

The State of Entrepreneurship in Montana

Bryce Ward

Sources of regional prosperity

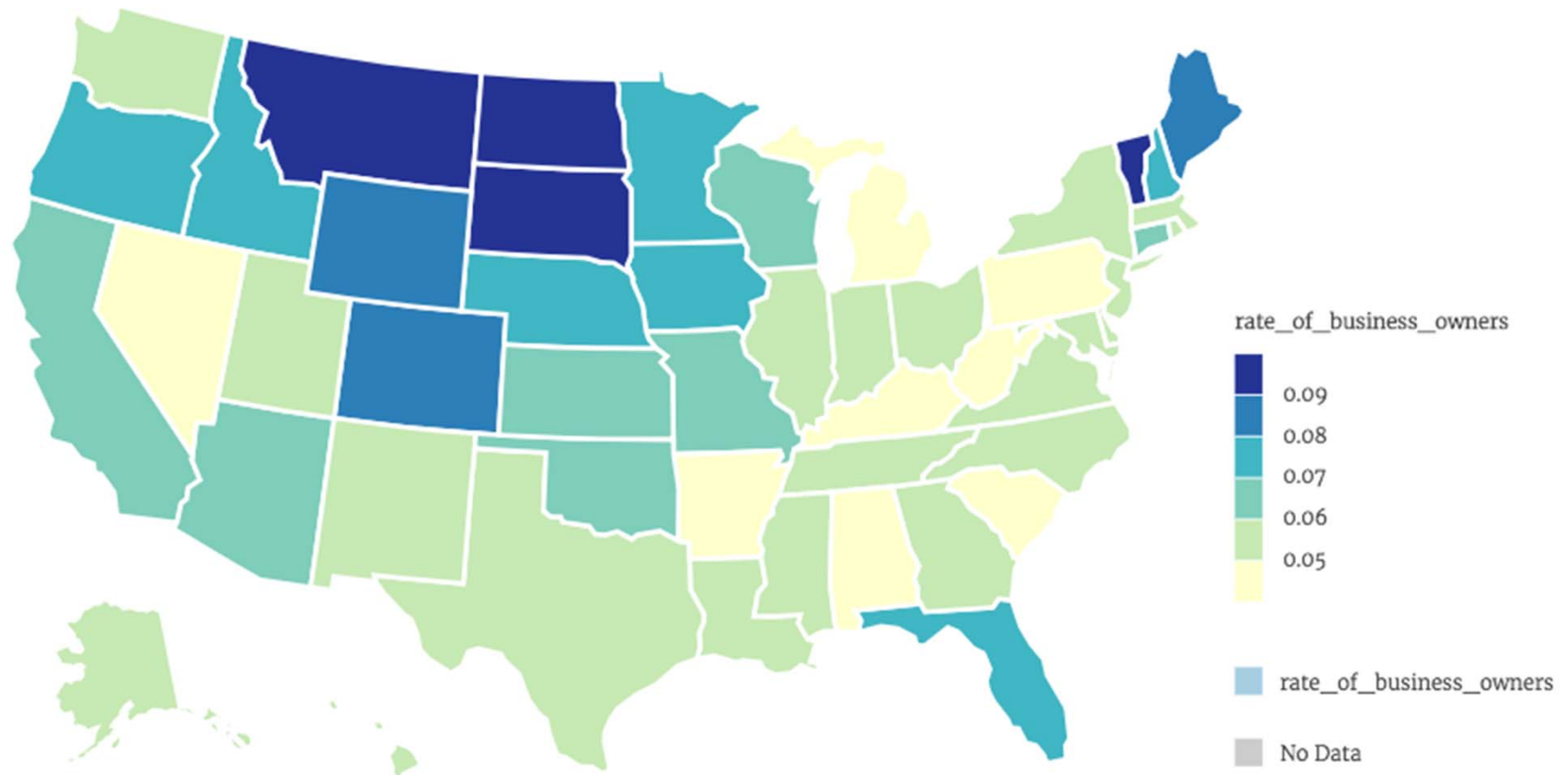
Productive capacity

- Natural capital
- Physical capital
- Human capital
- Social capital

Entrepreneurs

- Figure out how to exploit local capacity
- Pioneer new ways to use capacity => greater diversity and resilience
- More salient today

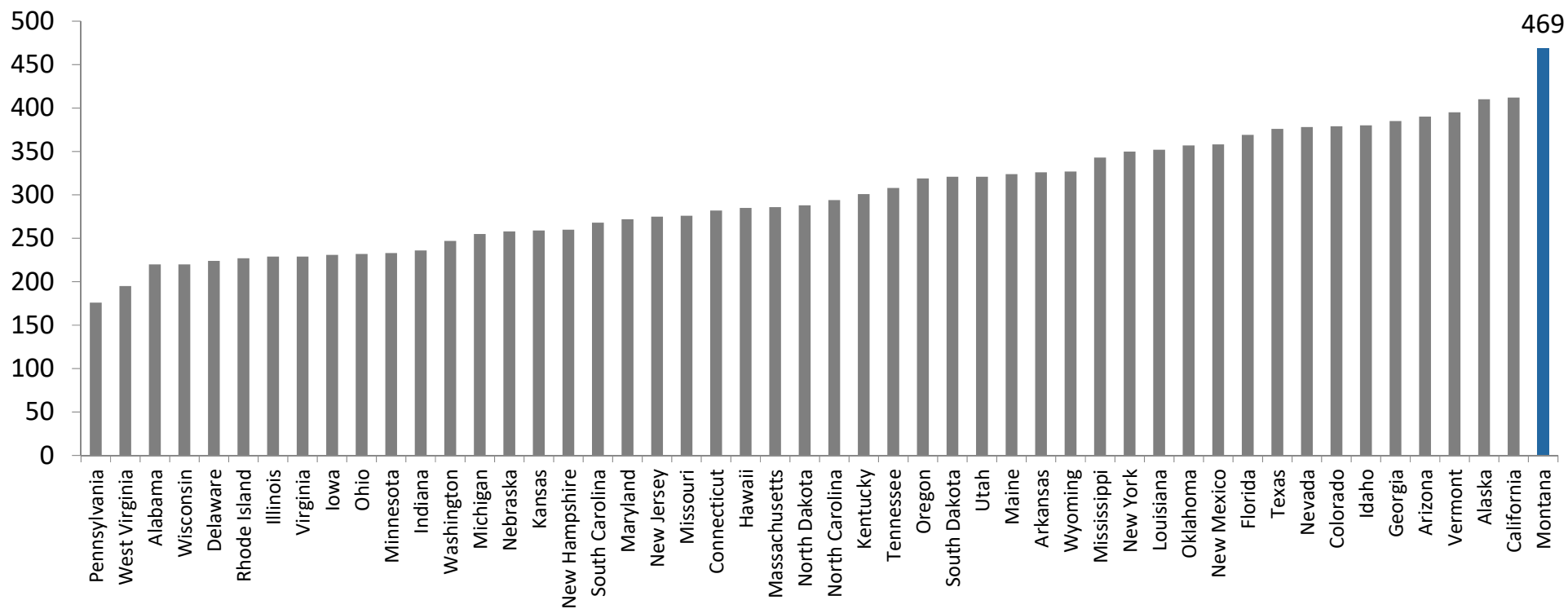
Rate of business ownership (share of people who own a business as main job)



