

+ . SESSION 1

○ THE FOUNDING GROUND FOR A VIABLE BUSINESS

- Defining Investment readiness
- Business Strategy
 - Industry Analysis
 - Market Analysis

Agenda

- Defining Investment readiness
- Business Strategy
 - Industry Analysis
 - Market Analysis

Session structure

Session organization

Section	Activity	Time allocation
First quarter	Opening & Energizer	10mn
Second quarter	Learning	60mn
Third quarter	Application or learning	40mn
Fourth quarter	Wrap up & session evaluation	10mn



Key objectives

1. Understanding what is being investment ready
2. Understand key frameworks to define your business strategy for a sustainable value creation
3. Understand key steps in executing business strategy



What is being an entrepreneur?

Entrepreneurship is an act of **being an entrepreneur**, or "the owner or manager of a business enterprise who, by risk and initiative, attempts to make profits".

Entrepreneurs act as managers and oversee the launch and growth of an enterprise. - *Wikipedia*

Session 1

The Founding ground for a viable business

- **Defining Investment readiness**
- Business Strategy
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Why Investment readiness matters?

While growing, start-ups need capital to cover related investments :

- Fast growth to stay ahead of the competition in terms of market share; “first come takes it all”
- Human resources – high profile recruitment et build the best team
- Product development : buy time to build the product of tomorrow
- Business model pivot: have enough resources to be able to try!
- PR- Marketing : if there is innovation, you’ll need to educate your clients



Your startup growth will be funded through...

- Bootstrapping
- Or external financing
 - Debt
 - Equity
 - Or other instruments



You'll need to be
INVESTMENT READY

What is being investment ready?

Being “Investment Ready” means that potential Investors, Lenders and other funders see your business worth investing in and ready for the next step.

Therefore the funder expect:

- 1. The business to be commercially viable**
- 2. It will bring back value to him**
- 3. A clear articulation of the investment proposition**



Being investment ready

Business commercially viable – Returns – The investment proposition

How to show that your business is commercially viable?

1. **A clear value proposition**, the competitive advantage and how to keep it on the long term
2. **Proof that the business model is working** : proof of concept, track records/KPIs, early adopters/ market validation
3. **The team that will deliver** -> Profile of the executive team and why they are the right team to deliver the plan
4. **The market size**
5. **Know the competition** -> so why investing in you ?

Being investment ready

Business commercially viable – **Returns** – The investment proposition

The business needs to bring back value to investors

- **From traction to assumptions**

Assumptions are very important, and built from market research or traction

- **From assumptions to projections**

Financial projections for the next 3 years, split in months for the first year. The most important is not the end results but how you translate your strategy into numbers

- **From projections to return**

Highlight the return ratios: IRR, NPV, Payback Period ...

All this will be shown in the FINANCIAL MODEL

Being investment ready

Business commercially viable – Returns – **The investment proposition**

Being able to articulate the investment proposition

1. How much funding is needed and what type (Equity, debt, ...)?
2. How the funding will be used and what impact it will have on the business (Increase in turnover, clients, Brand recognition...)?
3. Business valuation and Exit options
4. Have a ready investment pack : **Investor Deck & Financial model**

Investment readiness checklist

Financials

- Audited financial statements for the last three years
- Financial model, including 3 years financial projections
- Ability to produce quarterly reports: Management accounts
- Ability to track performance: Performance ratios
- Previous and current year budgets
- Cash flow management tools

Operations

- Operational organization reports & policies
- HR manual and organization chart & profiles
- Long term partnerships and contracts

Business planning

- Growth & Strategic plan
- Pricing strategy
- Competitive analysis

Investment proposal

- Pitch deck
- Valuation

Governance

- Bylaws, constitutions
- Existing board member profiles
- Board reporting policies
- Board meeting reports

The investment readiness program

A hands-on method - The content – Deliverables: The investment pack

- We start with clear objectives
- The delivery method is based on the **learning-by-doing method**.



- You have to use tools and templates on their own business cases:
 - They should leave the program with practical tools
 - Have deliverables ready to use at the end of the program
- Each you have minimum achievement before being accepted.

The investment readiness program

A hands-on method - **The content** – Deliverables: The investment pack

Your investment readiness program is designed to help building the next champions in your ecosystem.

