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WHICH ARE THE DIMENSIONS IN A BUSINESS PLAN THAT MATTER THE MOST FOR FUNDERS IN IT COMPANIES OPERATING IN MEDIA INDUSTRY, AND WHY? AN EXPLORATORY ACCOUNT BASED ON A CASE STUDY

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Dissertation

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Honor Pledge

I declare that the present research proposal for my master dissertation is of my own authorship and has not been previously used in another course or curricular unit of this or any other institution. References to other authors (statements, ideas, thoughts) scrupulously respect the rules of attribution and are duly indicated in the text and the bibliographical references, in accordance with the referencing rules. I am aware that the practice of plagiarism and self-plagiarism constitute an academic offence.

Bio

Paulo Maurício Sampaio Correia, born in November 1982, in Viana do Castelo, completed his Degree in Economics in the University of Porto in 2005.

As an undergraduate economics student, he was a member of the FJC - FEP Junior Consulting and a board member of a student group. He was also an Erasmus student in Poland.

After his graduation, he started to work in two consulting companies where he worked for 10 years in areas related to internationalization, management, marketing, training, grants, innovation and research and development. After the experience in the consultancy area, he joined a technological company where he works in the financial management area.

His entrepreneurial initiatives include the creation of the www.osprofissionais.com portal and the attempt to register a patent in Portugal. When he entered MIETE, he created a company, Scootzz, which was active for 2 years, with 4 partners, also students of the same Master. It was a start-up in the electric mobility area, that built a prototype of an electric scooter and obtained several awards in entrepreneurship programmes (e.g., iUP25k of the University of Porto and semi-finalist ISCTE-IUL MIT-Portugal Venture Competition).

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Abstract

The objective of the dissertation is to identify and explain the dimensions in a Business Plan (BP) that matter the most for funders in Information Technology (IT) companies operating in the Media industry.

The research is based on a single case study of an IT Portuguese company operating in the Media industry, which has been seeking for funding sources, mainly from Venture Capital (VC) firms. Methodologically, the study was based on direct observation of funders' negotiation rounds and analysis of written documentation available in the company, with special focus on its BP including the changes the BP observed throughout the period in analysis.

We concluded that, despite the BP being an excellent tool for obtaining funding, it is above all the starting point for a fruitful negotiation. During the process of obtaining fund and, in particular, in sequence of the rounds of negotiation with potential funders, it was necessary to deepen some topics/ dimensions of the initial BP. It is noteworthy the importance given by VCs to the detail of Research and Development (R&D) activities and the importance attributed to recurrent revenues (i.e., the portion of a company's revenue that is expected to continue in the future).

The case study presented does not allow the generalization of results. It nevertheless underlines some important aspects that may be useful to high-tech companies, namely start-ups, in the Media industry, namely the relevance to include and detail R&D activities and recurrent revenues in their BP.

Keywords: Business Plan; Funding; Venture Capital; Media Industry

JEL-Codes: M13; M15

Resumo

O objetivo da dissertação é identificar e explicar quais são as dimensões mais importantes num Plano de Negócios para os financiadores das empresas de Tecnologias de Informação que operam na Indústria de media.

A investigação baseia-se num único estudo de caso de uma empresa Portuguesa de Tecnologias de Informação a operar na Indústria de media, que tem procurado financiamento, principalmente de Capital de Risco. Metodologicamente, o estudo baseou-se na observação direta do processo de negociação com os potenciais investidores e na análise da documentação disponível na empresa, com especial enfoque para o seu Plano de Negócios, incluindo as alterações que este sofreu ao longo do período em análise.

Concluímos que, apesar do Plano de Negócios ser um excelente instrumento para a obtenção de financiamento, é sobretudo o ponto de partida para uma negociação frutuosa. Durante o processo de obtenção de fundos e, em particular, na sequência das rondas de negociação com potenciais financiadores, foi necessário aprofundar alguns tópicos/ dimensões do Plano de Negócios inicial. É de salientar a importância dada pelas empresas de Capital de Risco aos pormenores associados às atividades de Investigação e Desenvolvimento (I&D) e a importância atribuída às receitas recorrentes (ou seja, a parte das receitas de uma empresa que se espera que continue no futuro).

O estudo de caso apresentado não permite a generalização dos resultados. No entanto, sublinha alguns aspetos importantes que podem ser úteis para as empresas de alta tecnologia, nomeadamente as empresas em fase de arranque, na Indústria de media, nomeadamente a relevância de incluir e detalhar as atividades de I&D e as receitas recorrentes no seu Plano de Negócios.

Palavras-chave: Plano de Negócios; Financiamento; Capital de Risco; Indústria de media

JEL-Codes: M13; M15

Index of Contents

Honor Pledge i

Bio ii

Acknowledgements iii

Abstract iv

Resumo v

Index of Tables viii

Index of Figures ix

1. Introduction 1

2. Which are the dimensions in a Business Plan that matter the most for funders in IT companies operating in Media Industry, and why? A literature review 4

2.1. Definition and main dimensions of a Business Plan (BP) 4

2.2. Is the BP useful or not? An endless debate 7

2.3. Key sub-dimensions of a BP according to funders/ investors 10

3. Methodological considerations 14

3.1. The theoretical framework and type of methodology pursued 14

3.2. The selection criteria for the case study 15

3.3. Data collection methods 15

4. Main dimensions of the BP in an IT company operating in the Media industry: The case-study of Alpha 17

4.1. Setting the context: The technological evolution in the media industry 17

4.2. Description of Alpha and its main funding sources 18

4.2.1. General characterization of Alpha 18

4.2.2. Alpha performance indicators 19

4.2.3. Main sources of financing, 2007-2021 21

4.3. Dimensions of Alpha's Business Plan, 2022-2028 22

4.4. Seeking Venture Capital (VC), 2022-2023 25
4.5. Interaction with funders. The dimensions of the BP mostly discussed 26
4.5.1. Research and development activities 27
4.5.2. The weight of recurrent revenues in the total revenues 27
5. Conclusions 29
5.1. Main results and contribution 29
5.2. Limitations and venues for future research 29
References 31

Index of Tables

Table 1: Dimensions of a BP 5

Table 2: Arguments to write a BP 9

Table 3: Key sub-dimensions of a BP according to prospective investors/ funding entities 11

Table 4: Some selected economic and financial indicators of Alpha, 2010-2021 20

Table 5: Public grants and new banking loans obtained by Alpha between 2010 and 2021 22

Table 6: Sections of Alpha's BP and dimensions of a BP 24

Index of Figures

Figure 1: Canvas Model – Conceptual representation 6

1. Introduction

Business planning is essential in the creation of new ventures and, for many, contributes to entrepreneurial success (Delmar & Shane, 2003; Wei et al., 2018). In the literature, Business Planning and Business Plan (BP) appear mostly as the same concept (Delmar & Shane, 2003; Honig & Karlsson, 2004; Chwolka & Raith, 2012) being BP the outcome of a completed planning process associated with a business. It may have, or not, a written document associated (Chwolka & Raith, 2012).

According to Honig and Karlsson (2004), a BP is a document that describes the current state and expected evolution of an organisation. In the BP a story is told: the story of a business (Bygrave & Zacharakis, 2011). Business planning is often considered a step that motivates entrepreneurs to create their start-up (Ferreira & Pinheiro, 2018) and one of the most widely considered aspects of pre-start-up planning (Honig & Karlsson, 2004; Chwolka & Raith, 2012).

