

STAGES OF ENTREPRENEURSHIP

IDEA
GENERATION



IDEA
EVALUATION



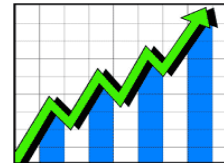
SET UP

PLAN FIRST!

START UP



GROW



EXIT



ANSWER 4 QUESTIONS

What are we going to do?

How are we going to do it?

Why does anybody care?

How will it be profitable?

STAGES OF ENTREPRENEURSHIP (Textbook)

Recognizing and Analyzing Opportunity

Assembling Intellectual, Human and Financial Resources

Managing the Early Stage Venture

Managing Growth and Realizing Value

STAGES OF ENTREPRENEURSHIP (Consensus)

Generating Ideas

Evaluating Opportunity

Setting Up the Venture

Starting the Venture

Managing Growth

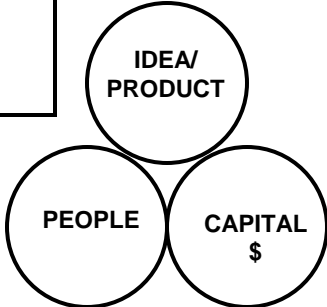
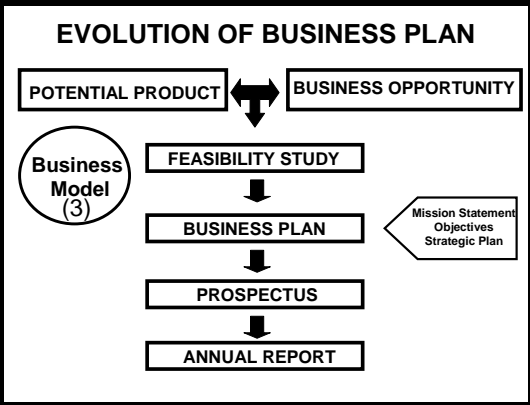
Exit Strategies or Harvesting

FEASIBILITY STUDY (1)
 Product Feasibility
 Industry/Market Feasibility
 Organization Feasibility
 Financial Feasibility (2)

OPPORTUNITY ANALYSIS (1)
 Level 1
 Trend Analysis
 Industry Analysis
 Internal Analysis
 Market Profile Analysis
 Financial Analysis (Micro)
 Level 2
 Financial/Viability
 Projections (Macro)(2)

BUSINESS PLAN (Textbook)
 People
 Haves
 Needs
 Opportunity
 Market Size and Growth
 Buy Low, Sell High, Collect
 Early, Pay Late
 Competition
 Context (External Factors)
 Deal (Financials)

BUSINESS PLAN (Consensus)
 Cover Sheet
 Executive Summary
 Industry Analysis (Porter's 5 Forces)
 Rivalry Among Firms
 Availability of Substitutes
 Barriers to Entry
 Buyer Bargaining Power
 Seller Bargaining Power
 Description of the Venture
 Production Plan (Manufacturing Plan)
 Operations Plan (System View)
 Marketing Plan
 Situational Analysis (Where are We?)
 Target Market
 Competition
 SWOT
 Marketing Goals (Where are We Going?)
 Marketing Strategy/Tactics (How Do We Get There?)
 Marketing Mix
 Four P's
 Organization Plan
 Organizational Design
 Organizational Form
 Financial Plan
 Historical Statements
 Budgets/Pro Forma with Assumptions
 Breakeven
 Procedures and Controls
 Assessment of Risk



- Reoccurring Themes**
- Planned vs. Actual
 - Flexibility
 - Business Concept Blind Spot
 - Role of Negotiation
 - Role of Assumptions

- Vocabulary:**
- Vesting
 - Corridor Principle
 - Departure Point
 - Selling Through
 - Execution Intelligence

VENTURE CAPITALIST CHECKLIST

- Strong Management Team
- Distinctive Product
- Barriers to Entry
- Path to Breakeven and Sustainability (Size Matters)

4 C's of Credit Lending

- Character
- Collateral
- Cash Flow
- Contribution

(1)

