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Entrepreneurship Overview

University of Washington

January 4, 2017

Greg Gottesman

Today's Agenda

- Introductions
- Expectations
- Overview of entrepreneurship course
- What's most important in building a startup?
- How to pitch your startup
- Rich Barton
- Next week

Expectations

- Me
- You
- Each other

Course Overview

PROGRAM SYLLABUS

ENTREPRENEURSHIP – CSE490A, CSE599A1, CSEP590, ENTRE532A,B

UNIVERSITY OF WASHINGTON (Paccar 395)

Winter 2016

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COURSE OBJECTIVE

The course objectives are two-fold: (1) to develop an awareness and understanding of the range, scope, and complexity of issues involved in starting a technology business; and (2) to gain insight into how entrepreneurs conceive, adapt, and execute strategies to create new, successful businesses.

COURSE OVERVIEW

This course is about entrepreneurship and specifically about starting, growing, managing, leading, and ultimately exiting a new venture. Of all the courses you take at the University of Washington, this one will likely be the most hands-on. Forty percent of your grade will be based on a pitch, product demo and business plan that you develop with your team.

The course sessions will follow the natural order of starting a new business: choosing your idea and your team, validating that idea with customers, honing your initial pitch, dealing with the legal issues of starting a business, building a great product, deciding among financing strategies, developing a go-to-market and operating plan, and exiting successfully. We will spend part of nearly every three-hour block giving you feedback on your actual pitch, your product, and your business generally. To ensure that this course is practical, we will invite numerous guests who are currently working in the venture ecosystem: CEOs, venture capitalists, lawyers, journalists, etc. It should be a fun ride. I hope you enjoy it!

You know this guy!



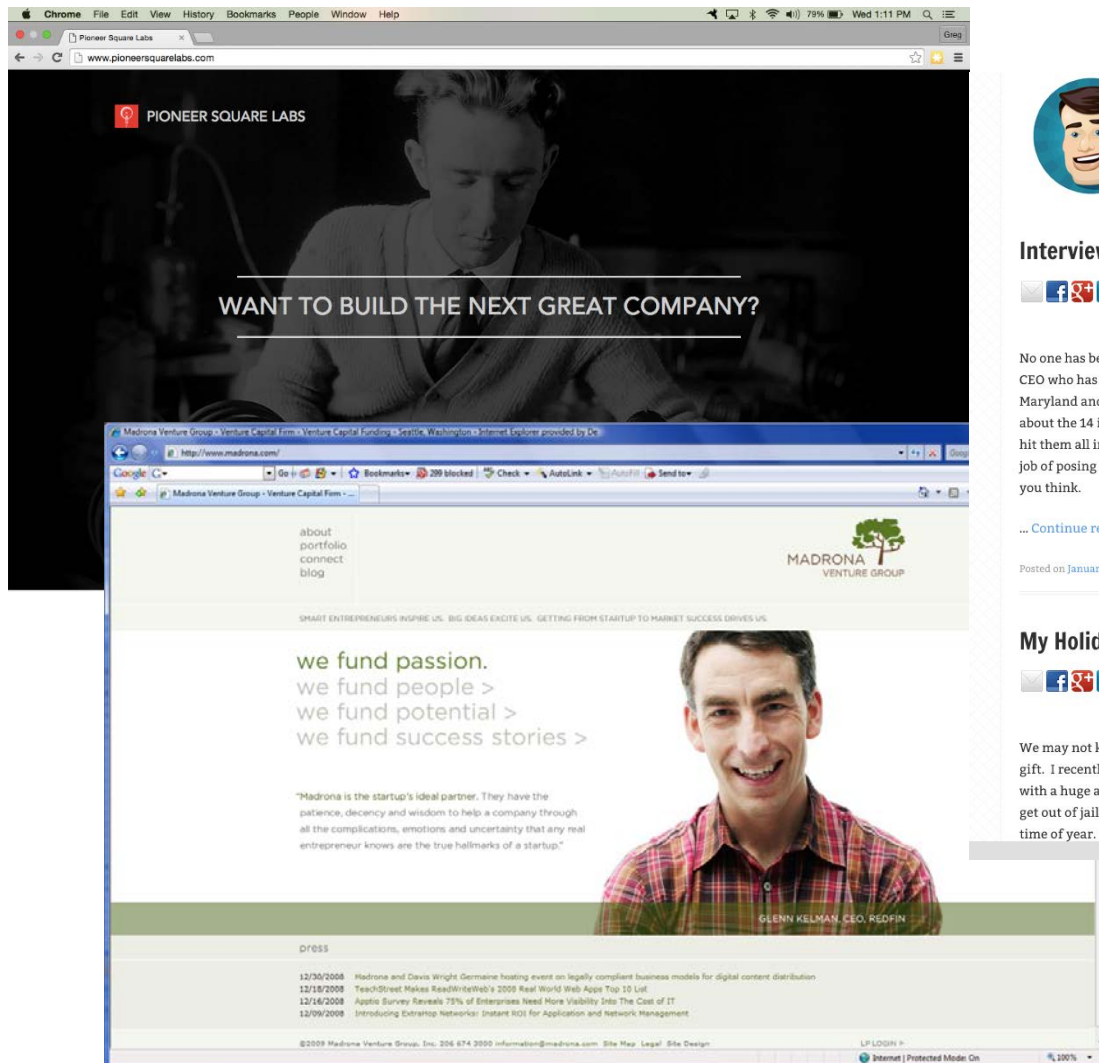
Who is the other guy?