Ideation / Seed stage

Entrepreneurship behavioural mindset

Deliverables on the basics of entrepreneurship including Behavioural modification, accounting and finance, market assessment...

Early stage

The incubation

Growth mechanisms for Startups that have finalised at least their Minimum Viable Product (MVP) and are in pre-revenue stage.

Late stage

The Scale Up

Solution design and implementation for scaling up your businesses

The investment readiness program

A hands-on method - The content – **Deliverables: The investment pack**

Deliverables at the end of the program you'll know:

1. How to build a viable business and how to assess your performances
2. How to prepare the investment package :
 - One page business profile
 - Teaser (10 -20 slides)
 - Financial model
 - Business plan
3. How to negotiate any investment
4. Build a a growth and acceleration work plan
5. Be ready to work with investors through governance and reporting
6. Be able to do a diagnostic of your business

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What is strategy?

Strategy has different meaning to many people. The word is derived from the Greek “Strategos” meaning the art of the general, referring to the military context as the art of disposing or moving resources.

While there can various definition of strategy, business strategy can be defined as “ determining the way to win in the period ahead”

- *mindtools.com*

“The essence of strategy is choosing a unique and valuable position rooted in systems of activities that are much more difficult to match”.

M. Porter, Harvard Business Review 74



2022

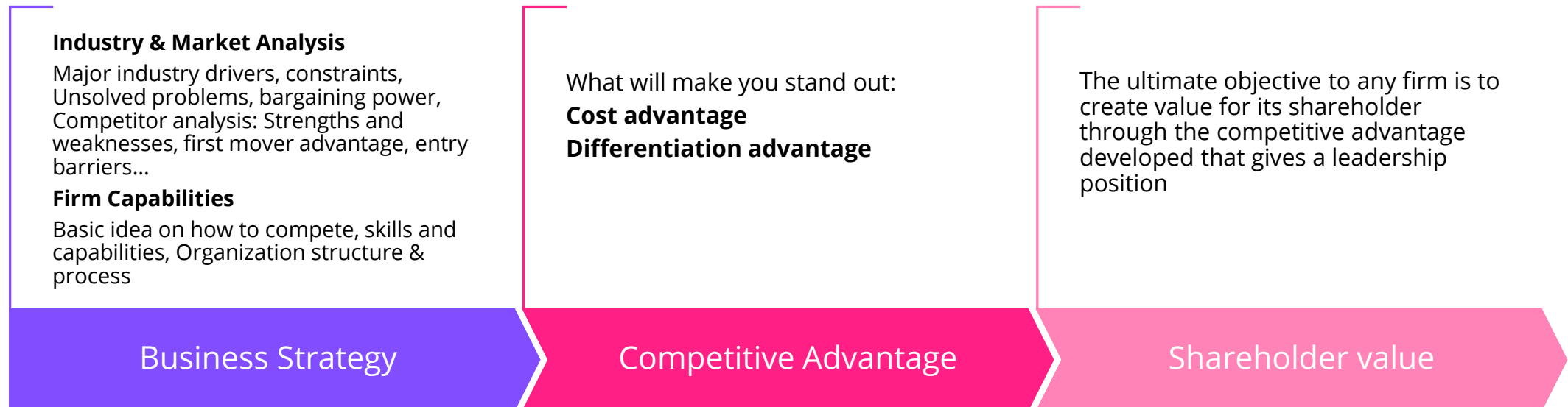
Strategy is the great work of the organization. In situations of life or death, it is the Tao of survival or extinction. Its study cannot be neglected.

—SUN TZU, THE ART OF WAR

Discussion 1

What drives competition in your business? What are the rules of the “game”? What are the major trends?

