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## JumpStart Inc. Economic Impact and Contributions to Northeast Ohio, 2009

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April 2010

**JUMPSTART INC.**

**ECONOMIC IMPACT AND  
CONTRIBUTIONS TO  
NORTHEAST OHIO, 2009**

**CENTER FOR  
ECONOMIC  
DEVELOPMENT**

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## EXECUTIVE SUMMARY

This report summarizes the findings of a study on the economic impact of JumpStart Inc. on Northeast Ohio and other contributions of JumpStart through its services to assist entrepreneurs using its three lines of business—JumpStart Ventures, JumpStart TechLift, and JumpStart Inclusion Advisors—and IdeaCrossing. It was prepared for JumpStart Inc. by the Center for Economic Development at Cleveland State University's Levin College of Urban Affairs.

### JUMPSTART'S TOTAL ECONOMIC IMPACT ON NORTHEAST OHIO

The report summarizes the economic impact in 2009 resulting from JumpStart's activities in the following areas:

- Investments in start-up companies located in Northeast Ohio through JumpStart Ventures.
- Investments in start-up companies by the North Coast Angel Fund (NCAF). JumpStart led the creation of NCAF as Northeast Ohio's first managed angel fund, and it provided some funding and ongoing operational support for NCAF.
- JumpStart's services to assist other entrepreneurs through JumpStart TechLift Advisors.

JumpStart's economic impact in 2009 on Northeast Ohio (based on its investments since 2004) includes the following impact measures:

- Output Impact: \$ 90.0 million
- Value Added Impact: \$56.8 million
- Labor Income Impact: \$ 39.8 million
- Employment Impact: 664 jobs
- Tax Impact: \$12.0 million (\$7 million to the federal government and \$5million to state and local governments)

### JUMPSTART'S CONTRIBUTIONS TO NORTHEAST OHIO

To assess other benefits received by JumpStart's clients, a survey was sent to companies that did not receive direct monetary assistance but still worked with JumpStart's lines of business including JumpStart Ventures, JumpStart TechLift Advisors, and JumpStart Inclusion Advisors. A second survey was sent to users of IdeaCrossing.

#### JumpStart Survey

Most respondents were located in the Cleveland metro area with more than half in Cuyahoga County. Ten respondents succeeded in obtaining financing from other sources to start or grow their business. The most commonly used sources of capital were equity-angel and debt. More

than one third of respondents (17 companies) had added from one to nine jobs each for a total of 66 new jobs. An important finding was that more than half of respondents (23) indicated that JumpStart's services were moderately valuable or very valuable in terms of helping them to raise investment capital and/or increase the number of employees.

### **IdeaCrossing Survey**

Most users of IdeaCrossing were located in Ohio. More than half of respondents (100) had created an active funding profile and 15 had been contacted by potential investors. However, none of the respondents had been able to secure investment or add jobs to their companies as a result of their interaction on IdeaCrossing. Two respondents had been able to establish mentoring relations with business mentors. The two entrepreneurs who had mentoring interactions with business mentors reported that they gained very valuable advice from their mentors. Some users of IdeaCrossing felt the website was a good idea but also provided several suggestions on how to enhance and improve services provided on the website.

## INTRODUCTION

This report summarizes the findings of an economic impact study of JumpStart Inc. and its contributions to Northeast Ohio. Specifically, it summarizes the economic impact in 2009 resulting from JumpStart investment in start-up companies in Northeast Ohio and its services to assist other entrepreneurs through JumpStart Ventures and TechLift Advisors and North Coast Angel Fund (NCAF) investments in Northeast Ohio companies. It also summarizes JumpStart's contributions to entrepreneurs through these three lines of business and through IdeaCrossing. JumpStart Inc., a regional non-profit economic development organization, is "a nationally recognized non-profit creating economic transformation by efficiently securing and providing resources to entrepreneurs leading high potential, early-stage companies."<sup>1</sup> More specifically, JumpStart operates in three ways: (1) it provides intensive development assistance to entrepreneurs who lead high potential, early stage companies; (2) JumpStart interacts with federal, state, and local decision makers, acting as a champion for entrepreneurs and for economic development through entrepreneurship, and (3) JumpStart works to increase the success of minority and women entrepreneurs in growing high impact businesses.

Research for this study is based on two sets of activities. The first set of activities was to conduct an economic impact analysis of JumpStart investments in Northeast Ohio start-up companies. The second set of activities was to assess the contribution of JumpStart services through their three lines of business—JumpStart Ventures, JumpStart TechLift Advisors, and JumpStart Inclusion Advisors—and through IdeaCrossing, a free online community for entrepreneurs, accredited investors, business mentors, and service providers.

For the purposes of this work, Northeast Ohio is defined as a 21-county region that corresponds with JumpStart's service area. The region includes six metropolitan areas (Cleveland-Elyria-Mentor, Akron, Canton-Massillon, Mansfield, Sandusky, and Youngstown-Warren-Boardman) and eight non-metro counties.

- Akron metro area includes Portage and Summit Counties.
- Canton metro area includes Carroll and Stark Counties.
- Cleveland metro area includes Cuyahoga, Geauga, Lake, Lorain, and Medina Counties.
- Mansfield metro area consists of Richland County.
- Sandusky metro area consists of Erie County.
- Youngstown metro area includes Mahoning and Trumbull Counties.
- Eight non-metro counties include Ashland, Ashtabula, Columbiana, Crawford, Holmes, Huron, Tuscarawas, and Wayne.

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<sup>1</sup> <http://www.jumpstartinc.org/About/> (April 13, 2010)

## **REPORT STRUCTURE**

This report includes three sections. Following this introduction, the second section describes the economic impact of JumpStart in Northeast Ohio in 2009. It explains the concept of economic impact, the methodology used in this study, and the estimated economic impacts. The third section summarizes the analysis of two surveys—the JumpStart survey and IdeaCrossing survey. The JumpStart survey analyzes responses of the companies assisted by JumpStart Ventures, JumpStart TechLift Advisors, and JumpStart Inclusion Advisors while the IdeaCrossing survey analysis is focused on responses from users of the IdeaCrossing website. The survey instruments are included in the Appendix.

## JUMPSTART ECONOMIC IMPACT ON NORTHEAST OHIO

JumpStart creates economic impact primarily by its investments in innovative, early-stage companies that have the potential to generate \$30 million to \$50 million in revenues in 5 to 7 years. These companies receive funding from JumpStart after passing through the JumpStart Ventures' application and due diligence process. These investments are used by the companies to complete product prototypes, conduct early marketing campaigns, and add key team members. In addition, JumpStart Ventures provide these companies with strategic and operational guidance that enables the entrepreneurs to reach key growth milestones, advance through stages of the business, and attract follow-up funding. One of JumpStart's objectives is to help their companies grow through equity funding from other investors.

