



2006 Entrepreneurial Satisfaction Survey Report

COUNCIL FOR
ENTREPRENEURIAL
DEVELOPMENT

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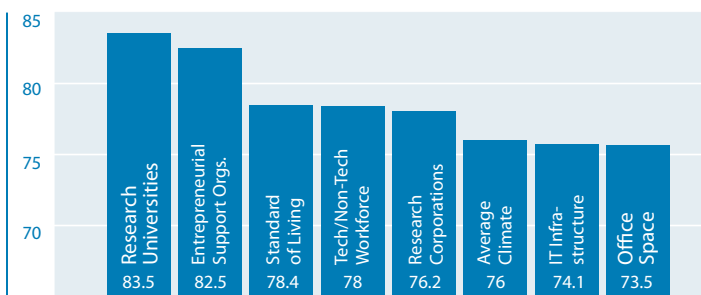
OVERVIEW

In late 2005, the Council for Entrepreneurial Development (CED) conducted its fourth Entrepreneurial Satisfaction Survey of Research Triangle entrepreneurs to gain insight into the critical factors in creating and growing an entrepreneurial business in the region. Respondents included founders and CEOs of innovation-based entrepreneurial companies who rated the relative importance of 27 factors and also weighed in how well the Triangle performs in each category.

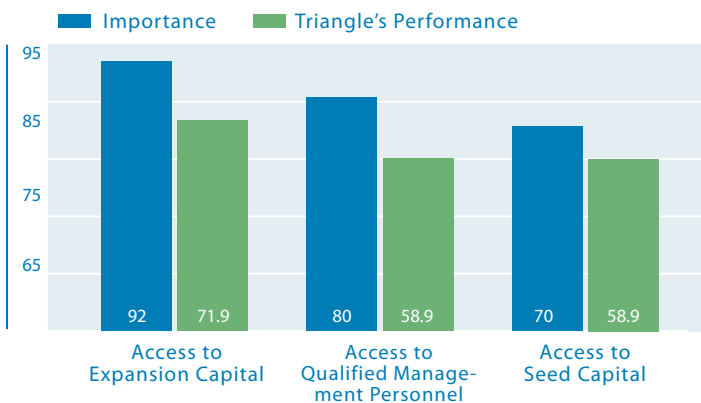
FOUR THEMES EMERGED

- 1 The availability and retention of top management and qualified technical and non-technical talent again registered as the most significant concern for high-growth entrepreneurs (which mirrors findings from the 2001 and 2004 CED surveys).
- 2 The proximity of research universities ranked as the Triangle's greatest strength.
- 3 Quality of life was once again named as a major attractor and retainer of companies and individuals to the area.
- 4 Access to venture capital, both in seed and expansion stages, is a high priority. While access to capital had declined in relative importance in CED's 2001 and 2004 reports, financing sources have regained importance in the 2006 study.

TRIANGLE'S TOP AREAS OF PERFORMANCE*



KEY AREAS FOR TRIANGLE IMPROVEMENT*



* Weighted Average Factor Score (with 100 being the highest)

RANKING OF KEY FACTORS

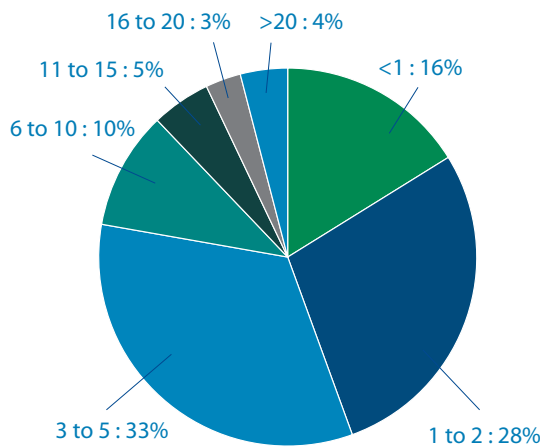
Key Factors	Importance in Growing an Entrepreneurial Company	How Well the Triangle Performs
Availability of Qualified Technical and Non-Technical Workforce	1	4
Availability of Qualified Management Personnel	2	14
Access to Expansion Capital	3	24
Overall Economic Health	4	9
Overall Standard of Living	5	3
Entrepreneurial Support Organizations	6	2
Access to Alternative Financing	7	18
Quality of K-12 Schools	8	19
Availability of Qualified Service Partners	9	12
Access to Seed Capital	10	25
Recreational Activities	11	13
Average Climate (weather)	12	6
Cost of Living	13	16
Available Air Service and Airport Facilities	14	10
Availability of IT Infrastructure	15	7
Environmental Quality	16	15
Office Space Availability and Costs	17	8
Crime Rate	18	17
Housing Costs	19	21
Cultural Activities	20	20
Nightlife (restaurants, bars, clubs, etc.)	21	22
Proximity of Research Universities	22	1
Proximity of Research Corporations	23	5
State and City Tax Rates	24	23
Pro Sports	25	27
Transportation Costs and Alternatives	26	26
Proximity of Local Community College Campuses	27	11

