

MARKET PERSPECTIVE

Midwest Founders Are Building Quietly, and *Winning*.

While the funding headlines chase the coasts, the data on deal quality, capital efficiency, and exit performance tells a different story about where durable companies are actually getting built.

THE STORY BEHIND THE HEADLINES

The loudest number isn't the *real* one.

Look at Midwest venture dollars year over year and the headline is dramatic. Regional funding fell from \$3.7 billion in the second quarter of 2025 to \$1.27 billion in the second quarter of 2026, a 66 percent year-over-year decline.^[1] Read only that number and you would conclude the region is losing ground. Look one layer deeper and a different picture appears: deal count actually rose, from 105 rounds in the first quarter of 2026 to 114 in the second, a 14 percent increase.^[1] The prior year's total was inflated by a handful of outsized rounds that do not repeat every quarter. What repeats, quarter after quarter, is a steady flow of smaller, disciplined rounds going into real companies.

That is the pattern worth paying attention to. The average Midwest deal in the second quarter of 2026 was \$11.1 million, against a national average of \$74.3 million.^[1] The region captured just 0.90 percent of national venture dollars but 6.0 percent of national deal count.^[1] Midwest founders are not raising smaller amounts because investors have lost interest. They are raising what the business actually needs, at valuations that do not require heroic growth to justify, and building from there.

"The Midwest captures roughly six times more of the nation's deal count than it does its deal dollars. That gap is not a weakness. It is capital discipline, measured in aggregate."

THE REGIONAL SNAPSHOT

Six states, one *pattern*.

Break the region down state by state and the same discipline shows up everywhere, not just in the aggregate. Every major Midwest startup state posted real deal volume in the second quarter of 2026, even in a year when total dollars were down across the board.^[1]

MIDWEST STARTUP FUNDING, Q2 2026		
State	Funding	Deals
Michigan	\$764.49M	15
Illinois	\$238.60M	42
Minnesota	\$91.50M	17
Wisconsin	\$87.03M	12
Ohio	\$51.35M	16
Indiana	\$35.65M	12

Illinois alone accounted for 42 of the region's 114 deals, more than the next three states combined, underscoring Chicago's role as the region's deepest and most active ecosystem.^[1] Zoom out further and the region's underlying scale is easy to underestimate from the coasts: the Midwest carries a combined startup enterprise value of \$666 billion across a population of 69.6 million, with \$9.5 billion in cumulative venture investment and 112 unicorns, 101 in the one-to-ten-billion-dollar range and 11 decacorns.^[2] The region also produces real pipeline, not just outcomes: 1,965 startups are founded annually, drawing on 812 university spinouts and more than 13,300 companies founded by university alumni across the region.^[2]

THE GRIND BEHIND THE WIN

It takes longer here. It also *works*.

None of this comes easily, and founders who have actually raised in the Midwest will tell you so directly. Midwest founders achieve fundraising success, meaning they close at least a partial round, at a 94.1 percent rate, compared with 90.9 percent for coastal founders.^[3] But the path there is longer and more demanding by nearly every measure.

● It takes more meetings

12.5 percent of Midwest founders needed 101 to 200 investor meetings to close a round, compared with just 1.5 percent of coastal founders, roughly an eightfold difference.^[3]

● It takes more time

No Midwest founders in the data closed a round in under one month, versus 11.5 percent of coastal founders. Nearly a quarter of Midwest rounds took more than seven months to close.^[3]

- **It skews earlier-stage**

46.7 percent of Midwest founders' most recent rounds were angel or seed stage, versus 34 percent on the coasts, while just 21.7 percent had reached Series B or later, versus 35.5 percent on the coasts.^[3]

Put plainly: Midwest founders work harder for every dollar and every yes. The founders who push through that longer, more skeptical process are not the ones chasing a story that sells itself in one meeting. They are the ones building something that survives real scrutiny, which is exactly the kind of company that tends to still be standing five years later. A pitch that only works once, in a room excited by momentum, is a different animal than a pitch that has to hold up across a hundred and fifty separate conversations with investors who have seen the story before and are not easily impressed by it.

WHAT THE EXITS ACTUALLY SHOW

Fewer exits. Better ones.

