

*ENTREPRENEUR*

*MANUAL*



**FastTrac® TechVenture™**



*MAXIMIZING THE  
POTENTIAL OF*

*YOUR TECHNOLOGY  
BUSINESS*



Ewing Marion  
**KAUFFMAN**  
Foundation

# FastTrac<sup>®</sup> TechVenture<sup>™</sup>

*ENTREPRENEUR MANUAL*

MAXIMIZING THE  
POTENTIAL OF YOUR  
TECHNOLOGY BUSINESS



**TAKE CHARGE OF YOUR BUSINESS<sup>®</sup>**

A program of the Kauffman Foundation of Kansas City

Ewing Marion  
**KAUFFMAN**  
Foundation



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On a bitterly cold day in January 1993, Ewing Marion Kauffman scheduled to launch a new program for entrepreneurs called FastTrac. Kauffman was legendary in Kansas City because his company, Marion Merrell Dow, provided more than 3,000 high-paying jobs; he was the owner of the Kansas City Royals baseball team, and through his foundation, he helped families in disadvantaged areas get an education—even paying for college for many.

On that same morning, however, nature decided to dump on Kansas City one of the worst snowstorms in its history. Kauffman’s staff debated whether to cancel the event, since people were being asked to stay off the roads, and Kauffman was extremely ill. He wanted to hold the event just in case someone did go to the trouble to get there. That day, 900 people showed up. Yes, some came because it was sponsored by “Mr. K” as he was affectionately called; but most came because they had a hunger to learn how to start and grow a business. They wanted to invest in themselves even if that meant braving the storm.

That Kansas City FastTrac kickoff was one of the last public appearances for Kauffman, who passed away later that year at the age of 76. He was grateful for the opportunity to build a company and to share his abundance with others. He loved entrepreneurs and all they stood for—self-reliance, innovation, hard work, and providing good paying jobs and benefits. He was proud that his foundation was championing entrepreneurship.

It was my privilege to be hired in 1994 to oversee the development of FastTrac®. Today, all over the world people are participating in the various FastTrac® programs. Some are just thinking of going into business, some want to learn how to grow their business, some want to build networks, find coaches, and learn about additional resources for themselves.

The Ewing Marion Kauffman Foundation is proud to have played some small part in the decision-making process, skill development, and network building of hundreds of thousands of people engaged in the entrepreneurial process.

Judith Cone, Vice President  
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## Ewing Marion Kauffman

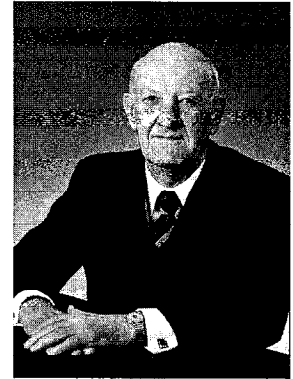
The late entrepreneur and philanthropist Ewing Kauffman established the Ewing Marion Kauffman Foundation as the first foundation to focus on entrepreneurship as one of its primary areas of interest.

There is more to Ewing Kauffman's beneficence than his fortune. He had an instinct for the future. He understood how to bring organizations to life to be productive and vital. Above all, he had a zest for life and a social awareness that was grounded in his belief in people. The Kauffman Foundation of Kansas City develops and advances innovative ideas that set the groundwork for institutional change, advance entrepreneurship in America, and improve the academic achievement of children and youth.

From modest beginnings, Kauffman grew Marion Laboratories into a billion dollar pharmaceutical giant and established the Kansas City Royals, bringing major league baseball back to Kansas City. With his business succeeding beyond his wildest dreams, Kauffman turned his vigor, intellect, and wealth to a new style of philanthropy. He lost patience with charity work that never seemed to attack the core problem it sought to remedy. He wanted to dig deep and get at the roots of issues rather than talk about addressing the symptoms. Undaunted by the size of the challenge or the lack of resources, Kauffman encouraged his staff to become immersed in research, consult with the best minds, and devise bold approaches to address complex social problems. He told friends he was having more fun giving money away than he had earning it. He told associates he expected his foundation to be exemplary.

An epitome of American entrepreneurship, Kauffman saw business enterprise as one of the most effective ways to unleash human potential and stir the economy to life. He viewed entrepreneurship as the most powerful strategy to help individuals gain economic independence and serve as a catalyst for creating jobs and wealth in society. Today the Kauffman Foundation is devoted to advancing entrepreneurship as one of the fundamental aspects of life in the United States. Focusing on research, education, technical assistance, and policy, we work to increase the number and success rate of individuals engaged in the process of starting or growing their own business or idea. We work with partners to design programs based on the proven principles, techniques, and leadership tactics that make starting and growing a business a more common choice for Americans of all walks of life.

The Kauffman Foundation's FastTrac® programs are part of a wide range of resources developed in collaboration with hundreds of successful entrepreneurs who have shared their knowledge, insights, and stories so that others might learn from them. We hope that all entrepreneurs will find them useful as they work to write their own entrepreneurial success stories.





