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Technical Assistance for Turkey in Horizon 2020 Phase-II
EuropeAid/139098/IH/SER/TR

'Accelerator – How do I Develop a Business Plan to Satisfy EC Requirements?'

Turkey in Horizon 2020 Phase II

Webinar 3, 10:00 – 12:00

10th December 2019

Philip Sowden

- Background in manufacturing – from Engineer to Chief Executive
- SME programmes at regional, national & International levels
- Worked with EC for over 30 years
- SME Key Expert on two previous projects in Turkey
- Responsible for SME actions in the present project

Turkey in H2020 Phase II Project...

...provides a range of courses to help achieve more SMEI success:

- Project writing support
- Company specific training on proposal writing
- Project writing 'camps'
- 9 Webinars for SMEs
- Pitching workshops
- Enhanced proposal writing for 10 'Seal of Excellence' winners
- Investment readiness training
- Events – brokerage, missions, focus group training, etc.
- IMS support

Webinars 1 & 2 - Recap

Webinar 1 (28th March)

- SME Instrument - is it for me and my business?
- What is SMEI? Who is it aimed at? What is expected of participating business? What do evaluators look for in projects?

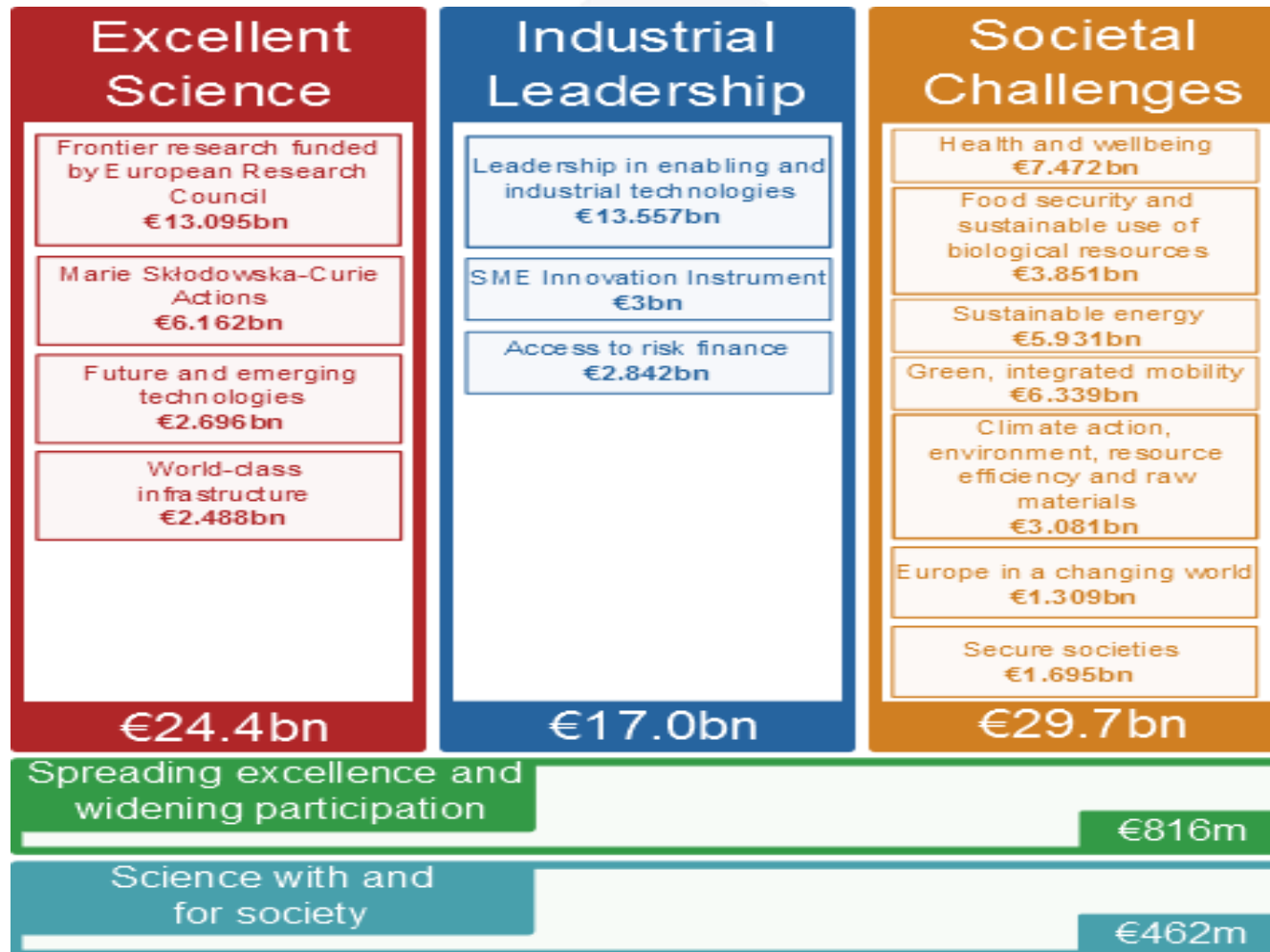
Webinar 2 (23rd July)