VALUATION METHODS

- Discounted Cash Flow- Present Value Of Future Cash Flows- Based On Future Sales & Profits
- Comparables
- Book Value- Net Balance Sheet Value Of Assets
- Replacement Value- Cost Of Replacing Assets
- Proportional (%) Ownership
- Earnings- Based on Present & Future Earnings (Factor comparable P/E's)
- Market Capitalization
- Factor Approach- Uses Earnings, Book Value & Dividend-Paying Capacity
- Liquidation Value- Value If Everything Sold

(2)

FINANCING CONCEPTS

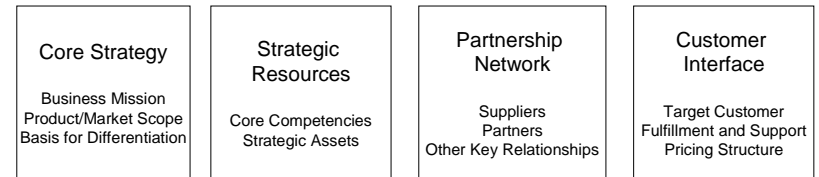
- Capitalization Table ("Cap Table")
- Pre-Money Valuation
- Post Money Valuation
- Due Diligence
- Proportional Ownership
- Implied vs. Bottoms Up Value

FINANCING CONTRACT TERMS

- Liquidation Preference
- Drag-Along, Tag-Along Rights
- Anti-Dilution Protection
- Lock-Up
- Ratchet
- Milestones
- Sell Into a Round

(2)

BUSINESS MODEL



- How to compete
- How to use resources
- How to Structure Relationships
- How to Interface with Customers
- How to create value



Self Sustainability
from Profits it Earns

BUSINESS MODEL CONTENTS

- Value Proposition
- Market Segment
- Value Chain Structure
- Revenue Generation and Margins
- Position in Value Network
- Competitive Strategy

At Steady State

(3)

GROWTH & END/EXIT

INTERNAL GROWTH

- Penetration- Growth By Selling More Of Existing Product To Existing Customers
- Market Development- New Geographic Market, Demographic Market or Product Use
- Product Development- Sell New Products To Existing Customers
- Diversification- Sell New Product To New Market

| | | PRODUCT | |
|--------|----------|--------------------|---------------------|
| | | Existing | New |
| MARKET | Existing | Penetration | Product Development |
| | New | Market Development | Diversification |

Market = customer or geography

EXTERNAL GROWTH

- Franchising
- Joint Ventures
- Acquisition
- Merger

VENTURE END/EXIT

- Ending
 - Bankruptcy
 - Liquidation
- Exit
 - Go Public
 - Get Acquired
 - Sell Business
 - Cash Out

OVERCOMING FINANCIAL PRESSURES

- Manage Cash Flow- Budget vs. Actual
- Manage Inventory
- Manage Fixed Assets
- Manage Costs/Profits- Compare Actual vs. Standard Percentages
- Taxes
- Record Keeping

OVERCOMING OPERATIONS PRESSURES

- Efficiency
- Supply Chain
- Distribution
- Quality
- Continuous Improvement
- Communication
- Employee Atomization

GROWTH PRESSURES

OVERCOMING LEGAL/CORPORATE PRESSURES

- Sarbanes Oxley
- Corporate Records
- Procedures & Policies
- Transition to Large Entity
- Insurance & Risk Management
- License Monitoring
- Banking Relationships

OVERCOMING HR PRESSURES

- Hiring Quality
- Prepare Job Descriptions
- Itemize Specifications
- Outsource HR Responsibilities
 - Recruiting
 - Hiring
 - Establish Benefit Programs
 - Payroll
 - Firing
 - Permanent vs. Part-Time
 - Corporate Culture

OVERCOMING EMPLOYEE MGMT PRESSURES

- Participative Management
- Establish Team Spirit
- Communicate- Open & Frequent
- Provide Feedback
- Delegate
- Continuous Training

OVERCOMING TIME PRESSURE

- Increase Productivity (Efficiency/Effectiveness)
- Increase Job Satisfaction (Desire)
- Improve Interpersonal Relationships (Teamwork)
- Reduce Time Anxiety/Tension (Prioritize)
- Better Health

PRESSURES ON FIRM GROWTH

- Existing Financial Resources
- Existing Facilities/Operations
- Legal/Corporate Requirements
- Human Resources
- Management Of Employees
- Entrepreneur's Time