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Do Startup Teams Really Matter in Venture Funding Processes?

An Investigation of Venture Capitalists' Perceived Importance of Teams in Business Plans

Master of Science Thesis
in the Management and Economics of Innovation Programme

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Abstract

Problem: It is difficult for startups to make it to market and become financial successes. Venture capitalists exist to find the most promising ventures and help them succeed. At present, many ventures with talented founders are denied a meeting with venture capitalists because their business plans do not meet the venture capitalists' criteria in the screening process. This is problematic both for entrepreneurs and for investors, since promising startup teams do not get funding and venture capitalists waste time meeting teams that they are not interested in investing in.

Purpose: The purpose of this thesis is to understand the importance of startup teams in venture capital screening processes. This will be investigated by constructing a new kind of business plan that emphasizes the team.

Theoretical framework: The theoretical framework describes the characteristics of the venture capital industry in Sweden, the evaluation criteria of venture capitalists, and the process when entrepreneurs apply for venture capital funding. Further, it provides a description of how business plans are composed and some examples are given of tools that are commonly used to visualize business plans, such as the business model canvas and the lean canvas. Additionally, the theoretical framework entails a section about psychological factors in decision-making, focusing on biases and how people evaluate each other.

Method: In order to understand the importance of teams in venture capital funding projects two business plans were constructed. One that put emphasis on the team, the people plan, and one traditional business plan. Both business plans were based on the material from a startup company in Jönköping, PlanDig. Ten interviews were held with investors from the venture capital industry, where they stated their preferences and opinions on the two business plans.

Results and implications: This research identifies a gap between how investors state that they prioritize different criteria in startups, and how they actually evaluate. This gap lies in the pre-investment phase, during the business plan screening. Investors claim that the quality of the founding team is what matters the most, however, when screening business plans they tend to value other criteria higher. The gap was found at a larger extent among novice venture capitalists. Additional findings include that investors want the team members to complement each other, both in terms of competence and personal traits. To improve a traditional business plan, some parts from the people plan should be included to make a mix between a traditional business plan and the people plan.

Keywords: Venture capital, venture capitalist, teams, startup, venture, business plan

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1 Introduction

The introductory section of the thesis presents the research of the study. It is initiated with a background of the venture capital industry and a description of how startups apply for venture capital funding, and then moves on to the core of the study in terms of problem analysis, purpose, research questions, delimitations and disposition.

1.1 Background

Several ideas and inventions are turned into new companies every day. However, few of them make it to market and even less become financial successes. This is where venture capital comes in and plays an important role in the commercialization of new inventions (Zider 1998). The venture money is a relatively short-term investment, and is supposed to be a base until the startup is credible and large enough to be acquired or until it can go public through an IPO. Hence, the venture capitalist buys equity in the startup and provides it with resources and knowledge, and then helps with the exit.

Venture capital as we know it today originates from the 1940s in the U.S. when George Doriot started to fund entrepreneurs that got their loan applications denied by banks (Metrick & Yasuda 2010). However, it was not until 1979, when investment rules for pensions were relaxed that the venture capital industry expanded into the industry it is today. Also in Sweden, the legislation around venture capital became more beneficial and the venture capital industry grew significantly in the 1980s and kept growing successfully during the subsequent decades (Karaomerlioglu & Jacobsson 2000). In terms of early investment in venture capital as a percentage of GDP 2000-2010, Sweden has the highest ratio in Europe and has one of the most attractive venture capital industries in the world (Lerner & Tåg 2013).

There are three main investor categories in venture capital: business angels, venture capitalists and corporate venture capitalists. Business angels (BAs) distinguish themselves by investing their own money, and as a consequence of that they primarily invest smaller sums in early phases of the startup (De Clercq et al. 2006). Venture capitalists (VCs) invest larger sums of money from outside investors, primarily institutions, often in later stages than BAs. Corporate venture capitalists (CVCs) are similar to VCs, but invest a part of a large company's money. Regardless of the type of investor, the venture capital investment can be divided into the pre-investment, post-investment phase and exit (ibid). During the pre-investment phase the entrepreneur and the venture capitalist evaluate each other. It is preferable for the entrepreneur to have some kind of referral or other connection to the VC, before sending in a business plan for screening. After that, they meet each other to agree on a term sheet and other shareholder agreements. If everything goes as planned and both parties are satisfied, the startup receives funding. During

the post-investment phase the entrepreneurs and the VC work together to make the company as successful as possible and try to achieve an exit that is beneficial for both parties.

As mentioned, business plans are often the first official point of contact between VCs and entrepreneurs. To explain briefly, business plans are written descriptions about ventures, analyzing the current situation and projecting the future (McKeever 1999). Unfortunately, business plans are also often the last connection startups have with VCs, because if a business plan does not include what the VC wants, the startup is screened out of the investment process. Hence, it is very important to know what the VC values and how to communicate it.

1.2 Problem analysis

Most VCs are approached by hundreds of startups yearly (De Clercq et al. 2006), hence it is essential that the VC gets a good first impression of every new venture. As previously mentioned, a business plan is one of the first connections between the VC and the venture, and is hopefully a ticket to a meeting, a starting point of funding and a beginning of a long cooperation.

Consequently, the business plan must capture the investors interest, be well written and tell a VC what he or she wants to know. The entrepreneur usually only gets one chance at every firm, one business plan that presents years of dedicated work. Most business plans follow a traditional approach and are focused on the venture; the idea, the market and supporting financials. However, one of the most important factors for a majority of VCs is the team of entrepreneurs behind the business (MacMillan, Siegel & Narasimha 1986; Fried & Hisrich 1994; Silva 2004). This results in a gap between what the VCs want and what they typically get (MacMillan, Siegel & Narasimha 1986). Following the reasoning above, one of the major challenges is to design a business plan that attracts the attention of VCs, and simultaneously captures the essence of the venture. Because as it is today, many ventures with talented founders are denied a meeting because their business plans do not meet the criteria in the VCs' screening process. This gap is problematic both for entrepreneurs and for investors, since good ventures do not get funding and investors waste time meeting teams that they are not interested in investing in. This thesis aims to address this issue and reduce this gap.

1.3 Purpose

The purpose of this thesis is to understand the importance of startup teams in venture capital screening processes. This will be investigated by constructing a new kind of business plan that emphasizes the team.

1.4 Research questions

- How does a startup team affect the venture capital investor when deciding whether to meet the venture and take them to the next step in the funding process?

- What should be emphasized in a business plan in order to secure an initial meeting with a venture capitalist?

1.5 Delimitations

The thesis and thus the results are limited to the Swedish venture capital industry. VCs from other countries will not be included in the research sample, although knowledge about the VC industry in general is used in the theoretical framework. Further, the research will focus on the initial screening process in the investment cycle, which is the business plan that entrepreneurs send to investors containing the business idea. It will not tend to the actual meeting between the VC and the entrepreneur, or the investment and post-investment procedure.

Further, the study is limited in the sense that the business plans used in the research are based on one startup, PlanDig. Hence, it is difficult to distinguish the results of the study from the characteristics of this company.

1.6 Disposition

This first introduction is followed by a theoretical framework, consisting of four major parts: business plans and other tools for startups, understanding venture capital, venture capitalists' evaluation criteria and psychological factors in decision-making. Chapter three outlines the methodology of the thesis with research strategy, line of action and further description of methods. Finally, it discusses limitations and trustworthiness. Following the methodology is the result from the empirical research, then the thesis is finished with discussion and conclusions.

2 Theoretical framework

To better understand and to be able to analyze the information gathered in the data collection phase, a theoretical framework is required. This chapter starts with describing the rationale and formation of business plans, and is followed by a section reviewing prior research about venture capital and investment criteria. The chapter is finalized by research regarding psychological factors and evaluation of other people.

2.1 Business plans and other tools for startups

In this chapter the traditional format of a business plan is presented followed by different ways of writing a business plan. It continues with introducing more recent tools that have come for new ventures, and other ways of writing business plans that these have resulted in.

2.1.1 The purpose of a business plan

A business plan is a written description about a venture, that is analyzing the current situation and projecting the future (McKeever 1999). It also covers financials, how much funding is needed and how that is going to be paid back to the investor. When applying for funding a good business plan is essential (Rich & Gumpert 1985). The business plan is often the ticket to meet the investor, and it plays a great role in whether funding is granted or not. A business plan must present the venture accurately and attractively, both in its present state and in an expected future. Further, the plan must be tailored to three different constituencies; the market, the investor and the producer (entrepreneur or inventor) (ibid). The business plan serves more purposes than achieving funding. It also helps the entrepreneur decide whether to stop or proceed with the venture, and serves as an opportunity to improve the business concept, improves the success rate, and helps the entrepreneur to keep on track (McKeever 1999). Pinson (2008) adds two other benefits with the business plan. She suggests that it works as a guide for the business and that it shows business potential in foreign markets, if the business is intended to be international.

2.1.2 The use and usefulness of business plans

Karlsson and Honig (2009) have done research about business plans, where they strongly question their usefulness. They conclude that planning is not necessary to achieve success and that the link between planning and performance so far is inconclusive. The sample of Swedish ventures in Karlsson's and Honig's (2009) study wrote extended business plans to show their legacy, but they lost interest and stopped to update them. Another finding is that bankers and providers of external capital do not use the plans a lot during the investment. The external capital provider in the study used a one-page annually strategic document to evaluate ventures they had invested in. Another study by Davidsson and Garonne (2016) investigated the use of

business plans and found that the external finance is the least important, compared to having the plan as an action plan, an analytical tool and an internal communication tool.

2.1.3 Different parts in a business plan

According to Coke (2002) a successful business plan should include five major parts: the strategic plan, the operational plan, the organizational plan, the resource plan and the contingency plan. Pinson (2008) recommends that it should include the four larger parts organizational plan, marketing plan, financial documents and supporting documents including for example personal resumes. McKeever (1999) claims that a good, stripped-down, quick business plan has the following parts: problem statement, business description and accomplishments, sales revenue forecasts, profit and loss forecast, capital spending plan and cash flow forecast.

Sahlman (1997), however, states that most business plans have too many numbers and financial estimates, and that these are very hard to predict in an early stage. Instead he recommends to build the business plan on four factors: the people, the opportunity, the context, and the risk and reward. The people part is what Sahlman (1997) reads first in a business plan, because according to him, without the right team, nothing else matters. Execution skills is what counts, not ideas. Investors want to know about insight and experience of the entrepreneurs and if they have worked together before. The second part in the business plan is the opportunity, the industry about to be entered has to be large or growing, preferably both. Further, it has to be structurally attractive. This needs to be thoroughly described in the business plan, and if the industry does not meet this criterion, it needs to be stated even more clearly how the venture will make sufficient profit. No opportunity exists on its own, they all have a context; macroeconomic environment, level of economic activity, inflation, exchange rates, interest rates, government rules and regulations. There has to be an awareness of the venture's context in the business plan and the pros and cons with it. The next step is to describe how the context will change, how that will affect the venture, and how the entrepreneurs are going to act to make it favorable to them, for example by lobbying. There should also be a plan of action if the context instead becomes unfavorable. This leads to the last part of Sahlman's (1997) proposed business plan, the risk and reward part. The other three parts are probably going to change when time evolves, and a business plan needs to consider and confront the risks with all these parts. The dynamic parts need to be considered, even if it is difficult to predict the future. The second component of this part is the reward aspect, VCs want a profitable exit. The more exit opportunities stated, the better. With stated directions of how to get there the journey becomes less risky. Sahlman (1997) recommends two graphs or schematic pictures to communicate risk and reward, which can be seen in figure 1. The first one illustrates the time to positive cash flow, and the second one complements the first and shows the range of possible returns and likelihood of achieving them.

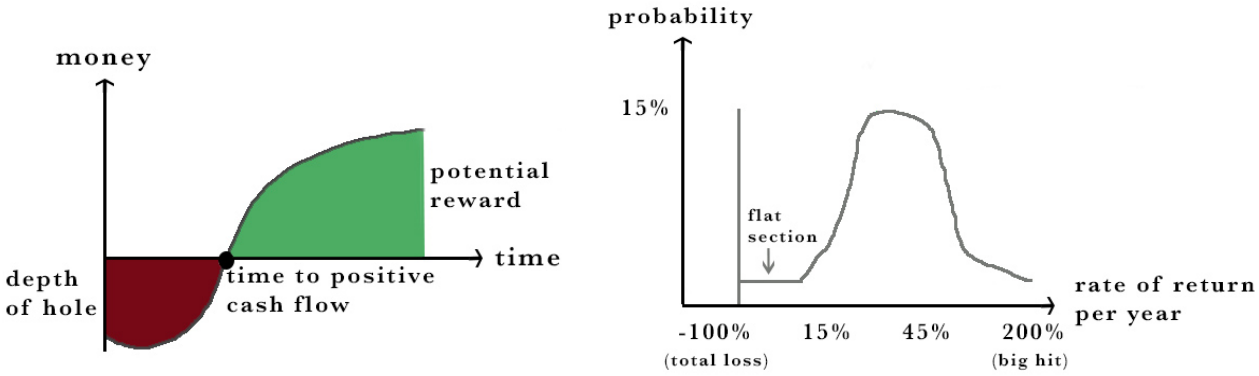

Figure 1. Sahlman's (1997) two schematic pictures to illustrate risk and reward.

2.1.4 Effectuation

The idea of effectuation was first written about by Saras Sarasvathy in the early 2000's (Sarasvathy 2001). Sarasvathy found that successful entrepreneurs tend to use effectuation instead of causation meaning that, they use a set of given means and make the best out of them, instead of working towards a set goal and limiting themselves. Effectuation is often found successful when situations are uncertain and the future is unpredictable.

Effectuation is not set rules or an algorithm but rather a way of solving problems or a thinking framework (Sarasvathy 2009). The effectuation logic or the effectuation cycle is built up by five principles used to minimize prediction and shape the future. The first one is called bird-in-hand, and says that entrepreneurs should start with their means: who I am, what I know and whom I know. From this start point, goals are constructed. The second principle is affordable loss, which means minimizing risk through understanding how much that can be lost at each step and to focus on the downside risk. As third comes the lemonade principle, which encourages entrepreneurs to take surprises positively and always make the best out of them and use clues to create new markets, make lemonade as soon as they have lemons. The fourth principle is patchwork quilt and the idea behind that is to form alliances and partnerships with stakeholders instead of seeing them as competitors. Co-commitments reduce uncertainty and new markets can be formed. The last principle is called pilot-in-the-plane, and is about focusing on what is under control and have a worldview where the future can be made, it is not found or predicted.

2.1.5 The lean startup methodology

The lean startup is a method that has been revolutionary to startups in the 21th century. It was first proposed by Eric Ries in the end of the 2000's, inspired by the Japanese lean manufacturing with for example validated learning and finding out what customers really want (Ries 2011). According to Ries (2011) startups fail due to two major problems, the first one is that they do not know their customer or their product. The second problem is that when traditional management has failed to solve these, many entrepreneurs choose a "just do it"-approach, but Ries states that this does not create a successful venture either. To solve these two problems and find a middle way he has developed five principles, and divided them into the three parts: vision,

steer and accelerate. Three important concepts in the lean startup methodology is validated learning, the build-measure-learn loop and minimum viable product. Validated learning is a rigorous way of showing progress and demonstrating what the startup has learnt. The learning is done through a feedback loop, where a product is built from ideas, data is measured from testing the product, and from this data the entrepreneurs learn and new ideas are developed. To be able to start this process of learning, a minimum viable product is used. This means to design a simple version of the product as soon as possible to start testing and get into the learning loop.

2.1.6 The evolution of business plans

Business plans are a widely spread tool for startups with high legitimacy, and are supported by universities, governmental assistance agencies, management consultants and literature. However, their use is often taken for granted (Karlsson & Honig 2009). During the last years several alternatives to traditional business plans have been developed, to simplify and get more out of the business model. Some examples are the business model canvas, the lean canvas and the right-brain business plan. The last one is a visual business model, more suited for creative entrepreneurs who dislike text and numbers (Lee 2011). Even VCs tend to move away from traditional business plans, and some prefer slide format instead (Sequoia 2016).

The business model canvas

"A business model describes the rationale of how an organization creates, delivers and captures value" (Osterwalder & Pigneur 2013, 14). Osterwalder has created a tool to visualize the business model in a simple and understandable way, the business model canvas, see figure 2. Despite the fact that the canvas was released as recently as 2008, it is widely recognized and spread worldwide. The essence of the business model canvas is nine building blocks that display how a company earns money (Osterwalder & Pigneur 2013). The building blocks cover four main areas for businesses: customers, offer, infrastructure and financial viability. The usage of the canvas is somewhat different from business plans. Osterwalder and Pigneur (2013) recommend it to be like a "blueprint for a strategy" and they state that the best usage of the canvas is when it is printed out large, posted on a wall, engaging a group of people in sketching the business model. The business model generation is a new visionary approach that through using design and an open process has innovated and resulted in a large impact on many businesses.

