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# Entrepreneurship notes: The Business Plan

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# Entrepreneurship in the US

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- 75%+ of new jobs in the US each year are formed by new or small businesses
- Entrepreneurship underlies the competitiveness, success, and prosperity of our society
- ARE YOU AN ENTREPRENEUR?

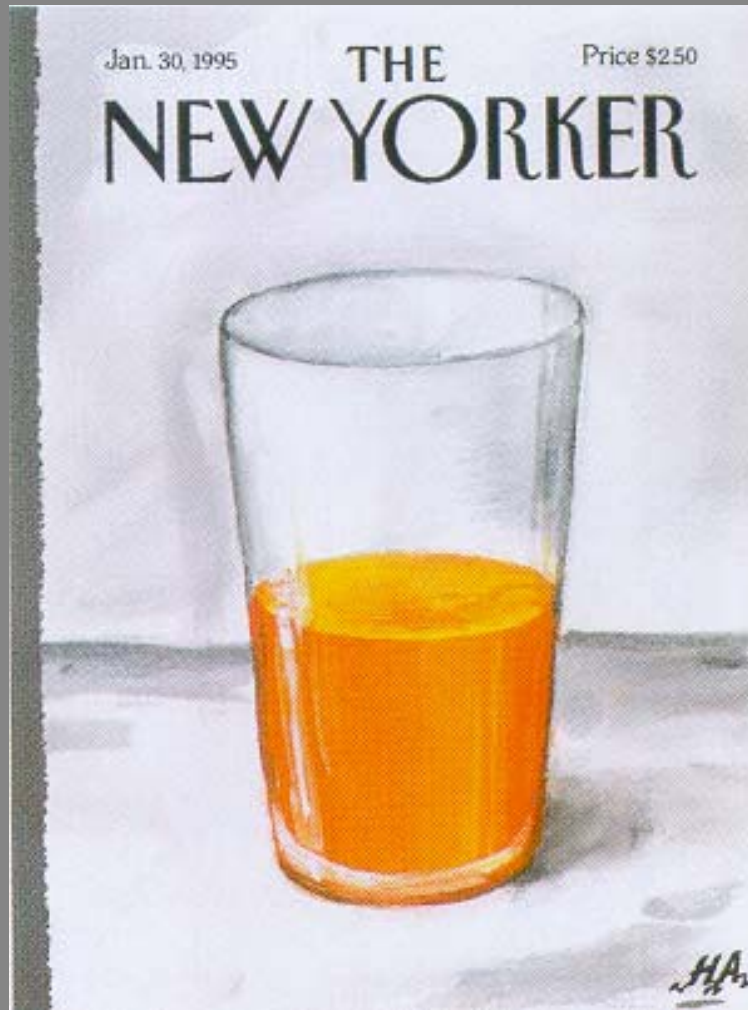
# What is an entrepreneur?

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- A committed fanatic
- Willing to take personal risk
- Creating a new business entity
- A hunter gatherer
- Thinking outside the box to get the job done. Creative gathering of resources
- A fanatic believer in the business
  - This part has good and bad components
- A risk taker

# An entrepreneur sees the glass as.....

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# Lesson. Not everyone is an entrepreneur

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- A fanatic believer in the business
  - This part has good and bad components
- Not like everyone else

# Where's Waldo?

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How many entrepreneurs are there at RedHat?

How many entrepreneurs are there at Cisco?

Name the entrepreneurs at Amgen?

Name the entr.....



# Serial entrepreneur?

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- Taught entrepreneurship and technology management courses at Duke 1986 to 1998
- Started new division of NCBC based on concept
- Started IBI, LLC in 1994
- Started SOS, LLC in 1998
- Sold SOS in 2001
- Changed IBI name to BioAbility
- 2003, forming new partnership, TTG
- 2004, formed new non-profit corporation, Kramden Institute, Inc.

## Lesson. Words of wisdom (?)

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- You have to really want it. Are you a committed fanatic?
- Not everybody is an entrepreneur
- Not for the squeamish
- Do you have family support?
- Can you accept risk and survive failure?
- Do you have access to needed capital?



# Caveats in entrepreneurship

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- You can start a business without a business plan. But you will likely under-plan and miscalculate.
- You can ignore the signs of the market and business potential. But you will likely fail.
- It is easy to underestimate the costs and the funding you will need.
- As committed fanatics, many entrepreneurs show high levels of hubris. They can do it all. They will make it work. While this is a good attitude, it can get in the way.
- A great idea is only worth something if people are willing to pay.
- A VC will always favor good management over good technology.
- Most new businesses fail. Typically, one in five make it to 5 years.

