Kansas City

Deep in the Heartland—at the Heart of Everything

Kansas City, Missouri is renowned for its mouthwatering barbecue, classic jazz, and its World Series winning Royals. But increasingly, it’s also gaining a reputation as an emerging epicenter for startup formation and incubation.

“Kansas City is really on the rise as an entrepreneurial ecosystem,” says Drew Solomon, senior vice president of business development for Economic Development Corporation of Kansas City, an agency that works with city, state, and local resources to bring new businesses to the city.

And while locals say the area has always been welcoming of startups (this is the Midwest, after all), it’s clear that the efforts to help entrepreneurs thrive have intensified since 2012, when Google Fiber announced it would launch its ultra high-speed network there.

“Having a company the caliber of Google choose the Kansas City region after evaluating more than 1,300 markets gave us a tremendous amount of confidence,” says Solomon.

Now, five years later, Kansas City’s entrepreneurial landscape is growing exponentially.

- **STARTUP VILLAGE** A residential neighborhood that converted into shared workspace for about 25 startups also marks the site of the first fiber installation.
- **LAUNCHKC** A $500,000 city-supported business model competition draws applications from entrepreneurs from all over the globe.
- **ACCELERATOR PROGRAMS** Including Techstars, several new programs have established themselves in the area, as have a growing number of angel and venture investors.

On measures like startup density and percentage of new entrepreneurs in the population, Kansas City has become one of most-improved metropolitan areas in the Kauffman Foundation’s ranking of 40 U.S. cities, jumping from #29 to #18 in 2015 (the most recent year data are available).

According to Cowden, the momentum is increasingly drawing larger companies looking for an innovative edge to relocate to the area, with Virgin Mobile USA and AutoAlert two recent HQ relocation examples. “It’s fair to say they’ve been blown away by the quality of the talent pool here,” he adds.

What makes the city so attractive? We look at five key factors that have contributed to this Midwestern renaissance.

- **Kansas City is really on the rise as an entrepreneurial ecosystem,” says Tim Cowden, CEO of Kansas City Area Development Council, which helps attract businesses to 18 counties across Missouri and Kansas. Besides the actual advantage of faster Internet connections, having a company the caliber of Google choose the Kansas City region after evaluating more than 1,300 markets gave us a tremendous amount of confidence.” It also provided “confirmation that we knew this region could compete and win for any level of investment.”

That confidence has translated into innumerable side benefits for the innovation economy as a whole. Now, five years later, Kansas City’s entrepreneurial landscape is growing exponentially.

- **STARTUP VILLAGE** A residential neighborhood that converted into shared workspace for about 25 startups also marks the site of the first fiber installation.
- **LAUNCHKC** A $500,000 city-supported business model competition draws applications from entrepreneurs from all over the globe.
- **ACCELERATOR PROGRAMS** Including Techstars, several new programs have established themselves in the area, as have a growing number of angel and venture investors.

On measures like startup density and percentage of new entrepreneurs in the population, Kansas City has become one of most-improved metropolitan areas in the Kauffman Foundation’s ranking of 40 U.S. cities, jumping from #29 to #18 in 2015 (the most recent year data are available).

According to Cowden, the momentum is increasingly drawing larger companies looking for an innovative edge to relocate to the area, with Virgin Mobile USA and AutoAlert two recent HQ relocation examples. “It’s fair to say they’ve been blown away by the quality of the talent pool here,” he adds.

What makes the city so attractive? We look at five key factors that have contributed to this Midwestern renaissance.
New Takes On an Enduring Legacy

Kansas City is also the birthplace of some of America’s most iconic brands, including Hallmark Cards (launched 100 years ago), Russell Stover Candies, and H&R Block. More recent additions include Cerner Corp and Garmin.

Many modern entrepreneurs draw inspiration from these business cornerstones. “The mindset here is not to build a company so you can exit in three to five years; the ethos is more about building enduring legacy companies,” says Chris Costello, a Kansas City native who in 2013 co-founded Blooom, a digital advisor for 401(k) funds, with college friends Kevin Conard and Randy AufDerHeide in Overland Park, KS. “We are a world-class city with Midwestern values,” says Sly James, mayor of Kansas City. “It’s the perfect blend for anyone looking to bring their ideas to life and build a successful company.”

Ewing Kauffman, who founded a thriving pharmaceutical company as well as the eponymous foundation, is yet one more example of a successful Kansas City entrepreneur, one who has used his fortune to support the local business community. “We do an awful lot of work here, because he wanted us to give back to the community that he got so much from,” says Guillies.

