



# **Building a Startup Metropolis in Fort Worth**

White Paper | Summer 2021

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## INTRODUCTION

Starting and growing a company is one of the hardest things most people do in their entire lives. The contributions of these makers, doers and dreamers are indispensable to our local economy and we, as a community, need to do everything we can to support them so that they can continue to do all of the things that entrepreneurs do for our economy – 1) bring new innovations, concepts and experiences to our city, 2) create jobs for our citizens and 3) build wealth for our society while breaking cycles of poverty through self-determination.

The local elections of 2021 provide an outstanding opportunity to focus on growing our local entrepreneurial community as we continue to grow into one of the top cities in the country. While the government has an important role to play in removing obstacles for innovators and company builders, it is going to take the entire community, existing businesses, large corporations, academia, investors and the philanthropic community to build Fort Worth into entrepreneurial metropolis.

This white paper intends to show the current state of entrepreneurship in our city and recommend some actions that we can collectively take to improve the success and growth rates of those risking it all to build our local economy. It's intended audience of change-makers are the Fort Worth Mayor, Council members, startup community members and anyone else that is interested in organically growing the city's economy through entrepreneurship.



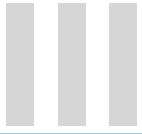
## THE PROBLEM

Though Fort Worth has continued to grow at a fast rate, the number of homegrown companies that are starting and growing here has not kept pace with our population growth. Innovation-led and high growth companies have struggled to grow here and create the next big employers like Radio Shack, TTI, Pier 1 and other economic engines of the past. Fort Worth now finds itself as the 12<sup>th</sup> largest city in America, but ranks 40<sup>th</sup> in early stage capital funding over the last five years.<sup>1</sup> Though 25K companies have been started in Fort Worth over the last five years (according the Texas Secretary of State's office) that represents half of the number of companies started in San Antonio (47K) and almost 200K fewer new firms starts than Austin (222K).<sup>2</sup>

Fort Worth's startup and high growth "ecosystem" remains nascent, fragmented and siloed. Key gaps exist in our ecosystem that will hold back the future growth potential of our city, if they aren't addressed in the near future. Fort Worth has not been aggressive about building new businesses and encouraging innovative startup activity and this will have long-term consequences for our ability to remain competitive in the state, nation and globally.

<sup>1</sup> Texas Startup Indicators: How Does Fort Worth Compare? <https://www.sparkyard.co/blog/blog/2020/07/23/texas-startup-indicators-fort-worth-comparison>

<sup>2</sup> Number of new companies started in each market based on data compiled by the Texas Secretary of State's office.

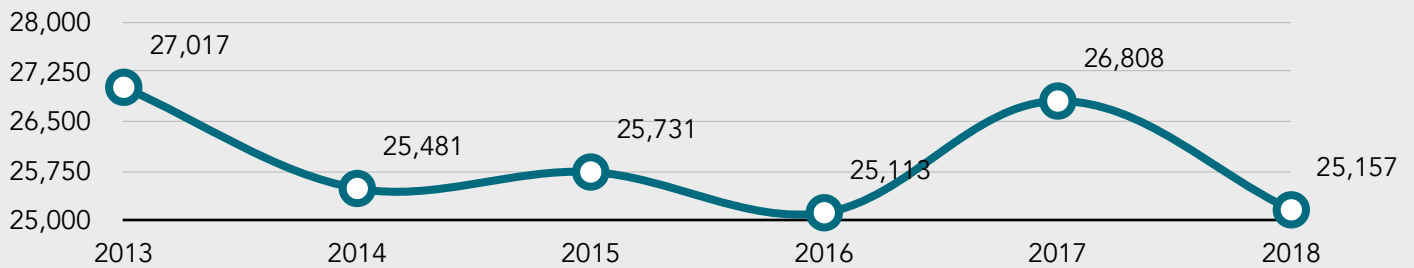


## SUPPORTING DATA

In the last year, Sparkyard, an initiative led by UNTHSC, TCU and the City of Fort Worth’s Economic Development Department, has begun to gather data on the health of our local economy when it comes to startup activity and new firm formation. Here are a few of the findings from Sparkyard’s efforts to build and maintain a “dashboard” of our entrepreneurial activity in Fort Worth and Tarrant.

