



SUMMARY REPORT

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# Incubator & Accelerator Survey Results

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## ABOUT THIS REPORT

In an effort to deepen its understanding of Arizona's entrepreneurial ecosystem, the Arizona Commerce Authority (ACA) reached out to incubators and accelerators throughout the state to ask about their work with young companies—covering topics such as the services these facilities provide, the industries they serve and the performance of portfolio companies. This report summarizes the findings of that undertaking.

## ABOUT THE ACA

The Arizona Commerce Authority (ACA) is the leading economic development organization with a streamlined mission to grow and strengthen Arizona's economy. The ACA uses a three-pronged approach to advance the overall economy: recruit, grow, create – recruit out-of-state companies to expand their operations in Arizona; work with existing companies to grow their business in Arizona and beyond; and partner with entrepreneurs and companies large and small to create new jobs and businesses in targeted industries.

The ACA is overseen by a [public-private sector board](#) composed of Arizona leaders in business and policy. The board is overseen by Arizona Governor Doug Ducey and co-chaired by Jerry Colangelo, partner of JDM Partners and chairman of USA Basketball. Joining them on the board is a group of prestigious private-sector business leaders, elected officials and university presidents.

The ACA's [executive management team](#) drives the organization's day-to-day operations, ensuring it maintains focus on the recruitment of quality companies and jobs to the state of Arizona. This team brings together the best and brightest in economic development, management and communications.

### ACA Executive Management Team

*Sandra Watson, President & CEO*

*Greg Linaman, Chief Operating Officer/General Counsel*

*David Drennon, Vice-President, Strategic Initiatives*

*Wayne Holder, Chief Financial Officer*

*Brian Sherman, Senior Vice-President, Business Development*

*Kevin Sullivan, Senior Vice-President, Business Attraction*

*Marisa Walker, Senior Vice-President, Strategic Planning/Infrastructure*

*Keith Watkins, Senior Vice-President, Economic/Rural Development*

## OVERVIEW

The Arizona Commerce Authority (ACA) conducted a telephone survey with representatives of 10 incubators and accelerators operating in Arizona. Interviews took place Oct. 9, 2014 through Jan. 5, 2015. What the study shows about the community:

- The incubator and accelerator space is exploding in Arizona. Of the 10 facilities represented in the data, seven were formed in 2011 or later. (See Q.3.)

### Incubators and Accelerators in Arizona



Source: ACA's Arizona Incubator & Accelerator Survey 2015 (Q.1,3,4).  
Arizona Commerce Authority

- Incubators and accelerators that took part in the survey can accommodate more than 200 start-ups at any one time. The facilities serve a wide variety of industries, including biomedical, construction, light manufacturing, technology, retail, clean energy, software and professional services. (See Q.10 and Q.2).

### Serving Arizona Start-ups

Question	Mean	Median	Range	Total
How many companies have you enrolled in any programs?	44	27	10-138	444
How many companies are currently enrolled?	15.5	12	4-32	155
How many companies have completed your program?	21.5	12	0-88	215

Source: ACA's Arizona Incubator & Accelerator Survey 2015 (Q.5-7).  
Arizona Commerce Authority

## Capacity and Demand for Start-up Assistance

Question	Mean	Median	Range	Total
How many companies can your facility serve at once?	23	21	7-45	226
How many companies applied in calendar year 2013?	45	44.5	7-119	408
How many companies were accepted in 2013?	15	7	2-62	153
Question	Gone up	Gone down	Stayed the same	(Total facilities)
Has the number of companies you can serve at once gone up, gone down or stayed the same over the past two years?	2	0	8	N=10
Has the number of companies applying...	2	3	5	N=10
Has the percentage you enroll...	1	2	7	N=10

Source: ACA's Arizona Incubator & Accelerator Survey 2015 (Q.10-15).