METHODOLOGY

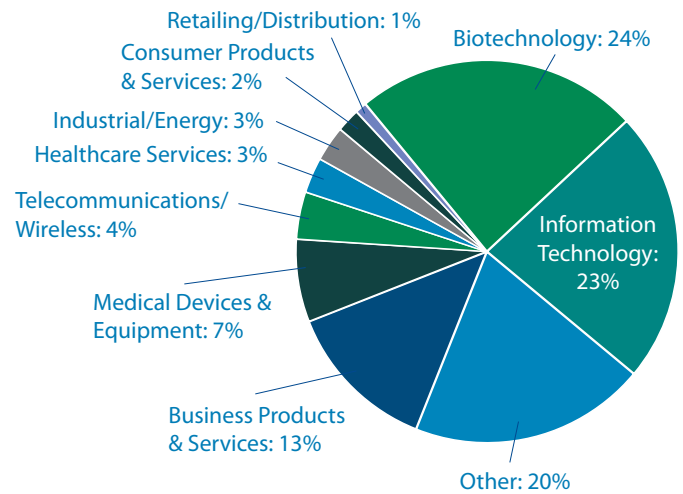
CED distributed the survey via email to Triangle area high-growth entrepreneurs across a full range of growth industries. The survey included a menu of factors to numerically rank (with 1 being the least important and 5 being the most important), as well as an opportunity for respondents to add comments. Also noteworthy, over half of survey

respondents have either started or held senior positions for at least two entrepreneurial companies. Over forty percent of respondents identified their current company in the start-up/seed stage, while close to fifty percent said their company was in a growth/expansion stage. Respondents' current companies have been in business an average of 2.8 years.

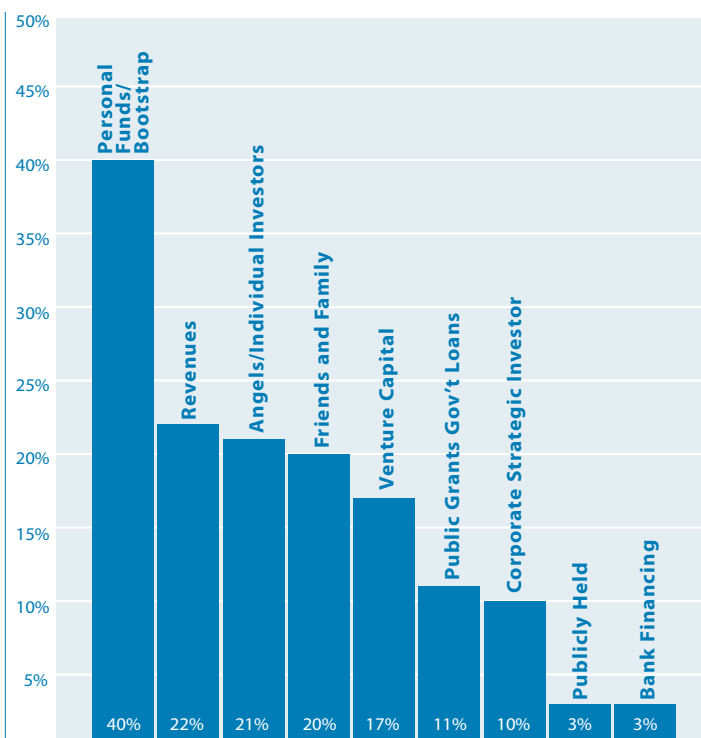
RESPONDENTS' NUMBER OF YEARS IN BUSINESS



RESPONDENTS' INDUSTRY



SOURCES OF FUNDING*



* Multiple sources of funding selected in many cases.

