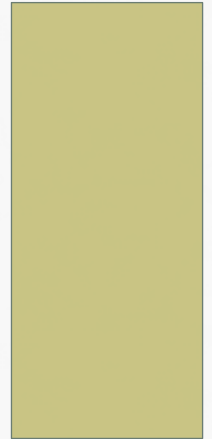


# ENTREPRENEURIAL FINANCE

ENT 402/602  
ROD HOSILYK



# SETTING THE TONE

- Much of the material we cover is not directly from a book, but from real world experience(s)
- Example: “Ralph decided to start a business and calculated he’d need \$90,000 to start it...”
- And we teach based on what an entrepreneur needs to know, not what a Sr. VP of Finance for a large company needs to know...
  - *There are corporate finance classes for that...*

# ENTREPRENEURIAL FINANCE COURSE

## Entrepreneurial Finance -Concepts

*Doing First things first*  
Pricing a service  
Pricing a product  
Pricing in the channel  
Sales Funnel  
Tooling decisions  
Learning curve  
Cash flow-practical  
Cash flow projections  
Patents & licensing  
Valuing a patent  
Crossing the Chasm  
Determining product cost  
Time value of money  
Depreciation-concept  
-why & how to use

## Corporate Finance -Facts

P&L  
Balance Sheet  
Cash flow statement  
Ethics  
Valuing a company  
Legal structures  
Capital structure  
Ratio analysis  
Funding a company  
-equity (stock)  
-debt (various)  
Interest: simple, compound

Bonds  
Depreciation types  
-in detail  
NPV, IRR, etc. in detail  
Cash flow-theoretical  
“keep 60 days cash on hand...”  
International currency  
management  
Stock purchase agreement  
Corporate investment portfolio  
management  
Cultural impacts of financial  
management  
Company life cycles  
Capital markets  
Asset management

# DEFINITIONS

## **Entrepreneurial:**

- *What is it?*
- *What are its characteristics?*
- *Risk?*
- *“The Pursuit of Opportunity Without Regard to Resources Under Control”*

## **Finance:**

- *Balancing risk and profitability while attempting to maximize an entity's wealth and value considering market conditions, etc.*

# DEFINITIONS

## **Entrepreneurism:**

- What is it?
- What are its characteristics?
- **Risk?**
- “The Pursuit of Opportunity Without Regard to Resources Under Control”

## **Finance:**

- Balancing **risk** and profitability while attempting to maximize an entity's wealth and value considering **market conditions**, etc.
- So maybe Finance is a broader field than we thought...?

# DEFINITION OF A BUSINESS

## **Every successful business**

- *(1) creates or provides something of value that*
- *(2) other people want or need*
- *(3) at a price they're willing to pay, in a way that*
- *(4) satisfies the purchaser's need and expectations and*
- *(5) provides the business sufficient revenue to make it worthwhile for the owners to continue operation*

