

bringing sustainability into capitalism



Muhammad Yunus in his book creating a world without poverty explains how he thinks capitalism is a half developed structure, because it assumes that people are one dimensional beings only concerned about maximizing profit for themselves. And the theory behind free markets is that the best way you can contribute to society and to the world is by doing just that, getting the most for yourself.

However it is not working, and I believe the reason why we are seeing the current crisis in Wall Street is because of this conceptual failure, because people are not one-dimensional beings, they have many other interests beyond maximizing profit, and they have many other needs.

The Entrepreneur Commons is based in this assumption.

funding a venture: the same old story



- how do you get started?
- emergence of new paradigms
- doing it in times of crisis
 - ecology crisis
 - economic crisis
 - poverty
 - hunger
 - war

The Entrepreneur Commons story is a story of how you get started, but it is also a story of how you get started in a context where people work habits are changing, they are getting more and more used to participate in the decision process at all levels - some call it, the rise of the peer to peer civilization, and it is a context where the world is sick so we need to do something different from how we were doing things before if we want to have a chance to make things better in the end.

the entrepreneur - the hero



- they will change the world
- want to be independent
- drive for achievement
- obsessed with their project

In this story there are several characters: and the first one is the entrepreneur, he is the hero, he is the one who will save the world.



the Venture Capitalist - the pro

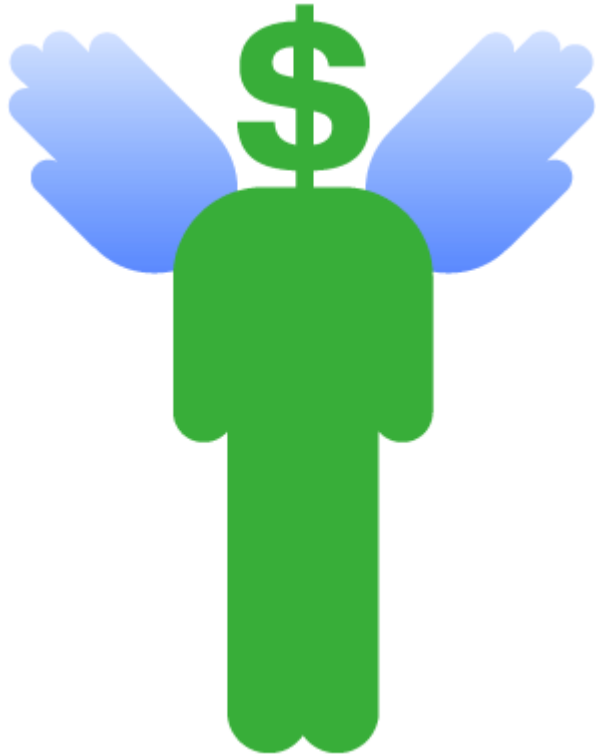
The next set of characters in this story are the investors. Unless you can self-fund your business, you will need financial help from somebody to get the business started, and when you are talking about an early stage venture, banks do not like to get involved, so really you are talking about dealing with investors. And when you think about funding early stage ventures, the professional in this area is the Venture Capitalist.



- manage money from Limited Partners
- gets paid on the returns (2% management fee while managing the fund, then 20% of the carry)
- team of general partners



the Angel – the semi-pro



- wealthy individual (accredited investor)
- works alone (super angels) or with a group
- experienced... or not



friends and family – the outsider

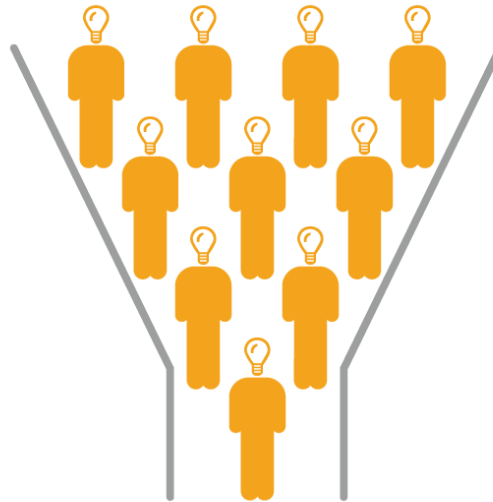


- invest in the person more than in the project
- social capital

the investment here is made based on the amount of social capital that you have with this person. Which brings up a very interesting point, that social capital while it describes the level of trust that you have within your family and within your community, also describes a business that has a purpose of serving the community in addition to being profitable, and I think that there is a connection here, back to what Muhammad Yunus says in his book *Creating a world without poverty*, that human beings are multi-dimensional and that social capital is where the answer is, this is what we need to focus on, and this is what Entrepreneur Commons wants to foster.



