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**For Entrepreneurs:
"Critical Success Factors for
Technology Start-Ups"**

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The Past 100 Years: The Golden Age for Engineering

Innovation is part of culture

Discussion

- **The State of Venture Capital**
- **The DNA of an Entrepreneur**
- **The Road to Funding**
- **Success Factors: The Seven Ps**
- **Summary**

Genesis Campus: An Early Stage Venture Fund

"Venturepreneurs"



A "TOP 100 Venture Capital Fund for Entrepreneurs" 2004
by Entrepreneur Magazine



Named a Finalist for Tech Titans' Technopolis Award 2005



“Entrepreneurship is about... those who dare to dream the dreams and are foolish enough to try and make their dreams come true”

- Vinod Khosla

General Partner, Kliner Perkins Caufield & Byers
Co-Founder Sun Microsystems;

Venture Capital Drives Entrepreneurship & Innovation

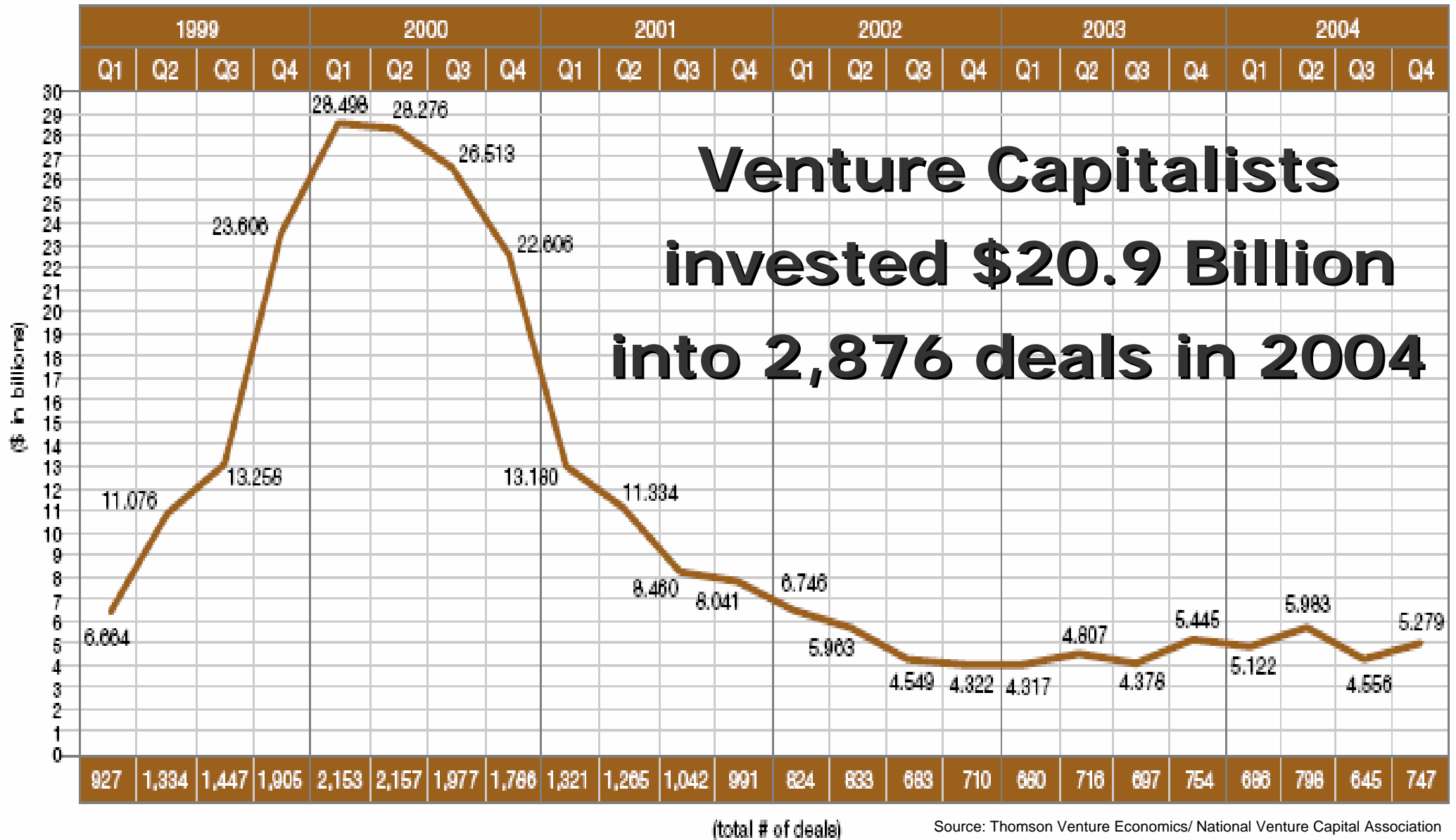
- Entrepreneurial activity has been the fundamental driver of the relative strength of the US economy
- Entrepreneurs create jobs and stimulate growth
- Start-ups Push Large Companies to Innovate
- Venture Capital is the lifeblood of entrepreneurial innovation!

