

Presentation to the Hampton Roads Planning District Commission

The Hampton Roads Economy -Analysis and Strategies -

Part 4: Entrepreneurship in Hampton Roads

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Purpose of Grant:

**Develop Strategies to Strengthen the
Regional Economy**

Work Elements

- **Part 1: Regional Overview – Done**
- **Part 2: Cluster Study – Done**
- **Part 3: M&S Cluster – Done**
- **Part 4: Fostering Entrepreneurship – Done**
- **Part 5: Regional Benchmarking – Nearly Done**
- **Part 6: Conclusions and Recommendation – In Progress**

Project Coordinated With

- **Office of Economic Adjustment**
- **Hampton Roads Partnership**
- **Others**
 - **Regional/Local Economic Development Alliances**
 - **Regional Workforce Agencies**
 - **Chambers of Commerce**
 - **Virginia Modeling, Analysis, and Simulation Center**
 - **Others**

**Entrepreneurial Regions Tend
to Grow Faster and be More
Prosperous than Non-
Entrepreneurial Regions**

The Level of Entrepreneurial Activity in Hampton Roads is Below Average

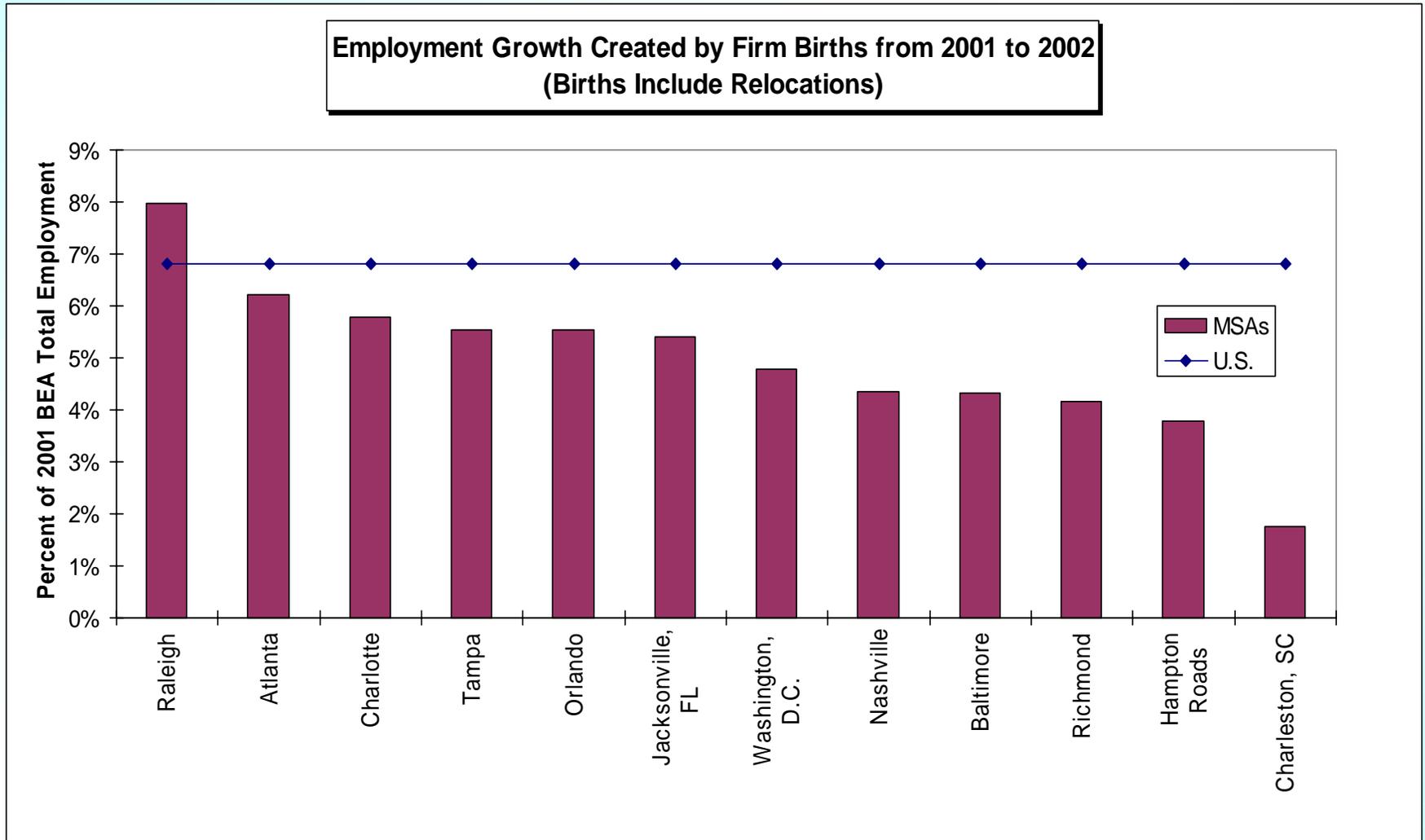
(Based on Indirect Measures of Entrepreneurship)

