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‘Scaling Up Entrepreneurship,’[©] an IVI Master Class in Mentoring

Objective: Scale-Up Entrepreneurship, Innovation & Venture Capital in emerging and frontier countries by bringing government staffers, investors and entrepreneurs together. The program educates senior Government staffers & investors to the issues and trade-offs that technology entrepreneurs experience in creating, financing and growing innovative businesses.

The Investment Issue in Emerging Markets: Investors typically finance retail, banking, construction, real estate, etc., risk they understand. But they are uncomfortable with the risk in technology SMEs & 1st time entrepreneurs. Until investors can understand and buy the risk in start-ups & early stage enterprises, little capital will flow to these segments of an economy.

Why Include Government Staff in this Program? Gov’t is invited to attend **not to** transform them into entrepreneurs. The goal is to deepen their understanding of issues and trade-offs that investors & entrepreneurs face so Gov’t staffers can better utilize the assets they do possess to speed entrepreneurship, risk-taking and venture investment in their country.

What’s the Role of Gov’t? Governments in emerging markets have a bigger role vs. their counterparts in America to Scale Up more knowledge based firms: to diversify their economies & stimulate more technology start-ups and early stage SMEs that sell domestically and internationally.

Staff is held accountable to stimulate more innovation, more entrepreneurship and investment by Ministers & politicians from the highest levels of Government. Entrepreneurs & investors look to Government for assistance in making their dreams reality, through taxpayer money and resources. Except for the very most senior officials, most Government staffers have limited control and limited power to make this happen; their limited access to capital compounds community perceptions of Gov’t impotency to support ecosystem development for SME creation and expansion.

Staffers possess two assets to fulfill their responsibilities and make the ecosystem more responsive for modernization:

1. Asset #1: almost unlimited access to networks in their region.
2. Asset #2: their power base to lobby investors, & use their position to bring investors & entrepreneurs together.

Has the Program been delivered to the Market? Yes, in Russia, Croatia, Kazakhstan & Wash DC.

1. Two modules presented in Russia, to the Vice Governor of Novosibirsk, his staff, heads of state-owned enterprises, technoparks, incubators and investment funds in June 2010.
2. The entire three (3) day program was delivered in Kazan, Russia, October 2010; participants included Aides to the President of Tatarstan, Deputy Minister of Finance & General Directors; the Tatarstan Free Economic Zone & State-Owned Enterprises.

3. Three modules delivered in Zagreb, Croatia, February 2011; staff from Croatian technology transfer offices, incubators, technoparks, investors, state agencies, grant programs, entrepreneurs, World Bank & Gov't of Croatia staff.
4. One module delivered to staff of the World Bank, Washington DC, February 2011, at conference, 'Human Capital Development & Entrepreneurship.'
5. Four modules + consulting delivered in a six (6) day program to the National Innovation Fund (NIF), Astana, Kazakhstan, the \$1 billion sovereign wealth fund that makes fund-of-fund and tech investments, May 2011, + new modules, 'Sell Risk, then Opportunity,' 'International Partnering & Networks' & 'The Path to Commercialization.' Other participants included staff from institutes, incubators & technoparks & investee funds of NIF.

Target Audience: Day #1 is attended by Government staffers. Day #2 is attended by Gov't guys & investors. On day #3, local entrepreneurs & company founders are introduced into the mix. All are put into teams, to 'work-through' the issues on the start-up & financing of a technology company, a Harvard Biz School case analysis. Entrepreneurs benefit since they learn how their attitudes to commercialization & growth impact financing the business, and solutions to solve these issues.

Organization & Timing: The program is 17 hours, 10 small group discussions, delivered over three (3) days (see page #5 of this memo, the schedule). Attendees are free the mornings of days #1 & #2 so they have time for their daily job activities. Day #1 is held from 18:00-20:00. Day #2 is held from 13:00-20:00. Day #3 is conducted from 10:00-16:00.

DAY 1: Audience, Gov't senior officials & staffers

1. Module subject: 'Entrepreneurship & Capital: the Engines that Power an Economy Forward.' Are entrepreneurs free-swinging risk takers or businessmen who take calculated risks, and what's the role of venture capital in financing risk, company creation and entrepreneurship? Topics:
 - Entrepreneurship, how it works, the traits and characteristics of entrepreneurs.
 - The business of venture capital, how it works, and its role in enterprise creation.
 - Alternate paths to entrepreneurship.
 - Actions NGOs and governments can execute for entrepreneurship and venture capital to flourish.
 - Video to introduce entrepreneurship to the audience,
http://www.youtube.com/watch?v=T6MhAwQ64c0&feature=player_embedded
2. Module subject: 'Scaling Up Entrepreneurship.' Staffers in Government have deep responsibilities to create more innovation, investment and technology in their regions, yet they have limited power, control and access to capital to make this happen. In this lecture I discuss solutions to make the ecosystem responsive to the objectives of Gov't and entrepreneurs, with a discussion on how to use the assets (political and network) that staffers possess to advance modernization goals. Topics:
 - Overcome weaknesses of the ecosystem to build an innovative economy. The Colorado, Michigan, & Pennsylvania experiences, applicability of their learning curve solutions to modernize the economy of developing countries.
 - Certainly benchmark to Silicon Valley, but follow the economic development model of States with more commonalities to emerging markets and their economies vs. California or Boston.
 - Solutions the State of Michigan & its universities executed to overcome its single employee-employer/industry & supply chain business model to diversify & modernize its economy.
 - Risks that domestic investors have comfort investing in vs. the unknown risks of seed and start-up technology investing.