Strategic planners generally follow a standard strategic planning process, which includes (Wright et al., 2019): creating mission, vision, and values; analysing the external situation (direct competition, market and trends); conducting a SWOT analysis (strengths, weaknesses, opportunities and threats); assessing the company's available resources (value chain); selecting the strategy; and determining objectives and timeline for executing the plan.

Most potential funders seek, as a first step, a BP to decide whether to invest or not (Mason & Stark, 2004; Wei et al., 2018). Besides being important in processes of obtaining funding, organisations are also mindful of the need of BP for strategic planning (Wright et al., 2019).

To receive funding, new projects often pass an initial screening phase (typically with a BP review) followed by months of due diligence[1] (Zacharakis & Meyer, 2000). Due diligence meetings give more importance to the technical issues of a start-up, consuming about 80% of the time, leaving little time for commercial due diligence, which is often explained by the profile of the investor/ auditor, who is often an engineer (Woehler & Ernst, 2023).

Although the literature has tackled the issue of the importance of BP in the process of seeking funds (Tenca et al., 2018), most of the studies have addressed BP in the contexts of

[1] A review, audit, or investigation known as "due diligence" is carried out to confirm the truth or specifics of a matter under consideration. Before engaging in a proposed transaction with another party, financial due diligence calls for a review of financial records (in https://www.investopedia.com/terms/d/duediligence.asp accessed in 17/3/2023).

the promotion of entrepreneurship education (Teixeira & Pereira, 2019), the emergence of new business ventures (Wei et al., 2018) and validating business ideas (Chwolka & Raith, 2012).[2]

Some authors have already investigated what do investors look for in a BP (e.g., Mason & Stark, 2004). However, recent literature focusing on this topic is scarce. Based on a sample of three bankers, four BAs and three VC fund managers, all from the south of England, Mason and Stark (2004) found that while bankers give more importance to the financial aspects, equity investors, as business angels and venture capital fund managers, have a different approach, emphasizing both finance and market issues. Besides being dated, this study overlooked the case of R&D and innovation intensive companies. The recent study by Honjo et al. (2022) has addressed start-ups focusing on innovative activities and concluded that this type of firms has quite distinct characteristics from less knowledge intensive firms in terms of seeking funding, being more likely to use public grants and private equity.

Despite this recent evidence on knowledge intensive start-ups, the topic of funding and relevant BP dimensions has not been studied in the context of the Media Industry.[3]

The aim of the dissertation is, therefore, to add to the empirical literature on which are the relevant dimensions of a BP for funders in the context of the Media industry. Understanding the 'how' and 'why' of the phenomena, particularly when attempting to comprehend the evolution of a single company within it setting, requires qualitative study (Yin, 2009). Case study research might employ either qualitative data, only quantitative data, or both, even though the terms qualitative and case study are sometimes used interchangeably (Yin, 2009).

The dissertation focuses on a case study of a company operating in Media industry that needed to draw up its BP and present it to potential funders. Through direct observation of the negotiations rounds with the potential funders and internal documental analysis, we identify what are the key dimensions of BP that funders expect to see included in a BP, in particular a BP from a R&D and innovation intensive company.

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[2] A search in the SCOPUS database, conducted on 19 November 2022, showed that there is more BP literature associated with the topic of education than with the topic of financing. Searching in the 'TITLE-ABS-KEY' fields for the term "business plan" together with the term "education" returns 575 results, while "business plan" searched together with "financing" returns 225 results. "business plan" searched together with the "venture capital" returns only 99 results.

[3] A search in the SCOPUS database, conducted on 18 March 2023, shows that searching in the 'TITLE-ABS-KEY' fields for "media industry" together with the term "business plan" returns only 2 results, which are not directly related to the issue explored in the present thesis.

Thus, the main research question of the present dissertations is: Which are the dimensions in a Business Plan that matter the most for funders in IT companies operating in Media industry, and why?

The dissertation is organized as follow. After this Introduction, Chapter 2 presents the literature review, discussing the usefulness and the key dimensions on BP. Then, in Chapter 3, the methodology is detailed. The fourth chapter is dedicated to the analysis of the case study and the results of the research. Then, in Chapter 5, a detailed discussion of the results and their limitations are presented.

2. Which are the dimensions in a Business Plan that matter the most for funders in IT companies operating in Media Industry, and why? A literature review

2.1. Definition and main dimensions of a Business Plan (BP)

Several studies have addressed the issue of BP's format and dimensions (e.g., Bygrave & Zacharakis, 2011, Sahlman, 1997, Teixeira & Pereira, 2019). Based on such literature, we can consider 4 dimensions of a BP (see Table 1): 'Company and product description'; 'Team'; 'Industry, customer, and competitor analysis'; and 'Financial and risk analysis'.

The 'Company and product description' gives information about the business itself. In this section, the company and the concept are described. Before moving on to more detailed analyses of the BP, it is important here to give an introductory description. It is in this section that the history of the business, the vision of the entrepreneur and the product/ service offered should be stated (Bygrave & Zacharakis, 2011). This is where the characterisation of the technology is made (Teixeira & Pereira, 2019).

In the dimension related with the 'Team', promoters' background and motivations, as well as staffing and training needs, are presented (Teixeira & Pereira, 2019). Sahlman (1997) also contends that in this section promoters should evidence their commitment and demonstrate how realistic they are about the potential for the business to succeed.

'Industry, customer, and competitor analysis' dimension refers to description of industry and market, the external context and industry performance. The potential of the company is described as well as the strategy that allows achieving that potential. That is why for Bygrave and Zacharakis (2011), in the structure of the BP, the 'Marketing plan', the 'Operations plan' and the 'Development plan' come immediately after the section 'Industry, customer, and competitor analysis'.

The 'Marketing plan' includes information about the product, price, promotion, and distribution, as well as the strategy for customer development (Teixeira & Pereira, 2019). 'Operations plan' describes how operations will add value for customers and the production cycle (Bygrave & Zacharakis, 2011). The 'Development plan' mainly refers to the timeline for the business to operate (Bygrave & Zacharakis, 2011). 'Financial and risk analysis' dimension refers to the preparation of profit and loss statements, balance sheets, cash-flows, financing structure, costs, and revenues as well as a description and analysis of the critical risks that may cause the business to fail and the impact on its economic and financial

performance (Teixeira & Pereira, 2019). Financial statements are essential in a BP and force entrepreneurs to translate their ideas into numbers (Dal Mas et al., 2021). Investments required, forecasted revenues and costs are key elements of any BP (Dal Mas et al., 2021). The 'Financial plan' is included in the financial analysis and refers to the preparation of various forward plans such as financial, income, cash flow and balance sheet statements (Bygrave & Zacharakis, 2011). The 'Financing plan', or 'offering', includes the sources and uses of funds and details how much investment is needed (Bygrave & Zacharakis, 2011).

The 5 'plans', are not explicitly mentioned by Sahlam (1997) although the author refers to at least parts of them. The author mentions the costs of marketing a product, included in the 'Marketing plan', asks when the company must buy resources such as supplies and raw materials, included in the 'Operations plan', refers to the evolution of cash flows, included in the 'Financial plan' and refers the amount of money needed to launch the new venture, included in the 'Financing plan'.