# COURSE OBJECTIVES

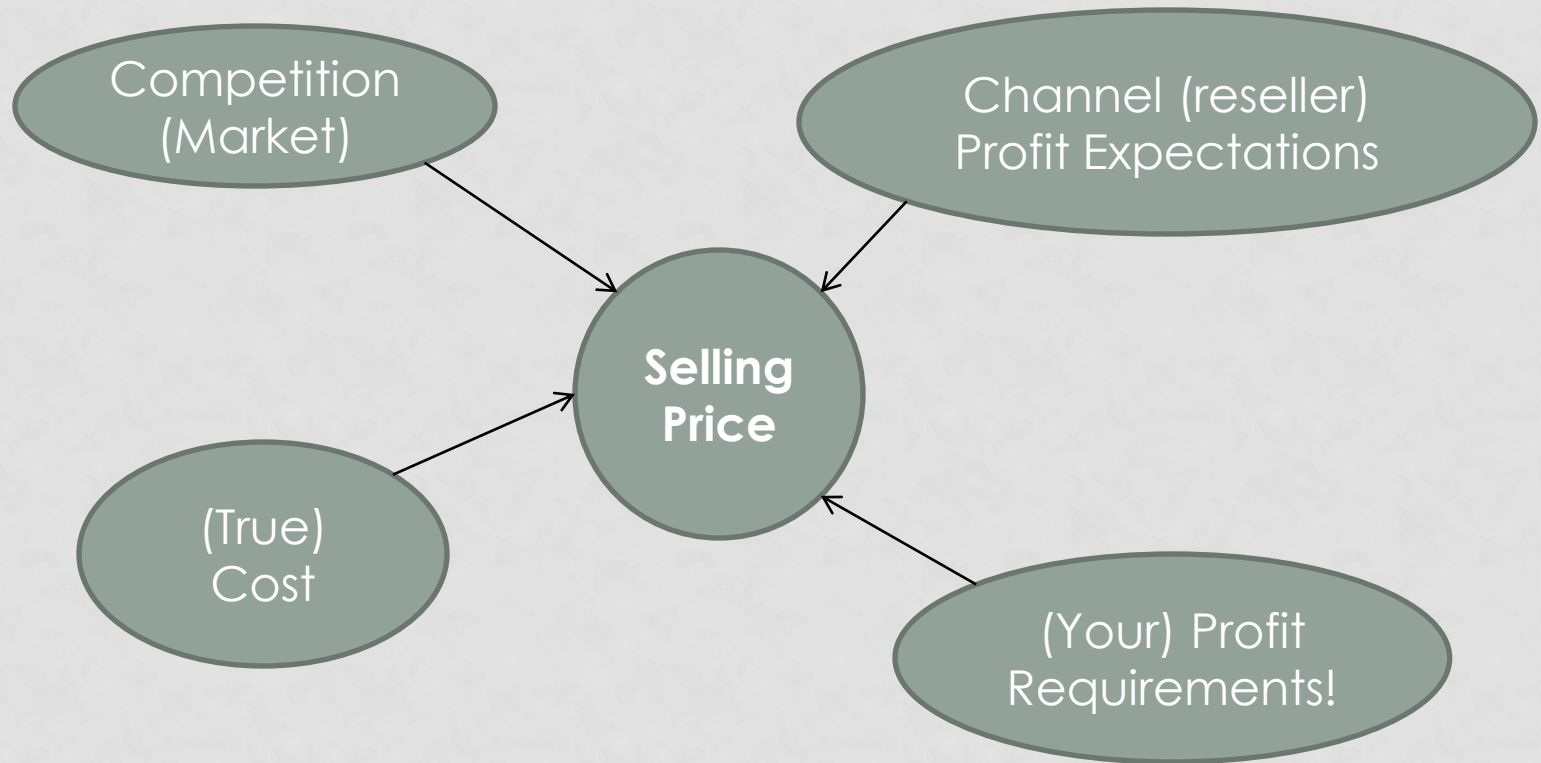
- Our objective is to give you the tools and information on the *overall* financial concepts you need to know so that your business provides sufficient revenue to make it worthwhile for you and your business to continue operation and grow.
- And, by definition, we go beyond the traditional narrow idea of “Finance”

# TYPES OF BUSINESSES

- Service vs. Product
- Small Business vs. Entrepreneur
- Manufacturer vs. Retailer/Reseller
- Growth vs. Lifestyle
- *These all have to be treated differently from a financial standpoint*



# PRICE DRIVERS



# PRODUCT PRICING MODELS

(HOW MANY?)

