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The Three Rivers Entrepreneur Network

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Lessons Learned from 30+ years of Starting and Running High Tech Companies

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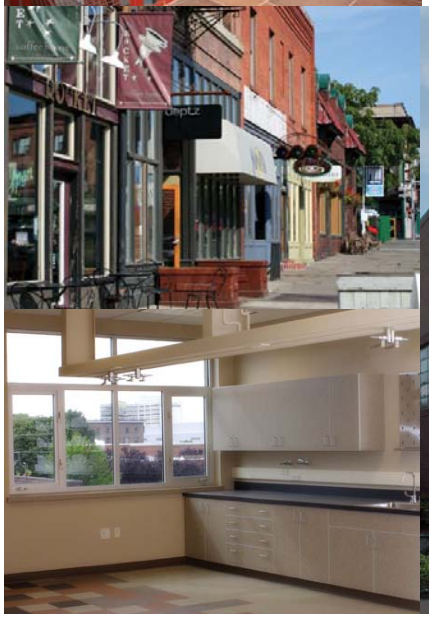

What is Sirti?

... an agency of the State of Washington which is a collaboration of business, higher education and government to *accelerate the development and growth of technology companies in the Inland Northwest, especially in Eastern Washington.*

Target clients:

- innovative technology companies with:
  - defensible intellectual property
  - large market potential, and
  - a strong desire to grow their business.

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What Does Sirti Do?

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- Business acceleration services for start-up and high growth technology businesses
  - 15-20 active “walk-in” consulting clients (at any given time)
- Two state-of-the-art incubation facilities
  - 40,000 sf total, now serving 23 clients
- $3.0 million Sirti Technology Growth Loan Fund

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$3.0 million Sirti Technology Growth Loan Fund

The Sirti Technology Growth Fund is now available to accelerate early stage and high growth Eastern Washington technology-based companies. The fund is designed to give loans to companies that demonstrate a high potential for success but do not qualify for financing from conventional loan sources.

- $3 million dollar revolving fund
- $50-$350 thousand dollar loans
- Available to 10 counties within Eastern Washington

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Two state-of-the-art incubation facilities

12,000 sf of incubation space – 11 companies

28,000 sf of incubation space – 10 companies, 1 partner, 1 research institute (ISM)

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Business acceleration services for start-up and high growth technology businesses

Lessons Learned from 30+ Years of Starting and Running High Tech Companies

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Topics this Morning

- Goals for the Company/Venture
- Financing Considerations/Sources
- Business Planning
- Technology/Product Assessment
- Management/Governance
- The 25+ Principles of Marketing
- Key Result Areas (KRAs)
- Administration
- Sirti Innovation Continuum Model/Workshop

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Goals for the Company/Venture/You

- Ideas are many; *Executing* an idea is very hard, risky work
- How *big* is the dream/vision/market? Company vs. product line
- Will this be a fun *Lifestyle*/Family business?
- Can you become an *INC 500* company?
- Do you want/need *investors*?
- Are you building a company to sell/flip *quickly* at a profit?
- Are you trying to build a *large* company with many employees that might go public or could be sold to a public company?
- What are the *risks* for you? Professionally and Personally
- What are the *rewards* for you? Financial and Non-Financial
- Do you picture having *fun* the next 5 years building the venture?

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Financing Considerations/Sources

- How much of *your* life savings/assets are invested first?
- Can you bring *friends* and family into the early financing?
- Will customers/*partners* help fund company?
- Raising large amounts of early stage equity is difficult/time *consuming*
- Plan multiple rounds *after* reducing risk in: markets, products, staff
- How do you attract accredited "*angel-seed"* investors?
- When can the company *borrow* funds from investors or later banks?
- Will the company need to attract *Venture Capital* funding later?
- Remember the three Golden Rules: 1) "He who has the gold makes the *Rules*" 2) *Cash* is King 3) Cash Breakeven is *Freedom*
- Too much *early* equity financing can be a bad thing; frugal is good

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Business Planning

- It's all about the *Business* merits, not the technology in most cases
- You must have a *compelling* business *plan; it must be easy to read*
- The Biz Plan provides: team *focus*, communications, financing
- Building a solid business *strategy* is harder than product design
- The *Marketing* section is the most important and difficult component
- Follow *conventional* Biz Plan outlines; avoid "boiler-plate" templates
- Biz Plans are judged by their readability/*believability*, not pages
- Have or will you *invest/risk* your savings/assets in this plan?
- Should you start the business in an *"incubator"* to learn from others?
- *Sirti* can provide facilities, planning tools, coaching and consulting