Source: 2017 Kauffman Index of Main Street Entrepreneurship

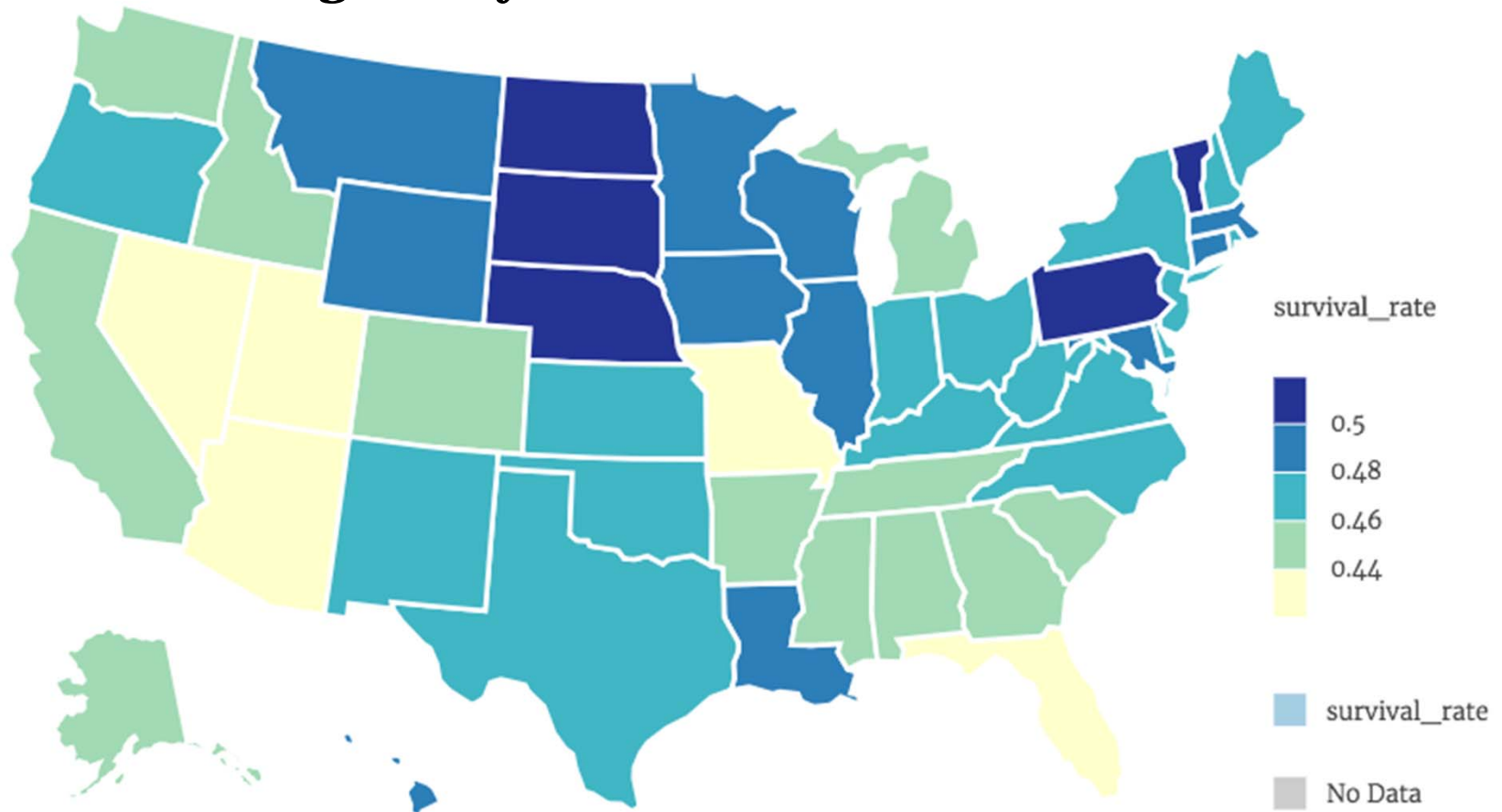
Over the past 10 years approximately 3,300 to 4,400 Montanans became entrepreneurs each month.

Average number of new entrepreneurs per 100,000 adults per month, 2008-2017



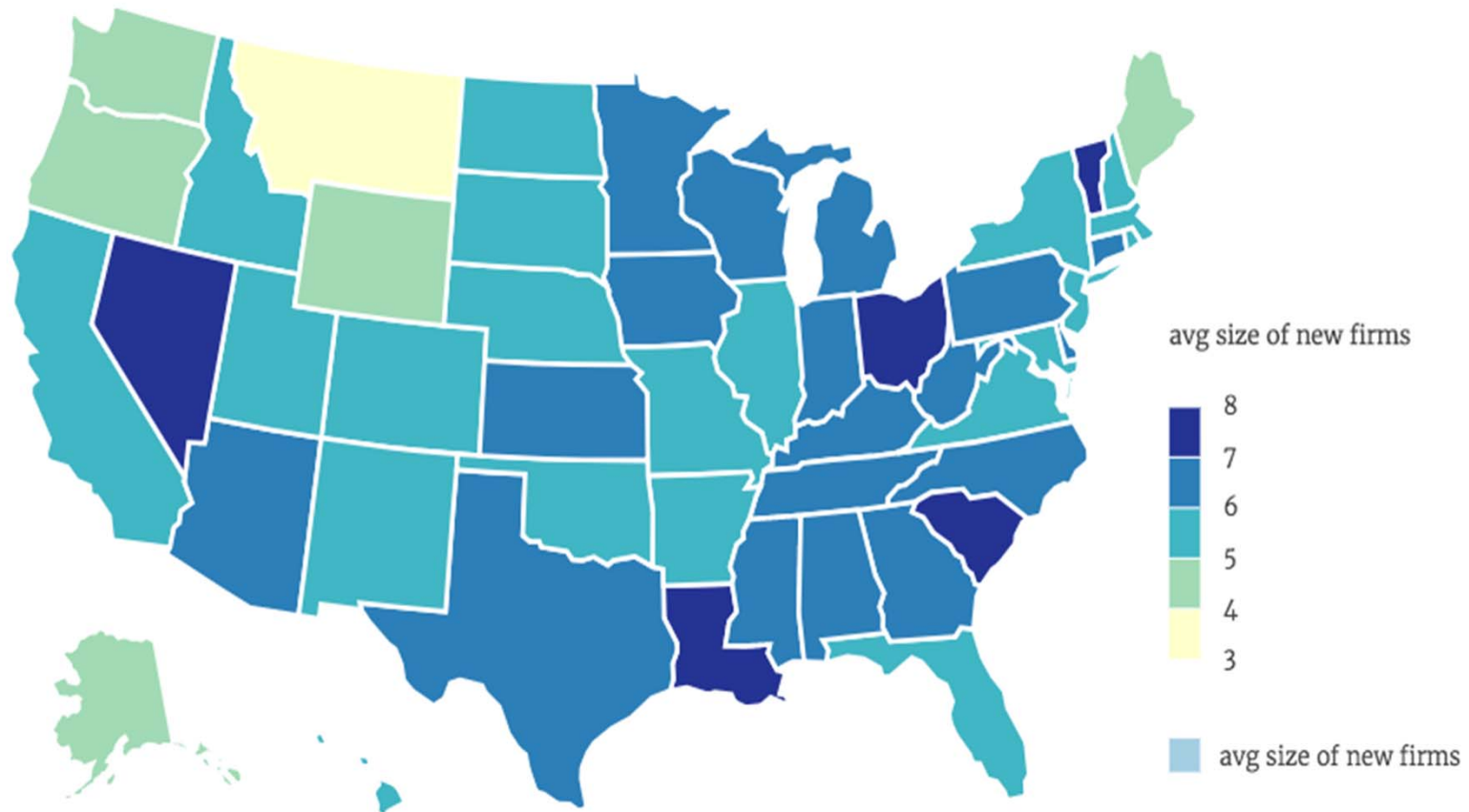
Source: 2017 Kauffman Index of Start-up Activity

