

The Start-Up Company Map

Understanding the Language of Entrepreneurship and the Path Forward

Contributors: Judy Albers, Rand Henke, Rami Katz, Theresa Mazzullo

June 2008



150 Lucius Gordon Drive
Henrietta, New York 14586
www.htr.org



160 Linden Oaks, Suite E
Rochester, New York 14625
www.excellny.com

Who Should Read This Paper?

Anyone who has a vested interest in understanding the process of transforming a high-tech idea or invention into a company and who needs an understanding of the language of entrepreneurship:

New entrepreneurs emerging from within a university, corporation or community who hope to build a company to commercialize an innovative new technology or invention.

Technology Transfer officers at universities or corporations who are generally the first ones that a potential entrepreneur talks with about transferring the technology out of the parent organization into a start-up.

University administrators or senior management within a corporation who represent the organization that actually owes “NewCo’s” foundational IP and who are sometimes positioned to help their entrepreneurs or intrapreneurs with capital and/or resources particularly at the point of company launch.

Community economic development leaders and key politicians who have a vested interest in supporting entrepreneurship as this is starting to take a more prominent role in many regional economies throughout the country.

State leaders who have a vested interest in supporting entrepreneurship at the state level and who need to understand the level of capital commitment and types of resources required to successfully launch start-up companies.

IP and corporate attorneys who are there “from the beginning” working to secure NewCo’s intellectual property and establish a legal entity and who negotiate agreements and contracts on behalf of the company.

“Trusted advisors” such as coaches and consultants who are providing advice and counsel to new entrepreneurs.

Angel investors who are being asked for capital support and who might like to use this as an easy reference to assess what the company has already accomplished and where it thinks it’s headed.

Serial entrepreneurs and venture capitalists who are actually the source of information for this document and who “get it” but who might want to use this resource in talking to those who don’t.

The bottom line is that all stakeholders should understand the path forward for a start-up company. Also, ensuring that all stakeholders are versed in the language common to the entrepreneurial and venture capital communities and encouraging the use of common terms should help reduce the confusion we commonly hear in conversations about entrepreneurship. A common language could be particularly valuable as programs and policies related to entrepreneurship and intrapreneurship are established within universities, corporations, communities, and even at the state level.

Getting Started ...

You've lived in the US your entire life. One day, you find yourself in Bucharest at night. You're in the dark and you need to find your hotel.

Two things would be very helpful to you at that point, a map and an understanding of the language in case you need to ask for assistance.

That may not be your exact situation but close. You're a first-time entrepreneur. You've been working "somewhere" all your life. Now you're going to start a company. You're in the dark. A map of Bucharest won't help you nor will a Berlitz course in Romanian. Rather, a Start-Up Map that illuminates the path forward might be of some use. We've tried to create one here. Also, by walking you through the map, we hope to provide some training in the language of entrepreneurship.

I. Introduction.....	5
II. Framing the Map: Development Stages & Characteristic Features	7
III. Company Milestones	8
IV. Funding	9
V. Community Support	12
VI. Conclusions.....	13

I. Introduction

Over the last twenty-five years, the economic landscape of this country has changed rapidly, primarily because a significant amount of manufacturing has been sent overseas and many of our larger corporations have downsized dramatically. Just in New York State, we've witnessed Eastman Kodak lose 80% of its workforce (or 50,000 jobs) in the Rochester area alone. General Electric previously employed 60,000 in Schenectady with current employment at 15,000. Grumman Corporation once employed 23,000 on Long Island and now, as Northrup-Grumman, employs about 2,000. The net effect of these and numerous similar stories is that hundreds of thousands in this state and others have lost their jobs in old established firms.

Because we can no longer be as dependent on our larger corporations and manufacturing jobs as in the past, our community stakeholders have started considering alternative options for creating jobs and strengthening our economy. "Everyone" is now beginning to focus on the potential of new start-ups, especially those which are high-tech. Suddenly entrepreneurship is "hot" across the country. Universities are spinning-out companies. Pressure is being placed on larger corporations to divest and some spin-outs have emerged. Creative individuals within the community are coming up with compelling business ideas.