Coffee, Cash, and Community

Kansas City is bustling with community programs dedicated to helping entrepreneurs get a leg up, many of them launched in the past few years. Often, it’s a testing ground for ideas the Kauffman Foundation wants to take national. A recent example is the 1 Million Cups program which invites entrepreneurs to meet for a cup of coffee, listen to one or two colleagues make short business presentations, and offer feedback on what they hear. Kauffman has worked to reshape the nature of entrepreneurship, and, ultimately, America’s economy. The Kauffman Foundation is proud to be part of this heartland renewal.

We listen to entrepreneurs, work alongside them to remove the barriers that slow them down. And, we’re working to build the ecosystems that help more people start and grow businesses.

Start in the Middle

The middle of the country is taking an uncommon approach to reshaping the nature of entrepreneurship, and, ultimately, America’s economy. When you start in the middle, you get there faster.
A City Of Givers

Entrepreneurs in Kansas City can’t say enough about how generous the business community is when it comes to taking meetings, networking, and otherwise helping each other out. “The mindset is ‘what can we invest in our city to make it take off?’ rather than ‘What am I going to get out of this?’” says Bo Fishback, a serial entrepreneur who recently moved his company, Zaarly, from San Francisco to Kansas City.

Fishback, who became a board member for Blooom in 2015 through such eclectic networking, considers this mindset “the secret sauce” that led to Silicon Valley’s success.

Likewise, Faruk Capan counts finding a local mentoring group – Helzberg Entrepreneurial Mentoring Program (HEMP) – as one of the best things to happen to him soon after he started digital pharmaceutical marketing firm Intouch Solutions in 1999. In keeping with the spirit of giving back, HEMP was founded by Barnett Helzberg, a successful businessman who was inspired by his own experience being mentored by Ewing Kauffman.

“When you are a start-up, you think you are unique and alone, but when you meet with others, you realize you all have the same problems and you help each other solve them,” says Capan, who originally came from his native Turkey to Missouri for an education. His company has now grown to 700 employees with average annual revenue growth of 25 to 30 percent.

Such free and easy conversation can also lead to great business opportunities: Blooom, for one, counts large local companies such as Cerner and AMC as some of its first customers for the corporate version of its service.

Low Costs, Big Benefits

Along with all the business reasons, Kansas City is attractive for another very basic reason: it’s a nice place to live.

For starters, there’s a thriving arts and sports scene, with hip new coffee shops and breweries popping up all the time. Even better, office space in the Kansas City area can be as little as half the cost of other major cities, and labor costs are also below big-city averages, says Capan. That helps his firm stay competitive with New York-based rivals. Yet Capan still finds good – and loyal – talent coming out of local universities; he hires many of his 30 to 50 summer college interns each year for permanent positions.

Housing is also affordable, commutes are short, and the city has an excellent school system.

“People have discovered what a wonderful place this is to build a career and a life,” says KCAdC’s Cawdren. With a median home price of $179,200 at the end of 2016, Kansas City was well below the national median of $235,000, according to the National Association of Realtors.

On the Money

Historically, there had not been a strong local venture capital presence. “You’d see a lot of Kansas City companies raising money on the coasts, because they couldn’t get it here,” says Rohr of SquareOffs. But now, even that is changing.

With a growing number of angel and venture groups in the area, KCSourceLink counted $752 million in available capital for early-stage Kansas City companies in 2016—nearly four times its 2013 tally of $193 million. The recent sale of former StartUp Village denizen EyeVerify, Inc. – funded in part by Kansas City-area investors ThinkBig Partners LLC and Flyover Capital, among others – to Alibaba-owned Ant Financial Services Group for a reported $100 million may well result in more local investments.

Such exits “help fund the next crop of companies and brings awareness to folks who might not otherwise fund startups,” Rohr notes.

The Kauffman Foundation is also increasing resources to help local VCs learn from those in Silicon Valley and elsewhere.

“There’s a lot of growth momentum, and it’s hard to pinpoint one thing” that’s driving the renaissance in Kansas City, says Guillies. “But success begets success.”

Of course, like any other city on the move, Kansas City is a work in progress. “While we have accomplished so much, there is still so much to do,” Solomon notes. “It is critical for our community and partners to be humble and keep striving towards our collective goal of being the best version of Kansas City we can be.”

For more on the companies and organizations cited in this special section, please visit the following:

Intouch
intouchsoul.com
Economic Development Corporation of Kansas City
edckc.com
Kansas City Area Development Council
thinkkc.com
Ewing Marion Kauffman Foundation
kauffman.org