

# Building Seattle's Own Entrepreneurship Ecosystem



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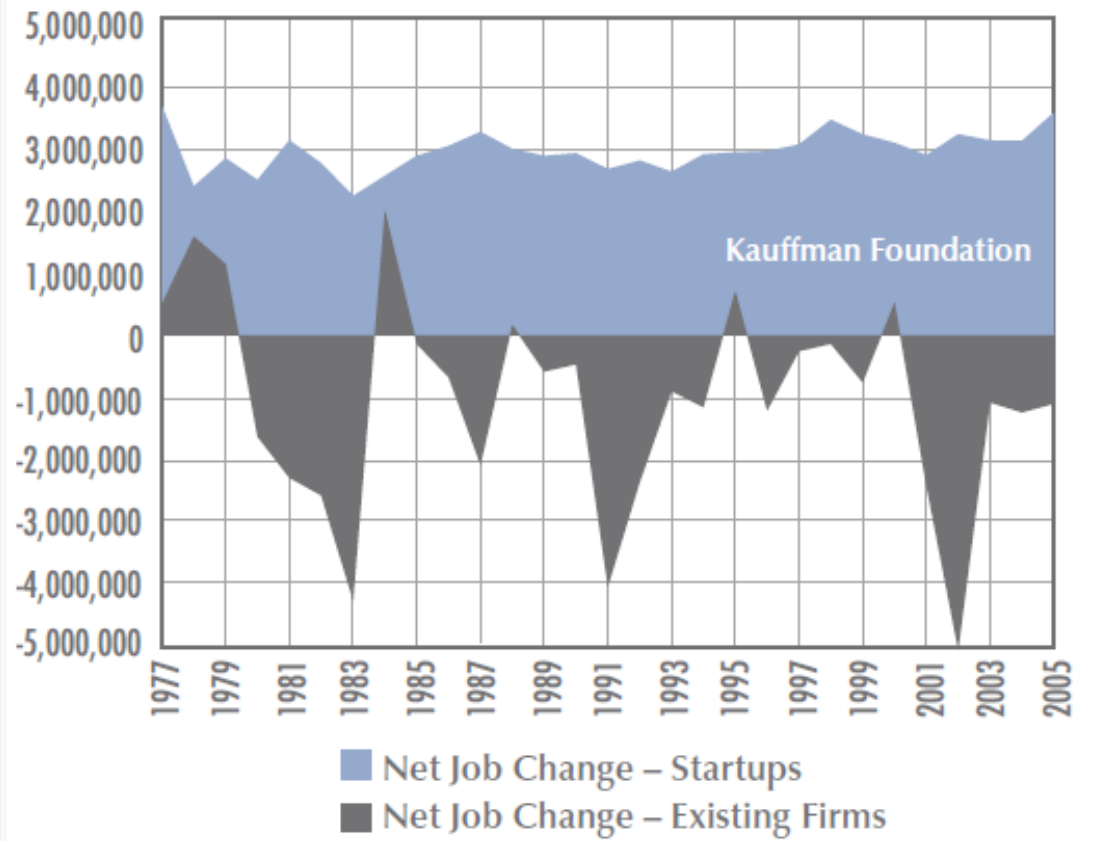
# Framing Today's Subject

- Entrepreneurship ecosystem  $\neq$  Innovation ecosystem
  - Nelson & Winter (1982); Cooke (1992); Lundvall (1992); Etzkowitz (2008)
- Entrepreneurship ecosystem  $\neq$  Industrial clusters
  - Porter (1994, 1998, 2000); (See Motoyama (2008) for review)
- Today's focus is on entrepreneurship ecosystem
  - Starting new companies and successfully growing them
- Entrepreneurship  $\neq$  small businesses



