



# ***Colorado's Entrepreneurial Economy***

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# ***Colorado's Entrepreneurial Economy***

- 1. Why is Entrepreneurship Important?***
- 2. How Do Entrepreneurs Affect Job Growth?**
- 3. Where are Colorado's Entrepreneurs?**
- 4. Which Colorado Assets Can Help Grow More Entrepreneurs?**

# ***Why is Entrepreneurship Important?***

- **New businesses create new jobs**
  - Industrial recruitment shifts existing jobs
  - Biz starts and job growth follow each other
- **New businesses apply and shape fresh innovations for markets**
  - Translate ideas into new value and growth
- **Schumpeter's Creative Destruction**
  - Churning of ideas & firms in marketplace
  - Probing market frontier: Tests & rewards

# ***Colorado Regions Ranked Among Most Innovative and Entrepreneurial***

- **Small Business Administration ranked U.S. regions on Entrepreneurship Activity and Innovation Capacity**
  - **Fort Collins, 1<sup>st</sup> in nation over 1990-2001**
  - **Denver, 6<sup>th</sup> in nation**
  - **Colorado Springs and Glenwood Springs, 17<sup>th</sup> & 18<sup>th</sup>**
    - **Glnwd Spgs, Grand Jn, Cortez: #1,4,9 in new firms**

# ***Colorado's Entrepreneurial Economy***

- **E'ship can drive growth & dynamism**
  - Conduit for fresh ideas and innovation
- **Colorado well-positioned**
  - Skills, Sectors, and Setting
- **Explore Colorado's e'ship impacts and prospects**
  - What are e'ship's effects on CO jobs?
  - Where are Colorado's entrepreneurs?
  - How to build on promising foundations?



# ***Colorado's Entrepreneurial Economy***

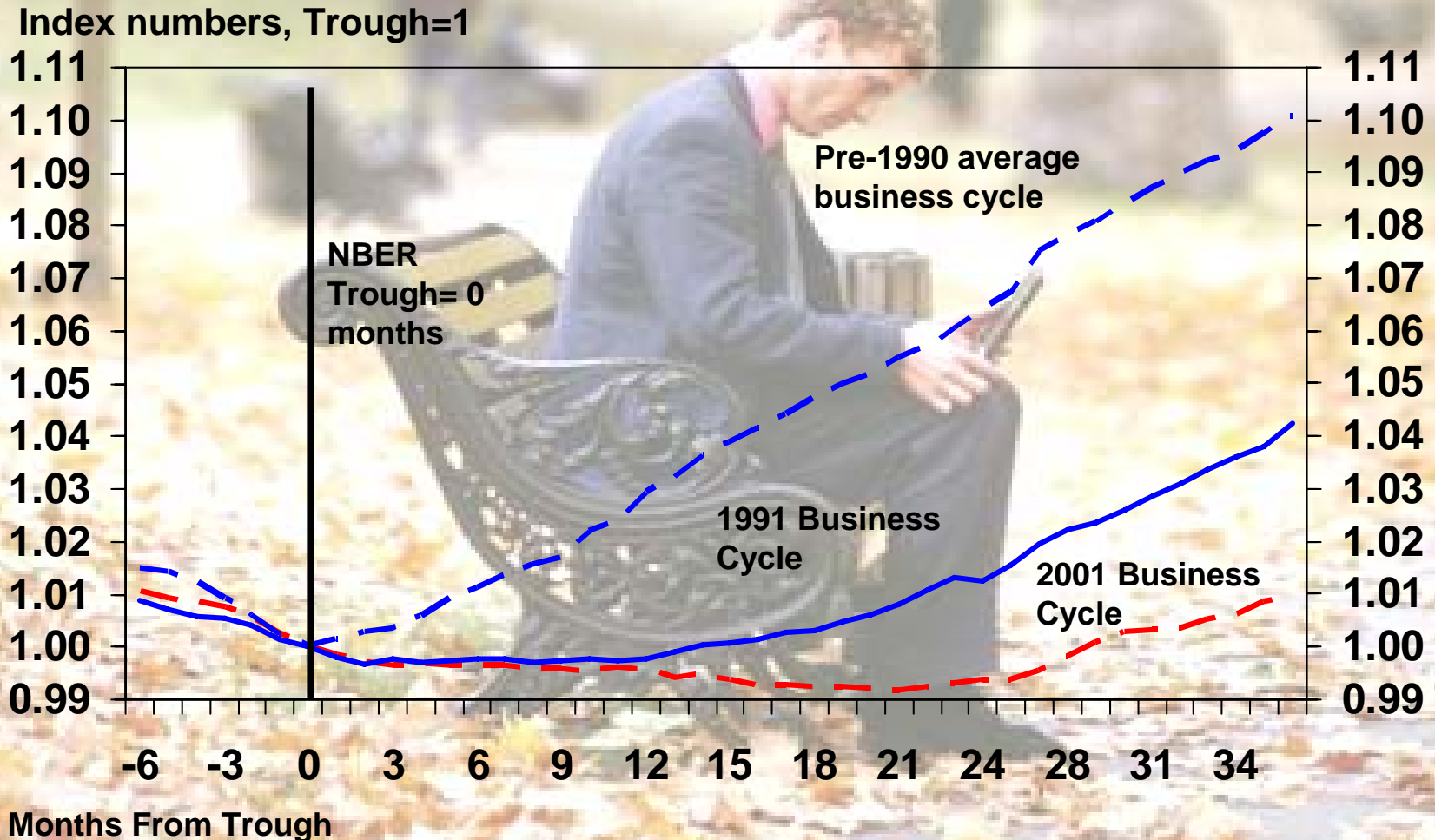
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# ***Sketching the Rebound From A “Jobless Recovery”***

- **Job recovery slow after 1991 and 2001**
- **Self-employed entrepreneurs critical**
  - Employment far outpaces job creation
    - Especially in Colorado