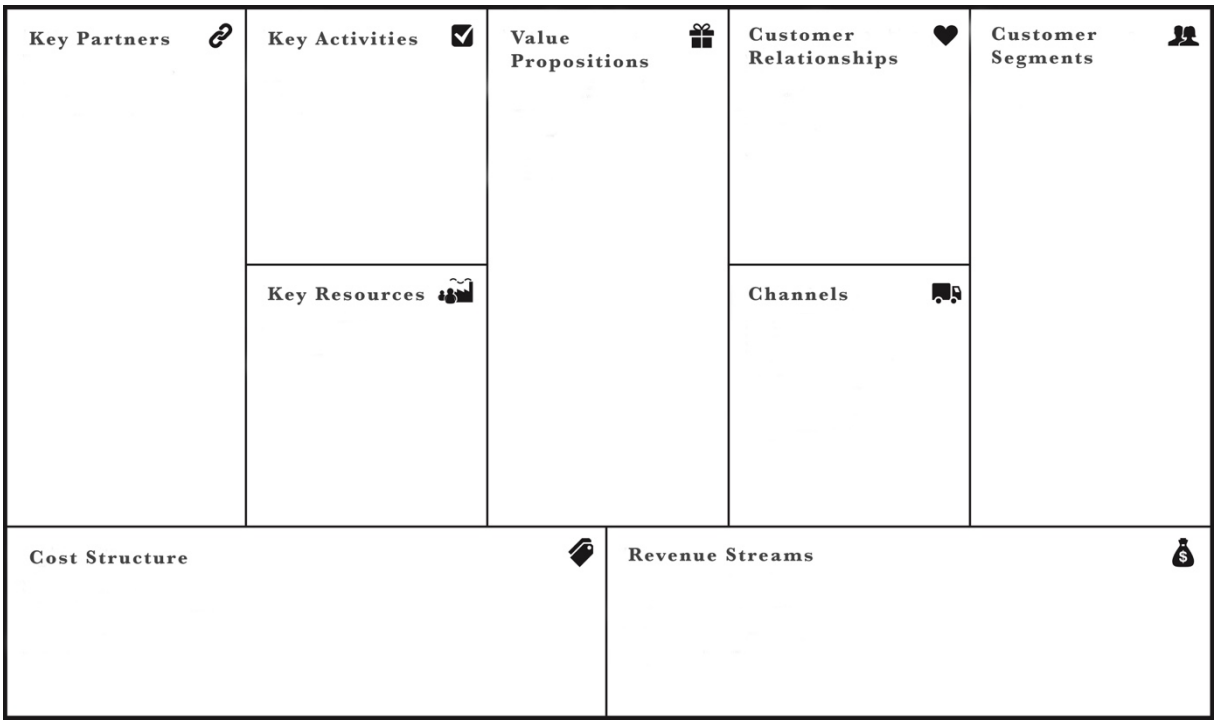

Figure 2. Osterwalder's business model canvas.

The lean canvas

Ash Maurya (2012) has evaluated the business model canvas and found that it is not perfect for startups, and modified it in line with the lean startup methodology, see figure 3. Four new aspects considered as high risk are added, and four with less risk were removed to make the canvas less complicated and packed with information. The added headings are problem, solution, key metrics and unfair advantage. The problem and solution boxes were added due to the fact that startups tend to fail because they do not know their products and their customers. The solution box is purposely small in line with the minimum viable product concept. Key metrics are added due to the importance of getting some order in all the uncertainty chaos. Finally, the last new box is unfair advantages, which is something built that cannot easily be copied by competitors. Boxes removed are key partners, key activities, key metrics and customer relationships.

Figure 3. The lean canvas, first developed by Ash Maurya.

Business models in slide format

Sequoia Capital is a successful firm, leading the venture capital industry in the U.S. The firm states that they want a lot of information written in few words, and that they prefer the entrepreneurs to send their material in slide format, instead of using a traditional business plan (Sequoia 2016). The parts Sequoia wants to see are: company purpose (a sentence to define the company), problem, solution, why now (historical evolution of a category), market size, competition, product, business model, team and financials. Guy Kawasaki (2016) is another skilled individual with a good example of a slide deck outline used to raise capital. He recommends the following ten slides: title, problem/opportunity, value proposition, underlying magic, business model, go-to-market plan, competitive analysis, management team, financial projections and key metrics and finally current status, accomplishments to date, timeline and use of funds.

2.2 Understanding venture capital

This section gives a thorough description of the mechanisms of the venture capital industry. It describes the different sources of venture capital and the different stages of the investments. Further, the section describes the procedure to apply for venture capital both from the entrepreneur's point of view and the investor's.

Metrick and Yasuda (2010) state that venture capital has five main characteristics. Firstly, venture capital is a financial intermediary, which is similar to a bank since it uses money from investors which is used as equity investments in startup companies. Secondly, venture capital is

a category of private equity, since it is an alternative investment and not a traditional such as stocks and bonds. Thirdly, VCs are not passive investors, they monitor and help their portfolio companies to increase the likelihood of them being successful. The fourth characteristic is in line with the third, the main goal for the VC is to maximize the return through an exit such as a sale of the venture or an IPO (Initial Public Offering). Finally, venture capital aims to fund internal growth, which means that investment is made in new businesses, which distinguishes venture capital from other types of private equity.

2.2.1 The venture capital history

As long as there have been ventures, people have invested in them. Venture capital as we know it today is as mentioned in the background from 1946 (Metrick & Yasuda 2010). The pioneer George Doriot saw the need entrepreneurs had for funding when they were denied loans from banks, due to the high risk. He started a new firm to meet this need, which operated for 25 years as a publicly traded VC firm. The next step in the venture capital history was when the US government established the Small Business Investment Company program in 1958 (Karaomerlioglu & Jacobsson 2000). The program had the purpose to make equity and debt investments into early-stage ventures. Further, it also had a vehicle to train professional VCs for the future (Metrick & Yasuda 2010). In the 1960s another important event in the VC industry took place, the development of limited partnerships, which today is the most common way of organizing venture capital investments. Despite this the VC industry remained fairly small until 1979, when the investment rules for pension funds were relaxed, which led to a large inflow of money into venture capital. The pension funds accelerated the involvement by other institutional investors.

2.2.2 The venture capital industry in Sweden

The first Swedish venture capital firm was founded in 1973 (Karaomerlioglu & Jacobsson 2000). It was called Företagskapital, and was jointly owned by the Swedish state and local merchant banks. During the 1970s the Swedish state continued to invest money into venture capital in order to cope with the stagnating Swedish economy. The unemployment rate in Europe and Sweden was high at this time, and the state saw venture capital as an opportunity to raise the Swedish economy from the crisis. In the period of 1975-1981 several venture capital funds were created, supported by either the government or regional bodies.

In the 1980s, several governmental decisions changed the Swedish venture capital industry (Karaomerlioglu & Jacobsson 2000). The Swedish state decided to follow the American model and encourage investment in small and medium sized companies, and give VC firms the opportunity to sell off their holdings. Further, there were tax reforms that made the financial situation more favorable for VC firms. During the 1980s the Swedish venture capital industry attracted several private companies, and grew significantly. The total amount invested in

venture capital increased by nine times between 1983 to 1987, from approximately 480 MSEK to 4 BSEK. In the last years of the 1980s several firms exited the industry, however the cumulative funds still increased since the largest players remained (ibid).

During the 1990s the development continued with active involvement from the Swedish state (Karaomerlioglu & Jacobsson 2000). The government created investment institutions, eased regulations and formed pension funds that invested in venture capital. The interest in venture capital spiked during the turn of the millennium, when capital accounting for around five percent of the Swedish GDP was under management in venture capital funds (Lerner & Tåg 2013). After the dot-com crash this ratio was reduced, however it is still higher in Sweden than in most of Europe and the U.S. This trend is also confirmed by investigating the number of transactions made by VCs during 2000-2010, where Sweden is ahead of the U.S. and most of Europe. In terms of yearly investment in venture capital as a percentage of GDP, Sweden has the highest ratio in Europe, and number six in the world in total. This rapid development of the venture capital industry in Sweden confirms the historical importance of the industry for the Swedish economy, and has resulted in that the Swedish venture capital industry is one of the most active in the world (ibid).

2.2.3 Different sources of venture capital

In the spectrum of venture capitalists there are different types of investors with different objectives, investment criteria and motives for the investment. These are usually divided into three different categories: business angels (BAs), venture capitalists (VCs) and corporate venture capitalists (CVCs) (De Clercq et al. 2006). The characteristics of the different VC providers can be seen in figure 4.

Business angels

One of the key things that distinguishes BAs is that they invest their own money, not someone else's (De Clercq et al. 2006). As a consequence, they usually invest smaller amounts of money, typically around 100-500 KSEK, and in an early phase of the startup company. The investment motives for a BA are usually a combination of personal and financial. It is common that BAs are former entrepreneurs that want to help other entrepreneurs to succeed. Thus, BAs often take a mentoring role for the entrepreneurs, and help them to develop the company.

Venture capitalists

VCs do not invest their own money (De Clercq et al. 2006). They raise money from outside investors, primarily institutions, and create venture capital funds where the money is put. The investment decision is made by the venture capital firm without actual involvement of the institutions. The VC firms then use the fund's money to buy equity in firms where they believe that the return on investment is sufficiently high. The incentive for VC firms is purely financial,

and they evaluate the prospects partly based on growth potential and the competence of the entrepreneurs.

Corporate venture capitalists

CVC firms are non-financial firms that invest some part of a company's money into firms or entrepreneurs (De Clercq et al. 2006). Usually, they are a subsidiary of a large firm that wants to invest in solutions that seem promising for the future. The primary interest of CVC firms is to secure strategic benefits for the parent company, and secure their long-term success. Thus, they invest in promising companies to add value to their current and future business. As a consequence, it is important that the investment fits into their product portfolio and can add value to their business.

	Venture capitalists (VC)	*Business angels (BA)*	*Corporate venture capitalists (CVC)*
Legal form	General partnership	Private	Subsidiary of firm
Financing stage	All stages	Seed & startup	Startup & later
Investment motive	Equity growth	Equity growth & personal	Strategic & equity growth
Level of involvement	Moderate	Low to very high	Low to moderate

Figure 4. Characteristics of different VC providers, inspired by De Clercq et al. (2006).

2.2.4 Before applying for venture capital

Prior to applying for venture capital, the entrepreneur needs to understand what the VC is looking for (De Clercq et al. 2006). Further, the entrepreneur should be aware of the roles the VC plays after the actual investment, and approach an investor that has skills and a network that is beneficial for the entrepreneur. Most VCs have a broad network, and instead of finding promising startups themselves, they rely on referrals (ibid). If a startup is referred to by someone known to the VC, this gives confidence, in contrast to if the entrepreneur approaches the firm without a referral. After securing a good referral, the next thing for the entrepreneur is to submit a good business plan, as described previously. If the VC is fond of the business plan, a meeting is scheduled with the entrepreneur and the venture capital firm. The entrepreneur should be thoroughly prepared for this, find out the structure of the meeting in advance, and prepare answers to all possible questions (ibid). When approaching the VC both in written text and conversations, it is important to be honest, and clearly present the risks and how to mitigate them. It is however not wrong to sell in the business and try to persuade the VC. Finally, the entrepreneur must be patient, VCs screen hundreds of ideas, and securing and closing an investment usually takes months.

2.2.5 Investment stages in venture capital

Entrepreneurs apply for external capital for different reasons, depending on what the money should be used for (De Clercq et al. 2006). It is usually based on the phase that the entrepreneur/startup is in, which in turn is based on the size and the maturity of the company. It is common that entrepreneurs raise external capital several times during the lifetime of the company, with entirely different purposes. The first stage of venture capital financing is called seed financing. Seed financing usually occurs when there are one to two entrepreneurs with an idea, but no fully developed technology or business plan. The money usually comes from a BA and is used to validate the business model. The next stage of financing is called start-up financing. At this stage, a management team is in place and the company has a product or a service ready for marketing. The startup financing usually comes from VCs, and is used to establish marketing and sales activities (ibid). Later stages of financing include expansion financing, which is used to scale the business, and buy-out financing, which is used to exit the company. This study focuses on the seed financing and startup financing, which is provided by BAs, VCs and CVCs in the earlier phases of a company.

2.2.6 Steps in the investment cycle

The venture capital investment cycle can be divided into three stages: post-investment, exit and pre-investment (De Clercq et al. 2006). The post-investment stage is about managing the business, and different ways that the VC can add value to the firm. The exit phase describes procedures to sell off and liquidate the company to make a profit for the VC. As this report focuses on acquiring venture capital and the process prior to when entrepreneurs and VCs meet, this section will dig deeper into the pre-investment phase.

During the pre-investment phase, the entrepreneur and the VC evaluate each other (De Clercq et al. 2006). The goal for the VC is to identify investments that have the potential to grow substantially, and offer a significant return on investment in a reasonable time frame. Their targets are usually to hold the investment for three to seven years (Sahlman 1990), and thus the company must have paid off by then. For the entrepreneurs the aim is to find a VC with the same vision and objective as themselves, and can help them reach it. From the entrepreneur's perspective, the VC can help them in several ways in addition to financing. They can offer strategic advice, a powerful network, a strong brand name, and a mentor role for the entrepreneur. Thus, it is important for the entrepreneur to find a VC that meet their objectives in these criteria. Figure 5 shows the steps taken by the entrepreneur and the VC in the pre-investment phase and up until the exit phase.

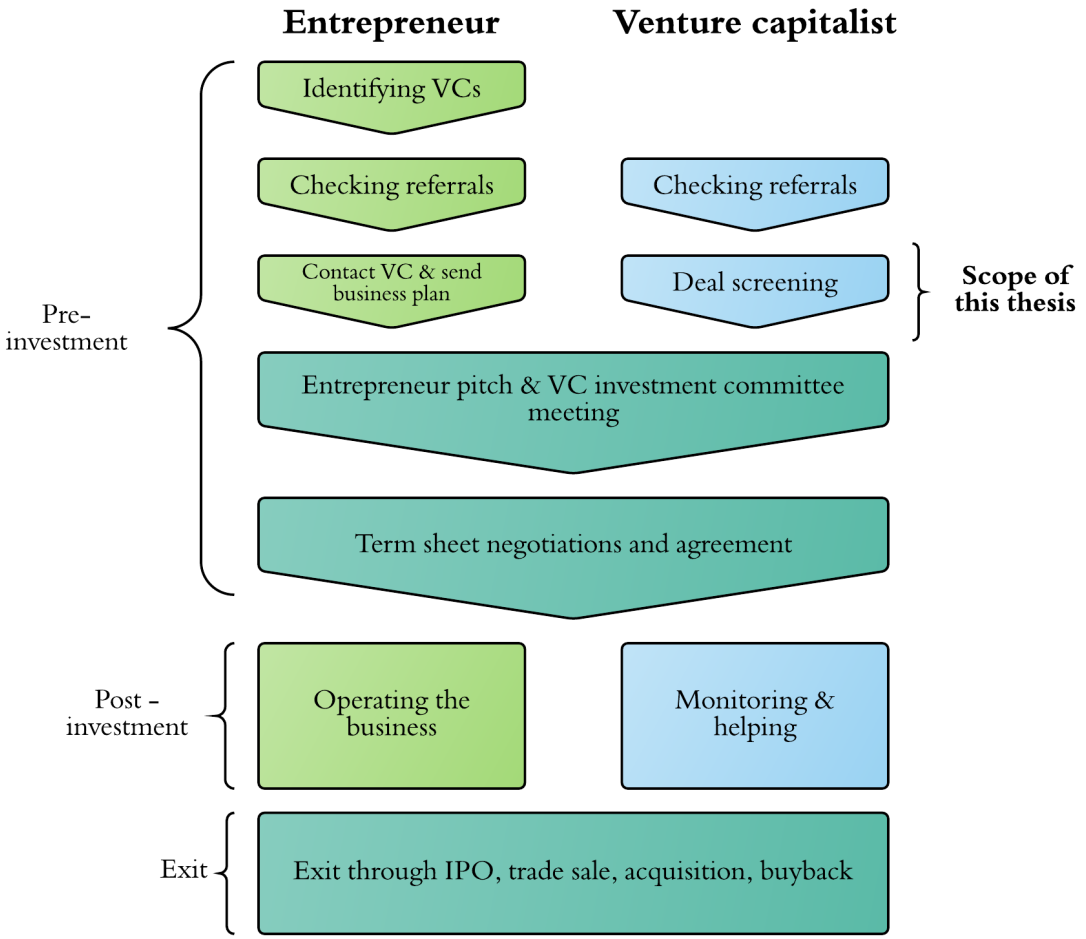

Figure 5. The different steps in an investment cycle from De Clercq et al. (2006).

