



Excerpted from  
FastTrac® TechVenture™



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# Technology and Life Sciences Entrepreneurs

Technology and life sciences entrepreneurs share many of the same characteristics as other entrepreneurs, yet they also face unique challenges.

Most entrepreneurs start companies based on market needs for existing products or services. However, technology and life sciences entrepreneurs often base their ventures on technology or science that causes dramatic change in a market. The most difficult venture is one that creates a new market, creates a new product or service category, or changes the way people work, live, or play. Therefore, technology and life sciences businesses often require more detail, carry higher risk, and involve more people than other ventures.

Technology and life sciences entrepreneurs who have built their own businesses have discovered the following keys to success:

**Build on technical or scientific knowledge** – If you possess a skill that can be matched to a business need, it can form an effective basis upon which to build or start a business. Of course, skill alone is not sufficient to build a business.

**Depend on and develop a technology team** – If the business requires technical or scientific expertise, you must have it, acquire it, or hire it. It is critical that you take time to identify the specific knowledge needed for the enterprise and make certain it is available when needed.

**Manage risk** – Financial risks, such as losing savings, house equity, and even income, are always a possibility. Entrepreneurship requires taking calculated risks and reducing the risk factor by researching and planning your product or service, industry, and market. You must manage the downside, always remaining aware of various options in the event that the venture needs fine-tuning to succeed.

One way to manage risk is to write a business plan. The process of completing a plan helps you strategically think through most aspects of your business. It helps you determine whether a business has a market, can produce a profit, and can provide what you want to get from the business. The business plan also provides a working plan to operate a business and set up appropriate financial planning and reporting.

## Manage Risk

Two women founded Yakalo Solutions to provide application services for real estate brokers looking to launch their own Web sites. Yakalo's back-room software allows brokers to launch their sites, update listings, and manage the intricacies of complicated Web programming.

One of the partners spent three years building, operating, and updating Web sites for brokers in their area. She reasoned that the brokers could save money and time if they could update their sites on their own. Not having a great deal of money, she developed the first version of the software with the help of her husband at night and

**TIP** A good way to begin minimizing risk is to research the industry, test the markets, and write a business plan. Writing a plan significantly increases the likelihood of your business being successful.

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on weekends. After the software was tested and all the bugs were eliminated, she and a friend started Yakalo.

The next step was to get accepted by a technology incubator that supported high-tech firms by providing them inexpensive office space, guidance, and connections to financing sources. The company had revenue the first year and reached cash break-even in the first part of its second year. The risk in starting this business was low, and now investors are interested in financing its growth.

**Plan an exit strategy** – Savvy entrepreneurs plan their exit from the business in the beginning planning stages because it forces them to analyze what they really want out of the business, as well as to map out the potential return on investment (ROI) for investors. The business plan and exit strategy must match the financing plan and your goals.

The most common favorable exit strategies are to sell the business, merge it with another, or sell shares in the business to the public. Unfortunately, for those entrepreneurs who do not plan an exit strategy, the most common exits are death, retirement, or closing the doors. Your planned exit strategy will drive many day-to-day operating decisions.

### *Exit Strategy*

In just two years, Pete Estler turned a simple idea into an e-mail marketing firm, MatchLogic. He sold it in 1998 for \$90 million to Excite@Home. Before that, Estler turned another basement computer project, dbIntellect, into \$50 million in just three years. He sold that database company to Electronic Data Corp. for stock. Like many technology entrepreneurs, Estler knew that he wanted to create dramatic businesses quickly and then exit.

*Reality  
Check* ✓

All entrepreneurs will exit from their business one day. Planning that exit is critical.

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