Other companies are affected by JumpStart through JumpStart TechLift Advisors and NCAF. TechLift Advisors' Entrepreneurs-in-Residence are former technology CEOs who have significant experience in a specific technology sector and who work with entrepreneurs within that sector. They assist entrepreneurs to create and articulate high growth strategic and operational plans, access investment funds, and move their businesses toward key milestones. The NCAF, whose creation as Northeast Ohio's first managed angel fund was led by JumpStart, invests in early stage, high growth companies throughout Ohio. JumpStart provides the funding and ongoing operation support for NCAF.

### WHAT IS ECONOMIC IMPACT?

Economic impact is an analytical approach used to estimate economic benefits from projects, programs, or companies in affected regions. These economic benefits are measured in terms of output (value of goods and services produced in the economy), value added (value of goods and services produced in the economy less intermediary goods and services), employment (number of jobs), labor income (household earnings), and taxes (federal taxes and state and local taxes). Economic impact estimates measure benefits for a specific region and time period.

Based on inter-industry relationships within regions, an economic impact analysis determines how regions respond to changes in economic activity. Multipliers are calculated from the inter-industry relationship estimating the "ripple effect" throughout the economy.<sup>2</sup>

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<sup>2</sup> For example, suppose that company ABC reports sales of \$1 million. To produce these products, the company needs to purchase additional goods and services from its suppliers. From the revenues, the company pays its suppliers and workers, covers production costs, and takes a profit. Once the suppliers and employees receive their payments, they will spend a portion of their money in the local economy purchasing goods and services, while another portion of the monies will be spent outside the local economy (leakage). By evaluating the chain of local purchases that result from the initial infusion of \$1 million, it is possible to estimate a regional economic multiplier.

## METHODOLOGY

Total economic impacts on output, value added, income, and employment are each a summation of three impacts: direct impact, indirect impact, and induced impact. Direct impact refers to the initial value of goods and services, including labor, purchased by the companies affected by JumpStart. These purchases are sometimes referred to as the first-round effect. Indirect impact measures the value of labor, capital, and other inputs of production needed to produce the goods and services required by JumpStart companies (second-round and additional-round effects). Induced impact measures the change in spending by local households due to increased earnings by employees working in the local industries who produce goods and services for the JumpStart companies and their suppliers.

As stated earlier, economic impact analysis is based on inter-industry relationships within an economy—that is, the buy-sell relationships among industries. These relationships largely determine how an economy responds to changes in economic activity. Input-output (I-O) models estimate inter-industry relationships in a region by measuring the industrial distribution of inputs purchased and outputs sold by each industry. Thus, by using I-O models, it is possible to estimate how the impact of one dollar or one job ripples through the local economy, creating additional expenditures and jobs. The economic multiplier measures the ripple effect that an initial expenditure has on the local economy.

The economic impact estimates presented in this report use IMPLAN Professional and IMPLAN Data Files.<sup>3</sup> IMPLAN Professional® 3.0 is the latest economic impact assessment software system released by Minnesota IMPLAN Group, Inc. Using the IMPLAN® Data Files, the user can develop sophisticated models of local economies in order to estimate a wide range of economic impacts. The IMPLAN® impact model is used by more than 1,000 public and private institutions. The number of users, as well as their reputations, points to the acceptability of the IMPLAN® model among researchers and consultants.

To estimate the economic impact of JumpStart in 2009, we include four types of companies:

- JumpStart Venture Companies: Thirty Nine (39) active JumpStart Ventures' portfolio companies were included in the estimate of economic impact. Information on their number of jobs, annual payroll, and operating budgets in 2009 was utilized. Six other companies were excluded because in 2009 they were inactive, dormant, or in fundraising phase with no operating expenses.

The study assumes that these 39 companies would have not existed without JumpStart pre-seed funding. However, recognizing the role other funders have had over time with

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<sup>3</sup> IMPLAN was originally developed by two federal agencies, the Department of Agriculture and the Department of the Interior, to assist in land and resource management planning. The model was later commercialized by the Minnesota IMPLAN Group, Inc.

some companies, only partial information was entered into the IMPLAN® model for 15 companies to acknowledge that JumpStart is among several contributors to their growth.<sup>4</sup>

- North Coast Angel Fund (NCAF) companies: Three NCAF companies with locations in Northeast Ohio were included. Six other NCAF companies were excluded from the impact analysis because they were located outside Northeast Ohio (four in Columbus and two in Cincinnati). As with JumpStart companies, information on the number of jobs, annual payroll, and operating budgets in 2009 was used. The study assumes that the three companies would have not existed without NCAF pre-seed funding.<sup>5</sup>
- TechLift companies: Responding to a survey, five companies indicated that JumpStart services were very valuable or moderately valuable in developing their ability to grow.<sup>6</sup> The study assumes that the five companies would have not grown without JumpStart assistance.<sup>7</sup>
- JumpStart Inc.: Information on JumpStart's employment, operating budget, and annual payroll was used in the impact estimates. However, only 58% of JumpStart data was used to account for JumpStart's percentage of revenues that were raised outside Northeast Ohio (through state, federal, and foundation funding). It assumes that these revenues would not have otherwise come to Northeast Ohio.

Each of the 47 companies and JumpStart are assigned to one of the 440 sectors included in the IMPLAN® model. The IMPLAN® regional model and its data were changed (edited) to provide better estimates for output per employee, number of employees, and annual payroll based on the individual companies included in the analysis.

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<sup>4</sup> Of the 15 JumpStart Venture companies with less than 100% credited to JumpStart, the following was entered into IMPLAN®: 1 company @95%, 5 companies @75%, 7 companies @50%, 1 company @25%, and 1 company @10%.

<sup>5</sup> 90% of the companies' data were attributed to North Coast Angel Fund and JumpStart.

<sup>6</sup> Information on companies that participated in JumpStart's three lines of business and IdeaCrossing was gathered via online surveys that were conducted in February of 2010.

<sup>7</sup> For companies indicating that JumpStart assistance was very valuable, 100% of their data were used in the model. For companies indicating that JumpStart assistance was moderately valuable, only 50% of their data were used in the impact analysis.

## ECONOMIC IMPACT ESTIMATES

Five measures of impact are summarized: output, value added, labor income, employment, and tax. This is the first year value added impact is being included. The impact results are summarized in Table 1.