# Since 1990, Slow Job Recoveries

## Nonfarm Payroll Jobs



Source: Bureau of Labor Statistics  
Courtesy of Stacey Schreft

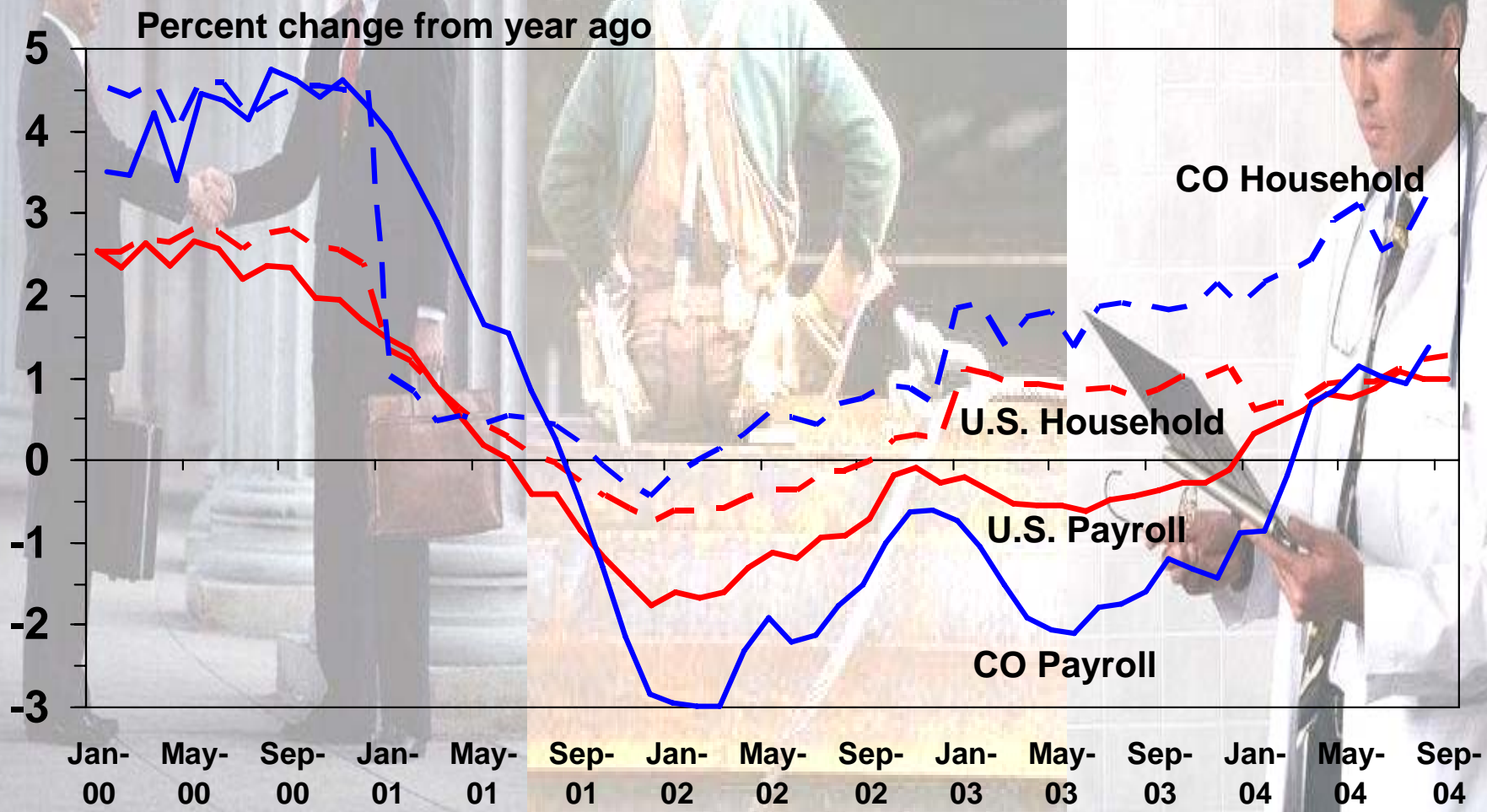


# ***How Can We Measure Entrepreneurship?***

- **Measurement is often a problem**
  - Usually “below the radar screen”
- **Indirect indicators**
  - **Business starts (e.g. SBA study)**
    - Most companies start small
  - **Household employment vs workplace jobs**
    - Self-employment
  - **Proprietors**

# Household Versus Payroll Views Suggest Importance of Entrepreneurs

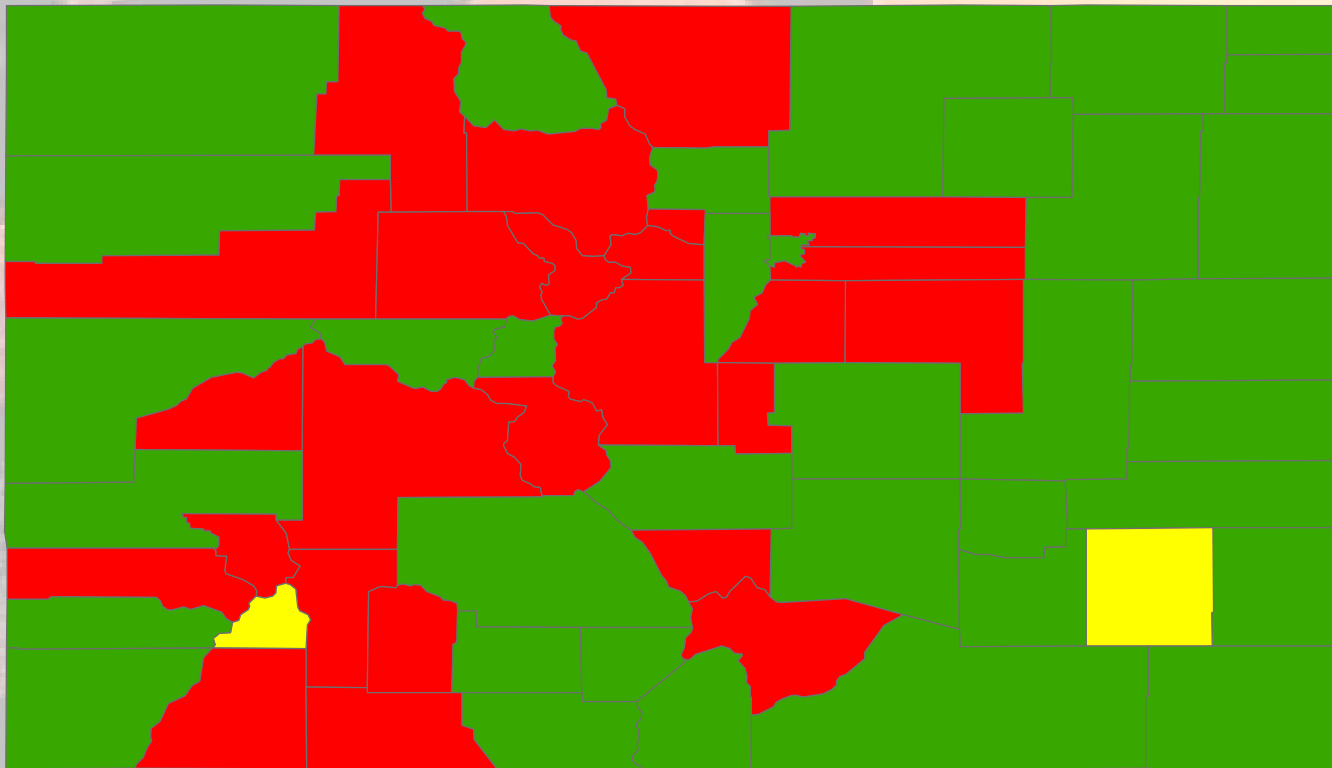
## Household Employment and Payroll Job Growth



Source: Bureau of Labor Statistics

# *Colorado Employment Growth in 90's High Compared to US*

**Colorado Nonfarm Employment Growth, 1990-2002.**

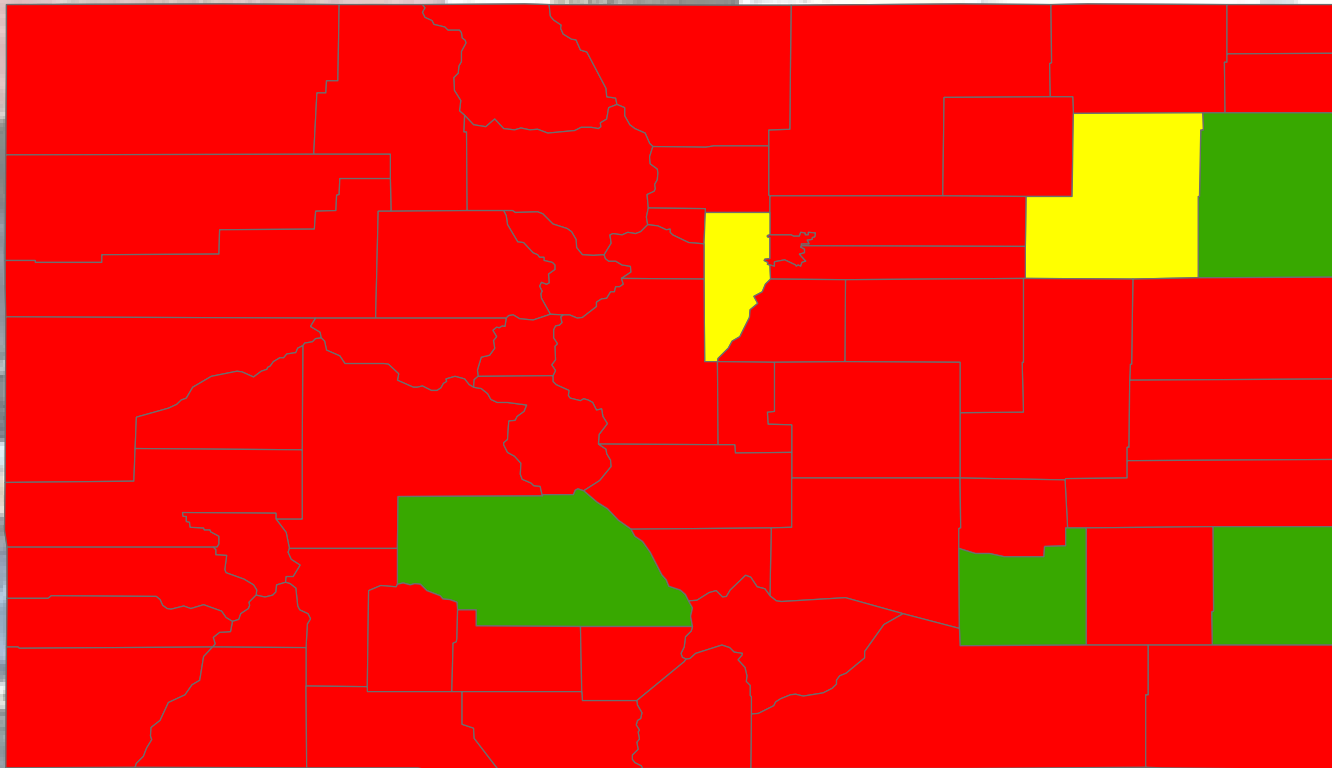


**■ >5.8% Growth    ■ 0.4 - 5.8% Growth    ■ Below US Ave. Growth (0.3%)**



# Colorado Entrepreneurial Growth Even Greater versus US

Colorado Nonfarm Proprietor Growth, 1990-2002.