- Changes in SMEI – the introduction of ‘Accelerator’ ahead of Horizon Europe
- Both are available on our project web site:

www.turkeyinh2020.eu

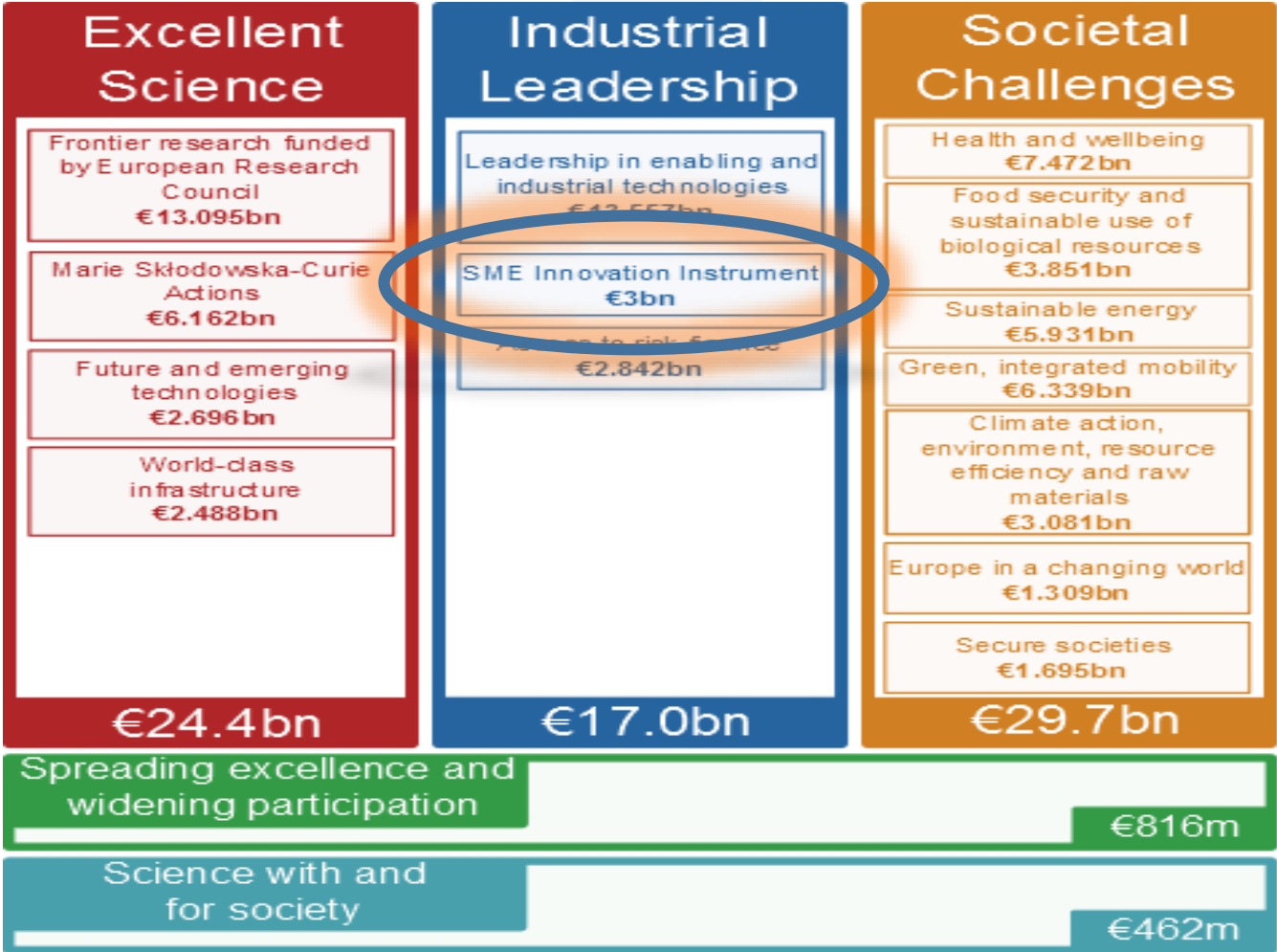


Horizon 2020





Horizon 2020



The SME Instrument has a name...

The European Innovation Council (EIC) Pilot has created..

ACCELERATOR

Six key criteria remain...

Product, service or business model is:

1. Cross-border
2. High growth
3. Close to market
4. Disruptive
5. Scalable
6. At the prototype stage

Innovation

- **INCREMENTAL**
Small changes which influence market share; the progressive advance of a product
- **STEP-CHANGE**
More significant changes by adding new technology to give a major market lead
- **DISRUPTIVE**
Creates new markets and value networks by disrupting the existing ones

Innovation



MEASURE YOUR TECHNOLOGY READINESS LEVELS - TRL

How technology ready is your service/product?

