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List of Common Entrepreneurial Terms

- **Accelerator**: A timed program for building startups in a space that can provide all the supporting resources required to scale
- **Acquisition**: Taking ownership of another business. Frequently used in conjunction with the word merger, as in mergers and acquisitions or M&As
- **Agile**: To be flexible, incremental and iterative in business development methodology
- **Aggregator**: A business model where various companies/service providers aggregate under one brand and money is earned as commissions. Ex. Uber, Airbnb
- **Alpha**: Excess returns relative to a specific market index
- **Angel Investor**: Individuals who back emerging entrepreneurial ventures, usually as a bridge to get from the self-funded stage to the level of business that would both need and attract venture capital
- **Appraisal**: A formal estimate of the value of something on the open market. It also describes how the estimation and conclusion of valuation is made
- **A/B Testing**: Two versions of a page, text, or call to action upon which you examine the differences and similarities between outcomes
- **Board of directors**: A group of experts who oversee the activities of a startup
- **Bootstrapping**: Relying on self-funding
- **Business Valuation**: An estimate of the worth of a business entity and its assets
- **Business model**: A conceptual structure that supports the viability of a product/service or company and explains how the company operates, makes money, and how it intends to achieve its goals
- **Burn rate**: The rate at which a startup spends money
- **Calling capital**: Keeping cash idle in the VC bank account depresses the ultimate rate of return a VC can earn for its LPs.
- **Cap tables**: Analysis of stockholders' ownership, dilution and option pool
- **Carried interest**: A portion of the profits of the fund

- **Chasm**: What differentiates early from the mainstream market
- **Cliff**: A predetermined period after which stocks gradual vest
- **Competitive advantage**: A startup's unique differentiator(s)
- **Consumer packaged goods (CPGs)**: items used daily by average consumers that require routine replacement or replenishment, such as food, beverages, tobacco, makeup, and household products. While consumer demand for CPGs largely remains constant, this is nevertheless a highly competitive sector, due to high market saturation and low consumer switching costs, where consumer can easily and cheaply switch their brand loyalties.[1]
- **Crowdfunding**: Raising many small amounts from large groups
- **Customer acquisition cost (CAC)**: What it costs to acquire a customer
- **Customer development**: Part of the initial startup is to discover and validate the market
- **Due Diligence**: The inquiry process of obtaining sufficient and accurate disclosure of all material documents and other information which may influence the outcome of the transaction.
- **Disruption**: The creation of new markets and opportunities by introducing something that outplays current technologies
- **Dragon**: Startup raises over $1 billion in a single round
- **Evangelists**: Early product users
- **Enterprise products**: Products for sale to an enterprise
- **Exit**: A strategic plan to sell ownership in a company to investors or another company. An exit strategy gives a businessowner a way to reduce or liquidate their stake in a business and, if the business is successful, make a substantial profit. Exits can come in the form of mergers, acquisition or IPO of a startup[1]
- **Founder**: Someone who originates and establishes an organization
- **Franchise**: A franchise is a type of license that a party (franchisee) acquires to allow them to have access to a business's (franchisor) proprietary knowledge, processes, and trademarks in order to allow the party to sell a product or provide a service under the

business's name. In exchange for gaining the franchise, the franchisee usually pays the franchisor an initial start-up and annual licensing fees.[1]

