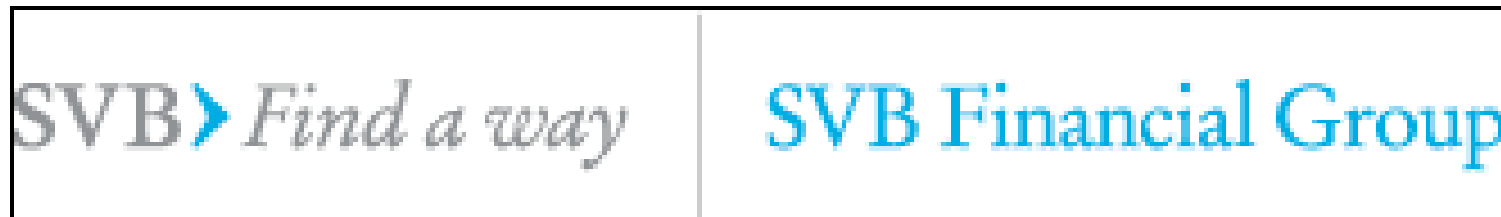




How to Grow the Business?

Prepared by Tom Kosnik
Fenwick and West Consulting Professor
Stanford Technology Ventures Program

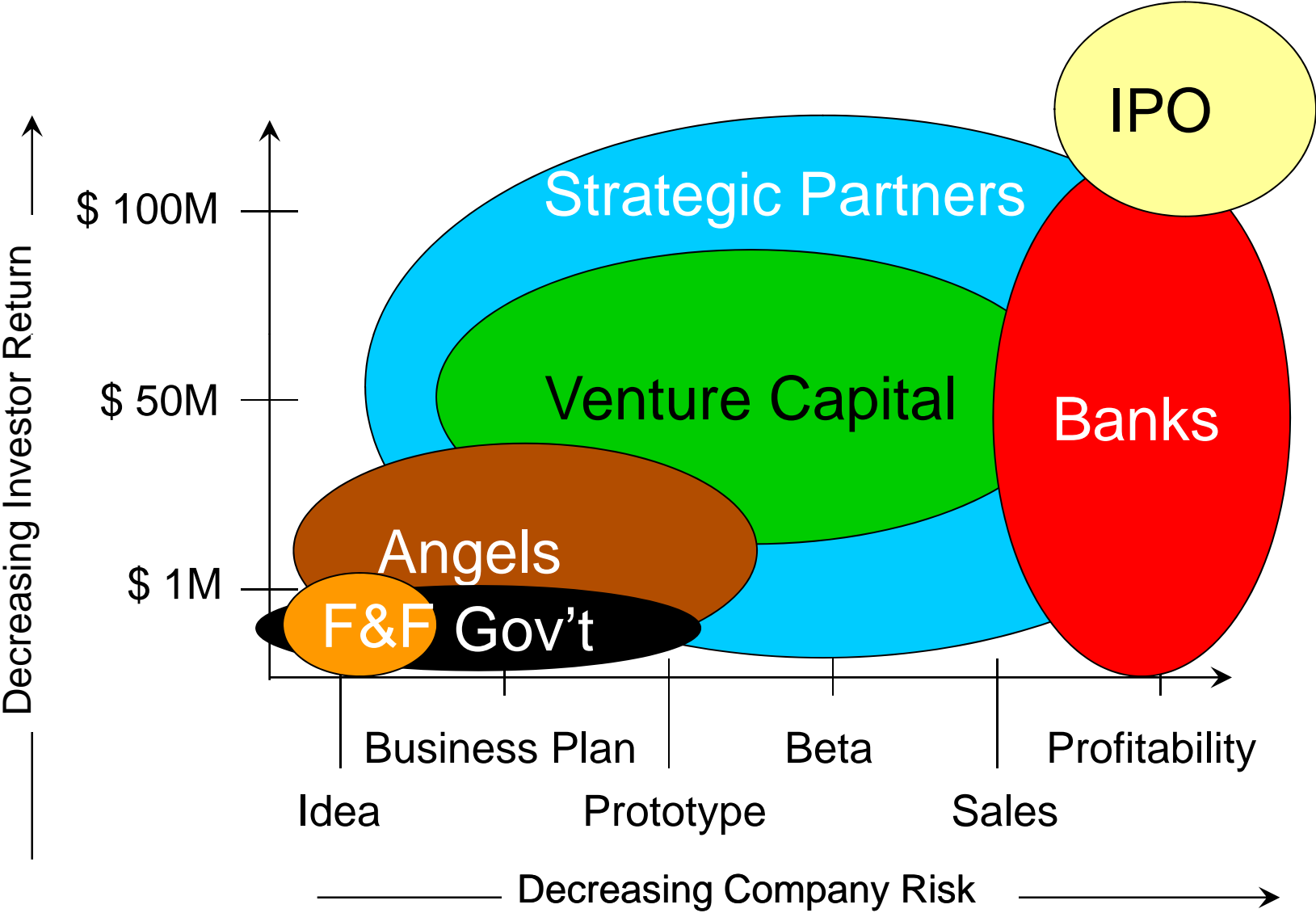
Thanks to Our Sponsors - Who are also your Coaching Team!