Healthy Startups = Healthy Economy

Venture Capital: A Colossal Effect

- Venture Capitals have created nearly one-third of total market value of all public companies in the US
- VC backed companies between 1970 and 2003 employed over 10 million American workers
- Generated over \$2 Trillion in Revenue in 2003
- Represents 9.4% of total US jobs & revenues

State of Venture Capital



Source: Thomson Venture Economics/ National Venture Capital Association

Stages of Investment

- **Seed & Early**

- Up to \$1,000,000
- Validation of Market
- Proof of Profitable Business Model

- **Series A Round**

- First Major Investment Round
- \$1,000,000 to \$10,000,000
- Complete Management Team
- Establish Initial Customer Base

- **Series B Round**

- First Follow-On Round
- \$5,000,000 to \$30,000,000

- Scale Company Around Profitable Business Model

- **Series C, D & Beyond**

- One or Many Rounds
- Grow Company in Anticipation of Exit Through IPO, Acquisition or Merger

Seed and Early Stage Investing

Requires: Knowledge, Market & Technology Intelligence, Networking, Global Perspectives

- As the size of Funds increase, the proportion of venture capital professionals devoted to seed and early stage investing diminishes

Early Stage Funds Require Specialized Skills

- It requires Partners who have domain expertise, start-up and operating experience

Building a Venture-backed Company

1999 vs. Today

Years to exit	2 - 3	4 - 6
Total capital in	\$25 – 100 mm	\$20 – 30 mm
Exit price	\$250 – 1,000 mm	\$200 – 250 mm
Revenue at exit	No	Yes
Markets	Could be speculative	Must already exist
Product focus	Expansive; Complex	Tight; Simple 1 st Generation
Teams	New is okay, if technically sharp	Industry and functional experience

