**Urban Evolution Podcast – Neela Mollgaard**

Bill Von Bank:

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Neela Mollgaard:

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Bill Von Bank:

Welcome to Urban Evolution, a podcast about harnessing creativity and innovation to transform communities. I'm your host, Bill Von Bank. In Minnesota, a new initiative is providing a launching pad for entrepreneurs. Launch Minnesota is a pilot program that is fostering an innovative ecosystem across the state and is helping to get capital in the hands of startups. Over the past two years, Launch Minnesota has provided several millions of dollars in grant funding for early-stage startups. Today, I'm joined by the executive director of Launch Minnesota, Neela Mollgaard, who has been a leader at the local and state level helping entrepreneurs as they start and scale their business. We discuss Minnesota's commitment to the startup community and why entrepreneurship is a key part of the economy and needs greater focus. Neela Mollgaard, welcome to the Urban Evolution podcast.

Neela Mollgaard:

Thank you, Bill. It's great to be here.

Bill Von Bank:

Neela, share with us your career journey and your current role with Launch Minnesota.

Neela Mollgaard:

Yes, I'm the executive director of Launch Minnesota. We are trying to create an environment to support entrepreneurs and foster tech startups with a goal of fostering an innovation ecosystem across the state that will draw global attention and capital and talent. My career has involved bringing people together to change and improve lives and businesses and communities. I've been able to work in the corporate nonprofit and government sectors. I'm truly the happiest when I'm doing good things with good people and I feel happy that my career journey has allowed that.

Bill Von Bank:

Tell us about the founding of Red Wing Ignite in Red Wing, Minnesota.

Neela Mollgaard:

Red Wing, Minnesota was very forward-thinking and had gigabit broadband. Because of that broadband connectivity, we were nominated to be a partner of US Ignite that was started by the White House and the National Science Foundation, so there was a few of us that thought, "Hmm, for a small town with gigabit broadband, a national connection and partnership?" We needed to take a deeper dive into that and see how we could leverage that, so spent about a year as a volunteer looking at Minnesota's ecosystem to see how we could leverage this for our community. I threw my name in the hat to lead that initiative. It was very fulfilling. It really brought a new language to our community, the first time coworking was a thing, a business accelerator, angel investors, all of that, but we really were able to create a model for rural Minnesota that garnered national attention.

Bill Von Bank:

Specific to broadband, such a topic right now, especially with the pandemic and people working remotely and the need for better digital access, and not too long ago, you actually went to Washington, DC, where you were a proponent for broadband talked a little bit about your experience in Washington, DC and broadband and connecting rural America.

Neela Mollgaard:

Right. I testified there to show the need for rural communities to stay competitive and broadband is one of those real essential components. I view broadband as like electricity, everyone needs it, and without broadband, our communities across the state are not going to even be able to stay competitive or be a viable place for young families or individuals to move. We know broadband is our future and we need that now. 2020 proved it, but broadband is going to change the way we teach our kids, we've seen that, how we provide healthcare, we've seen that in 2020, and really, the way we live, and so it's just a needed component that we can now scale other things on top of to foster innovation and entrepreneurship.

Bill Von Bank:

Entrepreneurs need broadband and you're knee-deep in working with entrepreneurs in the startup community in this role with Launch Minnesota, so let's take a deeper dive into Launch Minnesota. When did it form? Tell us a bit about the initiatives and let's just go all-in on Launch Minnesota.

Neela Mollgaard:

All right. Yeah, it's been such an honor to serve in this position. We kicked off Launch Minnesota in October of 2019. The first thing we did at that point was to design grants for those early-stage startups with innovative, scalable business ideas. We were able to fully allocate 1.6 million in that first year and I'll let you in on a secret now: I think we've already allocated the second year of funding in March that were supposed to last till June.

Bill Von Bank:

Wow. The same amount?

Neela Mollgaard:

Mm-hmm (affirmative).

Bill Von Bank:

1.6 million?

Neela Mollgaard:

1.6 million. It's only about 30% of the dollars requested, so it's a highly competitive process and there's a lot more need than we have even dollars for, but really proud, especially over 2020 that we were able to get capital in the hands of our startups.

Neela Mollgaard:

The second thing that we focus on is creating that culture, a collaborative culture, a warm environment for people to be, and so what we did first was developed a hub-and-spoke model that connected six regions and we created eight hubs in over 80 program partners to help our entrepreneurs across Minnesota better navigate the resources and the talent and the individuals that could help them really start and scale. Here in Southeast Minnesota, we have the E1 Collaborative that's comprised of almost 20 different organizations. Destination Medical Center is part of that, so that's been fun to see just that growth of communities and regions that work together knew each other but now purposefully connect to serve our entrepreneurs.

