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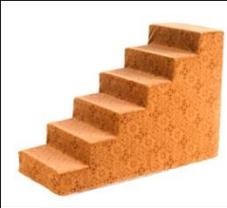
Scaling the Business Team Section Presenting Your Business Plan (Steps #14, 24)

Class Twenty One

Bill Aulet

Howard Anderson

Matt Marx

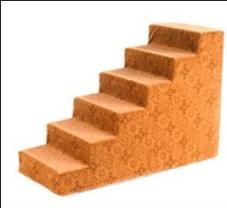


Home Stretch

- Comments on Financial Section
- Scaling the Business
- Comments on Team Section
- Presenting a Business Plan

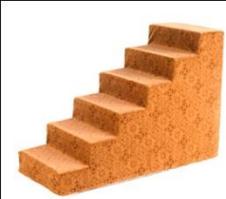
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Financial Section Comments

- Checklist
- Logically Flows from Previous Sections
- You Have to Do the Numbers But Then You Have to Synthesize it to a Cogent, Concis, Correct and Logical Story that Highlights the Key Points and Leverage Factors
- Make it Easy to Read – e.g., Visual
- Use Back Up But Also Make That Readable
- Label Everything with Units
- Understand Appropriate Level of Accuracy in Your Numbers and What Is Really Important
- It is Not the Job of the Reader to Figure It Out; It is Your Job to Effectively Communicate so the Ready “Gets It”



Checklist

- **Financials: Grade: ____, Comments:**
 - ☑ **Nice Financial Summary to Start:**
 - ☑ **Top Line Revenue Model:**
 - ☑ **Understands/Explains COGS & Expenses:**
 - ☑ **Profit & Loss Statement:**
 - ☑ **Cash Flow:**
 - ☑ **Assumptions Clear:**
 - ☑ **Sensitivity Analysis:**
 - ☑ **Breakeven Analysis:**
 - ☑ **Cash Controls:**
 - ☑ **Clarity on How Much Was Needed to Execute Business Plan:**
 - ☑ **Clarity on What Exactly the Funds Would be Used For:**
 - ☑ **Were there clear milestones on the Funding:**
 - ☑ **Financing Strategies (including analysis of a broad ranges of sources):**
 - ☑ **Ownership (Cap Stock Table) Over Time:**



Scaling the Business

- What Happens After I Win My Beach Head Market?
 - ▶ Step 14 – Calculating the Broader TAM
 - ▶ Step 24 – Developing a Product Plan
 - ▶ People (HR Section)



The Whole Picture

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Who is Your Customer?	What Can You Do for Your Customer?	How Does Your Customer Acquire Your Product?	How Do You Make Money off Your Product?	How Do You Design and Build Your Product?	How Do You Scale Your Business?
<p>1) Market Segmentation</p> <p>2) Select a Beachhead Market</p> <p>3) Build an End User Profile</p> <p>4) Calculate the Total Addressable Market Size (TAM) for the Beachhead Market</p> <p>5) Profile the Persona for the Beachhead Market</p> <p>9) Identify Your Next Ten Customers</p>	<p>6) Full Life Cycle Use Case</p> <p>7) High-Level Product Specification</p> <p>8) Quantify the Value Proposition</p> <p>10) Define Your Core</p> <p>11) Chart Your Competitive Position</p>	<p>12) Determine the Customer's Decision-Making Unit (DMU)</p> <p>13) Map the Process to Acquire a Paying Customer</p> <p>18) Map the Sales Process to Acquire a Customer</p>	<p>15) Design a Business Model</p> <p>16) Set Your Pricing Framework</p> <p>17) Calculate the Lifetime Value of an Acquired Customer (LTV)</p> <p>19) Calculate the Cost of Customer Acquisition (COCA)</p>	<p>20) Identify Key Assumptions</p> <p>21) Test Key Assumptions</p> <p>22) Define the First Testable Product</p> <p>23) Show that the Dogs Will Eat the Dog Food</p>	<p>14) Calculate the Total Addressable Market Size for Follow-on Markets</p> <p>24) Develop a Product Plan</p>





Checklist for HR/Team Section

1. People/Team: Grade: ____, Comments: _____

 - a. Quality and Quantity of Founding Team: _____
 - b. Clarity on Roles: _____
 - c. Clarity on What is Missing: _____
 - d. HR Plan to Add Missing Skills Aligned with Plan & Milestones: _____
 - e. Organization Chart Plan for 1, 2 and 5 years: _____
 - f. Capital Stock Table for Employees and Investors (hypothetical): _____



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More on Scaling





What Makes A New Ventures So Successful?

