

# Startups are Booming – Here's Why



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Welcome to THRIVE, a Paychex Business Podcast, where you'll hear timely insights to help you navigate marketplace dynamics and propel your business forward. Here's your host, Gene Marks.

**Gene Marks:**

Hey everybody, and welcome to another edition of THRIVE. My name is Gene Marks and I am here with Stephanie Gorski. Stephanie is the Strategy Managing Director and Partner at Accenture Strategy. First of all, Stephanie, I have to ask you just with the title. I thought... Okay, so first of all, I'm a KPMG guy. I was at KPMG for nine years, right? And there's partners, and then there's directors, and different firms have different definitions of all of that. So, you're a partner, you're a director. First of all, tell us a little bit about your role at Accenture.

**Stephanie Gorski:**

And you know what? I feel like every company has a different title for everything nowadays, so I'll try to make it as easy and streamlined as possible. And I do not do a good job of that, so let's make it easier for everyone to understand. So, I'm a partner. Basically, because we are public as Accenture, we call them Managing Directors and I sit in our strategy practice. And so I focus on strategically thinking about mostly software and platform clients, but now broadly, about how many of our different companies we support at the enterprise level, so larger companies as Accenture, actually can support SMBs better. Which is really top-of-mind for many of our clients today, so I sit at the intersection of that and have had a pleasure doing it for the last number of years.

**Gene Marks:**

So, that's a really good point that you make. So, I've just always been curious, Accenture is a giant firm. You're identified as Accenture's SMB expert, and I guess, why does Accenture care about small businesses? Don't you guys just care about the Fortune 1000 and large scale projects?

**Stephanie Gorski:**

Yeah, I mean, that's what you think. And actually, when I started my life at Accenture, that's what I thought too. But really, at the end of the day, we want to make the economy and the world a better place for every

type and size of business and also for consumers. Otherwise we don't play a role. So, so much of what I do for enterprise, is actually thinking about their customer base, especially in the business-to-business lens. And many of the clients I support, 60 to 70 to 80% of the revenue actually comes from small- and medium-sized businesses. So, we have to, as Accenture, in my opinion, really think about what's the needs and the experience of small businesses, in order to support these enterprise players in the best way possible.

**Gene Marks:**

So, let's just say... So, originally when I was reading the study, which we're going to talk about, I was thinking like, okay, so essentially any big firm, they're studying small business because you're going after those nuggets in the haystack. You're trying to find that next small business that's going to be the next Facebook. But I'm actually getting what you're telling me is, actually no, we're doing this because we want to provide this information to our clients, who do business with small businesses. Is that accurate?

**Stephanie Gorski:**

Correct. And for so long... The way that I think about this is, one, for so long companies used to look over small businesses, even though they were such a large portion of the revenue. They either treated them like consumers or enterprises and fit whatever they could for small businesses. And quite frankly, that didn't work well, that didn't maximize the relationship, the revenue, anything like that. And now, even today, we're seeing that even though they're starting to develop groups or support for small business that's unique, they're treating all small businesses the same, and one size does not fit all in this area. So, we wanted to dive in and show, that not only is there segmentation around this, but also there's new waves of small businesses coming. And especially now, with COVID and what's come out of COVID, you've got to treat them differently.

**Gene Marks:**

And not only do you have to treat them differently... So, if you haven't figured it out already, I'm a CPA, okay, which should be obvious by the look. So, we have about 600 clients around the country, but mostly in the Mid-Atlantic area. And to your point, they're mostly mom and pop stuff, or they're B2B companies, family-owned businesses, the whole thing, right? And if you ask any of them, one of the owners of these business, what do you do? It's very rare that you will have somebody be like, "oh, I run a small business." Their answer's going to be like, I run an engineering firm. You know what I mean? I run a manufacturing company. I'm a distributor. I'm a landscaper. You know what I mean? So, you're right, people seem to put all small businesses into this one bucket, and it's just wrong to do that.

**Stephanie Gorski:**

Absolutely, I'm right there with you. And I have a specific passion about this too. I've shared over the years, but my dad is a rare book collector and sales individual. So, he runs a small business on the side, so I use him as my test case or pilot of different pieces that I actually consult on. And so many times, even though I consult in this area, spend all my time in this area, when I'm starting to do stuff with him, either advertising or setting up CRM or whatever it may be, I'm struggling myself. So, it has been really interesting looking at it from that vantage point, too, of how hard it is to navigate that landscape, no matter what background you have.