# Why Focus on Entrepreneurship?

Because young companies (<5yr) create all net jobs



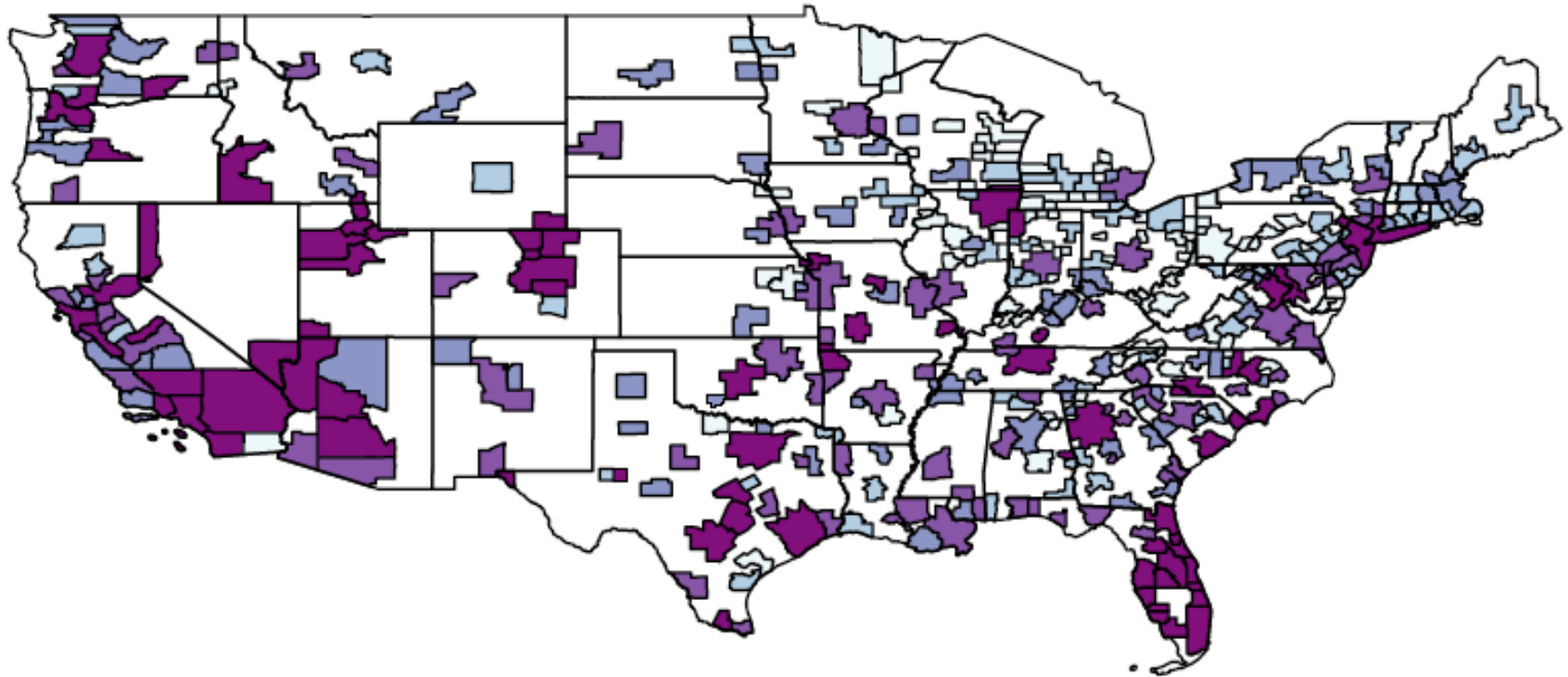
Source: Kane (2010); Haltiwanger (2012)

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# Why Focus on Local Ecosystem?