**Red** >15.3% Growth    **Green** 4.6%-15.3% Growth    **Yellow** Below US Ave. Growth (4.5%)

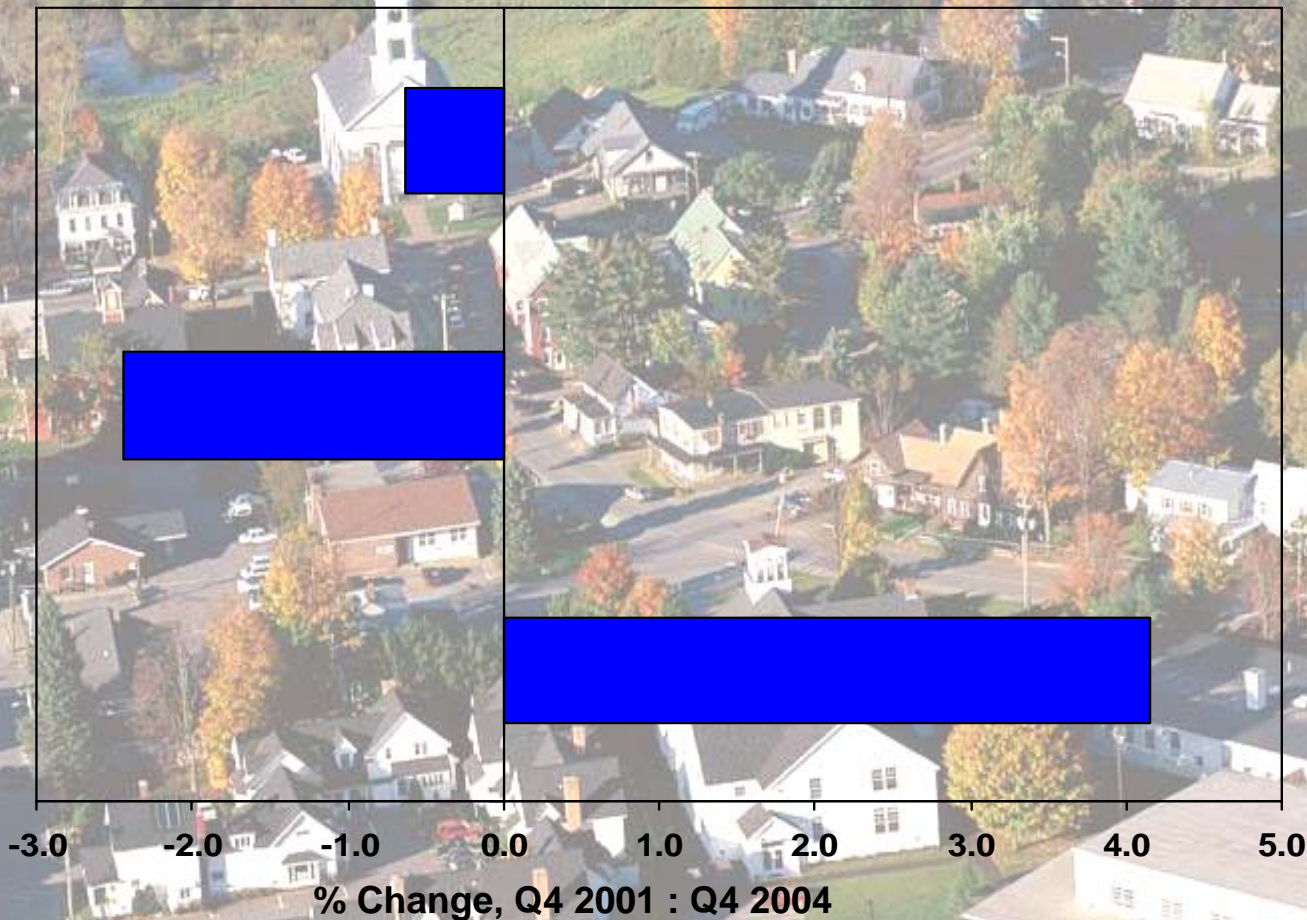
# Payroll Growth During Recovery

Colorado Payroll Growth, Q4 2001 - Q4 2004

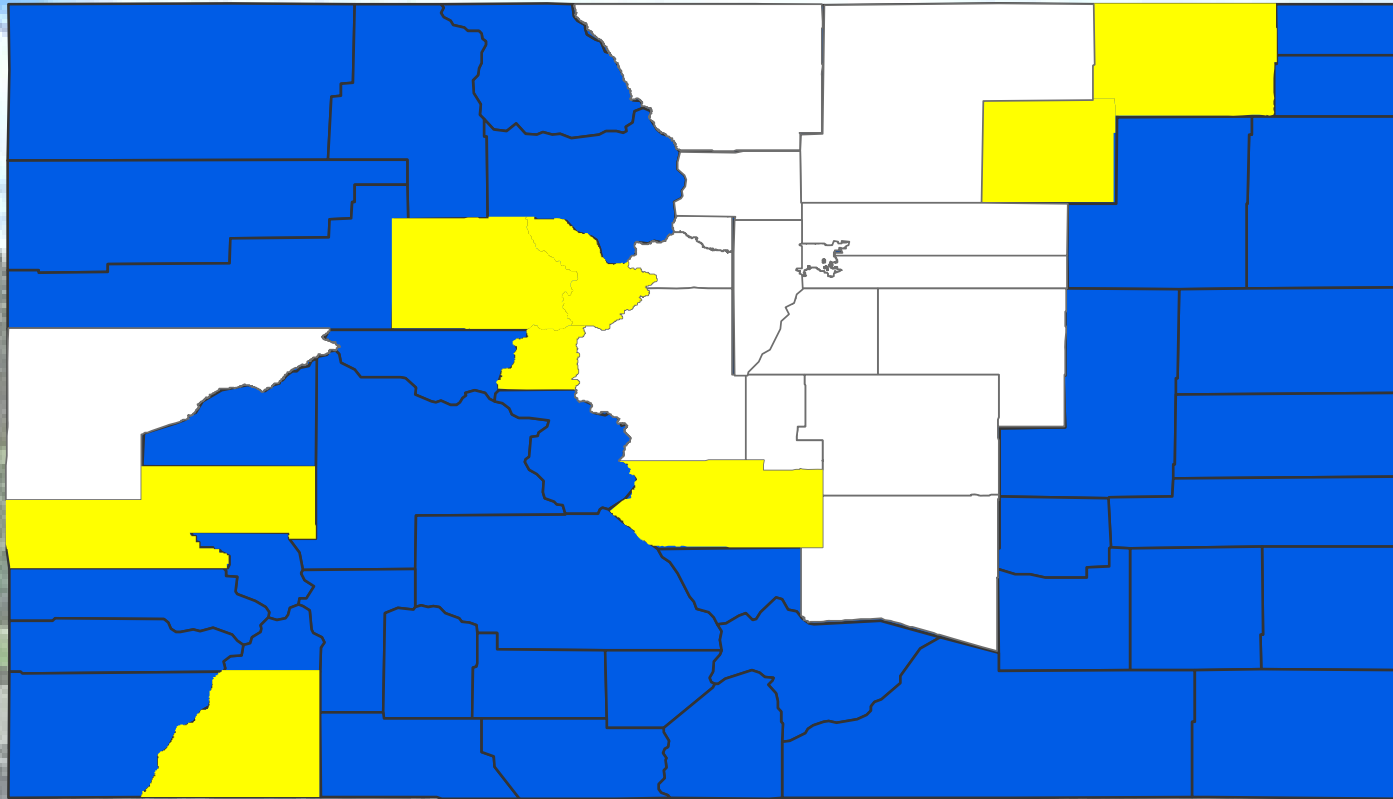
Statewide

Metro

Rural



# ***Metro, Micro, and Town Counties in Colorado***



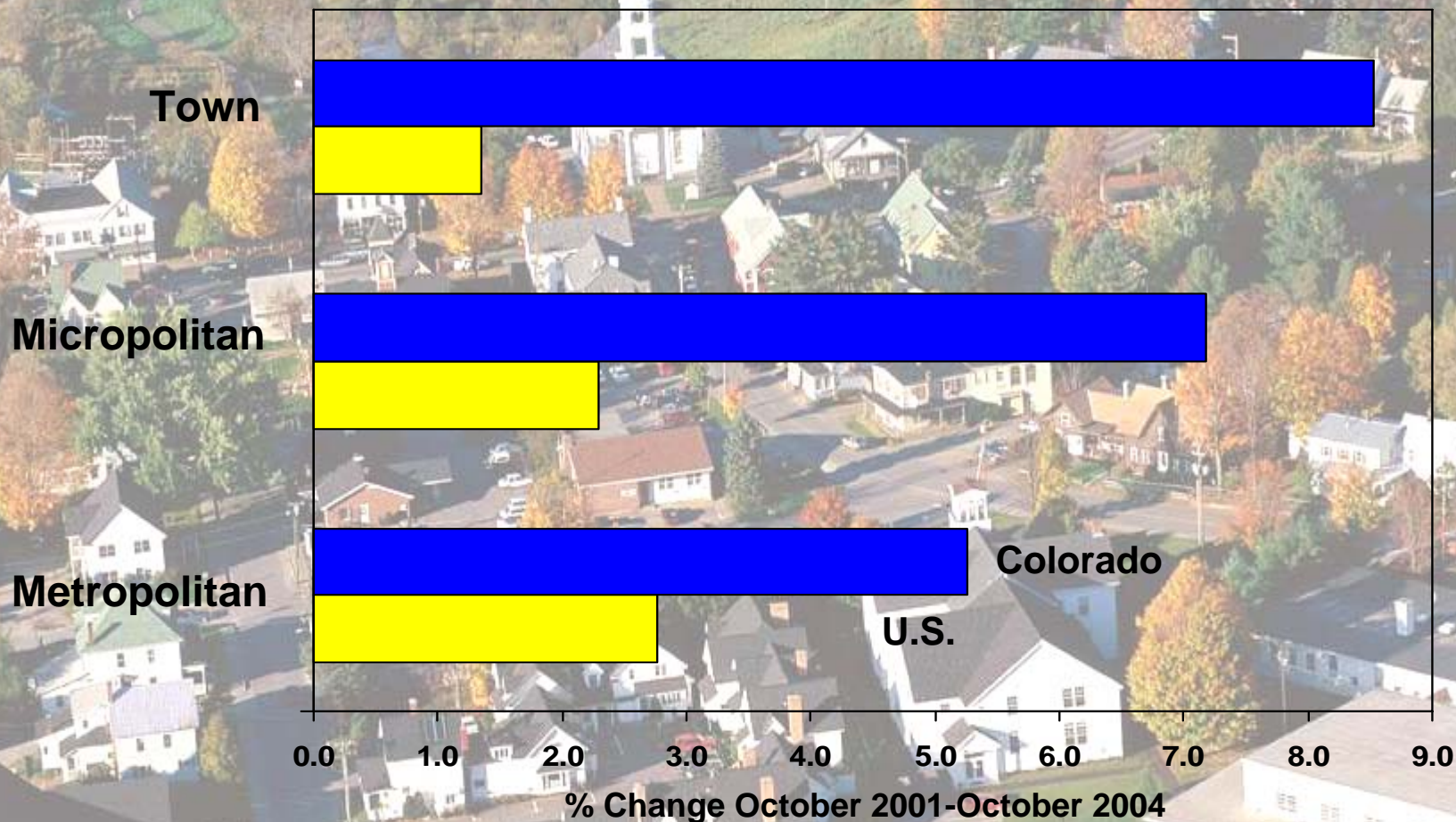
-  Metropolitan Counties
-  Micropolitan Counties
-  Town Counties

Source: Bureau of Labor Statistics



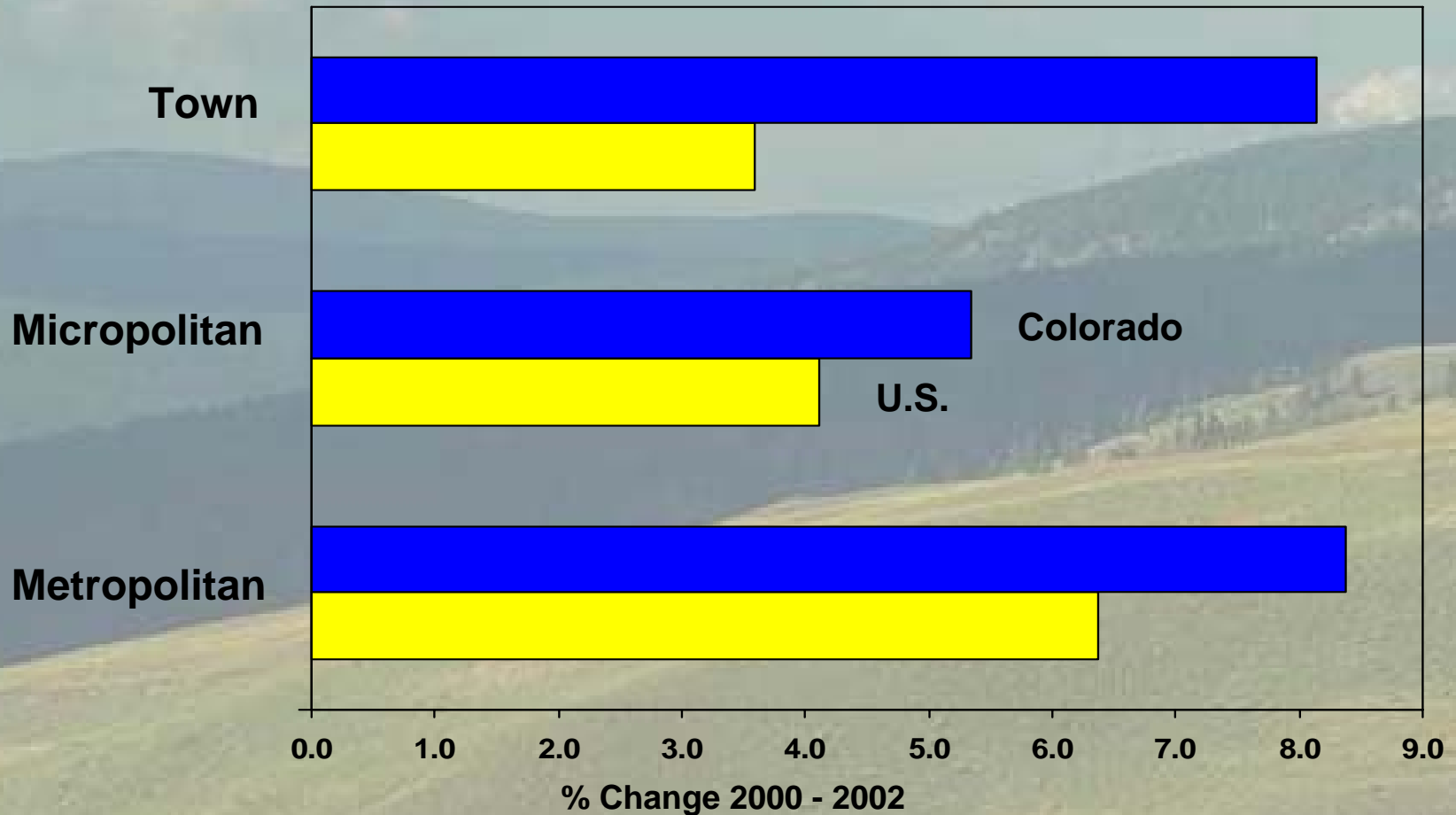
# ***Metro Areas Complete U.S. Rebound, While Rural Leads Colorado***

**U.S. and Colorado Employment Growth, Oct '01-'04**



# *Colorado Entrepreneurs Boost Recovery*

U.S. and Colorado Nonfarm Proprietor Growth, '00-02





# ***Colorado's Entrepreneurial Economy***

- **Slow job growth following recession**
  - Self-employed entrepreneurs leading way
  - Rural areas particularly important
- **Overall, CO job growth strong**
  - Yet entrepreneurial growth even stronger
- **More detail on Colorado's e'ship...**



# ***Colorado's Entrepreneurial Economy***

- 1. Why is Entrepreneurship Important?**
- 2. How Do Entrepreneurs Affect Job Growth?**
- 3. *Where are Colorado's Entrepreneurs?***

# ***Not All Entrepreneurs Are Created Equal***

- **Lifestyle vs High-Value E'ship**
  - Indirect vs Direct economic engines
  - Quality of Life vs Growth Generators
- **What types of e'ship exist in Colorado?**
- **Where are these types concentrated?**



