
CONTENTS

About the Author	xxiii
Foreword	xxv
Preface	xxix
Acknowledgments	xxxvii
Introduction: The Nature of Entrepreneurship	I-1
What Are the Characteristics of Successful Entrepreneurs?	I-2
Entrepreneurship Is Not for the Faint of Heart	I-3
Mapping The Entrepreneurial Journey	I-4
The New-Venture Creation Process	I-4
Incorporating The Entrepreneurial Triangle	I-5
Which Dimension Is the Most Important?	I-6
Entrepreneurs Are Like Explorers	I-7
Entrepreneurs Need to Identify Gaps in the Triangle	I-8
Entrepreneurship Involves Various Types of Personal Challenges and Risks	I-8
Beware of Entrepreneurial Myths	I-13
<i>Myth 1: Entrepreneurs Are Born Not Made</i>	<i>I-13</i>
<i>Myth 2: Entrepreneurship Cannot Be Taught</i>	<i>I-13</i>
<i>Myth 3: I Will Be My Own Boss</i>	<i>I-14</i>
<i>Myth 4: Most New Ventures Fail</i>	<i>I-14</i>
<i>Myth 5: I Can Always Start My Own Business</i>	<i>I-15</i>
<i>Myth 6: I Can Be an Entrepreneur Because I Have Been Successful in Corporate America</i>	<i>I-16</i>

New-Venture Facts of Life	I-17
Are You Committed Enough to Take The Journey?	I-17
Conclusion: Entrepreneurship Is a Different World	I-19
Endnotes	I-20

1 Essential Entrepreneurial Qualities and Capabilities	1
Step One: Know Thyself!	2
<i>Check Your Motives</i>	3
<i>Show Me the Money</i>	3
Step Two: Develop the “Entrepreneurial Profile”	5
Step Three: Identify the “Entrepreneurial Gaps”	5
Step Four: Bridge the Entrepreneurial Gaps	8
Step Five: Supplement Your Skills and Capabilities	9
Personal Qualities That Can Make a Difference	10
<i>Entrepreneurs Don’t Have to Be Inventors</i>	10
<i>Entrepreneurs Need to Be Entrepreneurs</i>	13
<i>Entrepreneurs Need to Be Leaders</i>	14
<i>Entrepreneurs Need to Be Managers</i>	14
Types of Entrepreneurs	15
<i>Wanted: An Entrepreneur for All Seasons</i>	16
Key Entrepreneurial Qualities	17
<i>Entrepreneurs Have a Vision for What Can Be</i>	17
<i>Entrepreneurs Are Perceptive and Demonstrate a Kaleidoscopic Perspective</i>	18
<i>Entrepreneurs Are Venturesome</i>	18
<i>Entrepreneurs See Opportunities Where Others See Problems</i>	18
<i>Entrepreneurs Live at the Edge</i>	19
<i>Entrepreneurs Have the Ability to Make Good Things Happen—in Spite of the Odds</i>	19
<i>Entrepreneurs Thrive in Times of Uncertainty</i>	20
<i>Entrepreneurs Have a Tolerance for Turbulence</i>	21
<i>Entrepreneurs Need Confidence to Take the Plunge</i>	22
<i>Entrepreneurs Are Opportunistic and Have Contempt for the Status Quo</i>	24
<i>Entrepreneurs Are Open-Minded and Quick to Learn</i>	24
<i>Entrepreneurs Must Be Focused and Decisive</i>	25

CONTENTS: CHAPTER 2

vii

<i>Entrepreneurs Must Be Committed</i>	26
<i>Entrepreneurs Must Have Passion and Selling Skills</i>	26
<i>Entrepreneurs Need to Be Persistent, Tenacious, and Resilient</i>	27
<i>Entrepreneurs Need to Be Aware of the Impact They Have on Their People</i>	29
<i>Entrepreneurs Should Use the Talents of People Outside the Firm</i>	29
<i>Never Underestimate the Value of Experience</i>	29
Conclusion: I Do Not Have Superhuman Powers!	30
Endnotes	31