- **Freemium**: A combination of the words "free" and "premium," the term freemium is a type of business model that involves offering customers both complementary and extra-cost services. A company provides simple and basic services for free for the user to try; it also offers more advanced services or additional features at a premium[1]
- **General Partnership**: A general partnership is a business arrangement by which two or more individuals agree to share in all assets, profits and financial and legal liabilities of a jointly-owned business structure
- **General Partners** (GPs) are the legal decision-makers in the fund and also bear the full brunt of liability. GPs are fiduciaries to the LPs, meaning that they have a legal responsibility to act in the best interests of the LPs.
- **Hockey Stick**: A hockey stick chart is a line chart in which a sharp increase occurs suddenly after a short period of quiescence. The line connecting the data points resembles a hockey stick. Hockey stick charts have been used in the world of business and as a visual to show dramatic shifts, such as global temperatures and poverty statistics.[1] The data represented in the chart typically indicate a sharp increase or decrease along the Y-axis indicating positive growth or a decline in growth in the trendline
- **Initial Public Offering (IPO)**: An IPO refers to the process of offering shares of a private corporation to the public in a new stock issuance. Public share issuance allows a company to raise capital from public investors. The transition from a private to a public company can be an important time for private investors to fully realize gains from their investment as it typically includes share premiums for current private investors. Meanwhile, it also allows public investors to participate in the offering [1]
- **Intellectual property (IP)**: IP refers to creations of the mind, such as inventions; literary and artistic works; designs; and symbols, names and images used in commerce.

IP is protected in law by, for example, patents, copyright and trademarks, which enable people to earn recognition or financial benefit from what they invent or create[2]

- **Iteration**: A new version
- **Intrapreneur**: An employee who is tasked with developing an innovative idea or project within a company. The intrapreneur has access to the resources and capabilities of the established company for which they are employed by
- **Incubator**: A space that provides workspace, coaching, and support services to entrepreneurs and early-stage businesses
- **Joint Venture**: A legal entity created by two or more businesses joining together to conduct a specific business enterprise with both parties sharing profits and losses. It differs from a strategic alliance in that there is a specific legal entity created
- **KPI**: Key (quantifiable) performance indicators
- **Lead Investor**: The first person to put money into your deal. These individuals can be social proof to other investors.
- **Limited Partnership**: A business arrangement in which the day-to-day operations are controlled by one or more general partners and funded by limited or silent partners who are legally responsible for losses based on the amount of their investment. **LP's** include:
  - *Universities* (e.g., Harvard, Yale) — Nearly every university solicits donations from its alumni for their endowments. The returns on investment from these endowment funds are used for operating expenses and scholarships and, in some cases, to help fund capital expenditures such as new buildings. The Yale endowment, for example, contributes to about 1/3 of the annual university operating budget.
  - *Foundations* (e.g., Ford Foundation, Hewlett Foundation) — These non-profit organizations are bequeathed money by their benefactors and are often expected to exist in perpetuity on those funds. The returns on investment of these funds enable the foundation to make charitable grants, and, in the U.S., foundations are actually required to pay out 5% of their funds each year in

support of their respective missions to maintain their tax-free status in the U.S. Thus, over the long term, real returns need to exceed this 5% payout level to ensure a foundation's existence.

- *Corporate and state pension funds* (e.g., California State Teachers Retirement System, IBM pension). A few corporations, most states, and many countries provide pensions for their retirees, funded mostly by contributions from the current employee base in a pay-as-you-go system. The ability to generate real investment returns helps offset the inflation (particularly in healthcare costs) and the shifting demographics (which results in more retirees than current employees) that continually eat away at the value of the pension fund.
- *Family offices* (e.g., myCFO, US Trust). These investment managers invest on behalf of very high net-worth families. Their goals are set by the individual families, but often include multi-generational wealth preservation and/or funding large charitable efforts.
- *Sovereign wealth funds* (e.g., Korea Investment Corporation, Temasek). These organizations manage the economic reserves of an entire country (the reserves are often the result of something U.S. citizens know nothing about — government surpluses!). The returns are then used for the current or future generations of citizens.
- *Insurance companies* (e.g., Metlife, Nippon Life). Insurance companies invest the premiums they earn from policyholders (known as "float") for when they are required to pay out future benefits.
- *Fund-of-funds* (e.g., Harbourvest, Horsley Bridge). These private firms raise funds from their own LPs and then invest that money in venture capital and other financial managers. They aggregate small LP assets and then deploy that capital into VCs (as opposed to other venture LPs who invest directly into VC funds) because as smaller instances, they would otherwise find it difficult or economically inefficient to do so.[3]