investment process = optimize \$\$

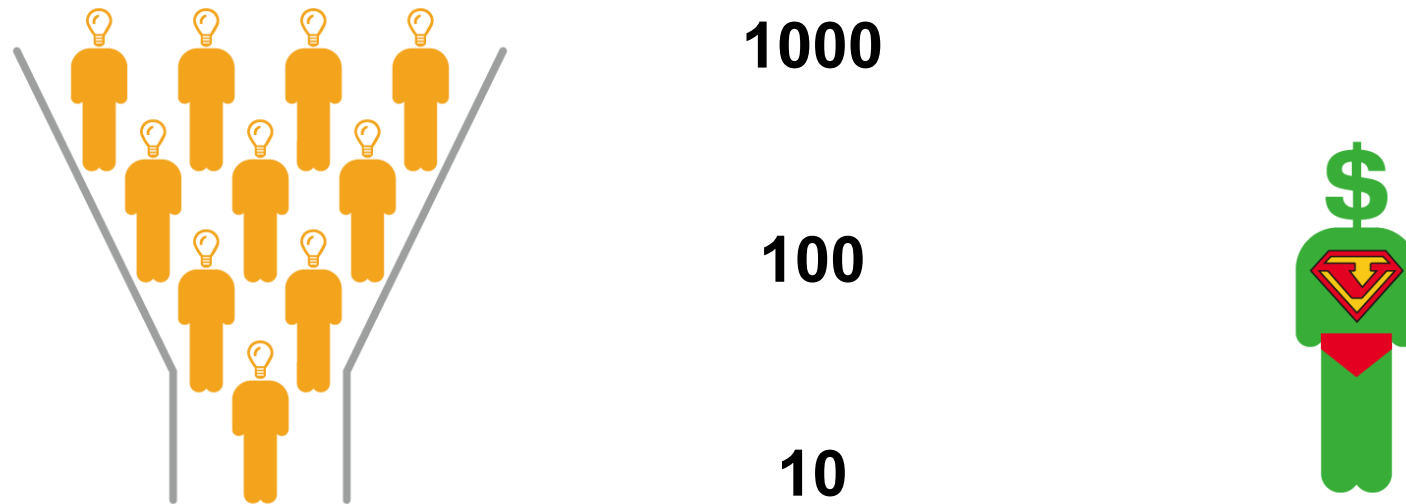


Now that we know who the characters are in this story, let's look at how they interact in this story, how the investment process is happening. And because today we live in a world of capitalism, the investment process is designed to optimize the return on investment, which means that it is done through competitive process



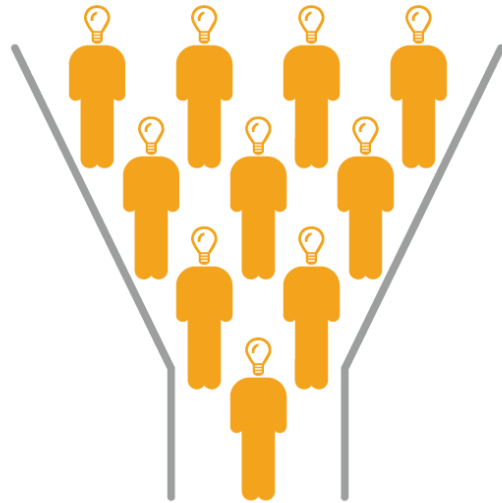
venture capital

VCs will tell you that when they receive 1000 business plans, they decide to take a look at 100 of them, and then they typically invest in 10 of these. And then when they invest in 10 companies, one will make it really big, and 3 will do ok and the rest of them will be losers or die. The good news for them is that this is process that works for them, and for their investors but for the entrepreneur when you entering this competition model, your chances of success are less than 1%, not a very exciting proposition. So while VCs are the professional and the model works for them, for the entrepreneur it is not a good option at this stage.



angels

when they invest angels typically do not have enough money that they can spread themselves over a significant amount of deals, and therefore they know that when they invest, they are playing the lottery. And if you are going to play the lottery, you want to do for the big jackpot rather than the smaller jackpot. and so they tend to pick the same type of companies that VCs will take a look at. Again not a very attractive proposition...

