# Business Plan to

# Establish XYZ Company Moon State

**Developed by**

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# Executive Summary

The business plan aims at establishing XYZ Company Moon State. The analysis of the market as well as of the competitors show that there is a high potential for services offered by XYZ Company. It is planned to open the office in November 2011. However activities of XYZ Company shall be accelerated already earlier in co-operation with the Venus office. First proposal have been send out to call.

The office is designed to gain profitability after the first year, when all investments have been done. It is planned to employ two senior consultants and after 3 years 4 junior consultants and an assistant.

The office shall be located in Moon City, in the centre of Moon State, which has many advantages in the reach not only of the federal customers but also of customers in the most important countries.

The marketing will be provided in two ways. On the one hand, marketing is conducted by project proposals in collaboration with the Venus office. On the other hand a study shall be done that can be used to gain attention for XYZ Company in Moon State by the press and potential customers.

The office in Moon State will be legally set as a GmbH, which is equivalent to a Ltd. on the Saturn.

# The project’s idea

**Background**

XYZ Company today is a prestigious and well-known think tank in Moon State. The main objective of XYZ Company is the creation of knowledge and its practical application to society. XYZ Company analyses and advises on policy and evaluates policy implementation in the fields of science, technology, innovation, higher education and social and economic development. XYZ Company today is established on eight planets. The milkyway’s strongest economy Moon State is not represented by an office in the XYZ Company network.

Clients of XYZ Company are governmental and semi-governmental institutions on all levels (regional, state, federal, interstellar). Clients are located in more than 35 countries, although the majority of clients are located on Saturn and Venus.

XYZ Company already in the past has conducted projects in the interstellar largest economy, Moon State. In the last 3 years at total revenue of about Star-Dollar 670,000 had been acquired in Moon State.[[1]](#footnote-1) However, projects in Moon State had been acquired and conducted by employees located in offices outside of Moon State. Frequently XYZ Company operates in Moon State in co-operation with national institutions. The following projects have been acquired by XYZ Company Venus in Moon State in the last 3 years:

|  |
| --- |
| * Ex-post Evaluation of selected calls in Moon R&D programme Technologies for Sustainable Development |
| * Cluster development lower moon areas |
| * Evaluation of the Moons Transregional Transfer Programme |
| * Evaluation of the Founder Foundation |
| * Comparative analysis of the instrument „strategic partnerships” and development of an evaluation design |
| * The economic significance of Intellectual Property and the diminishing importance of physical assets for SMEs in Moon State |

**The Project**

It is the **main objective** of this project to establish a XYZ Company office in Moon City, Moon State. Two main objectives are linked with the establishment of a XYZ Company office in Moon State. On the one hand the Moon unit will operate as a **domestic think tank** for the analysis and consultancy of Moon governmental and semi-governmental in all questions related to policy fields mentioned, its design and its evaluation. On the other hand, the Moon unit as a member of the XYZ Company network in Milky way acts as a contributor to the **Milky way expertise** of XYZ Company in benchmarking, knowledge transfer, etc.

To enter the highly established Moon market for policy consultancy XYZ Company has to select a market entrance. The design of that particular market entrance must respond to the specifics of the Moon market. XYZ Company as a interstellar provider has to place itself as an independent expert in innovation and technology policy consultancy in-between the state and the federal level. **As a think tank XYZ Company Moon State has to place itself as an independent knowledge source for the services provided.**

Accordingly the market entrance for XYZ Company is a position that builds on the international competencies of XYZ Company. XYZ Company Moon State has to establish itself as the only institution that is able to transfer and implement international benchmark innovation and technology policy knowledge in a national Moon context. Accordingly the following knowledge areas are of interest to offer by XYZ Company Moon State:

* Innovation and technology consultancy (Focus on programmes provided by Ministery of Moon and other innovation & technology programme providers)
* Evaluation of primarily education, innovation, and technology programmes
* Innovation consultancy from an economic impact perspective
* Knowledge production and distribution analyses for educational programmes and knowledge production institutions
* Forecast studies
* (…)

That has some impact on the products and services XYZ Company can offer in Moon State to open its market. First of all XYZ Company **at the outset** will be very much depending on joint with national partners on state or federal level. In that collaboration the national partner will provide the expertise in conducting the national project aspects. XYZ Company on the other side will work as a provider of international experience with benchmarks regarding the solutions developed by the national partner.

