

Tips for Entrepreneurs

Keys to being a successful entrepreneur

- Be outstanding at attracting top talent for your management team, as well as attracting world renowned outsider advisors.
- Know your limitations and weaknesses. Know what you do well and where you need help. “Want to be the dumbest person at the table.”
- Think strategically about funding and valuation, that is, about meeting your milestones, thus, increasing your company’s value and decreasing or mitigating risks.
- Have an ability to get through highs and lows. Companies typically don't fail because of their technology. They fail, because they don't understand their market, financing, or another critical component of success.
- You must create value. There needs to be a synergistic fit between what your company does or offers and what customers need.
- Don’t focus on selling equity as the sole means of growing your company.
- Must have focused vision of where the company is heading.
- You have to remain hungry.
- Companies rarely fail, because of their technology.
- Know what you’re selling.
- Have a compelling story to tell.

Is location of your company important? Is Gainesville a good place to locate your company?

- Gainesville is not a bad place to start/relocate a company.
- First ask yourself, “Who (people) are you trying to attract to your company?” Location may be important if those people aren’t available locally or can’t be attracted to you location.
- Does your locale have the expertise your company will need?
- Targeted search for employees—they need to believe in the product just as the entrepreneur does.

The State of Venture and Investment Capital

- There have been dramatic changes in VC industry in last 10 years.
- Majority of venture capital funds have underperformed the ordinary market. Many have had negative returns. A relatively few number of funds are providing the size of returns investors are expecting.
- Over the last 10 years, the size of VC funds got larger. Also, smaller deals were perceived as just too risky.
- Funds have grown large, yet the size of investments companies need has not.

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- A dramatic compression in the number of VC funds is occurring.
- As a consequence of poor returns over the last 10 years, some VC funds will not be able to follow-on funding for companies in which they have made investments. So, it is important to look at quality of the investor, that is, the VC fund. Determine if they will be staying around.
- It is easier to find angel funding for early-stage companies needing small amounts of money rather than later-stage companies that need larger amounts of money.
- Some types of technologies, such as Web 2.0 and cloud computing, do not have large needs for capital for growth or to become cash flow positive or profitable.
- VCs want to invest in what they know and what they can believe they can manage.
- Seed funds (\$10-30 million) take considerable less time to make an investment decision. Often, they can do their due diligence, negotiate a 1-page term sheet and put money into the company within 1-3 days. (A larger venture capital investment might take 6+ months to complete.)
- There are lots of small company funding opportunities.
- Seed funds and angel investors will fill the gap in funding for early stage companies. They expect to be invested in a company for 7-10 years.
- Angels are looking for companies that have not “shot themselves in the foot” with their intellectual property (IP).
- Education products take more money and therefore take a larger commitment from the VCs.

Growing your company

- Practicality is very important.
- Understand your need for capital. Is your industry capital intensive?
- Understand your cash burn rates. “Cash is the lifeblood of a company.”
- Understand difference between fixed and variable costs. Keep your fixed costs as low as possible. Don't tie yourself to a rigid fixed-cost structure.
- Sacrifice profitability to reduce risks.
- Drive your costs down.
- Get to volume first. Don't build manufacturing capacity. Use other people's manufacturing capacity.
- Decide what you need to be good at to succeed. Product design and development? Manufacturing? Marketing and sales?
- Be frugal and aggressive. Be sensitive to risks and risk mitigation.
- Don't waste money—you may not get any more. Run the company like you are never going to get another dollar.

Tips for Entrepreneurs

- Be careful about minimizing your cash burn rate at the expense of failing to meet your milestones.
- Look at non-dilutive agreements, such as grant funding, strategic partnerships and distribution agreements.
- Look at creating value propositions, like a new product or product line, which you can sell later off. (This product or product line is not related to the company's core business or mission. However, the sale proceeds can be used to continue funding your company's core activities and focus.)
- Make it easy on your customer. Don't make it hard for your customer to buy and use your product or service.
- Spend 20-30 percent on IP protection.
- Your company can't be good at everything.
- Think precisely about your goals and milestones. Create and meet value-changing milestones.
- Have clarity about your company's objectives. Think about what your company's future will look like.
- Business plans are almost always wrong.
- If you are not building or developing, what are you doing?
- Remember that it is okay to be wrong ... sometimes.
- Create an atmosphere of "it's okay to fail."
- Clarity of your company's mission and who your customer is are very important.
- Management by press releases—write the press release first, then make it happen
- Make certain your capital structure is right for the type of company you're building
- Be passionate about the product, but don't be ignorant about what is happening in market. Your market can change. The introduction of a new technology or product can obsolete yours. You need to be flexible to succeed. You must have a high EQ—emotional intelligence (An ability or capacity to perceive, assess, and manage the emotions of one's self, and of others.)
- Understand the decision and purchasing process—decision maker versus person writing the checks (for example, with medical device, patient versus health insurance company.)
- The customer (buyer) and beneficiary of a technology may be different.
- Is it easy to communicate the value or utility of your product or service? If it is hard to explain, it is probably an incremental improvement that is not as valuable.
- Are you solving a problem that doesn't exist?
- Remember, companies get bought. They don't get sold. Are you building something that another company will want to buy some day?

Tips for Entrepreneurs

- Entrepreneurs often experience near-death experience in the life of their companies. When something traumatic happens, catch your breath, get organized and change the direction of the company. Rethink your company's business plan. Don't panic. Be a leader. Don't be rigid. Work through your problem. Know things will happen. Ask yourself, "Is this a problem we can work through?" If you can work around the problem, keep going. If not, consider folding.
- Is everyone investing in your space? If yes, you may want to think about being in another market.
- Entrepreneurs often can't make transition from being a small startup company to large operating company. (Later stage companies take a different set of management characteristics/strengths/abilities.) Those that can't don't want to give up control. To succeed, you must be willing to step aside when the time comes.
- Companies need smart people who can learn and people who can recognize patterns. Pattern recognition skills are as important as being smart.
- There are pluses and minuses to having smart people on your team. They can learn what they don't know. However, the learning curve might be steep. Experience may be more valuable than smarts.
- Build a strong, diverse board—independent and with industry knowledge.
- Board should not just be composed of just the people who wrote you checks.

Strategic Investments

- Strategic investment capital from a strategic partner is a signaling event. It has pluses and minuses. You can obtain a marketing partner and mentoring. However, it may penalize any exit strategy, particularly if your strategic partner is not a potential acquirer. Companies that compete with your strategic partner may believe your company is tainted. (They would not be comfortable with the fact that your strategic partner has intimate knowledge of your company and its technologies.)
- Often a strategic partner wants to drive up the value of your company, so that its investment does not represent more than 19 percent of your company's valuation. (Avoids problem of having to consolidate your company's financial information with its own.) This can lead to problems in follow-on funding, where the valuation of your company will likely get reduced—a down round.

Is there a difference between the East and West coasts?

- No real difference except it's more expensive to live on the West coast.
- The geography lends itself to the types of businesses within a specific location/area/region.
- How can we make the Florida ecosystem better for attracting capital?