Entrepreneurship and Venture Capital

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Executive Director, Lester Center For Entrepreneurship and Innovation
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Jerry Engel

- UC Berkeley
  - Founder and Executive Director of the Lester Center for Entrepreneurship and Innovation
  - Chair: Entrepreneurship Faculty
  - Teach Entrepreneurship, Venture Capital & Private Equity
  - Technology Commercialization in the MBA and Executive Ed

- Outside of Academe:
  - Venture Capital
    - Monitor Venture Partners, General Partner
    - Co-founded: Kiene Hawkes Capital early '90s
  - Entrepreneur
    - Co-Founder: AllBusiness.com, ElectraScan Inc., CardioProfile
    - Angel Investor, Board member, Advisor: Maxis, Leapfrog, MedAmerica
  - Big Company Experience
    - 1980s: Ernst & Young, Managing Partner, Entrepreneurial Services
    - 1970s: KPMG

What are the Drivers of Innovation?
Why are Entrepreneurship and Venture Capital Important?
What is Entrepreneurship?
How Does Venture Capital Work
What are the current trends?
What does all this mean to me?

Drivers of Innovation in the US
High Tech Model

U.S. Example:
Private R&D Spending Increasing

The Proportion of Research Expenditure at Our Largest Corporations is Decreasing

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;1000 employees</td>
<td>4.4%</td>
<td>9.2%</td>
<td>22.5%</td>
<td>22.4%</td>
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<tr>
<td>1,000 - 4,999</td>
<td>6.1%</td>
<td>7.6%</td>
<td>13.6%</td>
<td>15.4%</td>
</tr>
<tr>
<td>5,000 - 9,999</td>
<td>5.8%</td>
<td>5.5%</td>
<td>9.0%</td>
<td>8.4%</td>
</tr>
<tr>
<td>10,000 - 24,999</td>
<td>13.1%</td>
<td>10.0%</td>
<td>13.6%</td>
<td>14.4%</td>
</tr>
<tr>
<td>25,000+</td>
<td>70.7%</td>
<td>67.7%</td>
<td>41.3%</td>
<td>39.5%</td>
</tr>
</tbody>
</table>

Note: Expenditures are deflated using the GDP implicit price deflator.
Time to Market Adoption Continues to Decrease

```
<table>
<thead>
<tr>
<th>Year Interval</th>
<th>Lag in Appearance of Competition (years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1887-1906</td>
<td>22.79</td>
</tr>
<tr>
<td>1907-1926</td>
<td>24.10</td>
</tr>
<tr>
<td>1927-1946</td>
<td>13.84</td>
</tr>
<tr>
<td>1947-1966</td>
<td>5.75</td>
</tr>
<tr>
<td>1967-1986</td>
<td>3.40</td>
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</table>
```

What is Entrepreneurship?

- An approach to management that starts with **opportunity**
- Not just small companies
- Not just start-ups
- Not simply promoters

Entrepreneurial Process

- **Identify**
  - Need
  - Solution
  - ‘Unfair Advantage’
- **Acquire**
  - Technology rights
  - People
  - Money

Entrepreneurship Bridges the Gap

Entrepreneurship is:

- A process
- Not a person
- About BIG companies that happen to be small
- Not about small business
- Important to BIG business

Entrepreneurship

The pursuit of Opportunity beyond the Resources you currently control

Prof. Howard Stevenson
Working Definition

Entrepreneurship is a process.
The Entrepreneur’s Task:

- **Key Resources**
  - Technology
  - Money
  - People

Major Trends:

- **Technology**
  - Discoveries of large companies and universities commercialized by small companies

- **Money**
  - From Venture Capitalists: new structures for pooling risk-tolerant investors

- **People**
  - The rise of the professional entrepreneur and entrepreneurial teams as a management process

Entrepreneurial Process:

- **Key Mechanisms:**
  - Mobile Technology
  - Mobile People
  - Mobile Money

Entrepreneurial Process:

- **Mobile Technology**
  - Transfer of technology from research institutions to commercial application
    - Formal - through licensing
    - Informal - through people

- **Mobile People**
  - The emergence of the "professional" entrepreneurial management team
    - Lifestyle: personal mobility, multiple employers
    - Equity compensation
    - Acceptance of the risk of failure

