

MODULE 6: GETTING MONEY TO START, GROW AND SUSTAIN YOUR BUSINESS



21/10/2021

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OBJECTIVE: To help businesses assess funding needs, identify appropriate sources of funding to meet those needs and to set out an effective financial plan to start, grow and sustain a business.

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MODULE 6: GETTING MONEY TO START, GROW AND SUSTAIN YOUR BUSINESS



1. BACKGROUND

Before pursuing a business idea, entrepreneurs need to carefully assess their funding needs, identify appropriate sources of funding to meet those needs and set out an effective financial plan to start, grow and sustain their business. This module will help to identify the key elements of the funding journey for a business as well as linking funding considerations to market research, innovation plans, human resource and team considerations, sales and marketing, etc., etc.

Question:

Why are you establishing this business or why did you set it up?

Answer:

- a) To address a problem that exists in the market
- b) To address a problem that I perceive to exist in the market
- c) To avail of a business opportunity in an uncompetitive / underserviced market
- d) To provide a better solution / service than currently exists
- e) To avail of a new business opportunity

With the exception of (b) above these are probably valid reasons for starting a business, but it is vital to assess its financial viability and to validate the value proposition and define your unique selling point (USP) from the customers perspective. This can be done through the use of:

- Secondary and primary research (whether quantitative, qualitative or both)
- Analysis tools like PESTLE, VRIN/VRIO, TOWS, Value Chain, etc.

Tools such as PESTLE help you to look at external issues in the business environment. For example, Covid-19 has seen the introduction of many Political measures which restrict normal activities and businesses are suffering as a result. When these measures ease, we are likely to experience a period of Economic recession and it may impact sales figures for many months or years to come even though social restrictions are eased. Social trends for hygiene products mean that many distilleries are now producing hand sanitisers, etc., etc.

VRIN/VRIO helps you to look at how you can configure our offering and activities to give customers something that is Valuable, Rare, Inimitable (can't be copied) and is Non-substitutable, thereby giving them value. The TOWS matrix allows us to look at Threats and Opportunities that exist in the external environment and at our Weakness and Strengths in terms of addressing them.

Finally the [Value Chain](#) helps you to assess the primary activities of your business and see where you can add value or reduce costs in terms of Logistics, Operations, Sales & Marketing and Service. Likewise, it lets you look at secondary activities such as Infrastructure, HRM, Procurement and Technology. Furthermore, you can use the Value Chain to assess your role in a customer's value chain and where you can add value or reduce costs for them.

These issues will impact on your Financial Module and by examining these issues in depth you have a business and financial roadmap for the business from the original concept right the way through to commercialization. You can also identify potential problems in advance in terms of sales, competition, location, market access, funding requirements, revenue, etc., thereby ensuring the development of suitable solutions and the sustainability of the business.

A Business Plan is:

- A formal written document describing the short & long term goals of a business and describes how they will be achieved.
- Details & evaluates critical issues for success and helps to establish the viability of the project (i.e. Research – Analysis – Decision Making).
- Acts as a selling document to potential investors, helps to convince grant aiding authorities and financial institutions to assist the project and establishes a business strategy for the enterprise.

This module gives you a template whereby you can assess the capital costs of establishing the business and the funds required for same. You will also be able to plan for operational costs, revenues and conduct sensitivity analysis (what-if / scenario planning – e.g. increased or decreased levels of sales, changes in prices, changes in costs, etc.). The two excel templates (one simple and one more detailed, with built-in formulas) helps you to do some financial projections for the business. Finally, social enterprises must also be approached with a business focus which needs to be constantly refined and developed.

Question:

Can you develop a brief roadmap / plan for your business?

Answer:

Yes, the [Business Canvas model](#) (below) allows you to map Existing Business Models, design New Business Models or Manage a Portfolio of Business Models. A [video](#) on how to use the model is also available.

Fig 6.1: Business Canvas Model Layout



Having already completed the **BIC for SME** Diagnostic evaluation and having identified gaps in terms of funding and financial management knowledge, this module provides a template whereby you can deal with issues of concern to your business such as :

- Assessing the capital costs of establishing the business and the funds required for same.
- Planning for operational costs, forecasting revenues and conducting sensitivity analysis (what-if / scenario planning – e.g. increased or decreased levels of sales, changes in prices, changes in costs, etc.).
- Develop financial projections for the business (using a pre-populated excel template with formulas).

2. MODULE GOALS (MODULE DIAGNOSTIC, ROADMAP & DELIVERY)

2.1 Module Goals

In Section 3, a detailed breakdown of the Module content is provided. However, the broad objectives of this Module are to help users to:

- Understand how to develop a well-researched funding and financial plan
- Understand how to evaluate and present a sound structure and relevant content for funding and financial planning
- Engage effectively with key stakeholders and third parties in order to investigate, evaluate and address enterprise requirements
- Consider KPIs (key performance indicators) and how to use standard tools for the management and sustainability of the business.
- Apply knowledge gained in other modules of the programme so as to develop a robust, sustainable business
- Understand how to effectively Fundraise including the appropriate types of funding to target and when.
- Consider sustainable processes.

2.2 Plan the Training Module Process

2.2.1 Undertake a Diagnostic Assessment / Baseline Survey

In order to identify the key aspects for success in terms of Fundraising, Financial Management and Sustainability, you should complete the **BIC for SME** Diagnostic / Assessment Tool for Entrepreneurs with your Trainer / Coach / Mentor. This **BIC for SME** Diagnostic Assessment Tool will highlight areas of strength and weakness in terms of your knowledge and competencies in this topic and will provide a Roadmap in terms of the actions to be undertaken to enhance these knowledge and competencies. This Roadmap is supported by a visual Concept Map, which provides a visual representation of the Module which will highlight key areas to address. **Note:** the **BIC for SME** Diagnostic Tool and training material is designed to be used with the support of a Trainer / Coach / Mentor but can also be used by entrepreneurs on their own if they wish to do so.

Alternatively, or in support of the **BIC for SME** Diagnostic Tool, you can use a simple problem-analysis tool to find the root cause of the issues involved in Fundraising, Financial Management and Sustainability such as:

- **Five whys** - The primary goal of the technique is to determine the root cause of a defect or problem by repeating the question "Why?". Each answer forms the basis of the next question. The "five" in the name derives from an anecdotal observation on the number of iterations needed to resolve the problem.
- **Fishbone Diagram** - The fishbone diagram or Ishikawa diagram is a cause-and-effect diagram that helps entrepreneurs to track down the reasons for imperfections, variations, defects, or failures. The diagram looks just like a fish's skeleton with the problem at its head and the causes for the problem feeding into the spine. Once all the causes that underlie the problem have been identified, entrepreneurs can start looking for solutions to ensure that the problem doesn't become a recurring one.
- Etc.

