

Central Asian Technology  
Entrepreneurship Program

CRDF Global

# Elements of Business Planning

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# Tech Commercialization Process

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- ◉ Commercial Potential
  - Assess
  - Protect (patent)
- ◉ Business Development
  - SWAT Analysis
  - **Business Model**
  - Business Plan
- ◉ Value Established
  - License/Start-up

# The Business Model

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“A business model describes the rationale of how an organization creates, delivers, and captures value”

# Business Development: 5 Things You Do Not Know

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*1. No business plan survives the first customer contact:*

Sticking to a planning document works for a known future, not for a start-up context.  
Plans fail in start-ups

You need a business model!

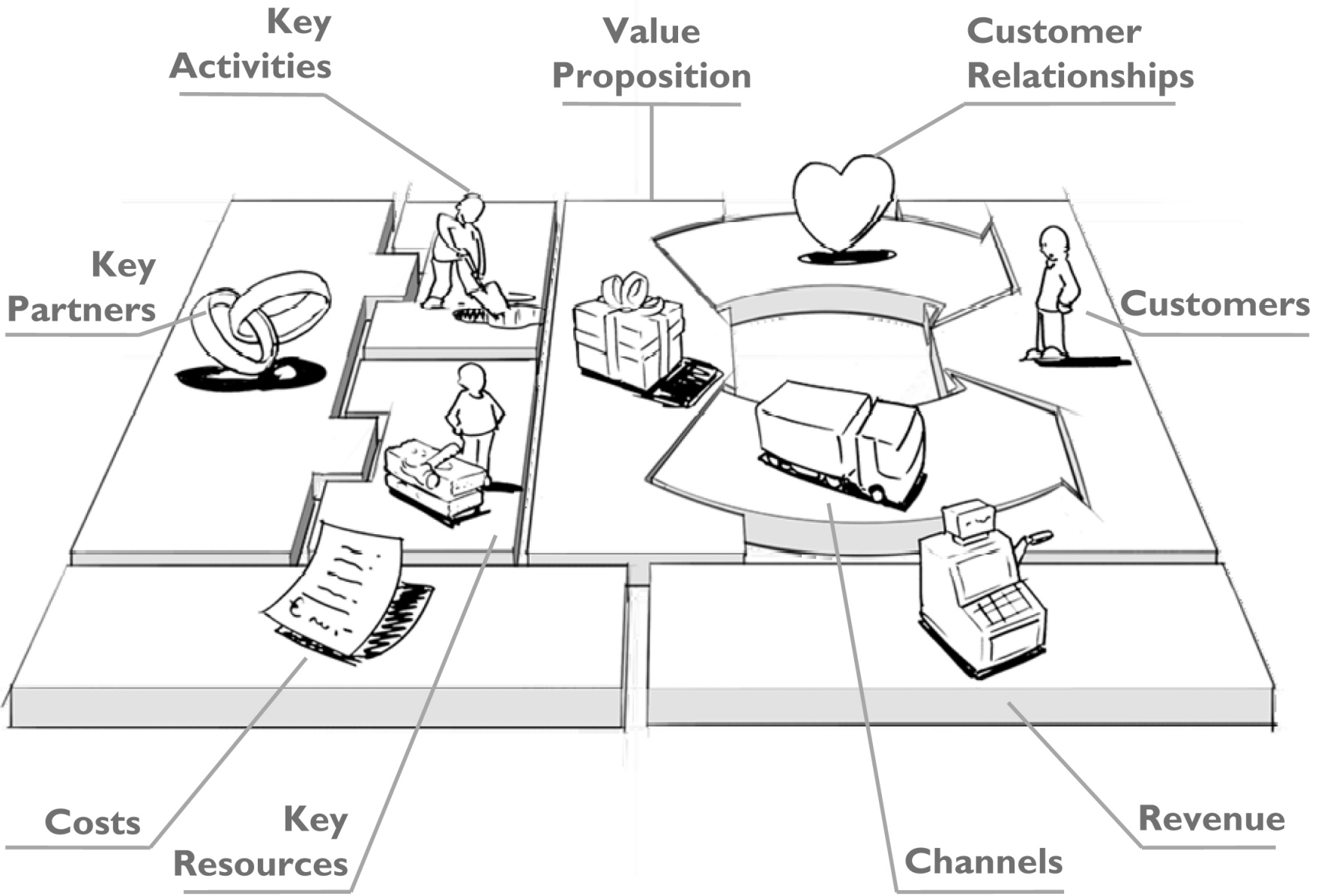
# Business Development: 5 Things You Do Not Know

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## *2. It's the Business Model:*

Your plan was to build a company, but did your plan include a Business Model?

