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

Class Twenty One

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Home Stretch

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

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

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

• What Happens After I Win My Beach Head Market?
  ‣ Step 14 – Calculating the Broader TAM
  ‣ Step 24 – Developing a Product Plan
  ‣ People (HR Section)
# The Whole Picture

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>3) Build an End User Profile</td>
<td>8) Quantify the Value Proposition</td>
<td>18) Map the Sales Process to Acquire a Customer</td>
<td>17) Calculate the Lifetime Value of an Acquired Customer (LTV)</td>
<td>22) Define the First Testable Product</td>
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<tr>
<td>4) Calculate the Total Addressable Market Size (TAM) for the Beachhead Market</td>
<td>10) Define Your Core</td>
<td></td>
<td>19) Calculate the Cost of Customer Acquisition (COCA)</td>
<td>23) Show that the Dogs Will Eat the Dog Food</td>
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<td>5) Profile the Persona for the Beachhead Market</td>
<td>11) Chart Your Competitive Position</td>
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Checklist for HR/Team Section

1. People/Team: Grade: ___, Comments: ________________________________________________
   _______________________________________________________________________________
   a. Quality and Quantity of Founding Team: ___________________________________________
   b. Clarity on Roles: _______________________________________________________________
   c. Clarity on What is Missing: _____________________________________________________
   d. HR Plan to Add Missing Skills Aligned with Plan & Milestones: _______________________
   e. Organization Chart Plan for 1, 2 and 5 years: _____________________________________
   f. Capital Stock Table for Employees and Investors (hypothetical): ______________________
More on Scaling
What Makes A New Ventures So Successful?

- Alignment
Alignment Defined

- Customers’ interest are very well represented
- Company and Employees interests
- Owner and Company interests
- Little to now buffer to confuse things
- Clarity of Mission
- Able to innovate more rapidly
Entrepreneurial Exposures

- Highly individual dependant
- Little to no install base → sustainability questions
- Consistent quality
- Capacity/Scale
- Institutionalize Knowledge
- Is this a company or a person(s)?
GROWTH
“It is not the strongest of the species that survives, nor the most intelligent … but the one most responsive to change.”

- Charles Darwin
# Stage of New Enterprise Evolution

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

Churchill and Lewis (1983)
Customer Evolution

The Chasm Analogy

Evolution CEO Role

• Doer

• Manager

• Designer of the Organization
Now Let’s Get Practical
How Do You Know When Your Business is Ready to Scale?

• Timing is Absolutely Critical

• Examples:
  - Sam Adams
  - SensAble
  - GIS Company

• Indicators
  - Customer are buying the product/offering
  - Pattern setting in (similar products & value prop)
  - WOM possible
What Should We Scale?

• Sales
• Marketing
• Research
• Engineering
• Finance
• HR
• Executive Team
• Other
See It From Your Customer’s View Point

• WOM Will be Your Biggest Driver

• How Do Get Them to Be Raving Fans?

• Ideas:
  ▸ Customer Support
  ▸ Manufacturing
  ▸ QA
  ▸ Sales Engineering
Think Logically & Sequentially

• Make Yourself Look Big

• Outsource Non-Core

• Different Types of Sales
  ▶ Business Development
  ▶ Missionary
  ▶ Process oriented
Lessons Learned

• Think Longer Term
  ‣ Will this have a long shelf life?
  ‣ Example: Brochures

• Keep a Book of People You Want to Hire

• Hire Versatile “Athletes”

• Hire Slowly and Fire Quickly

• Be Forthright and Honest with People
Lessons Learned II

• Relationships Really Matter
  - Legal
  - Accounting
  - Management Team
  - Board
  - Funders
  - Circle of CEOs
Lessons Learned III

• Move from Creating Opportunities to Executing – Big Difference Between Starting and Finishing

• Operational Focus

• Delegate – But Maintain and Enforce Very High Expectations
Lessons Learned IV

- Pricing
  - Find the Right Spot
  - Adjustment Techniques
  - Goal is to Achieve Value-based Price & Pricing Power

- Growth Strategies
  - Timing

- Culture
  - What is it that makes you special? (vision & values)
  - Need for HR processes
  - Include in Hiring Process
  - Include in appraisal process
  - Your personal leadership & involvement – not delegated
Lessons Learned V

• You
  ‣ Get Honest Outside Feedback - Multiple
  ‣ Know What You Want
  ‣ Recognize What the Company Needs
Summary

• The Challenge of Scaling

• How do you maintain that which makes your new venture so special while growing? i.e., Alignment
“It is not the strongest of the species that survives, 

nor the most intelligent … 

… but the one most responsive to change.”