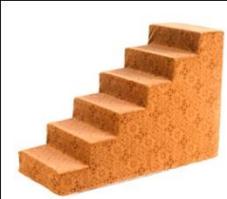
- Alignment

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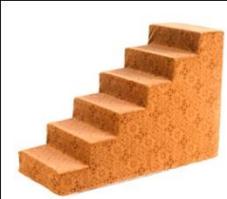


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Alignment Defined

- Customers' interests are very well represented
- Company and Employees interests
- Owner and Company interests
- Little to no buffer to confuse things
- Clarity of Mission
- Able to innovate more rapidly



Entrepreneurial Exposures

- Highly individual dependant
- Little to no install base → sustainability questions
- Consistent quality
- Capacity/Scale
- Institutionalize Knowledge
- Is this a company or a person(s)?

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GROWTH





**“It is not the strongest of the
species that survives,**

nor the most intelligent ...

**... but the one most responsive
to change.”**

- Charles Darwin

Stage of New Enterprise Evolution

<u>Stage of Growth</u>	<u>Owners Role</u>	<u>Strategic Planning</u>	<u>Systems & Controls</u>	<u>Alignment of Company & Owner's Interests</u>
#1) Existence	1 - Do 2 - Manage closely	None	None	Perfectly aligned
#2) Survival	1 – Well defined instructions 2 - Do	Cash Forecasting	Owner makes all decisions	Closely aligned
#3a) Growth	Manage all aspects of business	Extensive with heavy owner involvement	Installed for forthcoming needs	Lining up resources for growth bet
#3b) Disengagement	Removed from daily ops	Maintain existing business	Maintain	Moving apart
#4) Take-off	Team of growth managers	Significant and done by team	More defined and extensive	Further apart – via stock owner
#5) Resource Maturity	Decentralized operations	Detailed & must be coordinated	Extensive and mature	Separate

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Customer Evolution

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Diagram removed due to copyright restrictions. Figure 11.9. Innovation adoption categories when Sd = standard deviation. Dorf, Richard C., and Thomas H. Byers. *Technology Ventures: From Idea to Enterprise*. McGraw-Hill, 2004, p. 248.





The Chasm Analogy

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Diagram removed due to copyright restrictions. Figure 11.10. Chasm model. Dorf, Richard C., and Thomas H. Byers. *Technology Ventures: From Idea to Enterprise*. McGraw-Hill, 2004, p. 249.





Evolution CEO Role

- Doer
- Manager
- Designer of the Organization

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Now Let's Get Practical

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How Do You Know When Your Business is Ready to Scale?

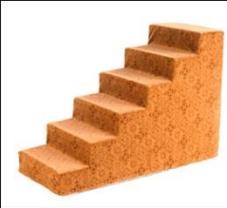
- Timing is Absolutely Critical
- Examples:
 - ▶ Sam Adams
 - ▶ SensAble
 - ▶ GIS Company
- Indicators
 - ▶ Customer are buying the product/offering
 - ▶ Pattern setting in (similar products & value prop)
 - ▶ WOM possible

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What Should We Scale?

- Sales
- Marketing
- Research
- Engineering
- Finance
- HR
- Executive Team
- Other

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See It From Your Customer's View Point

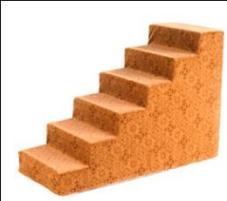
- WOM Will be Your Biggest Driver
- How Do Get Them to Be Raving Fans?
- Ideas:
 - ▶ Customer Support
 - ▶ Manufacturing
 - ▶ QA
 - ▶ Sales Engineering

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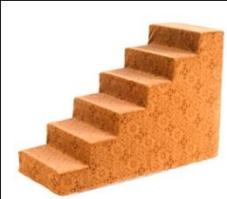


