



The Impact of Entrepreneurship Database Program

2013 Year-End Data Summary (Released January, 2014)

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With support from:



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Executive Summary

This report summarizes the data collected from entrepreneurs who applied to several participating accelerator programs in 2013. After setting aside duplicate application surveys, surveys with too much missing information, and surveys from entrepreneurs that declined to share their information with the Impact of Entrepreneurship Database program, the observations from this year-end summary are based on data describing 837 early-stage ventures.

Roughly one-quarter of these ventures reported receiving some outside equity investment prior to completing their application surveys. A higher percentage had taken on some debt to help start their ventures, while an even higher percentage had been supported by prior philanthropic contributions. Just over half of the ventures reported earning positive revenues in 2012, while almost two-thirds reported having at least one full-time or part-time employee at the end of 2012. Finally, between half and two-thirds of the sampled ventures reported non-negative profitability in 2012.

Looking at their fundraising plans, the median venture in the 2013 sample was looking to raise \$50,000 over the ensuing 12 months, and \$200,000 over the ensuing three years. This targeted support (from equity and debt providers) is more than three times larger than the corresponding levels of desired philanthropic support. The median venture was looking to attract \$50,000 in philanthropy over the ensuing three years.

Other observations from the 2013 Year-End Data Summary include:

- Ventures **operating in lower and lower-middle income countries** are more likely to have attracted equity investments, moderately more likely to have reported positive revenues and profitability in 2012, and considerably more likely to have reported hiring employees;
- Ventures **with women on their founding teams** are slightly less likely to have attracted equity investment. However, they are considerably more likely to have reported positive revenues in 2012. Ventures with women on their founding teams are also slightly more likely to have reported non-negative profits in 2012;
- Ventures **whose founders hold patents, copyrights or trademarks** are considerably more successful attracting outside equity investments, and more likely to have hired at least one employee in 2012. They are also more likely to have reported positive revenues in 2012, but less likely to report non-negative profits;
- A small minority of the sampled ventures **measure impacts using the IRIS or B Lab approaches**, and the dominant reason for not implementing either these approaches relates to a lack of awareness;
- There is an (understandable) bias among program selectors toward ventures with more established track records. **Ventures accepted into participating programs** are more likely to have obtained outside equity investments. They are also more likely to have reported revenues and to have hired employees. Interestingly, however, accepted entrepreneurs are also more likely to have reported negative profitability in 2012. Finally, our participating accelerator programs were more likely to accept ventures that have women on their founding teams.

Introduction

Despite the tremendous growth of the impact investing sector, there is limited systematic research about entrepreneurs and their new enterprises, largely due to a lack of reliable data. Existing datasets (when they exist at all) are typically focused at the fund level, and therefore biased towards more successful ventures that are receiving investment. There are also some data describing ventures that are working with established measurement systems or certification programs. However, these data are similarly biased toward more established ventures.

A reason for this paucity of early-stage venture data is that it is challenging to identify large and diverse samples of nascent entrepreneurs. When entrepreneurs are identified, there are few incentives for them to respond to the kinds of surveys that generate high-quality data. The **Impact of Entrepreneurship Database Program** leverages relationships with a growing number of accelerator programs by collecting systematic data from entrepreneurs that apply to and (in some cases) participate in these programs. By establishing mutually-beneficial procedures and protocols, we plan to become a *de facto* standard for programs interested in collecting and analyzing data that meet their application/selection and then program evaluation needs.

We are building on the promise of a 2012 pilot by developing a broad prospective data-collection program with support from the ANDE Network and from Argidius and Kauffman Foundations. Over time, this program will develop into a longitudinal database of new ventures that seek some combination of financial return and social impact. The aggregated data that we collect will support rigorous academic research over the medium to long term, while delivering shorter-term insights that will guide decisions made by accelerator program managers, funders and investors, and other sector stakeholders.