During the deal screening step, the entrepreneur sends a document to the VC including a business plan and all necessary information that is required for the VC to decide whether they should meet with the entrepreneur (De Clercq et al. 2006). When the VCs are screening the business proposal, there are several criteria that they evaluate when they make a decision. These criteria will be described at length in the next section.

2.3 Venture capitalists' evaluation criteria

The majority of the applications that VCs receive never get any funding (De Clercq et al. 2006). This means that the selection process is strict, and that entrepreneurs should try to make their business proposal as appealing as possible. In order to do this, knowledge is required about how VCs evaluate entrepreneurs and startups. Extensive research has been conducted on this matter.

MacMillan, Siegel and Narasimha (1986) conducted a questionnaire to VCs to determine their important criteria when making a funding decision. They categorized the criteria into five areas;

the entrepreneurs' personalities, the entrepreneurs' experiences, characteristics of the product and market, and financial considerations. In their study the authors concluded that VCs prioritized the entrepreneurs' personalities, and the entrepreneurs' experiences. In particular, the entrepreneurs' experiences in the targeted market together along with the entrepreneurs' capability of making an intense sustained effort were of highest value for the VCs. Looking further into the entrepreneur team, the authors stated that the most desired team composition was well balanced, meaning that the entrepreneurs complemented each other in terms of knowledge and skills. This criterion was more important than having several entrepreneurs with experiences from the targeted industry or having a competent one-man-team.

Fried and Hisrich (1994) identified that VCs use 15 evaluation criteria, broadly divided into three constructs. The first construct was concept, which included the growth potential of the business idea, the market potential and the product idea. The second construct was management, which included the attributes VCs want to see in managers. The authors stress the importance of the entrepreneurs' personal integrity, previous track record, realistic goals, and the ability to exhibit leadership. The last construct was returns. The article stated that VCs must see a possible exit within a reasonable timeframe, and that the return on investment should be sufficiently high. Silva (2004) confirmed these evaluation criteria in his research. He argued that VCs focus on the entrepreneurs, their personality and knowledge, as well as their commitment to the business idea. Much alike the previously mentioned research, he argued that the VCs also evaluated the business idea, the growth potential of the business and the competitive advantages of the entrepreneur. Finally, he concluded that more attention was put into these aspects than into the financial aspects.

Feinleib (2011) described the most common reasons why startups fail. He highlighted that it is often due to poor product-market fit, and/or a failure to execute the idea and turn the business model into a scalable business. Likewise, the research by Fried and Hisrich (1994) and Silva (2004) confirmed that VCs focus on product-market fit and the entrepreneurs rather than competing solutions and other factors since those are rarely the reason why startups fail.

Burton et al. (2001) provided evidence that the level of experience of the entrepreneurs actually affects the funding decision. In a study about VCs in Silicon Valley they concluded that entrepreneurs that had prior startup experiences were more likely to receive venture capital funding. Likewise, Zucker et al. (1998) found that the identity and background of the entrepreneurs are important signals to the VCs when making a funding decision.

Another factor that affects VCs' decision making is the entrepreneurs' preparedness according to Chen, Yao and Kotha (2009). They stated that entrepreneurs are more likely to achieve funding if they can communicate their idea, it is especially good with accurate and detailed

knowledge and a deep understanding of risks and opportunities. Thus, an effective presentation is as important as the content.

2.3.1 Evaluating the team

A popular saying in the venture capital literature is that a VC would ”rather invest in a grade A team with a grade B idea than a grade B team with a grade A idea” (Bygrave 1997). The focus on the entrepreneur and the team makes it interesting to investigate this matter further. Franke et. al (2008) wrote the article ”Venture Capitalists' Evaluations of Start-Up Teams: Trade-Offs, Knock-Out Criteria, and the Impact of VC Experience” on this subject, where the authors investigated how different team characteristics affected the success of the business. In their study they used the team parameters field of education, leadership experience, acquaintance among team members, university degree, age of team members, and prior job experience. Their findings suggest that industry experience, educational background and leadership experience are the three most important characteristics for a startup team to possess. Further, they concluded that it is sufficient if some team members display leadership and industry experience, whereas it is more important that all team members have a university degree. Franke et. al (2008) also made some interesting findings about the differences between novice and experienced VCs. Their study suggested that while both categories prioritize educational background and industry experience, experienced VCs rank mutual acquaintance among team members as an important factor. The novice VCs in their study give second lowest prioritization to this factor. This yields some interesting implications for startup teams.

Beckman et. al (2007) suggested that the demography of the start up team affects not only the investment decision by VCs, but also the likelihood that the venture is a financial success. Their findings indicated that teams with members that worked for different employers (diverse prior company affiliations) are positively correlated to the venture's outcome. Likewise, diversity of the competence (educational background) of the members is positive for the success rate of the venture. These findings give support to the VCs investment rationale to focus on the entrepreneur and team composition.

2.3.2 Evaluation criteria business angels

Two main differences between the roles of BAs and VCs are the stage of the investment, and the sum invested (Van Osnabrugge 2000). BAs generally invest at an earlier stage of a company, and they invest less money. Since BAs invest in an earlier phase, their risk is higher than VCs'. Further, BAs invest their own money. Consequently, the investment rationale differs between BAs and VCs. Van Osnabrugge (2000) states that the main deviation between VCs and BAs is that VCs seek to minimize the risk prior to investment, whereas BAs try to do so after their investment. His findings suggest that VCs are more selective in the initial screening process than BAs. For entrepreneurs, this implies that they should have a slightly different approach when

applying for funding from a VC than from a BA. Van Osnabrugge (2000) finds no data supporting that BAs put the same emphasis to team composition as VCs. However, Mason and Stark (2004) state that BAs put more emphasis into the entrepreneurs and managers than VCs. Their motivation is that BAs are usually more operatively involved in the venture together with the entrepreneur and that they will not invest if there is no personal fit.

2.3.3. Ambiguity regarding the importance of teams

It is important for the entrepreneurs to understand the VCs decision making criteria (Zacharakis & Meyer 1998). Earlier research (Wells 1974; Poindexter 1976; Tyebjee & Bruno 1984; MacMillan et al. 1985, 1987) suggests that the quality of the entrepreneur and founding team are the most important decision making criteria for VCs. However, Zacharakis and Meyer (1998) state that the entrepreneur factor is not central when VCs decide which ventures they should fund. Further, they suggest that market characteristics seem to be a more important factor, although the investors (VCs) might not acknowledge it themselves. Thus, they suggest that entrepreneurs should have this in mind when they are writing business plans, as a wrong focus in the business plan might result in no funding.

2.3.4 Team diversity

Diversity in teams might result in a variety of outcomes for the decision-making of the team, hence affecting the team performance (Jackson, May & Whitney 1995). Work teams can be diverse in terms of personal characteristics, sex, race, ethnicity, national origin/culture, knowledge/area of expertise and organizational affiliation. Jackson, May and Whitney (1995) state that a diverse team opens up additional perspectives, and thus might enhance the performance of the team. However, they argue that this effect is changing depending on how diverse the team is. In a homogenous team, making it more diverse is likely to increase the team performance. In contrast to that, a team that already is diverse in some aspects is not as likely to perform better if the team diversity is increased. Unfortunately, the authors do not conclude which of the diversity characteristics is most important for the performance of the team.

Ensley and Hmieleski (2005) compared team dynamics and performance between new ventures in the U.S. started by technology students and startups founded by non-students. Their result indicates that university based startups were less diverse than their independent counterparts, in particular in terms of knowledge and competences. Further, they concluded that the university based startups performed worse in terms of growth and net cash flow compared to the independent ventures. The authors made the connection between the homogenous teams in the university based startups and the lower performance, suggesting that diversity is positive for the performance of new ventures.

Further, in contrast to some popular beliefs, successful new ventures are often the result of a team effort rather than a singular entrepreneur. Ensley, Pearson and Amarson (2002) state that the team composition and fit are even more important for small ventures than for large companies for the success of the firm. New ventures need to be simultaneously innovative and different from competition, and have no previous inertia to build on. In their study, the authors stress the importance of team cohesiveness in new ventures, and conclude that it is positively correlated to better performing ventures and more effective teams.

2.4 Psychological factors in decision-making

Humans often judge and take decisions based on relatively poor information or minimal interaction (Ambady, Hallahan & Rosenthal 1995). This could for example be in a recruitment situation. Most of the time we are able to make relatively accurate judgements with minimal information, according to research. However, there are hidden traps in decision making, that we need to be aware to make fair decisions (Hammond, Keeney & Raiffa 2006).

2.4.1 Evaluation of people

A term to explain people's judgment of other people is *thin slice*, which refer to the fact that humans draw conclusions about one another from usually less than five minutes' interaction (Prickett et al. 2000). Afterwards we cannot report what lies behind our judgment. Thin slices are short samples of expressive behavior drawn from the ongoing behavioral stream. They can be sampled from conversation, body language, transcripts, appearance or a combination of these. To exemplify; if two people that never have met before meet each other and talk for a few minutes, they collect thin slices about one another, data samples that are used to analyze the other person (Thompson 2012). As it turns out, these thin slices prove to be surprisingly efficient and accurate to predict people. Judgments made from thin slicing reveal a great deal of information about people's behavior, intentions and personality. Prickett et al. (2000) constructed a study to document the accuracy of thin slices related to employee interviews. They extracted thin slices by video recording the interviewees for the first 20 seconds of the interview. Then, they carried on a full-length interview with the interviewees. After that, people got to judge the interviewees based on the thin slice recordings of the pre interview (the 20 seconds of recording). These assumptions were then compared to the actual analysis done after the full interview. The findings conclude that out of eleven characteristics that they tested, nine of them could be accurately guessed based on the thin slice sample of just 20 seconds. The implications of this is that first impressions are crucial, and people should prepare thoroughly to come across as they want to.

Taft (1955) suggests that the ability to judge people accurately depends on a number of factors. He writes that "the degree to which a person can make accurate judgments about others is a function of his general ability to judge and of specific situational and interactional factors…"

Taft states that it is easier to make accurate predictions of other people that are similar to themselves, regarding characteristics such as sex, age and cultural background. It is also more common that people prefer others that have the same characteristics as themselves. Further, this applies for experiences and personality, meaning that people tend to be positively biased towards people that are similar to themselves in this regard as well.

2.4.2 Biases

Every moment, humans receive 11 million bits of information, but we can only consciously process 40 bits (re:Work Google 2016a). This leaves almost all the information to our unconscious mind to process. When complex decisions arise, we often use unconscious routines, known as heuristics (Hammond, Keeney & Raiffa 2006). With heuristics and cognitive filters, the mind unconsciously prioritizes, generalize and dismiss a large amount of information (re:Work Google 2016b). These are often useful, smart shortcuts, but not always. Research has identified several flaws (Hammond, Keeney & Raiffa 2006). Some are sensory misperceptions, such as our ability to judge a close object more accurately than a distant one. Another type of flaws are biases; invisible, irrational anomalies in our thoughts. They are truly difficult to recognize, which make them particularly dangerous. It is not possible to get rid of them, hence we need to understand them and create tools to compensate for them.

Unconscious biases prevent people from making fair, objective decisions (re:Work Google 2016a). Good ideas are overlooked and people are not judged accurately. At work, mainly four things trigger unconscious bias (re:Work Google 2016b). Firstly, specific tasks are associated with specific types of people. Secondly, when judging numbers in groups, we tend to use biases more when analyzing people in outlying demographics. Thirdly, when we lack clarity and information, our brain automatically fills in the missing parts. Lastly, in case of a heightened emotional state the conscious mind is distracted by this perceiver.

Status quo bias and path dependence

Another form of bias is the one that is called the status-quo trap (Hammond, Keeney & Raiffa 2006). Humans generally believe that they are rational in their decision-making, but that is not the case. People have a strong tendency to choose what they already have. Because of this, when a new product comes to market, the inventors try to make the new product look a lot like the one it replaces. One example of this is that the first automobiles looked a lot like horse carriages. People search for the opportunity to do nothing, it feels safer and the psychological risk is lower. By selecting status quo the effort is a lot less.

The status quo bias is related to path dependence. Path dependence suggests that events in the past are meaningful for novelty (Garud & Karnoe 2001). This has important implications for entrepreneurs when trying to come up with new things. The first famous example of path

dependence is the QWERTY layout on typewriter keyboards. Even though this layout is not necessary due to mechanical reasons any more, it is still standard since people are used to it.

Biases when evaluating startups

Franke et al. (2006) studied how VCs evaluate teams, and have identified different similarity biases in decision-making. They have done experiments regarding five dimensions and found that two of them were statistically significant. The first finding is that VCs that have worked either in startups or larger firms will prefer entrepreneurs with the same working backgrounds as themselves. Secondly, VCs who have both engineering and managerial education rate teams with both these two backgrounds significantly higher than VCs who do not have education in both of the two fields.

3 Methodology

This chapter outlines the method used in this study. It is initiated with a description of the research strategy, which is followed by line of action, description of methods, and ends with limitations and trustworthiness.

3.1 Research strategy

This research is done as a qualitative study, where the focus has been to understand how the investors think, rather than gathering a large number of shallow responses in the data collection. A deeper understanding of the information has generated more valuable insights.

The study mainly uses a deductive direction, meaning that the starting point is in theory, and then empirical evidence was gathered to confirm the theory (Neuman 2003). We started with a literature study, and created a hypothesis based on that. Then we performed qualitative research to test our hypothesis. An alternative approach to deductive direction is inductive direction, which is when the study begins with empirical observations and from then moves to theoretical concepts and more abstract thinking (Neuman 2003). This was not suitable in our study, because we did not have the possibility to do these kinds of observations of investors evaluating business plans.

3.2 Line of action

These paragraphs explains the different parts in the study, described in the order they were carried out, see figure 6.

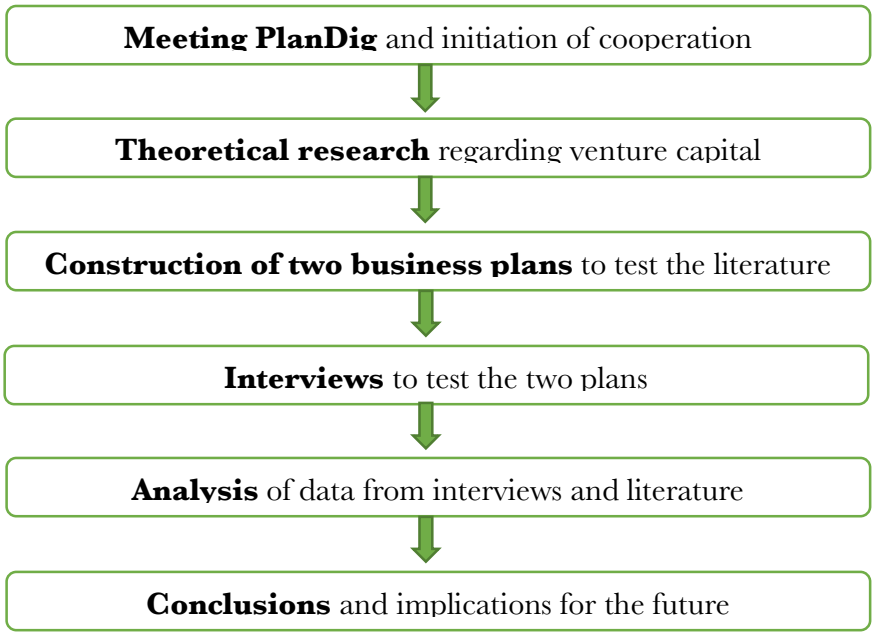

Figure 6. An illustration of the line of action.

3.2.1 A cooperation with PlanDig

In the end of 2015 we met PlanDig, a startup company from Jönköping, and decided to help them commercialize their product. They were currently in a product development phase and were about to apply for additional external capital through a second round of funding. To be able to do that they needed a new business plan, which we were assigned to help them with.

Information about PlanDig

PlanDig was founded in 2015 as a spinoff to the architect firm Södergrens. The company is in the construction industry with the vision to digitalize the management and handling of blueprints and construction plans. PlanDig's mission is to develop a platform where all plans and documents are updated and synced automatically to the cloud. In addition to the software solution they are developing a rugged tablet, suitable for the tough conditions in the construction industry. Further, they are developing a station for the tablets to charge them and automatically keep them updated via the cloud.

PlanDig has identified a large potential for construction companies to save money if they use PlanDig's solution. Primarily, the savings come from increased quality and effectiveness and reduced costs for printing and transportation of the blueprints. PlanDig is currently in the product development phase, with initial tests done. In order to afford the industrialization process PlanDig is applying for a second round of venture capital funding, which would be the startup financing round as described in the theoretical framework.

3.2.2 Theoretical research

The first step in the research process was to conduct a pre-study about how to write a brilliant business plan aimed to get venture funding. The next step was to build an understanding of business plans and venture capital. At the end of the literature review we looked into other aspects that could help answering the question what determined whether a venture would receive funding or not. The purpose of this was to identify interesting topics and to get an increased understanding of the venture capital industry. After that, the scope of the study was defined to include the Swedish venture capital industry, and only the first phase in the investment cycle, the deal screening in the pre-investment phase.

