



STATE OF THE ECOSYSTEM 2018

How do you measure Maine's entrepreneurial ecosystem, and how are we doing as an entrepreneurial ecosystem?



OVERVIEW

In 2015, Ewing Marion Kauffman Foundation suggested 4 Indicators of Entrepreneurial Ecosystem Vibrancy:

DENSITY **FLUIDITY** **DIVERSITY** **CONNECTIVITY**

Each community must define their own goals, yet it's important to look beyond inputs—for example R&D funding, available investment capital, or advanced degrees—to the outcomes and vibrancy of the ecosystem. While there are many indices, “top ten” lists and measures of growth tracked for Maine, there are none that look at the atmosphere and culture that supports entrepreneurship. The four vibrancy indicators do just that - they do not measure the ingredients in the pie but tell us what a successful kitchen might look like.

In our second annual State of the Ecosystem, we seek to measure these four key indicators and analyze and compare them to previous year's data or national trends (when available).

The Kauffman Foundation's “Measuring an Entrepreneurial Ecosystem” paper, provided guidance for measurements in each of these areas:

DENSITY

For density, measure: New and young firms per 1000 people, the share of employment in new and young firms and the share of scale-ups

FLUIDITY

For fluidity, measure: Population flux, market reallocation, and the number of High-growth firms

DIVERSITY

For diversity: Multiple economic specializations, Mobility, Immigrants

CONNECTIVITY

For connectivity: Program connectivity, Spin-off rate, Dealmaker networks

Unfortunately, this data is not always easily accessible or updated frequently. And while the foundation suggests that tracking these metrics over time is critical, the limited availability of data makes this a challenge. Data that has been gathered and analyzed in the past may no longer be gathered or made available by public sources or analyzed by those who have previously done so. When the data source suggested by the Kauffman Foundation was unavailable, we found a proxy for that measure. When the data source is simply lagging in time, we provided the data for the most recently available year.

How Can We Improve Maine's Vibrancy Indicators?

- Co-Working Spaces
- Incubators and Accelerators
- Pitch Events, Innovation Challenges, Startup Weekends, Hackathons
- College Entrepreneurship Education
- Angel and Other Early Investor Networks and Resources

DENSITY

What is Density?

At the core of the entrepreneurial ecosystem are the entrepreneurs. Those communities with more entrepreneurs and more people involved with entrepreneurship are more successful. The focus on entrepreneurship breeds success, and even attracts more capital and talent, thus creating a positive reinforcing cycle.

Overall Density

Density can be roughly considered how likely you are to run into an entrepreneur while walking down the street in your town. What we found was that this density, both in Maine and nationally, is on the decline. Maine is slightly better than the national average percentage of startups, but we are below the national average in terms of employment within those firms. We have smaller startup companies, based on the number of people employed by our startups, compared to other places.

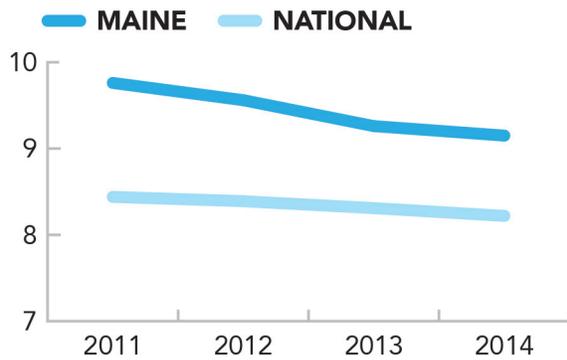
When it comes to density of scale-ups, those surviving the first five years and building to 50 employees or more, Maine holds pretty steady and is close to the national average.

How Can We Move the Needle?

- Build welcoming and visible communities of entrepreneurs.
- Create cultural celebrations of innovation and commercialization and incentives for risk-taking.
- Recruit entrepreneurs from outside Maine and retain those who are here.
- Attract capital to early stage investing from both in and out-of-state.
- Build support for companies to scale.