- Cost based pricing
- Market pricing
- Perceived Value pricing
- Market capture pricing

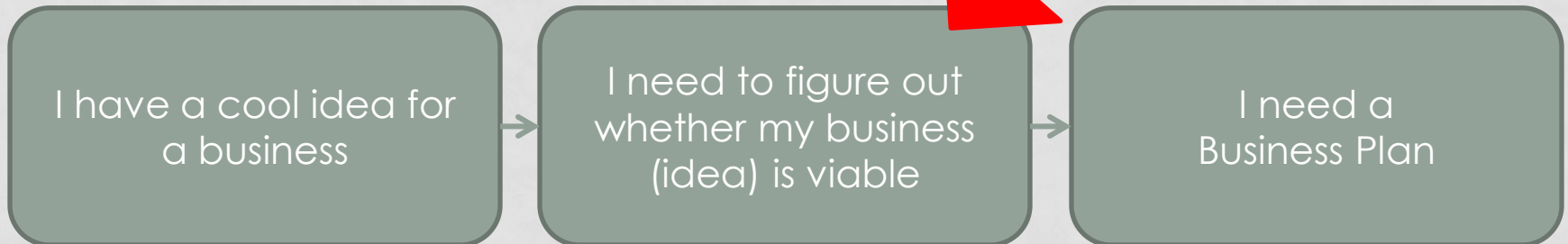
*And then there's MSRP vs. "Street"...*

# BUSINESS PLAN VS. PLANNING

Let's write a Business Plan



Let's do some Business Planning



This thinking process is absolutely critical...to your success

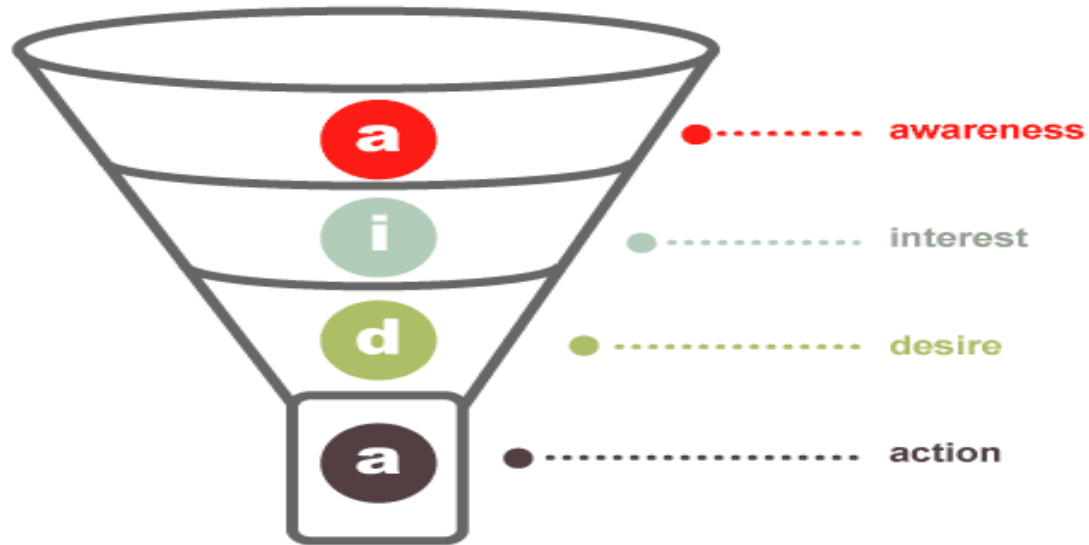
# BUSINESS PLANS/INVESTMENT

- What's the goal of the first communication with a potential investor?
  - **Get a meeting!**
    - *A meeting is the only way to establish rapport and overcome instant objections to anything you write*
  - Okay, you've got your first investor meeting. What's the goal of the first meeting with an investor?
    - **Get a another Meeting!**
      - *The plan has to be written that way...*

