

INFS2631 Study Notes

Week 1: Recognising and Shaping Opportunities

Topic	Explanation
How is an idea different from an opportunity?	<p>Idea: entrepreneurs might get ideas from recognising unmet market needs or solutions to a compelling market need (engage deeply with each other and finds patterns)</p> <p>Entrepreneurial opportunity: the chance to meet a market need through a creative combination of resources to deliver superior value</p>
Recognising and shaping opportunities	<p>Opportunity recognition and shaping is comprised of three activities;</p> <ol style="list-style-type: none"> 1. Recognising an unmet market need or a new technology or capability that can could meet a need that has yet to be identified 2. Craft a business model that defines the fit between those unmet market needs and the capabilities and resources available to an entrepreneur 3. Create a product or service that can be delivered to a market segment that values this solution and does so in a way that generates value for all stakeholders
Lessons from 3 Entrepreneurial journeys	<ol style="list-style-type: none"> a) Entrepreneurs all has personal, educational and professional experience and networks that helped them recognise a good idea in emerging trends b) Entrepreneurs recognised that having an idea was just the first step; they needed to shape it into a viable business opportunity by engaging potential customers, advisers, experts and seeking information that could help them link their understanding of the market need to a unique solution c) Entrepreneurs narrowed their focus to find a market entry point that could be tested, refined and then used as a platform for developing the business to its full potential <ul style="list-style-type: none"> – Focus on smallest problem you could solve first and iterate
2 critical forms of thinking for entrepreneurs	<p>Professionals and experts rely on 2 forms of thinking when making decisions:</p> <ol style="list-style-type: none"> a) Intuitive (gut) thinking: is creative, associative and fast b) Analytical thinking: is controlled, rational and relatively slow (useful for solving problems by breaking them down) <p>Generating ideas → entrepreneurs rely on <u>intuition</u> to recognise trends, patterns that indicate potential opportunities</p> <p>Shaping opportunities → entrepreneurs require more <u>analytical</u> and rational process of developing hypotheses, testing them through experiments and adjusting their business model</p>
Ideation process (Most common way for starting a venture)	<p>Sources of ideas:</p> <ul style="list-style-type: none"> ❖ Replicated or modified an idea seen elsewhere, e.g. Telepizza, Zipcar ❖ Chance encounter with co-founder – Pyra Labs (Blogger), Twitter <p>There is no single path that entrepreneurs follow as they identify ideas.</p> <p>The most common way for identifying ideas is replicating an existing idea from another geography or industry and modifying it for their geography and industry, e.g.</p>

	<p>Telepizza.</p> <p>Benefits: Easier to validate the business model and value through competitors.</p> <p>Disadvantages: what would be the significant competitive advantages, competitive forces</p>
--	--

RECOGNISING OPPORTUNITIES

Three components of Creativity (EMC)	<p>Three components help frame how entrepreneurs recognize opportunities.</p> <ol style="list-style-type: none"> Expertise: includes the experiences, education and knowledge of the entrepreneur and of co-founders and important contributors. Larger network → broader space for identifying patterns. Motivation: internal passion and interests and external rewards <ul style="list-style-type: none"> Internal motivation drives creativity → fuels passion needed to persevere through false starts of developing a new business Creative thinking skills: the way people approach and solve problems and put existing ideas together in new combinations <ul style="list-style-type: none"> Skills enable creative individuals to see new patterns and refine these patterns until they identify a solution to a market need
--------------------------------------	---



5 Discovery Skills (AQONE)	<p>Five discovery skills that characterize innovative and successful entrepreneurs:</p> <ol style="list-style-type: none"> Associating: connecting seemingly unrelated questions, problems or ideas Questioning: asking questions that challenge conventional wisdom and the status quo Observing: scrutinizing common phenomena, particularly the behavior of customers Networking: cultivating a network with diverse perspectives, expertise and experiences Experimenting: reducing uncertainty by designing focused experiments to test assumptions and “learn by doing”
----------------------------	---

SHAPING OPPORTUNITIES

Successful entrepreneurs are advised to craft a business model that identified the unique strategy they wish to pursue, defines the resources and capabilities required to execute the strategy and identifies how founders will assemble them and explain how the venture will deliver value to all stakeholders.