Agenda

- Raising funds from the right sources
 - Sources of funds as a venture grows
 - Kosnik's Top 10 criteria for selecting investors
- Attracting the right talent
 - Use multiple social media
 - Maslow's hierarchy still matters
- Picking the right countries
 - Top 30 airports exercise
 - The triple chasms: generation, gender and culture
 - Beware culture chasms

Sources of Funds As a Venture Grows



Adapted from: David M. Lee for use by Blank and Kosnik in *High Tech Entrepreneurship Course*, Session 12, February, 2009

Kosnik's "Top 10" Criteria for selecting Investors

1. **Legally Qualified:** They satisfy any legal requirements.
2. **Fit:** Their selection criteria fit our investment opportunity.
3. **No conflicts:** Their other investments do not compete with us.
4. **Aligned:** Their objectives are aligned with our objectives.
5. **Connected:** They can give us access to customers, other investors, government officials, etc.
6. **Well funded:** They have the capacity to invest now, and in the future if needed.
7. **Smart:** They have expertise and experience that will help us to succeed.
8. **Trustworthy:** They are honest. We trust them & vice versa.
9. **Autonomy/Control:** They will allow us to control our business.
10. **Good value:** Their valuation, terms & conditions are fair.

Adapted from Kosnik (2000) guidelines on selecting investors for AVAcore Technologies.

Exercise: Rate funding sources for your venture

Criteria	VC #1	Angel #3	Corporate Investor #27	Government Grant Source # 11
Qualified				
Fit				
No Conflicts				
Aligned				
Connected				
Well Funded				
Smart				
Trustworthy				
Autonomy/ Control				
Good Value				
Total score				

Adapted from Kosnik (2000) guidelines on selecting investors for AVAcore Technologies.

Use Multiple Social Media to Communicate with Talent

- Facebook:

The Facebook logo, consisting of the word "facebook" in white lowercase letters on a blue rectangular background.

- LinkedIn:

The LinkedIn logo, featuring the word "Linked" in black and "in" in white inside a blue square, with a registered trademark symbol.

- MySpace:

