

Topic 1.6: The changing world – Startups

- startup (N-COUNT)

A **startup** company is a company in the early stages of operations. **Startups** usually seek to solve a problem or fill a need. A company is considered a **startup** until they stop referring to themselves as a **startup**.

- disruptive technology (N-VAR)

A **disruptive technology** is a new emerging technology that unexpectedly displaces an established one. (e.g. Uber/Lyft vs. Taxis or Amazon vs. in-store shopping).

- entrepreneur (N-COUNT)

An **entrepreneur** is an individual who starts a business venture, assuming all potential risk and reward for his or herself.

- tech-savvy (ADJ)

Someone who is **tech-savvy** knows a lot about modern technology, especially computers.

The state needs more tech-savvy workers for its hi-tech industries.

- Fintech (N-UNCOUNT)

Financial technology, also known as **Fintech**, is an economic industry composed of companies that use technology to make financial services more efficient.

- bootstrapped (ADJ)
bootstrap (VERB)

A company is **bootstrapped** when it is funded by an entrepreneur's personal resources or the company's own revenue. The term evolved from the phrase "pulling oneself up by one's bootstraps."

- exit (N-VAR)
exit (VERB)

This is how startup founders get rich. It's the method by which an investor and/or entrepreneur intends to "**exit**" their investment in a company. Common options are an IPO or buyout from another company. Entrepreneurs and VCs often develop an "**exit strategy**" while the company is still growing.

- round (N-COUNT)

Startups raise capital from VC firms in individual **rounds**, depending on the stage of the company. The first **round** is usually a **Seed round** followed by Series **A, B, and C rounds** if necessary.

- venture capital (N-UNCOUNT)

Venture capital is money provided by venture capital firms to small, high-risk, startup companies with major growth potential.

- venture capitalist (N-COUNT)

An individual investor, working for a venture capital firm, who chooses to invest in specific companies. **Venture capitalists** typically have a focused market or sector that they know well and invest in.

- lead investor (N-COUNT)

When a venture capital firm or individual investor organizes a specific round of funding for a company, usually investing the most capital in that round, it is called the **lead investor**.

- IPO (N-COUNT)

Initial public offering. The first time shares of stock in a company are offered on a securities exchange or to the general public. At this point, a private company turns into a public company and is no longer a startup.

- iteration (N-UNCOUNT)
iterate (VERB)

Iteration is the process that the founders of a tech startup use to continuously change and improve their product. When you **iterate** a product, you test it with users, get feedback, change the product to improve it and test it again, and so on.

- MVP (N-COUNT)

MVP stands for **Minimum Viable Product**. It is the most basic version of a product required to achieve proof of concept. **MVPs** are often used in the creation of new software that will be Beta tested, and later upgraded with extra features.

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1. Match each stage label with its corresponding description in the funding lifecycle of a startup.

- | | |
|------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| a. concept stage | i. In this stage the concept begins the process of being vetted and if appropriate, validated. Friends and family investment is typical at this stage. |
| b. seed stage | ii. Expansion continues as the venture attempts to scale its sales. The venture is typically financed in this stage by VCs with a Series A or B round. Depending on the development of the company the financing may be considered a bridge round. |
| c. early stage | iii. Following the initial validation by third parties comes development of the product, infrastructure and team. Then late in this stage the company begins its growth effort. Angels invest heavily at the later points of this stage. |
| d. growth stage | iv. The last of the startup funding rounds requires a bridge round (Series B or C) from VCs and culminates in an IPO or sale to a strategic player. |
| e. mezzanine financing stage | v. The initial stage at which the entrepreneur begins to develop the idea in their mind. |
| f. exit stage | vi. The company endeavors to grow sales. It is usually financed by follow-up financing from angel groups, super angels, larger angel groups, angel syndicates and VCs as part of Series A, and as such this growth which began late in the preceding stage extends into the next stage. |

Source: <http://fundingsage.com/startup-funding-rounds-and-the-funding-life-cycle/>

2. Use the terms in the box to complete the advice given by Tom Britton, chief technology officer and co-founder of crowdfunding platform, SyndicateRoom.

business angels	round	lead investor	startups	iterate
iterations	bootstrapped	minimal viable product		

- Hi All, Tom from SyndicateRoom here and I'm happy to chat about raising finance for or share experience gained from building this business from scratch.
- We started out with what is normally referred to as the three Fs i.e. asking friends, family and fools to donate (the fools is not "literal" but you get the idea). We until we had our minimal product ready and then it was easier to speak with about a second of funding. Now though, you can definitely try the crowdfunding method and if you have attracted a, [you] can speak with us at www.syndicatoroom.com :)
- I tend to work towards the theory behind the "....." so when I start a new project I always build it in and launch it as soon as the basic functionality is working well. This always allows me to gauge responses quickly, get feedback quickly and ensure the market has a say on what we are building. We can't all be Steve Jobs so sometimes it is good to listen.
- The first thing I do before setting out to create anything is test the idea with the potential audience. Best if they are not close friends or family because they will be biased so find some people you may know just a little bit or may not know at all and sound out the idea. You can use their feedback to and then when you've got

Topic 1.6: The changing world – Startups

something that people seem to want / like you can try and make a prototype. If it's a website you should check out "paper-prototyping", if it's a physical good you can always try to 3D print it.

Source: <https://profile.theguardian.com/user/id/12417819>

3. Read the text and answer the questions.

Digital startups often talk about MVPs - minimum viable products. The approach to developing MVPs is to find the quickest way to test out a new idea by creating the minimum amount needed to get feedback on your idea. If done well, it can be cheap and quick - giving small and medium sized businesses an effective/efficient way to test a new idea. Digital makes this cheaper as an MVP can be made quickly and you can look for responses to it as a way of giving you confidence to put more time/resource into developing the idea.

- a. What does MVP stand for?
- b. Why do medium sized businesses use MVPs?
- c. How do MVPs work?

4. Which of the following statements are true and which are false?

- a. Disruptive technologies transform life, business and the global economy.
- b. The mobile internet is an example of a disruptive technology.
- c. When a startup launches an IPO, the entrepreneurs retain full ownership of the company.
- d. A startup is likely to have employees who are tech savvy.
- e. Startups always need venture capital to become successful.
- f. If you work as a bank teller, you are working in the Fintech sector.