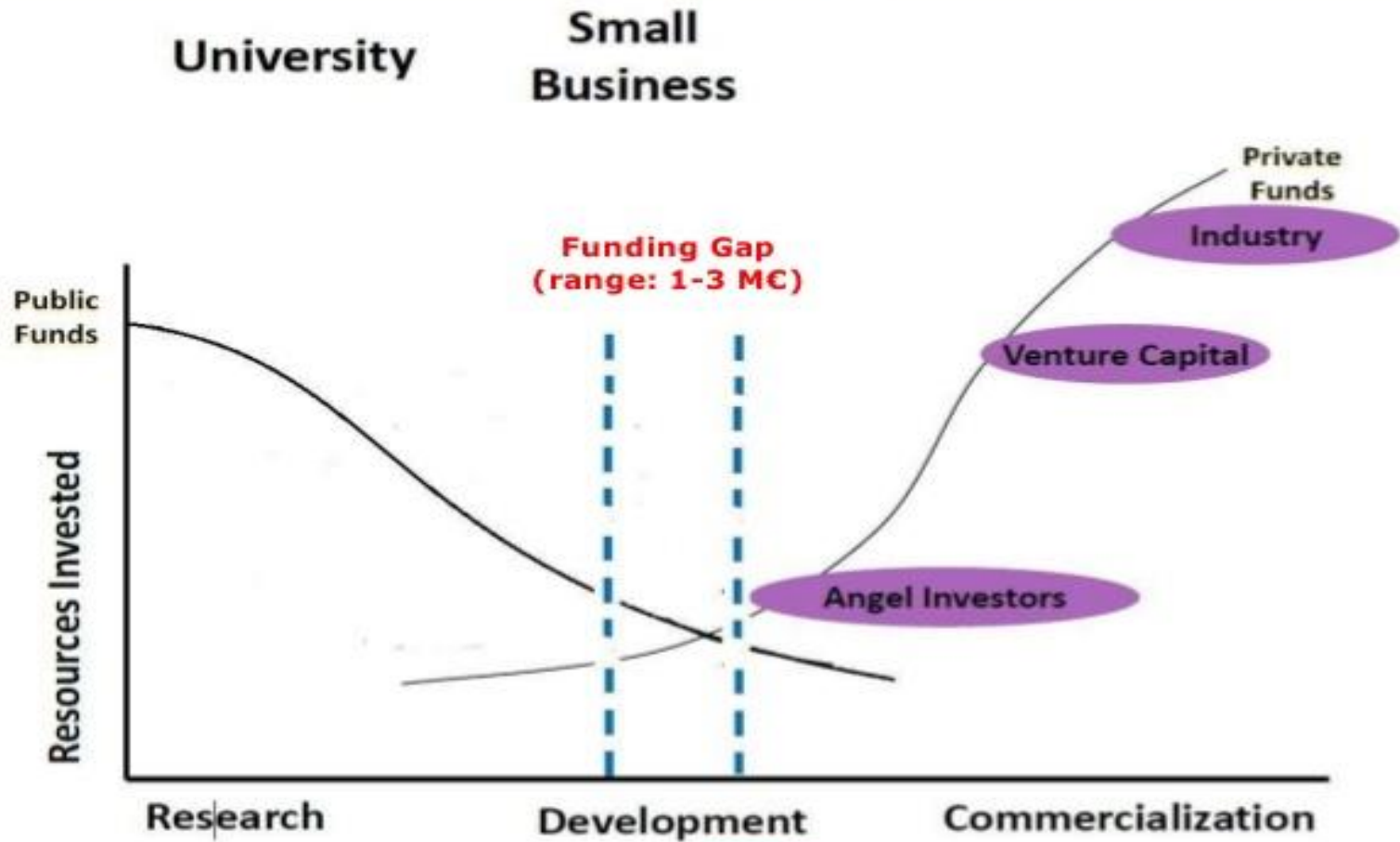


Technology Readiness Levels as adapted by the CloudWATCH2 project

Find out more about CloudWATCH2 TRL: http://bit.ly/TRL_MRL

Same basic logic...

- Lack of finance for breakthrough & disruptive innovators – Start-ups, SMEs, Entrepreneurs
- Estimated total equity-funding gap = €70bn.
- Many SMEs can't find high-risk capital needed to get to private investor stage
- *ACCELERATOR* bridges this gap in finance and risk-taking



Same 3 H2020 Key Award Criteria...

EXCELLENCE: Does your project have high innovation potential beyond 'State of the Art'?

IMPACT: Does your project meet the pressing needs of European and global markets?