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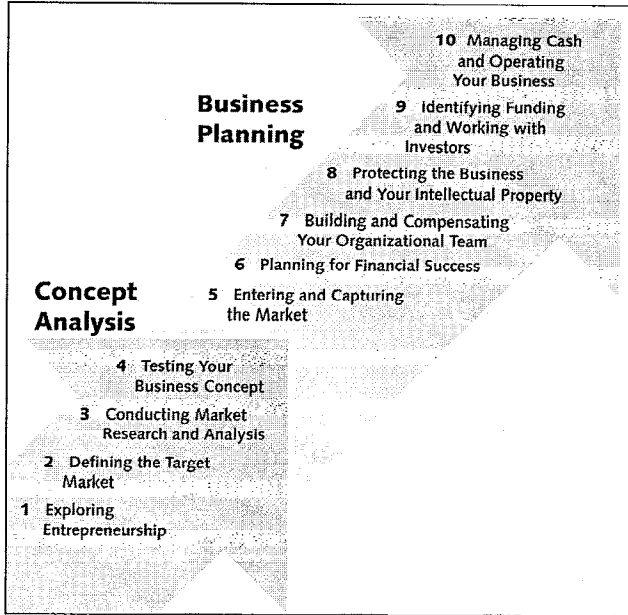
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## Program Overview

FastTrac®, a program of the Kauffman Foundation of Kansas City, Missouri strives to connect entrepreneurs to the best resources available to help their business succeed. Through a series of educational experiences, products, and services, FastTrac provides comprehensive training in all aspects of growing and managing a business.



FastTrac® TechVenture™ is a program designed for entrepreneurs in the fields of technology or life sciences. It focuses on the specific needs of entrepreneurs with businesses based on:

- Developing and marketing technology.
- Developing technology that enables creation or enhancement of a non-technology business.
- Developing biotechnology and life sciences products and/or services.

FastTrac® TechVenture™ sessions are led by experienced facilitators and business coaches who make tech entrepreneurship come alive by sharing real-world expertise, practical tips, and success stories. Expert guest speakers from the entrepreneurial, corporate, investment, legal, and financial communities are frequent contributors to the program.

## Program Goal

The goal of FastTrac® TechVenture™ is to enable you to develop your Elevator Pitch, Business Plan, and Investor Presentation in order to effectively communicate your:

- Market opportunities.
- Business concept.
- Financial plan.
- Investment potential.

## Confidentiality

It's essential that you share your ideas with the facilitator, your business coach, and the other participants if you're to get as much benefit as possible from this program. To alleviate any worry you might have about the proprietary nature of your ideas, that is, your intellectual property, be assured that everyone involved with the program—whether facilitator, business coach, guest speaker, or participant—understands that confidentiality is a must. Each person connected with this program is expected to respect the proprietary nature of each participant's ideas. It is essential that you feel free to participate in the intellectual give-and-take that's necessary for you to get optimal results from this program, confident that your ideas are safe.



## Resources for Learning

The FastTrac® TechVenture™ program provides you with numerous resources to learn from both during and after the program:

**Entrepreneur Manual** – Addresses the program topics more broadly and in greater depth than the time constraints of face-to-face sessions allow, and serves as an invaluable reference after you complete the program.

**Facilitator and business coaches** – Entrepreneurs or professional service providers who have extensive experience in starting, funding, growing, and managing businesses.

**Guest speakers** – Experts in the specific topics for a given module.

**Online tools** – Downloadable resources accessed through a Web site. These tools include templates, assessments, action files, guidelines, and sample documents, many of which you'll customize to your business. You can access these tools at [www.fasttrac.org/toolkits](http://www.fasttrac.org/toolkits).

**Other participants** – Their experience, skills, and knowledge may be very different from yours, allowing them to offer you fresh perspectives on problems you need to solve.

**Entrepreneurial network** – You can form a network to call on from among your facilitator and business coaches, the guest speakers, and the other program participants.

## How the Program Is Structured

This program is usually offered in sessions that follow the order of the modules in this Entrepreneur Manual. The program is flexible and may be conducted using a variety of timeframes. The manual and the program are divided into two sections, Concept Analysis and Business Planning.

Before each session, you should read the module(s) in this manual that pertains to the topic of the session. The reading will lay the groundwork for the topic. Although not every detail contained in the manual might be addressed during the program session, you'll find that the reading provides a thought structure that will help you get optimal benefit from the session. The manual will also be an invaluable reference for use after you complete the program.

During a typical session, you'll hear more about the topics from your reading and you'll work on specific assignments for those topics. The program facilitator usually introduces and provides overview information on the module topics. The facilitator, a business coach, or a guest speaker who is an expert on the topics then delves more deeply into issues relating to the session content.

Each session will include a networking interlude during which you'll get the chance to interact with other participants, the facilitator, business coaches, and guest speakers. During this time, you'll learn more about each other's ideas and, ideally, help each other address the challenges of running your business. You'll also build professional relationships that will continue after you complete this program.