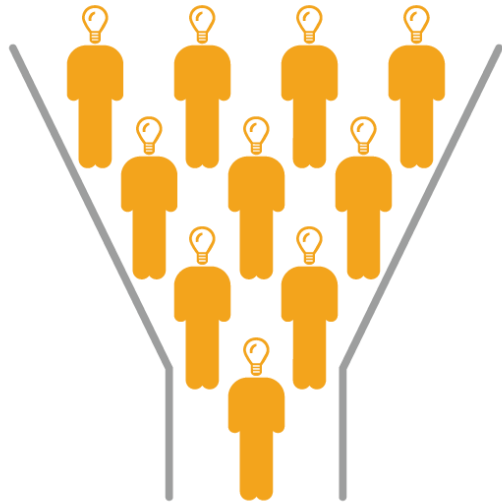


1000

100

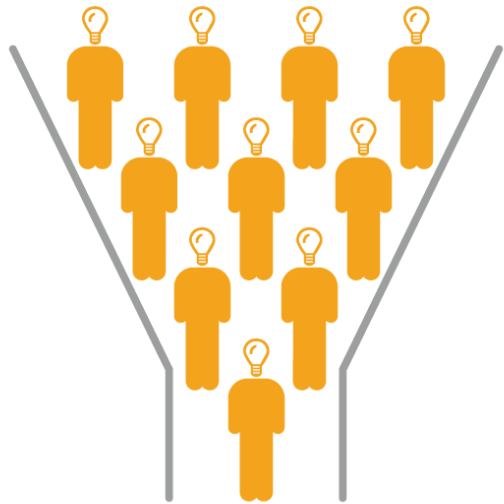


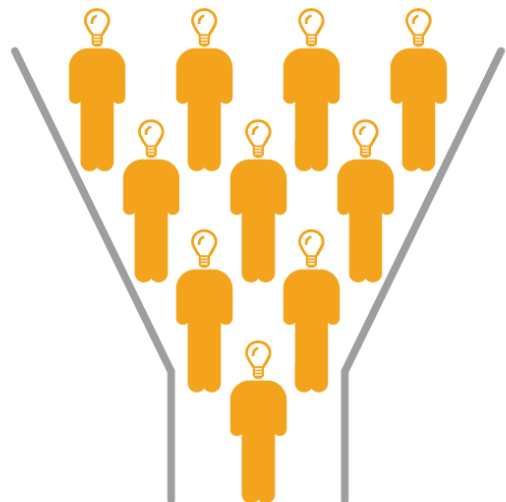
friends and family



not everybody has friends and family that can shell out enough money to get a business started, and if you are in this situation, you are pretty much left alone







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WASTE

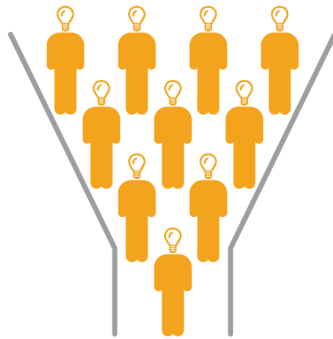


THE OPPORTUNITY

- 4 years survival rate: 44%
- Inc Top 5000: only 3% from VC = 97% other
- Median capital to launch: \$25K
- Median capital to launch Inc Top 500: \$75K