2.2.2 Develop a Training Roadmap & Action Plan

Following the initial Diagnostic or Baseline Evaluation and in order to make the training intervention effective, your Trainer / Mentor / Consultant can:

1. Select the elements of the Financial Module to be covered and set timelines for same
2. Set the training sequence (i.e. organize topics based on importance (as per the Diagnostic evaluation), impact, interactions, etc.).
3. Select the pedagogy (how the selected elements of the Module are to be covered in terms of practical work, lectures, reading material, exercises, etc.).
4. Set Action plan and Milestones to be achieved – KPI (see Section 5)
5. Determine Outputs - assess the result achieved (see Section 5)

2.2.3 Completion of the Finance Module

The delivery of the Module content by the trainer, should take approximately 20 hours in addition to independent learning. **Note:** the business plan is constantly changing and as an entrepreneur undertakes their own direct research, the plan will be revised regularly. It is essential that entrepreneurs take control of this section as they must understand all aspects of the business in depth. As a result, they will engage in a very significant amount of independent learning on this part of the BIC for SME programme.

This module focusses on funding and financial management issues (and is linked to [Module 1](#), which gives an introduction to business plan development on issues such as business structure, market, customers, competitors, and suppliers, team, etc.). All other aspects of the business have an impact on its financial success (or otherwise).

You will need to be able to develop a comprehensive Business and Financial plan, a One Page Business plan, Pitching Slide deck and, if relevant, a Valuation for key stakeholders. You need to understand these tools and methodologies in a practical sense.

Following your Training / Mentoring / Coaching intervention, you can use the **BIC for SME** Diagnostic Tool for Entrepreneurs and Trainers a second time and assess the progress you have made in terms of enhanced knowledge, competencies and skills.

3. CONTENT OF THE MODULE

3.1: Module Content

3.1.1: Understand Financial Requirements of a Business & Identify Suitable Sources of Funds

- Assess Financial Requirements, Timing Issues and identify appropriate Sources of Funding

3.1.2 Understand Financial Modelling

- Develop an Income & Expenditure (Business / Revenue Model)
- Use tools including:
 - Financial Planning draft Excel model including Cashflow, Profit & Loss and Balance Sheet
- Conduct Financial Analysis and support Financial Management in businesses

3.1.3 Understand Risk Analysis & Financial Management

- Assess Risks and support Contingency Planning, Sensitivity Analysis
- Support Financial Management & Communication with key stakeholders
- Use tools including:
 - A summary One Page Business Plan
 - A template for a Pitching Deck for key Stakeholders
 - Guidelines for Business Valuations
- Understand the importance of Management Accounts
- Assess Sustainability and consider Impact Funding

A business plan should evolve constantly, and you should continuously analyse and define the value of your (proposed) enterprise to the customer. In addition to this Module, you will be able to apply knowledge gained in other modules of the programme so as to develop a robust, sustainable business .

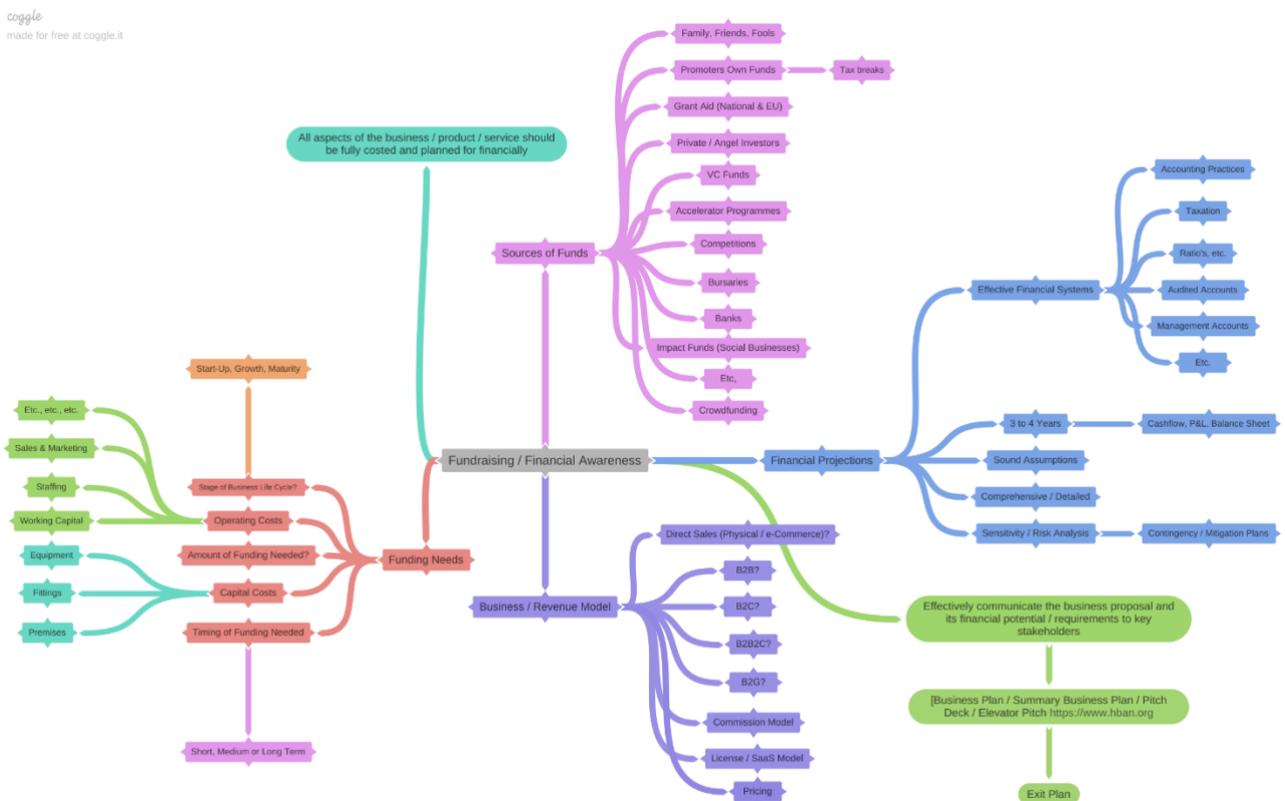
Note: Financial issues outlined above are directly impacted by other aspects of the business and should form part of a comprehensive overall business plan. This does not have to be a big or long document but should, nevertheless, be comprehensive in terms of addressing key business issues. A Business Plan Template is provided in [Module 1](#), and it will address matters such as:

- Introduction to the Business / Background
- Market Analysis - The Opportunity
- Competitive Analysis
- Strategy

- Project Description / Offering
- Social impacts and sustainability (if relevant)
- Marketing and Sales
- Operations / Technical Elements
- Team

An overview of the Content is provided below and can also be found in The Diagnostic Tool in the Roadmap Worksheet.

