

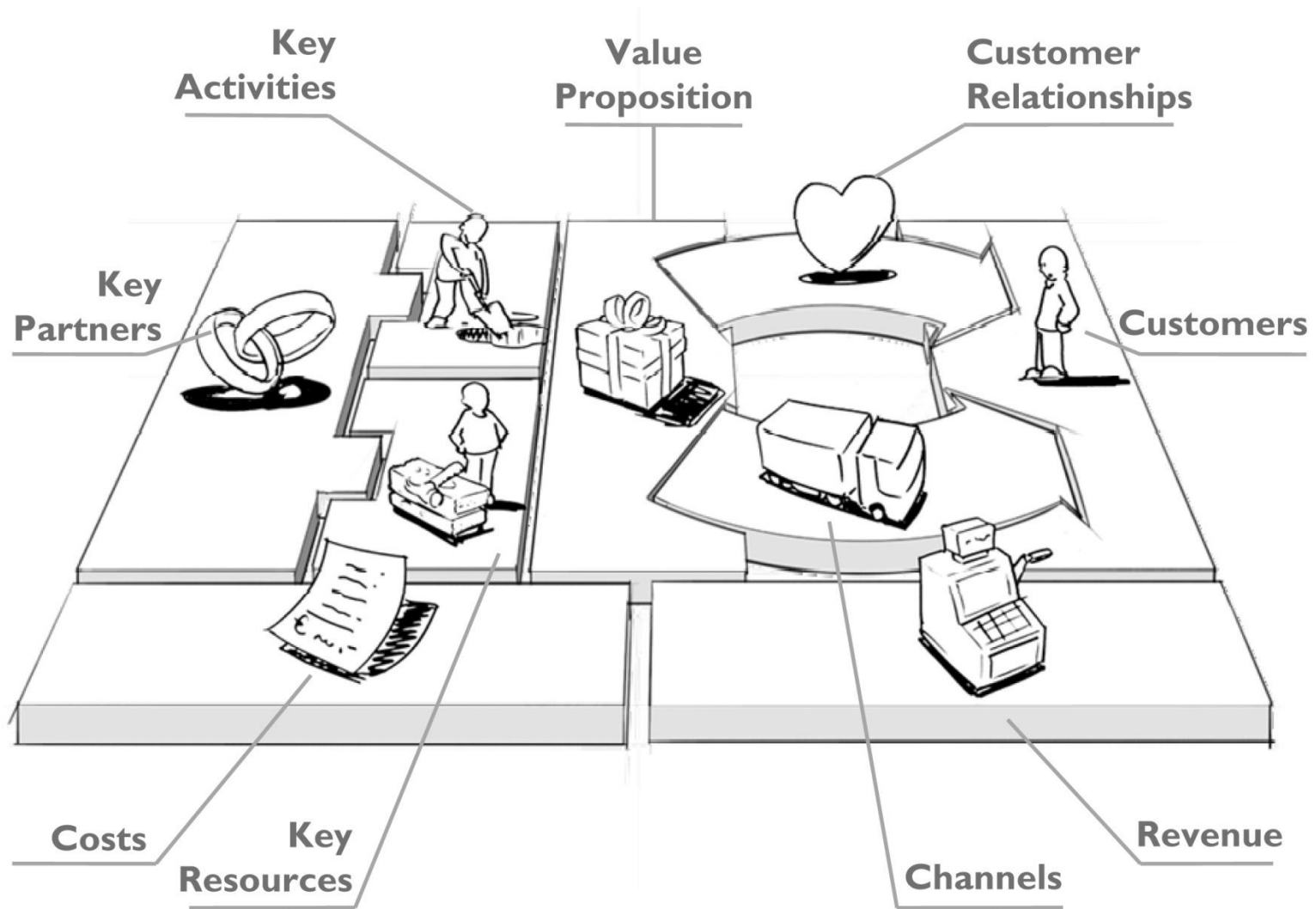


MPU-3232

# ENTREPRENEURSHIP

## Topic 4: Understanding Start-Up II

# Business Model Canvas



drawings by JAM

# Start-up accelerator/ incubator: ideation to execution

## Purpose

Incubators support startups entering the beginning stages of building their company. The startups possess an idea to bring to the marketplace, but no business model and direction to transition from innovative idea to reality.

Accelerators advance the growth of existing companies with an idea and business model in place. These programs build upon the startups' foundations to catapult them forward to investors and key influencers.

# Start-up accelerator/ incubator: ideation to execution

## Duration

Incubators operate on an open-ended timeline. They focus more on the longevity of a startup and are less concerned with how quickly the company grows. It is not uncommon for incubators to mentor startups for more than a year and a half.

