Elements of Success for an EDA Start-up in Silicon Valley

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王山

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Qualifications of Dr. Sang Wang

- Born in 云南, grew up in Taiwan
- National Taiwan University, B. S. in Electrical Engineering
- Ohio State University, M. S. in Physics
- Stanford University, Ph. D. in Electrical Engineering
- 1976-1986 Senior Technical Staff in software development
- 1986-1997 Co-founder, CEO, EPIC Design Technology
  - Completed IPO on NASDAQ in 1994
  - Acquired by SNPS in 1997
- 1999-2005 CEO, Nassda Corporation
  - Completed IPO on NASDAQ in 2001
  - Acquired by SNPS at in 2005
Agenda

- Why Start a Company?
- Fund Raising for Start-ups
- Key Success Elements for an EDA Start-up
Why Start a Company?
为何要出来开创一个新公司?

- Dissatisfaction with present work situation
- Ambitious for success, fame and better career prospects
- Interested in venturing and running one’s own business
- Stimulated by new technology or product possibilities, which might change the industry
- Achieve personal dream and financial independence
The Process of Starting a Company

- Conceive an innovative idea and confirm its market opportunity
- Form the founding team and decide roles & equity shares
- Register your company
- Formulate your business plan and development roadmap
- Raise seed money, find an office and start operations
- Develop your technology and product(s)
- Raise more funds from angels or VCs
- Market, sell and support product(s)
Fund Raising for Start-ups 筹资金

- Company needs money to sustain its continuous operation. 有钱好办事.
- Company raises: seed money, angel fund and/or venture capital by an exchange investment funding with company’s stock, i.e. 成为公司股东.
- Seed money 种籽资金: usually small amounts, raised from founders, friends, relatives and sometimes angels.
  - To register your company and get the company off and running, pay for rent, equipment, software, reduced salaries and professional services: lawyers and accountants, develop core technology and explore product ideas.
  - To test market response to your product “prototype”.
- Seed money typically lasts for one year or so.
Fund Raising for Start-ups

创业风险资金

- Raising the Angel Funding and/or Venture Capital Funding
  - Mostly in the form of Series A, B, C... Preferred Shares
- The fund raising process is generally as follows:
  - Send your business plan to targeted angels or VCs
  - Call for meetings, make presentations (and demonstrations)
  - Interested party will conduct “due diligence” on the company, market and the founding team
  - Negotiate terms and valuation based on a terms sheet by the interested party
  - Final decision and investment document agreed and signed and investment check deposited
VCs In China

- Sample VCs In China:
  - Granite Global
  - IDT
  - Intel Capital
  - JAFCO
  - Mobius VC
  - NEA
  - SAIF
  - Sequoia
  - WI Haper
Fund Raising for Start-ups

- Writing your Business Plan 企业计划
  - Executive Summary
  - Company Description
  - Core Technology/Competency
  - Product(s) to be Developed
  - Market Description, Size of Product Market
  - Competitions, Risks
  - Company’s Advantages
  - Management Team, Credentials/Track Records
  - Financial Plan, Business Growth Forecast
  - References
  - Funding Amount Sought
# Fund Raising for Start-ups

## Differences between Angel Funding and Venture Capital Funding

<table>
<thead>
<tr>
<th></th>
<th>Angel fund</th>
<th>VC fund</th>
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<tbody>
<tr>
<td>Turnaround time</td>
<td>2-4 months</td>
<td>3-6 months</td>
</tr>
<tr>
<td>Typical Investment</td>
<td>$500K-$2M</td>
<td>$1M-$10M</td>
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<tr>
<td>Board Seat</td>
<td>Sometimes</td>
<td>Most of the time</td>
</tr>
<tr>
<td>Company valuation</td>
<td>Higher</td>
<td>Lower</td>
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<tr>
<td>Terms/conditions</td>
<td>Less demanding</td>
<td>More demanding</td>
</tr>
<tr>
<td>Documentation</td>
<td>Less stringent</td>
<td>Rigorous, elaborate</td>
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<tr>
<td>Partnership nature</td>
<td>Silent partner</td>
<td>Supervisory partner</td>
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What VCs Want from Start-ups?

VCs look for the “Winners”
- Grow to $100M revenue per year in 10 years
- Total available market for the company product
- Entrepreneurs with winning track records
- Strength of the management team
- Superior technology & product
- Addressing a new market demand

VCs have < 20% investment success rate
Key Success Elements for a Start-up

- Group of excellent core people
  - Co-founders with vision and leadership, competent technologists, seasoned sales and marketing staff
- Innovative idea that can make an impact on the market
- Good staff, healthy organization and strong teamwork
- Superior core technology and products
- Reasonable funding for development and release of the product
- Right timing for the product to meet market demand
- Effective product positioning, sales & support
- Excellent customer and alliance relationship
Key Success Elements for a Start-up

- **Group of excellent core people** 优秀的核心成员
  - People make the difference
  - Harmony and mutual trust among core team highly important. 人和万事兴  Fair equity distribution among core team members
  - Executives with vision and leadership 领导力，眼光
  - Competent technologists create and maintain the product superiority
  - Seasoned sales and marketing staff bring products to market effectively
  - Establish fairness in ownership and reward system
  - Continue to hire good employees as the company grows 得人者昌
Stock Options for Employees
期权股票

- An Important Silicon Valley Success Formula
  - All common stock shares
  - Founders’ stock and founders’ options
  - Employees’ stock option offers and option pool
  - Risk and reward scaling process
  - Vesting and exercising stock shares
  - Fair market value and tax liability
  - Value ramps up before IPO
  - Make real money out of public stock trading
  - Additional option offers: incentive and evergreen
Key Success Elements for a Start-up
创新的主意，科技与产品

- Innovative ideas which can impact market
  - Success is as big as the company’s new idea
  - Ideas must meet the market needs
  - First player in a new area has its advantages

- Superior technology and products
  - Needed to win in a competitive market: large established companies have more resources, longer customer relationships, stronger product lines and broad solutions
  - Must meet customers’ requirements

- Right timing for the product
  - Timing is everything
Key Success Elements for a Start-up

- Effective product positioning, sales & support
  - Build proper market perception of the company and product, brand name recognition
  - Present product to the right prospects ASAP
    - Alpha and Beta test partners, in the case of software
    - Development partners, design-ins in targeted systems
    - Early adopters and product references
- Support is key to win customers’ trust and their continuous business
  - Bring market feedback to the development team to continuously improve the product
Key Success Elements for a Start-up

人员，组织与团队合作

- Competent company staff, healthy organization and good teamwork
  - Talented people join attractive companies 人才难得
  - Attractive companies have healthy organizations
    - Reasonably structured organization for efficient operation 良好的法规 制度
    - Competitive employee benefits: insurance, vacation & sick leave, bonus & profit sharing, recreational activities, ESPP
  - People-oriented corporate culture
  - Environment encouraging creativity and openness

- Excellent customer and alliance relationship
  - The customer is king 顾客都准是没错的
  - Alliances integrate company’s product into the total solution for customers
Conclusion

创业成功的要素

- Group of excellent core people
- Innovative idea that can make an impact on the market
- Good staff, healthy organization and strong teamwork
- Superior core technology and products
- Reasonable funding
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