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Commercializing Intellectual Property: *New Opportunities*

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What Does It Take to Succeed in Business

Vic Korsun, STCU Deputy Executive Director (US)
vic.korsun@stcu.int www.stcu.int

Before I begin I would like to observe something...

This talk was developed in a very American style for a Western audience. For this reason, if the very tone seems strange to you – that's because it isn't part of your culture.

The message, however, is what your scientific counterparts – and competitors – in the US are hearing today.

What do you need to start a successful business?

4 Things:

- One, A Plan.
- Two, A Team.
- Three, Money.
- Four, Timing and Luck.
- And, oh yes, maybe a 5th ...Your Technology.

It also takes PASSION.

Your passion.

Just as in science...

You need to do hundreds of experiments to find the critical piece of new information...

Yureka!

It is the same in Business.

You have to keep trying until someone says...

YES!

How many new businesses succeed in
the US?

One out of 10 succeed!

What happens to the other 9?

The managers of those 9 FAILED companies become the
management teams for other start-ups!

In a Success-Oriented mind-set
Everything that might be called
A FAILURE, we call *experience and learning*.

Is my technology good for Licensing or Starting a Business?

If it is an Evolutionary improvement over an Existing Product
then...

The technology is usually better for Licensing.

If it is a Revolutionary new product with a
100 times improvement then...

it may be suitable for starting a company, if you determine the
market is \$10-\$50-\$100 million or more.

You will need a valuable tool which is called...

The 30 Second Elevator Pitch.

You can use the elevator pitch whenever anyone asks you:

How's it going? How are you? or

What's happening with you. I haven't seen you in a while.

You need the Elevator Pitch
on the tip of your tongue!

The 30 Second Elevator Pitch

Write the answers out ahead of time & memorize them.

1. What is needed in the market?
2. Who needs it & how many will they need?
3. What is your unique technology advantage?
4. How will you beat the competition?

You want it to be so compelling that the person turns to you and says:

“Tell me more”, and gives you his card to make an appointment.

You have many questions.

1. What is the licensing deal that you make with a company that wants to license your patents?
2. What is a Business Plan?
3. What is marketing? Who is my competition?
4. What is an Exit Strategy? What is an IPO?
5. Why do I need international patents?
6. What kind of people should I find to help me?
7. What is Networking?
8. Why don't they just give me the money?

I want to focus today on the investor and you.

Before involving an investor you MUST make decisions among yourselves, and they must be made in writing, signed, and be legally binding by the various organizations, institutions, departments, and scientists.

There cannot be ambiguity between the company and the institute.

The investor risks are considerable, and your job is to minimize those risks.

What is a Business Plan?

It's a plan to make money!

What parts of the Business Plan will the investor look at most?

- Executive Summary
- Management Team
- Financial Projections

The Executive Summary MUST tell the investor everything he needs to know about your business opportunity on one page.

The Executive Summary must show him how the company will generate profits and it must be believable.

*I strongly advise you to get
a friend, consultant or business adviser to help you write it well.*

*Remember, a savvy investor
will reject 99% of the Business Plans he gets.*

Business Plan Sections

1. Executive Summary
2. Company goals
3. Products or services
4. Market Analysis
 - Market need, Competition, Main competitors, Marketing Strategy, Pricing strategy, Promotion strategy, Sales strategy
5. Management team
6. Five-year Financial Projections
 - Assumptions, Breakeven analysis, Cash flow
7. Exit Plan

*Very Important - The Business Plan must be well written, clear, coherent and in good English.
Get help to write it.*

An investor looks for ASSURANCES:

- The technology is protected by patents,
- The risks are manageable,
- He can trust you,
- You have a credible team,
- The technology is useful,
- It can be made into a product,
- Someone will buy the product if it is sold,
- They'll buy it at your estimated price,
- There is a BIG market,
- The market timing is right,
- The economic-political timing is right,
- Your country and his will not become obstacles for him,
- Your business will be profitable for him and give him a VERY GOOD return on his investment.

What does the investor need?

Profit!!!

Patents

The investor is not interested in your technology.
He is interested in your PROTECTED technology, and
what profits it will generate!

