

Before You Launch:

10 Essential Points to Ponder As You Start a Tech Company

Contact: alyssa@serraventures.com



The entrepreneurial spirit is alive and thriving as new companies are launched left and right. But does your nascent company have the ingredients for success? Serra Ventures believes there are 10 essential points to consider before embarking on your start-up tech endeavor.

Meet a Need!

Perhaps the most important question to answer before you start a company is, “Does your technology hold the promise of **meeting a very specific need or solving an identified point of pain in the marketplace?**” Cool technology is just that. So the answer to this question must be

a resounding “YES!” before you proceed. We encourage would-be entrepreneurs to do some rigorous thinking and extensive research on the technology’s capabilities to fill voids in the market or create new markets. Survey the expert opinions of others and allow the proper amount of time to answer these critical questions.

Personal Passion and Commitment

The second most important question to answer is **“Do I have a fiery passion, a vital interest and a strong resolve to build a company?”**

Frankly, many scientists, engineers and other “tech types” do not meet these

criteria. Starting a company -- with all of its upside potential, met with considerable hard work, risk and possible downside -- is a matter of personal vision, passion and heart.

The clearer and stronger your personal passion and vision, the more resolve you will have in the inevitable hard times.

When the going gets tough, vision and passion create a “place” to which you can return that will remind you that the ultimate reward is worth the present pain.

Are your heart and mind in the right place to get started? Of course you don’t have to have all of the questions answered before you begin, but your personal vision for your entrepreneurial endeavor needs to be resolute and clear – not only for yourself, but for the others with which you will share this vision.

The third point of consideration is **making a personal commitment**. While this point is similar to personal passion which emphasizes alignment and interest, personal commitment reflects the amount of time, energy and effort you are willing to invest in building the company.

The process of forming a company, launching it, funding it, and successfully scaling it is a very difficult challenge. Before you begin the process, you and those close to you need to be fully committed to the process. For a season, it will consume a disproportionate amount of time and energy. It may require several years of investing significant hours every week. While some scientist-founders envision that they can “consult” with their start-up and hire others to execute the strategic plan,

1 Meet A Need!

2 Check Your Personal Passion

3 Make a Personal Commitment



this is often a fatally flawed approach. Signing up for extensive involvement now doesn't mean you'll always have to play an intimate role down the road, but you must commit to be a vital and active participant early-on.

Get Focused

Find a specific application to drive the commercialization process forward. This will focus the company properly and will increase the odds of your success. If your initial commercialization efforts are successful, you

will have a variety of opportunities to pursue other end-user applications and possibly enjoy opportunities to license the IP for different fields of use. Too often, technology companies start with a shotgun approach – that is, they believe the technology has many different applications, and so they pursue multiple commercialization opportunities at once. This ultimately dilutes the effort and dissipates the funding of the company. The risk is that the company ends up without any commercial success whatsoever. Focusing on one specific application is key.

Invest Your Own Money

This is often a point that many technologists find hard to swallow. However, **nearly every start-up requires that the founder invest some of his or her own money.** It is simply a practical reality to get the company off the ground. It demonstrates commitment to outside investors and other stakeholders, as well as increasing your own sense of buy-in.

Bringing in “friends and family” money is often used as a complement to founder funds. This has the upside of being “easier” money to raise than funding from outside investors. However, it has the downside of very uncomfortable holidays if the business endeavor isn’t going too well!

Prepare To Raise Money

It is as simple as that. **Be prepared to raise funding.** Not

only that, be prepared to give a piece of the company away!

The funding required for launching a seed stage enterprise that has very early, R & D-stage technology will often be several hundred thousand to a few million dollars. Just how much differs from company to company and depends on many factors.

Raising seed stage funding for very early technology is a tough slog right now. Prior to the 2008 economic collapse, it was difficult – now it is VERY difficult. Investors are wary of risk, and early stage technology enterprises are among the most risky investments one can make. It is not impossible to raise money, but it will take a significant effort and perhaps up to a year’s time to do it with professional assistance.

Of course, raising money means giving away a (potentially large) portion of

the company. This is a key sticking point for some founders. However, we’ve facilitated and otherwise observed many successful “meetings in the middle” that are fair deals for all parties.

Pursue Grant Funding

Complementing outside investor money with SBIR/STTR grant funds is absolutely essential for

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most tech companies. This is non-dilutive funding, in that grants do not require giving away ownership. Nor do they require repayment, as a bank loan does. The combination of these factors makes grant funding highly desirable. Furthermore, an awarded grant is evidence that a federal agency believes that your technology has commercial potential. This is a strong validation indicator to other stakeholders, like investors, potential customers and bankers.

Find a Business Partner

Finding a business partner, or a team of business people to assist you in this endeavor is very, very important. Although there are those multi-talented technologists with business savvy, they are by far the exception and not the rule. A business partner can bring expertise in business development, fundraising, human resources, and a variety of other disciplines. Particularly those founders that desire to remain engaged as a professor will need to find a business partner/team that can devote a concentrated effort toward launching this

enterprise. A scientific team will also be important to put in place, though you can often leverage the staff in your university laboratory to ease the burden of your start-up entity.

Plan Your Strategy

A strategic planning process is absolutely essential for focusing the early stage enterprise.