A significant amount of time is devoted to business coaching sessions, during which you will meet in small peer groups with a business coach to address your specific business, marketplace, or personal and professional goals. The business coaching sessions not only provide you with customized counseling and guidance, but also offer the opportunity to develop mentoring relationships with experts in your field.



Throughout the program, you'll use the online tools for each module. You'll probably spend the most time working with the templates for creating your Business Plan and Financial Plan.

Finally, FastTrac® TechVenture™ facilitators may direct you to follow-on programs that take your business concepts beyond the program, both into the real world of presenting to prospective investors and into the actual operational or growth stages of business.

Many FastTrac® entrepreneurs successfully launch or grow their businesses and return as guest speakers, facilitators, and business coaches, building an expanding community of entrepreneurs helping and giving back to entrepreneurs.

### Concept Analysis Section

#### Purpose

For those starting a business, the purpose of the Concept Analysis section is to help test your personal vision and the feasibility of your business concept through personal introspection, market definition, research and analysis, and development of a business concept statement. If you are already in business, this section provides an opportunity for critical review of your existing concept and can lead to enhancing or changing your concept. Upon completion of this critical step for both start-up and existing businesses, you will have created a Business Concept Statement and started practicing an elevator pitch to effectively communicate your market opportunity and business strategy.

#### Time Frame

The Concept Analysis section encompasses the first four modules of the program. In the first three modules, you will gain a greater understanding of the features and benefits, or value proposition, of your product and its unique position in the marketplace. Then, in the fourth module, after you have tested the feasibility of your business concept and technology, your facilitator and business coaches will guide you in determining the appropriate next steps.

#### What Will You Gain from the Concept Analysis Section?

This section of the program will guide you through the following means of analyzing your business concept and its likelihood of success:

**Personal Vision Statement** – You will examine your entrepreneurial characteristics. You will also define your personal vision, which includes lifestyle, professional, and financial objectives.

**Business Concept Statement** – A Business Concept Statement expresses the precise nature of your venture. You will write a Business Concept Statement to communicate your business concisely to advisors, customers, potential investors, vendors, and employees.

**Elevator Pitch** – You will begin to compose and practice your elevator pitch, a verbal commercial for your business that can be stated in one or two minutes.

**Business Concept Feasibility Assessment** – You will test the concept's feasibility to determine whether it should be pursued. Feasibility means that a product or service can be sold to an identifiable market at a profit sufficient to support your personal vision and business goals. You will research and define the target market for your product or service as part of testing its feasibility. You will also compare the business concept against a model, or ideal, business.



**Next Steps** – If your business concept tests favorably against a model business and is compatible with your personal vision, you will proceed to the second part of this program, Business Planning. If the market definition and feasibility tests reveal a weakness, then you can work with your business coach to discuss modifying or abandoning the concept.

## **Business Planning Section**

### **Purpose**

The purpose of the Business Planning section is to develop your business concept into a completed business plan. You will consider management, financial, and operations issues that will affect the future success of your enterprise. Upon completion of the Business Planning section, you will be able to create a full business plan with the goal of obtaining outside financing. Your work in the Business Planning section will also enable you to create an investor presentation geared toward effectively communicating:

- Market opportunity.
- Business strategy.
- Value proposition.
- Financial plan.
- Investment potential.

### **Time Frame**

The Business Planning section encompasses six modules that focus on developing, growing, and managing your business. Within these six modules, you will work on your Business Plan and Investor Presentation with assistance from the program facilitator and your business coach.

### **What Will You Gain from the Business Planning Section?**

With a Business Plan Template as a guide, you will create a business plan that captures all the key details about your business. You will also work on an investor presentation designed to inform potential investors about your business and convince them to fund your enterprise.

Potential funding sources will want to investigate all aspects of your business. They want to see that you have proven your concept, organized day-to-day operations, and considered future growth. In short, they want to see that you have planned for your success. Your Business Plan and Investor Presentation will demonstrate your efforts.

The modules of the Business Planning section cover topics you will need to know about in order to secure funding and lead a thriving enterprise. You will work with your business coach on:

- Entering and Capturing the Market.
- Planning for Financial Success.
- Building and Compensating Your Organizational Team.
- Protecting the Business and Your Intellectual Property.
- Identifying Funding and Working with Investors.
- Managing Cash and Operating Your Business.





## Conclusion

By the time you complete the FastTrac® TechVenture™ program, your accomplishments will be many. You will have:

- Connected with excellent resources from the entrepreneurial, corporate, investment, legal, and financial communities to help your business succeed.
- Learned how to start, fund, grow, and manage your business.
- Created an Elevator Pitch, a Business Plan, and an Investor Presentation to communicate your business concept.

# Exploring Entrepreneurship

Starting and growing a company can be both the most rewarding and the most frustrating experience of your life. It's rewarding to open yourself to a new world of experiences, learning, and accomplishment that cannot be encountered working for someone else. It's frustrating when nothing happens the way you planned it and you have to deal with obstacles—negative employees, demanding investors, distracted partners, and unpredictable market forces, just to name a few.