# Lesson. Do the Math

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It is very simple...

- Figure out your costs on a gross level
- Figure out your potential revenues being as realistic as possible
- Figure out what it will cost to start the company

**CAN YOU AFFORD TO DO THIS?**

# The Sirmione Example

- An opportunity....



<b>costs</b>	month	year	
rent	\$2,500	\$30,000	800 sf
utilities, etc	\$750	\$9,000	
setup		\$7,000	
salaries	\$2,200	\$17,600	1 pt asst 8 mos
<b>total</b>		<b>\$63,600</b>	
<b>income</b>			
internet users per	70	10 am to 9 pm 6d/ wk	
days per yr	200	8 mos	
euros per use	\$8		
other per user	\$3	fax, print, fedex, soda	
	<b>\$154,000</b>		
<b>Start-up costs</b>			
website design	2000		
wireless install	12000		

# Why the Business Plan?

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- To provide a starting point strategy for the company
- Also, a demonstration that you have thought about the business, markets and competition in sufficient detail.
- Something that lenders can take to their investors.
- It is a guideline, not a railroad track



# Getting Started. Figure it all out in advance

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- Who owns your business?
- Do you have partners?
- How do you divvy up ownership?
- This should be fully discussed and agreed to in advance.
- Can bring very hard feelings later.
- Know your partners well. Make sure you can 'live' with them.

# Section I. Executive Summary

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- Keep it short - 3 pages tops, 2 better
- Make the opportunity clear
- State the plan's purpose succinctly
- Explain the terms (investment needed, ROI) and value proposition
- Show the milestones
- It might be the only section that gets read
- **WRITE THIS SECTION LAST**

# Lesson: What's in a name?

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- Pick your company name wisely and carefully.
- Check it with Secretary of State, Google, and USPTO.GOV
- Make sure you can use it
- Secure the URL
- Secure other URLs

**This is important**

# The business plan is only a starting point

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# So what do you do to start?

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- **At BioAbility, we start by creating a master spreadsheet. A multi-page excel file that includes over a five-year period:**
  - Personnel needs
  - Space needs
  - Milestones
  - Budgets
  - Projected revenues
  - Financing and sources of income
  - Etc.
- **This is an intricate dynamic document and part of the deliverable.**

# Section II. Company Description

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- Describe what the company is, where it originated from
- Describe main focus
- Overview of technology or product
- Description of the business
- Make sure they understand what you are and what you are doing

# Section III. The Product and its Value

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- Detailed **description** of the product, service, or technology
- Its origin (include licensed know-how), founders, etc.
- Stage of development and/or deployment
- **Intellectual property plan**
- What is it worth, what is its value?
  - In dollars
  - In usefulness
  - In importance and consequences
  - In what it replaces

## Section IV. Markets and Competition – Markets

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- Who will buy the product/technology/service?
- What is their need for it?
- Where did they get it before?
- What market value is it likely to realize and why?
- Typically you have to show the total projected market, and a reasonable fraction representing your market share.

# Market Research

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- **Many sources of market data**
  - Internet information
  - Publications from competitors
  - Surveys and more formal data collection
  - Other publications, market research, etc.
- **Do it yourself, or purchase, or get professional assistance**

## Section IV (cont). Markets and Competition – Competitors

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- Describe key competitors (put more details in appendix, if necessary)
- How do you measure up against the competition and how will you overcome competition to address/capture markets?
- Do not underplay competition

# Competitor Intelligence

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- How do you identify your competitors and learn about them?
- Internet resources are important.
- Be careful about your ethical practices in finding out about competitors – no espionage.
- Important lesson – you can learn a lot from your competition!

# Comparing the competition





# Competitive factors

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- **Current position and market share**
- **Financial backing and available funds**
- **Intellectual property position**
- **Value of their product/technol vs. yours**
- **Any restricting aspects? E.g., geography**
- **Development of next generations**
- **Barriers to entry**

# Section V. The Business

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- How is the business set up?
- What strategy will you use to make, market and sell your product or services?
- What are timelines and milestones for going to the market and beyond?
- What is your **operational** plan?
  - FACILITIES and PERSONNEL and OTHER RESOURCES
- What is the **management** plan? Who will manage? Who is needed? How does this change over time?
- Who else will help manage? Advisory Board? Board of Directors? What is your **governance** plan?