Neela Mollgaard:

Then third goal of ours was to increase the talent of our entrepreneurs and their expertise, and so we work with our grant partners then to provide lean startup training and mentoring, and really-

Bill Von Bank:

Education.

Neela Mollgaard:

... education, lean startup education, and really now, building better on-ramps to the expertise they need.

Bill Von Bank:

Neela, you're creating this really cool network of collaborators across the state. In this role, that must be really satisfying.

Neela Mollgaard:

It is very satisfying and I think it's very unique for what we've created for our state. It's a first-of-its-kind hub-and-spoke model, and it doesn't come without challenges, but we know that we are stronger together. The African proverb, which I use frequently, says, "If you want to go fast, go alone. If you want to go far, go together," and that really is my belief and I think when we're referring to innovation and entrepreneurship and creating this thriving, innovative ecosystem, that really resonates and holds true.

Bill Von Bank:

You talked about the funding. In terms of how many startups those dollars support, how many startups has Launch Minnesota funded?

Neela Mollgaard:

Up until just this last round that we're working on right now, we allocated $2.8 million to 88 unique startups.

Bill Von Bank:

All over Minnesota?

Neela Mollgaard:

All over Minnesota.

Bill Von Bank:

In terms of the funding, what percentage of the grants are supporting targeted population?

Neela Mollgaard:

That's, that's something I'm really proud of. 59% of our grants have gone to targeted-

Bill Von Bank:

More than half.

Neela Mollgaard:

... Yeah.

Bill Von Bank:

That's great.

Neela Mollgaard:

How we define targeted populations are women, vets/veterans, BIPOC/people of color, and those founders living in Greater Minnesota. That's how we define that 59% of targeted businesses.

Bill Von Bank:

With regard to Launch Minnesota, it is a two-year pilot, so can you give us a status report on the success? Obviously, you've provided a lot of funding to a lot of startups. Overall, give us a annual report on Launch Minnesota.

Neela Mollgaard:

You're correct. This was originally developed as a pilot. I'm so pleased at the progress that we've been able to make across the state with our partners. The legislators have a lot of demands right now, but this is what we've done on a high level. 92% of our startups that we've surveyed said that their technology and their business has moved forward. Also, we've really leveled the playing field. We've been able to increase access and opportunity to funding to those all across Minnesota, especially those that are underrepresented, and we've amplified the story of Minnesota in the local cities, in the regions, the state, and nationally. The latest stat was about 75 million in our reach, in our efforts in just that first year

Bill Von Bank:

As you look forward, because Launch Minnesota is a pilot, will there be additional years added on?

Neela Mollgaard:

I certainly hope so. I feel like we would have the return on investment and the return on involvement that's needed. It is right now in the governor's budget for the same funding we had for the first two years. We, I think, have proven that we've delivered and we've also proven that there's a great need in Minnesota. I would say we'd even need more dollars and we know there's so much demand that our legislators are hearing that renewed funding will be really grateful.

Bill Von Bank:

Are there any pockets of greater Minnesota that have seen a big explosion in startup businesses? Can you pinpoint a few examples?

Neela Mollgaard:

Well, of course, Southeast Minnesota have had a lot of traction, so that's been fun to see a lot of our grantees are coming from this region. The other tracks that we've seen, though, is truly in all the regions that now they have a more purposeful focus to work together to find those innovators that are solving some big problems. But no, we've seen a lot of great traction from the startups and entrepreneurs here in the Rochester area in Southeast Minnesota.

Bill Von Bank:

Is there a startup success story that you could share? You probably have many.

Neela Mollgaard:

Yes, it's very hard for me to pick one or two. I love hearing the stories from the founders when I talk to them. I have had a few recent conversations. One was Nanodropper. That's from Rochester and they continue to scale. They've been able to get into more and more clinics. They were actually able to hire a full-time employee. Another one was Cytotheryx in Rochester and she is on the final Series A funding and has gone to production and is getting some new offices here in the Rochester area for expansion. Sherpa has made progress. They now have a partnership with Explore Minnesota and the Mall of America. I met them when they just had that first idea, and now to see where they are today, it's just been great to see their continued traction.

Bill Von Bank:

Sherpa is a new tourism platform which really help people learn about the communities from the people who know them best.

Neela Mollgaard:

Right, these self-guided adventures.

Bill Von Bank:

Exactly. How do cities intent upon attracting startups begin that process?