While the world of high-tech start-up companies and the associated language can be foreign to many new and potential entrepreneurs, it is not foreign to many venture capitalists, lawyers, university tech transfer officers, incubator staff, and serial entrepreneurs who have been down the path multiple times directly or indirectly and who do understand this world and can speak the language. Our objective in this paper is to document the common understanding of "seasoned" individuals and pass the information along to those who are just beginning for the first time. ***Towards that end, we have created the "Start-Up Map" primarily for high-tech start-up companies, particularly those who are likely to pursue and receive funding from professional investors.***

The Start-up Map on the following page attempts to document on one piece of paper what might happen to a company during its first few years pre- and post-incorporation. The map illustrates, and the paper discusses, a company's development stages, the milestones along the continuum, the funding needed to support company growth, and the community resources that can provide assistance. Is the map perfect in describing the path forward for ALL start-ups? Of course not. We certainly recognize that not all start-ups are exactly alike. There will always be some gazelles that leap over portions of the path while others are more "turtle-like" and move forward much more slowly. Some even die an early death. Also, specific milestones may vary depending on the specific industry sector a company is in.

Nevertheless most "regular" start-ups will follow a similar path. This paper is written for a "regular start-up" where the path to creating a successful high-tech company is long and hard, where the company evolves in stages, where milestones are met as the company moves forward, and where many dedicated individuals in the community step forward to lend support via their legal, financial, and/or business expertise. For those considering taking "the plunge" of starting a company, we hope this paper helps them/you to understand generally what might lie ahead.

THE START-UP COMPANY MAP

Row	Company Development Stage	Concept	Pre-Seed	Early Seed Stage	Mid Seed Stage	Later Seed Stage	Early Stage
Company Milestones	Characterized By:	Research	Opportunity Investigation	Feasibility Proof	Development	Market Introduction	Growth
	Technology, Physical Sciences	invention and discovery	pre-prototype (most science completed; engineering remains)	lab prototype & feasibility demonstrated in lab	lab prototype & feasibility demonstrated in alpha tests	lab prototype & beta tests complete; validating manufacturability	commercial grade prototype & first production runs
	Technology, Life Sciences	invention and discovery	pre-molecule but promising early results	molecule selected & working in cell lines	molecule being optimized for efficacy in cell lines; moving into animal models	pre-clinical trials (efficacy, toxicology, pharmacokinetics); applying for FDA IND approval	entering Phase I trials
	Patent Status	invention disclosure	patent applications	provisional patents, licensing negotiations initiated	pending patents, licensing negotiations complete	pending/issued patents	adding to foundational patents
	Business Development	na	first-cut idea analysis; preliminary presentation	opportunity analysis complete and customer surveys underway; legal entity formed	compelling business plan; well validated w/ customer and expert surveys	executing BP, looking for customers and strategic alliances	developing customer relationships; delivering first products to first customers
	Management Team	na	inventor coaching & mentoring	inventor & one interim bus-dev person/coach ~ 25% of FTE	inventor & one committed bus dev person ~ 50% - 100%	inventor & one or two committed and experienced bus dev persons	at least three "real" managers
	Customer & Sales	na	none	initial discussions with strategic partners	customer interest	letters of intent or some preliminary relationship	paying customers
Funding	Funding Requirements	~ \$1 - 10M	\$25 - \$75K	\$250 - \$750K for Physical Sciences (avg \$500K), \$500K - \$1M (avg \$750K) for Life Science; investment might be tranching as milestones are achieved			\$1 - 4M
	Time to Achieve Milestones	1 - 10 years	1 - 3 months	3 - 6 months	6 - 9 months	9 - 15 months	12 - 18 months
	Funding Sources	Government and Corporate Grants	Grants, Corporations, Founders, Family, Friends, Individual Angels, SBIR Phase	Individual Angels, Seed Investors, SBIR Phase I	Individual and Organized Angels, Seed Investors, SBIR Phase I/II	Organized Angel Networks, Seed Investors, SBIR Phase II, Strategic Partners	Venture Capitalists, Organized Angel Networks, SBIR Phase II, Strategic Partners
	Average Valuation (based on Venture One data)	----	< \$750K	\$1M - \$2M	\$2M - \$3M	\$3M - \$5M	\$5M - \$7M
	Probability of Significant Liquidity		1%	1% - 4%	4% - 7%	7% - 12%	15% - 25%
Community Support	Commercialization Process	Primary Investigator (PI) / Entrepreneur Identification	PI Training & Quick Screen	In-depth IP, Technology & Market Assessment & Seed Stage Capital Raising			Early Stage Capital Raising
		Tech Clearinghouse Entry	Venture Coaching & Mentoring		Business Plan Development & Execution		
	Resources/ People/Organizations Providing Support	University and Corporate Tech Transfer or IP Offices at Government Labs	Incubators, Technology Development Centers, Centers of Excellence, Centers for Advanced Technology, University or Parent Company			Seed Investors, Angels, Business Schools, Consultants, University or Parent Company	Early Stage VCs, CAPCOs, Strategic Partners
	Synergistic Community Events	Lecture Series	Pre-Seed Workshops, Lecture Series	Entrepreneurship Bootcamps, Investor Forums for Seed Stage Companies, Business Plan Competitions			Investor Forums for Early Stage Companies, Entrepreneurial Education

