

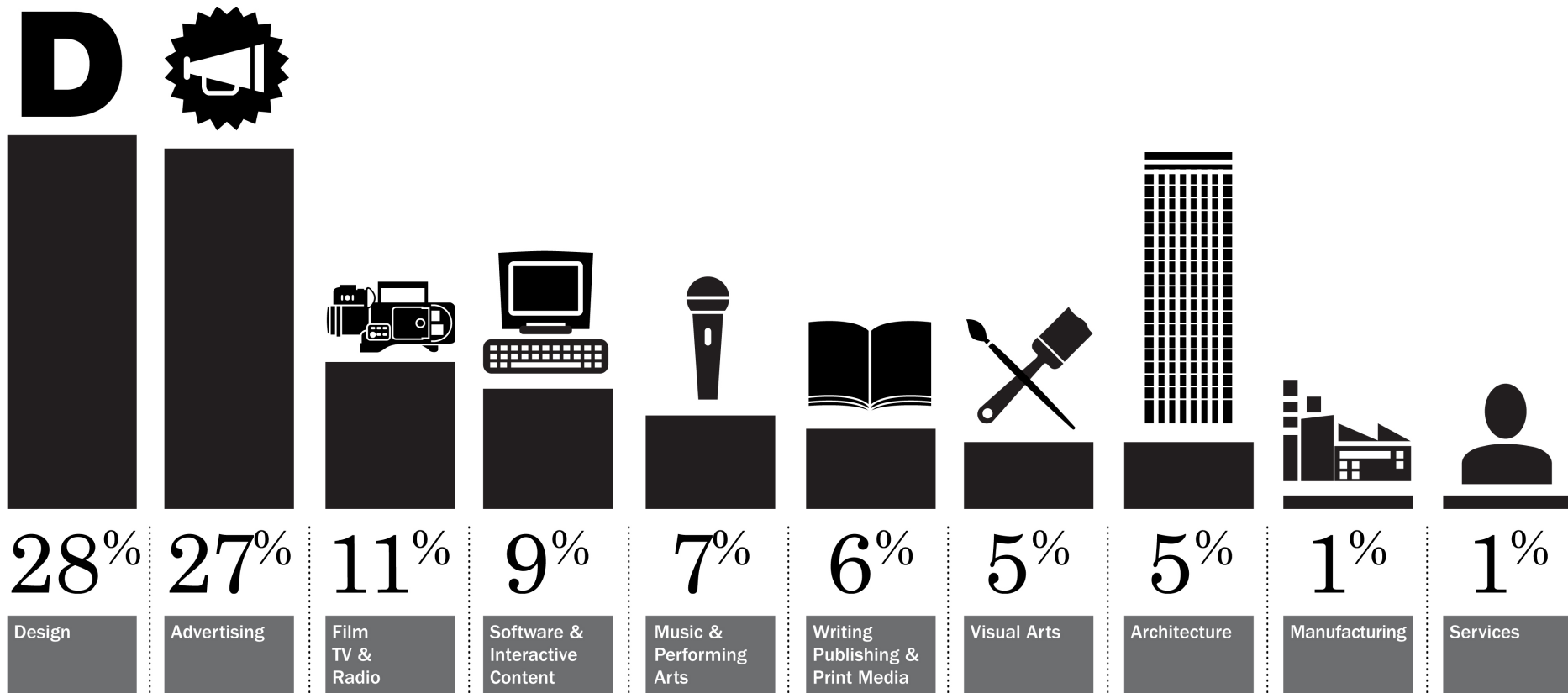
Business planning because “most ideas are in fact duds...”

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“... For that reason, the best thing an innovator can do is gather incontestable evidence of the idea’s value.”

Tony Shannon / Business Adviser / Creative Industries Innovation Centre
@_tonyshannon

Creative Industries Innovation Centre (CIIC) clients by sector



Why do you need business planning and a business plan?

Because ...

1... it shows you have thought about your business and you have an idea of how to achieve your aims

2... any investor* or lender will ask for (if not at the beginning, eventually)

** screen Australia, banks, angels, venture capitalists, high net worth individuals, Series A, Series B. Stock market.*

3... business is about the execution rather than the idea itself

4... [I think] businesses with a plan are more likely to succeed than businesses without a plan

5... it shows you've have thought about and overcome your o-rings

6... your economy needs you

7... it might help you achieve your personal version of success

And because ...

“Don't worry about people stealing an idea. If it's original, you will have to ram it down their throats.”

Howard Hathaway Aiken (8 March 1900 – 14 March 1973).

“It's important not to overstate the benefits of ideas. Quite frankly, I know it's kind of a romantic notion that you're just going to have this one brilliant idea and then everything is going to be great. But the fact is that coming up with an idea is the least important part of creating something great. It has to be the right idea and have good taste, but the execution and delivery are what's key.”

