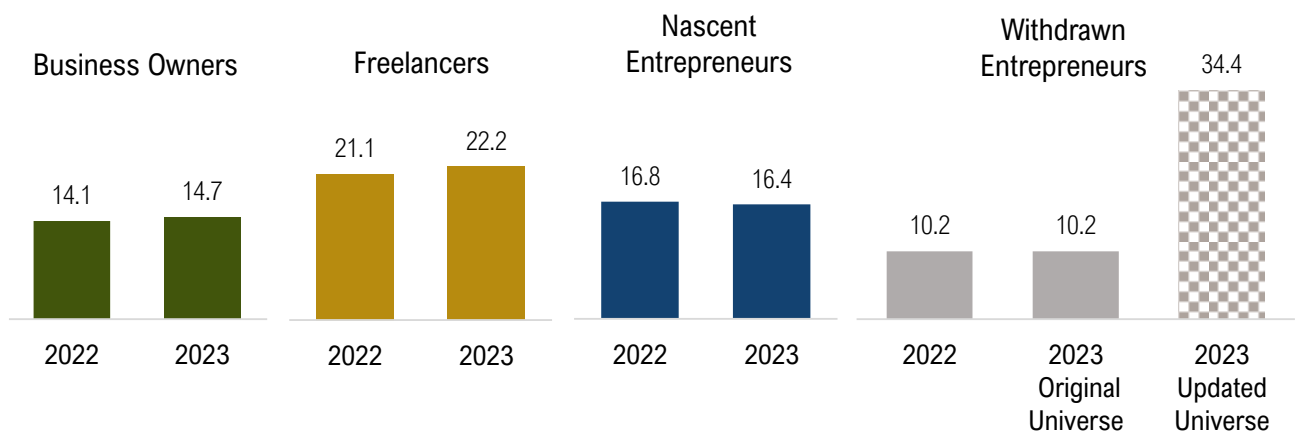
## 2.1 CHANGES TO THE EPOP:2023 SURVEY SCREENER

Several minor changes were made to the screener for the second wave of the EPOP Survey. The primary goal of these changes was to measure overlap across activity participation while still providing the ability to create key measures that are comparable to the EPOP:2022 Survey. First, respondents who were identified as current business owners were also asked additional questions about previous business ownership and current freelancers are asked about previous freelancing. Relatedly, current business owners were also asked how many businesses they own and how many freelance jobs they have. Finally, all respondents are now asked about previous attempts at starting a business (i.e., “withdrawn entrepreneurship”) instead of only those respondents who did not report another entrepreneurial activity.

To provide a high-level summary of changes in entrepreneurship between 2022 and 2023, Figure 1 presents estimates of key entrepreneurial indicators from Year 1 and Year 2 of the EPOP Survey. Most estimates are very similar between the two waves, apart from a modest increase in business owners and freelancers. In 2022, 14.1% of the adult population reported themselves as currently owning a business, compared to 14.7% in 2023. There was a similar increase among freelancing, with 21.1% of the adult population identifying themselves as a freelancer in 2022 compared to 22.2% in 2023.

Because withdrawn entrepreneurship was asked to every respondent in Year 2, there is now the ability to see if respondents ever abandoned an entrepreneurial idea even if they have otherwise engaged in entrepreneurial activity. As can be seen, when using the same definition from the 2022 survey (i.e., the respondent had abandoned an entrepreneurial idea in the past but otherwise engaged in no entrepreneurial activities) both waves have identical rates of withdrawn entrepreneurship (10.2%). However, the “2023 Updated Universe” bar in Figure 1 shows that 34.4% of adults in 2023 had at one point considered starting a new business but ultimately decided to wait or changed their mind. This indicates that a substantial fraction of individuals who at one point abandoned an entrepreneurial pursuit did eventually own a business or engage in freelance work at some point.

**FIGURE 1. Changes in Entrepreneurship Activities**



Notes: Difference comparisons are based on two-tailed t-tests and 95% confidence intervals that are conducted taking into account the complex sampling design of EPOP. Original universe includes only withdrawn entrepreneurs who have not participated in another entrepreneurial activity at some point. 2023 updated universe includes any withdrawn entrepreneur, including respondents who currently engage in an entrepreneurial activity or have done so in the past.