# ***Breadth and Depth of Entrepreneurship Defined***

- **Breadth**: Entrepreneurs' ***Share of Employment***

$$\text{Nonfarm Proprietors} \div \text{Total Nonfarm Employment}$$

- Diversity of entrepreneurial businesses
  - Indicates attractive *Variety* and fertile *Seedbed*
- **Depth** (Value Added): Entrepreneurs' ***Income Share of Sales***

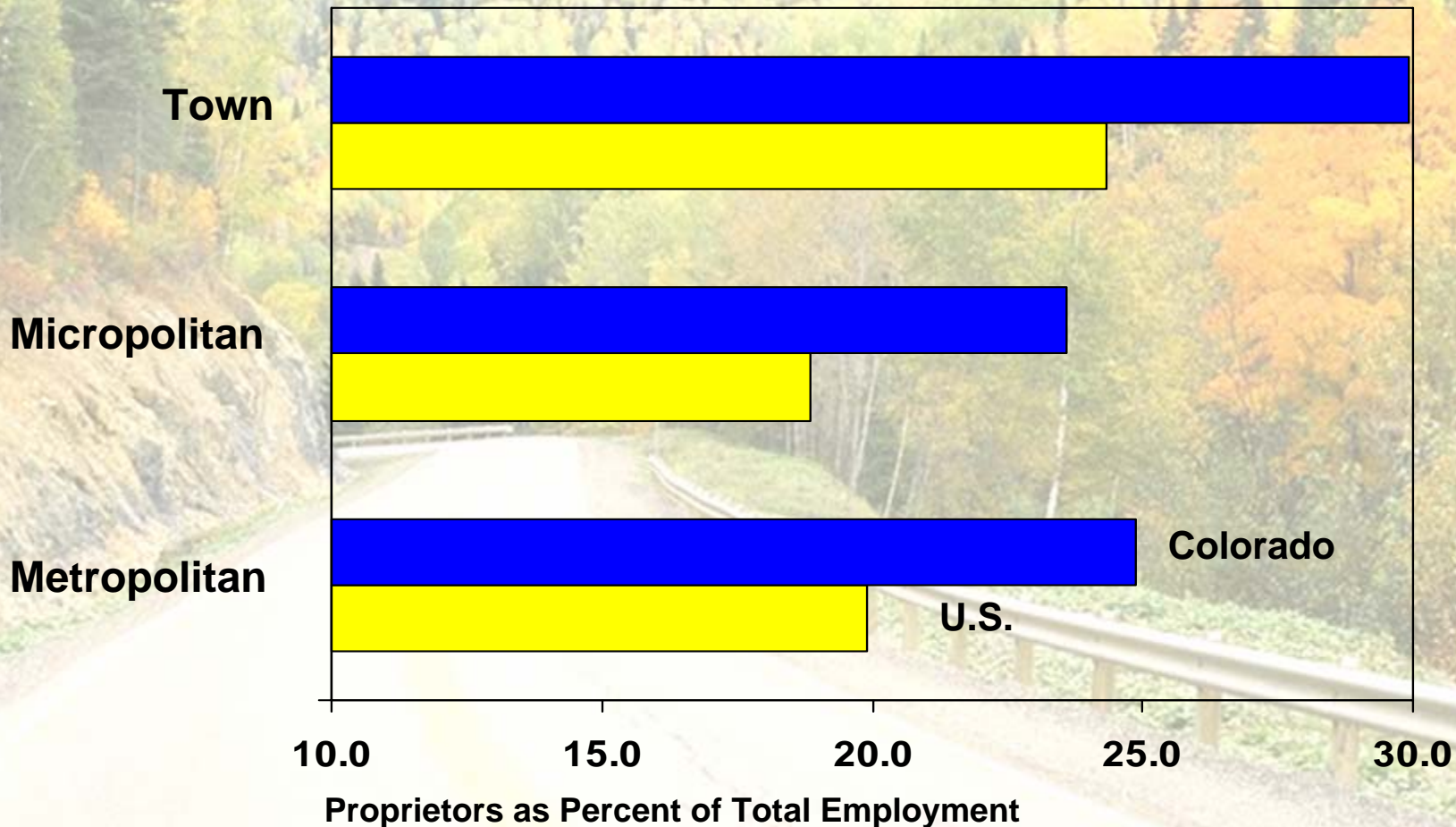
$$\text{Nonfarm Proprietor Income} \div \text{Business Sales Revenue}$$

- Market valuation of entrepreneurs' skills and innovation
  - Indicates potent regional source of economic *Value* and *Dynamism*



# *Entrepreneurship Breadth is Highest in Small Rural Counties*

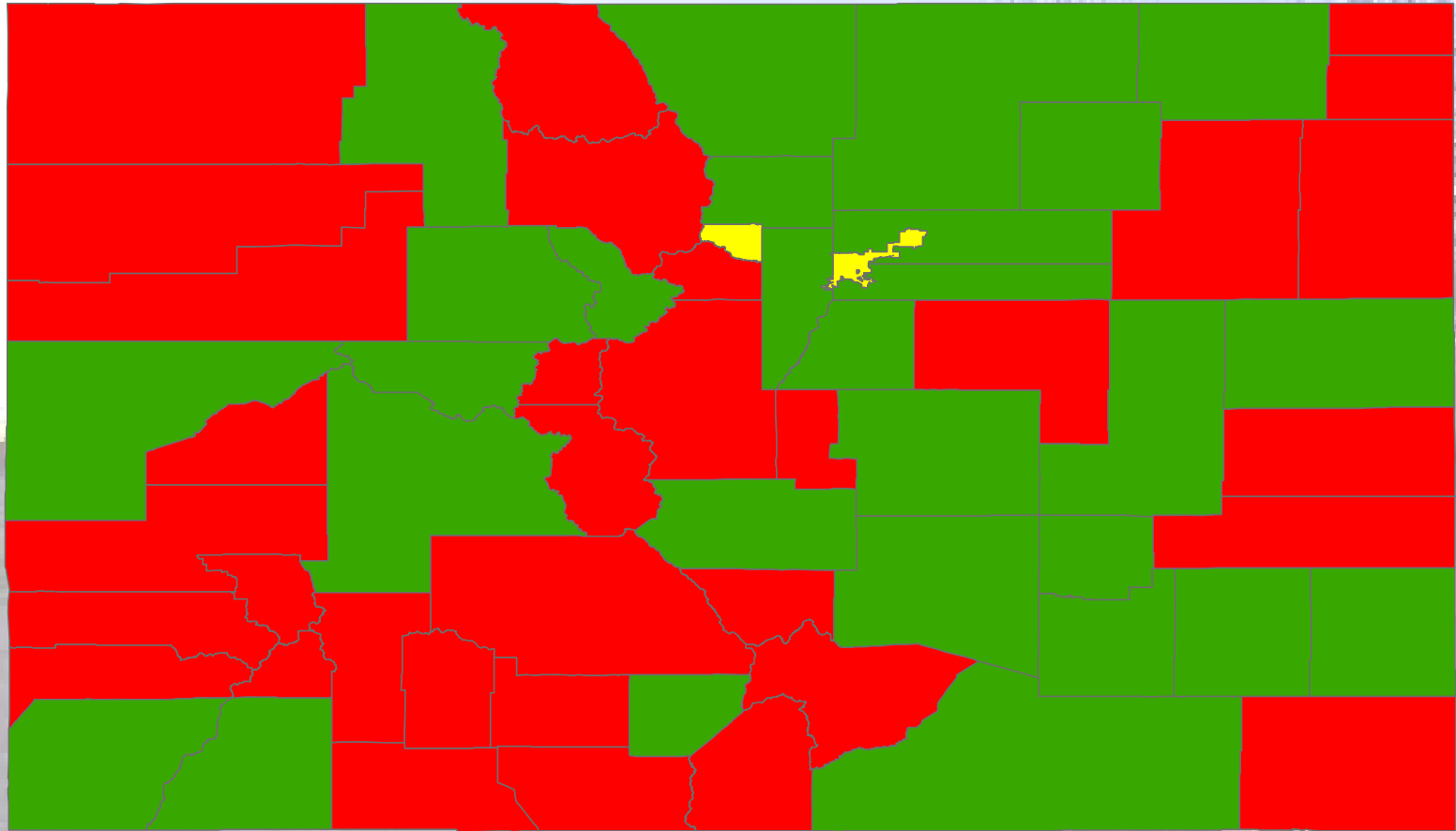
**Entrepreneurship Breadth  
Nonfarm Proprietor Employment over Total Nonfarm Employment, 2001.**




# *Many Entrepreneurs in Rural Colorado*


## Entrepreneurship Breadth

Nonfarm Proprietor Employment over Total Nonfarm Employment, 2001.