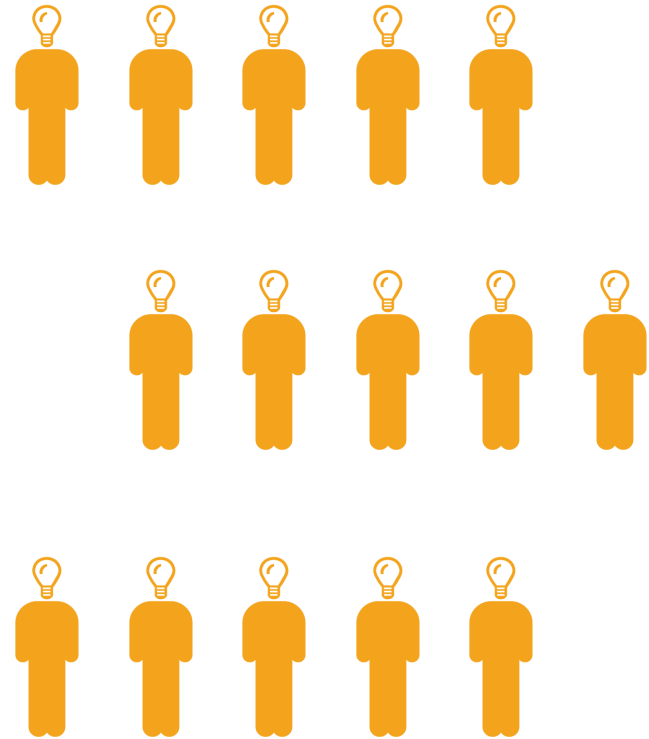


gathering vs. farming



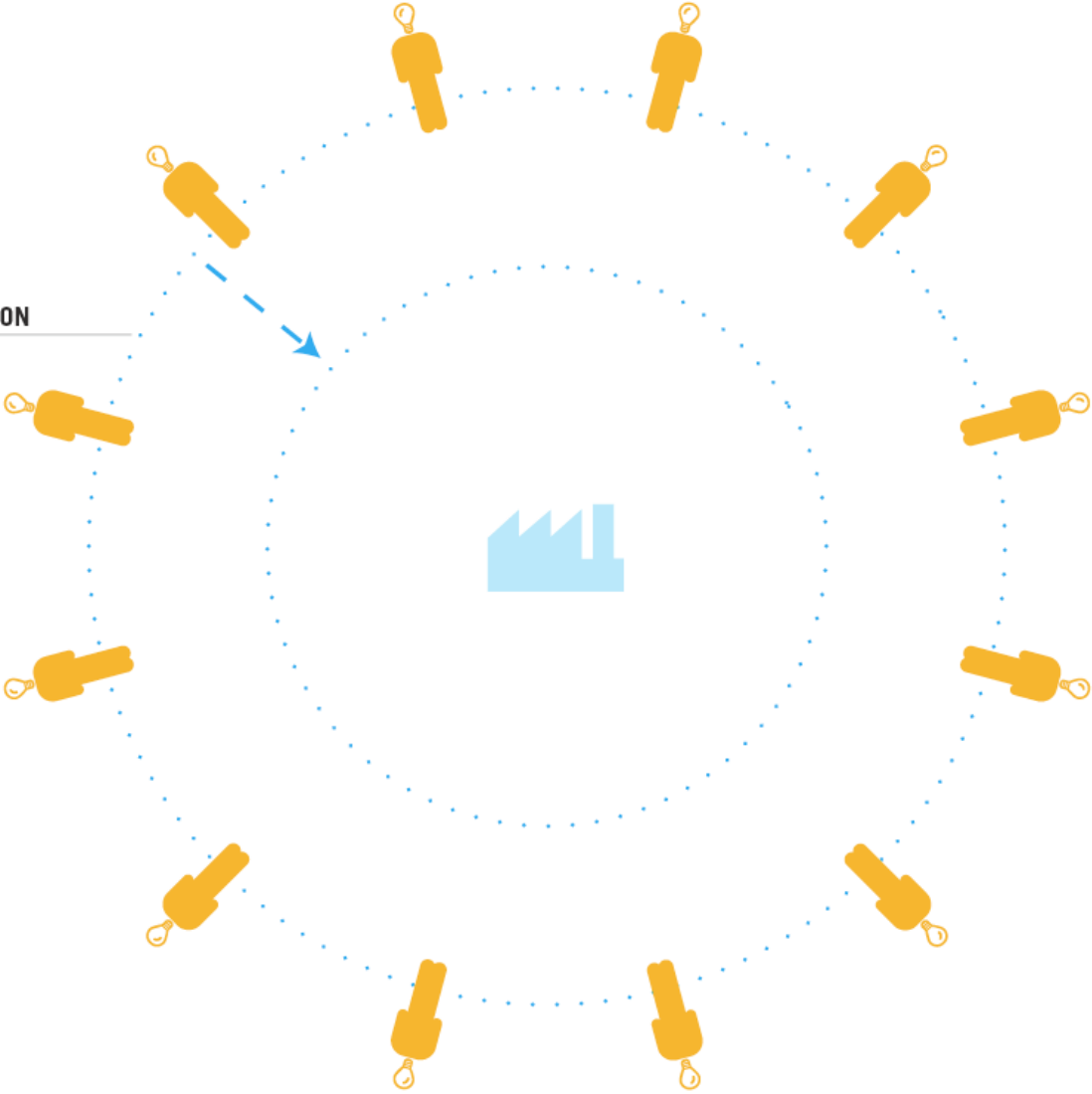
3%

97%