Fig 6.2: Concept Map for Getting Money to Start, Grow and Sustain Your Business



Section 3.1.1: Financial Requirements & Sources of Funds

Question:

What funding do you need for your business (idea) and what are the possible sources of funding for the business?

Answer:

Below are some typical Financial Requirements of an SME and possible Sources of Funds

| Financial Requirements (examples) | Sources of Funds (examples) |
|--|--|
| <p>Development Funding</p> <ul style="list-style-type: none"> • Prototyping • Feasibility Analysis • MVP development • Etc. <p>Direct Product Costs</p> <ul style="list-style-type: none"> • Raw material, components, etc. <p>General Overheads</p> <ul style="list-style-type: none"> • Marketing & Promotion (General Marketing, Trade Fairs & Exhibitions, Website, Brochure & Communication Materials) • Legal & Intellectual Property • Distribution • Office Supplies / Stationery • Motor, Travel, Accommodation & Subsistence • Communications (Phone, Internet, Broadband, Cloud Services, Hosting) • Insurance (Product, General, Office, Etc.) • Rent • Utilities (Electricity, Water, Other) • Accounting, Bank & Finance Cost • Professional Fees (Regulatory, Etc.) • Sundries, Miscellaneous | <ul style="list-style-type: none"> • Promoter's own funds • (Tax breaks for promoters) • Friends, Family, Fools • Competitions • Accelerator programmes • Grant aid • Grant Aid (other) • Private/angel investors, • Venture capital funds, • Crowdfunding • EU funding (e.g. H2020), • Retained earnings • Bank loans (mortgages) • Other Loans • Peer Lending • Impact funds (for social businesses) etc.) • Invoice Discounting / Factoring • Leasing • Etc., Etc. |

| | |
|---|--|
| <ul style="list-style-type: none"> • Research & Development • Sales and Marketing Growth (Internationalisation) <p>Staff Costs</p> <ul style="list-style-type: none"> • Direct Staff Costs (inc. Government Charges) • Indirect Staff Costs • Commissions • Share Options, Etc. <p>Equipment & Assets</p> <ul style="list-style-type: none"> • Premises • Machinery • Fixtures & Fittings • Hardware & Software <p>Working Capital Etc., Etc.</p> | |
|---|--|

One cannot ‘train’ for this. It is a case of understanding the nature of business, understanding your own capabilities, setting realistic expectations, and looking at the planned enterprise in a logical way. The financial requirements must be matched with the appropriate sources of funds.

Each source of funding above is potentially suitable depending on the lifecycle of the business, size of business, your level of knowledge and competencies (as well as that of the team), level of market and commercial validation, level of market traction, etc., etc..

Question:

Where can an entrepreneur, with medical device knowledge and expertise, source funding to develop a new orthopaedic solution for operating on bone fractures?

Answer:

Likely sources: Promoter’s own funds / Friends, Family, Fools / Competitions / Accelerator programmes / tax refunds from personal (and other) tax previously paid. The entrepreneur will need to ‘bootstrap’ the project initially to prove and validate the solution, verify a real market need and get a group of advisors or a team on board.

Possible sources: Grant aid (feasibility study) / Private or angel investors (more likely to be interested when market and technology are validated and advisory board are in place) / Venture capital funds (only when market and technology are validated and advisory board are in place) / EU funding (e.g. H2020),

Unsuitable Sources: Retained earnings / Bank loans (mortgages) / Other Loans / Peer Lending / Impact funds (for social businesses) etc.)

Question:

Where can a manufacturing business source funding to install a new production line to meet growing demand and new international business opportunities?

Answer:

Likely sources: Retained earnings / Bank loans / Other Loans / Leasing / Etc.

Possible sources: Grant aid (feasibility study) / Private or angel investors / Venture capital funds / Promoter's own funds / Peer Lending

Unsuitable Sources: Friends, Family, Fools / Competitions / Accelerator programmes / EU funding (e.g. H2020),

One funding source not noted above is **Crowdfunding**. Crowdfunding is the practice of funding a project or venture by raising small amounts of money from a large number of people, typically via the Internet. It is a form of crowdsourcing and alternative finance. Crowdfunding makes use of the easy accessibility of vast networks of people, usually through social media and crowdfunding websites, to bring investors and entrepreneurs together, with the potential to increase entrepreneurship by expanding the pool of investors beyond the traditional circle of owners, relatives, business angels and venture capitalists. There are several types of crowdfunding such as: equity, rewards-based, donation-based crowdfunding, profit-sharing / revenue-sharing, etc.

Important: Crowdfunding, using a rewards-based approach, can be used to undertake market research. For example, you could do a soft launch of your product / service to research what potential customers are saying about it before refining it and committing fully to its commercial development.

Restrictions can apply in terms of who is allowed to fund a new business and how much they are allowed to contribute. It is also very competitive in that crowdfunding allows investors to select from hundreds of projects and invest very small amounts, and many crowdfunding campaigns fail. Crowdfunding sites generate revenue from a percentage of the funds raised. Crowdfunding campaigns also require very significant time inputs from promoters in order to push the opportunity out to the widest possible audience. [Kickstarter](#), [Indiegogo](#), [Spark](#) and [GoFundMe](#) are some popular crowdfunding platforms.

Finally, for female entrepreneurs, there are also female specific funding and support sources that should be investigated. Examples include: [Awaken Hub](#), [Rising Tide Europe](#), [Acorns](#), [Empower](#), etc.

Section 3.1.2: Understanding Financial Modelling

Having thoroughly researched the market, technical and operational issues relating to the business, you must:

- Present the opportunity to stakeholders (investors, banks, partners, suppliers, etc.) showing that the entrepreneur, and their project, are grounded in reality
- Show that they can develop, grow and scale the business opportunity
- Demonstrate the ability to 'execute' and manage Cash V's Sales (i.e. ability to manage cashflow)

This requires the development of Income & Expenditure models including Business & Revenue models and this can be done using tools including a financial planning draft excel model including Cashflow, Profit & Loss and Balance Sheet. With these tools it will be possible to conduct a Financial Analysis and support Financial Management issues in the businesses.