Neela Mollgaard:

Cities need to do what our state's doing. We need to draw attention. We need to show that this is a commitment. We need to understand that this is needed in our economic recovery. They also need to show residents that these entrepreneurs, these innovators are solving big problems to help them, and so I would have them emulate what we are doing at the statewide level, which is best practices and founding research. They need to not only say it's important, but put money behind it. They need to bring people to the table to support those businesses and entrepreneurs and make their journey easy and they need to work collaboratively to create that density to provide that talent and education and mentoring that's needed.

Bill Von Bank:

You're setting the example for communities at large.

Neela Mollgaard:

Yes, and the nice thing with our Launch Minnesota network that's now comprised of over 80 program partners, they're learning from each other, so these regions are customizing their strengths and providing some regional aspects, but yet on a regular cadence, we talk, and they can learn from other regions, and then they can also pull on statewide best practices.

Bill Von Bank:

I think that collaboration is so key, especially now, because one of the things I've heard more than once is that being a startup can be lonely, and now during COVID, that's probably created more isolation. Can you speak to that and how that can be changed so that there is more collaboration and there is more help and support for startups?

Neela Mollgaard:

Yeah. Well, first of all, it's great that the mental health component of entrepreneurship has been called out and acknowledged. I think one, that's really helped our entrepreneurs just identifying that that's a concern. Makes them feel less lonely, right? But the collaboration piece, I mean, we were pretty purposeful with that in our Launch Minnesota grant. We have $450,000 for the whole state. We could have just kept that and said, "Okay, anyone apply," but my belief is, if you always do what you've always done, you'll always get what you've always got, and so we really encourage regions to come together, look outside of their organization, look outside of their city to really build on their strengths so they could provide that full spectrum of services for entrepreneurs and really play off everyone's strengths, which will only help the entrepreneur.

Bill Von Bank:

What are some trends you are seeing in the startup community right now?

Neela Mollgaard:

Well, for sure, perseverance. The trends that I've really seen are... It depends. Every sector is a little bit different. For our investors, the trends I'm seeing with our investors is it's more than just a paycheck or writing a check to these startups. They're really caring about these startups. They want them to be successful. They're offering office hours, they're offering education. It's beyond just wanting them to provide that check. They want to make sure that they can also provide some of that mentoring before that first check is made, so it's really, I'm seeing more of that impact investing. I'm also seeing that communities, no matter what size, are really focused on entrepreneurship and I think now truly believe that this is a key part of our economy and something we have to continue to focus on.

Bill Von Bank:

Has that been daylighted because of COVID?

Neela Mollgaard:

I think in our history shows in recessions, this is really when new businesses form, and so COVID might've highlighted that. I also think there's just more education out there about it and there's more effort.

Bill Von Bank:

You've been involved at a local level and now the state level in helping startups grow their business. Aside from the obvious, funding, what are some of the greatest needs of startups?

Neela Mollgaard:

We ask our startups that all the time, right? We want to make sure that we're listening to our stakeholders and that we're meeting their needs. On the latest survey result that we've had and in our conversations, you're right, funding is top of list and is always there because they do need that capital to launch. Not everyone has the family and friends that can provide that.

Bill Von Bank:

Which is usually the starting point, family and friends.

Neela Mollgaard:

Mm-hmm (affirmative), correct. But after the funding, connections are really a priority. I would say over a third wanted us to help them with connections. That could be to investors, that could be to service providers, industry experts. Then the other piece was collaboration, just like your prior question asked. They wanted to figure out how this whole ecosystem works in Minnesota and that was maybe about a quarter of the responses were that and so I feel very validated that the work Launch Minnesota is doing and the work our partners like Destination Medical Center and others are doing are meeting their current needs.

Bill Von Bank:

Minnesota can compete with talent and innovation, but access to capital has been a challenge. What needs to change to bring more capital to the market?

Neela Mollgaard:

We have already seen in 2021 an increase in our calls and our connections to investors across the coast and in the Midwest. What we need to do is continue to incentivize action. The role of us as government is to fill those gaps and we're trying to do that, one, through our angel tax credit. We're incentivizing investment and those investors get 25% back credit to reduce that risk of investment and our grants to incentivize new business creation. But I think the main thing we do to increase capital is education. Individuals in Minnesota need to know this is a new way of giving, that they are launching new technologies, growing businesses, growing communities. In some of the research that we did earlier, we estimated there's at least 40,000 accredited investors that are not actively engaged in our ecosystem.

Bill Von Bank:

In Minnesota?

