Entrepreneurship Scorecard: Portland, Oregon

BUILDING AN ENTREPRENEURIAL ECONOMY

Prepared by:
The Portland Development Commission

PORTLAND
ECONOMIC DEVELOPMENT STRATEGY

PDC | PORTLAND DEVELOPMENT COMMISSION
www.pdc.us

ENTREPRENEURSHIP IN PORTLAND

Entrepreneurship drives job growth, and Portland's prosperity depends on developing the small, scalable, entrepreneurial firms that create jobs and economic opportunity. Portland's Economic Development Strategy calls for building the capacity of local entrepreneurs to innovate and compete in the global economy.

The growth and development of entrepreneurs and entrepreneurial companies requires more than access to capital and skills. It also demands a supportive environment where entrepreneurs can flourish as members of a community.

Entrepreneur Magazine recently ranked Portland as one of the best cities in the nation for being an entrepreneur. Understanding the dynamics of Portland's entrepreneurial community can inform policy and initiatives that maintain and grow the city's capacity for business pioneers. In particular, it is important for the city to identify and track entrepreneurial activity so that it can respond effectively with the proper planning and resources.

St. Johns Bridge. Photo by H Dragon

PEER CITIES

The Entrepreneurial Scorecard compares Portland to six other cities on a variety of measures. Five of the cities are known as hotbeds of entrepreneurship; a sixth, Cincinnati, is included because of similarities to Portland, including size, river location straddling two states and trade area. Statistics are either for individual cities or their respective MSA. Measurements are grouped into three areas important for entrepreneurship to flourish: Human Capital, Innovation, and Economic Activity.

HUMAN CAPITAL

Talented people generate new ideas that drive innovation. Skilled labor plays a major role in the creation of new companies. Innovative companies choose regions with a flexible, productive and reliable supply of local talent. In turn, those skilled people seek opportunities to start their own business.

College Attainment

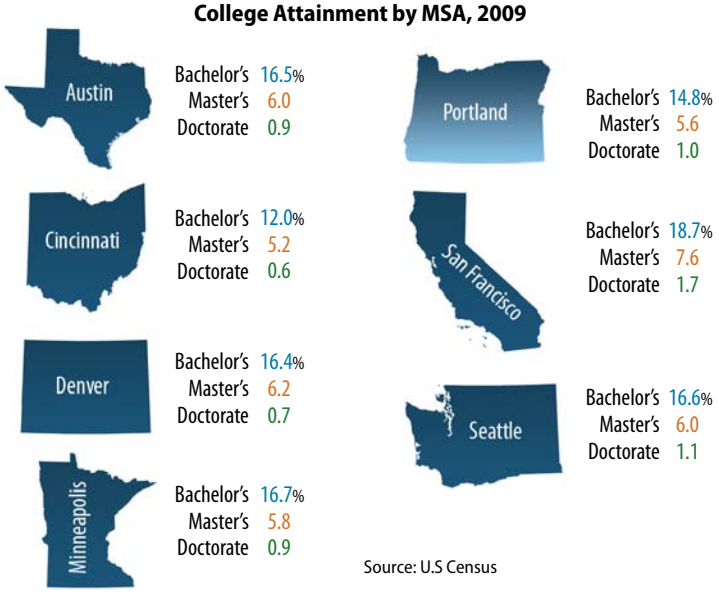
Higher education is a vital asset in an innovation economy. The critical thinking and intellectual inquiry inherent in a college education prepares graduates to be founders and/or initial employees of startup companies. Portland is playing catch-up with most of its peers in terms of a college educated population. Portland has the second lowest percentage of residents with bachelor's degrees, and is equal to Cincinnati for master's degrees. Portland is equal to Austin, but lower than its West Coast peers for PhDs.

Net Migration of College Educated

Net migration indicates the availability of talent to start businesses or work for startups. Positive net migration of college educated populations also indicates the desirability of a location as a place to live and start a business. On a per capita basis Portland does well in attracting college educated people from other states. Portland is most attractive to people with some college experience or an associate's degree and ranks high for attracting those with bachelor's or graduate degrees.

