

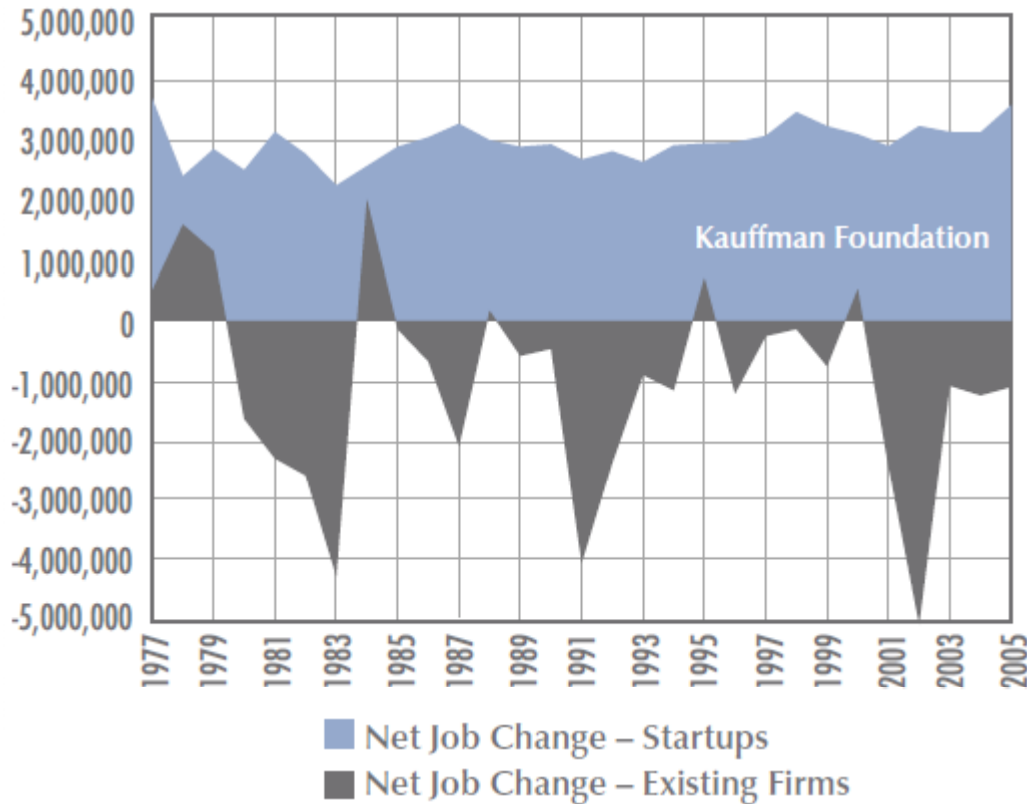
Startups, Jobs, and Industrial Identity

Overview of Recent Research

Thomas N. Duening, PhD



Startups Create Most Net New Jobs in the U.S.