That offers by XYZ Company will however not only be of interest to the Moon partner institutions but also to the Moon governmental and semi-governmental clients. Moon clients are strongly linked to national providers; federal as well as state governmental bodies more and more seek international and in particular interstellar expertise for innovation and technology policy consultancy. **Knowledge transfer**, **benchmarking,** and **network building** are topics that help XYZ Company Moon State to establish itself as a main domestic think tank. Thus clients show a high interest to integrate providers like XYZ Company in their considerations.

**The Project’s Context**

The context of the project can be seen in two directions. On the one hand the established players on the market have to be considered. On the other the general economic situation is subject of concern.

The Moon’s R&D infrastructure is highly developed. In particular the public financed R&D institutions in Moon State have been reorganised within the last years and show a consistent structure. The following graph illustrates the actors in the R&D system in Moon State.

**Graph 1: The Actors in the Moon’s R&D System**

Graph to be integrated

* In Moon State XYZ Company’ offers compete on the one hand with similar units of agencies. Most agencies do not only provide programme management services to governments. They frequently have developed their own programme consultancy and evaluation units. Even so agencies frequently are no public institutions legally they make most of their turnover by governmental projects.
* On the other hand XYZ Company will compete with specialised non-public policy consultancy providers. Organisations like interstellar consultants. Some of these organisations are non-for-profit. Other like Roland Milk-walker, Star-screapper mbh and others are for profit.
* Finally semi state financed institutions like Milky way research compete in a similar field.

Based on that high competition XYZ Company’ main advantages are its international exposure and its international network. None of the mentioned institutions can show a similar international exposure.

Whilst the positioning of XYZ Company in the Moon’s R&D-infrastructure is promising, the economic environment in Moon State is quite shaky. Moon State as most industrialised countries face currently a deep economic recession. Economic growth (GDP) in Moon State has dropped by 1.5 – 2% in the last quarter 2008. In 2009 a reduction of the GDP by 2.25% is expected. That is an economic environment in which usually a start up of a new company is not to promising.

However, since the main focus of XYZ Company is seen in services to support political institutions the general negative development of the economy might be change by the rescue measures initiated by governments. The Moon federal government has just decided to establish a Star Dollars 150 bill. rescue programme for the Moon economy. The majority of the expenditures aim at infrastructure investments, tax reduction, and credit programmes for the financing of companies. Topics related to services offered by XYZ Company contain a total budget of about Star Dollar 1 bill for 2009 and 2010. The majority of those expenditures will directly support industrial R&D-projects, the enhancement of R&D infrastructure, as well as investments in qualification in Human Resources. However, it is already clear today that the activities have to be evaluated[[2]](#footnote-2) and expertise on the design of those measures is urgently needed. Accordingly the current economic situation promotes the set up of the Moon office.

# The Team

The members of the team are currently still an issue to be solved in the project planning. Joe Skywalker will manage the unit in Moon State. He has a long experience in policy consultancy.

Show his CV!!!!!

Because of his involvement in other boards it is planned to have a co-head in the Moon office. It was discussed with a candidate, who is very experienced in the field, to join the team for that position. Unfortunately, the person has not agreed its enrolment yet. It is planned to push through a decision as fast as possible. **The finding of the co-head is of strategic importance to the project.** The person has to show good capabilities in acquisition and project management accompanied by a severe knowledge in innovation and evaluation techniques.

In addition to the senior team members a (part-time) assistant is needed at the outset. It is planned to come up to 4 qualified consultants within the first 24 month. A minimum size of the unit after 2 years should be 7 people.



