

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



03/06/2020

Module 6: Getting Money to Start, Grow and Sustain your Business

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

A business plan should evolve constantly, with the entrepreneur continuously analysing and defining the value of that enterprise to the customer (i.e. assessing or validating the value proposition and defining the unique selling point (**USP**)). This can be done through:

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

The trainer should be able to guide and support the entrepreneur on this assessment and validation activity and this Financial Module developed as part of the **BIC for SME** project helps the trainer to challenge the entrepreneur in examining financial issues to do with:

- Customers
- Competition,
- Product / service,
- Revenue and business models,
- Etc..

In doing this the trainer gives the entrepreneur a business and financial roadmap for the business from the original concept right the way through to commercialization and they can 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.

What is a Business Plan?

- 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.

Having completed the **BIC for SME** Diagnostic evaluation earlier and having identified gaps in terms of funding and financial management knowledge, this module provides a template whereby the user can deal with issues of concern to the 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 4 a detailed breakdown of the Module content is provided. However, the broad objectives of this Module are:

- Understand how to help an entrepreneur develop a well-researched funding and financial plan
- Understand how to help an entrepreneur develop, evaluate and present a sound structure and relevant content for funding and financial planning
- Help the entrepreneur to 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
- Explain key concepts of circular economies and core competences of main sustainable processes. (This was noted in Training Programme for Trainers but not sure how to capture it in the training material. As discussed this week we may need to revisit the Training Programme for Trainers.)
- Integrate tools and KPIs of sustainable process with the ones used in traditional plan and management of supply chains and product process. (This was noted in Training Programme for Trainers but not sure how to capture it in the training material. As discussed this week we may need to revisit the Training Programme for Trainers.)

2.2 Plan the Module Training Process

2.2.1 Undertake a Diagnostic Assessment / Baseline Survey

In order to identify the key aspects to success in terms of Fundraising, Financial Management and Sustainability for each client, you should use the **BIC for SME** Diagnostic Tool for Entrepreneurs. You should then use the same tool to assess your own ability to meet those needs as a Trainer.

The **BIC for SME** Diagnostic Tool will highlight areas of strength and weakness for the Entrepreneur and Trainer and will provide a Roadmap in terms of the actions to be undertaken to enhance knowledge and

competencies. This Roadmap is supported by a visual Concept Map, which provides a visual representation of the Module where you, as a trainer, can highlight key areas to address.

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, it is important for the Trainer / Mentor / Consultant to:

1. Select the elements of the Financial Module to be covered and set timelines for same
2. Set the training sequence (trainers to 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 Delivery of the Finance Module

The delivery of the Module should take approximately 20 Hours (including supported and (primarily) independent learning). **Note:** the business plan is constantly changing and as the entrepreneur undertakes their own direct research, the plan will be revised regularly. It is essential that the entrepreneur takes control of this section as they must understand all aspects of their business in depth. The outcome desired for the trainer is therefore to guide the entrepreneur on key issues to consider.

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.).

The trainer needs to work through the issues and tools in this Module to understand them in a practical sense so as to properly instruct entrepreneurs in their use. Thereafter, the trainer can guide the entrepreneur in developing a comprehensive Business and Financial plan using the attached Excel File (Cashflow, P&L & Balance Sheet), a One Page Business plan, Pitch Slide Deck and, if relevant a Valuation, for key stakeholders.

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

3. CONTENT OF THE MODULE

3.1: Module Content

Module 6: Fundraising, Financial Management & Sustainability

- **Module 6.1: [Understand Financial Requirements of a Business & Identify Suitable Sources of Funds](#)**
 - Assess Financial Requirements, Timing Issues and identify appropriate Sources of Funding

- **Module 6.2: [Understanding 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

- **Module 6.3: [Understanding 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
 - Develop and Interpret Management Accounts
 - Assess Sustainability and consider Impact Funding