Average five-year survival rate (2007-2016)



Source: 2017 Kauffman Index of Main Street Entrepreneurship

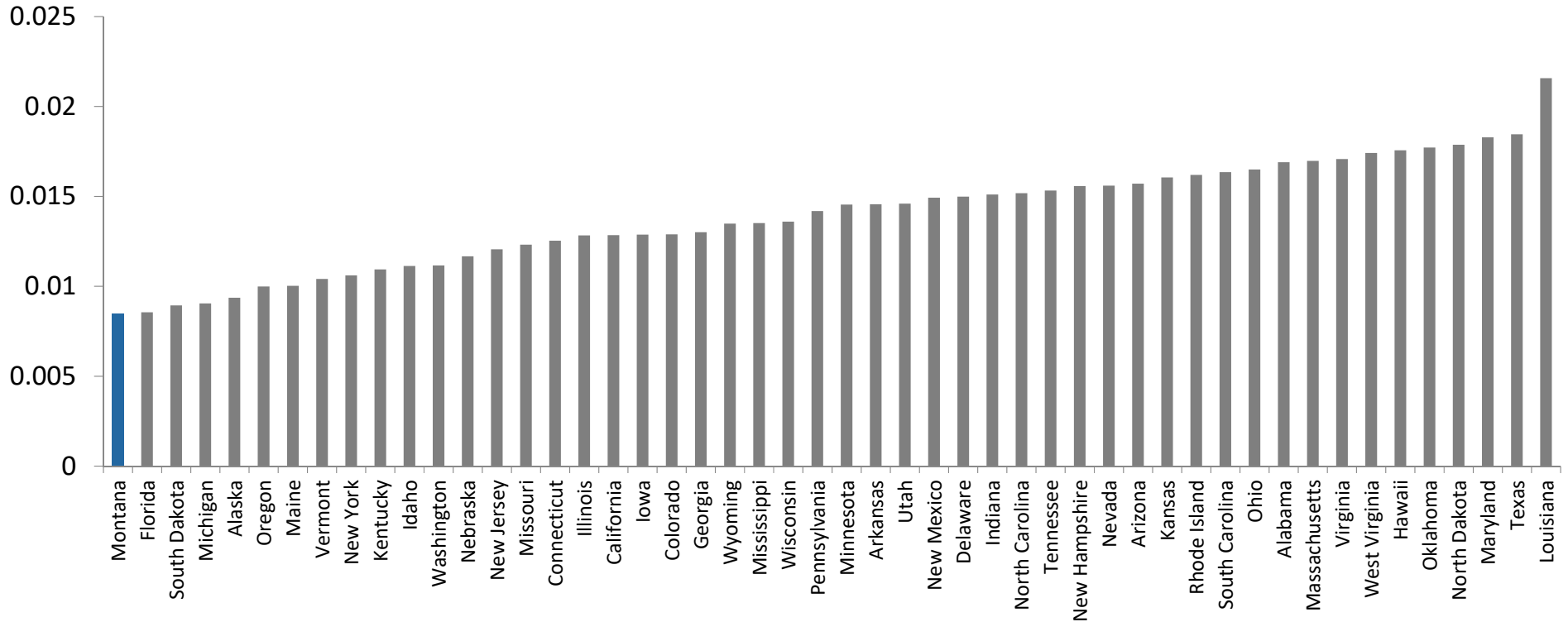
Average number of employees at new firms



Source: 2017 Kauffman Index of Growth Entrepreneurship

Montana start ups are less likely to scale-up

Share of start-ups that grow to more than 50 employees in less than 10 years

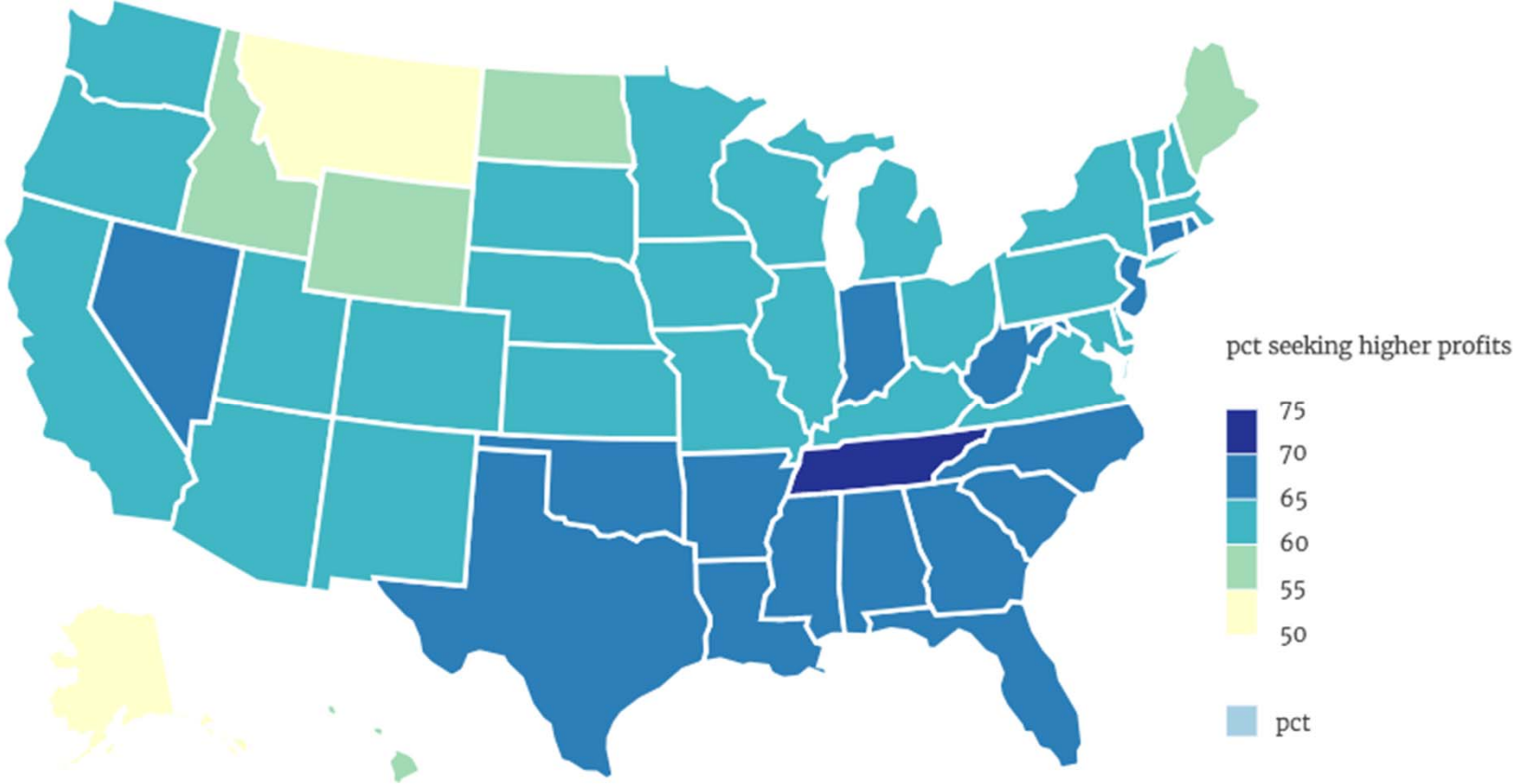


Source: 2017 Kauffman Index of Growth Entrepreneurship

Why do some places have more entrepreneurs?