- **Lean model**: A methodology based on quick adaptation (lean startup)

- **Management fee**: the annual fee based upon the size of the fund that the GP uses to pay salaries and other expenses associated with running the fund
- **Merger**: A joining together of two previously separate corporations. A true merger in the legal sense occurs when both businesses dissolve and move their assets and liabilities into a newly created entity.
- **MVP**: The product version with only core features for testing
- **Partnership**: A business form in which two or more individuals who carry on a continuing business for profit. A partnership is legally regarded as a group of individuals rather than as a single entity, and each of the partners file their share of the profits on their individual tax returns
- **Patent**: A property right granted to an inventor to exclude others from making, using, offering for sale, or selling the invention for a limited time in exchange for public disclosure of the invention when the patent is granted
- **Phases of Investment**: there are generally four distinct phases of investments before it's truly established; seed capital, venture capital, mezzanine funding, and an initial public offering
- **Private Equity**: An alternative investment class and consists of capital that is not listed on a public exchange. Private equity is composed of funds and investors that directly invest in private companies, or that engage in buyouts of public companies, resulting in the delisting of public equity
- **Pre-money valuation**: The value of a startup prior to an investment
- **Post-money valuation**: The value of a startup upon funding
- **Pitch deck**: A brief startup presentation, typically differs for each audience: Investors, Partnerships, etc.
- **Seed money**: The money raised to begin developing an idea for a business or a new product. It generally covers only the costs of creating a proposal that can be taken to venture capitalists in order to obtain additional funding
- **Series A, B, C, D, E funding**: These stages of funding fall into the venture capital phase of investments. Venture capitalists provide the bulk of the money needed to start a new

business, it is thus a considerable investment. This funding typically pays for product development, market research, and prototype production. Most startups at this stage have offices, staff, and consultants, even though they may have no actual product.

- **Subscription model**: Subscription-based business model that lets you keep customers over a long-term contract where they get recurring revenues from repeat purchases (monthly/annually). Ex. Netflix, Ipsy
- **Startup**: A company initiated by individual founders or entrepreneurs to search for a repeatable and scalable business model
- **Realized cash distributions**: Cash (or stock) realized by a VC upon a portfolio company exit event that is distributed to the LPs
- **ROI**: Rate of the return on an investment
- **Run rate**: An estimation of future financial performance based on current data
- **Sole Proprietorship**: A business owned and operated by one person
- **Sweat equity**: Shares of the business in exchange for effort
- **Traction**: A measurable set of performance indicators
- **Target market**: A target market refers to a group of potential customers to whom a company wants to sell its products and services. This group also includes specific customers to whom a company directs its marketing efforts. A target market is one part of the total market for a good or service[1]
- **Term sheet**: A term sheet is a nonbinding agreement setting forth the basic terms and conditions under which an investment will be made. It serves as a template to develop more detailed legally binding documents. Once the parties involved reach an agreement on the details laid out in the term sheet, a binding agreement or contract that conforms to the term sheet details is then drawn up.[1]
- **Unicorn**: A startup valued at over $1 Billion
- **Unrealized carrying values**: Reflect the estimated fair market value of a portfolio company if it were to be liquidated today by the VC.
- **Validation**: Proof that you are providing a market need
- **Value proposition**: The product benefit for who and how

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Vesting: A legal term that means to give or earn a right to a present or future payment, asset, or benefit. It is most commonly used in reference to retirement plan benefits when an employee accrues nonforfeitable rights over employer-provided stock incentives or employer contributions made to the employee's qualified retirement plan account or pension plan. It also is commonly used in inheritance law and

- real estate[1]
- **Venture Fund**: Investment funds that manage the money of investors who seek private equity stakes in startup and small- to medium-sized enterprises with strong growth potential. These investments are generally characterized as high-risk/high-return opportunities
- **Venture Capital**: A form of financing for a company in which the business gives up partial ownership and control of the business in exchange for capital over a limited time frame

References

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