3.2.3 Two different business plans to test the hypothesis

From the theoretical framework we created a hypothesis to replace the traditional business plan with a people plan. To test if this was appropriate the authors worked together with PlanDig to develop two business plans based on their venture. One business plan was constructed in accordance with the traditional model, focusing on the idea, market, financials and execution. The second business plan, referred to as the people plan, put more emphasis into the entrepreneurs, including the team demographics, prior industry experience and personal

characteristics. These qualities are what the literature stated that VCs want, and thus that we wanted to test.

3.2.4 Data collections and analysis

The next step was to conduct interviews with VCs, CVCs and BAs. The two business plans were sent out to VCs, CVCs and BAs that were selected due to their accessibility and relevance to the study prior to the interviews. The purpose of the interviews was to get feedback on the two business plans, understand which one was preferred and for what reasons. The interviews were recorded and notes were taken during the interviews to avoid any misinterpretation.

After the interviews, the data was analyzed and put in perspective to the research presented in the theoretical framework. During the end of the research, the implications of the results were discussed with the management at PlanDig and suggestions were made how they could use the study to benefit when applying for VC funding. The final step was to draw general research conclusions, identify shortcomings, potential areas of improvement in business plan writing for venture funding and ideas for future research.

3.3 Description of method

The next paragraphs give further explanation of the methods, and especially how they were carried out.

3.3.1 Gathering of secondary data

Secondary data is, according to Björklund and Paulsson (2012), data that has not been researched in the purpose of the specific study. The major part of secondary data in this report is presented in the theoretical framework. This framework gives a broad background to the subject of venture capital, business plans and other tools for startups and considers also psychological issues that are related to the study's purpose.

When searching for relevant literature we have used several different methods. Primarily, we have used what Nyberg (2000) calls a "chain search", which means looking up other articles' references. Further, we have also worked in the opposite direction and looked up citations of relevant papers. Mostly we have used Google Scholar to find relevant literature, along with Chalmers library catalog Libris.

Additionally, we received some secondary data from Jönköping Business Development and PlanDig that we have used in our business plans, which will be described more thoroughly in the following paragraph. To test our hypothesis, we have created two different business plans, one traditional and one that we call *the people plan*. The material is based on PlanDig, although a lot of information has been changed and some has been added to fit the academic purpose.

3.3.2 Construction of business plans to test the hypothesis

To test our hypothesis, we created a so called people plan that according to the presented literature was more aligned towards the investors' preferences. To see if the investors preferred this new plan we created a traditional business plan that they could compare the people plan with. The traditional business plan can be found in appendix A and the people plan in appendix B. Since it is nearly impossible to separate the venture from the business plan, we based our two plans on the same company, PlanDig. Finally, to not reveal which business plan was which, we called the people plan *Business Plan RED* and the traditional business plan *Business Plan BLUE*.

The traditional business plan

The business plan used in the interviews (found in appendix A) is based on the material PlanDig currently uses when they meet investors, although with some modifications to make it easier for the readers to digest, and make it easier to test the hypothesis. However, the modified business plan that we used contained less technical information, less financial information and less text than the original document used by PlanDig. When the interviews were conducted the investors were aware of these modifications and simplifications, so that they would not be looking for data that were left out on purpose. Despite these simplifications, the aim of the business plan was to make it similar to ordinary business plans that investors read daily. Thus, the business plan uses the same titles and information, presented in the same order, applied to PlanDig's material. The headings used in the business plan is as follows: executive summary, background, problem definition, product (solution to the problem), market analysis, competition analysis, revenue model, implementation structure, financing, and team.

The people plan

The people plan can be found in appendix B. Much like the business plan, the people plan is based on the material PlanDig uses to apply for funding, with similar modifications. These modifications are made to test our hypothesis. Saras Sarasvathy's principles of effectuation are used when constructing the people plan, especially the bird-in-hand principle saying that entrepreneurs start with their means (Sarasvathy 2009). Further, the structure of the people plan is somewhat different from a traditional business plan, and is not based on any template.

As introduced and described in the theoretical framework, VCs prioritize brilliant founder teams before smart and innovative products. Despite this, limited to none information is often given about the startup team in a traditional business plan. The aim of the people plan is to change this, and build the document around the team and its competences rather than the product and the market. Consequently, the people plan is a business plan with emphasis put on the team, which implies some major changes compared to a traditional business plan.

Enlarged team section. To start, the section about the team is enlarged to include pictures and additional information (including interests) about the team. The reason behind this is to give the investors a more thorough understanding of the founding team and who they are, to be able to feel a connection to them.

Competences. Further, a new part is introduced about the team's aggregated competences in business, technology and industry knowledge and experience. These specific competences were highlighted by VCs (described in the theoretical framework) as vital for entrepreneurs to possess in order to secure venture funding.

Network. There is also a new section added about the network around the startup. This section includes information about their contacts, financiers, customers, suppliers and other relevant connections, and how each of these can contribute to the success of the firm. The reasoning behind this is to give the investors a quick overview of all involved parties and how they interact.

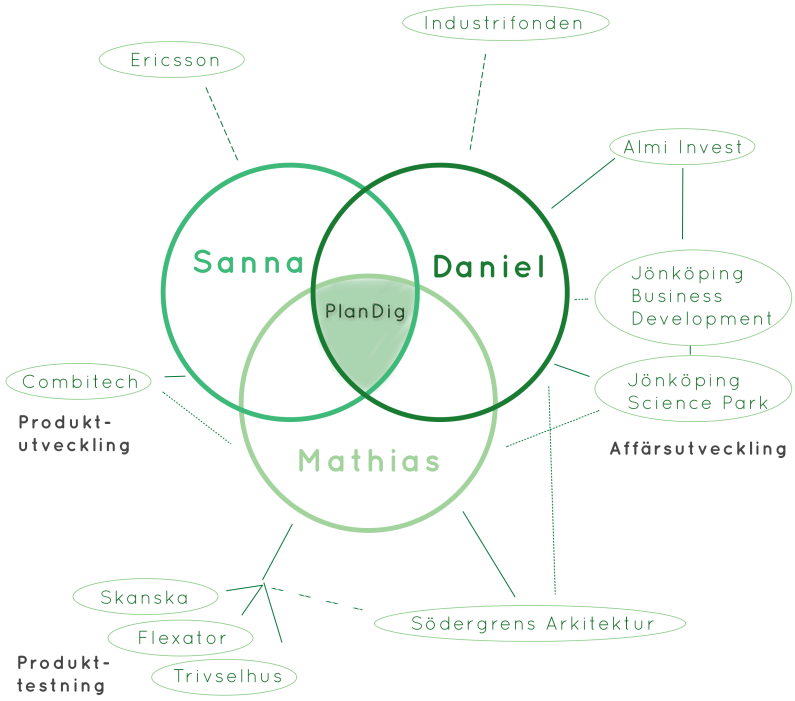

Figure 7. The illustrated network from the people plan.

Removed parts. In addition to enlarging the team section and introducing competences and the firm network, some sections of the traditional business plan have been excluded in the people plan. This selection is also made based on information introduced in the theoretical framework about VCs' selection criteria. Consequently, the competitive analysis and the market analysis are eliminated in the people plan. The reason for this is that VCs argue that competition is rarely the reason that makes a startup fail. The same reasoning follows for market analysis.

Rather, as previously mentioned, VCs state that the main reason of startup failure is their own execution, not someone else or no market.

Changed order. To further separate the people plan from the traditional business plan, the order of the sections is different in the two plans. The business plan follows the traditional order of sections introduced in the method, whereas the sections in the people plan are rearranged to better fit the purpose of the plan, to emphasize the team. Thus, the team section, with enlarged team, competences and network, is placed directly after the information about the product, before the revenue model, implementation structure and financing. As a result, the people plan uses the following structure: executive summary, background, problem description, product, team, competences, network, revenue model, implementation model, financing.

3.3.3 Type of interviews

To test our hypothesis, we conducted semi-structured interviews. Semi-structured interviews are when the interviewer has a number of general questions, but are able to vary the sequence of them (Bryman 2008). Normally, the questions are more general than in structured interviews with a fixed order. Further, with this choice of structure, we were able to ask clarifying questions to really understand the thoughts of the interviewee. The questions used were open-ended, which means that they allow the respondents to answer freely with their own words, without set alternatives (Neuman 2003). These questions allow the interviewees to answer detailed and they can help qualify and reveal the thinking and logic behind the answer, which we were very curious about. The disadvantages with this method is that it is more difficult to make statistical comparisons and that the degree of details vary among respondents.

Because of time and budget, we had most interviews on Skype, because most respondents were not located in Gothenburg. Sometime, based on the interviewees' preferences, we had regular telephone interviews using the speakerphone mode. The advantage with telephone and Skype interviews it that is possible to reach people on a large geographical area during a short time period (Neuman 2003). However, it is not possible to observe and interpret visual communication, in the same way as in face-to-face interviews. Hence, in the cases where the respondents were located in Gothenburg, we have chosen to do face-to-face interviews instead. This also enabled us to observe when the interviewees read the two business plans, and we could see how they turned the pages back and forward, and what they highlighted in the plans.

For all face-to-face interviews the respondents received the two business plan printed, and after a short introduction they got around 15 minutes to read the plans before we started with the questions. Sometimes we left the room, and other times we were present, depending on what the respondent preferred. After the interviewee had read the plans, the actual interview took around 15-20 minutes. During this time the interviewee had the plans in front of him/her. For Skype and telephone interviews the interviewees got the business plans sent on e-mail, most of the time we sent them a few hours before the interview, but sometime when the interviewee had a tight schedule and asked for them earlier we sent the plans earlier. The respondents chose by themselves if they wanted to print or read the business plans on screen, but we recommended them to print the plans, since that made it easier for them to check details during the interview.

Same information was read to all interviewees before we started asking them questions. For almost all interviewees, both of us were present and then Lennart asked the questions and Pauline took notes on her laptop. Further, both face-to-face and Skype interviews where recorded with the audio recorder on an iPhone. The recordings made it possible for us to confirm unclear details in the notes and get quotes from the interviews.

Interviewees

The interviewees that we contacted have been found through online searches on words such as "venture capital" and "angel investors". Names have been found on firms' websites, online newspapers and web pages such as Quora and angel.co. Further, some names have been provided by our supervisor. From the list we have e-mailed 47 people, approximately two people from each firm, and chosen some of the angels. Out of these 21 people responded and 10 of the respondents agreed to be and were interviewed. Thus, we had a response rate of 45 percent and got interviews with 48 percent of the respondents. We made sure that there was a good mix of BAs, VCs, CVCs and VCs investing governmental money (such as for example Almi). The same e-mail was sent out to all interviewees, see appendix C. In this text we asked them if they wanted to participate in a research project regarding optimization of business plans at Chalmers. We carefully did not mention anything about our hypothesis.

Background information about interviewees

The interviewees entail BAs, VCs, CVCs and VCs operating with investing governmental money, called VC (public) in figure 8. Hence, the amount of money they invest and their demand for returns vary a lot. This result in different demand on for example market size. They may also normally operate with startups in different stages.

Firm	Investor category	Experience (years)	Sex
Almi Invest	VC (public)	Novice (4)	M
Victor & Victor	BA	Experienced (6)	M
Chalmers Ventures	VC	Experienced (20)	M
SLU Holding	VC (public)	Novice (3)	F
Schibstedt Growth	CVC	Experienced (12)	F
Entreprenörinvest	VC	Novice (3)	F
SEB Venture Capital	CVC	Experienced (21)	M
-	BA	Novice (2)	M
Chalmers Ventures	VC	Experienced (13)	M
Creandum	VC	Novice (2)	F

Figure 8. Table of interviewed investors.

3.4 Limitations of methods

When doing qualitative research it is always more difficult to draw general conclusions, since the sample is much smaller (Neuman 2003). The results depend on the sample, and may have been different if there was another sample. Further, both plans are written based on one company, PlanDig. Since the method of writing a business plan is so intertwined with the company, it is impossible to say how much the actual venture made the results turn out the way

they did. To prevent this we could have done the same kind business plans for other ventures as well, but this was not possible due to limited access to material and time.

Due to the interviewees' different locations, we were not able to do all interviews face-to-face, which may have caused different results. Further, after request some of the Skype interviewees got the questions sent to them in advance, which could have somehow influenced their opinions. Another limitation is that a few interviewees were stressed and we got the impression that they skimmed the text fast. It was also different if the interviewees printed the plans or read on a screen. Lastly, as a few interviewees pointed out when they read the two business plans after each other that it was hard to distinguish them from each other. This lead to that it was difficult to know if the information from the other plan remained in the interviewees' memory when they preferred one plan.

3.5 Trustworthiness

It is important that research is trustworthy. Measurements should have as high validity and reliability as possible (Neuman 2003). These terms emphasize how truthful, credible and believable the study is. Reliability is the dependability or consistency of the study. Validity is truthfulness, how the study matches with reality. According to Bryman (2008) trustworthiness can be evaluated through credibility (internal validity), transferability (external validity), dependability (reliability) and confirmability (objectivity).

3.5.1 Credibility

To get it similar to an actual business plan the traditional business plan was written as similar to a regular business plan as suitable for the test. We told the investors to be sincere in their evaluations and share their thoughts with us. Most of them felt completely honest, and it felt as they spoke their mind and did not embellish their words.

To achieve high credibility all interviews were performed as similar as possible, and all interviewees received the same information prior to the interviews. All interviews were recorded and notes were taken. As previously mentioned, in order to not give the interviewees any idea of our hypothesis the traditional business plan and the people plan were called "BLUE" and "RED" instead of their real names. Further, we were careful and always called our thesis a research project, and did not disclose our hypothesis. However, it would have been preferable to conduct additional interviews to increase the credibility of the study.

3.5.2 Transferability

Transferability describes if the findings of a study can be applied to other research. Since the plans were as similar as possible to normal business plans that investors evaluate, we judge the findings highly transferrable. Naturally, it is not possible to separate the venture from the

business plan, but the questions were crafted to be as general as possible. Further, we put emphasis on saying that we did not evaluate the venture itself, but the way of writing business plans. Since the interviews were semi-structured we were also able to ask for clarifications and reasoning and redirect if the interviewees focused too much on the venture itself. However, additional business plans about at least one other company than PlanDig would have been preferable. Then we could have had two interviewee groups that read plans about two different ventures to make sure that the results did not vary too much among the groups. Then we could have concluded that the results did not depend on the venture. Unfortunately, this was not possible due to limited information and time.

3.5.3 Dependability

To increase dependability we have randomly assigned which of the two plans the interviewee should read first. They were called "BLUE" and "RED" instead of "1" and "2" so that we easily could change which one the respondents should read first. Further, we have accurately explained the whole process and how the study was performed see chapter 3.3.3.

3.5.4 Confirmability

Confirmability is the researcher's objectiveness. To be able to assure this we took notes during our interviews and also recorded them. Further, we evaluated the results one by one, and not the two authors together, to increase the confirmability.

4 Results

This section presents the results of the interviews, beginning with the results regarding the people plan and continuing with the more general results regarding the investors' preferences.

4.1 The people plan

The result section is initiated with the parts of the interviews that is connected to the people plan, starting with the investors' preferences regarding it.

4.1.1 The investors' preferences

The investors generally preferred the traditional business plan over the people plan, although with some variations. Seven out of the ten interviewees said that the traditional business plan would make them more positive to meet PlanDig compared to the people plan. One of the investors was indecisive if the people plan or the traditional business plan was better as he liked different sections in each. Further, two investors preferred the people plan over the business plan. The main arguments for the investors preferring the traditional business plan were the section about competitors and the market analysis, as these sections were missing in the people plan.

> *"Competition and the market analysis were missing in the red plan [the people plan], I think those were much better described in the blue plan [the traditional business plan], which is simply why I preferred that one."*

The two investors that preferred the people plan motivated their choice with the extended team part, including the focus on team competences and how the team complemented each other, which was missing in the traditional business plan.

> *"... the red plan [the people plan] is obviously better than the blue plan [the traditional business plan] for several reasons, including the focus on entrepreneurship/business sense, team competences, team composition etc."*

4.1.2 Major team evaluation in meetings

Generally, the investors agreed on the importance of the team, and agreed that the people/entrepreneurs were the most important factor when doing investments in early stages. Despite this, most chose the traditional business plan over the people plan. A few other agreed and also emphasized that they do a more thorough analysis when meeting the team.

"The longer one works with investments we usually say that the people are the ones making the difference. And because of that, one would think I would choose the red plan [the people plan]. But that kind of analysis one do, or at least I, first after I have met the people."

"This [the people plan] is trying to forestall the next phase that one does first when meeting the company…. It is our task to understand the dynamics among them, how they interact, how they complement each other, how they react in meetings. It is in a meeting you can listen how they respect, treat each other and how they filled each other in when responding to questions."

