

# **Green Tech Connect Forum**

2009 Entrepreneur Workshop

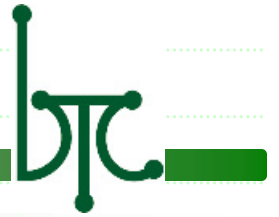
## **Business Basics of Becoming a Successful Technology Entrepreneur**

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*Administrator*

Business Technology Center of Los Angeles County

August 2, 2009



# Building a Positive Economic Environment for Technology Startups

## Your Success Starts Here

- State-of-the-art infrastructure
- Subsidized rent and services
- 40,000 square foot facility
- Below market rates through special Los Angeles County Loan Program
- Award winning incubator including being a top accelerator  
for average client revenue increases per year
- Mentoring from top experts in technology and entrepreneurship
- Pasadena Angels In-house, among many other Angel and VC affiliates
- Close to Caltech and Jet Propulsion Laboratory

# Are you an Entrepreneur?

Do you have Vision?

- Where do you want the company to be in the future?
- Can you communicate this vision enough to excite employees and investors?

***Vision is not a business plan, it is a direction of where your new organization is going***

Vision *coupled* with a strong business plan is what gives the direction and Implementation documentation that “cements” the vision on paper

# Entrepreneurial Skills

Needed to conceive, launch and grow their new organizations:

- **Focus:** goals, customers, employees must be reached, satisfied, and motivated.
- **Vision:** Where the company will be in the future and be able to communicate and motivate others to help achieve it.
- **Leadership:** You can't do it alone by yourself. The greatest athlete doesn't make a championship team.
- **Persistence & Passion:** passion is a must. Commitment and ability to persist in good and bad times.
- **Technical skills:** You need to be savvy enough to lead the technical team. An understanding of the technical challenges is critical.
- **Flexibility:** Being a successful entrepreneur means understanding the world and environment are constantly changing. Being able to adapt your strategies and offerings are critical.

# Keys to Entrepreneurial Success

The top four key lessons:

- **Focus, Focus, Focus:** as in real estate, where its location, location, location. Never take mindshare and resources from objectives and goals of company.
- **Hire Smart:** The quality of the people that comprise the company will determine its success. Decisions are made by everyone in a small, growing company. Must be able to work in fast-paced always changing environment.
- **Communicate:** Laser sharp focus and goals must be communicated to your staff. A management team that works together and continually communicates with each other is imperative.
- **Winning Spirit:** Entrepreneurship is like a game. There are winners and losers. Davids and Goliaths. The team should be instilled with a competitive spirit that is committed to winning.

# What Product, Service, Opportunity to Pursue?

## The top three factors to consider:

- **Size of Opportunity:** Large enough for ROI. Unless it can meet criteria, don't do it.
- **Complexity of Opportunity:** How difficult will it be to execute. Does it need cooperation of other people or companies that may not cooperate? Too technically complex or difficult to execute.
- **Funding & Resources:** How much of what is necessary to execute? If your vision needs hundreds of millions of dollars and thousands of employees to be successful, it is not an entrepreneurial project.

# Mistakes to Avoid

## *Not Doing Proper Market Research*

### *Evaluate known product/service area:*

- Meet with potential customers of target market
  - Evaluate their unmet need with intent on determining/fine tuning solution
    - Understanding value to customer
      - Process should be repeated continually

### *Understand the market and what it takes to address it*

- Determine Market Size
  - Sales & Marketing plan – how best to address the market
    - Pricing

# Mistakes to Avoid

## **Solution Isn't a Killer**

Market sees solution as a "Nice to Have"

Need to revisit customers to determine:

- Must find value of Solution that creates need
- What modifications need to be made to make solution more "critical"
  - Save Money
  - Save Time
  - Lower costs
  - Enhance their service/offering

# Mistakes to Avoid

## Not Narrowing Focus to Initial Target Market

### Solution can be used in multiple Vertical Markets

- Must choose initial Vertical Target Market
  - Determine markets potential sizes
- Choose market that:
  - is quickest to revenue
  - Needs least amount of Development
  - Has least cost of sales to pursue
  - You have personal contacts
  - You have the most experience
  - Amongst top market potential of choices