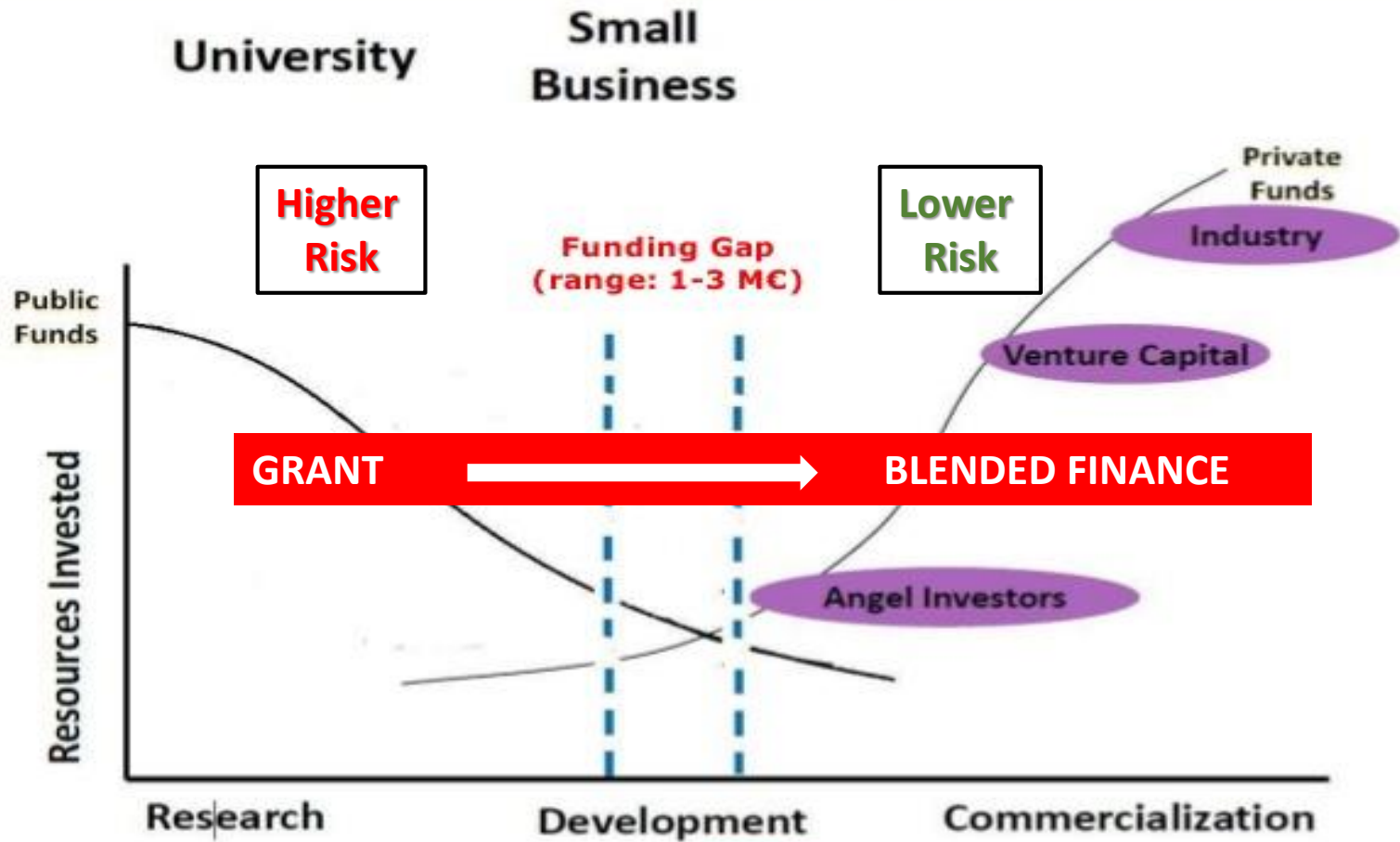
IMPLEMENTATION: Does your project have a coherent and efficient workplan?

New term: '*Bankability*'

- EC is most interested in supporting projects which have an element of risk, which if it is overcome will stand a better chance of becoming a commercial success
- '**Bankable**' = Investors will fund low-, or no-risk project. EC has no role.
- '**Non-bankable**' = Investors find some or all of project too risky. EC will fund if they are convinced of non-bankability, potential of project (impact, excellence and implementation)

Varying risk = *'Blended Finance'* option...

- Some projects may have an element of risk, which if solved could lead to a successful, commercial project..
- Blended finance allows EC to cover element of risk as a grant
- Commercial sector and/or EC Venture Capital Fund will then support the rest of the project funding



So who will be offered what?...

- **Phase 1** grant support **disappeared** after **5th September** cut-off
- **Phase 2** grant support of up to **€2.5m** is available to projects at **TRL 6, 7 & 8**
- ‘Blended Finance’ is offered to projects at **TRL 6, 7 & 8**
- Private sector/EC equity (blended finance) is offered to projects at **TRL 9**
- **Phase 3** as before; coaching and mentoring will be available to all

What Accelerator is not!

- Not an easy option
- Not for companies with no clear **strategy** or **business plan**
- Not for pursuing academic research
- Not for companies with no clear knowledge of markets and customer needs
- **Must be driven by commercial potential over a fascination with technology!!**



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‘So, how do I develop a Business Plan to satisfy EC requirements?’

We shall cover...

- What is business planning?
- How do we start?
- What should be in a business plan?
- Particular needs for ***Accelerator*** (SMEI Phase 2)

Why do we need business plans?

- We are looking at Business Planning in relation to Horizon 2020; but don't forget this is also needed;
- So that you drive the business and the business doesn't drive you!
- For your own peace of mind
- For investors and Bankers
- To help provide focus for key employees

Many companies lack a strategic view

- Not fully aware of their potential – facilities, expertise, etc.
- Too easily satisfied with ‘more of the same’
- Little awareness of what the competition are doing until it is too late
- Short-sighted on customer needs, markets and what influences them
- Little investment in marketing, product development or R&D

This may seem theoretical, but...

- Would you go on a journey without knowing **when** you are going, **where** you were starting from, your **destination**, or **how** you are going to get there?

So why run a business
this way?



A Business Plan answers 3 questions...