Job creation – According to a report released in November of 2020<sup>3</sup> new companies, defined as those (0-1 years old) accounted for over 25,000 jobs in Tarrant County, each year. This number has been pretty constant over the five-year period studied.

### NEW FIRM JOB CREATION IN TARRANT COUNTY

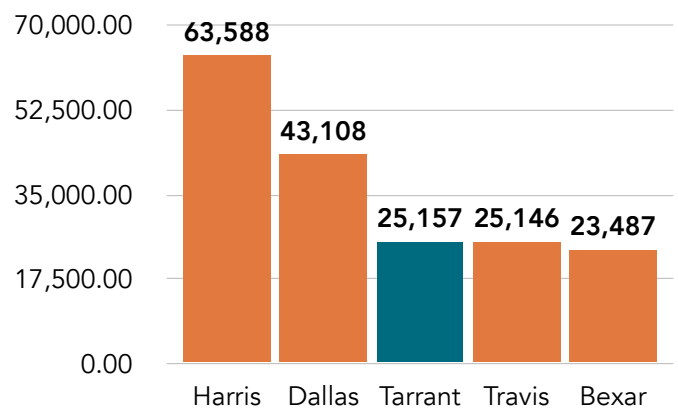


Source: Sparkyard’s 2020 Fall Job Creation Report. <https://www.sparkyard.co/resources/2020-job-reports/>

At a national level, almost all net new job creation comes from firms less than five years old.<sup>5</sup> Additional research is required to determine this number for local companies, but Fort Worth ranks ahead of other Texas cities, larger in population size, when it comes to jobs created by new companies.

For comparison, according to Visit Fort Worth, the local tourism industry supports<sup>4</sup> 22,500 jobs. Similarly, this number equals about half of the jobs that Amazon’s HQ proposal was promised to create (50,000). In just two years, our entrepreneurial ecosystem is already creating this many jobs with the current incentive and policy structure in place. Imagine what this number could look like if more emphasis was placed on this sector of our local economy.

### TARRANT COUNTY RANKED THIRD IN TEXAS FOR JOB CREATION IN 2018



Source: Sparkyard’s 2020 Fall Job Creation Report. <https://www.sparkyard.co/resources/2020-job-reports/>

<sup>3</sup>Sparkyard’s 2020 Fall Job Creation Report. <https://www.sparkyard.co/resources/2020-job-reports/>

<sup>4</sup><https://www.fortworth.com/about/fast-facts/>

<sup>5</sup><https://www.kauffman.org/entrepreneurship/reports/firm-formation-and-growth-series/the-importance-of-startups-in-job-creation-and-job-destruction>

When considering economic incentives, our local governments should consider these “homegrown” job creators and the impact that they have on our local economy.

**Firm Formation** – Another important metric to consider is the number of companies being started in our city. Using data from the Texas Secretary of State’s office, Fort Worth lagged other large Texas cities in the number of new companies being started each year. This measure shows all companies started in Fort Worth, regardless of industry, size or type. Fort Worthians are not starting companies at a rate commensurate with our population size.

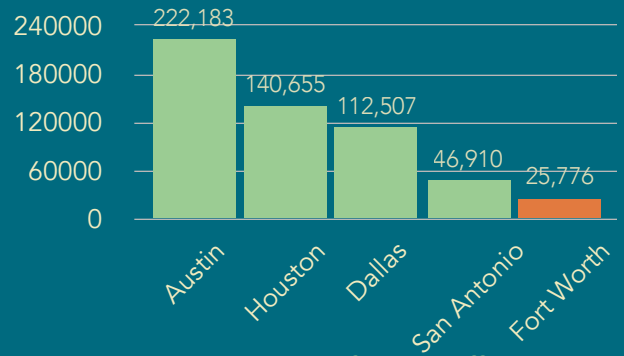
**Early-Stage Funding** – Sparkyard compared the level of early-stage funding raised by startups to other Texas cities and to the top 50 cities in the United States. Fort Worth consistently ranked lowest in Texas on multiple metrics.