*To protect the technology you must have Patents, as Jud
has said earlier!*

The investor wants assurances that...
when your company sells
\$100 million of your product, the competition doesn't sell
the other \$900 million.

Your Patent needs to be protected
worldwide!

In Europe. In the US.

In Russia.

In Canada, and so on.

NO PATENT – NO SUCCESS!

And the best way is to do this is through the
PCT – Patent Cooperation Treaty, as Jud has
mentioned.

If you don't do a PCT patent

YOUR COMPETITION will be able to duplicate your patent in each of the countries that you are NOT registered in... *and that loses money for your investor.*

Without a PCT the large companies will not even talk to you!

A savvy investor will take your patent to his own patent lawyer. The investor will pay him to read your patent, to tell him if the COMPETITION can get around your patent.

Now, you decide whether you want a Russian patent or a PCT patent...prepared by a patent lawyer.

Questions?

Patent presentation & TPF template

Risks

The investor is a risk-taker.

However, for him to invest in your project, your Business Plan must assure him that the risks he faces are manageable, and manageable by you.

His major fear is that he will lose money if you do not succeed.

What are the risks?

Market outlook and growth

Management

Technology

Ability to get his money and profits back to his own country.

Profitability

Economic stability

Political stability

Technology Risks

The investor worries that the technology is

- Early stage
- Only a prototype
- Not proven
- Not adequately tested
- Needs too much development
- Too costly to manufacture, and
- No one will buy it.

Technology is Necessary... But it is NOT SUFFICIENT.

Management

The investor needs to be assured that your management team is up to doing the job.

Who should be on your team?

- President (The scientist-inventor cannot be the president)
- VP for Sales and Marketing ... Make sure he can sell ice to the Siberians!
- Accountant ...Honest and experienced.

Each individual has different responsibilities.

However, they ALL search for money!!!

Who else can help you?

- Lawyers,
- Marketing Consultants,
- Business writers,
- Respected Businessmen, and
- Recognized technology experts.

...All the people you didn't really think you needed.

...It's curious, but you just can't do it all on your own!

ISTC can advise you to help you find them.

Marketing

Most importantly, you need a MARKET!

The investor wants you to have a \$100 million market.

What is a market?

A market describes who will buy the kind of product you will be selling.

For example, market research could say the market for an X-Ray System is \$1 billion. If the price of one unit is \$100,000, that means that there are 10,000 potential buyers (hospitals) for that product per year.

(\$100 K x 10 K = \$1 B)

Your market potential will be a portion of the total.

If you believe that you can achieve 10% of the market (in a few years), then your market share is \$100 million. (10% of \$1 B)

This means that you will be producing 1,000 units each year, which breaks down to about 84 units each month.

Whatever percentage of the total market you believe you can achieve, an investor wants your market share to be a minimum of \$100 million.

What does a Marketing Plan need to show?

- Do you know what you are selling?
- Do you have a product?
- Do you know who will be buying it?
- Do you know how many people will buy it?
- Is the market growing, or is the market past its prime and is waning?
- How will you determine the price for your product?
- How will you respond to your market?

A good Marketing Plan may be the most difficult section of the Business Plan because from your perspective it is non-technical.

*I strongly advise you to get
a marketing consultant or adviser to help you.*

Good marketing research and analysis

...will produce two key pieces of information that are critical for marketing:

1. How many buyers there will be for your product, and
2. What price they will be willing to pay.

This information will directly affect your financial projections and your ability to generate a profit for your company.

Therefore, the information and analysis must be based on accurate, researched and analyzed information.

The dollar amount you give for the total market has to be believable and realistic, supported by verifiable data and facts.

Competition

A significant portion of the Marketing Plan is a serious discussion about the competition.

If you say that you have no competition because your technology is so revolutionary that there are no products in the marketplace that compete with it – you are wrong!

The investor will not believe you, and he will know that you do not understand the market.

Beware: *there is more to competition than meets the eye.*

There is business competition and technology competition.

Business & Technology competition

Business competition are companies that have “inferior” products compared to yours.

Technology competition – these are your friends and colleagues, both worldwide and next door, who are working in your scientific field and who may “surpass” you if you don’t keep up.