# Mistakes to Avoid

## Not Knowing your Competition Well Enough

- Who else is approaching your target market?
  - What value do their solutions deliver – their strengths and weaknesses vs. your solution: *How are you better?*
    - How is it marketed – Business Model and sales approach
      - Pricing
  - How well Do you know the companies behind your competition?
    - The management team and their backgrounds
      - The history of the company and how they came to be in that market

# Mistakes to Avoid

## Not Properly Protecting your Intellectual Property

- Have a Top Notch IP Lawyer
- Good Patent protection
  - Broad Disclosure
    - Prior Art
    - Specification

or

- Trade Secret
  - Proper Procedure – Train Staff
  - Don't get lax and let IP fall into public domain

# Mistakes to Avoid

## Not Having Strong Business Plan

Old Saying: *Some Entrepreneurs don't plan to fail, They just fail to plan.*

### ■ Realism vs. Optimism

- Plan and forecasts must be compelling, and show confidence in a market
- Must be optimistic, but also must be credible
- Should continuously refer to hard facts and realistic assumptions to build credibility and genuine excitement

# Mistakes to Avoid

## **Not Having Strong Business Plan (Continued)**

- Financials cannot be too aggressive.
  - First place some investors go to for credibility.
  - Assumptions and projections need to be realistic.
  - Make sure your prototype/manufacturing costs are clear, offer options on quantity and location of resources for parts and assembly.
  - Know your numbers.
  - Base your projections of financial performance on public companies in your marketplace.

# Mistakes to Avoid

## Not Having Strong Business Plan (Continued)

- Too Much Focus on the Technology
  - IP is significant, but focus on how solution satisfies a large, unfulfilled customer need.
    - Illustrate understanding of customer needs.
    - Identify which target markets most exemplifies those needs.
    - Document plan to penetrate those markets.
  - Feature vs. Benefit
    - *No one will invest or license Features – only their benefit from them & base what they will pay on how much value the benefits bring them.*

# Mistakes to Avoid

## Not Having Strong Business Plan (Continued)

- *Must not define Market Size too Broadly.*
  - No real value to investor.
  - Market metrics must be derived from specific target market.
  - Capturing a significant share of a credible target market is much more powerful and believable.