II. Framing the Map: Stages & Characteristic Features

Follow the yellow bar on the map, page 6

Successful companies don't form overnight. They pass through characteristic stages over a period of years. To help entrepreneurs understand this progression, we have documented the earliest stages of a company's development *horizontally* on the Start-Up Map and highlighted the stages in blue to create the map's upper frame.

Since this paper is focused on start-up companies that might be deemed "investable" by professionals, we have adopted the general nomenclature of the venture capital community proposed in industry websites such as www.pwcmoneytree.com (see Appendix A) and www.ventureone.com. The company growth or development stages generally recognized by the entrepreneurial and investor communities are in this order:

- a concept stage company
- a pre-seed company
- a seed stage company
- an early stage company

After "early stage", a company becomes:

- an expansion stage company
- a later stage company

And finally, once a company is fully operational and beyond the realm of most venture capitalists, it is then considered an "established" company.

This paper focuses only on the first four phases of a company's development, i.e., concept through early stage. Further, since the contributors to this paper all work with companies at the seed stage, we've done something unusual. We've exploded the seed stage to analyze it at a more granular level, i.e., the early-seed, the mid-seed, and the later-seed stages.

The features which characterize the different stages of a company's development are listed and highlighted in the *vertical* blue bar to create the map's side frame. They fall into the following categories, each of which has its "own color":

1) Milestones (in yellow). Step by step, left to right, a company typically "checks the blocks". Milestones may vary slightly depending on whether the company is physical sciences based or biotech and so we have tried to accommodate some of those differences.

2) Funding (in orange). Professional investors invest in stages as a company evolves. At different stages, an entrepreneur must determine what financing options they should pursue, what they can ask of an investor, and what they can expect to receive.

3) Community Support (in pink). Different community resources will provide assistance at different stages of a company's growth. An entrepreneur should understand where they can go for help within the community. While only very generic suggestions are provided here, this section can be customized for any region.

We have finished building the frame for the map and the broad categories are defined. Now let's fill in the map by providing specific details.

III. Company Milestones

Follow the yellow bar on the map, page 6, from left to right

A company's maturity or stage of growth is typically recognized by the milestones it may or may not have achieved. The major milestones fall into five categories: technical development, business development, IP status, management team, and customers and sales.

Concept Stage. The concept stage can be characterized in one word, **research**. Most companies, in the beginning, start out as a concept, i.e., as an idea in an entrepreneur's head. Especially for university and corporate spin-outs, there's likely been, and continues to be, a significant amount of technical research underway relative to a new product or service offering. In some cases, the lead researcher may have already spent ten or more years in his/her laboratory developing the technology. Now they actually have an invention! An invention disclosure has been filed with a Technology Transfer Office and conversations have been initiated with a patent attorney. Usually, there has been little or no business development.