- The returns to entrepreneurship vary -- In places where pursuing entrepreneurship generates a higher income relative to the alternative, more entrepreneurs will emerge.
- Differential availability of the inputs to entrepreneurship -- in places with better access to capital, better access to key workers, better access to other inputs, or simply better resources to learn how to be an entrepreneur, more people should pursue entrepreneurship.
- Differences in the supply of ideas -- some places are better at generating ideas; places that generate more ideas should, all else equal, have more entrepreneurs.
- Differences in local culture, political system, or endowments -- places with cultures and policies that support entrepreneurs or with natural endowments that increase the chances of success will also likely have more entrepreneurs.

Percent of employer businesses that want to be larger in terms of sales or profits

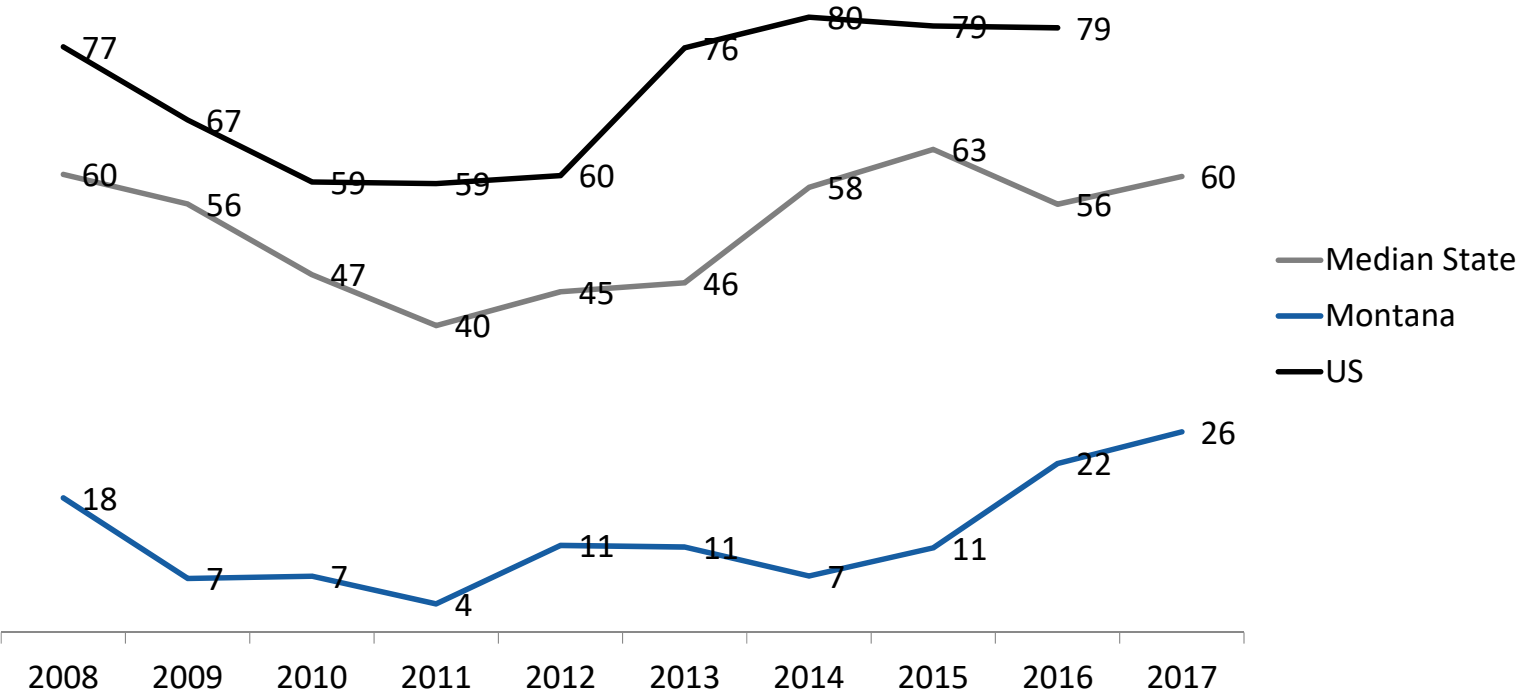


Source: 2015 Annual Survey of Entrepreneurs



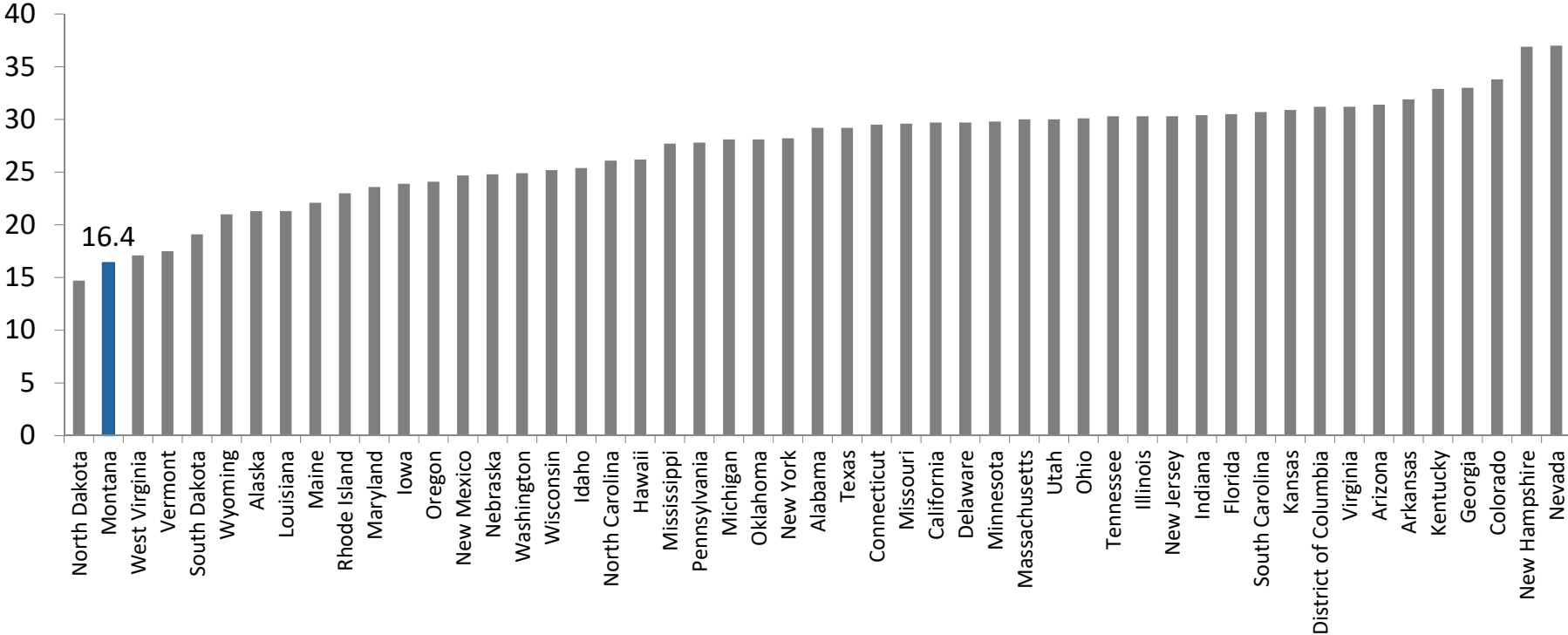
Montana has fewer high growth firms (firms with >\$2M in sales and 20 percent annualized growth over 3-years), but it has been catching-up over the past few years.

Number of high growth firms per 100,000 employer businesses



Montana's traded sector employs relatively few people.