4.1.3 Comments about the parts in the people plan

Some investors commented that the traditional business plan felt more complete (i.e. it did not miss any elements) and presented the business opportunity in a clearer way. As previously mentioned, the investors complained about the fact that the market analysis and competitor analysis were missing in the people plan. Nine out of ten investors pointed out that they missed either the market analysis or the competitive analysis and out of those, seven mentioned that they missed both. However, the motivation to why the investors wanted these sections varied. Some investors had a checklist for evaluating business plans where market analysis and competition were included and they wanted to check it. Further, one investor mentioned that her knowledge of the construction industry was very limited and wanted the market analysis simply to get an understanding of the potential of the business.

"Why would such a competent team not include competition and market analysis in the business plan? It did not add up for me."

Few investors spontaneously said that they thought any parts were redundant in people plan, until they were specifically asked about it. Three investors commented on the network section in people plan. They stated that although the presented information itself was interesting, it was not relevant at that stage in the investment process, and they would rather learn about the network at a meeting with the founders.

"I thought that the network section was a bit strange. I would be more positive to the red plan [the people plan] if it would not be included. It seems a bit fabricated to have it on paper. If this is a team with a large network we would know about it, since we [the VC firm] are well connected in the industry. This is information that is a bit strange to have in text, I would rather find out about it at a meeting with the founders.".

The investors were generally positive to the extended team part in the people plan, including most of the investors that preferred the traditional business plan. Most of them particularly liked the part about the team's business competences, their industry experience and the technical competence. The majority of the investors liked that there were pictures of the team members and some personal information about them.

"I reacted positively on, and what one usually look at is the team and their personalities. Because of that I thought it was interesting that there were pictures of them and also personal interests. Solely competence is one thing, but it is a lot about how you are as a person too."

All were not united, but this seemed to be a question of personal taste rather than a factor of the background, experience or category of the investor. Additionally, one investor also highlighted the network analysis as something extra positive. Further, two of the experienced investors mentioned that they liked the section about team competences, however they wanted to see a change of information to how the team would use these competences in the company.

"Team, competences and the company's network, all of that is very good. But what are they [the founders] going to do in this company? They are three people, and they have this general implementation plan, but who is going to do what? I am missing that."

The investors were divided in their opinions whether the team section should come early in the business plan (as in the people plan) or in the end. Most of the other investors were indifferent to the placement of the team section, as long as it was included in the plan. Two of the investors, both experienced, particularly highlighted that they liked that the team section was presented early in the people plan. In contrast to that, one of the more novice investors stated that she thought that the team section came too soon in the people plan, and liked the placement significantly better in the traditional business plan.

"It is good that the team section came early in the red plan [the people plan]. It is actually the most important part of the business plan."

"I liked that the team section came last in the blue plan [the traditional business plan]. I want to understand the market potential and idea first, having the team section last gives a nice round up to the business plan compared to putting it early, like in the red plan [the people plan]."

4.2 Investors' evaluations

About half of the investors mentioned that they use some sort of checklist when they are evaluating business plans from entrepreneurs. Two of the investors use an explicit checklist with a number of items, and two more use some form of unstructured checklist. One investor also mentioned that checklists are used at a meeting with the founders rather than when evaluating the business plan. The investors that did not use a checklist stated that they rather used their intuition or gut feel when they were evaluating business plans. Both novice and experienced investors used checklists. However, all of the investors that used checklists were VCs or CVCs.

No conclusion could be drawn from the interviews regarding if the category of investor (BA, VC, CVC) affected their preferences on which business plan they preferred. Further, it could be concluded that the gender of the investor did not affect the result either. However, the impression is that the industry experience of the investor did affect the result, although a larger sample would be required to validate it. Novice investors (investors with less than five years of industry experience) exclusively preferred the traditional business plan over the people plan. The investors that were indecisive or preferred the people plan had over ten years of industry experience. We did not see any difference between the interviewees that read the people plan first, comparing to the interviewees that read the traditional business plan first.

4.2.1 Team competences and characteristics

All investors were asked a general question in the end of the interview regarding their opinions about the founding team. Although the results from this question were broad, some general patterns could be found regarding the investors' preferences. Some investors wanted at least one person with technical competence in the founding team. Further, several of the investors highlighted the importance that the technical competence should be in the founding team, and not be outsourced. In addition to a founder with technical competence, the investors wanted someone with skills in sales and/or marketing, and someone who has industry experience. It did not have to be three different people; the important thing was that the founding team had these competences together.

> *"First it is important that it is a team and not one person. It is difficult for one person to cope with a startup, and it is rare that one person alone can have all the characteristics that are needed."*

> *"If it is a company that is working with some software service or technical service they need to have the technical competence in the founding team. Unfortunately, I meet way too many companies that do not have it, and instead hire consultants to build their service. Those companies never get funding. It is extremely difficult to succeed in such a business without the technical competence."*

Further, many of the investors wanted the founding members to have certain personal characteristics. The characteristics that were mentioned most frequently were hunger for success, passion for the idea, persistent, not solely driven by monetary causes, and that they were team players. The investors' motivations for preferences on personal characteristics were based on prior experience about what kind of people usually succeed as entrepreneurs. All investors also pointed out the importance of a founding team where the members complemented each other, in particular in terms of competences, but also in personal characteristics and backgrounds. Some investors mentioned that it was good to have a more diverse team as it improved the perspective of the company. Finally, several investors highlighted the importance of the team members naturally taking different roles.

"In our perspective we would like to see that the entrepreneur is hungry, one must have a great desire to achieve something."

"It is pretty difficult to run a team where you have three headmen."

Investors scan hundreds of business plans, which means that a business plan needs to stand out from the rest. There needs to be passion and enthusiasm behind the business idea, otherwise the business plan most likely will not capture the interest of the investor. For the team part too, it is important to signalize excitement and capture interest. A team needs to be distinguished from other startup teams.

"A professional venture capitalist never invests in a good product. One invests in something that is an exciting insight, a breakthrough, new knowledge or a different exciting combination of old knowledge. And there is nothing titillating in this [the business idea in the traditional business plan and in the people plan]....There is missing a reasonable explanation to the uniqueness, or the magical sauce or how to explain it. What one has found out that make one standing out a bit from the competitors".

"One gets a bit curious if there is an engineer in computer science who likes board games. A fun nut to crack. Is there some kind of nerdiness that stands out and makes me believe that this is a person who can really shine in her work?"

One topic where the investors disagreed was regarding if the founding team should have an exit strategy or not. Some investors explicitly stated that they did not want it, since they want to invest in a team that want to run and build the company long-term and not solely focus on money. Other thought that exit alternatives were a sign of ambitious entrepreneurs who had a

plan for the future, and were impressed that they had already considered it. A third category of investors mentioned that they liked an exit strategy only if it was realistic and well executed, but strongly disliked it if the the founders had written about it just because it should be present.

4.2.2 Use of new tools

Business plans are still widely used, but other options are about to come. Some experienced investors stated how other tools are used instead. Examples of materials that sometimes communicate a startup better than a traditional business plan are slides, the business model canvas and the lean canvas. Other tools, such as effectuation and the lean startup methodology, are not tools to communicate the idea, but to improve the likelihood of building a successful venture. Some investors look for proof that the entrepreneur has the mindset of these.

> *"I think you overestimate the value of the written word here: it was very long ago since I read a business plan a to z. More often I try to spend as much time as possible with the entrepreneurs and discuss their way forward - there is often materials to support that, typically slides and often a few simple excel models describing market size and hypothesis of how the business should grow."*

> *"It is very good to have a description of one's business; this is the product we are about to make, this how we are going to do it, this is how the journey looks like with goals to achieve, this is how we are going to make money. All this one needs to have in some form. But one can have it in slides, a word document or in a lean canvas - it does not matter which."*

> *"You want to know if the team really knows the modern methods of business development, such as customer development and the lean startup."*

5 Discussion

The aim of the discussion part of the thesis is to discuss the findings presented in section four, the empirical results. The implications of the interview results are discussed in light of the theory presented in the theoretical framework.

5.1 Insights regarding investors

In this first part insights regarding the investors and their thoughts and requirements are presented.

5.1.1 A people plan is not a substitute for a meeting

The initial idea behind this research was to construct a new business plan, the people plan, which was more suited for the requirements of VCs than a traditional business plan. According to Fried and Hisrich (1994), Silva (2004) and Zucker et al. (1998) the entrepreneurs, their identity, personal qualities, experience and background, are the most important aspects in order to receive funding. Although the people plan emphasizes these areas, most investors preferred the traditional business plan over the people plan.

Some of the interviewees explained this reasoning with that they want to find out about the team qualities in the first meeting, rather than reading about it in the business plan. This is in line with the theoretical concept of thin slices (Prickett et al. 2000), we humans are extremely good at judging each other when meeting. Research has shown that often 20 seconds is enough to make an accurate judgement of a person. When such a short meeting can be so accurate, it is a good explanation of why VCs value the meeting so high. Written text about the team could never give the same information about people's behavior, intentions and personalities.

However, the business plan must give sufficient information about the team to make the investors curious about them and the idea, as seen in the results. This is a paradox for the entrepreneurs. On one hand they need to write enough information about themselves to make the investors interested in them. On the other hand, some investors want limited information about the team in the business plan, and want to get to know these things at a meeting instead. Based on the results in the interviews that were conducted in this study, the level of information that the investor wants about the team in the business plan seems to be individual, and possibly depending on the degree of industry experience of the investor, where more experienced investors wanted additional information.

If experienced investors give higher priorities to the founding team both in written plans and in actual meetings, it might further explain the results of the study (investors prefer the traditional plan over the people plan) and why they diverge from the theory (investors value team the

highest). The research that is presented in the theoretical framework is primarily based on experienced VCs (MacMillan, Siegel & Narasimha 1986; Fried & Hisrich 1994). However, there is some information presented about the preferences of less experienced VCs (Franke, N., et al 2008). Franke et al (2008) state some differences in preferences between experienced and novice investors, however it mainly covers the investors' preferences regarding personal characteristics of the team members. In the results from the interviews, experienced VCs were generally more positive to the people plan than the inexperienced VCs. To conclude that this is the case, a larger sample of investors would be required, and more thorough information about how the investors' preferences change with industry experience. However, there might be several possible explanations to this insight, based on the result of the interviews. One reason that the experienced investors were more positive to the people plan might be that they look for different things than novice investors. They have evaluated so many business plans that they are searching for characteristics and features that are unique rather than something that everyone has. It might also be the case that experienced investors are so comfortable in their role as an investor that they are more open to take risks and try new approaches, and less bounded by path dependence (Garud & Karnoe 2001) and status quo bias (Hammond, Keeney & Raiffa 2006). That would explain the results found in this study regarding their preferences.

5.1.2 Gap between stated criteria and actual valuations

There is a gap between what investors state that they value in startups, and what they actually evaluate. The presented literature study stresses that team is what matters most, however, few investors preferred the people plan. Seven out of ten preferred the traditional business plan with poorly written market assessment and paragraph about competitors.

As mentioned previously, the valuation of the team comes foremost during a meeting, whereas the business plan is evaluated on all areas, including problem, solution, product, revenue model etcetera. It can be argued that a good business plan is a sign of a good team, however, we believe that this valuation of the team is not enough.

Based on the results in the previous section, it seems as the team section in a business plan is viewed as a qualifier. If the team is bad, the business plan is sorted out. As long as the team is anywhere on the scale between okay to excellent, it does not matter much where on the scale it is. However, where the idea is between okay and excellent, seems to make a significant difference. This might result in that strong teams with okay ideas are sorted out in the business model screening. Most likely, teams who would have passed and performed well in the first meeting with the investor are turned down in the business plan screening process, because the idea and not the team is mainly valuated there. Since few other studies regarding venture capital funding are based on the business plan, it is difficult to find literature discussing this gap between VCs' criteria and their actual decision-making when evaluating business plans.

However, the findings by Zacharakis and Meyer (1998) suggest some results that are similar to those of this study. As mentioned previously in the theoretical framework, they state that VCs do not fully understand their own investment decision making process, and that it might lead to that entrepreneurs write business plans that are not well targeted to get funding. Their results are aligned with those of this study; that neglecting certain factors in the business plan, and a large emphasis on the team might result in that the entrepreneurs do not get funding, although the VCs explicitly state that they value the team the most.

5.1.3 Investors have personal preferences

Generally, the investors had similar opinions on what is important for a startup to possess in order to succeed, and all of them highly valued a strong team. However, there are personal differences among the investors, so it is recommended for startups to get to know the investors to find out what he or she wants. De Clercq et al. (2006) and Sahlman (1990) emphasize this fact as well, not only to find out what the VC wants, but also to find out if they could be a good match when working together in the future. This agrees well with the findings in this study. Since the investors' preferences vary both based on personal opinions and based on the category and experience of the investor, it is important for startups to find an investor that matches their demands.

One subject where the investors disagreed a lot is regarding having exit alternatives for the founding team. Some investors regarded this as something strictly negative, others were positive and some investors were indifferent. Consequently, this is something that the founding team should be aware of when approaching an investor, since it might be the difference between getting a meeting with the investor or not. This is not fully in line with what Fried and Hisrich (1994) say that VCs must see a possible exit within a reasonable time frame.

Another thing that some investors emphasized is the lean startup method, with validated learning, early prototypes and customer interaction. Others did not mention this, despite the fact that PlanDig has a large flaw in that area. Hence, it would be preferable to know if the investor has any experiences using lean startup. According to Ries (2011) many startups can survive by using the lean startup methodology, and it is a relatively new theory which is being rapidly diffused in the startup community at present. Thus, it is likely that more investors will emphasize this in the future.

According to the research presented in the theoretical framework (Osterwalder & Pigneur 2013; Sequoia 2016) and the result of the interviewees, certain investors are moving away from traditional business plans. Thus, it is crucial for the entrepreneur to investigate what kind of business plan material the investor wants. However, whether the investor wants a Powerpoint

presentation, a text file or something else, the same information should be present regardless of the format. The results indicate that it is primarily the leading actors in the VC industry that use slides instead of regular business plans, which is further supported by the literature (Sequoia 2016). One interviewee emphasized that the importance was being able to communicate the business, and highlighted that the business model canvas or the lean canvas are efficient ways to achieve it.

As reviewed in the theoretical framework, Van Osnabrugge (2000) states that BAs differ from VCs in their investment criteria. He suggests that VCs seek to minimize the risk prior to the investment, in the pre-investment stage, whereas BAs do so at the post-investment stage. Further, he concludes that there is no data supporting the fact that BAs put the same emphasis on team composition as VCs. Based on the result in this study, no conclusion could be drawn whether the category of investor affected their preferences in terms of what business plan they preferred. In particular, since only two BAs were interviewed, it is hard to make any general conclusions based on that. However, none of the BAs that were interviewed preferred the people plan, which might suggest that they put less emphasis to the team, which is in line with the theory presented by Van Osnabrugge (2000). To verify this, a larger sample of investors would be required.

5.1.4 Preferred team characteristics

The information gathered in the interviews about the investors' preferences on team composition and competences were in line with the previous research (Beckman et. al 2007; Franke et. al 2008). Several interviewees stated that they would not fund a single founder, which is accordance with the presented theory that the investors prefer a complementary team to a single founder (MacMillan, Siegel & Narasimha 1986). Hence, it might be more difficult for a single founder to achieve funding. Further, the interviewees highlighted the importance of people with different competences that complemented each other, and that the founders should possess certain personal traits. This aligns well with the presented theory of team diversity, which states that the performance of a team increases with the level of diversity of the team (Jackson, May & Whitney 1995; Ensley & Hmieleski 2005). Although the investors interviewed never explicitly mentioned that they wanted a diverse team, this is what they described. A fact that the literature mentioned, but none of the investors, was whether the members of the founding team had worked together previously (Sahlman 1997; Franke et. al 2008). There might be several explanations for this difference. One might be that the founders of PlanDig had worked together and that the investors did not reflect about it because of that. Another reason might be that investors in Sweden care less about the working background of the team compared to their American counterparts (that the theoretical framework is mostly based on).

Further, the interviews resulted in more detailed descriptions about preferred team roles and personal traits that were not extensively mentioned in the literature (Jackson, May & Whitney 1995; Ensley & Hmieleski 2005; Beckman et. al 2007; Franke et. al 2008). Some examples of this were the ability to run a business with little money, not to be driven solely by monetary rewards, execution qualities, being organized and being dedicated. Some of these qualities are in line with Sarasvathy's (2009) principles of effectuation which successful entrepreneurs tend to use. Especially, affordable loss is very connected to be able to run a business with little money.

5.2 Insights regarding business plans

The second part of this discussion describes the insights from this study regarding business plans.