Business strategy to value creation



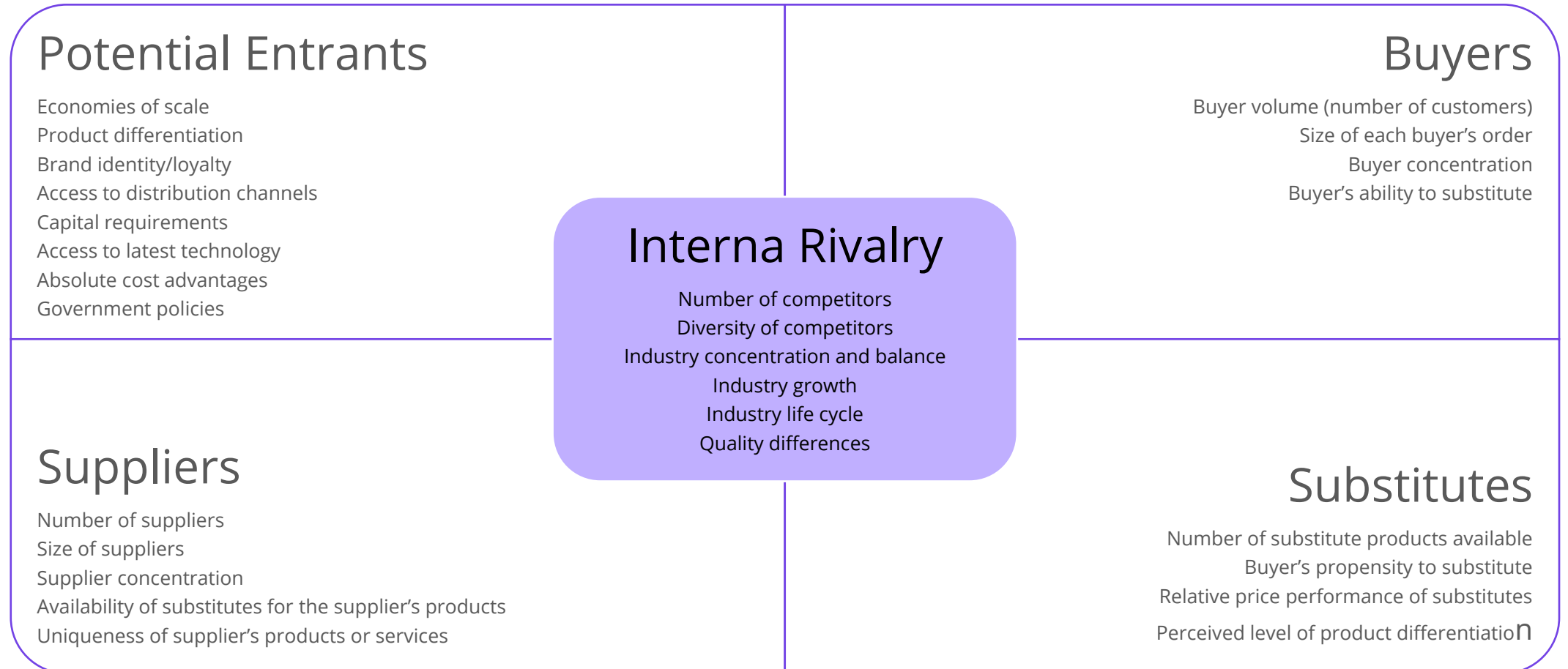