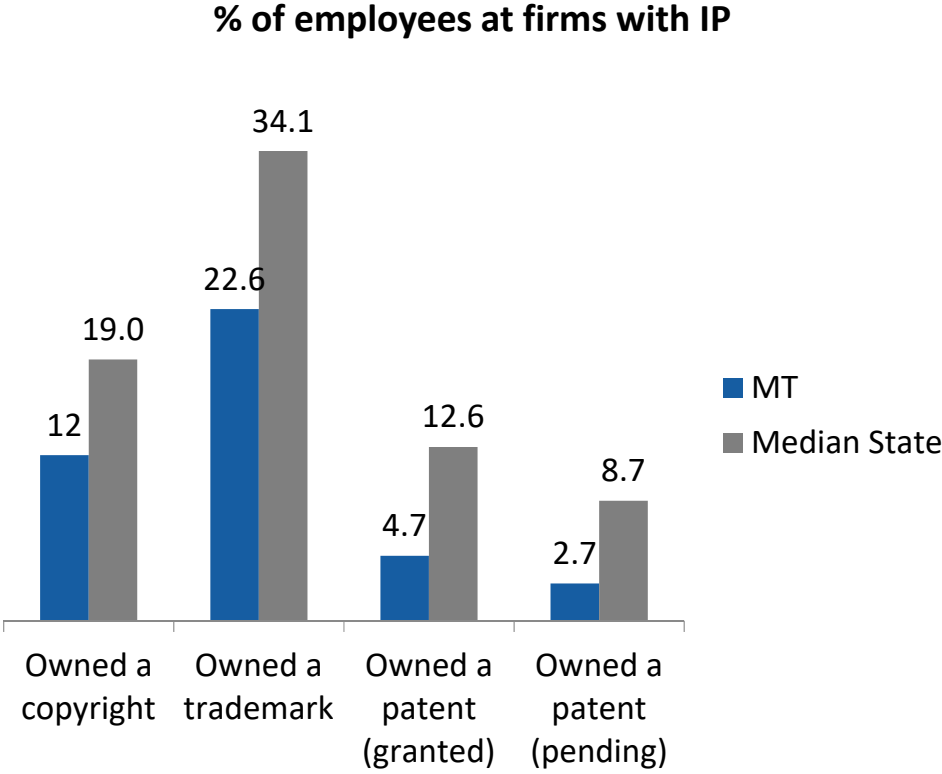
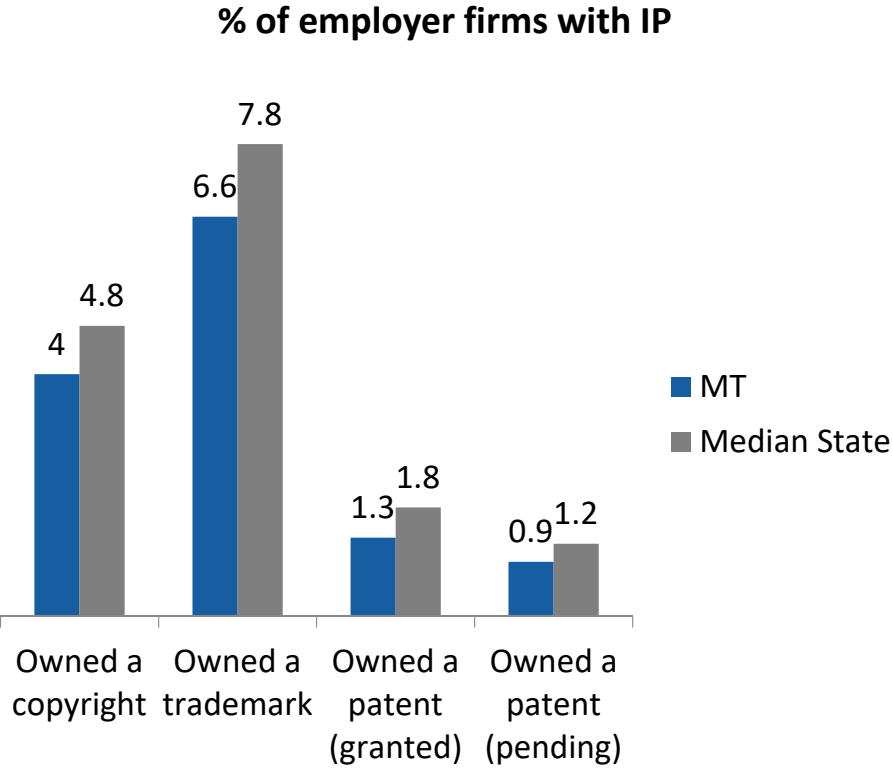
Share of employees who work at firms where <50% of sales are to customers from same region



Source: 2015 Annual Survey of Entrepreneurs



Montana firms are less likely to hold various forms of intellectual property.

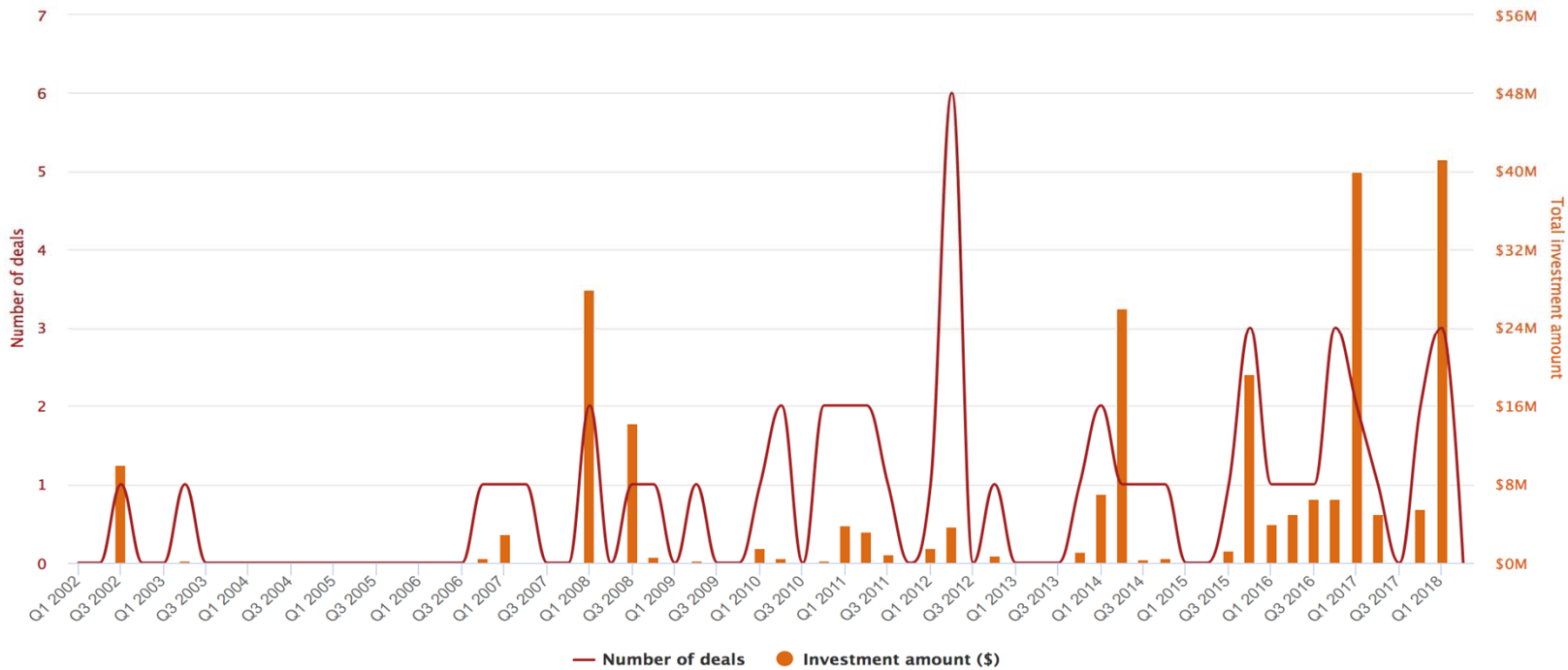


Source: 2015 Annual Survey of Entrepreneurs



Venture capital investment in Montana has increased, although it remains low on a per capital basis.