Source: Business Dynamics Statistics, Tim Kane

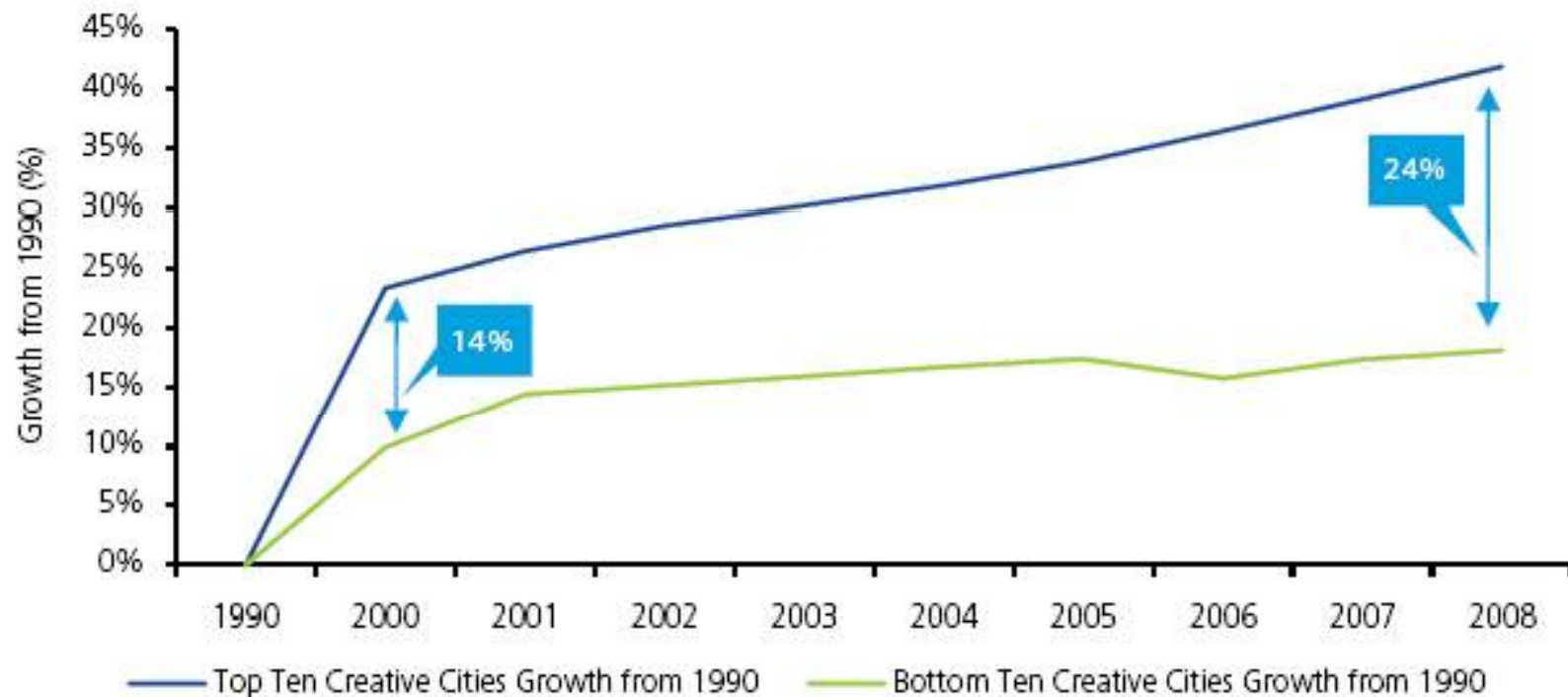
See http://webserver03.ces.census.gov/index.php/bds/bds_database_list.

Year	Net Job Change – Startups	Net Job Change – Existing Firms
1977	3,678,254	505,053
1978	2,389,561	1,584,463
1979	2,839,666	1,143,865
1980	2,493,488	-1,615,875
1981	3,126,098	-2,271,818
1982	2,759,993	-2,554,516
1983	2,235,799	-4,227,716
1984	2,558,051	1,994,505
1985	2,878,640	-132,860
1986	3,036,472	-663,117
1987	3,261,050	-2,060,647
1988	2,988,404	169,818
1989	2,878,562	-572,196
1990	2,919,266	-458,161
1991	2,666,705	-4,008,737
1992	2,802,951	-2,341,570
1993	2,623,685	-888,863
1994	2,902,461	-1,142,396
1995	2,935,062	710,181
1996	2,953,276	-1,193,941
1997	3,059,236	-246,371
1998	3,455,186	-130,450
1999	3,220,463	-744,582
2000	3,086,508	524,335
2001	2,890,248	-2,397,512
2002	3,223,919	-5,021,578
2003	3,125,422	-1,067,903
2004	3,116,725	-1,226,832
2005	3,569,440	-1,088,343

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

Creators and Growth

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



Source: US Census Bureau, Richard Florida's "The Rise of the Creative Class", Deloitte analysis