Neela Mollgaard:

Mm-hmm (affirmative). Yes, so education is key to let them know that this is a viable option and with multiple benefits, right, to not only their communities, but our state's economy.

Bill Von Bank:

You undoubtedly have been tracking how the pandemic has affected the startup community. We talked a little bit about the isolation that it can bring. What are some other impacts of the pandemic in the startup community that you've seen and potentially how it has affected any venture capital funding?

Neela Mollgaard:

Yes, our startups have faced a lot. During the pandemic, I have seen so much grit and tenacity, it's incredible. We know the key to our recovery is to still double down, hit the gas pedal, and focus on our entrepreneurs in our startups. We've seen different sectors be impacted differently, but when regarding specifically to venture capital, in early 2020, yes, people were not investing as much as they had. They were playing it a little safe, but we ended 2020 in a record year. They received 1.8 billion in venture capital investments. We created new venture funds. We saw new venture offices land in Minnesota, and actually, we rank 12th in the nation, our state does, and second in the Midwest, so I would say we saw that tenacity in 2020 in our venture capital community. We were able to far outsee some of the expectations.

Bill Von Bank:

Despite the pandemic, you would say 2020 was pretty successful?

Neela Mollgaard:

To see how our startups persevered, to see how our entrepreneurial support organizations pivoted, to see how our investors really, like I said earlier, cared about the success of these startups and really wanted to nurture them and provide any insight they could. Everyone in this ecosystem was really trying to play together to work, to see the success of these entrepreneurs, so yes, I think it brought us together. I think there's a common goal, a shared vision, and resiliency. We saw resiliency and compassion in 2020 and I think that will help us today and into the future.

Bill Von Bank:

Minnesota is home to Mayo Clinic, Medtronic, and so many innovative companies and so many innovations. Is the state just a bit too humble at times and should Minnesota be louder and prouder?

Neela Mollgaard:

Definitely need to be louder and prouder and we are humble in Minnesota, so that's really what we need to continue to do. I mean, really, if you look at our past year-and-a-half, we've built the infrastructure. We've developed grants and got dollars out the door and created this hub-and-spoke model across Minnesota. Now, we need to even be louder about what our innovators offer and what our startups are doing and the great, tremendous resources and talent across Minnesota. We've started, like I said. We had a pretty good reach in our first year, but yes, we have to be louder about it. We have so much to be proud of and people need to know what we offer here in Minnesota.

Bill Von Bank:

Are there any ideas you have to be louder and prouder? I mean, some of them are probably as basic as knocking on the door of some national media.

Neela Mollgaard:

Right. We're starting efforts with all of that. I mean, media plays a huge role in local communities across the state and nationally. It also is through partnerships and relationships. We're definitely being very purposeful with meeting people, not only in our state's ecosystem when you look at our investor community and higher ed and private sector, but we're doing that also outside of Minnesota.

Bill Von Bank:

One example of being loud and proud is a recent award that Launch Minnesota won. Can you talk about that?

Neela Mollgaard:

Yes. We're really excited. On behalf of our Launch Minnesota network, we submitted an application for the SBA, the United States, small business administration for their Super Connector Award. They find that a connected and coordinated ecosystem is beneficial to entrepreneurship. Of course, we also believe that, so we submitted the application and we were one of four initiatives across the state to receive the Super Connector Award, which for being one of the newer initiatives around the nation, really proud of that, proud of our partners for helping us submit that application, and I think it does show that our efforts are being noticed and that we're doing the right things for Minnesota.

Bill Von Bank:

Fantastic. Congratulations.

Neela Mollgaard:

Thank you, Bill.

Bill Von Bank:

As you see the growth of startups, especially after a year of COVID, what inspires you about Minnesota's entrepreneurial community?

Neela Mollgaard:

It's its people. It's its people. I think that's Minnesota's value proposition is our people. Our startups care about the problems they are solving. Yes, they want to have a profitable business, but they care about what they're solving, that they're solving cancer, that they're teaching children how to learn better, how they're helping with financial health. You can tell that passion that they have and to our entrepreneurial support organizations, they also want to see the success of these businesses in their community, and so I think it's the passion, the commitment, the perseverance that I've witnessed. It's really been an honor to be in this role and really see the character of all of these individuals and businesses. It's very rewarding.

Bill Von Bank:

Neela Mollgaard, this is a great conversation. I really enjoyed learning more about Launch Minnesota. Thank you for being our guest on Urban Evolution.

Neela Mollgaard:

Thank you, Bill. It's always good to connect.

Bill Von Bank:

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