5.2.1 Competition and market analysis necessary

As previously mentioned, we removed the market and the competitor sections in the people plan to get the same length of the two plans. According to the research presented in the theoretical framework (Feinleib 2011) these two sections were seldom the reasons why startups failed. Despite this fact, almost all investors complained about the exclusion of these sections, and stated that the absence of these sections made them choose the traditional business plan over the people plan. There might be more than one explanation to why this was the case. It could either be that these parts were exceptionally well written and contained a lot of information that was not included in the people plan, or simply because the investors wanted to see these two sections in a business plan. Out of these two explanations, the second one is closer to the truth. The competitive analysis and the market analysis in the traditional business plan contained a very limited amount new information, and did not introduce anything else that was unique for PlanDig or the industry. The reader is recommended to look these parts up in the traditional business plan found in appendix A.

Instead, a common reason why the investors wanted these sections was that they had a written or a mental checklist, where these sections were necessary. One interviewee was very surprised that such a competent team (as presented in the people plan) missed the market and competitor analysis, because "they are supposed to be present in a good business plan". That kind of behavior can be explained with some theoretical concepts, such as path dependence (Garud & Karnoe 2001) and status quo bias (Hammond, Keeney & Raiffa 2006). As mentioned, path dependence says that people usually want the same as in the past, and emphasizes how events in the past matter in decision-making. Since the investors are used to read about market and competitors in business plans, they want to keep doing that. This is further supported by the fact that most of the investors that chose the traditional business plan over the people plan motivated it with the absence of these parts in the people plan. Furthermore, only a few of them explicitly mentioned that they liked the sections in the traditional business plan. The analysis of

this is that the investors wanted to see these sections rather than that they liked the content per se.

The status quo bias theory explains that people are not rational in their decision-making when choosing between something known and something new (Hammond, Keeney & Raiffa 2006). Applying the theory to this particular situation means that even though the traditional business plan is not something the investors have, it is very similar to all other business plans they have read. Due to the status quo bias they might then choose the traditional business plan, because the people plan is new and stands in contrast to what they have seen before. Choosing the traditional plan is safer and less risky, since they know how to evaluate a business plan like that.

Another reason why some of the investors missed the parts about competition and the market is that they focus on the industry size. This is something that differed among investors, some VC firms stated that they only want to invest in companies with a potential of 10 billion dollars. In such cases, it is important to know about the market size, even though this usually is not a reason for failure.

5.2.2 The network section

The network section in the people plan was one of the sections that split the opinions of the investors. One or two of the investors explicitly said that they liked it, but three other mentioned that it came too early, and that they rather wanted to know this information when they met the founders. According to Fried and Hisrich (1994), Silva (2004) and Zucker et al. (1998) the investors are interested in the background of the founders, their competences and connections. This was why we introduced the network section in the people plan as an explanation about the startup's extended competences, although it is not explicitly mentioned in the presented theory in the theoretical framework. It turns out that from the results of the interviews that investors do not prioritize so detailed information about the network of the team so early on in the investment process. From the interviews it could be concluded that the information per se that was presented in the network was relevant, but not before meeting the startup. At the screening process the investors in this study were more interested to get an overview of the idea and the business rather than information about the network. The recommendation for entrepreneurs would thus be to have information about the network at hand during a meeting with the investors, but limit the information in the business plan during the screening process.

6 Conclusions and implications

This part of the thesis introduces the key conclusions highlighted in the discussion in order to answer the research questions and give recommendations to stakeholders.

6.1 General conclusions

A gap has been identified between how investors state that they prioritize different criteria in startups, and how they actually evaluate. This gap is in the pre-investment phase, during the business plan screening. Investors claim that the quality of the founding team is what matters the most, however, when screening business plans they tend to value other criteria higher.

Regarding the founding team, the interviewees highlighted the importance of having team members complementing each other, both in terms of competences and personal traits. The recurring capabilities that the interviewed investors highlighted as desired were the ability to run a business with little money, not to be driven solely by monetary causes, execution qualities, being organized and being dedicated.

One idea in this report was that the traditional business plan could be replaced with a so called people plan, which is more tailored to what investors value in startups, namely teams. From the result of the interviews that were conducted with several investors in the venture capital industry it can be concluded that, unfortunately, it is not a good idea. However, experienced investors were more positive to the people plan, and had less focus on that all traditional parts should be included in a business plan. They used their routine and intuition to a higher extent.

Further, a people plan is not a substitute for a meeting between investors and entrepreneurs. It can be concluded from the interviews that although the investors find it interesting with extended information about the team, some of them want that information at a meeting with the entrepreneurs.

Regarding the disposition of business plans, all sections that are traditionally found in a business plan should be present in order to enhance the chances of getting a meeting with an investor. Even though some parts such as competition and market analysis do not have to be long and emphasized, it is important to include them. Most investors see a lack of paragraphs (in this case a competitive analysis and market analysis) as a sign of incompetence, ignorance and negligence.

To improve a traditional business plan, some parts from the people plan should be included to make a mix between a traditional business plan and the people plan. The investors liked an

extended team part that includes pictures, competences and personal interests. Several investors also liked that the team part came early in the report, already after the product paragraph.

6.2 Implications

This report presents several concrete facts of what investors want to see in startups, and in particular in business plans. This section provides a brief summary of recommendations that venture seeking entrepreneurs should consider, followed by some implications for investors and suggestions for other researchers in this area.

When writing the business plan, and especially the team part, it is important for entrepreneurs to have in mind that they are writing with the intention to secure a meeting, not to achieve funding. Instead of telling everything, the entrepreneurs should aim to capture the interest of the investors, and signal passion, business sense and dedication. Our research has shown that entrepreneurs should extend the team part slightly and write about competences and the team members' tasks in in the venture.

Additionally, it is recommended to conduct some research about the investor and his or her preferences. Try to find out what the investor and firm value the most. Some firms might prefer slides or a business model canvas rather than a classical business plan. If no information can be found regarding the investor's preferences, the recommendation is to use a traditional business plan and include all parts that usually are in a business plan. Some investors use checklists and view parts that might be purposely left out as a lack of competence.

Further, ensure that the team members complement each other. This includes expertise in technology, sales and marketing, but also when it comes to personal characteristics. Act like a team during the meeting, and put emphasis on the members' different qualities.

Most investors say that the team is what matters most in startups. However, in the business plan screening there is a gap between what the investors say they value and what they actually evaluate in the business plan. The major team evaluation occurs when the investor meets the team. Hence, the recommendation to investors is to have in mind while reading the business plan that they actually should evaluate the team, and not only the idea.

The investors that preferred the traditional business plan over the people plan motivated it with the existence of a market analysis and a competition analysis, although these parts contained a limited amount of new information. Despite this the general opinion regarding these two parts were positive. Hence, the recommendation to investors would be to read and judge the content, and not be satisfied straight away when one part is included. The theories behind effectuation and the lean startup are both from the 2000s, but already proved to be successful. Hence, these

could be useful tools to look for when evaluating business plans and in later stages of the investment process.

This study yields several noteworthy implications for further research about business plans and investor preferences in the venture capital industry in Sweden. The first insight for researchers is to choose carefully what methodology to use when conducting similar studies. This paper identified a gap between what the investors said and how they actually acted when evaluating business plans. This is something that researchers should have in mind to avoid misleading or false results. Further, the results of the interviews with investors and the literature (Sequoia 2016) revealed a trend moving away from the usage of traditional business plans. Some of the larger VC and CVC firms used other methods instead. Thus, it might be relevant for researchers to identify how the investors work with business plans and before doing observations or interviews.

6.6 Further areas of study

This thesis pointed out some interesting results about the venture capital industry in Sweden, and about the format and usage of business plans in general. However, there are some areas which would be rewarding to study further. The first thing would be to make an in-depth study about how the team section should optimally be written in a business plan. In this study only one version of the people plan was made and resulted in some insights about how it could be improved. A more detailed study could, however, have given a better result and would hence be very useful for entrepreneurs.

Another interesting topic for further research is regarding the gap between what investors say they evaluate and what they actually evaluate, and how to eliminate it. If this gap could be reduced, it would result in less confusion for the entrepreneurs about what they should write in a business plan, and an increased understanding for the investors. It would also be interesting to find out if this gap is equally large even if a business plan is not used, but rather slides or some other form of business plan.

As mentioned, some venture capital firms preferred slide format of the business plan. Business model canvas and lean canvas are also used. However, there is very little academic research of this evolution of business plans. The use and usefulness of business plans are elaborated upon, but not the evolution. Hence, this is an area where it requires more research.

Finally, it would be good to conduct a study with a similar setup to this thesis in order to validate the results found in this study. A larger sample of investors could validate that the level of experience of the investors affect their preferences about the importance of teams in business plans. The new study is also recommended to use people plans and traditional business plans

for at least two different startups, to be able to validate the results and conclude that the actual startup did not matter for the results.

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Appendix A: The traditional business plan

Affärsplan BLÅ

PLanDig

Digital Ritningshantering

- Ett koncept för utökad produktivitet och kvalitet i byggbranschen

Innehåll

Kursiverade rubriker är identiska i Affärsplan RÖD och BLÅ.

Innan du läser affärsplanen:
Den här studien görs som ett forskningsprojekt vid Chalmers tekniska högskola 2016. Informationen är konfidentiell och får ej spridas. Det som presenteras nedan är baserade på ett verkligt exempel från ett startup-företag, men **namn, data** samt ett flertal detaljer har **ändrats**.

Författarna vill därmed poängtera till läsaren att inte fokusera på själva innehållet och idén, utan på hur det presenteras, och framförallt hur det skiljer sig åt mellan de två planerna.

Executive Summary

Problembeskrivning
Ritningar revideras ofta under byggtiden och måste uppdateras. Detta leder till administrativt merarbete samt felbyggnationer när den aktuella ritningen ej är tillgänglig på arbetsplatsen.

Produkt
PlanDig är ett system för digital ritningshantering. PlanDig består av en robust läsplatta anpassad för byggindustrin, ett molnsystem som håller ritningar uppdaterade samt en basstation för laddning och anslutning till molnet. Lösningen utvecklas av Combitech.

Marknad
Byggindustrin står för 7 procent av Sveriges omsättning. 30 procent av aktiviteterna inom industrin beräknas vara icke-värdeadderande. Digital ritningshantering eliminerar en stor del av dessa kostnader. Totalt beräknas besparingspotentialen i Sverige till 1.15 miljarder per år.

Konkurrens
I dag skrivs ritningar ut på tryckerier eller på stora plotters på byggföretagen. Det finns ingen annan aktör som utvecklar och tillhandahåller både mjukvara och hårdvara inom digital ritningshantering.

Affärsmodell
Affärsmodellen består av försäljning av licenser för mjukvara samt försäljning av den specialanpassade hårdvaran. Totala potentiella intäkter beräknas till drygt 1 miljard per år i Sverige.

Genomförande
Första prototyperna beräknas vara klara i juni 2016 och ska levereras till Skanska, Flexator och Trivselhus för testning i augusti. Försäljningsstart i Sverige beräknas till januari 2017.

Finansiering
Finansiering beräknas uppgå till X MSEK.

Team
PlanDig består av Mathias Silvergran, Sanna Johansson och Daniel Bergström.

Bakgrund

En robust läsplatta ersätter fysiska ritningar. Smarta molnuppdateringar säkerställer att alla dokument är uppdaterade. Genom PlanDig kan byggbranschen spara miljarder, och detta bara i Sverige.

PlanDig är startat av byrån Södergrens arkitektur, som under samarbete med de stora byggbolagen har en tydlig möjlighet att förbättra och effektivisera ritningshanteringen inom byggbranschen. PlanDig startades därför för att ta fram ett unikt system för hantering av digitala ritningar. Målsättningen är att över tid skapa en branschstandard.

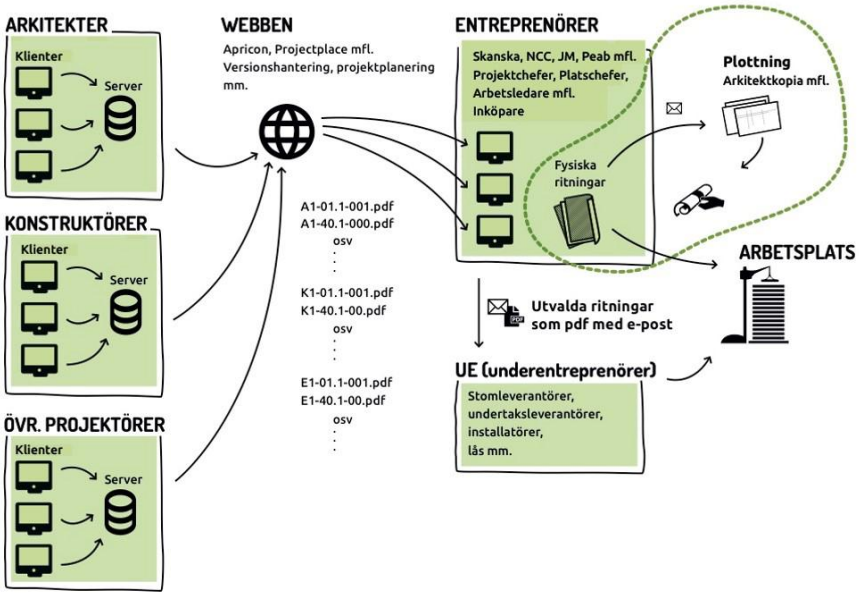
Det finns betydande besparings- och effektivitetsvinster med ett digitalt hanteringssystem för ritningar. Besparingarna fördelas mellan flera olika aktörer och kan indelas i både direkta besparingar, som enkelt kan hänföras till systemet, och indirekta som är svårare att hänföra.

En prototyp på PlanDigs platta har utvecklats under våren 2016. Den första verkliga systemprövningen kommer att ske i samverkan med Skanska, Flexator och Trivselhus under hösten 2016. Utöver det är PlanDig en del av Science Park Jönköpings inkubatorsprogram och får stöd genom den verksamhet som bedrivs där.

Problembeskrivning

Ritningar revideras ofta under byggtiden och då ny information tillkommer eller komplikationer sker. Således är det vanligt att det finns ett flertal olika revisioner av en specifik ritning vid en byggnation.

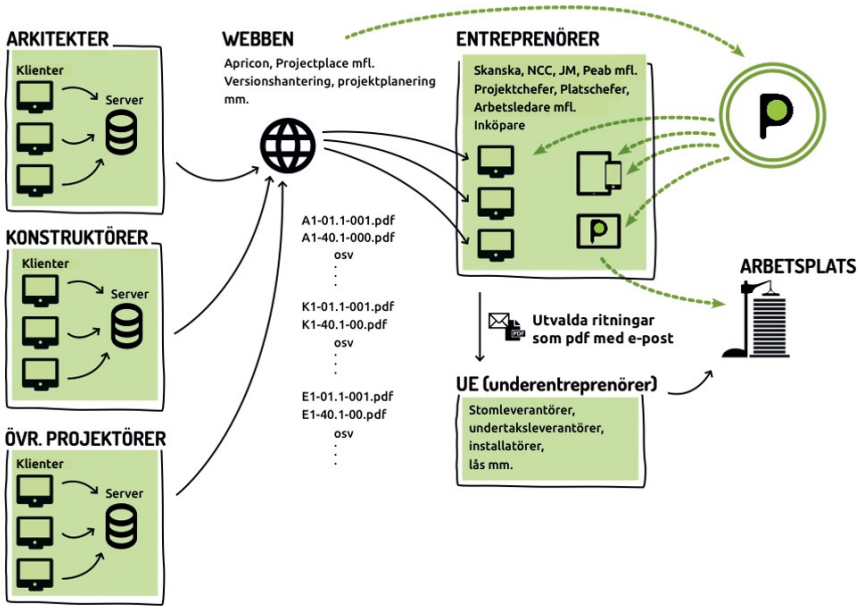
Den stora mängden samt storleken på ritningar gör det otympligt att bära med sig ritningarna på byggarbetsplatsen. Det är även ett administrativt arbete att beställa utskrifter av reviderade ritningar samt att sortera in dem i upplagorna. Sammantaget gör detta att det finns stor risk för att korrekt revision av ritningen inte finns tillgänglig när byggnation väl utförs. Det finns därav en risk för felbyggnation och onödigt arbete. Detta kostar byggbranschen över 500 miljoner kronor per år, utöver detta är uppgår kostnader för tryck av ritningar till 200 miljoner kronor och effektiviseringskostnader till knappt 400 miljoner per år.



Figur 1. Visualisering av flödet i byggindustrin, problemområde identifierat.

Produkt

PlanDig består av ett system för digital ritningshantering inom byggbranschen som fungerar med befintlig infrastruktur av ritningsdistribution. Det är ett molnsystem som är klientoberoende och som kan anslutas till samtliga projekthanteringssystem. Idéen är således att digitalisera en helt analog process utan att behöva förändra de metoder som används. Resultatet blir ett mer kostnadseffektivt arbete och smidigare hantering av ritningar. PlanDig tar även fram en specifikt anpassad hårdvara till systemet i samarbete med Combitech. En prototyp beräknas vara klar juni 2016.