Since growing a company is a challenging task, it's important to minimize risk at every stage of the process. This module gives you an overview of the reality of starting and growing a company and will help you minimize risk by:

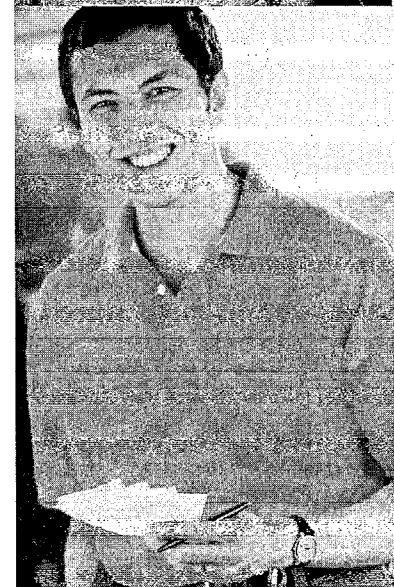
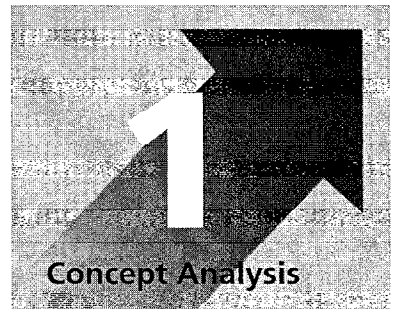
- Making you aware of critical issues.
- Encouraging you to construct and examine your business concept in a critical and objective manner.
- Introducing you to resources that will allow you to expand your knowledge base.
- Providing access to experienced entrepreneurs and professionals who can provide valuable practical advice.

## Outcomes

- Compare your own characteristics to those of successful entrepreneurs.
- Consider issues specific to entrepreneurship in the technology and life sciences markets.
- Consider your own criteria for successfully starting and operating a business.
- Identify the features, benefits, and uniqueness of your business concept.
- Learn how to quickly express the key things you want people to remember about your business.

**Action Steps** (Find online tools at [www.fasttrac.org/toolkits](http://www.fasttrac.org/toolkits).)

- Complete the Entrepreneurial Readiness Assessment (Assessments tab).
- Compose your Personal Vision Statement (Action Files tab).
- Write the first draft of your Business Concept Statement (Action Files tab).
- Write the first draft of your Elevator Pitch (Action Files tab).
- Review the Business Plan Template, the Financial Templates, the instructions for the 6-Year Financial Template, and the FastTrac® Glossary (Templates and Glossary tab).
- Review the Investor Presentation (Action Files tab).
- Review the Sample Business Plan (Guidelines and Sample Documents tab).
- Read Module 2: Defining the Target Market.





## What Is Entrepreneurship?

Entrepreneurship is a process through which people and teams pursue opportunity, use resources, and initiate change to create value. Starting a business takes time and effort. It requires balancing commitments. It costs money, and it involves taking risks.

As you pursue entrepreneurship, you may soon realize the following:

- Entrepreneurs do not need to base their enterprise on a *fantastic* idea. Successful entrepreneurs turn *feasible* ideas into profitable businesses.
- It is wise to select good people who will help the business succeed. Don't be afraid to hire people who are brighter or more knowledgeable than you. And, recognize when you need others to take over—many businesses have been taken over by new management that pushes the company to the next growth stage.
- Experience within the industry or market provides a distinct advantage in creating and growing a business.
- It is important to find creative ways to finance a business. If you're just starting out, you'll find that your most important job may be selling your Business Plan to prospective investors or searching for other avenues to fund your enterprise.

## Characteristics of Entrepreneurs

Entrepreneurs are people who interpret problems as opportunities, take action in response to needs, and accept calculated risk in the hope of creating value. Most entrepreneurs believe that solving problems for a business they own is more rewarding than solving problems for a business where they are employees.

Entrepreneurs generally have most of the following characteristics. How many of these characteristics describe you?

**Business knowledge** – Entrepreneurs don't always have the general understanding of business management that's necessary to succeed. Where they have gaps in expertise or experience, successful entrepreneurs seek advice from mentors and other business professionals to assist them.

**Desire** – When entrepreneurs passionately seek success, their desire pushes them to do the tasks necessary to achieve their goals.

**Determination** – Successful entrepreneurs do not quit easily. When things look hopeless they persevere, not allowing their business to fail.

**Energy** – Most entrepreneurs have high energy levels to tackle the demands of building a new venture.

**Ethics** – Business owners who have a reputation for being credible and honest attract customers, colleagues, investors, suppliers, and a high-quality team.

**Good people judgment** – The ability to pick the right people is an essential skill and critical for success.

**Low support needs** – Entrepreneurs usually have little, if any, support staff during the early stages of their business. They are willing to pitch in where needed and adapt to their small-scale enterprise.

**TIP** "Genius is one percent inspiration and ninety-nine percent perspiration."

–Thomas A. Edison



**Market awareness** – Successful entrepreneurs take direction from the market and see opportunity at every turn. Many entrepreneurs see an opportunity that others miss. It can be an asset to be unconventional.