# Mistakes to Avoid

## Not Having a Honed Elevator Pitch

*30-45 seconds of brief description of your business*

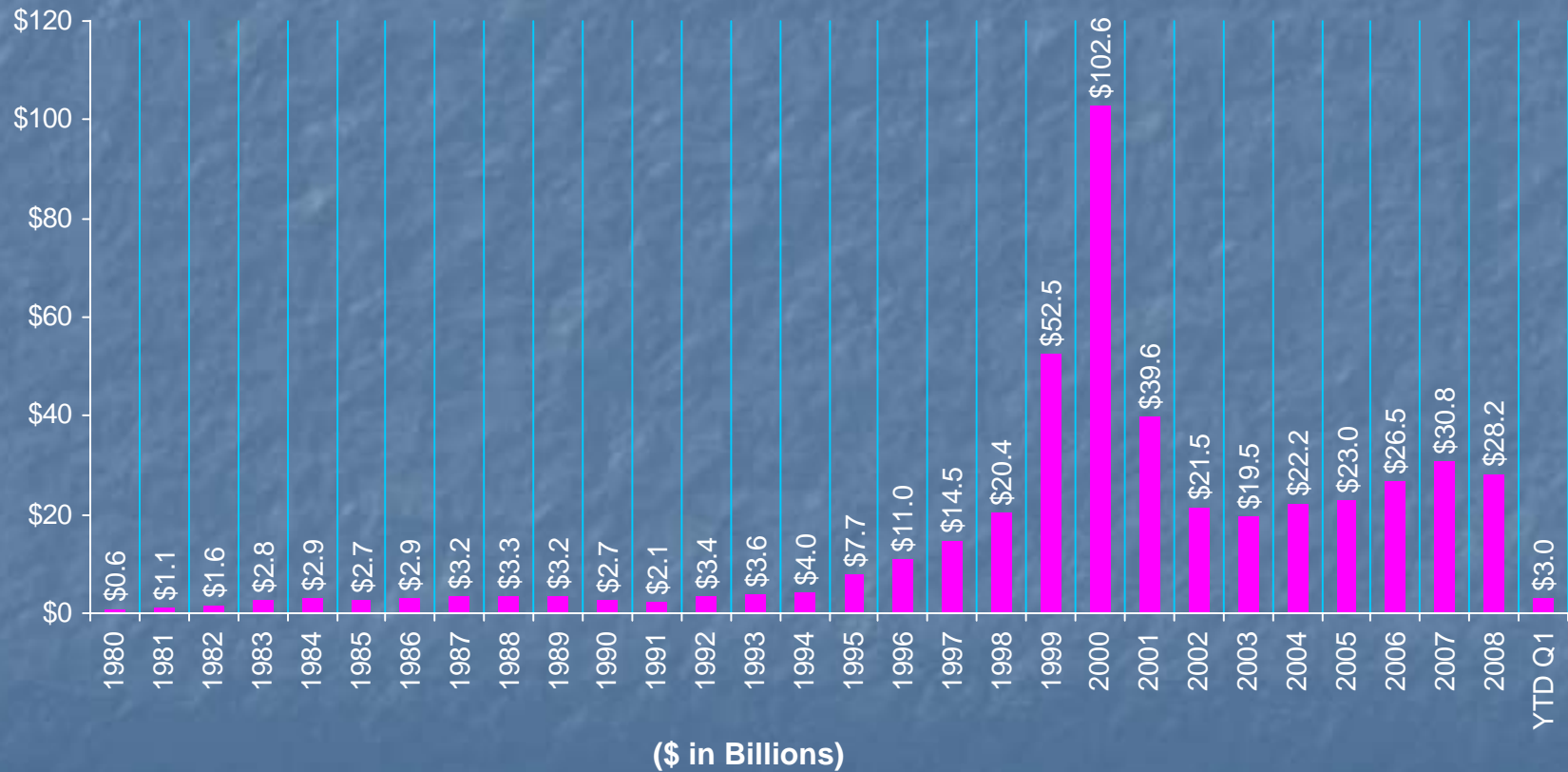
- Concise definition of the benefits of solution
    - Benefits vs. technology/features.
  - Illustrate with examples of other well known companies.
    - Instead of laboriously describing details, mention those well known companies.
- then,*
- **Stress competitive differentiation**
    - Focus on how you differ in delivering the market's unmet needs.
  - **Make your vision compelling so listener gets excited and wants to learn more.**