Figur 2. Visualisering av flödet i byggindustrin, PlanDigs lösning till ritningsproblemet.

Hårdvara

Läsplattan är en tålig produkt som uppfyller kraven för IP65. Inga kontakter eller genomföringar finns i skalet på läsaren. Uppdatering sker via trådlöst nätverk och laddning sker via induktion. Skärmen består av en Electronic Paper Display (EPD) som är en så kallad bi-stabil skärm. Bi-stabila skärmar konsumerar endast energi vid förändring. Således är dessa lämpliga att använda för att titta på statisk information under lång tid. EPD-skärmar har utmärkta kontrast-egenskaper då kontrasten ökar ju högre ljusintensitet den utsätts för. EPD-skärmar är passiva skärmar så det krävs omgivande belysning för att man ska kunna se något på skärmen. Läsplattan är också försedd med en värmefilm för att klara operativ drift ned till minus tio grader Celsius.

Figur 3. PlanDigs läsplatta

Basstation

Basstationen har fem platser avsedda för läsplattor. Läsplattorna sitter fast i basstationen på samma sätt som exempelvis självskannrar i moderna dagligvarubutiker. Identifiering mot PlanDig sker med hjälp av den nationellt standardiserade bygglegitimationen ID06, som handhas av Sveriges Byggindustrier. För systemets internationella expansionsmöjlighet kan olika typer av Radio-frequency identification (RFID) brickor användas. Basstationen ansluter direkt till molntjänsten och håller samtliga för projektet anslutna ritningar uppdaterade. Genom användandet av en fysisk identifierare på individnivå för utcheckning av produkten så kan systemet erbjuda individuella anteckningar för användarna. Anteckningarna uppdateras till samtliga enheter som är anslutna till molntjänsten.

Figur 4. PlanDigs laddningsstation

Marknad

Byggindustrin står för 7 procent av Sveriges totala omsättning och är den tredje enskilt största branschen i Sverige. Trots att det har varit en finanskris har varken antal företag eller omsättning påverkats negativt. Både omsättningen och antalet bolag inom branschen har ökat med över 30 procent sedan 2006. Branschen kan därför ur ett makroekonomiskt perspektiv anses vara stabil och växande. Jämfört med många andra länder är den svenska byggindustrin relativt liten. Den brittiska byggindustrin är till exempel cirka sju gånger så stor, och Norge har trots färre invånare en större byggindustri. Gemensam nämnare för de undersökta marknaderna är att samtliga har lidit av låg effektivitetsgrad och låg produktivitetstillväxt under de senaste 20 åren. Detta börjar bli ett allt mer identifierat problemområde om man ser till de senaste årens nyhetsflöde om byggbranschen ligger digitaliserad ritningshantering rätt i tiden.

Tidigare studier visar på stort slöseri inom byggbranschen. Upp till 30 procent av byggkostnaderna kan anses som icke värdeskapande utgifter. En stor del av slöseriet kan kopplas till det föråldrade sättet att distribuera och administrera ritningar.

Genom undersökningar och intervjuer så har besparingspotentialen i Sverige estimerats till minst 1,15 miljarder kronor per år. Sammanfattningsvis redovisas den totala besparingspotentialen för den svenska marknaden i tabellen nedan:

Kostnadsdrivare	**Besparing (M SEK)**
Projekteringseffektivisering	370
Kvalitetssäkring	580
Tryckkostnader	200
Totalt	**1 150 M SEK**

Konkurrens

Den direkta konkurrensen och sättet som byggbolagen idag löser sitt problem på är dels utskrifter av byggritningar via centraliserade tryckerier, men det finns även ett stort antal så kallade plotters (stora skrivare) som är utlokaliserade på byggarbetsplatserna.

Andra konkurrenter arbetar med att distribuera ritningar i klientoberoende koncept. I Sverige har flera av projekthanteringssystemen funktioner som gör att ritningar kan överläsas till iPads. Lösningen är dock både knuten till sitt eget projekthanteringssystem samt att det saknas hårdvara som är anpassad till byggarbetsplatser. Det finns idag ingen för oss känd konkurrent som tar ett helhetsgrepp med både system och hårdvara i ett klientoberoende koncept samt anpassar sig till den befintliga strukturen för ritningshantering.

Det finns en aktör i USA, Printless plans, som utvecklar en hårdvara baserad på EPD-teknik. Lösningen är en vikbar skärm med touchfunktion. Det finns begränsat med information om produkten och företaget, men av det som framgår så finns det betydande svagheter med produkten samt systemet som helhet. Vidare finns det en mjukvarumässig klientoberoende konkurrent i form av bolaget Loupe Inc. De har utvecklat en applikation som heter PlanGrid. Bolaget bildades i december 2011 i San Fransisco och släppte sin första produkt, PlanGrid, i mars 2012. Vår bedömning är att avsaknaden av fysisk hårdvara kommer att försvåra implementation av systemet på byggarbetsplatser, eftersom miljön är krävande och arbetsförhållandena gör det svårt att använda känslig utrustning.

Affärsmodell

Affärsmodellen är tänkt att delas in i två olika delar. Dels avser det försäljning av individuella licenser för åtkomst av systemet. Vi har valt att kalla denna del av affärsmodellen för *System*. Dels avser det försäljning av den specialanpassade hårdvaran för byggarbetsplatser. Vi har valt att kalla denna del av affärsmodellen för *Hårdvara*. Vårt antagande är att hårdvaran är en förutsättning för att kunna driva försäljningen av de individuella licenserna.

Potential Sverige

Försäljning av System

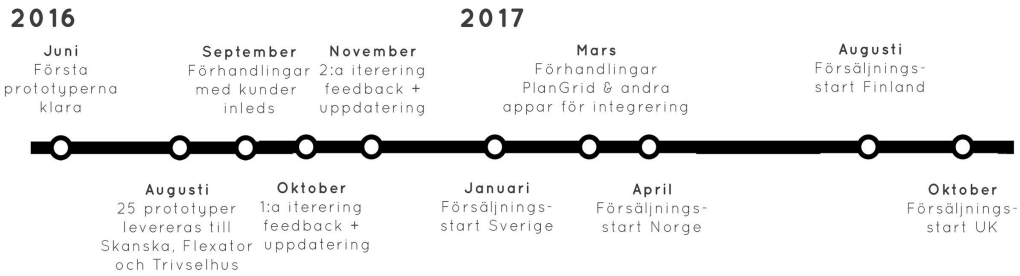
Antal potentiella användare	375 000 användare
Månadsavgift per användare	99 kr/månad
Totala licensavgifter per månad	37 125 000 kr
Totala licensavgifter per år	**445 500 000 kr**

Försäljning av Hårdvara

Antal potentiella projekt/år	11 600 projekt
Förväntad livslängd per racksystem	2 år
Uthållig årsvolym	5 800 system
Försäljningspris per racksystem	100 000 kr
Totala hårdvaruintäkter per år	**580 000 000 kr**

Genom ovanstående antagande kring antal användare, licensnivåer, hårdvarukostnad, livslängd och försäljningsnivåer, ges en marknadspotential på **drygt 1 miljard kronor per år** för den svenska marknaden. Detta kan även relateras till den uppskattade marknadspotentialen som beräknades utifrån besparingspotentialen.

Genomförande



Figur 5. Tidslinje över PlanDigs planer den kommande tiden.

Finansiering

PlanDig söker X MSEK för finansiering av industrialiseringsfasen. Erforderlig medfinansiering kommer att tillskjutas av nuvarande investerare och ägare till PlanDig. Det egna kapitalet uppgår till X MSEK, bestående av X MSEK aktiekapital, X MSEK överkurs. Kapitalet har investerats av Södergrens Holding AB (X MSEK), Jönköping Business Development AB (X MSEK) och Almi Invest AB (X MSEK).

Team

PlanDig har startats som en spin-off från Södergrens arkitektur, en byrå som arbetar med arkitektur, design och kommunikation. Södergrens har för närvarande 55 medarbetare och kontor i Stockholm, Jönköping och Malmö. Genom arbetet inom arkitektur och samarbetet med de stora byggbolagen har en möjlighet att förbättra och effektivisera ritningshanteringen inom byggbranschen blivit allt tydligare. Därför skapades PlanDig för att ta fram ett system för hantering av digitala ritningar. PlanDig består av:

Mathias Silvergran

Utbildning
Maskiningenjör, Uppsala Tekniska Högskola
Civilekonom, Internationella Handelshögskolan i Jönköping
Arbetslivserfarenhet
Vd Södergrens arkitektur
Goldman Sachs, Chicago
Affärsutvecklare, Science Park Jönköping

Sanna Johansson

Utbildning
Civilingenjör i datateknik, Kungliga Tekniska Högskolan
Arbetslivserfarenhet
Software Developer, Ericsson

Daniel Bergström

Utbildning
Civilingenjör Elektroteknik, Lunds Tekniska Högskola
Civilekonom, Lunds Universitet
Arbetslivserfarenhet
Industrifonden
Cale Industri AB
DeLaRue Plc/Inter Innovation AB
Swedish Trade Office, Los Angeles, USA
JAPS Elektronik AB, styrelseordförande och delägare
Erfarenhet från ett 30-tal styrelseuppdrag

Appendix B: The people plan

Affärsplan RÖD

PLanDig

Digital Ritningshantering

- Ett koncept för utökad produktivitet och kvalitet i byggbranschen

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Bilder på teamet: *Image courtesy of stockimages at FreeDigitalPhotos.net*

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PlanDig är ett system för digital ritningshantering. PlanDig består av en robust läsplatta anpassad för byggindustrin, ett molnsystem som håller ritningar uppdaterade samt en basstation för laddning och anslutning till molnet. Det finns ingen annan aktör som utvecklar och tillhandahåller både mjukvara och hårdvara inom digital ritningshantering.

Team
PlanDig är en spinoff från Södergrens arkitektur som består av byråns f.d. vd Mathias Silvergran, mjukvaruutvecklaren Sanna Johansson och riskkapitalisten Daniel Bergström. Teamet har erfarenhet av byggindustrin och av att driva företag. I dess nätverk finns starka band till Skanska, Flexator och Trivselhus, som ska testa produkten, och även till Combitech som står för hårdvaru- och viss mjukvaruutveckling.

Affärsmodell
Affärsmodellen består av försäljning av licenser för mjukvara samt försäljning av den specialanpassade hårdvaran. Totala potentiella intäkter beräknas till drygt 1 miljard per år i Sverige.

Genomförande
Första prototyperna beräknas vara klara i juni 2016 och ska levereras till Skanska, Flexator och Trivselhus för testning i augusti. Försäljningsstart i Sverige beräknas till januari 2017.

Finansiering
Finansiering beräknas uppgå till X MSEK.

Bakgrund

En robust läsplatta ersätter fysiska ritningar. Smarta molnuppdateringar säkerställer att alla dokument är uppdaterade. Genom PlanDig kan byggbranschen spara miljarder, och detta bara i Sverige.

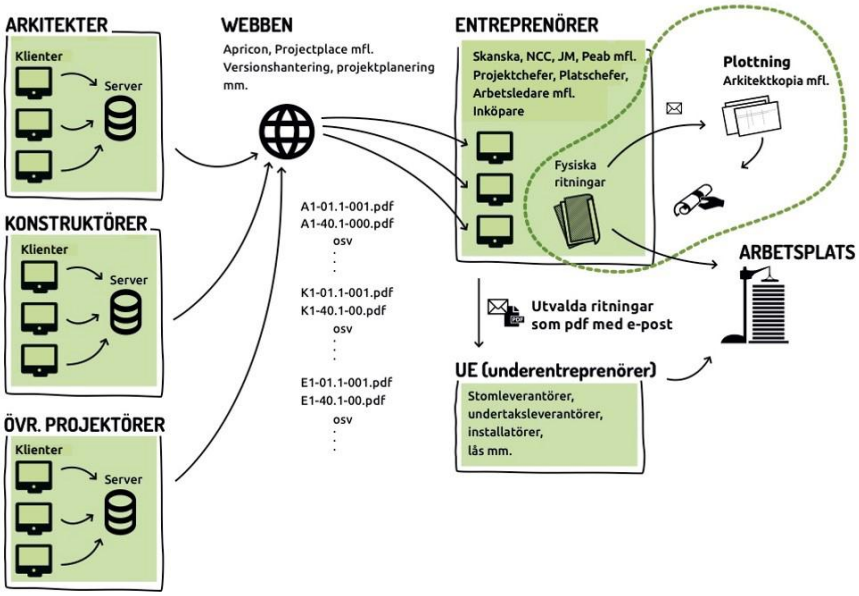
Mathias Silvergran har drivit byrån Södergrens arkitektur. På Södergrens arbetade han tillsammans med flertalet byggföretag, och identifierade stora problem med deras ritningshanteringssystem. Det finns en enorm besparingspotential i att eliminera felbyggnationer genom uppdaterade, lättåtkomliga ritningar. Det finns därav ett behov av att digitalisera ritningshanteringsprocessen med robusta läsplattor. Mathias idé resulterade i företaget PlanDig. Med sig i företaget har han Daniel Bergström, tidigare riskkapitalist och styrelseproffs, samt Sanna Johansson, en erfaren IT-ingenjör från KTH.

En prototyp på PlanDigs platta har utvecklats under våren 2016. Den första verkliga systemprövningen kommer att ske i samverkan med Skanska, Flexator och Trivselhus under hösten 2016. PlanDig är en del av Science Park Jönköpings inkubatorsprogram och får stöd genom den verksamhet som bedrivs där.

Problembeskrivning

Ritningar revideras ofta under byggtiden och då ny information tillkommer eller komplikationer sker. Således är det vanligt att det finns ett flertal olika revisioner av en specifik ritning vid en byggnation.

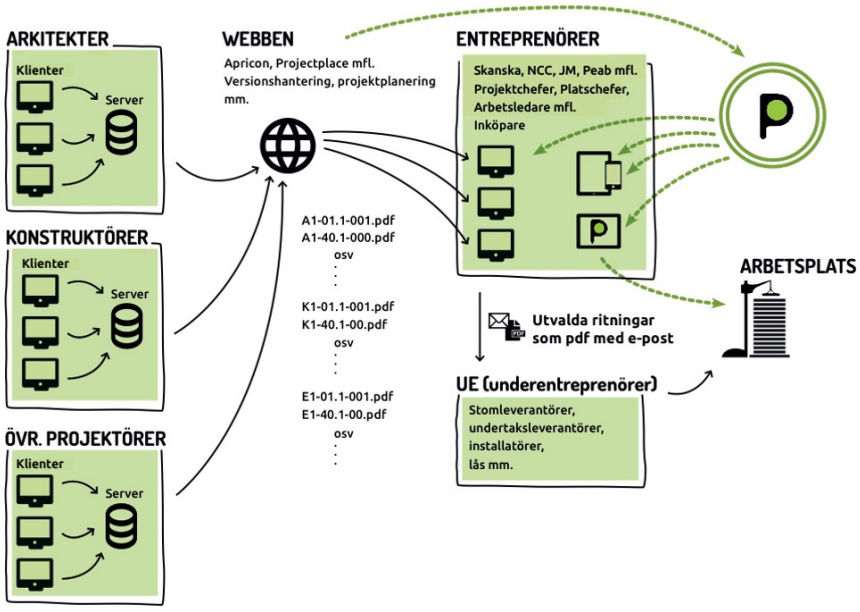
Den stora mängden samt storleken på ritningar gör det otympligt att bära med sig ritningarna på byggarbetsplatsen. Det är även ett administrativt arbete att beställa utskrifter av reviderade ritningar samt att sortera in dem i upplagorna. Sammantaget gör detta att det finns stor risk för att korrekt revision av ritningen inte finns tillgänglig när byggnation väl utförs. Det finns därav en risk för felbyggnation och onödigt arbete. Detta kostar byggbranschen över 500 miljoner kronor per år, utöver detta är uppgår kostnader för tryck av ritningar till 200 miljoner kronor och effektiviseringskostnader till knappt 400 miljoner per år.



Figur 1. Visualisering av flödet i byggindustrin, problemområde identifierat.

Produkt

PlanDig består av ett system för digital ritningshantering inom byggbranschen som fungerar med befintlig infrastruktur av ritningsdistribution. Det är ett molnsystem som är klientoberoende och som kan anslutas till samtliga projekthanteringssystem. Idéen är således att digitalisera en helt analog process utan att behöva förändra de metoder som används. Resultatet blir ett mer kostnadseffektivt arbete och smidigare hantering av ritningar. PlanDig tar även fram en specifikt anpassad hårdvara till systemet i samarbete med Combitech. En prototyp beräknas vara klar juni 2016.



Figur 2. Visualisering av flödet i byggindustrin, PlanDigs lösning till ritningsproblemet.