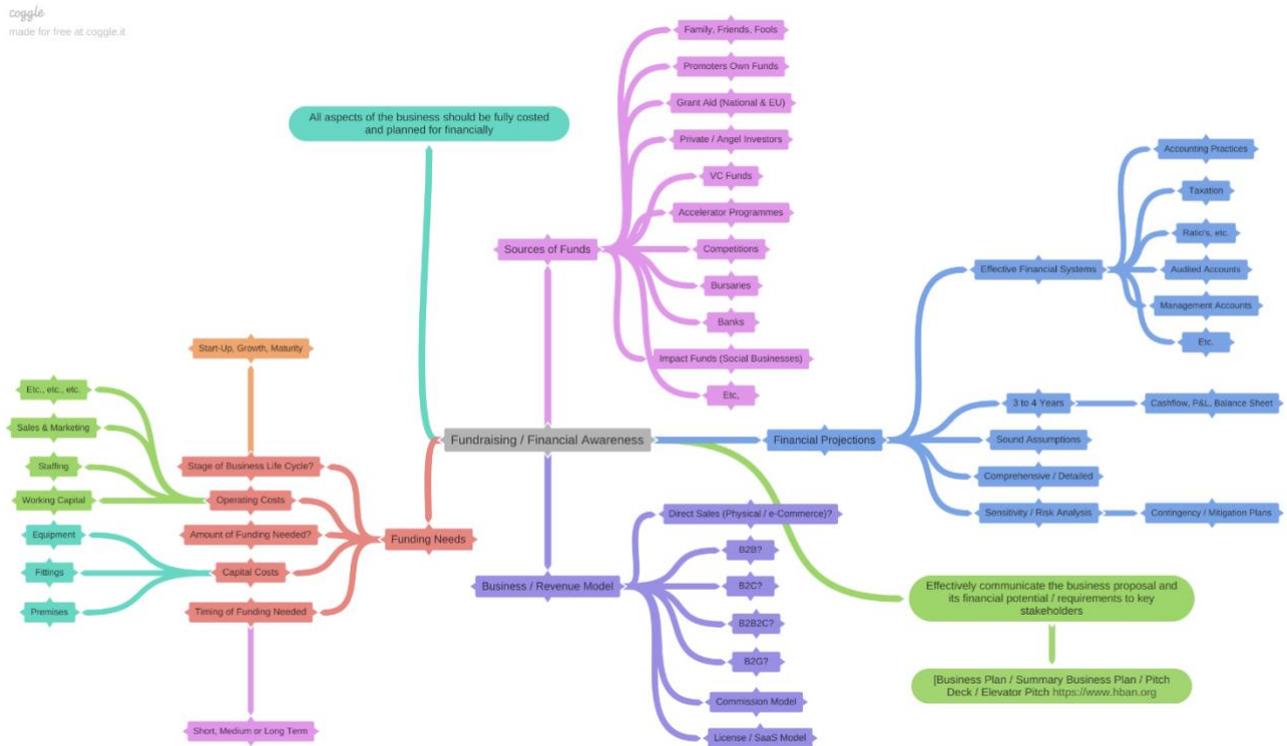
In addition to this Module, the user will be able to apply knowledge gained in other modules of the programme so as to develop a robust, sustainable business .

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 (including use of GIS (Geographic Information Systems))
- Competitive Analysis
- Strategy

- Project Description / Offering
- Social impacts and sustainability (if relevant)
- Marketing and Sales
- Operations / Technical Elements (including use of Location Intelligence)
- Team

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



Section 6.1: Financial Requirements & Sources of Funds

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

Financial Requirements (examples)	Sources of Funds (examples)
<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 	<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,

<ul style="list-style-type: none"> • 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 • 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>	<ul style="list-style-type: none"> • 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.
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One cannot 'train' for this. It is a case of understanding the nature of business, understanding the capabilities and expectations of the entrepreneur 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, knowledge and competencies of the promoter/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. 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),

Section 6.2: Understanding Financial Modelling

Having thoroughly researched the market, technical and operational issues relating to the business, the entrepreneur 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.

Question:

How can I help an entrepreneur to 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 1): Financial Planning draft Excel Model template (with built in formulas) for Cashflow Projections, P&L (Profit & Loss) and Balance Sheet.

Using the Excel template (provided as an appendix (with built in formulas)) for Cashflow Projections, P&L and Balance Sheet, 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 users 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.*

Entrepreneurs will need to gather/analyse information, as they move towards their goal of setting up a (social) enterprise. Also, as the enterprise develops the entrepreneur 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 6.3: Understanding Risk Analysis and Financial Management

Question:

What are the potential risks for a start-up, early-stage or growing 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
- Etc.

The Financial Modelling (Section 2) above allows trainers and entrepreneurs to ‘interrogate’ Income & Expenditure models and Business & Revenue models to assess potential risks and conduct sensitivity analysis for the business.