**Table 1. JumpStart Economic Impact on Northeast Ohio in 2009**

Impact Type	Output (\$)	Value Added (\$)	Labor Income (\$)	Employment
Direct Effect	44,534,792	31,256,192	24,908,888	300
Indirect Effect	18,486,342	9,912,224	6,193,298	124
Induced Effect	26,951,286	15,615,008	8,688,411	240
<b>Total Effect</b>	<b>89,972,416</b>	<b>56,783,360</b>	<b>39,790,596</b>	<b>664</b>

The economic impact is presented in \$2009. All numbers have been rounded to the nearest whole number.

### Output Impact

Output impact provides an estimate of the total change in output produced in Northeast Ohio due to JumpStart's activities. Output impact in 2009 amounted to \$90 million (in \$2009). Of that, \$44.5 million (49%) is accounted for by direct production of goods and services by JumpStart, its portfolio companies, NCAF, and some TechLift companies. An additional \$18.5 million (21%) is indirect impact—goods and services produced regionally to support the activities of JumpStart and its portfolio companies. The induced impact of \$27 million (30%) measures the value of goods and services produced in the region to satisfy the increased demand by households throughout the economy. Of the total output impact of \$90 million, JumpStart itself accounts for 9.6% of the output impact. The remainder is accounted for by JumpStart portfolio companies as well as NCAF and TechLift companies.

### Value Added Impact<sup>8</sup>

Value Added impact measures the value of goods and services produced in the economy less intermediate goods and services. By definition it is smaller than output impact and it is equivalent to the definition of gross regional product. In 2009, value added impact was \$56.8 million (Table 1). Of that, \$31.3 million (55%) is attributed to direct impact, \$9.9 million (17%) to indirect impact, and \$15.6 (27%) to induced impact. Of the total value added impact of \$56.8 million, 8.5% is accounted for by JumpStart itself. The remainder is a result of the portfolio, NCAF, and TechLift companies.

<sup>8</sup> This is the first year where impact measures include value added. As a result, the report includes value added impact for 2009, but it will not be compared to the same measure in earlier years.

### **Labor Income (Earnings) Impact**

Every new job created by JumpStart's portfolio companies, NCAF companies, TechLift companies, JumpStart itself, and all their suppliers generated new earnings for local households. In 2009, total household earnings in Northeast Ohio increased by \$39.8 million due to JumpStart's activities (Table 1). Of this impact, \$24.9 million (63%) resulted from the direct effects of payroll of portfolio, NCAF, and TechLift companies and JumpStart employees; \$6.2 million dollars (16%) of the total income impact resulted from increased earnings in other industries in the region that supply JumpStart and the other companies. The remaining income impact (induced impact) of \$8.7 million (22%) is due to increased household earnings throughout the economy. Of the total income impact of \$39.8 million, 10.8% is accounted for by JumpStart itself. The remainder is a result of the portfolio, NCAF, and TechLift companies.

### **Employment Impact**

The total employment impact in Northeast Ohio attributed to JumpStart and its portfolio, NCAF, and TechLift companies in 2009 amounted to 664 jobs (Table 1). Of these, 300 (45%) are the result of direct impact. The direct impact includes 58% of the employees working at JumpStart and all or a proportion of the employees in its portfolio, NCAF, and TechLift companies. An additional 124 jobs (19% of total employment impact) were created in industries supporting JumpStart and its NCAF, portfolio, and TechLift companies, and 240 (36%) more jobs were created throughout the economy due to increased employee earnings. Of the total employment impact of 664 jobs, 9.5% are a result of JumpStart itself. The remainder employment impact is due to the portfolio, NCAF, and TechLift companies.

### **Tax Impact**

JumpStart investment and services to entrepreneurs also resulted in additional tax revenues to local and state governments as well as the federal government. Reports on JumpStart's economic impacts in 2006 and 2007 did not measure this impact. However, this report, as well as the previous 2008 report, includes tax impact.

In 2009 as a result of JumpStart investments and its other activities in Northeast Ohio, state and local tax revenues increased by \$5.1 million and federal tax revenues rose by \$7 million.<sup>9</sup>

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<sup>9</sup> To be exact, JumpStart's federal tax impact in 2009 was \$6,964,260 and its state and local tax impact was \$5,074,076.

### JumpStart's Economic Impact on Northeast Ohio is Growing

JumpStart's economic impact in 2009 was higher than its impact in the previous 3 years (2006-2008), even after adjusting for inflation using the Consumer Price Index.<sup>10</sup> Table 2 shows JumpStart's economic impact in each of the last 4 years and the increase between the last 2 years.

**Table 2. JumpStart's Economic Impact: 2006-2009**

Impact	2006*	2007*	2008*	2009	2008-2009 Increase
Output	\$42.2 million	\$57.7 million	\$74.7 million	\$90 million	\$15.3 million (20%)
Labor Income	\$14.9 million	\$18.7 million	\$20.6 million	\$39.8 million	\$19.2 million (93%)
Employment	308 jobs	346 jobs	502 jobs	664 jobs	162 jobs (32%)

\* For comparison purposes, JumpStart's 2006, 2007, and 2008 impacts were inflated to 2009 dollars.

The increase is due to four factors: investment in new portfolio companies, growth of existing portfolio companies (partially offset by companies that became inactive), investment in new NCAF companies, and growth of other companies who benefited by the services offered by TechLift Advisors.

<sup>10</sup> According to the Consumer Price Index for all Urban Consumers (CPI-U), overall price levels in the Cleveland metropolitan area fell by 1.37% between 2008 and 2009. CPI-U also declined in the Midwest (-0.64%) and the U.S. (-0.36%).

## JUMPSTART'S CONTRIBUTIONS TO THE NORTHEAST OHIO REGION

JumpStart's contributions are not limited to revenues and job increases measured by the economic impact analysis. To capture other contributions of JumpStart, entrepreneurs who have worked with JumpStart's three lines of business were surveyed. In addition, users of the IdeaCrossing website were also surveyed to capture additional contributions of JumpStart Inc. to the region. The information described in this section is therefore based on these two surveys (see surveys in Appendix).

### JUMPSTART SURVEY

The JumpStart Economic Impact Survey was sent out to 428 participants. A total of 47 responses were obtained, a response rate of 11%. Four surveys were not included in the analysis due to incomplete responses. The four discarded surveys had only one or two answered questions while all other questions were left unanswered on the survey. Three of the four reported that they had not been able to secure investment capital to start or grow their business since working with JumpStart but one said they had. Two out of the three who had not received investment capital answered a second question indicating that they had not added employees in the last year. For the rest of the analysis, 43 surveys were used, representing an effective response rate of 10%.