Number of deals and amount invested in Montana by venture capitalists over time

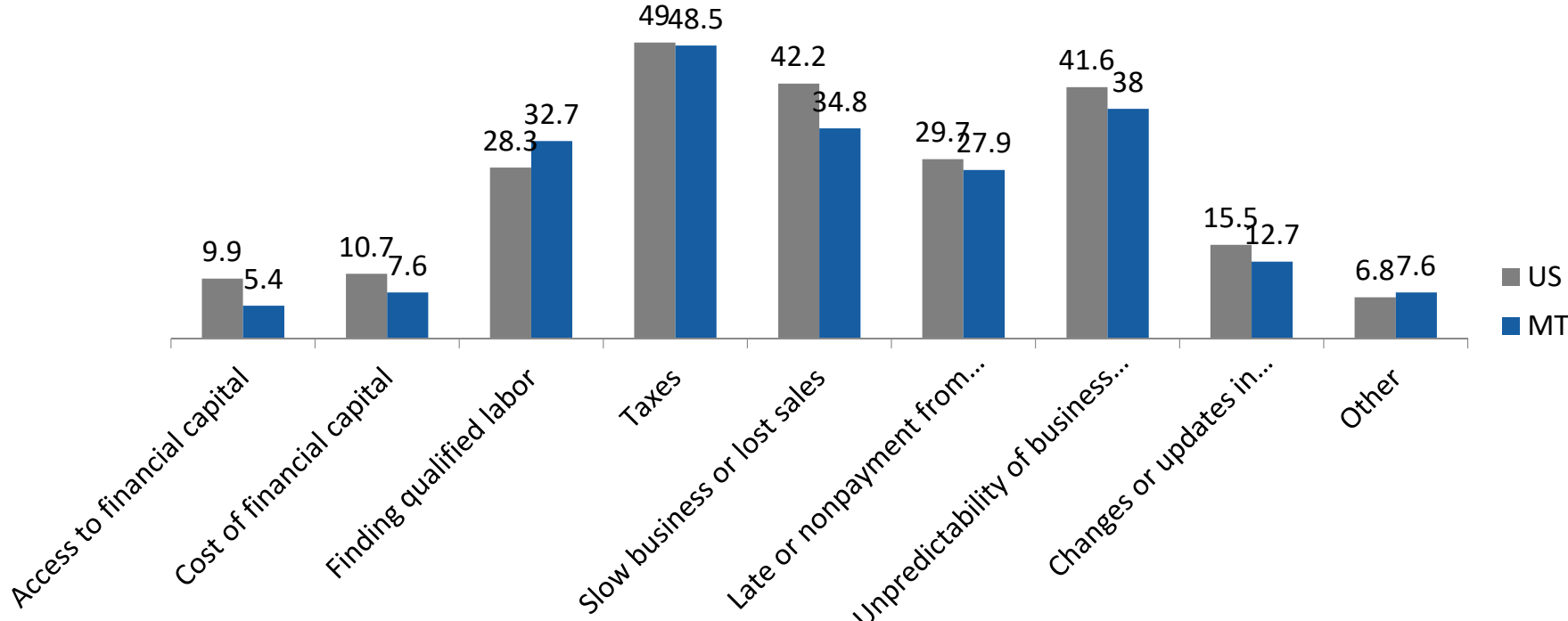


Source: PricewaterhouseCoopers/CB Insights' Moneytree Report



Finding qualified labor, though, is a much more significant problem for Montana firms than accessing capital.

% of employer firms reporting negative impact on profitability from ...

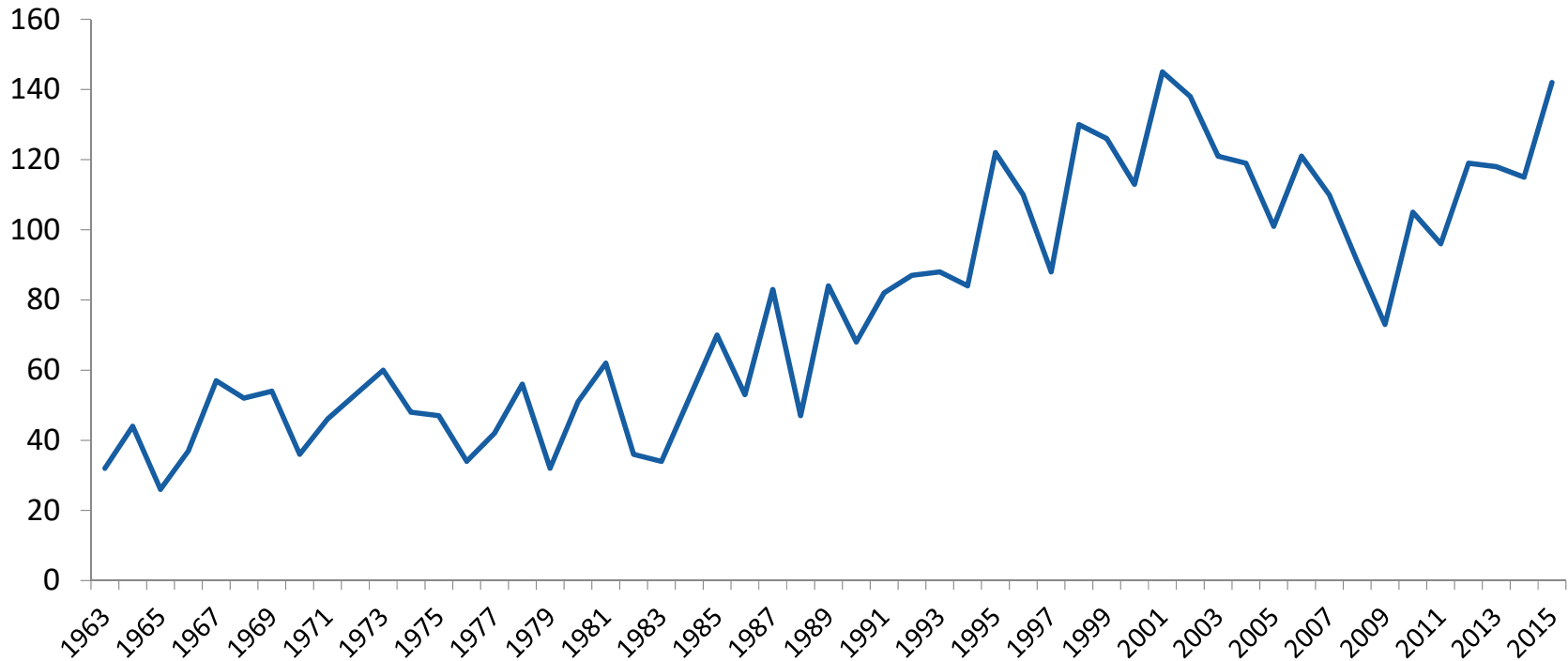


Source: 2015 Annual Survey of Entrepreneurs



The number of patents awarded to Montanans has returned to prior highs, but remains low on a per capita basis (MT ranks 40th).