- **Mobile Money**
  - New forms of Private Equity
    - International investments by US Venture Capital
    - Multinational corporations become more active
    - Buy-out funds becoming more active
    - Increased sophistication of the Angel communities
Venture Capital
Some Fundamentals

VC: A Cyclical Industry

Investment Levels Reflect the Same Cycle

VC Investment
1980 - 2006 The Long View

Venture Capital Industry and Geographic Influences

- VC investment is cyclical but on a long term upward trend
- Investment Capital for Entrepreneurial Ventures tends to clump
  - By Region
  - By Industry
- It is important to understand where VC financing works and Where it does not
- Operating outside the mainstream can add significantly to financing challenges and risk
U.S. Investment: Overall

IT Leads Deal Allocation
Deal Flow Allocation by Industry Sector

Other
Business, Consumer, Retail
IT
Healthcare

IT Dollars Pick Up in 3Q’06
Investment Allocation by Industry Sector

Other
Business, Consumer, Retail
IT
Healthcare

Investment in IT Companies Stable in 3Q’06
Equity Investment in Information Technology Companies

Amount Invested ($B)
Number of Deals

Bay Area Draws Most Investment Dollars
Regional Investment in the United States 3Q’06

Source: Dow Jones VentureOne/Ernst & Young
45% of Deals in California Companies
Regional Deal Flow in the United States 3Q’06

Bay Area 35%
New England 11%
Southern California 10%
Texas 5%
New York Metro 7%
Potomac 4%
Washington State 3%
Research Triangle 1%
All Other US 24%

Source: Dow Jones VentureSource/Ernst & Young

European Investment: Overview

Perspective on European Market
Equity Investment in Venture-Backed Companies, US vs. Europe ($)

Biopharm Leads Investing
Equity Investment in European Venture-Backed Companies by Industry, 3Q’06

UK & France Garner Over Half of Deal Flow
Total Deals in Europe by Country, 3Q’06

Valuation of the Venture Capital Funded Venture
U.S. Investment: Valuations

This section will be updated in December.

Valuations Continue Upward Trend

Median Premoney Valuation by Year

<table>
<thead>
<tr>
<th>Year</th>
<th>Premoney Valuation (M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>$9.7</td>
</tr>
<tr>
<td>1996</td>
<td>$11.1</td>
</tr>
<tr>
<td>1997</td>
<td>$13.0</td>
</tr>
<tr>
<td>1998</td>
<td>$15.5</td>
</tr>
<tr>
<td>1999</td>
<td>$16.0</td>
</tr>
<tr>
<td>2000</td>
<td>$10.7</td>
</tr>
<tr>
<td>2001</td>
<td>$10.0</td>
</tr>
<tr>
<td>2002</td>
<td>$13.0</td>
</tr>
<tr>
<td>2003</td>
<td>$15.0</td>
</tr>
<tr>
<td>2004</td>
<td>$20.0</td>
</tr>
<tr>
<td>2005</td>
<td>$21.0</td>
</tr>
<tr>
<td>2Q06</td>
<td>$25.2</td>
</tr>
</tbody>
</table>

2Q’06 Valuations Soar

Median Premoney Valuation

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Premoney Valuation (M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2Q03</td>
<td>$11.9</td>
</tr>
<tr>
<td>3Q03</td>
<td>$13.0</td>
</tr>
<tr>
<td>4Q03</td>
<td>$13.0</td>
</tr>
<tr>
<td>1Q04</td>
<td>$12.0</td>
</tr>
<tr>
<td>2Q04</td>
<td>$15.6</td>
</tr>
<tr>
<td>3Q04</td>
<td>$13.0</td>
</tr>
<tr>
<td>4Q04</td>
<td>$13.0</td>
</tr>
<tr>
<td>1Q05</td>
<td>$15.8</td>
</tr>
<tr>
<td>2Q05</td>
<td>$17.0</td>
</tr>
<tr>
<td>3Q05</td>
<td>$23.0</td>
</tr>
<tr>
<td>4Q05</td>
<td>$21.0</td>
</tr>
<tr>
<td>1Q06</td>
<td>$15.0</td>
</tr>
<tr>
<td>2Q06</td>
<td>$20.0</td>
</tr>
</tbody>
</table>