Evidence for Limited Entrepreneurial Activity in Hampton Roads

Indicators

- Region is low in self-employment
- *Inc. and Fortune*: Below average number of fast growing companies
- MoneyTree Survey: Limited venture capital
- Patenting activity: 72nd percentile in utility patents among MSAs
- Relatively few new jobs are created through new firm births

The Pace of Entrepreneurial Activity in HR is Below the National Average

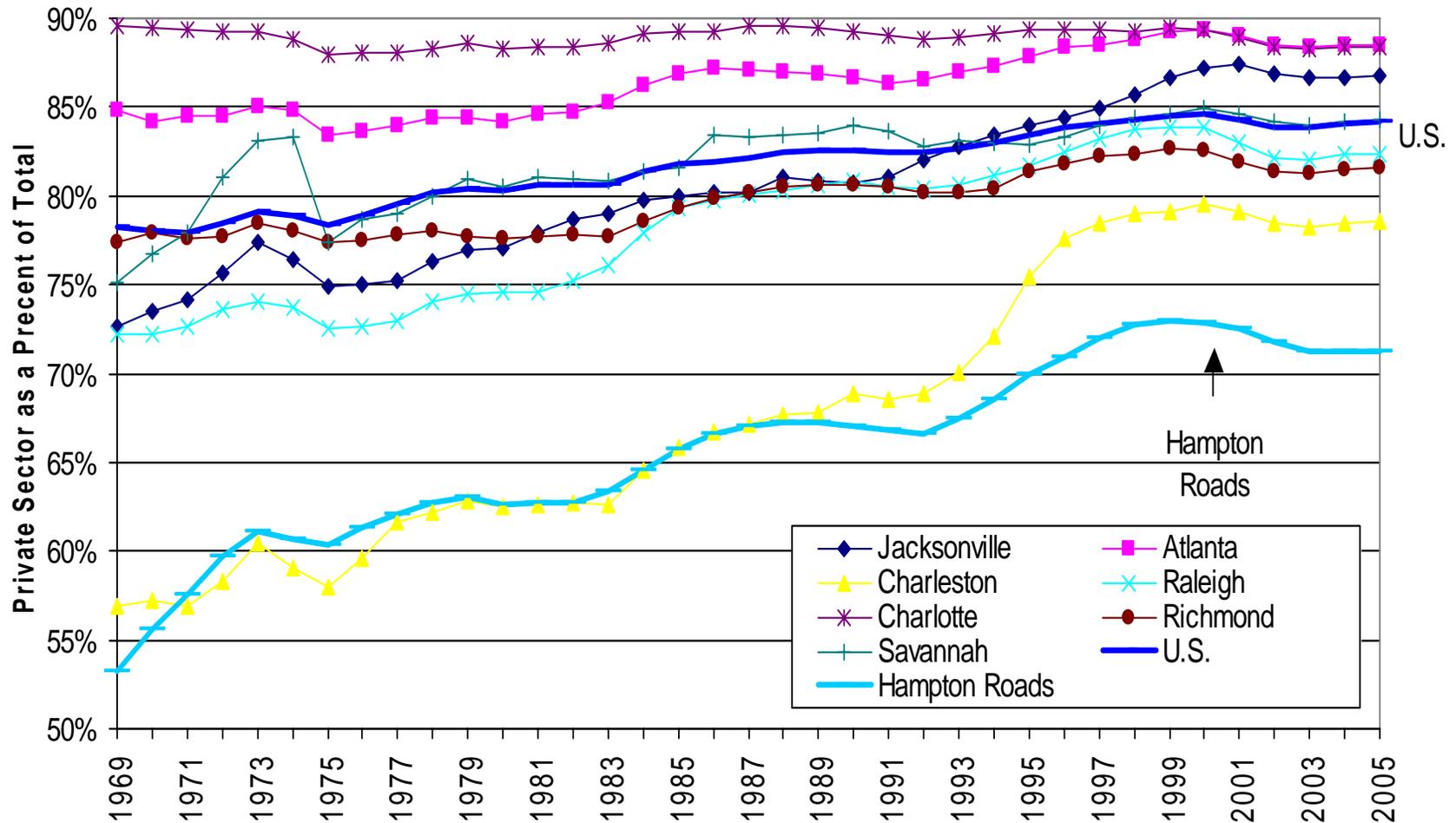


Explanations for the Region's "Poor Showing" in Entrepreneurial Activity

- **The industries represented in the region's sector mix are not ones that have produced large numbers of entrepreneurs** (they grow more slowly, innovate gradually, have high barriers to entry)
 - Tourism
 - Military
 - Shipbuilding
 - Trucking and Warehousing
- **The regional economy is over represented in the public sector and under represented in private sector**
 - Private sector generates entrepreneurs much faster than the public sector

