THE HYBRID ENTREPRENEUR



A Novel Career in Science and Business

KEVIN J. SCANLON

The Hybrid Entrepreneur

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The Hybrid Entrepreneur: A Novel Career in Science and Business

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Description

Do you want to start your own company?

This book describes the management expertise, organizational skills, and vocabulary necessary to be a successful entrepreneur based on the author's academic and business career**.**

This book discusses the following:

- What are the successful characteristics of an inventor, an entrepreneur, and a CEO?
- Understanding the vocabulary of the entrepreneur's ecosystem.
- What are the evaluation criteria for the team, product, business model, and exit plan?
- Do consumers need or want your product?
- How to create the story that will fit the right investor for funding?
- Understanding the investor evaluation and screening process.

Readers will learn how to ask the right questions to build a strong ecosystem with service providers, customers, and investors.

If you want to be an entrepreneur, read this book. It is about the author's personal experiences as a scientist, an inventor, an entrepreneur, a CEO, and an investor.

Keywords

entrepreneur; startups; investors; incubators; funding process; legal issues; service providers; business strategy

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Testimonials

"*I would highly recommend this book to anyone who is curious about entrepreneurship. The book provides comprehensive knowledge about the venture creation process. Coming from a healthcare background, I had no prior business knowledge. However, I thoroughly enjoyed reading the book and learned so much from it. I believe that everyone can be an entrepreneur if they have the right resource, and this book is the perfect starting point.*"**—Thy Nguyen, Doctor of Pharmacy student, School of Pharmacy, Bouve College of Health Sciences, Northeastern University**

"This is a must-read for budding entrepreneurs. Working in healthcare, I always wanted to address significant unmet needs and inefficiencies in the industry by taking an entrepreneurial approach, but I frankly didn't know where to start. Like most students, I tried learning as much as possible about entrepreneurship through various online resources and talking to mentors. Still, I never truly felt that I was getting it (seeing the whole picture). Then I read The Hybrid Entrepreneur*, which gave me a unique bird's-eye view of the venture creation/building process and detailed the caveats to consider along the journey in an easily digestible way. So, I highly recommend this book, especially for budding entrepreneurs."***—Joon Seok Lee, Doctor of Pharmacy student, School of Pharmacy, Bouve College of Health Sciences, Northeastern University**

"*This book is a great help for entrepreneurs and investors."***—Eyal Geffen, Managing Partner, Sky Ventures Group**

"*Kevin Scanlon has written the requisite book for every scientific entrepreneur with a vision of a product and commercial success. The entrepreneur has the required tenacity for the vision but understanding the business/commercial aspects will either make or break the aspiring entrepreneur. Scanlon repeatedly states a mentor is critical, it's true and I concur.* The Hybrid Entrepreneur *should be required reading in any MBA entrepreneurial program. Scientific*

entrepreneurship is an interesting breed, brilliant inventions that can become game changers in industry. A step-by-step outline for essential, capitalization, commercialization will absolutely determine if the vision becomes actuality. The business tenets discussed in the book will help the scientist to transition to a businessperson who can discuss ROI one minute and the next molecular genetics diagnostics."**—Lawrence A. Rheins, PhD, Inventor, Founder and CEO, DermTech International**

"The Hybrid Entrepreneur *is a must read for any scientist seeking to commercialize their innovation. Moving from bench to boardroom is much harder than the other direction. The hybrid scientist/businessperson has difficulty in that there are no specific solutions to each issue that arises until a solution is tried. Dr. Scanlon demonstrates the many methods to reduce the uncertainty surrounding the hybrid entrepreneur and guide them through better decision making."***—Mark Lieberman, Chief Startup Officer, OSU Advantage Accelerator, Oregon State University**

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My Family: Alysa, Kara, Lauren, Maeve, Quinn, and Damian

My Students for their interesting questions

My Science Mentors
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Dr. M. Dietal (Charite Hospital, Berlin, Germany)

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J. G. Sheldon (Pasadena Angels Investment Group)
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Introduction

If it were easy to be an entrepreneur, everybody would do it.

—Robert Kiyosaki

In my experience, companies fail for two main reasons: The team dynamics change as the company grows and/or lack of money. This book will address these key business topics and additional issues typically faced by new ventures. First, we will evaluate commercially successful companies that took their concept to market. Next, we learn the vocabulary of the investor, customer, and management team to maximize the successful process of taking a concept to market. The questions we will address are the following: What are the skills and tools required for starting a new venture? What are the characteristics of an inventor, an entrepreneur, and a CEO? Do consumers need your product? How can you create a story that will interest investors? *The Hybrid Entrepreneur* should help you build you a strong foundation for your company.