Table 1: Dimensions of a BP

Dimensions of a BP	**Bygrave & Zacharakis (2011)**	**Sahlman (1997)**	**Teixeira & Pereira (2019)**
Company and product description	☑	☑	☑
Team	☑	☑	☑
Industry, customer, and competitor analysis	☑	☑	☑
Marketing plan	☑		☑
Operations plan	☑		☑
Development plan	☑		☑
Financial and risk analysis	☑	☑	☑
Financial plan	☑		☑
Financing plan	☑		☑

Note: 'Executive Summary', 'Cover', 'Table of contents' and 'Appendices' were not considered here because they are not specific dimensions of a BP but of a well-structured document.
Source: Author's compilation.

The business model and the BP are interrelated, but they are separate things (Türko, 2016). A business model is a framework used to design and describes how a business can create and capture value however the BP provides a formal description of the start-up business model, and its content is much broader than a description of the proposed value (Klang et al., 2014).

The BP is a document that explains how a business can become profitable (detailing issues such as management costs, capital structure, cash-flow, and others) (Türko, 2016) and it is a formal description of the prospective business model of a venture or project (Doganova & Eyquem-Renault, 2009). Furthermore, the main purpose of the BP is to help entrepreneurs better understand the opportunity they are envisioning and only then help in obtaining funding (Bygrave & Zacharakis, 2011).

The Business Model Canvas (BMC) is a well-known strategic management template (see Figure 1), proposed by Alexander Osterwalder in his seminal work, that displays a visual chart with elements describing a firm's or product's value proposition, infrastructure, customers, and finances, which comprises all the key dimensions frequently considered in a BP (Keane et al., 2018). The book *Business Model Generation*, written by Alexander Osterwalder and Yves Pigneur and co-created by 470 'Business Model Canvas' practitioners from 45 countries, was published in 2010 and has become a bestseller, being since then translated into 30 languages (Türko, 2016).

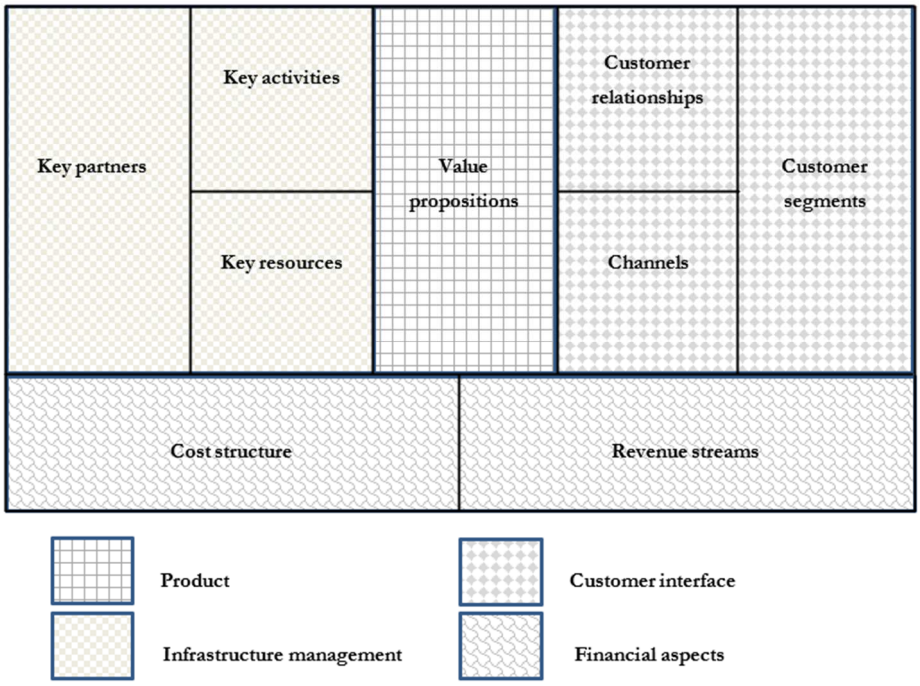


Figure 1: Canvas Model – Conceptual representation

Source: Adapted from Keane et al. (2018).

At the centre of the BMC is the Value Proposition Canvas, a tool initially introduced by Osterwalder and Pigneur (2004), which can help ensuring that a product or service is positioned at the centre of the customer needs and value.

The BMC contains nine structured elements of knowledge that represent the way of doing business (Keane et al., 2018). Investors, especially angel investors in Turkey prefer BMC as it explains the value proposition and the viability of the business through a brief summary logic (Türko, 2016). Thus, it is important to consider the nine elements of the BMC within the BP framework, in particular the value proposition element.

Comparing BP and the BMC as tools used in entrepreneurship, based on the perceptions of 79 economics and business students, Türko (2016) evidenced that Business Planning was perceived to be a superior approach. Nevertheless, and according to the author, BMC helps in understanding the business model and making the decision whether it needs to be tweaked or replaced.

2.2. Is the BP useful or not? An endless debate

The debate in the literature that questions whether the BP is useful for entrepreneurs is far from over (Teixeira & Pereira, 2019; Watson & McGowan, 2018).

The studies included in Table 2 suggest that there are several arguments that might justify the writing of a BP: 1) to contribute to emergence of new business ventures; 2) to help existing businesses; 3) to facilitate entrepreneurship education; 4) to validate business ideas and; 5) to seek funding.

It is often considered that BP plays an important role in entrepreneurial success (Wei et al., 2018). For instance, Wei et al. (2018) interviewed 601 Chinese nascent entrepreneurs in a first phase and 321 in a second phase and the results show that involvement in business planning had a positive effect on the new ventures creation. However, this is not an uncontroversial issue, especially in the research around the effects of business planning on the creation of the new ventures (Wei et al., 2018). Indeed, Honig and Karlsson (2004) who have followed 396 nascent entrepreneurs living in Sweden during a two-year period stated that apart from contributing to legitimisation with external funders, BPs were of little value to the founder in the pursuing of his/ her activities. Thus, Honig and Karlsson (2004) rejected the argument that producing a BP was positively correlated with the probability of a nascent organizations reaching profitability. They mention that well-known start-up entrepreneurs such as Steve Jobs, Bill Gates or Michael Dell did not write a BP before starting their businesses.

Some studies (e.g., Delmar & Shane, 2003) pointed that BP is a valuable activity, but it may be a more effective tool for a start-up than a mature/ established business. This is in accordance with the evidence collected by Karlsson and Honig (2009) who, analysing over 5 years, 6 companies located in a business incubator in Sweden, found that entrepreneurs who in a start-up phase wrote BPs rarely referred to their plans or never updated them in the following years.

At the level of entrepreneurial education, some authors (e.g., Tounés et al., 2014; Ferreras-Garcia et al., 2019) found that real companies and fictitious BPs have a positive influence on students' entrepreneurial competences. In contrast, Honig (2004) strongly questions the usefulness of teaching based on formal BPs. Similarly, Vincett and Farlow (2008) state that formal BPs with fictitious companies and academic exercises do not promote business creation. Despite criticism around BP, many resources continue to be expended on its promotion within educative and start-up support provision, with many universities encouraging the teaching of the BP, and some of the most prestigious ones, including Stanford, Harvard, MIT and Wharton, conducting or supporting BP competitions (Honig & Karlsson, 2004).

The writing of a BP can also be justified to validate business ideas, that is, to reduce the likelihood of failure by not allowing weak business ideas to reach the market (Chwolka & Raith, 2012). The study and development of BPs allows the entrepreneur to foster and develop entrepreneurial skills, such as idea generation, as well as management skills (Ferreras-Garcia et al., 2019). In that sense, the development of the BP force future entrepreneurs to present their business idea (Dal Mas et al., 2021). Vaznyte and Andries (2019), through an empirical analysis of 4456 German start-ups, conclude that BP forces entrepreneurs to thoroughly think about their strategy.

