

The State of the Tampa Bay MSA Entrepreneurial Ecosystem

A 2017-2018 Review and Analysis

A Report from the John P. Lowth
Entrepreneurship Center

**Tuesday,
Nov. 27, 2018
6-8:30 p.m.**

The University of Tampa
Lowth Entrepreneurship
Center
8th Floor

ADDRESS

Daly Innovation and
Collaboration Building
820 W. North A St.
Tampa, FL 33606

QUESTIONS?

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"STATE OF THE TAMPA BAY ECOSYSTEM"

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Join us for the 2018 State of the Tampa Bay Entrepreneurial Ecosystem report from the John P. Lowth Entrepreneurship Center. In its third year, this initiative serves as the foundation for tracking the growth and progress of Tampa Bay's entrepreneurial energy. You won't want to miss this opportunity to learn more about how Tampa Bay compares today to the findings of the original Kauffman Foundation study that were presented two years ago.



This event is free to attend, but seating is limited.
RSVP by Nov. 26: <https://stbe.eventbrite.com>

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The John P. Lowth Entrepreneurship Center in the Sykes College of Business teaches skills that are critical for today's entrepreneur. Learning to identify opportunities, prepare executable business plans and hone skills through a combination of classroom study and applied learning, makes our program unique. Entrepreneurship education is the fastest growing field of study in the United States, with entrepreneurs projected to be the group that creates vigorous and sustained economic development worldwide.

Acknowledgements:

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Introduction

A vibrant entrepreneurial ecosystem is vital for producing the conditions that spur new business growth. It represents the increasingly complex and interdependent social systems that stimulate entrepreneurial activity. The focus on entrepreneurial ecosystems is part of a broader movement within entrepreneurship to shift away from individual, personality-based investigations toward a broader focus on the role of context, particularly of social, cultural, and economic forces, that impact entrepreneurial processes (Steyaert & Katz, 2004; Dodd & Anderson, 2007).¹ Our research on the Tampa Bay area entrepreneurial ecosystem is concerned with economic performance and how entrepreneurship in the region is impacted by and how it affects its contextual environment.

Economists dating back to Alfred Marshall (1920) have emphasized the benefits of co-location such as the availability of skilled labor and knowledge.² In his research on business clusters, Porter (1988) suggested that it is not just the endowment of resources or factors of production that influence economic performance but also their configuration, or organization, within the relevant geographic space.³ The idea is that enhancing economic performance is not limited to access to key resources but also location in a place characterized by a rich cluster of economic activity in the relevant industry.

These geographical concentrations include interconnected companies, specialized suppliers, service providers, firms in related industries, associated institutions (e.g. universities, standard agencies, trade associations) in a particular economic field, that compete but also cooperate. Specialization of economic activities within a cluster can maximize economies of scale while concurrently minimizing transaction costs. Advantages of interconnected business environments also exist in terms of social embeddedness and value creation (Pitelis, 2012) and knowledge spillovers also occur more frequently in clusters of economic activity, which fuels innovative activity.⁴

So, “what is the state of the Tampa area entrepreneurial ecosystem in 2018?” To answer that question, we conducted three analyses, using both primary and secondary data, to assess the key facets of the ecosystem. The highlights of those analyses are included below:

Research Context

The 2017-2018 report is the third installment in a longitudinal study of the Tampa Bay entrepreneurial ecosystem. The goal of this stream of research is to provide the Tampa Bay region with information that can help enhance the vitality and growth of entrepreneurial ventures and endeavors. Each year the study includes an overview of the econometric measures of entrepreneurship in the region and an examination of the wellbeing of the elements of the ecosystem. The foundational study, presented in November 2016, was funded by the Marion Ewing Kauffman Foundation and conducted by a team of scholars, led by Rebecca White, Ph.D., director of the John P. Lowth Entrepreneurship Center, Sykes College of Business. Using a systems approach to examine the regional entrepreneurial activity, the team identified six factors that impact economic ecosystem health: fluidity (ease of movement in and out of the system), density (number of new and young startups), vibrancy (energy of the system), connectivity (among the key roles), redundancy (competition among the support systems for entrepreneurs) and diversity (of industries in the startup space).