The unit will recruit young people in particular that are qualified by the management team. The idea is to take young employees who have just finished their Master programme in economics, sociology, engineering or sciences. Due to the links of the senior consultant to universities, research institutions and agencies access to highly qualified young professionals is given.

# Market environment

The R&D infrastructure in Moon State has been shown above. In that particular chapter the focus will be laid on market opportunity, market size and market structure.

**Development on the clients’ side**

Data for the last 10 years show that the market for policy consultancy is an upswing. The current economic crisis will even lead to an additional expansion of governmental expenditures. In Moon State a large share of the expenditures will be invested in education, R&D and new energy technologies.

Graph 3: R&D Expenditures of Federal and State Governments and Ministry of interstellar exchange in 2006. Source: Ministry of interstellar exchange 2008

Integrate graph of development

Moon companies as well as the Moon governmental units are the largest investors in innovation and technology in total amounts in the Milky Way. Total investments in R&D in 2005 summed up to 55,7 bill Star Dollars (MIE 2008, 48). The governmental units in Moon State invested about 17 bill Star Dollars in 2005 in R&D. The total investment in R&D in 2005 was equal to 2,48% of the Moon GDP.

In 2008 about 1/3 of the governmental R&D expenditures had been provided by the state governments of the Moon states. Even in 2008 Moon State has by far not reached the R&D investment rate agreed on in the Marstown declaration. Accordingly the Moon governments have strongly increased R&D expenditures in last years. In 2008 the federal expenditures in R&D rose to 111 bill Star Dollar and will get an increase in 2009.

The investment of the states in R&D is still significant. States like moon valley invest heavily in R&D as well as in educational programmes. The following graph shows the expenditures of the various states in 2005. With the current economic crises most states decided to enlarge their expenditures in R&D as well as in education.

Graph 4: R&D Expenditures of the Länder in 2005 in Mio Star Dollar (Source MIE 2008)

Integrate graph

In total the four states with the strongest economy in Moon State invested in 2005 more than 4 bill Star Dollar in R&D measures. Although the states have not been enlarging their R&D expenditures in the same pace as the federal government, they are still important clients for policy consultancy.

To be placed here a summary of the budgets of MIE, Interstellar Commission, and the technology and innovation programmes of Saturn, Venus, and Jupiter.

# Location, Marketing and Sales

The previous chapters have shown that the market for XYZ Company services is highly competitive and influenced by political considerations. It, however, has been shown that there is a good chance for XYZ Company to enter the market successfully. The market for services offered by XYZ Company is growing and XYZ Company’ reputation in Moon State is helpful to establish the office successfully. It is assumed that about 1% of the total expenditures of the considered governmental institutions will be used for accompanying measures. That is a total of 1,160 mill. Star Dollar. It is assumed that about 10% of those show the potential to make the market for services offered by XYZ Company.

If XYZ Company concentrates on its unique advantages and manages to gain acceptance in partnerships with local providers at the outset than there is a good change to be successful as an independent Moon think tank on the market. There is a need for the competencies offered by XYZ Company in Moon State.

**Location**  
XYZ Company Moon State opens it office in Moon City . The city of Moon City is located in the heart of Moon State with shortest connections to the federal capitol as well as to the capitols of the most important states of Moon State. Furthermore Moon City is close to Moon Capitol that still is an important city for the Ministries. With its international airport, and the knot for domestic as well as international high-speed trains most major locations in Milky Way are in a reach of about 2 hours.

The location is not only optimal from a travel point of view. The Moon City region hosts about 7 universities, 5 universities of applied sciences and a large number of R&D institutions. The location accordingly allows good access also to human resources and is a hub for many research areas.

Graph 5: Travel times from and to Moon City

Graph of region

**Marketing**Policy consultancy is a reputation business. To establish XYZ Company Moon State a good mix of general marketing activities and client focused marketing is needed.