Return to pre-Bubble, mid '90s
style of venture investing

The Road to Funding

**“Vision Without
Money Is a
Hallucination”**

- Dr. Allan MacDiarmid, Ph.D.
Nobel Laureate & Genesis Campus Advisor

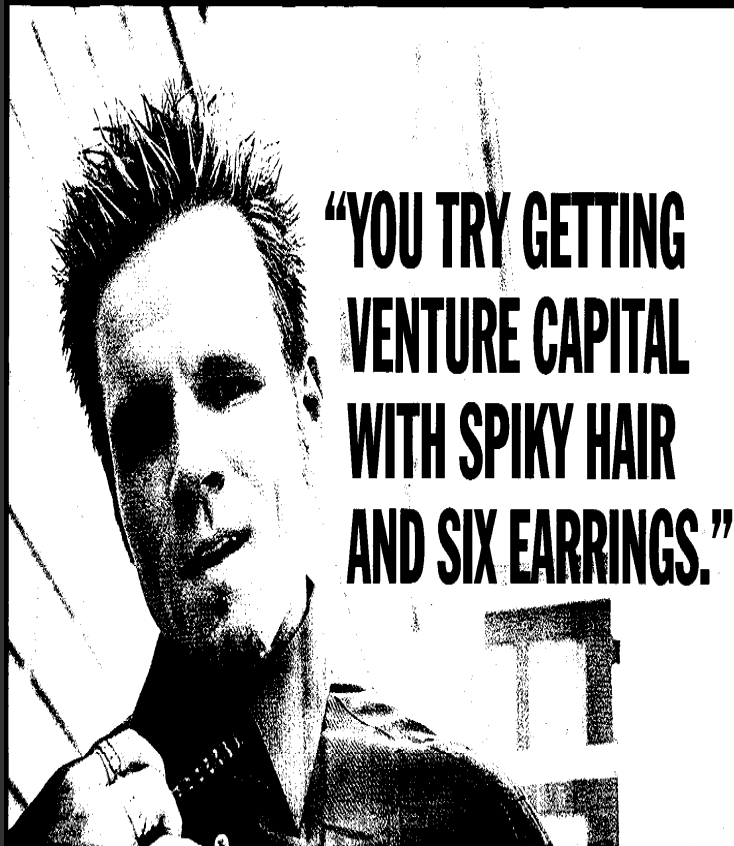
Venture Capital Funding

- **VCs Fund Teams, Not Plans!**
- **VCs Back Performance, Not Teams!**
- The Plan is a Marketing Tool
- The Presentation Triggers Initial Funding Decisions
- Business Plan Should Highlight: Accomplishments to Date and Set Out a **Measurable Path to Profitability & Exit**

What Makes an Entrepreneur?

What is the “DNA” of an entrepreneur?

A review of academic literature yields a number of characteristics common to Entrepreneurs:



Schen '94,
Solomon '89:

- Innovative
- Action Oriented
- Extremely Self Confident
- Highly Autonomous

Timmons '94:

- Commitment
- Determination
- Leadership
- Opportunity Obsession
- Tolerance of Risk & Ambiguity
- Creativity
- Self Reliance
- Ability to Adapt
- Motivation to excel

Is possession of these characteristics enough to ensure success as an entrepreneur?

What Makes a *Successful* Entrepreneur?

The DNA:

- Commitment / Determination
- Leadership
- Opportunity Obsession
- Tolerance of Risk & Ambiguity
- Creativity & Innovative
- Self Confident, Reliance
- Ability to Adapt
- Self-Motivation to excel

- 1) Start-up
- 2) Technology
- 3) Customer
- 4) Financials



- 1) A disruptive technology
- 2) A large market
- 3) And manageable levels of:
 - Market risk
 - Technology risk
 - Team risk
 - Financial risk

- 1) Business formation
- 2) Product development
- 3) Customer development
- 4) Financial management

***You may be born with entrepreneurial characteristics but.....
..... EXPERIENCE is what makes a successful entrepreneur***

Opportunities



“Opportunities are about creating value, not just lowering costs..... The failure of some entrepreneurs who believe they haven’t come in at the right cost is that they have not communicated value”

- Peter Drucker

Execution of Ideas



"It's not enough to build a better mouse trap. You must really want to kill mice."

- Bill Joos, Cofounder - Garage.com



"A business idea is worthless unless the entrepreneur behind it has the skills, knowledge and experience to execute it"

The Seven "P's" for Success

- **Patterns**
- **Passion**
- **Principles**
- **Priorities**
- **People**
- **Perseverance**
- **Primed**

Patterns

Recognizing the opportunity

“Successful entrepreneurs are not just in line with trends, but ahead of them....they gather the necessary information and see possibilities and make linkages where others see only chaos”

- Jeffrey Timmons, author New Venture Creation



“We are continually faced by great opportunities brilliantly disguised as insoluble problems”

- Lee Iacocca

Passion

“Passion is the driver of success”

“You have to be obsessed with understanding your customers—what they want, and why they want it. This understanding should form the basis of your value proposition.”



“The average person puts only 25% of his energy and ability into his work. The world takes off its hat to those who put in more than 50% of their capacity, and stands on its head for those few and far between souls who devote 100%.”

- Andrew Carnegie

“Nothing great in the world has been accomplished without passion.”

- Georg Wilhelm

Principles



"Honesty & Integrity is the cornerstone of all success, without which confidence and ability to perform shall cease to exist."

- Mary Kay Ash

"Quality means doing it right when no one is looking."

- Henry Ford



Priorities



- Tom Landry...

...Faith, Family then Football!