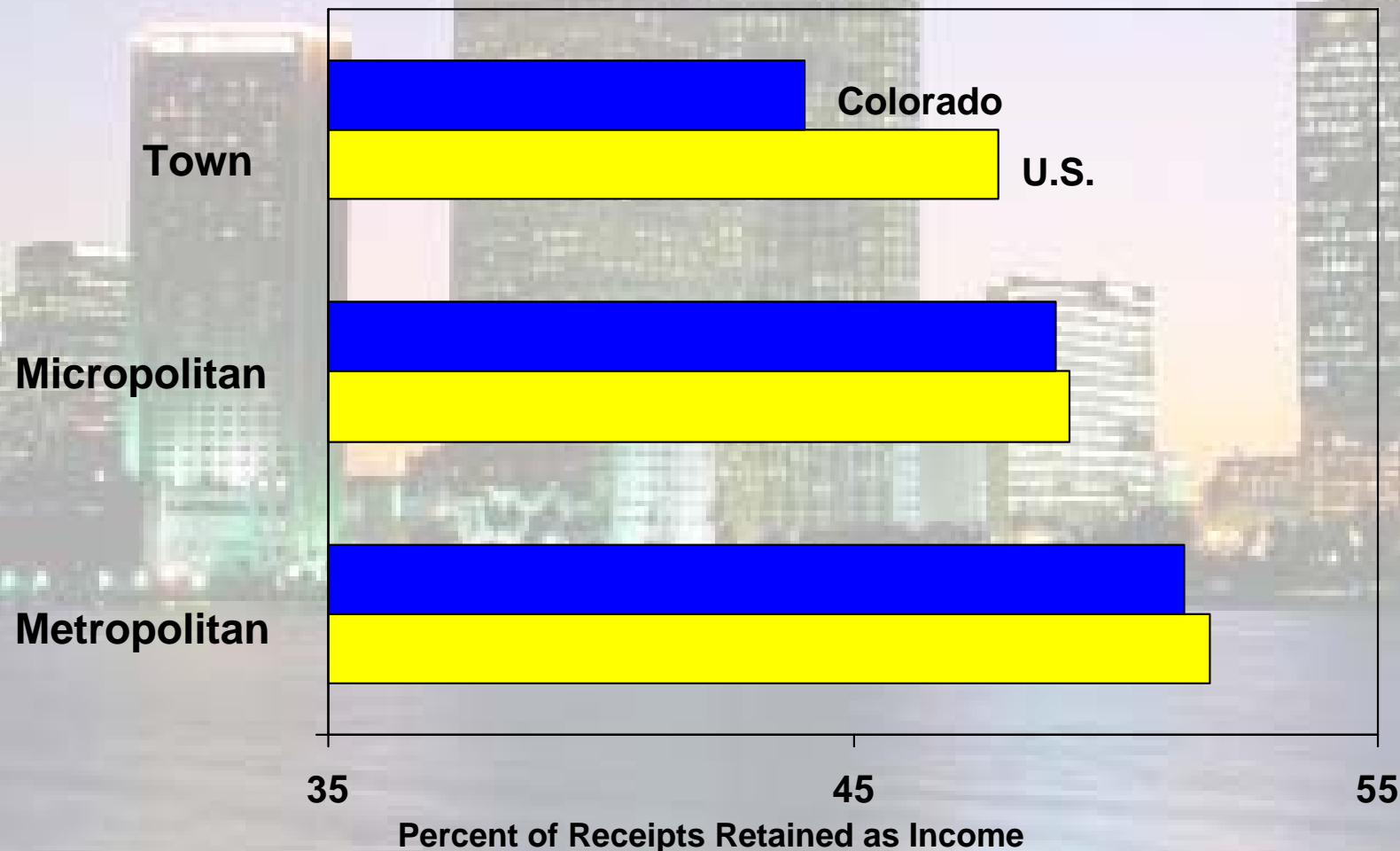
 Greater than 25%

 16-25%

 Below U.S. Average, 16%

# *But High Value Entrepreneurs Cluster in Metro and Micro Counties*

Entrepreneurship Depth, Value Added  
Proprietor Income over Non-Employer Receipts, 2001

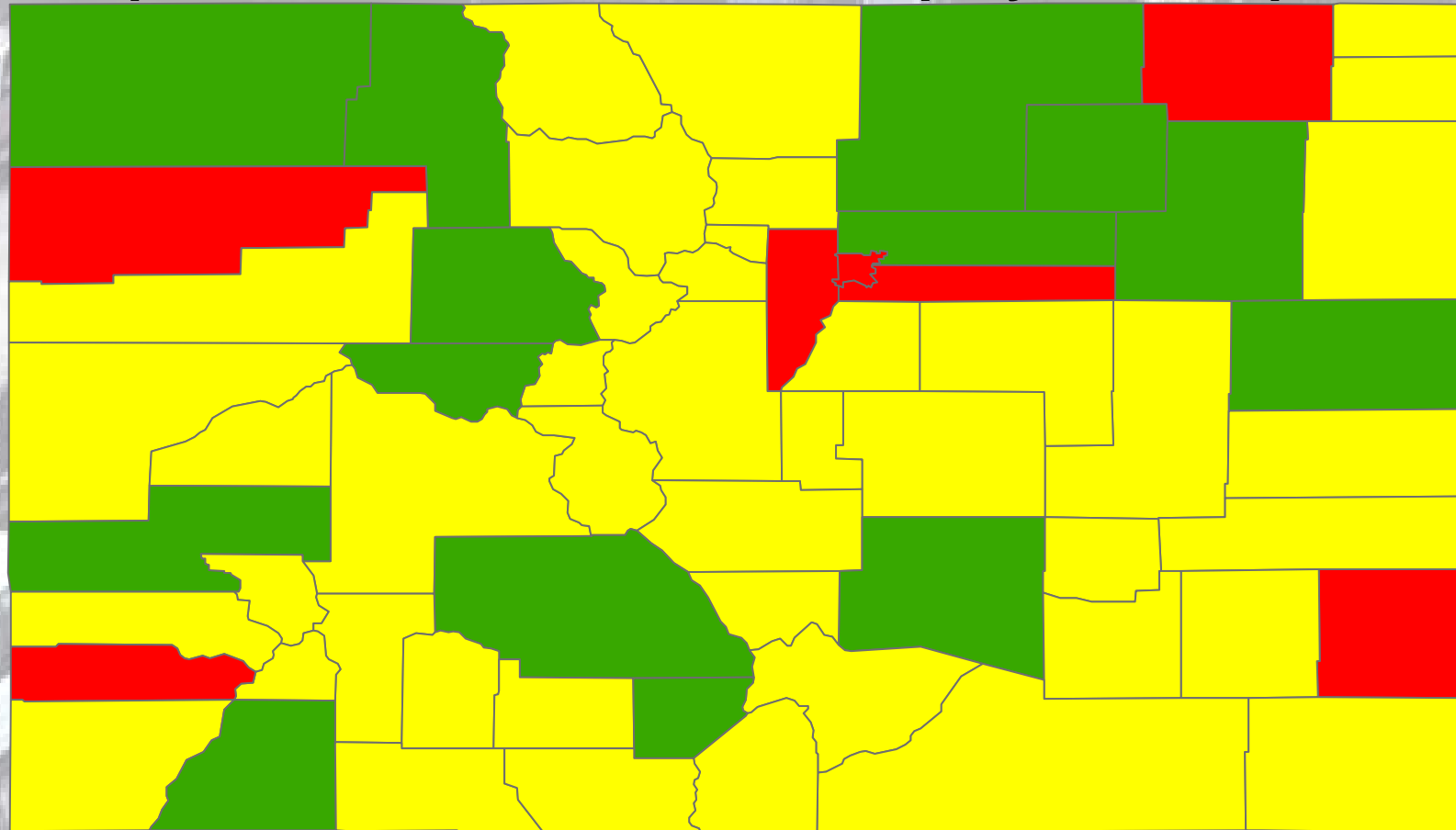




# High Value Entrepreneurs in CO

Entrepreneurship Depth

Proprietor Income over Non-Employer Receipts, 2001



Ratio of income to receipts > 66%



50-66%



Below U.S. Average, 50%

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# ***Entrepreneurs Leveraging Other Assets***

- **E'ship depends on many factors**
  - Infrastructure, capital, information....
- **What are critical regional assets?**
  - High-value e'ship, among others
- **Synergistic assets: E'ship and...**
  - **Education**
    - Tapping regional skill pools
  - **Banking Depth**
    - Potential for self-reinforcing growth