Number of Top 5% Growing Firms by Firm Age

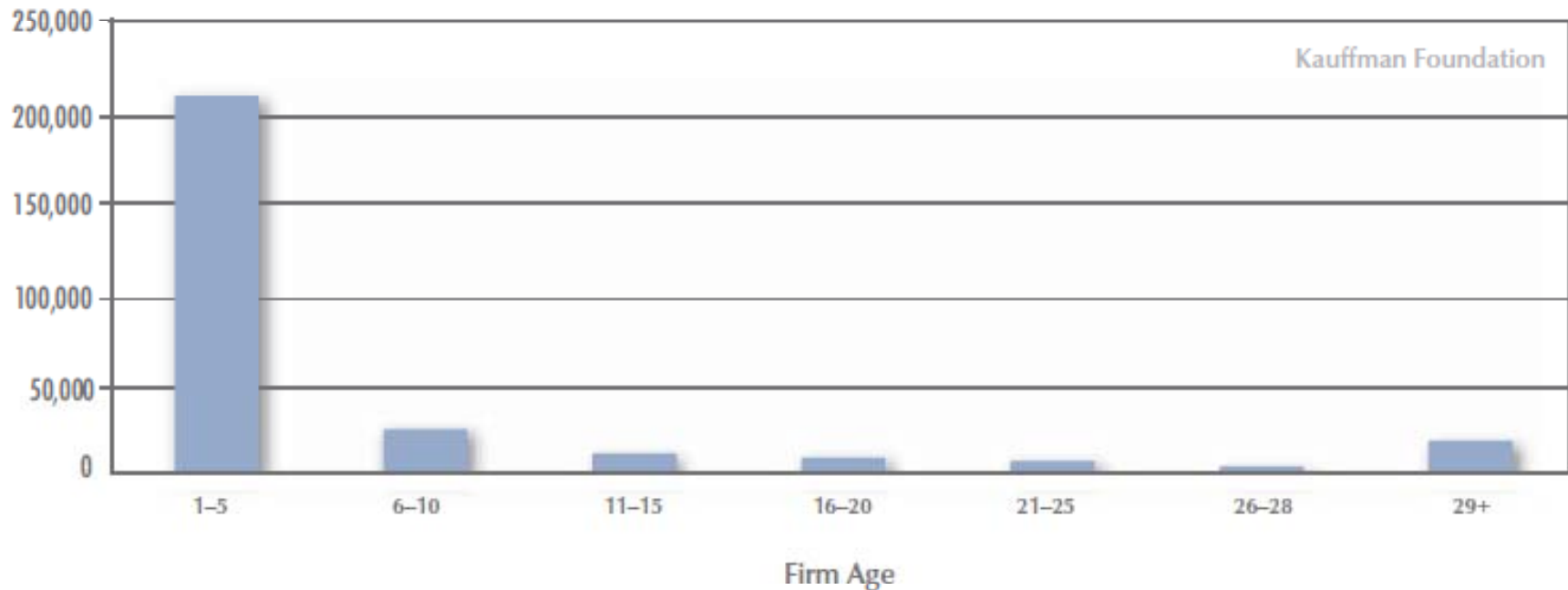
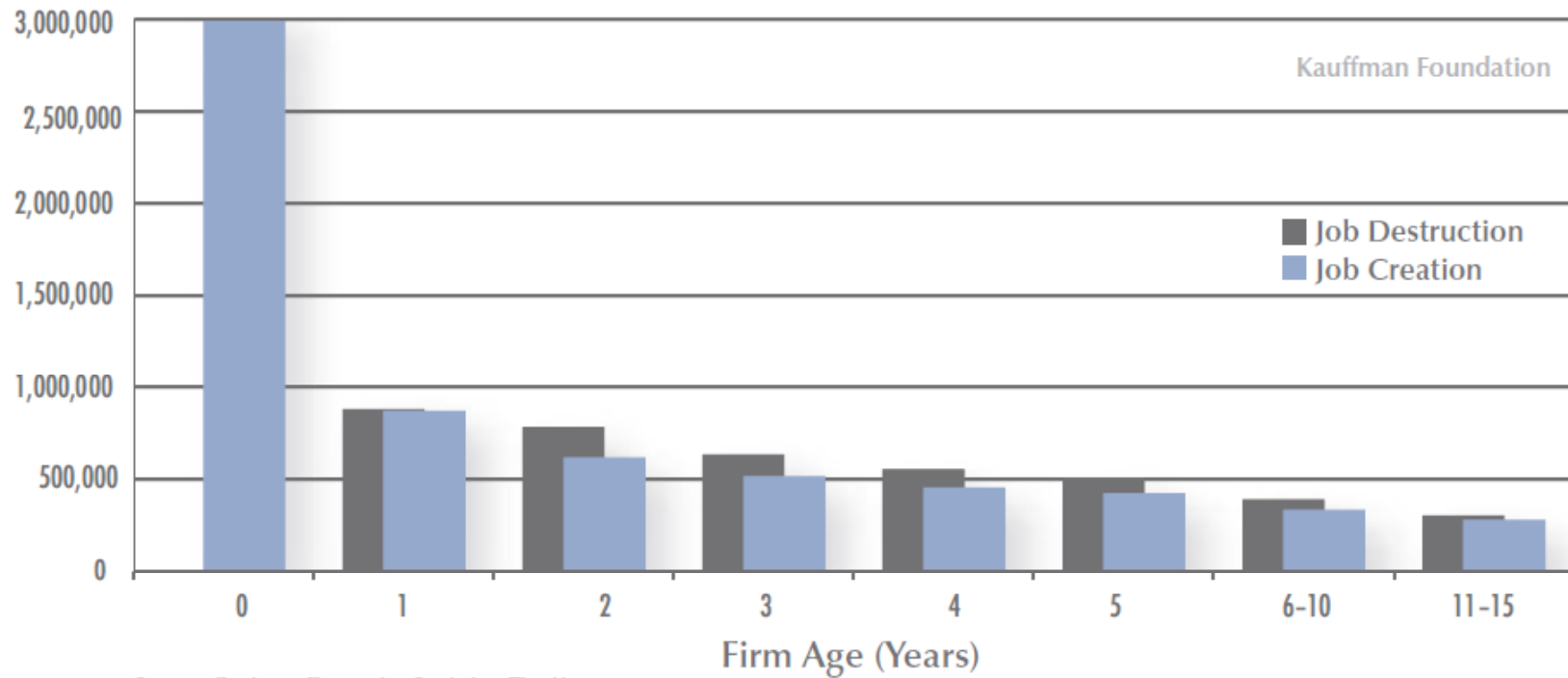