Arizona Commerce Authority

- At the time of the survey, more than 300 Arizonans were working on a start-up at these incubators. And most of them—more than 60 percent—were getting paid. (See Q.16-16b.)
- Over the course of their histories, these incubators and accelerators have nurtured companies that have created almost 900 full-time jobs. (See Q.17.)
- Companies that have taken part in these incubator and accelerators' programs have raised more than \$110 million in private capital. (See Q.18.)
- Asked about the most critical gaps in Arizona's entrepreneurial ecosystem, respondents highlighted the need for funding, particularly for seed and early stage companies. (See Q.23.)
- Asked about strengths in Arizona's entrepreneurial ecosystem, respondents noted strong collaboration in the state and a lot of activities and programs. (See Q.22.)



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## ARIZONA INCUBATOR AND ACCELERATOR SURVEY

### TOPLINE

OCT. 9, 2014-JAN. 5, 2015

N=10<sup>1</sup>

#### ASK ALL:

Q.1 First, do you consider your facility to be an incubator, an accelerator or something else?

#### N

8	Incubator
1	Accelerator
0	Something else
1	<b>[VOL.]</b> Both
0	<b>[VOL.]</b> Don't know
0	<b>[VOL.]</b> No answer

#### ASK ALL:

Q.2 What industries does your [incubator/accelerator/facility] focus on when recruiting companies?

**Wide variety of answers, including biomedical, construction, light manufacturing, technology, retail, clean energy, software and professional services. Three facilities had no limitations.**

#### IF Q.2="Don't know," ASK [N=0]:

Q.2a What types of companies does your [incubator/accelerator/facility] serve?

**No respondents got this question.**

#### ASK ALL:

Q.3 In what year was your [incubator/accelerator/facility] founded?

#### N

2	2001-2005
1	2006-2010
7	2011-2013

*Note: Five of the 10 respondents said their facilities were founded in 2012 or 2013.*

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<sup>1</sup>

The number of respondents includes one facility that closed in 2014 but was able to answer questions regarding its performance until the closure.

**ASK ALL:**

Q.4 Is your [incubator/accelerator/facility] affiliated with any other group or entity, such as a university or association?

**N**  
6 Yes  
4 No  
0 [VOL.] Don't know  
0 [VOL.] No answer

**IF Q.4="Yes," ASK [N=6]:**

Q.4a With what group or entity is your [incubator/accelerator/facility] affiliated?

**Answers included educational institutions, municipalities and corporate leaders.**

**If Q.4=Yes, ASK [N=6]:**

Q.4b Is your [incubator/accelerator/facility] affiliated with any group or entity outside of Arizona?

**N**  
3 Yes  
3 No  
0 [VOL.] Don't know  
0 [VOL.] No answer

**ASK ALL:**

Q.5 Since your [incubator/accelerator/facility] was founded, how many companies have you enrolled in any programs you provide?

**Mean: 44                      Median: 27**  
**Range: 10-138              Total: 444**

**ASK ALL:**

Q.6 How many companies are CURRENTLY enrolled in any programs at your [incubator/accelerator/facility]?

**Mean: 15.5                    Median: 12**  
**Range: 4-32                  Total: 155**

**ASK ALL:**

Q.7 How many companies have completed your program?

**Mean: 21.5                    Median: 12**  
**Range: 0-88                  Total: 215**

*Note: Three respondents answered 0.*

**IF Q.7=1 OR MORE, ASK:**

Q.7a What steps are required to complete your program?

**Answers ranged from participation-related criteria—company leaders had to attend training and prepare a pitch—to performance related, such as achieving revenue generation or employment targets. Several respondents said their programs had no requirements, or that companies were always in their portfolio, so long as the companies were operating.**

**IF Q.7=1 OR MORE, ASK [N=7]:**

Q.8 Of the companies that completed your program in or before 2012, what share was still in operation a year after exiting your program? This would include companies that were purchased by another company.