Pre-Seed Stage. The pre-seed stage can best be described as a time of **opportunity investigation** where thoughts of forming a business are being explored. In the pre-seed stage, many entrepreneurs are still pre-prototype. Most, if not all, of the fundamental science or invention has been completed but the work of engineering a laboratory or first generation prototype remains. If this is biotech discovery, the inventor may still be pre-molecule. The early results on a family of compounds may appear promising but the work of selecting and optimizing a molecule remains. The entrepreneur is now likely working with their Technology Transfer Officers and/or IP attorneys on the patent applications. To assess the business opportunity, a first-cut idea analysis may be underway. The entrepreneur may be looking around campus (e.g., in the business school) or within the community for some business professionals that can help develop the business case. While the researcher may be thinking that (s)he is interested and suited to serving as a Chief Scientific or Technical Officer for the company, there is still no formal management team in place. Rather, (s)he may have found someone willing to be a business coach or mentor for a period of time.

Early-Seed Stage. If an entrepreneur decides, based on a preliminary idea analysis, to start a company, they enter the first "real" stage recognized by investors, i.e., the seed stage. An early seed stage company is focused on **proving feasibility**. By this time, hopefully the inventor/entrepreneur has some type of laboratory prototype and they are proving that it actually works in the lab. A biotech company has hopefully isolated a molecule that's being validated in cell lines. The patent application filings may be complete. Provisional patents have likely been granted but nothing has yet been issued. Maybe the opportunity analysis is complete, a market survey is underway, and the construction of a business plan has started. The management team is still largely unformed and may only consist of the inventor/entrepreneur acting as the CSO/CTO and one interim business development person/coach with the commitment of a 25% FTE (full time employee). The company may have already reached out to and held initial discussions with a potential strategic partner, possibly a large player in the same industry, but nothing substantial has developed yet as a result of those conversations.

Mid-Seed Stage. In the mid-seed stage, the technology product truly gets converted from research into "**development**". As a company pushes forward, it will reach the point where it has

successfully constructed a laboratory prototype and feasibility is being demonstrated in alpha tests maybe in association with other university departments or divisions within the parent company. Beta test customers in the “real world” are being identified and beta test “experiments” are being designed. For biotech companies, the molecule is being optimized to maximize efficacy in-vitro and testing has commenced in small animal models. The company has completed its business plan. It looks compelling and is being validated with the results of customer and industry expert surveys. The committed business development person might now be spending 50% - 100% of their time with the company. There may be some preliminary customer interest.

Later-Seed Stage. It’s now time for **market introduction**. The prototype is ready and beta testing is underway. Outsourced manufacturers are being identified and the manufacturability of the product is being validated. For biotech companies, the optimized molecule is now in pre-clinical trials, being evaluated for efficacy, toxicology in animals, and pharmacokinetics. If the outcome of the pre-clinical trials is successful, the company will apply to the FDA for IND (investigational new drug) approval to move into Phase I clinical trials. Most of the IP is still pending although a few of the earliest patent applications may have issued. The company is starting to execute on their business plan. The inventor/entrepreneur may at this point have one or two virtually full-time committed and experienced business development managers. They may have some letters of intent from prospective customers or a few good preliminary strategic relationships forming up.

Early Stage. A company is entering its **growth** phase. An early stage company typically has a commercial grade prototype/product. Beta test results have confirmed that the prototype/product works outside the lab and its manufacturability has also been validated. The company has first production runs underway. If this is a biotech company, it is probably entering Phase I clinical trials. The company is continuing to file patents on new inventions and adding to their foundational patent portfolio. The management team now has at least three “real” managers (consisting of maybe a CEO, CTO, and VP of Business Development) who are working to fill other needed positions on their organizational chart. The team is working diligently to expand their customer base and delivering first products to first customers. They actually have paying customers and are starting to generate revenues! They are focused on sales, sales, sales.