2 What Type of Venture Do You Have in Mind? 35

Lifestyle Ventures: An Alternative to Working for Someone Else	36
Modest Ventures: Viable Ventures But Not That Profitable	37
Promising Ventures: Capitalizing on Hospitable Markets	38
High-Growth Ventures: Professional Management Is Essential	42
Revolutionary Ventures: Rolling the Dice to Change the World	47
Factors Affecting New Venture Success and Growth	49
<i>Scalability: Can the Venture Be Started in a Small Scale?</i>	50
<i>Newness Can Affect Growth and Risk</i>	51
<i>Planning versus Adaptation Paradox</i>	52
<i>Barriers to Entry and Competitive Advantages Can Make a Difference</i>	56
<i>Investment and Uncertainty</i>	57
<i>Potential Return on Investment and Time to Get Profitable</i>	58
<i>Innovation and Execution Characterize the Exceptional Enterprise</i>	59
<i>Innovation and Improvement: Two Dimensions for Gaining a Competitive Advantage</i>	61
Operating at the Edge: The Innovation Portal	62
Conclusion: In Search of Goodness of Fit	63
Endnotes	64

3 Identifying New Venture Opportunities	67
New-Venture Creation Process	67
Mistake 1: "Entrepreneurship by Braille"	68
Mistake 2: Assuming Customers Will Come	69
The Door Is Wide Open for Entrepreneurial Ventures	70
Is There an Ideal Business Situation?	70
Identifying Business Opportunities:	
Raise Your "Opportunity Antennae"	72
Change Brings Challenges—and	
New Venture Opportunities	72
The Marketplace Is Exploding with	
Entrepreneurial Opportunities	74
Developing a Kaleidoscopic Perspective Can	
Help Identify Opportunities	75
Examples of Market Gaps that Were Filled	
by Perceptive Entrepreneurs	76
Techniques for Identifying Business Opportunities	77
<i>Ask People to Identify Areas Where Their Needs</i>	
<i>Aren't Being Met</i>	77
<i>Focus Groups Can Identify Gaps and Solutions</i>	78
<i>Reverse Brainstorming: Contempt for the Status Quo</i>	78
<i>Matrix Charting May Reveal Interesting Insights</i>	80
<i>The Big Dream Approach Encourages Unbounded Thinking</i>	80
<i>Free Association and Paired Comparison</i>	
<i>May Provide New Insights</i>	81
<i>The "Slice of Life" Approach Can Identify Opportunities</i>	81
<i>The Market-Area Saturation Approach Asks,</i>	
<i>"What's Missing in This Picture?"</i>	82
<i>The Competitive Matrix May Reveal Market Gaps</i>	83
<i>Referrals and the Trend Toward Outsourcing</i>	
<i>Open Entrepreneurial Doors</i>	85
Acquiring Ideas versus Inventing Them	85
Alliances and Joint Ventures Can	
Open Entrepreneurial Doors	86
Franchises May Offer New Venture Opportunities	87
Sold! Buying a Business to Capitalize	
On an Opportunity	88
Keep a Notebook of Potential	
Entrepreneurial Opportunities	88

CONTENTS: CHAPTER 4

ix

Broaden Your Perspective: Opportunities Are Out There	89
<i>The Proximity Effect: Where You Are Can Lead to Interesting Opportunities</i>	92
<i>"If This Company Won't Do It, Then I Will ..."</i>	93
<i>Don't Wait for Downsizing: Initiate a Preemptive Strike</i>	94
Look Ahead	95
Listen and Ask	96
Most Large and Established Companies Are Not Entrepreneurial	97
Conclusion: The Door Is Wide Open for Entrepreneurial Ventures	98
Endnotes	99

