

Business proponents push for greater state investment in high-tech start-ups

BY SEAN SPENCE
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Business advocates, including a local bank president and a university administrator, are using an unflattering study of high-tech development to lobby for significant increases in state spending on technology research and commercialization.

The study, which was conducted in cooperation with the Missouri Capital Formation Needs Analysis 2007 Steering Committee, shows Missouri lagging behind similar states in creating and sustaining high-tech start-up companies. The group's recommendations have been dubbed the Grow Me State Initiative and were released on the group's newly launched Web site, www.growmestate.com.

Teresa Maledy, president and CEO of Commerce Bank's central Missouri region, serves on the steering committee. She said it is important to know where Missouri stands nationally and regionally.

"I think there was a feeling that Missouri was lacking in some of the economic development criteria related to start-up companies," Maledy said. "What struck me initially was that Missouri does pretty well in bringing in research dollars. Where we are falling down is in supporting start-up companies that come out of that research. Unfortunately, we're letting them go."

Mark Parry of the University of Missouri-Kansas City's School of Business and Public Administration conducted the study. He researched how Missouri compares with surrounding states and with those identified as "technologically similar" in terms of venture capital investment and state investments in programs designed to spur the creation and growth of new high-tech ventures.

"When we examined existing studies of entrepreneurial activity, we quickly saw that Missouri was pretty far down in the national rankings," Parry said.

Parry's research drew two conclusions about Missouri's entrepreneurial environment:

- Missouri lags behind similar states in creating and sustaining high-tech start-up firms. Out of the 50 states, Missouri ranks 37th in terms of entrepreneurial activity, 35th in the State New Economy Index and in the bottom 40 percent of states in terms of university start-ups per million dollars of academic research and development expenditures.
- Missouri spends significantly less than other, benchmark states on basic research, applied research and commercialization programs. In 2006, Missouri spent less than 10 cents per resident on capital formation programs. Seven technologically similar states spent an average of \$2.94 per resident on capital formation programs in 2006.

Parry's report makes seven recommendations for moving forward. Jay DeLong, a vice president with the St. Louis Regional Chamber & Growth Association and a driving force behind the study, said the recommendations primarily boil down to two things: the need for the state to allocate \$17 million to \$20 million per year to support growth of early-stage companies and a real commitment to a statewide, strategic plan for spending that money in the right way.

"We believe if [Missourians] knew how far Missouri is falling behind, they would demand change," DeLong said. "I don't expect Missouri to compete with California and Massachusetts for venture capital dollars; what is startling to me is that we are losing out to other states in the Midwest. We can not accept this disparity."

On average, states that are similar to Missouri spend about \$20 million a year to support early-stage economic development, DeLong said.

"We should be doing at least the average," he said. "We shouldn't be continually falling behind."

Tom Henderson, assistant to MU's provost and a member of the steering committee, echoed DeLong's sentiment. "Pretty clearly, most of the states have addressed some of these ideas earlier and more aggressively than Missouri," he said. "I think the amounts we are recommending are pretty modest related to other states."

Henderson expressed a variety of concerns about the way Missouri supports early stage companies and the commercialization of technology.

"The study does not address Missouri's lack of investment in the pre-seed stage, when potential company founders are looking for scientific and technical support," Henderson said.

Missouri is the only state in the nation that does not provide matching dollars to support its Small Business Development Corporation, which is run by the University of Missouri and helps potential entrepreneurs, Henderson said.

"There are a lot of people in leadership roles who would say to let the free market handle itself," he said. "But Missouri can't afford to sit it out because none of the other states are treating it like a free market. Other states are being more aggressive and we need to do what we can to catch up."

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