The findings of the 2016 study suggested that while the region had strong fluidity, vibrancy and diversity, there were gaps in the density measure and bottlenecks that occurred from lack of connectivity and the presence of redundancy among support programs. For a summary of the study please visit:

<https://goo.gl/whN7ZV>

Identifying the elimination of bottlenecks as a priority, the next research report in 2017 focused on mapping the connectivity of the region and identifying key influencing players – specifically entrepreneurs, investors and the companies they create. However, the foundational study served as a call to action for not only the research team but also the community. And, during 2017, a new not-for-profit organization, founded by several Tampa Bay community investors and entrepreneurs, was announced. This organization, called Synapse (<https://synapsesummit.com>), includes an annual summit, a technology platform, an annual book of highlights and challenge sessions.

The 2017-2018 study continues to examine the themes introduced in the original study and builds on the previous work conducted. The study again includes econometric measures of entrepreneurial activity as well as an in-depth examination of the connectivity and individual system elements necessary for a healthy and vibrant ecosystem. We add to our previous findings with data collected via a partnership with Embarc Collective, a new addition to the ecosystem support system. The goal continues to be to serve as a provider of information and education for the Tampa Bay regional entrepreneurial ecosystem.

1. Steyaert, C., & Katz, J. (2004). Reclaiming the space of entrepreneurship in society: Geographical, discursive, and social dimensions. *Entrepreneurship & Regional Development*, 16(3): 179-196.
2. Dodd, D., & Anderson, A. (2007). Mumpsimus and the mything of the individualistic entrepreneur. *International Small Business Journal*, 25(4): 341-360.
3. Marshall, A., & Marshall P. (1879). *The economics of industry*. Macmillan and Co., London.
4. Porter, M. (1996). Competitive advantage, agglomeration economies, and regional policy. *International Regional Science Review*, 19(1&2): 85-94.
5. Pitelis, C. (2012). Clusters, entrepreneurial ecosystem co-creation, and appropriability: A conceptual framework. *Industrial and Corporate Change*, 21(6): 1359-1388.

1

Ecosystem Economics:

The condition of the entrepreneurial ecosystem can be gauged by economic factors that support the ecosystem. Metropolitan Statistical Areas (MSAs) are geographical regions with a relatively high population density at its core and close economic ties within the area (Wikipedia.) We focus our study to the Tampa-St. Petersburg-Clearwater MSA as identified in a report prepared by the U.S. Census Bureau, Population Division.

	2015	2016	2017
Population	2,982,737	3,032,171	3,091,399
GDP (\$ Billions)	\$133.8	\$142.6	\$146.3
Unemployment Rate	4.4%	4.5%	3.6%
# of Fortune 650 Firms	7	6	5
Revenue of Fortune 650 Firms (\$ Billions)	\$75.5	\$72.4	\$83.6
# of Inc. 500 Fastest Growing Firms	74	79	79
Revenue of Inc. 500 Fastest Growing Firms (\$ Billions)	\$1.5	\$2.1	\$2.5
# of Non-Profit Universities/Colleges	10	10	9
Non-Profit Universities/Colleges Enrollment	173,728	191,421	174,468
2 Bedroom Apartment Median Monthly Rent	\$957	\$992	\$1,133
Office Space Lease Ask Rate Per Square Foot per Year	\$19.84	\$24.70	\$26.50

The population of the area gives a measure of size of the MSA as larger populations can support larger ecosystems. The population data was gathered from the United States Census Bureau website www.census.gov/population/metro/data/. Gross domestic product (GDP) is the value of all goods and services produced over a period of time and is used as measure of economic performance for the area. The unemployment rate captures the availability of labor and the rate of business activity within an MSA. GDP and Unemployment data was collected from the Bureau of Economic Analysis website www.bea.gov/regional/. Fortune 650 companies are large companies that support the entrepreneurial ecosystem by providing a customer for many startup firms' services and products. Over the last two years two of our Fortune 650 companies (TECO and HSN) were acquired. Fortune 650 data was collected from the Fortune 500 website fortune.com/for-tune500/. Fast growing companies are identified by using Inc. 5000 Fastest Growing Companies list for 2015, 2016, and 2017. The minimum revenue to be considered for inclusion was two million dollars. University and college students provide highly trained employees to support the growth of the entrepreneurial ecosystem. University enrollment data was collected from the websites of the individual universities. In 2017 Clearwater Christian College closed, leaving the