4 Ventures that Capitalized on Market Gaps 101

Entrepreneurial Perceptiveness Created Some of Today's Household Names	102
Pick an Area and Identify Potential Opportunities	103
"Proximity" Plays a Key Role in Identifying Market Gaps	105
<i>Health Care Gap: Contain This!</i>	106
<i>Health Care: Are We Covered?</i>	106
<i>Health Care: Language Translation in the Emergency Room</i>	107
<i>Health: Be Careful about the Air You Breathe</i>	107
<i>Technology Gap: Expand Bandwidth!</i>	107
<i>Technology: When Does the Movie Start?</i>	107
<i>Technology: Paging Mr./Ms. ...</i>	108
<i>Information: Linking the New World to the Old World</i>	108
<i>Information: Market to Niche Groups</i>	108
<i>Environment and Convenience: "Boating Is Supposed to Be Fun!"</i>	108
<i>Dogs, Dogs, and More Dogs: It's a Dog's World</i>	109
<i>How Much Is that Biscotti in the Window?</i>	109
<i>Beware of My Dog</i>	109
<i>Fasten Rover's Sealbelt!</i>	109
<i>Food and Drink: The Opportunities Are Unlimited</i>	109
<i>Forget Tea and Cola—Give Them Juice!</i>	110
<i>Mixing Food and Play: "Play Dough"? No, Cookie Dough</i>	110
<i>Food: "Offer Premium When They Have Only Tasted Regular"</i>	110
<i>Convenience: "Hey Buddy, Can You Spare Some Change?"</i>	110

<i>Convenience: "Couch Potatoes Need All the Help They Can Get"</i>	111
<i>Sports and Recreation: Out with the Old, In with the New</i>	111
<i>Recreation and Sports: "I Need Streamlined Water!"</i>	112
<i>Travel: "I Only Need a Few Square Feet."</i>	112
<i>Travel: "Help, I Need to Get Away from It All!"</i>	112
<i>Safety: Get Me Out of Here!</i>	113
<i>Environment: It's Too Late to Build an Ark!</i>	113
<i>Clothing: "Do We Have to Wear Green?"</i>	113
<i>Electronic Commerce: A Brave New World</i>	114
<i>Amazon.com: One Statistic Can Change the Retailing Game</i>	114
<i>eBay: From Garage Sales and Flea Markets to Cyberspace</i>	114
<i>Yahoo! Bringing Order Out of Chaos</i>	115
<i>Chris Evans: Surfing Multiple E-Commerce Waves</i>	115
Opportunities Also Exist In the Softer Side of Technology	115
<i>Internet Crossing: When in Rome, Do as the Romans Do</i>	115
<i>ValiCert: Creating a "Virtual Gallery"</i>	116
Entrepreneurs Relish the Opportunity to Change the Rules of the Game	116
<i>Dragon Systems: Avoiding Paralysis by Analysis</i>	116
<i>Richard Branson: Shaking Up Existing Markets</i>	117
<i>1-800-Auto Tow: Professionalizing Fragmented Industries</i>	117
<i>Staples: Cater to Those Who Are Ignored</i>	117
<i>Research Triangle Consultants: Offer the Whole Package</i>	117
<i>Starbucks: Taking an Established Industry to a Whole New Level</i>	118
Adopting a Kaleidoscopic Perspective	118
<i>Air Surveillance Corp.: Stay Away from the Obvious, Look for Niches</i>	118
<i>Radiant Systems: One Venture Can Lead to Another Venture</i>	118
<i>America's Finest Pasta Sauces: Embracing the Concept of "Opportunity Transfer"</i>	119
<i>Capital Concierge Inc.: "Geographic Transfer" May Beat Reinventing the Wheel</i>	119
<i>Trakus Inc.: Looking for A and Finding B</i>	120
Regulation and Deregulation	120
<i>Reno Air: Who Says Flying into Reno Is a Gamble?</i>	120
International Opportunities	120
<i>The Vietnam Business Journal: Return to Vietnam</i>	121

CONTENTS: CHAPTER 5

xi

<i>American Tours International: Coming to America</i>	121
<i>Lucille Roberts Health Clubs: "Girls Just Want to Have Fun"</i>	121
Conclusion: The Possibilities Are Limitless!	121
Endnotes	122