The Business Model includes 9 building blocks



drawings by JAM

# Customer Segments

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- which customers and users are you serving?
- which jobs do they really want to get done?

# Value Proposition

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- ⦿ what are you offering them?
- ⦿ what is that getting done for them?
- ⦿ do they care?



# Channels

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- ⦿ how does each customer segment want to be reached?
- ⦿ through which interaction points?

# Customer Relations

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- what relationships are you establishing with each segment?
- personal? automated? acquisitive? retentive?

# Revenue Streams

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- what are customers really willing to pay for? how?
- are you generating transactional or recurring revenues?

# Key Resources

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- which resources underpin your b.model?
- which assets are essential?

# Key Activities

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- which activities do you need to perform well in your b.model?
- what is crucial?

# Key Partners

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- which partners and suppliers leverage your model?
- who do you need to rely on?

# Cost Structure

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- ① what is the resulting cost structure?
- ① which key elements drive your costs?

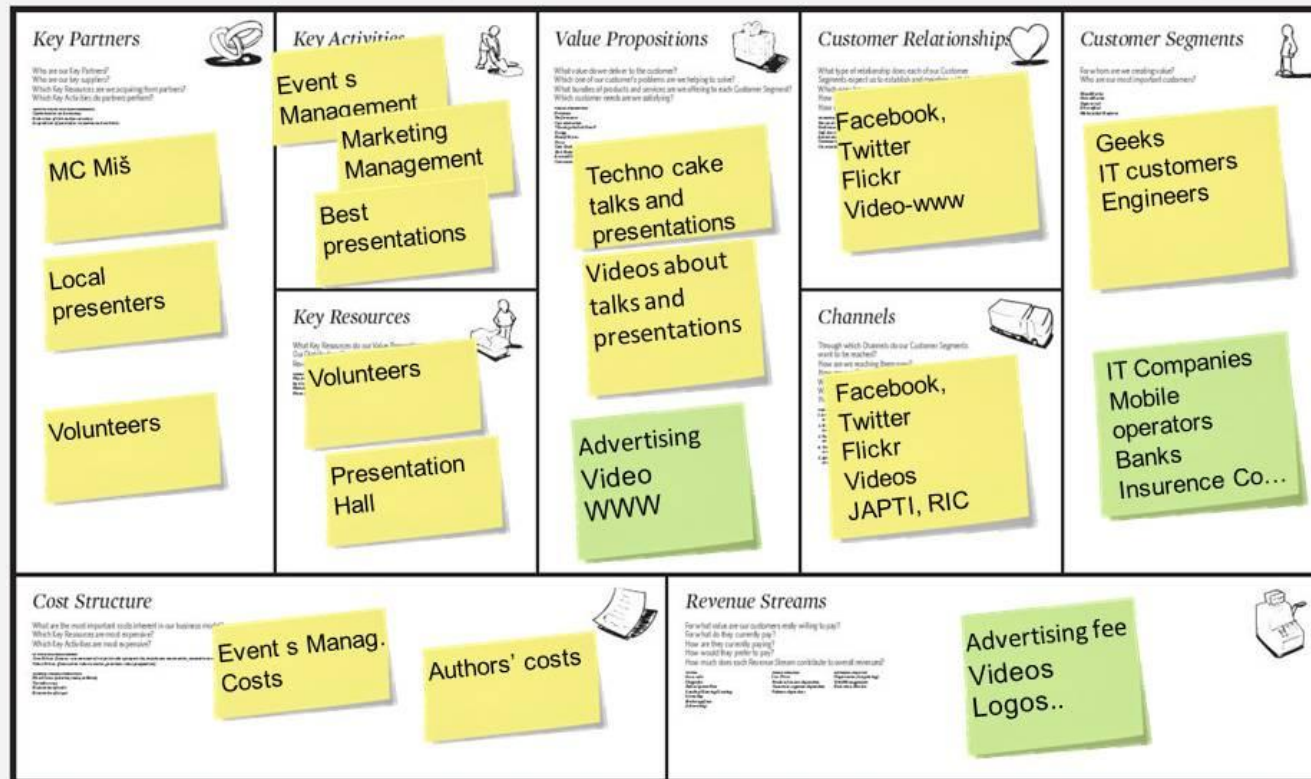
# Sketch out your business model

## The Business Model Canvas

Designed for: Techno Cake

Designed by: Danilo Tič

On: 1.2.2011  
Version: 01





# Business Development: 5 Things You Do Not Know

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*3. Take time to think through alternative possibilities:*

the same technology, product, or service  
can have numerous business models

Ask yourself difficult questions:

??????????

- Product vs. service
- Direct sales vs. indirect sales
- Capital expenditures vs. partnerships
- Paid vs. free
- Tailor-made vs. mass production
- Scale vs. scope
- Niche market vs. mass market
- Copyright vs. copyleft

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- Only make a first choice after prototyping and thinking through several models

# Business Development: 5 Things You Do Not Know

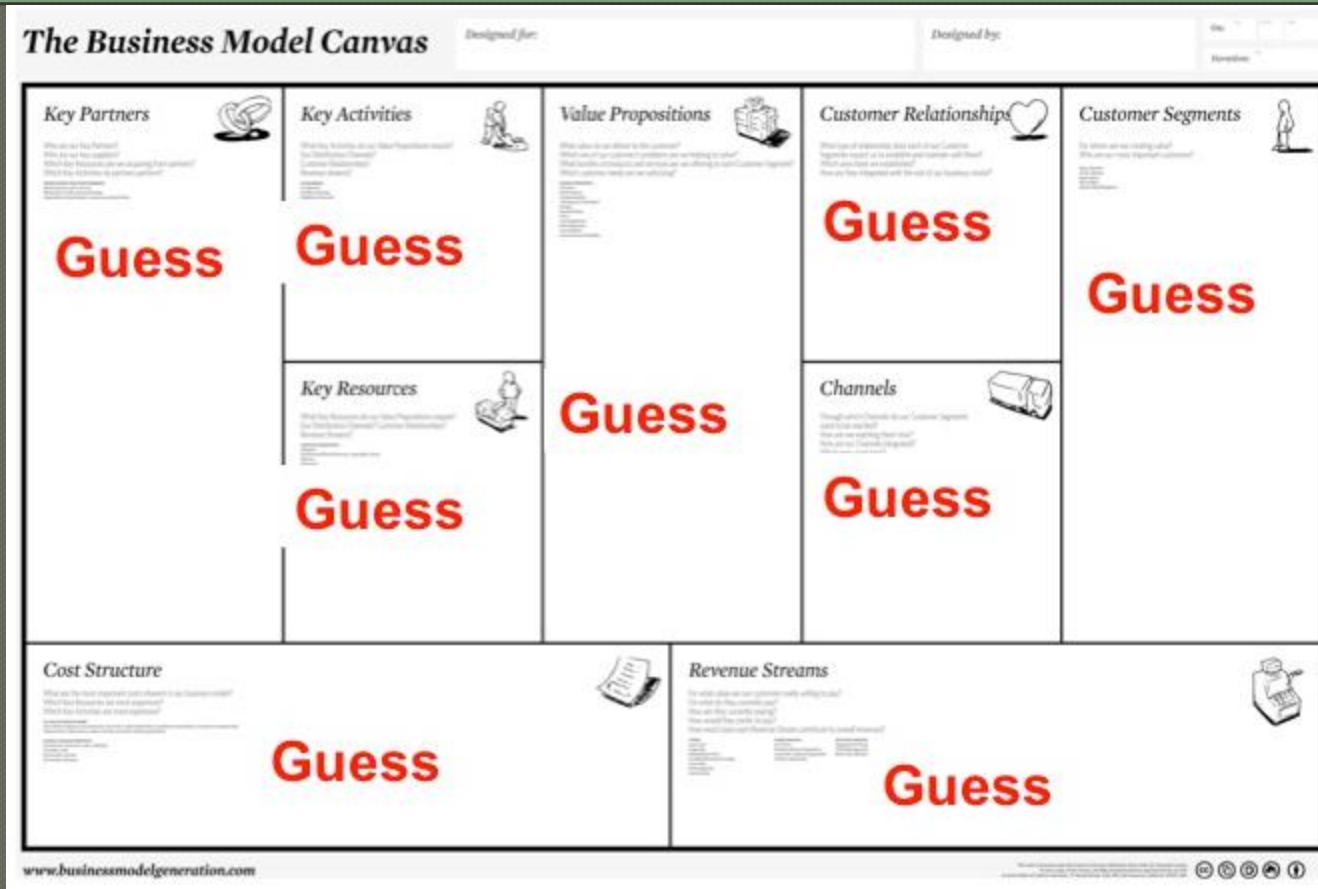
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4. Your Business Model idea is just a set of hypotheses:

your business model might look great on paper.....

.....but that is just set of hypotheses  
SO! Get out of the building and test each hypothesis with customers!

# Because.....



You have only guesses.....

# Business Development: 5 Things You Do Not Know

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5. Don't build your company, until you've verified your Business Model:

Or you'll risk to fail.

Execution is NOT search.

Execution FOLLOWS search.

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# Business Planning

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- A method for
  - Determining if the opportunity exists
  - Charting a course for realizing your objectives - 5 years
  - Determining the financial benefit and value-added for those involved
  - Transforming management team
- The results are packaged as a business plan
  - A business plan is only as good as the research that precedes it
  - A business plan has internal and external value
  - A business plan is a communication tool - you need to clarify the audience

# Business Plan: Company and Market

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- **Mission Statement**
  - Company's business (should fit on a business card)
- **Vision**
  - Your strategy and philosophy
- **The Company**
  - Basic facts (year established, # of employees, location, major milestones, ...)
- **Team**
  - Background of management and founding team
  - Board composition
- **Market**
  - What problem is the company going to solve
  - Trends, historic and projected Market size
  - Product match to market needs and shifts



# Sample Mission Statement

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“Soarrell Medical Systems develops, produces, markets, and supports proprietary, patient-oriented software, biometric smart cards and readers which interface with computerized patient record (CPR) systems. We offer outstanding customer support and share the financial risk with medical practitioners. We are dedicated to making it easier for physicians in private practice to spend more time providing quality care.”

# Elements of Vision

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## ◎ 5-years out

- Financial goals - revenue goals, profit margin goals
- Market goals - customers served, market niche, geographic region, market share
- Products and services
- Image- How will you be perceived by customers, competitors, employees, community

# Business Philosophy

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- ⦿ I don't want to give to control
- ⦿ I want to try it all
- ⦿ I want to enjoy myself
- ⦿ I don't care who gets rich

# Business Plan: Product and Competitors

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- **Product and Technology**
  - Product description
  - Development schedule
  - Differentiation
  - Price point
- **Market Strategy**
  - Sales channels
  - Partnerships
  - Customers
- **Competition**
  - Competitors and positioning
- **Barriers of Entry**
  - How does the company intends to keep its advantage over the competition

# Competitors

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## ◉ Positioning to

- Take advantage of a window of opportunity
- Broaden a customer base
- Expand services

# Market Strategy: Sample - Licensing

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- Vision: Life-style company
- Philosophy: Do what I enjoy
- Financing methods
  - Start-up
  - Sweet equity
  - Concept development
  - SBIR
  - Intellectual property
  - Retained earnings
  - Application development
  - Licensee
  - Production

# Business Plan: the Financial Plan

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- ROI
  - Cost of acquisition
  - ARPU
  - Cost of support / renewal
- Projected cash flow
  - Product Pricing strategy
  - Current balance sheet
  - Projected head count by functional area
- Historic and projected P&L
  - Optimistic
  - Pessimistic
- The Deal
  - Cap table
  - Amounts raised before and now
  - Valuation asked

# Questions?

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# Materials Used

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- ◉ BusinessModelGeneration.com:  
AlexOsterwalder.com@business\_design
- ◉ StevenBlank.com/books.html
- ◉ SteveBlank.com@sgblank
- ◉ Alan Smith @thinksmith
- ◉ DANBREAKER