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Technology/Product Assessment

- Are the *Applications* for the technology/product really understood?
- Is the technology/IP *patentable*?
- Do you *infringe* other patents? Are licenses required?
- Can *competitors* work around your patents?
- Does technology give you a big market *advantage*?
- Is this advantage *sustainable*? If so how?
- What will be the competitive *response* to your entrance?
- Will *customers* accept/prefer the technology?
- Is the technology ready for *volume* production?
- The best technology *doesn't* always win, is yours good enough/better?
- Can the *product* design start immediately?
- How strong is the technical *team* including design partners?

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Management/Governance

- Do you have the *skills,* passion and drive to learn how to create and grow the company? Are you *coach-able*?
- You must learn to become the *top* CEO in your industry
- Hire the *best* people in the industry with complementary skills
- Create a *mentoring* network for you and your staff
- Recognize when to change *weak* management positions
- Recruit a real *Board* of Directors or at least Advisory Board
- Start and maintain a *Lean* management corporate culture
- Sirti can help you locate mentoring partners

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GUARANTEE YOUR MARKETING SUCCESS
with Only 25+ P-Words

1. *PRACTICE* and *PERFECT* these marketing *PRINCIPLES* *everyday* to better serve your customers and to reward your shareholders. Don't become the co. *PROBLEM* child group.
2. What *PAIN* are you alleviating for the *B2Bs*? Is your *value proposition* lowering their costs or producing more sales?
3. What *PLEASURE* are you bringing to *consumers*/customers?
4. What/how many *PRODUCTS or Services* will you offer?
5. How will you clearly *POSITION* your offering to *customers*?
6. How will you *PRICE* products? Set prices based on *value* not cost. Will customers really *PAY* this price?

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7. What *channels* of distribution are required to *PLACE* your products conveniently near/at your customers?
8. How do you *creatively PACKAGE* your product or services?
9. Does your *product* have enough *PIZZAZZ* to stand out in the marketplace?
10. What advertising, website, trade shows and other *paid PROMOTION* strategies will you use to reach customers?
11. Are you taking maximum advantage of *free PUBLICITY*?
12. Who will be your strategic marketing *PARTNERS* & why will you *both* benefit more than going it alone?

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13. How will you *PAMPER* your customers with *exceptional* customer *service* and value?
14. Does the “Sales” team have the proper training and *skills* to close *PURCHASE* Orders at the correct price?
15. When *PROSPECTING ask*: Is it real? Can I win? Is it worth it?
16. How *experienced* are the marketing and sales *PERSONNEL* at creating and making the marketing/sales plan happen?
17. Does the company understand and have the *PATIENCE* to endure long sales cycles and *forecast* sales properly?

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GUARANTEE YOUR MARKETING SUCCESS
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18. What *PRIZES* and *incentives* does the sales team have to exceed it's monthly sales forecasts/quotas? Pay them well.
19. Do you have the *PASSION* for knowing everything about the *competition*? Do you know all the *PLAYERS* in your market?
20. How well does "Marketing" *PLAN* *robust* new products, product line extensions, new markets for existing products?
21. How much $ *PROFIT* can be generated over the *life-cycle* and will those profits alone provide enough cash for growth?
22. Remember that the *customer* *PAYS* all the bills, your salaries and wages, and a return to shareholders. Customers are king!

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Key Result Areas (KRAs)

- You need a 12 month table of major *milestones* to finish
- *List* the most important Results to complete over the next 12 months
- *When* do these Results need to be finished?
- *Who* is responsible to complete these Results?
- *Review* KRA progress monthly, update and add new KRAs
- Achieving Results on-time will *also* achieve budget forecasts
- Build a *culture* of achieving Results on-time
- Sirti has tools to help you establish priorities and how to execute

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Administration

- Hire CFO early to: get “beans”, count “beans”, run HR & IT
- Import your business plan Proforma budgets into QuickBooks or equivalent to allow *monthly* financial reporting immediately
- Review Financial and KRA results *concurrently* by the 10th of the month with your Board, advisory board or Sirti personnel
- Review and correct *variances* to Plan results
- *Update* the KRAs/budgets with rolling sales forecasts monthly
- *Outsource* everything you can that is not a core competency
- Engage professional services/vendors that are *“right-sized”* to you
- Always hire *people* more capable than your competitors
- Make your company a *fun* place to work hard and smart