Hårdvara

Läsplattan är en tålig produkt som uppfyller kraven för IP65. Inga kontakter eller genomföringar finns i skalet på läsaren. Uppdatering sker via trådlöst nätverk och laddning sker via induktion. Skärmen består av en Electronic Paper Display (EPD) som är en så kallad bi-stabil skärm. Bi-stabila skärmar konsumerar endast energi vid förändring. Således är dessa lämpliga att använda för att titta på statisk information under lång tid. EPD-skärmar har utmärkta kontrast-egenskaper då kontrasten ökar ju högre ljusintensitet den utsätts för. EPD-skärmar är passiva skärmar så det krävs omgivande belysning för att man ska kunna se något på skärmen. Läsplattan är också försedd med en värmefilm för att klara operativ drift ned till minus tio grader Celsius.

Figur 3. PlanDigs läsplatta

Basstation och molnhantering

Basstationen har fem platser avsedda för läsplattor. Läsplattorna sitter fast i basstationen på samma sätt som exempelvis självskannrar i moderna dagligvarubutiker. Identifiering mot PlanDig sker med hjälp av den nationellt standardiserade bygglegitimationen ID06, som handhas av Sveriges Byggindustrier. För systemets internationella expansionsmöjlighet kan olika typer av Radio-frequency identification (RFID) brickor användas. Basstationen ansluter direkt till molntjänsten och håller samtliga för projektet anslutna ritningar uppdaterade. Genom användandet av en fysisk identifierare på individnivå för utcheckning av produkten så kan systemet erbjuda individuella anteckningar för användarna. Anteckningarna uppdateras till samtliga enheter som är anslutna till molntjänsten.

Figur 4. PlanDigs laddningsstation

Team

PlanDig är startat som en spin-off från Södergrens arkitektur, en byrå med 55 medarbetare. Vd:n Mathias Silvergran lämnade sin post för att utveckla digitala ritningar och startade PlanDig tillsammans med Sanna Johansson och Daniel Bergström.

Mathias Silvergran

Utbildning
Maskiningenjör, Uppsala Tekniska Högskola
Civilekonom, Internationella Handelshögskolan i Jönköping
Arbetslivserfarenhet
Vd Södergrens arkitektur
Goldman Sachs, Chicago
Affärsutvecklare, Science Park Jönköping
Intressen
Badminton, grafisk design, familjen

Sanna Johansson

Utbildning
Civilingenjör i datateknik, Kungliga Tekniska Högskolan
Arbetslivserfarenhet
Software Developer, Ericsson
Intressen
Improvisationsteater, sällskapsspel

Daniel Bergström

Utbildning
Civilingenjör Elektroteknik, Lunds Tekniska Högskola
Civilekonom, Lunds Universitet
Arbetslivserfarenhet
Industrifonden
Cale Industri AB
DeLaRue Plc/Inter Innovation AB
Swedish Trade Office, Los Angeles, USA
JAPS Elektronik AB, Styrelseordförande och delägare
Erfarenhet från ett 30-tal styrelseuppdrag
Intressen
Resa, skogsförvaltning

Kompetenser

Mathias, Daniel och Sanna känner varandra sedan många år tillbaka och har arbetat tillsammans tidigare. Sannas tekniska kompetens kompletterar den kännedom Daniel och Mathias har om byggbranschen och att driva företag, vilket gör teamet allsidigt och väl lämpat att föra PlanDig till marknad.

Industri. Mathias har gedigen erfarenhet inom byggnadsindustrin och har arbetat med utvecklingsprojekt inom branschen i ett flertal olika bolag. Byggbranschen i Sverige är de facto konservativ och det krävs därför en användarvänlig helhetslösning lösning som PlanDig för att digitalisera den. Skanska, Flexator och Trivselhus är intresserade och kommer testa PlanDig på utvalda byggarbetsplatser under hösten 2016.

Business. Daniel och Mathias har stor erfarenhet av att starta och driva företag. Daniel har som riskkapitalist investerat i ett 10-tal olika företag och suttit i ett 30-tal olika bolagsstyrelser. Med Mathias som vd växte Södergrens från 15 till 50 anställda. Vidare är Jönköping Business Development och Almi invest aktiva investerare som är representerade i styrelsen.

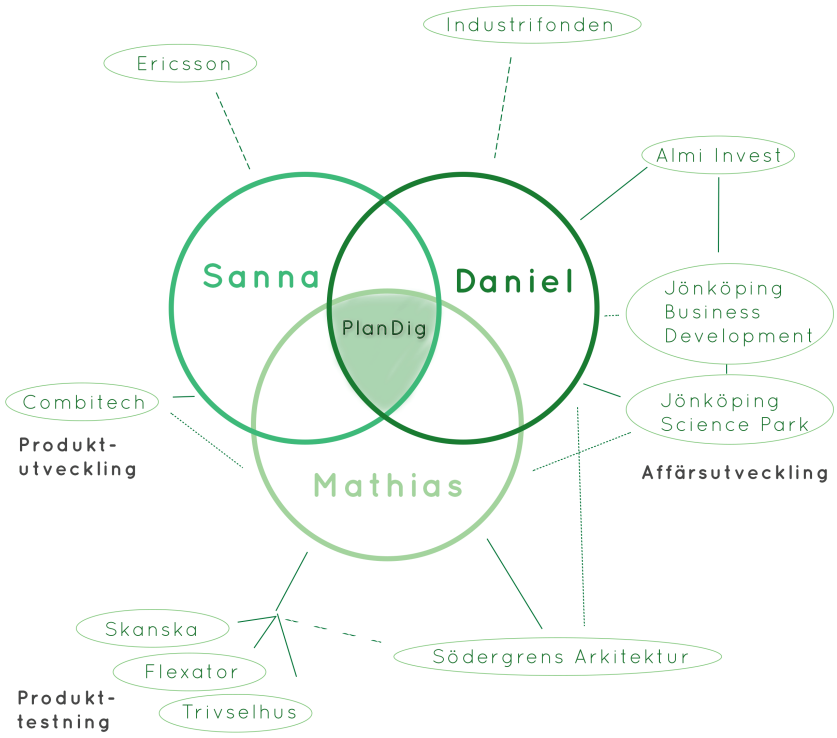
Teknisk. Sanna är ansvarig för den tekniska lösningen bakom PlanDig. På Ericsson hade hon en framstående roll i sitt agila utvecklingsteam. Sanna arbetar tillsammans med Combitech, som står för hårdvaruutveckling (läsplatta och basstation) och viss mjukvaruutveckling (molnhanteringssystem).

Nätverk

Förutom kärnteamet i PlanDig har firman ett väletablerat nätverk som kompletterar dem i form av kompetens, resurser och kontakter. Jönköping Business Development (JBD) hjälper PlanDig med affärsutveckling och har investerat kapital i bolaget. Almi Invest har investerat i PlanDig och arbetar med att utveckla företaget. PlanDig har även stöd av Jönköpings Science Park.

Södergrens arkitekturbyrå besitter nödvändiga kunskaper inom design samt hur byggbranschen fungerar, och hjälper PlanDig att etablera ett starkt varumärke i byggbranschen. PlanDig har genom teamet goda relationer med Combitech, som står för utvecklingen systemet. Det starka bandet till Combitech underlättar utvecklingsarbetet och stärker trovärdigheten att hålla budgetkostnaderna för utvecklingen.

På kundsidan har PlanDig en etablerad relation med Skanska, Trivselhus och Flexator. Företagen ska testa PlanDigs system på utvalda byggnationer hösten 2016 och har höga förhoppningar på samarbetet.



Figur 5. PlanDigs nätverk och dess funktioner

Affärsmodell

Affärsmodellen är tänkt att delas in i två olika delar. Dels avser det försäljning av individuella licenser för åtkomst av systemet. Vi har valt att kalla denna del av affärsmodellen för *System*. Dels avser det försäljning av den specialanpassade hårdvaran för byggarbetsplatser. Vi har valt att kalla denna del av affärsmodellen för *Hårdvara*. Vårt antagande är att hårdvaran är en förutsättning för att kunna driva försäljningen av de individuella licenserna.

Potential Sverige

Försäljning av System

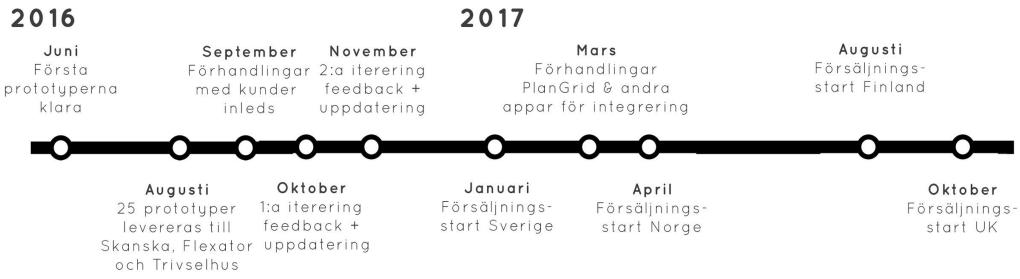
Antal potentiella användare	375 000 användare
Månadsavgift per användare	99 kr/månad
Totala licensavgifter per månad	37 125 000 kr
Totala licensavgifter per år	**445 500 000 kr**

Försäljning av Hårdvara

Antal potentiella projekt/år	11 600 projekt
Förväntad livslängd per racksystem	2 år
Uthållig årsvolym	5 800 system
Försäljningspris per racksystem	100 000 kr
Totala hårdvaruintäkter per år	**580 000 000 kr**

Genom ovanstående antagande kring antal användare, licensnivåer, hårdvarukostnad, livslängd och försäljningsnivåer, ges en marknadspotential på **drygt 1 miljard kronor per år** för den svenska marknaden. Detta kan även relateras till den uppskattade marknadspotentialen som beräknades utifrån besparingspotentialen.

Genomförande



Figur 6. Tidslinje över PlanDigs planer den kommande tiden.

Finansiering

PlanDig söker X MSEK för finansiering av industrialiseringsfasen. Erforderlig medfinansiering kommer att tillskjutas av nuvarande investerare och ägare till PlanDig. Det egna kapitalet uppgår till X MSEK, bestående av X MSEK aktiekapital, X MSEK överkurs. Kapitalet har investerats av Södergrens Holding AB (X MSEK), Jönköping Business Development AB (X MSEK) och Almi Invest AB (X MSEK).

Appendix C: Interview materials

E-mails to investors

Initial e-mail

Hej [Namn],

Som investerare läser du hela tiden affärsplaner och prospekt från entreprenörer. Vi vill höja kvaliteten på dessa, och hjälpa entreprenörer att skriva det du vill läsa. Detta kan spara din tid och ökar chansen att du får träffa startups du är intresserad av att investera i.

I ett forskningsprojekt vid Chalmers tekniska högskola håller vi på att undersöka affärsplaner. Vi som ligger bakom detta är Pauline Daremark och Lennart Lundberg. Vi har båda erfarenhet från att ha varit egenföretagare, har jobbat på två större VC-backade startups samt på storföretag som Lantmännen, H&M och Boston Consulting Group.

Vår ambition är att förbättra startups affärsplaner, men för att åstadkomma detta behöver vi din hjälp.

Vi kommer att skicka dig två olika versioner av en affärsplan. Du läser sedan genom dessa på under 20 minuter. Sedan diskuterar vi kort vad du tyckte om de två versionerna. Totalt behöver du endast avsätta 40 minuter av din tid.

~ ~ ~

Hello [Name],

As an investor you constantly read business plans from entrepreneurs. We would like to increase the quality of business plans, and help entrepreneurs to write what you want to read. This can save your time and increase the likelihood that you get to meet startups that you are interested of investing in.

This is a research project at Chalmers University of Technology where we are investigating business plans. We who are doing this are Pauline Daremark and Lennart Lundberg. We have both of us experience from running our own businesses, have worked at two larger VC-backed startups as well as on larger corporations such as Lantmännen, H&M and Boston Consulting Group.

Our ambition is to improve startups' business plans, but to be able to do this we need your help.

We will send you two different versions of a business plan. After that we discuss shortly what you thought about the plans. Totally all this would take you 40 minutes.

Second e-mail with the two business plans attached

Bifogat i mailet är två olika affärsplaner, som beskriver samma företag/startup.

En del stycken är identiska i de två planerna, vilket också framgår i innehållsföreckningen. Det räcker att läsa dessa stycken i den ena planen. Vi vill poängtera till läsaren att inte fokusera på själva innehållet och idé, utan på hur det presenteras, och framförallt hur det skiljer sig åt mellan de två affärsplanerna.

1. Läs först Affärsplan RÖD*.
2. Läs sedan Affärsplan BLÅ*.

Ett tips är att använda sig av innehållsförteckningen för att komma ihåg hur de två affärsplanerna skiljer sig åt. Ifall du har möjlighet rekommenderar vi att skriva ut dem, då det kan underlätta att kolla i båda samtidigt, för att särskilja dem.

När du har läst affärsplanerna kommer själva intervjun att ta cirka 15-20 minuter.

*Vilken plan de läser först av röd och blå är slumpat.

~ ~ ~

Attached in this e-mail are two different business plans, which describe the same business/startup.

Some parts in them are identical, which you can see in the table of contents. It is enough to read these parts in one of the business plans. We would like to emphasize to the reader to not focus on the content itself and the idea, but on how it is presented, and especially how it differs between the two business plans.

1. *Read first Business plan RED*.*
2. *Read then Business plan BLUE*.*

A piece of advice is to use the table of contents to remember how the two plans differ. If you have the possibility to print the plans we recommend that, it can simplify to look in both plans at the same time, to separate them from each other.

When you have finished reading the actual interview will take approximately 15-20 minutes.

**Which plan they read first of red and blue is chosen randomly.*

Presentation before the interview

Hej [Namn],
Kul att du tog dig tid och vill vara med.
Vi kan börja lite med att berätta om vilka vi är och om projektet. Jag heter Lennart, och här är Pauline. Vi gör det här projektet för Chalmers på avdelningen för teknikens ekonomi och organisation. Projektet går ut på att jämföra affärsplaner och då intervjuar vi olika typer av investerare för att få input från dem.

Innan vi börjar så vill jag bara poängtera ett par saker om planerna, även om du redan har läst dem. Planerna är alltså baserade på ett företag men ganska mycket är ändrat. Därför saknas en hel del information som exempelvis ägarstrukturer, finanser i bolaget, och teknisk data för produkt och mer detaljerad information. Tanken är alltså att inte fokusera på dessa bitar även ifall de är viktiga i en vanlig affärsplan eller prospekt.

Du får gärna bläddra i dem under tiden eller ha framme innehållsförteckningen ifall för att göra det lättare att särskilja dem.

Pauline kommer att anteckna och vi spelar även in, så vi inte missar något.

~ ~ ~

Hello [Name],

Very fun that you wanted to take part in this project.
We are going to start and tell you a little about who we are and about the project. My name is Lennart, and this is Pauline. We do this project at Chalmers at the department of Technology Management and Economics. The purpose of this project is to compare business plans and to do this we interview different types of investors to get input from them.

Before starting I would like to emphasize a few details about the plan, despite that you already have read them. The plans are based on a company, but several details are changed. Because of this, a lot of content is missing, such as ownership structures, finances in the company and technical data regarding the product and more detailed information. Hence, the point is not to focus on these missing parts, despite that they are important in an ordinary business plan.

You can have the plans before and check them during the interview or look at the table of contents to be able to separate them easier.

Pauline will take notes and we will also record, so we will not miss anything.

Questions asked during the interview

Bakgrundsfråga

- Hur länge har du jobbat som investerare?

Frågor om de två affärsplanerna

- Vilket av de två prospekten skulle göra dig mer positiv att träffa PlanDig gällande en potentiell investering?
- Var det någon område i Affärsplan RÖD som du saknade/ hade velat se där?
- Var det något område i Affärsplan RÖD som var överflödigt och som hade kunnats tas bort?
- I Affärsplan RÖD /& BLÅ, hade du velat se en annan ordning på avsnitten?
- I Affärsplan RÖD fanns förutom en presentation av teammedlemmarna och hur teamet bildade rubrikerna "Personligt", "Kompetenser" och "Nätverk". Hade du velat ta bort samt lägga till något där?

Generella frågor angående bedömning

- Vilka egenskaper/kvaliteter är viktigast hos ett team, enligt dig?
- Har du någon speciell checklista som du alltid går efter när du utvärderar startups?

~ ~ ~

Background question

- *How many years have you worked as an investor?*

Questions regarding the plans

- *Which one of the Business Plan and the People Plan would make you more positive to meet PlanDig regarding a potential investment?*
- *Is there any part that you would like to add in the People Plan?*
- *Is there any part that you would like to remove in the People Plan?*
- *Would you have preferred another order of the chapters in the plans?*
- *Except the presentation of the team members and team background, the chapter contains of the parts "Personal", "Competences" and "Network". Would you like to add or remove anything?*

General questions regarding evaluations

- *What characteristics/qualities are most important for a team, according to you?*
- *Do you have a specific checklist when evaluating startups?*