

PREFACE

I have written *Call a Business Angel* to give readers a perspective on commercialising a business venture from the viewpoint of an experienced angel investor. In this book, I discuss the innovation ecosystem and where angel investing fits in. I describe how investors think and evaluate ideas and how you can pitch your idea to them. I explore the practical aspects of business management – where most great ideas are lost.

Drawing on my decades of experience as a business angel and an executive and non-executive director across a range of industries, I share with readers the disciplined approach larger businesses take when considering where to invest. I also share some useful toolkits I've developed for small to medium businesses to help commercialise their ideas.

This book is designed to complement the great innovation and free thinking that exists in small, growing companies by providing useful advice and tools that give them a much greater chance of being successful.

Many entrepreneurs and small businesses fail not because of a poor idea but because of poor analysis and execution.

Too many companies and their managers have either forgotten or never knew about the quality basics of analysing ideas and how they contribute to sustained business success.

Call a Business Angel explains the key elements of business evaluation and performance management. It also provides a framework

to understand where these elements fit, along with enough detail to give a good understanding of a range of toolkits. The reader can use each of the chapters of this book as a checklist to see whether their business idea can transform into a successful enterprise.

All the techniques mentioned here can be applied to any business venture. The level of detail applicable to your business will depend on its size and complexity, but the underlying principles are valid for even very small businesses. I have tried to give examples in each of the chapters but please use your own examples to see how the tools work.

This book gives you some practical frameworks and tools to help you go from idea generation and pitch right through to sustainable commercialisation.

At the end of a number of the chapters you will find a case study. The case studies come from different industries and businesses at varying stages in their enterprise development. I have had personal involvement with all these companies and it has been a pleasure to be involved in their deliberations, struggles and success.

The case studies are preceded by an introduction from me and then they are written in the words of the founders or key executive. I hope you find them interesting and identify with their stories.

Call a Business Angel is intended to inspire you on your journey from idea creation and pitch to sustainable commercialisation. I believe this book can be a valuable companion on your journey, giving you a balanced amount of inspiration and useful tools and frameworks.

Eileen

*To all the entrepreneurs I have helped
and am yet to help*

CHAPTER ONE

FROM INVENTION TO INNOVATION

Everyone has their own definitions of the two words ‘invention’ and ‘innovation’. My definitions are vital to your understanding of the discussion in this book, and they are:

- ▶ **Invention** is the creation of better or more effective products, services, processes, technologies or ideas.
- ▶ **Innovation** is the acceptance of that invention by the market, i.e. the invention creates value for which customers will pay.