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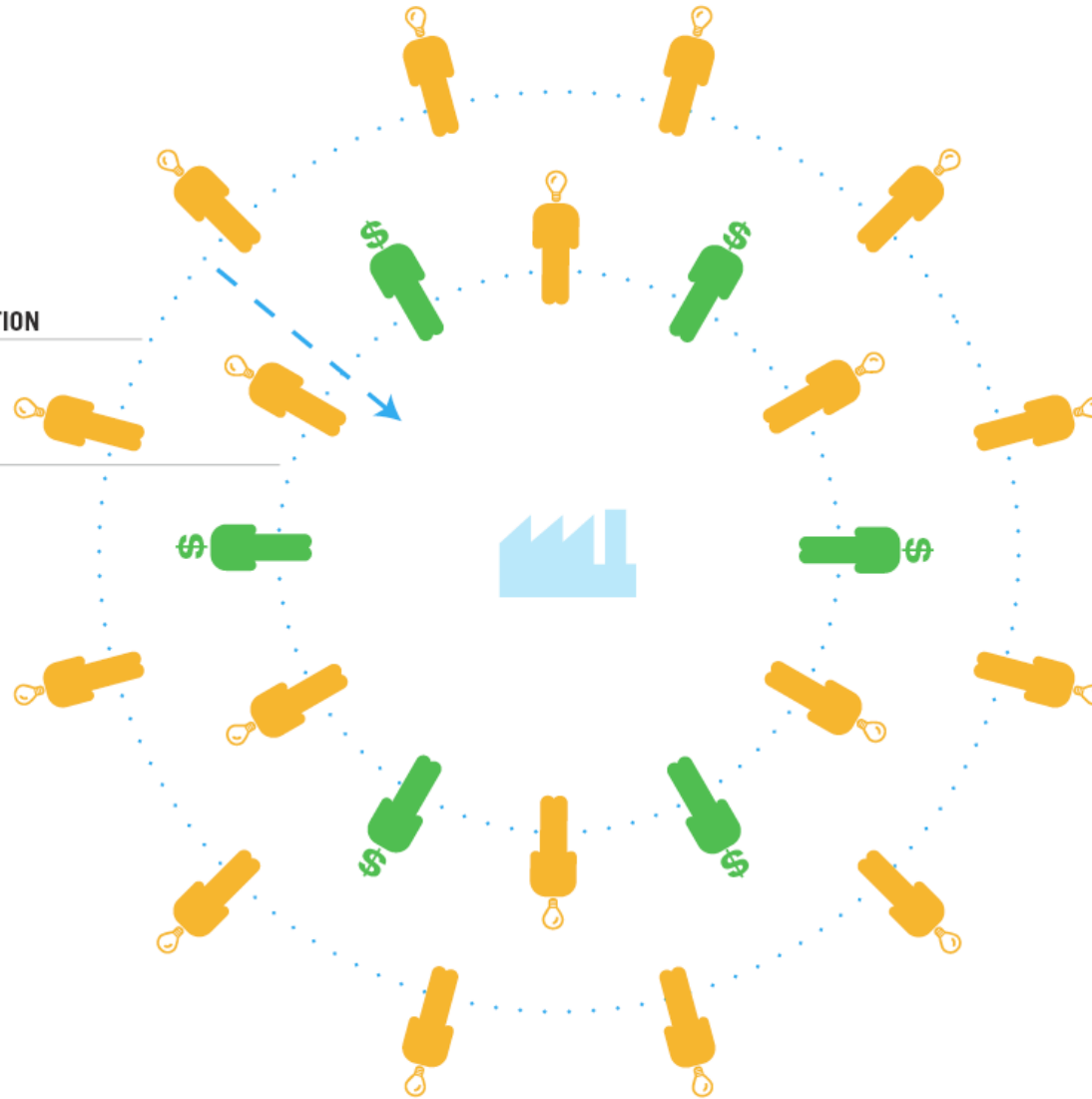
1. MENTORING & DIFFERENTIATION



