

By JASON GERTZEN  
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## Missouri lags in backing high-tech startups

A major culprit appears to be the state's limited support for research and technology commercialization, according to a study by Mark Parry, a professor specializing in entrepreneurial leadership and marketing at the **Henry W. Bloch School of Business and Public Administration** at the **University of Missouri-Kansas City**.

"Missouri seems to be significantly behind what other states are doing," Parry said.

Entrepreneurs in high-tech hotbeds often find venture capitalists and angel investors willing to provide cash to fuel young businesses.

In Missouri, not so much.

Technology entrepreneurs here, especially those in the Kansas City area, have found it challenging to land venture or angel investments.

One reason is that the concentration of investors based in the state is far lower. While out-of-state firms sometimes come scouting for deals, the area's reputation for offering a steady stream of high-quality opportunities is not yet sufficient to make Missouri a regular stop for many major venture capitalists.

Other states in the Midwest and Great Lakes region have encountered a similar challenge. Unlike Missouri, however, leaders elsewhere responded with innovative programs, Parry said.

Some provide investments for early-stage programs. Others offer incentives for stepping up their financial backing of companies.

After he crunched the numbers, Parry produced a startling figure: In 2006, Missouri spent less than a dime per resident on what Parry called capital formation programs.

And the spending by six neighboring states? \$2.79.

The disparity was even worse when Parry compared Missouri with seven "technologically similar" states that offered more of a compelling benchmark for the Show Me State. Those states spent an average of \$2.94 per resident.

"Other states are doing things to attract these companies," Parry said. "If Missouri doesn't do something, they stand to lose out."

Business leaders in a new statewide consortium commissioned the UMKC research. Now they intend to respond to its findings.

Organizers of the **Grow Me State Initiative** are calling for a new five-year technology-based economic development strategy that would include an angel investing tax credit program, early-stage investment support and encouragement of in-state equity investments by more than 100 state and local pension funds.

These programs could leap off an already substantial platform. Missouri consistently ranks 12th in landing grants from the **National Institutes of Health**, the nation's dominant source of support for basic scientific research, according to Parry's report.

The state has a far more dismal performance in creating startup companies, obtaining patents and landing grants to commercialize scientific discoveries.

This suggests, Parry said, that the bottleneck occurs after innovations attempt to leave the laboratory.

Doing nothing, or even almost nothing, is a poor strategy for a state such as Missouri that aspires to turn scientific discoveries into good jobs, new companies and a healthier economy, Parry said.

"Good ideas get funded, but those ideas move," Parry said.

The most promising technology often is licensed for use by an out-of-state company, or a Missouri entrepreneur takes a startup venture elsewhere after not finding the investment support closer to home, Parry said.

"It may start in Missouri, but if the company goes to California or the East Coast, another state gets the benefit of economic growth and high-quality jobs," Parry said.

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