



Entrepreneurial Growth – After Startup

Ewing Marion Kauffman Foundation

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“After Startup”



[Kauffman Policy Digest: The Economic Impact of High-Growth Startups](#)

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Few High-Growth Firms; Big Impact

Disproportionate role in job creation

- Up to 50 percent of new jobs come from high-growth firms

Expand number of locations, creating opportunities in diverse geographic areas

Encourage employment growth in related industries

Important for innovation and wealth creation

[Kauffman Policy Digest: The Economic Impact of High-Growth Startups](#)

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Public Policy for High-Growth Firms

Nurture a skilled and educated workforce

- Increase college completion rates
- Retain high-skilled immigrants and foreign students with skills growing firms need
- Welcome immigrant entrepreneurs

Encourage spin-offs

- Reform non-compete agreements

Don't neglect policies that help people become entrepreneurs

- Remove barriers to entry, increase connectivity, develop human capital, and facilitate asset accumulation

[Kauffman Policy Digest: The Economic Impact of High-Growth Startups](#)



Definitions Matter

Different definitions yield different results

- Defining high-growth firms according to revenue growth or employment may capture yogurt-maker Chobani. Yet, a definition based only on exits would fail to include Chobani, since it remains privately owned.

Inputs v. Outputs

- Inputs tell us important things about a business but impact matters more
- Measure impact by revenue, employment, or exits

[Kauffman Policy Digest: The Economic Impact of High-Growth Startups](#)

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Framework for measuring ecosystems and making sense of the complexity – Kauffman Index



Startup

Main
Street

Growth

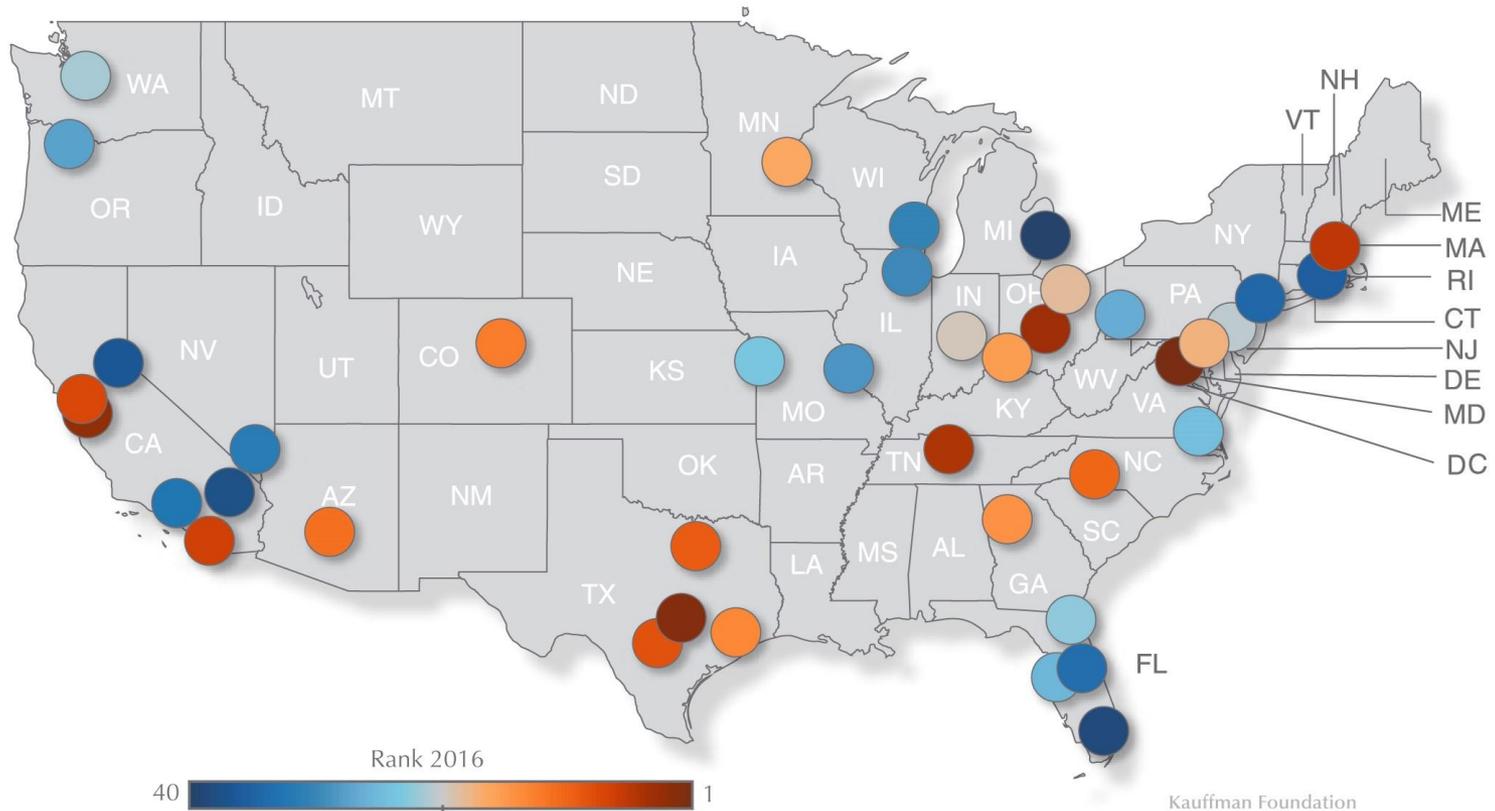
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- Startup Growth Rate
 - Average growth 5 years after founding of all surviving firms, employment
- Share of Scale Ups
 - Firms that become medium or larger (50+ employees) by 10 years after founding
- High-Growth Business Density
 - Firms with 20 percent growth over 3 years per population