- Because entrepreneurship is local phenomenon
  - New firm creation rate



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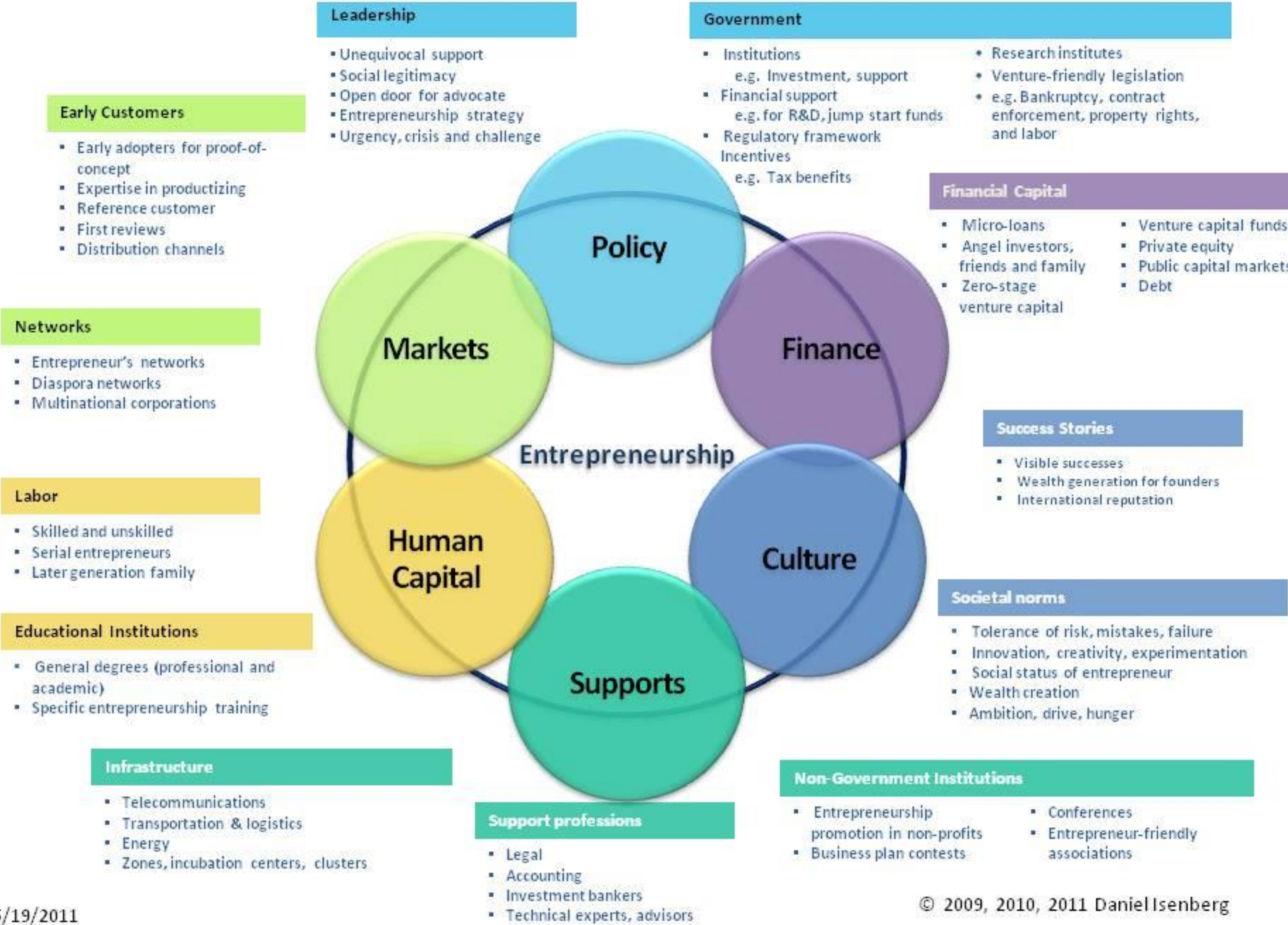


# Past Works on Entrepreneurship Ecosystem

- Van de Ven (1993); Feldman (2001); Neck et al. (2004); Cohen (2006); Isenberg (2013)
- Identified major elements
  - 1) Startup firms / spin-offs
  - 2) Talent / skilled labor
  - 3) University & research
  - 4) Finance / risk capital
  - 5) Incubators
  - 6) Core customers
  - 7) Social capital / culture



# Domains of the Entrepreneurship Ecosystem



- Does injecting a missing element help?
  - Such as establishing venture funds or incubators
- Is imitating fully developed ecosystem good for you?
  - Silicon Valley with decades of experiments (Saxenian 1994; Lecuyer 2006)
- Should all ecosystems look alike?