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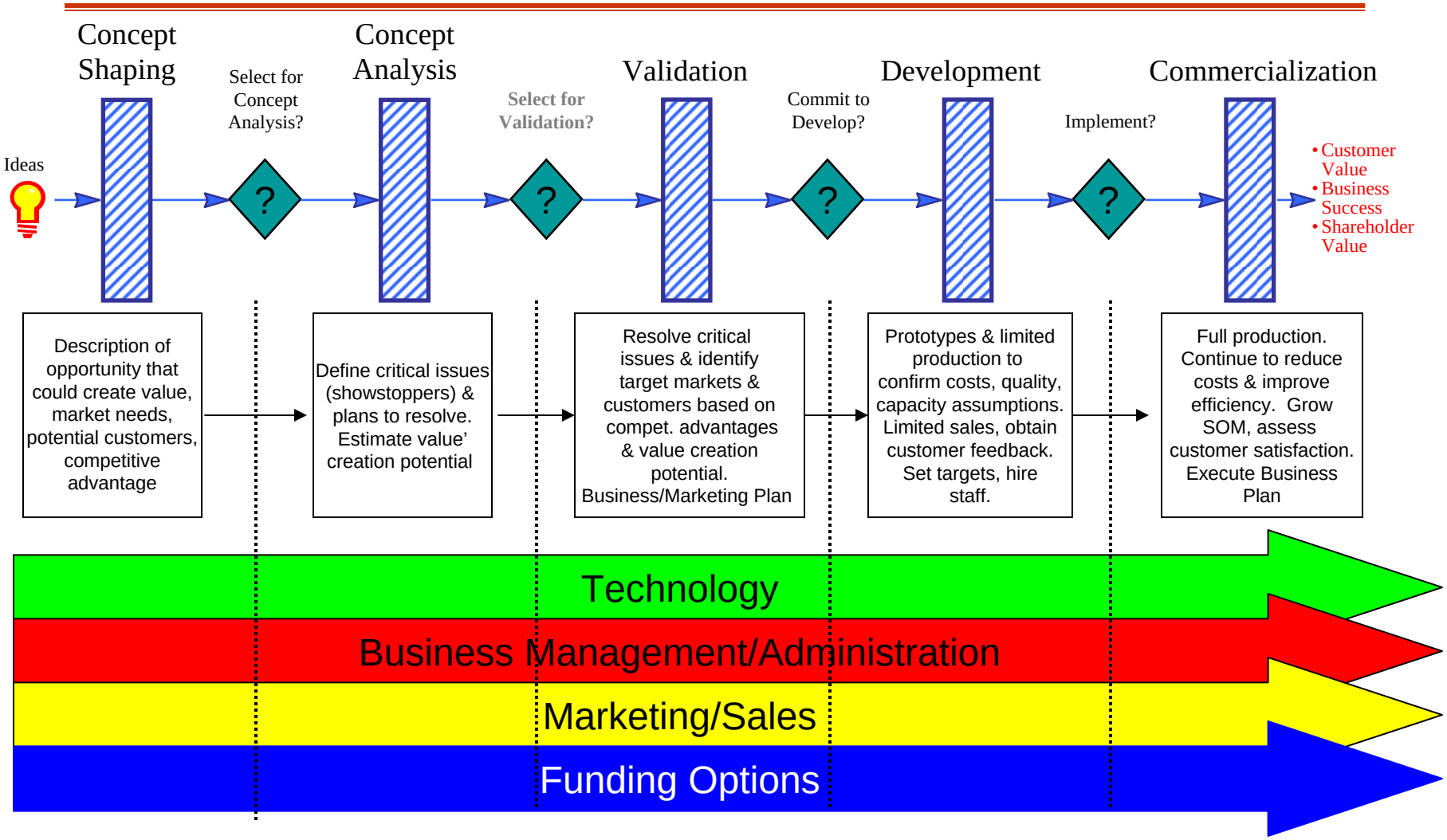
Sirti Mentoring Process