Accelerators operate on a set timeframe, which usually lasts three to four months. During this period, startups build out their business with the support of mentors and capital provided by the accelerator. At the end of the program, startups receive the opportunity to pitch their businesses to investors.

# Start-up accelerator/ incubator: ideation to execution

## Application Process

Incubators invest time and resources into advancing local startups; they are generally tasked with creating jobs or finding ways to license intellectual property. Startups are a conduit to accomplish both. Incubators have less pressure to deliver startups that can grow fast, as fostering and supporting local startups is part of their charter. Therefore, even a slow growing or less scalable business constitutes a good incubator candidate.

# Start-up accelerator/ incubator: ideation to execution

## Application Process

Accelerators use a more traditional and formal model for entry into their program. Participants must apply for a select number of slots in the program. These programs are extremely competitive as the accelerator must select the top startups from across the country, which are scalable, investable and have to show an ability to grow rapidly within months.

# Start-up accelerator/ incubator: ideation to execution

## Environment

Both incubators and accelerators offer an environment of collaboration and mentorship. This enables the startups to share a space, as well as have access to a multitude of resources and peer feedback. Both also provide mentorship from seasoned entrepreneurs and business experts.

# Start-up accelerator/ incubator: ideation to execution

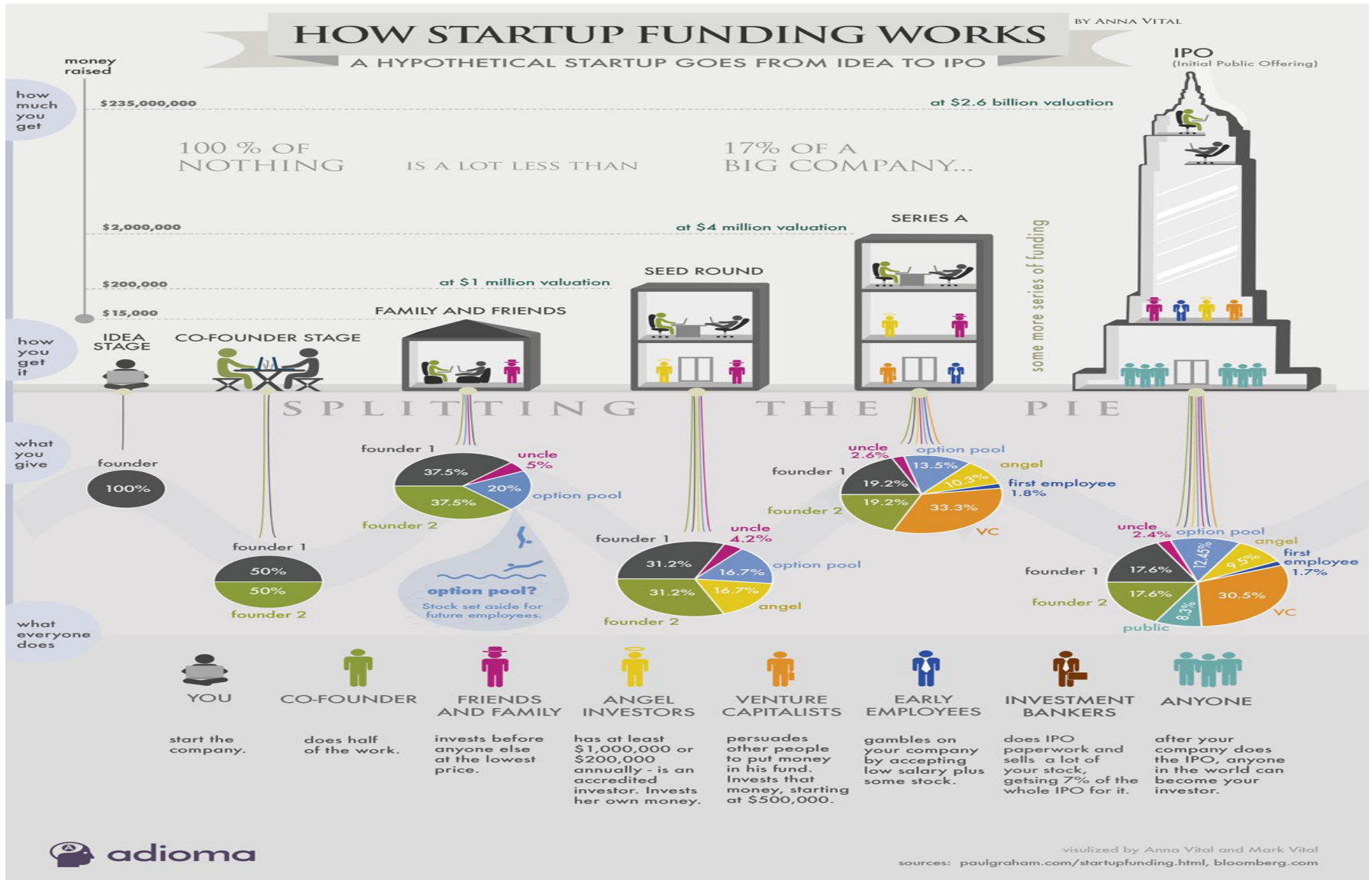
## Investment Capital

Incubators do not traditionally provide capital to startups and are often funded by universities or economic development organizations. They also don't usually take an equity stake in the companies they support.

Accelerators do invest a specific amount of capital in startups in exchange for a predetermined percentage of equity. Due to this investment, the accelerators bear a greater responsibility in the success of the startup.

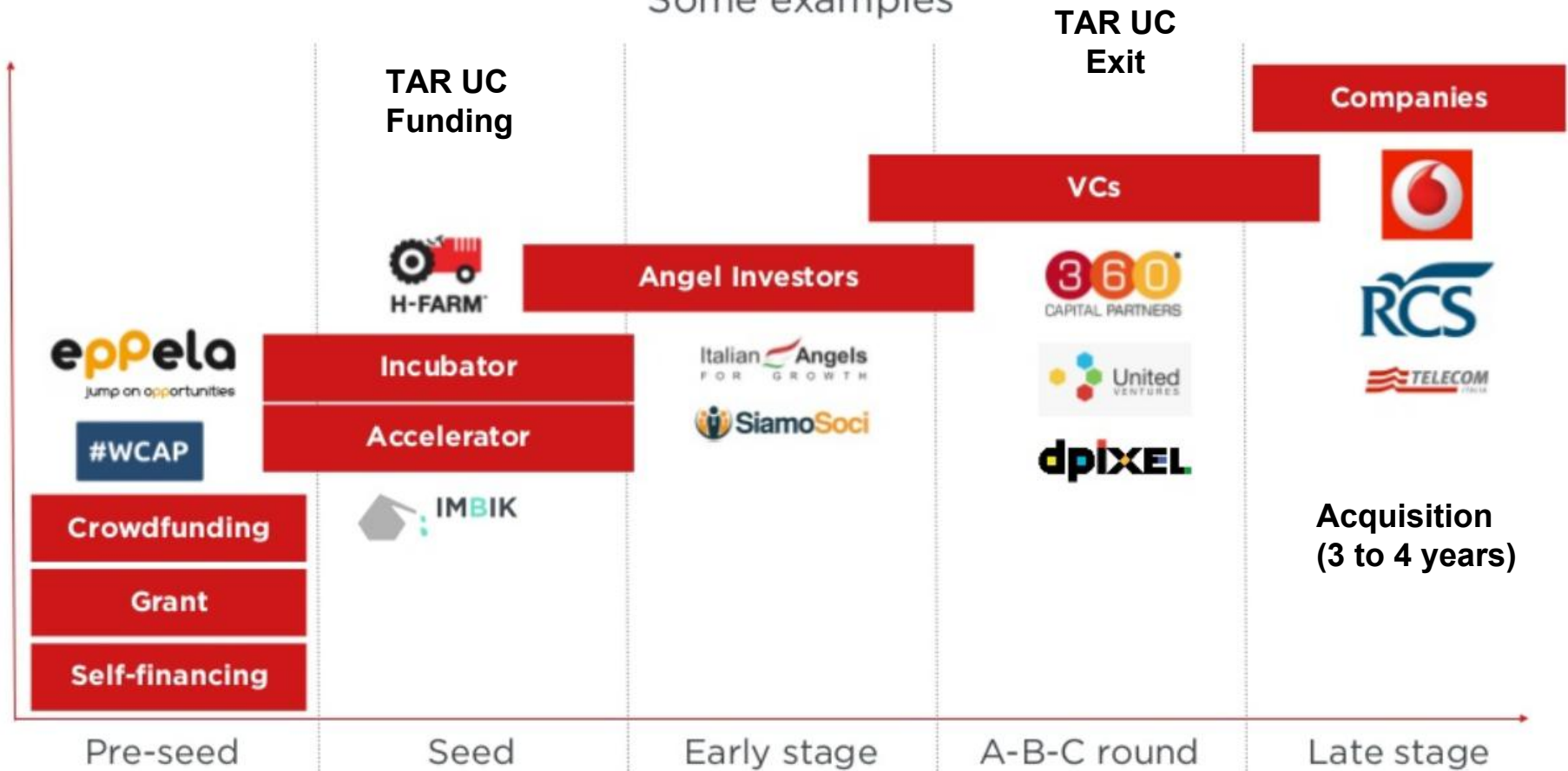


# Funding for start-up



# Who's financing who

Some examples



**The primary differences between each fundraising round (and Series) are the maturity level of the company, the level of risk for investors and the purpose of raising capital.**