Source: NORC, Entrepreneurship in the Population Survey: 2022, 2023.

## 2.2 ADDITIONAL CHANGES IN THE EPOP:2023 SURVEY

Beyond the changes to the screener, the 2023 survey included a few other changes to improve measurement and provide more information on entrepreneurial activities. First, a series of questions on capital funding were updated to resolve inconsistencies in funding amounts that were seen in 2022 data collection. In EPOP:2022, respondents were asked to report which funding sources they used (e.g., government grants, outside investors, personal savings), how much funding they received from each funding source, and the total amount of capital used for starting and continuing their business. These questions were asked independently, which could at times lead to inconsistencies when summing across categories. This issue was addressed in the 2023 survey in two ways. First, respondents who reported not receiving funding from a source were considered as having \$0 from that source. Second, respondents were presented with a grid in which they indicated the amount of capital from various sources. Total capital was then calculated by summing funding amounts across sources, and the calculated total was then confirmed by respondents.<sup>1</sup>

In addition, as mentioned previously, entrepreneurs are now asked about their background and job experience in relation to their business industry and are given new questions on capital and business expenses, and all respondents are asked more detailed questions on remote work opportunities. The analyses below use these new items to examine the association between an entrepreneur's background and business characteristics.

Future waves of the EPOP Survey will continue to evolve and rotate in new questions based on interest by researchers and policymakers.

## 3 BACKGROUNDS OF CURRENT BUSINESS OWNERS

Findings from the new EPOP:2023 Survey items asked of business owners to measure their experiences beyond those associated with their current or primary business to understand the trajectories taken by successful entrepreneurs. This includes both other experiences with business ownership, as well as general experience with leadership in a similar business.

### 3.1 BUSINESS OWNERSHIP EXPERIENCE

To examine business ownership experience, current business owners are classified into one of four categories:

- (1) those who own a single business with no prior business ownership,
- (2) those who currently own a single business with prior business ownership,
- (3) those who own multiple businesses with no prior business ownership, and
- (4) those who own multiple businesses with prior business ownership.

Table 1 shows that about half of business owners have business ownership experience outside of their current, primary business. Forty-eight percent of business owners report either having owned a business in the past in addition to their current business or currently owning more than one business, and 20% of business owners report both prior business ownership and current multiple business ownership. This means that just over half of business owners (52%) report owning a single business with no prior businesses.

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<sup>1</sup> More information on survey changes between years 1 and 2 of the survey can be found in the EPOP:2023 User Guide.