Figure 3. Source: Special Tabulation by U.S. Census Bureau based on Business Dynamics Statistics (hereinafter Special Tabulation).

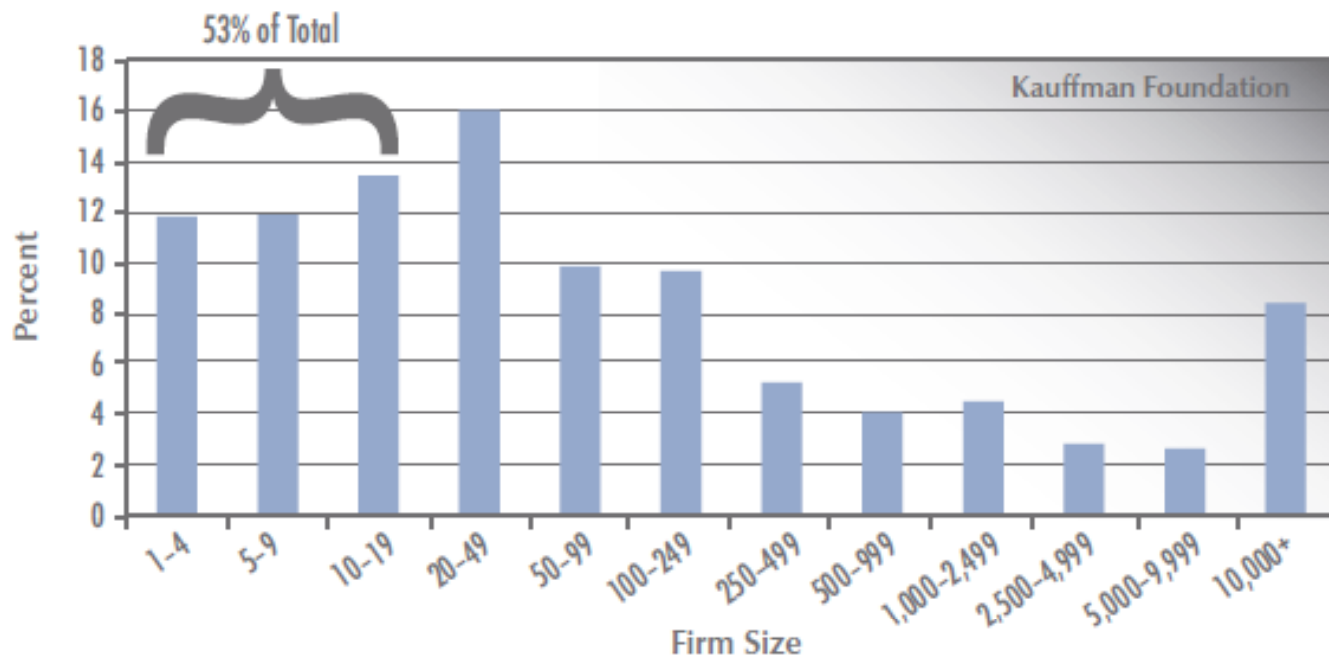
Job Creation and Loss by Firm Age

(Average Per Year, By Year Group, 1992-2006)