Crafting a business model for a new venture	<ul style="list-style-type: none"> Highly iterative process <p>It involves three decisions:</p> <ol style="list-style-type: none"> Defining a unique strategy that differentiates the new venture from alternatives Identifying the resources and capabilities required to execute the strategy Identifying the compelling benefits and value proposition for key stakeholders (including cash flow forecasts – important for investors)
---	--

Defining a unique strategy	<p>Strategy involves choices and decisions including:</p> <ul style="list-style-type: none"> ⇒ The industry within which the venture will compete ⇒ Markets to serve, needs that will be met, timing for entering market ⇒ Products, services and solutions that will be sold, timing for rollout ⇒ Price of offerings and how it differentiates from alternatives ⇒ Key stakeholders that make up the business ecosystem <p>Strategy decisions fall into 3 broad areas:</p>
----------------------------	---

	<ol style="list-style-type: none"> 1. Overall context and size of the opportunity 2. Product-market positioning at entry and how will it change as the business grows 3. Business network or ecosystem of customers, suppliers, partners, investors and advisers that the venture will need in order to develop its offerings and take them to the market <p>Strategic growth options:</p> <ol style="list-style-type: none"> 1. Enhance: make incremental improvements to an existing product or channel to market 2. Expand: launch new products (similar to current products) OR enter new markets (similar to current markets) 3. Explore: launch new products AND enter new markets, e.g. launch a new business <ul style="list-style-type: none"> – Requires change to product-market positioning, entry into new industry with new competitors and may require building new ecosystem and crafting new business model <p>Note: Although it is not a growth option, entrepreneurs should also consider whether to exit an existing product or market</p> <p>Example: Telepizza</p> <p>Initial idea to provide home-delivered pizza (product positioning) to families in Spain – especially time-pressed, dual career families in Spain’s largest cities (market positioning). He tested this idea by opening a pizza delivery store near his home (entry positioning). He built his business model with rapid growth in mind – want to expand to global markets. After testing the initial concept by running the first two stores himself, he replicated his single-store business model in similar neighborhoods within the same city (same product, same market) while expanding into other Spanish cities with similar demographics (same product, adjacent market). He began opening Telepizza stores in new international markets, including Portugal and Latin America (same product, radically new market). Starting with pizza only, he later added healthy side dishes and salads (adjacent product). Finally, Telepizza branched out to launch dine-in, fast casual restaurants TeleGrill and TeleOriental (offering Chinese, Japanese and Indian foods) (new business).</p>
Identifying Resources and Capabilities	<p>Resources and capabilities include:</p> <ul style="list-style-type: none"> • Employees (or other firms) who perform activities • Equipment, facilities, raw materials to develop products and services • Connections and advisers needed to attract financing and other resources • Leadership talent required to set direction and execute at launch <p>It is helpful for entrepreneurs to identify key milestones and resources and capabilities required for each milestone, e.g. developing IPO, entering and gaining traction in the market and achieving positive cash flow.</p> <p>Table 1) Identifying a New Venture’s Capability and Resource Requirements</p> <ol style="list-style-type: none"> a) <i>Go-to-market and operating models</i> – identifying activities, key suppliers and customers, information for coordinating and controlling core operations b) <i>People and partners, including key roles and leaders</i> – identifying talent and expertise needed, advisers and partners to attract talent, key positions c) <i>Organizational alignment and culture</i> – grouping people and partners in teams to enable them to work together to accomplish activities, identify key decisions and person with authority to make them, identify core values d) <i>Leadership and governance</i> – identify key assumptions that drive cash flow forecasts, metrics and milestones to measure progress towards targets, develop testable hypotheses and design experiments to test them, identify how to

