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Entrepreneurship in second tier regions: The case of Kansas City

A small set of metropolitan areas in the United States can be considered second-tier life sciences or technology regions. Kansas City is such an emerging second-tier region. The Kansas City metropolitan area was able to grow a small but specialized knowledge economy because of the presence of large firms and subsequent efforts to strengthen entrepreneurship. This paper presents data on the evolution of Kansas City and highlights the role of entrepreneurship.

The analysis of Kansas City's entrepreneurial community shows, first, that large firms' role as incubators of entrepreneurial startup companies seems to have diminished, and that there are weak connections between existing large firms and entrepreneurial ventures. Second, entrepreneurial exits in the form of mergers and acquisitions have increased and a small number of cashed-out entrepreneurs are reinvesting their funds and becoming engaged. Yet this process seems to be still in its beginning stages. Third, the region's entrepreneurial community does not exhibit strong networking and collaboration. Rather, entrepreneurial ventures and industry connections exist much like "islands of excellence" without strong interconnections. Fourth, although the availability of funding has increased, local entrepreneurs perceive the accessibility and availability of funds—and the capacity local venture investors bring to the table—as limiting factors. At the same time, while the number of investment groups has increased, the investor community is still fragmented and not well connected. Fifth, the energy and collective effort to improve the Kansas City entrepreneurial community has increased and strengthened significantly since 2006 when a similar study was conducted.

Various groups and organizations have ensured a thickening of the entrepreneurial support infrastructure in the form of creation of incubators, establishment of financial incentives to invest in entrepreneurial ventures (i.e. angel tax credits), and the addition of effective mentoring and networking events. Yet the analysis of the data shows that Kansas City faces the drawbacks of a region characterized by organizational thinness in the form of weak endowment of firms and organizations that can fuel the entrepreneurial pipeline and a lack of interaction and networks among key members of the entrepreneurial community, which keeps the entrepreneurial economy fragmented. To overcome organizational thinness and fragmentation, this paper suggests focusing policy efforts on connecting key actors in the entrepreneurial economy such as existing large firms, entrepreneurial ventures, universities, and funding and mentoring organizations.

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