**The support and encouragement of family and friends is invaluable
so live and work diligently on a
Balanced Lifestyle!**

People

“No person will make a great business who wants to do it all himself or get all the credit.” - Andrew Carnegie

Microsoft 1978

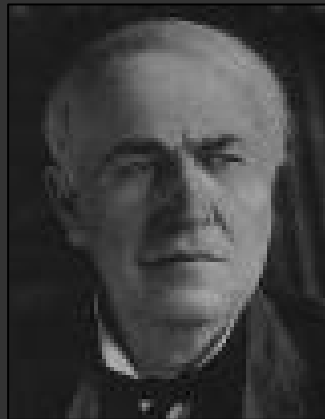


Networking & Collaboration

Perseverance

"I do not think there is any other quality so essential to success of any kind as the quality of perseverance. It overcomes almost everything, even nature."

- John D. Rockefeller

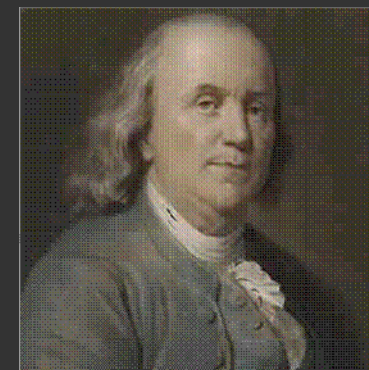


"Everything comes to him that hustles while he waits."

- Thomas Alva Edison

"Energy and persistence conquer all things"

- Benjamin Franklin



Primed – Foundation for Success

"Before everything else, getting ready is the secret of success."

- Henry Ford

1. Management Team
2. Management Team
3. Management Team
4. Market – Size: Opportunity and Scalability
5. Customers – Lined up Ready to Go
6. Uniqueness/Value Proposition
7. Limited Competition
8. Intellectual Property

What We Look For:

Investment opportunities with substantial market potential & sustainable business models

- Strong team with true core competency
- Customer need
- Industry paradigm shift & disruptive technologies
- Viable Intellectual Property
- Competitive Edge/ High entry barriers
- Growth & Global market potential
- Synergy within the portfolio value chain

Investor Presentations

- ✓ Company Profile - Elevator Statement: 1 Slide
- ✓ Company Background: 1 Slide
 - HQ Location
 - Other Relevant
 - Management BIO Highlights
- ✓ Market Drivers: 1-2 Slides
- ✓ Problem Statement: 1 Slide
- ✓ Solution/Product/Technology: 2-4 Slides
- ✓ Uniqueness/Value Proposition: 1 Slide
- ✓ Competition: 1 Slide
- ✓ Customer Value Proposition: 1 Slide
- ✓ Target Customers/Customer Validation: 2 Slides
- ✓ Sales/Distribution Channel: 1 Slide
- ✓ Market Data/Size of Opportunity: 1-2 Slides
- ✓ Financials Summary: 1 Slide
- ✓ Summary/Requested Funding: 1 Slide

15 – 20 slides in total

What NOT to do:

- Send your plans in without a referral
- Send or present long, detailed initial documents
- Pitch a product/ technology, not a pain killer
- Promise "x%" of the market
- Declare your company is utterly unique
- Don't think about your exit

What NOT to do:

- Make it structurally difficult to invest (cap structure, loans, etc.)
- Don't prepare for due diligence
- Make investor decision based on valuation only
- Don't understand/ manage the process (timeframe, decision makers)
- Wait until you need money to raise it