Second Round Valuations Climb

Median Premoney Valuations by Round Class (All Industries)

<table>
<thead>
<tr>
<th>Round</th>
<th>Premoney Valuation (M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seed</td>
<td>$1.3</td>
</tr>
<tr>
<td>First</td>
<td>$13.1</td>
</tr>
<tr>
<td>Second</td>
<td>$12.0</td>
</tr>
<tr>
<td>Later</td>
<td>$19.5</td>
</tr>
</tbody>
</table>

Rising IT Valuations Surpass HC

Median Premoney Valuations by Industry

<table>
<thead>
<tr>
<th>Industry</th>
<th>Premoney Valuation (M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Healthcare</td>
<td>$15.5</td>
</tr>
<tr>
<td>Information Technology</td>
<td>$22.5</td>
</tr>
<tr>
<td>Healthcare</td>
<td>$25.0</td>
</tr>
</tbody>
</table>

U.S. Liquidity
What are the Trends we have Observed?

- Venture Capital is a very special and unique category of PE
- It is highly concentrated in a few unique locations and industries
- Cyclicality and uncertainty are key factors
- There are surprising consistencies given these factors
- UC Berkeley, right here, right now – is a unique and great place to study VC!

Financing Design of the Venture Capital Funded Venture

Early Stage Investing Picks Up in 3Q’06

Annual Round Allocation Steady

Source: Dow Jones VentureSource/Ernst & Young

YTD05*: 1Q06 – 3Q06

*Seed and First Rounds Combined

YTD06*: 1Q06 – 3Q06

*Seed and First Rounds Combined

Source: Dow Jones VentureSource/Ernst & Young

YTD06*: 1Q06 – 3Q06

*Seed and First Rounds Combined

Source: Dow Jones VentureSource/Ernst & Young

YTD06*: 1Q06 – 3Q06

*Seed and First Rounds Combined

Source: Dow Jones VentureSource/Ernst & Young
Dollars Allocated to Later Stage Remains Strong

Investment Allocation by Round Class

More than ½ of Dollars Go To Later Rounds

Investment Allocation by Round Class (Annual)

Median Deal Size Slips in 3Q’06

Median Amount Invested Per Financing Round

Median VC Rounds Slightly Smaller

Median Amount Invested Per Financing Round, VC Only

Round Sizes Remain Flat

Median Amount Invested by Round Class, VC Only

Round Sizes Hold Steady in 2006

Median Amount Invested by Round Class (Annual), VC Only

Source: Dow Jones VentureOne/Ernst & Young

YTD06*: 1Q06 – 3Q06

*Seed and First Rounds Combined
Structuring the Financing
The “Why” of multiple rounds

Value is a Step Function:
- Technology/Product
- Marketing
- Management

Adding Technology Value

Value
- Market Introduction
- Regulatory Approvals
- Manufacturing Prototype
- Working Prototype
- Patent Application
- Feasibility or Prototype
- Concept

Adding Market Value

Value
- Backlog
- Satisfied Customers
- Market Launch
- Beta Test
- Technical Reports Published
- Surveys/Concept Testing
- Qualitative Research (Focus Groups)
- Market Analysis - Published Data

Adding Management Value

Value
- Human Resources Mgr
- Chief Financial Officer
- Sales Manager
- Manufacturing Vice President
- Controller
- Marketing Vice President
- President
- Chief Technologist

Startup Company Valuation Model:
The Expanding Value Pie*

* [or not confusing ownership with value]

Company Formation
Founders A, B and C each purchase 1M shares of Common Stock at a purchase price of $.001 per share.

<table>
<thead>
<tr>
<th>Person</th>
<th>Shares</th>
<th>% Total</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Founder A</td>
<td>1,000,000</td>
<td>33.3%</td>
<td>$1,000</td>
</tr>
<tr>
<td>Founder B</td>
<td>1,000,000</td>
<td>33.3%</td>
<td>$1,000</td>
</tr>
<tr>
<td>Founder C</td>
<td>1,000,000</td>
<td>33.3%</td>
<td>$1,000</td>
</tr>
<tr>
<td>Total</td>
<td>3,000,000</td>
<td>100%</td>
<td>$3,000</td>
</tr>
</tbody>
</table>

Post-Money Valuation: $3,000
Hiring a President/CEO
Creation of an Option Plan
The company hires a chief executive officer who purchases 1M shares of Common Stock at a purchase price of $0.01 per share. Additionally, in order to attract additional key employees, the Company establishes an employee stock option plan and reserves 1M shares of Common Stock for issuance under this plan. The pre-financing valuation is $30,000.