# Myth Element 1: Finance / Venture Capitals

- Failure of private venture funds
  - 80% of VCs unable to return 3% / year (Bradley et al. 2012)
- Alternative methods of finance
  - Bootstrapping (Motoyama et al. 2013)

Source	Count	Share
Personal savings	322	67.2%
Bank loans	248	51.8%
Credit card	163	34.0%
Family	100	20.9%
Business acquaintances	57	11.9%
Angels investors	37	7.7%
Close friends	36	7.5%
Venture capitalists	31	6.5%
Government grants	18	3.8%
Have not used finance	65	13.6%

Inc companies (n=479)





# Myth Element 2: Incubators / Accelerators

- Failure of incubators (Amezcuca 2010)
  - Likely prolonging dying firms
- Accelerators?
  - Competitive application process
  - Pre-seed investment, with equity exchange
  - Create a cohort of entrepreneurs, and focus on teams
  - Connect to mentors
- No evaluation research yet
  - Outliers (Y-Combinator, TechStars)
  - What happens after being funded?



# Myth Element 3: University

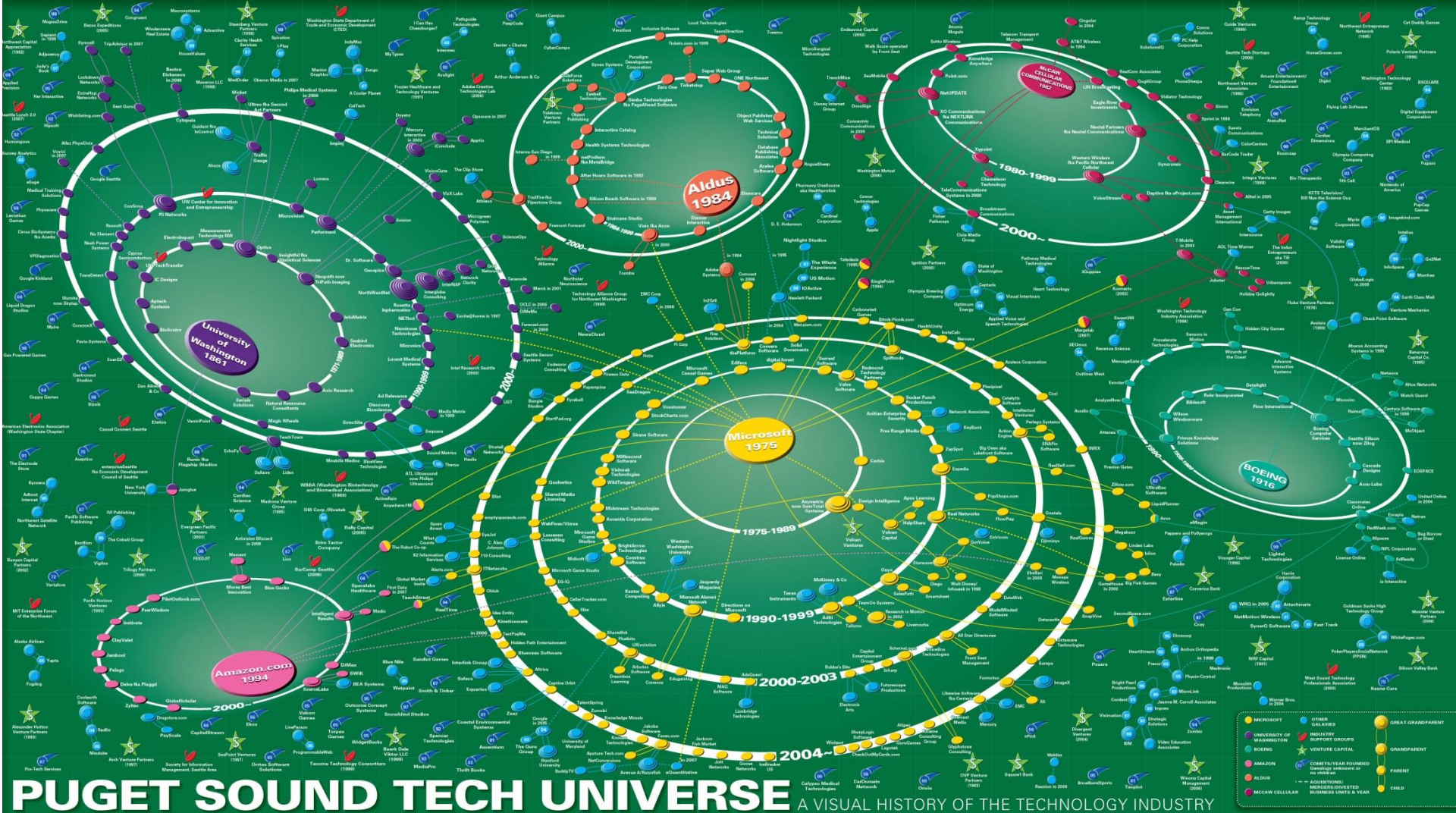
- Scientific research, NIH funding, etc.
  - Little connection b/w scientific discovery & commercialization (Motoyama et al. 2011)
  - Little connection with startup or high-growth firm ratios
  - But % college graduate is correlated (Motoyama & Bell-Masterson 2014; Motoyama & Mayer, under review)
- Technology transfer office
  - When lawyers try to maximize revenues to university (Litan et al. 2007; Kenney and Patton 2009)
- Courses on business plan writing
  - Beautiful rice cake in picture