Competition comes in many forms

Look for:

- 1) Existing inferior legacy products that are too costly to change,
- 2) Products that customers are used to, and will not change.
- 3) Other technologies that meet the customer's needs,

YOU have to recognize what kind of competition is out there, who the companies are, and HOW YOUR COMPANY (NOT YOUR TECHNOLOGY) will beat them.

Customers don't always buy the best or the cheapest.

Superior technology is not always better for the customer.

Losing money to the Competition

If the competition takes away part of what you consider to be your market share then, in the business world, you are considered to be losing money to your competition.

...This is often difficult to grasp, because usually we do not believe we lost money that we never had.

But in the business world it means that you are not doing as well as you said you would, and as a consequence your investor is losing the money he thought he would be earning – because you projected it.

When you do not meet an expected projection there can be serious consequences for the Management Team.

Technology

I know you will do a superb job here.

But the one thing that you may miss, which is very important to state about your technology is:

- What is your unique technology advantage, and
- How will your technology beat the competition.

Writing the Marketing Section

Take the writing of the Marketing section of your Business Plan very seriously. I cannot over emphasize the importance of a good Marketing Plan.

The Marketing Plan is the engine of your company!
It takes a market to create a company.

Let me be perfectly clear:

WITHOUT A MARKET,
THE BUSINESS PLAN IS WORTHLESS!

Financial Projections

The Financial Projections at the end of the Business Plan must show a detailed budget and revenue stream over 5 years.

The financial picture must be backed up with facts:

- How the money will be used,
- How you will produce product,
- How you will sell your product,
- How much revenue you will receive,
- What all the costs will be, and
- How much profit you will make.

Trust

The ultimate goal of your Business Plan, and your choice of management team, is to convince the investor that he can TRUST you to make money for him.

You must speak with the investor
HONESTLY!

If you are not honest with him... he will never come back, and he will tell his friends never to go to you!

If you have not been honest with YOURSELF...
your investor will know that.

How will he know that? He just will.

Embarrassement

I am sure that you are painfully aware that when a western investor visits your facilities and laboratories that the facility does not represent you well. There has been a decade's worth of neglect and very little financial support!

An investor's confidence can be shaken by seeing crumbling offices and buildings, and old outdated equipment that is not up to western standards.

Do not hide or be embarrassed. Persevere.

You must know what it is that YOU have to offer that will be more attractive to the investor than working in his own country.

Impediments for the Investor

Look at the impediments the investor faces by trying to work with you:

Travel

Language

Facilities

Legal system

Contractual system

Financial system

Politics

The investor knows that working in another country, especially a country that, until recently, did not recognize patent law and ownership of private companies and industry, is risky. He knows that he is assuming much more risk than he would in his own country.

Know what you are offering

You must know what you are giving him that he cannot get somewhere else.

Is it a brilliant idea?

Is it a dedicated team?

Is it determination that jumps out and is convincing?

Is it more professional people at a cheaper price?

Are you frustrated enough that you will work harder?

Is it that you thirst for success and recognition and will not rest until you achieve it?

As a result of the political changes in your country in the last decades, do your scientists feel so uprooted that they will do whatever is necessary to succeed?

Be honest with yourself and be forthright with what it is you are offering.

More realisms...

Deviation from the stated plan sets off alarms for the investor. Financial discrepancies and corruption immediately ruin a relationship, for now and forever.

The investor will spread the word that you cannot be trusted. You will not be able to get funding in the future, and more seriously, this will create major funding hurdles for other scientists.

BE PREPARED – YOU WILL HAVE TO TALK AND NEGOTIATE WITH MANY INVESTORS.

You will hear a lot of “No’s.” This is NORMAL and does not mean that your technology is not good. It is part of the process for finding money.

It can take 1 to 2 years to find the first investor.

Value of your Contribution

In determining the dollar value of your contribution, you and the investor will consider factors such as:

- The stage of the technology development.
- How much investment has already been spent.
- How big is the market and how fast is it growing.
- What are the risks?
 - Technical risk
 - Market risk
 - Management risk, and
 - Other risks.