**TABLE 1. Business Owner Experience Among Current Business Owners**

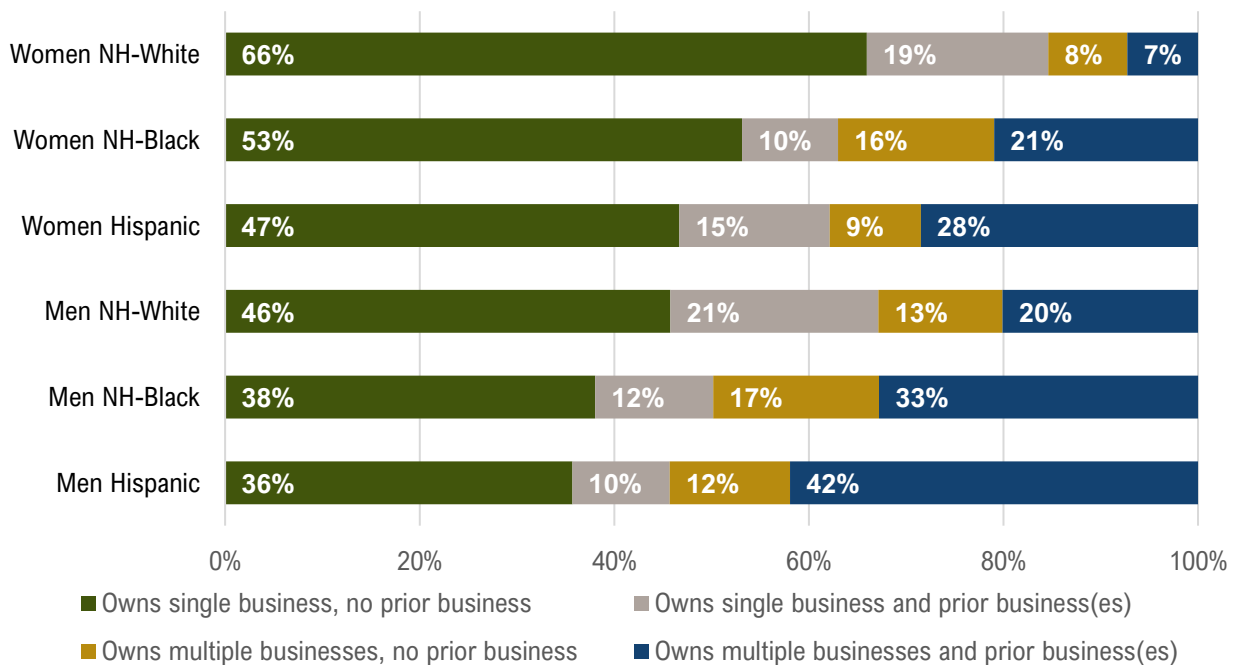
Number of Businesses Currently Owned	Prior Business Ownership		Total
	No	Yes	
Owns Single Business	51.6%	16.6%	68.2%
Owns Multiple Businesses	11.8%	20.0%	31.8%
Total	63.4%	36.6%	100.0%

Source: NORC, Entrepreneurship in the Population Survey: 2023.

Figure 2 shows how the business ownership experiences vary by race/ethnicity and gender. Overall, women are less likely to own multiple business relative to men and less likely to have owned businesses prior to their current business. Regardless of race or ethnicity, 60% of women report owning a single business with no prior businesses compared to 45% of men. Further, 38% of men own multiple business compared to only 24% of women, and 40% of men report prior business ownership compared to 30% of women.

For both men and women, non-Hispanic Black and Hispanic business owners have a higher prevalence of prior and multiple business ownership. For women, 66% of non-Hispanic White business owners report owning a single business with no prior businesses compared to only 53% of non-Hispanic Black and 47% of Hispanic owners. For men, 46% of non-Hispanic White business owners compared to 38% of non-Hispanic Black and 36% of Hispanic owners report a single business with no prior business. In other words, the results indicate minority business owners are more likely to own multiple businesses and have a history of business ownership relative to non-minority owners. Rates of multiple and prior business ownership are especially high among non-Hispanic Black men. Forty two percent of non-Hispanic Black men who own businesses report owning multiple business and prior business ownership.

**FIGURE 2. Business Owner Experience by Gender and Racial Identity**



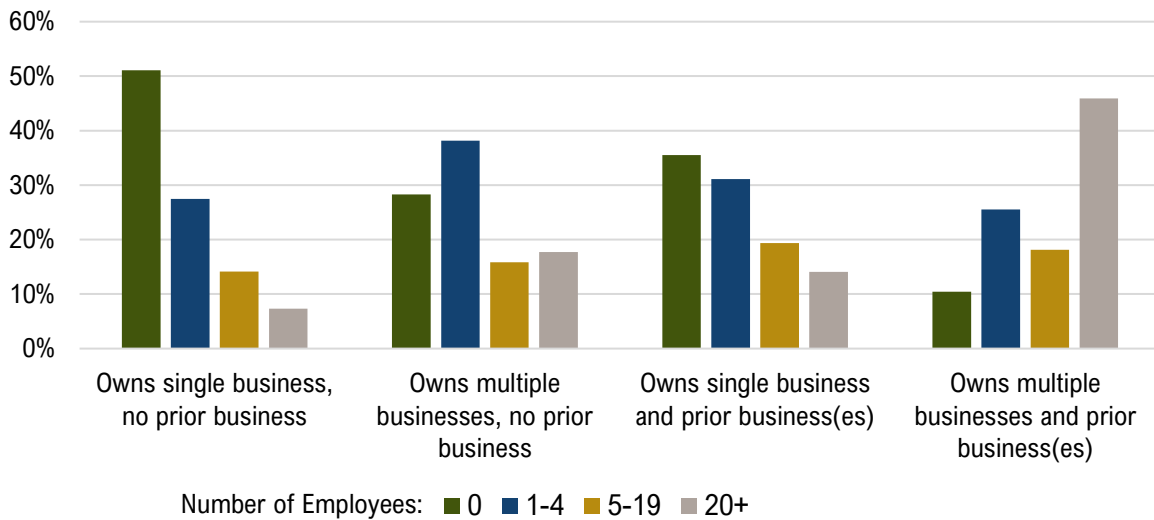
Notes: NH = non-Hispanic. The figure includes business owners from the 3 largest racial and ethnic groups. Further categories are included in the EPOP:2023 survey, including NH-Asian, NH-American Indian or Alaska Native, multiple races, and “some other race.”