IV. Funding

Follow the orange bar on the map, page 6, from left to right

This next section is on funding and valuing the company as it progresses along the continuum. As seen on the map, relevant issues for companies here are funding requirements, funding sources that can be approached at different stages, the average valuations based on data from www.ventureone.com, the time to achieve the milestones described above, and the probability of significant liquidity.

Concept Stage. If the company is a university spin-out, the technologist may have been working on their invention anywhere from <1 to 10 years. <\$1M up to \$10M from the NIH, DoD, DARPA, etc. may have already been invested in the development of the technology. There are no venture investors at this point. This might be a good time to stress the fact that investors do not invest in basic R&D because it’s too high risk. Investors expect and are willing

to take commercialization risk but not R&D risk. They view that as the job of the NIH, DoD, DARPA, etc. In fact, investors like to see that state and/or federal granting institutions have provided an inventor with \$500K, \$1M, \$10M worth of support. It tells potential investors two things: 1) that the federal government has taken the technology development risk, and 2) it provides validation that credible government agencies believe that the inventor is really onto something and they're willing to grant significant dollars to advance the technology to the point where investors can step in and commercialize it.

Likewise, if the company is a corporate spin-out, investors like to see that the parent organization like Kodak, General Electric, IBM, etc., invested heavily in the development of the technology before it decided to spin it out as a separate corporate entity. This means that the parent organization took technology development risk and investors can now take commercialization risk.

Pre-Seed Stage. Many companies, particularly those under the umbrella of a university or large corporation, may transition fairly seamlessly through the pre-seed stage using internal capital. But some companies get caught in the pre-seed stage if their academic grants run out, if they leave their host university or corporation prematurely, or if they have no umbrella organization and the technology is something they're developing in their "garage". Only about \$50K may be required to build a demonstrable laboratory prototype. It might only require about three to six months. But at this point, an entrepreneur may be having a very difficult time getting the money because the risk is phenomenally high. The prototype may or may not work. Few investors want to take that chance. Expect them to say, "Call me when it works."

The best way to avoid this situation is to try to ensure that government or corporate grants cover the technology development through this phase. If that's not possible, the entrepreneur might have to rely on friends and family for a while, use personal financing, find an angel, and/or apply for a Small Business Innovation Research (SBIR) Phase I grant. The chances of a "regular" VC coming in at this point are extremely low. A VC with a Seed Fund might consider making a pre-seed investment but even for them, as the name of their fund suggests, it's still too early and not their sweet spot.

This is probably a good time to talk about "skin in the game". If only about \$50K is required, then professional investors will expect the inventor to foot the bill. They want to see that the inventor believes enough in the opportunity and is committed enough to put their own money at risk. If the inventor is well paid in their day job, e.g., a surgeon, then there is an extremely high expectation that the individual put their own money at risk before professional investors come in. On the other hand, if the inventor is a recent college graduate, then an investor's expectation might be tempered. The danger is that after the money is invested and if things don't go well, the young professional might "bail" or be lured away by a better job offer unless they have some obligation other than moral to stay with the company. If not their own, then "Mom and Dad's" money in might help to secure and validate their commitment.

Until a company has a prototype or a molecule, they must expect that their valuation will be low, less than \$1M, maybe less than \$750K. The probability of significant liquidity is 1%, i.e., only about 1 out of every 100 pre-seed stage companies will go all the way to someday "hit big".

Early-Seed Stage. Let's again remind ourselves of the milestones achieved here. By this time, hopefully a biotech company has isolated a molecule that's being validated in cell lines or the inventor/entrepreneur has some type of "crude and ugly" prototype and feasibility is being demonstrated in the lab. But there is still no "real" *commercial grade* prototype. In fact, that's primarily why the entrepreneur is asking for money. They typically need (or can ask for) about \$50-100K to convert their laboratory prototype into a commercial grade prototype or "clean up" their molecule. That money generally lasts several months. At this point, individual Angel investors may take an interest. The best bet is with those Angels who made their fortune in the industry space that "NewCo" is now operating in. SBIR Phase I or II grants are a great source of capital. This is essentially "free" money from the government. It is neither a loan nor an equity investment. Seed investors may be willing to invest but the investor risk at this point is still extremely high and therefore valuations will still be low, in the \$1-2M range. The probability of significant liquidity is between 1-4%, i.e., maybe 1 out of every 50 early seed stage companies will go all the way to someday "hit big".