Number of patents awarded to Montanans



Source: US Patent and Trademark Office, Patent Technology Monitoring Team, Extended Year Set – Patent Counts by Country, State, and Year Utility Patents (December 2015)

Montana has a robust network of entrepreneurial support.

Business Resources Mentioned by at Least Five Interviewees

Business Resources

Montana High Tech Business Alliance
Hellgate Venture Network
Blackstone LaunchPad - University of Montana
Business Startup Challenge - University of Montana
MonTEC
Blackstone LaunchPad - Montana State University
Missoula Economic Partnership
University of Montana (other units or functions)
Montana Photonics Industry Alliance
Montana State University (other units or functions)
TechRanch
Montana Code School
Montana Manufacturing Extension Center
1 Million Cups - Missoula
Dorsey & Whitney

Source: Henderson et al (2017) *A New Frontier: Entrepreneurship Ecosystems in Bozeman and Missoula, Montana.*

Companies and Mentors Mentioned by at Least Five Interviewees

Companies and Mentors	Location
Submittable, Michael FitzGerald	Missoula
Audience Awards, Paige Williams	Missoula
Advanced Technology Group, Tom Stergios	Missoula
RightNow Technologies, Greg Gianforte	Bozeman
Bridger Photonics, Pete Roos	Bozeman
Elixiter, Andrew Hull	Bozeman
Mystery Ranch, Dana Gleason	Bozeman
Scientific Materials, Ralph Hutchinson	Bozeman
Workiva, Jeff Trom	Bozeman

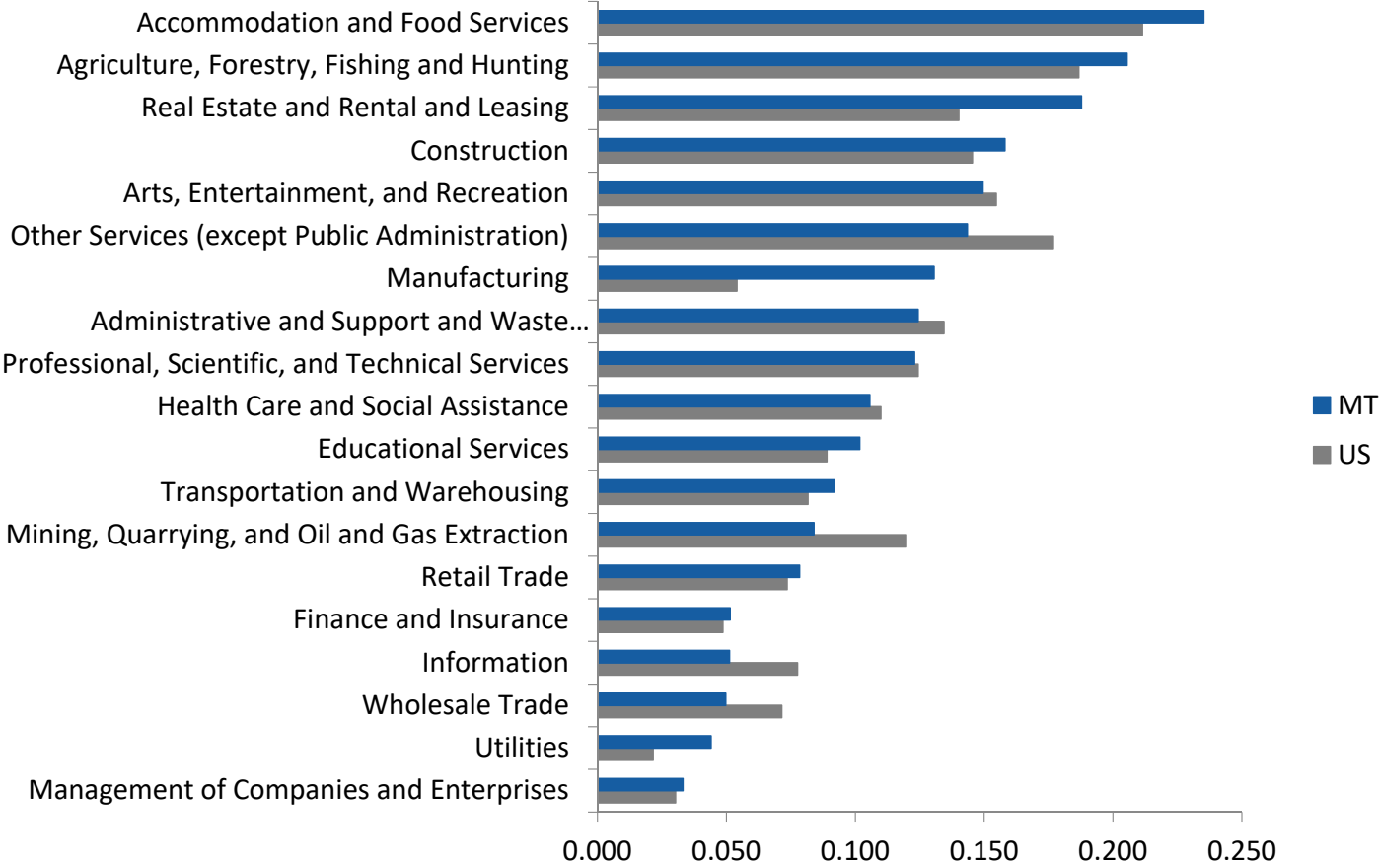
Government Support Mentioned by at Least Five Interviewees

Government Resources

Federal Government Contracts or Partnerships
Small Business Development Center (SBDC)
Jon Tester, U.S. Senator from Montana
Steve Daines, U.S. Senator from Montana
Max Baucus, former U.S. Senator from Montana
Montana Trade Show Assistance Grant
SBIR/STTR Innovation Grants
MT Board of Research and Commercialization Technology
Montana Department of Commerce
Procurement Technical Assistance Center (PTAC)
SBIR Consultants - MTIP, Marti Elder, Ray Friesenhahn
Steve Bullock, Governor of Montana

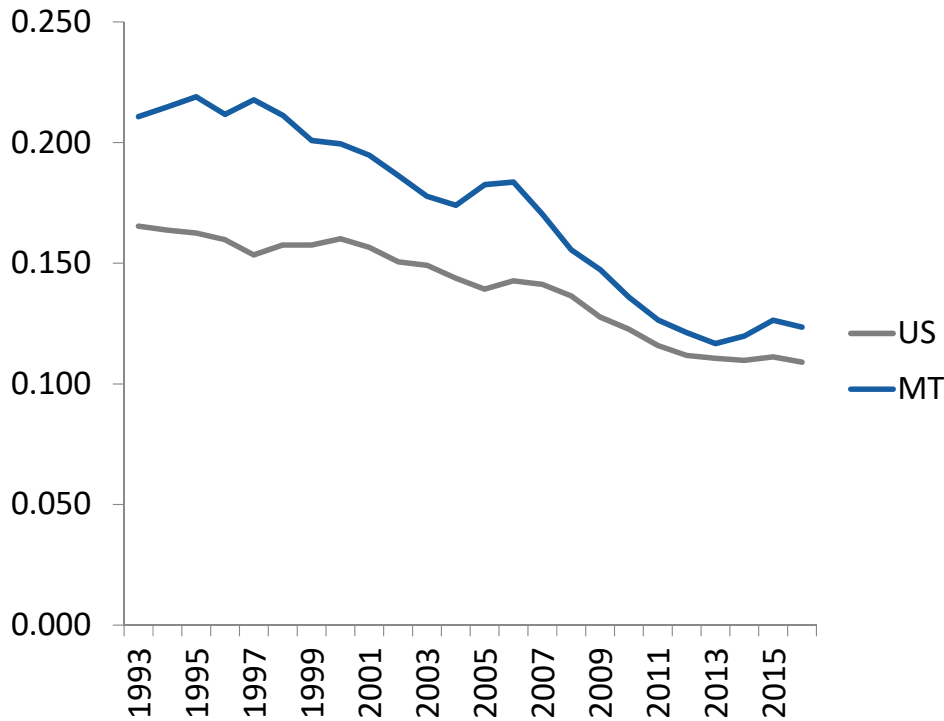
Workers in Montana are more likely to work for young firms. 1 in 8 Montana workers work for a young firm. Nationally, only 1 in 10 workers work for a young firm.