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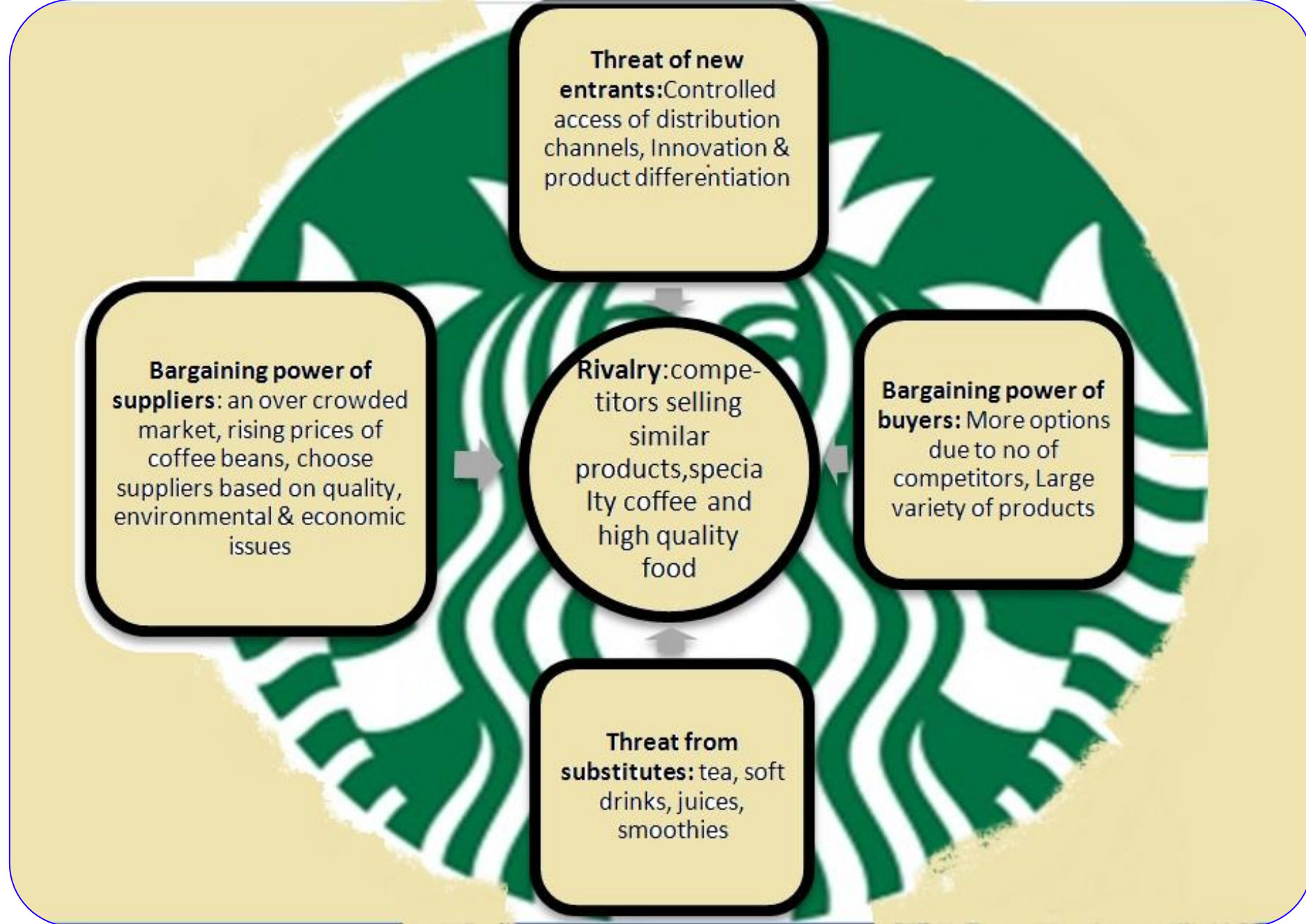