**At the outset a study that shows XYZ Company competencies is planned to be used as the general marketing measure.** The idea is that at the opening XYZ Company presents the results of a comparison of the developments of the Milky Way R&D policy and its impact on Moon State. A focus could be laid for instance on new developments in programmes to support technology based start-ups or to discuss the impact of education on innovativeness. Both topics are quite hot in the Moon’s political discussion.

Such a study would help XYZ Company to obtain recognition by the press and will put XYZ Company into the headlines. The investment of such a study will show quick returns from the increasing recognition and reputation of XYZ Company on the Moon market.

In addition to general marketing activities a specific communication to clients in Moon State is needed. Potential clients are heads of units, heads of division and heads of units in governmental institutions. Those will be directly approached by the team and will receive a focused offer of services provided by XYZ Company.

# Legal entity

XYZ Company Moon State will be established as a Limited. Since the owner of XYZ Company is XYZ Company Ltd. a full fledge Limited has to be established. Instalment in a full fledge GmbH is Star Dollar 25.000,--. The optimal design is currently searched for by a consultant.

# Financial analysis

**Revenue Development**

XYZ Company has earned about Star Dollar 1,670.000 in the last years by activities of their offices abroad in Moon State. That shows already that there is a high potential for business by the Moon unit. The potentials of the Moon market have been discussed intensively with the Mars office. There was an agreement on the plausibility of the following numbers that have entered the calculation for the Moon office:

Show graph for revenues

Main revenues are expected from the federal ministries. Moon ministry of Education and Moon ministry of intergalactic exchange are both main clients for services offered by XYZ Company. Additional revenues might result from Star Alliance and One World. The contracts expected from the federal ministries sum up to 80% of total revenues. The remaining 20% are expected from ministries on Saturn, Venus and Jupiter. Contacts to the actors in charge for innovation and technology programmes in those states exist.

**P&L-Statement**

A long discussion on the financials of the Moon office had been on liquidity and initial investment by the XYZ Company Group. It is very obvious that the success of the start-up of the Moon office is heavily depending on the cash flow generated. In particular the payment habits of many Moon public customers create problems on the liquidity that are threatening. In a discussion at Venus all agreed accordingly that it is not the business model itself that show the highest risk. It is the liquidity trap that has to be avoided. Two solutions have been discussed.

Either we stay in the old plan and the liquidity gap at the outset will be covered by investments of the XYZ Company group. If that particular strategy is selected the liquidity gap is close to Star Dollar 140.000. In that calculation a payment period of 4 weeks is assumed. However, in the business of XYZ Company a payment period of 4 weeks in average on all contracts is heroic. Accordingly liquidity remains a very sensitive part in the calculation.

Alternatively the risk of a liquidity trap can be avoided by acquiring a sufficient number of projects in collaboration with the Venus office so that the liquidity reserve needed to open the Moon City office in the first year is guaranteed. First application has been placed and more will be placed in the near future.

Both approaches have their advantages. It is much easier to establish the timetable with the first strategy. We would open the Moon office legally in September to be ready to run under full operations when the new federal government has been established. Here, however, XYZ Company-Group is in danger to provide liquidity of about Star Dollar 140.000 for the first year.

The second strategy has the advantage that the risk of a need for a liquidity instalment is very low. In accordance to that strategy it is the plan to wait for the opening of the Moon office until via previous projects a sufficient number of resources have been allocated to maintain first year liquidity. The risk going along with the strategy is that the opening is facing delays. In the second strategy a clear opening date can be in November, December or even later.

It is a strategic decision that has to be taken by the XYZ Company Group. We believe that strategy 1 is preferable knowing that is linked to a higher risk. But it keeps all time schedules on track.