5 Evaluating New Venture Opportunities 125

New-Venture Creation Process	125
Screening New Venture Opportunities	126
<i>Evaluation Thresholds and Critical Mass</i>	128
<i>Reflections: What Can Prospective Entrepreneurs Learn from the Original Wave of Dot-coms?</i>	130
It's Time to Apply Various Screens for Evaluating the Opportunities	132
<i>Entrepreneurial Analysis</i>	132
<i>Attractiveness of the Opportunity</i>	132
<i>Timing and Opportunity: The Dynamic Duo</i>	133
<i>Opportunity/Strategy Analysis</i>	134
What Does the Overall Market Look Like?	138
<i>What Is the Nature and Duration of the Window?</i>	139
<i>First Mover Advantage: The Jury Is Still Out</i>	140
<i>What Is the Nature of the Target Market?</i>	141
<i>What Is the Competitive Situation?</i>	142
<i>How Distinct Will Your New Venture's Market Offering Be?</i>	143
Financial Dimensions	146
Identifying Each Opportunity's Resource Requirements	149
<i>What Happens If None of the Opportunities Exceeds the Three Thresholds?</i>	151
Ranking the Opportunities	151
It's Time to Determine If the Market Truly Values Your Product/Service Concept	153
<i>Market Research Round Two</i>	154
<i>Learning from the Market Research</i>	155
It's Time to Test Market Your Product/Service	157
<i>It's Time for the Dog Food Test</i>	160
<i>Estimating Demand</i>	161

<i>How to Use Market Research to Look Before You Leap: An Example</i>	162
Testing Patentability and Market Acceptance	163
It's Time for a Technical and Logistics Test	163
Vulnerability Analysis	164
Conclusion: Insights Identify Opportunities and Reduce Risk	165
Endnotes	166

6 Developing the Business Plan 169

The Role of the Business Plan	170
<i>Yes, You Really Need to Prepare a Business Plan!</i>	171
<i>Developing a Business Plan Takes Commitment</i>	172
<i>Business Plan Is a Reflection of the Entrepreneur</i>	173
Basics of the New Venture Business Plan	175
The Nature of Planning: Constructing a Business Model for the Venture	176
<i>The Business Plan Puts Things In Perspective</i>	177
<i>Documentation, Documentation, and More Documentation</i>	178
<i>The Business Plan Provides Focus</i>	178
<i>Identify the Drivers of Success</i>	179
<i>Separate the Funding from the Plan</i>	181
<i>Business Plans, Like Entrepreneurs, Come In All Shapes and Sizes</i>	182
The Plan Evolves Through a Number of Iterations	182
Going from the Preliminary Plan to the Comprehensive Business Plan	183
The Comprehensive Business Plan Will Require Additional Brain Power	184
<i>Find a Mentor Who Will Help You Shoot the Rapids</i>	184
<i>External Advisors/Service Providers</i>	185
<i>Certified Public Accountant</i>	185
<i>Legal Counsel</i>	186
<i>Bankers</i>	186
<i>Consultants</i>	187
<i>Insurance Advisor</i>	187
<i>Management Team</i>	187

CONTENTS: CHAPTER 7

xiii

<i>Advisory Committee</i>	189
<i>Technology Advisory Committee</i>	191
<i>Board of Directors</i>	191
Avoid Paralysis by Analysis	193
The Business Plan Must Be a Living Document	194
The Business Plan Emphasizes Hitting the Target, Not Hitting the Bull's Eye!	194
The Business Plan Should Provide a Compelling Reason for Creating the Venture	195
The Business Plan Shows How You Plan to Deal with Risk	197
Software Is Not the Panacea	198
Resist the Temptation to Outsource the Business Plan	199
The Timeline for Preparing and Writing the Business Plan	199
Conclusion: Predicting Rain versus Building Arks	200
Endnotes	201

7 Components of the Business Plan 203

The Plan Must Fulfill Its Purpose	203
Components of the Business Plan	204
<i>Cover Page</i>	205
<i>Confidentiality: The Nondisclosure Agreement</i>	205
<i>Executive Summary</i>	208
<i>Table of Contents</i>	210
General Description of the Venture	210
<i>Venture Objectives</i>	210
<i>The Opportunity</i>	210
<i>Context</i>	211
<i>Industry</i>	211
<i>Overall Strategy</i>	211
<i>Management Team</i>	211
<i>Ownership Structure</i>	212
<i>Funding Structure</i>	212
<i>Advisors</i>	213
<i>Legal Form</i>	213
The Marketing Part of the Business Plan	217
<i>Target Market</i>	217
<i>Analysis of Competition</i>	217