### Ownership and Company Information

As expected, a majority of respondents (38, or 88.4%) were located in Ohio. Three respondents were located out-of-state, in California (2 respondents) and Minnesota (1 respondent). Almost all Ohio respondents were located in the Cleveland metro area (35 out of 38) with 24 located in Cuyahoga County. Only two companies were female-owned. Seven companies were minority-owned including the two female-owned companies. Four were owned by African-Americans, two by Latin-Americans/Hispanics, and one by an Asian-Indian.

### Investment Capital

Slightly less than one quarter of respondents (10, or 23.3%) had been able to secure investment capital to start or grow their businesses since working with JumpStart. Many received funding from more than one source. Table 3 shows the number of respondents by amount and type of investment secured. Investment capital obtained include debt (6 respondents, 14%), equity-angel (7 respondents, 16.3%), equity-venture capital (1 respondent, 2.3%), government grant/contract/SBIR/STTR<sup>11</sup> (5 respondents, 11.6%), and some other investment type (3 respondents, 7%). Eight out of the ten who received funding received more than one type of

<sup>11</sup> SBIR refers to Small Business Innovation Research and STTR refers to Small Business Technology Transfer. SBIR and STTR, two competitive programs run by the U.S. Small Business Administration, awards funds to small high-tech businesses.

funding with three respondents receiving at least three different types of investment capital. Equity-angel and debt were the two most commonly used sources of capital.

**Table 3. Number of Respondents by Amount and Type of Investment Capital Secured**

Amount of Capital Received	Debt	Equity-Angel	Equity-Venture Capital	Gov Grant/Contract/SBIR/STTR	Other
\$1-\$50,000	1	1		2	1
\$50,001-\$100,000	2				
\$100,001-\$200,000	1			1	
\$200,001-\$500,000	1			2	1
\$500,001- <\$1Mil	1	1	1		
\$1Mil- <\$1.2Mil		3			
\$1.2Mil-\$1.5Mil		1			1
>\$1.5Mil		1			

Respondents were asked if they had added employees to their business in the last year and 17 entrepreneurs (39.5%) representing more than one third of respondents answered in the affirmative. A total of 66 new employees were added to the 17 businesses that increased employment. Less than half (47%) added one or two jobs. Eight respondents reported that they increased employment by five or more employees each. The respondent who added the most employees added nine jobs in the last year.

It is important to note that **out of the 10 respondents who received investment capital, 70% increased their employment.**

### Experiences with JumpStart Services

In order to assess the overall experience of respondents with JumpStart services, they were asked to rate, on a scale of 1 to 3, the value of services they received from JumpStart in terms of helping raise investment capital and or add employees to their businesses. **More than half of the respondents (23, or 53.5%) reported that overall, the services they received from JumpStart were moderately or very valuable** in helping raise investment capital and or add employees to their business. Only 3 of the 20 who reported that JumpStart's assistance was not valuable were able to secure investment capital compared to 7 who indicated that JumpStart's help was moderately or very valuable. **All respondents who rated JumpStart's assistance as moderately or very valuable reported that they had added employees to their businesses in the last year.**

Respondents also indicated which of three JumpStart programs—JumpStart Ventures, JumpStart Inclusion Advisors, and JumpStart TechLift—they had worked with in securing investment capital for their business. JumpStart Ventures was used by 16 respondents with 3 using this program exclusively. Seven out of the 16 spent 50% or more of their time working with this program. The JumpStart TechLift program was used by 30 respondents with one third using

this program exclusively. More than half (53.3%) of respondents who used JumpStart TechLift program spent 50% or more of their time working with this program. Twelve respondents used both the JumpStart Venture and TechLift programs. Six respondents used the JumpStart Inclusion Advisors program with half of them spending 50% or more of their time with this program. None spent 100% of their time exclusively with the Inclusion Advisors program. Only one respondent used all three programs spending more than half of their time (60%) with the Inclusion Advisors program and 20% of their time each with the Ventures and TechLift programs. More than 80% of respondents worked with at least one of the three JumpStart programs. Seven of these obtained investment for their business and also increased employment.

### Other Company Information

Survey respondents provided information about the industry in which they work. The industry with the largest number of businesses is *Information and Communication Technology* with 16 respondents followed by *Power and Propulsion* (which includes *Advanced Energy*) with 10 responses and *Bioscience* with 5 responses.<sup>12</sup> In the industry category “Other,” respondents included solar power and green industries.

### Summary and Conclusion

The JumpStart survey showed that most of respondents were located in the Cleveland metro area with more than half located in Cuyahoga County. Ten respondents had been able to secure various types of financing including debt, equity, government contracts, and other types of financing to start or grow their businesses. The most commonly used sources of capital were equity-angel, followed by debt. More than one third of the respondents had added jobs with a total of 66 new jobs being added to 17 companies. Employment added ranged from one to nine employees each. It is important to note that more than half of respondents indicated that JumpStart’s services were moderately or very valuable. All of these 23 respondents added employment and seven of them had been able to secure investment capital. Also, most respondents used one or several of JumpStart’s programs. Finally, respondents who had not been able to raise investment capital were more likely to report that JumpStart’s services were not valuable.

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<sup>12</sup> The industry of respondents by number of businesses were: Information and Communication Technology (16); Power and Propulsion (which includes Advanced Energy) (10); Biosciences (5); Other (4); Advanced Machinery Manufacturing (3); Advanced Materials (3); Instruments-Controls-Electronics (0); and Scientific Research and Development Services (0).

## IDEACROSSING SURVEY

This is the second year in which the IdeaCrossing survey has been conducted. The survey was sent electronically to 3,396 companies in February 2010. There were 195 respondents to the survey, with a response rate of 5.7%. Five surveys were discarded and not including in the analysis because (1) they were located outside the United States; one in Canada and the other in Iceland or (2) they responded to two or fewer questions on the entire survey. The survey provides information on the companies and their experiences using the IdeaCrossing website, including contacts with potential business investors and business mentors.

### Ownership and Company Information

As expected, the state with the largest number of responses was Ohio (87, or 45.8%) followed by California (18, or 9.5%), and by Georgia and New York with nine responses each (4.7%). A majority of Ohio respondents were located in the Northeast Ohio region<sup>13</sup> (75 out of 87, 86.2%), with more than 60% of these located in Cuyahoga County.<sup>14</sup>

Considering all businesses (owned by both males and females), minority ownership was 23.2% (44 responses). The majority of minority businesses were owned by African-Americans (59.1%) followed distantly by owners whose race is Asian-Pacific (15.9%). Less than one third (57 companies, or 30%) of all respondents reported that their business was female-owned. Among the 57 female-owned businesses, 23 were also minorities.