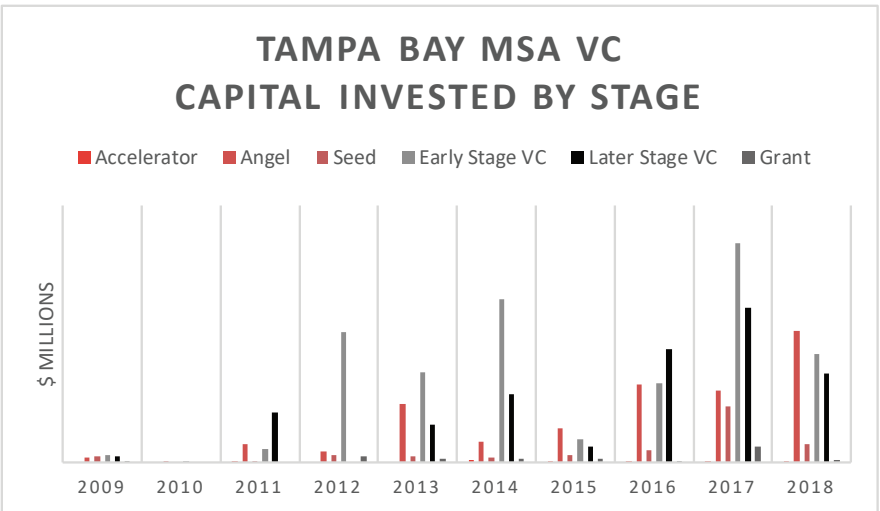
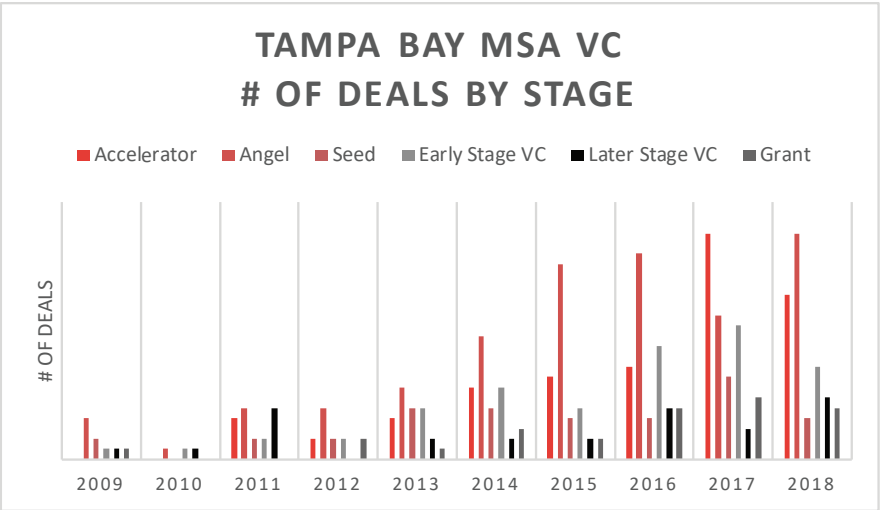
Tampa Bay MSA with nine remaining non-profit universities or colleges. The median month-ly rent for a 2-bedroom apartment captures the cost of living for the Tampa Bay MSA and was collected from the ProximityOne website proximityone.com/metro_rentalmarket.htm. Median Office Space Lease Rate provides a measure of the cost of doing business in the MSA which was downloaded from the LoopNet website www.loopnet.com/.