This book is divided into five parts. We will review the essential elements needed for your new venture: a team, the product, a business plan, the business model, and the ecosystem to grow your new business. The team will be defined by the type of leader required for the stage of the company. The team requires certain skills and domain experience to run the enterprise. An evaluation of the organizational structure and the appropriate board for the company will be examined. The problem and the solution should be easily explained to either a customer or an investor. The product must address the needs of the customer and market. The product should have acquired legal protections to satisfy the needs of the investors. The legal protections should create a strong picket fence around the product to keep the competitors out of the market. Conversely, the protections should be strong enough to encourage the competitor to buy the product rights. The business plan should validate the target customer needs. The product should be identified in a growing niche market that can produce strong growth of revenues. The business

model should demonstrate a value proposition to the customer and have a strong sales cycle with multiple revenue streams of income. The final section will evaluate the contribution to making a successful venture with help from incubators, attorneys, and investors. The success of a company is measured by the return on investment at the exit of the company.

In addition, we will analyze these five parts from the point of view of an entrepreneur, a customer, and an investor. The challenge for the entrepreneur is to link their transformational idea to a significant problem. Ironically, solving a small problem can sometimes lead to a solution to a bigger problem. In nature, an organism's ability to adapt to a changing environment allows it to survive. Products need the ability to adapt to the customer's needs to grow in their commercial environment. Adapting to the ecosystem will allow the product or species to grow. This book will help you find the right ecosystem. The success of your product is dependent on your network of entrepreneurs, customers, investors, and service providers.

The *Hybrid Entrepreneur* can help you:

- Learn the skills to build a strong team.
- Learn the vocabulary of the CEO, the customer, and the investor.
- Learn how to do an investor pitch and an investor presentation.
- Create a useful customer survey.
- Define your business plan.
- Understand the investor company evaluation process.
- Understand due diligence and the term sheet conditions.
- Find where to meet investors.
- Identify the personality/domain expertise fit between entrepreneurs and investors.

If I had known these fundamentals before starting my business career, my journey might have taken an easier path. My personal experiences as an inventor, entrepreneur, and investor are described herein. I hope my experiences as a hybrid entrepreneur will help clarify the different paths ahead of you.

CHAPTER 1

The Three Legs of the Venture Stool

The three legs of the venture stool are entrepreneurs, customers, and investors. They are the basis for a convergent ecosystem. Their relationships test the economic viability of new products. A successful entrepreneur thrives in this dynamic ecosystem. Novel products should meet the needs or adapt to the wants of the customer. The investor will bring their resources and network to help make a profitable company.

The information presented herein is from my career experiences as an inventor, entrepreneur, and investor. The process of developing a successful product requires creativity and execution. Creating a concept, making a minimum viable product (MVP), demonstrating customer demand, and finding investors to fund the company are a complex endeavor. Success depends on a supportive business environment. Investors can provide more than just the money for the company; they can use their experience and network to help the team. Customers can enjoy new features to the product to outpace the competition. The entrepreneur will benefit from this supportive network.

Conversely, most companies fail by running out of money or by having team members whose expectations change. The team may not evolve with the growth of the company. The customer may lose interest in your product for a better solution. The investor knows getting a product to market takes twice as long and twice as much money as projected by the entrepreneur. This is an optimistic view of the investor. Most new ventures will require bridge funding to survive.

In evolution, organisms with unique properties often survive in specific environments. The changing environment stimulates new adoption processes (mutations) in the organisms. Adapting to a changing business environment can produce novel products that will survive in an evolving

and changing commercial ecosystem. The business culture tests entrepreneurial ideas to see if they are economically viable. This business ecosystem involves individuals with the support of financial organizations and professional resources. Successful products generate successful entrepreneurs who can generate successful networks. The solution for successful companies is to create an educated and collaborative community for spinning out technology.

There are at least two challenges facing the entrepreneur: finding a good mentor and trusting the business community. Learning to trust the business community is particularly difficult for some scientists to learn. They need a good mentor if they want to start a new enterprise.

The Technologist and/or Businessperson

It is easier to train a scientist to learn business than a businessperson to learn the science.

—Dr. Dale Stringfellow,
CEO, Berlex

A technologist can move from the laboratory bench to the business world but usually with difficulty. The business process, the business vocabulary, and the team dynamics are a challenge for scientists. They come from a different culture. The inventor needs to become an entrepreneur and attract a strong business team. But most companies need both technology and business expertise. The scientist has a strong knowledge of the product, while the partner can have a strong knowledge of the business process to make money. The company needs both these unique skills to work together. If the company lacks the skills in either area, then this adventure may be doomed. We have seen this failure in many companies that we have screened in our investment groups.

The Team

If the entrepreneur has good personal skills, they can find a supportive team. The team must be comfortable with the challenges of the day-to-day operations. Scientists are notorious about their passion but sometimes

to a fault. Scientists love to talk science, can sometimes go on for hours, but can be challenged by social settings. They may lack the skills necessary to be an effective extrovert in business. The business culture likes to get to the point quickly and directly, no nonsense. An entrepreneur with both skill sets is rare but does occur. A *hybrid entrepreneur* (a scientist/businessperson) may find the challenges even more difficult. They have training in both scientific research and business expertise. These scientists are rare and have unique life experiences. The challenge is to manage their educational training internally. Unfortunately, it has not been done well in most cases, but it has worked for some scientists. Reconciling these two cultures in one person is difficult but it can be done. There are several examples of academic professors becoming successful entrepreneurs. These entrepreneurs were able to identify what the customers needed. They were able to make a product that was faster, cheaper, and better than what was currently available on the market. They also provided good value and product reliability to ensure customer retention.

