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Small Business Research Summary

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Accelerating Job Creation in America: The Promise of High-impact Companies

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Purpose

A previous Advocacy-funded study from Corporate Research Board, *High-Impact Firms: Gazelles Revisited*, found that fast-growing or high-impact companies were a main contributor to new jobs. In light of the current need for a growing labor market, a natural question is how the deteriorating economy of 2008 affected high-impact companies and their jobs. The previous study also left a few questions unanswered, such as the gender of the owners and the financial condition of high-impact companies.

Overall Findings

As the economy began to struggle, the number of high-impact companies declined only slightly from previous periods. Employment was down about a million jobs in the latest period studied, 2004-2008, from the four-year periods of the 1990s and early 2000s. The decline was a result of firms with 1-19 employees increasing employment by about a million, and firms in both the 20-499 and 500+ employee size categories decreasing employment by about a million each. Employment in firms with 500 or more employees seem to have lagged in employment declines in relation to the business cycle.

Highlights

- There were about 368,262 high-impact companies in the economy from 2004 to 2008, a decline of about 8,000 from the 2002-2006 period. High-impact companies represent about 5-7 percent of all employer firms. From 2004 to 2008, about 95 percent of high-impact companies had fewer than 20 employees; 4.5 percent had 20-299 employees; and 0.5 percent had 500+ employees.
- High-impact employment increases were 11.5 million from 1994 to 1998, 11.7 million from 1998 to 2002, and 9.0 million from 2002 to 2006. In the latest period, 2004-2008, the employment increase was 10.7 million. This increase was a result of firms with 500 or more employees going from a 3.0 million job gain in 2002-2006, to a 4.8 million job gain in 2004-2008.
- On average, high-impact companies are younger than other firms. Firms with 1-19 employees were 16 years old, on average; those with 20-499 employees averaged 26 years; and large firms with 500+ employees averaged 38 years of age. Firms with 1-19 employees constituted most of the high-impact companies; the overall average age (mean) was 19 years, with a median age of around 12 years. Non-high-impact companies with 1-19 employees averaged 23 years of age; those with 20-499 employees averaged 33 years; and those with 500+ workers averaged 53 years.
- With a median age of around 12 years after four years of growth, the average age of firms poised for growth is eight years.
- The share of high-impact companies that are women-owned was similar to the share of non-high-impact companies that are women-owned. In both high-impact and non-high-impact companies, women's shares of firms decreased as firm size increased.
- Most industries have shown a decline in the share of firms that are high-impact, as the number of non-high-impact companies has increased over the last few decades.
- The previous study identified 7,217 firms that were high-impact companies in both 1998-2002 and 2002-2006. About half were in professional services and construction; about half were

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between 13 and 19 years old; and about half had 20 to 99 employees in 2008, ten years after the beginning of their tremendous growth.
- The creditworthiness of high-impact companies is similar to that of non-high-impact companies.
- New York had the largest number of jobs from the high-impact companies that grew between 2004 and 2008—1.7 million as of 2008. Interestingly enough, Oklahoma City was also among the top five cities, with 400,000 jobs created. New York also led in the number of high-impact companies, followed by Los Angeles and Miami.

Scope and Methodology

Corporate Research Board used its proprietor database, the Longitudinal Research Database of High Impact Companies to conduct the study. The basis of this database is Dun & Bradstreet (D&B) business records. D&B records have been criticized for having a relatively low percentage of relatively new firms, but are recognized as capturing a very high percentage of growing companies.

High-impact companies are firms with sales that at least double over a four-year period and whose employment growth quantifier (product of its absolute and percentage employment change) was at least 2. Along with D&B's limitations, the fact that the period of analysis was four years limits the number of relatively young high-impact companies. While most discussions of employment increases focus on net new jobs (jobs gained minus jobs lost), the definition of high-impact companies means their employment changes reflect total new jobs.

The time frame of 2004-2008 (June to June) was an update of the previous high-impact company study by Corporate Research Board; it overlaps with the 2002-2006 (December to December) time period of the previous study. Firm size classes of 1-19 employees, 20-499 employees, and 500+ employees were studied.

Most of the results are aggregated in the tables; however, case studies of high-impact firms are used as illustrations of firms in declining or growing industries.

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