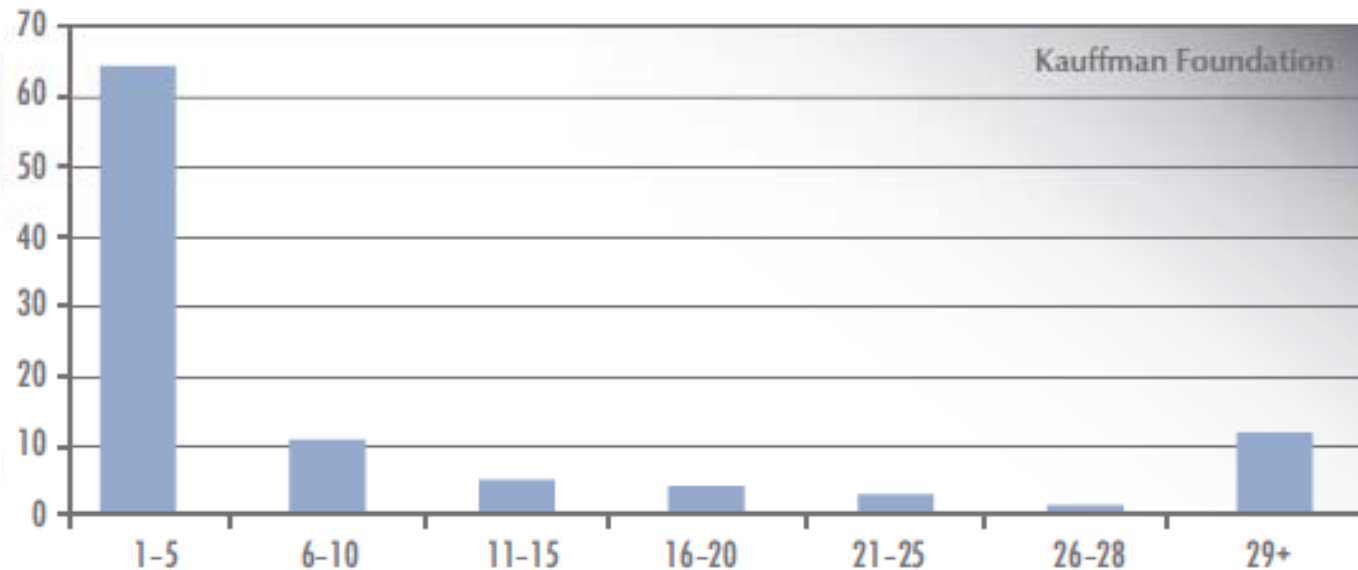
Source: Business Dynamics Statistics, Tim Kane

Net Job Creation in Continuing Firms By Size, 2007



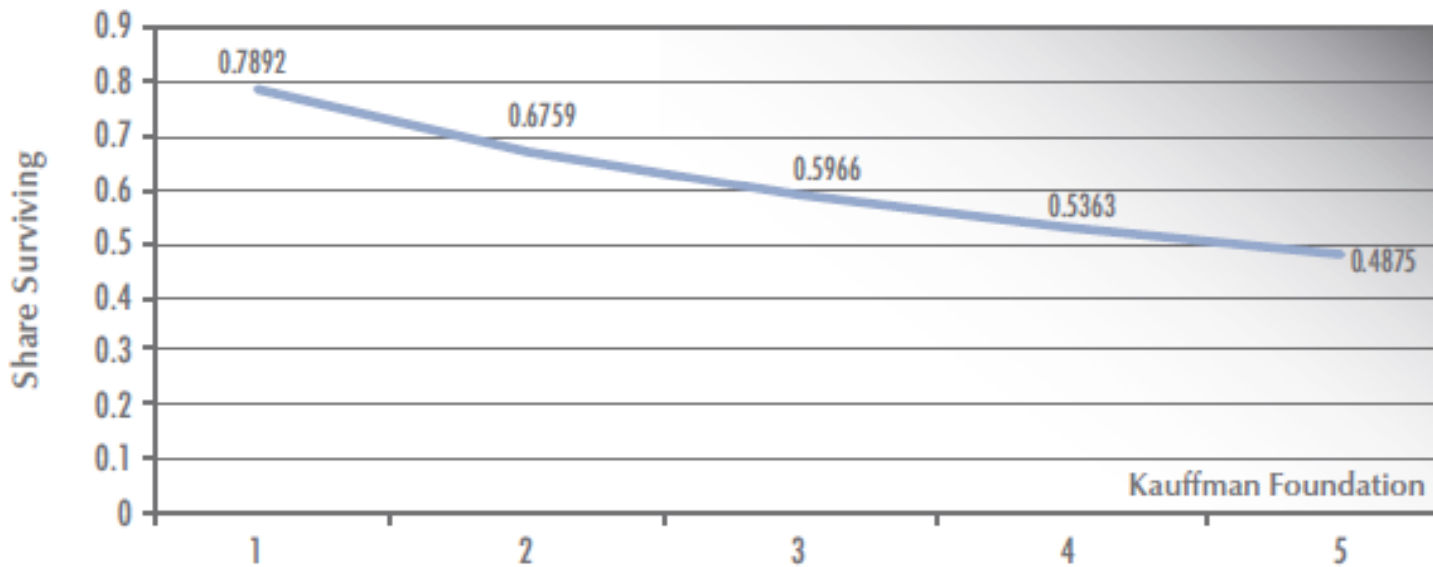
Source: Calculated from Percent of Annualized Lifetime Net Job Creation for Firms in 2007. Source: Special Tabulation performed by U.S. Census Bureau from Business Dynamics Statistics. See also Dane Stangler and Robert E. Litan, "Where Will the Jobs Come From?" Kauffman Foundation Research Series: Firm Formation and Economic Growth, November 2009.