<b>N</b>	
0	Less than 10%
0	10% to LESS THAN 25%
0	25% to LESS THAN 50%
2	50% to LESS THAN 75%
5	75% or more
0	<b>[VOL.]</b> Incubator/Accelerator wasn't operating in 2012 or earlier
0	<b>[VOL.]</b> Don't know
0	<b>[VOL.]</b> Declined to answer

**IF Q.7=1 OR MORE, ASK [N=7]:**

Q.9 Of the companies that have completed your program AND are still operating, what share still has a presence in Arizona?

<b>N</b>	
0	Less than 10%
1	10% to LESS THAN 25%
0	25% to LESS THAN 50%
1	50% to LESS THAN 75%
5	75% or more
0	<b>[VOL.]</b> Don't know
0	<b>[VOL.]</b> Declined to answer

**ASK ALL:**

Q.10 What is your [incubator's/accelerator's/facility's] capacity—in other words, how many companies may be enrolled in your [incubator/accelerator/facility] at the same time?

**Mean:** 23                      **Median:** 21  
**Range:** 7-45                **Total:** 226

**ASK ALL:**

Q.11 How many companies applied to be part of your [incubator/accelerator/facility] in calendar year 2013?

**Mean:** 45                      **Median:** 44.5  
**Range:** 7-119                **Total:** 408

**IF Q.11 AT LEAST 1, ASK [N=10]:**

Q.12 How many companies were accepted into your [incubator/accelerator/facility] in calendar year 2013?

**Mean:** 15                      **Median:** 7  
**Range:** 2-62                **Total:** 153

**IF Q.3 LESS THAN OR EQUAL TO 2011, ASK<sup>2</sup>:**

Q.13 Has the number of companies your [incubator/accelerator/facility] can enroll at one time gone up, gone down or stayed the same over the past two years?

**N**  
2 Gone up  
0 Gone down  
8 Stayed the same  
0 **[VOL.]** Incubator/Accelerator has not been operating  
for two years—**probe for certainty**  
0 **[VOL.]** Don't know  
0 **[VOL.]** Declined to answer

**IF Q.3 LESS THAN OR EQUAL TO 2011, ASK<sup>2</sup>:**

Q.14 Has the number of companies applying for your [incubator's/accelerator's/facility's] programs gone up, gone down or stayed the same over the past two years?

**N**  
2 Gone up  
3 Gone down  
5 Stayed the same  
0 **[VOL.]** Incubator/Accelerator has not been operating  
for two years—**probe for certainty**  
0 **[VOL.]** Don't know  
0 **[VOL.]** Declined to answer

**IF Q.3 LESS THAN OR EQUAL TO 2011, ASK<sup>2</sup>:**

Q.15 Has the percentage of companies you enroll in your programs gone up, gone down or stayed the same over the past two years?

**N**  
1 Gone up  
2 Gone down  
7 Stayed the same  
0 **[VOL.]** Incubator/Accelerator has not been operating  
for two years—**probe for certainty**  
0 **[VOL.]** Don't know  
0 **[VOL.]** Declined to answer

**ASK ALL:**

Q.16 How many people work for companies currently enrolled in your programs? Do **not** include lawyers, accountants or other external firms that your companies use, but **do** include those who work full-time or part-time, even if they are unpaid.

**Mean:** 38                      **Median:** 18  
**Range:** 1-93                **Total:** 303

*Note: One respondent declined to answer this question and one did not know the answer, so these figures are based on eight responses.*

**IF Q.16=1 OR MORE, ASK [N=10]<sup>3</sup>:**

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<sup>2</sup> Questions 13,14 and 15 were intended only for facilities that had been open since 2011, but the questions were inadvertently asked of all respondents. Given that the interviews took place mostly in late 2014, even the most recently founded facilities were old enough for respondents to credibly answer the questions, so their input is included.

Q.16a Do any of the people who work for the companies currently enrolled in your programs get paid for their work?

