

Eight Success Elements for New Ventures*

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Abstract

Eight often-overlooked elements can mark the difference between definitive success and just "treading water" for your new venture. The concepts apply to all industries, but are especially important for those requiring a combination of technical expertise and client/customer responsiveness.

Examples

Monica was pleasantly surprised when her prospective partners liked her business plan so much that they asked if they could start immediately. It was a huge relief as well, since she had braced herself for a Shark Tank experience. Instead, the potential partners and investors were very enthusiastic.

"What did I do right?" she asked herself. "What made my plan so attractive to them?"

She had presented a plan to open two bed and breakfasts with a wedding and meeting center. Investing in such enterprises was not for the faint of heart, and the business literature landscape is littered with tales of disastrous hospitality industry attempts. However, the investors were so eager to invest, they asked her if they could open three instead of two centers.

In a separate meeting, Monica's good friend, John, was having the same positive response, although his plan was very different. He submitted a plan to purchase under-performing oil and gas wells, and then to work with two oil field chemical companies who had new surfactants and paraffin/asphaltene removers, along with new equipment for cleaning out the wells. He was shocked when the investors wanted to take the full package of 30 wells in his new company, Kickstart Chemicals.

"What made the investors so positive?" John asked himself.

Later that day, John and Monica met for coffee and to compare notes. They were both amazed that they met with so much success. Granted, they had spent a lot of time together and had planned their approach quite carefully. Plus, they knew that their proposals were sound.

"John, it takes more than just being "sound" to convince people to invest or to become partners," said Monica. "I think that our approach may be relatively unique."

"I agree, Monica," said John. "Let's take a look at what we did."

So, together, Monica and John put together a list of what their proposals had in common.

The Eight Key Elements

Proof of Concept

By the time that John and Monica put together their plans, they had already tried out the main concept in a "proof of concept" or "beta" round. "I like the lab rat approach," said Monica. Monica had planned numerous meetings, and had also purchased a small home near the beach that she customized and rented out on Air B&B. In addition, she had a few events on the beach, and had gorgeous photos on her website. She had the statistics and demographics, plus a marketing plan to show the concept could be scaled up. Plus, the area itself was an up and coming community. It was on a micro scale, but she had proof of concept.

Similarly, John could point to small wells that had been revitalized using his unique multi-pronged approach with the unique chemicals and equipment he was able to use. The only problem at this point was the low price of oil. But, the costs were quite low, and even at \$30 per barrel, the project would yield positive results.

Scalable Entry

Monica's clients were not quite convinced that two small bed and breakfasts, together with a shared meeting and wedding center, would generate enough volume during the high season to achieve their income goals. They worked the numbers and decided that they would need to have three Bed and Breakfasts, and also to provide catering, photo/web presence design, and other value-add services. Monica reviewed the suggestions and agreed, with a few mutually agreed-upon revisions.

Reasonable Deal

"All of us are taking on risk, so we need to have a partnership mindset," said John. Monica agreed. So, they agreed that their philosophy would be to structure a deal that was as reasonable as possible, while acknowledging the costs involved in operations, but also incentivizing the principals do to their best to achieve Year 1, Year 2, Year 3, etc. targets.

Flexibility

Things change quickly, and the plan that is not flexible is the plan that fails first. In John's case, he needed to be able to adopt new technology as it became available, and he also needed to be able to move away from wells that were not responding, and to sell them. Both Monica and John agreed that they needed to be able to adjust the ultimate goals -- selling out? going public? expanding? -- to respond to reality. They also needed to be willing to talk to their investors and review all new ideas.

Contingency Plans

Even the most "cookie cutter" approach can fail if there are dramatic changes to the economy, competition, supply chain, or clients. Both John and Monica included contingency plans in their business plan.

Unique Spin on an Easy-to-Understand Concept

There were a lot of moving parts in both John and Monica's plans, and there were very technically complex issues. "I love all the details, but the clients and investors do not," commented Monica. So, they made sure that they had a business concept that could be expressed in one brief sentence. "It's the nano-pitch," said John, smiling. "It works."

Transparent Financials

Not only did the financials need to be clear, they also needed to be complete. John and Monica knew that many business plans did not include certain taxes, obligations, or costs, or if they did, they lumped them into a general category of "taxes and permits" or "operating costs." John and Monica both believed in total transparency. So, they did their best to include all the details. The initial income statements were very clear, and they included appendices and notes for all relevant additional details. "I want to keep this like a 10K," said Monica. "Although this is not a public company, I want to maintain the same level of disclosure and completeness."

"Bail Out" Option

Any number of things can occur to create a crisis in a person's life, necessitating a way to keep one's interests liquid. In fact, one of the main deterrents to investing in a business is the lack of liquidity. Finding a way to keep the investment liquid (although there would be a penalty for precipitous sale) was something that both John and Monica wanted to keep in their plan. Basically, it represented a vote of confidence. If the business was as good as it was projected to be, there would be any number of individuals willing (clamoring, even), to buy an interest. So, part of the plan involved having a number of people and/or organizations willing to purchase the interest of owners who wanted to cash out.