# Questionable Element: Anchor Companies

- Should anchor firms interact with startup firms?
- Depends on the strategy and culture of the anchor firms
  - Free-flow company: old Fairchild, HP, Google
  - Captive company:
- Blind partnership may hinder startups and flow of talent





• Mayer (2009): Puget Sound Technology Universe

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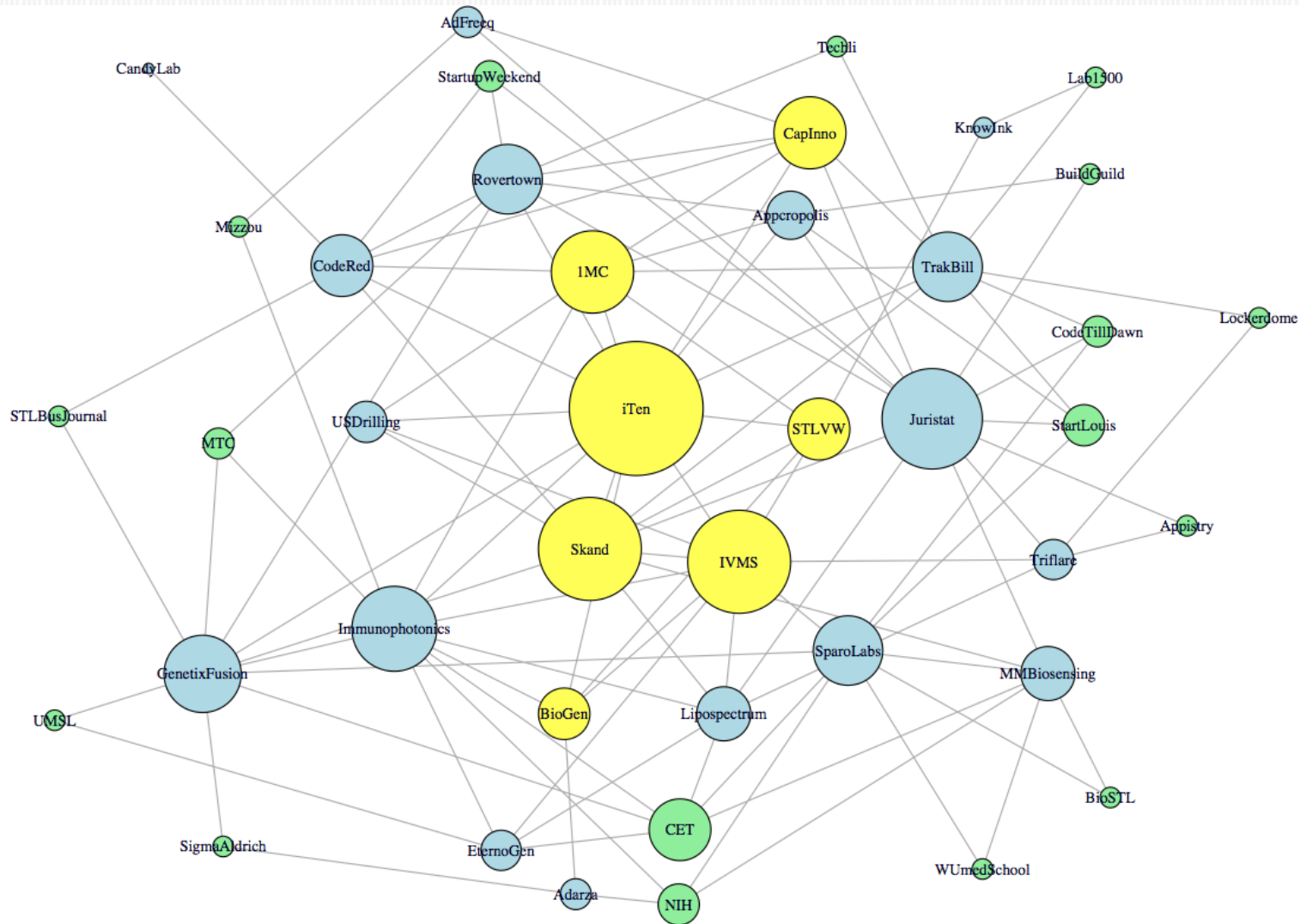
# The Biggest Challenge of Most Ecosystems