** 61 percent of respondents reported receiving either venture capital or angel funding or both.

ANONYMOUS COMMENTS FROM SURVEY RESPONDENTS

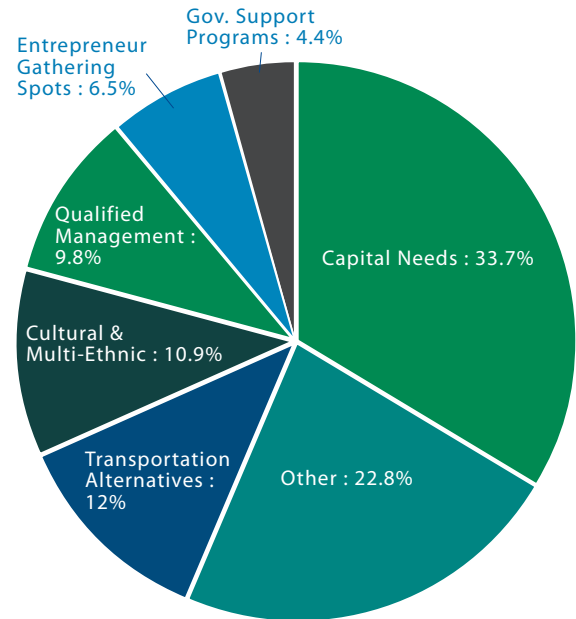
"The biggest reason we decided to start our company in the Research Triangle is that the growth of the region was tied to technology investment, so we knew that there would be incredible support for our company."

"This region is the hotbed of medical technology and entrepreneurship in the Southeast. I wanted to start a biotech / medical technology company, and I wanted to live in the South."

ADDITIONAL FINDINGS

- Access to capital in the Research Triangle continues to be of considerable concern to area entrepreneurs. When asked to identify one thing the Triangle lacks, almost **34% of respondents cited capital**, up from 28% in 2004. Of those, the majority emphasized the growing need for seed and expansion capital, a larger critical mass of sophisticated investors, increased involvement from angel investors, and access to other funding sources.
- Survey respondents ranked **access to alternative funding sources** (such as grants and loans) #7 in importance in this year's survey, up from #16 in 2004. The Triangle improved slightly in this category, up from #22 in 2004 to #18 this year. Nevertheless, overall trends in the survey underscore the growing need for a wide range of capital sources to stimulate new and existing company growth.
- While financial capital is a high priority for entrepreneurs, human capital remains the single-most important factor when starting or growing a company. In particular, respondents ranked the **availability of experienced management and availability of qualified technical and non-technical employees** as the two most critical success factors. These findings mirror the results of the 2004 study.
- **Overall economic health remains a key factor** in growing an entrepreneurial company. In 2004, respondents cited "overall economic health" as the third most important factor, and in this year's report this factor once again placed in the top five.
- This year, respondents ranked the **importance of entrepreneurial support organizations** #6, up from #17 in the 2004 report, highlighting these groups' increased relevance as catalysts in the innovation economy, and ranking second only to Triangle research universities as a regional strength. Respondents cited CED and its organizational partners (such as SBTDC, North Carolina Medical Device Organization, North Carolina Biosciences Organization, North Carolina Biotechnology Center and others) as valuable.
- In addition to available capital resources, approximately **12% of respondents mentioned quality transportation options** as the one thing the Triangle lacks, citing traffic and the lack of direct west coast flights. This finding is similar to the 2004 study, in which 15% of respondents expressed transportation concerns. Another 11% of respondents this year commented on the **lack of cultural, multi-ethnic and recreational activities**, including limited downtown or nightlife options.
- **Recreational activities and climate ranked much higher** on entrepreneurs' priority list this year, when compared to the 2004 study. Survey respondents ranked recreational activities and weather #11 and #12 in importance, respectively, up from #19 and #21 in the 2004 report. The increasing role of non-business factors (such as cultural offerings and good weather) indicates that quality of life concerns remain key attractors and retainers of entrepreneurial talent in the Triangle.
- Despite the many obstacles described in the survey, many respondents expressed appreciation for living and working in the Triangle. Some respondents noted the region's **"overall growth and resources"** as key strengths, while others praised the region's **proximity to university and research talent**. Other respondents pointed to the overall quality of life, available technical professionals and cost of living. Numerous respondents simply said the region was **a great place to raise a family**.