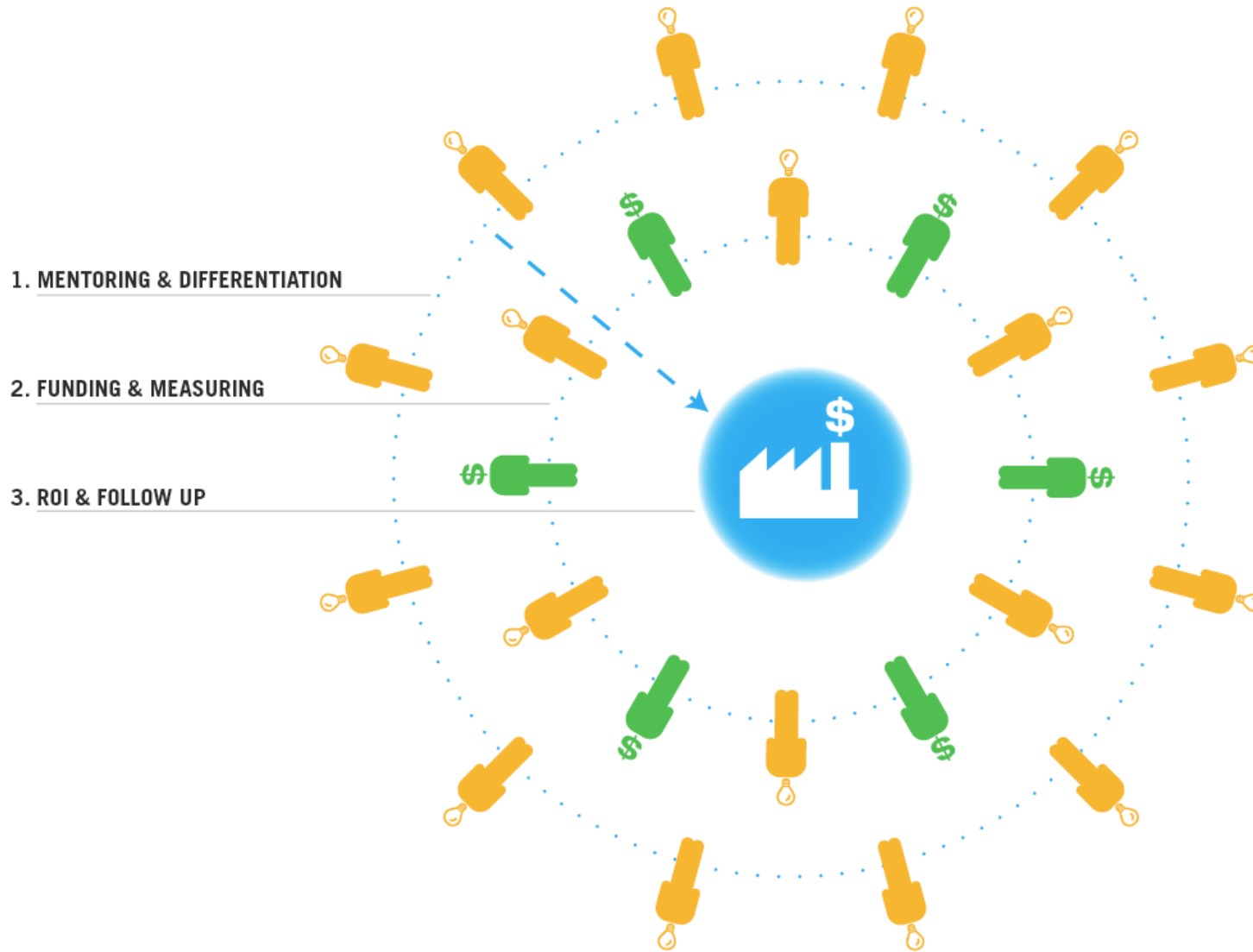
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