The data used to describe the venture capital activity comes from a proprietary data set built over the last four years. Venture capital, private equity, M&A, and IPO data for private companies was collected from multiple sources and cross validated using the Mass Investor Database, PrivCo, VentureSource, Bloomberg, Crunchbase and PitchBook. Venture capital investments are split into stages to classify the type venture capital investments and the maturity of companies. The incubator stage includes incubator or accelerator investments into private companies. These investments are typically small with companies very early on in development. Seed stage represents capital invested into companies that are commonly pre-revenue from angels, friends and family with investments that are typically less than \$100,000. The angel stage includes individual angel investors and organized angel networks with investments typically less than \$2 million into companies that have revenue and are gaining traction in their markets. These three stages of capital help grow companies to a size suitable for venture capital investments. Venture capital is broken into two stages, early stage venture capital and later stage venture capital. Early stage venture capital is often the first institutional round of

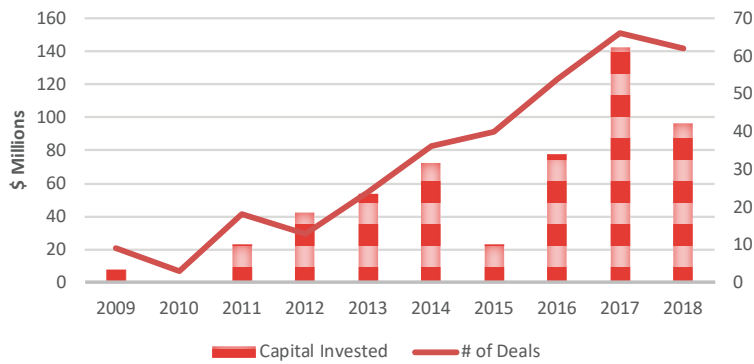
capital or a series A round into private companies with investments typically in excess of \$5 million. These investments are riskier than later stage investment. later stage venture capital is for companies that have achieved significant revenues and are approaching a liquidity event. The rate of return and risk associated with later stage venture capital is lower than that of early stage venture capital. These two stages of venture capital propel companies toward liquidity events including IPOs, sale to a strategic partner, or sale to a financial partner which is often private equity firms. The private equity firms represent the final stage of the venture capital ecosystem for the larger more mature private companies with investments that typically exceed \$15 million. 2017 was a great year for VC investments with 66 deals and over \$140 million invested into companies headquartered in the Tampa Bay MSA, including 13 early stage VC deals valued at \$60 million. 2018 is off to a great start with 62 deals raising over \$96 million in capital.

The Tampa Bay venture capital ecosystem has seen strong growth in VC activity since 2016. This growth in VC activity provides a pipeline of future companies for private equity investors, mergers and acquisitions (M&A) transactions and initial public offerings (IPOs). In 2017 the Tampa Bay MSA had 31 private equity deals valued at \$1,258 million compared to 24 private equity

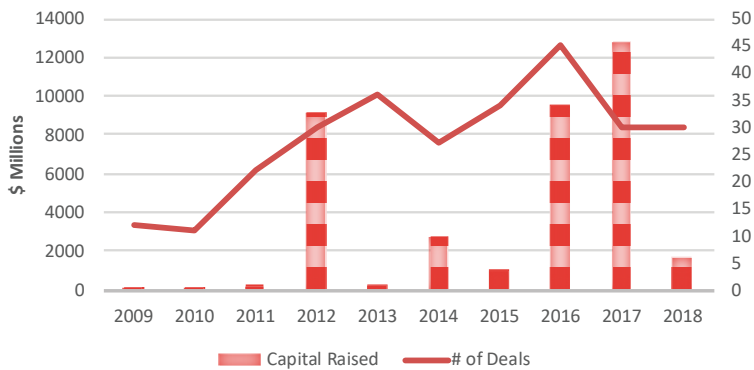
deals valued at \$1,941 million in 2016. M&A activity in the Tampa Bay MSA in 2017 resulted in 30 deals valued at \$12,834 million compared to 45 deals valued at \$9,542 million in 2016. Tampa Bay had a strong year of IPOs in 2017 with eight IPOs valued at \$1,402 million compared to 4 IPOs valued at \$467 million in 2016 and 3 IPOs valued at \$1,207 million in 2015.



