

# Oxford Science Enterprise Centre

- The entrepreneurial environment
- From opportunity to plan
- Good plans
- Common mistakes
- Health warning
- Resources, reading, guidance

# The entrepreneurial environment

- Entrepreneurial activity flourishes where ideas, cash, professional and managerial expertise, and good communications converge
- Entrepreneurship is a craft as well as an art
- Entrepreneurship is not only about starting companies it's about growing and running them

# Entrepreneurship

*‘Entrepreneurship is the pursuit of opportunity  
beyond the resources you currently control.’*

# Entrepreneurship

- You can do new things
- You can do old things differently
- You can innovate, consolidate, expand  
BUT ...
- the only necessary and sufficient condition for business is customers
- For entrepreneurs, timing is all

# Business Plans

BPs are written for various reasons:

- To raise money from external investors or internal budget holders
- For shareholders and staff
- For management to monitor progress
- At their strongest they act as contracts. At their weakest they are formulaic or ritualistic.

# The Business Plan

- Is less important than the people, the sector, the technology, the business model, and early-stage customers/tests.

BUT...

- Without a good BP you won't get a chance to prove it.

# The Ideal Business Plan

- Takes the reader from opportunity to proposition
- Defines the customer
- Understands the key drivers
- Clarifies the business model
- Inspires confidence about people and the ability to execute

## A Model

- Where is your company now?
- Is the company incorporated?
- Do you have a design or prototype?
- Have you filed patents? Where?
- Have you secured commitments or orders?

# What is your product or service?

- How is the proposition anchored in a real market opportunity?
- What specific benefits does your product bring to your customers?
- How do you measure those benefits?
- Why will the customer continue to buy?
- What distinctive advantages do you have?

# Convey a clear picture early

- This is the market opportunity
- This is my product/service
- These are the key benefits
- This is the evidence for those benefits
- These are the people who will make it happen

# Your market

- Market size
- Market segmentation and niches
- Actual and projected growth rates
- Geographic breadth and variation
- Market context/drivers

# Reaching the market

- Define your marketing and promotion strategy
- Define your sales strategy
- Define your distribution strategy
- Cost them realistically
- Know the sector's rates, returns and costs in these areas

# Competitors

- What makes this market tick?
- Basis of competition – prices, discounts, structures, differentiation
- Nature and number of substitutes
- Ease or difficulty of market entry
- Margins current and future

# Competitors – digging deeper

A basic competitor snap shot will tell you:

- Identity, size, results
- Product range and service
- Market reputation
- Market positioning

# Beyond the snap shot

The best business plans move beyond the snap shot to ...

- The dynamics of competition
- A view of how competitors will respond to your entry
- Other potential entrants

# Sustainability

- Investors look for business plans in areas with growth potential and sustainable profits
- Your strategy must demonstrate strategic robustness
- Some opportunities (especially certain intermediary opportunities) inevitably evaporate

# Execution, implementation

- Business Plans are only credible if they're supported by clear organisational and implementation structures
- Be clear about what's involved in producing the product or delivering the service
- Outline supplier terms, capital expenditure, phasing, key milestones

# Financial Projections

- What are the core assumptions of your model?
- How do they link with your market analysis?
- Key indicators
- Your base case
- The risks

# How much money do you need?

Investors want to know:

- How much money do you need?
- What for?
- When and in what stages?
- The key milestones against which the funds will be drawn down
- The form in which finance is required (debt or equity)

# Investor returns

- Your investor will take a view about returns and exits
- You should clarify:
  - Projected timetable for breakeven, profits, cash generation
  - Valuations achieved by comparable businesses in trade sales or public offerings

# Risks

- List all risks relevant to the business – eg market, technology, management team, regulatory, etc
- Identify the most critical
- Propose ways of minimising risk
- Refine the list until you really understand the core risks

# A standard Plan

- Executive summary
- The opportunity
- The proposition
- The market
- The business model
- Sales and marketing
- Product development

## A standard plan cont'd.

- Financial forecasts and financing sought
- The management team
- Appendix including: customer testimonials; product specifications; market research details; management CVs; supplier agreements

## What's changed?

The last two years have seen significant changes in what's expected of start-up plans, particularly those seeking venture capital:

- Profit over sales
- Implementation is the new innovation
- Time horizons are much longer
- Investments often come later but for longer

# Common business plan mistakes

- Saying that the company has no competition or underestimating the strength of competitors
- No clear business model
- Disorganised and internally contradictory plan
- Miscalculation of market share and market size

## More typical mistakes

- Being too close to the product
- Providing excessive detail
- Assuming that customer benefits are self-evident
- Failing to assess durability and sustainability
- Market (web) data unsupported by evidence

## Still more mistakes

- Equating a large, growing market with ease of gaining share
- Too many spreadsheets
- Endless sensitivity analyses
- Disproportionate time devoted to financials in presentations
- Ignoring risk, particularly as volume builds
- Inappropriate organisational structure

# 10 Questions your Business Plan should answer

- 1. Where is your company now?
- 2. What is your product or service?
- 3. What is your market?
- 4. How will you reach the market?
- 5. Who will you be competing against?
- 6. How will your product be produced?
- 7. Who are the people?

## 10 questions cont'd.

- 8. What are your financial projections?
- 9. How much money do you need?
- 10. What are the risks

# Health Warning

- If your business case is flawed no amount of polishing will lead to success
- Good business plans do not ensure successful business
- But bad business plans do undervalue good businesses

# Summary

- Building a business plan is building an argument about the future
- Arguments need to be clear, consistent, supported
- Test your argument against sceptical questions:
  - What if fewer people buy?
  - What if costs double?
  - What if schedules are missed?

# Summary

Remember your audience:

- Investors want you to persuade them that you'll earn more for them than other investment vehicles.
- Investors want you to persuade them that you can present a sophisticated case – they're investing in you and your technology

# Reading

- Sahlman, 'How to write a great business plan' Harvard Business Review, July/Aug 1997
- Websites:
  - [www.entreworld.org](http://www.entreworld.org)
  - [www.entrepreneursexchange.org](http://www.entrepreneursexchange.org)
  - [www.businessplans.org](http://www.businessplans.org)
  - [www.nvca.org](http://www.nvca.org)