Net Job Creation in Continuing Firms by Firm Age, 2007



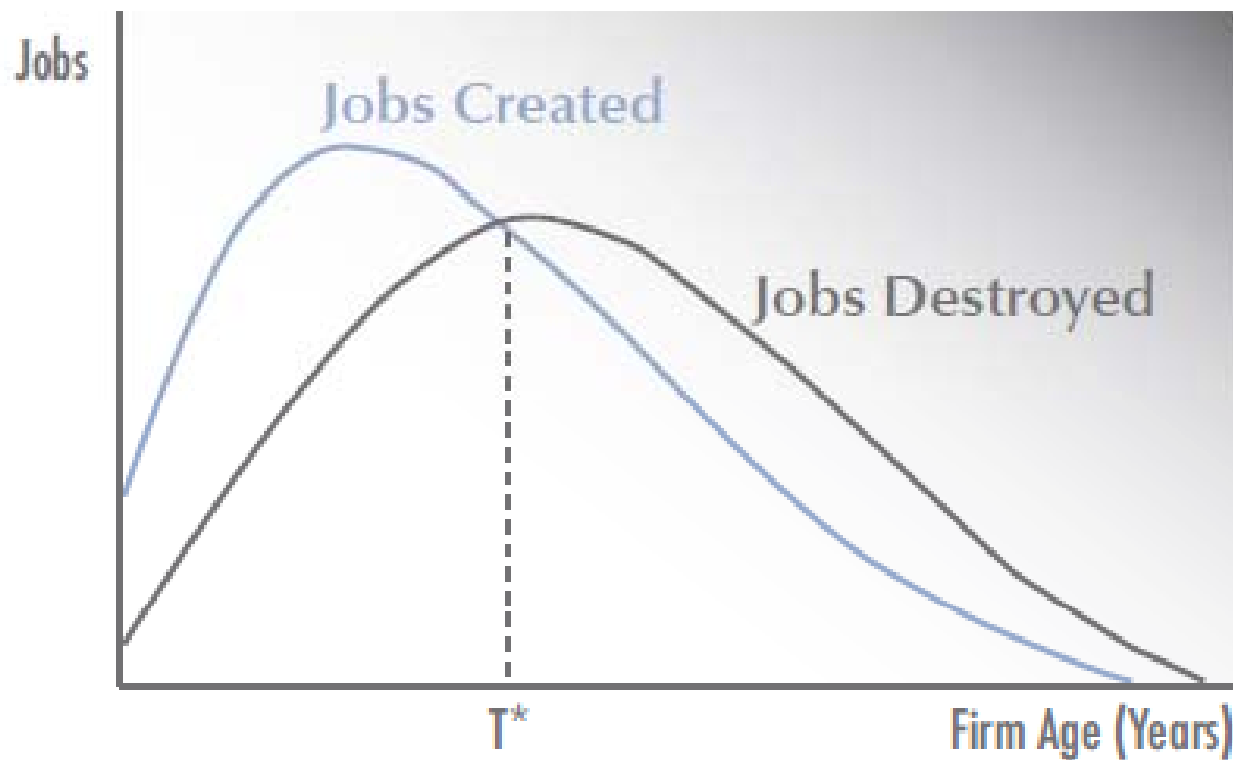
Annualized Lifetime Net Job Creation for Firms in 2007. Source: Special Tabulation performed by U.S. Census Bureau from Business Dynamics Statistics. See also Dane Stangler and Robert E. Litan, "Where Will the Jobs Come From?" Kauffman Foundation Research Series: Firm Formation and Economic Growth, November 2009.