(Brasunas, interview, December 10, 2012)

- The typical problem I saw with entrepreneurs five years ago was like this:
- “I do this business alone, and I don’t know other startups in town. I don’t know investors here, and there is only old money from big corporations in St. Louis, so I go to Silicon Valley to find an investor.”
- Then, if you talked to investors, they would say: “I don’t find any startups in St. Louis, and, in fact, there may not be any prospective startups here, so I go to Silicon Valley to find companies to invest.”
- So somehow, they might find each other in Silicon Valley, but not in St. Louis.



# Focus on Connecting Entrepreneurs



- Motoyama & Watkins (2014): Examining connections within startup ecosystem

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# The Baseline Strategy

- Increase the dense connections between:
  - 1) Entrepreneurs
  - 2) Entrepreneurs & support organizations
  - 3) Entrepreneurs & mentors
- To promote learning between entrepreneurs
  - Not about scientific knowledge or through business courses
  - But about how to run a business
- Where entrepreneurs can get constantly engaged
  - Local
  - Face to face



# Proposition 1

- Reorganize University District
  - Not as a space & basic infrastructure-providing incubator
  - But as a space to connect local startups and students
- Co-working space over cubed offices
- Organize catalytic events to bring in people & ideas
  - Startup Weekend, 1 Million Cup, etc.
  - Invite guest speakers: successful local entrepreneurs
  - Arrange voluntary office hours by lawyers, accountants, technical experts
- Integrate with local startup support organizations
- Business plan competitions to inspire students and involve local startups





# Next Steps for Seattle?

We are taking over the World!

