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# 6 Reasons to Relax

## about Portland's Recent Sell-offs

by Thomas Kerr



There's been a spate of stories in the news lately of locally-owned companies in the Portland metro region being sold to outsiders. Among the more flavorful sell-offs have been Dave's Killer Bread, Stumptown Coffee Roasters, and Little Big Burger. The transactions have also included deals to sell two of Oregon's largest publicly-traded companies: Precision Cast Parts and StanCorp Financial Group. A bank, a hotel, a sunglasses designer, a solar panels manufacturer and a handful of tech firms have also been sold. Enough of these deals have involved well-known and much-loved companies that a lot of little stories which might normally have passed under the radar have become a big story. Suddenly acquisitions and mergers are big news, not just in the business pages but all over the place.

And you can't have missed the collective groan that has been audible across a city that famously embraces and patronizes and takes great pride in its locally-owned businesses. For many Portlanders, the news of these sell-offs has come as a personal blow, and many feel genuinely wounded by what they perceive as a bro-

ken pact. When we support local businesses by buying their goods, patronizing their establishments and using their services, we take interest in them and begin feeling guardianship, like a parent watching a favorite daughter grow up. So when that child elopes with a stranger, we feel a parent's sense of loss and abandonment, even without knowing whether the guy is an angel or a jerk. Perhaps that's why there is such a bitter tone to much of the grievance-airing in the press, the blogosphere and social media about these recent sell-offs.

So why has the sale of these local companies caught the public imagination and stirred up such strong feelings? Perhaps because they have added ballast to a growing sense that Portland and its peculiar culture is somehow under threat, that Portland is losing its Portlandness. One blogger, the artist Carye Bye, in a piece called "Portland, I love you, but you're forcing me out," writes that she arrived during "Portland's magic hour, a golden era of affordability and creativity that started in the late 1990s and lasted through the first decade of the new millennium." But since then, she continues,

the explosion of newcomers, rising rents, gentrification, loss of character, and demolition of old houses has driven her to look for a new home. These kinds of laments are everywhere, in a city whose image of itself is being challenged by change, by growth, and by the evidence of its own success.

We'll take consolation, for the wound is not mortal. Portland is indeed facing some very serious problems as it grows, but the loss of local businesses is most assuredly not one of them. Here we've gathered some thoughts on these recent sell-offs from some friends who follow such things with trained eyes, and we offer them as a balm to the city's aggrieved locavores.

**#1 Worry: Portland is losing its local businesses.** It's not. The few local companies that have been sold are all staying here, though their ownership has changed. And more importantly, many, many other local businesses are still here, and their numbers are growing. This is important because it's been shown that high concentrations of small, locally-owned businesses and chains make regions more stable, more resilient and more resistant to economic shocks. Those rust-belt cities in the Midwest, for example, which depended on a very small number of very large employers, completely tanked when the automotive industry declined, and many, like Detroit and Flint, haven't yet recovered. Portland, on the other hand, snapped back fairly quickly from the last recession, and many stake its recovery on its hearty smorgasbord of locally-owned companies.