"ONE THING THE TRIANGLE LACKS"



Numbers represent the percent of total respondents

"The most important factor that RTP lacks, in comparison to San Francisco, San Diego and Boston, is seed and start-up capital. In the past 3 or 4 years, it has been very difficult for companies to raise the first \$1M or so."

"The region's entrepreneurial community has improved over the years, and I've seen a lot of change. But we need to have government leaders at the city, county and state level who outright support small to mid-size businesses. We need proactive regional and state government support programs focused on innovation without red tape."

CED: IGNITING ENTREPRENEURIAL SUCCESS THROUGH KNOW-HOW AND NETWORKS

CED thanks the entrepreneurs, founders and CEOs who completed this year's Entrepreneurial Satisfaction Survey. The results provide clear direction as CED works to ensure that the region's environment, resources and culture support a vibrant entrepreneurial sector. To help North Carolina become the country's leading entrepreneurial state, CED will build on recent organizational highlights and regional accolades – many of which are outlined below.

Recent CED Accomplishments

- Partnered with the Kauffman Foundation to develop curriculum and prepare FastTrac Tech for national distribution
- Expanded CED headquarters to new location in Research Triangle with additional meeting space and resources for entrepreneurs
- Partnered with Research Triangle Regional Partnership and NC Treasurer's office to attract more "tier one" out-of-state investors to invest in North Carolina
- Collaborated with Southern Growth Policies Board to launch a multi-state task force called "VentureSouth" to increase the flow of venture capital to the South
- Merged with Wilmington's Coastal Entrepreneurial Council – resulting in the creation of CED-Coastal divisional office to enrich CED's entrepreneurial network.
- Presented Opportunity 2005 conference, which attracted a record number of entrepreneurs and angel investors to Wilmington
- Hosted "Angel Investor Retreat" during Venture 2005 and Opportunity 2005, offering networking and educational opportunities for angel investors across the Southeast
- Established strategic alliance with NC IDEA to nurture innovation-based new company formation and increase access to capital and technical expertise
- Worked with coalition of government and nonprofit partners to create North Carolina's SBIR/STTR Phase I Incentive and Matching Funds Program
- Joined NC Rural Center and 20 other partners to create an "entrepreneurship development system" to serve rural and minority entrepreneurs in low-wealth areas of North Carolina
- Launched bi-weekly Entrepreneurs Only Workshops to provide practical tools and trends for current and aspiring entrepreneurs
- Worked with NCBIO and NCTA to extend the state's Qualified Business Venture Tax Credit to \$7 million and to extend the sunset until 2007

ABOUT CED

The Council for Entrepreneurial Development (CED) is a private, non-profit organization formed in 1984 to identify, enable and promote high growth, high impact entrepreneurial companies and to accelerate the entrepreneurial culture of the Research Triangle and North Carolina. With more than 4,000 active members representing over 1,100 companies, CED is the largest entrepreneurial support organization in the nation. Headquartered in the Research Triangle with a divisional office in Wilmington, CED achieves its mission by providing programs and services in four major areas: education, capital formation, mentoring and communications. Visit www.cednc.org for more information.



Regional Rankings and Accolades

- # 1 High Tech Region (Raleigh-Durham) -- "Daring To Compete: A Region-to-Region Reality Check," Silicon Valley Leadership Group, September 2005
- # 1 City (Greater Raleigh-Durham) for Biotechnology -- "The Greater Philadelphia Life Sciences Cluster," Milken Institute, June 2005
- # 2 Best Place (Raleigh-Durham) for Business & Careers -- Forbes, May 5, 2005
- Top National University Schools in America (Duke, # 5; UNC-Chapel Hill, # 29; NC State, # 86) -- America's Best Colleges, U.S. News & World Report, 2005
- #1 of America's Most Entrepreneurial Campuses (UNC-Chapel Hill) -- Forbes, October 22, 2004
- # 1 Boom Town in America (America's Hottest Job Market) -- Business 2.0, March 2004

"The Research Triangle area is a great place to do business because of the availability of business contacts, technical professionals and manufacturing and supply networks. The cost of living is also balanced with area benefits."