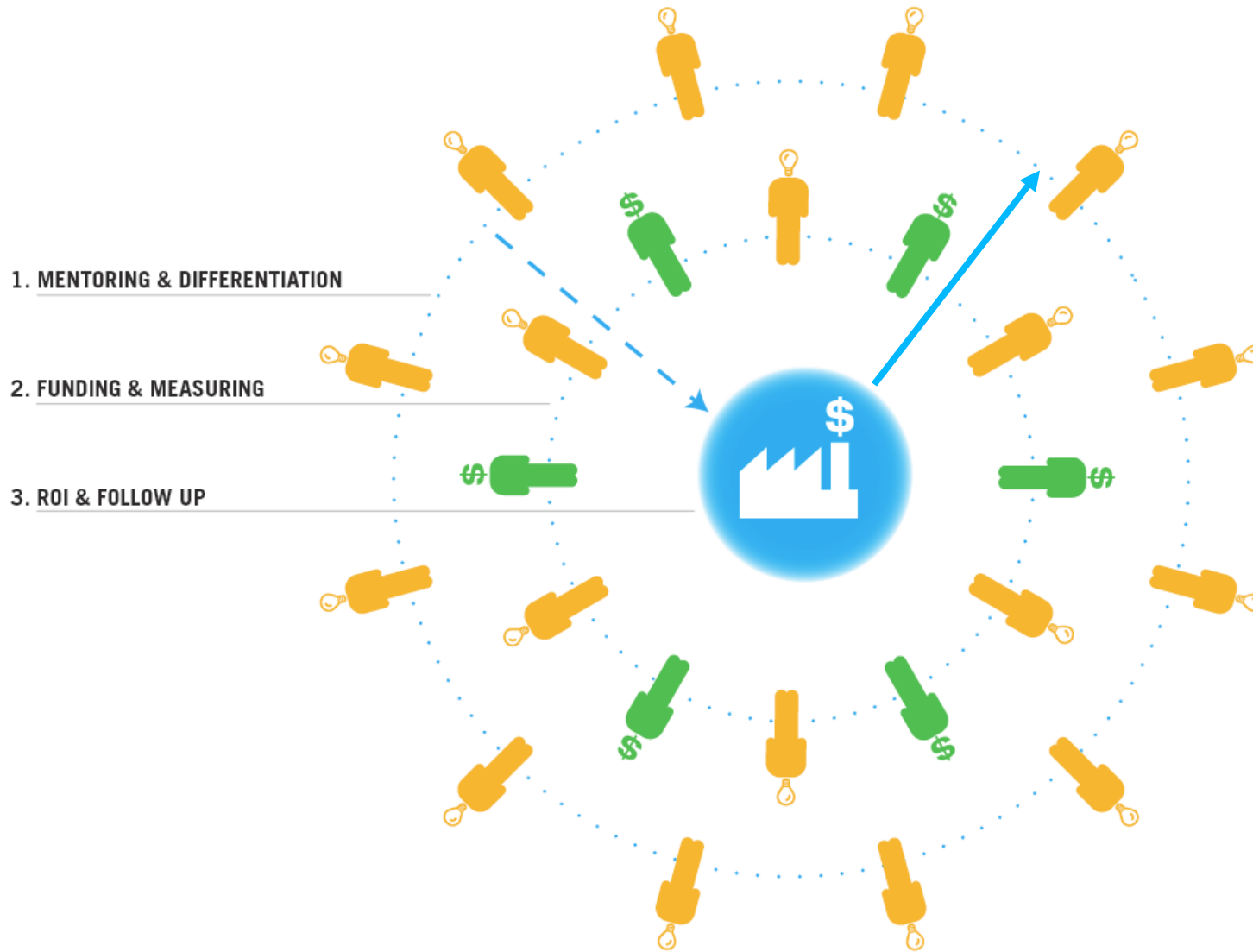
2. FUNDING & MEASURING



