Startups, Jobs, and Industrial Identity

Overview of Recent Research

Thomas N. Duening, PhD
Startups Create Most Net New Jobs in the U.S.

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Job Change – Startups</th>
<th>Net Job Change – Existing Firms</th>
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| 2005 | 3,569,440                 | -1,088,343                      

Source: Business Dynamics Statistics, reconfigured by Tim Kane, The Kauffman Foundation.

See [http://webserver03.ces.census.gov/index.php/bds/bds_database_list](http://webserver03.ces.census.gov/index.php/bds/bds_database_list).
Creators and Growth

Exhibit 42: Migration to Creative Cities growth and gap (1990-2008)

- Top Ten Creative Cities Growth from 1990
- Bottom Ten Creative Cities Growth from 1990

Source: US Census Bureau, Richard Florida’s “The Rise of the Creative Class”, Deloitte analysis
Number of Top 5% Growing Firms by Firm Age

Figure 3. Source: Special Tabulation by U.S. Census Bureau based on Business Dynamics Statistics (hereinafter Special Tabulation).
Job Creation and Loss by Firm Age
(Average Per Year, By Year Group, 1992-2006)

Source: Business Dynamics Statistics, Tim Kane
Net Job Creation in Continuing Firms By Size, 2007

Net Job Creation in Continuing Firms by Firm Age, 2007

Average Survival of New Businesses, 1977-2001

Source: Calculated from Business Dynamics Statistics (BDS).
Job Creation and Destruction by Firm Age

Source: Business Dynamics Statistics, Tim Kane
VC Investing in CO

Venture Capital Investment in Colorado (all industries)
Sources of Regional Prosperity (Porter)

Drivers of Regional Job Growth, Wages, and Patenting

- Specialization in **strong clusters**
- **Breadth** of industries within each cluster
- Positions in **related clusters**
- Presence of the same cluster in **neighboring regions**

**Not significant**
- Positions in High-Tech clusters versus other clusters
The Process of Economic Development

**Old Model**
- **Government** drives economic development through top-down policy decisions and incentives.

**New Model**
- Economic development is a **collaborative process** involving government at multiple levels, companies, teaching and research institutions, and private sector organizations.

- Competitiveness is fundamentally a **bottoms-up process** in which many individuals, companies, and institutions participate.
- **Every** community and cluster can take steps to enhance competitiveness.
Cluster Configurations

I. High
   Dominant unrelated

II. High
    Dominant related

III. Low
    Nondominant unrelated

IV. Low
    Nondominant related

Cluster interrelatedness

Source: Romanelli and Khessina, 2005
Industrial Identity

- Varies on “strength” and “focus”
- Identity strength and focus affect external perceptions of business activities, and resource allocation decisions
- To the extent residents share understandings about regional business activity and invest accordingly, external audiences more easily observe the regional focus
Cluster Configuration Outcomes

- Regions with dominant clusters have stronger industrial identities.
- Regions with related clusters attract more and more heterogeneous resources.
- Regions with related clusters have greater innovation.
- Regions with dominant cluster have greater potential for new cluster development.
Current CS Industrial Identity

• Current clusters:
  – Military
  – Non-Profits
  – Sports/Outdoors

• Unrelated and non-dominant
  – Weak identity strength
  – Unfocused
  – Low resource attraction
  – Low innovativeness
Developing a Dominant Cluster

• Think Branson instead of Silicon Valley
• Industrial identities can take a decade or longer to develop
• Resident venture capital would help focus effort
• Parties must play respective roles
• Our lived environment must be attended
• Multiple use facilities attract “creative class”