Recognising Opportunity

A personal view
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My start-up process - 1985

1. Know the right alumni
2. Find a customer
3. Do some consultancy (Midland Bank)
4. First critical decision – 'who to make the cheque out to?'
5. Advise existing employer - Trinity College
6. First part time employee (finishing PhD)
7. Set up limited company
8. Move to Science Park
9. Become very profitable, waste the money, cashflow crisis, mortgage house, change business plan, develop a market in banking risk, lose market to Reuters, develop new market in commodities, list on AIM, recruit replacement CEO, become an angel mentor and investor
Key criterion (1): Satisfied Customers

Most successful tech start-ups begin soft, then harden
• Start with consultancy (soft)
• Sell the same consultancy again (hardening)
• Develop product (hard)

Investment usually most effective when you harden

not when you start
Key criterion (2): Cash

'£1 from a customer is worth £10 from an investor'

Business plan competition-itis, Dragon's Den-itis
- Spend all time on competitions, money raising
- But will the business plan survive customer contact?
- Pride in money raised or won, not customers satisfied
- Misses essential customer feedback/change
Key criterion (3): Commitment

It's OK to have a day-job
   so you can eat

It's not OK to be pursuing several opportunities
   Lacks commitment
   Will you jump ship then the going gets tough?

It's not OK to have parallel companies
   eg separating out the consultancy from the main business
   Introduces conflict in the end
Key criterion (4): Communication

Angel investors delude themselves that they can help

Is the entrepreneur listening?
  If he can't make me feel good about this
    then he won't make a customer feel good
    so he won't make the sale

What does active listening mean?
  Not 'do what I suggest'
  But 'make me feel you consider it carefully'
  It's your decision, but
    give me a good reason why you don't do what I suggest
Great ideas fail at least one criterion

One entrepreneur failed on all four

Customers - none
Cash - Serial CUE winner (business plan competition-itis)
Commitment - Involved in several start-ups
Communication
   Didn't tell me why my ideas were wrong,
   Just said 'that's the plan'
   Just before the first investment round closed

Nevertheless, a great idea
   Almost made it for me
   But in business 'almost made it' usually isn't sufficient
The take-home message

- Customers
- Cash
- Commitment
- Communication