<table>
<thead>
<tr>
<th>Person</th>
<th>Shares</th>
<th>%</th>
<th>Total</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Founder A</td>
<td>1,000,000</td>
<td>20%</td>
<td>$20,000</td>
<td>$10,000</td>
</tr>
<tr>
<td>Founder B</td>
<td>1,000,000</td>
<td>20%</td>
<td>$20,000</td>
<td>$10,000</td>
</tr>
<tr>
<td>Founder C</td>
<td>1,000,000</td>
<td>20%</td>
<td>$20,000</td>
<td>$10,000</td>
</tr>
<tr>
<td>President</td>
<td>1,000,000</td>
<td>20%</td>
<td>$20,000</td>
<td>$10,000</td>
</tr>
<tr>
<td>Option Plan</td>
<td>1,000,000</td>
<td>20%</td>
<td>$20,000</td>
<td>$10,000</td>
</tr>
<tr>
<td><strong>totals</strong></td>
<td>5,000,000</td>
<td>100%</td>
<td>$100,000</td>
<td>$50,000</td>
</tr>
</tbody>
</table>

Post-Money Valuation $50,000

Initial Venture Capital Round
$5,000,000 venture capital financing at a purchase price of $1 per share, representing a pre-financing valuation of $5,000,000 (5M shares with a value of $1 per share). The new shares are typical venture capital Series A Preferred Stock, with each share of Series A Preferred Stock being convertible into one share of Common Stock.

<table>
<thead>
<tr>
<th>Person</th>
<th>Shares</th>
<th>%</th>
<th>Total</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Founder A</td>
<td>1,000,000</td>
<td>10%</td>
<td>$1,000,000</td>
<td>$500,000</td>
</tr>
<tr>
<td>Founder B</td>
<td>1,000,000</td>
<td>10%</td>
<td>$1,000,000</td>
<td>$500,000</td>
</tr>
<tr>
<td>Founder C</td>
<td>1,000,000</td>
<td>10%</td>
<td>$1,000,000</td>
<td>$500,000</td>
</tr>
<tr>
<td>President</td>
<td>1,000,000</td>
<td>10%</td>
<td>$1,000,000</td>
<td>$500,000</td>
</tr>
<tr>
<td>Option Plan</td>
<td>1,000,000</td>
<td>10%</td>
<td>$1,000,000</td>
<td>$500,000</td>
</tr>
<tr>
<td>Series A Inv</td>
<td>5,000,000</td>
<td>50%</td>
<td>$5,000,000</td>
<td>$2,500,000</td>
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<td><strong>totals</strong></td>
<td>10,000,000</td>
<td>100%</td>
<td>$10,000,000</td>
<td>$5,000,000</td>
</tr>
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</table>

Post-Money Valuation $10,000,000

Series B Preferred Financing
$10,000,000 Series B Preferred Stock financing at a purchase price of $2 per share, representing a pre-financing valuation of $20,000,000 (10M shares with a value of $2 per share). Like the Series A Preferred Stock, each share of Series B Preferred Stock is convertible into one share of Common Stock.

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<tr>
<th>Person</th>
<th>Shares</th>
<th>%</th>
<th>Total</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Founder A</td>
<td>1,000,000</td>
<td>6.7%</td>
<td>$20,000,000</td>
<td>$10,000,000</td>
</tr>
<tr>
<td>Founder B</td>
<td>1,000,000</td>
<td>6.7%</td>
<td>$20,000,000</td>
<td>$10,000,000</td>
</tr>
<tr>
<td>Founder C</td>
<td>1,000,000</td>
<td>6.7%</td>
<td>$20,000,000</td>
<td>$10,000,000</td>
</tr>
<tr>
<td>President</td>
<td>1,000,000</td>
<td>6.7%</td>
<td>$20,000,000</td>
<td>$10,000,000</td>
</tr>
<tr>
<td>Option Plan</td>
<td>1,000,000</td>
<td>6.7%</td>
<td>$20,000,000</td>
<td>$10,000,000</td>
</tr>
<tr>
<td>Series B Inv</td>
<td>5,000,000</td>
<td>33.3%</td>
<td>$50,000,000</td>
<td>$25,000,000</td>
</tr>
<tr>
<td><strong>totals</strong></td>
<td>15,000,000</td>
<td>100%</td>
<td>$150,000,000</td>
<td>$75,000,000</td>
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</table>