Source: NORC, Entrepreneurship in the Population Survey: 2023.

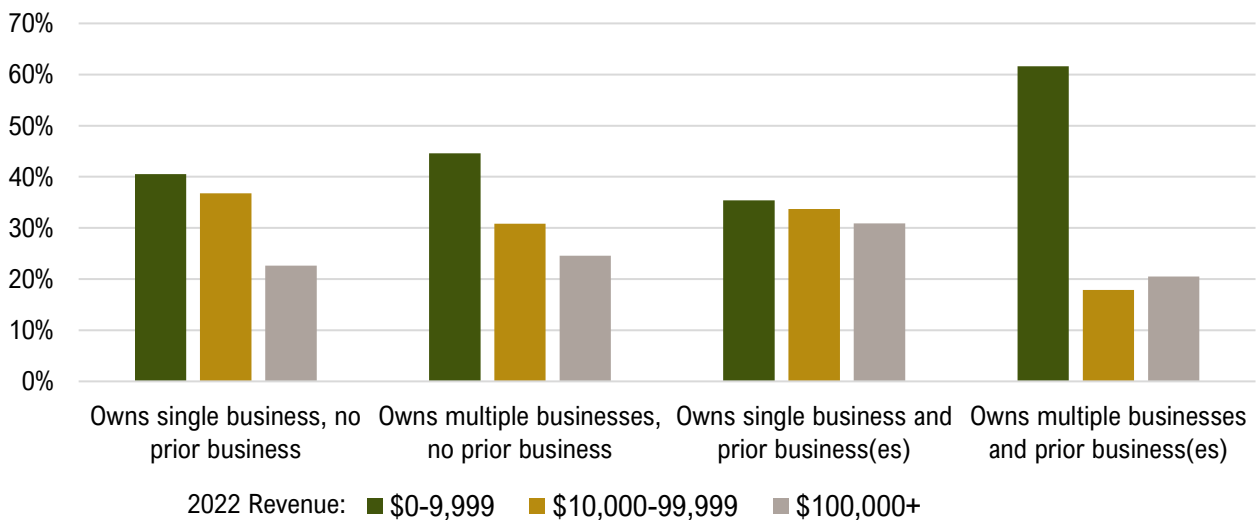
Next, Figure 3 examines the relationship between business ownership experience and business size and revenue. The results indicate that business owners who own multiple businesses have larger business compared to those who own a single business, with or without prior business ownership. Business owners with a single business and no previous businesses have the highest prevalence of no-employee businesses, at 51%, followed by single business with previous business (35%), and multiple businesses (17%). Moreover, single business owners have the lowest prevalence of business with at least 20 employees, at 7% for those with no previous business ownership and 14% for those with previous ownership. This is compared to 35% of businesses from multiple business owners.

**FIGURE 3. Business Size and Revenue by Business Ownership Experience**

**A. BUSINESS SIZE**



**B. BUSINESS REVENUE**



Source: NORC, Entrepreneurship in the Population Survey: 2023.



