

Entrepreneurship

1. Entrepreneurship

- *Characteristics of an Entrepreneur*
- *Identifying an Opportunity*
- *Companies and Business Plans*
- *Investors*

2. Entrepreneurship

- *Webster's – someone who runs a business at his or her own financial risk*
- *An entrepreneur is a person who undertakes the creation of an enterprise or business that has the chance of profit (or success).*
- *Some qualities of an entrepreneur (WSJ):*
-Partnerships -Robust network -Realistic view -Passion!
-Clear strategy -Technology -Ethical Behavior
-Flexibility

3. Entrepreneur Test

Are you an entrepreneur?

- *I want to be financially independent and be rewarded for my accomplishments*
Yes_ No_
- *Trying something new is attractive, even if the risk of failure is significant*
Yes_ No_
- *I'd prefer to gain independence and control my destiny*
Yes_ No_
- *Building a new enterprise is important to me*
Yes_ No_
- *My experiences during my youth and early career have shown me the benefits of starting a new enterprise*
No_ Yes_
- *Starting a new business some day soon is always in my thoughts*
No_ Yes_
- *I like working with others and can provide leadership when called upon*
Yes_ No_
- *Our society and my family provide a strong, supportive base for my initiatives*
Yes_ No_
- *I possess good technical skills and strong relationship skills in the industry I wish to enter.*
Yes_ No_
- *Add your total score for Yes and No:*
Seven or more Yes answers indicate that you may be ready to act as an entrepreneur in the near future. Yes_ No_

4. Characteristics of an Entrepreneur

- *Ability to deal with a series of tough issues*
- *Ability to create solutions and work to perfect them*
- *Can handle many tasks simultaneously*
- *Resiliency in the face of set-backs*
- *Willingness to work hard and not expect easy solutions*
- *Possess well-developed problem solving skills*
- *Ability to learn and acquire the necessary skills for the tasks at hand*

5. Innovation

- *“I never did anything worth doing entirely by accident...and almost none of my inventions came about totally by accident. They were achieved by having trained myself to endure and tolerate hard work.” – Thomas Edison*
- *“The reasonable man adapts himself to the world. The unreasonable man tries to adapt the world to himself. Therefore, all progress depends on the unreasonable man.”*
- *George Bernard Shaw*

6. Selecting the Opportunity

- *Identifying the Opportunity*
- *Determining the Entrepreneur’s capabilities and interests*
 - *Evaluating the opportunity*
 - *Writing a summary of the concept*
 - *Testing the summary and the concept with potential customers and investors*
 - *Deciding to act on the opportunity or look elsewhere*

7. Selecting the Opportunity

- *Opportunity type 1*
- *Opportunity Pull: the size of the opportunity attracts opportunity seekers to attempt to exploit it.*

Example: A composite that will resist every type of corrosive environment.

- *Opportunity type 2:*
- *Capability Push: A new technology or capability causes a search for new applications.*

Example: iphone

8. Opportunity Categories-

- 1. Increasing the value of a product or a service (e.g., new high quality wine)*
- 2. New applications of existing means or technologies (use magnetic stripes for door access)*
- 3. Creating mass markets (disposable cameras)*
- 4. Customization for individuals (customized computers)*
- 5. Increasing reach (use of internet for financial services)*
- 6. Managing the supply chain (large stores)*
- 7. Convergence of change (brokerage and banking)*
- 8. Process innovation (airborne shipping)*
- 9. Increasing the scale of the firm (video rental firms)*

9. Patents

- *A patent grants inventors the right to exclude others from making, using, or selling their invention for a limited period of time.*
- *Utility patents are issued for the protection of new, useful, non-obvious, and adequately specified processes, machines, and manufacturing processes for a period of 20 years from filing date.*
- *Licensing is a contractual method of exploiting intellectual property by transferring rights to other firms without transfer of ownership.*
- *United States Patent Office www.uspto.gov*

10. Technology and Innovation Strategy

Innovation is commercialized invention

- *Only 6% of independent inventions reach market*
- *Only 24% of the ones in established firms do*

Three dimensions of technological inventions that impact probability of commercialization:

- 1. Importance reflects the magnitude of the economic value of an invention.*
- 2. Radicalness measures the degree of which an invention, regardless of economic value, differs from previous inventions in the field.*
- 3. Patent scope describes the breadth of intellectual property protection for the invention.*

11. Define the Business Core

- *What is my product ?*

What are you proposing to do

- *Who are my target customers? Who will buy my product?*

Classify customers by demographic group, geography, income, etc.