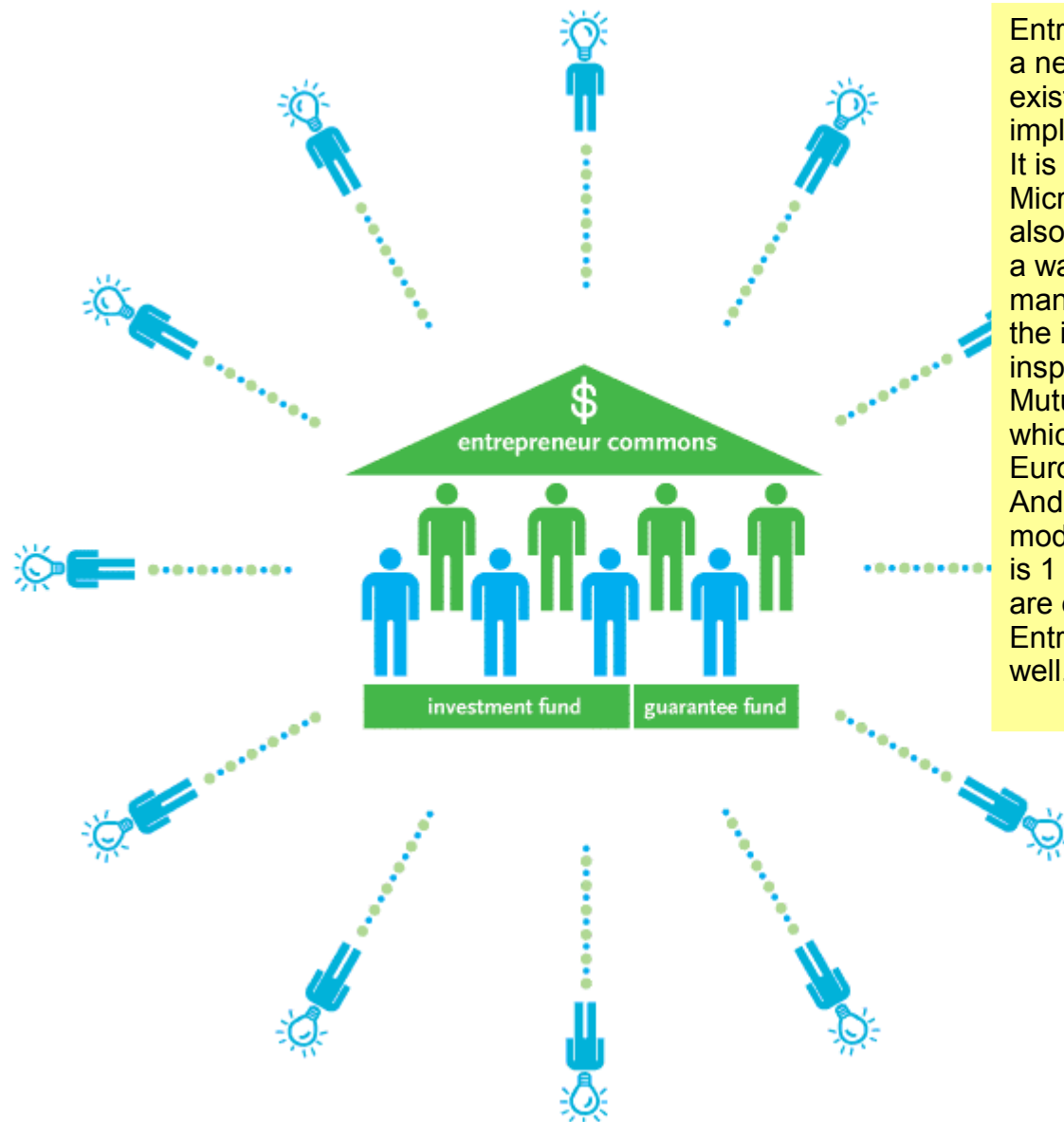
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Entrepreneur Commons



Entrepreneur Commons is not a new model, it is inspired by existing models that are being implemented in a new context. It is inspired on one side by MicroFinance, is which you also have self help groups as a way to manage in a scalable manner the entrepreneurs and the investments. And it is inspired on the other side by Mutual Guarantee Funds, which have been around in Europe since 1917. And the data from these models is that the default rate is 1 to 5%, so this is what we are expecting to see with Entrepreneur Commons as well.

EC SF - Jonathan Chang



PosiMedia is a media company that creates interactive experiences focused on positive impact on society and the environment.

PosiMedia's first media property is PosiPeople.com



EC SF - Or Haviv



Universeye.com provides a free communication platform to collaborate and network internally and externally. Designed with sustainability in mind, Universeye offers ad revenue sharing and green communications.

Feedback?

Questions?

<http://www.entrepreneurcommons.org>

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