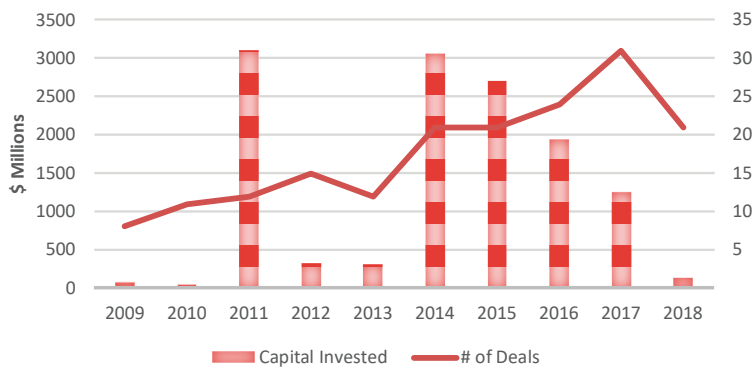
TAMPA BAY MSA VC ACTIVITY



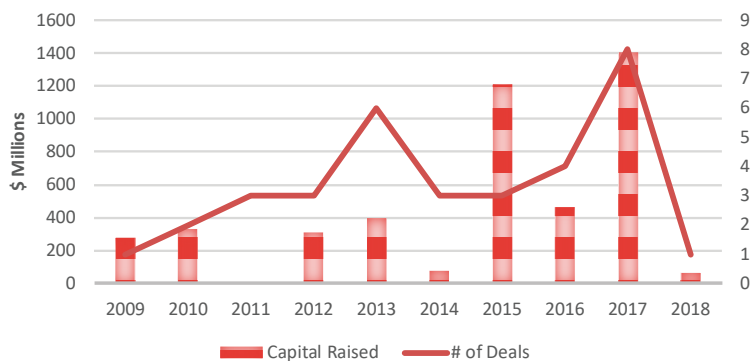
TAMPA BAY MSA M&A ACTIVITY



TAMPA BAY MSA PE ACTIVITY



TAMPA BAY MSA IPO ACTIVITY



Description of the “Dealmaker” Analysis:

Employing secondary data from the CapIQ database maintained by Standard & Poor's, this analysis focused on individuals with equity positions in companies within the Tampa MSA, including Hillsborough, Pinellas, Sarasota, and Manatee counties. The baseline definitional case for a “dealmaker” is three concurrent equity positions. The maps show individual-to-firm connections within the network wherein the square icons indicate companies. The circular icons indicate individuals that are classified primarily as investors, and the triangular icons denote the individuals classified as primarily entrepreneurs. One of the primary values of using this methodology is that it has been applied in key regions around the US and allows us to compare Tampa Bay to other regional ecosystems.

Findings

Key Takeaways of the “Dealmaker” Analysis

Continued Strong Diversity.

The Tampa MSA exhibits a diversified entrepreneurial economy with evident concentrations in the information technology, health care, finance, telecommunications, utilities and consumer discretionary industries.

Improved Density.

There are more players in all three categories examined (companies, founders and investors) in the Tampa MSA in 2018 than in 2017. Specifically, the top growth areas were in health care and information technology.

Connectivity among founders and investors continues to be a challenge.

In 2017-2018, the dealmaker network has become more dispersed overall, and:

- a. Telecommunications has moved further away from the nucleus
- b. Finance has become more diffuse throughout the network
- c. Consumer discretionary remains outside the network, connected mainly by IT
- d. Health care remains clustered but has started to move away from the core network
- e. There are more “lone” investors and founders in the region than were found in the 2017 analysis

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Description of Survey of Local Entrepreneurs:

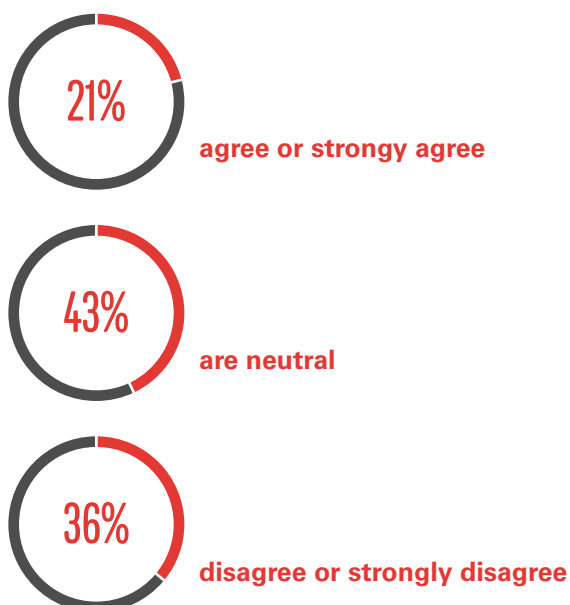
In partnership with the Lowth Center, Embarc Collective deployed an online survey querying local entrepreneurs to gather primary data regarding the small business and entrepreneurial resources available in the Tampa Bay ecosystem. Overall, 159 Tampa entrepreneurs completed the survey. This survey was intended to capture, among other items, Daniel Isenberg's (2011b) well-known ecosystem measurement that includes a six-domain taxonomy and considers entrepreneurial ecosystems at the local level: policy, finance, culture, supports, human capital and markets. In a flourishing and vibrant ecosystem, each of these six domains is strongly supportive of entrepreneurial activity.⁵

Findings

Key Takeaways of the Embarc Collective Survey

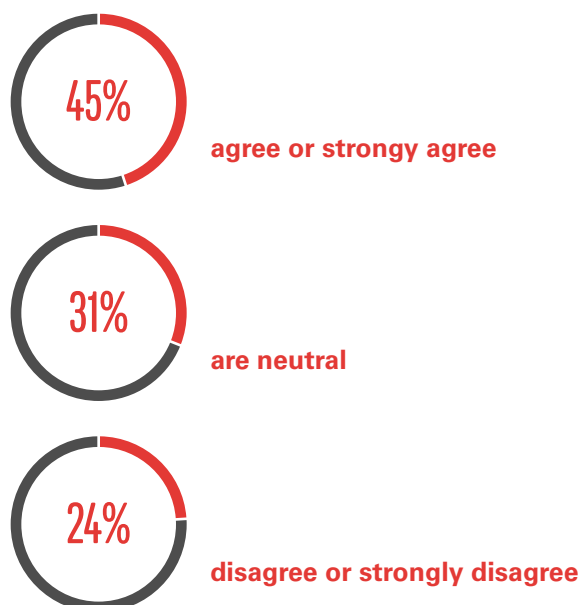
1. Finance.

Tampa Bay entrepreneurs believe the local finance community is accessible and sufficient to fund their ventures.



2. Support System.

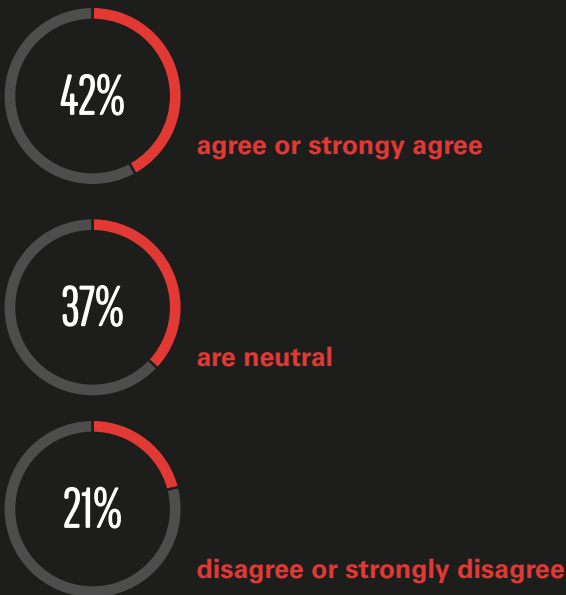
The Tampa Bay community has the infrastructure and entrepreneurial support organizations to assist in new venture creation and growth.



5. Isenberg, D. (2011). The Entrepreneurship Ecosystem Strategy as a New Paradigm for Economic Policy: Principles for Cultivating Entrepreneurship. The Babson Entrepreneurship Ecosystem Project, May 11, 2011: 1-14.