# Operational Plan

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- **How do you set up your business to do what it needs to do?**
  - What facilities do you need?
  - What personnel do you need?
    - Internal
    - Hired
  - What other resources do you need?  
Show these over the next 3-5 years

# Lesson: Align necessary support

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- Bank account
- Insurance agent
- Lawyer
- CPA
- Post office
- Shipping
- Office suppliers, including printers
- Other supplies, including components
- Also, ISP, computer support, PR/Communications



## Section VI. Other Sections

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- What are the **risks** associated with your business?
- What is the **value proposition** you are putting forward?
- What is the **exit strategy** for your investors?

# Lesson. You can get out

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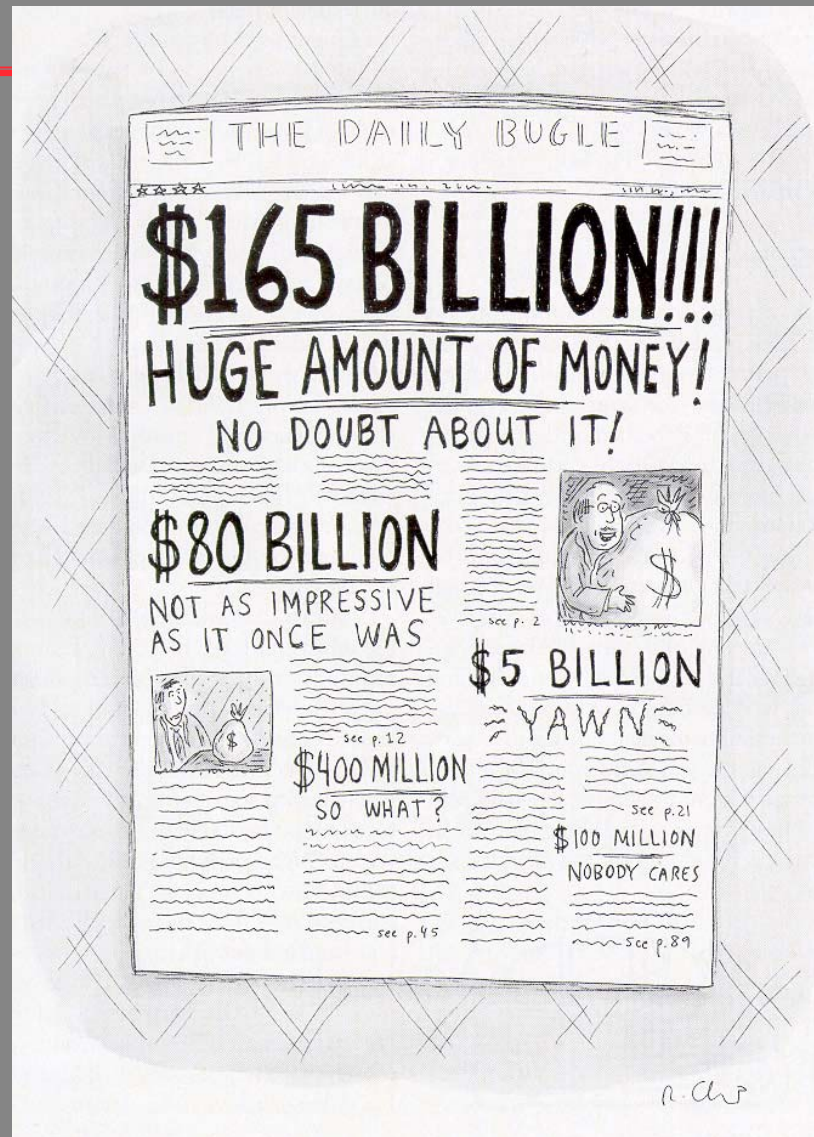
- Think about exit strategies
- Sell all of your business
- Sell part of your business
- Merge and get out
- Close it down

## Section VII. Financial plan

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- Based on business plan and milestones, how much money is needed, when, and for what purposes?
- What is the plan for the source of those funds?
- How will funds be raised?
- How will funds be repaid (e.g., exit strategy)
- Pro forma budgets:
  - Five years
  - Quarterly for first year
  - Include income projections
  - Show point of profitability

# How much money do you need?





# Appendixes

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- Resumes of principals
- More details on competitors
- More detail on technology, key papers, etc.
- More detail on intellectual property
- Copies of licenses, important contracts, etc.