**Persuasiveness** – Entrepreneurs must persuade other people to do all sorts of things for them such as lend them money, work hard for them, buy from them, and sell to them on favorable terms.

**Problem-solving** – Entrepreneurs are quick problem-solvers—they do not need the perfect solution in order to get started. They look at problems from different perspectives and are able to find creative solutions.

**Responsibility** – Entrepreneurs realize that they are accountable for their own success.

**Self-confidence** – Entrepreneurs believe in themselves and have confidence that somehow they will solve any problem that arises.

**Self-discipline** – Entrepreneurs must have the self-discipline to do the things they don't enjoy.

**Social responsibility** – Entrepreneurs are often passionately motivated to share their successes and wealth by giving back and supporting their communities and society as a whole.

**Thrive on uncertainty** – An entrepreneur must be able to exist and prosper in an environment that is often or sometimes confusing, chaotic, and uncertain.

**Value appropriate control systems** – Not all entrepreneurs have an inherent ability to control costs, inventories, cash, and other assets, but such controls are crucial for a business to succeed. Successful entrepreneurs rely on the expertise of their team members to rein in any excesses when necessary.

## Technology and Life Sciences Entrepreneurs

Technology and life sciences entrepreneurs share many of the same characteristics as other entrepreneurs, yet they also face unique challenges.

Most entrepreneurs start companies based on market needs for existing products or services. However, technology and life sciences entrepreneurs often base their ventures on technology or science that causes dramatic change in a market. The most difficult venture is one that creates a new market, creates a new product or service category, or changes the way people work, live, or play. Therefore, technology and life sciences businesses often require more detail, carry higher risk, and involve more people than other ventures.

Technology and life sciences entrepreneurs who have built their own businesses have discovered the following keys to success:

**Build on technical or scientific knowledge** – If you possess a skill that can be matched to a business need, it can form an effective basis upon which to build or start a business. Of course, skill alone is not sufficient to build a business.

**TIP** Build a culture of “giving back” from day one to show your commitment to being a good corporate citizen.

**TIP** A good way to begin minimizing risk is to research the industry, test the markets, and write a business plan. Writing a plan significantly increases the likelihood of your business being successful.



**Depend on and develop a technology team** – If the business requires technical or scientific expertise, you must have it, acquire it, or hire it. It is critical that you take time to identify the specific knowledge needed for the enterprise and make certain it is available when needed.

**Manage risk** – Financial risks, such as losing savings, house equity, and even income, are always a possibility. Entrepreneurship requires taking calculated risks and reducing the risk factor by researching and planning your product or service, industry, and market. You must manage the downside, always remaining aware of various options in the event that the venture needs fine-tuning to succeed.

One way to manage risk is to write a business plan. The process of completing a plan helps you strategically think through most aspects of your business. It helps you determine whether a business has a market, can produce a profit, and can provide what you want to get from the business. The business plan also provides a working plan to operate a business and set up appropriate financial planning and reporting.

### From Real Entrepreneurs

#### Manage Risk

Two women founded Yakalo Solutions to provide application services for real estate brokers looking to launch their own Web sites. Yakalo's back-room software allows brokers to launch their sites, update listings, and manage the intricacies of complicated Web programming.

One of the partners spent three years building, operating, and updating Web sites for brokers in their area. She reasoned that the brokers could save money and time if they could update their sites on their own. Not having a great deal of money, she developed the first version of the software with the help of her husband at night and on weekends. After the software was tested and all the bugs were eliminated, she and a friend started Yakalo.

The next step was to get accepted by a technology incubator that supported high-tech firms by providing them inexpensive office space, guidance, and connections to financing sources. The company had revenue the first year and reached cash break-even in the first part of its second year. The risk in starting this business was low, and now investors are interested in financing its growth.

### Reality Check

All entrepreneurs will exit from their business one day. Planning that exit is critical.

**Plan an exit strategy** – Savvy entrepreneurs plan their exit from the business in the beginning planning stages because it forces them to analyze what they really want out of the business, as well as to map out the potential return on investment (ROI) for investors. The business plan and exit strategy must match the financing plan and your goals.

The most common favorable exit strategies are to sell the business, merge it with another, or sell shares in the business to the public. Unfortunately, for those entrepreneurs who do not plan an exit strategy, the most common exits are death, retirement, or closing the doors. Your planned exit strategy will drive many day-to-day operating decisions.



### Exit Strategy

In just two years, Pete Estler turned a simple idea into an e-mail marketing firm, MatchLogic. He sold it in 1998 for \$90 million to Excite@Home. Before that, Estler turned another basement computer project, dbIntellect, into \$50 million in just three years. He sold that database company to Electronic Data Corp. for stock. Like many technology entrepreneurs, Estler knew that he wanted to create dramatic businesses quickly and then exit.

From Real  
Entrepreneurs

## The Entrepreneur's Personal Vision

How can you determine the success of a business venture? A simple answer is that a business is successful if it meets your personal goals, or your vision. A personal vision is a statement of your own criteria for successfully starting and operating a business. The personal vision statement includes lifestyle, professional, and financial criteria.