Issues such as costing and pricing should also be carefully considered here. As an entrepreneur have you identified all of the costs associated with bringing your product or service to market such as direct costs (components, raw materials, direct labour, etc.) and indirect costs (marketing, compliance or regulatory issues, administration overheads, etc.)? Here you should consider costing of your [MVP](#). In terms of pricing, an entrepreneur will obviously consider a price which covers their costs as well as providing some profit while experience and economies of scale may reduce costs in the future. However, what about the psychology of pricing? What does a customer think your offering is worth and will they be willing to pay the price you want to charge? Can you use different pricing models depending on the level of product or service a customer is willing to pay for? What are the benefits and risks of discounting and sales promotions? These are all issues which an entrepreneur needs to consider.

Question:

How can I prepare a coherent set of projections to support practical financial planning for the business as well as securing the necessary funding?

Answer:

Tool 1 (Appendix 1a & Appendix 1b): Financial Planning draft Excel Model template (with built in formulas) for Cashflow Projections, P&L (Profit & Loss) and Balance Sheet.

Two Excel templates are provided as appendices to support with the development of Cashflow Projections, P&L and Balance Sheet (one is simple and one is more detailed - both with built in formulas). An entrepreneur (with the trainers help) should be able to assess their funding requirement and attempt an initial Cashflow Projection for their Enterprise. While a trainers help may be required, the entrepreneur needs to understand the figures behind their business and take ownership / responsibility for understanding / managing them.

Note for Trainer: *The attached Excel Template (with built-in formulas and instructions) allows you to make assumptions, explore 'what-if' scenarios by editing/manipulating prices, sales figures (units or revenue), debtor and creditor days, staff structures, adding costs, assuming grant aid or other funding scenarios. It requires you to have an understanding of key financial elements. If you do not have such knowledge it may be necessary to undertake a [course](#) in this regard or to task an accountant or other professional with preparing such a set of projections. Note, however, that it is important to instruct such a professional as to the specific requirements as they may come up with a generic template which may be inappropriate.*

You will need to gather/analyse information, as you move towards your goal of setting up a (social) enterprise. Also, as the enterprise develops you will find that the business and financial model and perhaps the initial service / product will change based on market feedback, and external and internal forces in the business environment.

Section 3.1.3: Understanding Risk Analysis and Financial Management

Question:

What are the potential risks for my business?

Answer:

There are many.....

- The impact of smaller than expected sales figures on ability to pay staff, repay loans, buy materials, market, and grow sales, etc., etc.
- The impact of greater than expected sales figures – can you effectively manage growth, hire the right people, get the right financial structures in place, bring in new capital equipment
- The impact of delays in securing sources of funding
- Overtrading
- Ability to secure the necessary staff
- Regulatory / legislative issues
- Social issues (e.g. Covid-19)
- Competition / alternative offerings to your service / product
- Etc.

The Financial Modelling Section above (6.2) allows you to ‘interrogate’ Income, Expenditure, Business and Revenue models to assess potential risks and conduct sensitivity analysis for the business.

It is also important to note that the entrepreneur will go through a regular, almost constant, process of updating their business plan based on research gathered during the planning process. A key part of the business journey is the development of a minimally viable product (an MVP) which is a cost-effective way of testing a product or service offering in the market.

To bring a successful MVP to market requires careful planning. You must develop a strong concept for a product that offers a meaningful solution to your users’ needs while not moving too far beyond your core concept. The idea of an MVP encourages restraint. It shouldn’t include any unnecessary features which are of no benefit to customers as well as leading to wasted resources. A good MVP will help reduce risk by proving demand in the marketplace, will save time and costs, will get to market faster and will help secure development funding.

After the Financial Requirements and possible Sources of Funds are established and Financial Modelling and Risk Analysis has been conducted, then this information needs to be put in a form that can be easily communicated and understood.

Question:

How can you effectively communicate with potential funders?

Answer:

The following tools can be used depending on your 'audience': One Page Business Plan Summary, Pitch Slide Deck, Video, Application Form.

Tool 2 (Appendix 2): [Financial Pitching Slide Deck Guideline](#)

Question:

What key information do I need to impart to potential funders in a 10 minute investment pitch?

Answer:

- What problem or gap being solved? What opportunity being availed of?
- The solution and how it works
- The market – customers, the economic potential of customers and viability
- The competition and how this offering is unique / competitive
- Revenue and business model
- The route to market
- Financial projections showing potential to scale
- Management team
- Funding needs / 'ask' and use of funds
- Exit strategy – how investors exit the business

This guideline provides an insight into some key considerations when putting together a slide deck (including a summary set of financial projections for a business). There will be other issues to consider. You need to ensure that all areas have been researched, costed and validated so you present a coherent, logical outline of the business thereby securing the necessary funds to develop and grow. www.hban.org gives you information on how to prepare to present to investors with a series of [videos](#) and other information.

Note: The exit strategy, as referenced in the guideline above, is important for angel or venture capital investors. They invest with a view to 'exiting' the business in 5 to 7 years, with a good return on their investment (ideally a multiple of 5 to 6 times of their original investment). Therefore, their ideal scenario is that the