Users had been registered with IdeaCrossing for various lengths of time. Nearly 72% of respondents had been registered with IdeaCrossing for more than six months with nearly half of all respondents (94 out of 190) being registered for more than 1 year. Very few respondents had been registered for less than 1 month. New entrepreneurs continue to register with IdeaCrossing; 28 respondents (14.7%) had been registered with IdeaCrossing for less than four months. The relatively low response for new users could be that because they had not been using IdeaCrossing long enough, they could not provide much information about their experience or testimonials on the website and its services and, hence, they chose not to respond to the survey.

### Interaction with Investors

Slightly more than half (100 entrepreneurs, 52.6%) of the entrepreneurs registered with IdeaCrossing who answered the survey had an active Funding Profile with an interest in finding

<sup>13</sup> Northeast Ohio comprises the four metropolitan statistical areas: Cleveland-Elyria-Mentor, Akron, Canton-Massillon, and Youngstown-Warren-Boardman.

<sup>14</sup> The number of responses from Ohio counties is: Cuyahoga (53), Summit (6), Medina (5), Lake (4), Franklin (3), Hamilton (2), Lorain (2), Stark (2), Trumbull (2), Warren (2), Columbiana (1), Geauga (1), Greene (1), Knox (1), Monroe (1), and Richland (1).

funding for their business through IdeaCrossing. Of these, 15 entrepreneurs who had active Funding Profiles had been contacted by a potential investor. Nine of the 15 entrepreneurs had been contacted by one investor each, four had been contacted by two investors each and two other entrepreneurs had each been contacted by three different investors. Of the 15 entrepreneurs, 13 had engaged in conversations with potential investors; however, none of them had been able to secure capital to start or grow their businesses. Similarly, none of these entrepreneurs had added jobs as a result of the interaction with potential investors.

Several respondents provided information on the nature of the conversations they had with potential investors. While few had multiple interactions with investors, most had only one or two interactions. After conversations with potential investors, some respondents found that either (1) they were not credible/ true investors, (2) they were not interested in funding the specific business of the entrepreneur or did not find a good fit between both parties, or (3) they had submitted their business plan and other requested information but had received no feedback from the potential investor. Three entrepreneurs complained about the non-response from potential investors after submitting documents. A few entrepreneurs (3 out of the 13 who elaborated on the nature of conversations with investors) responded that they either were not yet ready to engage with investors because they were still working on their business plans, they were at a very early stage in the process and were about to submit their business plans, or they had just submitted them.

Thus, typical interactions with potential investors were as follows: contact was made by entrepreneurs and they had one or more conversations with investors, potential investors requested business plans and other information, and some respondents provided their business plans to these potential investors. After going through this process, four of those who had submitted plans and other business information received responses from investors saying that they were not interested in funding them; the rest did not receive any feedback.

### **Interaction with Business Mentors**

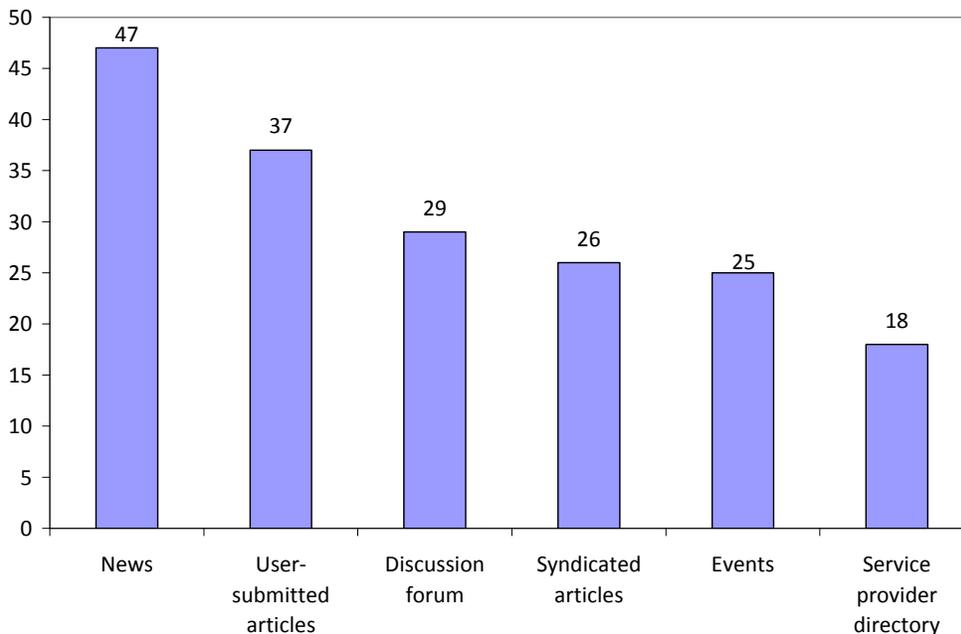
Nearly one third (32.1%) of survey respondents had created and activated Business Mentor Preferences in order to be matched to business mentors through IdeaCrossing. **Nine out of the 61 who had created and activated a Business Mentor Preference had been contacted by a potential business mentor and two had resulted in a mentoring relationship.** These two entrepreneurs had a mentoring relationship with one business mentor each. **Both rated the advice and information they received from their business mentor as very valuable.** Thus, since those who were able to establish a mentoring relationship found the help they received to be very valuable, more business mentoring relations should be encouraged.

### **Experiences with Resource Center**

The IdeaCrossing website has several resources available to entrepreneurs including events, a discussion forum, user-submitted articles, syndicated articles, news, and a service provider directory (e.g. lawyers, accountants, and marketing consultants). More than 40% of the

respondents had used some (at least one) component of the Resource Center to start or grow their business. Figure 1 shows the number of entrepreneurs/respondents who used each category of the resource center components. Eighty-three respondents had used the Resource Center while 103 had not; four respondents skipped this question. Note that adding the numbers in the figure below does not add up to 190 (the total number of survey responses used in this analysis) because most respondents had used more than one type of component of the Resource Center. In fact, more than two thirds (57 out of 83, 68.7%) of entrepreneurs who had used the Resource Center to help them start or grow their business had employed two or more components with ten (12%) entrepreneurs using between four and six components each. Twenty-six respondents used only one Resource Center component. This shows that various companies needed help in different areas and so used a variety of components offered by the Resource Center to help their company's growth.