This 2013 Year-End Data Summary is based on entrepreneurs that applied to one of several Village Capital programs, two Points of Light Civic Accelerator programs, the Accelerating Appalachia program, the Agora Partnerships program, as well as entrepreneurs identified by the 2013 Frontier Market Scouts program. After setting aside duplicate surveys, surveys with too much missing data and surveys from entrepreneurs that declined to share their application information with the database program, the observations from in the 2013 Year-End Data Summary are based on data describing 837 ventures (see **Table 1**).

Table 1: 2013 Sample

Accelerator Partner (# Programs)	N
<i>Accelerating Appalachia</i>	45
<i>Agora Partnerships</i>	123
<i>POLI Civic Incubator (2)</i>	195
<i>Village Capital (6)</i>	391
<i>Frontier Market Scouts</i>	64
<i>Other</i>	19
Total	837

Table 2 summarizes how the 2013 sample breaks out by venture age and legal form. The median venture was two years old when the application survey was completed. A large majority of the sampled ventures are for-profit companies.

Table 2: Venture age and legal form

	For-Profit	Nonprofit	Other	Unsure	Total
<i>N</i>	607	112	57	45	821
<i>Median Age</i>	2 years	2 years	1 year	1 year	2 years

Question asked: In which year was your venture founded?

Venture Performance Indicators

Stakeholders in the social enterprise sector are interested in various aspects of the performance of early-stage ventures. **Table 3** summarizes venture performance using six different indicators. Roughly one-quarter (25.4%) of the ventures in the sample received some outside equity investment prior to completing their surveys. A slightly higher percentage (30.0%) had taken on debt to help start their ventures, while an even higher percentage (40.2%) had been supported by philanthropic contributions. Note that this latter percentages falls to 32.5% when we set aside nonprofit ventures.

Slightly more than half (53.7%) of the ventures reported earning revenues in 2012, while roughly two-thirds (65.5%) reported hiring at least one full-time or part-time employee. Finally, 60.2% reported non-negative profitability in 2012. Note that this latter percentage includes ventures that reported earning zero profits.

Table 3: Early-stage venture performance

	Some Equity	Some Debt	Some Philanthropy	Some 2012 Revenues	Some 2012 Employees	Profitable in 2012
<i>N</i>	631	649	615	758	775	608
<i>(percent)</i>	25.4%	30.0%	40.2%	53.7%	65.5%	60.2%

Questions asked: "Overall, how much equity has your venture raised from all outside sources since founding?" "Overall, how much has your venture borrowed since founding?" "How much philanthropic support has your venture received since founding?" "Not counting founders, on December 31, 2012, how many people worked for your venture?" "Profit is the business' income after all expenses and taxes have been deducted. Roughly speaking, what was your venture's profit margin (as a percentage of total investment) for calendar year 2012?"

Sectors and Impact Objectives

Table 4 summarizes venture performance indicators across the most prolific sectors represented in the 2013 sample; i.e., those named as primary sectors by 50 or more entrepreneurs. Equity investments are most common in the information and communication technologies (ICT) sector (42.1% of the sampled ventures) and least common in the health sector (20.8%). Education ventures are the least likely to be earning revenues (47.9% in 2012). The sector with the greatest incidence of revenue generators is the environment sector (59.6%). Agriculture ventures are the most likely to have hired employees (67.9%), while ventures in the energy sector are least likely (58.8%). Finally, the percentage of ventures that reported non-negative profits in 2012 ranged from 50.0% in the education and energy sectors to 78.7% in the health sector (the sector with the lowest incidence of equity investments).