- *What problem is my product solving?*

Examples: reduced operating cycles, shorten sales cycles, increased sales

12. How to determine customer pain?

- *Talk to customers, experts, competitors*
- *Attend trade show conferences*
- *Research trade organizations and publications*
- *Google and public libraries*
- *Focus on published research which may address pain*
- *May need to do background research first, before speaking with customers*

13. Elements of a Business Model

- *Customer Who is the customer?*

Selection Is our offer relevant to this customer?

- *Value What are the unique benefits?*

Proposition

- *Differentiation How do we protect our cash flow and relationships?*

and Control Do we have a sustainable competitive advantage?

- *Scope of Product What is the scope of our product activities?*

and Activities What activities do we do and which are outsourced?

- *Organizational What is the organizational architecture of the firm?*

Design

- *Value Capture How does the firm capture some of the total value*

for Profit for profit?

- *Value of Talent Why will good people chose to work here?*

- *How will we leverage their talent?*

14. Legal form of a business

Factors

Sole

Proprietorship

Partnerships

Regular C

Corporation

S

Corporation

LLC

Owners

Personal

Liability

Unlimited

Unlimited

Limited
Limited
Limited
Taxation
Proprietor's
Personal Tax
Forms
Partner's
Personal Tax
Forms
Profits Taxed at Corporation and Owner's Pay Tax on Distributions
Profits or Losses Flow Through to owners
Profits or Losses Flow Through to owners
Continuity of Business
Terminated by Proprietor
Dissolved by Partners
Perpetual
Perpetual
Limited to Fixed Number of Years
Cost of Formation
Very Low
Low
Moderate
Moderate
Moderate

Ability to Raise Capital

Low
Moderate
High
Moderate
High

15. Market Research

- *Determine market size Often misunderstood: addressable versus available*
- *Necessary to get financing Helpful in determining potential upside*
- *What is the price for your solution?*
- *What is the quantity consumed annually?*
- *Web research, analyst reports for public companies, other experts*

16. Define your focus

- *Define a focused market segment*
- Size issues:*
Plan to have 20% share of a market segment in 5 years
Can grow to \$50M in sales in 5 years

> *Implies that your initial addressable market is \$250M*

- *In your niche, identify target customers, product offering, compelling reasons to buy*

17. Competition is Healthy

- *Competition is good for you*
- *Validates and expands market*
- *Generates market awareness of the need*
- *Makes buyers more secure*
 - *Opportunity to convert their customers*
 - *Motivates your employees to work hard and improve*

18. Competition

- *Never say “there is no competition”*
- “Where there is no competition, there is no market”*
- *Visionary of Early Adopter stage*
- (disruptive technology)*
- Competition here is the alternative way to fill the need*
- *Mainstream Market Define competition exist*

19. INTERMISSION

PAIR UP AND DISCUSS

Do you have a Vision for your business?

What is an entrepreneur?

Did you take the entrepreneur test?

What are the characteristics of an entrepreneur ?

Are you innovative?

Have you analyzed opportunities for your business?

Would Patent protection help you launch your product?

Have you defined your core business?

Have you designed a business model?

Is your business legal?

Have you started or completed your market research?

Who are your competitors?

20. Goals of a business plan

- *Market your company*
- *Show the excitement of the company*
- *Present a clear and compelling strategy / vision*

21. . Components of an Executive Summary

- **Business Concept:**

The problem and the solution

- *Market, Customer, and Industry*
- *Organization and Key Leaders*
- *Financial Plan:*

Four years of summary results

- *Financing and Key Allies Required*

22. Components of a Business Plan

1. Executive summary (1-3 pages)

- a. Concise explanation of the business*
- b. Market size and need*
- c. Company's unusual qualifications*
“unfair competitive advantage”

2. Industry Analysis

- a. Market size and Relevant Market Size*
- b. Market Trends*
- c. Customers and Competition*

23. Components of a Business Plan

3. Customer analysis

- a. Customer identification / definition*
- b. Customer demographics, needs and decision- making*
- c. The customer's customer*

4. Competitive Analysis

- a. Defining competition*
- b. Describing competitors*
- c. Competitive advantage*

24. Components of a Business Plan

5. Company analysis

- a. Company profile*
- b. Past accomplishments of company / team*
- c. Unique qualifications*

6 . Market Plan

- a. Products and services*
- b. Price, placement, promotions, customer, retentions*
- c. Partnerships*

25.