The gut feeling that Portland is extraordinarily rich in local businesses,

## PORTLAND'S RECENT SELL-OFFS

Date of sale	Company	Bought by
Dec-14	Heathman Hotel, Portland	LaSalle Hotel Properties (Maryland)
Jan-15	Simple Bank	BBVA (Madrid)
Mar-15	Storycode (Tech)	6D Global Technologies (New York)
Mar-15	Mobile Ap Nutmeg (Tech)	Giphy (New York)
Mar-15	SwellPath (Tech)	6D Global Technologies (New York)
Apr-15	Springbrook Software (Tech)	Accela (California)
Jun-15	Knowledge Universe (Daycare)	Partners Group (Switzerland)
Jul-15	SoloPower Systems	Opera Investments PLC (London)
Jul-15	StanCorp Financial Group Inc.	Meiji Yasuda Life Insurance Co (Japan)
Aug-15	Little Big Burger	Chanticleer Holdings (NC)
Aug-15	Society43 Sunglasses	Seattle investors
Aug-15	Dave's Killer Bread	Flower Foods (Georgia)
Aug-15	Precision Castparts	Berkshire Hathaway (Omaha)
Aug-15	Planer Systems (Tech)	Leyard Optoelectronic Co (China)
Sep-15	Elemental Technologies (Tech)	Amazon (Seattle)
Sep-15	Rentrak (Tech)	comScore (Virginia)
Sep-15	NexPlanar (Tech)	Cabot Microelectronics Corp
Oct-15	Stumptown Coffee Roasters	Peet's Coffee & Tea (S. Francisco)
		(JAB Holding Co (Luxembourg))

compared to other metro regions, is hard to back up with reliable figures on locally-owned businesses, which are notoriously difficult to dig up. The US Census Bureau gives us numbers of “private non-farm establishments” (50,859), of “firms” (155,828), and of one-person businesses with no employees (159,188) in Portland Metro, but doesn’t distinguish between those owned locally or by outsiders. A quick search on the Portland State University library’s “Reference USA” database turns up 109,827 as the number of businesses that are based in Portland, but it’s not clear if this is really our magic number of Portland’s local businesses.

But if figures are elusive, an encouraging picture of the health of Portland’s local business culture can be gleaned from several studies. A Biz2Credit study in 2014 listed the Portland metro area as having the second highest average revenue in the US for businesses with less than 250 employees, or under \$10 million average revenue. A much-read blog-post by Douglas Wolk in October 2014 entitled “Keeping Portland Weird” expanded on that study: “The culture of the city, the study found, supports and celebrates all things local, small and handmade, and the economics and politics of the city have warded off cookie-cutter strip malls and big-box plazas.” A July 2015 survey by the online marketing firm Yodle found that 93 percent of the Portlanders got better service from independent local businesses than big chains, and that local businesses account for 58 percent of consumers’ total business use in Portland.

Dave Garten is a businessman and educator who teaches at Portland State University’s School of Business Administration. He’s been observing, teaching about and taking part in Portland’s business world for years, and he’s not worried

at all about these recent company sell-offs. “Companies are bought and sold all the time, investors come from here and there. Mergers and acquisitions are not new to Portland, and they typically come in economic cycles. We’re in a boom time now, and so it’s natural to see more acquisitions happening with this growth. Whether these acquisitions are judged as being good or bad depends on your criteria.” Garten also points out that Portland is not all little fish being swallowed by big fish, and that many local companies—particularly in the tech sector—are buying up companies outside Portland all the time.

The city’s start-up business community is more vibrant now than it’s ever been, and Portland is becoming what the online *Portland Business Journal* calls “an epicenter of maker brands that are building iconic products.” A good example of this is Portland Made, a collective of 126 makers, artisans, and manufacturers that operate independently but support each other with education, marketing, a shared resource hub, and a brand that promotes their products locally and nationally. Another PSU professor, in the School of Urban Studies and Planning, Charles Heying, studied this collective in 2014 and found that the group employs 1,024 people and generates revenues of \$258 million, with 62 percent of its sales in Portland and the surrounding region.

## **#2 Worry: Portland is becoming a less welcoming place for local businesses.**

It’s not. In fact the opposite is true. Portland is more welcoming to local businesses than ever, and the fact that so many startups here are becoming acquisition bait is proof positive. One person who understands that welcome from the inside is John Haines. He directs Mercy Corps

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Northwest, whose program to support low-income entrepreneurs to start businesses, with training programs, mentoring, and micro-loans, has helped launch some 5,000 local businesses, from bakeries to bike repair shops to multi-million dollar biomass stove manufacturers. Ask John whether Portland is nurturing to local businesses and his answer is, “Absolutely. Oh there is competition, but the small business climate in Portland is robust and ripe and growing.”