- **WHERE ARE YOU NOW?**

- What is your starting point; how has your business developed so far, what has it achieved, what has been the rate of growth?

- **WHERE ARE YOU GOING?**

- What is your vision for your business? What goals have you set to achieve this vision?

- **HOW WILL YOU GET THERE?**

- What strategy do you have to achieve the goals and vision? What is the timing for it all to happen?

So, let's look at business planning



Business planning...

- Should not simply be seen as a paper exercise to satisfy funding bodies
- Requires in-depth look at business, products, markets, resources
- Should be achievable
- Should be widely discussed to ensure buy-in
- Should be regularly re-visited and changed if necessary – monthly monitoring; quarterly review
- 5 year rolling plan with 1 year detailed plan is recommended

Typical Business Plan

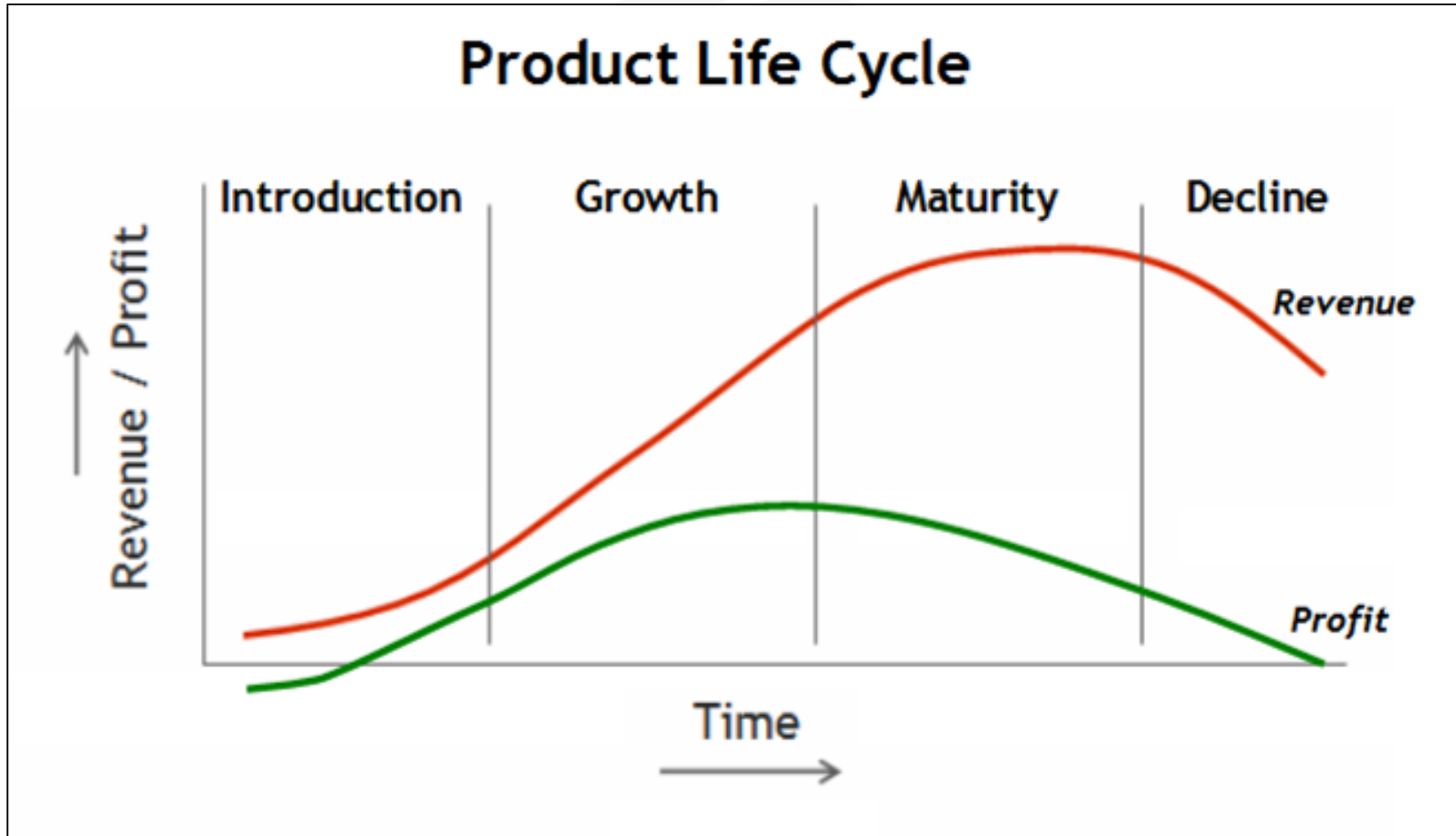


Over 23 million references on Google!

