Detailed Contents

Acknowledgments xv

Introduction xvii
  Entrepreneurship as a Learning Experience xviii
  The Design of This Book xix
  Pathways to Success xxi

PART 1: DEFINING THE FOCUS OF YOUR VENTURE 1

Defining and Testing Your Venture
  (Before Writing the Business Plan!) 2

Chapter 1: Defining Your Industry Focus and the Type of Business You Want to Start 7
  The Purpose of the Chapter 7
  Learning Objectives 8
  Are You Suited for Entrepreneurship? 8
    Persistence and Perseverance: The Importance of Dispositional Optimism 10
  Taking Further Stock of Your Personal Factors 12
  Developing an Industry Focus: Investigating the Potential of an Industry 16
    Industries, Segments, and Niches 16
  Organizing Your Industry Learning 17
  Conducting a Fast, Effective Industry Analysis 18
    Industry Structure, Current Size, and Growth Rates 18
    Major Trends Sweeping Across an Industry 19
    Competition and the Existence of Successful Business Models 19
    New Companies, Venture Deals, and M&A Transactions 22
    Stage of Industry Life Cycle 22
    Channels of Distribution Within an Industry 24
    Suppliers 24
    Barriers to Entry 24
  Defining the Type of Business You Might Want to Start 25
    Different Types of Business Possibilities in the Same Industry 26
Chapter 2: Defining the Target Customer: Users and Buyers  

The Purpose of the Chapter  33
Learning Objectives  34
Creating a Customer Segmentation That Shows Users and Uses for the Types of Products or Services You Wish to Provide  34
A Customer Segmentation Example for Services  37
Customer Segmentation Should Be Meaningful, Measureable, and Actionable  38
The Importance of Finding Innovative Customers  41
Defining Your Own Customer Groups  42
Application of Customer Segmentation: Farming of the Future  44
With Customer Groups in Hand, Identify Different Basic Uses for Products and Services  46
Reader Exercises  49
Step 1: Try Your Hand on Customer Segmentation by User and Uses for Flexible Solar Panels  49
Step 2: Spend Time With Your Target Customers and Their Uses  49
Step 3: Size Your Target Market  50

Chapter 3: Defining the Needs of Target Customers: Getting Into Their Hearts and Minds  51

The Purpose of the Chapter  51
Learning Objectives  51
Getting Ready to Jump Into the Hearts and Minds of Your Customers  52
Doing the Field Research: Learning About the Attitudes, Behaviors, and Core Needs of Target Customers  53
Further Appreciating the Differences Between End-Users and Buyers  54
Structuring Your Field Research  55
What Is the Correct Number of Interviews for This Stage of the Process?  56
Most Important: Work With Target Customers in Their Places of Use  56
The Mindset and Approach for an Effective Conversation With Target Customers  57
Getting More Specific Insights From Your Field Research  59
Within Core Needs, Look for Latent Needs and Clear Customer Frustrations  61
Look at the Before, During, and After of Each Use Case  64
Chapter 4: Defining Your Solutions for Customers: Developing a Product Line and Services Strategy

The Purpose of the Chapter
Learning Objectives
Defining a New Product or Services Strategy
Defining a Product Portfolio With “Good, Better, Best”
Defining a Services Portfolio
Offshore Markets Affect the Product or Services Portfolio
Thinking About Modularity as You Craft Your Product or Services Portfolio
Thinking About Intellectual Property as You Craft Your Product/Services Strategy
Patents
Other Important Forms of IP
The Scope of the IP Effort
The Last Step: Establish a Beachhead for Startup and Build a Roadmap for the Future
Recap: What We’ve Learned and Where We’re Going
Reader Exercises

Step 1: Define “Good, Better, Best”
Step 2: Define Your Intellectual Property Strategy
Step 3: Define Your Beachhead and Growth Strategy
Step 4: Huge Extra Credit: Begin to Make Prototypes of Your New Products or Services

Chapter 5: Defining the Business Model for a Venture

The Purpose of the Chapter
Learning Objectives
Defining a Business Model
Understand the Winning Business Models in Your Industry
Defining the Type of Revenue
Defining the Frequency of Revenue and Developing Recurring Revenue
Defining Price Level of Revenue Relative to Competitors
Defining Distinct Streams of Revenue: Is a Single Stream Too Few or Five Streams Too Much?
Chapter 6: Positioning and Branding a Venture in the Marketplace 122

The Purpose of the Chapter 122
Learning Objectives 123
The Importance of Positioning for New Ventures 123
Competitive Analysis 124
Types of Positioning: Functional, Emotional and Social, Against Competitors, and for Customers 126
Functional Positioning 126
Emotional Positioning 129
Social Positioning 131
Building a Powerful and Distinctive Brand Based on Positioning 132
What Is a Brand? 132
Positioning and Branding Checklist 136
Reader Exercises 138
Step 1: Do Your Competitive Analysis 138
Step 2: Do Your Functional Positioning 138
Step 3: Do Your Emotional and Social Positioning 140
Step 4: Develop Names, Imagery, and Messaging Within Your Brand Architecture 140
Step 5: Review These Templates With a Few Select, Knowledgeable Target Customers and/or Resellers 143