The important thing is to identify the criteria that matter most to you. For example, you may require a personal income of at least \$75,000 from the business to cover existing obligations. This criterion cannot be compromised. On the other hand, you may have optional goals, such as the desire to travel. These are nonessential criteria and will play a less important role in forming your personal vision statement.

These criteria will guide you in making a go or no-go decision for your venture. Or maybe you know that entrepreneurship is right for you, but you also realize that your current business isn't quite the right fit. These criteria can help you in examining and adjusting a business concept to meet your personal, financial, and professional goals.

### Personal Vision

While working at Glaxo, Inc., in the 1980s, Dr. Alfred Childers and Dr. Lowry Caudill realized the need for a high-quality contract drug development company—a company populated with the same level of talent and know-how resident at large pharmaceutical companies. In 1991, they formed a contract development company called Magellan Laboratories. Magellan helped large pharmaceutical companies develop drugs faster and more cost-effectively than internal resources allowed. And, mid-sized drug companies gained access to a greater depth of talent than they could otherwise afford.

Magellan created a shift in business model for virtual companies with limited resources and gave businesses time to develop drugs without having to license them away to traditional pharma companies. Childers and Caudill used traditional bank financing and personal savings to launch the business. Earnings were reinvested to support the rapid growth and add service capabilities. While venture capital or other private funding could have financed the company, it was not required. In 2002, Magellan was acquired by Cardinal Health for more than \$200 million.

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## Lifestyle Criteria

Entrepreneurship can change your lifestyle dramatically. You should determine what type of lifestyle you desire and then pursue a business that can support it.

**Balance personal/professional life** – Many tech and life sciences entrepreneurs are constantly working, whether in the office developing the technology, at home thinking strategically about the future of the business, or out networking with potential business partners. Once the company-building process starts, it is very difficult to say “no” to business demands. It is important to note that when a business is first started, the entrepreneur will probably work longer hours and more weekends and holidays than is typical of a “regular” job. There will always be something more to do. You have to determine how much time you are willing to give to your business.

### From Real Entrepreneurs

#### Balance

A faculty member from a St. Louis university wanted to commercialize a technology, leave the university, and start a business. He quickly found that, due to explosive growth, he had little control over his business and his life was in chaos. His original intent was to open a business that would give him more freedom and flexibility, but he quickly found that the business world was not for him and sold his interest in the venture.

**Family involvement** – It’s essential to recognize critical family issues, evaluate their impact on your proposed business, and discuss them with family members. These issues can range from family ownership, investment, or active participation in the business to your familial obligations and acceptance by your family of the time, energy, and emotional demands the business will make on you. How will family obligations affect your vision of success?

**Flexibility** – You need to consider how much flexibility you want. Do you need to be available to assist family members or friends throughout the day or week? How much control do you want to have over your schedule?

**Location** – Sometimes entrepreneurs select a location before choosing a business, or they discover the need to relocate or expand into other areas after the business takes off. Location can be especially important when looking for venture capital. Despite a global economy and instant communication, venture capital is easier to find in certain geographical areas. Are you willing to move to support your business? Or is your entrepreneurship allowing you to move to a desired location?

### From Real Entrepreneurs

#### Location

A doctor who decided to start an eye clinic to provide complete eye care did not have a specific location in mind. She made a list of what she wanted a town to have: climate, population, outdoor recreational activities, and educational facilities. She then took a trip across the United States looking for the location that fit these lifestyle criteria. Reno, Nevada, had all the qualities she wanted, so she relocated there and started her clinic.





**Morals, beliefs, and standards** – Many entrepreneurs seek a business that supports and cultivates their morals, beliefs, and standards. Is your business concept consistent with your personal standards?

**Physical requirements** – It's important to consider your health and how it meets the mental and physical requirements of your business. How much physical and mental energy are you willing to expend on your business?

**Travel** – Are you looking for travel opportunities or trying to avoid them? How much travel are you willing to do?

### **Professional Criteria**

Entrepreneurship can bring limitless professional growth opportunities. The professional criteria within the personal vision help you define what is important to you professionally.

**Future professional goals** – Take time to visualize yourself five or 10 years in the future. Ask yourself the following questions to avoid costly detours:

- What do I see myself doing professionally?
- Will I be in the same business, or will I be doing something completely different?
- What business has the best potential for getting me where I want to be professionally?

**Growth business or lifestyle business** – Fast growth is the goal of a growth business, but the goal of a lifestyle business is to meet the personal objectives of the entrepreneur. A lifestyle business typically does not attract angel investors or venture capitalists. A growth business may not always meet the personal objectives of the founder.

**Involvement in daily operations** – Some entrepreneurs want to be involved in every detail of their business. For tech and life sciences ventures, especially those that need outside equity to grow, the founder you—cannot expect to keep majority ownership of the business. Venture capitalists often demand a large share of a company they invest in and usually expect to be consulted regularly on business decisions.