After Initial Success, What Matters Most?

This question deserves a presentation in and of itself, but the key to ongoing success can be summed up as communication. Maintaining communication on all levels, and making sure that everyone understands each other's expectations is vital.

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Advancing the World of Petroleum Geosciences™

Success vs Treading Water

- Many companies find themselves “treading water”
- Success remains elusive
- How can you put together a team that works together instead of being distracted?



Proof of Concept

- Must be done early enough in the game to be able to adapt, make changes, be flexible



Scalable Entry

Economies of scale matter

- After proof of concept, must be able to ramp up
- Understand market
- Current market
- Future market



Reasonable Deal

- Win-Win
- Short term sacrifices
- Focus on longer term stability
- Must work in variable / changeable economic conditions
- Must accommodate customs and laws



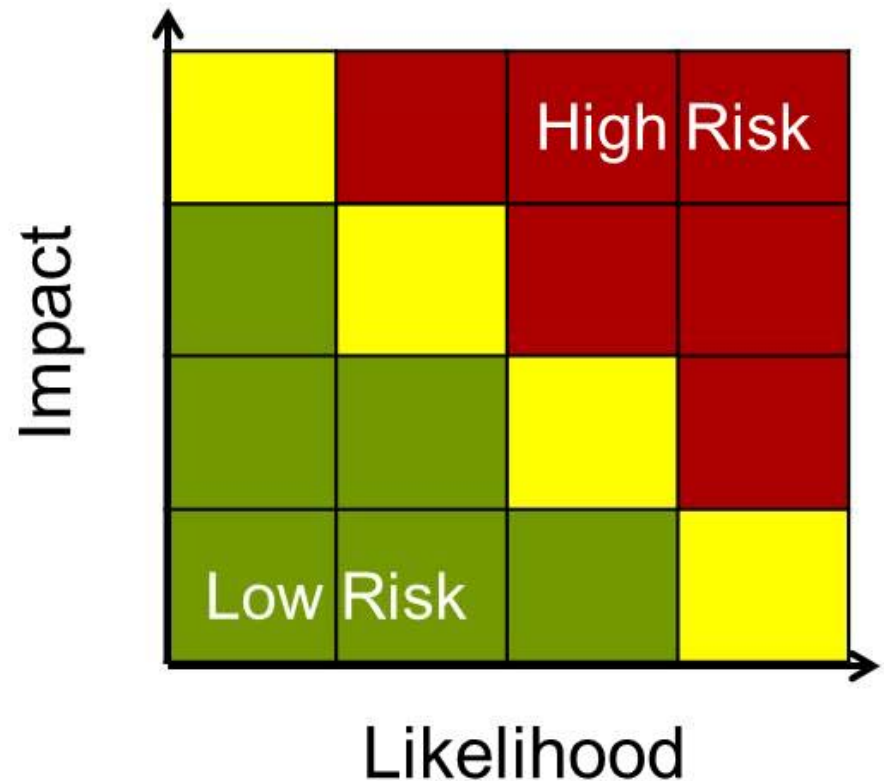
Flexible

- Technical flexibility
- Operational flexibility
- Financial flexibility



Contingency Plans

- Risk assessments
- Financial backups
- Create heat maps for risk assessments
- Response for every possible scenario

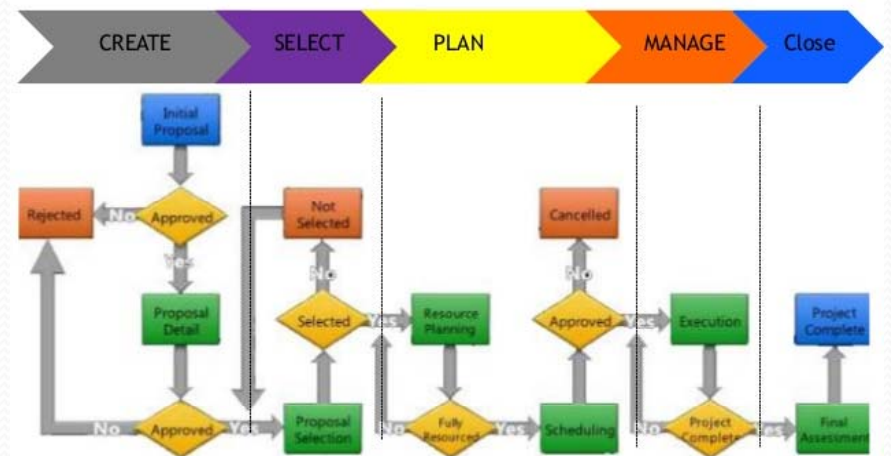


Unique Spin on Easy-to-Understand Concept

- The concept frames the mission
- Identify who and what you are
- Nano-second “pitch”
- Map out the workflow

Steps to Implement

2. Define the Workflow



Transparent Financials

- Keep the partners informed
- Timely
- Transparent
- Accurate
- Ask questions
- Respond to all questions quickly



“Bail Out” Option

- . Frame possible action plans with precipitating actions (What happened? Why?)
- . Cause – effect relationships
- . Brainstorm options