Kauffman Growth Index Rankings

2016 Metropolitan Area Rankings for the Kauffman Index of Growth Entrepreneurship



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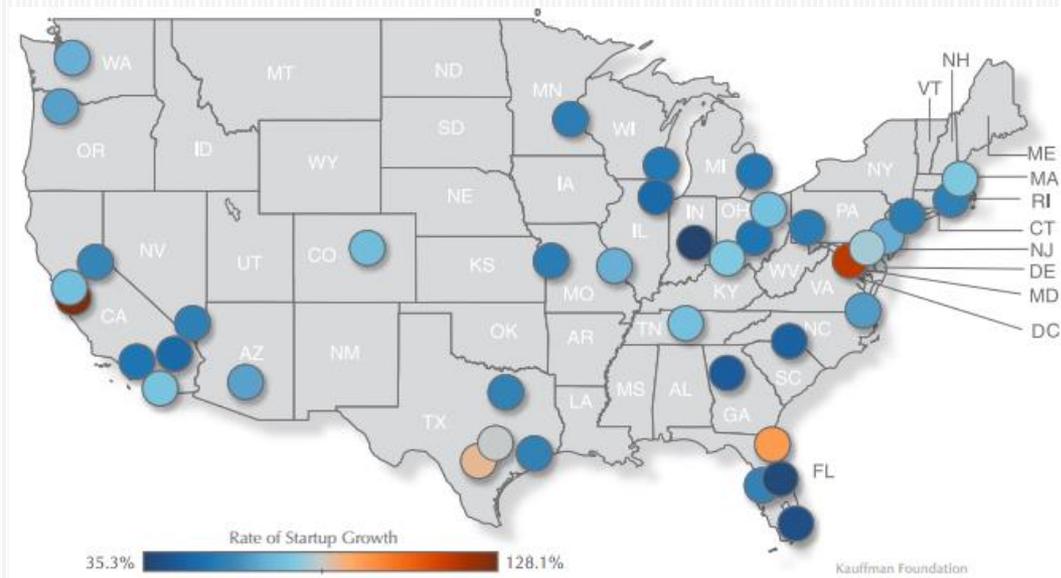
Rate of Startup Growth

Proxy measure of business growth and startup traction across young businesses.

Top – San Jose
Bottom – Indianapolis

In San Jose, startups go from 5.2 emp to 11.8 emp after five years, changing in size by 128.1 percent.