Despite being the 12<sup>th</sup> largest city in the country, early-stage capital raised by Fort Worth-based companies ranked 40<sup>th</sup>. This puts our city closer to Albuquerque and Omaha than it does to Dallas, San Antonio or Austin.

When compared on a per capita basis, to account for differences in population, Fort Worth-based companies are raising only a fraction of what entrepreneurs in other Texas cities are raising to fuel the growth of their local companies.

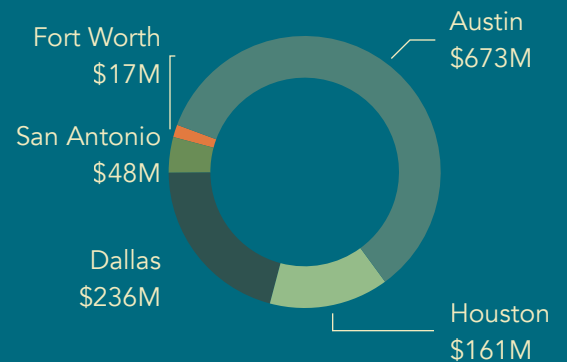
So, how do we improve these metrics in our community? How do we encourage more people to become entrepreneurs and start companies that will do the things that entrepreneurs do for our city – create jobs, bring new innovations and build wealth for our city? For reference, it is important to consider some guiding principles that make building our entrepreneurial ecosystem different than the way we build other types of communities. This can be found in section V on page 6.

TOTAL NEW COMPANY FORMATIONS (2015 - 2019)



Source: Texas Secretary of State Office, Companies registered with specific city addresses.

AVERAGE EARLY STAGE CAPITAL RAISED 2015 - 2020



Source: Pitchbook, Data includes Seed, Angel, and Early Stage VC

FORT WORTH IS RANKED 12TH LARGEST CITY, RANKED 40TH IN EARLY STAGE CAPITAL

Rank	City	Capital Raised
38	Omaha	\$94,970,000
39	Albuquerque	\$92,300,000
40	Fort Worth	\$88,390,000
41	Bakersfield	\$88,220,000
42	Louisville	\$88,130,000
43	Oklahoma City	\$77,400,000

Source: Pitchbook, Data includes Seed, Angel, and Early Stage VC

## THE CITY OF FORT WORTH

### ▶ Make city government more innovative

- Make Fort Worth a [Code for America](#) city. Invest in a team of coders and developers to make Fort Worth's government more efficient, responsive and forward thinking through their [Community Fellowship](#). Launch a [Code for America Brigade](#) of volunteers to help utilize technology to solve challenges and improve citizen service.
- Hire a Chief Innovation Officer (CIO) to make the city, its processes and its service levels more advanced by employing next technologies to bring efficiency and better citizen service. This is not an entrepreneur. This is likely an engineer or architect with an understanding of process improvement, technology applications or smart cities applications.
- Hire the nation's first Chief Entrepreneurial Ecosystem Officer (CEEO) to help connect and inspire the local entrepreneurship community. This person might be best suited as a government employee or of an existing local economic development organization.
- Reinvigorate and expand the smart cities initiative to focus on existing strengths in Fort Worth such as aerospace (Bell/Uber Elevate), electrification (Sinclair Digital, Linear Labs) or mobility/transportation (Alliance, Mobility Innovation Zone) to use our city as a test lab for advanced urban technologies.