Sergey Brin. Interviewed by Jemima Kiss for The Guardian (UK) newspaper, 'Secrets of a nimble giant', Wednesday 17th June 2009.

“... as many a senior executive has learned along the way, most ideas are in fact duds. ... For that reason, the best thing an innovator can do is gather incontestable evidence of the idea's value ...”

Paddy Miller and Thomas Wedell-Wedellsborg, The Case for Stealth Innovation: When it's better to ask for forgiveness than seek permission. HBR, March 2013.

What makes a good business plan:

- The author knows its audience and its purpose.
- It demonstrates the relationship between products, customers and business.
- Clear alignment between customers and all aspects of the business.
- Shows evidence of commercial sustainability:
 - Growth over time
 - Multiple revenue streams
 - Structured product rollout
 - A steady cashflow
- It doesn't live in isolation but sits in a greater context.



What makes a good business plan (continued):

- Has addressed the issue of overestimated revenue and underestimated costs through basic tolerance analysis.
- Has a realistic view of what is achievable and is not influenced by the hyped performance of like or unlike-companies. No two companies or games, I suspect, are alike.
- It is followed-up by good execution.
- It does not rely on luck; but will benefit from some.



What makes a poor business plan:

- Fails to deliver on those things that characterise a good business plan
- When I see any of the following:
 - "my numbers are [very] conservative"
 - "no one else is doing it the way we're doing it"
 - "we don't have any competitors"
 - "I am confident there's a market/audience for this"
 - "I don't intend to pay myself for the first two years"
 - "according to the ABS there are x number of y in Australia, so I only need to capture z% of y and \$\$\$"



**In the end
business
planning is
about one thing
... customers:**



1. What are the products or services you want to offer to your customers?	2. Who are the customers for your products or services?	3. Where do you find these customers whose problem you can solve?	4. What's the deal?	5. What business operations & resources do you need to service your customers?
<ul style="list-style-type: none"> • Define your products or services by which problems they solve or which opportunity they serve. • Do your products function in a way that fits your customers' lifestyles? • Are you building a production slate or a variety of revenue streams that might help to smooth out otherwise lumpy revenue? • Is your product actually a service or is your service really a product? • Games are ideal to build once and sell many times; but are their derivatives and variations that don't need to be invented from scratch that can service new market or customers? • Seasonal opportunities or variants that can deliver commercial benefit. 				

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Some Words on Money

- Cashflow
- Cost of Goods Sold (CoGS)
- Net revenue
- Sluggish Revenue
- Whose money are you spending?
- Tolerance testing
- [The revenue master](#)



Financial Summary - eXample Co					
	YEAR 1	YEAR 2	YEAR 3	YEAR 4	TOTAL
Profit & Loss					
Revenue	329,928	749,462	1,041,525	1,041,525	3,162,440
Cost of Goods Sold (COGS)	95,785	193,156	308,602	308,602	906,145
Gross Profit	234,143	556,306	732,923	732,923	2,256,295
Overheads	728,273	502,185	721,208	721,208	2,672,874
Net Profit (before interest & tax)	-494,130	54,121	111,715	111,715	-216,579
Variance Testing - revenue -10%, costs +10%					
Net Profit (before interest & tax)	-609,529	-90,359	-195,419	-195,419	-1,090,725
Cashflow (ex dividend)					
Opening cash	500,000	38,863	167,931	283,799	
Closing cash	38,863	167,931	283,799	399,667	
Worst Monthly Cash Close					
Worst Monthly Cash Close	37,043	12,882	156,880	272,748	
Worst Monthly Cash Result	-369,360	-25,981	-12,052	-11,051	
Potential Dividend Schedule					
Opening cash	500,000	38,863	167,931	183,799	
Dividend	0	0	100,000	100,000	200,000
Closing cash	38,863	167,931	183,799	299,667	

Business Planning in ~~10~~ ~~11~~ ~~12~~ 14 Points:

1. Business plans good;
business execution better.
2. Know your audience.
3. Sell your idea.
4. Big business plan +
project detail
5. Focus on customers.
6. Tell the story – in words,
numbers & pictures.
7. External environment.
8. Be self-critical.
9. Beware of infinitesimal
detail.
10. The test of
reasonableness?
11. Targets and points of
progress.
12. Financial projections.
13. Executive summary.
14. Does it deliver your
personal outcomes?

Two Pitfalls of Business Planning

1. Self-delusion.
2. Failure to execute



Tony Shannon
Business Adviser
Enterprise Connect
Creative Industries Innovation Centre
tony.shannon@innovation.gov.au
@_tonyshannon

W creativeinnovation.net.au/ enterpriseconnect.gov.au
P enterprise connect 13 17 91
S facebook.com/creativeinnovation / twitter.com/c_innovation

Victorian Business Advisers
david.schloeffel@monash.edu
anthony.merrilees@innovation.gov.au

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