But what makes it so? “We have land-use planning from 1972, and Senate Bill 100 that contained urban growth and created quality of life. And we’ve had progressive mayors and politicians twenty or thirty years ago who created the circumstances that have continually improved and make for a positive atmosphere for small local businesses. We’re a product of our own early vision and success for land use planning, transportation, proximity to farms. Yes, rents are rising,” John concedes, “but they’re still lower than in San Francisco or Seattle. And yes, lots of people are moving here, but I also moved here, and like all the others, I like the mountains and clean air, the apples, wine, hazelnuts, and salmon.”

Haines adds that many outside tech companies are also smelling those hazelnuts and relocating their innovation and coding to Portland, for quality of life reasons, and the “incubation centers” they are setting up are bringing in lots of high-paying jobs.

It’s important to remember, too, that for every company that rises to the top of the class and gets bought, there are thousands of others that carry on making things, serving needs, employing people, and contributing in more modest ways to the local economy, without necessarily getting big. As an October 7, 2015 post

on Slate about the Stumptown acquisition put it, “If nothing else, those crying into their mugs at Stumptown’s sale can console themselves with the knowledge that the coffee business is cyclical: what’s artisanal today will be corporate tomorrow, clearing the field for the next Peet’s or Stumptown to take its place.” The same might be said for what Charles Heying calls the “hippy capitalist” companies from the 1970s that went corporate, like Tom’s of Maine, Bert’s Bees, Ben and Jerry’s, and Celestial Seasonings Tea. Think of all their spiritual granddaughter products that now fill the shelves of the New Seasons Markets, many of them made right here in Portland.

### **#3 Worry: Growing means selling out.**

Part of the discomfort with these acquisitions springs from a profound reticence about growth, and Dave Garten has some consoling words on that bugaboo as well. “When a young, successful company has a great asset, buyers don’t usually dismantle those assets. They’re not buying that company to dismantle it, they’re buying it to learn and expand upon it and bring to it their resources—which could be distribution channels, could be all kinds of things—as part of the deal. Their goal is usually to help that company grow. My view is that there is no reason to fear growth.”

If a business is really trying to do something good, or to conduct its businesses in ethical ways, as many in Portland companies do, it follows that they could do more good if they had scale. Garten is involved with two local companies in Portland and both are “mission-driven”—one makes biofuels from used cooking oil, and the other is organic produce. “It would thrill me if Sequential Biofuels could be twice as large; the company’s mission to do good would remain, and we would be able

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to save twice as much carbon in the atmosphere. But in this tight little community, there is almost a paranoia about getting larger. What you'll keep hearing is 'They're going corporate! I see it as a cultural issue.'"

That said, it's important to remember that a lot of Portland's local entrepreneurs never did aspire to grow beyond a certain point—like acupuncture clinics, yoga studios, small-scale manufacturers or retail stores. As John Haines puts it, "These small businesses add a certain scale that is not about growth, but just about being successful enough to maintain a lifestyle, to raise a family, and to employ a handful of people. That's all that many Portland entrepreneurs aspire to, but that's a lot."

**#4 Worry: Portland's workers are losing out.** Acquisitions do certainly affect workers, the work environment and the relationship between management and workers. Nobody would deny that working for a woman whose kids go to the same school as yours is a different kettle of fish than working for a faceless corporation based in far-away Saint Louis. The ones that get the headlines are usually the layoffs and consolidations, but so far, there haven't been many of those in Portland. When the Heathman Hotel in downtown Portland was bought by the Maryland-based LaSalle Hotel Properties last year, there were some layoffs of long-time staffers and some justifiable grousing ensued. But for the most part, press statements from most of the companies on our list of recent acquisitions portend more local jobs and minimal meddling with existing management.

One encouraging example Dave Garten reminds us of is Kettle Chips, the Salem-based natural potato chip company that was purchased by a British equity firm

eight years ago. "In that case, the buyer understood that the ethos was really part of what Kettle Chips was all about. And they brought their business expertise to really expand the company into a global brand, without throwing anyone out. And the business has done really well: there is still really good employment in the company's solar-powered factory in Salem, still investment in the community and still lots of philanthropic community programs."