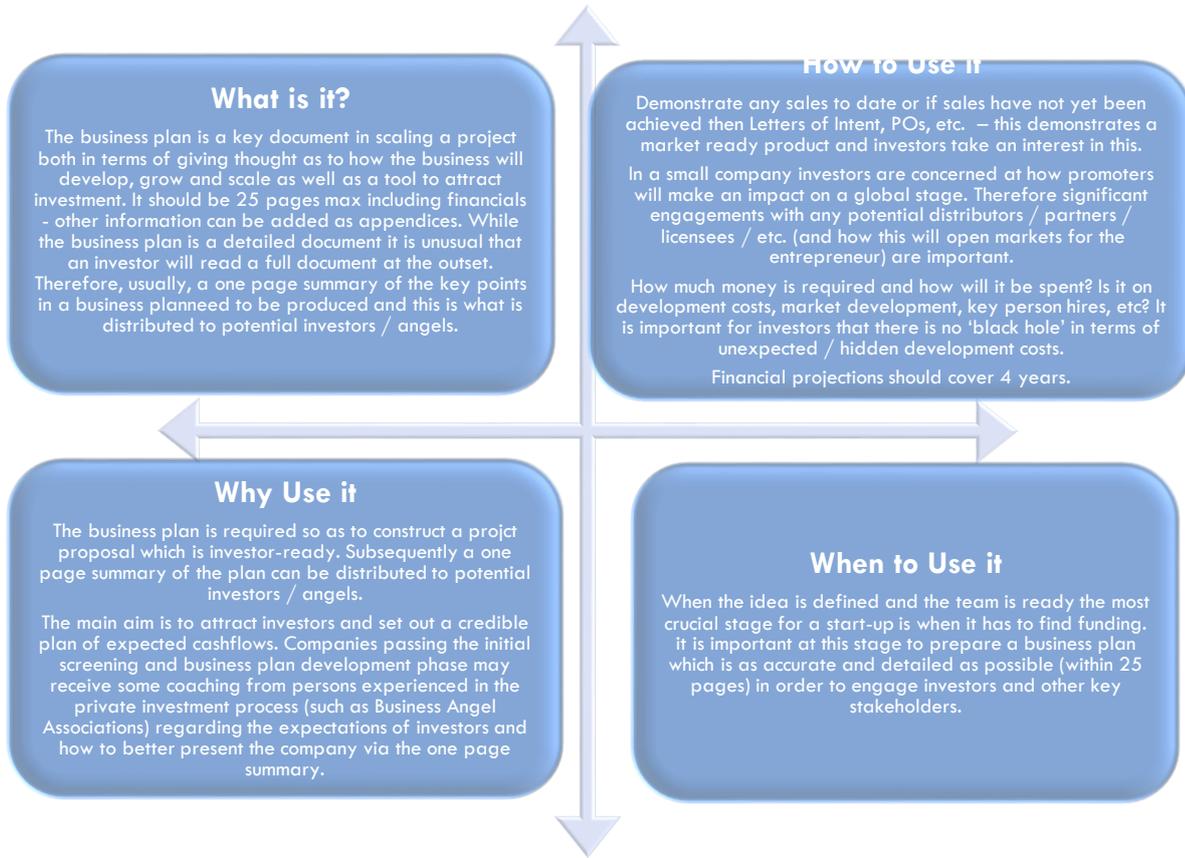
business they invest in is bought out by a third party – a trade sale. It is possible, of course, that the founder could ‘buy-out’ the original investors but that is a process of hard negotiations.

Tool 3 (Appendix 3): One Page Business plan

The One Page Business plan templates can be used as a simple overview / guide for promoters in the day-to-day management of their business while also being useful in attracting key stakeholders / partners for the business (financial investors, key partners, suppliers, etc.). This is a summary / ‘snapshot’ of the overall business plan and is designed to attract interest from potential contributors to the enterprise. Once interested, these potential stakeholders can request the more detailed business plan to get a more thorough understanding of the proposed business. Again, you need to ensure that all areas are validated, and key points emphasised, so that you present an attractive business summary thereby securing the interest of investors.

A template for a One Page Business plan is provided below with the kind permission of [HBAN](#) and the [Transition Programme](#)

Fig 6.3: One Page Business Plan Summary



INVESTMENT PROPOSAL

All information herein is confidential and intended only for registered Investors

Requirement:

AN Other Company, based in Milan, is seeking funding of €150k from equity investors which will be matched by €100k approved preference share financing from government / EU grants. The company is approved by the revenue office for tax compliance. The investment will be used to develop the marketing and commercialisation strategy of the company over the next 12 months.

What AN Other Company does?

AN Other Company provides a XXXXXX and XXXXXX Software solution, focusing on advanced patient monitoring systems delivering a range of key metrics / measurements plus Paperless Records.... The solution delivers measurable improvements and reduces costs associated with patient observation and management including: XX% average time saving by staff when performing patient observations and reporting/reviewing patient history; up to XX% reduction of measurement and recording errors. It is flexible to use: one patient or multiple patients – one ward or the entire site, standalone system or highly integrated with existing investments.

Present Position:

AN Other Company product trials and test procedures have been undertaken in companies, including international companies, based in Italy (AN Other, AN Other, AN Other, AN Other). Strong expressions of interest have been received during 2019 from international software resellers to supply the companies product to their major clients based in Ireland, the US, Europe and etc.....

Sales and Marketing:

Product Sales are scheduled to commence during Q1 2020. In the short term AN Other Company will utilise decision maker contacts within partner organisations (e.g. AN Other, AN Other, AN Other, AN Other) as well as strategic market partner and reseller channels (e.g. AN Other, AN Other, AN Other, AN Other) to achieve sales. They will also increase their direct sales force to target SMEs in Italy and the EU using web and digital marketing support.
Competitors include AN Other, AN Other, AN Other, AN Other.

The Opportunity:

According to PwC, the EU market for Patient XXXXXX and XXXXXX Software solution is worth €18.5 billion, while waste and health management inefficiency issues cost Italian businesses €33 billion per annum (Italian Centre for xxxxx). Based on extensive research to date, the promoters have identified that hospitals are not delivering full value for their Human Capital investment with no ground breaking solutions to this problem for more than 20 years. AN Other Company provides the solution, delivering cost effective, long term improvements in the area of XXXXX and XXXXXXXX.

Financial Summary

| Summary | 2020 | 2021 | 2022 | 2023 |
|-----------------------|-----------|-----------|------------|------------|
| Total Revenue | €200,000 | €500,000 | €1,200,000 | €2,500,000 |
| Gross Margin% | 60% | 40% | 40% | 50% |
| Net Profit (post tax) | €(60,000) | €(20,000) | €600,000 | €1,500,000 |
| Net Profit Margin | -30% | -% | % | % |
| Employees | 8 | 10 | 12 | 14 |

Company: AN Other Company

Ref: BMWXXX

Stage of Dev.: Start-Up

Investment Required: €250K

Sector: Logistics / Software

Skills sought: Strategic and Market Dev.

Revenues:

2020: €200,000
2021: €500,000
2022: €1,200,000
2023: €2,500,000

Document created: April 2014

Management & Shareholding:

AN Other – CEO (Product Dev & Sales) – Previous experience includes

.....
.....
.....
.....

AN Other – CFO (Finance, Project Management, Statistics) – He has had roles as

.....
.....
.....
.....

AN Other – CTO (Software platform architect)

The detail above is based on information supplied by the company The Halo Business Angels Network recommends that before entering into a transaction involving the acquisition or subscription for shares, investors obtain the advice of a person authorised under the Investment Intermediaries Act 1995 who specialises in advising on investments of this type and obtain appropriate due diligence, taxation and legal advice.