Mid-Seed Stage. This is the stage where feasibility of the prototype is being demonstrated in alpha tests. Beta test customers in the "real world" are being identified. Molecules are being optimized. The required cash is now in the range of \$100-250K. Again, individual Angels may be a funding source. In fact, the company might now be of interest to organized Angel groups (for some reason, the more organized the Angel group, the higher they move up the food chain and the more risk adverse they become). SBIRs are always a good option. In fact, many Seed and Angel investors like to see that companies have won SBIRs alongside their investment or before they come in. The more money in with no sacrifice of equity, the better for both the company and the investors.

The investor risk at this point is still extremely high and therefore valuations are still low, in the \$2-3M range. But the chances of success are improving. The probability of significant liquidity is 4-7%, i.e., maybe 1 out of every 20 mid-seed stage companies will go all the way to someday "hit big".

Later-Seed Stage. For biotech companies, the optimized molecule is now being evaluated in animals. For physical science based companies, prototype beta testing is underway. Everyone breathes a sigh of relief after some type of significant testing is successfully completed. Real world proof that the invention actually works can seriously de-risk an opportunity! This is a Seed Investors sweet spot – helping companies through their beta tests. Costs are generally from \$250-500K and the testing can take several months. Investors know that if everything goes well, then the Early Stage investors will pick up where they left off and help move the company to the point where it is generating some revenues of significance. On the other hand, things might not go well. That is the risk that Seed Investors take and the reason why they will still argue for a low valuation ranging from around \$3 to \$4M. The probability of significant liquidity is 7-12%, i.e., now we're getting to the point where 1 in 10 companies might someday "hit big".

Early Stage. An early stage company typically has first pilot production runs underway. If this is a biotech company, pre-clinical trials are complete and Phase I clinical trials are commencing. An entrepreneur might need about \$1-4M. Actually, this is where biotech and physical science

companies start to diverge in terms of their paths forward and their funding requirements. Prior to this point, start-up companies are like new born babies-- they all look alike. Level of risk, valuations, amount of capital are similar among the industries. But at the early stage of development, start-ups begin to differentiate based on the industries they're in. Biotech opportunities, especially therapeutic companies, tend to be particularly capital intensive from this point forward because of the enormous expense and amount of time associated with conducting clinical trials and securing FDA approval. This is why most therapeutic start-ups begin cultivating a relationship with big PharmaCos very early on in hopes that through some partnership arrangement, big Pharma will pick up much of the tab. Physical science based companies might be less capital intensive, quicker to market with product, and face fewer regulatory hurdles.

A company can still try applying for an SBIR Phase II grant. But at this point, the capital requirements of the company are typically beyond what an SBIR can deliver. Most high-potential companies will have to start relying on the venture capital community. Venture capitalists or strategic partners enter into the investment round with the company called the "Round A". Investor risk is still very high. The probability of significant liquidity is 15-25%, i.e., 1 in 5 early stage companies may go all the way to someday "hit big". As the company continues to evolve, it will likely enter into the B & C Rounds at the expansion and later stages of development respectively, but that is beyond the scope of this document.

V. Community Support

Follow the pink bar on the map, page 6, from left to right

This next section of the Start-Up Map is intended to focus on identifying the community support that is typically provided to companies as they grow. While each community is different, generally they can be characterized by 1) the collaborative commercialization process that is fostered by the stakeholder organizations, 2) the people and resources that are brought to bear at the earliest stages of a company's life, and 3) the community events which support the development and evolution of an entrepreneurial culture.

When we first assembled the Start-Up Map, we packed this section with information that was customized for entrepreneurs in Rochester, New York where we live. However, we wanted this paper to be broadly applicable, particularly across New York State, so the specific information was deleted.