- How to transform the unknown risks of venture-technology SMEs to risks that domestic investors can understand and evaluate to speed investment. Discussion: Reader's Digest, Starbucks, iPad & companies created with no revenue model (initially).
- Techniques Gov't staffers & entrepreneurs can use to get domestic investors to the 'table,' to evaluate & invest in tech-seed stage & start-up SMEs.


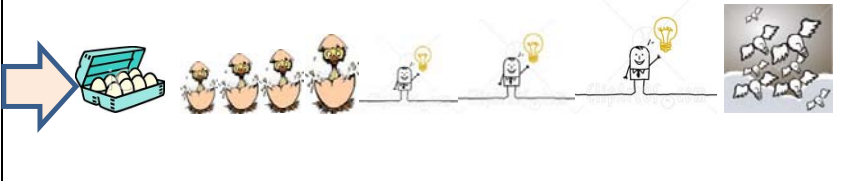
DAY 2: Audience, Gov't senior officials & staffers + investors & investing organizations

3. Module subject: 'How Ideas Become Viruses & Business Models that Change the World. Viral Businesses from Tupperware to Netscape to Facebook.' Social networking as a business & marketing strategy is not a phenomenon of Facebook, Twitter, Zynga and companies of the X & Y generations. Tupperware in the 1950's was one of the 1st American companies to use the power of groups and social networking to create virality (each new customer/user begets more customers/users) and build a \$2.2 billion dollar business. Topics:
 - Why idea viruses are important and their impact on customer adoption.
 - Characteristics & commonalities of idea viruses.
 - Ways idea viruses spread through social networks.
 - How to unleash idea viruses & advance the business model through the 'valleys-of-death' in customer adoption.
 - Case example: Tupperware, Netscape & Facebook & their learning lessons to idea viruses.
4. Module subject: 'From Ideas to Revenues. Development & Execution of Business Concepts.' It's easy to spot successful business innovations. But it's more difficult to spot the best opportunities & the rationale for investment before they've proven themselves. Creating new business ventures requires thinking imaginatively about the business model & how the new product or service changes the lives of its customers. Topics:
 - Elements of a business model & where entrepreneurs are challenging conventional thinking in business modeling in B2C and B2B.
 - Integrate technology, 'freemium,' imaginative product design, crowd sourcing, customer selection & viral marketing as a business model to change the world, to challenge the ways we look at the world, to what it can be in B2C and B2B, not what it is.
 - Case examples, 'Hot or Not,' Skype & Groupon: from idea to a fortune.
5. Module subject: 'The Management Team: Building a Team of Glory.' Investors universally state that the quality and competence of the management team is more important than the quality of the idea as investment criteria. Yet how do we explain the success of companies with young, unproven, 1st time entrepreneurs and investment in them by VCs and others? Topics:
 - What is a 'team of glory?'
 - Elements of a team of glory.
 - How assess if a team has glory (potential) in its DNA.
 - Case example, Tupperware: The (unlikely) management team of Earl Tupper & Brownie Wise (a single mother from Dearborn, MI).
6. Module subject: 'Financing the Enterprise & Why Venture Capital is Not the Solution.' Venture capital is touted as the panacea to financing SMEs with huge investments made by Govts around the world to create a VC industry in their country; yet only 5% of the 500 fastest growing companies in the USA receive venture capital. What is the fascination with VC? What are the financing tools and products that SMEs can use to finance growth, where does VC fit in, and what are the initiatives to build the financial segment for fast growth SMEs in economies of emerging market countries? Topics:
 - Characteristics of SMEs, type (& amounts) of money needed at different stages of growth.

- Match-mismatch of SMEs' investment needs to financial products from institutions.
- US SBICs: the solution that filled market gaps, their contribution to starting VC in USA.
- Application of deal flow funds to finance new business models around technical platforms.