<i>Market Offering/Competitive Advantage</i>	219
<i>How Will Your Competitors Respond?</i>	221
<i>The Name of Your Business</i>	222
<i>Product/Service Strategy</i>	222
<i>Price Strategy</i>	224
<i>Promotion Strategy</i>	225
<i>Distribution Strategy</i>	226
<i>Getting Your First Customers</i>	226
<i>Proprietary Position</i>	228
The Financial Part of the Business Plan	229
<i>Projecting Sales</i>	230
<i>Projected Income Statements</i>	232
<i>Projected Initial Capital Requirement</i>	232
<i>Projected Cash Flow</i>	234
<i>Projected Balance Sheets</i>	234
<i>Key Financial Ratios and Indicators</i>	235
<i>Sources and Uses of Funds</i>	235
<i>Budgeting and Financial Management</i>	236
Operational Issues	236
Key Risks and How They Will Be Addressed	237
Exit Strategy	237
Summary of the Business Plan	238
Appendices	238
Conclusion: The Plan Is Not an End in Itself	238
Endnotes	239

8 Sources of Funding 243

Entrepreneurs Need to Know the Facts of Funding Life	243
<i>Fact of Funding 1: Entrepreneurs Have to Accept Risk</i>	243
<i>Fact of Funding 2: Determine if You Are Credit/Investment Worthy</i>	245
<i>Fact of Funding 3: Entrepreneurs Need "Other People's Money"</i>	245
<i>Fact of Funding 4: Raising Money Takes Considerable Time</i>	245
<i>Fact of Funding 5: Seeking Funding Is Not Fun and It Takes Resilience</i>	246
<i>Fact of Funding 6: Seeking Funding Is Rarely a One-Time Occurrence</i>	246

CONTENTS: CHAPTER 8

xv

<i>Fact of Funding 7: Each Funding Source Has Its Own Set of Expectations</i>	247
<i>Fact of Funding 8: There Is No Such Thing as Truly Patient Money</i>	247
<i>Fact of Funding 9: Know the Difference Between Dumb Money and Smart Money</i>	248
<i>Fact of Funding 10: If It's Not Your Money, It's No Longer "Your" Business</i>	248
<i>Fact of Funding 11: There Are Various Ways to Raise Money</i>	249
<i>Fact of Funding 12: Entrepreneurs Need an "F-Plan"</i>	249
Developing an F-plan for Your Venture	250
The Amount, Timing, and Type of Funding Play a Critical Role in the F-plan	251
Proactive Ways to Raise and Conserve Cash	253
The Benefits of Bootstrapping	253
<i>Bootstrapping and Early Positive Cash Flow Can Make a Difference</i>	255
<i>Bootstrapping Tips/Insights</i>	256
<i>Examples of Creative—Even Desperate Financing</i>	257
Sources of Funding	258
<i>Founder Funding</i>	258
<i>Diligent Purchasing and Budgeting</i>	259
<i>Friends and Family</i>	259
<i>Third-Party Guarantees</i>	259
<i>Credit Cards</i>	259
<i>Leasing</i>	261
<i>Sale/Leaseback</i>	261
<i>Discounted Fees or Fee-for-Equity Propositions</i>	261
<i>Supplier Financing</i>	261
<i>Customer Prepayment or Investment</i>	262
<i>Factoring</i>	262
<i>Bartering</i>	262
<i>Management Team Taking Pay Cuts in Exchange for Bonuses or Stock</i>	263
<i>Economic Incentives</i>	263
<i>Banks</i>	263
<i>Small Business Administration (SBA)</i>	263
<i>Government Grants</i>	263
<i>Incubators</i>	264

<i>Strategic Alliances and Corporate Partnerships</i>	264
<i>Licensing or Royalties</i>	266
<i>Small Business Investment Companies (SBICs)</i>	267
<i>Issuing Stock to Individuals</i>	267
<i>Angel Investors</i>	268
<i>Venture Capital Firms (VCs)</i>	268
<i>Private Offering</i>	268
<i>Investment Banks</i>	268
<i>Initial Public Offering (IPO)</i>	269
<i>Financial Intermediaries</i>	269
<i>Internet Search Engines</i>	270
Conclusion: Funding Should Be Tailored to Your Unique Venture	270
Endnotes	272

