The Evolution of a Start-up
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Discussion Highlights

• First Hand Insight Of What Works
• Early Structure Formation: The Founders
• Identifying “The Product” And “Customers”
• Creating The Legal Entity With A Gameplan
• Working Capital Infusion
• Building A Corporate Structure Poised For Growth- Organization Examples
• Staying Customer-Driven
Startups First Discussion

• Starting At The Kitchen Table..... or Outside
• The Glowing Ember
• Mission Established
• Who’s Serious
• Roles Sorted Out
• List Of Actions Created
• Dreams, Aspirations, Confessions and Admissions
• Beer break(s)
Harmonious Founding Team

- Share Same Value System
- Leader - Has Vision, Drive, Determination, Fair-minded, Good Communicator, Multi-talented, Decision Maker
- Guru - Has The Recipe, Brutally Honest, Outspoken
- Builder/Developer - Has Unceasing Drive Toward Excellence, Makes Things Happen
- Business Warrior - Knows Customers and The Market, Strong Leader, Motivated By $$
- Typically more than One Individual
“The Product Idea” and Lest We Forget “The Customer”

- Clear Product Idea
- Understand What Is Achievable And Deliverable
- Have Lead Customers In Mind
- Always Seek Customer Input- positive and negative
Entity Creation

- First Cut Of Business Plan
- Have Capital Structure In Mind
- Find A Connected Corporate Lawyer
- Sort Through Legal Entity Structure Exercises
- Agreements 101
- Plan For Employee Involvement – ESOP, Stock Purchase
The Game Plan

• *Evolution of the Business Plan*

• *Living Document – Changes as the Organization Grows*

• *What the plan holds*
  – What are we building
  – Who are we selling it to
  – Why do they want it
  – How much will it cost
  – How much money do we need to develop it
Finances And Capital Structure

- Identify A Trusted, Competent Finance Person Early On
  - Equity Skills
  - Does a good job of saying - NO

- Finance Based The Plan
  - Bootstrap
  - F&F, Angel(s), VC
  - Debt

- Use Precious Capital Wisely
- Cash Is The Lifeblood
Building A Corporate Structure - Doomed To Fail

Empire Builder Scenario

Big Cheese
Supreme Being, President, CEO, Chairman

Subject Follower And Minion Leader 1
Business Who Guy Who Wants To Sell Stuff
N x Minions

Subject Follower And Minion Leader 2
Wanna-Be EB
N x Minions

Engineer Who Wants Build Science Projects
Chief Scientist
N x Minions

Startup Evolution
Building A Lean Corporate Structure-
Going With The Flow

- Communicate, Communicate, Communicate
- Organization Should Be Driven By Customer And Market Forces
- Employ Manager-Leaders-Workers
- Set Results-Driven Incentives
- Set and Manage Expectations
Example: A Technology Company Organizational Structure

**Early Stage High Tech Management Team**

- **Emerged Leader**
  - President
  - Master Communicator
  - Corporate Evangelist

- **Company Sentry (not receptionist)**
  - Executive Admin
  - Gate Keeper
  - Has HR Role

- **Numbers Guy**
  - Chief Financial Officer
  - Financial Strategist
  - Benefits Administrator

- **Customer Connection & Strategist**
  - VP Business Development & Marketing
  - Knows The Market
  - Has Customer Respect

- **Builder-Product Developer**
  - VP Engineering
  - Manages Hardware and Software Teams
  - Motivated By Achievements

- **Product Guru**
  - Chief Technology Officer
  - Has Recipe
  - Understands What Is Possible
Business Development & Marketing

- Corporate Ambassador And Conduit To The Customer
- Tri-Directional Communications Between The Customer, The Guru, and Engineering
- Consultive Sell Providing A Solution To A Problem
  - Unconscious Selling
- Compensation Should Be Performance Based
- Motivation: $$
The Guru

• **Characteristics**
  – Best Sales Guy In The Company!
  – Brutally Honest
  – Challenges “Rules of Thumb”
  – Always Right (95%)
• **Drives Engineering**
• **Credibility Is Everything**
• **Knows What Is Possible**
• **Technology Elitists**
• **Motivation: Achievement, Challenge, Excellence**
The Engineering Organization

- Valuable Engineers Will Work Hard And Do What It Takes
- Avoid Creating Employees With “Sustainable Burnout”
- Minimize Product Development Churn
- Truly A Team Sport
- Incentives: Challenge, Achievement, Fun, Fair Compensation (in that order)
Growing The Dream Team

• Board Members And Investors Will Have Say
• Adding To The Management Team
  – Hire Brand Names
  – Solid Credentials
• Growing The Engineering Team
  – Make Careful Selections
• Promote High Visibility Hires
The Whole Team

- The Whole Team Must Execute!
- Sounds Simple: Communication Is Key
- Every Employee Should Have The Same Corporate Goal(s)
  - Live, Breath, Eat the Game Plan
Keeping The Flow While Growing

- *Multi-tasking Management*
- *Run Scared And Know Your Competition*
- *Stay Customer-Focused*
- *Recruit From Within*
  - *Use The Network*
- *Execute And Stay Lean*
Corporate Culture Enhancements

- Weekly Updates Over Lunch
- Promote Sense Of Growth And Progress
- Everyone Likes A Family Environment
- Consider The Hockey Table And Keg Tap
When Murphy Shows Up

- Poor Management Decisions
- Impatient Investor(s)
- Unruly Board Member
- Greed
- Resignations
- Salary Demands
- The List Goes On- Just Be Ready
After Murphy Strikes

- **Communicate Internally To Those Need To Know**
- **Admit Mistakes And Move-On**
- **If Necessary, Apologies Should Be Made**
- **Swift Corrective Action(s)**
The End Game

• **Build A Sustainable First Class Business**- Create Value- Stay The Course
• **Beware Of Tempting Exit Strategies**
• **IPO Makes Sense If Capital Is Needed**
• **Play Hard To Get With Unsolicited Acquisition Inquiries**
One Big Happy Family

- Semiconductor Developer
- Four Founders Saw Opportunity
- VC Funded
- ESOP Common Shares
- Grew To 74 Employees In 9 Months
- Acquired In 11 Months