determine when to pivot, refine business model or exit

Assessment Area	Analysis	Sample Frameworks
Go-to-market and operating models	<ul style="list-style-type: none"> Identify activities needed to design and build the entry product or service Identify key suppliers and activities needed to procure materials, components, and services Identify key customers and the activities needed to market, sell, and serve them Identify how you will coordinate these activities to “reduce friction,” remove bottlenecks, and ensure quality Identify core operating activities to be performed inside your organization and those that will be sourced from others Conduct the same analysis of activities needed to support noncore activities (e.g., finance, human resources) Identify information needed to coordinate and control core operations 	<p>Process mapping Workflow modeling</p>
People and partners, including key roles and leaders	<ul style="list-style-type: none"> Identify the talent and expertise needed (internal and external) to perform key activities and the approach for attracting, developing, motivating, assessing, and retaining top talent Identify advisers and other partners needed to attract talent and expertise Identify key positions—including leadership and specialized expertise—that must be filled to achieve key milestones 	<p>Deming’s system of organizational knowledge Talent management Private company compensation</p>
Organization alignment and culture	<ul style="list-style-type: none"> Group people and partners into work teams that enable them to work together to accomplish the activities needed while protecting and developing expertise. (Note: Most new ventures start as simple, team-based structures that become more complex as the business grows.) Define coordinating mechanisms (teams, reporting relationships, information systems) that will enable people to coordinate work across team boundaries inside and outside the venture Identify key decisions and the person who will have the ultimate authority for making each Identify core values and the processes for communicating them; ensure that people make decisions and take actions that are consistent with them 	<p>McKinsey 7S organizational alignment Mintzberg’s organizational configurations Greiner’s “Evolution and Revolution as Organizations Grow”</p>
Leadership and governance	<ul style="list-style-type: none"> Identify key assumptions that drive cash flow forecasts and the metrics and milestones needed to measure progress toward achieving targets Develop testable hypotheses that underlie cash flow forecasts; design market-based experiments and performance-measurement systems to test the hypotheses Identify how to determine when to <i>pivot</i> and refine your business model or exit 	<p>Wasserman’s “founder’s dilemmas” Discovery-driven growth Innovator’s DNA Levers of control</p>

Defining Value Created for Stakeholders

Table 2) Identifying the Value Created for Key Stakeholders

- Stakeholder identification and analysis* – identify key internal and external stakeholders critical for achieving key milestones, rank in order of importance
- Stakeholder benefits and value proposition* – identify key customers and tangible and intangible benefits delivered to them, identify key employees and partners and conduct similar benefit analysis, identify financing needs and expected value and returns for key stakeholders
- Cash flow forecast and scenario testing* – identify key revenue and cost drivers, forecast cash flow, identify key assumptions used to create cashflow forecasts and conduct scenario testing by defining best-case and worst-case assumptions and analyzing the effects of changes in the assumptions on cash flow, identifying performance metrics that will be used to analyze progress as the business is launched

Assessment Area	Analysis	Sample Frameworks
Stakeholder identification and analysis	<ul style="list-style-type: none"> Identify key internal and external stakeholders that will be critical for achieving key milestones (e.g., entering the market, achieving traction, and transitioning to growth) Map the stakeholders on a matrix on the basis of their importance to achieving a given milestone and their expectations of value they will receive in return for their contributions 	Stakeholder mapping
Stakeholder benefits and value proposition	<ul style="list-style-type: none"> Identify key customers and the tangible and intangible benefits (e.g., the value proposition) that the venture will deliver to them, taking into account customers' direct and indirect costs Identify key employees and partners and conduct a similar benefit analysis Identify financing needs and expected value and returns for key stakeholders 	Customer lifetime value Service-profit chain Entrepreneurial finance and valuation tools
Cash flow forecast and scenario testing	<ul style="list-style-type: none"> Identify key revenue and cost drivers; forecast cash flow Identify the key assumptions used to create best-case cash flow forecasts and conduct scenario testing by defining best-case and worst-case assumptions and analyzing the effect of changes in assumptions on cash flow Identify performance metrics that will be used to analyze progress as the business is launched and tested in the marketplace 	Cash flow analysis Scenario testing Fishbone analysis

Developing Cash Flow Forecasts

Process involves:

- Identify assumptions on which choices are based
- Use assumptions to develop cash flow forecasts
- Use assumptions and cashflow forecasts to calculate metrics used to identify whether product-market positioning and resource decisions accurately reflect cash flow that will be generated once service is launched