Chapter 7: Conduct a Reality Check on the Venture Concept and Its Business Model 144

The Purpose of the Chapter 144
Learning Objectives 145
Developing the Field Research Instrument for the Reality Check 146
Creating a Statement of the Venture Concept to Show to Customers 147
The Questions That Follow a Venture Concept Statement 148
Organizing Customer Panels 149
Conducting the Field Research 150
Analyzing Your Data and Interpreting the Results 152

The Goal: Validate Your Customer Insights and Business Model Vision 152
Validating the Core Needs, Attitudes, Behaviors, and Demographics of Your Target Market 152
Validating Your Product or Services Strategy, Its Positioning and Branding 156
Validating Your Go-to-Market Strategy 160
Getting a Handle on Revenue for a Scaled-Up Business 163

Reader Exercises 172
Step 1: Create Your Venture Concept Dashboard 172
Step 2: Create Your Venture Concept Statement 172
Step 3: Create Your Discussion Guide/Survey 173
Step 4: Conduct the Field Research 173
Step 5: Analyze and Report the Data 173
Step 6: Take a First Crack at Revenue Projections for a Scaled-Up Business 173
Step 7: Summarize and Report Your Reality Check 174

PART 2: WRITING THE BUSINESS PLAN AND MAKING THE PITCH 177

Chapter 8: Financial Sources for Startups and Corporate Ventures 181

The Purpose of the Chapter 181
Learning Objectives 182
The Stages of Venture Development and the Relevant Funding Types 182
Pre-Financing: To Develop Business Plans and Initial Prototypes 182
Seed Financing: To Develop Working Prototypes and Test With Live Customers 183
Series A Financing: To Fully Develop Your Product, Develop a Channel, and Launch 184
Series B Financing: To Expand Rapidly Into the Target Industry Niche 185
Series C Financing: To Consolidate Market Leadership and Make Selective Acquisitions 186
Exit: Getting Acquired or Doing an IPO 186

Equity Versus Debt Financing 189
Sources of Venture Financing 193
Founder Self-Financing 194
Friends and Family 197
Angel Investors 197
Venture Capitalists 201
Strategic Corporate Investors 206
How Investors Make Money From Ventures 207
Chapter 9: Projecting the Financial Performance and Requirements for the Venture

The Purpose of the Chapter

Learning Objectives

The Whiteboard Approach

The Financial Projections Necessary for a Business Plan

Projecting Revenue: Creating Realistic, Granular Projections

Generating the P&L

Revenue Rich, Cash Poor

How Financial Projections Impact Investor Valuations of New Firms

Determining Venture Investment Amounts

A Closing Thought: Realistic Revenue, Please!
Reader Exercises 254
   Step 1: Develop a Granular Projection of Revenue 254
   Step 2: Develop a Pro Forma P&L 254
   Step 3: Develop a Cash Flow Projection 254
   Step 4: Develop a Balance Sheet (Optional) 255
   Step 5: Establish Financial Goalposts 255

Chapter 10: Organizing the Venture Team 257
The Purpose of the Chapter 257
Learning Objectives 257
For the Team Who Writes the Business Plan: Guard Your Founder’s Stock Carefully 258
The Team Who Actually Builds the Venture 259
   Strive for a Balanced Management Team 259
   The Importance of Building a High-Performance Culture of A Players 261
   Create a Shared Vision and Culture of Teamwork and Success 263
Boards in a Venture 264
   Create an Advisory Board From the Get-Go 264
   The Board of Directors: Proceed With Care (If You Are Given a Choice) 265
   Form a Customer Advisory Board 267
The Legal Organization of a Venture 268
Providing Rewards and Incentives for the Venture Team 270
Reader Exercises 272
   Step 1: Conduct an Aggregated Skills Audit for Your Team 272
   Step 2: Begin Building an Advisory Board 272
   Step 3: Take a First Pass at Structuring Your Organization 272

Chapter 11: Writing the Business Plan! 274
The Purpose of the Chapter 274
Learning Objectives 275
The Outline of the Business Plan and Where Your Prior Work Fits 275
Appreciating Your Reader: The Professional Venture Investor 276
Appreciating the Reader: For Corporate Entrepreneurs 281
Before Writing, “Storyboard the Plan” 281
The Business Plan Sections and Format: Starting With the Title Page and Executive Summary 284
The Business Model: A Summary of How You Make Money, as a Business 286
   Revenue Model 286
   R&D Strategy (If Appropriate for Your Business) 286
   Production/Manufacturing Strategy 287
   Go-to-Market and Brand Development 287
   Summary Financial Goals 287
Market Analysis 288
   The Target Industry 288
   The Target Customer 289
   Competitors 290
   Final Checklist for the Market Analysis Section 290