Most potential funders wish to have a BP as a first step in deciding whether to invest (Mason & Stark, 2004). BAs and VCs pay attention to the existence of BPs when making funding decisions (Kirsch et al., 2009; Tenca et al., 2018; Vaznyte & Andries, 2019). Wei et al. (2018) state that entrepreneurs often need a BP, which is a necessary but not sufficient condition in the process of getting investment from financial institutions and investment ventures. According to Mason and Harrison (1996), more than 75% of BAs require a BP before investing. In addition, they found a significant positive correlation between the existence of planning and raising external capital. Also, Tenca et al. (2018) states that BAs attach particular importance to the BP. In contrast, Kirsch et al. (2009) analysed 722 funding applications submitted to a US VC and studied the influence that the content and presentation form of

business planning documents have on the decision making for funding. They concluded that BPs are part of a ceremony that diverts attention from the founders and neither BPs nor their content are well perceived by VCs. These authors further argue that critical information to get VC funding is learned through alternative channels and not based on the BP. For example, the authors found that reporting prior equity funding is related to VC funding outcomes. Having studied six new ventures located in a university incubator for five years in Sweden, Karlsson and Honig (2009) found that banks have their own procedures, which do not include BP analyses, and equity providers use a one-page annual strategy document to evaluate their investment.

Table 2: Arguments to write a BP

Argument	**Relevant studies**		
Contribute to emergence of new business ventures	Yes	Delmar & Shane (2003)	In new businesses, business planning is a crucial step before taking any action.
		Teixeira & Pereira (2019)	Tools and dimensions from BP are viewed as being very helpful for professionals, especially those who have started new businesses.
		Wei et al. (2018)	The findings demonstrate that conducting business planning has a favourable impact on the formation of new ventures.
	No	Honig & Karlsson (2004)	In terms of profitability, there was no evidence to support successful business results, for those start-up firms that produced BPs during a two-year initial period.
Help existing businesses	No	Delmar & Shane (2003)	When a new company is starting out, business planning may be a more useful tool than when an existing company is being maintained.
		Karlsson & Honig (2009)	After writing their BPs, entrepreneurs either neglected to update them or rarely consulted them.
Facilitate entrepre-neurship education	Yes	Ferreras-Garcia et al. (2019)	The process of creating a BP results in high entrepreneurial skills.
		Teixeira & Pereira (2019)	BP encourage students to adopt entrepreneurial mindsets and practices.
		Tounés et al. (2014)	Two BP programmes (fictitious and real) positively influence entrepreneurial skills.
	No	Honig (2004)	Despite the omnipresence of business planning education in entrepreneurship, there is little proof that planning results in success.
		Vincett and Farlow (2008)	They have shown that it is possible to successfully develop entrepreneurship courses, by allowing students with real business ideas to be entrepreneurs. In their methodology, formal BPs were not permitted.
Validate business ideas	Yes	Chwolka & Raith (2012)	The main purpose of planning, before the market entry, is to pursue good and terminate bad business ideas.
		Dal Mas et al. (2021)	BP development facilitates the translation of tacit business ideas into different explicit knowledge concepts, facilitating the creation of start-ups.
		Ferreras-Garcia et al. (2019)	The BP is considered a highly applied and practical document, with the main objective of developing a business idea.
		Vaznyte & Andries (2019)	Writing a BP forces entrepreneurs to think carefully about their strategy.
Seek funding	Yes	Mason & Harrison (1996)	BAs place great importance on a BP and emphasize the need for the entrepreneur to have a comprehensive, realistic and investor-focused BP.
		Mason & Stark (2004)	Business owners must adjust their BPs depending on whether they are looking for investment from a bank, VC or BA.

Argument	Relevant studies		
		Tenca et al. (2018)	It has been observed that BAs prioritize the BP (i.e. the quality of the business presentation).
		Vaznyte & Andries (2019)	Writing a BP is essential for obtaining the right kind of funding.
		Wei et al. (2018)	To get support from financial institution, entrepreneurs frequently need to create a thorough BP, which is a necessary but not sufficient condition.
	No	Karlsson & Honig (2009)	While the external capital provider under the study done used a one-page strategy document to assess his investment, bankers had their own procedures to follow that did not include BP review per se.
		Kirsch et al. (2009)	Some of the content in BP and some information contained therein are weakly related to VC investment choices.

Source: Author's compilation.

2.3. Key sub-dimensions of a BP according to funders/ investors

According to the Pecking Order Theory, or Pecking Order Model, from Myers and Majluf (1984), which offers explanations for a series of characteristics of the financing behaviour of companies, there is a propensity to resort to internal sources of financing and to opt for debt instead of stock in search of external financing. It is important to note that the costs of external financing (e.g., VCs, BAs, Financial Institutions) are influenced by information asymmetry between founders and external equity providers, while internal financing is not so much subject to such information asymmetry (Vaznyte & Andries, 2019). The BP, being a document that describes the current state and expected evolution of an organisation (Honig & Karlsson, 2004), aims to reduce the information gap between entrepreneurs and the various stakeholders (e.g., funders).

BP is composed of several sub-dimensions (cf. Table 3) that may involve stakeholders that may provide funds with different investment criteria, mainly Equity Providers (Venture Capitals (VCs), Business Angels (BAs)) or Financial Institutions (Mason & Stark, 2004). Hillman and Baydoun (2020) also highlight the importance of considering VCs, BAs and banks when establishing a business.

The transmission of information about the project, transposed, for example, in BPs or executive summaries, in principle convey information that influences the financing decision (Kirsch et al., 2009).

Table 3: Key sub-dimensions of a BP according to prospective investors/ funding entities

Dimensions of a BP	Sub-dimensions of a BP	Private equity - VCs	Private equity - BAs	Financial institutions (e.g., banks)	Public Funding (e.g., grants)	Relevant studies
Company and product description	Company description	++	+++			Mason & Stark (2004), Shepherd & Zacharakis (1999)
	Product/ service; Differentia-tion	+++	+++			Mason & Stark (2004), Shepherd & Zacharakis (1999)
	Innovation and R&D	+++	++		++	Aerts & Czarnitzki (2004), Berger & Hottenrott (2021), Honjo et al. (2022)
Team	Quality of the team; Leadership capability	++	+++		++	Balcazar et al. (2014), Mason & Stark (2004), Vaznyte & Andries (2019)
Industry, customer, and competitor analysis	Market/ competition	+++	+++			Mason & Stark (2004), Shepherd & Zacharakis (1999)
	Marketing-mix and customer orientation/ benefit	++			++	Aerts & Czarnitzki (2004), Woehler & Ernst (2023)
	Environ-mental threats	++				Shepherd & Zacharakis (1999)
Financial and risk analysis	Financials	++	++	+++		Mason & Stark (2004)
	Returns/ Growth potential	+++	+++			Bygrave & Zacharakis (2011), Mason & Stark (2004), Vaznyte & Andries (2019)
	Financial risk for funders			+++		Bygrave & Zacharakis (2011), Mason & Stark (2004)
	Collaterals			+++		Bygrave & Zacharakis (2011), Honjo et al. (2022), Karlsson & Honig (2009), Mason & Stark (2004)
	Exit	+++	+++			Honjo et al. (2022)

Legend: Signal '+++' means this dimension is very important for the investors/ funding entities. '++' and '+' mean minor importance. The inexistence of a signal means even less importance since this association is not described in the literature.
Source: Author's elaboration.