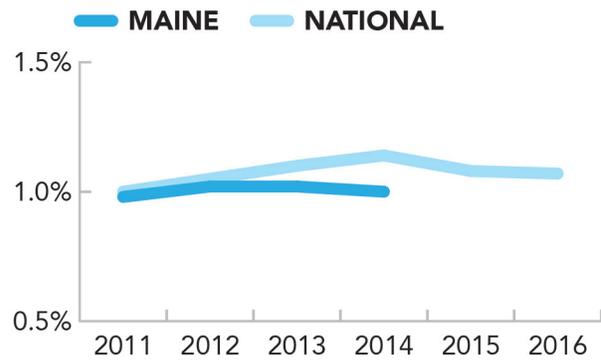
DENSITY

New & Young Firms per 1,000 People



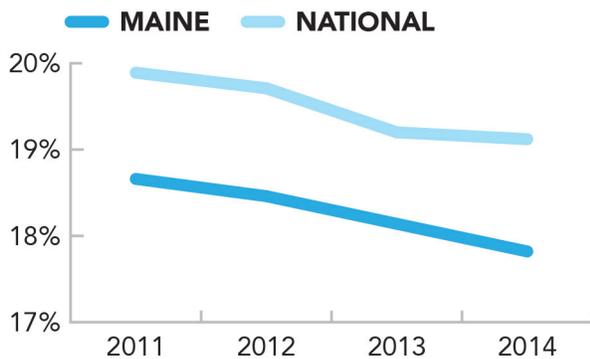
Source: The Kauffman Foundation Index on Entrepreneurship from 2016 and 2017, with primary data found in the US Census Bureau's Business Dynamics Statistics. "New and Young firms" are defined as non-governmental firms from 0 to 10 years old.

Share of Scale-ups



Source: The Kauffman Foundation Index on Entrepreneurship from 2016 and 2017, with primary data found in the US Census Bureau's Business Dynamics Statistics. "Scale ups" are defined as companies surviving for the first five years and growing to 50 or more employees.

Employment in New & Young Firms



Source: The Kauffman Foundation Index on Entrepreneurship, with primary data found in the US Census Bureau's Business Dynamics Statistics. "New and Young firms" are defined as non-governmental firms from 0 to 10 years old and the percentage of employment in those firms as a percentage of total employment.

FLUIDITY

What is Fluidity?

People are a critical ingredient for entrepreneurial success. The more easily people can move to where they are needed most, the more easily entrepreneurs can take existing resources and recombine them into new creations. The churning of new people and ideas into a community leads to “collisions” that are key to idea generation.