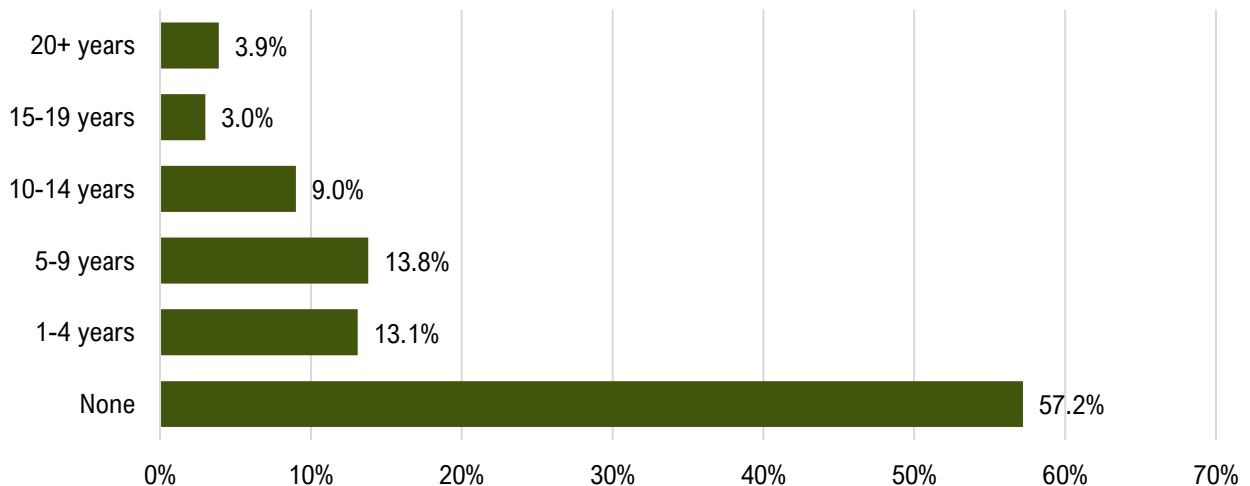
While multiple business owners reported the largest businesses in terms of number of employees, single business owners with a previous business reported the highest revenue. While over half of multiple business owners and single business owners with no previous businesses reported the lowest revenue category of under \$10,000 (62% and 45% respectively), only 35% of single business owners with a previous business reported under \$10,000 in revenue. Additionally, almost one-third of single business owners with a previous business reported at least \$100,000 in revenue compared to 23% of single business owners with no previous business and 22% of multiple business owners.

### 3.2 PREVIOUS LEADERSHIP EXPERIENCE WITH A SIMILAR BUSINESS

In addition to asking respondents to report prior business ownership and concurrent business ownership, the EPOP:2023 Survey provides information on how many years of experience business owners have in starting or operating the same type of business, which we refer to as previous leadership experience. Although these reports are less precise indicators of experience compared to reporting business ownership, the measure captures leadership experience in a similar industry which could be an important predictor of business success.

Figure 4 shows the distribution of years of leadership experience with a similar business. Fifty seven percent of business owners report having no leadership experience running a similar type of business prior to starting their current business, leaving 43% who reported some amount of prior experience. Most business owners who reported prior experience had fewer than 10 years of experience running a similar type of business, with 13% reporting 1-4 years and 14% reporting 5-9 years overall. A small portion of business owners, 4%, reported at least 20 years of experience.