Industry analysis: Porter's 5 forces

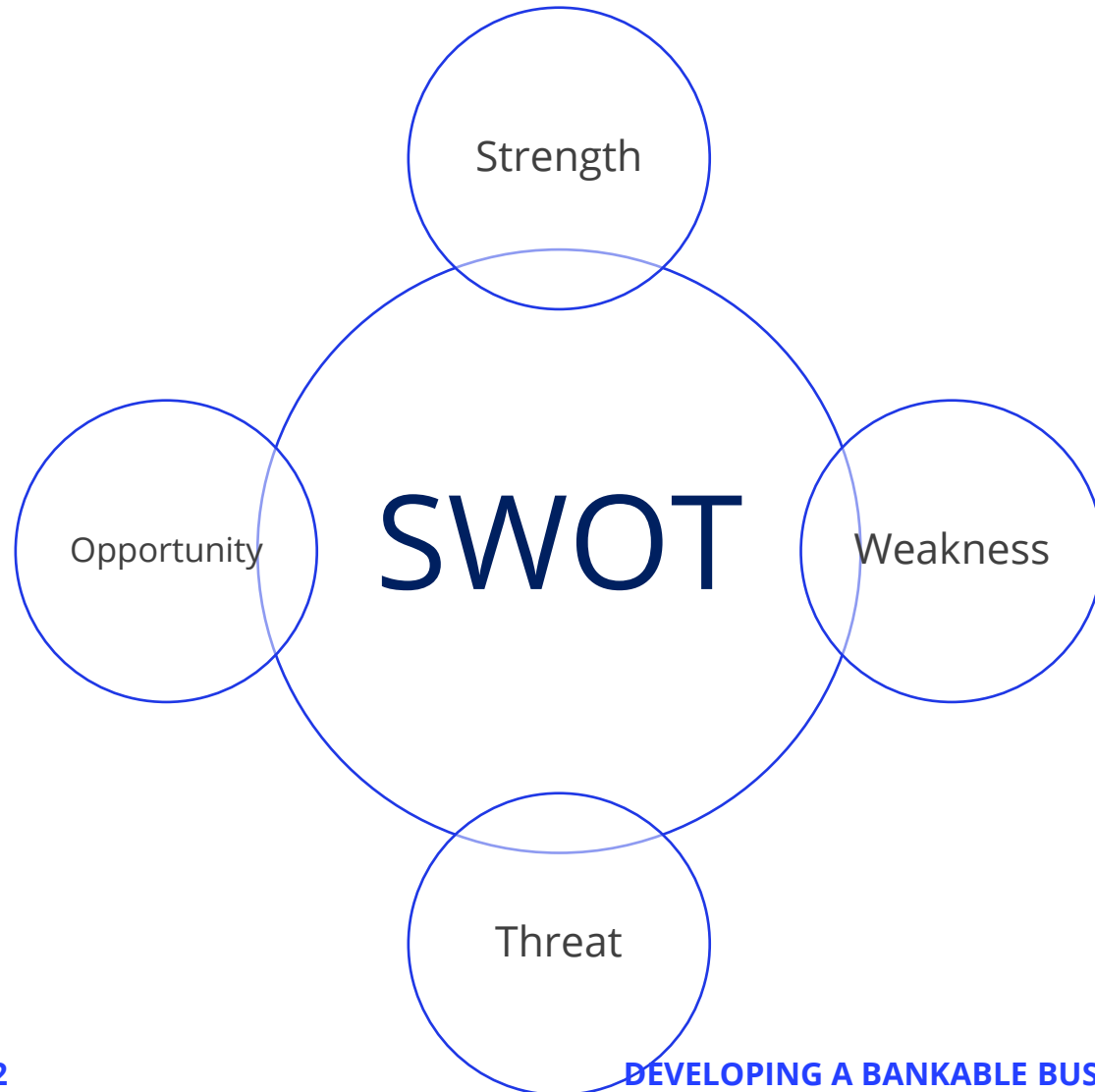


Source: <https://www.business-to-you.com/porters-five-forces/>

Starbucks 5 forces



SWOT analysis



Internal

Strength: Brand, specific capabilities, product leadership, expertise, operational expertise, licence...

Weakness: weak production capabilities, low bargaining power, low employee loyalty

External

Opportunities: product-market fit, large demand vs low offer, market niche...

Threats: Government regulation, commodity product easy to copy, limited funding access...