Average Survival of New Businesses, 1977-2001



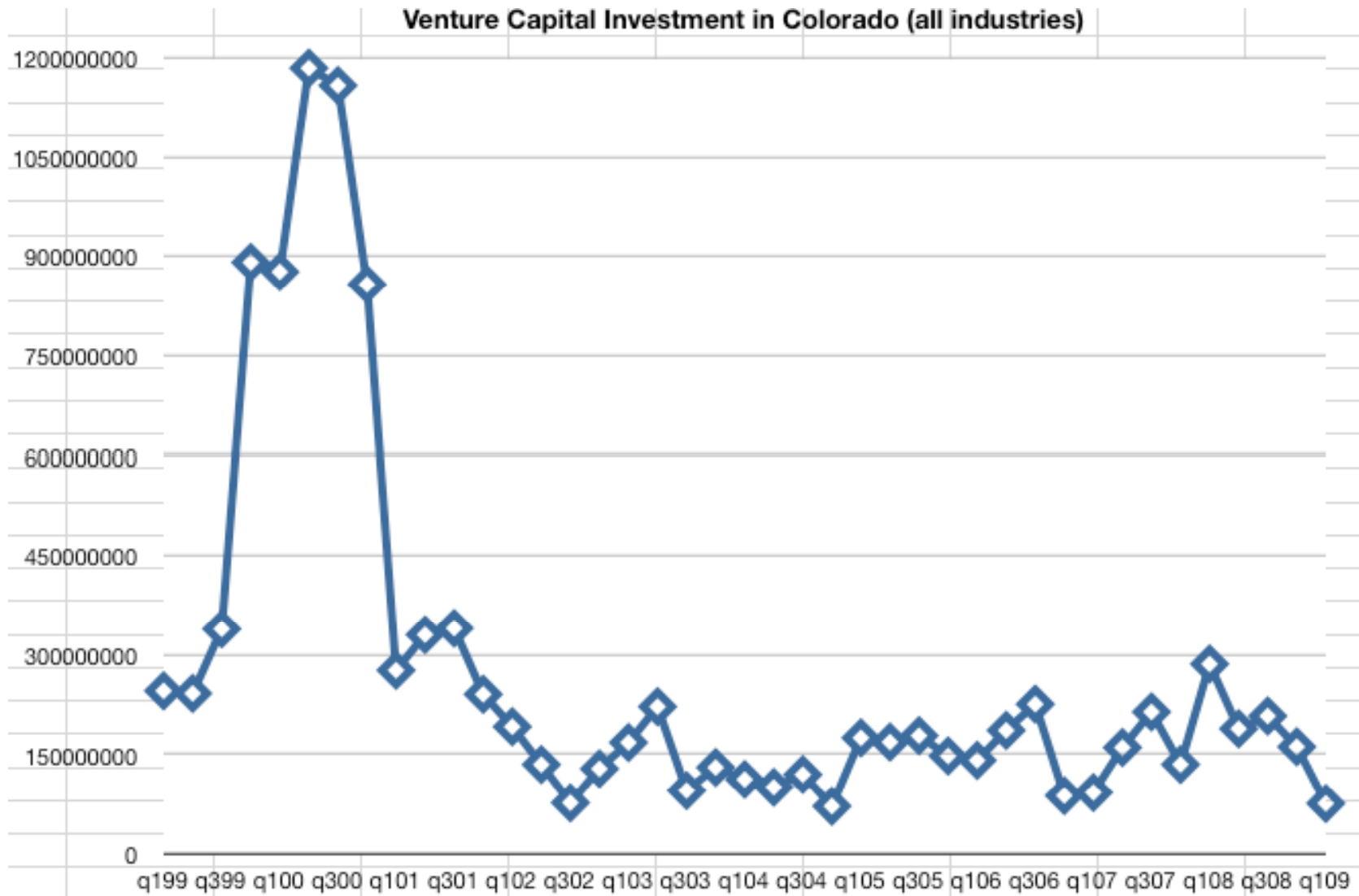
Source: Calculated from Business Dynamics Statistics (BDS).