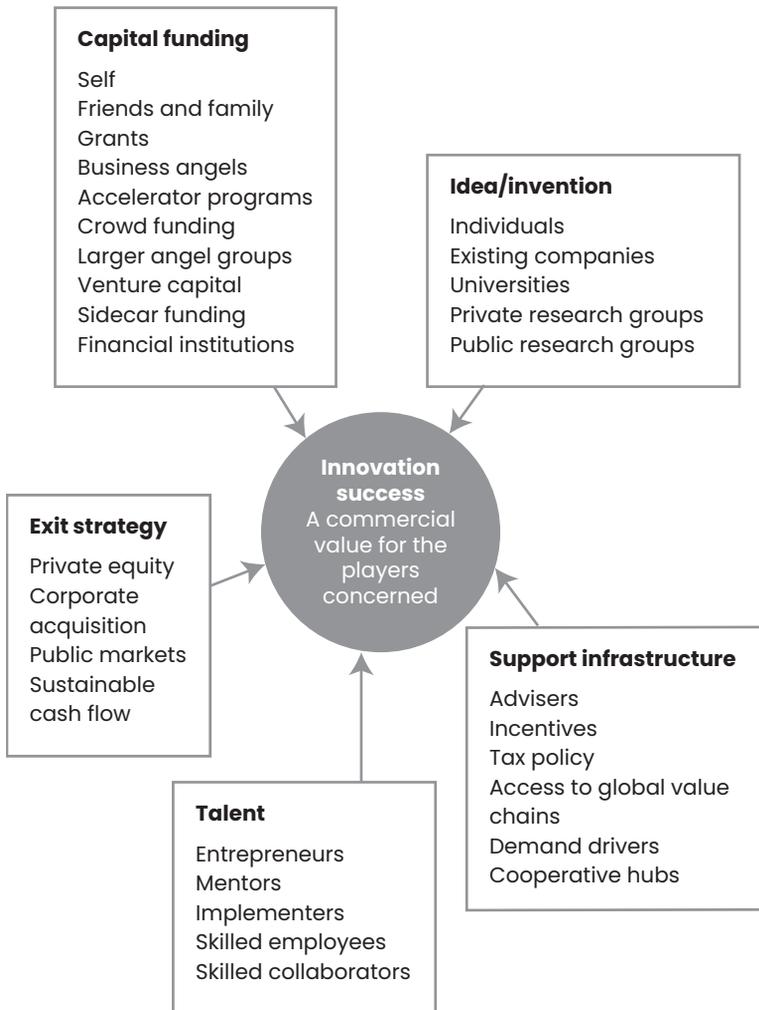
The innovation ecosystem

Moving inventions through to the commercial benefit of becoming an innovation requires a whole community of contributors.

Some very large corporations can contain that community of contributors within the one organisation and continue to grow their business through continual innovation. They have a contained innovation ecosystem and it can be very effective. These contained ecosystems are well worth studying, but they only explain some of the innovation spectrum.

Most innovation ecosystems go across many contributors to help commercialise ideas or inventions. Figure 1.1 overleaf gives a notional overview of the categories of players and their contributions to innovation success.

Figure 1.1 – The Innovation Ecosystem



All the groups shown in Figure 1.1 play a vital role in the ecosystem. Their relative importance depends on the nature of the invention and its stage of development.

It is worth expanding on the categories of players to give you an idea of the great value that they add.

Capital funding

Capital is the material wealth used or available for use in the production of more wealth. The examples in Figure 1.1 – self, friends and family, grants, business angels, accelerator programs, crowd funding, larger angel groups, venture capital, sidecar funding and financial institutions – give an idea of where you can access capital funding. At the low end, relying on yourself or friends and family, is a slow and tortured path. The high end of venture capital and financial institutions require you to be at a more mature level and substantially down the innovation path in order to convince them to give you ‘other people’s money’.

The business angel sits nicely in the middle. Business angels invest their own money and advice and they will help at an earlier stage of commercialising your idea.

Capital, in particular business angel capital, is needed for the following reasons:

- ▶ Without capital, most inventions just stay as ideas.
- ▶ It provides financial and other resources.
- ▶ It shares risk.
- ▶ It can lead to you finding mentors and coaches.
- ▶ It can be supported by business acumen and governance.
- ▶ It can give detailed sector knowledge.

- ▶ It can open the doors through networks.
- ▶ It will accelerate opportunity if properly used.

Ecosystems that encourage the formation of groups of like capital investors, such as business angel groups and venture capital groups, help add strength and leverage to the capital base.

Sources of ideas and inventions

The starting point of the innovation ecosystem is the invention that might lead to innovation. It can be simply the idea of an individual, it could stem from the operations of an existing business or it could come from the research rigours of a university or research group.

Continual free-flowing ideas feed the system and have the potential to grow innovation. If the other parts of the ecosystem are healthy, then these ideas have a greater chance of commercialisation.

Ecosystems that support and encourage sources of ideas and inventions through a range of activities add great value. Centralisation of grant money, the creation of research hubs, the establishment of forums to bring inventors together and the creation of shared premises are some of the ways that invention can be encouraged.

Support infrastructure

Support infrastructure is a very important enabling factor for invention to turn to innovation. It can come through advisers in areas such as intellectual property (IP), legal, accounting or specialist services. It can come from government incentives, policies or grants, which help reduce risk or increase potential. It can come from a healthy set of demand drivers – economic, social or technical – that propel the customer need for the invention.

Support infrastructure can come through proximity or access to global supply chains or cooperative hubs.

Ecosystems that can leverage national and international infrastructure, as well as build on any unique advantages in the region, can significantly grow the support infrastructure.

Talent

People and their talent play a vitally important role in innovation success. The quality of the entrepreneur means so much, but unless they join forces with quality business implementers, experienced mentors and skilled employees and collaborators, the entrepreneurs' efforts can be wasted.