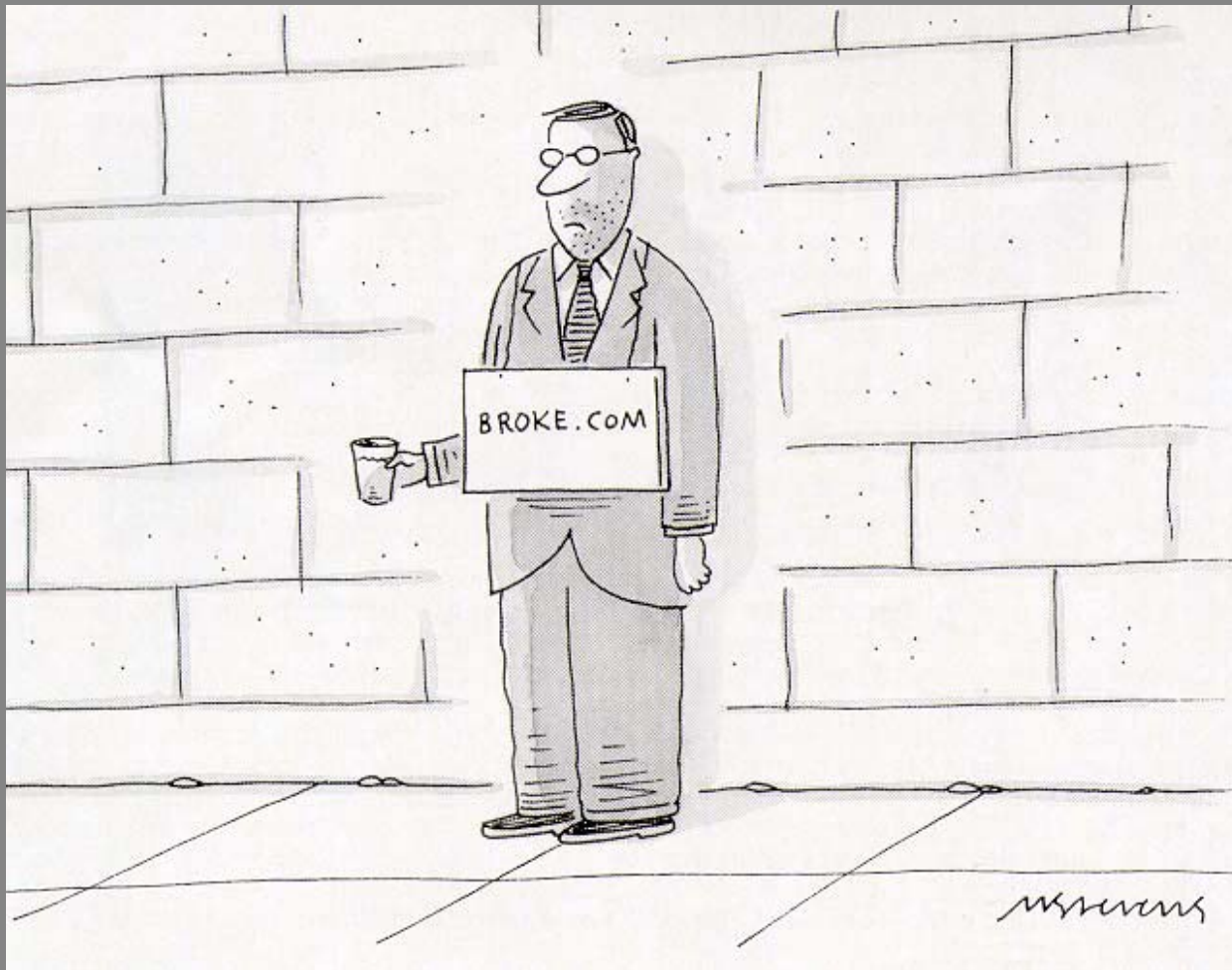
# Lesson. Understand what kills new businesses

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- Not enough money raised
- Improper assessment of markets
- Poor location – no foot traffic, blocked access, near competition, etc.
- External factors (9/11, fuel oil, etc.)
- Bad partnerships
- Poor planning
- No real market

# Not all companies make it

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# Silver lining

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- **Not all companies make it. In fact, most fail.**
- **There is life after failure**
- **A good life**
- **If you feel it, if you've got it, then go for it!**

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**Good Luck!**

**Keep in touch!**