The Product

The company needs to test the product by third party validation and ensure it is a significant improvement over the competition. Additional diligence by the investor will be the type of legal protections of the product. The concept is reduced to practice. There are barriers to entry with the competing product. The legally protected product can be licensed or codeveloped without fear from the competition. Investors look for sustainable advantage over the competition with disruptive technology.

The Customer

> *If the product does not adapt to the changes in their market, the product will die.*
>
> —Dr. Kevin Scanlon

The entrepreneur needs to clearly define the product for the customer. This can be achieved through the help of an effective customer survey. A clear result of the survey would validate the target customer or require a

pivot of the product features or a new target customer. The survey should confirm the ability of the customer to buy the product and that it is better than the competition. For the product to create a beachhead market, it must be better, faster, and cheaper than the competition and take away market share from competitors. Investors will evaluate the customer and market from the point of view of growth, market size, competition, and value proposition to the customer.

The Investor

> *Investors would rather support a strong team with a weak product than a strong product and a weak team.*
>
> —Angel Investor Philosophy

The entrepreneur needs the investors' domain knowledge of the product, customer/market, their mentoring skills, and their network. Conversely, investors want to see a balanced team that can take a concept to market. The investor needs to get a good return on investment (ROI). Quick ROI allows for timely reinvestments in other new opportunities. This also prevents funding from being tied up for long periods of time.

The Pasadena Angels are a respected and accredited group of investors in Southern California. As a member of this group, I have seen that during the screening process we can receive about 25 to 50 company applications per month; we screen around 8 of these companies and typically have 4 present to the membership on a monthly basis. Roughly only one out of four of these companies moves through due diligence and receives a term sheet, a document which outlines the terms of investment and funding being offered. We also do "follow-on funding or bridge funding" for our portfolio companies. We fund about 25 companies annually out of about 600 screened applications.

Investors need confidence in the team to fund a company. The team should have a strong track record of performance with their product, customer, and market. A strong team can weather the ups and downs of a company's growth. A great product can easily fail with a weak team. Conversely, a strong team can pivot if the product does not match the customer's needs. Some of the questions an inventor should ask before starting

this adventure include: Is the founder a scientist or a businessperson? Can the inventor learn the skills of business and grow into an entrepreneur/CEO? Will the company be supported by a strong team and ecosystem? The investor is always looking to be part of a successful team.

Conclusion

Success has many fathers, but failure is an orphan.

—John F. Kennedy

The convergence of a business culture with a technology product may vary regionally. However, the business principals of starting a new venture remain the same anywhere. Strong business mentors and a supportive ecosystem are the key to enhancing the success rate of new ventures. We will look at the components that can make a successful company. Hopefully, these insights will improve the quality and success of new ventures.

Reflections on the Issues Addressed in This Section

- Does the company have the right product?
- Does the customer know the company and want your product?
- Does the investor want to invest in your company?

PART 1

The Team

Chapter 2. The Leader

An inventor, entrepreneur, or CEO

Startup challenges: Do you have a flash of inspiration followed by a handful of nagging doubts? You need to be honest with yourself; conviction is important, but blind conviction is also dangerous.

Chapter 3. The Management Team

The team will be defined by the type of leader you are and what is required for the different stages of this enterprise. The team requires certain skills and domain experience to run the company. The organizational structure and board composition for the company are critical for success.

Chapter 4. The Company

Get the right people on the right bus and in the right seat.

—James C. Collins

The success of a company is measured by customer satisfaction for the product, the ROI to the investors, and a healthy culture of the company.

To be a successful entrepreneur, remember The Rule of Three:
Network, network, and network
Practice, practice, and practice
Quality, quality, and quality

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If you want to be an entrepreneur, read this book. It is about the author's personal experiences as a scientist, an inventor, an entrepreneur, a CEO, and an investor.



Dr. Kevin J. Scanlon received his PhD in molecular biology at the University of London. Dr. Scanlon's academic achievements include coauthored 139 scientific articles and nine medical books. He was a Leukemia Society Scholar and won the Paul Martini Medical Research Prize in Germany. He was cofounder and coeditor of the Nature Journal *Cancer Gene Therapy* and president of the International Society of Cell & Gene Therapy. Dr. Scanlon also holds seven issued U.S. patents. At Berlex-Schering AG (Berlin, Germany), he was responsible for the genomic and cancer programs in the United States, Europe, and Asia. As CEO of Melanoma Diagnostic, he sold his company to Myriad Genetics. When chairman of the Pasadena Angels, he was identified by *LA Techweek* as an individual impacting the Los Angeles business community on a significant scale. He was also executive member of the Tech Coast Angels in Los Angeles and investment advisor to Sky Ventures in Boston.

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Scott Shane, *Editor*

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