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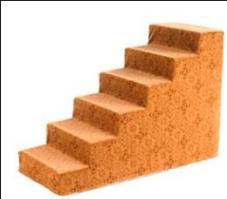
Think Logically & Sequentially

- Make Yourself Look Big
- Outsource Non-Core
- Different Types of Sales
 - ▶ Business Development
 - ▶ Missionary
 - ▶ Process oriented



Lessons Learned

- Think Longer Term
 - ▶ Will this have a long shelf life?
 - ▶ Example: Brochures
- Keep a Book of People You Want to Hire
- Hire Versatile “Athletes”
- Hire Slowly and Fire Quickly
- Be Forthright and Honest with People



Lessons Learned II

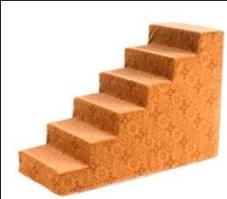
- Relationships Really Matter
 - ▶ Legal
 - ▶ Accounting
 - ▶ Management Team
 - ▶ Board
 - ▶ Funders
 - ▶ Circle of CEOs

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Lessons Learned III

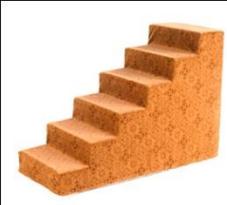
- Move from Creating Opportunities to Executing – Big Difference Between Starting and Finishing
- Operational Focus
- Delegate – But Maintain and Enforce Very High Expectations

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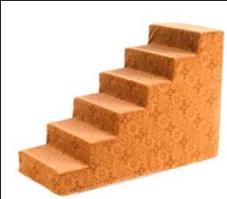


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Lessons Learned IV

- Pricing
 - ▶ Find the Right Spot
 - ▶ Adjustment Techniques
 - ▶ Goal is to Achieve Value-based Price & Pricing Power
- Growth Strategies
 - ▶ Timing
- Culture
 - ▶ What is it that makes you special? (vision & values)
 - ▶ Need for HR processes
 - ▶ Include in Hiring Process
 - ▶ Include in appraisal process
 - ▶ Your personal leadership & involvement – not delegated



Lessons Learned V

- You
 - ▶ Get Honest Outside Feedback - Multiple
 - ▶ Know What You Want
 - ▶ Recognize What the Company Needs

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Summary

- The Challenge of Scaling
- How do you maintain that which makes your new venture so special while growing? i.e., Alignment

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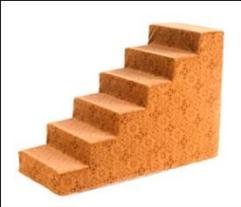


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How To Present Your Business Plan



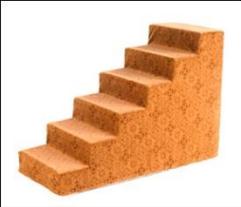
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Key Points

- Know your audience and target the right ones
- Determine what the investor is most interested in
- Effective Communications Techniques
 - ▶ Elevator pitch
 - ▶ 5 Minutes Business Plan
 - ▶ Always with passion and confidence



Be Brief

“I don’t have time to write you a two page letter so I am writing you a twenty page letter,” -- Author unknown

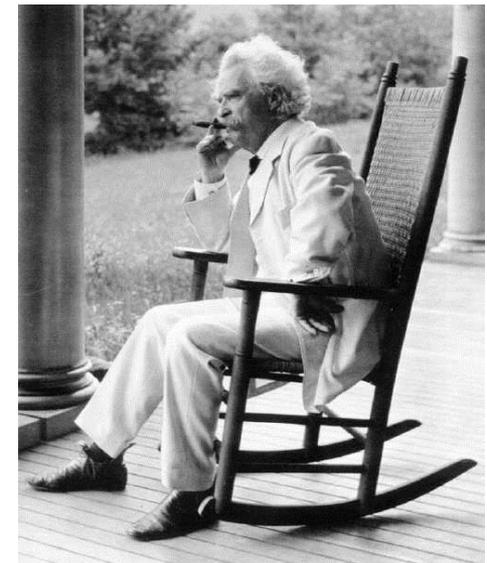
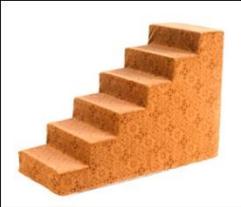