Activity

- 15mn to create your Porter 5 forces
- 10mn to create your SWOT analysis

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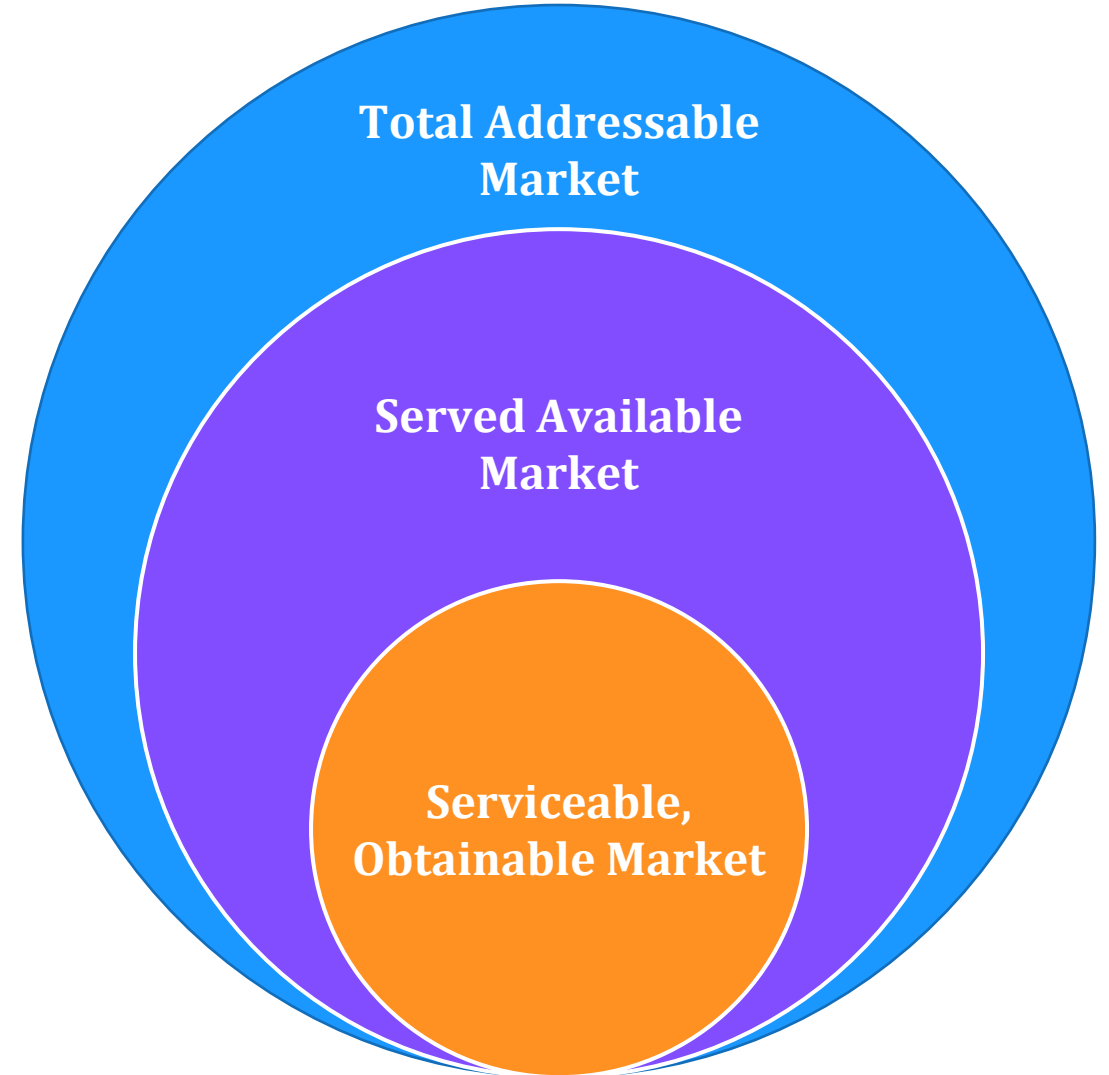
Beneficiary vs. Paying Customer

- The same person
 - People off the grid buy solar lights
 - Underemployed people take a job at a social enterprise
 - Unemployed person pays for a job training course
- Different
 - Government agency pays the company to train marginalized population
 - Corporations buy advertising and data which pays for a website that provides free information