Cash flow metric example using fishbone diagram (i.e. cause and effect diagram).

```

    graph LR
        OM[Operating Margin] --- RR[Retail revenue]
        OM --- MR[Membership revenue]
        OM --- FC[Fixed costs]
        
        RR --- NC[Number of checkouts]
        RR --- ASPC[Average $ per checkout]
        
        MR --- AFT[Application fee total]
        MR --- AM[Annual membership]
        
        FC --- R[Rent]
        FC --- P[Payroll]
        FC --- I[Insurance]
        FC --- M[Maintenance]
        
        AFT --- NSM[Number of new members]
        AFT --- AF[Application fee]
        
        AM --- ANM[Average number of members]
        AM --- MF[Membership fee]
        
        MR --- VC[Variable costs]
        
        VC --- POS[POS fees]
        VC --- MD[Member discount]
        VC --- DLE[Damages, loss, expires]
        VC --- B[Bags]
        VC --- CCPOS[Credit Card POS fees]
        
        MD --- D5[Discount of 5%]
        MD --- ANM2[Average number of members]
        MD --- ASPM[Average $ per member]
    
```

Fishbone diagrams can be used to help founders design experiments to test the relationship between business model assumptions and cash flow forecasts.

- » Use this tool to review actual results and identify insights they gain from comparing the cash flow forecast assumptions to actual business results

In the example above, founders decided key cash flow metric they would track is operating margin. The key revenue drivers were number of customer checkouts and average total sale per checkout and the key cost drivers were broken down into fixed and variable costs.

SUPPLEMENTAL READING

Business Model Canvas	<p>BMC is a tool you can use to define business models.</p> <p>Key Activities: the most important activities in executing a company's value proposition</p> <p>Key Resources: the resources necessary to create value for the customer</p> <p>Partner Network: in order to optimize operations and reduce risks of a business model, organization usually cultivate buyer-supplier relationships so they can focus on their core activity</p>
-----------------------	--


	<p>Value proposition: the collection of products and services a business offers to meet the needs of its customers. A company's value proposition is what distinguishes itself from its competitors.</p> <p>Customer segments: to build an effective business model, a company must identify which customers it tries to serve.</p> <p>Channels: A company can deliver its value proposition to its targeted customers through different channels.</p> <p>Customer relationships: to ensure the survival and success of any businesses, companies must identify the type of relationship they want to create with their customer segments.</p> <p>Cost structure: this describes the most important monetary consequences while operating under different business models.</p> <p>Revenue streams: the way a company makes income from each customer segment.</p>
SalesLogic Case	<p><i>Custom Consulting Model</i></p> <ul style="list-style-type: none"> • Value Proposition: Providing tailored software solutions for customer's unique needs • Key Activities: Communicating with the clients, tailoring the service to the clients needs • Key Resources: SalesLogic server, expertise & data resources • Customer segments: People who have a unique business and their needs are not satisfied with off-the-shelf solution. • Customer Channels: SalesLogic Server • Customer Relationships: Typically one-to-one due to the individualized consulting advice • Revenue Streams: One-time revenue per client, service fees per client • Cost Structure: Analytical model creation, client servicing costs

Sample Exam Questions

Recent technology IPOs have ignored the concept of a multiple and other classical methods when valuing a business. What concept has influenced technology start-up IPO valuation and explain why this concept is influential? (5 Marks)

- So this is referring to the concept that more recently businesses have been valued based on the business model not on Revenue or Profit (e.g. Snap Chat).
- The advent of the internet has facilitated new and innovative business models through reduced transaction costs, enabling new products and services, giving access to new customers and markets and facilitating new pricing and revenue models
- We used Business Model Canvas to analyse a number of differed businesses. BMC looks at revenue streams, cost structures, channels, partners, key resources, key activities, value propositions, customer relationships and customer segments. The answers to all of these questions can have an impact on valuation.
- Whilst technology is the enabler of new business models, business models determine the value you can get out of technology.