- Charles Darwin
How To Present Your Business Plan
Key Points

• Know your audience and target the right ones

• Determine what the investor is most interested in

• Effective Communications Techniques
  ‣ Elevator pitch
  ‣ 5 Minutes Business Plan
  ‣ Always with passion and confidence
Be Brief

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

Image of Mark Twain is in the public domain.
Importance

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

• Customers

• Potential Employees or Partners

• Investors

• Influencers (e.g., Press, analysts)
Objectives to Gauge Success

• Gives you and your new venture credibility

• Gain concurrence, or enthusiasm, for a follow on meeting

• Sets a mental model in person’s mind so you can later succeed
Base Line

• Connect immediately – it is about *them* not you

• Be professional and likeable – must prove to be someone they want to do business with

• Stand out – you are an attacker not a defender; a tie or incremental benefit does you no good
Key Elements

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

• **Passion** – enthusiasm

• **Empathy** – make them feel like the most important person in the world

• **Prepared** – do your homework & practice, practice, practice
Formula for Failure

• Talk about technology – technology is a means to an end; this is a venture not a lab

• Talk about yourself – it is about them

• Not prepared and go too long – disrespectful

• Lack confidence – who will follow then?

• Fishing expedition – not clear on objectives

• They “didn’t get it”
Layers of Commitment

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

• What does your audience want?

• Do your homework

• Adjust your message

• Try to connect before the presentation if possible at a personal level
The Ten Minute Business Plan

• Core seven slides

• Apply these suggestions with reason

• Feel free to expand, remove, consolidate and/or customized to your situation

• In the end, it must tell a compelling & logical story that covers these key points

• But you have to stay in the time allowed!!!
Slide #1: Introduction*

• Name of Company

• Compelling Tag Line
  ‣ Will resonate with targeted customer base
  ‣ Focuses on benefits not features or functions
  ‣ Differentiates you from alternatives

• Make it very visual

• Story demonstrating target customer, as is state, urgency, desired & possible state, your value proposition (use case)

• Tell him what you want them to remember – three key points

* - super important slide (Callas Law)
Callas Law

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

Image is in the public domain.
Slide #2: Target Customer/Pain

- Who is the Target Customer? Present a Persona
- How many of them are there? (Who)
- What is their pain or opportunity? (Why)
- Speed of adoption? (Why Now)
- Who has the money? (Who Pays)
- Specific examples you have met…
- Name your first ten target customers with specificity
Slide #3: Your Solution

• Explain your solution and use visuals wherever possible ("pencil sell") (What)

• Quantified Value Proposition (How Much)

• Unique Selling Proposition (Why You)
Slide #4: Go To Market Strategy

• How will you get to the customer and create demand? Fulfill demand?

• Who will be your first set of customers? (by name) Are they “light house” customer that will influence others?

• What will be your COCA?
  ‣ Initially
  ‣ Over time
  ‣ Market penetration

• What will be your LTVOAC?
  ‣ Business Model
  ‣ Pricing
  ‣ LTVOAC calculation
Slide #5: Financials

- Be careful not to overload!

- Simple graph with top line growth and cash flow—and a few other things (less is more)

- Key Factors to know and possibly include:
  - Units installed
  - Costs
  - Key Milestones driving financials
  - Value of company estimations & exit strategy
Summary Quarterly Financials

Revenue

Cash Flow
Financial Summary

[Graph showing financial data over time for Monthly Revenue, Cashflow, and Fleet size.]
Slide #6: Team & Competition

• Team today (Why You II)

• Roles & Qualification

• Anticipated future additions to the team

• Competitors and Sustainable Competitive Advantage
Slide #7: Summary & ASK*

• Summary of three key points

• Call to Action
  ▸ How much are you asking them for?
  ▸ What are the possible exits?
  ▸ What types of returns are possible and/or likely?

• Then have your “ASK”!

* - super important slide (remember Callas Law)
Back Up Slides

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

1. Passion
2. Referenced in
3. Market opportunity
4. Proven customer value proposition/traction
5. Team ➔ Quality of Presentation and Ability to Tell the Story
6. Sustainable competitive advantage
7. Return on Investment
8. Technology
9. Partnership/trust/fun factor
10. Synergies with rest of portfolio
11. Ability to answer questions
Is There Only One Way?
Heath, Chip, and Dan Heath. *Made to stick: Why some ideas survive and others die.*
Example(s)

• 5 Things you like (most important)

• 5 Things you don’t and how you would fix them (most important)
Location of inTouch Video

- [http://tinyurl.com/videointouch/](http://tinyurl.com/videointouch/)
- Many more examples from End of Summer Accelerator Demo Day presentations at [https://entrepreneurship.mit.edu/our-resources/mit-global-founders-skills-accelerator/](https://entrepreneurship.mit.edu/our-resources/mit-global-founders-skills-accelerator/)
Logical Flow of Course

- Logical Flow
- Scaling
- Presentation

- Financial Statements
- Investor Strategy & Pitch

- Go to Market
- Sales
- Marketing

- Where to Extract Rent
- Pricing

- Value Proposition
- Competitive Advantage
- Development Plans

- Segment
- Direct Validation
- Competition

- Team Composition
- Values
- Setting Expectations

- Generation
- Analysis
- Testing on Key Stakeholders

Plan to Capture Value

Plan to Create Value