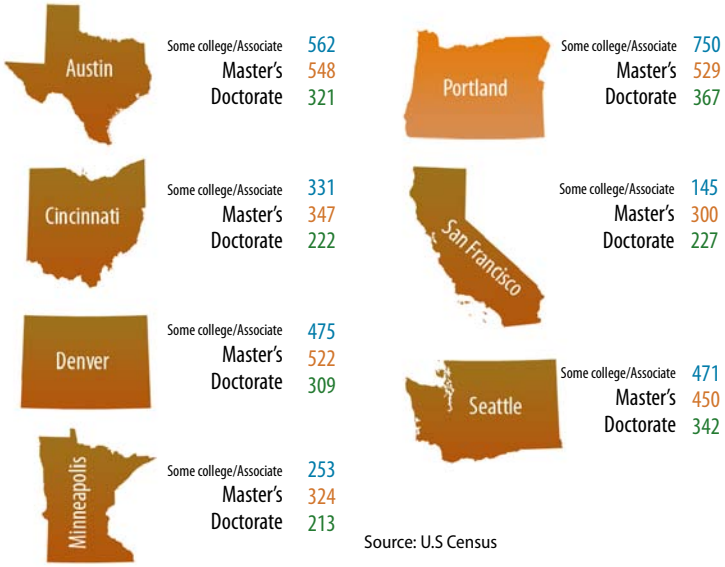
Portland does less well in attracting talent from abroad and is in the middle of the pack on a per capita basis. For those moving from abroad with a bachelor's degree Portland ranks second to last. Portland does slightly better attracting graduate or professional degrees.

College Attainment by MSA, 2009



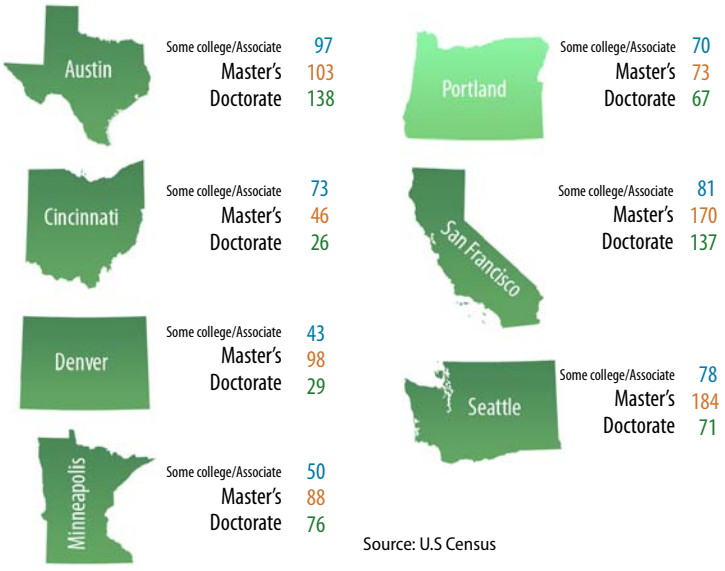
Source: U.S Census

Migration of College Educated per 100,000 by MSA from a Different State, 2009



Source: U.S Census

Migration of College Educated per 100,000 by MSA from Abroad, 2009



Source: U.S Census

Labor Force: Occupations & Wages Ratio for Managers and Professionals

A pool of executive and professional talent is important for fast growing firms. Without experienced workers, firms may have to look elsewhere to support their business growth.

Per 10,000 workers Portland ranks in the middle for overall management occupations, and is on par with Austin. At the same time Portland lags its peers in management pay, with the lowest average salary. Portland does rank high for chief executive pay, and is close to San Francisco and Seattle. In sales, computer and information and finance Portland lags and is closer to Cincinnati than many of the peer regions for management pay.

Portland ranks low for professional occupations, especially for computer and mathematical professionals, two areas that can be an important source of workers for startup technology businesses. For architecture and engineering Portland ranks near the top; only Austin and Seattle have a greater share of workers. In life, physical and social science occupations Portland is in the middle of the pack.

Wages for professionals in Portland are generally low and rank below many of the peer regions. This is especially true when Portland is compared to its West Coast peers.