Week 2: Developing Business Plans & Pitching Opportunities

Topic	Explanation						
Introduction	Business Model (Opportunity-shaping phase) → Business Plan & Business Pitch						
2.1. Developing and Using Business Plans	<p>Benefits of Formal Business Planning:</p> <ol style="list-style-type: none"> 1. Helps investors evaluate written business plan before selecting entrepreneurs to pitch in person 2. Enables entrepreneurs to debate <i>critical assumptions</i> and identify <i>areas of uncertainty</i> 3. These assumptions along with projected milestones are used to identify resources needed and develop cash flow forecasts which determines how much financing required and type of investors needed <p>BUSINESS MODEL VS. BUSINESS PLAN & BUSINESS PITCH</p> <table border="1"> <thead> <tr> <th>Business Model</th> <th>Business Plan</th> <th>Business Pitch</th> </tr> </thead> <tbody> <tr> <td>The articulation of a concept for a business that defines how the organisation will interact with its environment, to define a unique strategy, attract resources and build the capabilities required to execute the strategy and create value for all stakeholders.</td> <td>A document that articulates the proposed venture's business model and provides significant additional detail on a planned (or existing) venture. Four types: <ol style="list-style-type: none"> 1. Traditional plan 2. Mini-plan 3. Go-to-market plan 4. Operating plan </td> <td>A presentation that <i>can be used to communicate the business model</i> to stakeholders.</td> </tr> </tbody> </table> <p style="text-align: center;">Exhibit 1 Turning Ideas into Plans and Pitches</p> 	Business Model	Business Plan	Business Pitch	The articulation of a concept for a business that defines how the organisation will interact with its environment, to define a unique strategy, attract resources and build the capabilities required to execute the strategy and create value for all stakeholders.	A document that articulates the proposed venture's business model and provides significant additional detail on a planned (or existing) venture. Four types: <ol style="list-style-type: none"> 1. Traditional plan 2. Mini-plan 3. Go-to-market plan 4. Operating plan 	A presentation that <i>can be used to communicate the business model</i> to stakeholders.
Business Model	Business Plan	Business Pitch					
The articulation of a concept for a business that defines how the organisation will interact with its environment, to define a unique strategy, attract resources and build the capabilities required to execute the strategy and create value for all stakeholders.	A document that articulates the proposed venture's business model and provides significant additional detail on a planned (or existing) venture. Four types: <ol style="list-style-type: none"> 1. Traditional plan 2. Mini-plan 3. Go-to-market plan 4. Operating plan 	A presentation that <i>can be used to communicate the business model</i> to stakeholders.					
2.2. Creating a Business Plan	<p>A business plan provides:</p> <ul style="list-style-type: none"> ➤ Opportunity to test ideas & determine whether viable business opportunities exist ➤ Foundation for debating and analysing critical assumptions → developing financial forecasts and designing early experiments ➤ Clarifies milestones as the entrepreneur experiments to build the MVP or service offering that will engage the market ➤ Metrics used to test assumptions and measure performance as the team works to 						