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 a business effectively communicate with potential funders

Answer:

The following tools can be used:

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

Question:

What key information does an entrepreneur 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

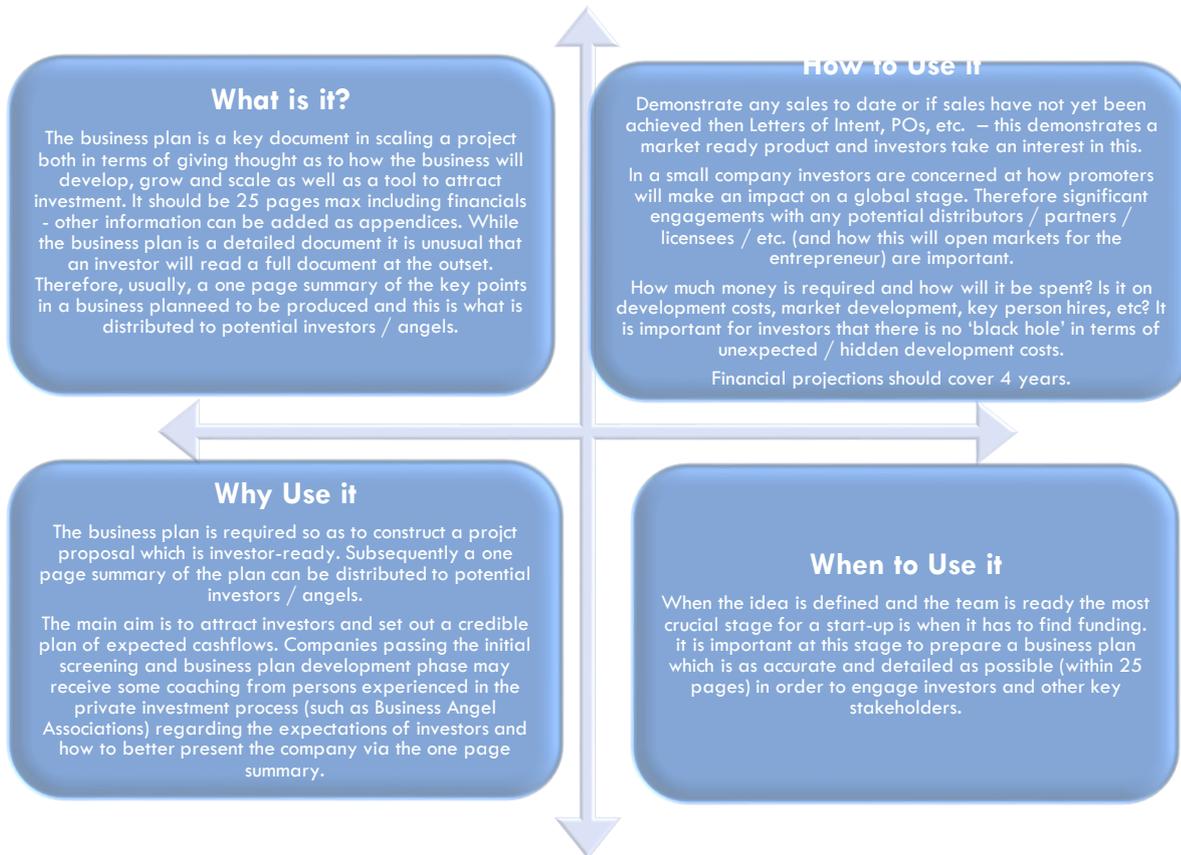
This guideline provides an insight into some key considerations when putting together a slide deck (including a summary set of financial projections for a business). There will be other issues to consider. A trainer cannot answer these questions for an entrepreneur, rather the trainers job is to ensure that all areas have been researched, costed and validated so the entrepreneur presents a coherent, logical outline of the business thereby securing the necessary funds to develop and grow. As a trainer, it is useful to think like a prospective investor whether that is a public/state investor, private/angel investor or Other/EU programmes. With that in mind there is some useful information available on www.hban.org which can give you an insight into the thought process of investors (see information [videos](#) and [other general information](#)). This site also gives you information on how the entrepreneur should prepare to present to investors with a series of videos and other information.

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, the trainers job is to ensure that all areas are validated and key points emphasised, so the entrepreneur presents 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](#).

One Page Business Plan Summary



Tool 4 (Appendix 4): Business Valuation Guideline

If entrepreneurs happen to be looking for private equity (or social impact) investment, then they should also be able to provide a valuation of their project. A Business Valuation Guide is available in the appendices.

Note: while this tool will give entrepreneurs and trainers 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 an entrepreneur quickly and accurately assess how their 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](#) (see useful links section for full web addresses) 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 can help businesses reduce use of energy and water and reduce waste. As a trainer you can sign up for a free course at <https://www.fiftyshadesgreener.ie/become-a-green-leader> thereby guiding your clients in the most effective way possible.