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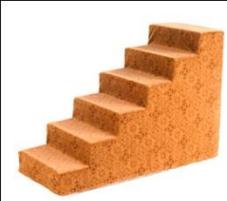


Importance

- Attacker vs. Defender
- Gain needed resources
- Instantaneous view into your abilities

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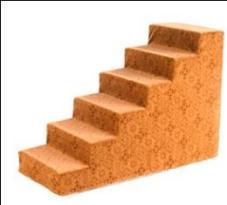


Audience

- Customers
- Potential Employees or Partners
- Investors
- Influencers (e.g., Press, analysts)

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Objectives to Gauge Success

- Gives you and your new venture credibility
- Gain concurrence, or enthusiasm, for a follow on meeting
- Sets a mental model in person's mind so you can later succeed

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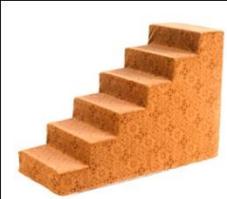


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Base Line

- Connect immediately – it is about *them* not you
- Be professional and likeable – must prove to be someone they want to do business with
- Stand out – you are an attacker not a defender; a tie or incremental benefit does you no good



Key Elements

- Pain today (1st)
- Customers (1st)
- Preferably in the form of a **question** which will be answered “yes!”
- Your offering (product/service)
- Value Proposition
- Why you
- Why now
- Vision of what it can be (economic and non-economic)
- What I am asking of you and what you will gain



Intangibles for Success

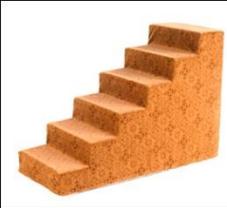
- **Passion** – enthusiasm
- **Empathy** – make them feel like the most important person in the world
- **Prepared** – do your homework & practice, practice, practice

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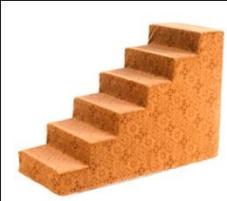


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Formula for Failure

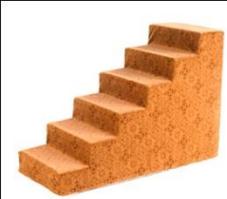
- Talk about technology – technology is a means to an end; this is a venture not a lab
- Talk about yourself – it is about them
- Not prepared and go too long – disrespectful
- Lack confidence – who will follow then?
- Fishing expedition – not clear on objectives
- They “didn’t get it”



Layers of Commitment

- Elevator Pitch (1 minute)
- Escalator Pitch (3 minutes)
- Taxi Cab Pitch (10 minute)
- Commuter Train Pitch (30 minutes)
- Plane Pitch (45 minutes)

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First Question

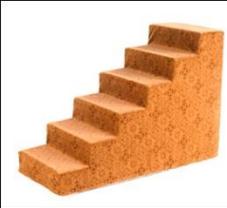
- What does your audience want?
- Do your homework
- Adjust your message
- Try to connect before the presentation if possible at a personal level

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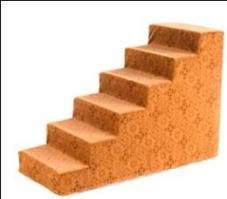


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The Ten Minute Business Plan

- Core seven slides
- Apply these suggestions with reason
- Feel free to expand, remove, consolidate and/or customized to your situation
- In the end, it must tell a compelling & logical story that covers these key points
- But you have to stay in the time allowed!!!



Slide #1: Introduction*

- Name of Company
- Compelling Tag Line
 - ▶ Will resonate with targeted customer base
 - ▶ Focuses on ***benefits*** not features or functions
 - ▶ Differentiates you from alternatives
- Make it very visual
- Story demonstrating target customer, as is state, urgency, desired & possible state, your value proposition (use case)
- Tell him what you want them to remember – three key points

* - *super important slide (Callas Law)*



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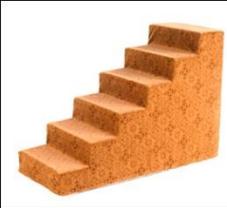


Callas Law



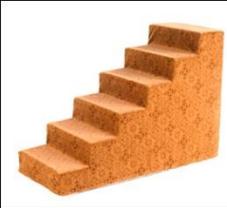
Image is in the public domain.

