

# Industry Weekly Digest

## School of Hospitality & Tourism Management

### Are you investable?

As an entrepreneur, the most daunting hurdle is the inevitable task of securing finance when starting or developing growth in any business. The process lays open the inner business workings for scrutiny for outsiders to see and ultimately, to criticise. However, this is reason for the bidding entrepreneur to do due diligence on how the company is projecting its potential in financial forecasts.

In this digest, **Dr Leon van Achterbergh** explores a simple model that can be used to consider feasibility.

Have a great Weekend!



# A path to securing entrepreneurial finance

Dr Leon van Achterbergh

A simple model to follow, used by the London School of Economics for their Entrepreneurial Finance course, is the POC framework, which considers people, opportunity, and context (Sahlman, 1996). Very much suited to busy venture capitalists (VC's), the framework combines the most important feasibility issues into these three categories.

The 'people' in a business venture are undeniably important, and as a team, should be seen to have the necessary credentials with ample experience and skills necessary to lower the perceived financial risk. Leadership and practical business sense traits are additionally seen as vital for VC's. An example is the growing trend of 'ghost kitchens' during Covid times. A VC would closely consider the previous restaurant experience of the bidding team, as well as some technology skills.



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When considering the 'opportunity', the effective matching of the internal business potential and available resources with external business opportunities, is crucial. An example here would be during Covid times, using technology to use underutilised kitchen spaces across the restaurant industry in a sharing economy model. This opportunity eradicates the high fixed assets necessary for premises, facilities, and equipment. This will also solve possible erratic cashflows that plagued restaurant industry with poor patronage at the time.

Lastly, considering 'context', all trends come and go, even pandemics. The entrepreneur will need to focus the financial strategy toward a medium and long-term period. When the business environment returns to a post-pandemic normality, the industry context obviously changes as well. The proposed business model should supersede the previous, and therefore be reinvented.