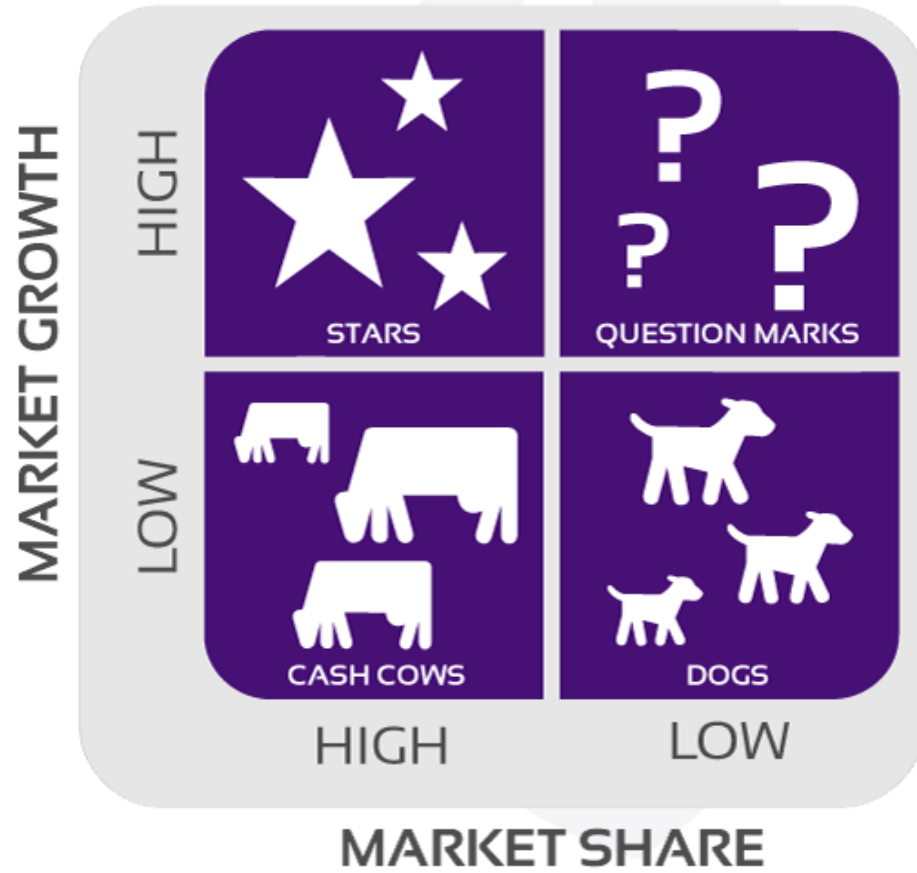
Business Planning Tools



Product life cycle analysis



Boston Matrix

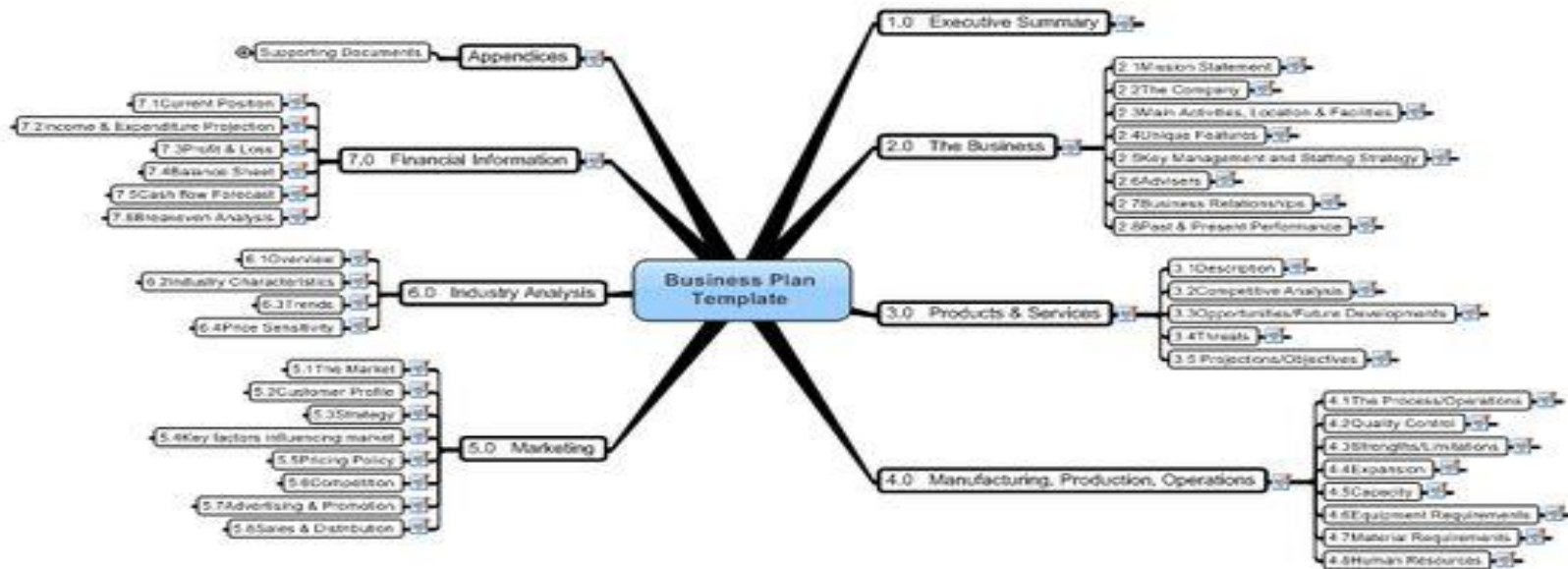


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Financial Planning



Mapping software (Google)



Amazon has over 90,000 books listed!



