

MAIN STREET MONTANA PROJECT

A BUSINESS PLAN *For Montana by Montanans*

Innovation and Technology Kick-Off Meeting

October 29, 2014

10:00 AM-3:00 PM

Welcome and Introductions by Co-Chairs

Jason opened the meeting and thanked everyone for attending. Introductions took place around the table.

KIN Members Present: Jason Corbally (Co-chair), Don Beeman (Co-Chair), , Chris Dimock, Kevin Davis, Curt Jacobson, Mike Knauf, Larry Johnson, Tom Stergios, Chris Nelson, Kathy Boelter, Chad DeLong, Bob Clay, Phillip Curtiss, Brett Baker, Walter Wunsch, Jeff Trom, David Taylor, Lance Trebesch, David Vap, Diane Smith (phone), Sherri Davidoff (phone),

Additional Attendees: Clayton Christian (Commissioner of Higher Ed.), Cindy Orser, Elizabeth Baker, Neil Moisey, Erik Rose, Scot Whittenberg, Patrick Barkey, Dave Desch, Mark Young, Jim Molloy, Mae Nan Ellingson, Michaela Wolfinger, Audrey Wooding, Christina Henderson, Davey Madison, Lindsey Woolsey

Overview of the Governor's Main Street Montana Program

Jim Molloy gave a brief presentation on the Main Street Montana Project and its background.

Commissioner Clayton Christian noted the importance of aligning business and education needs throughout Montana. The University System has a renewed focus on research to assist in growing the economy and create jobs in Montana and assist in the industry sector. Main Street Montana has provided a framework to reach these goals and to better align education, government and the private sector.

Setting the Context

Pat Barkey presented on measuring innovation and economic growth in the Montana economy. He noted that there are more private firms folding than starting up. The US Economy is starting to look more like Europe. Only 2% of the companies in the economy are hi-growth; yet, they account for 35% of the job gains. Connection between job growth and SBIRs is mixed.

- C. Dimock asked about the focus of business incubators. Universities around the country have very strong business incubators. Is there a general sense about if those are a good investment or not?
 - Dr. Barkey responded that we have to be aware of the fact that the person who is the incubator does not want them to be successful. There are some outstanding examples of success, but in some cases the incubator is claiming credit that is not really due to the incubator.
- T. Stergios commented that we need to focus not on innovation for innovation sake, but **successful** innovation
- Commissioner Christian noted that when we look at universities that have truly invested in R&D we see success, as a country we think we invest and promote innovation, but we need to truly invest in R&D

- L. Trebesch asked if there is any data that ties innovation and growth to demographics
 - Dr. Barkey answered yes. The current demographics are effecting innovation because successful entrepreneurs tend to be around 40, and we don't have as many 40 year olds

Around the Table: What is the one thing that the State of Montana or the Montana University System could do to help you grow your business?

- Jason Corbally: Lack of project managers-can't find project managers coming out of the MUS who are as effective as he would like them to be. It is not necessarily an innate skill everyone has. The teaching and development of these skills are not visible in the curriculum of the universities
- David Vap: Technology tends to cluster and we have the seeds of a center of gravity in Bozeman, so the whole community needs to rally around this including the university system; There needs to be a school of computer science and it needs to be funded sufficiently
- Lance Trebesch: Incentivize, encourage, and support broadband; Currently broadband is at the bare minimum; Those who are underemployed in small towns need to be connected with better broadband, so that they can access the high paying jobs; the lack of broadband is a conduit issue effecting multiple areas: healthcare, education, and businesses
- David Taylor: Need to grow the alternatives and opportunities in industry. Individuals he wanted to higher were from large urban areas, particularly back east, but they did not want to come because they were aware of the high turnover in clinical trials field and there are no alternatives for them if they lose their job; they were hesitant to relocate and not have any other options, not enough of an industry
- Jeff Trom: Need more people; we would hire them if we could find them; Need to more actively recruit people from out of state (ex. internet ads targeting people from specific areas (silicon valley), have a portal that they can funnel individuals to); elevating the CS program to a school; get creative about the classes we are putting out and what is really important in the CS department, forget about traditions and do what really means something to us
- Walter Wunsch: Lack of foundational education in critical thinking; Need classes that teach developing critical thinking skills; broad based education is needed to develop creativity
- Brett Baker: Networking across different areas of innovation can be helpful; need investment for early stage companies (biotech), there is not an active investment community, the state could incentivize the development and attract investors through tax incentives or other means; need venture capital or angel network, active network of people in investment community needed to grow investment
- Phillip Curtiss: There is not a huge amount of research activity in our university system; students that graduate don't have a lot of practical experience in solving real world problems; more research opportunities for faculty are needed