Occupations for Managers and Professionals per 10,000 Workers and Average Salaries, 2010

	AUSTIN	CINCINNATI	DENVER	MINNEAPOLIS	PORTLAND	SAN FRANCISCO	SEATTLE
MANAGEMENT per 10,000 workers, 2010							
All Management	512	419	440	633	512	674	545
Avg. Salary	$108,250	$104,300	$116,540	$110,310	$103,540	$131,660	$120,980
Chief Executives	13	20	7	23	12	26	13
Avg. Salary	$176,710	$175,340	$193,310	$186,530	$202,810	$206,390	$215,450
General & Ops	156	78	190	126	130	181	91
Avg. Salary	$114,560	$114,170	$126,600	$119,920	$111,730	$141,380	$144,300
Sales	16	13	10	27	24	32	37
Avg. Salary	$129,050	$110,650	$121,560	$115,770	$113,970	$137,600	$129,460
Finance	28	27	27	49	31	44	50
Avg. Salary	$117,730	$111,330	$125,970	$123,150	$107,9801	$147,560	$122,400
Computer & IT	4	3	3	6	8	8	8
Avg. Salary	$128,460	$109,840	$125,190	$119,900	$125,230	$151,010	$134,060
PROFESSIONAL OCCUPATIONS per 10,000 workers, 2010							
Life, Physical & Social Science	119	63	101	87	101	167	133
Avg. Salary	$57,060	$59,200	$72,850	$67,730	$63,500	$82,520	$68,350
Architecture & Engineering	266	166	248	210	261	228	361
Avg. Salary	$73,200	$72,330	$81,400	$72,210	$75,400	$89,500	$81,910
Computer & Mathematical	569	274	459	400	292	447	639
Avg. Salary	$82,960	$69,480	$81,770	$77,320	$77,160	$91,970	$89,320

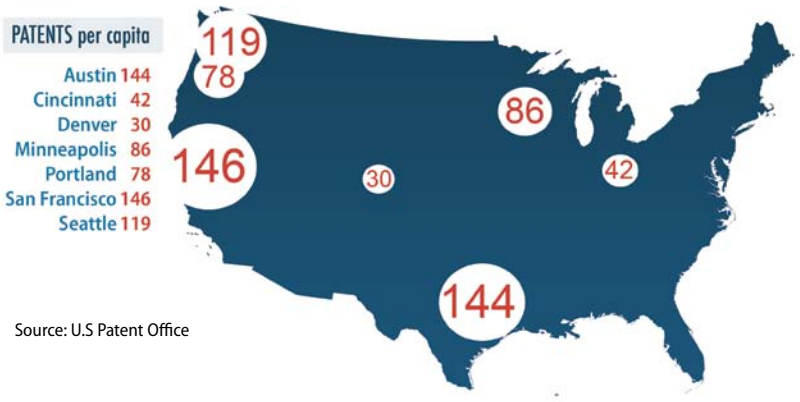
INNOVATION

Innovation drives growth and prosperity in a knowledge-based economy. Entrepreneurs use innovation to develop new products and gain market share, contributing to regional competitiveness.

Patents per Capita, 2010

Patents signify creative thinking and commercialization potential. Patents are a way to measure idea generation that could translate into new technologies for businesses to commercialize or use to expand into new markets.

On a per capita basis, Portland ranks third from bottom in patents, closest to Minneapolis. San Francisco and Austin have the highest number of patents per capita, followed by Seattle.



Source: U.S Patent Office

University Spin Outs, 2009

Startups born from university research activity cornerstone businesses in a community, and are most often in high paying fields of technology including biotechnology, software and energy.

Portland ranks on the low end for the number of companies that have been spun out of universities. Portland had four companies that came from local universities, compared to 15 for San Francisco, 11 for Denver, 10 for Austin and 9 for Seattle. Cincinnati and Minneapolis both ranked lower than Portland.

Source: AUTM

IPO Filings by Region, 2010

Initial Public Offerings (IPO) are a sign of business growth. A company that is able to file for an IPO has shown a certain level of success and investor confidence. For many technology startups, a common goal is to either sell the company to a larger one, or to have an IPO.

IPOs are often dependent on the larger economy and investment environment, and are not as common now as earlier in the decade. An IPO filing does not mean the company went public, only that it applied with the Security Exchange Commission to offer shares.

In 2010, Portland had three companies file for an IPO, which was a smaller number than all peer cities except Cincinnati.

Source: Hoover's

SBIR/STTR Awards, 2010

Awards from the Federal Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) demonstrate success of local business innovation.

Portland had the lowest total award amount for 2010, and ranks above only Denver in the number of awards given. Austin and San Francisco had the most recipients and highest award amounts.

