



RESEARCH VENTURES & LICENSING
BUSINESS DEVELOPMENT | INNOVATION FUND | RESEARCH AND LICENSING

Starting a Business ??

The Business Plan



So...you want to start a Company

- Questions to ask yourself
 - (Besides, “ Am I crazy?”)



Some things to think about

- Market
- Technology
- Financial
- Management
- Legal
- Conflict
- Personal



Market Opportunity

- What problem am I solving?
- Is it a “nice to have” or a “need to have?”
- How is this problem solved currently?
- What is so unique about my solution?
- What is the size and growth rate of the market?
- Who are my target customers? How do I sell?
- Any competition? How do we compare?
- What is driving the demand for this solution?



Technology Development

- What is the current status of core technology?
- What are the development milestones?
 - Scientific – time, resources, cost.
 - “Productizing” – time, resources, cost.
- What is your IP status and strategy?
- What about future development plans/vision?



Funding

- Do I want “OPM” – other peoples money?
 - It comes with an agenda!! – Do I agree with it?
- What funds are needed to reach defined milestones?
- How much do I need overall?
- How much before I build value, i.e. exit opportunity?
- When can I get to profitability?
- What is the exit strategy for investors?
- Who is the right investor? At what stage?
 - Informal – credit cards, 2nd mortgage, kids’ tuition
 - Formal – SBIR, STTR, FF&F, Angels, VC, Corporate
 - How much do I want to give up for the \$\$?
- Fund raising is a long, arduous campaign and must be well thought out and designed, or it could be very costly.



Management

- Am I ready to give up control?
- Have I identified the skillsets/people I need to achieve my milestones?
How do I do that?
- How do I get the right people?
- How do I get them to think like I do?
- When do I get a formal Board of Directors?
- What about a Scientific Advisory Board?



Legal

- Regulatory
 - Do I need to deal with the FDA? Other groups?
 - If so, what is my strategy?
 - Should I get an outside consultant?
- Entity structure
 - S Corp, C Corp, LLC
 - Governance issues
 - Fund raising issues



Conflicts of Interest

- How does this affect my current position with the hospital?
 - Equity ownership
 - Continuing to work on science
 - Role on board or advisory board



Personal Commitment

- Hours
 - They were long before but now really are 24X7.
- Rejection
 - From investors, customers, employees.
- Responsibility
 - Everyone will look to you for payroll, technology development, hiring, etc.
- Remember
 - It's not just you, it's your whole family!!!



In the end.....

- The decision is a measurement of the risk involved in execution of:
 - Technology development
 - Market opportunity
 - Management of people
 - Financial management

So what am I to do.....**A business plan**



Why create a Business Plan?

- **Dual Purpose:**
 - Operationally:
 - Need one for a start-up
 - Communicates your strategic direction
 - Communicates your tactics
 - Communicates your objectives
 - Used as a guide when speed bumps happen
 - Used as company scorecard



Why else?

- **No Business Plan...No money.**
 - FF&A: Friends, Family & Acquaintances
 - Private angels
 - Venture capitalists
 - Corporate investors
 - Strategic partners
 - Banks



Writing a Plan is difficult work

- It requires **BALANCE**
 - It is visionary, but logical
 - It is financially perfect, but flexible
 - It is for today, but also for 3 or 5 years out
 - It is a formal plan, but is easy to read
 - It is creative, but follows some simple Rules



Some Basic RULES

- Define what is compelling and unique.
 - Differentiators – management, market, proven sales model, innovative technology
- Be brief, focused and deliberate.
- Identify the business model
 - Support strategies with detailed tactics
- Define long term objectives – 3 to 5 years.
- Focus on customers:
 - Why will they buy? Focus on sales model.
- Provide solid market research and hard data.



More RULES...

- Describe barriers to entry for others.
- Define/create an experienced management team.
- Make realistic, but compelling financial projections
- State how much money you will need
- Define how the funds will be used
- State clearly your exit



Some “Don’t Do” Rules....

- Assume anything about the reader.
- Forget what your reader wants.
- Define valuations in the actual plan.
- Attempt to write the business plan alone.
- Extend the process more than two months.
- Include copies of resumes & technical papers.
- Forget to proofread, proofread & proofread.