Growth Index Rankings Metros – Rate of Startup Growth





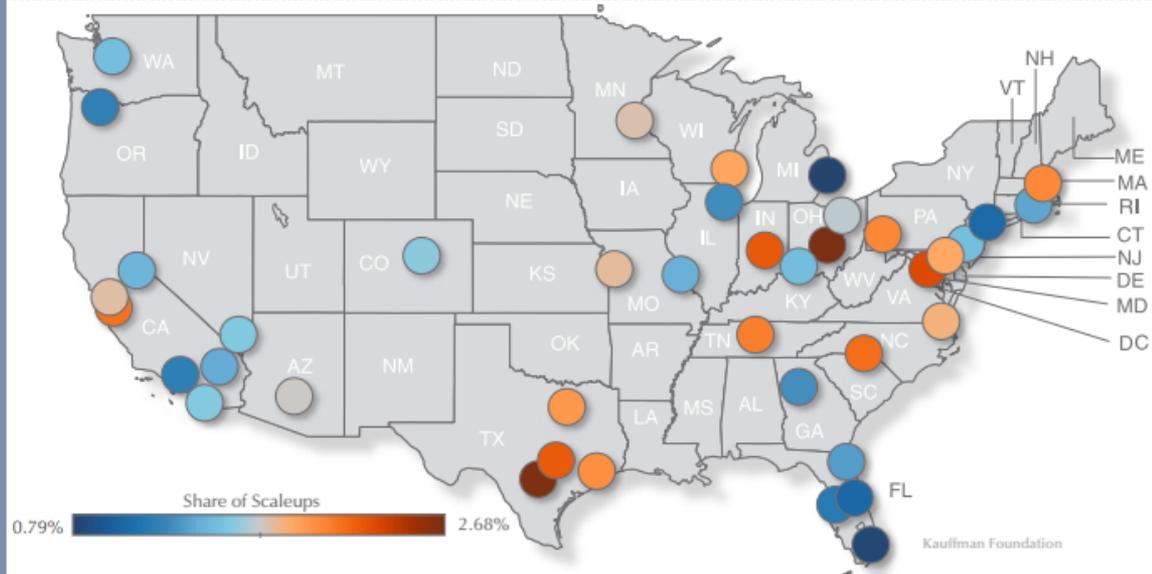
Share of Scaleups

Proxy measure of how many startups become scaleups

Top – Columbus, OH and San Antonio, TX
Bottom – Detroit, MI and Miami, FL

In Columbus, 26.8 out of 1,000 companies ten years and younger started small and grew to employ 50+.

Growth Index Rankings Metros – Share of Scaleups





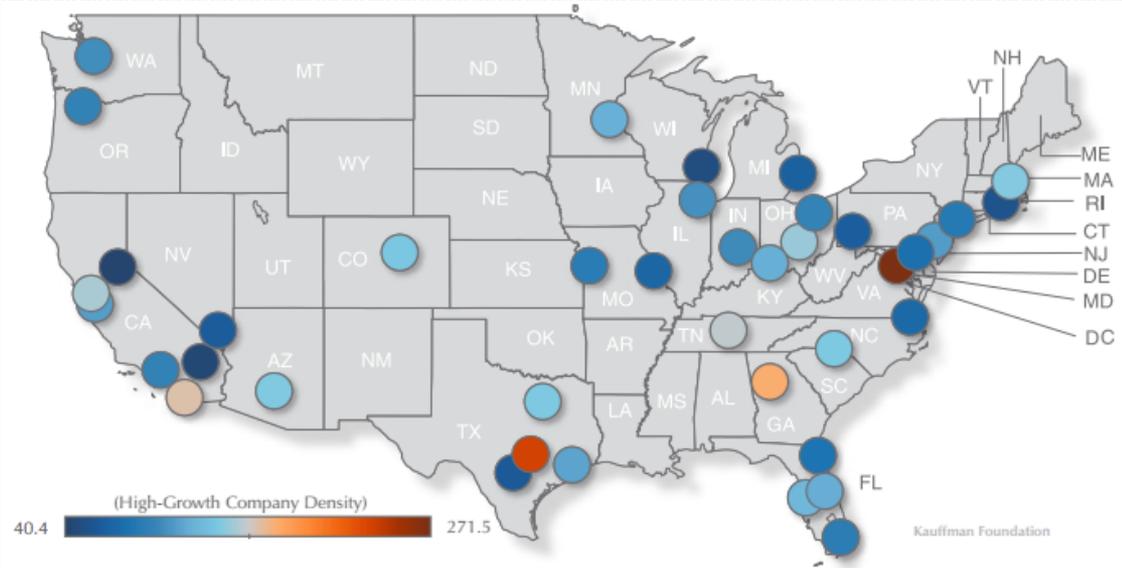
High-Growth Company Density

Proxy measure of number of high-growth companies by total business population

Top – Washington, DC
Bottom – Sacramento

New York was 84.7 in HGCD in 2016, so that for every 100,000 emp business, there were 84.7 high-growth firms.

Growth Index Rankings Metros – High-growth Company Density



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Growth Index

Metros – Industry Trends

Table 7
Top Industries with Highest Share of High-Growth Companies (2015)

Rank	Industry	High-Growth Companies	Share (%)
1	IT Services	521	13.0%
2	Advertising & Marketing	397	9.9%
3	Business Products & Services	367	9.2%
4	Health	315	7.9%
5	Software	289	7.2%

Source: Authors' calculations from Inc. 500 | 5000 data.