- Bob Clay: Need talent, it is difficult to grow that talent- the internship system is not conducive to growing talent; it is difficult to allocate resources to train college kids to make them functional in their environment; there is a cultural difference in how we view internships: getting experience or training future employees?
- Chad DeLong: Need to redefine public/private partnerships
- Kathy Boelter: Need to get kids into the programs and come out with skills that are useful to employers; there are difficulties with retention and incentivizing them to stay in the state because wages are not competitive
- Chris Nelson: Need to offer more night and weekend classes for higher degrees and continuing education opportunities, there is pushback from faculty to work those hours, but some of his employees are willing to teach the requirements if the University would partner; better collaboration with local government is needed, many barriers in local government exist
- Tom Stergios: Need an immediate alignment of companies working with the universities to improve the curriculum, there is a lack of talent in project management
- Larry Johnson: Need access to qualified people; better support is needed at the graduate level and two-year colleges
- Mike Knauf: Need people with project management skills, it is difficult to find this in Montana; better access to air travel and transport as a whole
- Curt Jacobson: Need more people with more rounded backgrounds coming out of the university system, they are currently lacking in communication skills, project management skills, etc.
- Kevin Davis: The state and university can open its doors to Montana businesses, it is difficult to win contracts from the state and university system, they are losing out to large out of state competitors
- Chris Dimock: Need for private capital possibly tied in with an incubator to help with ideas coming out of the university system; meaningful tax credit given to people relocating into Montana with specific degrees; need to promote two-year education, a more unified system is needed, the nature of the system is structured around getting a 4 year degree, making it difficult to get into the system- credit articulation agreements add to this problem
- Sherri Davidoff: Need project management skills, there is a lack of access to qualified people; relocation assistance to higher qualified staff from out of state, need local programs to build hi-tech talent; could look to offer a cyber-security certificate through the university
- James Stephens- Need to set up some kind of program (competitive like a grant process possibly) to provide funding for feasibility analysis and possibly other technology transfer activities like pilot programs or market segment testing on University developed technologies

SWOT Analysis

Strengths: quality of life; big sky; frontier spirit; Montana work ethic; private/gov. partnerships; tech leader

Weaknesses: small thinking; tech infrastructure; talent; climate, quality of life (this is a generic term), the lifestyle is not for everyone; lack of funding and investment; start up work ethic (has to be taught); funding mechanism for higher education is not nimble enough; transportation infrastructure, specifically air

Opportunities: networking between industries; ability to identify sectors of the economy, enough activity in these areas, working to achieve critical mass within these sectors; software is changing each and every industry, ecosystem around software, consulting, etc.; changing demographics- Is there a changing demographic in America that will make Montana and the lifestyle more attractive to more people? Perhaps younger generations are more attracted to the lifestyle; marketing plan for a targeted market, we are small enough to be nimble; create better mechanisms to connect money with the entrepreneurs; increasing the research experience

Threats: cost of higher education; lack of broadband-Montana is not keeping up with the need, cost of access as well; losing talent to out of state or larger companies, "brain drain"; entrenched culture of ag, forestry, and mining is against technology; trying to be everything to everybody

Prioritizing Issue Areas and Actions across 5 Pillars

Pillar 5: Nurture Emerging Industries and Encourage Innovation

- *Successful* innovation.
- Need help with marketing of new technologies, many good ideas are failing because of terrible marketing
 - The state can help market, but they can't sale
 - State markets a lot of money to tourism, but do not include the business and technology sectors
 - State is positioned to market the business message with the outdoor tourism message
 - Oracle moving into the U.S. is a big deal that the rest of the U.S. should know/understand
 - Nobody knows the big "wins"-need to market these as well
 - Not just an ad campaign, content creation
 - What do people from other states/countries think of Montana
 - We output more than wheat and cows
 - Not only an agriculture state
 - People not aware of the lifestyle advantages of Montana-developed a lifestyle blog focusing on the offerings of Montana
 - Can build a message with the help of government and other industries that this is a great place to live
 - Marketing technology is marketing higher paying jobs (opportunity for the state-Tech Tourism); Tourism jobs are typically lower paying jobs
 - Need to focus on specific clusters: software, photonics, biotech (State level politics cause challenges in marketing specific sectors)