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Typical Business Plan



- **EXECUTIVE SUMMARY**

- Short summary of the whole plan summarising key points
- **Written when the plan is completed**

- **MISSION/VISION STATEMENT**

- Overall ambition for the business;
- ***‘To be recognised as the leading Turkish business in the manufacture of industrial waxes’***

• COMPANY BACKGROUND

- Short summary of company history – how it got to where it is today
- What has it achieved in terms of products, markets?
- What growth can it demonstrate – turnover, profit, jobs, productivity

• PRODUCT DESCRIPTION

- Description of present and planned product or service range; product introductions and deletions, along with data tables of production, sales, stock movement
- Details of the sector(s) that the company sells into, including moves into new sectors/cross-sectors

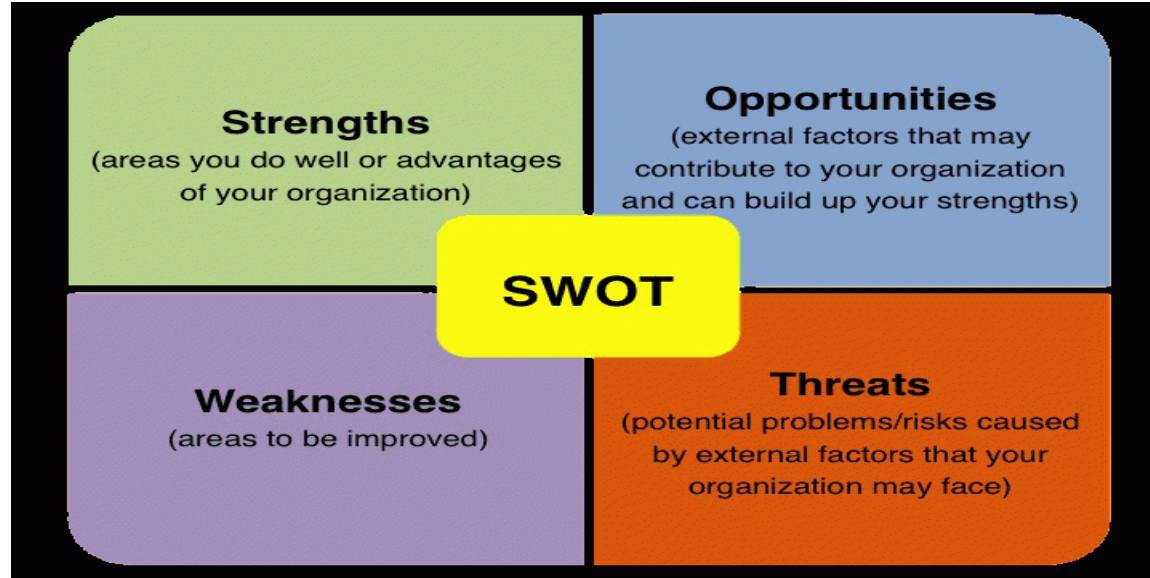
• **MARKETING PLAN**

- Past, present and planned markets and associated customers against the company's product(s)/service(s)
- Past, present and projected volume sales to respective markets and customers
- Values of sales to markets and customers
- Factors that will influence markets, sales and pricing, especially any risks and how they will be overcome

• **COMPETITOR ANALYSIS**

- Who are they? Any comings and goings?
- What advantages do they have over your business and how will you meet these challenges?
- How will market changes affect your competitors in relation to your business?
- Find out as much as possible about your competitors!

• SWOT ANALYSIS



• OPERATIONS

- Effect of previous headings on buildings, equipment, staff, management, etc. and any associated risks

• **FINANCIAL PLANNING**

- Money IN versus money OUT – hopefully showing more in than out!
- Key Performance Indicators (KPIs)
- Financial risks
- Should result in figures for monthly/quarterly/annual projected performance with upper and lower base lines

• **TIMELINE**

- What should happen, by when, and by whom
- Key milestones to achieving plan

Executive review

- Usually at senior management level
- Decision on what is needed to satisfy vision and goals over time
- Usually upper and lower targeting
- Discussed and agreed with those responsible for delivery
- Achievement is often linked to bonus payments – and job security!
- Revisited every quarter and revised (often downwards!)
- Reviewed at the end of the year, ahead of the next year's planning process and adding another year to rolling 5-year plan

Check for **SMART** goals!

- **Specific**
- **Measurable**
- **Achievable**
- **Realistic**
- **Time-related**

Typical Business Plan



Business Plan is essential feed into Accelerator Pilot (SMEI Phase II)

You may have the most innovative research project, a truly ground-breaking approach and the potential to bring substantial impact to the world, **BUT** all of this will fall short if you do not have a solid, strategic and professional marketing and business plan that fully supports it.

So, within the overall Business Plan we have just talked about...

- You must demonstrate the viability of your proposed project in business terms
- Show whether outcomes may eventually open new business avenues and produce income
- Detail financial aspects that should be considered for realisation and commercialisation processes
- Priority is given to projects that can demonstrate believable, realistic projections

...and within the marketing plan...