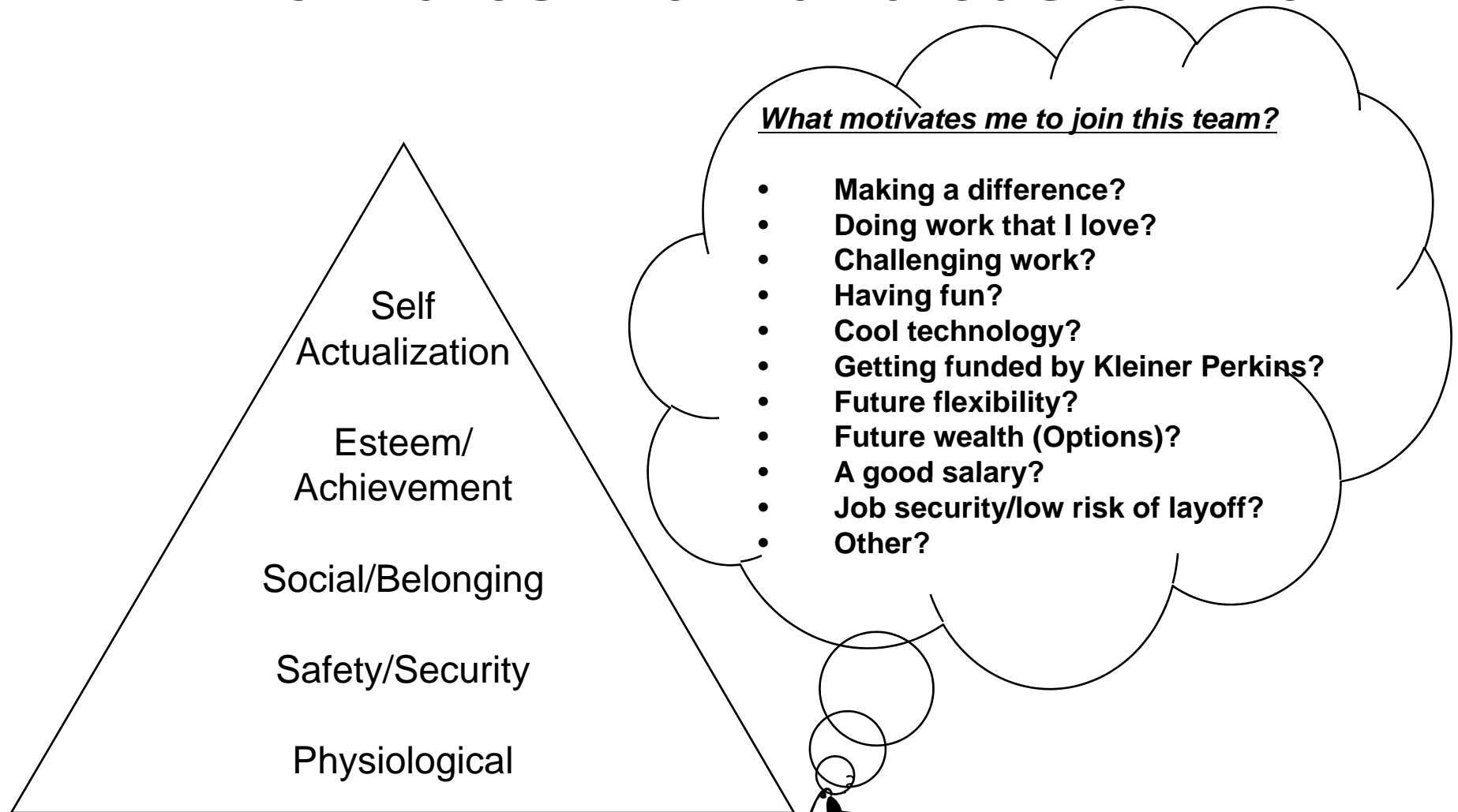
The MySpace logo, featuring a blue square with a white icon of three stylized figures and the text "myspace.com" in white lowercase letters below it.

- Twitter:

The Twitter logo, featuring the word "twitter" in a light blue, lowercase, sans-serif font.

- Local Option: ☺friendster.

Maslow Still Matters: Ask talent what motivates them and customize



Sources:

Maslow, Stephens and Heil (1999), *Maslow on Management*,
Maslow (Stephens ed.) (2000), *The Maslow Business Reader*.

The Triple Chasms: Generation, Gender, and Culture

- **Generation Gaps**

- Younger generation may rebel against their parents' brands
- Older generation may lack skill to adopt their children's brands

- **Gender Wars**

- Shifting “men’s products” to attract women may alienate men
- “For women” products may scare away “macho men”

- **Culture Clash**

- Beware of cultural blind spots as you cross borders
- Beware ethnic blind spots on a local project team!

Beware of “Culture Chasms”

Lack of Experience



“Foreign”
High-tech
venture



Language
Laws
Business Ecosystem
Business-Government
Education
Religion
Culture
Ethics
Circles of Influence
Provincial Code

Lack of Trust



Adopters
in a new country’s
Local culture

Thank You

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Appendix

**These slides will probably not be shown
but can be distributed in digital form as
part of the slide deck.**

Pros and Cons of Taking Multiple Rounds vs a Single Large Round of VC Financing

Pros of taking a single round from a big VC/Cons of taking money from a small VC:

- 1. Lower financial risk:** You don't have to worry about raising another round.
- 2. Breathing room:** If you don't hit your targets when planned, you still have \$5M in the bank.
- 3. Brand Credibility:** More people may have heard of your VC firm. That might - or might not - open doors.

Thanks to Ann Miura-Ko, Partner at Maples Investments, for these insights

Pros and Cons of Taking Multiple Rounds vs a Single Large Round of VC Financing

Pros of multiple rounds, starting with a small VC/Cons of taking more money up front from a large VC:

- 1. Retain ownership:** If you raise \$1-2M, you may only have to sell 10-30% of the company.
- 2. Liquidity Options:** Taking less money preserves the potential for a \$50-100M exit.
- 3. Lower Dilution:** If you take less money today, you may get a higher valuation in later rounds.

Thanks to Ann Miura-Ko, Partner at Maples Investments, for these insights

What are the major risks that any venture needs to manage?

Four Categories of Risk

- Technology
- Market
- Team
- Financial

1. What are the most critical risks?
2. How will you manage or prevent them?
3. What is your contingency plan if a risk becomes reality?

* Adapted from Sahlman (1997), *How to write a great business plan*.