$42.8 M TOTAL SBIR/STTR AWARDS

$19.9 M	**Austin**
$11.3 M	**San Fran**
$3.4 M	**Seattle**
$3.1 M	**Cincinnati**
$2.0 M	Minneapolis
$1.7 M	Denver
$1.4 M	Portland

Source: Department of Defense

National Science Foundation Funding for Universities, 2010

National Science Foundation (NSF) funding can be an indicator of local research and development that offers the potential for new business generation. The NSF funds research and education in most fields of science and engineering.

Portland ranks third behind Seattle and San Francisco with $53 million in the amount of National Science Foundation grants received for its major universities in 2010.

$283.7 M TOTAL NSF FUNDING

$97.4 M	**Seattle**
$83.3 M	**San Fran**
$53.9 M	**Portland**
$17.1 M	**Minneapolis**
$16.1 M	**Denver**
$10.0 M	Cinncinati
5.8 M	Austin

Source: National Science Foundation

High-Tech GDP Location Quotient, 2009

The High Tech Location Quotient measures the concentration of high tech firms and firms with biggest potential for fast growth, relative to the United States. Developed by the Milken Institute, it is a composite index combining the percentage of national high-tech real output and the concentration of high-tech industries for a metropolitan area. A metro with an LQ higher than 1.0 is said to be more concentrated than the United States and vice versa.

Portland has the second highest High-Tech GDP LQ of all the peer regions, outranked only by Seattle. This shows that Portland is more concentrated and growing faster than these other regions in its high tech economy.

HIGH TECH LOCATION QUOTIENT

2.58	**Seattle**
2.11	**Portland**
1.93	**Denver**
1.87	**Austin**
1.81	**San Francisco**
1.21	Minneapolis
1.0	United States
0.90	Cincinnati

Source: Milken Institute

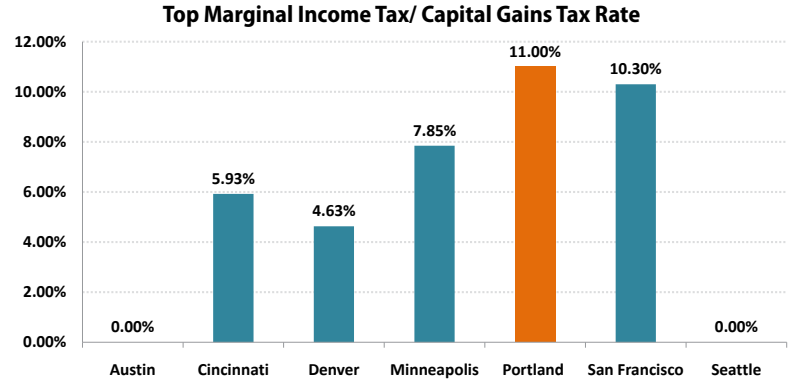
ECONOMIC ACTIVITY

New business creation, job churn, investment environment and access to capital are all measures of economic activity with particular resonance for entrepreneurial health and related economic contributions. The creation of new businesses is one of the major drivers of job growth. The investment environment can help or hinder access to capital for fast growing business. Job churn can point to industries with a high level of entrepreneurial participation.

Oregon Individual Income Tax/ Capital Gains Tax

Tax burden can be a deterrent for investors and entrepreneurs alike. Higher capital gains increase the difference between investment yields and returns for investors. A high tax rate could be a disincentive for a Portland-based company to remain in Oregon.

Oregon currently has the highest marginal tax rate of the peer groups.

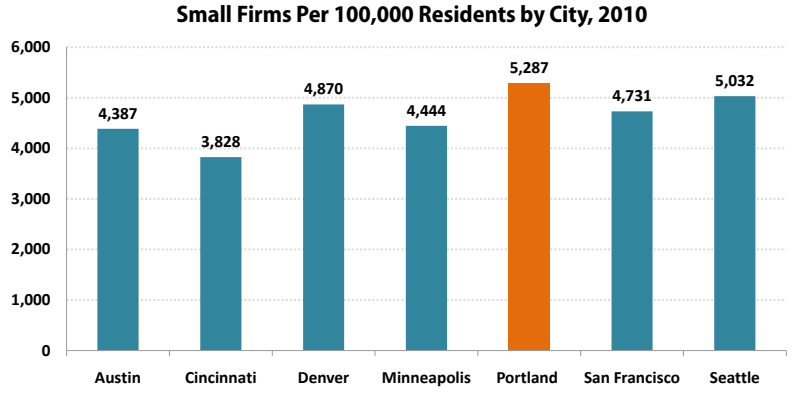


Source: Tax Foundation

Small Firms per Capita

There is a close correlation between small firms and job growth. Small firms accounted for 65 percent (or 9.8 million) of the 15 million net new jobs created in the U.S. between 1993 and 2009. Recent studies have confirmed that small, fast growing firms create the majority of new jobs in an economy.