7. Operations Plan – Business Milestones: Funding, revenue, employee additions

8. Management Team

- a. Description of key members*
- b. Identify management team gaps*
- c. Description of Board Members / Advisors*

9. Financial Plan

- a. Pro-forma financial statements*
- b. Validating assumptions and projections*
- c. Sources and uses of funds* *d. Exit strategy*

26. Ten Common Mistakes or Gaps in Business Plans

- *Solutions of technologies for a problem*
- *Unclear or incomplete business model and value proposition*
- *Incomplete competitor analysis and marketing plan*
- *Inadequate description of the uncertainties and risks*
- *Gaps in capabilities required of team*
- *Inadequate description of revenue and profit drivers*
- *Limited or no description of the metrics of the business*
- *Lack of focus and a sound mission*
- *Too many top down assumptions like “we will get 1% market share”*
- *Limited confirmation of customer demand in pain*

27. Stages of Growth

Stages of Funding

I have an idea

Sweat equity

I think I know its Value

3 F's

I understand the market and its needs and my competitors

Customer NRE

I have my core team and experienced advisors

Angel Investors

I really need cash

Venture Capital

Series A, Series B, Series C

I have experienced management

Exit

-IPO, Acquisitions

This venture is ready to grow rapidly

28. Bootstrap Financing

- *Bootstrap Financing: to start a firm by one's own efforts and to rely solely on the resources available from oneself, family, and friends*
- *Advantages and disadvantages of bootstrap financing*

Advantages

Disadvantages

Low pressure on valuation

Unable to fund growth phase

Easy terms on ownership
Lack of funding commitment for future
Control by founders
Loss of advice from professional investors
Little time spent on finding investors

29. Angel Investors

- *Angels are wealthy individuals, usually experienced entrepreneurs, who invest in business start-ups in exchange for equity in the new ventures.*
- *Criteria for Angel Investments for New Ventures:*
- *Within the industry that angel has experience.*
- *Located within a few hours driving distance*
- *Recommended by trusted business associates*
- *Entrepreneurs with attractive personal characteristics such as integrity and coach-ability.*
- *Good market and growth potential for the opportunity.*
- *Seeking an investment of \$100,000 to \$1 million and offers minority ownership, less than 40%*

30. Venture Capital

Venture capital is a source of funds for new ventures that are managed by investment professionals on behalf of the investors in the venture capital fund.

- *Characteristics of an Attractive Venture Capital Investment*
- *Potential to become a leading firm in a high growth industry with few competitors.*
- *Highly competent and committed management team and high human capital (talent)*
- *Strong competitive abilities and a sustainable competitive advantage.*
- *Viable exit of harvest strategy.*
- *Reasonable Valuation of the new venture*
- *Outstanding opportunity.*
- *Founders Capital invested in the venture.*
- *Recognizes competitors and has a solid competitive strategy.*
- *A sound business plan showing how cash flow turns positive within a few years.*
- *Demonstrates progress on the product design and good sales potential.*

31. Deal Flow Process

- *Initial contact / Application*
- > *Local TCA gets 50 per month*
 - *Pre-screening sessions*
- > *Bi-weekly sessions*
- > *TCA looks at -20/month*
 - *Screening Sessions*
- > *6-8 presentations*
 - *Due Diligence*
- > *2-3 per month*
 - *Funding > About 1 per month*

32. Investor Criteria

1. *Angel investors – Seeking \$250K-\$1M, seed / early stage VCs-\$2M to 10M, post-seed stage*
2. *Fundable management*
3. *Sound, realistic business model*
4. *Well-defined, attractive market niche that company can dominate*
5. *Disruptive, advanced technology*
6. *Compelling “unfair” advantage*
7. *Strong exit potential within 2-5 years*
8. *Reasonable valuation*

33. *Stages of a company and company leader qualities needed*

1. *Idea Generation – start of the company*
Creativity, Innovation, Focused, Visionary Confidence, Optimism, Independence
2. *Financing the company*
Passion, Presentation, Selling, Patience, Listening, Flexibility, Responsible
3. *Building the company / launch the product*
Organizer, Networker, Doer, Hard worker, Tactical
4. *Exit*
Ability to let go

34. *ARE YOU READY TO START YOUR BUSINESS?*