The Region's Private Sector is Small

Private Sector Employment as a Percent of Total Employment



Explanations

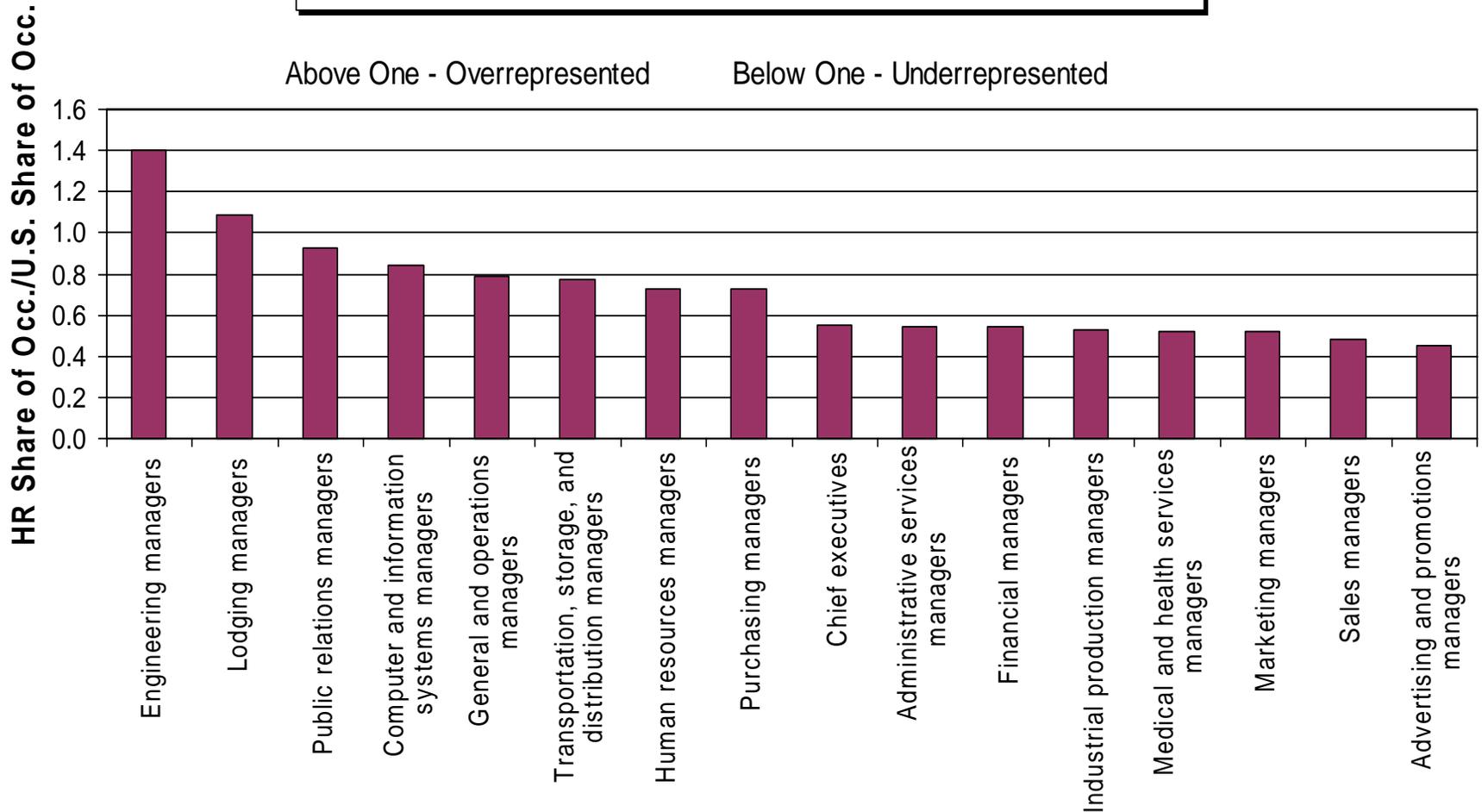
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- **The lack of regional wealth inhibits the formation of capital for new business ventures**
- **The region's private sector functions as a “branch plant economy”**
 - **Knowledge of business opportunities is less**
 - **Fewer managers**
 - **Communications are more vertical than horizontal**
 - **Exposure to company and industry research is limited**