Post-Money Valuation $150,000,000

Initial Public Offering (IPO)
A total of 5M shares to be sold in the offering, including 3M shares sold by the Company and 1M shares sold by each of the Series A and Series B investors. Shares will be sold at a price of $10 per share, representing a pre-financing valuation of $150,000,000 (15M shares with a value of $10 per Share.)

<table>
<thead>
<tr>
<th>Person</th>
<th>Shares</th>
<th>%</th>
<th>Total</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Series A Inv</td>
<td>4,000,000</td>
<td>26.7%</td>
<td>$40,000,000</td>
<td>$20,000,000</td>
</tr>
<tr>
<td>Series B Inv</td>
<td>4,000,000</td>
<td>26.7%</td>
<td>$40,000,000</td>
<td>$20,000,000</td>
</tr>
<tr>
<td>Public IPO</td>
<td>5,000,000</td>
<td>33.3%</td>
<td>$50,000,000</td>
<td>$25,000,000</td>
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<tr>
<td><strong>totals</strong></td>
<td>13,000,000</td>
<td>100%</td>
<td>$130,000,000</td>
<td>$65,000,000</td>
</tr>
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</table>

Post-Money Valuation $180,000,000

How to Evaluate a Deal from the Company’s Perspective
• Founder’s Issues
• Employee’s Issues
• Corporate Issues
  – Sufficient Capital
  – Freedom of Operation
• Previous Investor and Creditor Issues
• Etc.

How to Evaluate a Deal from the Investor’s Perspective
• Potential for Adequate Return
• Opportunity for a Home Run?
• Potential ‘Fatal Flaws’
• Time Requirements
• Follow-on Investment Requirements
• Portfolio and Fund Compatibility
• Etc.
Effect of Eleven Factors on Company Valuation

<table>
<thead>
<tr>
<th>Variables</th>
<th>Lower Valuation</th>
<th>Higher Valuation</th>
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</thead>
<tbody>
<tr>
<td><strong>Technology</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stage of Development</td>
<td>Concept</td>
<td>Product</td>
</tr>
<tr>
<td>Patent Status</td>
<td>None Filed</td>
<td>Issued</td>
</tr>
<tr>
<td>Time to Market</td>
<td>Long</td>
<td>Short</td>
</tr>
<tr>
<td><strong>Market</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Demonstrable Need</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Size &amp; Growth</td>
<td>Small</td>
<td>Large</td>
</tr>
<tr>
<td>Market Penetration</td>
<td>Slow</td>
<td>Rapid</td>
</tr>
<tr>
<td><strong>Management Team</strong></td>
<td>Novice</td>
<td>Tested</td>
</tr>
<tr>
<td><strong>Financial</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit Margins</td>
<td>Low</td>
<td>High</td>
</tr>
<tr>
<td>Total Capital Required</td>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td>Return on Investment</td>
<td>Low</td>
<td>High</td>
</tr>
<tr>
<td>Potential Future Valuation</td>
<td>Long</td>
<td>Short</td>
</tr>
<tr>
<td>Time to Liquidity</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The Term Sheet

- Corporate Form
  - Typically NOT a pass-through
- Common Stock [sweat]
  - Founders Stock
    - Nominal Issuance
    - Vesting
  - Incentive Stock options
- Preferred Stock [money]
  - Convertible
  - Liquidation Preference
  - Dividends
  - Antidilution Protection
  - Voting Rights
  - Board Representation
- Protective Provisions
  - Sale of Company
  - Additional Issuances of Stock
  - Co-investment Rights
  - Information Rights
  - Demand and Piggy-Back Registration Rights
- Expenses

The Venture Capital Model and The Professional Entrepreneur

- Staged financing to match the stages of growth
- How the Professional Entrepreneur manages rapid transitions through the stages
- How the Entrepreneurial Ecosystem supports rapid growth

The Professional Entrepreneur

Meshing with VC model:

- How does the entrepreneur have to behave?
- How does company have to be structured?