**FIGURE 4. Years of Leadership Experience among Business Owners**

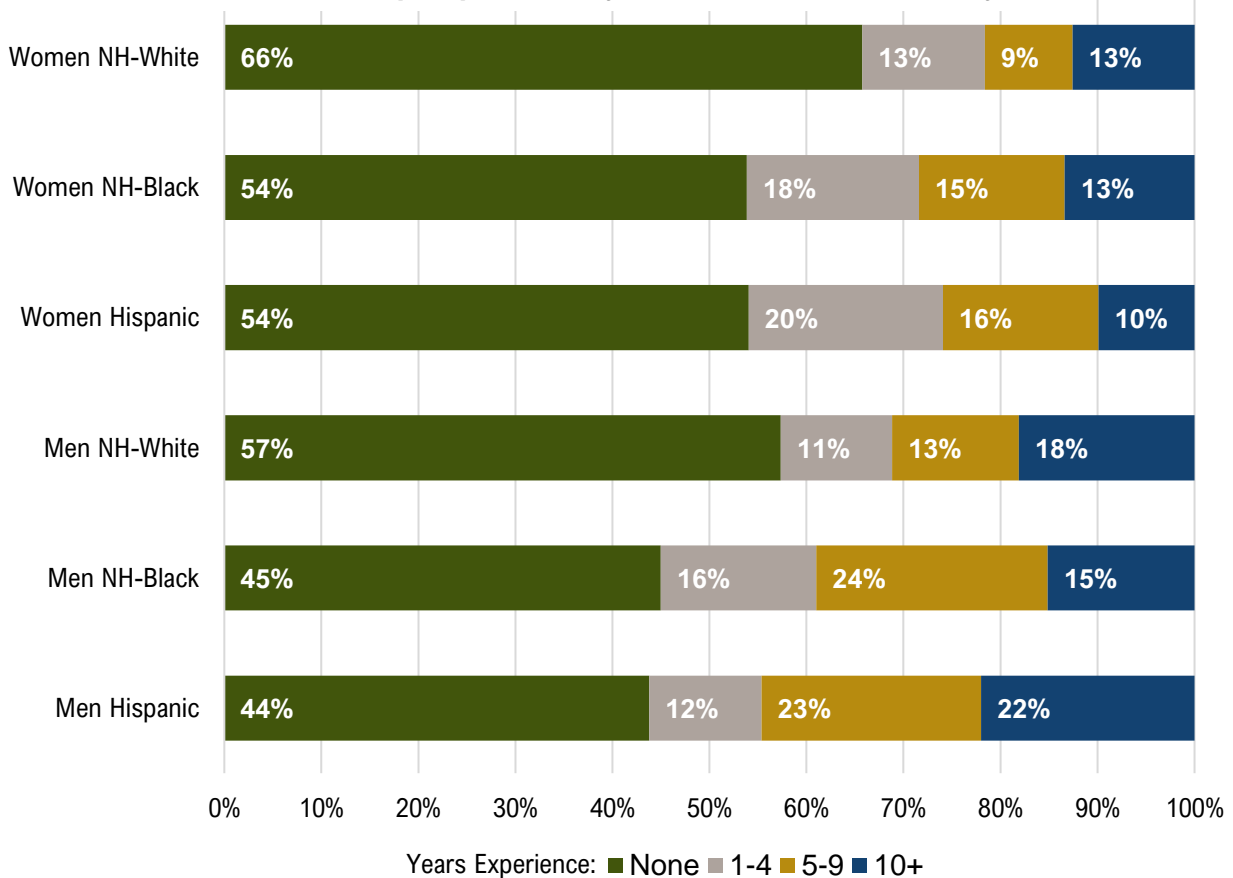


Source: NORC, Entrepreneurship in the Population Survey: 2023.

Figure 5 presents information on how years of leadership experience varies by gender, race, and ethnicity of business owners. Overall, the results depict a similar trend as demographic business ownership experience, with men reporting greater experience relative to women, and minority business owners reporting greater experience relative to non-Hispanic White business owners. Non-Hispanic White women report the least leadership experience with 66% reporting no experience prior to their current business, compared to 54% for non-Hispanic Black and Hispanic women and 57% for non-Hispanic White men. Further, non-Hispanic Black and Hispanic men report the greatest leadership experience. Forty four percent of Hispanic men and 39% of

non-Hispanic Black men report at least 5 years of leadership experience, which is significantly greater than other gender and race/ethnicity groups.

**FIGURE 5. Years of Leadership Experience by Gender and Racial Identity**



Notes: NH = non-Hispanic. The figure includes business owners from the 3 largest racial and ethnic groups. Further categories are included in the EPOP:2023 survey, including NH-Asian, NH-American Indian or Alaska Native, multiple races, and “some other race.”