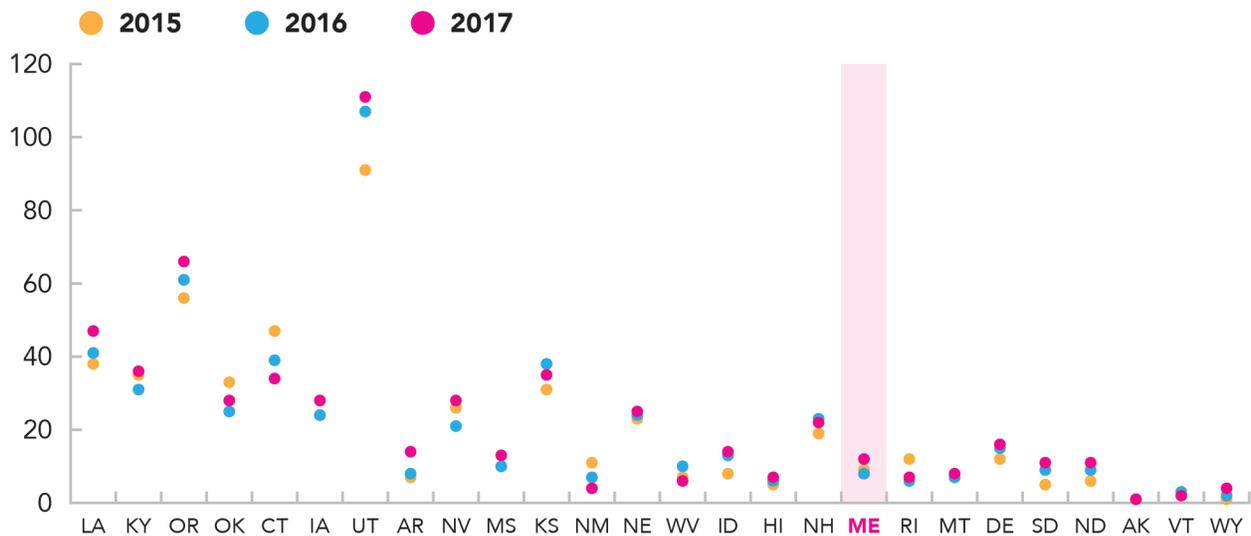
Overall Fluidity

Maine does not fare well in terms of fluidity in comparison with other states of similar population size. Our percentage of high growth firms that allow for talent to flow in and among is low. However, our turnover rate, although a lagging indicator, is on the rise, indicating it is becoming easier for talent to flow between positions.

How Can We Move the Needle?

- Encourage efficient movement of talent, including attracting talent from outside Maine.
- Support programs that develop a strong pool of talent and encourage risk-taking, while maintaining a productive use of existing resources.
- Create programs and platforms that celebrate the interconnectivity of ventures, founders and talent-focused growth.

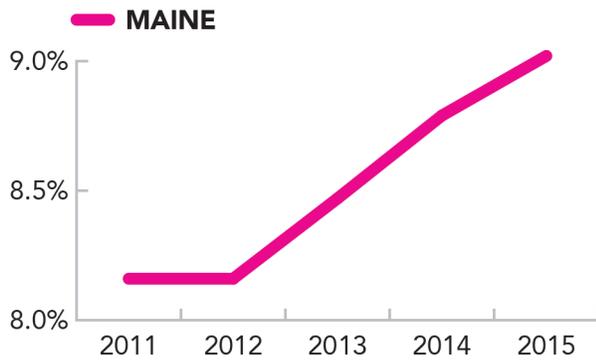
Number of Companies in the Inc. 5000 by States with Less Than 5 Million People



Source: Inc. (magazine) 5000

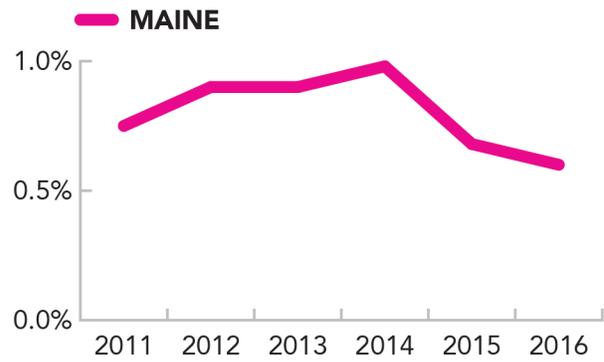
FLUIDITY

Turnover



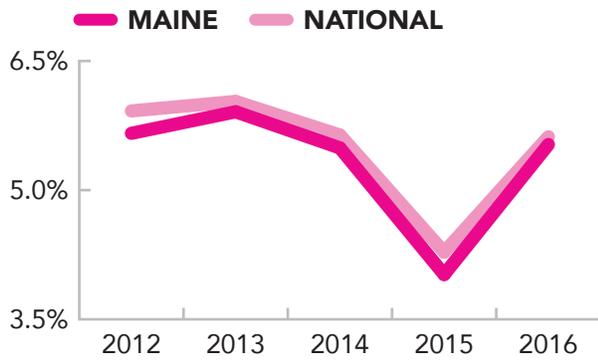
Source: Quarterly Workforce Indicators

Density of HGF per 1,000 People



Source: Inc. 5000

Migration as a % of Taxpayer Population



Source: U.S. IRS Taxpayer Population Migration Data, <https://www.irs.gov/statistics/soi-tax-stats-migration-data>

DIVERSITY

What is Diversity?

Economic complexity correlates with growth and innovation and can create a virtuous circle of opportunity, growth, and prosperity. Diversity of specializations provides resiliency to regional economies and insulation against the risks of over-reliance on one particular industry. Additionally, we need diversity within our population. We can attract and assimilate immigrants—who start businesses at twice the rate of native-born Americans and bring new ideas and fresh perspectives. Those economies with more diverse populations further encourage an entrepreneurial mindset.