Hampton Roads is Underrepresented in Managerial Occupations

HR Location Quotients for Management Occupations, 2003

Source: Bureau of Labor Statistics



Explanations

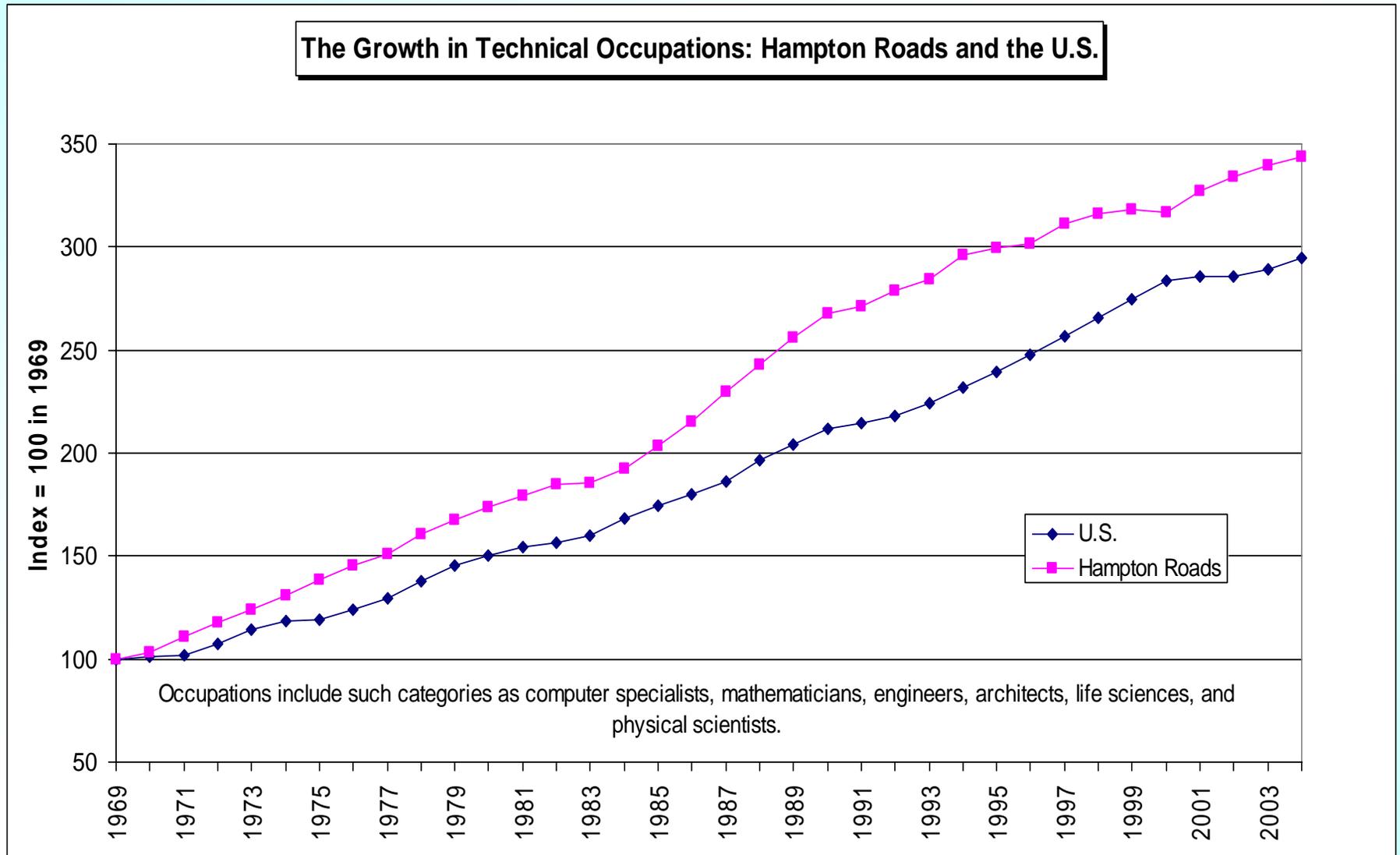
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- **The region's technology has not yet produced a large number of new business startups**
 - **Research is not sufficiently focused to achieve "critical mass"**
 - **Research is devoted to basic science or the public sector**