Source: NORC, Entrepreneurship in the Population Survey: 2023.

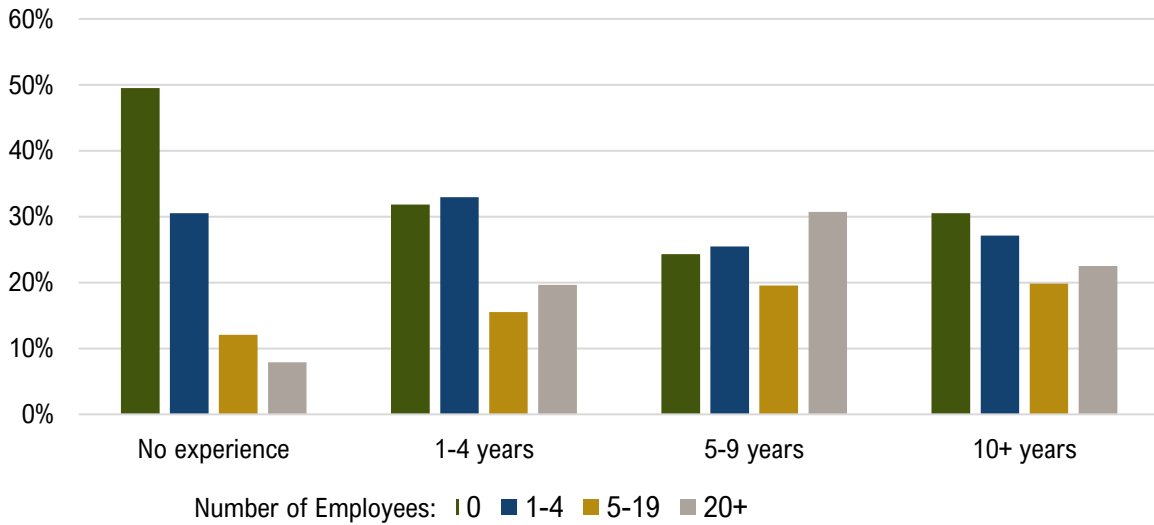
Figure 6 shows how years of industry leadership experience is related to the size and revenue of the current business. The figure indicates that business owners with at least a year of previous experience report larger business compared to owners with no previous experience. Over half of all businesses with owners reporting previous experience have at least 1 employee, compared to roughly half of owners with no previous experience. Further, business owners with no years of experience are much less likely to have the largest business size of at least 20 employees (8%) compared to those with greater experience. Notably, 31% of business with owners reporting 5-9 years of experience report at least 20 employees.

More years of experience is also associated with higher revenue, as shown in Panel B. Overall, just over half of all businesses (56%) reported greater than \$10,000 in revenue for 2022. Business owners with at least 10 years of experience are more likely to make at least \$10,000 in annual revenue compared to those with less than 5 years of experience. This further indicates that prior leadership experience is a significant predictor of current business size, possibly reflecting both the role of experience in entrepreneurial success as well as differential opportunities available to more experienced business owners.



**FIGURE 6. Business Size and Revenue by Years of Experience among Business Owners**

**A. BUSINESS SIZE**



**B. BUSINESS REVENUE**



Source: NORC, Entrepreneurship in the Population Survey: 2023.

## 5 CONCLUSIONS

This brief introduces the EPOP:2023 Survey, highlighting the enhancements that were made in the second EPOP Survey wave to provide a more detailed understanding of the overlap between current entrepreneurial activities as well as the background of current business owners. An analysis of these new survey enhancements indicates a substantial fraction of current business owners have prior business ownership experience or experience running or owning a similar business. These prior experience measures are both related to the size of the current business, with more experienced business owners significantly more likely to own larger businesses. Further information on this data and the enhancements made for Year 2 may be found on [EPOP.norc.org](https://EPOP.norc.org).