Equity providers ('Private Equity')

Equity providers include VCs and BAs. VCs are professional equity investors, also called formal investors, that generally invest in companies already in business and not in nascent companies (Bygrave & Zacharakis, 2011). BAs play a key position in the risk capital market offering seed capital for inventors (Wetzel, 1983). They are usually wealthy, former entrepreneurs or professionals who invest their own money in start-ups with potential (Tenca et al., 2018). BAs are important elements in the entrepreneurial ecosystem as they bring innovation (Tenca et al., 2018).

Mason and Stark (2004) suggest that the main concerns of equity providers (VCs and BAs) are related to the characteristics of product/ services and differentiation, market fit, growth potential of the business and the potential returns. Private equity investors look for growth orientation, for human capital (Vaznyte & Andries, 2019) and expect huge returns from their sellouts through an IPO (Honjo et al., 2022). Equity financiers seek ownership rights and huge premiums instead of any guarantees for their risky investments (Vanacker & Manigart, 2010).

In general, VCs appear to view intellectual property and partnerships as ways to lessen information asymmetries and as variables that add value, highlighting the significance of these aspects for start-up valuations in the VC setting (Block et al., 2014). A basic rule of thumb for a successful VC is that out of every 10 investments made, two will have to be big successes that produce excellent financial returns and VCs only invest if there is the potential for a return of at least seven times ('7x') their investment in five years (Bygrave & Zacharakis, 2011).

Shepherd and Zacharakis (1999) concluded that VCs base their judgement mainly on the first few pages of a BP. Also, Karlsson and Honig (2009) stated that an external capital provider in their study asked a company not to update its BP, but to use a different one-page document describing past performance and current issues. Woehler and Ernst (2023) looked at 107 BPs from German start-ups which received venture capital funding based on the BP, and to German investors, and they discovered that customer orientation has positive effects on new venture performance and intensive marketing-mix planning increases the chance of survival. However, VCs decrease their start-up valuation when they read too much about operative marketing-mix planning and customer orientation (Woehler & Ernst, 2023). In general, VCs look for team and founder characteristics that offer important clues as to the quality of a start-up, knowledge of which can inform the valuation (MacMillan et al., 1985).

BAs invest in companies' early stages, before other more institutional investors. In addition, besides contributing with money, they participate in the management and give important advices to the entrepreneurs (Tenca et al., 2018). Thus, BAs tend to assume a personalised nature of their investment criteria (Mason & Stark, 2004). A BA gives importance to self-motivated founders (Tenca et al., 2018).

There are at least two significant differences in the approach of VCs and BAs (Mason & Stark, 2004): 1) When it comes to the team, BAs emphasise personal relationship issues; and 2) While VCs are exclusively oriented towards financial returns, BAs, in addition, are also

looking for fun (as reported by one of the BAs involved in the study) so it is important that the BP engages the BA on an emotional level, as they conclude.

Financial institutions (e.g., banks)

Banks look for the availability of physical capital (Vaznyte & Andries, 2019). Moreover, debt providers tend to avoid companies with risky projects as they do not get higher returns in case of borrowers' success (Vaznyte & Andries, 2019). Real estate has a positive and statistically significant effect on the use debt financing, especially from banks (Honjo et al., 2022).

Based on a sample of three bankers, three VCFMs and four BAs from England, Mason and Stark (2004) establish that the primary concern of bankers is the risk that the loan will not be repaid, so their focus in terms of BP is on the financial statements, namely margins and cash flow. A bank tends to focus more on the existence of collaterals and give less emphasis to BP (Mason & Stark, 2004; Karlsson & Honig, 2009).

In order to obtain bank loans, the importance of physical capital should be highlighted due to the availability of assets to be pledged as collateral (Honjo et al., 2022).

Public Funding (e.g., public grants)

To the best of our knowledge, extant literature on BP has not yet addressed the key dimensions of a BP that are related to increased success in obtaining public grants compared to seeking private equity and financial institutions funding. However, it is possible to find some factors not directly related to BP that may be associated with higher probability for a company to obtain public grants, namely: entrepreneurs with disabilities (Balcazar et al., 2014), companies that have previously received money from other public grants (Aschhoff, 2010), companies that promote innovation or R&D (Aschhoff, 2010) and companies with export activities (Aerts & Czarnitzki, 2004).

It is important to note that obtaining public grants often encourage subsequent VC investments (Zhao & Ziedonis, 2020). Moreover, public grants have a particularly noticeable favourable impact in smaller companies that frequently struggle with lending restrictions (Rostamkalaei & Freel, 2016; Srhoj et al., 2021).

3. Methodological considerations

3.1. The theoretical framework and type of methodology pursued

The primary purpose of this research is to identify which are the dimensions in a BP that matter the most for funders in IT companies operating in the Media industry, and why.

Research can be done using qualitative or quantitative methods. Quantitative research is used to verify or confirm theories and assumptions and can be used to do generalizations about a topic, being chosen in most natural sciences due to its capacity to hypothesise reliably and objectively (Mwita, 2022). Quantitative research uses surveys, questionnaires and systematic measurements related with numbers (Yilmaz, 2013). Qualitative research enables to gather in-depth insights on subjects that are not well understood, namely, to understand ideas, thoughts, or experiences (Yilmaz, 2013). Qualitative research seeks to study a social phenomenon (Mwita, 2022), being important when trying to answer 'how' and 'why' questions (Yin, 2009).

In general, qualitative studies use a limited number of samples, while quantitative research works with large amounts of data to obtain statistical and numerical results (Alam, 2020). Some authors contend that there is also a possibility of generalization from good case studies (Lukka & Kasanen, 1995). Additionally, Mwita (2022) underlines that the qualitative approach can provide detailed and comprehensive information, permitting the use of multiple methods of data collection, which minimize the risk of missing data.

According to Yin (2009), case studies are just one method of doing social science research. They provide for a thorough comprehension of a real-world situation (Ridder et al., 2014), allowing the gap between academics and practice to be better bridged (Massaro et al., 2018), as practitioners can better understand qualitative approaches (Dal Mas et al., 2019).

Thus, the primary benefit of this methodological approach for the aim of the current dissertation is the ability to thoroughly examine a company and its development over time in the setting of real-life experience (Yin, 2009; Hauke-Lopes et al., 2022; Rashid et al., 2019). According to Mouritsen (2006), certain managerial dilemmas call for more detailed approaches that are impractical using conventional statistical analysis.

The entrepreneurial phenomenon should be illuminated by an understanding of the decision-making processes used by VCs and the other stakeholders engaged in new venture investment (Shepherd & Zacharakis, 1999).

The assessment of the dimensions of a BP is an almost phenomenological process, which means that the researcher must investigate more in-depth participant experiences, beliefs, and feelings regarding the experience under investigation (Groenewald, 2004). In this context, choosing a case study allows us to explore and explain the evolution of a company and the process it had to go through in seeking financing (public or private). From a subjective perspective, an attempt will be made to identify the key dimensions of BP that are highlighted by funders and whether they are in line with the dimensions already identified in the literature or not. The use of case study will help to explain why it is understood that some dimensions of BP are key in the process of obtaining funding.

The case study makes it possible to comprehend how a company writes its BP and how it should adapt it to those who are going to read it, based on the knowledge of a real case.

3.2. The selection criteria for the case study

The case study followed in this dissertation targets a company for which the author of this dissertation can access privileged and relevant information, namely the company's history, the stage of growth, the process of searching for financing, the types of financing sought, and the dimensions of the BP that, in this case, were most valued and why.