### ▶ Create a Customer Service Culture

- Don't just improve the city permitting process, innovate it to be a national model for efficiency and customer service.
- Flip the attitude from "here's what you're doing wrong/need to fix" to "how can we help you open your doors as quickly, efficiently and headache-free as possible."
- Open a "fast track" for first time business owners to expedite their experience.
- Form a review board to do a post-mortem evaluation of small business owner's struggles with the permitting process to identify gaps and recommend process improvements.
- Lower or eliminate costs for permits for first time entrepreneurs and business owners with the goal of making Fort Worth a "zero barriers to start" city.

### ▶ Hire Startup Companies.

- Dedicate 5% of government procurement dollars to businesses less than 5 years old.

## ▶ **Be a driver of support for startup community initiatives**

- Help [Global Entrepreneurship Week](#) (GEW) Fort Worth become the SXSW for our city. In 2020, its third year, it was the #1 GEW in the country hosting over 90 events for local entrepreneurs. Get involved. Show up. Host an event in your district.
- Get informed and involved in the Near South Side initiative to bring an arts incubator to Fort Worth.
- Work with the DEC Network in a public private partnership to replicate their [Red Bird Mall](#) location in southeast Fort Worth.
- Earmark a percentage of the economic development budget to create a modest startup initiative grants program. Community application for funding of unique startup focused programs designed by anyone and evaluated based on impact.

## ▶ **Stop wasting time and money on unproductive organizations**

- Sunset the BAC Education Foundation/Accelerate DFW.

## **THE COMMUNITY** (NGOs)

### ▶ **Establish a center for new firm formation**

- Fort Worth does not currently have a location for people to start companies.

### ▶ **Start or recruit a seed accelerator program to Fort Worth**

- Fort Worth is currently the largest city in the country that does not have a seed accelerator program such as [Techstars](#).
- HSC and Fort Worth Now have been working to bring Techstars to Fort Worth to start the world's first accelerator program focused on physical medicine (physical therapy, rehabilitation, stroke recovery, etc.)
- Encourage a private sector partner to start their own accelerator to increase funding, mentorship and venture capital investments into startup companies.

### ▶ **Chambers can't be expected to do it all**

- Chambers of Commerce can be great resources for main street startup businesses looking for real estate, to find local customers or to navigate local regulations. However, many startups don't want or need the types of assistance chambers provide.
- Diversify the number of organizations supporting entrepreneurs and how they support entrepreneurs.
- Consider forming an advocacy organization that focuses on supporting and advocating for new companies.

### ▶ **Create an Entrepreneurial Identity**

- Consider advocating for Fort Worth to have an identity around our entrepreneurial community.

- ◉ Kansas City declared itself as “America’s Most Entrepreneurial City” and Miami’s Mayor Francisco Suarez has put the Miami startup scene on the map due to his use of social media and of his innovative policy ideas. [Article from Inc.](#)
- ▶ **Develop additional local philanthropy**
  - ◉ Create a sense of urgency and inspire additional philanthropy in the area of innovation, entrepreneurship, research and education. Fort Worth does not have an organization dedicated to funding research, innovation and the growth of the local entrepreneurial community like the Kauffman Foundation (Kansas City), The DEC (Dallas) or Geekdom/Rackspace (San Antonio).
- ▶ **Establish New Investments & Investment Funds**
  - ◉ Start a matching (or sidecar) fund that would automatically match any investments in local startups that local angels decide to fund.
  - ◉ Inspire venture philanthropy among existing local investors. A potential model is KC’s Digital Sandbox that helps early stage companies with proof-of-concept resources.
  - ◉ Transition a fragmented local investor network to a highly interconnected network of cross investments and relationships. Start an investors dinner.
- ▶ **Establish a Mentoring Program**
  - ◉ Fort Worth does not have a large-scale cohort-based mentorship program for entrepreneurs. Consider starting a mentoring program similar to what the [The DEC Network](#) does in Dallas or what the [HEMP](#) program does in Kansas City.
- ▶ **Startup Community Research Data**
  - ◉ Create an informal coalition of researchers to continue current data gathering and analysis of the health of our local startup community.

