



Pittsburgh's entrepreneurial landscape has improved vastly over the past decade, with a culture that's more welcoming of startups, stronger interplay between its universities and the marketplace and support from economic development agencies.

Entrepreneurs, investors and professors say the tide is turning for Pittsburgh, but that it will take time -- and substantial amounts of capital -- to make it into the kind of thriving entrepreneurial center that spurs the regional economy. It needs a critical mass of successful startups to create an environment where senior managers, now in short supply, will be able to find other jobs if their companies fail.

"We've made a ton of progress," said Ron Bianchini, a serial entrepreneur and chief executive officer of the data storage company Avere Systems. "Clearly there are more seasoned entrepreneurs, more people who have started and sold companies than there were 10 years ago by a significant amount, and I think you'll see those people will turn around and do more startups."

Peter DeComo, another serial entrepreneur and chief executive officer of the medical device firm ALung, said economic development agencies such as the Pittsburgh Life Sciences Greenhouse and Innovation Works have helped make Pittsburgh far more entrepreneurial than it once was. "It's night and day. Today we have a lot of support infrastructure for entrepreneurs, and we have tremendous science" coming from the region's universities.

Part of the reason Pittsburgh hasn't become a richer environment for startups is that it hasn't been known historically as an epicenter of venture investing, according to Craig Gomulka, a former venture capitalist and chief investment officer at Innovation Works.

"You change it by keep plugging away," he said. "As companies grow and succeed and people have visible success, that drives more people wanting to do that sort of thing. It'll come. It's got to happen organically."

But much of the angel capital -- or money from wealthy individuals -- that's been poured into startups has remained invested rather than being cashed out to fund new startups, said Art Boni, director of the Donald H. Jones Center for Entrepreneurship at Carnegie Mellon University's Tepper School of Business. "Right now it's not quite self-sustained," he said.

Pittsburgh also is located in a state with one of the country's lowest rates of entrepreneurial activity, according to the Ewing Marion Kaufmann Foundation, a small-business research group. In 2011, Pennsylvania had just 160 entrepreneurs per 100,000 adults who started new businesses each month, the foundation said in a report. Only West Virginia had a lower rate, with 150 entrepreneurs.

"You go out to Silicon Valley and there's just this attitude of, 'what can I do next' and 'I need an idea to start a company,'" said Sean Sebastian, managing partner at venture capital firm, Birchmere Ventures. "That's just not the prevailing mindset here."

Pittsburgh also is limited by its relatively modest amount of risk-taking capital, which has a reputation of being "relatively unsophisticated and risk-averse compared to its peer communities in other similarly sized cities," said Michael Madison, a University of Pittsburgh law professor.

But others say such criticism is unwarranted. Glen Meakam, founder of Freemarkets, an online software and service provider that made headlines when it was acquired by Ariba in 2004, said startups face the same challenges in Pittsburgh as they do anywhere else.

"Instead of the people who fail saying, 'OK, what did I do wrong? What do I need to do better?' No, people tend to blame the environment. They want to blame the city. Or blame the fact that there's no funding. And I say to that: baloney."

People need options, said Mark Malandro, director of the University of Pittsburgh's Office of Technology Management. "When you have someone coming into town, you need to be able to say if the company they're coming in for doesn't succeed perhaps there's something else they can move into. So the more companies we have, the more likely we are to bring people here, and the cycle continues."

The needs of startups vary by region and industry, and entrepreneurs point out that there's no one-size-fits-all solution for Pittsburgh. A software company, for example, may operate out of a basement, while a life sciences company might require substantial amounts of capital and regulatory clearances before it can market its medical devices or diagnostic equipment.

Startups across the board, however, have benefitted from the region's universities – their research and their students. How to keep more of these talented students is an omnipresent question.

"If someone graduated with a computer science degree from CMU, I'd buy them a house," Sean McDonald, president and CEO of the cancer therapy company Precision Therapeutics, said, referring to a hypothetical scenario for regional development. "You get them to stay, a certain number are going to stay and start companies."

Pittsburgh needs "a couple of really big exits" -- significant acquisitions, mergers or public offerings -- to make it more of an entrepreneurial town, according to Richard McCullough, an entrepreneur and Carnegie Mellon's director of research. "That would put a really bright spotlight on Pittsburgh."

Indeed, stronger deal flow would capture the attention of venture capitalists outside the region, ALung's DeComo said. "You can't just raise money from local VCs. You've got to go everywhere." It may take another decade, he said, for Pittsburgh to become a more developed market.

Although outside investors who visit Pittsburgh are amazed by what they see at the universities and other research institutions, "it takes time to get them to invest here," said Jay Katarincic, managing director at the venture capital firm, Draper Triangle. "You need to keep showing them things."

Outside investors may not find the volume of sexy startups that some other regions have, "but I'd say we make up for them in quality and stability of what we do start," said Michael Matesic, chief executive officer of Idea Foundry, an economic development organization. "They could kiss a ton of frogs somewhere else and never find a prince. We have princes."

To bolster the local investor base, the city needs "more nouveau riche who have made money in this tech ecosystem," said Audrey Russo, president and chief executive officer of the Pittsburgh Technology Council. "We happen to have old money, and old money, this makes them nervous, to invest in something that they don't know."

Still, Pittsburgh is undergoing a profound change. It has been topping the country in livability rankings the past several years. And in a change from recent decades, it's leading most regions in job growth coming out of the recession. From March 2008 to March 2012, for instance, the Pittsburgh MSA added 14,700 private sector jobs, a nearly 1.5 percent increase during a troubled economic period and the best job-growth among the 15 benchmark regions tracked by Pittsburgh Today. With a growing reputation for livability and a regional economy that looks like a rock of stability compared with other regions, the region may be well on its way to creating the entrepreneurial landscape it has sought for so long.

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