This case study focuses on a company (fictitious name, 'Alpha') operating in the Media industry for more than 10 years, which develops R&D and innovation activities, and that has been going through a process of obtaining external financing since it was founded.

The in-depth analysis of the longitudinal process of seeking funding that this company has been experiencing allows for a better understanding of the phenomenon, that is, the search for venture capital financing, based on the preparation and presentation of a BP as a support tool for the investor's decision making. The purpose of preparing and presenting the BP is to provide convincing information and arguments that support the investors' decision to finance the company (Sahlman, 1997).

3.3. Data collection methods

Document analysis and either participant or non-participant observations are some of the most popular techniques for gathering data within qualitative research, using criteria such as checklists, reflexivity, member-checking, and stakeholder participation (Busetto et al., 2020).

Although not exclusively, data collection in qualitative empirical research is, in general, not presented in form of numbers (Punch, 2013).

Whereas in quantitative research data collection often involves interviews, documentary review, focus group discussion, open-ended questionnaires, and observation (Mwita, 2022), in a qualitative research data can be compiled from secondary sources, namely written documents such as books of accounts, organisational reports and other relevant written resources (Dalglish et al., 2020).

In the present research, data were primary collected through the inspect of internal documentation, direct observation of the process of gathering external funding, and direct conversations with some of Alpha's senior managers and potential funders. These sources are complementary, providing a comprehensive picture of the company's relationship with potential funders.

The study was conducted between April 2022 to March 2023. The process of obtaining financing was monitored, which involved preparing the BP and adapting it as and when there was interaction with different Portuguese and foreign VCs. Public grants were not directly analysed here due to their focus on supporting R&D, innovation, and internationalization (Bannò et al., 2013), and the fact that the amount of funding sought by the company at the present stage was deemed too high for being based on public grants. Banking loans were also not considered feasible, as banks were not willing to finance such a large amount without collateral (Karlsson & Honig, 2009; Mason & Stark, 2004), in spite of the good financial autonomy ratio of Alpha. As for BAs, they tend to invest in companies in early stages (Tenca et al., 2018) and not on the most mature phases. VCs firms have a propensity to invest large amounts of money and expertise in companies at later stages of development (Bygrave & Zacharakis, 2011). For these reasons, our analysis is focused mostly on VCs requirements in the context of funding negotiation rounds.

4. Main dimensions of the BP in an IT company operating in the Media industry: The case-study of Alpha

4.1. Setting the context: The technological evolution in the media industry

Alpha operates in the Digital Media industry and provides services and products which deliver the capture, aggregation/ post-production, and content distribution needs of users/ potential client. This business focus results from the identification of a set of opportunities that are generally related to the increasing consumption of audiovisual content (in particular, in the advertising and event markets) and to the existence of a new production paradigm, supported by cloud-based solutions.

Estimating the value of the media market linked to cloud-based solutions is difficult. Existing estimates that demonstrate the growth of digital transformation in the media industry are still scarce. Moreover, such information refers to estimates for cloud technologies in general and to media industry trends. Specifically, Gartner Inc., a technological research and consulting firm based in Stamford, Connecticut (USA), predicted that by 2023, global end-user spending on public clouds would close to $600 billion (Gartner, 2022). Furthermore, Devoncroft, a leading market intelligence provider in the media technology industry, identifies in its Big Broadcast Survey carried out in 2021 the delivery of cross-platform video content as the main trend for audiovisual and multimedia managers (Devoncroft, 2022).

The analogue transmission of a signal from a broadcasting facility to listeners' and viewers' radios and TV sets has been the standard method of media delivery since the beginning of sound broadcasting and for most of the 20th century (Chalaby & Plunkett, 2021).

In the past, there were four main characteristics of media delivery (Chalaby & Plunkett, 2021): 1) unimodal, as broadcasters dealt with a single (terrestrial) transmission path; 2) vertically integrated; 3) proprietary, operating their own infrastructure for the sole purpose of transmitting their channels; and 4) national, as they had no business outside of their own borders and European nations prohibited the transmission of foreign TV signals.

Presently, media delivery is delegated to a network of providers that work together along the value chain and externalized to the market rather than concentrating all operations at broadcasters (Chalaby & Plunkett, 2021). Migration to digital platforms will take place in this sector in a pronounced manner (Chalaby & Plunkett, 2021). For example, in the financial sector, the digital transformation was already being talked about and implemented in 2011 (Liu et al., 2011).

According to International Association of Broadcasting Manufacturers (IABM), a recognized international media association whose members account for 80% of the industry, the Broadcast and Media Technology market has represented, in 2018, an approximate value of 51 thousand million USD (IABM, 2018).

4.2. Description of Alpha and its main funding sources

4.2.1. General characterization of Alpha

Alpha is a company with 100% Portuguese capital, founded in 2007, and located in Porto metropolitan area. It is a digital media technology company that has placed innovative solutions in the professional media industry. These solutions allow users to interactively engage with their content in the most cost-effective manner by optimizing work processes related to content production.

In 2021, Alpha employed 46 workers and exported 87,9% of its production, which amounted to 2,2 MEur.[4]

Prestigious companies, including broadcasters (e.g., BBC) and corporate companies (e.g., Goldman Sachs), have relied on Alpha to migrate services to digital platforms. In this respect, Alpha has stood out in the market, allowing media companies to adopt the concepts of Industry 4.0.

Alpha has developed a vast portfolio of different innovative products that include:

- the media libraries for MXF / IMF, in which the company is market leader;
- an advanced ingest system for television stations;
- a high-density server for use in IT and media environments;
- a cluster of virtual media operations that enable digital transformation to any type of professional media production;
- the creation of virtual display technology that allows convergence between media production and dynamic content distribution.

The media industry is currently adapting to digital transformation (Costa et al., 2022) and, inevitably, migration to digital platforms is happening in this sector in a massive way during the current decade (Chalaby & Plunkett, 2021), with Alpha in a privileged position to

[4] Alpha's annual accounts.

contribute actively and very significantly. Indeed, even though the big players/ competitors are companies such American (e.g., Avid Technology) and Japanese (e.g., Sony) companies, Alpha has managed to innovate much more aggressively by bringing a solution to market that takes advantage of native systems in the cloud, which differs greatly from its many competitors who remain focused on hardware-centric strategies.

Given the increasing expansion of the digital media platforms and the improvement of content quality, the demand for the technologies that supports them also increased, which is leading to massive investments in media technologies (Chalaby & Plunkett, 2021). Furthermore, many broadcasters are working to improve their in-house capacity for content creation (Chang et al., 2022).

Alpha's business model has evolved. Between the foundation and 2015 the business model was characterized by the sale of perpetual software licenses and support and maintenance services associated with that software. Since 2016, approximately, Alpha has introduced "software as a service" (SaaS) into its offering. According to Guo and Dan (2018), SaaS has emerged as a substantial player in many software product markets, representing a significant segment of the industry.

4.2.2. Alpha performance indicators

Alpha economic performance has benefited from the combination of two phenomena: i) migration to digital media solutions; and ii) increasing the market for digital media technologies.

As shown in Table 4, between 2010 and 2021 the selected financial, size and R&D and productivity indicators show the company's positive performance and demonstrate its growth. The turnover of the company has fluctuated over the years, with a peak of 2.8 MEur in 2015 and a low of 1.2 MEur in 2010. Similarly, the EBITDA has been volatile, with a low of -0.1 MEur in 2016 and a high of 0.8 MEur in 2015, 2020 and 2021. The company has struggled with profitability in some years but has also seen some success in others. In terms of total assets, the company has steadily increased its holdings from 1.1 MEur in 2010 to 7.1 MEur in 2021. The total equity of the company has also grown, albeit with some variation, from 0.5 MEur in 2010 to 3.6 MEur in 2021.