Ideally, this section should be customized for each community. For Rochester-based entrepreneurs, we will document this information in a separate Appendix or customized document. Since we can't do that for "everywhere", we provide only a generalized perspective of what might happen in a typical community. That is documented on the map with some suggestions below.

Commercialization Process. For starters, in any community, Principal Investigators (PI) or potential entrepreneurs must be identified, especially those that have potentially commercializable technologies. A database of both PIs and technologies can be created for tracking purposes and to help ensure that they get the support they need. Entrepreneurial training and education through workshops and lecture series may be available in the region. A quick

screen of the opportunity may be conducted by some community members, in workshops, or within certain organizations. If the opportunity looks promising, then community members might step in as coaches and mentors of the emerging business and its team as well as to conduct an in-depth analysis of the IP position, assess the technology and market opportunities, and write a business plan.

Synergistic Community Events. Meanwhile, the community might sponsor various entrepreneurship boot camps where speakers provide information and insights related to starting a company. There may be business plan competitions and investor forums where new companies can “pitch” their opportunities. Practicing the pitch, vetting the plan and presentation in public, receiving feedback from the judges – these are individually all good reasons to participate in such community events. In addition, sometimes the prize money can be substantial and can be the first “seed” money in. Since the seed capital raising round is probably underway for the participating companies, winning competitions can provide valuable validation to interested investors that “others” agree the company is onto a good idea.

Resources / People / Organizations. In most communities, there are numerous organizations that have a vested interest and play a role in supporting start-up companies: parent universities or corporations, technology development centers, business schools, local incubators, Angels groups, seed investors, consultants and university support entities. Hopefully, good coordination, collaboration and continuity are hallmarks among the organizations in each region.

VI. Conclusions

So that’s the basic path that takes a company from the concept stage to the point where they are revenue generating. For entrepreneurs and start-up companies, we pose the question “Where are you on the map?”

While our segmentation is very neat and orderly, the reality is that oftentimes, a company may be “all over the map”. Their business development managers are doing such a good job that they’re selling “product” before the technologists have a demonstrable prototype. Business development milestones could be categorized as “later-seed stage” while technology development is still “early-seed stage”. Sometimes, the technologists continue to tinker with a product that’s really ready to go to market but there’s no one developing a customer base. Now the technology is “later-seed stage” and business development would be categorized as “pre-seed”. The take-home message of this paper for entrepreneurs is to make sure you’re advancing your company **on all fronts**. We recommend that entrepreneurs use this paper to provide some visualization of the path forward -- let it inform you as to the next steps that belong in your business strategy and then check the boxes as you achieve your milestones.

Also, through this paper, we wanted to help create a common understanding and language among all those who support entrepreneurs, i.e., their tech transfer officers, coaches and advisors, angels, professional investors, etc. Everyone has a slightly different spin on what the path forward looks like and the terminology to use. While there’s room for homonyms, homologs, and synonyms, a common language for the most part might be helpful to reduce an entrepreneur’s confusion when they are getting advice and counsel from multiple directions.

We expect that this paper will be a living document for awhile as it gets broader circulation throughout the state and beyond. Our intent is to refine the document through the feedback of our readers. For those individuals who may have any serious disagreement with our information and/or segmentation, please contact us anytime. For those who are entrepreneurs, good luck as you navigate Bucharest. We hope you find your hotel.

Appendix A

The Stage of Development Classifications used by www.pwcmoneytree.com are as follows:

- **Seed/Start-Up Stage**
The initial stage. The company has a concept or product under development, but is probably not fully operational. Usually in existence less than 18 months.
- **Early Stage**
The company has a product or service in testing or pilot production. In some cases, the product may be commercially available. May or may not be generating revenues. Usually in business less than three years.
- **Expansion Stage**
Product or service is in production and commercially available. The company demonstrates significant revenue growth, but may or may not be showing a profit. Usually in business more than three years.
- **Later Stage**
Product or service is widely available. Company is generating on-going revenue; probably positive cash flow. More likely to be, but not necessarily profitable. May include spin-outs of operating divisions of existing private companies and established private companies.