- From Concept to Commercialization -



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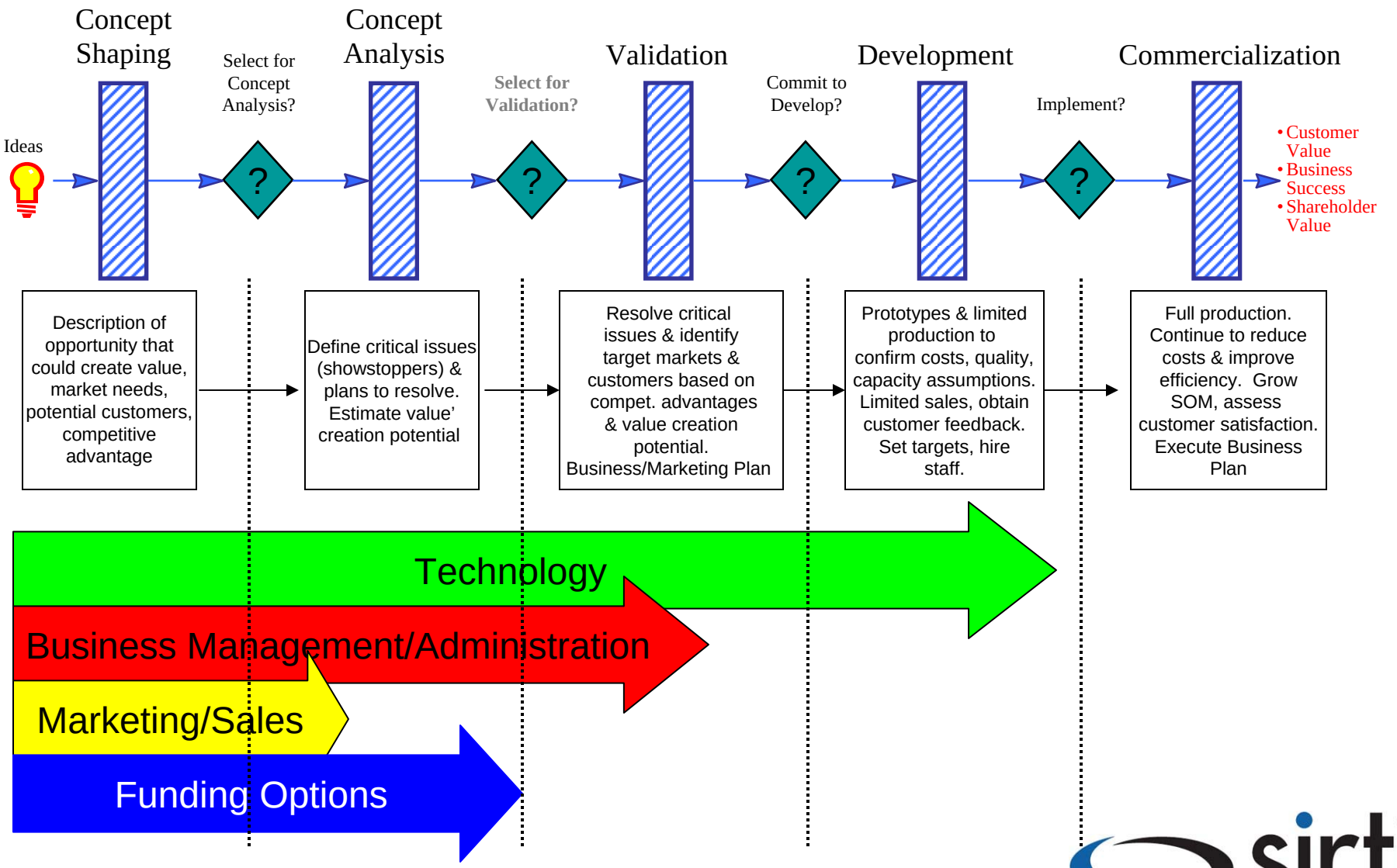
What We at Sirti Typically See…



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The Result…

Companies understand their technology very well and charge toward commercialization without having a good grasp of the other functional activity streams. This results in….