**Figure 1. Usage of Resource Center Components**



There were several suggestions on other resource components respondents would like to see added to the Resource Center; about one fifth of the respondents to this question said they had no suggestions or that they had not visited the IdeaCrossing website in a long time, but they would do so now. The suggestions from the 28 respondents who answered this question are categorized into five major groups: Funding, General Business Advice, Personalized Business Support, Improving Current Functions, and Other Suggested Services.

- **Funding:** Respondents suggested that IdeaCrossing provide start-up business funding and also provide information on funding sources for new businesses.

- **General Business Advice:** Respondents requested information on getting their final product to the market, how to get people interested in their idea and help to start, grow, and market their final product.
- **Personalized Business Support:** Respondents suggested visits to their sites, an automated assigning of personal mentors, a monthly business mentor feature that provides ideas, suggestions, examples of business plans, and ongoing program help for beginner entrepreneurs to help them find funding. Another respondent also suggested weekly open forums where approximately 15 entrepreneurs get two minutes to “pitch” their business idea/plan. The respondent also added that this service which can be called “PITCH” can be linked through the Ideastream website and archived by date or subject. Investors can then login to hear the business “pitch” by entrepreneurs and initiate contact if they need more information or are interested in providing funding.
- **Improving Current Functions:** Respondents suggested making the current Resource Center functions more useful, addressing problems with non-response after submitting documents, clarification of the function of IdeaCrossing, and solving the problems with inability to list their business because it was not deemed “descriptive enough” (i.e. IdeaCrossing seemed to have a problem with the title rather than content of listing).
- **Other Suggested Services:** Respondents suggested providing free access to private investors, angel investors and venture capital companies as well as information on current government programs and incentives.

From some of the responses, there seems to be some misunderstanding/confusion on what IdeaCrossing seeks to do. In addition, some of the criticisms of IdeaCrossing seem to be solved by what JumpStart does. Directing users to JumpStart and its services might help solve this confusion.

### **Experiences with IdeaCrossing**

To assess users’ overall impressions about IdeaCrossing, they were asked to rate the value of services/information they received from IdeaCrossing in terms of helping them to start or grow their businesses. Table 4 shows the number of respondents who selected each of the five options on a 5-point scale from “not valuable” to “extremely valuable.” Nearly 12% of the respondents (11.8%) reported that the services received were very valuable or extremely valuable in helping them start or grow their business; another 21% found the service to be moderately valuable. However, two thirds of the respondents (67.2%) reported that IdeaCrossing was not valuable or was slightly valuable in their efforts to start or grow their businesses. This response is probably because entrepreneurs are looking for funding when they come to IdeaCrossing; therefore, any service, no matter how helpful, is deemed not valuable if it fails to provide additional funding for their business.

**Table 4. Value of IdeaCrossing to Respondents**

Value of IdeaCrossing in	Total Number of Respondents	Not Valuable	Slightly Valuable	Moderately Valuable	Very Valuable	Extremely Valuable
Helping companies start or grow their business	186	66	59	39	14	8

Half of the 22 respondents who reported that the services/information they received from IdeaCrossing were very valuable or extremely valuable were located in Ohio. Almost one third of these respondents (7, or 32%) had created an active funding profile with the interest of finding funding; however, only two had been contacted by a potential investor and none had secured capital to start or grow their business. Furthermore, eight had created and activated Business Mentor Preferences; three of these had been contacted by business mentors with one of them establishing a mentor relationship. The 22 respondents were in 15 different industries; nearly half (10 out of 22) were in three industries—Internet/Web (4), Business Services (3), and Retail (3). In addition, nearly two thirds had been in business for 1 year or more. These businesses were predominantly small with 1 to 10 employees and annual revenues of \$0 to \$100,000 and were at more advanced development phases with 15 out of 22 in the demonstrating, market entry, or growth and sustainability phase of entrepreneurial development.

Several respondents provided testimonials about their overall experience with IdeaCrossing. While some had gained valuable experience with IdeaCrossing, some did not and there was a recurring complaint that some had submitted materials to inquiring investors and received no response. Respondents with positive experiences described IdeaCrossing as a very valuable resource. Several respondents had not used the IdeaCrossing website and promised to visit the site to learn more. Some reported that they felt the idea was good but they still had not been able to match up with investors or find funding. A number of entrepreneurs said they were wary of sharing their business ideas over the Internet because they were not sure about security and confidentiality issues. Others said they felt IdeaCrossing seemed to be geared more towards other types of business such as high-tech and biotech but not to other business ventures. Problems with investors who are not serious or who were deemed noncredible was also reported. A few respondents also commented that they received emails that there had been a match with investors but they were never contacted by the potential investor.

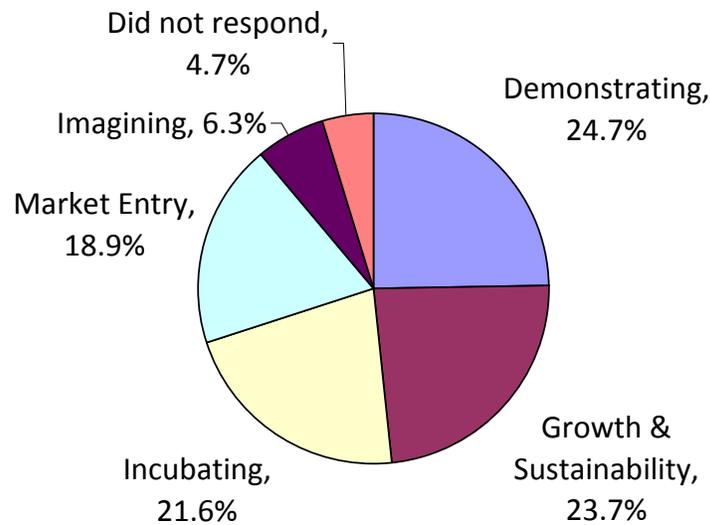
### **Other Company Information**

The survey asked respondents to select the area of their new or prospective businesses from a list of 36 possible industries. Responding entrepreneurs were very diverse in terms of their industry. The number of respondents who reported that their business was in a particular industry ranged from only one business in some industries to 26 businesses in others. The

industry with the highest number of businesses was Internet/web with 26 respondents followed by Media & Entertainment (15 respondents) and Business Services, and Energy & Utilities with 13 respondents each.<sup>15</sup> No businesses were recorded in five of the listed industries. One of the two entrepreneurs who used business mentors was in Pharmaceuticals and the other in Computer Services.