Tool 4 (Appendix 4): [Business Valuation Guideline](#)

If you are looking for private equity (or social impact) investment, then you should also be able to provide a valuation of the project. A Business Valuation Guide is available in the appendices. **Note:** while this tool will give entrepreneurs some general guidelines in arriving at a valuation for their business it is suggested that professional advice is secured in such matters.

Question:

Once up and running, how can I quickly and accurately assess how my business is doing and determine actions that need to be undertaken?

Answer:

Review the financial section of the business plan developed earlier and 'plug in' actual figures against those previously projected. Alternatively set up a system of regular (ideally monthly) Management Accounts. Ideally, Management Accounts will be prepared with professional assistance but key issues can be seen [here](#) and [here](#). A wider view of Management Accounting is available [here](#).

Management accounts help to ensure the sustainability of the business by pointing out problem areas as well as opportunities which allow entrepreneurs to take remedial action or avail of opportunities. To further assist with this, businesses need to look at how to run and manage their businesses sustainably. There are many organisations who can support this activity with one example being [Fifty Shades Greener](#), which have a variety of courses which can help businesses reduce use of energy and water and reduce waste.

Finally in this Module, some businesses may be set up to deal with a problem or an opportunity which is not being addressed by either government or other businesses. Such businesses are [Social Enterprises](#) and make up part of the [Social Economy](#). While they are not purely commercially or profit oriented, they must also be established on a sound business footing in order to be successful, and the approaches outlined above apply for such businesses. Aligned to this approach is the need for all businesses to act sustainably, [ethically](#) and with regard to consideration of [Circular Economy](#) practices. This can have positive impacts for both the business and society at large. The Digi2Market Project, supported by the Interreg Northern Periphery and Arctic Programme 2014-2020 provides a Green Business Model Framework which is available for [download](#).

Question:

Are there specific funding sources for Social Enterprises?

Answer:

Yes, such funds include [Social Finance](#) and Impact Funds such as those associated with the [EVPA](#) (European Venture Philanthropy Association).

3.2 Useful Material & Templates for Entrepreneurs

Links to **Materials and Further Reading** are provided below:

| Topics / Useful Links | Reference |
|--|---|
| <ul style="list-style-type: none"> • USP (Unique Selling Proposition) | <ul style="list-style-type: none"> • https://www.entrepreneur.com/encyclopedia/unique-selling-proposition-usp |
| <ul style="list-style-type: none"> • Secondary research | <ul style="list-style-type: none"> • https://www.entrepreneur.com/encyclopedia/secondary-market-research |
| <ul style="list-style-type: none"> • Primary research | <ul style="list-style-type: none"> • https://www.thehartford.com/business-insurance/strategy/market-research/primary-second-research |
| <ul style="list-style-type: none"> • PESTLE | <ul style="list-style-type: none"> • http://dl.icdst.org/pdfs/files/2d89fe2521e3327388a4e68bbf59a72b.pdf |
| <ul style="list-style-type: none"> • VRIN/VRIO | <ul style="list-style-type: none"> • https://strategicmanagementinsight.com/tools/vrio.html |
| <ul style="list-style-type: none"> • TOWS | <ul style="list-style-type: none"> • https://www.mindtools.com/pages/article/newSTR_89.htm |
| <ul style="list-style-type: none"> • Value Chain | <ul style="list-style-type: none"> • https://www.mindtools.com/pages/article/newSTR_66.htm |
| <ul style="list-style-type: none"> • Friends Family Fools | <ul style="list-style-type: none"> • https://www.entrepreneur.com/article/246404 |
| <ul style="list-style-type: none"> • Competitions | <ul style="list-style-type: none"> • https://eithealth.eu/news-article/uk-ireland-eit-health-headstart-competition-in-dublin-13-start-ups-win-e50k-each/ |
| <ul style="list-style-type: none"> • Accelerator programmes | <ul style="list-style-type: none"> • http://www.digitaltimes.ie/irelands-top-startup-funds-and-how-to-get-money/ |
| <ul style="list-style-type: none"> • Grant aid | |

| | |
|---|--|
| <ul style="list-style-type: none"> • Grant Aid (other) • Private/angel investors, • Venture capital funds • Fin Mgt. Course • Mgt. Accounts • Mgt. Accounts • Mgt. Accounts • Social Enterprises • Social Economy • Business Canvas Model • Minimally Viable Product (MVP) | <ul style="list-style-type: none"> • https://www.localenterprise.ie/Discover-Business-Supports/ • https://www.enterprise-ireland.com/en/funding-supports/ • https://www.hban.org/entrepreneurs • https://www.enterprise-ireland.com/en/Invest-in-Emerging-Companies/Source-of-Private-Capital/Venture-Capital-Funds.html • https://www.localenterprise.ie/Discover-Business-Supports/Training-Programmes/Start-Your-Own-Business-Programme/ • https://www.thinkbusiness.ie/articles/why-management-accounts-make-sense/ • https://www.wellersaccountants.co.uk/blog/what-to-include-in-the-preparation-of-monthly-management-accounts • https://www.eu-startups.com/2019/09/understanding-finance-the-basics-of-managerial-accounting-for-startups/ • https://ec.europa.eu/growth/sectors/social-economy/enterprises_en • https://ec.europa.eu/growth/sectors/social-economy_en • https://www.strategyzer.com/canvas/business-model-canvas • https://economictimes.indiatimes.com/definition/minimum-viable-product?from=mdr / https://www.netsolutions.com/insights/how-much-does-an-mvp-cost-heres-the-answer/ |
|---|--|

Useful Tools are also provided in the appendices at the end of the module including:

- ***Tool 1 (Appendix 1): Financial Planning draft Excel Model template (with built in formulas) for Cashflow Projections, P&L and Balance Sheet (including a simple and a detailed version)***
- *Tool 2 (Appendix 2): Financial Planning PPT*
- *Tool 3 (Appendix 3): Summary One Page Business Plan*
- *Tool 4 (Appendix 4): Business Valuation Methodologies*

Key Terms

| Key Terms | |
|--|--|
| Stakeholders | People / organisations which can impact upon your business or whom your business can impact upon (investors, banks, partners, suppliers, customers, etc.) |
| Business plan Execution | The ability to achieve results / deliver on key milestones |
| Cashflow, Profit & Loss & Balance Sheet | These are key elements in preparing financial projections for a business whether at start-up stage or scaling up |
| One Page Business plan | This is a simple summary / 'snapshot' of the overall business plan designed to attract interest from potential contributors to the enterprise (stakeholders) |
| Pitch Slide Deck | This is a PPT presentation of 10/12 slides which acts as a selling document to potential investors, helps to convince grant aiding authorities and financial institutions to assist the project and establishes a business strategy for the enterprise |