- Under-valued product offerings
- Not targeting highest value creating markets
- Narrow definition of target markets (i.e.. Industry vs. needs based)
- Missing other potential revenue streams (services, etc.)
- Not understanding the “determinant attributes” driving the purchase decision
- Overlooking opportunities to sustain their competitive advantage (patents)
- Surprise and a significantly delayed response (if any) when competition reacts aggressively to your entrance into the market
  - Misjudging barriers to entry.
  - Next generation product pulled off shelf by competition.
- Infrastructure incapable of supporting growth
- Financing not in place to support growth

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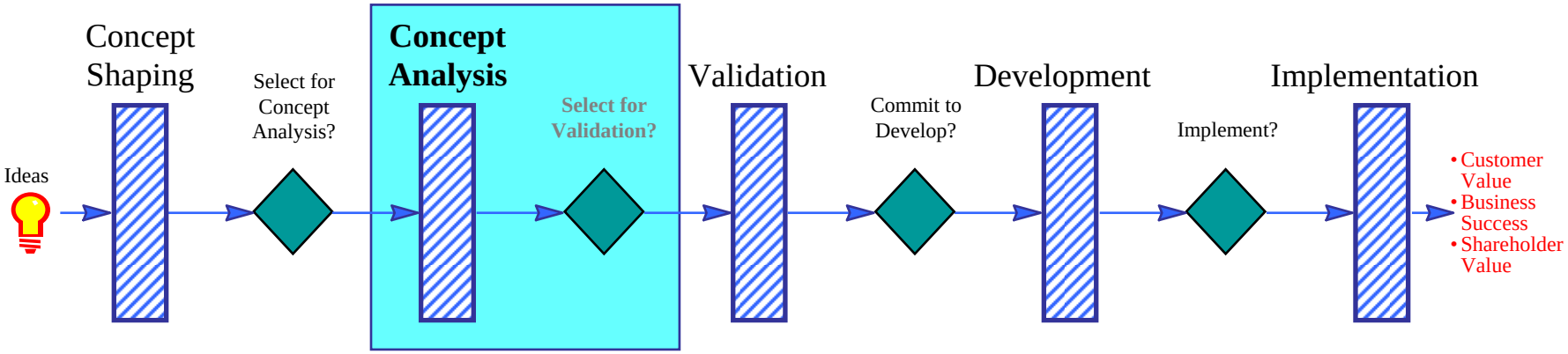
So what Sirti does is……



Pull you back to the Analysis stage where we re-examine key business assumptions and generate a list of critical issues that will expand, focus, redirect, or validate your business and marketing plans:

- *Market/Customer Need* to be satisfied
- *Product, Process*, or *Service* to satisfy the need
- Your *Value Proposition*
- Your company's ability to gain and sustain a *Competitive Advantage*
- *Market Attractiveness* which could entice any potential supplier
- *Business Attractiveness* of the opportunity for potential investors based on strategies and competencies

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This Is Done Via A Critical Issues Workshop

- Learn what critical issues are.
- Identify critical issues in your business plan & with key assumptions.
- Prioritization of critical issues.
- Become familiar with the critical issue end point document (tracking progress toward resolution).
- Expand, re-focus, or validate the marketing & business plans "value proposition" & "strategic direction".

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What are Critical Issues?

- These are the issues which will make-or break the project/business. If critical issues are not resolved or reworked into economically viable alternatives, the business/project may not advance.
- They can be areas of high risk and/or high uncertainty (unknown).
- They become the framework for activity in the validation stage.

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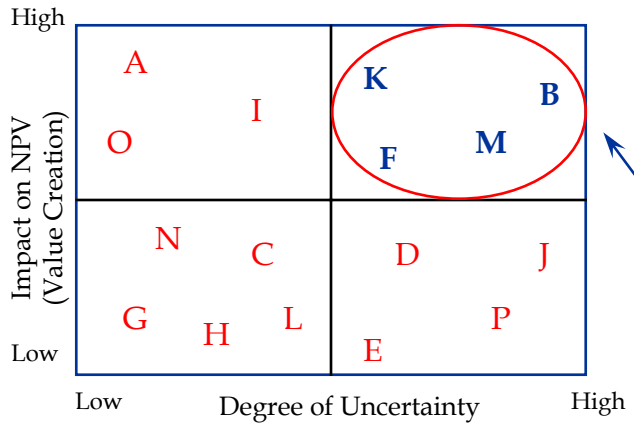
Critical Issue Mapping

- Issues A through M are identified during workshop.
- Issues are evaluated for their impact on value and certainty



- Issues B, F, K & M were determined to be the *Critical Issues* ("make or break" issues; "showstopper" issues.)

e.g. B = "Will the customer be willing to pay $40.50/M sqft. for the stated performance and switch from their current product?"
F = "Will Company have the right to practice the proposed technology?"
K = "Will Your technology meet the $15.00/M sqft cost-to-manufacture target?"
M = "Will Your company's product meet the fire resistance target?"