Preparation is Critical

- Question everything:
 - What is our vision?
 - Are we really innovative?
 - Does this really differentiate us?
 - What do we know about:
 - Our market and customers
 - Our future technology roadmap
 - Market data, trends and forecasts
 - Competition
 - New technologies in development
 - Lab, clinical data



Preparation - Analysis of Assumptions

- Internally what do we want/expect for:
 - Revenue growth rates
 - Sales acquisition costs
 - Expenses – staffing, capital
 - Technology investment needed:
 - Future development, trial
 - Regulatory strategy
 - Reimbursement strategy
 - Administrative staffing



Options in 2009

- **The Traditional Business Plan**
 - 20-30 pages with financials
 - 7-8 sections
 - More detail: markets, products & technologies
- **Business Plan Lite**
 - 2 sections:
 - 8-10 pages with financials
 - An extended Executive Summary



Traditional Business Plan Components

- Executive Summary
- Product/Service
- Market
- Sales and Marketing
- Operational – regulatory
- Management
- Financial
- Appendix



Executive Summary

- **HIGHLIGHT REEL – WRITE THIS LAST**
- 2-4 pages
- Company history, if any
- Clear definition of business
- Define product/technology & competitive advantages
- Customers – target markets, size
- Abbreviated financials
- Regulatory, reimbursement strategy – short
- Management
- Critical milestones
- Amount of Funding needed and use of funds
- Exit strategy



Product/Technology

- What is the core product/technology?
- What is your IP status and strategy?
- What is your development status?
 - Primary milestones – prototype, trials
 - Future products/technology – platform?
- Features and benefits
- Proprietary aspects
- Product differentiation



Sales & Marketing

- What is the market?
 - Size of target market and annual growth rate
 - Customer analysis:
 - Define target customer
 - Define the customer need
 - Back up with data
 - Competitive strength and weakness



Sales & Marketing

- Marketing Strategy
 - Price positioning and why?
 - Tactics when you get to market
- Sales Strategy
 - What channels will you use?
 - Is there an innovative channel?
 - What is your sales model?
 - What are your metrics?
 - What is your hiring and training plan?



Operations

- Plan for producing the product?
 - Capital resources?
 - Outsource?
 - Do it yourself?
 - Staffing requirements?
 - Customer Support strategy?
- Regulatory Strategy
 - Staffing
 - Lab, IND, trials, 510(k) etc
 - Time and cost



Management

- #1 reason that investors do not invest
- Outline current resources and team
- Identify future needs
- Advisors and Directors
- Detailed resumes in Appendix



Financials

- Historical data if appropriate
- Projections:
 - Income Statement
 - Balance sheet
 - Cash flow
- Yr 1 – monthly; Yr 2 – Quarterly; Yr 3-5 – Annual
- Desired funding amount
- Use of proceeds - detailed
- Exit Strategy



Financials

- **Everything Must Hang Together**
 - Your vision and strategies in text must tie in.
 - Your market growth objectives must tie in.
 - Your business and sales models must tie in.
 - Your margin percentages must tie in.
 - Your cost of goods must tie in.
 - Your expenses must reflect standard percentages.



Appendix

- Provide backup for plan:
 - Backup for market data
 - Detailed product data sheets
 - Any testimonials



Innovation Fund Overview

Structure

- Leadership from Drs. Mongan, Slavin, and Gottlieb
- \$35M fund
- Funded by MGH & BWH
- Structured as a wholly owned LLC
- Evergreen for future funding of new opportunities
- Independent investment committee comprised of external experts – science, industry, VC and legal
- Limited to PHS-originated opportunities

Investment Types

Equity

- Seed round for start-ups
- Series A/B/X co-investment and follow-on
- Funds to be reserved for follow-on investment
- Subject to conflict of interest guidelines

Development

- Pre company formation
- Support to technologies with high commercial potential
- Return to fund through license income share with PHS entity

Fund Success Metrics

1 – 3 yrs	Establish deal flow and attract external investment
5 – 7 yrs	Initial return on investment
5 – 10 yrs	Impact on healthcare



RESEARCH VENTURES & LICENSING

BUSINESS DEVELOPMENT | INNOVATION FUND | RESEARCH AND LICENSING

Robert J. Creeden
Managing Partner
Partners Innovation Fund
617-954-9357
rcreeden@partners.org

www.partners.org/rvl
(617) 954-9500