Businesses were in various stages of development. Figure 2 shows that majority of businesses were in one of three phases: Demonstrating (47 respondents), Growth and Sustainability (45), and Incubating (41). Thus, owners of businesses at different developmental stages feel they need access to funding and other resources and they have active funding profiles to help them match up to potential investors and or receive mentoring and advice from business mentors.

**Figure 2. Phase of Entrepreneurial Development**



<sup>15</sup> The numbers of respondents by industry category for their new or prospective business are: Internet/Web (26), Media & Entertainment (15), Business Services (13), Energy and Utility (13), Retail (12), Healthcare (11), Manufacturing (9), Medical Devices (9), Computer Software (7), Real Estate (7), Computer Services (6), Education (6), Financial Services/Banking (6), Construction (5), Non-Profit (4), Transportation Services (4), Bioscience (3), Electronics (3), Food & Beverage Manufacturing (3), Restaurants & Accommodations (3), Aerospace and Defense (2), Automotive Manufacturing (2), Chemicals (2), Computer Hardware (2), Environmental Services & Equipment (2), Security Products & Services (2), Travel & Leisure (2), Advanced Materials (1), Agriculture (1), Pharmaceuticals (1), Telecommunications (1), Advanced Display Technology (0), Advanced Machinery (0), Government (0), Insurance (0), and Metals & Mining (0). Seven respondents skipped this question.

Similarly, respondents fell within a wide spectrum with respect to how long they had been in business, ranging from young businesses which had been in existence for less than six months to more mature businesses that had been in operation for more than 5 years. In addition, 16.3% had not yet opened for business and were most likely looking for funding on IdeaCrossing to start their business. Nearly two thirds of all respondents were more than 1 year old.

Respondents were mostly small businesses with 1 to 10 employees (63.7%). One company had more than 100 employees and three had between 50 and 100 employees. In terms of revenues, most businesses were small, just as they were in terms of total number of employees. More than three quarters of all respondents reported that their businesses had total annual revenues of \$100,000 or less. One business had annual revenues of over \$10 million; this company employed more than 100 employees.

### **Summary and Conclusion**

More entrepreneurs, predominantly from Cuyahoga County and Ohio in general, continue to join IdeaCrossing. Most businesses were small with up to 10 employees and up to \$100,000 in annual revenues. Respondents registered with IdeaCrossing seek investors to start or grow their businesses and desire to connect with business mentors. Fifteen respondents had been contacted by potential investors. After several conversations, however, none had been able to secure investment or add jobs to their companies. Two respondents had been able to establish mentoring relations with business mentors. Since the few entrepreneurs who had mentoring interactions with business mentors gained very valuable advice, efforts should be made to increase and encourage users to interact on IdeaCrossing with the hope of matching up with mentors. The survey did not inquire about the type of help or advice they received from their Business Mentors. Once a match occurs, the entrepreneur should probably be given a time frame where they can also contact the investor to see if they are a good fit. This can ease some of the frustration of not hearing from potential investors. Success stories of matches made on IdeaCrossing would also be helpful to encourage users. Respondents suggested improving communication with entrepreneurs after they submit business plans and other documents and giving entrepreneurs the opportunity to pitch their ideas on IdeaCrossing.

## APPENDIX

JumpStart Survey

IdeaCrossing Survey

**JUMPSTART SURVEY**

**The Center for Economic Development at Cleveland State University is conducting a study to estimate the economic impact of JumpStart.**

**Can you please take 5 minutes to complete the brief survey below? The answers will be anonymous and presented to JumpStart in aggregate; they will primarily be used by Cleveland State in the economic impact analysis.**

**Thank you.**

1. Have you been able to secure investment capital to start or grow your business since working with JumpStart?

- yes
- no [skip to Q.3]

2. For each source of capital, please indicate the amount you were able to raise (ex. 10 Million would be: 10000000).

- Debt amount \_\_\_\_\_
- Equity: Angel Investment amount \_\_\_\_\_
- Equity: Venture Capital amount \_\_\_\_\_
- Government Grant/Contract/SBIR/STTR amount \_\_\_\_\_
- other \_\_\_\_\_ amount \_\_\_\_\_

3. Have you added employees in the last year?

- yes
- no [skip to Q.5]

4. How many employees did you add? \_\_\_\_\_

5. Overall, how valuable were the services you received from JumpStart in helping you raise investment capital and/or increase the number of employees?

1 Not valuable	2 moderately valuable	3 very valuable
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

6. Thinking about your interaction with JumpStart, please indicate the percentage of time that you worked with each program of JumpStart in securing your investment capital and/or employees. If you did not work with that program, please indicate with a "0".

- \_\_\_\_ JumpStart Ventures \_\_\_\_\_ % of time
- \_\_\_\_ JumpStart Inclusion Advisors \_\_\_\_\_ % of time
- \_\_\_\_ JumpStart TechLift Advisors \_\_\_\_\_ % of time

7. Where is your business located?

County [text box]

State [text box] (please use the state abbreviation)

Zip code [text box]

8. Is at least 51% of your company owned by entrepreneurs who are female?

- yes
- no

9. Is at least 51% of your company owned by minority entrepreneur? (Minorities include African American, Native American, Latin-American/Hispanic, Asian-Indian, Asian-Pacific, and Pacific Islander)

- yes
- no [skip to Q. 11]

10. Please identify the race/ethnicity of the entrepreneur.

- African American
- Native American
- Latin-American/Hispanic
- Asian-Indian
- Asian-Pacific
- Pacific Islander

11. In what industry is your business?

- Advanced Materials
- Advanced Machinery Manufacturing
- Biosciences
- Information and Communication Technology
- Instruments-Controls-Electronics
- Power and Propulsion (includes Advanced Energy)
- Scientific Research and Development Services
- Other (please specify) \_\_\_\_\_

12. Please provide a short description of your products/services:

## IDEACROSSING SURVEY

The Center for Economic Development at Cleveland State University's Maxine Goodman Levin College of Urban Affairs is working with JumpStart (the organization behind IdeaCrossing) to conduct a study to estimate the contributions and economic impact of IdeaCrossing for registered entrepreneurs.

As a registered entrepreneur within IdeaCrossing, we would like to gather your feedback about your experience to date with IdeaCrossing.

The first 100 IdeaCrossing Entrepreneurs who complete this online survey and provide a valid U.S. mailing address will receive a complimentary \$5 Starbucks Card as a token of our appreciation.

Please take 5-10 minutes to complete the brief survey that follows. The answers will be anonymous and presented to IdeaCrossing in aggregate to help them assess the value of the site.