- Science and research help achieve vision and goals, but the marketing plan should give a detailed set of actions that will help achieve commercial success
- Identify market audience, competition, positive position of research project
- Show that project excellence will enable growth to meet proven need and create projected impact

...don't forget timing...

- Marketing and business plans are not one-offs to satisfy project needs and enable funding
- Crucial to show how management will sustain plans at least for life of project and ideally beyond
- Plans must be dynamic, with systems for monitoring, testing and amending where necessary

Why all this effort?

1. It will show that you will maximise the impact of the research project
2. Impress the evaluators during the review process
3. Increase chances for securing EC and additional funding (blended finance)
4. Help your business to achieve your marketing vision and goals
5. Help identify Strengths, Weaknesses, Opportunities and Threats

Why all this effort?

6. Effectively communicate your vision and plan of action to your team
7. Help you to pursue the right opportunities and avoid the wrong ones
8. Help you better understand your competition
9. Help you better understand your customer base and what products they are looking for
10. Help you spend your budget and resources wisely in a planned manner

Where does all this fit with the Accelerator proposal?

- It is fundamental to every section!
 - Introduction (where are you now?/where are you going?)
 - Section 1 – Excellence – your product versus competition
 - Section 2 – Impact – markets, customers
 - Section 3 – Implementation – fit with rest of business
 - Annexes 1 to 3 – team, resources, etc.
 - Annex 4 – finances
 - Annex 5 – Pitch deck – based on above content

Section 1 - Excellence

- **Idea and solution** – explain in detail; objectives, challenges, problems
- **Innovativeness** – how is your product/service significantly different to others? Why is timing right?
- **Stage of Development** – What is the current stage (TRL level)? What achievements so far? Steps to market? What is feasibility versus risks?

Section 2 - Impact

- **Market and Customers** – Future market potential? Potential customers? What is your unique selling point compared to competition?
- **Commercialisation Strategy** – What is your strategy? Regulatory approvals? Time to market? Revenue model?
- **External strategic partners** – Any key partners needed to achieve results? Roles/competences?
- **Intellectual Property** – What are your rights? What is needed to give 'Freedom to Operate'?

Section 2 – Impact continued

- **Scale up Potential** – How will you scale up your innovation? What will be the potential to develop new markets? What impact will there be on the company?
- **Key Performance Indicators** – What KPIs for expected outcomes and related success criteria such as current and target values, break-even points, etc.?
- **Broader Impact** – What will be the broader societal, economic, environmental or climate impacts?

Section 3 - Implementation

- **Team and Capabilities** – Describe team, their roles, achievements, experience, etc. Main strengths and weaknesses? Any missing competences? (CVs needed)
- **Financing Needs** – What are total financial resources needed? Timing to break-even point? Breakdown of grant requested/equity/other finance? Blended finance? Cashflow forecast needed.
- **Need for EIC support** – Why not private sector investment?
- **Risks** – What are they? How do you intend to deal with them?
- **Approach** – Overall structure, approach and timing of work packages? Summary table needed.

Annexes

- **Annex 1** - Security and Ethics
- **Annex 2** – CVs
- **Annex 3** - ‘Others’ – letters of intent, details of subcontractors
- **Annex 4** – Financial and Corporate Information
 - Revenues, expenditure, cash flow, balance sheet
 - Current cash and debt
 - Major financing events
 - Ownership and capital structure
 - Current financing round
- **Annex 5** – Pitch Deck

Annex 5 - Pitch Deck (Only 10 minutes!)

- 1. Project Title**
- 2. Company purpose** – vision/mission; what do you do (in one sentence!)
- 3. Problem and your solution** – Customer pain? Unmet market need? How is your innovation unique in these respects?
- 4. Value proposition** – How do customers value your offering? Concrete customer benefits?
- 5. Market Opportunities and Risks** – Market creating potential? Market predictions? Risks?

Annex 5 - Pitch Deck continued

6. **Competition** - Who are they? How do you compare? How will you overtake them?
7. **Business Model** – How do you make money? Revenue model, pricing, costs and schedule for recovery?
8. **Commercialisation and Marketing Strategy** – Plans? Time to market?
9. **Financial Projections** – Sales projections? How will EC funding help to achieve them?
10. **Team**
11. **Conclusion** – Closing summary

So, it can be seen that there is no chance of funding without going through a thorough Business Planning exercise first...

General feedback from evaluators...

- Too many applicants do not have balanced teams – technical/commercial/marketing are more convincing
- Too many proposals are developed by consultants without the engagement of the company – they fall down at the pitching session
- EC look for Need, Idea and Process to achieve conversion – too many applicants start with Process, seek an Idea that fits and never really consider Need
- Many proposals concentrate on technical/scientific detail and are light on commercialisation
- Many proposals are not realistic on growth, revenue and scale-up
- Business/Marketing plans are often unconvincing...

So how do we start the planning process?

- Seek external help if you are new to the process
- Discuss the three steps:
 - Where are you now?
 - Where are you going?
 - How will you get there?
- Develop data and a plan of action based on vision, strategy and goals, leading to a draft business plan
- Discuss, debate, amend, argue
- Reach a consensus and finalise the plan
- Once in place, revisit regularly

Business Planning as a Route to SUCCESS



Thank you for participating



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