<b>N</b>	
7	Yes
2	No
1	<b>[VOL.]</b> Don't know
0	<b>[VOL.]</b> Declined to answer

**IF Q.16a=1 (YES), ASK<sup>3</sup>:**

Q.16b How many people who work full time or part time for the companies currently enrolled in your programs get paid for their work?

<b>Mean:</b> 31.5	<b>Median:</b> 20
<b>Range:</b> 6-74	<b>Total:</b> 189

*Note: Four respondents said they did not know the answer, so these figures are based on six responses.*

**ASK ALL:**

Q.17 Thinking about all the companies that have ever been enrolled in any of your programs—including those currently participating—how many full-time positions have they created in Arizona that, to your knowledge, still exist?

<b>Mean:</b> 89	<b>Median:</b> 25
<b>Range:</b> 6-500	<b>Total:</b> 890

**ASK ALL:**

Q.18 Again, thinking about all the companies that have ever been enrolled in any of your programs—including those currently participating—we'd like to know about the funding they have raised. In total, how much private equity, including angel and venture capital money, have those companies raised, NOT including money from founders, family or friends?

*Note: One of the respondents indicated a form of capital raised that did not fit the categories listed in the question. That response is excluded from these results. Another respondent did not know the answer to this question. Additionally, one respondent reported that enrolled companies had raised no private equity funding. Results will be shown below both with and without that \$0 figure included.*

Based on eight responses, including one report of no capital raised:

<b>Mean:</b> \$13.8 million	<b>Median:</b> \$3.45 million
<b>Range:</b> \$0 to \$80 million	<b>Total:</b> \$110.65 million

Based on seven responses that indicated at least some capital had been raised:

<b>Mean:</b> \$15.8 million	<b>Median:</b> \$5.2 million
<b>Range:</b> \$200,000 to \$80 million	<b>Total:</b> \$110.65 million

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<sup>3</sup> Question 16a was intended only for those who answered "yes" to question 16, and question 16b was intended only for those who answered yes to both questions 16 and 16a. However, all respondents inadvertently were asked these questions. In some cases, not knowing how many people worked for portfolio companies did not preclude knowing whether anyone working for those companies got paid or how many got paid. In other cases, respondents offered "don't know" as their answers to these questions. Data for all respondents are included above.

**ASK ALL:**

Q.18a How much money have they raised through debt?

<b>N</b>	
5	None
1	\$200,000
1	\$500,000
1	\$3 million
2	Don't know

*Note: All responses volunteered.*

**ASK ALL:**

Q.18b How much money have they raised from the public markets?

<b>N</b>	
7	None
1	\$7 million
2	Don't know

*Note: All responses volunteered.*

**ASK ALL:**

Q.19 Does your [incubator/accelerator/facility] keep in touch with companies that have completed any of your programs?

<b>N</b>	
6	Yes
3	No
1	[VOL.] Other
0	[VOL.] Don't know
0	[VOL.] Declined to answer

*Note: The "other" answer was from the facility that had ceased operations.*

**IF Q.19=1 OR MORE, ASK:**

Q.20 Please tell me about how you keep in touch with companies that completed any of your programs. Do you host events or have a listserv for them? How do you engage with them once they are no longer in your program?

**Reported engagement ranged from formal efforts to keep in touch—newsletters, volunteer opportunities, get-togethers, regular meetings, etc.—to a willingness to continue providing assistance, if requested.**

**ASK ALL:**

Q.21 Have any of the companies that have participated in your programs applied for:

	Yes	No	Don't know (Vol.)	Declined to answer (Vol.)
a. The Arizona Innovation Challenge business plan competition	8	2	0	0
b. The FAST Grant program	7	3	0	0
c. The Venture Ready program	4	5	1	0
d. The P III Playbook	6	4	0	0
e. The Angel Investment Tax Credit certification	3	5	2	0
f. The Research and Development (R&D) tax credit	1	5	4	0
g. The AZ STEP Program	2	7	1	0
h. The Arizona Innovation Accelerator Fund	3	6	1	0
i. AZ Furnace	4	6	0	0
j. Job training grant program	2	7	1	0

**ASK ALL:**

Now, I have just a few more questions about the entrepreneurial ecosystem in Arizona.