	<p>achieve key milestones</p> <ul style="list-style-type: none"> ➤ Approach to communicating with others about the business while raising money; assembling a team and attracting suppliers, customers and partners <p>2.2.1 Capturing Financial Information in a Business Plan/Pitch</p> <p>Financial forecasts (typically projected over 3-5 years) help establish potential scenarios that identify critical areas of uncertainty and risk.</p> <p>2.2.2 Protecting Intellectual Property</p> <ul style="list-style-type: none"> Δ Ask everyone to sign a confidentiality or nondisclosure agreement prior to discussing business or sharing written documents Δ File a patent – check patent law in all countries in which they intend to do business 												
<p>2.3 Types of Business Plans</p>	<p>Entrepreneurs should focus on:</p> <ul style="list-style-type: none"> ✓ Key features of their specific business model ✓ Assumptions used to develop financial forecasts ✓ Levels of uncertainty and risk ✓ Approaches to mitigating risk <table border="1" data-bbox="312 786 1501 1603"> <thead> <tr> <th colspan="2" data-bbox="312 786 906 869">PLANS PREPARED FOR EXTERNAL STAKEHOLDERS</th> <th colspan="2" data-bbox="906 786 1501 869">PLANS USED FOR INTERNAL PLANNING PURPOSES</th> </tr> <tr> <th data-bbox="312 869 608 949">Mini-Business Plans</th> <th data-bbox="608 869 906 949">Traditional Business Plans</th> <th data-bbox="906 869 1230 949">Go-to-market Plans</th> <th data-bbox="1230 869 1501 949">Operating Plans</th> </tr> </thead> <tbody> <tr> <td data-bbox="312 949 608 1603"> <ul style="list-style-type: none"> ▪ Contains summary of essential components of new venture’s strategy (go-to-market and operating plans), how these plans translate into financial forecasts ▪ Contains appendixes with supplemental information, e.g. market data and forecasts, team member biographies, etc. ▪ Typically used as supplements for more well-crafted pitches </td> <td data-bbox="608 949 906 1603"> <ul style="list-style-type: none"> ▪ Contains a more detailed discussion of strategy (go-to-market and operating plans) and how these plans translate into financial forecasts ▪ Includes multiple scenario-based tests to clarify key areas of uncertainty/risk ▪ More detailed plans may be required by stakeholders for due diligence purposes, e.g. breakthrough discoveries that require significant capital over long periods of time </td> <td data-bbox="906 949 1230 1603"> <ul style="list-style-type: none"> ▪ Describe the unmet needs of early customers, the product/service (p/s) to address needs; value proposition and benefits delivered ▪ Defines specific features that will differentiate p/s from competitive p/s ▪ Covers pricing, sales and marketing, shipment and after-sales support for p/s ▪ Defines approach for attracting customer segments, scaling business by entering new market, launching new products, etc. </td> <td data-bbox="1230 949 1501 1603"> <ul style="list-style-type: none"> ▪ Define key activities and milestones that must be accomplished as founders develop, produce, deliver venture’s first offering ▪ Identifies resources needed to launch new venture and resources to scale operation ▪ Used to identify assumptions regarding operating costs for financial plan </td> </tr> </tbody> </table> <p>Note: Operating and go-to-market plan used as foundation for creating experiments to reduce uncertainty</p> <p style="text-align: center;">The purpose of a business plan is that it provides the foundation for debating and analysing assumptions, developing forecasts and designing experiments.</p>	PLANS PREPARED FOR EXTERNAL STAKEHOLDERS		PLANS USED FOR INTERNAL PLANNING PURPOSES		Mini-Business Plans	Traditional Business Plans	Go-to-market Plans	Operating Plans	<ul style="list-style-type: none"> ▪ Contains summary of essential components of new venture’s strategy (go-to-market and operating plans), how these plans translate into financial forecasts ▪ Contains appendixes with supplemental information, e.g. market data and forecasts, team member biographies, etc. ▪ Typically used as supplements for more well-crafted pitches 	<ul style="list-style-type: none"> ▪ Contains a more detailed discussion of strategy (go-to-market and operating plans) and how these plans translate into financial forecasts ▪ Includes multiple scenario-based tests to clarify key areas of uncertainty/risk ▪ More detailed plans may be required by stakeholders for due diligence purposes, e.g. breakthrough discoveries that require significant capital over long periods of time 	<ul style="list-style-type: none"> ▪ Describe the unmet needs of early customers, the product/service (p/s) to address needs; value proposition and benefits delivered ▪ Defines specific features that will differentiate p/s from competitive p/s ▪ Covers pricing, sales and marketing, shipment and after-sales support for p/s ▪ Defines approach for attracting customer segments, scaling business by entering new market, launching new products, etc. 	<ul style="list-style-type: none"> ▪ Define key activities and milestones that must be accomplished as founders develop, produce, deliver venture’s first offering ▪ Identifies resources needed to launch new venture and resources to scale operation ▪ Used to identify assumptions regarding operating costs for financial plan
PLANS PREPARED FOR EXTERNAL STAKEHOLDERS		PLANS USED FOR INTERNAL PLANNING PURPOSES											
Mini-Business Plans	Traditional Business Plans	Go-to-market Plans	Operating Plans										
<ul style="list-style-type: none"> ▪ Contains summary of essential components of new venture’s strategy (go-to-market and operating plans), how these plans translate into financial forecasts ▪ Contains appendixes with supplemental information, e.g. market data and forecasts, team member biographies, etc. ▪ Typically used as supplements for more well-crafted pitches 	<ul style="list-style-type: none"> ▪ Contains a more detailed discussion of strategy (go-to-market and operating plans) and how these plans translate into financial forecasts ▪ Includes multiple scenario-based tests to clarify key areas of uncertainty/risk ▪ More detailed plans may be required by stakeholders for due diligence purposes, e.g. breakthrough discoveries that require significant capital over long periods of time 	<ul style="list-style-type: none"> ▪ Describe the unmet needs of early customers, the product/service (p/s) to address needs; value proposition and benefits delivered ▪ Defines specific features that will differentiate p/s from competitive p/s ▪ Covers pricing, sales and marketing, shipment and after-sales support for p/s ▪ Defines approach for attracting customer segments, scaling business by entering new market, launching new products, etc. 	<ul style="list-style-type: none"> ▪ Define key activities and milestones that must be accomplished as founders develop, produce, deliver venture’s first offering ▪ Identifies resources needed to launch new venture and resources to scale operation ▪ Used to identify assumptions regarding operating costs for financial plan 										
<p>2.4 Pitching the Business Plan</p>	<p>Two types of Pitches:</p> <ol style="list-style-type: none"> 1. Business Plan Pitch – compelling presentation that can be used to pitch a new venture to investors, customers, partners, advisers and key employees 2. Elevator pitch – one-paragraph description of a new business or opportunity <p>2.4.1. Preparing to Pitch</p> <p><u>Guiding principles</u></p> <ul style="list-style-type: none"> ❖ Clarify your objectives in making the pitch 												