**Job security** – Starting a tech or life sciences venture does not guarantee job security. How comfortable are you living with risk?

**Power or status** – Some people are more comfortable running an operation than taking directions from others. Keep in mind that many venture capitalists will require a founder to step down from the CEO position. It doesn't matter who makes the decisions or where a good idea originates; it only matters that the best decisions are made.



### Reality Check

Debt, so long as it is being repaid, allows you to retain more control than non-entrepreneur equity financing. It may also allow you to have a potentially larger exit payday.

### From Real Entrepreneurs

### Business Plan Product/Service Plan

## Financial Criteria

Entrepreneurship offers varied financial opportunities. It is critical that you specify the financial criteria that will in part determine whether you actually start or continue your business.

**Future personal income** – In addition to obligations, you probably have financial goals for future personal income. Bear in mind that most technology and life sciences businesses cannot afford to pay the founder anything for quite some time. The entrepreneur forgoes any income initially, hoping for a large payoff later and understanding the concept of delayed gratification. You must determine how long you can live without income from the business and determine how personal financial obligations will be met until the business can support you financially.

**Investment** – Starting a business often requires the investment of personal funds. If these funds are limited, you may need to narrow the initial scope of the business.

Rarely can growth be accomplished without capital beyond your investment. The choice is between debt or equity, or a combination of the two. *Debt* is borrowed money that must be repaid in accordance with the terms of the loan. *Equity* is investment money for which the investor receives some ownership in the business. Once other people invest in a business, they may wish to dictate and control many aspects of the business. Lenders expect to be repaid with interest and may be able to take over the business if they are not.

### Investing Personal Funds

The founder of a software company for telecommunications products was the initial investor in his company and worked without any cash compensation until the company's revenues could support the operation. Twelve years later the company was acquired by Intel Capital for \$300 million. The founder's initial investment of cash and unpaid labor was well rewarded by the payoff resulting from the sale of the company.

## Business Concept Statement

Once you have outlined your personal vision of success, it's time to see whether your business idea can meet your personal goals.

### The Business Concept

Most entrepreneurs begin with a business idea. It is their first spark of entrepreneurship. A *business idea*, however, is not the same as a *business concept*. Converting the idea into a concept requires an expanded, more complete exploration of the idea. A business concept includes:

- The **features** of the product or service, in other words, what it actually is or does. Features tell the practical specifics about your product or service.
- A description of the customer and the **benefits** of the product or service to the customer. Benefits sell your product or service by conveying more emotional than practical details—by showing customers “what’s in it for them.”



- The **uniqueness** of the product or service, or how it is differentiated from other, similar products or services. Uniqueness convinces customers that the only source of these desirable features and benefits is your product or service. You may also distribute your product or service to the market in a unique way.
- **Sales channels**, that is, to whom, where, for how much, and how the product or service will be sold. The same product or service may be brought to market through several different distribution channels. For example, both Dell Computers and Comp USA sell computers and peripherals—but they have far different methods of delivery. Dell Computer receives orders via the telephone or online, receives payment from the customer or user before the computer is even built, builds the computer, and ships it directly to the consumer. Comp USA is a retail operation, selling various brands of computers it has purchased from manufacturers or distributors. These different distribution channels have a profound effect upon all aspects of the two businesses.

### Components of a Business Concept Statement

Writing a business concept statement is a critical task, whether starting a company or seeking to improve an existing venture. You should be able to summarize your business concept in a document of one to two pages.

The business concept statement answers the following questions:

**WHAT** does the product or service do?

**HOW** is it different from other products or services?

**WHO** will buy it?

**WHY** will they buy it?

- Price?
- Convenience?
- Provides sense of safety/security/well-being?
- Better than what is currently available?
- Pleasurable experience?
- Uses new technology?

**WHERE** will it be sold?

- Geographic location of business and customers

**WHEN** will it be ready to be sold?

- Concept, start-up, initial operations phase

**HOW** will it be promoted and sold?

After writing the business concept statement, you test the business concept for feasibility prior to preparing a business plan. It is common for the initial business concept statement to change during feasibility testing and the writing of the business plan.



### Positive Attributes of Technology and Life Sciences Business Concepts

When developing your business concept, keep in mind key elements that set certain products or services apart in the technology and life sciences marketplace. You'll want to make sure that your product or service features as many of these attributes as possible:

- Involves significant savings
- Solves a serious problem
- Offers convenience
- Fits into the existing scheme of things
- Attracts media attention
- Identifies a market
- Joins a rapidly expanding market
- Promises a big upside and a low downside

### Fatal Flaws of Technology and Life Sciences Business Concepts

Many new enterprises are doomed from the start because they are based on basic concepts which are somehow fatally flawed. Abandoning a business concept in its initial stages is far better than moving forward with an ill-conceived venture that has a minimal chance of success.

Many business concepts are doomed or handicapped by the following all-too-frequent flaws.

**Hidden traps** – A barrier may lie hidden in the marketplace. For instance, purchasing agents aren't likely to buy an automated purchasing tool that will replace their jobs. Define an ideal customer profile to make sure marketing and sales efforts are geared toward the prospect most likely to need or want the new product or service.

