

Business plan competitions may be key to job growth

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A new study of high-tech startups that participated in the Rice Business Plan Competition (RBPC) shows that these entrepreneurs have a much higher rate of success than typical new ventures and are therefore more likely to contribute to job growth.

The study by the Rice Alliance for Technology and Entrepreneurship spans the 11-year life of the RBPC, the world's richest and largest business plan competition, which comprises teams of graduate students from throughout the world. The comprehensive and [longitudinal study](#) offers insights into the experiential factors that can help entrepreneurs launch a successful business.

Using data on the 354 RBPC graduate-student competition teams from 2001 to 2011, the study found:

- 199 (56 percent) went on to launch their companies after competing at the Rice competition.
- 128 of those (or 64 percent) are successful and still in business today. (Typically, only 20-50 percent of startups survive to their fifth anniversary.)
- Past competitors have raised more than \$460 million in early stage funding.
- A conservative estimate of jobs created tops 1,000.

According to the Kauffman Foundation, in the past 30 years, all net [job](#)

[creation](#) in the U.S. has taken place in firms less than five years old, and this is consistent with the experience at the Rice Business Plan Competition. The Kauffman Foundation is a private, nonpartisan foundation that works to harness the power of entrepreneurship and innovation to grow economies and improve [human welfare](#).

"The study shows that university business plan competitions can go beyond simply being an academic exercise or [educational experience](#)," said Brad Burke, managing director of the Rice Alliance. "They can serve as a vehicle for building a robust entrepreneurial ecosystem and as a launching pad for new businesses, especially high-tech, high-growth startups."

"The Rice Business Plan Competition's track record is unparalleled in creating new, successful high-[tech startups](#)," said Kauffman Foundation Vice President Lesa Mitchell. "The competition provides access to [venture capital](#) and other early stage investors, strategic partners, mentors and service providers – not to mention more than \$1 million in seed funding and other prizes – all critical resources for successfully launching a new company and creating jobs."

The study showed that as a result of the quality of the competitors and this access to investors, 25 percent of the successful startups from the competition have raised venture capital funding compared with less than 1 percent of startups that typically get venture capital funding. Of the total \$460 million in funding raised, 62 percent came from venture funding, 13 percent from angel investors and 13 percent from government grants.

The RBPC results have shown to be a good predictor of a company's success, based on the winners and teams that reached the finals. All of the winners in the RBPC from 2004 to 2011 have been successful, are still in business and have raised more than \$107 million in funding (with

the exception of one team that decided to pursue other avenues to commercialize its technology). Of all the teams that reached the finals from 2001 to 2011, 56 percent have been successful and have raised more than \$269 million in funding.

Teams that compete at the RBPC present their ventures to more than 250 venture capitalists, angel investors, corporate investors, mentors, successful entrepreneurs and other leaders from the business community, where they have a chance to get mentoring, feedback, capital and connections.

Entry into the Rice competition has become more competitive each year, and in 2012, less than 3 percent of the 1,600 applicants were accepted. The states with the largest number of competitors during the first 11 years were Texas, California, Illinois, Massachusetts and Georgia.

The universities with the largest number of teams accepted to compete at the RBPC include Rice University, Massachusetts Institute of Technology, University of Texas at Austin, University of Michigan, Johns Hopkins University, University of Arkansas, Carnegie Mellon University, University of Chicago, Southern Methodist University, University of Illinois at Chicago, Georgia Institute of Technology, Northwestern University, Duke University and Stanford University.

The study shows that the Rice [Business Plan](#) Competition provides a model that other organizations can follow to support entrepreneurs who, in return, will create jobs and build economic prosperity in the U.S.

More information: For a complete copy of the study, go to [www.alliance.rice.edu/uploaded ... BPC_ImpactReport.pdf](http://www.alliance.rice.edu/uploaded...BPC_ImpactReport.pdf)

Provided by Rice University

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