Case Studies / Good practices / Exercises/

N/A (Business plans are confidential and so, we cannot provide samples / examples here, other than the templates / tools we have provided already). Detailed instructions are provided within the templates on how they should be used.

| Exercise No: 1 | |
|----------------------------|---|
| Title | One Page Business plan |
| Objectives | Complete a One-Page Business plan for an enterprise |
| Duration | 2 Hours |
| Description | Complete a One-Page Business plan for an entrepreneur |
| Answers/Useful tips | Use Tool 3: Template for a One Page Business plan |

| | |
|---|--|
| Implementation* | |
| Technical implementation (instructions only for the tutor or course coordinator) | Allow the learner to develop an initial draft with guidance and then provide feedback. Continue to produce drafts until satisfied with the final version (note: the <u>final</u> draft of the one page business plan will need to be based on a comprehensive business plan with financial assumptions). |

Self-test Questions

| |
|---|
| Self-test questions |
| <i>Multiple choice questions with more than one correct answer. (min. 5)</i> |
| Question 1: Entrepreneurs are: |
| a) Passionate |
| b) Open-minded |
| c) Forward-looking |
| d) Innovative |
| e) All of the above |
| Correct Answer: All of the above |
| Question 2: Some challenges facing Entrepreneurs are: |
| a) Inability to strategise, plan and manage growth |
| b) Poor price / cost management structure as well as insufficient revenue sources |
| c) Weak sales and marketing strategies and management |
| d) Weak location selection |
| e) All of the above |
| Correct Answer: All of the above |
| Question 3: Why is planning important for entrepreneurs? |
| a) It helps keep concentrated on goals. |
| b) Keeps finances on track. |
| c) It tells us how much profit we will make. |
| d) It tells us about what we should avoid. |
| e) It helps keep track of progress |

Correct answer(s) – a, b and e

Question 4: Intrapreneurship is a way of bringing innovation from outside of the organization into the organization? True or False?

Correct answer(s) False

False: Intrapreneurship is where innovation and entrepreneurship take place within an existing organization.

Question 5: New products and services are two types of innovation which a company can introduce into their business. Including these two, approximately how many types of innovation could a company introduce?

a) 3

b) 5

c) 7

d) 11

Correct answer(s) – d) 11

According to Rowley et al. (2011), based on their innovation-type mapping tool, they identify eleven unique types of innovation drawn from previous innovation frameworks including:

Product, service, hybrid, technical, administrative, organisational structure, organisational, management, production, business system and commercial / marketing

Question 6: How many potential barriers to innovation can you identify / name?

Potential barriers to innovation include:

- lack of consultative management style/structure
- lack of suitably qualified personnel,
- lack of finance (internal, external and within partnerships)
- high costs of innovation (particularly IP),
- lack of adequate ICT infrastructure and information on technology,
- lack of suitable partnership / alliance opportunities
- fear of possible
- exploitation by partners,
- dominant competitors
- lack of information on market requirements and opportunities

Question 7: Which of the following is NOT a recognised creativity technique?

a) Six Thinking Hats

b) Fresh View

c) The Cat in the Hat

d) 635 Method

Correct answer(s) – c)

Question 8: Can the following sources be used in order to generate new business ideas?

Employees

Customer service

Customer complaints systems

Old/shelved ideas

Sales force / sales team

Correct answer(s) – yes for all – all the above can be used as a source of new ideas

Question 9: Is it fair to say that Entrepreneurs are big risk-takers and leave things to chance? Yes or No

Correct answer(s) – No

- Entrepreneurs are opportunity-seekers and are alert to business opportunities
- Entrepreneurs are generally adventurous and active and are often restless and easily bored.
- They are generally pro-active, innovative, idea generators with good organizational capabilities and thrive on change.
- Entrepreneurs also want responsibility, have a need to achieve, have power and are committed to seeing a project through.
- An entrepreneur is willing to adopt a broad financial strategy.
- They take calculated risks.

Question 10: Which of the following sources can provide opportunities for innovation within a business?

a) Change in market conditions (economic boom and bust cycles, changing demographics (migrants, different family structures, etc.) etc.

b) Locational / sectoral advantages

c) Legislative drivers

d) Raw material sources / supply

e) Benchmarking against other businesses / industries

f) All of the above

Correct answer(s) – f) All of the above

4. ROADMAP & ACTION PLAN

Having completed the Diagnostic evaluation and having identified the key issues of concern or knowledge gaps in terms of developing your business, your Trainer will have been able to set out a Training Roadmap on specific issues to do with Fundraising, Financial Management and Sustainability.

As outlined in Section 2.2.2, the Training roadmap (learning path) is a structured sequence of training activities proposed to teach a topic. While it should be comprehensive, it also needs to be practical, in order to organise the learning over a series of sessions. It will ensure that users do not omit crucial content because lack of time and that they will achieve fluency in key elements of the topic. Steps:

1. Set the goals derived from the **BIC for SME** diagnostic needs check (see Section 2)
2. Set out the Roadmap and Action Plan by selecting the elements of the Module to be covered and timelines (see Section 2)
3. Select pedagogy (how the selected elements of the Module are to be covered in terms of lectures, reading material, exercises, etc.,) (see Section 2)
4. Set sequence: organize topics based on importance (as per the Diagnostic evaluation), impact, interactions, etc.. (see Section 2)
5. Confirm Action plan and Milestones - KPI
6. Output: assess the result achieved

Having understood and practiced how to use the various tools contained in the Module (steps 1 – 4 above), you should be able to identify (ideally with the help of a Trainer / Coach / Mentor) a set of action items including a timeline indicating: what is to be done, by whom, when and how. Examples are provided below:

4.1 Action Plan

| What | Who | When | How |
|---|-----------------|-----------|---|
| Develop Business Plan with specific focus on sales & marketing function including key hires & online marketing activity | Owner / Manager | 2 weeks | Share initial draft with Trainer using excel model from Module 6 and Business Plan template from Module 1 |
| Develop summary Business Plan and Pitch Deck (including Company Valuation) for investors | Owner / Manager | 4-6 weeks | Share initial draft with Trainer using templates from Module 6 using graphics expert when content is agreed |

| | | | |
|---|---------------------------|-----------|--|
| Approach state (for employment grants) and private investors (equity) for key hires and marketing actions | Owner / Manager & Trainer | 6-8 weeks | Promoter to approach state bodies for grant aid and trainer to make introductions to investors |
| Etc. | | | Etc. |

The **BIC for SME** Diagnostic / Assessment Tool and Roadmap can provide entrepreneurs with a 'take away' in the form of a handout thereby providing them a practical guideline on tasks to be completed.