Table 4: Sector participation

Primary Sector	N	Some Equity	Some 2012 Revenues	Some 2012 Employees	Profitable In 2012
<i>Education</i>	163	26.8%	47.9%	67.6%	50.0%
<i>Agriculture</i>	86	21.7%	56.4%	67.9%	62.1%
<i>Health</i>	73	20.8%	51.5%	71.6%	78.7%
<i>Environment</i>	64	21.3%	59.6%	63.3%	64.7%
<i>Energy</i>	54	34.8%	49.0%	58.8%	50.0%
<i>Information/communication technologies</i>	50	42.1%	56.5%	63.8%	55.0%

The most commonly identified impact objectives in the 2013 sample are employment generation (N=360) and community development (N=329). **Table 5** summarizes venture performance outcomes across the impact objectives that were identified most often by entrepreneurs. The likelihood of attracting outside equity investment is fairly consistent across impact areas. There is somewhat more variance in the likelihood of generating positive revenues. Ventures dedicated to community development are the least likely to have reported positive revenue in 2012 (53.0%), while those focused on capacity building are the most likely (58.0%). There is also some variance in the probability of hiring employees. Ventures dedicated to access to education and health improvement are the most likely to have hired employees in 2012 (71.7%). Finally, ventures dedicated to capacity building are the most likely to have reported non-negative profits in 2012 (65.9%).

Table 5: Impact objectives

(IRIS) Impact Objective	N	Some Equity	Some 2012 Revenues	Some 2012 Employees	Profitable in 2012
<i>Employment generation</i>	360	23.7%	57.0%	70.1%	62.0%
<i>Community development</i>	329	23.2%	53.0%	62.4%	59.6%
<i>Access to education</i>	250	24.7%	54.4%	71.7%	60.1%
<i>Income/productivity growth</i>	241	23.8%	54.3%	69.3%	61.0%
<i>Equality and empowerment</i>	220	24.1%	57.1%	66.5%	58.1%
<i>Capacity building</i>	185	25.0%	58.0%	68.0%	65.9%
<i>Health improvement</i>	184	22.5%	53.5%	71.7%	63.9%

Profit Margin Aspirations

Table 6 presents a similar summary across the different profit margin objectives as stated by the entrepreneurs. The largest group is comprised of ventures that are seeking profit margins in excess of 20 percent (N=263) and those that seek slightly lower margins of 16-20 percent (N=124). The next largest group of entrepreneurs simply aspire to cover costs (N=92). Not surprisingly, ventures with modest-to-high margin objectives (those 6 percent and over) are more likely to attract equity investors. However, this likelihood does not vary much across the top four categories of margin objectives. This group of ventures is also more likely to report hiring employees; especially those seeking margins greater than 20 percent. Ventures with modest-to-aggressive margin objectives (those 11 percent and over) are more likely to report positive revenues. This group is also more likely to report non-negative profits in 2012.

Finally, there is some correspondence between margin objectives and sector participation. In this sample, the education sector attracts a disproportionate share of ventures with zero or low margin aspirations, while the more capital-intensive sector (ICT) attracts more entrepreneurs with the highest margin expectations.

Table 6: Profit margin aspirations

Profit Margin Aspiration	N	Some Equity	Some 2012 Revenues	Some 2012 Employees	Profitable in 2012	Most Common in Sector:
<i>Margins of 0-5%</i>	11	22.2%	36.4%	50.0%	50.0%	<i>Education (3.3%)</i>
<i>Margins of 6-10%</i>	59	31.4%	47.2%	65.5%	45.5%	<i>Environment (18.0%)</i>
<i>Margins of 11-15%</i>	65	27.8%	61.3%	65.1%	55.8%	<i>Energy (19.5%)</i>
<i>Margins of 16-20%</i>	124	27.2%	61.7%	68.3%	64.4%	<i>Health (26.4%)</i>
<i>Margins of >20%</i>	263	30.8%	58.3%	74.5%	63.3%	<i>ICT (55.3%)</i>

Question asked: *What are the financial goals for your venture?*

Country of Operations

Although the ventures in the 2013 sample operate in 53 different countries, the majority comes from the United States (N=298), India (N=174) and Kenya (N=106). Using the classification system developed by the World Bank, we sorted countries into two categories: lower and lower-middle income countries and upper and upper-middle income countries. Based on this breakdown, 349 of the sampled ventures are working in lower and lower-middle income countries. **Table 7** shows that these ventures are more likely to have attracted equity investments (29.9% compared to 22.8%), moderately more likely to have reported positive revenues and non-negative profits in 2012, and considerably more likely (77.7% compared to 57.5%) to have reported hiring employees.