Share of employees working for young firms (<5 years old)

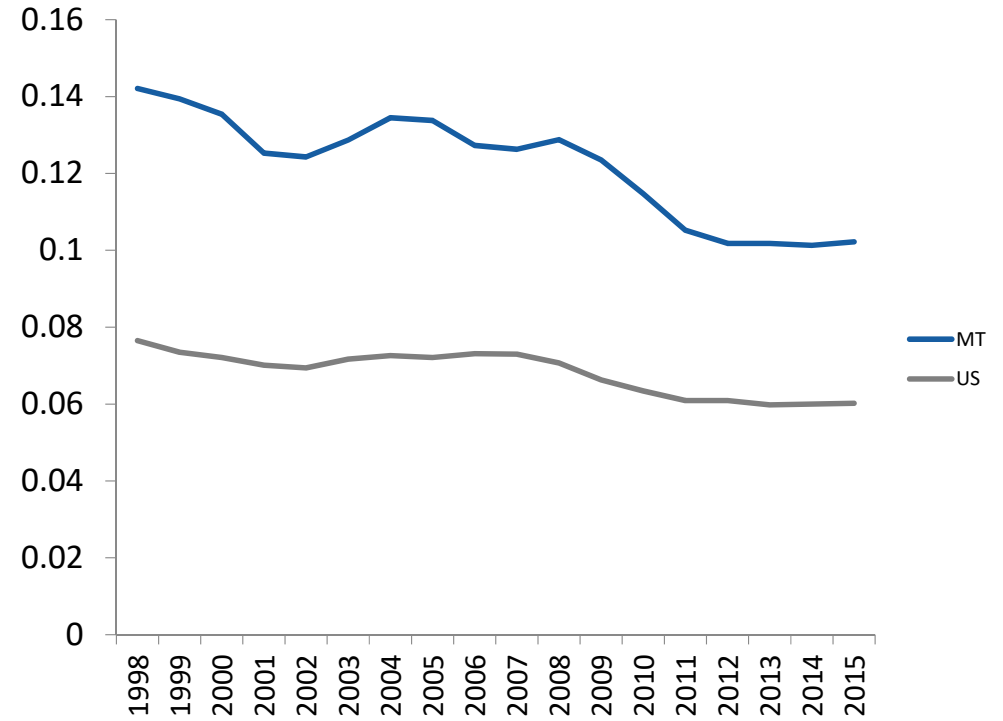


Entrepreneurship has been waning in Montana and across the US.

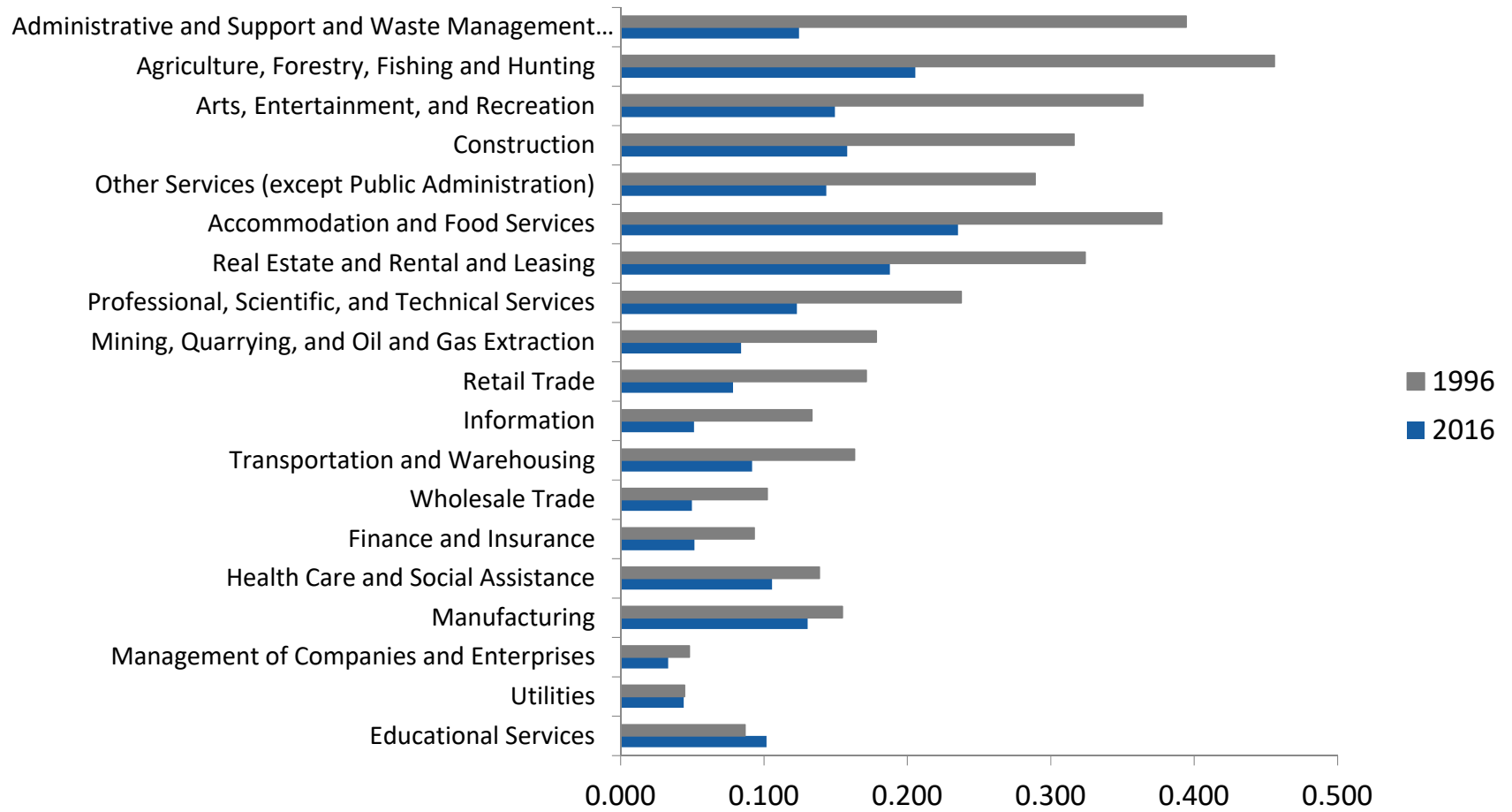
Share of workers working at young firms (<5 yrs old)



Rate of business ownership (share of adults who own a business as their main job)



Change in share of MT workers at young firms (<5 yrs) by industry



Potential sources for decline in entrepreneurship

- Market concentration/lack of regulation (larger firms have come to dominate more industries making it more difficult for entrepreneurs to enter markets)
- Too much regulation (e.g., occupational licensing)
- Difficulty finding resources/financing (perhaps, in part, due to growing student debt)
- Slowing population growth (which implies slower expected growth)
- Corporations doing more entrepreneurship in house
- Generational effects
- Other