## GUIDING PRINCIPLES

### Leaders, Feeders and Instigators

In their book *The Startup Community Way*, Brad Feld and Ian Hathaway put all actors in the startup community into three categories:

**Leaders** - Entrepreneurs

**Feeders** - Everyone else

**Instigators** - Feeders who are influential leaders within the startup community that bring about new activity and change.



The Leaders, the entrepreneurs, should always lead, which means the rest of us have to take a back seat and let them drive.

## **Networks Over Hierarchies**

Our economy has traditionally been oriented towards hierarchies, with certain people and institutions “in charge.” But innovation and entrepreneurship thrives in thick, well-connected networks. Breaking down silos and connecting our fragmented resource ecosystem, will be key for creating an entrepreneurial metropolis in Fort Worth.

## **Knowing is Half the Battle**

If you don't know who the entrepreneurs are in your area, then you won't know how to help them. You must seek them out, hang out where they hang out and understand the issues they are facing in growing their companies before we can try to solve them.

## **Fort Worth NOT Silicon Valley**

Our goal is not to create the next “Silicon Prairie.” Whatever we build, we must build it on Fort Worth's terms and in a way that aligns with our shared experience as Fort Worthians. Dozens of other communities have tried to replicate Silicon Valley and it hasn't worked. Let's build our entrepreneurial ecosystem our way.

## **Tophophilia**

Love of place is what guides many entrepreneurs to get involved and build the programs, events, mechanisms and institutions that they want to see in their city. Because they love their city, they will dedicate themselves to making it better without any real promise of a return. We can tap into this strong sense of tophophilia to create a vibrant ecosystem in our city.

## **Time**

This is not something we will accomplish this year or this decade. Building an entrepreneurial community takes time – decades. We must be patient and sow seeds now that will grow into the next big innovators, employers and wealth creators in our city.

## **The Main Thing**

The primary purpose of a startup community is to help entrepreneurs succeed.

# VI CONCLUSION

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What we need now is action. Though it is always tempting for governments to appoint a panel or task force to study an issue, this document, as well as previous work done by the Fort Worth Now Task Force, Medical Innovation District (iter8 Health Community), Sparkyard, the Center for Transforming Lives and many others, provides an abundance of ideas for ways we can all work together to improve our economy for local entrepreneurs now. There are no wrong answers to improving our entrepreneurial community, except for inaction. In the true spirit of entrepreneurship, let's work together to try new things, bring new ideas and people into the discussion and build our entrepreneurial community for generations to come.

# VII ADDITIONAL RESOURCES

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## Books

- The Startup Community Way: Evolving an Entrepreneurial Ecosystem, Brad Feld & Ian Hathaway, 2020.
- Innovation in Real Places: Strategies for Prosperity in an Unforgiving World, Dan Breznitz, 2021.
- Startup Communities, by Brad Feld, 2013.
- Who Owns the Ice House?: Eight Life Lessons from an Unlikely Entrepreneur, by Clifton Taulbert & Gary Schoeniger, 2010.
- Where the Jobs Are: Entrepreneurship and the Soul of the American Economy, by John Dearie & Courtney Geduldig, 2013.

## Other

- Fort Worth Now's Growth Sub Task Force Recommendations, Fall 2020.
- Right to Start. Field Guide for Local Policymakers. <https://www.righttostart.org/for-local-policymakers>
- Innovate Fort Worth podcast. [www.unthsc.edu/innovate-fort-worth](http://www.unthsc.edu/innovate-fort-worth)
- Sparkyard's Ecosystem Dashboard. <https://www.sparkyard.co/dashboard/>
- Sparkyard's Ecosystem Insights blog. <https://www.sparkyard.co/category/fort-worth-ecosystem-blogs/>