The company's R&D expenditures have increased gradually over the years, with a significant jump from 0.1 MEur in 2010 to 1.7 MEur in 2019.

Table 4: Some selected economic and financial indicators of Alpha, 2010-2021

Indicator	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Financial indicators:												
Turnover (MEur) *	1.2	1.6	1.8	1.7	1.8	2.8	2.1	2.3	1.8	2.5	1.8	2.6
EBITDA (MEur) *	0.3	0.5	0.5	0.2	0.5	0.8	-0.1	0.2	0.3	0.3	0.8	0.8
Total Assets (MEur) *	1.1	1.6	1.9	2	2.1	2.9	3.2	2.9	3.4	4	5.7	7.1
Total Equity (MEur) *	0.5	0.7	1.3	1.1	1.5	1.8	1.6	1.2	1.3	1.5	3	3.6
Size and R&D indicators:												
R&D Expenditures (MEur) **	0.1	0.3	0.6	0.7	0.9	0.6	0.6	0.9	1.5	1.7	1.6	1.6
Number Employees *	9	13	18	25	33	37	49	44	48	44	46	46
R&D expenditures in total turnover (in %)	8%	19%	33%	41%	50%	21%	29%	39%	83%	68%	89%	62%
Collaborators with tertiary degree in total employment (in %)	89%	94%	89%	93%	85%	74%	75%	79%	81%	86%	84%	84%
Productivity indicators:												
Gross Value Added (MEur) *	0.6	0.9	1.1	1.1	1.3	2.2	1.6	2	1.9	2.5	1.7	2.6
Gross Value Added per Employee (Eur) *	66 667	69 231	61 111	44 000	39 394	59 459	32 653	45 455	39 583	56 818	36 957	56 522

Source: * Alpha's annual accounts; ** Alpha's SIFIDE approval declaration.

The company has experienced significant growth in terms of workforce size, with the number of employees ranging from 9 in 2010 to 49 in 2016. The company has been investing more heavily in research and development activities in recent years. However, the R&D expenditure as a percentage of total turnover has been quite variable, ranging from 8% in 2010 to 89% in 2020. Additionally, except for 2015 to 2017, the company has always had a percentage of employees with tertiary degree in total employment above 80%.

The gross value added (GVA) of the company has generally increased over the years, with some fluctuations. The company's peak in GVA reached 2.6 MEur in 2021. However, the GVA per employee has been quite variable, with a high of 69231 EUR in 2011 and a low of 32653 EUR in 2016.

The considerable effort put by the company in R&D activities is one of its specificities. Indeed, the weight of R&D expenditures in total turnover achieved 89% in 2020. A portion of the R&D expenditures are considered assets by Alpha. This effort translates into the existence of an internal team dedicated to planning, project management, and R&D cooperation with several external partners.

4.2.3. Main sources of financing, 2007-2021

In the beginning (2007), Alpha was exclusively financed by shareholders' capital inflows. Five years after its foundation, in 2012, the company started to resort to public grants. This corroborates Honjo et al. (2022) findings that start-up businesses focused on expansion are more likely to use public grants. Alpha first used public grants for hiring interns and later for developing R&D and internationalization projects. Between 2017 and 2021, the value of public grants represented, on average, one million euros per year, 47% of the total turnover. Only in 2016 bank loans began to be relevant.

Table 5 represents the absolute values of public grants and new banking loans obtained (current and non-current), as well as their weight in turnover for the year.

Regarding grants, there has been a steady increase over the years in the weight of public grants in turnover, rising from 3% in 2010 to 51% in 2020, the year in which this weight was the highest. In 2021, there was a decrease in this indicator to 39%.

As for banking loans, the weight of new banking loans in turnover has also increased, going from 0.3% in 2010 to 28% in 2021. It was in 2016 that there was higher relative volume of banking loans in turnover (31%).

Table 5: Public grants and new banking loans obtained by Alpha between 2010 and 2021

Year \ Indicator	Public grants (Eur)	Public grants / Turnover	Banking loans (Current and non-current) (Eur)	Banking loans (Current and non-current) / Turnover
2010	39 510	3%	3 830	0.3%
2011	89 410	6%	660	0.04%
2012	331 420	18%	0	0%
2013	485 320	28%	190	0.01%
2014	528 690	30%	410	0.02%
2015	607 890	22%	30 740	1%
2016	815 580	40%	634 830	31%
2017	926 580	40%	0	0%
2018	935 690	51%	368 050	20%
2019	1 261 440	51%	319 970	13%
2020	945 960	51%	198 530	11%
2021	988 820	39%	727 420	28%

Source: Alpha's annual accounts

4.3. Dimensions of Alpha's Business Plan, 2022-2028

The BP that Alpha has prepared to approach potential investors generally follows the typical structure of this type of document. Alpha's BP structure follows the dimensions mentioned in Table 1 of the literature review (Chapter 2), namely the dimensions proposed by Bygrave and Zacharakis (2011), Sahlman (1997) and Teixeira and Pereira (2019). The association of each section to typical BP dimensions is shown in

Table 6.

In short, Alpha's BP, in addition to an executive summary, a conclusion and the annexes, includes information about the company and product description, as well as the team. It also includes an analysis of the industry, target customers, and competitors, a comprehensive marketing strategy, an operations plan for efficient and effective business management, a development plan for continued growth and expansion, a thorough financial and risk analysis to minimize uncertainties, a well-defined financial plan for budgeting and forecasting, and a financing plan for securing funding and investment.

Table 6: Sections of Alpha's BP and dimensions of a BP

Sections' name	Dimensions of a BP *
Executive Summary	-
Alpha Presentation	Company and product description
Products and Services	Company and product description
Market	Industry, customer, and competitor analysis
R&D Activity	-
Marketing Strategy	Industry, customer, and competitor analysis
Organization and Management	Team
Business Risks	Financial and risk analysis
Implementation Plan	Industry, customer, and competitor analysis
Income and Forecast Expenses	Financial and risk analysis
Economic and Financial Analysis: NPV, IRR and Payback	Financial and risk analysis
Sensitivity Analysis	Financial and risk analysis
Conclusion	-
Annexes	-

* According with Bygrave and Zacharakis (2011), Sahlman (1997) and Teixeira and Pereira (2019) as indicated in Table 1 (Chapter 2).
Source: Author's compilation.

Alpha's BP includes information that allows the various potential funders to support and undertake their investment decision.

To obtain public grants, the BP is detailed enough for public entities to characterize the company and its business, but especially its innovative profile and internationalization potential - factors that are relevant in the evaluation criteria (Aschhoff, 2010; Aerts & Czarnitzki, 2004). The BP, as a formal document, is not usually required when applying for public grants in Portugal. However, it can be said that it is essential because it includes the characterization of the various dimensions of the company.

Regarding the possibility of obtaining financing from banks, the BP includes detailed financial information, one of the essential criteria for the banks' evaluation (Mason & Stark, 2004). Alpha's BP includes historical and forecasted income statements and balance sheets.

VCs, on the other hand, seek to understand the potential of the business (Vaznyte & Andries, 2019). They attach particular importance to the differentiation of the company and its products (Mason & Stark, 2004; Shepherd & Zacharakis, 1999) and to the R&D and innovation (Honjo et al., 2022).