**Gene Marks:**

All right, so let's talk about startups. So, this is just completely my quip, you and I are recording this conversation. It's near the end of July. I'm not quite sure when it's going to be published, but this week, I write every week for the Philly Inquirer on small business. And yeah, just this week, I just did a whole piece on starting up a business in Philadelphia, what's unique about it. And trust me when I tell you, it's a pain in the neck. But that's another topic altogether. But,, Accenture did a big study on startups, and that's what we want to talk about. So, tell us a little bit about that study.

**Stephanie Gorski:**

So for me, what I was ending up seeing, you hit on this in multidimensional, so I've been researching small- and medium-sized businesses for the last four plus years, either with clients or proactively as Accenture. And what we are starting to see, and you saw this too, was there was such an increase during COVID of yes, small businesses shutting down, but also starting. And I also saw the beauty of being in the consulting world, the entrepreneurial mindset of my colleagues, too. A number of my colleagues were starting up small businesses, either on the side or were leaving Accenture to also start up their own small business in a passion area that they've already had. One of my closest colleagues did exactly that. And so I really wanted to, and we, as a team, wanted to dive into, what's really the phenomenon going on here? Are they fundamentally different? Do small businesses that are starting during this time of COVID look, feel, operate, and think differently than what small businesses of the past have looked like?

**Stephanie Gorski:**

And we found out, across the board, yes. They're more digitally savvy. They're harnessing the use of technology in a different way. They are actually small businesses. One of my favorite facts is about 70% of them want to stay small businesses forever. So, they aren't looking to become, as you mentioned earlier, the next Facebook of the world. So, it's also making sure you're catering to them for the long term. And then also, so many of them are still doing this as a side hustle. About a third are doing it as a side hustle, on top of their daily income with somewhere else, so giving them that flexibility. But they're also just following passions. Many of them, even though this was happening during COVID times, many of them started their business because they were excited. They liked the freedom of having something that they were truly passionate about and were trying to look for something that could be a primary income source in the future for them, but wanted to incubate it now, because they thought the opportunity was there. So, it's fun seeing how the change in the work environment is happening, too.

**Gene Marks:**

I'm going to get a little cynical with you as well. I wrote about this a few times while this was all happening. One, and I'm curious to hear what your thoughts are, and feel free to subdue your thoughts, if necessary. Some people are like, hey, a lot of people took all that extra stimulus money that apparently they didn't really need it for their groceries. They wound up using it as capital to start up a small business. So, that was one thing, with people complaining about that. And then the other one was just the whole work from home thing. I had personal experience with friends of mine and such, that work at bigger corporations, that were working from home and did start up side businesses. And I was thinking to myself, gee, I thought they were really busy at their jobs, but apparently when they went home to work, they seemed to be able to find extra time to start up businesses on their own, as well.

**Gene Marks:**

So, I'm curious your thoughts on that. Do you think that a portion of these new entrepreneurs started up their businesses with government help? And number two is, do you think that some of these entrepreneurs were a lot of corporate employees that found that they had extra time when left to work on their own at home?

**Stephanie Gorski:**

I would 100% agree with both, quite frankly. I know you're being cynical, but I completely agree with it. So, the first one around using some of the stimulus fund, yes. But it's stimulating the economy in a different way, right? If we think about stimulating the economy in the long term, even though it's not funding those groceries at the moment, or maybe taking piece of that to fund something else, it's another way to keep an area of the economy, which is huge for North America and broadly, really alive for the longer term and

thinking about how we can last and evolve. We're all going through such a business evolution, no matter if it's small business or enterprise right now, that that needed to happen and it needed to be funded in some way. It just happened to be some of the stimulus. The other piece of that, of corporate America, I completely agree with you. My friends that were like I can't handle and I'm juggling too much, it's because...

**Gene Marks:**

I'm so slammed, I'm so slammed.