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For More Information . . .



StarkRavingVC Greg Gottesman

HOME ABOUT ME

Interview with the Great Wizard of Moz, Rand Fishkin



No one has been more supportive of StarkRavingVC.com than Rand Fishkin, the SEOmoz CEO who has more Twitter followers than the populations of the capital cities of Alaska, Maryland and Vermont (combined). When I started blogging, Rand Fishkin wrote a [post](#) about the 14 ideas he wanted me to write about in my blog. We decided it might be fun to hit them all in a video interview format. It's no *Skyfall*, but I think Rand does an excellent job of posing the questions that entrepreneurs really want to ask VCs. Let me know what you think.



[... Continue reading →](#)



Posted on January 4, 2013 by GG · 0 Comments and 0 Reactions

My Holiday Gift to You: The Funniest VC Video Ever



We may not know each other, but that doesn't mean I can't give you a meaningful holiday gift. I recently got an email from a high-ranking official in Nigeria offering to reward me with a huge amount of money if I just sent a few dollars to help someone wrongly accused get out of jail. I then got a similar email from a Ugandan prince. People are so giving this time of year.

RECENT POSTS

- Interview with the Great Wizard of Moz, Rand Fishkin
- My Holiday Gift to You: The Funniest VC Video Ever
- Do Diligence on Us
- If You Want to Lead People, Stop Whining
- The Best VC Pitch Ever

RECENT COMMENTS

- Red Russak on My Holiday Gift to You: The Funniest VC Video Ever
- Mark MacLeod on Do Diligence on Us
- ALBsharah on Do Diligence on Us
- Rand Fishkin on Do Diligence on Us
- Javier Sandoval on Do Diligence on Us



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Characteristics of Great Businesses

1. Team Is Most Important



“I invest in people, not ideas.”
--Arthur Rock

2. Great Product



“I know it when I see it.”
--Justice Potter Stewart

3. A Large Market



Don't Force Yourself To Be Perfect!

4. An Actual Business Model



Can you create and capture value?

5. Timing Is Everything!



B team + B idea + Right Time = \$\$\$

Peter Thiel's Seven Questions Every Business Must Answer

- Engineering Question
 - Breakthrough Technology?
- Timing Question
 - Is now the right time?
- Monopoly Question
 - Are you starting with a big share of a small market?
- People Question
 - Do you have the right team?
- Distribution Question
 - Do you have a way to deliver your product, distribution?
- Durability Question
 - Will position be defensible for 10 – 20 years?
- Secret Question
 - Have you identified a unique opportunity that others don't see?

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Appendix: Some Key Terms

Financing a New Venture

Several Options

- Bootstrap (Friends, Family, Credit Cards)
 - Almost every business starts here
- Angel Investors
- Venture Capital
- Corporate and Strategic Investors
- Banks

Sources of Financing by Stage

	Development	Start-up	Early Growth	Rapid Growth	Exit
Entrepreneur					
Friends and Family					
Angel Investors					
Strategic Partner					
Venture Capital					
Asset-based Lender					
Equipment Lessor					
SBIC					
Trade Credit					
Factor					
Mezzanine Lender					
Public Debt					
IPO					
Acquisition, LBO, MBO					
Black shading indicates primary focus of investor type. Gray shading indicates secondary focus, or focus of a subset of investors of the type.					