**Inaccurate assumptions** – What facts from credible sources support your assumptions? Solid market research using credible resources is critical to initial business success. Speaking to as many prospective customers as possible can help identify the real market need and establish clear value propositions for your product or service.

**Inconvenience** – Many new products or services fail because they are inconvenient to use.

**It will not work** – It is critical that the product work if a new venture is based on technology or life sciences. The new product should be benchmarked against any competing product because most prospective customers want to know how the new option compares to existing solutions. New products must gain credibility in the market quickly for the new venture to succeed.

From Real  
Entrepreneurs

#### Will Not Work

A water purifying expert began a business to market his new concept in water purifiers. Supposedly, it would purify even seawater in agricultural quantities at a cost of 30 cents per 1,000 gallons. This individual believed that it would revolutionize the world food supply. So far, after five years and \$5 million, the expert has yet to do anything but play show-and-tell in the lab. Evidently, the expert has not been able to make the purifier work as intended.



**No protection** – Some concepts can be easily copied by other organizations that are capable of quickly exploiting the market, perhaps driving the entrepreneur out. A product or service with a high barrier to entry, such as patents, specialized know-how, or technical sophistication, is a formidable opponent to competition.

**No real need** – Businesses fail when they do not fill some need that is perceived by enough people to make the operation profitable.

**Obsolescence** – Many concepts are so faddish that an enterprise based on them has only a few months to make profits.

**Potential installation problems** – Many things that work well in the laboratory will not work in the field. The technology transfer process in particular is complex, especially when moving technology from the university environment, where infrastructure can be carefully managed. Commercial-quality technology products require adequate testing and support to be successful in the free-flowing real-world marketplace.

**Requires change in consumer behavior** – If a concept requires a change in consumer behavior, it may be resisted unless the rewards are obviously sufficient to motivate the change in behavior.

### *Requires Behavior Change*

The developers of computerized grocery stores failed when they assumed that shoppers would prefer to telephone in their food orders to a computerized grocery warehouse rather than shop in supermarkets. In fact, studies show that most people like shopping in supermarkets rather than dealing with the problems posed by other grocery shopping systems, which have shown only limited success.

**Requires education** – Educating potential customers is a slow, costly process that poses many risks and affects overall profitability.

**Service requirements** – A service aspect to a concept greatly complicates it. Costs rise, organizational difficulties multiply, and buyer resistance stiffens.

**Unfortunate economics** – The market must be willing to pay a sufficient price for the concept before the business can be profitable.

## The Elevator Pitch

The term *elevator pitch* can mean two different things. They both refer to a short, clear statement that could be made in about the time it takes for an elevator ride. One meaning refers to the brief pitch made when seeking funds. The other meaning refers to how you respond when someone asks, “What do you do?” or, “Tell me about your business.” Your response begins the process of educating a new contact about you and your business. In other words, it’s one means of marketing your product or service.

Your elevator pitch should tell new contacts what you want them to remember about your business. Emphasize the company rather than the technology. It should also paint a vivid picture in the listener’s mind, showing how customers’ problems are solved or how they are served well. Focus on the market and what your company does for it. Finally, it should include the name and location of your business.

### *Reality Check*

Some concepts have technological obsolescence. Eight-track tapes did not last long. Cassettes and VHS tapes used to be hot, but today CDs, DVDs, MP3, and wireless devices are in.

### *From Real Entrepreneurs*



Most people fail to explain how their product or service can make a difference in others' lives. They just give their title: "I'm president of ..." They just tell their industry: "I'm in retail." Or they just say their job category: "I'm a manufacturer's rep." Rather than saying, "I'm a Web page designer," they should say, for example, "I use the power of the Internet to bring customers to my client's door. My clients increase their online sales by 200 percent, on average, after I've done my work."

**TIP** Practice makes perfect! Business networking events provide excellent opportunities to try out your elevator pitch.

Many entrepreneurs find it awkward to promote themselves and their business, but you can become more comfortable by crafting and practicing an attention-grabbing elevator pitch. Your elevator pitch should contain the following elements:

**An attention-grabbing first line** – Start your pitch with a statement or question that makes your listener want to hear more.

**A description of your product or service and its market** – Briefly describe what you sell and who will buy it—not the technology it's based on. Explain how your product or service will solve a problem, meet a need, or exploit an opportunity.

**A description of the people behind the business** – Tell a little about your background and your team's strengths.

**The benefits of investing in your business** – Why would the investor want to take a risk with you? What are the benefits? Communicate how you and your business stand out over the competition.

**A call to action** – Finish your pitch with a request. Do you want to set up a meeting? Have the investor look over your Business Plan? Have the listener recommend you to an angel investor or venture capitalist?

**You** – Show the uniqueness of your concept and your passion through the enthusiastic delivery of your elevator pitch.

**TIP** Use positive, confident language when speaking with potential investors. Tell them up front that you are seeking funding, and find out what they invest in.