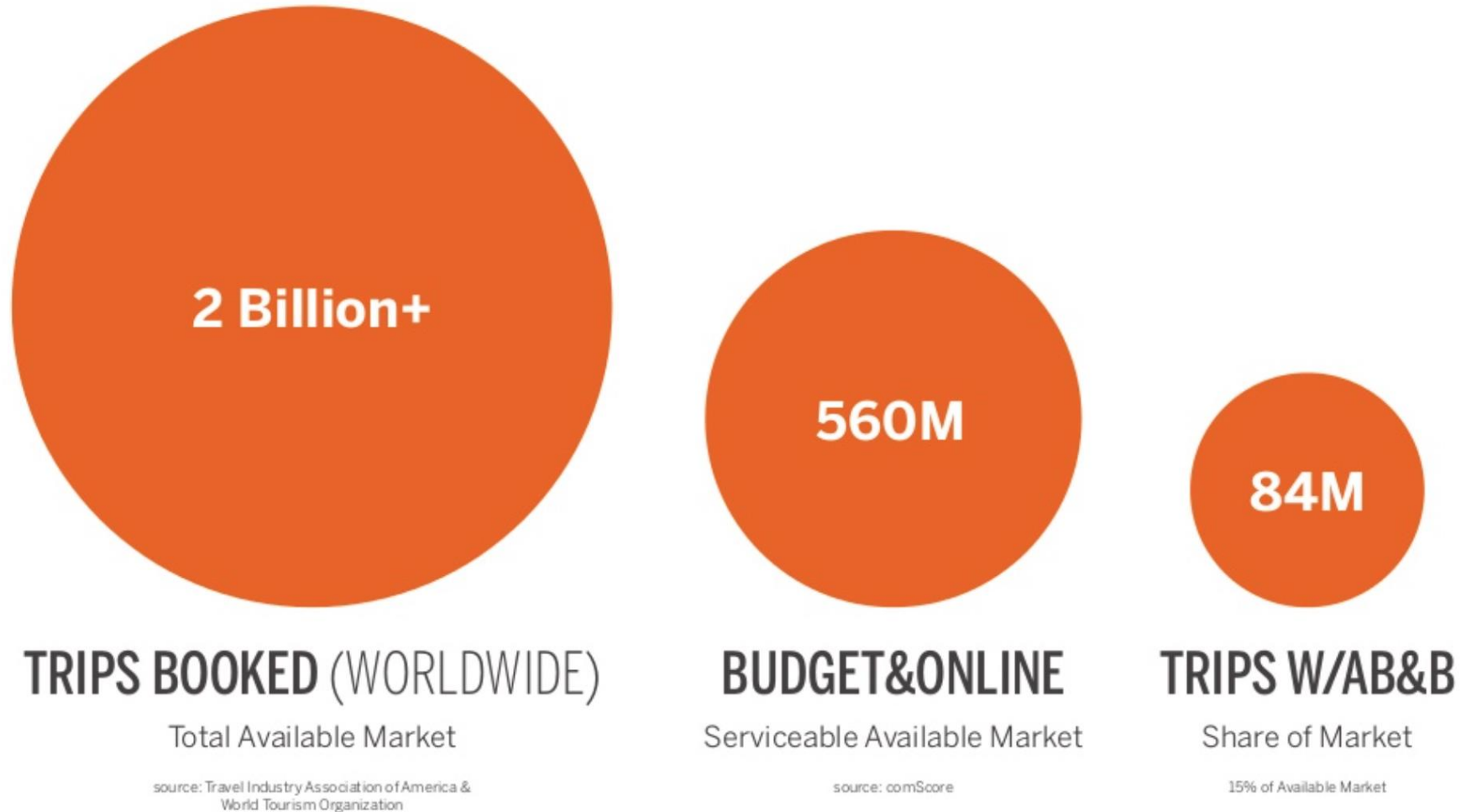
Courtesy of Brigtmore Capital. N. Thiaw & D. Fotiyev

Market Sizing

- What would it look like at scale?
- What does my business model serve?
- What is a realistic short-term goal?



Market sizing example



AirBnB market sizing in 2008

Reasons for Adoption

Why people adopt a product or a service?

Saves money

Saves time

Improves health

Improves status or image

...

Courtesy of Brigtmore Capital. N. Thiaw & D. Fotiyev

Reasons for Non-Adoption

Product or service isn't desirable enough

Customers don't understand benefits

High upfront cost (even if it pays for itself quickly)

Market spoilage – products or services in the same category haven't worked in the past

Too much behavior change is needed

.....

Courtesy of Brigtmore Capital. N. Thiaw & D. Fotiyev

Activity: Target Market Segmentation

Segment Definition	Size	Compelling Reason for Adoption	Reason for Non-adoption

Courtesy of Brigtmore Capital. N. Thiaw & D. Fotiyev

Practice activity



Each participant take its own business and :

1. Define what drive competition in their business
2. Create its Porter 5 forces
3. Create its SWOT analysis
4. Update its market segmentation

Wrap up and key takeaways

- Fundraising is crucial to accelerate the growth of your company
- Being investment ready attract investors and help to raise funds in good conditions
- Assessing or building a viable business starts with a sound business strategy through:
 - Industry analysis with the Porter's 5 forces framework
 - Market analysis by a good market segmentation



THANK YOU

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