Round	Who Invests?	Description of Round	Goals for Company
Seed	Angel investors, early-stage VCs	A seed round is often used to initially inject capital to cover expenses and get traction until a startup can start earning revenue. At this stage, the startup is likely to have validated its market and measured the value of its customers. Founders are selling their vision, a prototype and a good team. Seed rounds can vary between \$100,000 to \$2 million, but this amount differs widely on a case-by-case basis.	<ul style="list-style-type: none"> <li>•Determine product and market fit</li> <li>•Employ first few employees</li> <li>•Build and launch early product</li> <li>•Get traction</li> </ul>
Series A	Professional angel investors, venture funds or VC firms specialising in early-stage	The first round of shares offered to external investors during early-stage investment. Valuation is determined by a number of factors including proof of concept, team, market size and the company's progress with its seed capital. At this stage, startups would have figured out its product and user base.	<ul style="list-style-type: none"> <li>•Finalise concept, product/market fit and processes to scale</li> <li>•Optimise product</li> <li>•Develop business model</li> <li>•Pay for salaries of key team members</li> </ul>
Series B	Similar to Series A but also venture capitalists that focus on later-stage growth	The second stage is focused on continuing to scale the company. It is likely that a business model has been established and there is traction with customers. Valuation for a Series B round is determined by revenue generated, company's assets (such as IP) and its performance in the industry.	<ul style="list-style-type: none"> <li>•Scale and increase market share</li> <li>•Grow team with quality talent</li> <li>•Build up business development, sales and marketing teams</li> <li>•Break even and have a net profit</li> <li>•Make competitors give up</li> </ul>
Series C, D, E and onwards	Private equity firms, VC funds, hedge funds, investment banks and secondary market groups	Subsequent venture rounds are used to scale the company, make acquisitions, maximise market share, grow internationally and prepare the company for an acquisition or public listing. Some companies raise significant capital to allow them to buy out other firms.	<ul style="list-style-type: none"> <li>•Increase market share, scale hard and fast</li> <li>•Expand internationally</li> <li>•Undertake M&amp;A activity</li> <li>•Develop more products and services</li> </ul>

# Share Percentage and Dilution

Group	Pre-Seed	Post-Seed	Post-Series A	Post-Series B
Founders	100%	85%	30%	20%
Seed Investors		15%	10%	5%
Series A Investors		UC exit	50%	31 1/3%
Series B Investors				31 1/3%
Option Pool			10%	12 1/3%
Total:	100%	100%	100%	100%

\*Rule of thumb

Startup Invest  
Up to RM200K

**1-2 years, Venture Capital**

Scaling business

International expansion

Hiring executive

Term sheet, due diligence, dilution

Cash out (2 to 3x)

## How many survive?

Clip slide

U.S.-based companies initially funded by venture capital between 2006 and 2011



# Intellectual Property

- IP represents the property of the mind or intellect
- IP is often a valuable asset and it is important that it be clearly identified and safeguarded
- [www.myipo.gov.my](http://www.myipo.gov.my)



# Intellectual Property (cont.)

There are five main types of IP rights:

- Patents - a grant from the Patent and Trademark Office to the inventor of product, giving the exclusive right to make, use, or sell the invention for 20 years from the date of filing the patent application.
- Trademark - any distinctive word, symbol, design, name, logo, slogan, or trade dress a company uses to identify the origin of a product or to distinguish it from other goods on the market for 10 years (renewable)

# Intellectual Property (cont.)

There are five main types of IP rights:

- Copyright - an exclusive right that protects the creators of original works of authorship such as literary, dramatic, musical, and artistic works industrial designs. ©
- Industrial designs - refers to any aspect of the shape or configuration of the whole or part of an item
- Trade secrets - any idea, formula, pattern, device, process or information that provides a business with a competitive advantage



# Other Legal Issues



- Licenses and permits
- Registering for a business number and the goods and services tax (GST)
- Competition (trade practices) law
- Taxation

# Pitching Techniques

- Refers to the links at google classroom for the videos.



# ENTREPRENEURSHIP

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