***There are only two things that matter ...
How you enter the room
And how you leave it.***



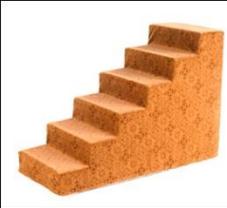
Slide #2: Target Customer/Pain

- Who is the Target Customer? Present a Persona
- How many of them are there? (Who)
- What is their pain or opportunity? (Why)
- Speed of adoption? (Why Now)
- Who has the money? (Who Pays)
- Specific examples you have met...
- Name your first ten target customers with specificity



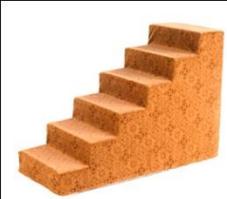
Slide #3: Your Solution

- Explain your solution and use visuals where ever possible (“pencil sell”) (What)
- Quantified Value Proposition (How Much)
- Unique Selling Proposition (Why You)



Slide #4: Go To Market Strategy

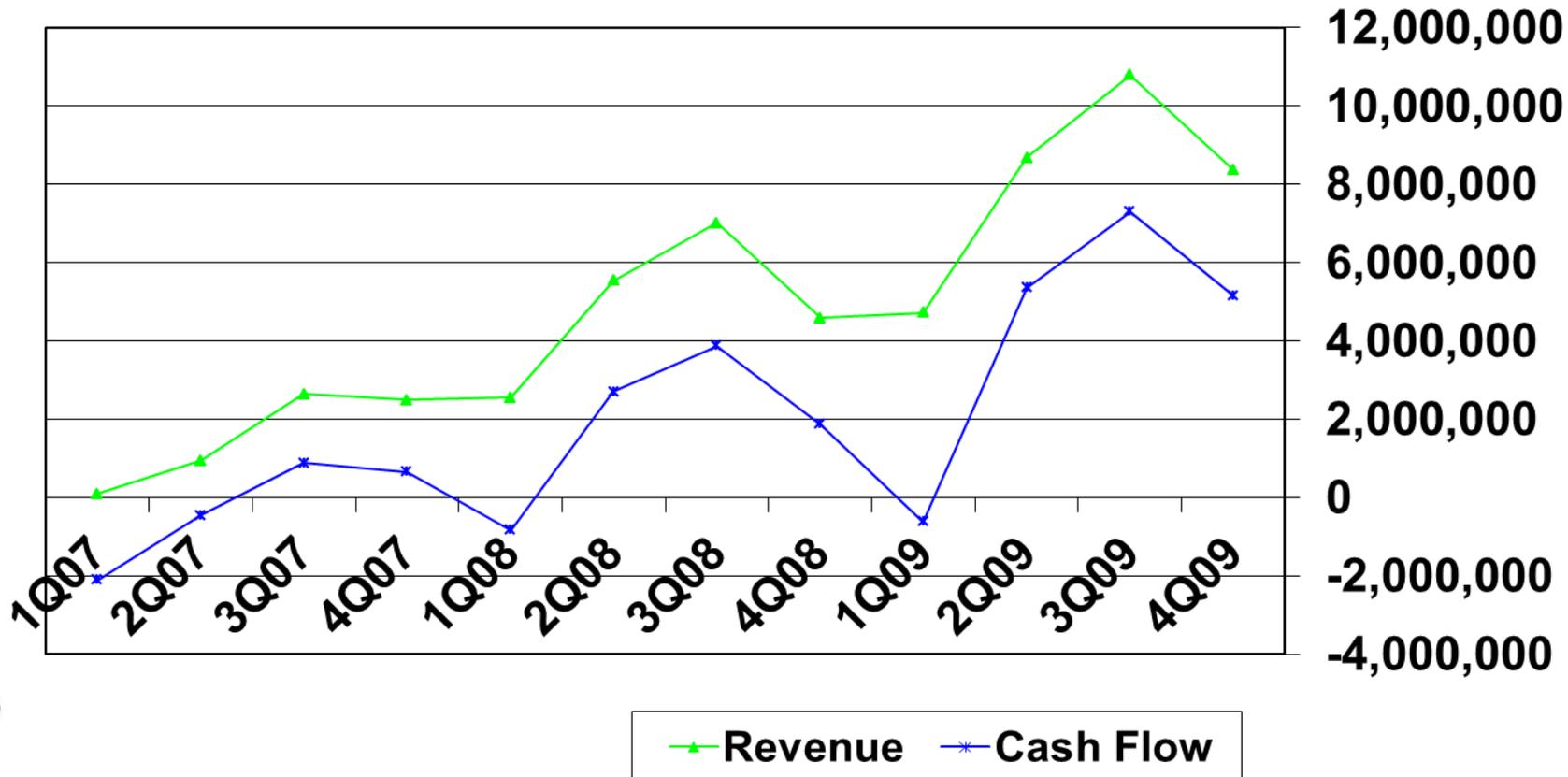
- How will you get to the customer and create demand? Fulfill demand?
- Who will be your first set of customers? (by name) Are they “light house” customer that will influence others?
- What will be your COCA?
 - ▶ Initially
 - ▶ Over time
 - ▶ Market penetration
- What will be your LTVOAC?
 - ▶ Business Model
 - ▶ Pricing
 - ▶ LTVOAC calculation