9 Debt Financing **275**

Advantages of Debt Financing	276
Disadvantages of Debt Financing	277
Commercial Loans Are Tied to the Concept of Leverage	277
What Entrepreneurs Need to Know About Banks	278
<i>Not All Banks Are Alike</i>	278
<i>Banks Prefer Certain Types of Loans</i>	278
<i>Banks Do Not Like to Make Small Loans</i>	279
What Do Bankers Look for When Reviewing a Loan Request?	280
<i>Documentation—Documentation—Documentation</i>	281
Prepare to Enter the World of Bankers	282
<i>Entrepreneur's Character</i>	282
<i>Entrepreneur and Team's Capability to Manage the Business</i>	283
<i>Capacity to Pay Off the Loan</i>	284
<i>Conditions or Terms of the Loan</i>	285
<i>Context Surrounding the Venture</i>	286
<i>Collateral to Reduce Downside Risk</i>	288
Developing a Favorable Relationship with the Bank and Banker	289
Prospecting: Finding the Right Bank and the Right Banker	290
Timing: Adopt the Gretzky Approach	292

CONTENTS: CHAPTER 10

xvii

Covenants: The Bank's Ten Commandments	292
SBA Financing May Be a Possibility	293
Conclusion: Borrowing Money Is Possible If You Know What You Are Doing	294
Endnotes	295
<hr/>	
10 Seeking Investors	297
Close Ties Between the Stage of New Venture Evolution and Funding	299
<i>Seed Stage (Conception)</i>	299
<i>Start-up Stage (Birth)</i>	300
<i>Early Stage (Adolescence)</i>	300
<i>Later Stage (Adulthood)</i>	300
Each Stage of Evolution Has Its Own Financing Challenges	301
<i>Seed Stage</i>	301
<i>Start-Up Stage</i>	301
<i>Early Stage</i>	302
<i>Later Stage</i>	302
The Nature of the New Venture Will Affect Its Ability to Attract Investors	303
Profiles of Investor Categories	304
<i>Founder Funding</i>	304
<i>Friends and Family Funding</i>	304
<i>Angel Funding</i>	305
Types of Angels	306
Angels Help Bridge the Equity Gap	307
Who Are Angel Investors?	308
<i>SEC Rules Relating to Angel Investors</i>	309
<i>Degree of Involvement</i>	309
<i>Angels Can Leverage Their Positions</i>	310
<i>Beware of Strangers Bearing Gifts</i>	310
How Are Angels Different from Venture Capitalists?	311
<i>Stage of the Emerging Venture</i>	312
<i>Entrepreneurial Experience</i>	312
<i>Specific Nature of Firms Considered</i>	312
<i>Amount of Money per Investment</i>	313

<i>Number of Investments</i>	314
<i>Length of Time for Investment and Concern with Liquidity Event</i>	314
<i>Follow-Up Funding</i>	314
<i>Aggressiveness and Breadth of Search</i>	314
<i>Geographic Availability of Funding</i>	314
<i>Amount of Due Diligence</i>	315
<i>Criteria Used in Analyzing an Investment</i>	315
<i>Amount of Time Committed to Helping the Emerging Venture</i>	316
<i>Conditions Placed on the Operations of the Emerging Venture</i>	316
Conclusion: Angels Fill a Critical Void	316
Endnotes	316

11 Going the Angel Route 319

How Do You Find Angel Investors?	319
Timing Plays an Important Role When Seeking Funding	321
<i>Timing Is a Catch 22</i>	321
<i>Entrepreneurs Need to Plan Ahead</i>	324
To Attract an Angel, Think Like an Angel	324
<i>Criteria 1: Can the Entrepreneur Take the Venture to the Next Level?</i>	325
<i>Criteria 2: The Team Must Be There or Be on the Near-Term Horizon</i>	325
<i>Criteria 3: The Opportunity Must Have Considerable Upside Potential</i>	326
<i>Criteria 4: The Business Plan Must Demonstrate the Ability to Capitalize on the Opportunity</i>	326
<i>Criteria 5: The Angel Must Find the Investment to Be Compelling</i>	328
Doing the Deal: How the Deal May Be Structured	329
Valuation Can Make or Break a Deal	330
Tips on Prospecting: Look for Goodness of Fit	333
Profile of the Ideal Angel	334
Profile of the Ideal Investment	334
<i>Entrepreneur</i>	334
<i>Management Team</i>	335
<i>Market Opportunity</i>	335