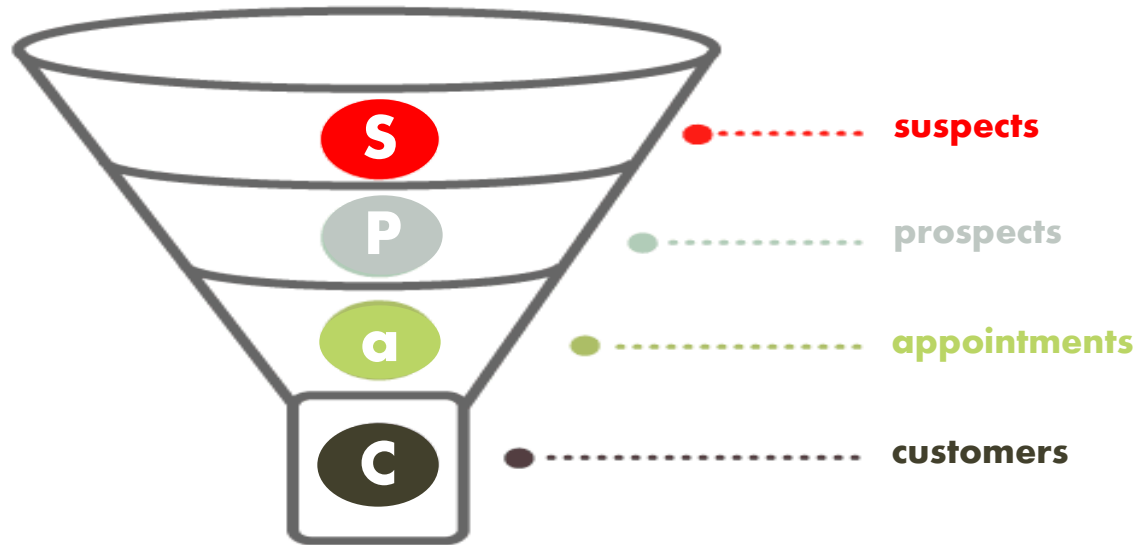
# BUSINESS FAILURES

- ❖ Most businesses don't make it past 5 years.
- ❖ Why?
  - Under-capitalization! Not enough cash to get through the inevitable lean early years.
  - Inadequate knowledge, preparation, etc.
  - ***Not understanding their market!***

# THE SALES FUNNEL - BOOKS



# THE SALES FUNNEL - OURS



# sales input

required value prospect base  
average contract value  
no. prospective new accounts

\$4,500,000  
\$500  
9,000

(1:5)

# conversion ratios through the funnel

appointments  
1,800

(1:3)

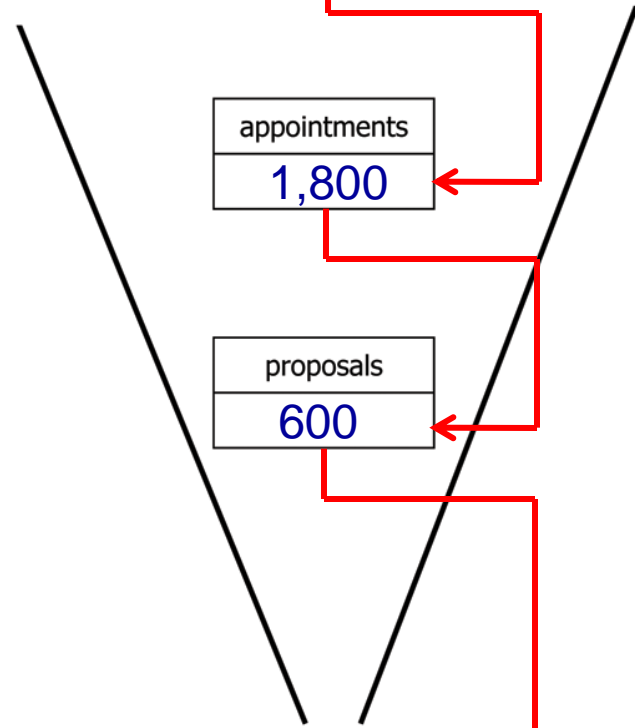
proposals  
600

(1:5)

# sales output

£/\$ annual sales target  
average contract value  
no. new contracts

\$60,000  
\$500  
120





# CASH BALANCE OF A START-UP