Table 7: Isolating developing world ventures

Operates in Countries That Have:	N	Some Equity	Some 2012 Revenues	Some 2012 Employees	Profitable in 2012
<i>Low / Lower-Middle Income</i>	349	29.9%	56.3%	77.7%	63.6%
<i>Upper / Upper-Middle Income</i>	475	22.8%	52.3%	57.5%	57.7%

Table 8 summarizes the sources of funds for ventures operating in low/lower middle income countries versus upper/upper-middle income countries. In the lower-income countries, equity investments are (relatively) more likely to come from spouses and parents, than from less personal sources like angel investors and venture capitalists. The most prominent source of debt in both groups of countries is family members, but entrepreneurs from upper-income countries are (relatively) more likely to find debt from impersonal sources, like banks and non-bank financial institutions. Finally, philanthropic investments are more common for ventures in upper-income countries. However, this difference is more muted when we set aside the nonprofit ventures in the sample.

Table 8: Equity, debt and philanthropic investments

	<i>Low / Lower-Middle Income</i>	<i>Upper/ Upper-Middle Income</i>
Equity:		
<i>Spouses of owners</i>	19	11
<i>Parents of owners</i>	34	28
<i>Angel investors</i>	19	36
<i>Other companies</i>	7	14
<i>Government agencies</i>	5	10
<i>Venture capitalists</i>	7	12
<i>Others</i>	107	73
Debt:		
<i>Banks</i>	20	40
<i>Non-bank financial institutions</i>	8	14
<i>Government agencies</i>	6	12
<i>Other businesses</i>	8	7
<i>Family members</i>	28	43
<i>Employees that are not owners</i>	1	3
<i>Other individuals</i>	26	26
<i>Other sources</i>	96	71
Philanthropy:	76	168
<i>(excluding 64 nonprofit ventures)</i>	64	100

Questions asked: "Equity investment is money received in return for some portion of ownership. During calendar year 2012, did your venture obtain equity financing from any of the following sources?" "Not including any personal debt obtained on behalf of the business, did your venture obtain debt financing from any of the following sources in calendar year 2012?" "Did your venture receive philanthropic support during calendar year 2012 (e.g., seed grants, awards, or donations)?"

Gender and Entrepreneurial Experience

Table 9 compares ventures established with and without women on their founding teams. Half of the ventures in the sample report having at least one woman among the top three founders. This group reports a slightly lower likelihood of attracting equity investment (23.8% compared to 28.2% of the ventures with all-male founding teams). However, they are considerably more likely to have reported positive revenues in 2012 (58.4% compared to 48.5%). Ventures with women on their founding teams are also slightly more likely to have reported non-negative profits in 2012 (61.7% versus 57.5%).

Almost three-quarters of the ventures in the 2013 sample have at least one founder with some prior entrepreneurial experience. These experienced founding teams are better at attracting equity; 32.0% of the all-male teams with some prior entrepreneurial experience attracted some outside equity investment, compared to 16.6% of the corresponding inexperienced teams. There is a smaller experience boost (of roughly 3.6 percentage points) among ventures with at least one female founder. Prior entrepreneurial experience yields more modest improvements in the likelihood that an early-stage venture reported positive revenues 2012, or hired any employees in that year. On the other hand, there is evidence that prior entrepreneurial experience reduced the likelihood that a venture reports non-negative profits. This drop is particularly salient among the all-male founding teams (54.2% compared to 66.3% for the inexperienced founding teams).