Term Sheet Concepts

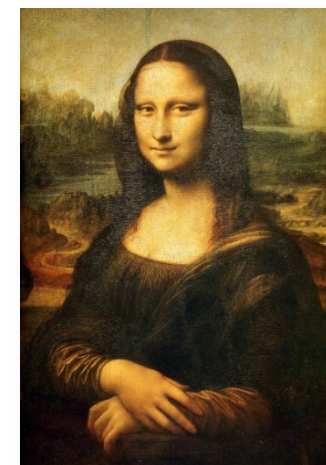
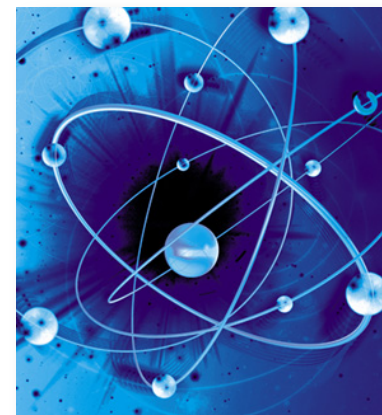
- Two principles: economics and control
- Valuation
- Liquidation preference
 - Debt
 - Preferred
 - Common
- Control provisions
- Board seats
- Founder vesting

Pre-Money or Post-Money

- Pre-money valuation:
 - Value of all outstanding stock before VC investment (private market capitalization)
- Post-money valuation:
 - Pre-money plus amount of VC investment
 - \$1M VC investment on \$3M pre-money = \$4M post-money
 - In this case, the VC would own 25% and receive stock equal to that ownership position in the company

VC Valuation Methodology

- Science
 - Value is a function of cash, time, and risk
 - Start with Success Scenario
 - Estimate Terminal Value
 - Discount back to the present
 - Translate to a per share basis
- Art
 - Assess market, technology and team
 - Evaluate current market “comps” for comparative deals
 - Consider other financing terms
 - Test what market/company will accept



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The Art of Pitching: 15 Tips in 30 Minutes (or Less)

What are you best in the world at?



1. Your goal is to get another meeting.



2. Know your audience.



3. Are the right people in the room?



4. Are you set up for success?



5. Build the deck before you have the data.



6. Practice makes perfect.

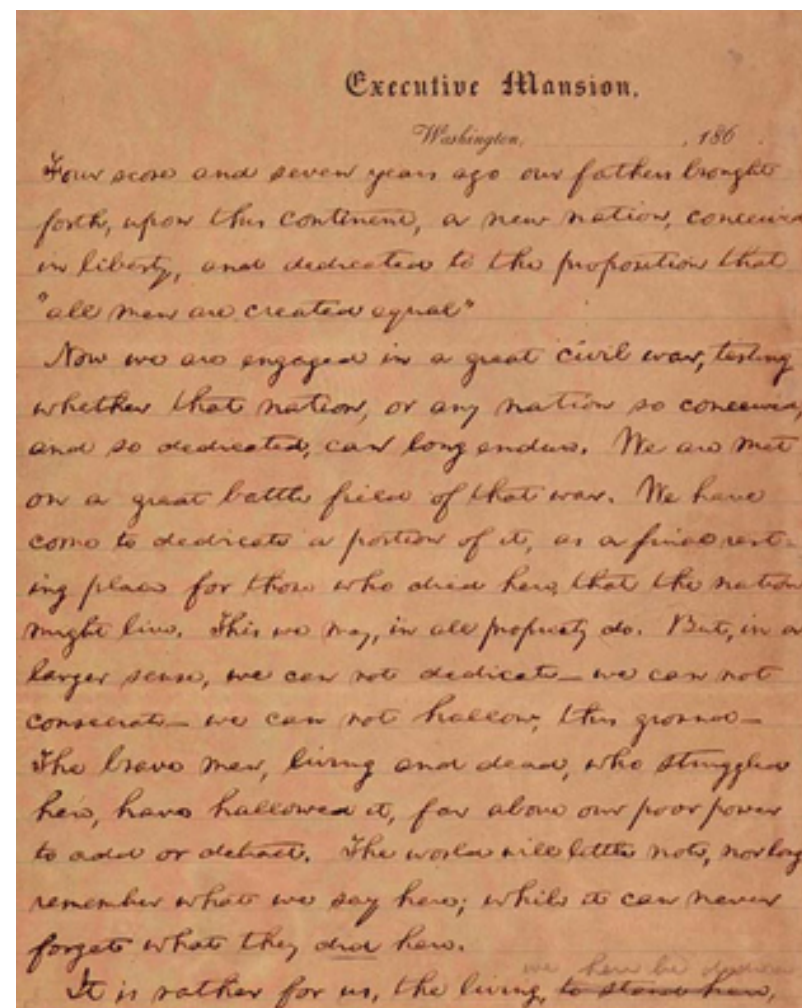
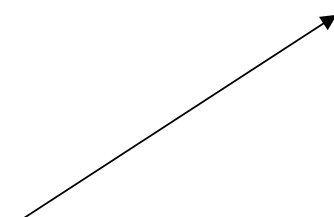