Thank you!

1. Where is your business currently located?

County [text box]  
State [text box] (please use the state abbreviation)  
Zip code [text box]

2. Is at least 51% of your company owned by entrepreneurs who are female?

- Yes
- No

3. Is at least 51% of your company owned by a minority entrepreneur? (Minorities include African American, Native American, Latin-American/Hispanic, Asian-Indian, Asian-Pacific, and Pacific Islander)

- Yes
- No [skip to Q.5]

4. Please identify the race/ethnicity of the entrepreneur.

- African American
- Native American
- Latin-American/Hispanic
- Asian-Indian
- Asian-Pacific
- Pacific Islander

5. Approximately how long have you been registered with IdeaCrossing?

- Less than 1 month
- 1 to 3 months
- 4 to 6 months

- 7 months to 1 year
- More than 1 year

6. Do you have an active **Funding Profile**, with an interest in finding funding through IdeaCrossing?

- Yes
- No [skip to Q.15 – Business Mentor section]

7. Have you been contacted by a potential Investor?

- Yes
- No [skip to Q.15 – Business Mentor section]

8. How many Investors have contacted you through IdeaCrossing? [text box]

9. Have you engaged in conversations with any of the Investors who initiated contact?

- Yes
- No [skip to Q.15 – Business Mentor section]

10. Did this contact result in you securing capital to start or grow your business?

- Yes
- No [skip to Q.14 – Elaborate on conversation]

11. You've indicated that you've secured capital through an IdeaCrossing connection. Please specify the amount as a whole number. [text box]

12. Have any jobs been added to your company as a result?

- Yes [go to Q.13 - # of jobs]
- No [skip to Q.15 – Business Mentor section]

13. How many jobs have been added as a result of the investment? [text box]

14. You've indicated that you've been contacted by a potential investor, but have not secured capital. Please elaborate on the nature of the conversation(s) that have taken place. [text box]

15. Have you created and activated **Business Mentor Preferences**, in order to be matched to Business Mentors through IdeaCrossing?

- Yes
- No [skip to Q.20 – Resource Center section]

16. Have you been contacted by a potential Business Mentor?

- Yes
- No [skip to Q.20 – Resource Center section]

17. Has this resulted in a mentoring relationship?

- Yes

- No [skip to Q.20 – Resource Center section]

18. How many Business Mentors have you had an ongoing relationship with through IdeaCrossing? [text box]

19. Overall, please rate the advice or information you have received from your Business Mentor(s):

1 not valuable	2 slightly valuable	3 moderately valuable	4 very valuable	5 extremely valuable
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

20. Through IdeaCrossing, what **Resource Center** components have you used to help you start or grow your business? (Check all that apply)

- Events
- Discussion Forums
- User-submitted Articles
- Syndicated Articles
- News
- Service Provider Directory (e.g. lawyers, accountants, marketing consultants)
- I have not used the Resource Center

21. Are there other Resource Center components that you would like to see added? If so, please specify.

22. Overall, how would you rate the value of IdeaCrossing in terms of helping you start or grow your business?

1 not valuable	2 slightly valuable	3 moderately valuable	4 very valuable	5 extremely valuable
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

23. Would you be willing to offer a testimonial about your experience with IdeaCrossing?

- Yes [go to Q. 24 - Testimonial]
- No [skip to Q.25 – Optional Questions]

24. Please share your experience with IdeaCrossing and include your attribution (Company Name, First/Last, Title).

[Text box here]

25. In what industry is your new or prospective business?

- Advanced Display Technology
- Advanced Materials

- ⊙ Aerospace & Defense
- ⊙ Agriculture
- ⊙ Automotive Manufacturing
- ⊙ Advanced Machinery Manufacturing
- ⊙ Bioscience
- ⊙ Business Services
- ⊙ Chemicals
- ⊙ Computer Hardware
- ⊙ Computer Services
- ⊙ Computer Software
- ⊙ Construction
- ⊙ Education
- ⊙ Electronics
- ⊙ Energy & Utilities
- ⊙ Environmental Services & Equipment
- ⊙ Financial Services/Banking
- ⊙ Food & Beverage Manufacturing
- ⊙ Government
- ⊙ Healthcare
- ⊙ Insurance
- ⊙ Internet/Web
- ⊙ Manufacturing
- ⊙ Media & Entertainment
- ⊙ Medical Devices
- ⊙ Metals & Mining
- ⊙ Non-Profit
- ⊙ Pharmaceuticals
- ⊙ Real Estate
- ⊙ Restaurant & Accommodations
- ⊙ Retail
- ⊙ Security Products & Services
- ⊙ Telecommunications
- ⊙ Transportation Services
- ⊙ Travel & Leisure

26. Please provide a short description of your products/services:

[Text box]

27. Which term best describes your phase of entrepreneurial development?

- ⊙ **Imagining** (Developing your business case. Demonstrating in a lab setting.)
- ⊙ **Incubating** (Business plan and market research. Defining performance specs; validating technological capabilities within the specs.)
- ⊙ **Demonstrating** (Market acceptance data, price, evidence that sales can grow. Technical proof within customer context; working prototypes perform; manufacturability within cost/quality.)
- ⊙ **Market Entry** (Entering market, ongoing business, feedback in terms of sales, revenues, margins and growth. Technology embedded working on improvements.)

- ⊙ **Growth & Sustainability** (Execution; increase in market share; driving business. Product improvements and new product development.)

28. How long have you been in business?

- ⊙ We are not yet open for business
- ⊙ Less than 6 months
- ⊙ 6 months to less than 1 year
- ⊙ 1 year to less than 5 years
- ⊙ 5 years or more

29. How many employees do you have?

- ⊙ 1 to 10
- ⊙ 11 to 25
- ⊙ 26 to 50
- ⊙ 51 to 100
- ⊙ 100+

30. What were your annual revenues in the most recent fiscal year?

- ⊙ \$0 – 100K
- ⊙ \$101 – 250K
- ⊙ \$251 - \$1.0M
- ⊙ \$1.1M - \$10M
- ⊙ Over \$10M

31. The first 100 people who complete this survey will be sent a \$5 Starbucks Gift Card. If you are one of those people, in order to receive your gift card, please supply your valid U.S. mailing address.

*Please note: The personal information supplied will only be used for distribution of the gift card and will not be associated with responses.*

- ⊙ First & Last Name
- ⊙ Company
- ⊙ Street Address 1
- ⊙ Street Address 2
- ⊙ City
- ⊙ State
- ⊙ Zip