Slide #5: Financials

- Be careful not to overload!
- Simple graph with top line growth and cash flow –and a few other things (less is more)
- Key Factors to know and possibly include:
 - ▶ Units installed
 - ▶ Costs
 - ▶ Key Milestones driving financials
 - ▶ Value of company estimations & exit strategy

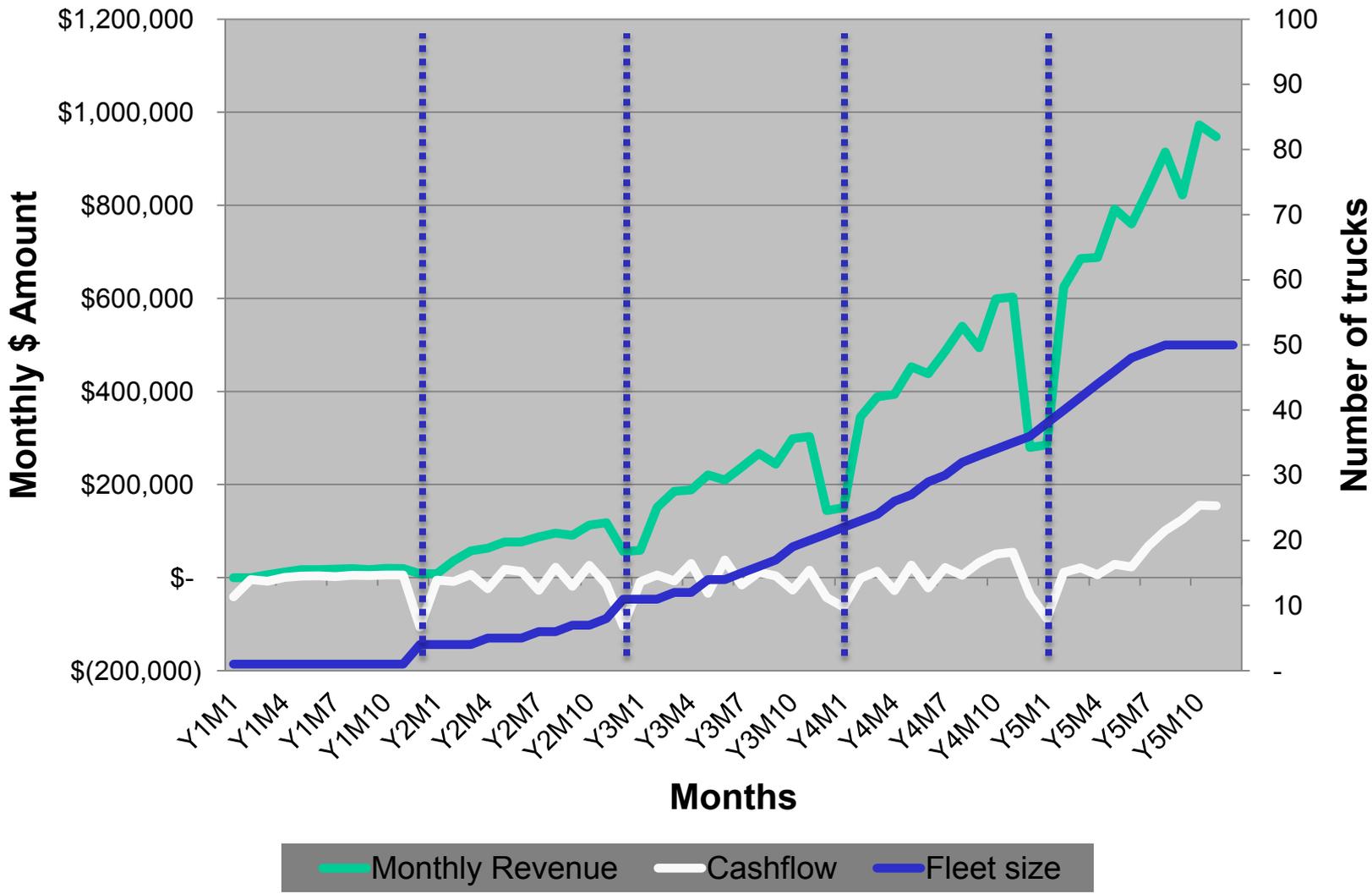
Summary Quarterly Financials





Financial Summary

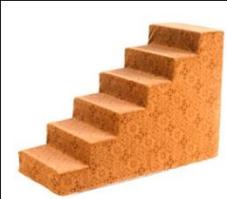
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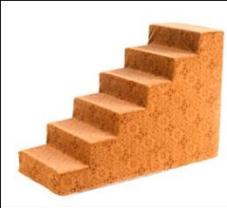


Slide #6: Team & Competition

- Team today (Why You II)
- Roles & Qualification
- Anticipated future additions to the team
- Competitors and Sustainable Competitive Advantage

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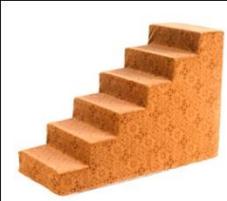




Slide #7: Summary & ASK*

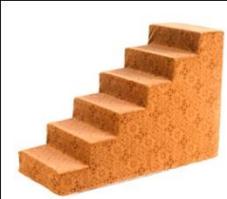
- Summary of three key points
- Call to Action
 - ▶ How much are you asking them for?
 - ▶ What are the possible exits?
 - ▶ What types of returns are possible and/or likely?
- Then have your “ASK”!

* - *super important slide (remember Callas Law)*



Back Up Slides

- Have back up slides for when standard questions are asked
- Examples:
 - ▶ More detailed financials (top line, assumptions, sensitivity analysis)
 - ▶ DMU and DMP
 - ▶ HR plan
 - ▶ Product plan over time
 - ▶ Board of Advisors
 - ▶ Detailed use case
 - ▶ Deeper dive into technology as appropriate
 - ▶ Analysis of competition
 - ▶ Additional primary market research
 - ▶ Additional general market research



Critical Success Factors

1. Passion
2. Referenced in
3. Market opportunity
4. Proven customer value proposition/traction
5. Team → Quality of Presentation and Ability to Tell the Story
6. Sustainable competitive advantage
7. Return on Investment
8. Technology
9. Partnership/trust/fun factor
10. Synergies with rest of portfolio
11. Ability to answer questions

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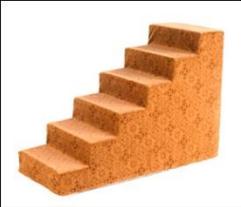
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Is There Only One Way?