The clearest evidence that quiet building pays off shows up at the exit, not at the funding round. An analysis of startup exits across four U.S. Census regions from 2011 through 2017 found that the Midwest produced the fewest recorded exits of any region in the dataset, yet consistently delivered the highest median exit value and the lowest median capital raised to get there.^[4] On a multiple-on-invested-capital basis, the Midwest outperformed every other U.S. region studied.^[4]

MIDWEST EXIT QUALITY VS. OTHER U.S. REGIONS, 2011-2017	
Measure	Midwest Finding
Number of recorded exits	Fewest of any region studied
Median exit value	Highest of any region studied
Median capital raised pre-exit	Lowest of any region studied
Multiple on invested capital (MOIC)	Consistently better than every other region

Chicago ranked first among all U.S. metro areas with 20 or more exits on median MOIC, a finding corroborated by more than one independent data provider.^[4] Fewer, better-capitalized, higher-return exits is not the profile of a struggling market. It is the profile of a market where companies raise only what they need and get acquired for what they are actually worth.

THE PROOF IS COMPOUNDING

The growth numbers are starting to show.

The 2026 Inc. 5000 list, which ranks the fastest-growing private companies in the country by three-year revenue growth, put 26 Midwest companies in its top 250, spanning nine states.^[5] Illinois led with nine companies, followed by Ohio with five and Michigan with three, and the growth rates involved are not modest. Loop, a Chicago company, ranked tenth nationally at 14,831 percent growth. Leadzolo, out of North Dakota, posted 7,839 percent growth. Ivim Health in Ohio grew 6,806 percent, and Jet Freight Services in Illinois grew 6,360 percent.^[5]

These are not venture-funded companies burning cash toward a narrative. Inc. 5000 qualification requires real, audited revenue growth, from a minimum of \$100,000 in 2022 to at least \$2 million by 2025 for this year's list.^[5] That backdrop matters for the broader deal environment too: the lower middle market, where a large share of

Midwest-built companies eventually transact, saw deal volume rise 45.8 percent year over year in the first quarter of 2026, part of a middle market M&A recovery up 10.7 percent overall.^[6] The companies growing quietly in the Midwest today are entering a market that is actively looking for exactly what they have built.

WHAT THIS MEANS FOR YOU

Quiet is not the same as *small*.

If you are building in the Midwest, the data says something worth internalizing: the grind is real, but it is not a disadvantage in disguise. It is a filter. The founders who make it through a longer fundraising process, a more skeptical set of investor meetings, and a market that rewards efficiency over hype tend to come out the other side with companies built to last, and buyers who eventually recognize that.

- **Don't benchmark your round against coastal timelines**

A longer, more meeting-intensive process is the regional norm, not a signal that something is wrong with your company.

- **Let capital discipline work for you**

Raising less, at a defensible valuation, is precisely the pattern behind the region's outsized exit returns.

- **Play the long game on purpose**

The market is already rewarding real revenue growth over story. Building toward durable numbers is not the slow path. It is the one with the better odds.

None of this is an argument for staying small or avoiding ambition. It is an argument for building on terms that hold up, so that when growth capital, a strategic partner, or a full exit does become the right next step, you are negotiating from a position the numbers actually support, not one built on a narrative that has to keep outrunning scrutiny.

We work with founders across this region who are doing exactly this kind of building, the kind that does not always make headlines but consistently makes for a company worth owning. If that describes where you are, we would like to talk.

SOURCES

References

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- [3] Start Midwest, "Midwest Founders Raise Just as Well - But It Costs More to Get There." start-midwest.com/news/midwest-founders-raise-just-as-well-but-it-costs-more-to-get-there
- [4] Crunchbase News, "The Midwest Produces Fewer But Mightier Startup Exits" (analysis of exits from 2011 through 2017). news.crunchbase.com/venture/the-midwest-produces-fewer-but-mightier-startup-exits
- [5] Start Midwest, "26 Midwest Companies in Top 250 of the Inc. 5000 Fastest Growing 2026." start-midwest.com/news/26-midwest-companies-in-top-250-of-the-inc-5000-fastest-growing-2026
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MARKET PERSPECTIVE

Building something real in the Midwest?

We back founders who are doing the quiet, durable work in this region. If that is you, we would welcome the conversation, wherever you are in the build.

[For Entrepreneurs →](#)