Insights into why the Twin Cities is a Headquarters Economy

Myles Shaver
Professor and Pond Family Chair
Flyover country?
### 2011 Fortune 500

<table>
<thead>
<tr>
<th>Metropolitan Statistical Area</th>
<th>Number of Fortune 500 HQ’s</th>
<th>HQ’s per Million people</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minneapolis, MN</td>
<td>19</td>
<td>5.79</td>
</tr>
<tr>
<td>Omaha, NE</td>
<td>5</td>
<td>5.78</td>
</tr>
<tr>
<td>Charlotte, NC</td>
<td>9</td>
<td>5.12</td>
</tr>
<tr>
<td>San Francisco + San Jose</td>
<td>31</td>
<td>5.02</td>
</tr>
<tr>
<td>Richmond</td>
<td>6</td>
<td>4.77</td>
</tr>
</tbody>
</table>
Large private company HQs

- Cargill 136.7
- Carlson 4.4
- Holiday 3.9
- Securian Financial 3.5
- Mortenson 2.3
“Hidden” HQs

• Divisional/unit HQs of companies HQ’d elsewhere: (MSP employment estimate)

  – Wells Fargo                 20,000
  – Thomson Reuters             7,700
  – Boston Scientific          4,500
  – Honeywell                  3,500
  – Cummins Power Generation   2,000
Evolution

• Fortune 500 HQs in 2011: 19

• Fortune 500 HQs in 1955: 9

• The road from 9 to 19
  – Adding: 40
  – Subtracting: 30
Why here?
Historical concentration of corporate HQs
Key: Pool of managerial talent

MSP Managerial talent pool

HQ

HQ

HQ
Cross-fertilization of knowledge/experience

MSP Managerial talent pool

HQ

HQ

HQ
Talent to and from start-ups/small firms
Demographics of talent pool and MSP quality of life mitigate talent outflow

MSP Managerial talent pool

HQ

HQ

Start-up/Small firm
Jobs draw talent to MSP

MSP Managerial talent pool

HQ → HQ → HQ

Start-up/ Small firm

Managerial talent pool

Carlson School of Management
University of Minnesota
Virtuous circle

MSP Managerial talent pool

HQ

Start-up/Small firm
Complementary factors

MSP Managerial talent pool

HQ

Start-up/Small firm

Diversity of industries

Research University with strong Professional Schools
Other Universities/Professional Schools
Evidence for my explanation

• Migration patterns of human capital to and from MSP should show:
  • Little outflow
  • Net inflow

• Should be different from other major metros
  – I compare the pattern to 22 of the 25 largest metro areas
  • Miami, Pittsburgh, Denver dropped for data reasons
American Community Survey (ACS) 2007-2011

- Did this person live in this house or apartment 1 year ago?

<table>
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<tr>
<th>Sample</th>
<th>Net Migration</th>
<th>Inflow</th>
<th>Outflow</th>
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<tbody>
<tr>
<td>All (rank out of 22)</td>
<td>-0.32%</td>
<td>2.78%</td>
<td>3.10% (6th lowest)</td>
</tr>
<tr>
<td>4+ years college, 23+, employed</td>
<td>0.66%</td>
<td>3.41%</td>
<td>2.75% (2nd lowest)</td>
</tr>
<tr>
<td>Above &amp; household inc 100K+</td>
<td>0.22%</td>
<td>1.78%</td>
<td>1.56% (1 - lowest)</td>
</tr>
<tr>
<td>Above &amp; child in household between 5 and 19</td>
<td>0.33%</td>
<td>1.15%</td>
<td>0.82% (1 - lowest)</td>
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IPUMS micro data, U of MN Minnesota Population Center
Domestic migration data: MSP historical

4+ years college, 23+, employed, household inc 100K+ (2011 dollars)

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<th>Year</th>
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<tr>
<td>2011</td>
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<td>19</td>
<td>1 (lowest outflow)</td>
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<tr>
<td>2000*</td>
<td>12</td>
<td>15</td>
<td>2</td>
</tr>
<tr>
<td>1990*</td>
<td>15</td>
<td>16</td>
<td>7</td>
</tr>
<tr>
<td>1980*</td>
<td>10</td>
<td>15</td>
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* Decennial Census Data: IPUMS micro data, U of MN Minnesota Population Center
Domestic migration data: MSP historical

4+ years college, 23+, employed, household inc 100K+ (2011 dollars), child in household between 5 and 19

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Where does that leave me?

- Migration data show a unique aspect of MSP compared to other major US metro areas
  - Consistent with my insights

- What specifically attracts and keeps human capital here?
  - Survey of managerial/professional HQ employees
    - Partnering with over 25 major employers in MSP/MN
  - Further validate and refine my insights
Thank you