



ATDC Startup Best Practice

Startup Lifecycle: One Stage at a Time

Earlier this year, ATDC created a company development model, drawing upon our 24-history of helping technology entrepreneurs. This model identifies critical success factors at each stage of the startup lifecycle – along with best practices.

Lifecycle stage is an important topic because different priorities exist at each phase. Certainly, companies still need a five-year plan to guide them and communicate what they're trying to achieve. Yet they must also focus on certain milestones at each stage, especially if they hope to win funding from investors.

Below is a fast look at these lifecycle stages:

Entrepreneurial fit

Entrepreneurship is not for everyone. The road is particularly risky if you're striving for a high-growth business versus a lifestyle company. Both employees and investors will expect you to make a variety of sacrifices. There's also an intense amount of rejection. Many entrepreneurs who come directly from the corporate world simply aren't prepared for the endless skeptics, lack of resources and numerous obstacles to overcome.

Examine your personal goals and how they fit with your company. Assess the risks you're willing to take and identify what investments you're prepared to make. If your first plan doesn't work, do you have alternative strategies to fall back on? Investors like to see entrepreneurs who can bootstrap and go a long way without a dime of outside money.

It's also important to evaluate your talents. Passion, vision and technical expertise are key ingredients for early success, but as the company grows, operational savvy becomes critical.

Compelling concept

Does your service or product solve a substantial problem for customers? Many technology startups make the mistake of trying to push an invention onto the market instead of addressing an important unmet need. This is not a matter of "build it and they will come."

Business opportunity

Pursuing too small a market is another common failing. Even though your product or service addresses a market need, that doesn't guarantee a scalable, sustainable business. If you plan to seek venture capital, you'll need a sizeable market – tens of millions at the outset, which can grow into hundreds of millions or more within five years. Investors typically look for a return of five to ten times what they put in.

Granted, you can always create a product feature or function that enhances an existing company's business. But that means determining which existing companies or products need your feature. Matching the appropriate strategy to the business opportunity is crucial.

Product development

Building a successful product is no cakewalk. In fact, product development usually takes companies twice as long as they anticipate. Focus and discipline are critical factors at this stage. Also, make sure you can articulate the business value from the customer's perspective instead of relying on "gee-whiz" features and technical jargon.

Market trials

Once you've built your widget, you must validate that it really does meet customers' needs. When conducting market trials, it's important to choose the right customers. Although it's great to have someone with a recognizable blue-chip name, such as General Electric or Home Depot, large companies can be bureaucratic and difficult to work with. Instead of pouring all your resources into big names, it's a good idea to look for "low hanging fruit" -- early adopters who are willing to tolerate some imperfections to help you refine your product.

Customer acceptance

With a validated product, now you're ready to put more energy into winning larger customers. But remember, you want initial customers to be long-term advocates. After all, potential investors are going to call them, as will future customers. Startups often oversell, which often results in under-delivery. Instead, manage customers' risk and expectations to win a strong reference.

Proof-of-business model

The goal here is to demonstrate that you can sell your product or service and achieve attractive margins. Be mindful of your business model and how profits will be made. If your sales cycle is a long one, you'd better have a high-ticket product -- unless there's considerable recurring revenue.

Profit and scaling

Operations are a focal point at this stage, for you need processes and metrics in place to scale your business. By now, you also should have a clearer understanding of your sales pipeline and be able to project revenue and profits with reasonable accuracy.

This is often a time when the company has outgrown the capabilities -- or perceived capabilities -- of its founder. The entrepreneur may continue as chairman and engage in big-picture thinking and motivating employees, but he or she often needs to turn daily operations over to a CEO with more operational expertise.

In upcoming issues of the newsletter, we'll delve deeper into these stages and best practices associated with them. These best practices will be added to the Entrepreneurs Resource Center (www.atdc.org/erc) that ATDC launched earlier this year.

We encourage you to participate in this series by sharing lessons you've learned that may help other startups. If you have ideas, contact me at cindy.cheatham@atdc.org