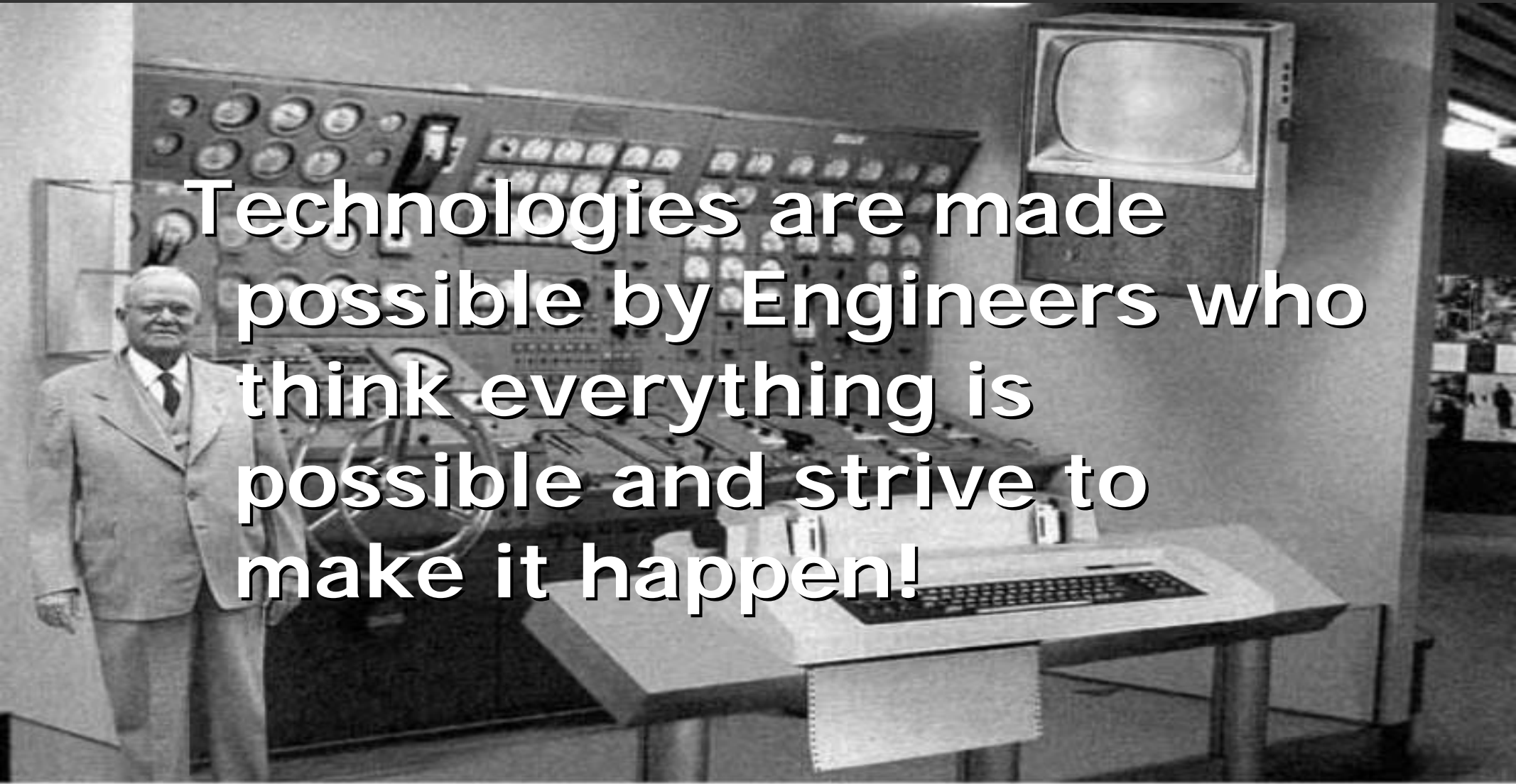
Recommendations

- ✓ Be realistic about your business objectives & focus on the fundamentals
- ✓ Understand your unique value proposition
- ✓ Take a hard look at your competition
- ✓ Raise What is Needed to Move to the Next Stage of Development
 - Validate Market
 - Prove Profitable Business Model

Recommendations

- ✓ Use cash wisely and stay “lean and mean” until it hurts
- ✓ Listen to your customers
- ✓ Engineering, marketing and sales should work hand-in-glove
- ✓ Hire only the best
- ✓ Its all in the speedy & relentless execution!

Engineers With Vision



Technologies are made possible by Engineers who think everything is possible and strive to make it happen!

Scientists from the RAND Corporation have created this model to illustrate how a "home computer" could look like in the year 2004. However the needed technology will not be economically feasible for the average home. Also the scientists readily admit that the computer will require not yet invented technology to actually work, but 50 years from now scientific progress is expected to solve these problems. With teletype interface and the Fortran language, the computer will be easy to use.



“Entrepreneurs are dreamers who do!

They have the imagination to create a vision and gumption to make it happen.

They have the courage to overcome fears and the passion to succeed!”



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AN EARLY STAGE VENTURE FUND