**Stephanie Gorski:**

And you know what? It's interesting because, my husband comes from a consulting background too. The two of us have talked about it, of saying, what would we want to potentially do together? Or start something on this side that could be something for the longer term that we want to think about? Those conversations were happening across the board with almost every person I know. I mean, when we did this study, I've never seen a response rate of getting an inclusion rate to a study that was as high as this in an area that I wasn't sure people were doing. One in 10 people that we surveyed had started their own business. That's huge.

**Gene Marks:**

That's unbelievable.

**Stephanie Gorski:**

It's unbelievable. So, it's really saying that, yes, a lot of people were doing this on the side. A lot of people were also failing at it on the side. But, I mean, the other piece of the study is that people were continuing to persist and try something else that was a passion area. I think you're going to see this as a trend. I am thinking about it as Accenture and me being an employer of people in this space, especially a strategy space. I need to give my employees room to do some passion areas on the side, almost like a hobby, as they think about keeping them excited about working at Accenture. So, I think it's a new time to think about the landscape a little different.

**Gene Marks:**

It's funny to me, and again, I'm going to take a glass is half full outlook on this as well. For starters, when people ask me about starting up a business, it takes capital to start up. When I started up my company, it was back in 1994, which Jesus, I can't believe I'm saying this, but that was a long time ago. And I left KPMG and I was working as a Controller at a company in Plymouth Meeting, outside of Philly. And that was my full time job, but I started up a business with my father at the time, and I was working overtime and I was working weekends, to make it all work. I had a job that was paying my bills while I was getting this business up and running. Do you know what I mean?

**Gene Marks:**

So, in one way, if you're working for a corporation, it is the right way to do it. If you have a paycheck coming in and you can handle your responsibilities, but then now you can use that to finance the startup of a business, that's cool. And I think the data said that 80% of those people that were surveyed... There were what? There were 5,800 people surveyed, you said. 80% of them had aspirations of making this their primary venture, which is fine. I think as a big company though, I think these numbers, you have to realize that this is going on. You shouldn't be upset about it. I think it provides a bit of diversity to your employees. They don't get stuck in the same, getting into a rut. You know what I mean? Because it gives them something else to challenge them to think about, and maybe it spawns a lot of big companies to say, "Hey, listen, we need to focus on four day work week stuff." And allowing our employees, as long as they get their stuff done, more power to them if they want to start up their own side gigs.

**Stephanie Gorski:**

Yeah, I mean, I couldn't agree with you more, especially as Accenture being such on the cutting edge of where technology's going and driving different pieces. I look at all the people that have either, doing it on the side or also driving something new that they've left Accenture for, being our pulse on the SMB environment. There's so many times I actually interview many of them now, and say, "Hey, go check what we've just recently done for others, and the research that we've done. Is this resonating for you? Can you do a test of me walking through actually how you just onboarded in a new company and what that actually looked like?" So, it's a really good incubation of using the alumni network for me, at least, to figure out where should we focus and how should we move forward? So, instead of thinking about it as we lost someone, I'm using it to be a catalyst for a lot of the things we drive forward.

**Gene Marks:**

How do you think things would've been different... So, just thinking about it, if we had this pandemic 10 years ago. I don't even want to go back 40 years ago when there was no internet, that would've been a disaster. But, say it was 10 years ago, do you think it would've had the same impact on these work from home employees back then? Or do you think things were just, this was just a much better conflagration of events that brought this trend, so accelerated it?

**Stephanie Gorski:**

I would hope that it would've had the same, but really, honestly, I don't think it would've. The digital tools and the way that things are set up today, and the experimentation, and the comfort level that people have. And honestly, also, to your point of how much income it takes to even start a startup... the range of different jobs and levels that have the income now to try out new, and the barriers to entry of that level of income have decreased. None of that was present 10 years ago. So, the flexibility is just fundamentally there, and it was the right time to really drive it forward, and also for people to reflect and see things in a different light. I also am amazed to see people doing it at a younger age too. So, it's also the tone and the generational aspect of, so many people in my generation and below saying, "Hey, we don't have to live by the rules of how business used to work in the past. Let's define it in our own way." I think it was the combination of all that stuff happening together that really propelled this forward.