Job Creation and Destruction by Firm Age



Source: Business Dynamics Statistics, Tim Kane

VC Investing in CO



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

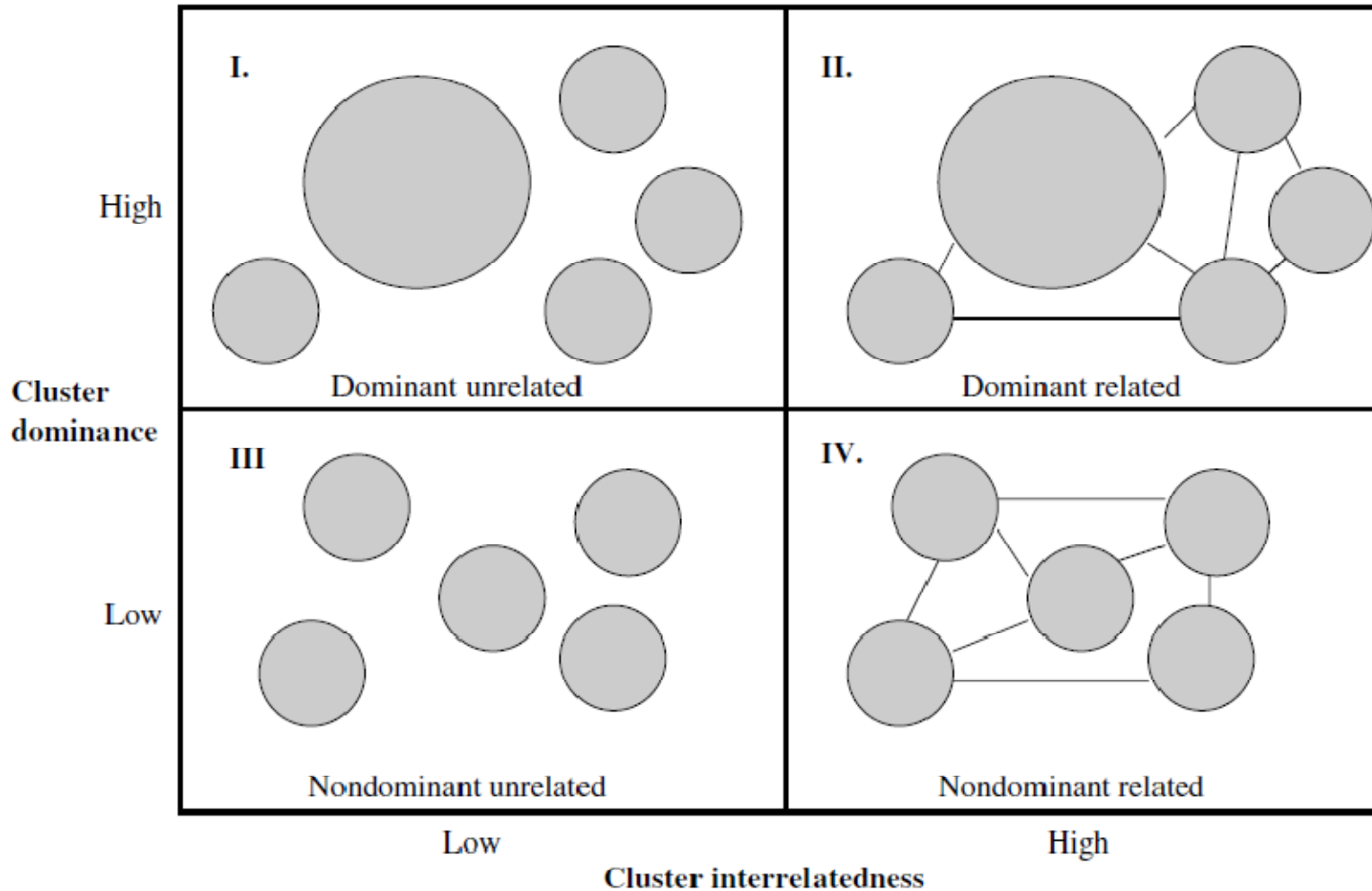


New Model

- 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



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”



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