

## ***Why Do So Many Technology Entrepreneurs Fail To Successfully Commercialize Their Product/Service?***

*by*

Peter Abramo, Ph.D.  
Michael Edmondson, Ph.D.

The majority of technology entrepreneurs fail. They fail to receive adequate financing and as a result, they fail to build a successful company and to commercialize their product. Moreover, their dream of turning their vision (in the form of their product or invention) into reality fails as well. Approximately 1 out of every 300 investor presentations that are heard, or business plans that are read by investors, ever receive the appropriate levels of funding required for commercialization. When coupled with the number of public and private grant applications that fail to receive funding that number increases. So why do most technology entrepreneurs fail? This article highlights three key reasons why technology entrepreneurs fail while providing clear and practical steps that can be immediately implemented to empower them with a better chance of success.

One reason technology entrepreneurs fail is because their investor presentations and business plans lack a compelling story. In today's hyper-competitive and ever dynamic Creative Economy, investors and strategic partners are receiving more information more quickly from more sources than ever. Subsequently, only those entrepreneurs with savvy and compelling fact-based stories will be able to break through the noise and be memorable. Unfortunately, many technology entrepreneurs develop their business plans and presentations themselves. Virtually all of these documents tell the story of a very complicated technology that is predicted to have wide applicability to a big enough market that capturing between 1 and 10 percent will lead to millions of dollars in sales. Building plans and presentations this way generates a less than persuasive story required to compel an investor to finance a company. As *MedAdNews* observed, "Smaller companies with products at earlier stages of development must become

more savvy in telling their story. <sup>4i</sup> Technologists do not think like business people and fail to tell a sophisticated and savvy business story about their product.

An increasingly frequent addition to this is using business school students to write a business plan or prepare an investor presentation. As the number of business incubators on or near college campuses grows, students are used as an inexpensive alternative to write business plans or design presentations. The recent growth in academic business plan competitions exacerbates this trend. Unfortunately, the vast majority of these students have no real world experience running a business, raising capital, or even working at an executive level in the private sector. The same thing is true for their faculty mentors who inhabit a world of theoretical business transactions that does not reflect the world that technology entrepreneurs operate in. Would-be entrepreneurs who follow this route are opening the door to disappointment while thinking they are taking the right steps to move ahead. They will fail without realizing that the quality of their plans and presentations are far more important than merely having such documents.

There are three characteristics that make up a savvy and compelling story. First, the story must be told in linear fashion. This means that the story needs to contain a beginning, middle and end. Second, the story must highlight the problems in the market place that the product will be solving as well as the issues the company will face when attempting to enter the market. And thirdly, a compelling story should have a minimal amount of product description and be easy to understand for the non-technical audience. Remember, this is primarily a story about a business, not a technology. Moreover, once completed, the elements of the story must be consistently implemented into all of the marketing and business documents the investors will review.

Another reason technology entrepreneurs fail is because they lack the ability to convince people that they can make money. This lack of persuasiveness is often attributed to a lack of communication savvy visible during a presentation or discussion with potential investors. As one potential investor told a technology entrepreneur, “I don’t know how to spell DNA but I know how to make money and you’re not doing it.”<sup>ii</sup> Investors know all too well that the majority of entrepreneurs will simply fail to meet their expectations and fail to achieve the required payback the investor desired. As a result, investors are looking for those companies that exhibit marketing savvy and understand that incorporating a sophisticated and well thought-out marketing plan is a key ingredient for the company to have a successful commercialization experience that will hopefully reward the investors in the short, and long, term.

Technology entrepreneurs can communicate their ability to make money by demonstrating a higher level of marketing savvy. All technology entrepreneurs need to constantly remind themselves of the phrase, “Just because you sell it doesn’t mean people will buy it.”<sup>iii</sup> The majority of technology entrepreneurs fail to respect the importance of marketing and instead focus solely on product development. This type of myopic thinking will only lead to failure in today’s Creative Economy. Instead, technologists should clearly demonstrate their marketing savvy by illustrating a well thought out marketing goal as well as the strategies and tactics needed to accomplish that goal. This requires a good deal of research and strategic thinking. Due to the complexity of this component and the likelihood of bias, the process by which the marketing goal and strategy is built should be driven by someone outside of the company who is not as close to the product development. As is the case with developing a savvy story, technologists are too biased and not trained in business while students are simply too inexperienced to engage in the strategic thinking required to design a compelling marketing strategy.

A third reason technology entrepreneurs fail to turn their vision into reality is because they often lack charisma when presenting. The ability to make a dynamic presentation and communicate clearly is a critical component for success. Remember, investors invest in people as much, or more so, than in products. A simple yet common error made by technology entrepreneurs when presenting to investors is to read from all text slides. This is generally not a good idea. As Matthew Stewart observed, “Next to analysis, communication skills must count among the most important for future masters of the universe.”<sup>iv</sup>

To give a charismatic and dynamic presentation a technology entrepreneur needs to exhibit three characteristics: confidence, clarity and conciseness. A technologists needs to be confident when telling his story in front of a large group of people. He must also be clear and concise so as to keep the audience’s attention. Unfortunately, many technology entrepreneurs believe that since they have developed the product they should be the one presenting the story. This is also not a good idea. As author Pip Coburn pointed out, “Technologists must suppress their inner geek...become user centered... and should employ sociologists... communication consultants and change consultants...”<sup>v</sup> Having a third party develop and then give the investor presentation is certainly a valuable step in the right direction for technology entrepreneurs who lack the ability to give a dynamic presentation and use language that a lay audience can understand. Academics are particularly guilty of this since they are familiar with giving very technical presentations to their colleagues at professional conferences but not in communicating with people who have no inherent interest or training in their field.

The dynamics of investing in today’s Creative Economy demands that for a technology entrepreneur is to succeed in acquiring funding, he must develop a compelling story, design a savvy marketing strategy and then give a charismatic presentation. It is important to remember that despite the tremendous number of companies looking to raise money, “The markets are still willing to fund companies that are showing losses, provided there is a plausible story for

achieving profitability in the foreseeable future.”<sup>vi</sup>

Supporting successful technology entrepreneurship is an important tool in our economy. It helps spur innovation at every level. As the National Governor’s Association March 2007 report entitled *Innovation America* noted, such innovation is required if the U.S. is to rise to the current global challenge. Today’s global competitiveness, “demands that we rethink how to induce the economy to grow and create good jobs.”<sup>vii</sup> Empowering technology entrepreneurs to create savvy stories that will compel investors to provide funding is a step in the right direction.

-----

#### ENDNOTES

---

<sup>i</sup> *MedAdNews* August 2005.

<sup>ii</sup> Cephalon board member William P. Egan to CEO Cephalon Frank Baldino as quoted in *Business Week*, April 24, 2006.

<sup>iii</sup> Steve McKee, *Business Week*, June 7, 2006.

<sup>iv</sup> Matthew Stewart, “The Management Myth,” *The Atlantic Monthly*, April 2006.

<sup>v</sup> Pip Coburn, *The Change Function: Why Some Technologies Take Off and Other Crash and Burn* (Portfolio, 2006).

<sup>vi</sup> Jay Ritter, Professor of Finance, University of Florida, *Business 2.0*, March 2007.

<sup>vii</sup> <http://www.nga.org/Files/pdf/0702INNOVATIONCALLTOACTION.PDF>