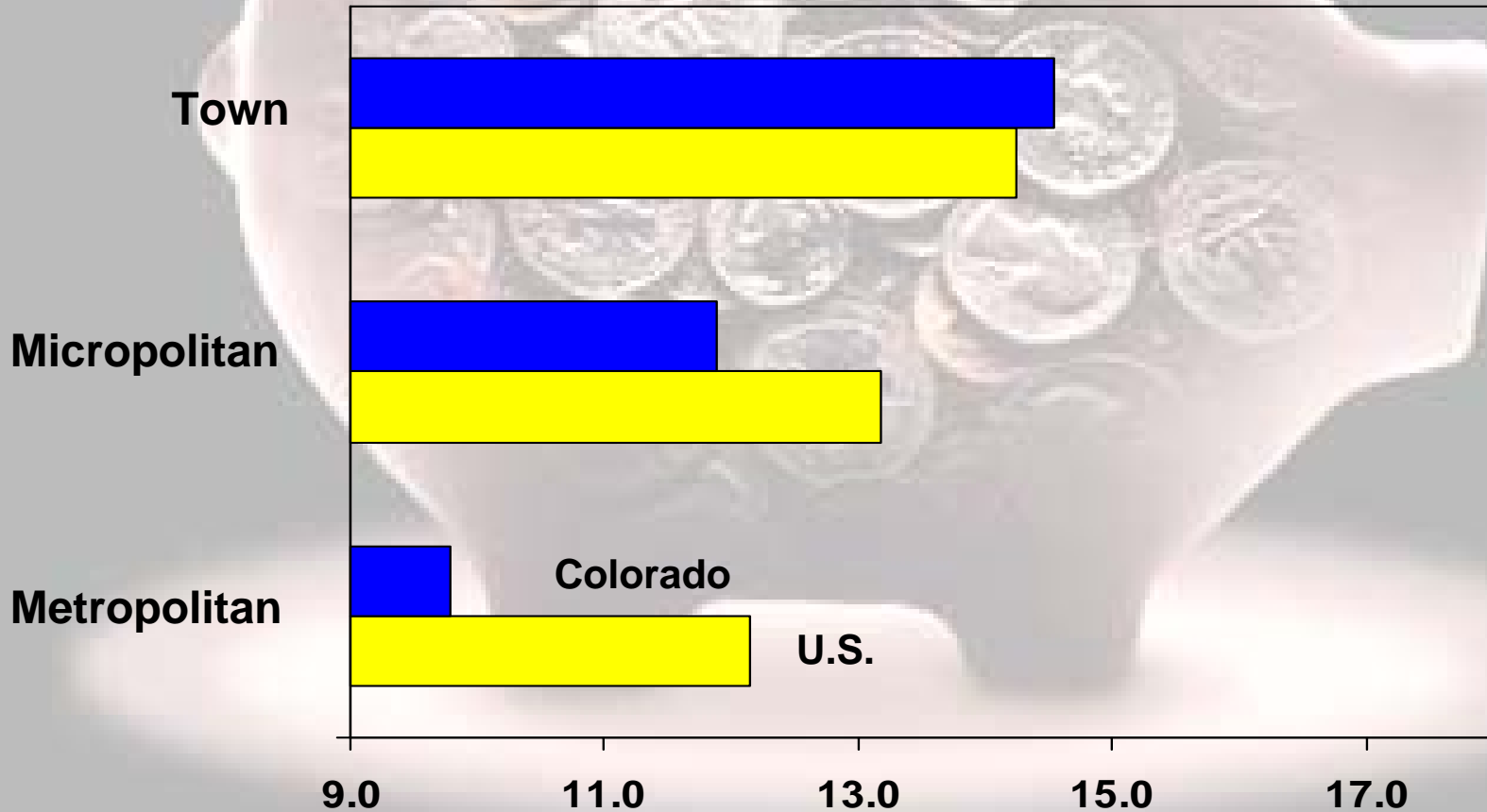


# ***Leveraging Banking Depth***

- **Virtuous circle for e'ship?**
  - Banking deposit depth higher
- **Not only do \$ stay in community...**
  - Income retained vs profits lost
- **...but may be “recycled” via banks**
  - Expanded e'ship loan possibilities

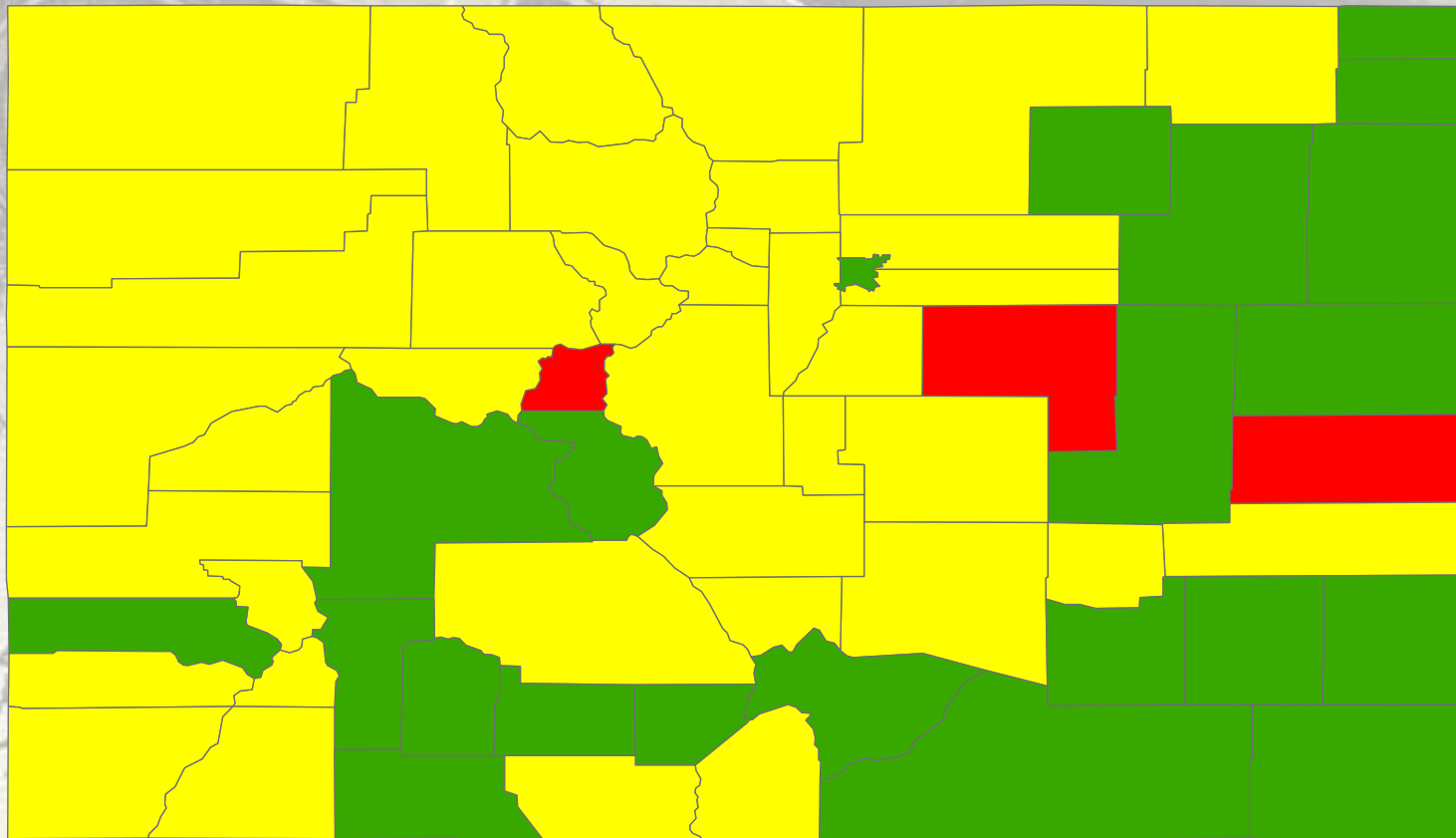
# *Banking Depth Highest in Rural Areas*

**Banking Depth**  
Bank Deposits per Capita (\$1000), 2001




# CO Counties Exceeding US Average of Deposits per Capita

Bank Deposits Per Capita Normalized with  
Per Capita Income, 2001.