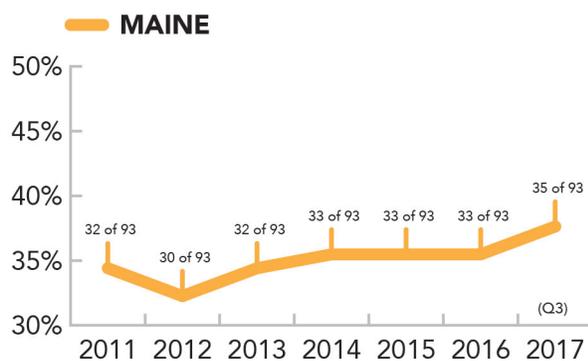
Overall Diversity

Maine has improved in the diversity of company specializations, although not significantly. Location Quotient of less than 1 implies that the area has a less than proportionate share of employment in a particular industry, whereas Location Quotient greater than 1 implies a greater than proportionate concentration of employment. So, a geographic region with multiple industries with LQs greater than 1 is a region with more economic diversity. Maine continues to be far behind the rest of the nation in harnessing the skills and entrepreneurial spirit of new immigrants.

How Can We Move the Needle?

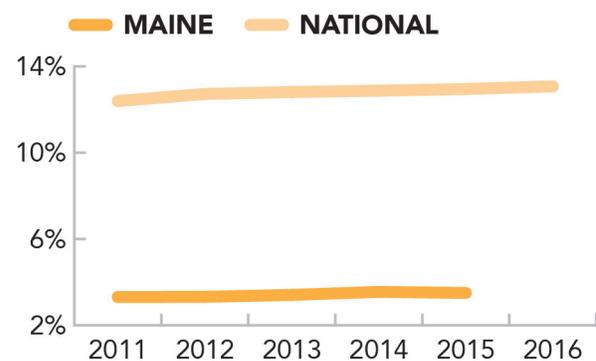
- Build programs and supports that intentionally diversify participants, including focusing on: location, urban/rural, sector, male/female, age, skill sets, recent immigrants, etc.
- Support and welcome in-migration.
- Create programs and conditions favorable to economic mobility.

Location Quotients Equal or Greater Than 1



Source: U.S. Bureau of Labor Statistics

% of Population Foreign Born/Immigrant



Source: U.S. Census Bureau American Community Survey

CONNECTIVITY

What is Connectivity?

A vibrant entrepreneurial ecosystem is not simply a collection of isolated elements—the connections between the elements matter just as much as the elements themselves.

Entrepreneurs move through an ecosystem, piecing together knowledge and assistance from different sources. The most successful entrepreneurial ecosystems efficiently deliver the right support to a company when and where it is needed most. The connections between the various components of the ecosystem are critical to this efficiency.

Overall Connectivity

While connectivity between and among Maine organizations supporting entrepreneurs has steadily improved, data indicates that many entrepreneurs only find one or two resources, despite regular communication among MxG partner organizations. Maine would do well to further improve systems that help entrepreneurs navigate the various networks of support.

How Can We Move the Needle?

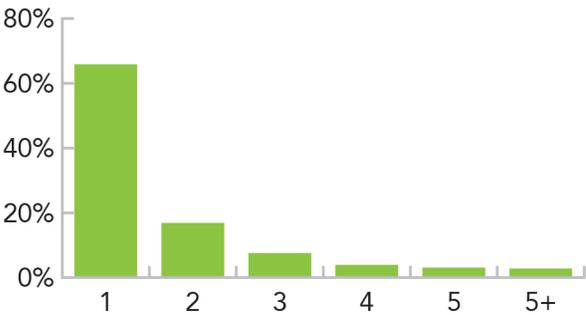
- Improve platforms that connect entrepreneurs to the right resource at the right time.
- Connect programs to increase efficiency regardless of the individual’s network or background.
- Encourage first-generation organizations and companies to support spin-off activities and talent.
- Increase the number and quality of investors who open their networks to multiple Maine-based startups and invest in multiple Maine companies.

Companies Touched by 1 or More MxG Partners



Source: Compiled directly from participating MxG partners

Number of Different Touches from 2011-2017 by 1 or More MxG Partners



Source: Compiled directly from participating MxG partners