The strategic/business planning process really drills down to look at issues such as (a) putting the right business and scientific team in place, (b) determining how much funding is required and the likely sources of this funding, (c) finding the killer application on which to focus the technology, and (d) developing the technology from lab stage to alpha commercial stage.

Utilize Outside Resources

This last point is as simple as it sounds. **Access as many outside resources as you can, particularly those that are low-cost, or free!** Attend seminars and workshops to glean nuggets on



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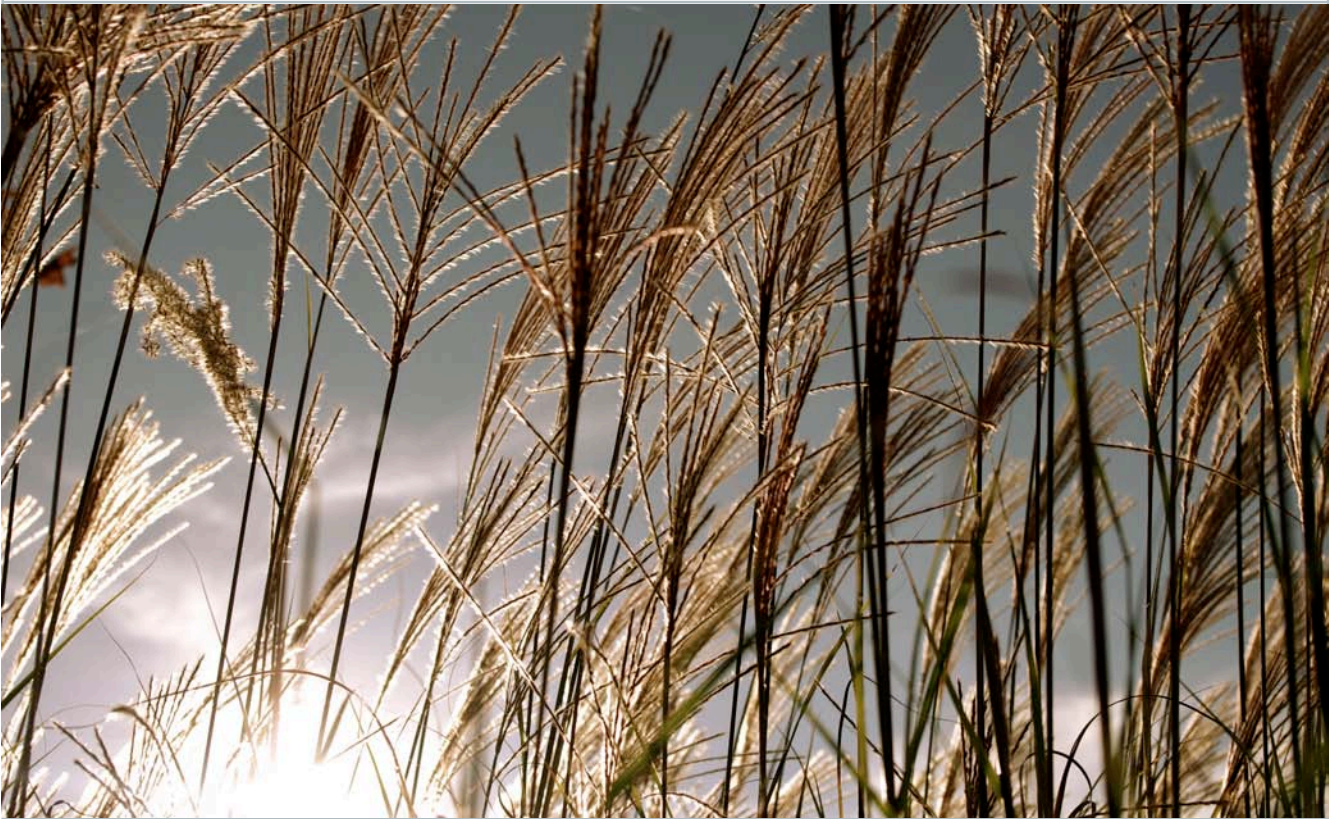
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Fully Utilize Outside Resources



business formation and technology commercialization. Learn from the failures and mistakes of others by asking lots of questions. Read books like “Lean Start Up” by Eric Ries. Consult with professionals such as accounting, legal, and strategic experts who have been down this path with multiple clients.

If you can, tap into the power of an incubator. For example, the EnterpriseWorks incubator located in the University of Illinois Research Park has been a launch pad for over 120 start-up tech firms since it opened in 2001. EnterpriseWorks provides an ideal



2021 S First Street, Suite 206

Champaign, IL 61820 • www.serraventures.com

environment for starting a high-growth technology venture complete with labs, furnished office space, an extensive array of shared equipment, and conference rooms complete with presentation facilities. EnterpriseWorks also offers many support services for its clients including an Entrepreneur-in-Residence program, I-Start professional launch services, weekly programming and events, and assistance with startup operations to name a few. Having access to the resources of an incubator can be a great launching pad for your new company.

Of course, these tips are not a one-size-fits-all pathway to success, but taking each point to heart as you embark on your start-up journey will help you get there faster and improve the odds of your long term success!