**Gene Marks:**

Yeah, I agree with you. There are other factors that I think I also saw. I mean, household wealth, it's still at a historical high, even with the markets themselves falling as they have in the past year, it's still extremely high in property values. And people, they've had more capital to do what they had to do. What do you think holds people back from starting up businesses? I mean, there was a lot. Your report said there were what, 5.4 million new businesses that were created in 2021. 4.4 million in '22. That's a lot, okay. But, do you think it could have been more? Do you think there's anything that holds people back?

**Stephanie Gorski:**

I think there's a couple different things. I think it's one, how easy and simplified it makes it to actually start a new business. You just mentioned your article for the Inquirer. It's absolutely a piece that there's no clear, I've done this so many times in my studies, of what's the simplified SMB package that someone needs to understand everything at my fingertips, in a specific industry or area that I need to do in order to start up. No one's made it that easy for actually starting up a small business. The other piece is support. I mean, the beauty that we didn't touch on in the last piece is network, right? Network is more at our fingertips than ever. People aren't as afraid to reach out to someone they either knew from high school or they don't know on social media and say, can you give me tips and tricks? But really making that network easier to navigate on who's the right advisors, how do we think about this area and how can we support each other to start it up?

**Stephanie Gorski:**

And then we've seen increases when grants and focus, specifically in different economic levels or backgrounds to and diversity backgrounds too. When they focus in that area, you're seeing an uptick. More of that focus in a longer consistency-type aspect would continue to increase the influx of small businesses. But I think it's just people feeling like they have support in multiple different ways. I'll tell you right now, the only reason I haven't started one, my dad is much more of a proactive person than I am, but is the risk factor of how do I think about balancing both? And how do I really think about where do I want to go? And what's the right passion?

**Gene Marks:**

I'm glad you brought that up and that you brought up your dad as well. I mean, starting up a business there is, we haven't talked about, of the 5.4 million businesses that we're created 2021, how many of these do you think are actually going to last, right? I mean, I meet a lot of people at startup businesses and they have this romantic idea of running a business, like it's Anne Hathaway in the Intern. You know what I mean?

**Gene Marks:**

Exactly.

**Gene Marks:**

And in the end, I have some great clients in my practice, and my best one, Stephanie, I swear to God, they're very practical about it. I mean, these are people that know how to buy something for a buck and sell it for three. You know what I mean? And in the end, it's math driven, and it's hard work, and it's dirty. It's not sexy, it's not fun a lot of the times, although it can be challenging and provide inspiration to some people. But sometimes people get caught up in the romanticism of running a business. When in the end, it's really not that romantic, particularly when you have that first customer that stiffes you on a bill.

**Stephanie Gorski:**

Absolutely. That business case is super important, and then the contingency aspects of each scenario that you're going to go through.

**Gene Marks:**

So, just a couple more minutes to go, and I have a couple more questions for you. One is, what do you think your clients will take away from this? I don't know if you're driving this data at big companies that sell into small businesses and they'll be like, oh wow, there's a lot of startups, that impacts me in this way. How do you expect this data to be helpful to your clients?

**Stephanie Gorski:**

You're hinting and going the right direction. So for me, one of the biggest statements that I've been making to my clients is that really, all SMBs, as we mentioned earlier, can't be treated the same. So, segmentation has to be thought about differently. This new level of SMB really is expecting something different than some of the other SMBs that you've catered to, supported in the past. The support, and that goes into every level, not just how you reach out to them, but also think through, you just talked about, support them throughout a consistent, ongoing relationship. All of those pieces need to be thought about differently.

**Stephanie Gorski:**

You're also going to expect, this is going to be a new wave. There's going to be continuation of this. This is just the beginning, in my opinion. You're going to continue to see this grow. So, making sure that we have the right education, the right engagement model, the right long term products too, that help evaluate and drive their businesses forward. So, I mean, for all my enterprise clients, they want to be in a relationship

with small businesses. And in my opinion, many of them should be a central hub to actually guide small businesses throughout the ecosystem of how they can operate more effectively. So, this is really a good opportunity if you get in with these that are really starting their business from scratch, to be that hub to drive, how do you actually lay the right landscape and be effective from the very beginning?