Growth Index

Metros – Top Metros by Industry

	Rank	City (Main)	Metropolitan Area	High-Growth Company Density	Number of High-Growth Companies
IT Services	1	Washington	Washington-Arlington-Alexandria, DC-VA-MD-WV	58.7	59
	2	Atlanta	Atlanta-Sandy Springs-Marietta, GA	32.2	29
	3	Minneapolis	Minneapolis-St. Paul-Bloomington, MN-WI	30.5	19
	4	Columbus	Columbus, OH	25.8	7
	5	Boston	Boston-Cambridge-Quincy, MA-NH	23.3	21
Advertising & Marketing	1	Columbus	Columbus, OH	25.8	7
	2	San Francisco	San Francisco-Oakland-Fremont, CA	20.2	18
	3	Austin	Austin-Round Rock-San Marcos, TX	18.8	6
	4	San Diego	San Diego-Carlsbad-San Marcos, CA	17.8	10
	4	Boston	Boston-Cambridge-Quincy, MA-NH	17.8	16

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Growth Index Metros – Top Metros by Industry

Business Products & Services	1	Nashville	Nashville-Davidson-Murfreesboro-Franklin, TN	22.4	6
	2	Atlanta	Atlanta-Sandy Springs-Marietta, GA	20.0	18
	3	Boston	Boston-Cambridge-Quincy, MA-NH	18.9	17
	4	Austin	Austin-Round Rock-San Marcos, TX	18.8	6
	5	Washington	Washington-Arlington-Alexandria, DC-VA-MD-WV	17.9	18
Health	1	Nashville	Nashville-Davidson-Murfreesboro-Franklin, TN	26.2	7
	2	Austin	Austin-Round Rock-San Marcos, TX	18.8	6
	3	Atlanta	Atlanta-Sandy Springs-Marietta, GA	17.8	16
	4	Orlando	Orlando-Kissimmee-Sanford, FL	17.5	7
	5	Dallas	Dallas-Fort Worth-Arlington, TX	16.0	16
Software	1	San Jose	San Jose-Sunnyvale-Santa Clara, CA	22.5	8
	2	San Francisco	San Francisco-Oakland-Fremont, CA	22.4	20
	3	Austin	Austin-Round Rock-San Marcos, TX	21.9	7
	4	Portland	Portland-Vancouver-Hillsboro, OR-WA	19.4	9
	5	Washington	Washington-Arlington-Alexandria, DC-VA-MD-WV	18.9	19

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Growth Entrepreneurship Rank

2016	2015
4	5

growth entrepreneurship **2016** THE KAUFFMAN INDEX
Columbus Metro Profile

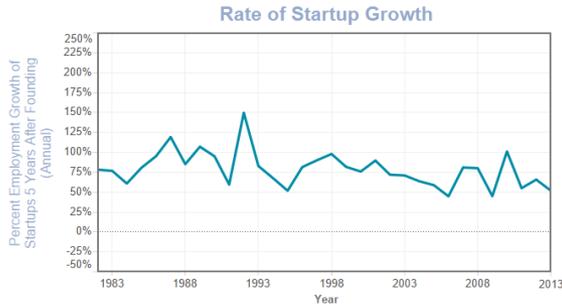
Metro: Columbus | State: Ohio

Rate of Startup Growth

2016 Component	2015 Component
51.86%	65.70%

Measures how much startups have grown as a cohort, on average, five years after founding - measured by change in employment.

Source: Author calculations from BDS. Yearly measure.

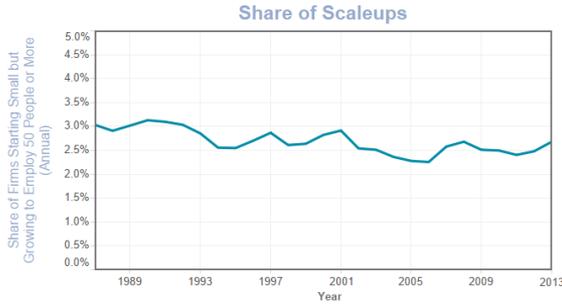


Share of Scaleups

2016 Component	2015 Component
2.68%	2.48%

Measures the number of firms that started small but grew to employ fifty people or more by their tenth year of operation as a percentage of all employer firms ten years and younger.

Source: Author calculations from BDS. Yearly measure.



High-Growth Company Density

2016 Component	2015 Component
143.8	118.0

Measures the number of private businesses with at least \$2 million in annual revenue reaching three years of 20 percent annual revenue growth normalized by total business population.

Source: Author calculations from BDS and Inc. 500/5000 Yearly measure.



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More to Come

Kauffman Index of Startup Activity

Targeting July 2016

Kauffman Index of Main Street Entrepreneurship

Fall 2016

How to receive?

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Other questions?

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Thank you for participating!

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