Table 9: Founders' gender and prior entrepreneurial experience

Teams	Prior Entrepreneurial Experience	Some Equity	Some 2012 Revenues	Some 2012 Employees	Profitable in 2012
<i>Men-Only</i>	<i>No</i>	16.7%	42.4%	58.6%	66.3%
	<i>Yes</i>	32.0%	50.8%	65.2%	54.2%
	Total	28.2%	48.5%	63.4%	57.5%
<i>With Women</i>	<i>No</i>	21.4%	56.9%	66.4%	65.5%
	<i>Yes</i>	25.0%	59.1%	67.9%	60.1%
	Total	23.8%	58.4%	67.5%	61.7%

Intellectual Property

Table 10 shows that 362 of the ventures in the 2013 sample reported owning some intellectual property (i.e., patents, copyrights or trademarks). These ventures were considerably more successful attracting outside equity investment (32.6% versus 18.9%), and were more likely to have hired at least one employee in 2012 (70.9% compared to 61.2%). They were also more likely to have earned positive revenues in 2012, but less likely to report non-negative profits (54.7% versus 65.0%).

Table 10: Proprietary intellectual property

Own Patents, Copyrights or Trademarks	N	Some Equity	Some 2012 Revenues	Some 2012 Employees	Profitable in 2012
<i>No</i>	475	18.9%	50.6%	61.2%	65.0%
<i>Yes</i>	362	32.6%	57.4%	70.9%	54.7%

Question asked: Whether assigned by an owner or obtained in some other way, does your venture have any of the following? (patents, copyrights, trademarks)

Accelerator Programs

In their application surveys, we asked each entrepreneur to rank (on a scale of 1 through 7, with 1 being the most important) the potential benefits from these programs in terms of "how important they are to your venture's development and success". **Table 11** indicates the relatively high priority that sampled entrepreneurs place on the "connections to funders" and "mentorship" benefits (average ranks of 3.29 and 3.31). On the other hand, "gaining access to likeminded entrepreneurs" ranks the lowest among the seven potential benefits (4.76).

Table 11: Benefits from accelerator programs

Potential Benefit from Accelerator Programs	Average Rank
<i>Access and connections to potential investors/funders</i>	3.29
<i>Mentorship from business experts</i>	3.31
<i>Network development (e.g., with potential partners and customers)</i>	3.34
<i>Securing direct venture funding (e.g., grants or investments)</i>	3.34
<i>Business skills development (e.g., finance and marketing skills)</i>	3.81
<i>Awareness and credibility (e.g., association with a recognized program, press/media exposure)</i>	4.49
<i>Gaining access to a group of like-minded entrepreneurs</i>	4.76

Question asked: The following are some of the potential benefits that are typically associated with entrepreneurial accelerators. Please rank these benefits in terms of how important they are to your venture's development and success.

We also have limited information about the performance implications of prior accelerator participation. 221 of the ventures in the 2013 sample reported having had at least one founder participate in another accelerator program. **Table 12** shows that this group of accelerated ventures is marginally superior in terms of attracting outside equity and reporting non-negative profits in 2012. They are better still when it comes to revenue generation (59.5% versus 51.5%) and hiring employees (70.3% versus 63.8%).

Table 12: Prior accelerator participation

Accelerator Participation	N	Some Equity	Some 2012 Revenues	Some 2012 Employees	Profitable in 2012
Yes	221	29.3%	59.5%	70.3%	64.5%
No	616	23.8%	51.5%	63.8%	58.6%

Question asked: Has anyone on your founding team participated in any of the following accelerator programs?

Desired Financial Support

The relatively strong emphasis that entrepreneurs place on gaining access to connections to funders is not surprising. **Table 13** provides more information about this need for financial support. It shows that the median venture in the 2013 sample was looking to raise \$50,000 in investment and \$20,000 in philanthropic support over the next 12 months. These numbers increase to \$200,000 and \$50,000 if we focus on the next three years.

Table 13: Required financial support

	N	Median
Additional investment, next 12 months	704	\$50,000
Additional investment, next 3 years	645	\$200,000
Additional philanthropic support, next 12 months	627	\$20,000
Additional philanthropic support, next 3 years	569	\$50,000

Question asked: How much additional investment (in equity and/or debt) are you planning to secure for your venture in the next (12 months, 3 years); How much additional philanthropic support (in grants/donations) are you planning to raise for your venture in the next 12 months / 3 years?