7. Nothing ruins a good story like data.



8. Less is more.

1. Two-page executive summary
2. 10-page slide deck
3. The best pitch ever?



Executive Mansion,
Washington, 1863

Four score and seven years ago our fathers brought forth, upon this continent, a new nation, conceived in liberty, and dedicated to the proposition that "all men are created equal."

Now we are engaged in a great civil war, testing whether that nation, or any nation so conceived, and so dedicated, can long endure. We are met on a great battle-field of that war. We have come to dedicate a portion of it, as a final resting place for those who died here, that the nation might live. This we may, in all propriety do. But, in a larger sense, we can not dedicate—we can not consecrate—we can not hallow, this ground—the brave men, living and dead, who struggled here, have hallowed it, far above our poor power to add or detract. The world will little note, nor long remember what we say here; while it can never forget what they did here.

It is rather for us, the living, to stand here,

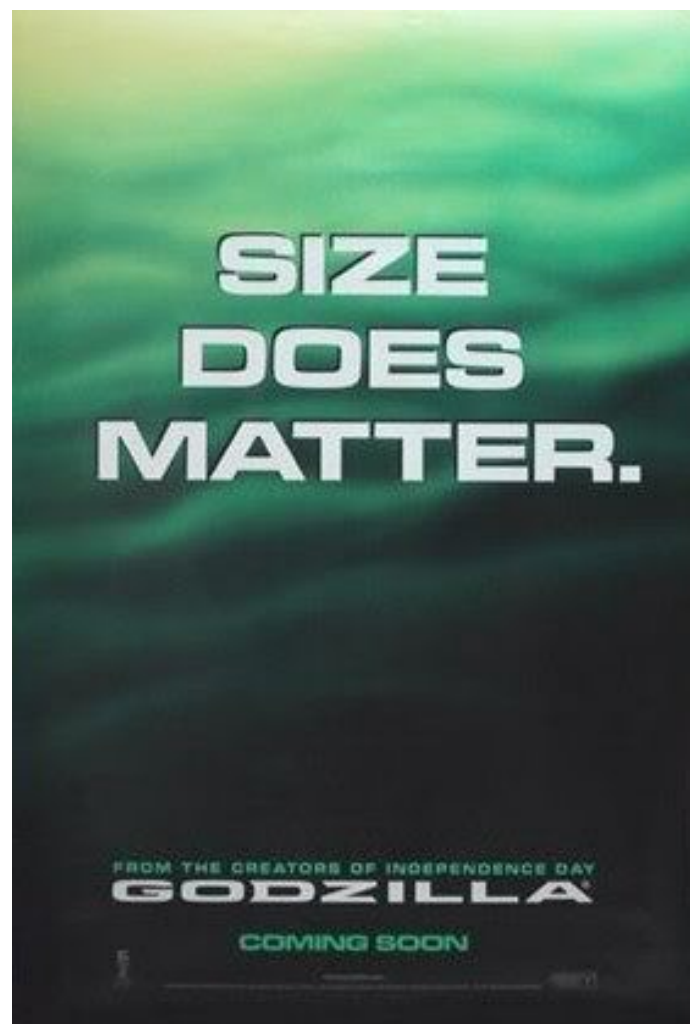
9. Make it personal. Tell me a story!



10. Here are your 10 slides.

1. Title
2. Problem
3. Solution ← I like to put the demo right here
4. Business Model
5. Technology/Product
6. Marketing/Customer Acquisition
7. Competition
8. Team
9. Financials
10. Current status/use of funds

11. Use big font, simple slides, no fuss.



12. Embrace questions.



13. Take notes.



14. Clarify next steps before you leave.



15. Follow up.