TO ACHIEVE HYPERGROWTH!
The Professional Entrepreneur

**Motivations:**

- To make money
- To build an ego monument
- To put some new technology to use
- To run one’s own show
  - To avoid authority
  - To build something new

**Opportunity:**

- Lethargy of the big boys (girls)
- Speed of the process lies in access to resources
- Entrepreneurs are not necessarily strong managers
- Entrepreneurs are gatherers of resources
- Managers are efficient allocators

People who start new companies need to know how to attract resources:

- Concept of the company
  - Business model
  - Customer and need
  - Why it is an opportunity for the investor

- Oral presentation skills
- Reference accounts
  - Why they would buy from this company
  - Are they spending money now?

VC’s look for:

- Big opportunities and the talents for rapid acceleration
  - Obvious strategic alliances
  - Well-rounded management team (how much time will it take to advise)

What makes someone “professional?”

- Separation of what is good for the person from what is good for the company (required if outside investors)
- Recognition of what one is not good at
- Ability to change one’s role to fit needs
- Serial entrepreneur
The Entrepreneurial Venture

FOUR STAGES of DEVELOPMENT

Time
Cash Flow

I II III IV

The Entrepreneurial Venture

FOUR PERIODS of DEVELOPMENT

"Pure entrepreneurship"

Time
Cash Flow

I II III IV

PERIOD I: “Pure Entrepreneurship”

- Defining the concept of the business
- Gathering financial resources
- Assembling the startup team
- Identifying customers
- Analyzing the competition
- Building the prototype
- Getting your first ‘customer’

PERIOD II: “Strategic Focus”

- What business aren’t we in?
- IMPLEMENTING the business we are in!
- Knowing better than ANYONE else:
  - What will people pay
  - How many will they buy
  - How to distribute
  - How to service the customer
- Identifying strategic partners
- Developing relations with suppliers
- Going beyond the prototype to a truly scaleable product
- Recruiting a complete team
- Raising ‘institutional’ money

PERIOD III: “Systems building”

Time
Cash Flow

I II III IV
The Entrepreneurial Venture
PERIOD III: “Systems Building”

- Financial controls
- Stable division of labor
- Reporting relationships and authorities
- Developing systems of internal control
- Formalizing the terms of a sale
- Operational systems
  - Production, outsourcing
  - Distribution, sales
  - Service, warranties

The Entrepreneurial Venture
PERIOD IV: “Corporate Management”

- Hiring “outsiders”
- Going public
- Adding the follow-on product[s]
- Shedding those who can’t keep up
- Formalizing the culture
- Rationalizing the strategy

The Professional Entrepreneur

- Staged financing to match the stages of growth
- How the Professional Entrepreneur manages rapid transitions through the stages
- How the Entrepreneurial Ecosystem supports rapid growth
The Professional Entrepreneur

The game changes over time. What makes one good at it at one point may actually hurt at another.

Dilemma - entrepreneurial success leads to managerial failure.

Why?
The Professional Entrepreneur

The better a person is at being an entrepreneur, the faster the company grows.

The Professional Entrepreneur

People start with some level of managerial skill and learn as they go along.
The smarter they are, the faster they learn, and their learning curve is more steeply sloped.

The Professional Entrepreneur

Slow growing firm

Learning Curve

Problem Complexity

TIME

Fast growing firm

Learning Curve

Problem Complexity

TIME

So:
- Rapid growth often requires an infusion of managerial expertise
- Founders have to lower their influence or exit
- The motivations discussed earlier are impacted differently - so prioritize

Venture Capital and the Professional Entrepreneur

- Staged financing to match the stages of growth
- How the Professional Entrepreneur manages rapid transitions through the stages
- How the Entrepreneurial Ecosystem supports rapid growth
The Professional Entrepreneur
Building Relationships

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Thank You