CONTENTS: CHAPTER 12

xix

<i>Product/Service Offering</i>	335
<i>Business Plan</i>	336
<i>Financials</i>	336
<i>Location of the Venture</i>	336
<i>The Deal</i>	336
Why Do Angels Reject Deals?	337
<i>Lack of Integrity</i>	337
<i>Lack of Entrepreneurial and Management Prowess</i>	337
<i>Lack of Interpersonal Chemistry</i>	337
<i>Questionable Coachability</i>	338
<i>Lack of Commitment</i>	338
<i>Weak or Incomplete Management Team</i>	338
<i>Limited Appreciation Potential</i>	339
<i>Unfavorable Valuation or Terms</i>	339
<i>Lack of Interest or Experience in the Venture's Market</i>	339
Using Intermediaries, Angel Networks, and Electronic Listings	340
Don't Forget About Legal Issues When Seeking Investors	343
Tips When Seeking Angel Funding	345
It's a Whole New Ballgame	348
Exit Strategy: Begin with the End In Mind	349
A Few Reminders When Seeking Angel Investors	349
Conclusion: Angel Route Offers	351
Endnotes	351

12 Venture Capital Funding 355

1 In 1,000: Start-Ups Rarely Qualify for Funding	355
30 Seconds: Gone In the Blink of an Eye!	356
2 In 100: Many Seek Funding But Few Are Chosen	356
2 In 10: Of the Few that Are Chosen, Even Fewer Will Succeed	357
How Do Venture Capital Funds Work?	357
Venture Capital Firms Provide Smart Money	358
Securing Venture Capital Is Not Just a Funding Event	359
Embark on the Venture Capital Journey with Both Eyes Open	360
<i>Timing Is Everything: VCs Rarely Fund a Business Before Its Time</i>	361
<i>Venture Capitalists Fill a Gap in the Financial Marketplace</i>	362

<i>Show Me the Money!</i>	363
Venture Capital Criteria	364
<i>Criteria 1: Lead Entrepreneur/Team</i>	365
<i>Criteria 2: Rapid Growth: Industry and the Market</i>	367
<i>Criteria 3: Proprietary Position and Sustainable Competitive Advantage</i>	368
<i>Criteria 4: A Business Plan that Makes Sense and Can Be Executed</i>	369
<i>Criteria 5: Great Profitability</i>	370
Exceptional Businesses Beat the Odds!	371
Choose the Right Venture Capital Firm(s)	372
Know Thyself and What You Want Out of the Deal	374
Submitting the Request for Funding: Don't Self-Destruct	374
Presentation to Venture Capitalists	375
What Happens Next?	377
Conclusion: Leap Forward	378
Endnotes	378

13 Initial Public Offering 381

Taking the Firm to the Next Level	382
IPO: Its Benefits	383
IPO: Its Drawbacks	384
Will Your Firm Fit the IPO Profile?	386
Timing Plays a Key Role in Going Public	386
Valuation: Art and Science Combined	387
Investment Bankers: Take My Firm Public, Please!	387
Choosing the Investment Banker	388
Selling to the Public versus Doing an Initial Public Offering	389
Legal Counsel: An Important Part of Your IPO Team	389
Conclusion: The IPO Process Is Neither Simple Nor Easy	389
Endnotes	390

Epilogue Entrepreneurial *Dos* and *Don'ts* 391

Take the Mirror Test: Look at Yourself, Your Life, and What Is Driving You	392
Time Is Your Enemy: You Will Never Have Enough Time	394

CONTENTS: CHAPTER 13

xxi

Preparation: Stack the Odds in Your Favor	395
Management: Who Ever Said It Would Be Easy?	397
The Business Plan: The Mental Journey Must Precede the Physical Journey	402
Strategy: How Do You Plan to Gain Sustainable Competitive Advantages?	405
Human Resources: You Will Only Be as Good as Your People	407
Financial Side: Money Is Like Oxygen—You Need It to Live	410
The Business Opportunity and Business Concept	415
Market Opportunity: Analyze the Marketplace and Do the Right Marketing	416
Marketing Plan	417
Marketing: Competition	419
Marketing: Customers	419
Suppliers: You Can't Live Without Them	421
Legal: It's a Minefield Out There!	422
Things to Remember After You Have Started Your Business	423
Closing Points	425
Index	427