## 6 ABOUT THE EPOP SURVEY

### EPOP Survey Project Overview

The EPOP Survey aims to fully understand entrepreneurship in the U.S. economy across the varied pathways people take towards business ownership. Thus, the EPOP Survey considers the experiences not only of current business owners but also individuals in the process of starting a business, as well as those who are no longer business owners. The project conducts an annual survey of approximately 30,000 individuals to represent the non-institutionalized adult population in the U.S. by state and major metropolitan area. This report is based on the 2023 survey. Subsequent yearly surveys are planned through 2026. The survey estimates the prevalence of current business owners, contractors, and freelancers, individuals planning to start a business, former business owners, and withdrawn business owners who at one point took steps towards business ownership. Of those who are or who have engaged in entrepreneurial activity, the EPOP Survey asks about business formation steps and support, challenges and obstacles, and capital investments.

### Survey Design and Methodology (2023)

A complete methodology report is available on the EPOP Survey website.

**Target Population.** All non-institutionalized adults 18 years or older in the United States.

**Sample Design and Frame.** The study sample is selected from three frame sources: (1) NORC's AmeriSpeak® Panel, (2) an addressed-based sample (ABS) frame built from the U.S. Postal Service Delivery Sequence (DSF) file; and a sample from opt-in panels. Samples selected from the AmeriSpeak® Panel and the ABS frame are probability samples with explicit stratification and known sample selection probabilities, while the sample selected from the opt-in panels is a nonprobability sample with unknown frame coverage and unknown selection probabilities.

**Data Collection.** EPOP:2023 data collection started on March 18, 2023, with the release of the AmeriSpeak® sample. NORC mailed ABS advanced letters approximately 11 days later on March 29, 2023. Data collection for both ABS and AmeriSpeak® samples officially ended on July 4, 2023. Data were also collected from a non-probability sample between June 14, 2023 and July 5, 2023. Data were primarily collected via an online survey; computer-assisted telephone interviewing was a secondary mode and available upon request. The survey was available in both English and Spanish. All participants were compensated for their participation.

**Data Processing.** The raw data file was reviewed and compared to the programmed survey specifications to identify data irregularities and develop any necessary code to transform raw data for consistency. Complete and partial survey records were all reviewed for data integrity (e.g., to identify respondents who completed the survey too quickly to have read question text and respondents who straight-lined responses) and those that were in violation were discarded. For a small number of cases where the data could not be repaired, the case was discarded. Similarly, cases were evaluated for item nonresponse. Those with high item nonresponse or missing critical pathway information were dropped from the final data set.

**Estimation.** Complete surveys from the three sample sources were combined using NORC’s TrueNorth® weighting method to generate a set of combined sample weights to support estimation.

## About ✖NORC

The EPOP Survey Project is designed and conducted by NORC at the University of Chicago. NORC is an independent research institution that delivers reliable data and rigorous analysis to guide critical programmatic, business, and policy decisions. NORC conducts objective, non-partisan research to help inform people in government, nonprofits, and businesses making decisions on key issues of the day. Our research addresses important issues like employment, education, and health care. Since 1941, NORC has conducted groundbreaking studies, created and applied innovative methods and tools, and advanced principles of scientific integrity and collaboration. Today, government, corporate, and nonprofit clients around the world partner with NORC to transform increasingly complex information into useful knowledge. For more information, visit [NORC.org](https://norc.org) and connect with us at [twitter.com/norcnews](https://twitter.com/norcnews) and [facebook.com/NORCatUofC](https://facebook.com/NORCatUofC).

## About the Ewing Marion Kauffman Foundation

The EPOP Survey Project is both guided and funded by the Ewing Marion Kauffman Foundation a private, nonpartisan foundation based in Kansas City, Mo., that seeks to build inclusive prosperity through a prepared workforce and entrepreneur-focused economic development. The Foundation uses its \$3 billion in assets to change conditions, address root causes, and break down systemic barriers so that all people – regardless of race, gender, or geography – have the opportunity to achieve economic stability, mobility, and prosperity. For more information, visit [kauffman.org](https://kauffman.org) and connect with us at [twitter.com/kauffmanfdn](https://twitter.com/kauffmanfdn) and [facebook.com/kauffmanfdn](https://facebook.com/kauffmanfdn).

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