

Do "entrepreneurial" public companies create more jobs?

We've heard a lot about how high-growth startups generate more jobs than other small businesses. Now there's evidence so-called entrepreneurial public companies create more employment than other firms of the same size.

The findings are from research by Joel Shulman, an associate professor at Babson College who also runs a newly created mutual fund called EntrepreneurShares Mutual Fund . It invests in 400 companies defined as entrepreneurial according to 15 core factors, including such characteristics as organic growth, an above average ownership stake among key stakeholders, an above average return on investment capital and a long duration of key managers. Companies, which also have a market cap of \$200 million and more, range from Apple to Credit Acceptance Corp.

According to Shulman, he compared changes in job growth in EntrepreneurShares companies compared to other US corporations of a comparable size over the past five years. He found growth from 2005 to 2006 was 15.32 percent greater at entrepreneurial firms. From 2008 to 2009, that difference narrowed, but still was 3.5 percent. And drilling down further, during that time, growth at entrepreneurial companies was 2.5 percent, while there was a decrease of 3.25 percent at other firms.

How come? Shulman says it's largely due to the fact that these companies are managed better than others. "They have better capital utilization, a better return on invested capital, new product innovation, a great team leader," he says. These companies also may be better able to anticipate and react to changing market conditions.

Of course we probably should take these results with a grain of salt, since they involve Shulman's mutual fund. Still he says he basically stumbled across the findings when Emily Leventhal, a portfolio advisor at Athena Capital Advisors, suggested they look at the issue together. "She said, I'll bet your guys create jobs," he says. Looks like she may have been right.