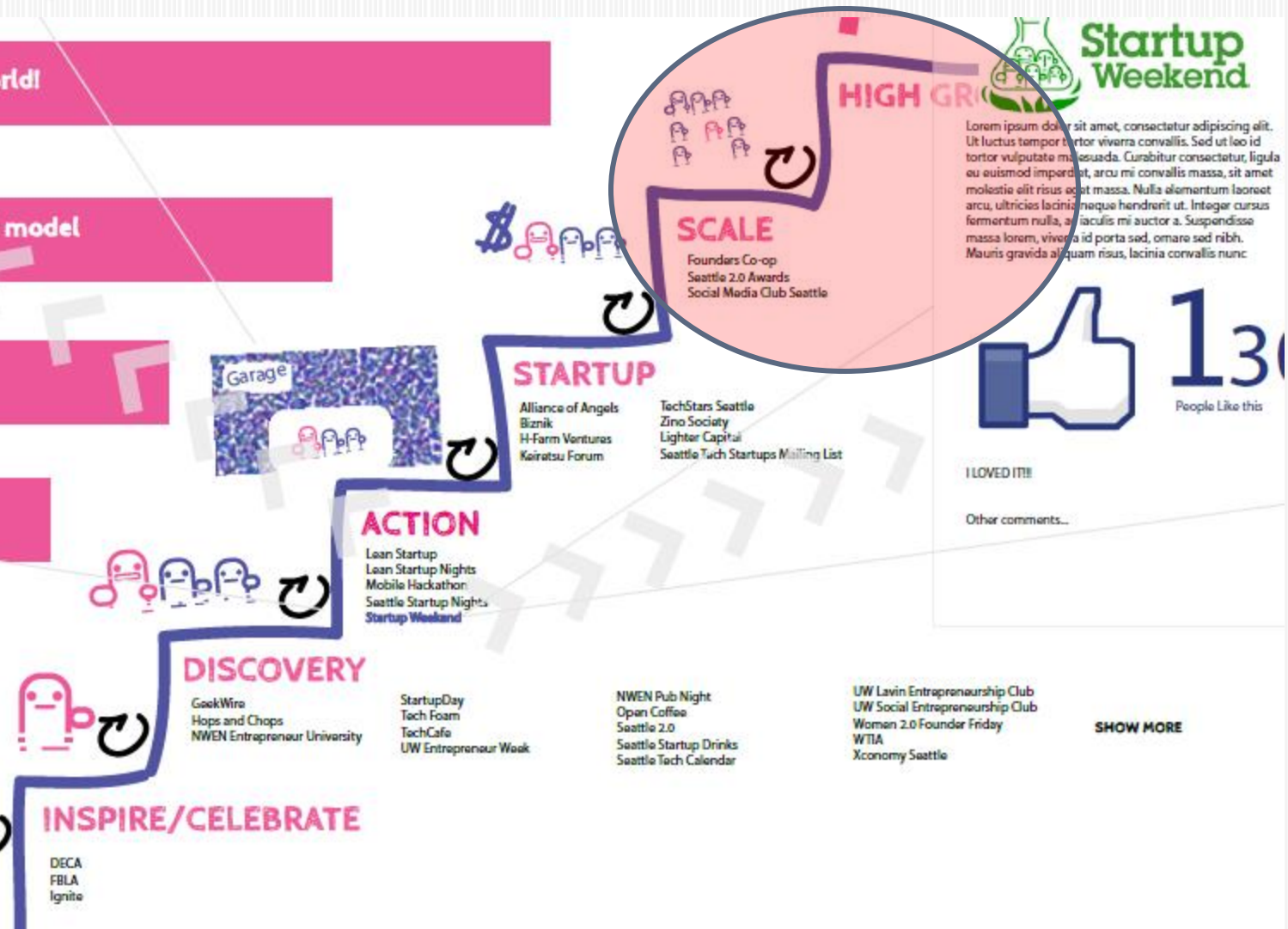
We have a stable business model and a great product

We are a solid team with some good ideas

I am an Entrepreneur

I want to be an Entrepreneur

I've got some passions & ideas



• Source: Franck Nouyrigat @ Startup Weekend (Up Global)

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# Proposition 2: From Startup to Scale-up

## 1) Pipeline Program

- “To create the lifelong connections among entrepreneurs” (Joni Cobb, Jan 17, 2014).
- Company CEOs of \$1 mil sales
- To connect with peers, mentors, and supporters
- Kansas City, Wichita, Omaha-Lincoln, St. Louis

## 2) HEMP (Helzberg Entrepreneurial Mentorship Program)

- For growth-minded business owners
- 3 years in business + \$1 million revenue
- Up to 20 mentees / year
- Matching with mentor(s)



# Proposition 3: Connect Inc to Growing Firms

- Fast growing firms (\$2 million revenue, 20% growth / yr)