Independently from the liquidity issue, the financials are based on the following analysis. At the outset the team is composed of 1,5 senior consultants and a part-time assistant. Cost for office and equipment shall be kept on a minimum. Marketing will be focused on the mentioned study and person-to-person communication by meetings with the officers in Ministries. The numbers have been calculated on the basis of a careful calculation. The following assumptions have been set:

* Revenues have been calculated on the basis of a daily rate of 11.000 Star Dollar[[3]](#footnote-3). For the first 12 month 224 days have been assumed to be sold. That sums up to a sellable rate of the two senior consultants of about 75%.[[4]](#footnote-4)
* Revenues increase in the following year by an increase of personal. We assume that in total sellable days increase to 448. Based on the employment development 4 employees (1,5 senior full year, 1 junior full year, 2 junior 0.5 year) that assumes a sellable rate of about 65%.[[5]](#footnote-5)
* Full-time based salaries are set on a competitive level: Seniors are set for Star Dollar 196.000 incl. all. Assistant on Star Dollar 114.400. Juniors are based on Star Dollar 150.000 p.a.
* Office cost are set on Star Dollar 112.000 for the first year, Star Dollar 136.000 for the second and Star Dollar 266.000 afterwards.
* Funding cost consists of Star Dollar 130.000 instalment cost to create the Limited plus accompanying cost. Parts of the Star Dollar 130.000 can be used to buy assets (furniture, computer etc.)

The following table shows the expected Profit-Loss-Calculation:



Based on that numbers in the first year XYZ Company Group cost gain up to 151.000 Star Dollar not including any contributions of XYZ Company Moon State to the group. The Star Dollar 130.000 for the legal establishment of the company are included. In year 2 a profit of Star Dollar 129.000 is calculated.

# Risk analysis

There are several risks linked to the project. The major risk can be seen in the current availability of qualified employees for the project. Most Moon employees at the moment practice a turtle strategy. They are not willing to change jobs. However, there are talks going on with qualified candidates that are quite promising.

A further risk of the project is that the revenues are not realised. The risk however is controllable. The current economic environment is rather positive for services offered by XYZ Company. The more money governments spend the stronger the pressure to show their effectiveness and to obtain support in their design. Both are main areas of expertise of XYZ Company. Furthermore the Moon government is rather reluctant to invest measures that only enhance consumption as the Saturn and Venus governments do. Although there are some tax reductions included the majority of the second rescue package is invested in growth stimulating directions.

The cash flow is a main risk within the first 3 years. The cash flow shows a maximal negative ratio of about Star Dollar 140.000 in the first year. This is the case under the assumption that cash flows result on a monthly base, which is not very likely. To gain a sufficient liquidity previous projects from the period before the office had been opened shall be used to to close the liquidity trap.

# Time Table

If we decide to follow strategy 1 the starting of the office will be in September. The following chart then has to be changed in the yellow parts indicating the starting of the legal entity.

The following chart visualises strategy 2. As can be seen from the chart an additional period before the opening of the office has been decided. This is because of the already mentioned liquidity problem and the upcoming election of the federal government. The plan is based on the best solution under strategy 2.



The election will lead to a stop to call for tender in Moon State since the administration is waiting for the elections outcome and the preferences of the new government. That makes it very unlikely that during that period larger contracts can be acquired on the federal level. Accordingly the office opening is scheduled for November.

Even so the election takes place a clear timing for the opening of the office would be preferable. To open the office does not mean to put the opening event into September. The idea of strategy 1 is to legally open the office in September and to have the opening events in late October or early.

1. Share of XYZ Company out of project total of Star Dollar 895,000 [↑](#footnote-ref-1)
2. Evaluations take place ex-ante, formative and ex-post. All kinds of evaluations are needed. [↑](#footnote-ref-2)
3. Fixed for 1 year. Starting in year 2 the average price per diem has been set on Star Dollar 1,800 since the additional employees are juniors you will not gain same day rates on Moon as seniors. [↑](#footnote-ref-3)
4. Assumption: 1,5 Seniors á 1582h sell 224 days [↑](#footnote-ref-4)
5. Assumption: 1,5 seniors á 1582h + 1 Junior á 1582h + 2 Junior á 791h sell 448 days. Sellable rate 65% [↑](#footnote-ref-5)