Weighing your alternatives

Let me just say: If the investor believes that the value is \$1 million but you believe that the value is \$20 million, there is very little likelihood that you will come to terms and have a deal.

Therefore, decide how much you want to succeed rather than making your point...*that your technology is worth so much...and no less.*

Weigh the potential rewards of success versus not doing anything or putting a deal off to another year.

Remember... 100% of zero is zero.

On the other hand, if your company is really successful, its value will climb and your portion will also climb, so that the value of the success will far outweigh the importance of who owns what percentage of the company.

Decide what balance will make you **HAPPY ENOUGH**.

You may feel slighted and used, you may feel that you are being treated unfairly in comparison with the investor. But stop and consider: is your feeling worth stopping the deal?

The investor doesn't mind if you make money. Therefore, you shouldn't mind if he makes money.

Are the alternatives really better?

Again... remember the better deal is the enemy of the good deal.

Don't wait for the BETTER DEAL!

While waiting for “better” to show up, “good enough” can disappear and the timing and the opportunity may be lost.

Formal agreement

The agreement between you and the investor establishes the basis for the company and governance of the company.

Signing the agreement document is a major milestone. You will now have a formal and legal way of working with each other, and each of you has the protection that the agreement offers and spells out.

**YOU MUST ADHERE TO THE TERMS
THAT YOU SIGNED!**

How much money should I get?

The amount will depend on:

- Market conditions dictate value.
- What other similar companies get.
- Your Stage of Product Development.
- Riskiness – markets and technology.

...and after you use that up you'll need to find more,
and you'll be looking for new investors.

...I never said this would be easy.

What are the sources of funding

Venture Capitalists (VC's)	You
Angels	Your family
Banks	Your friends
Companies	Your company through selling products

It takes a LONG time to find money.

12 months, 24 months, easily, or even 36 months.

...Remember those experiments?

...Finding \$\$\$ also takes a long time.

Talk with visitors

At ANY meeting where you and other participants are asked to introduce yourselves, take the opportunity to

USE YOUR ELEVATOR PITCH.

When you sit at the lunch or dinner table during conferences, sit next to a stranger, someone who doesn't necessarily speak Russian.

Don't sit next to a friend or colleague.

...Does he or she have money? Not likely.

You can find out though, if he KNOWS someone who could invest in your company.

DO NOT ASK HIM OR HER FOR MONEY!

Networking

Be prepared to talk to them. You WILL NOT have a lot of time.

Your delegation from your institute has to talk to people at meetings, technical conferences, trade show and other gatherings.

Throughout the year ISTC sponsors groups of scientists from here to visit the US at meetings and trade show. Again, more opportunities for you to look for funding. Use your Elevator Pitch.

If you visit a US university or a National Lab, ASK to meet with their TECH TRANSFER OFFICE in addition to meeting their scientists.

DO NOT ASK THEM FOR MONEY. ASK THEM FOR REFERENCES.

All of this is called NETWORKING.

Help each other

At your institutes, if you have western visitors and you are asked to present your technical projects, begin your talk with the Elevator Pitch as your introductory slide.

... Your non-technical visitors will love you for it.

By all means share and trade your lists of contacts with your colleagues.

All of these approaches are excellent ways to NETWORK and HELP EACH OTHER. If one of you succeeds it will be that much easier for the next person.

Don't count on someone else to do it.

If your institute HAS a person who is supposed to do this FOR YOU, he or she needs ALL OF YOU INVOLVED IN FINDING INVESTORS AND MONEY!

...Remember what I said the role of each member of the management team REALLY was? Yes, that's right, LOOK FOR MONEY.

There is no way to escape this responsibility, so get used to it. Ultimately, it is YOUR responsibility, it's your DESIRE, your PASSION, and your Technology.

Again: What does it take to succeed
in business?

You now know that technology alone is not sufficient.

It takes a Plan, a Team, and it takes...

Money and PASSION! It takes you!

You! . . . *every inventive, creative and disciplined part of you.*

Questions?

Thank you for your time and attention!

Vic Korsun, STCU Deputy Executive Director (US)
vic.korsun@stcu.int www.stcu.int