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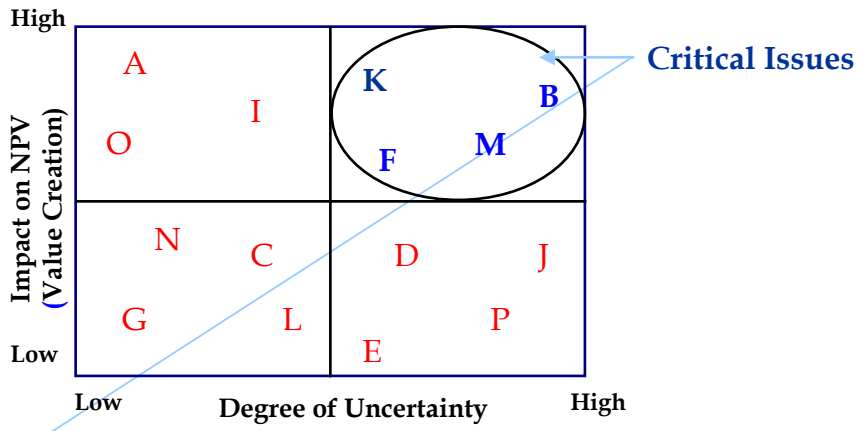
Critical Issue Tracking & Resolution

- Issues A through M were identified in Concept Analysis
- Issues B, F, K & M were determined to be *Critical Issues*:



- A multifunctional Validation Plan is constructed and implemented to resolve the Critical Issues to the desired level of confidence:

Critical issue	Info. needed to resolve issue	Tasks to resolve issue	Resources required	Who will Lead?	Timing
B (Price) K (Right-to-Practice) F (Cost-to-Manufacture) M (Performance)					

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Common Critical Issues

(List is not meant to be exhaustive:)

1. **Weak, unsustainable, or undefined competitive advantage** (we usually rely on first-in as our advantage).
2. **Technical feasibility** (can the technology meet the technical targets better than competitive offerings)?
3. **Cost effectiveness -** is the technology solution cost-effective for customers to use versus their existing way of doing it?
4. **Lack of competitive opening** - market is well served and customers are happy with their existing supplier/solution; a strong competitor who defends market share or who is running less than 90% capacity.
5. **Weak market need** - when need is met, a significant incentive to switch to a new product will need to be made (usually $$).
6. **Window of opportunity** - (is it coincident with our ability to develop / manufacture / sell?).
7. **"David versus Goliath" syndrome:** want to go it alone when core competencies, financial resources, or barriers to entry are too high (merger, license, JV options explored?).
8. **Others**?

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Common Critical Issues (cont.)

- Understanding the determinant attributes of the target applications and customers.
  - Typically not what they SAY more what they DO (behavior based).
  - Are you targeting the right markets? What other segments have similar needs?
  - What does customer/market need to do different or better?
  - Is this a primary need or a substitution need?
- Ability to manufacture a product that meets the determinant attributes with a better cost/performance balance than competitive alternatives.
- Freedom to practice is in question.
- Ability to protect (basis of your long term competitive advantage), sustainability?
- Ability to offer customers sufficient incentive to overcome their fear/risks to switch to the Company offering.

Common Critical Issues (cont.)

- Ability to demonstrate sufficient value to Investors/Company to justify the business.
- Undefined Competitive response?
- Too much focus on a single market segment. Other options?
- Can Company gain sufficient market share? Defined? How?
- Logistic costs due to the location of a competitor's facility may offset an advantage in the cost to manufacture.
- A key regulation needs to be in place and is not (i.e.. Environmental, reimbursement tied to performance).
- The relative importance of the technology or product arena to a competitor's strategy (e.g., Has new capital been invested?).
- Coordination across Company businesses with differing priorities.
- Availability of production facilities or other resources for market entry.

What's Next?

- Once critical issues are identified we can work with clients to determine what Sirti workshops, or other services, can help resolve them:
  - Market segmentation
  - Pricing strategy
  - Market research
  - Financial
  - Competitive analysis
- Customized program for each client based on their needs.
- All of this information is then used to update the clients marketing, business plans.

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Questions & Comments?

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