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This is a guest post written by Tom Chapman, director of innovation and entrepreneurship for the Greater Omaha Chamber of Commerce. In his role, Mr. Chapman works with new ventures, innovation programs, at large companies, service providers, innovation thought-leaders and community advocates.

The shared goal of many individuals who read this blog is to "create a robust, sustainable entrepreneurial and innovation ecosystem." But, what does that mean? Success is difficult to attain when you don't know when you have attained it. So, this post is really about making this vision into something that is tangible.

In my job as the Director of Entrepreneurship and Innovation at the Greater Omaha Chamber of Commerce, I often speak regarding the five pillars of an ecosystem – human capital, financial capital, metrics / deal flow, community and infrastructure. Here are some of the metrics the Chamber uses to gauge changes in those areas.

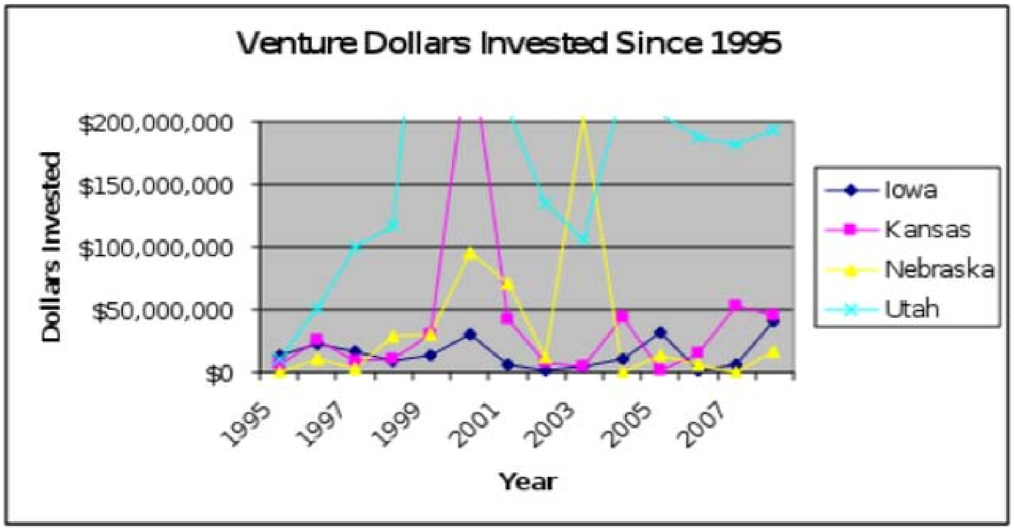
- Deals – venture or angel backed start-ups, Inc. 5000 companies, certain types of grant or venture competition winners
- Dollars Invested – National Venture Capital Association or MoneyTree reported investment numbers, supplemented by verifiable information about angels or private placement
- Strong Companies – companies that have existed for a certain period of time (Inc. 5000 companies, certain association memberships)
- Population Growth – census numbers
- Reputational – analytic numbers on internet components, newspaper articles, etc.
- Technological Innovation – research and development dollars, grants, patents, etc.

So, here is a snapshot of some of these metrics for the region, and a comparable case – Utah. I know, it's hard to believe that my success story looks like Utah – but really only the pretty parts. The analysis originally included South Dakota, but South Dakota did not have an Inc. 500 company or a venture deal in the earlier time period – making their data clunky to compare. Sorry South Dakota. This data was compiled using ssti.org, inc.com, and census.gov.

Note: VC stands for venture capital.

State	VC Dollars (in thousands)	VC Deals	Inc. 500 Companies	State Population
10 years ago				
Iowa	$47,959	17	2	2,869,413
Kansas	$45,737	18	6	2,654,052
Nebraska	$42,011	10	1	1,666,028
Utah	$269,262	78	7	2,129,836
Now				
Iowa	$47,031	10	1	3,007,856
Kansas	$113,288	42	3	2,818,747
Nebraska	$22,500	6	3	1,796,619
Utah	$563,476	107	14	2,784,572
Change				
Iowa	-2%	-41%	-50%	5%
Kansas	148%	133%	-50%	6%
Nebraska	-46%	-40%	200%	8%
Utah	109%	37%	100%	31%

From 1996 to 1998, Utah clearly dwarfed Iowa, Kansas and Nebraska regarding venture capital dollars. However, if you adjust the analysis just a bit and make the comparison earlier – 1995 and 1996 – Utah only had $62 million in venture capital – compared to relatively similar dollar amounts for Nebraska, Iowa and Kansas. And other data (harder to systematize or I would have published that, too) suggests that in the early 1990s, Utah was only slightly ahead of the region regarding most of the comparables measured above. However, if you compare their VC dollars growth curve (as seen in the bottom chart) – you can see a radical, positive trend of both deals and dollars with a bubble at the beginning of the 2000s.