DAY 3: Audience, Gov't senior officials & staffers + investors & investment organizations + entrepreneurs & company founders

7. Module subject: 'Encouraging Failure, Accelerating Failure, Paying the Costs of Failure: Failure as an Ingredient to Scale Up Entrepreneurship.' It's counterintuitive to encourage failure since it=the loss of prestige, reputation, status and \$ for entrepreneurs & those promoting and investing in them. Investors & others in developing countries label failures as 'losers' and 'outcasts,' yet embracing failure is exactly what emerging & developing countries need to scale up entrepreneurship & modernize the economy. Without an acceptance of failure, the risk, uncertainty & ambiguity required for start-up creation & VC does not emerge as the ecosystem seeks safety with well-tested but incremental business models. Topics:
 - Fear of failure is ingrained in our psyche, yet failure is a badge well-worn by American entrepreneurs and an entry ticket into the USA VC world (& one reason for its success).
 - Examples, how failure leads to success: J. Dyson (worth £920 million), Evan Williams (Twitter) & Andrew Mason (Groupon, company with fastest growth to \$1 billion in sales).
 - Creating a culture for failure, who pays, and how Gov't can speed failure-to-success role models: Solutions to make failure acceptable & how to leverage failure into success.
 - Solutions to attract (develop or find) smart, independent and progressive people with creative ideas (deal flow), ideas fraught with uncertainties in market demand and customer acceptance but with the potential to unleash idea viruses & catalyze more knowledge creation.
8. Module subject: 'Entrepreneurial Decision-Making: Financing SMEs, Tradeoffs, Choices & their Implications.' Financing the enterprise is the performance, emotional & economic valuation of the SME, impacting all decisions made by entrepreneurs. This short lecture is the intro to the Harvard Business School case, Hotmail. Topics:
 - Venture capital method of financing and valuation.
 - Determine the funding requirements and the ways of dealing with multiple financing rounds.
 - Discuss the use of these methods in actual negotiations and valuation of entrepreneurial companies financed by venture capitalists, and the trade-offs that entrepreneurs make in financing their company.
9. Case Analysis: 'Deal or No Deal: Hotmail.' This case describes the challenges of financing an early stage business with an unproven business model, and the choices and trade-offs it forces entrepreneurs to make. Sabeer Bhatia, co-founder and CEO of Hotmail is raising money to finance his company, free web-based e-mail over the Internet.
 - Student case analysis, PowerPoint presentations.
10. Discussion/Course Conclusion: 'What Gov't can do to Scale-Up Entrepreneurship: Part II.' Topics:
 - What to do & how staffers & entrepreneurs can work together to create an entrepreneurial revolution.
 - Solutions to mentor entrepreneurs in SME creation and raising capital.
 - Solutions to get investors and entrepreneurs together, in one room, to negotiate business & deals.
 - Seek & encourage creation of digital media & social networking SMEs to start revolution. Why & how it works.

	Master Class-Mentoring Objectives: 1). Introduce Gov't staffers to entrepreneurship, issues in entrepreneurship & building a enterprise. Assist investor to buy the risk of seed & early stage tech SMEs. 2). Actions that Gov't can take to accelerate entrepreneurship & attract investors to entrepreneurial ventures. 3). Case analysis (Hotmail) on idea creation, raising capital & execution; the choices & trade-offs that entrepreneurs make to create business models that change the world.		
	Day 1 (Audience: Gov't)	Day 2 (Gov't + Investors)	Day 3 (For Gov't + Investors + Entrepreneurs)
09:00			Module: 'Encouraging Failure, Accelerating Failure, Paying the Costs of Failure? Failure as an Ingredient for Scaling Up Entrepreneurship.'
10:00			
11:00			Coffee Break
12:00			Module: 'Entrepreneurial Decision Making: Financing SMEs, Trade-offs, Choices & their Implications.' Discussion on Hotmail.
13:00		Module: 'How Ideas Become Viruses & Business Models that Change the World: Viral Businesses From Tupperware to Netscape to Facebook.'	Case Analysis: 'Deal or No Deal: Negotiate the Financing for SME Execution.' Case analysis/solutions & PowerPoint presentations on Hotmail case to the entire class.
14:00			Lunch
15:00		Break	Discussion/Conclusion: 'What Gov't can do to Scale-Up Entrepreneurship, Part II.'
15:30		Module: 'From Idea to Revenues. Development & Execution of the Business Concept.'	Drinks & buffet
16:00			
16:30			
17:00	Course Intro, Objectives & Expectations	Dinner & Informal Discussion	
17:30	Module: 'Entrepreneurship & Capital: the Engines that Power an Economy Forward.'	Module/Discussion: 'The Management Team: Building a Team of Glory.'	
18:00			
18:30			
19:00	Break	Discussion: 'Financing the Enterprise & Why Venture Capital is Not the Solution.'	
19:15	Discussion: 'Scaling Up Entrepreneurship.'		
20:00	Distribution of HBS Hotmail Case: Discussion & Expectations. Students assigned to groups.	Informal discussion over drinks & food, Hotmail case & student presentations.	
20:30	Informal talks, drinks & food		