**Ratio >1**      **0.57 to 1.0**      **< 0.57 (U.S. Average)**



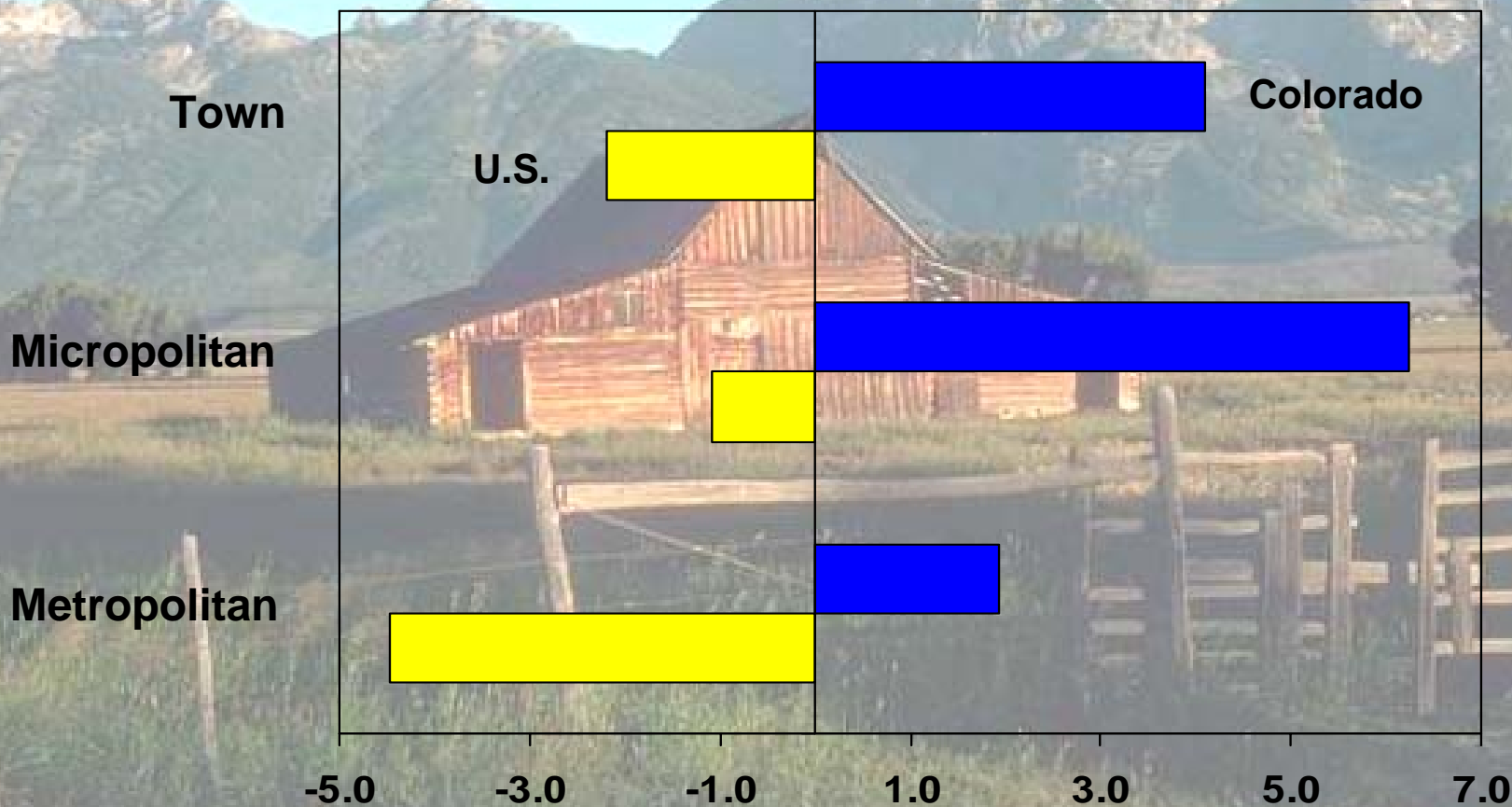


# ***Entrepreneurs Tapping Skill Surpluses***

- **Other regional assets can also support e'ship**
- **High-value activity requires skills**
- **Skill surpluses can help fuel value-added growth**
- **CO has pockets of underutilized skills, especially in rural areas**

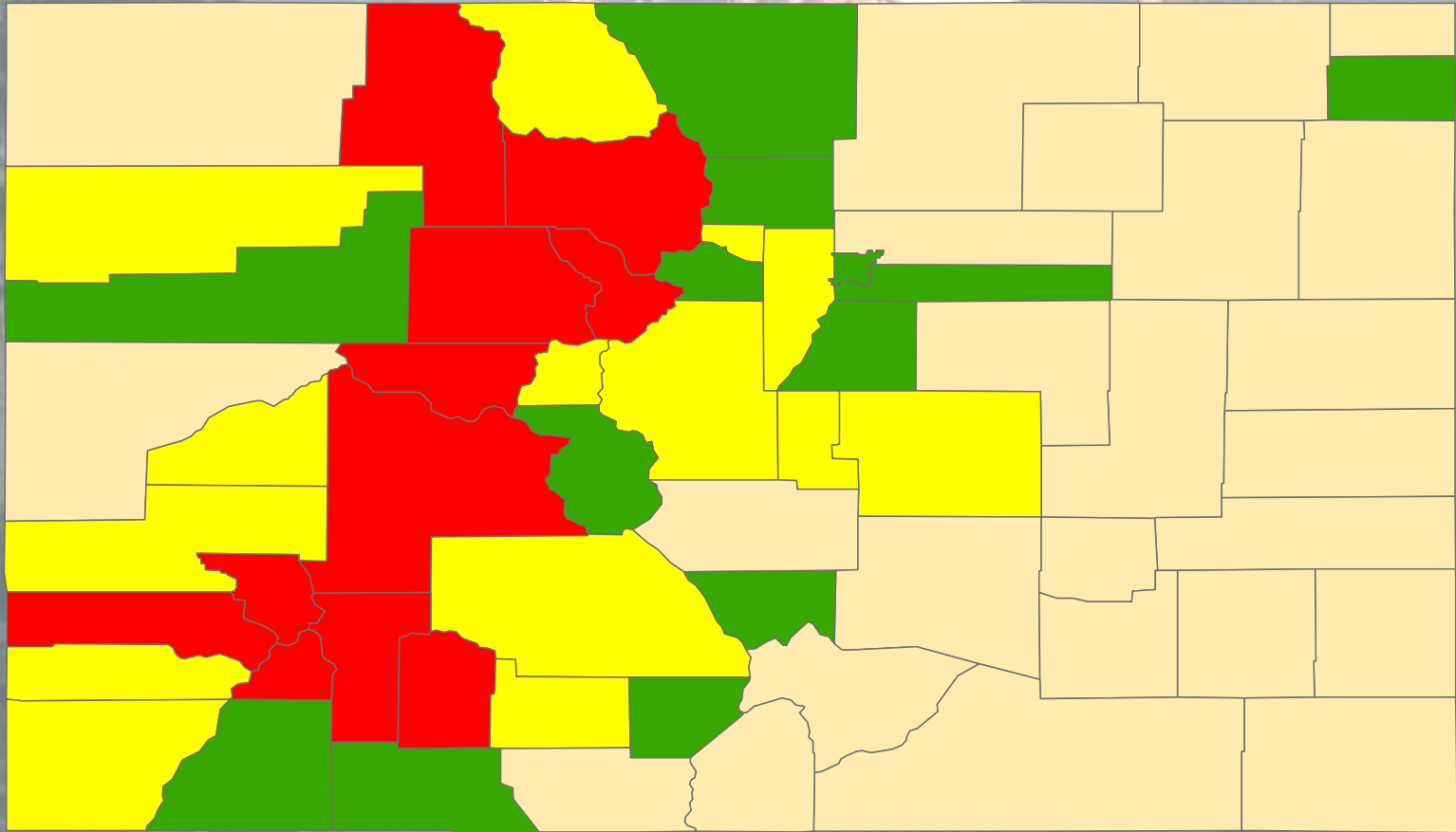
# ***Underemployment High in Colorado***

**Average Skill Surplus as Percent of Labor Force, 2000**



# CO Counties Exceeding National Average of Skill Surplus

Worker Skill Surplus as Percent of Labor Force, 2000.



**11.8%-27.9%**   **3.6%-11.7%**   **< 3.5%**   **No Skill Surplus**



# ***Colorado's Entrepreneurial Economy***

- 1. Why is Entrepreneurship Important?**
  - Drives Economic Growth**
- 2. How Do Entrepreneurs Affect Job Growth?**
  - Generate jobs directly and indirectly**
- 3. Where are Colorado's Entrepreneurs?**
  - High-value e'ship especially critical**
- 4. Which Colorado Assets Can Help Grow More Entrepreneurs?**
  - Banking Depth and Skill Surpluses**