Ecosystems that build centres of excellence, whether around universities or industry groups, or supply chain hubs or areas of market concentration, can leverage talent considerably.

Exit strategy

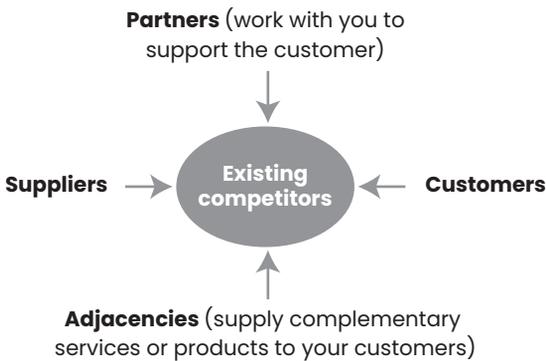
An exit strategy in its broadest sense is the only way that an innovation can be monetised. Both the inventor and the investor need to get a clear return for their investment of cash and effort. That is the clear aim of the investors and they require it within a finite timeframe. An angel investor looks for a timeframe of around five years, although that can easily stretch longer and probably move closer to ten years. Monetisation of an innovation can be as simple as a sustainable cash flow so that full or partial funds can be returned to investors. It is more likely to be through a sale to private equity or an acquisition by a larger corporate or by floating on the public markets.

It is important to have a clear idea of your exit strategy well before it is needed to ensure the commercial steps you are taking will

directly lead to that exit. The creation of business alliances can also help lead to an effective exit strategy. A healthy ecosystem can usually make those alliances easier to achieve.

Figure 1.2 below takes a simple look at your supply chain and shows some of the potential categories or groups of companies where you might find a partner and finally an exit.

Figure 1.2 – Potential exit partners

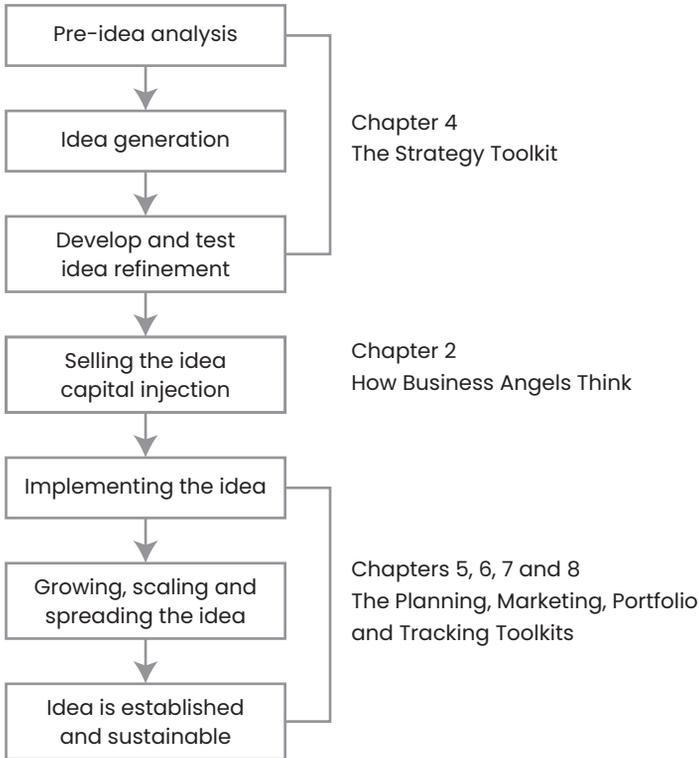


As you move from invention to innovation, your idea matures. The next section gives an overview of that process.

The idea maturity process

Ideas take time to mature and refine so that they genuinely have the potential to become an innovation. Figure 1.3 opposite looks at the stages that are needed from idea generation to established commercialisation. It also indicates the chapters of this book that cover the advice and toolkits that you will find useful at each stage.

Figure 1.3 – Stages for idea generation to commercialisation



In the next chapter we will take a more detailed look at the business angel. Business angels play such an important role in early-stage capital raising. Understanding their perspective will help you navigate the path to commercialisation.

But before we move to chapter two, let's take a look at the first case study.