# Mistakes to Avoid

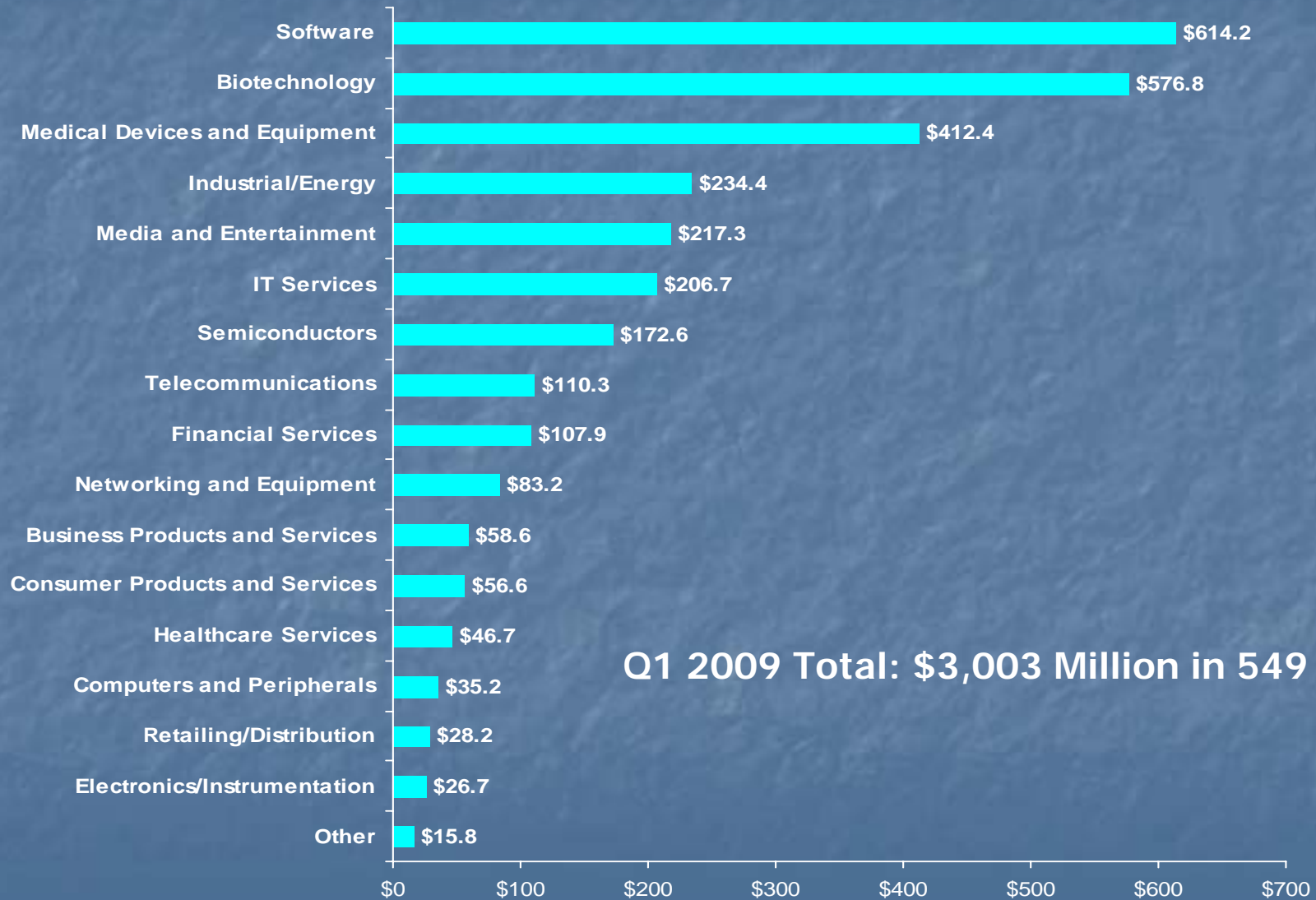
## Not Knowing How to Fund

- What Amount of Funding
  - Analyze amount of funding needed to get to certain levels of growth – prototype, production, profit, level of Revenue
- Where to get Funding
  - Self – Savings, Home Equity, Life Ins., etc.
  - Friends & Family.
  - Loans – LA Co., SBA, Banks, Assets, Receivables, etc.
  - Government Traditional Channels– SBIR, Grants
  - Angels – up to \$1 million
  - Venture Capital – above that

# Total Investments: 1980-YTD 2009



# Investments by Industry: Q1 2009



Visit [www.pwcmoneytree.com](http://www.pwcmoneytree.com) for Industry definitions

(\$ in millions)

# Investments by Industry: Q1 2009

Industry	# of Deals	% Change \$ from Q4 '08
Software	138	-41.98%
Biotechnology	81	-46.34%
Medical Devices and Equipment	52	-26.81%
<b>Industrial/Energy</b>	<b>38</b>	<b>-74.95%</b>
Media and Entertainment	43	-44.56%
IT Services	42	-22.91%
Semiconductors	23	-34.61%
Telecommunications	27	-72.45%
Financial Services	17	25.58%
Networking and Equipment	16	-46.72%
Business Products and Services	17	42.15%
Consumer Products and Services	11	-45.55%
Healthcare Services	11	9.77%
Computers and Peripherals	10	-32.86%
Retailing/Distribution	9	0.08%
Electronics/Instrumentation	8	-85.25%
Other	6	78.19%
<b>Total</b>	<b>549</b>	<b>-46.91%</b>

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# Investments by Stage of Development: Q1 2009

(\$ in millions)



Stage of Development	# of Deals	% Change in \$ Amount from Q4 2008
Later Stage	199	-35.15%
Expansion Stage	146	-59.85%
Early Stage	157	-45.93%
Startup/Seed	47	-43.50%
<b>Total</b>	<b>549</b>	<b>-46.91%</b>

**Q1 2009 Total: \$3,003.7 million in 549 deals**

Source: Thomson Financial/National Venture Capital Association

# Thomson Financial U.S. Private Equity Performance Index (PEPI)

(Investment Horizon Performance as of 3/31/2007)