Of the peer cities, Portland has the largest concentration of small firms per capita. Seattle is a close second, followed by Denver. Austin and Cincinnati have the least number of small firms per capita.

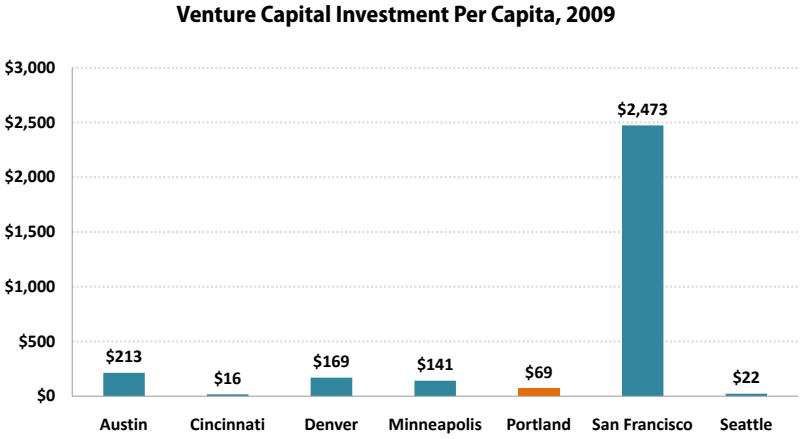


Source: ESRI Busness Analyst

Venture Capital Investment per Capita

Venture capital is focused on high-risk and high-return investments. A region that receives a large share of venture capital will likely be an area with a large number of growing firms.

On a per capita basis Portland is in the middle of the pack for venture capital investment. San Francisco gets the overwhelming amount of venture capital funding, but Austin, Denver and Minneapolis all rank above Portland on a per capita basis.



Source: PricewaterhouseCoopers/National Venture Capital Association MoneyTree™ Report

Workforce Indicators

Local employment dynamics are used to show churn in the local economy, ratio of new jobs being created versus lost and competitiveness of wages. Information has been drawn to show local employment for all businesses, and is compared to the Information and Professional, Scientific, and Technical Services sectors of the local economy. The following indicators are used:

- New Hires
- Separations
- Average Monthly Earnings

How does Portland rank?

Within the overall economy in 2009 all the peer regions had more separations than hires. This shows the rate that workers are leaving jobs compared to being hired. Portland had a separation rate of 14.4 percent, compared to a hiring rate of 10.8 percent. This meant that Portland had an average separation rate, but filled jobs more slowly, than the other regions.

Average monthly earnings for Portland were on the low end, closer to Cincinnati at $3,894.

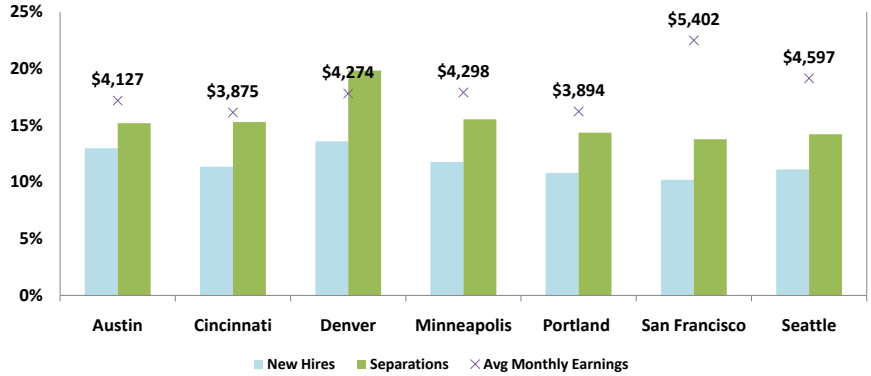
In an important sector for startups, Information, Portland had the highest number of both separations and hires at 12.6 percent and 9.3 percent respectively.

Portland ranks fourth in average monthly pay for the Information sector at $5,741.