**Gene Marks:**

That's great. That is a great answer. Finally, and just as an observation, I find this data to be incredibly inspiring. I mean, with all of the baloney that we hear going on in the world, and America is not as great as it used to be, or the political issues or whatever. When you have this many people in this country starting up small businesses, I mean over 9 million, close to 10 million in the past two years, I think that is, it's just inspiring. That's what people want to be doing. And I'm curious if, clearly nine, 10 million, new startup applications, new businesses that start, there's going to be a fraction of that that's going to going to be around five years from now for many different reasons.

**Gene Marks:**

But, whatever that fraction is, what do you think these new businesses are going to look like? In other words, what do you think these new business owners are going to look like? Right now, when I talk to business groups and associations around the country, and I do it about 50 to 60 times a year, it's a very similar demographic, Stephanie. It's like 55 year old, white men. Do you know what I mean? That's changing though. It's changing. How do you think this will be changing, based on this enormous number of startups that we're seeing right now?

**Stephanie Gorski:**

I think it's going to change drastically. I think we're going to start seeing, and this goes back to what I said about, how do we infuse money, and economic levels and income into this different demographic? But quite frankly, I'm saying it's different genders that are going to be included in this, different ethnic backgrounds are going to start, younger owners too. I also would say, they're not looking to be big, fast, either. So, you're going to see smaller sizes of businesses that are really driving significant impact. I wouldn't expect these to grow significantly large from a employee base. I'd expect these to grow large from revenue before they actually move quickly to a larger number of employees.

**Stephanie Gorski:**

So, I do think you're going to see the demographic change, which fundamentally is exciting. Because the stereotype of, who do you think has been running small businesses of the past, doesn't even matter the size, I think it's going to change. I also think you're going to see, especially with the different generations, and I love the entrepreneurial aspect of the social entrepreneur and how they drive things. I think you're going to see a lot more people that are starting multiple small businesses in different passion areas, and that demographic's going to evolve quite heavily, in my opinion, too.

**Gene Marks:**

Final question. So, you had mentioned about you following your dad and maybe someday, let's assume... I hope you're at Accenture for the rest of your life and you thrive and prosper, but let's assume you had the capital and you decided to start up your own business. What floats your boat?

**Stephanie Gorski:**

Yeah, I mean, I hope Accenture feels the same way about keeping me forever, but at the same time, what I really love doing, one, I love always changing the environment. And I was thinking about this the other day, the combination where I've played most of my life is between social presence and really driving, I spend a lot of time in the platform space. So, how do you make sure you're engaging and thinking about the advertising aspect?

**Stephanie Gorski:**

And then events, I love, I mean, I'm a true consultant at heart. So organizing, structuring, thinking about what people need, driving different experience has been fun. I could see myself, I was talking to my dad about this the other day. I could see myself driving like fairs, different events for different groups that need to actually come together and develop in communities. I would love to do that on the side, if I had time to do it, and think I could really maximize it and what I've seen in the environment today. But that's been top of mind. I can't pick a specific area, which is probably why I haven't started my own business yet, but I would love to do that.

**Gene Marks:**

It's funny too, because just thinking about that, not that you don't love your job, but just thinking about that, it's a way to change things up a little bit in your head and it's a diversion and it's a fun thing to think about. I think that makes you better at your job, I really do. I think it just gives you a little bit of variety and the thoughts going through your mind. And like I said earlier, it doesn't put you into a rut, so maybe you can do something like that on the side.

**Stephanie Gorski:**

Exactly. I mean, talking to people is always what gets... Something like this, is always what gets me excited. So, this was such a pleasure to do, but if I could keep myself energized in that way, it does make me better at this job too, which it's a nice balance.

**Gene Marks:**

Very cool. Well, Stephanie Gorski is the Strategy Managing Director/Partner at Accenture Strategy and is also Accenture's small- and medium-sized business, SMB expert. Stephanie, thank you so much for joining me. That was a lot of fun to talk to you about. Give my best to your dad as well. Do not tell him that I only read Kindles. Okay, he doesn't want to know that, okay?

**Stephanie Gorski:**

Yes, he does not want to know that. He got really mad at me when I got my first Kindle.

**Gene Marks:**

I'm sure, I am sure. Hey, thanks very much for joining. That was really fun conversation.

**Stephanie Gorski:**

It was a blast talking to you. Thank you for including me.

**Gene Marks:**

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**Announcer:**

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