Impact Measurement

Two approaches to accounting for the impacts of social enterprises are being developed and implemented by IRIS and B Lab. We asked entrepreneurs in the 2013 sample to indicate whether they are currently using either of these accepted measurement approaches. **Table 12** indicates that only a small minority of the sampled ventures (i.e., 76 for IRIS and 45 for B Lab) are doing so. When queried about this low take-up rate, the dominant reason for not implementing either these two measurement approaches relates to a lack of awareness among the entrepreneurs. 731 (771) of the sampled entrepreneurs have never heard of IRIS (B Lab). There is also some indication that more ventures are electing to go different routes with their impact measurement, as 215 entrepreneurs indicated that they are currently using “other established measurement approaches.”

Table 14: Tracking impacts

	Yes	No
“Does your venture regularly track itself against any of the IRIS impact measures?”	76	731
(Reason given for “No”: “We have never heard of IRIS”)		(489)
(Reason given for “No”: “We have no time to measure our impacts”)		(24)
(Reason given for “No”: “We are not fond of this measurement approach”)		(15)
(Reason given for “No”: “We are not interested in measuring our impacts”)		(5)
“Has your organization ever taken a B Impact Assessment?”	45	771
(Reason given for “No”: “We have never heard of B Lab”)		(530)
(Reason given for “No”: “We have no time to measure our impacts”)		(24)
(Reason given for “No”: “We are not fond of this measurement approach”)		(17)
(Reason given for “No”: “We are not interested in measuring our impacts”)		(4)
“Does your venture regularly track impacts using any other established measurement approaches?”	215	597

Accepted versus Rejected Entrepreneurs

Finally, all but one of the participating accelerator programs have made their cohort selection decisions. Based on these decisions, we have information on 86 accepted and 545 rejected applicants. It is clear from the information in **Table 15** that there is an (understandable) bias among program selectors toward ventures with more established track records. Accepted ventures are more likely to have obtained some outside equity investment (36.2% versus 23.5%). They are also more likely to have reported revenues (61.0% versus 46.8%) and hired employees (77.4% versus 58.2%). Interestingly, however, accepted entrepreneurs were also more likely to have reported negative profitability in 2012. Finally, there is a greater tendency for accepted ventures to have received prior philanthropic support.

We also observed that participating accelerator programs were more likely to accept ventures that include women on their founding team. More than 17% of the applicants with female founders were accepted into the programs that they applied to, compared to roughly 11% of the ventures with all-male teams.

Table 15: Accepted versus rejected applicants

<i>Accepted into Program</i>	<i>N</i>	<i>Some equity</i>	<i>Some 2012 Revenues</i>	<i>Some 2012 Employees</i>	<i>Profitable in 2012</i>	<i>Some Philanthropy</i>
<i>No</i>	545	23.5%	46.8%	58.2%	57.9%	38.0%
<i>Yes</i>	86	36.2%	61.0%	77.4%	49.3%	56.5%

Database Program Plans for 2014

The data collected in 2013 represent partnerships with five different accelerators that launched programs between March and December (see **Table 1**). In 2014, we will expand these partnerships and plan to work with at least 10 different accelerators (and other support organizations). With this expanding reach, we anticipate adding roughly 2,000 additional entrepreneurs to the sample in 2014.

As we expand the scope of the program, we will also begin collecting longitudinal data from the entrepreneurs who are already in the sample. In January and then June of each year, we will collect updated information in a series of shorter follow-up surveys. These longitudinal data will allow researchers to examine the factors that systematically influence new venture growth trajectories.

Finally, we plan to carefully analyze the performance of the various questions in our surveys in anticipation of making the data available to university researchers (toward the end of 2014) who want to conduct and publish studies of impact-oriented entrepreneurs and/or accelerator programs. This process will be facilitated by an ongoing series of discussions and meetings with an expanding group of interested academics.

These parallel efforts will allow the **Impact of Entrepreneurship Database Program** to better support the development of new and important data-driven insights for policy-makers and practitioners that work on issues and programs related to the global impacts of entrepreneurship.