- ❖ Learn what is important to your audience and
- ❖ Get objective data to support your claims
- ❖ Know who is attending the pitch presentation, why they invited you to pitch the business plan and whether attendees or others have an influence over them
- ❖ Talk to industry and market experts and use online resources

2.4.2 Crafting the Pitch

Help identify objectives for the meeting and craft the pitch to clearly convey information that makes it easier to achieve the objectives.

2.4.3. Practicing the Pitch

Do some early test runs and then progress to pitching in front of supportive audiences who can give valuable feedback.

Address the following questions when requesting feedback:

- **Why?** Why is this opportunity unique and compelling for this specific audience and for the stakeholders whose support will be needed to make the business a reality? Why is this a good time to launch this venture? etc.
- **Who?** Who are the key stakeholders for the business? Within customer markets, who is the user and who makes the buying decision? Who are the founders? Can they attract top talent and other resources required?
- **Where?** Where are the key customers, suppliers, partners and talent located? Where is the company located? Where will the product be developed, sold and used? Etc.
- **What?** What products and services will be offered at what price? What are the initial and follow-up offerings? What differentiates this offering from others in the marketplace? What is the value proposition for all stakeholders? What are the key milestones and deliverables?
- **When?** When will the first product or service reach the market? When will follow-up offerings, markets, and businesses be launched? When will returns be delivered to investors? When will key milestones be reached? How much uncertainty is there in assumptions behind the milestones and deliverables?
- **How?** How will founders attract the resources and build the capabilities required to meet the key milestones? How do they plan to build products and develop services? How will they market, sell and deliver their offerings? How will they attract key stakeholders and ensure customer loyalty and engagement?

The pitch is a living document that is continually revised in response to changes in the market or industry or from experience gained in engaging the market, launching the venture and delivering the pitch to various audiences.

2.4.4. Presentation Tips

- Δ Better for one person to present, e.g. CEO
- Δ If intellectual property is central to value, take steps to secure it via non-disclosure agreements or patents
- Δ Secure trademarks and mark pitch slides with copyright symbols

2.4.5. The Elevator Pitch

An elevator pitch is designed to convey succinctly and clearly the most critical information required by a listener who is unfamiliar with the business.