Some “Positives” in the Picture

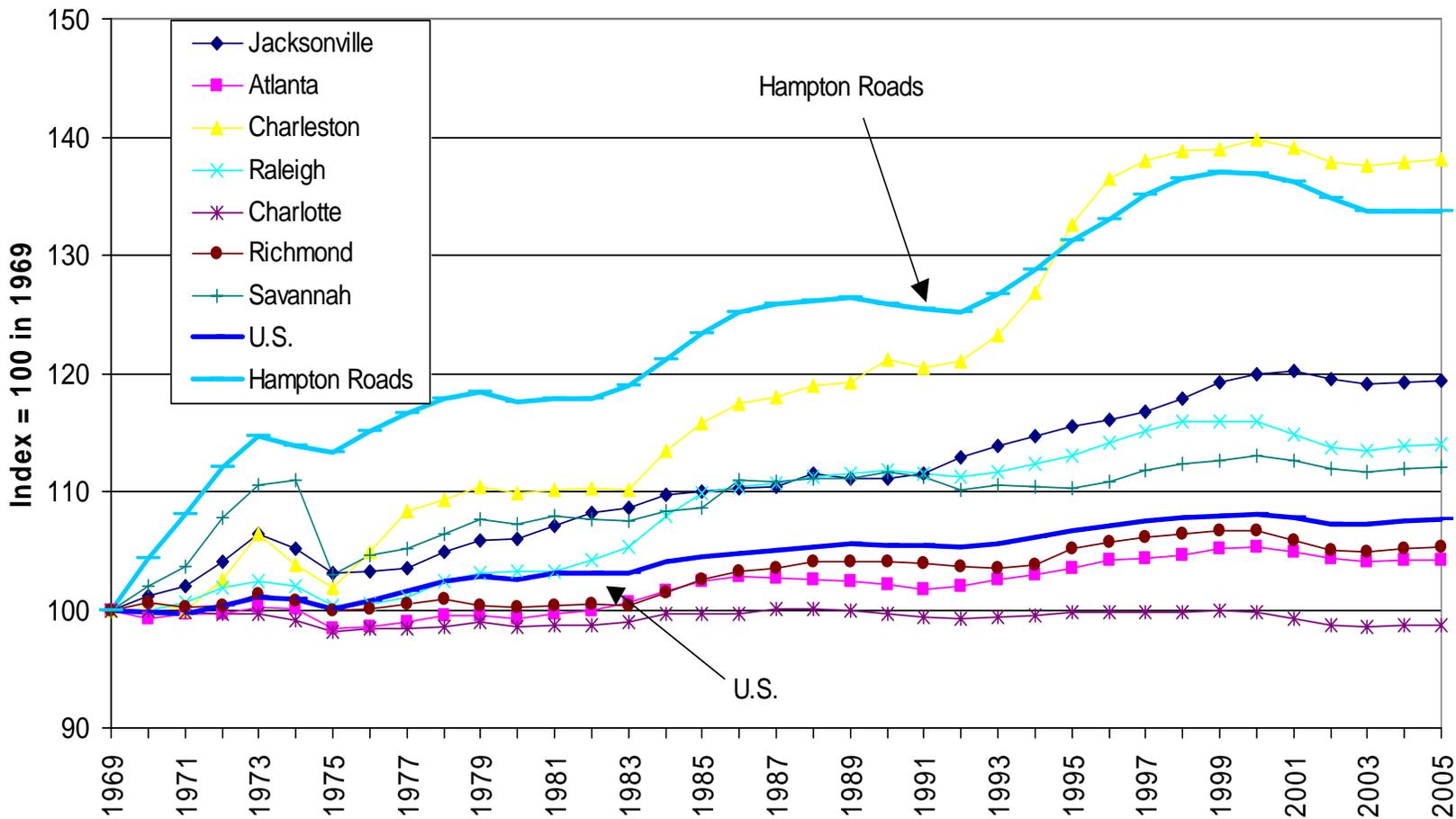
- Cost of doing business is below the U.S. average
 - Businesses started in HR will thrive and remain in the region because of its operating cost advantages
 - Business “death rate” in Hampton Roads is low
- Quality of life is good
- Area wages do not impose a high opportunity cost to would-be entrepreneurs
- The region’s population has technical strength in several important areas
- The role of the private sector is growing rapidly

The Number of Technologists is Growing Faster in HR than the U.S.



The Private Sector is Gaining Importance in the Local Economy

An Index of the Growth in Private-Sector Employment as a Percent of Total Employment



Next Step.....

- **Develop Recommendations**
 - **Global Recommendations** – designed to impact on the business environment
 - **Industry Specific Recommendations** – designed to impact on specific industries and small aggregations of industries

The End