Q.22 First, what do you see as the greatest strengths of Arizona's entrepreneurial ecosystem?

**Responses largely focused on collaboration and a sense of being on the right track, plus a lot of activity and programs, especially compared with other states.**

*Specific mentions of greatest strengths:*

- Help through incubators, accelerators more available than in other states
- Resources available
- Shared funding and doing a better job than other states.
- We are growing, we are doing a better job, working together as a state.
- Arizona is on the right track and has come a long way
- There are a lot of people involved, and we are all heading in the right direction
- The support of one another to help everyone be successful
- Collaborating
- Starting to see and feel support from ACA
- Venture Ready
- Outside entities are starting to focus on Arizona entrepreneurs
- University structure helps entrepreneurs get their starts
- Strong business programs in the universities
- Bio area has a great pipeline of support

**ASK ALL:**

Q.23 What do you see as the most critical gaps in Arizona's entrepreneurial ecosystem?

**Funding, especially for seed and early state companies, was the most common answer.**

*Specific mentions of most critical gaps:*

- Gap with early stage funding
- Financial support
- Not enough seed money available
- Money
- Not enough money
- Gap on funding; not enough investors for the little companies
- Difficult to get noticed for short and long-term funding; have to rely on friends and family until reaching revenue stage
- Investors not taking companies seriously; investors expect so much from startups.
- Communication
- Not engaged with graduates like we should be
- Not having a true focus on what we want to be known for as a state

**ASK ALL:**

Q.24 What role do you see your [incubator/accelerator/facility] playing in Arizona's entrepreneurial ecosystem

**Answers were quite varied.**

*Specific mentions of their roles in the ecosystem:*

- We are the feeder for other incubators
- Work with profit and non-profit
- Good first step; we help people get started and get to revenue stage and help people decide not to go into business
- Just another resource and helping the companies that everyone else seems to push aside
- Offer early stage funding and have established investors
- Pulling together for collaboration and communication to reduce duplication of efforts
- Supporting tech companies and creating jobs
- Going to provide access to technology equipment
- Will have a heavy manufacturing program
- Still figuring out where we fit in
- Work well with other incubators and looking for creative ways to help others
- Focusing on smart people who can solve a problem.
- Looking for and helping special companies.

**ASK ALL:**

Q.25 Finally, the Arizona Commerce Authority would like your perspective about our work with entrepreneurs—what are we doing best, and what are your suggestions?

**Answers were quite varied. Some respondents reported being uninvolved with ACA.**

*Specific mentions of perceptions of ACA's work with entrepreneurs:*

- ACA is doing a great job
- ACA is the reason we are starting to get traction with all the tax credits
- Fabulous work; AIC is a great help and support to companies
- ACA takes care of what companies are lacking with resources and education
- Great job generating new opportunities
- Keep doing what we are doing because it's working
- Very impressed with Venture Ready—tremendous help to ecosystem, early stages and looking for non-biased input
- ACA is great but not out there in the community enough; I feel there is more they can do than just focus on the high-tech jobs and companies
- Doing a great job; I wish we were closer to your office to get more involved
- Doing a great job, but needs to support the companies with the incubators more
- ACA needs to learn to respond quicker when support is needed (ex: NBIA site visit—no money).
- ACA is doing too many things; some of the programs are great, but we are spreading ourselves thin, so we aren't effective for the companies that truly need our help.
- No more training; ACA is stepping on people's feet—companies are confused with all the options available
- Needs a master calendar
- We need to be better prepared; no more urgent items
- Haven't been involved a lot
- I don't work with ACA that much; my goal is to start getting more involved



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