Moreover, in certain years – 2003, for example, Nebraska actually had almost double the venture capital dollars invested – $203 million compared to $107 million. However, in that same year (a relatively down one in Utah over the last decade), Utah had 22 deals compared to Omaha's three. What is amazing about Utah's situation is its ability to transform from receiving an inconsistent amount of deals and money in the early and mid-1990s (as our regional states still struggle) from 5-15 annually to around 30-35 over the last five years. This type of deal and dollars invested growth is a clear indicator of growing sustainability. Thus, it is not simply having a bumper year, but eliminating the $0-5 million invested years with only a single or two small deals (Nebraska 2004, 2007, Iowa 2002, 2003, 2006, Kansas 2003, 2005).

As Utah was creating a sustainable capital cycle, it was also doing some less measurable things. The University of Utah focused on getting more ideas and innovations to market more quickly (For more information, see York, Anne. (2007). Critical Success Factors in University Technology Transfer. Accepted at the U.S. Association for Entrepreneurship and Small Business National Conference, Orlando, January.). In addition, the numbers of Small Business Innovation Research grants and federal research grants increased significantly and in a consistent manner over this time. Thus, most of their peripheral metrics provided additional evidence of the sea change happening in the Salt Lake City area and in Utah generally.

Thus, one decade later, an annualized statewide 3% growth rate can be measured. This is lightning in a bottle for most small states. Nebraska and Iowa have grown consistently but by much less than 1% over the last half century. And, both states remain in contention to lose representation in Washington due to these population changes during the 2010 census process. Thus, being able to grow rapidly – as have communities such as Austin and Salt Lake City – is a key indicator of economic vitality and often reflects the improving innovation ecosystems of their regions.

So what does this mean, it means that our region (whether you hail from Sioux Falls or Omaha or Des Moines or Kansas City) has not meaningfully progressed towards sustainability over the last decade. Instead, our region has continued to stagnate at approximately the same level as was seen one decade earlier. Success in our region will require the same type of sea change as appears to have occurred in Utah.

However, Nebraska took key steps in 2008-2009. The creation of NUtech Ventures and the re-invigoration of UNeMed were critical steps to mirror Utah's approach at making the university more commercialization focused. Moreover, capacity building efforts have clearly started to take place and have an effect – such as the Halo Institute, Leap Ventures, and the new early stage funding options in the Omaha and Lincoln areas.

Iowa has been doing a number of good things since 2000 (but it has been slow going) – including their angel investment programs (VentureNet) and their research university approaches – such as the National Science Foundation Industry/University Cooperative Research Centers at Iowa State. In particular, regions around Ames and Cedar Rapids appear to be having success. However, one critical growth step will be making the western part of the state more viable through collaboration – particularly the Siouxland and Omaha / Council Bluffs regions. Thus, Silicon Prairie News is a critical cog in this effort to identify and share trends and new additions to the market.

Some of the initiatives around Kansas City and the universities in Kansas appear to be having the same type of effect on the commercialization pipeline in Kansas. Specifically, National Institute for Strategic Technology Acquisition and Commercialization at Kansas State and the Enterprise Center of Johnson County in Lenexa appear to be having targeted positive results on growing different parts of the innovation ecosystem. Moreover, the continued local focus of the Kauffman Foundation and its various spin-out organizations can galvanize the nascent enterprises in the region. For example, Highlight Midwest, which serves the broader region, has created opportunities for Midwestern entrepreneurs to network. In addition, having the headquarters of the Angel Capital Association has helped spread best practices from a regional epicenter – ensuring that regional angel groups have top flight resources.

While the region's numbers have not turned yet, success looks like improvements in the areas listed above. I believe that the region – both collectively and as independent cities – can follow Salt Lake City and over the next decade create an environment where we are sustaining at 3-10x our current rates in most of the above metrics.

My question for the readers of this blog is – how do we create this success? I'll write another guest blog soon about this question, but I'd love to have input from others and hear about local success stories and efforts.

Note: Updated State-VC chart at 10:10 a.m. Wednesday, January 20. Corrected column title "VC Dollars (in millions)" to "VC Dollars (in thousands)."

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