- Navigating investment opportunities
 - Aligning access to the money to get the funding necessary
 - Access to commercialization and getting product out
 - Testing the product
 - There is a distinction between market and sales
 - Proving the value of the product to the market- commercial quantification
 - Connecting idea guys with sales guys
 - All these are indicative of not having the right people
- Build an area of critical mass -Montana is lacking in business acumen-there are pockets of it, but we need to build on these pockets to create critical mass
 - *eg.* Software companies in BZN linked with a new School of Computer Science at MSU.
 - *eg.* Outdoor Software Capital of the World
 - Market it as the center to make it the center
 - Marketing needs to be targeted
 - Need to come together as a group, an individual company cannot do/build this
- Why isn't the SOFTWARE Industry listed as a strength area in the MainStreet MT brochure?
- Identify areas for impact and partnership inside cluster
 - Applied research is essential
 - Pick a PROTOTYPE Industry for the State
- Need to prioritize one thing. If you don't prioritize one you prioritize nothing
- Need to find a way to measure success

Pillar 2: Create a Climate that Attracts, Retains and Grows Business

- Broadband-technology infrastructure
 - Broadband everywhere is unrealistic (too expensive-need to pick a starting point)
 - Community by community project
 - Chicken or egg problem
- Clusters develop because you have applied research at University level, Montana is an oddity, backed into these clusters through the economic avenue, but university support is necessary to sustain the cluster
- States can't recruit successful companies, but can attract them
 - Should you give tax credits to individuals who relocate and fill a need?
- Need to create an Angel Investor climate
 - Leverage a "closing" fund at the State level
 - Network and organize Angels
 - Tax credits Look to Arizona or Jackson, WY
 - Can tweak the capital gains to attract angels
- Flexible money at the state government level

Pillar 4: Market Montana

- Better utilize the Montana Ambassadors program
 - Tie in University Alumni system
- Market job opportunities for spouses
 - Economically MT is more successful than many other places (lower unemployment rate, budget surplus)
- Closing education and wage gap
- Lack of diversity in Montana is an issue
- Who are we marketing to? People or companies?

Pillar 1: Train & Educate Tomorrow's Workforce Today

- Montana is a lower wage economy
 - One view point: Wage issue doesn't need to be addressed, it will solve itself
 - To recruit and retain talent we need to be competitive at a national level
- Not enough qualified applicants
- How to build the labor pool:
 - Refocusing the university and programs tailored to what industries we are prioritizing
 - Mentoring high school students
- Utilize community college systems to train the workforce
 - Short term certificates around specific skills, start with 80 hr certification programs
 - Two year colleges should be teaching java script, Sysco, etc. -these people may not be cut for a 4 year computer science degree, but can be successful with these other opportunities
- Apprenticeships- two-year not one semester
 - MUS needs to allow two year apprenticeships
 - German apprenticeship 3.5 years
 - There are no formal apprenticeships at the university level
 - Internships at the high school level and apprenticeships at the college level
- Difficult to effect the curriculum at the university level
 - Edulog example-had to show that so many students would be taking the class before it could be offered
 - Industry leaders should be the one teaching these courses, can do it better than the university
 - Better connection to the Universities
- Stealing employees from one another-don't have enough people-more companies would be beneficial as a whole still to grow past that critical mass
- Can work together and share the pool of laborers
- State does not help in retention-their role is in building the labor pool
- Short-term and long-term gains-university system is a long term gain, can't be done immediately

Pillar 3: Build Upon Montana's Economic Foundation

- Not channeling the accolades MT receives into the tech sector

Where Do We Go From Here?

- These things should not be a yearlong effort-see if they work or fail and move on to another quickly
- Discussions with the Governor and Commissioner of Higher Ed are two very different things, shouldn't be lumped together
- Do not need to have in person meetings-we are innovation and technology
- Need to separate near and long term strategies and tactics
- Create work groups to focus on specific tactics
- Jason will set up a blog that will allow the group to ask questions and post thoughts that did not get answered
 - NO EMAILS
- Would like some from this KIN to engage in the broadband KIN
 - Need to identify some short term tactics and strategies to engage the upcoming legislature