**#5 Worry: Things go downhill when decision-making moves out.** When one company is bought by another, the decision-making invariably changes, even if the old management team is kept on. Sometimes they retain a lot of control over the company and sometimes not. The worry is that when the people controlling a company no longer live in that place or have a personal stake there, they may make decisions that are good for profits, but bad for the workers, bad for the locality or bad for the company's mission or values.

"I think we wring our hands over these beloved companies no longer having the same character," John Haines notes, "when the owner is no longer the guy you see in the coffee shop or the pub. But these acquisitions are all reflections on the kinds of innovation that is emerging out of Portland. So I don't have much trouble with it." As many see it, the magic that is bringing these investment dollars into Portland is the movement towards businesses that can grow at the same time they keep their heart and soul. Haines cites the example of Precision Castparts, which was bought by Warren Buffett's Berkshire Hathaway conglomerate in August 2015 for a whopping \$37 billion. "That huge acquisition has an entirely

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different dimension, but as in the other acquisitions by Berkshire Hathaway, the management, structure, operations and employment of that successful, well-run company will not be touched.”

Perhaps the best example of a company keeping its soul even after being acquired is Dave’s Killer Bread, the Milwaukie-based organic bread company which was bought by Flower Foods (the same company that makes Wonder Bread!) in August 2015. Everyone around Portland may be moaning “We’ve lost Dave’s Killer Bread!” But as John Haines sees it, “We still have it, but Denver will now get Dave’s Killer Bread, and Austin will get Dave’s Killer Bread, and that’s better for everybody.” Haines also points out that the company has maintained its commitment to hiring ex-convicts, and by taking the brand to a much larger distribution, they’ll be expanding their operations in Milwaukie and employing many more people. “I see that overall as an enhancement of their brand and of the supply chain of raw materials that are likely to come from Oregon.”

**#6 Worry: Portland is losing its local philanthropy.** Another fear is that when prominent local businesses are bought by companies whose headquarters are elsewhere, Portland’s share of the philanthropic feast will dwindle, since companies tend to focus their giving on causes and institutions in the city where their headquarters are based. But so far, most are claiming their good works in Portland will continue, and if promises have any currency, then the city’s losses may be minimal. Like so many of these things, it depends on the company and only time will tell whether they make good their promises.

Dave’s Killer Bread has announced that it will continue to give away 300,000

loaves of bread each year to shelters and non-profits and has set up a foundation to help people with criminal backgrounds make a fresh start. StanCorp Financial Group, which was bought by a Japanese insurance company for \$5 billion in July 2015, has long been one of the city’s blue-chip corporate philanthropists, giving millions each year to the Oregon Museum of Science and Industry, Portland State University, the Portland Art Museum, Portland Opera, and Portland Center Stage. StanCorp leaders have said that the sale “won’t change the company’s philanthropic tune” and that its Standard Charitable Foundation will remain headquartered in Oregon, where it will “proudly continue our commitments to our communities.”

But another reason to relax on this point is that the lion’s share of business donations in a city often comes not from the big companies at all, but from the small ones, and Portland’s small ones remain as plentiful and as generous as ever. The donations and sponsorships of big companies with deep pockets might make a louder bang, but turn out to be much lower—per worker—than small companies. A study by the Oregon State Government’s Small Business Administration in the 1990s found that small businesses donate about twice as much per employee to charitable organizations as larger businesses do. Even back then, cash donations and in-kind contributions averaged \$789 per employee in companies with fewer than 100 employees, and \$334 per employee at firms with more than 500 employees. **M**

*Thomas Kerr is an architect and writer who recently moved to Portland after working in Asia for 25 years, first in Pune India, and then in Bangkok with the Asian Coalition for Housing Rights.*