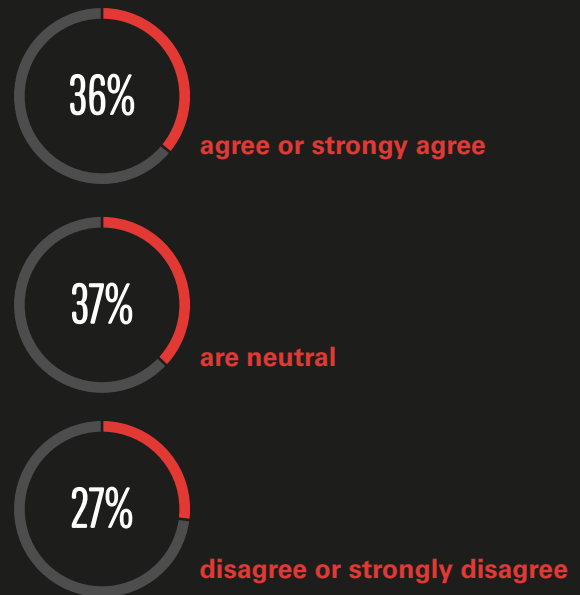
3. Culture.

The culture of the Tampa Bay community encourages risk-taking, innovation and self-sufficiency.



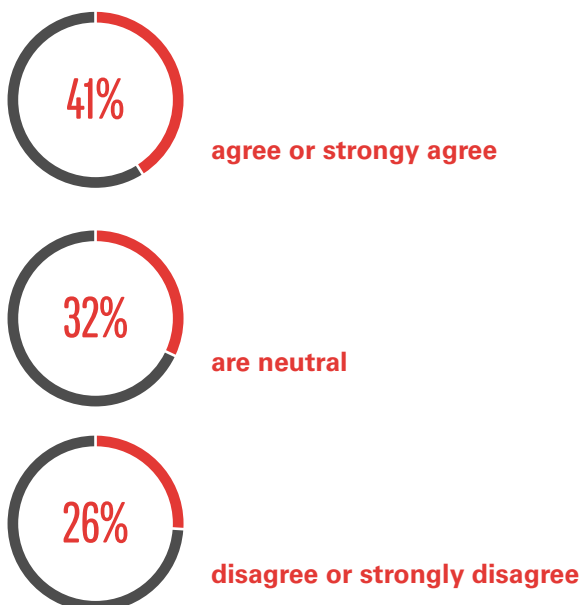
4. Human Capital.

Local educational institutions offer sufficient programming to support business creation and development.



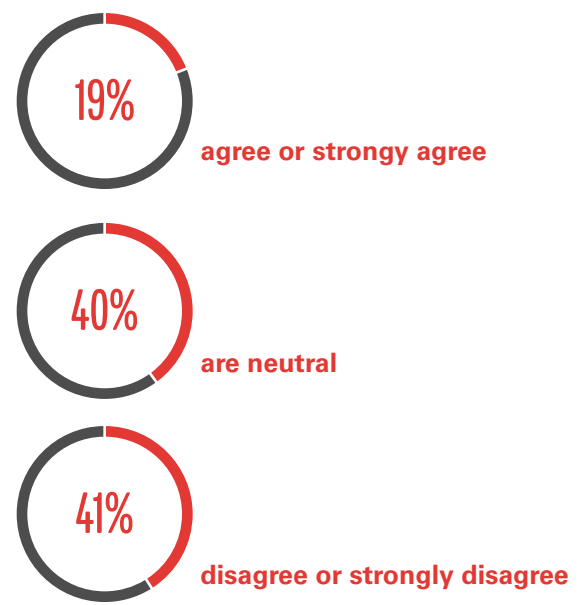
5. Markets.

The Tampa Bay community is diverse and offers community networks and a strong test market for products/services.



6. Policy.

The local government promotes entrepreneurship-friendly initiatives and advocates for entrepreneurs and small businesses.



Conclusion

The findings of our two studies indicate that the Tampa area entrepreneurial ecosystem continues to grow and spawn a diverse field of new ventures, support organizations and investment. Entrepreneurs inform us that the Tampa Bay culture encourages risktaking, has a sufficient breadth of organizations in place to support entrepreneurial activity, and that the market provides diverse opportunities. However, as the “Dealmaker” analysis suggests, challenges remain in terms of the connectivity of the entrepreneurial activity in the region. Also, as evidenced in the survey of local business owners, access to seed capital and entrepreneurship-friendly policies remain challenges for regional entrepreneurs.



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