4.2 Countermeasures

Not all Action Items will progress as planned. It is therefore important that you consider some possible Countermeasures such as:

- Lack of success in fundraising efforts (explore alternative grant aiding bodies and increase the number of private investors targeted)
- Fundraising efforts taking longer than expected and business growth suffering as a result (set a minimum fundraising target and place a deadline on fundraising activities. Achieve specific milestones, build value in the company and go back to funders at a later stage.)
- Diverse views between potential investors and owner / managers (take feedback on board and review plans before returning to the investors / new investors)
- Cannot put an accurate valuation on the company (seek professional expertise).

5. FOLLOW-UP & OUTPUTS

As with all plans, it is important that entrepreneurs monitor output achieved against the original Diagnostic evaluation, Roadmap and Action Plan (you can undertake this with the support of your Trainer / Mentor / Consultant):

| What | Outcome (Date) |
|---|--|
| Develop Business Plan with specific focus on sales & marketing function | Done |
| Develop summary Business Plan and Pitch Deck for investors | Done |
| Develop Company Valuation for investors | To Do: requires professional support |
| Approach state and private investors (equity) for key hires and marketing actions | Grant aid in place investors require additional marketing plan details |

6. APPENDICES

- [Tool 1](#) Excel Model templates (with built in formulas) for SIMPLE and DETAILED Cashflow Projections, P&L and Balance Sheet (simple and detailed versions available)
- Tool 2 ([Appendix 2](#)): Pitch Deck PPT Guideline
- Tool 3 ([Appendix 3](#)): Summary One Page Business Plan
- Tool 4 ([Appendix 4](#)): Business Valuation Methodologies

Two Excel templates are provided as appendices to support with the development of Cashflow Projections, P&L and Balance Sheet (one is simple and one is more detailed - both with built in formulas). An entrepreneur (with the trainers help) should be able to assess their funding requirement and attempt an initial Cashflow Projection for their Enterprise. While a trainers help may be required, the entrepreneur needs to understand the figures behind their business and take ownership / responsibility for understanding / managing them.

APPENDIX 2: Pitch Slide Deck

This is a guideline for a Powerpoint which can be used when you are pitching to funders, investors or other key stakeholders. There should be 10 to 12 slides maximum (and which you can deliver in 10 minutes) addressing the following areas:

1. The offering. What is your project about? Have you identified a (social) problem or a gap which you can address or have you seen an opportunity in some market? What problem or gap are you solving? What opportunity are you availing of?
2. The solution (your product/service) – how does it work, who/where are your customers?
3. The market opportunity – can you quantify potential markets / customers or put a value on the market (currently and into the future) and will the opportunity continue to grow (i.e. does it demonstrate scalability and sustainability)? What is driving this growth opportunity?
4. Uniqueness - explain why the idea is unique.
5. The competition (current and prospective) – how do you compare and how can you differentiate yourself from them?
6. How will you generate revenue? Can you generate recurring revenue and can you grow this? Is the business model B2B, B2C, e-commerce, etc?
7. How will you access the market regionally and nationally (your route to market). Address distribution agreements, resellers, licensing agreements, etc. and your marketing plan - how do you plan to grow?
8. Financials - have you completed your P&L and cashflow for 4 years (can you demonstrate scalability? For a social enterprise can you highlight social impacts / benefits?
9. Management team. How will you scale? Have you the necessary people on your team or, if not, have you identified them? If you don't know them, what skills are needed? What gaps exist and how will you fill them?
10. How much funding do you require and what will the funds be used for? Have you any public or other private investment already which makes your project more attractive for other investors.
11. How (if relevant) will the investors get their money back (exit strategy) and/or what social impact will they help to achieve?

APPENDIX 4: Business Valuation Guideline

It will be important to be able to value your company especially when talking to private / angel investors (including impact investors). In return for investment you will have to give away equity so it is useful to know how much equity to give away and when! When valuing your business you can use methodologies such as:

1. Previous investment rounds and values
2. Discounted cashflow
3. Forecast sustainable EBITDA
4. Comparable listed company multiples
5. Comparable recent transaction multiples

1. Previous investment rounds:

- E.g. you gave away 10% of the company for 100K therefore the valuation is 1Mil.
- Depends on when it happened and who investor was - it may have been seed money and the company may have achieved significant milestones since and so the valuation would be higher now.
- Previous public (grant funding) is not necessarily indicative/comparable as it may not have had a rigid commercial focus

2. Discounted cashflow method is a widely used investment appraisal technique using common cash-flow forecasting techniques which discounts earnings into the future. This in turn gives a measure of the 'net present value (NPV) for a given project / investment, which is one of the most widely used criteria for assessing the viability of a project. In principle, with limited resources, the project selected is the one giving the best NPV. However, a discounted cash-flow is only as valid as the assumptions built into it, so it is important to test different evaluations and scenarios.

3. Forecast sustainable EBITDA

- EBITDA stands for Earnings Before Interest Tax Depreciation Amortisation
- It assumes that assets are used for purposes of the trade, not investment and that assets will drive trade / activity / profitability / results
- Intellectual property and other asset value are reflected in earning capacity and the focus is on future rather than historic financial performance:

The higher the EBITDA margin, the smaller a company's operating expenses in relation to total revenue, increasing its bottom line and leading to a more profitable operation. EBITDA is a financial number that measures a company's profitability before deductions that are considered somewhat superfluous to the business decision-making process. These deductions are interest, taxes, depreciation and amortization, which are not part of a company's operating costs and although important, should be dealt with separately.

4. Comparable listed company multiples:

Using this method of analysis you analyse similar listed companies in similar type of business and you look at relevant performance measures such as revenues, EBITDA, EBIT, net income/earnings.

Assess their level of valuation and then apply to the company being valued, adjusted for differences in size, liquidity, significant differences in development potential

5. Comparable recent transaction multiples:

Analyse the price offered for recent transactions in similar companies while considering relevant performance measures and take account of premiums achieved on sale e.g. acquirer synergies, percentage control obtained, activity in the sector etc.

It can be difficult to collate relevant info depending on sector and other issues such as the bidder, deal date, deal value and multiples (i.e. x times) achieved of revenue, EBITDA, EBIT, earnings should be considered.