

Senate Small Business and Entrepreneurship Committee
Field Hearing
Fargo, ND
July 2, 2015
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Thank you for the opportunity to be here. My name is Jake Joraanstad. I am the co-founder and CEO of Myriad Mobile. We are a mobile software development, design, and consulting firm born and headquartered in Fargo, North Dakota. We were founded in 2011 while I, along with my business partner, Ryan Raguse, were still undergraduates at North Dakota State University. I am here to talk about the needs of the startup community in Fargo and North Dakota. I will talk about my experience starting Myriad Mobile, the programs we used to help scale our business, and ideas that may help future entrepreneurs or startups.

In addition to my duties at Myriad Mobile, I also helped found Emerging Prairie, a digital-media company committed to informing, connecting and activating the entrepreneurial ecosystem in Fargo, ND, and the upper great plains. With a primary focus on startups, technology, and innovation, we operate an online publication that highlights the entrepreneurs, creatives and innovators shaping our region's future. Emerging Prairie's goal is to provide information and fresh ideas because those ingredients are the accelerants of growth and development. We hope the information we publish helps spark development so our region can create, attract and grow the businesses today that will create its tomorrow.

For the first two years in operation, Myriad Mobile was self-funded. We were a small team with a handful of clients. All expenses could be paid through project work. Keep in mind, we were employing college students at a significantly lower pay scale. We were getting by just fine but we knew the technology service we were providing was valuable for businesses. In 2013, we decided to scale up our company. In order to scale, we needed an infusion of cash. Startup costs were not something that could be covered by project work alone. We did find several programs that helped us in our early startup phase.

Federal and State Programs Used by Myriad Mobile

- 1) *Operation Intern*: This program is funded and operated by the North Dakota Department of Commerce and offers private businesses up to \$30,000 every two years to fund internships in their company. This was a very helpful program in Myriad's early days. It made hiring interns very simple and allowed us to do internships the right way.
- 2) *Technology-Based Entrepreneurship Grant (TBEG) Program*: This program provides funds to entrepreneurial centers to aid the growth of tech-based business in North Dakota. Myriad Mobile received a project grant in our first year of business. It's been a great program for entrepreneurs in North Dakota. In addition to being a recipient of a TBEG, Myriad has also done development work with four or five businesses who received a TBEG. The funding received from this program has been crucial for businesses just getting started.

- 3) *North Dakota Development Fund*: A turning point for Myriad happened through working with the Greater Fargo Moorhead Economic Development Corporation (GFMEDC). The GFMEDC helped Myriad become a Primary Sector business. Because of that classification, Myriad was able to obtain a line of credit backed by the Small Business Association and the North Dakota Development Fund. The line of credit was crucial to scaling Myriad.
- 4) *Students in Technology Transfer and Research (STTAR)*: The STTAR program provides upper-division students (i.e., juniors through graduate students) in science, engineering, and mathematics with an opportunity to use their academic training and experience to address the most challenging science and technology-based problems faced by North Dakota companies. Although related to the more general cooperative education and internship programs offered throughout the state, the primary emphasis of STTAR is on research and development rather than sales and marketing. The North Dakota Experimental Program to Stimulate Competitive Research cost-shares the student salary.

The Gap

The early stage programs were great. The biggest problem we faced was securing funding to allow us to grow. Without the help of the Greater Fargo Moorhead Economic Development Corporation, we would have had an extremely difficult time getting to our next stage of growth. As mentioned before, the GFMEDC helped us navigate the waters of business classification. Becoming a primary sector business opened the door for funding. How many startups fail because they don't get access to capital soon enough?

Future Workforce Issues

I want to briefly mention the workforce issue that Fargo-Moorhead is currently experiencing. I think entrepreneurs and startups can help solve the issue through new technologies and strategic initiatives. Our region's labor market is tight due to the low unemployment rate and high labor force participation rate. There are not enough workers in the region to fill job openings. A regional workforce study conducted by TIP Strategies found several key findings. One in particular is highly relevant to the entrepreneurial and startup community.

- 1) Currently, our region has over 6,700 job openings. In the next five years, that number is expected to increase to 30,000 job openings.
 - a) One of the strategies identified to help fill the employment gap is to foster the development and adoption of technology-based solutions to meet the demand for low-wage jobs.

There is an opportunity for technology improvements to augment and/or replace human capital, particularly in manufacturing. Whether it's through automation, improved processes, or streamlined operations, technology-based businesses can help find solutions to fill some of the lowest wage jobs.

Ideas to Foster Entrepreneurs and Startups

- 1) *Allow technology-based businesses greater access to capital funding.* Most programs seem to be focused on traditional businesses that have a large amount of assets. Those programs are not helpful to businesses like Myriad Mobile because we didn't have "assets" to loan against. Instead, we had people and intellectual property which are foundations of technology companies. If state and federal programs can't adopt a new way to approach startup funding, a lot of startups will never get off the ground.
- 2) *Partner with private banks to guarantee loans and lines of credit for startups.* Startups are almost impossible for banks to fund without assets to loan against. Eliminate barriers that prevent banks from getting access to federal dollars to back loans. Greater access to funding, especially for technology-based companies, will spur startups at an exponential rate.
- 3) *Expand Operation Intern beyond the North Dakota university system.* Allow students from border states to be eligible for Operation Intern. It could help encourage young people to move/stay in our region. In the next five years, the Fargo-Moorhead region is projected to have more than 30,000 job openings. We need a comprehensive way to help fill the pipeline.
- 4) *Encourage the development of innovative solutions to address the region's workforce-related challenges.* Challenge businesses to foster the development and adoption of technology-based solutions to help meet the demand for low-wage jobs.