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.

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 the Trainer

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

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

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*

- *Tool 2 (Appendix 2): Financial Planning PPT*
- *Tool 3 (Appendix 3): Summary One Page Business Plan*
- *Tool 4 (Appendix 4): Business Valuation Methodologies*

Bibliography

Bibliography	
<i>References to used sources of information.</i>	
1.	www.hban.org - https://www.hban.org/_fileupload/HBANGuide(Entrepreneur).pdf (Page 26) – (searched January 2019)
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Glossary

Glossary	
<i>Most important terms, specific for the topic.</i>	
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 final 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 other types of innovation could a company introduce?	
a) 6	
b) 6	
c) 9	
d) 12	

Correct answer(s) – d) 12

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 supporting a business, the 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 trainers do not omit crucial content because lack of time and that entrepreneurs 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: trainers to 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 having demonstrated to the entrepreneur how to use the various tools contained in the Module (steps 1 – 4 above), the trainer should confirm a set of action items including a timeline indicating: what is to be done, by whom, when and how. Examples are provided below:

5.1 Action Plan

What	Who	When	How
Develop Business Plan with specific focus on sales & marketing function including key hires & online marketing activity	Promoter	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	Promoter	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	Promoter Trainer	6-8 weeks	Promoter to approach state bodies for grant aid and trainer to make introductions to investors
Etc.			Etc.

Such a plan will be provided as a ‘take away’ for the entrepreneur in the form of a handout / infographic thereby providing them with a practical guideline on tasks to be completed.

5.2 Countermeasures

Not all Action Items will progress as planned. It is therefore important for the Trainer to consider some Countermeasures.

- 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

It is important for the Trainer / Mentor / Consultant to monitor output achieved against the original Diagnostic evaluation, Roadmap and Action Plan:

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

APPENDIX 2: Pitch Slide Deck

This is a Powerpoint tool 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 3: One Page Business Plan

INVESTMENT PROPOSAL																																		
All information herein is confidential and intended only for registered Investors																																		
<p>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.</p> <p>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.</p> <p>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.....</p> <p>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.</p> <p>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.</p>	<p>Company: AN Other Company</p> <p>Ref: BMWXXX</p> <p>Stage of Dev.: Start-Up</p> <p>Investment Required: €250K</p> <p>Sector: Logistics / Software</p> <p>Skills sought: Strategic and Market Dev.</p> <p>Revenues: 2020: €200,000 2021: €500,000 2022: €1,200,000 2023: €2,500,000</p> <p>Document created: April 2014</p>																																	
<p>Management & Shareholding:</p> <p>AN Other – CEO (Product Dev & Sales) – Previous experience includes</p> <p>AN Other – CFO (Finance, Project Management, Statistics) – He has had roles as</p> <p>AN Other – CTO (Software platform architect)</p>	<p>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.</p>																																	
<p>Financial Summary</p> <table border="1" style="width: 100%; border-collapse: collapse; font-size: small;"> <thead> <tr> <th style="text-align: left;">Summary</th> <th style="text-align: center;">2020</th> <th style="text-align: center;">2021</th> <th style="text-align: center;">2022</th> <th style="text-align: center;">2023</th> </tr> </thead> <tbody> <tr> <td>Total Revenue</td> <td style="text-align: right;">€200,000</td> <td style="text-align: right;">€500,000</td> <td style="text-align: right;">€1,200,000</td> <td style="text-align: right;">€2,500,000</td> </tr> <tr> <td>Gross Margin%</td> <td style="text-align: right;">60%</td> <td style="text-align: right;">40%</td> <td style="text-align: right;">40%</td> <td style="text-align: right;">50%</td> </tr> <tr> <td>Net Profit (post tax)</td> <td style="text-align: right;">€(60,000)</td> <td style="text-align: right;">€(20,000)</td> <td style="text-align: right;">€600,000</td> <td style="text-align: right;">€1,500,000</td> </tr> <tr> <td>Net Profit Margin</td> <td style="text-align: right;">-30%</td> <td style="text-align: right;">-%</td> <td style="text-align: right;">%</td> <td style="text-align: right;">%</td> </tr> <tr> <td>Employees</td> <td style="text-align: center;">8</td> <td style="text-align: center;">10</td> <td style="text-align: center;">12</td> <td style="text-align: center;">14</td> </tr> </tbody> </table>					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
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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 1 Mil.
- 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.