SUPPLEMENTAL READINGS

<p>Characteristics of a good pitch</p>	<ul style="list-style-type: none"> • Concise and focuses efficiently on delivering essential information • Additional information conveyed through accompanying mini plan or appendixes • Slides focus on images, graphics, charts conveying information visually <p>Slides: Title slide, executive summary, market positioning and problem description, product positioning, business network (ecosystem) positioning, competition and substitutes, customer benefits, operations, financials, risks, implementation, status and traction and financing, closing slide and optional handouts.</p> <p><u>Workshop Activity 1</u></p> <table border="1" data-bbox="328 517 1506 1039"> <tr> <td data-bbox="328 517 912 757"> <p style="text-align: center;">Good Pitch</p> <ul style="list-style-type: none"> • Clear and succinct • Know your audience (tailored) • Compelling • One person presenting • Good presentation skills </td> <td data-bbox="919 517 1506 757"> <p style="text-align: center;">Bad Pitch</p> <ul style="list-style-type: none"> • Too long and detailed • Not engaging • Multiple people pitching • Misunderstanding target audience • Failure to answer questions </td> </tr> <tr> <td data-bbox="328 766 912 1039"> <p style="text-align: center;">Good Business Plan</p> <ul style="list-style-type: none"> • Thoroughly researched • Facilitate debate among founders • Addresses key objectives • Cash flow projection inclusion • Traction analysis • Making realistic assumptions </td> <td data-bbox="919 766 1506 1039"> <p style="text-align: center;">Bad Business Plan</p> <ul style="list-style-type: none"> • Lack of research • Not enough detail • Lack of evidence to support claims • Conflicting interests of founders • Unprofessional </td> </tr> </table>	<p style="text-align: center;">Good Pitch</p> <ul style="list-style-type: none"> • Clear and succinct • Know your audience (tailored) • Compelling • One person presenting • Good presentation skills 	<p style="text-align: center;">Bad Pitch</p> <ul style="list-style-type: none"> • Too long and detailed • Not engaging • Multiple people pitching • Misunderstanding target audience • Failure to answer questions 	<p style="text-align: center;">Good Business Plan</p> <ul style="list-style-type: none"> • Thoroughly researched • Facilitate debate among founders • Addresses key objectives • Cash flow projection inclusion • Traction analysis • Making realistic assumptions 	<p style="text-align: center;">Bad Business Plan</p> <ul style="list-style-type: none"> • Lack of research • Not enough detail • Lack of evidence to support claims • Conflicting interests of founders • Unprofessional
<p style="text-align: center;">Good Pitch</p> <ul style="list-style-type: none"> • Clear and succinct • Know your audience (tailored) • Compelling • One person presenting • Good presentation skills 	<p style="text-align: center;">Bad Pitch</p> <ul style="list-style-type: none"> • Too long and detailed • Not engaging • Multiple people pitching • Misunderstanding target audience • Failure to answer questions 				
<p style="text-align: center;">Good Business Plan</p> <ul style="list-style-type: none"> • Thoroughly researched • Facilitate debate among founders • Addresses key objectives • Cash flow projection inclusion • Traction analysis • Making realistic assumptions 	<p style="text-align: center;">Bad Business Plan</p> <ul style="list-style-type: none"> • Lack of research • Not enough detail • Lack of evidence to support claims • Conflicting interests of founders • Unprofessional 				
<p>AEC Systems Business Plan Workshop Activity 2</p>	<p>Analyze the business plans for AEC Systems. Come up with three recommendations about the business plan.</p> <p><u>Business Context</u></p> <ul style="list-style-type: none"> • Reviews and addresses the market need well • Emphasis on growth of industry and positive expectations about this • Absence of response to competition and risks • Consistently addresses window of opportunity provided by the unique product and market demand <p><u>Business Opportunity</u></p> <ul style="list-style-type: none"> • Presents a unique opportunity: Tablet based idea solves 2 main problems of businesses in the industry • First in the market to deliver handheld product for the industry • Selling strategy: relying on word-of-mouth from the current customers • Adapted to rising use of mobile devices & cloud-sharing software • Data collected from clients using software <p><u>Strength of Team</u></p> <ul style="list-style-type: none"> • Subscription model generating steady & promising revenue • Expertise in architecture to target the niche market • Good connection to industry as the board of directors have experience in the construction industry, enterprise software design and operations, and mobility solutions. • Have a shared vision based on previous struggles • The team members are passionate and motivated to grow their business <p><u>Recommendations</u></p> <ol style="list-style-type: none"> 1. AEC seeking \$1.4 million to expand the business through a website and the 				

hiring of five product developers and two salespeople. However, the business does not provide the value proposition of investing in these three improvements. The business should provide **statistics and forecasts** to show how these changes will generate return or facilitate growth.

2. The business currently relies on one marketing strategy (word-of-mouth). AEC should consider **creating a dedicated marketing team** instead of hiring salespeople to market. Marketing team can develop a structured marketing strategy through multiple channels. (e.g. website, social media, pitch to targeted client base, partnerships)
3. AEC needs **more attention to risk mitigation and competition response measures**. They haven't provided any assumptions on how their competition is likely to respond to the introduction of this technology into the industry as well as how they will defend themselves against risk.