For Professional, Scientific, and Technical Services, an area that a lot of startups draw from for talent, Portland had a 12.4 percent separation rate, which was on the low end of the peer cities, but still did not keep pace for new hires at 9.4 percent.

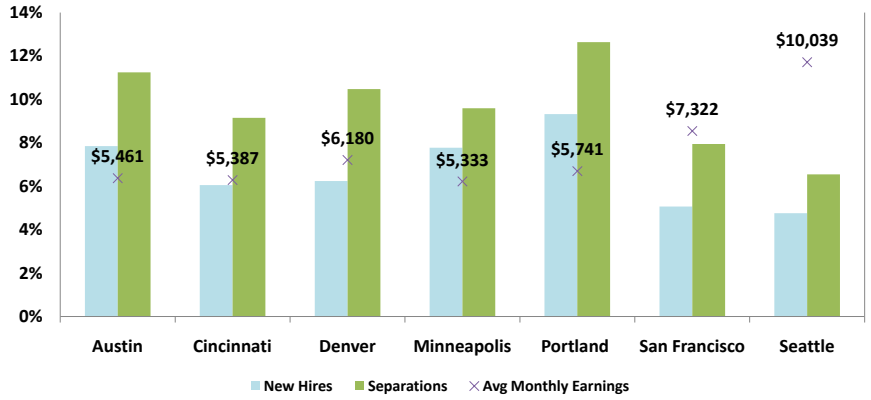
Portland had the second lowest monthly average wage for Professional, Scientific, and Technical Services at $5,391.

Job Change for All Industries, 2009
Average Monthly Earnings



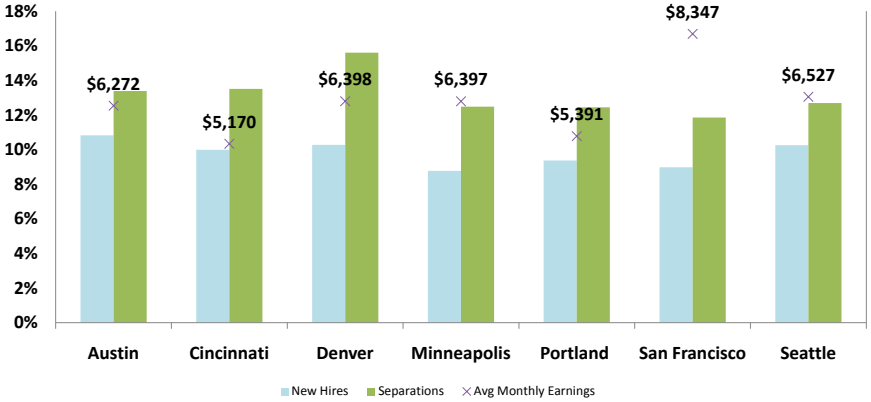
Source: Local Employment Dynamics, Quarterly Workforce Indicators

Job Change for the Information Sector, 2009
Average Monthly Earnings



Source: Local Employment Dynamics, Quarterly Workforce Indicators

Job Change for the Professional, Scientific & Tech. Services Sector, 2009
Average Monthly Earnings



Source: Local Employment Dynamics, Quarterly Workforce Indicators

High Growth Small Businesses

Fast-growing small businesses rely on highly skilled talent and those in particular sectors can be a source for other high-growth entrepreneurs. This indicator considers businesses with fewer than 50 employees and $1 million or more in revenue in:

- Software Publishing
- Data Processing, Hosting, and Related Services
- Computer Systems Design and Related Services
- Scientific Research and Development Services
- Architectural, Engineering, and Related Services

Software Publishing

San Francisco ranks the highest with 3.5 businesses per capita, followed by Austin at 2.4. Portland ranks higher than Denver or Minneapolis at 1.7, but is slightly lower than Seattle which has 1.9.

Data Processing, Hosting, and Related Services

San Francisco ranks the highest for number of businesses per capita in data processing and hosting at 3.2, followed by Austin with 2.8 than Seattle with 2.4. Portland is just above the bottom (Cincinnati) with 1.6 per capita.

Computer Systems Design and Related Services

San Francisco ranks the highest at 14.5 per capita, followed by Austin with 11.3. Seattle, Minneapolis and Denver are all similar in the number of businesses engaged in computer systems design and related services. Portland's 7.0 only ranks above Cincinnati's 4.8.