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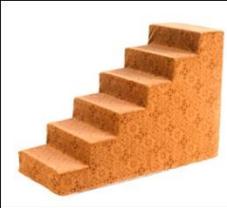
Heath, Chip, and Dan Heath. *Made to stick: Why some ideas survive and others die.*





Example(s)

- 5 Things you like (most important)
- 5 Things you don't and how you would fix them (most important)



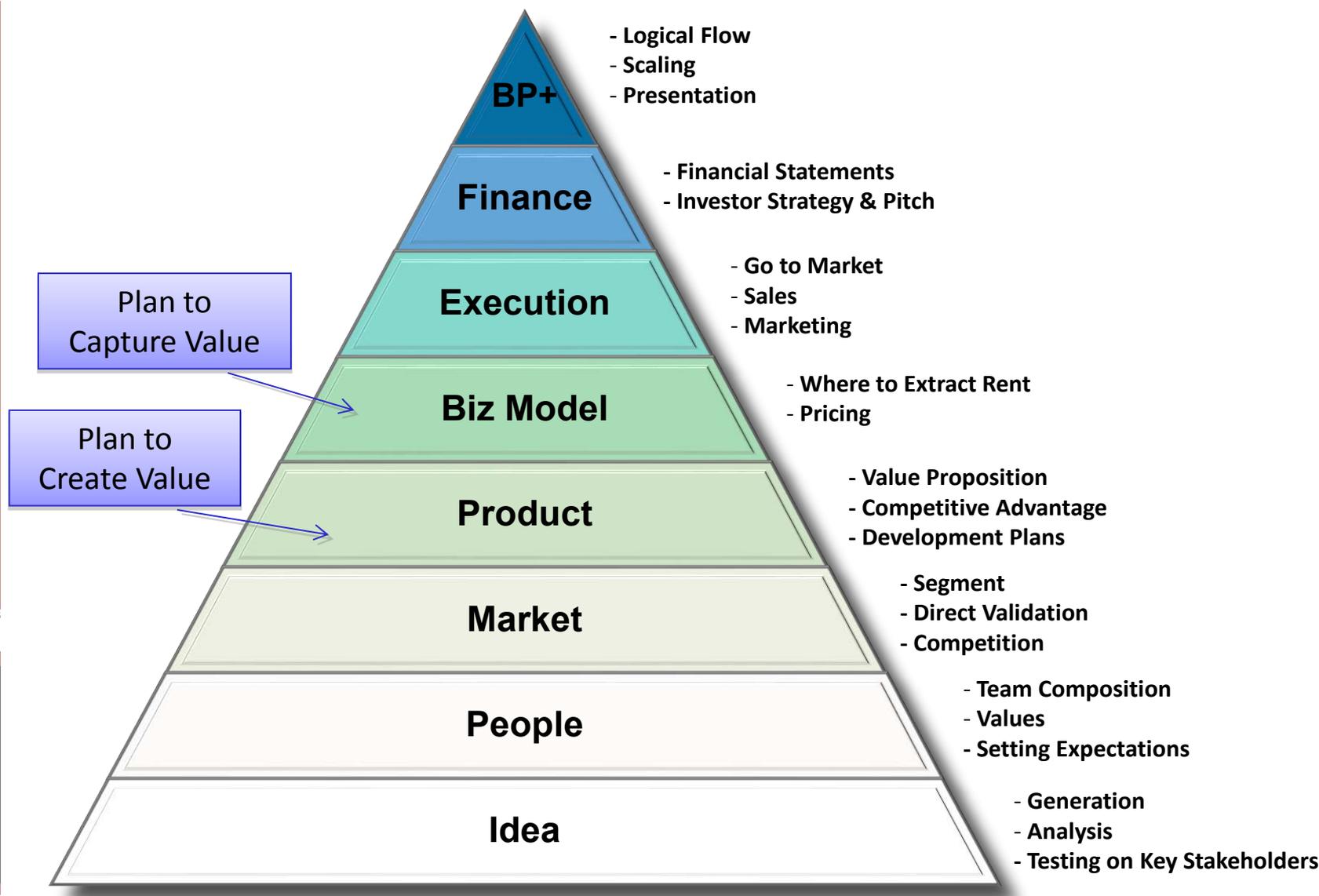
Location of inTouch Video

- <http://tinyurl.com/videointouch/>
- Many more examples from End of Summer Accelerator Demo Day presentations at <https://entrepreneurship.mit.edu/our-resources/mit-global-founders-skills-accelerator/>



Logical Flow of Course

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