Fund Type	1 Year	3 Year	5 Year	10 Year	20 Year
Early/Seed VC	8.0	6.9	-1.4	37.7	20.6
Seed VC	6.8	-0.2	-4.0	0.8	10.7
Early VC	8.0	7.2	-1.3	40.0	21.5
Balanced VC	25.4	12.3	5.8	18.0	14.3
Later Stage VC	23.5	9.6	5.2	10.0	13.8
All Venture	18.1	9.6	2.7	21.0	16.4
NASDAQ	3.5	6.7	5.6	7.1	9.0
S&P 500	9.7	8.1	4.4	6.5	8.2

- Source: Thomson Financial/National Venture Capital Association
- \*The Private Equity Performance Index is based on the latest quarterly statistics from Thomson Financials' Private Equity Performance Database analyzing the cashflows and returns for over 1860 US venture capital and private equity partnerships with a capitalization of \$678 billion. Sources are financial documents and schedules from Limited Partner investors and General Partners. All returns are calculated by Thomson Financial from the underlying financial cashflows. Returns are net to investor after management fees and carried interest.

# Thomson Financial

## U.S. Private Equity Performance Index (PEPI)

(Investment Horizon Performance as of 12/31/2008)

Fund Type	1 Year	3 Year	5 Year	10 Year	20 Year
Early/Seed VC	-20.6	1.7	3.7	36.0	21.8
Balanced VC	-26.9	4.6	8.4	13.5	14.5
Later Stage VC	-6.8	9.5	8.7	7.5	14.5
All Venture (through 09/30/08)	-2.1	6.3	8.4	17.1	17.0
All Venture (through 12/31/07)	20.1	9.5	8.6	18.1	16.7
NASDAQ	-38.1	-10.3	-4.6	-3.2	7.3
S&P 500	-36.1	-10.0	-4.0	-3.0	6.1

Source: Thomson Financial/National Venture Capital Association

<sup>1</sup>The Private Equity Performance Index is based on the latest quarterly statistics from Thomson Reuters' Private Equity Performance Database analyzing the cashflows and returns for over 1266 US venture capital partnerships with a capitalization of \$224 billion. Sources are financial documents and schedules from Limited Partner investors and General Partners. All returns are calculated by Thomson Reuters from the underlying financial cashflows. Returns are net to investor after management fees and carried interest.

# Mistakes to Avoid

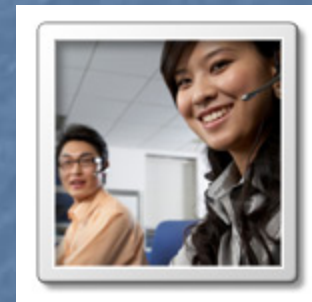
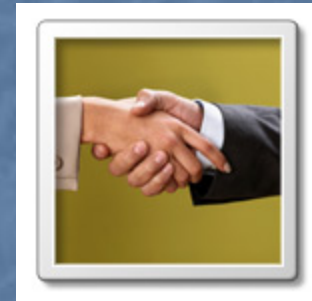
## Not Knowing How to Fund (Continued)

- Where to get Funding -- Alternatives
  - Economic Development Agency (EDA)
  - US Government Stimulus Funds
  - Strategic Partners
  - Customers
  - Bootstrap/Organic Growth

# Mistakes to Avoid

## Don't Waste Money

- Fancy offices and furniture
- Name law firms
- Name accountants
- Monster marketing
  - Endless meaningless market research
  - Simple, focused market research or do your own
  - Be smart with marketing dollars
    - Leverage the movers/influencers of your industry
    - Articles in trades
    - Web conferences
    - Target customer audiences & Where they spend their time
    - Use the Internet -- blogs, Web sites/Portals, Viral Marketing, Twitter, Facebook, LinkedIn, etc.



“It is never too early to watch the cash”

# In Summary

- Keep it simple
- Make it easy for adoption of Solution
- Always be honest and forthright
- Show understanding of Technology & Marketplace
- Focus/Focus/Focus
- Have Fun

# Business Basics of Becoming a Successful Technology Entrepreneur

**Thank You!**

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