Scientific Research and Development Services

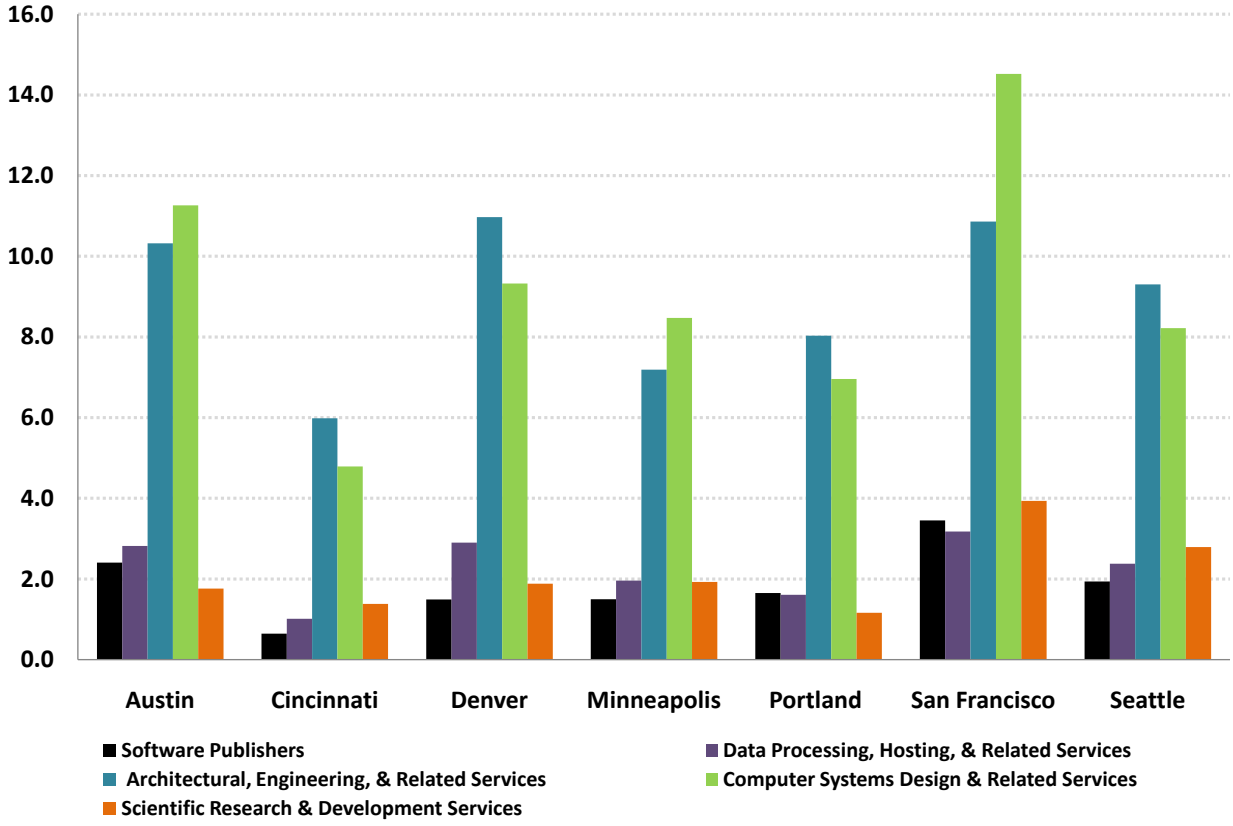
San Francisco ranks the highest per capita with 3.9, followed by Seattle with 2.8. Portland ranks the lowest for scientific research and development services with 1.2 firms per capita.

Architectural, Engineering, and Related Services

Denver ranks the highest with 11 per capita, followed by San Francisco with 10.9. Austin also has a large concentration in architectural, engineering, and related services at 10.3. Portland ranks above Minneapolis and Cincinnati with 8 firms per capita.

Compared to its West Coast peers Portland lags in the number of businesses typically associated with fast growth startups. This is especially true when comparing Portland to San Francisco for Software Publishers and to both Seattle and San Francisco for Computer Systems Design and Related Services. Overall, for number of potential high growth small businesses Portland trails its peers on a per capita basis.

High Growth Industries Per Capita by Metro, 2010



Source: Hoover's


PORTLAND
ECONOMIC DEVELOPMENT STRATEGY
PDC
PORTLAND
DEVELOPMENT
COMMISSION
www.pdc.us