It is important to note that Alpha's BP, in its initial version, already attributed particular prominence to R&D activities, although it is unusual for the more traditional BP structure to have an exclusive section in the BP for this topic. The R&D activity section of Alpha's BP emphasizes its research and development efforts. It includes information about the highly qualified innovation team, cooperation with entities of the National Scientific and

Technological System, and ongoing R&D projects. This section provides information about the company's commitment to innovation, including a characterization of its resources.

4.4. Seeking Venture Capital (VC), 2022-2023

Given the amount of investment that Alpha wanted to raise, i.e., €5 million in funding, Alpha decided that it would seek to raise this amount from VCs. It therefore ruled out the possibility of further public grants, bank financing, or business angel funding for this purpose.

In terms of public grants, for example, the support for internationalization under Portugal 2020 is limited to the hiring of 2 people (Portugal 2020 Interministerial Coordination Committee, 2015), while Alpha's BP foresees the hiring of 10 people.

Regarding the possibility of bank financing, the company had already resorted to this type of financing in the past while maintaining some level of indebtedness with the banks.

When it comes to business angels, they invest before other more institutional investors and in companies in early stages.

So, Alpha prepared a BP in early 2022 to approach VCs firms for funding. Alpha's BP proposed an investment of 5 million euros to accelerate the process of dissemination, promotion, and sale of existing and new solutions. This new growth strategy is focused on investors funding Alpha's technology become available in a dedicated MarketPlace (an internet portal where customers can use Alpha's software by paying for the service and not for a perpetual license) and also to increase the company's sales staff (hire more salespeople to promote the company's solutions).

For confidentiality reasons contacted VC's names are not revealed. Five VCs were contacted: 4 national and 1 international. While the Portuguese VCs contacted have a more polyvalent profile, that is, they integrate investments in various sectors of activity in their portfolio, the international VC contacted seeks to invest only in companies that develop software solutions.

The first contact with Portuguese VCs took place in March 2022, and the first meetings occurred in the same month. The first contact with the international VC took place August 2022.

The second meetings with almost all VCs took place between April and May 2022. The BP submission process began after the first meeting and Alpha had in some cases to resubmit a

changed BP before the summer period. With two VCs, the process moved on to the due diligence phase. The due diligence process varied in duration, in one case due diligence took place from May 2022 to July 2022 and in another from October 2022 to the first half of 2023.

4.5. Interaction with funders. The dimensions of the BP mostly discussed

From the interactions between Alpha and each one of the five VCs, based on face-to-face meetings, phone calls and emails, additional information was requested so that each VC could get to know Alpha better and support its investment decision making.

The VC with which the process lasted the longest was the one who did not request any formal BP. Non-disclosure agreement (NDA),[5] the institutional presentation and the historical accounts were requested by all VCs.

Four out the five VCs requested sales history by customer and product type, R&D information and recurring/ non-recurring sales information.

The market rationale, the current debt and main costs of the company were requested by three VCs, two of which advanced to the due diligence phase. It should be noted, however, that during the due diligence process many other pieces of information were requested, both in spectrum and in depth and detail.

The interaction that Alpha had with the various VCs allowed to perceive which issues and dimensions of the BP were most relevant. The most discussed BP dimensions relate mainly to R&D activities and the weight of recurrent revenues (i.e., the portion of a company's revenue that is expected to continue in the future) in the total revenues. From these interactions resulted, besides the discussion and dissection of the subject matter, a need to revise the BP.

[5] A non-disclosure agreement (NDA) is a contract that is enforceable under law and creates a confidential relationship. The signatory(s) agree that any sensitive information they may obtain will not be disclosed to any third parties (in https://www.investopedia.com/terms/n/nda.asp last accessed on 17/3/2023).

4.5.1. Research and development activities

VCs typically assesses BPs for their potential to generate significant returns on investment (Vaznyte & Andries, 2019). Through the interactions with VCs, it was necessary to adapt the Alpha's BP to include more information on R&D activities.

According to Feng et al. (2022), VCs (in opposition non-venture capitals) have higher acceptance of both R&D intensity and capitalization as VCs are less likely to be worried about risks and uncertainty. Given their sectors and business experience they have information advantage. VCs are less concerned about suspect R&D capitalization and R&D overinvestment.

Alpha's BP describes in detail its innovative journey, namely its ongoing R&D projects and its highly qualified human resources team. It also explains the process of identifying, planning and executing R&D activities, reports on the number of master's theses followed, and describes the relationship with Universities and Research institutes. As a result of the interactions with the funders, it was necessary to revise the BP to include even more information in this topic/ section, namely the amount of R&D expenses per year and its breakdown by type of funding. In addition to the above, it was necessary to explain in detail how much R&D expenses were considered in assets in recent years by the company.

Companies are required by International Financial Reporting Standards (IFRS) to treat development expenses as assets in specific situations, which means including them in the company's balance sheet. IAS 38 (International Accounting Standards) outlines the circumstances in which development expenses must be treated as assets (O'Connell et al, 2022; IASB, 2004).

4.5.2. The weight of recurrent revenues in the total revenues

The adaptation of software business models into Everything-as-a-Service (XaaS) has been instrumental in shifting product-based revenue models towards service-based revenue models. This approach involves offering fee-based services, resulting in recurring revenues at regular intervals for companies (Reverberi, et al., 2022).

In the case of Alpha, VCs showed interest in understanding in detail the distribution of Alpha's historical sales (at least two years prior) between recurring and non-recurring sales.

While non-recurring sales include hardware sales, software sales (licensed in perpetuity) and professional services, recurring sales include subscriptions and support and maintenance. VC's have shown to evaluate the company better in the face of more expressive recurring sales.

5. Conclusions

5.1. Main results and contribution

This study aimed to analyse which dimensions a R&D intensive company operating in the Digital Media Industry should highlight in its BP to attract the investment of potential funders, namely VCs.

The in-depth analysis of a case study (Alpha) allowed us to reach two main conclusions. First, although advisable, it is not always strictly necessary to have a formal BP. Second, there are some dimensions that, depending on the nature of the company, are not clearly foreseen in the more traditional BP structure but should be shared with funders.

In the case study analysed, 4 of the 5 VCs had as a requirement the presentation of a formal BP. The VC that did not have this requirement was precisely the VC with which the process developed the most. This VC, unlike the others, is a VC with more global/European operations, not based in Portugal, and with an investment profile exclusively focused on the software development companies.

With regard to the dimensions of the formal BP, it was evident in the interactions with the two VCs with which the negotiations were more intense, the importance attributed to R&D activities and the existence of recurring sales.

Summarising, in a BP, R&D activities are important to understand the return the company can generate in the future. In addition, it may be that the investment fund or VC particularly values investment in R&D activities because of its nature. Recurring sales, as the term itself indicates, are valued because they allow to ensure greater predictability in sales and the weight of cyclical sales.

5.2. Limitations and venues for future research

This research is not free of limitations, which nevertheless constitute interesting avenues for further research.

Since the analysis is based on a single case study and is restricted to a single organization, period, and location (Portugal), it is impossible to make general statements or generalize the results.

The BP dimensions most relevant to funders could be clarified by subsequent research carried out in a different business environments, for example, companies in the same

industry but in different states of maturity, or in different countries to ascertain if the dimensions and causes change from those found in the present study.

Complementary quantitative research could be implemented to assess which dimensions of a BP are most relevant for each type of funders, and which dimensions were most associated with success in obtaining funding. It could be done, for example, using questionnaires and/ or as part of a PhD thesis.

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